RSSC

INTEGRATED REPORT

THE ROYAL SWAZILAND SUGAR CORPORATION LIMITED

01 About this report

This is the seventh Integrated Report of the Royal Swazi Sugar Corporation (RSSC), and it outlines the issues, activities, relationships, interactions and performance of the RSSC, within its operating and marketing contexts during the period from 1 April 2017 and 31 March 2018. The aim of the report is to provide a balanced and integrated insight into the ability of RSSC to create value in the short-, medium- and long-term, not only for shareholders, but for other stakeholders with an interest in the Group's activities.

Reporting Boundary

While the scope and boundary of the report remain unchanged from those of the prior year, the material issues have been identified and reported upon with regard to, and in cognisance of, the six capitals – financial, manufactured, intellectual, human, social and relationship, and natural – outlined in the International Integrated Reporting Council (IIRC) framework. The report was also prepared with regard to the principles described in the King codes on Corporate Governance.

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

For more on strategy and operational issues please refer to pages 12 and 45.

Directors' Statement of Responsibility

The Board of Directors acknowledges its responsibility in ensuring the integrity of this report, and has applied its collective mind to its presentation and preparation. The Board believes that this report is a fair representation of the performance of the Group and its material matters. On the recommendation of the Audit and Risk Committees, the Board of Directors has approved the 2018 Integrated Report. The consolidated and separate financial statements were audited by KPMG.

A Statement on Materiality

While no formal process was undertaken during the year under review to further identify the material aspects that form the basis of the scope and boundary for this report, the material aspects previously identified have not changed in any significant manner, save for one issue – the drought that had previously profoundly influenced the strategic thinking and the production capacity of RSSC. With the breaking of this drought, the approval for a planned implementation of the Integrated Growth Plan (IGP), a key element of the Corporation's strategy, could begin to be implemented with implications for sustainability and the creation of value in the medium- and long-term.

Further materiality issues, as they pertain to ongoing stakeholder management, are elucidated in our Stakeholder Relations section of this report on page 18.

Contents

01 About this report

02 Highlights

2 Message from the Chairman

03 Who we are

4 Our vision

04 Our strategy

9 Message from the Managing Director
12 Our strategy
18 Stakeholder relations
22 Managing risk

05 Our business

28 Our value-creating business model
30 Background – The sugar industry
31 The Swaziland Sugar Association (SSA)
34 Human Resources (HR)
37 Employee wellness
39 Information Technology (IT)
40 Property Services
41 Public Affairs

06 Our performance

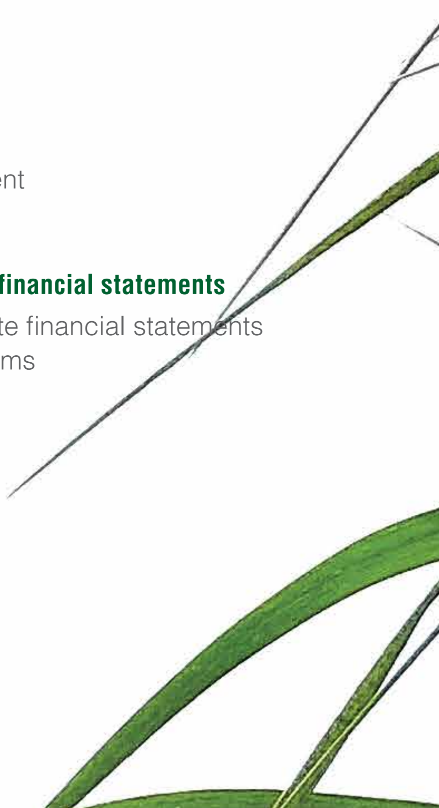
45 Our water resources
47 Our crop
48 Our factories
49 Ethanol production
51 Ethanol marketing
55 Procurement
55 IYSIS
57 Mananga Sugar Packers (MSP)

07 Our governance framework

60 Our Board of Directors
62 Governance overview
64 Our Board committees
66 Our executive management
67 Internal audit

08 Consolidated and separate financial statements

68 Consolidated and separate financial statements
120 Abbreviations and acronyms



Driving RSSC Forward

simama 20-20

Our new business as usual

With all the turmoil in the sugar markets and the exchange rate rollercoaster, there is nothing we can control out there. What we can reasonably influence though is our level of production and the costs of production. We need support from every stakeholder to achieve our Simama 20-20 strategy, which in turn guarantees value creation for all.

SIMAMA 20-20

02

Highlights

List of achievements for the FY 2018

FY2018 was the first year of RSSC emerging from the harsh drought. Production levels increased to within normal levels. Profits exceeded budget despite sugar prices being lower than budget and the prior year actuals.

E2 962m
REVENUE
(2017: E2 958M)

E264m
CANE GROWING CONTRIBUTION
(2017: E476M)

SUGAR

E369m
SUGAR MILLING CONTRIBUTION
(2017: E343M)

E8m
ETHANOL CONTRIBUTION
(2017: E59M)

E402m
PROFIT BEFORE TAX
(2017: E564M)

E301m
ATTRIBUTABLE TO THE OWNERS OF THE GROUP
(2017: E393M)

Message from the Chairman

Dr AT Dlamini
Chairman

After three extremely difficult years in which our resilience, determination, and ability to innovate were all tested to the limit, it was a great relief that we saw the debilitating drought that had afflicted the country finally broken during the year under review.

The good rains that fell have made a meaningful impact in the region in which we operate, and of course also on the ability of our Group to increase production towards normal levels.

The lessons we learned during the difficult times of very limited water resources will stand us in good stead well into the future. Not only were we able to ensure the survival of our crop, but we have used sophisticated water management systems, such as inter-basin transfer and the installation of drip irrigation, to enable us to contain costs, and of course, to continue production. The results we show for the 2017/2018 year, and which are described in this report, are a testament to our achievement, not only during the year, but in laying such solid foundations through our resourcefulness during the difficult years before that.

It is gratifying to see how well Management has steered the Group and the strategic decisions that have ensured that the business has retained its momentum. The Group is therefore well-poised to move onwards and continue to create value for our shareholders in the short-, medium- and long-term.

The Board is satisfied with the Group's performance and we look forward to ongoing success in all aspects of our crop-growing and associated production. The depth of our human, natural and manufactured capitals has once again been proven during this year of recovery.

Expanding capacity

Phase 1 of our Integrated Growth Plan (IGP) has successfully been implemented with vigour and success, and it is very pleasing to see the Mhlume factory now well on the way to fulfilling its expanded potential. The approval of Phase 1 by the Board has been more than vindicated, and we look forward to the implementation of Phase 2, and the subsequent phases that will see us continue to grow and be competitive in the context of the continuing depressed markets that we sell in. The Board has every confidence that the Group will continue to grow and create value in terms of its well-considered strategic plan.

For more on strategy, see page 12.

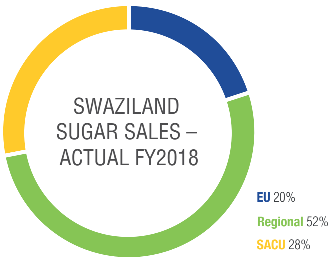


Figure 1

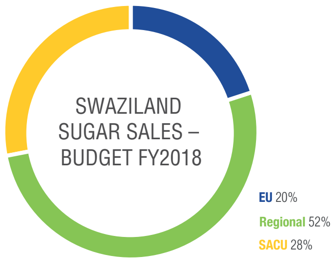


Figure 2

The good times

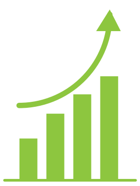
Going back in history, the sugar market environment was favourable. The industry made good profits under the protection of EU quotas.

SIMAMA 20-20

Our stakeholder relationships

We continue to value the stakeholders with whom our relationships are paramount in ensuring the smooth operation, the growth and the effectiveness of our business efforts.

Government, labour and industry bodies, and the communities among which we operate, and from whom we draw the bulk of our employees, are all critical components of our business and social universe. We therefore consult with them, take their concerns into account, and communicate with them with all the integrity and transparency that our ethical business framework demands of us. It is gratifying that we have seen our efforts in this regard rewarded during the year under review. It is just as gratifying to see that our commitment to investing in the well-being of the communities which we operate in, has continued with focus, with our social investment initiatives making a positive impact in education, health and infrastructure.



E2 962m

REVENUE

For more on our stakeholder relationship, see page 18.

Relationships

Our good relationship with the Government is key to our endeavours, particularly when it comes to ensuring ongoing water security. It is only through productive and positive interaction and mutual effort, that we will be able to implement progress in the building of new dams and water storage facilities. We are always greatly appreciative of the support we receive from the Government, and we greatly value any actions which the Government is able to undertake to help bolster the capacity and effectiveness of our industry.

The input of the Government is also critical in our dealings with the Swaziland Sugar Association (SSA), as we debate ways of renewing our various roles within the context of modern-day regional and global market conditions.

Social investment

The Board and I continue to be extremely proud of the achievements of the Group in promoting the skills, education and health practices that are central to the well-being of our society. While the breaking of the drought has eased some of the very harsh conditions with which our communities had to contend with, there still remain very pressing issues such as poverty, education and health that need to be addressed on an ongoing basis. The work, commitment and actions of RSSC as the country's largest employer, continues to set an outstanding example in all of these critical social areas.

For more on the SAA, and our markets, see pages 30 and 31.

Our governance

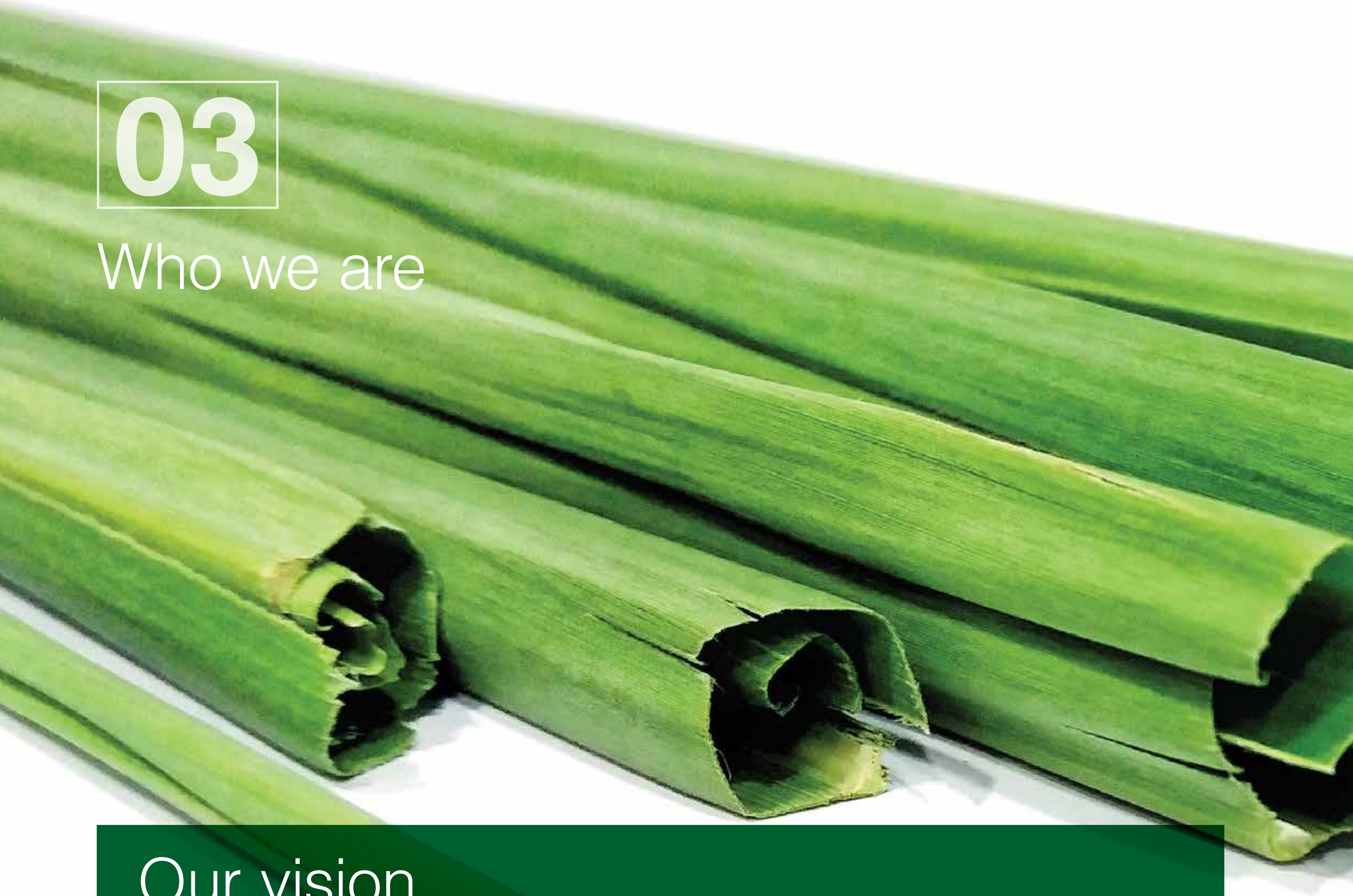
I continue to take great pride in the exceptional transparency and adherence to the principles of governance to which we are resolutely committed, not only to practising, but to enshrining as a central tenet of our culture. The mutual respect and productive nature of the relationship between management and the Board continues to bear fruit. The reciprocity of information, knowledge and guidance that exists between the Board and the executive is crucial to the smooth and focused functioning of the business. This has continued during the year under review.

I am confident that, as a Board, we are individually and collectively well-equipped to discharge our responsibilities and to act with the best interests of all our shareholders and stakeholders in mind, as we steer the Group in its quest to deliver ongoing value.

Acknowledgements

I would once again like to congratulate not only Management, but every single employee on the concerted and rewarding effort made towards the recovery of the business from the drought. I would also like to thank my colleagues on the Board for their commitment, insight, wisdom and the individual skills they bring in support of the continued success of our business at RSSC.

Dr AT Dlamini
Chairman



03

Who we are

Our vision

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

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

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

Our values

Integrity

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

Delivery

We meet our targets and deadlines

Respect

We respect, value and care for people

Our structure

For further information visit our website

Five-year review

	March 2014	March 2015	March 2016	March 2017	March 2018
Production					
Sugar (96˚ Pol) (tonnes)	433 255	471 208	485 529	400 102	435 763
Ethanol ('000 litres)	29 667	31 344	35 316	33 152	25 468
Financial results (E'm)					
Revenue	2 716	2 636	2 865	2 958	2 962
Profit attributable to shareholders	372	234	273	394	301
Total assets	2 440	2 537	2 646	2 940	2 939
Shareholders' funds	1 574	1 677	1 755	1 893	1 982
Net borrowings	68	52	–	–	–
Net cash from operating activities	426	414	426	572	392
Financial ratios					
Operating margin (%)	17.8	10.7	12.1	17.3	11.1
Return on net assets (%)	25.7	15.5	17.6	23.8	16.7
Return on shareholders' equity (%)	23.6	14.0	15.6	20.8	15.2
Interest cover (times)	60.9	37.6	64.5	51.0	173.5

Our story – six decades of growth

1950

1955
Commonwealth Development Corporation (CDC) undertakes sugar cane trials at Mhlume

Mhlume (Swaziland) Sugar Company Limited registered as a sugar factory and cane estate

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

1958
Mhlume Sugar Estate incorporated

1960

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

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

1970

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

1975
Third mill is planned and developed by Tate and Lyle Technical Services Limited

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

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

1978
The Ingwenyama names the third mill Simunye Sugar Estate

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

1980

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

For further information visit our website

1990

1992
RSSC is listed on the Swaziland stock exchange

1995
Distillery is commissioned

2000

2001
RSSC merges with Mhlume (Swaziland) Sugar Company Limited

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

2004
Mananga Sugar Packers is established at Mhlume Mill as a joint venture between RSSC and Tsb Sugar

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

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

2010

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

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

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

2014
Integration of our information systems into SAP in line with global practice

2017
Phase 1 of the Integrated Growth Plan implemented

04

Our strategy

The good times

Going back in history, the sugar market environment was favourable. The industry made good profits, under the protection of EU quotas. Quotas were removed in October 2017.

SIMAMA 20-20

33%
THE TOTAL REDUCTION IN PRICE OF RAW AND WHITE SUGAR IN THE WORLD MARKET

E4.3bn
ESTIMATED ADDITIONAL PROFITS AFTER TAX AS A RESULT OF OUR IGP IN 20 YEARS

SUGAR

2.4m tonnes
THE GROWTH IN GLOBAL CONSUMPTION OF SUGAR PER ANNUM

Message from the Managing Director

For more on strategy, see page 12.

NM Jackson
Managing Director

The year under review was one in which we saw both raw and white sugar prices in the world market continue to trend downwards, losing about 33% in value, and EU market prices also trended downwards – with a significant decline in the last quarter of 2017, and short-term recovery unlikely. Nonetheless, we have recorded cane and sugar volumes that are ahead of what we had budgeted for, and profit also ahead of budget.

The Integrated Growth Plan (IGP)

Although adoption of the IGP was delayed by the drought that we experienced over three years, with the breaking of the drought, Phase 1 of the plan has been approved and is nearing completion. Among the overall aims of the IGP in the long-term, are the securing of more water, and growing of more cane to match our factory capacity. The mill performance and efficiency, particularly at Mhlume will be enhanced as it is expanded in a modular fashion.

It is hoped that our increased energy self-sufficiency will lead us, in the long-term, to become a net energy exporter as we focus on operational efficiency in our production chain. All of this will allow us, in terms of the IGP, to grow the business by investment and appropriate partnering as we ensure that our human capital is suitably skilled, motivated and aligned.

As it is extended over a period of seven years, the project has been broken up into discreet parts that can be approved without jeopardising the whole. The projection is that over 20 years it will result in E4.3 billion in additional profits after tax.

During FY2018 the implementation of Phase 1 has been proceeding successfully. It is on time and on budget. It is imperative that the Group implement Phase 2, as the plan in its entirety is critical for the long-term sustainability of the business. Phase 2 was approved at the March 2018 Board meeting.

The world in which we operate

A large surplus of around 6.5 million tonnes seems likely for the year under review, followed by another more modest surplus projected for 2018/19. India with a crop of 29 million tonnes against a predicted 23 – 24 million tonnes, has now moved into a major surplus, and there have been strong crops in several other locations, such as Thailand, the EU and Central America. Alternative crop prices have been weak, and record net short positions are being held by the Funds, with world prices having a direct or indirect impact across all markets.

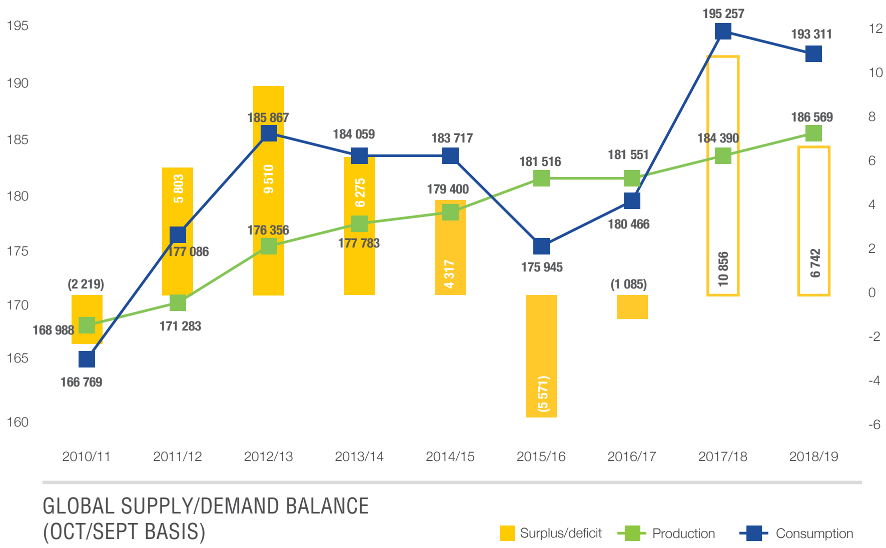
The EU, since the product quota reform, has moved from deficit to surplus, with producers adjusting to the new environment, and consumption declining

Message from the Managing Director (continued)

The case for IGP

The projection is that over 20 years the IGP will contribute E4.3 billion extra profits.

SIMAMA 20-20



GLOBAL SUPPLY/DEMAND BALANCE (OCT/SEPT BASIS)

Figure 3

E14.4m

THE AMOUNT OF MONEY SPENT ON DEVELOPING APPRENTICES IN 2017/18 (SEE PAGE 35)

as a result of both economic and health concerns. While beet yields have been showing significant improvement, the EU market will still require some raw, as well as direct-consumption sugars.

The Southern African Customs Union (SACU) market has been affected by significant imports, and there has been a need to discount prices in order to secure market share – 20.6% on whites, and 13.5% on brown. There has been only sluggish growth in consumption, although the situation could well improve once the higher tariff takes effect, when discounts can be phased out. As well as these reductions in price, there was no price increase in February, which has been the normal practice in prior years. This has resulted in close to a 27% reduction in prices.

The regional market is well-supplied and sales prices for both brown and whites are attracting a premium to world market levels. While lower world market prices are impacting on regional prices and premiums, recovery is expected. It will be important to capitalise on the regional trade agreements to which Eswatini is a signatory.

It is very gratifying to note that, despite the wider context of depressed markets, the pressures exerted by the exchange rate, and the residual effect of the drought, we have seen a good crop yield in FY2018. On the ethanol production front an explosion occurred in the No 2 plant severely impairing our operational capacity for approximately five months, with a concomitant effect on our profitability. Nevertheless, we were able to overcome great technical difficulties, and instituted the necessary repairs in a far shorter time than originally anticipated.

It is also pleasing that the lessons we learned during the drought have improved our water security, with reservoirs and inter-basin transfers now an established feature of our agricultural landscape.

Growers and the Swaziland Sugar Association (SSA)

The makeup of the sugar industry in the country has been static for the past 50 years and we need new agreements and structure to take us forward for the next period. In our view, the current structure, along with the agreements are no longer sustainable and this requires ongoing scrutiny and negotiation.

Outlook

Although world prices have fallen and prospects are bearish in the short term they will not remain so, and global consumption, even when conservatively projected, is still growing by 1.3%, or 2.4 million tonnes per annum. We believe that the EU market will still need to source some of its sugar from reliable, quality suppliers such as Eswatini.

For more on operations, see page 44.

The new-look Mhlume Mill after the installation of new, modern evaporators. We will continue to modernise the mill in subsequent phases of the IGP.

In our projections we have conservatively assumed a modest premium over the No. 11 price for both EU and world market sales. SACU prices should recover once the new tariff takes effect, hopefully towards the end of 2018, and premiums on regional prices are also expected to recover. With the US quota continuing to reflect high prices and an expected softening in exchange rates, we see a tougher trading environment in the short term. However, with recovery realistically expected, the IGP, with its focus on cost reduction and sustainability, will enable the Group to be more competitive in these challenging times.

Acknowledgements

I would like to thank all our employees. It is through the dedication, commitment, teamwork and hard work of every single individual, that we have bounced back from some very demanding challenges. It is testament to their resilience, determination and willingness to innovate and adapt that has seen us attain some very pleasing results during this financial year.

NM Jackson
Managing Director

Land clearing marks the beginning of a total of 3 600ha expansion of RSSC land under cane.

Our strategy

The Board adopted and authorised the implementation of the first phase of the IGP during FY2017. We continued in FY2018 to implement the central plan, which embraces the expansion required for the sustainable growth of RSSC, its profitability and competitiveness and its continued ability to create value for shareholders. It is a plan which encompasses our financial, manufactured, human, natural, intellectual and social and relationship capitals.

There are two components to the Corporation's strategy:

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

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

Key components of the IGP

The IGP is designed to:

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

Land clearing and soil preparation is in full swing on the Thunzini Estate, which is part of the RSSC cane expansion under the IGP.

Features of the IGP

- **Unit cost reduction**
  Sugar industries have high fixed costs and the expansion component of the IGP seeks to address this by reducing our unit cost. We are using the opportunity to improve the efficiency of the Mhlume factory in order to maximise this unit cost reduction.

- **Water**
  Analysis has shown that there is sufficient water for expansion, and the water strategy seeks to "drought-proof" the business while developing new water storage.

Phase 1 expansion scope

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

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

Medium term – The medium-term objectives include:

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

Long term – In the long term the plan envisages:

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

Changes in our operating context

Certain changes have occurred in our operating environment that have necessitated an update to the IGP model in the context of an examination of their impact. These changes include:

- The appreciation of the Rand against major currencies leading to lower local currency receipts from export sales.
- Less attractive sugar market and price prospects in the short term.
- Knock-on effects on RSSC revenue streams for sugar and ethanol.

The underlying IGP strategy and philosophy and the physical parameters of the project have, however, not been re-examined, and the IGP, with its focus on cost reduction and sustainability, will enable the Group to be more competitive in any challenging market and price conditions that might arise in the future.

Request to the Board

The Board was therefore requested in March 2018 to endorse a presentation of the IGP update, to approve capital expenditure for IGP Phase 2, and approve the signing of the Facility Agreement with Nedbank Swaziland.

Strategic Objectives for 2018/19:

- IGP Phase 2 upgrade of back end to increase pan floor extra evaporator capacity not completed in 2017/18
- Long-term water security
- Unit-cost reduction in alignment with corporate strategy
- Internal recalibration of industry vision
- Development of comprehensive and sustainable learning and development initiatives

IGP project overview

Parameter	Results
Additional estate cane area	3 600ha
Additional outgrower cane area	1 092ha
Additional cane	499 727t
Additional sugar (Mttg)	64 400t
Total cost (Including capitalised finance costs)	E2,003bn
IRR	22.47%
Payback period	9 years
Unit cost per tonne sugar reduction (real terms)	18.9%

Our strategy (continued)

An important ongoing effort at the OSM is to communicate the underlying motivation of Simama 20-20 – the aim of which is to reduce the Group's unit cost by 20% by 2020.

SIMAMA 20-20

Office of Strategic Management (OSM)

The OSM, now in its third year of existence, was established to facilitate and measure performance against strategic targets and objectives. In addition, it is mandated to drive a culture of continuous improvement throughout RSSC.

During the year under review, the OSM complement was increased from one to three in order to meet business demands, and the office launched a Change Management Framework, and mounted roadshows to enhance communication of the Group strategy. Vuka! (wake-up call) sessions aimed at positioning the Change Agility initiative were conducted for all senior management.

Strategy execution and change enablement progressed significantly, with business mapping 90% complete and subsequent service level agreement (SLA) sessions held for support functions.

The office also positioned a business process forum for Heads of Departments (HODs) to resolve and progress integration issues targeted at increasing support function efficiency and effectiveness.

The scoping and rollout of a Project Management Office (PMO) framework for the Group targeted the implementation of a process to improve the realisation of projects and enhancement of benefits as part of its objective of increasing its strategy execution capability.

A Change Agility agenda will be confirmed during the course of FY2019 to enhance the Group's responsiveness to continued challenging changes in the sugar industry.

We require everyone's input for the success of our Simama 20-20 strategy. This is one of several workshops we have held across the Group so that all employees are included.

We are using all sorts of methods to clarify the mechanics of our strategy and how we propose to manage change. This includes business board games.

SIMAMA 20-20

Given the circumstances prevailing in our environment, our plan in the short- to-medium- term is to address water security, expand production and optimise our operations in order to effectively lower our unit cost.

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

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

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

Secure more water

Grow more cane to match factory capacity

Improve mill performance and efficiency, particularly at Mhlume

Expand the Mhlume factory in a modular fashion

Move towards energy self-sufficiency and potentially become an exporter of energy in the long term

PASSION **COLLABORATION**

Driving RSSC Forward

simama 20-20

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

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

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

LONG-TERM VISION

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

SUGAR

Produce more sugar and ethanol

Focus on operational efficiency in the production chain

Grow the business through appropriate investment and partnering

Ensure that human resources are suitably skilled, motivated and aligned

Continue to motivate for a new vision for the Swaziland sugar industry

MUTUAL SUPPORT **COMMITMENT** **BRAVERY**

An important ongoing effort at the OSM is to communicate the underlying motivation of Simama 20-20 – the aim of which is to **REDUCE THE GROUP'S UNIT COST** by 20% by 2020.

Stakeholder relations

Stakeholders and materiality

Our ability to create value is impacted by a range of material matters arising from our relationships with our stakeholders.

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

Our key stakeholder engagement plan FY2018

Stakeholder	Material issue	Current position	Desired position
Board/shareholders	Seek Board approval for implementation of IGP Phase 2	IGP Phase 2 proposal drafted and to be tabled to the Board	Board approval to increase the capacity of Mhlume factory back-end by increasing the capacity of processing equipment sizes which includes pans, crystallisers and centrifugation stations
			Phase 2 implementation
Employees	Employee engagement on IGP progress	Employees familiar with the IGP, but need to be kept engaged on progress	Employees' buy-in in subsequent stages of IGP for their input and implementation
Swaziland Cane Grower Association (SCGA) Executive	Industry vision	Growers do not want to entertain Millers' interest, instead they want a stake in co-generation	Fruitful negotiation on sugar marketing and co-generation issues, thus progression of a new industry vision
Ministry of Natural Resources and Ministry of Agriculture	Water security	As part of RSSC long-term plan on water security, continued efforts on reducing future exposure have to be pursued	Actively participate in assisting government in the building of the two dams, i.e. Isilele and Silingane
Organised labour	Increased compliance with the income tax order	Because of SRA tax audit, employees are expected to pay more income tax from April 2017 thus reducing their disposable income Pressure will be brought on the ER climate as a result of increased demands for RSSC to make up the shortfall created by tax through higher salary increases	Employees fully understand the requirements for compliance with the tax order
Ministry of Labour and Social Security	Localisation and training	The ministry imposes a one-size-fits-all on localisation and training standards, or requirements that restrict optimal human resource management within our operation	Ministry's understanding and acceptance of what drives the industry and RSSC business model in terms of localisation quotas and training needs
Local universities and professional institutions	Talent tracking	Poor collaboration with local universities in developing demand-driven programmes and tracking talent that is relevant to the RSSC business	Demand-driven programmes and effective human resource development through tracker studies in monitoring talent from training stages in collaboration with these institutions

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

Mutual effort pays off

It is pleasing that even in 2017/18, RSSC's stakeholder relationships have continued to be positive and yield fruit, both within the Group and in the public domain.

SIMAMA 20-20

Required action	Frequency	Timeline	Accountability
Table the plan for review and subsequent Board approval	Quarterly	April 2018	**MD**
Increased capacity and better performance at Mhlume factory	Once-off	March 2019	**GM operations**
Employees engaged on expectations and any changes affecting them due to the project	Ongoing	June 2018	**ExCo**
Internal recalibration on expectation and subsequent action	Once-off	June 2018	**MD/ExCo**
Continued positive engagements with ministries through senior officials and portfolio committees, E3m already set aside for feasibility studies for construction of the two dams	Ongoing	June 2018	**MD/GM operations**
Consultations with organised labour representative and shop stewards on the new reality, increased awareness for all employees to prepare them for the changes	Through management briefs, divisional meetings and consultation sessions with employee representatives	Will be monitored monthly	**Group HRM (Head of HR Operations)**
Continuous interaction with the Training and Localisation Committee (TLC) including an annual presentation on RSSC's status and challenges	Periodic sessions and annual presentation to the TLC	March 2019	**Group HRM (Head of HR Operations)**
Participation in curriculum development forums with UNESWA and other institutions	As invited by UNESWA	Dec 2018	**Group HRM (Head of HR Operations)**
Annual meeting with Ministry of Labour and Social Security to share information on Swazi-sponsored students in RSA universities	Annually	Dec 2018	**Group HRM (HRM – Learning and Talent)**

Stakeholder relations (continued)

Stakeholder	Material issue	Current position	Desired position
Employees	RSSC Strategy Review	Industry changes require review of current strategy to address emerging issues	Implement reviewed strategy that addresses new issues resulting in industry and sugar market changes
			Achieve operational excellence through adherence to strategy framework
	SAP embedment	The SAP system is underutilised and optimal benefits have yet to be realised	Optimal usage of SAP to fullest potential
	Business process mapping	Business process mapped but not fully applied	Business process maps adherence in everyday operational activities
Suppliers/contractors	Suppliers/contractors service delivery	Poor quality service, unfavourable pricing and inefficient service delivery	Quality, timely and adequately priced service delivery from all RSSC suppliers
Schools	Government teacher's housing	No housing system is in place to address the issue of accommodation shortages within the goverment-owned schools for teachers and staff members	Teachers to be prioritised for housing to assist recruitment and retention of qualified teachers for the schools. Recognised housing system that addresses both RSSC and teachers' issues to be in place and implemented to address the current situation
Community	Youth entrepreneurship support	Local out of school youths faced with unemployment, poverty	Provide a platform that offers young people within the RSSC community to engage in entrepreneurship as a means of creating a sustainable livelihood, which combats unemployment, poverty and incidentally tackles crime issues
Local media	Media engagement	Media relations are stable and this needs to be proactively managed to remain favourable	Media partners to maintain positive open relations with RSSC and ultimately enhance the favourable reputation for the Corporation by the national audience

The Outgrower cane expansion project has enhanced social development, such as new teachers' housing and community water at Mnyangombili and Mbombo Wendlovu.

Required action	Frequency	Timeline	Accountability
Strategy review with external input	Once-off	March 2019	**Head of Strategy**
Strategy retreat for ExCo and senior management	Annual	September 2018	**Head of Strategy**
Optimal value of return experienced through adequate implementation and utilisation of the system, resulting in seamless cohesion within RSSC business processes	Once-off	June 2018	**Head of Strategy**
Business process videos developed and must be rolled out throughout the Group for educational purposes	Once-off	June 2018	**Head of Strategy**
Host a suppliers' day event to engage suppliers and contractors on how to improve business relationships between all parties	Annual	March 2018	**GM Commercial**
Housing arrangement that provides subsidy for housing of teachers. The Property Services department will recognise and prioritise the housing of school staff within the Estate	Once-off	April 2018	**Group Public Affairs Manager**
Host an annual competition in which applicants are capacitated with free business training, as well as standing a chance to win grant capital towards funding small businesses and hopefully be eligible for funding from other financial institutions	Annual	November 2018	**Group Public Affairs Manager**
Host a media day where RSSC openly invites and engages media on business updates, and addresses media's expectations	Annual	February 2019	**Group Public Affairs Manager**

Managing risk

Management is aware that not everything will go according to plan. For that reason, we constantly review and update our business processes, controls, procedures and plans in order to address identified risks and take appropriate action.

2018/19 ENTERPRISE-WIDE RISK REGISTER

Risk ranking 2018	Risk issue	Causes	Consequence
1	**Sugar markets**	a) Significant price decreases in SACU b) Import tariff protection not triggered by International Trade Administration Commission c) Threat of imports into SACU d) Currency strengthening significantly, reducing export returns e) Significant reduction in EU sugar prices f) Sustainability of SACU if Namibia and Botswana exit the SACU arrangement for sugar	a) Decreased profitability b) Negative impact on sustainability
2	**Labour unrest**	a) Trade Union activities b) Tough economic environment c) Increases in employees' tax burden	a) Negative impact on productivity and profitability if strikes occur b) Strained employer/employee relationship c) Strained miller/grower relationship
3	**Stability of power supply**	a) Failure of equipment due to age and maintenance b) Potential mal-operation of equipment increasing cost of fuel c) Lack of diversity of fuel types d) Cost of fuel	a) Negative impact on productivity b) Increase in production costs c) Opportunity cost lost in terms of saving "imported" power d) Inadequate business interruption insurance claims
4	**Not achieving business growth and optimisation**	a) Lack of availability of finance b) Not delivering the expected financial returns on previous phases of investments c) Lack of appropriate skills (project management) d) Viability of the IGP due to decrease in profitability and reduced cash flow	a) Threat to business sustainability b) Failure to reduce the unit cost
5	**Sugar industry**	a) Current Eswatini sugar industry structure does not allow RSSC marketing of own sugar b) Current weighting of millers and growers voting rights (50/50) c) Sub-optimal marketing capability in SSA with knock-on effect on returns as the Industry Agreement is outdated	a) Slow decision-making leading to lost opportunities b) Non-identification of lucrative opportunities c) Reduced profitability and sustainability of RSSC d) Strained miller/grower relations

ADEQUACY AND EFFECTIVENESS OF THE RISK MANAGEMENT PROCESS: Management is of the view that the RSSC risk management process of addressing risks is sufficient and effective, given the current risk profile and the respective changes made in response thereof.

Controls	Accountable manager	Actions for 2018/19	Inherent rating
a) Currency hedging b) Forward exchange contracts c) Lobbying and influencing	MI Maziya	Pricing reduced by 7% and a further 13.5% in the last financial year. Going forward: a) Lobby governments for triggering the ITAC tariff protection – *in progress* b) Lobby the SSA to lobby government as an industry – *in progress* c) Look to grow sales volumes to alternative markets (in order to compensate for lost markets) – *in progress*	80
a) Effective/regular engagements with staff b) Effective engagements with Trade Unions c) Ongoing and effective engagement with surrounding communities d) Training of staff representatives e) Training of line managers f) Team/relationship building g) MD's Roadshows	MB Mkhonta	a) Effective/regular engagements with staff – *in progress* b) Effective engagements with employee organisations – *in progress* c) Ongoing and effective engagement with surrounding communities – *in progress* d) Training of staff representatives – *in place* e) Training of line managers – *in place* f) Team/relationship building – *in place* g) Lobbying through FSE & CC and Labour Advisory Board – *in place*	64
a) Capital replacement programme in place b) Maintenance programme in place, including machine condition monitoring c) Skills training	PJ Myeni	a) Capital replacement programme – *in place* b) Maintenance programme – *in place* c) Skills training – *in progress* d) Install more generation capacity to utilise future excess bagasse – *to plan*	48
a) Quarterly update of the IGP (Business Plan) against progress	PJ Myeni	a) Commissioning of Phase One of expansion – *in progress* b) Implementation of Phase Two of expansion – *in progress* c) Raise financing for Phase Three – *to plan*	40
a) RSSC to influence decisions at SSA Council and Miller-Grower meeting	NM Jackson	a) Progress strategy to advocate and lobby stakeholders to promote a new vision for the sugar industry – *in progress* b) Lobby key stakeholders in the sugar industry – *in progress* c) Engage with SSA Steercom for Eswatini sugar industry to progress RSSC vision – *in progress* d) Renegotiate the industry agreement – *to plan*	32

Managing risk (continued)

Risk ranking 2018	Risk issue	Causes	Consequence
6	**SAP embedment**	a) Adjustment issues due to process changes and a more robust control environment b) Delay in training strategy (transactional training was done, but process training/embedment not yet done) c) Budget module not in SAP (HTML interface)	a) Inefficient use of existing operational, management and real-time reports, to deliver insights b) Increased workaround time for reporting c) Inability to achieve ROI on SAP implementation and unlocking organisational value d) Use of alternative reporting methods (e.g. Excel)
7	**Strategic alignment across business units**	a) Insufficient integration between business units b) Departmental SLAs not yet completed	a) Non-achievement of strategy b) Inefficiencies and cost creep c) Lack of collaboration across business units
8	**Safety & fire incidents**	a) Existing health and safety culture b) Negative safety trends experienced in certain areas (e.g. contractors) c) Increased number of non-compliance incidents d) Reduced awareness and focus on well-being of employees and contractors e) Veld and cane fires as a result of arson f) Sudden changes in wind directions during cane burning g) Non-compliance with procedures related to cane fires h) Lightning	a) Injuries/fatalities b) Decreased production/factory downtime c) Increased burden on medical support systems d) Increased sick leave cost e) Loss of property and equipment f) Negative impact on reputation

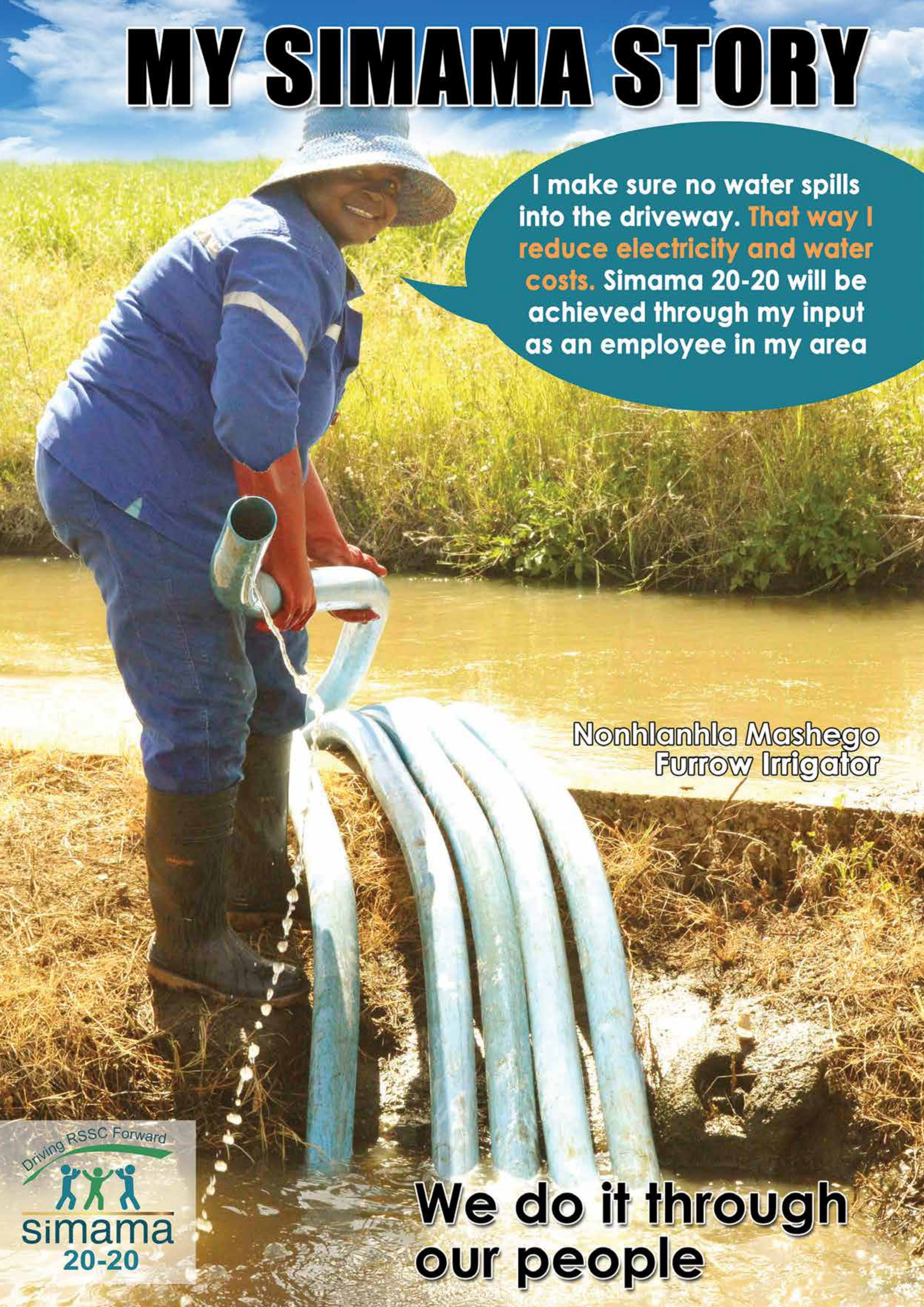
Controls	Accountable manager	Actions for 2018/19	Inherent rating
a) Training on process, transactions and reporting options b) Report rationalisation to limit reports to system-generated reports c) Documentation of processes	NM Jackson	a) Implement change management – *in progress* b) Expedite SAP training for transactional users – *in progress* c) Improve super-user programme – *in progress* d) Implement SAP process embedment – *in progress* e) Record-to-report (R2R) project in place to increase efficiency of month-end reporting – *in progress* f) Implementation of BPC – *to plan*	24
a) Collaboration at ExCo level b) Management forums	NM Jackson	a) Focus on addressing issues through strategic maps – *in progress* b) Execute departmental strategic maps as aligned to the corporate map – *in progress* c) Drawing up SLAs between divisions to ensure operational efficiencies – *in progress* d) Establishment of Communities of Practise (COPs) by process area, to assist with process alignment and hand-overs – *to plan* e) Documentation of process down to Level 5/Standard Operating Procedure level – *to plan*	24
a) Lines of Defence b) IMS c) External Assurance providers d) Toolbox Talks e) Planned Job Observations f) Compulsory Alcohol Testing g) Induction Training Fire Drills	NM Jackson	a) Improve safety practices and discipline – *continuous improvement* b) Review and revise comprehensive safety plan – *in progress* c) Implement detailed management plan and progress tracker to monitor close-out of recommendations – *continuous* d) Re-align procedures to streamline and support safety culture – *in progress* e) Annual Alexander Forbes Risk assessments – *In progress, monitored on a quarterly basis* f) Maintain and comply with fire emergency procedure – *in place*	40

5

OUR BIGGEST LOSER HEALTH INITIATIVE HAS HAD FIVE SEASONS

4

THE NUMBER OF COMMUNITIES THAT HAVE RECEIVED BOREHOLE WATER THROUGH OUR CHARITY GOLF DAY


MY SIMAMA STORY
I make sure no water spills into the driveway. That way I reduce electricity and water costs. Simama 20-20 will be achieved through my input as an employee in my area
Nonhlanhla Mashego
Furrow Irrigator
Driving RSSC Forward
simama
20-20
We do it through our people

05

Our business

Creating shared value

We are not just a business. Our operational activities result in value being created not only for our shareholders, but also for various other stakeholders and sectors of society.

SIMAMA 20-20

E27.1m
THE VALUE OF HEALTHCARE SERVICES PROVIDED TO EMPLOYEES AND THE COMMUNITY

E80m
TAXES PAID TO THE GOVERNMENT

22 000
THE NUMBER OF PEOPLE HOUSED BY RSSC

Our value-creating business model

INPUTS

FINANCIAL CAPITAL

- Equity funding
- Debt funding
- Cash resources
- Reinvestment
- Investments In:
  - Mhlume Sugar Company
  - Royal Swazi Distillers
  - Mananga Sugar Packers
  - Inyoni Yami Swaziland Irrigation Scheme
  - Simunye Plaza
  - Quality Sugars

MANUFACTURED CAPITAL

- Simunye Sugar Mill
- Mhlume Sugar Mill
- Refinery
- Ethanol plant
- **22 000** Ha of cane
- **12 000** Ha of growers' cane
- **2 211** Head of cattle
- **6 790** Head of game

NATURAL CAPITAL

- **22 000** Ha of land
- Energy
- Water

HUMAN CAPITAL

- **1 704** loyal, skilled and motivated permanent employees
- Experienced management team

SOCIAL AND RELATIONSHIP CAPITAL

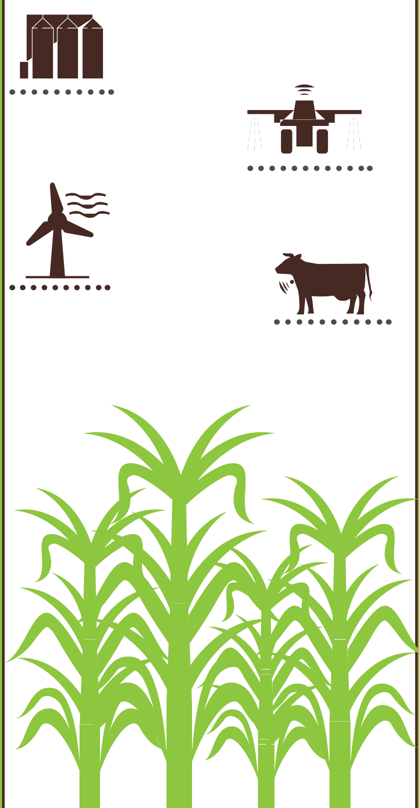
- Employee relations
- Grower relations
- Community relations
- Supplier base
- Government relations
- Shareholder support
- Industry relations
- Customers and customer relations

INTELLECTUAL CAPITAL

- Processes and systems
- Brand equity

BUSINESS ACTIVITIES

- Sugar cane growing
- Harvesting
- Processing
- Refining
- Ethanol distilling
- Distribution
- Beef production
- Hospitality
- Power generation



Value creation is the primary aim of our business. To this end we continuously review our value proposition in order to make the necessary adjustments to our processes and create more value for all our stakeholders.

OUTPUTS

- **404 363** tons of sugar
- **25m** litres of ethanol
- Beef **62 726 kg**
- Carbon emissions
- Revenue of **E2.962bn**
- Profit of **E301m**
- **896 343** tons of bagasse (recycled for co-generation)
- **98 169** tons of stillage (sold and used for liquid fertiliser)

E2.962bn
REVENUE

98 169
TONNES OF STILLAGE (SOLD AND USED FOR LIQUID FERTILISER)

OUTCOMES

E80m
OF TAXES PAID TO GOVERNMENT

1 704
JOBS SUSTAINED

STAFF DEVELOPMENT SPEND
E27.3m

SALARIES AND WAGES OF
E670.1m

HOUSING PROVIDED TO
22 000
PEOPLE

HEALTHCARE SERVICES TO THE VALUE OF
E27.1m

STRATEGY

For more information on how our Strategy enables value creation for our stakeholders, please refer to pages 2, 9, 12, 16 and 47

RISKS

For more information on the Risks that may impact our value creation, please refer to pages 22 to 23

Background – The sugar industry

Structures, markets and prices

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

Due to favourable soils, climate and water availability, the Eswatini industry has been consistently ranked among the top 10 low-cost producers in the world. It produces in excess of 600 000 metric tonnes of sugar per year, employs over 35% of the agricultural workforce and in 2005 contributed 18% of Gross Domestic Product (GDP).

Following the developments in the EU market, SACU, comprising South Africa, Botswana, Lesotho, Namibia and Eswatini, is the most important market for the Eswatini sugar industry, accounting for between 45% and 70% of the country's sugar sales.

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

The United States also allows preferential access for Eswatini sugar under its Tariff Rate Quota programme.

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

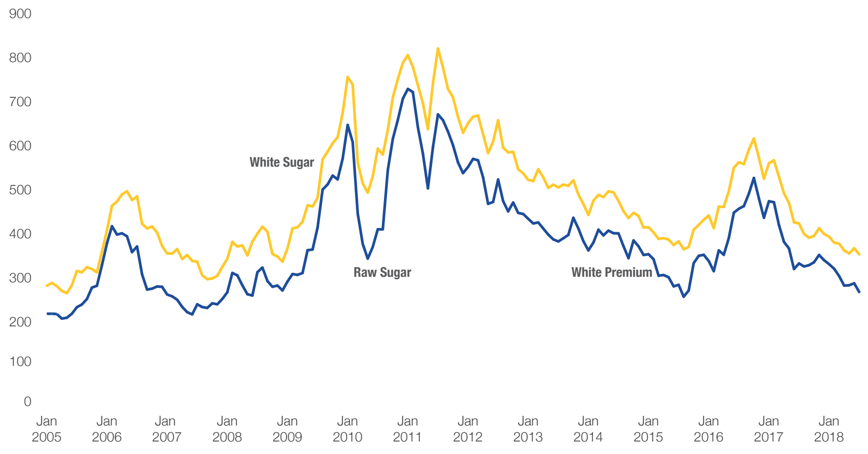


Figure 4 WORLD WHITE AND RAW SUGAR PRICES JANUARY 2005 – JANUARY 2018

Figure 5 THE DOLLAR – RAND TREND FROM DECEMBER 2017 TO MARCH 2018

The Swaziland Sugar Association (SSA)

The SSA is an umbrella organisation that brings together all sugar cane growers and millers in the country, and derives its structure from the Sugar Act of 1967.

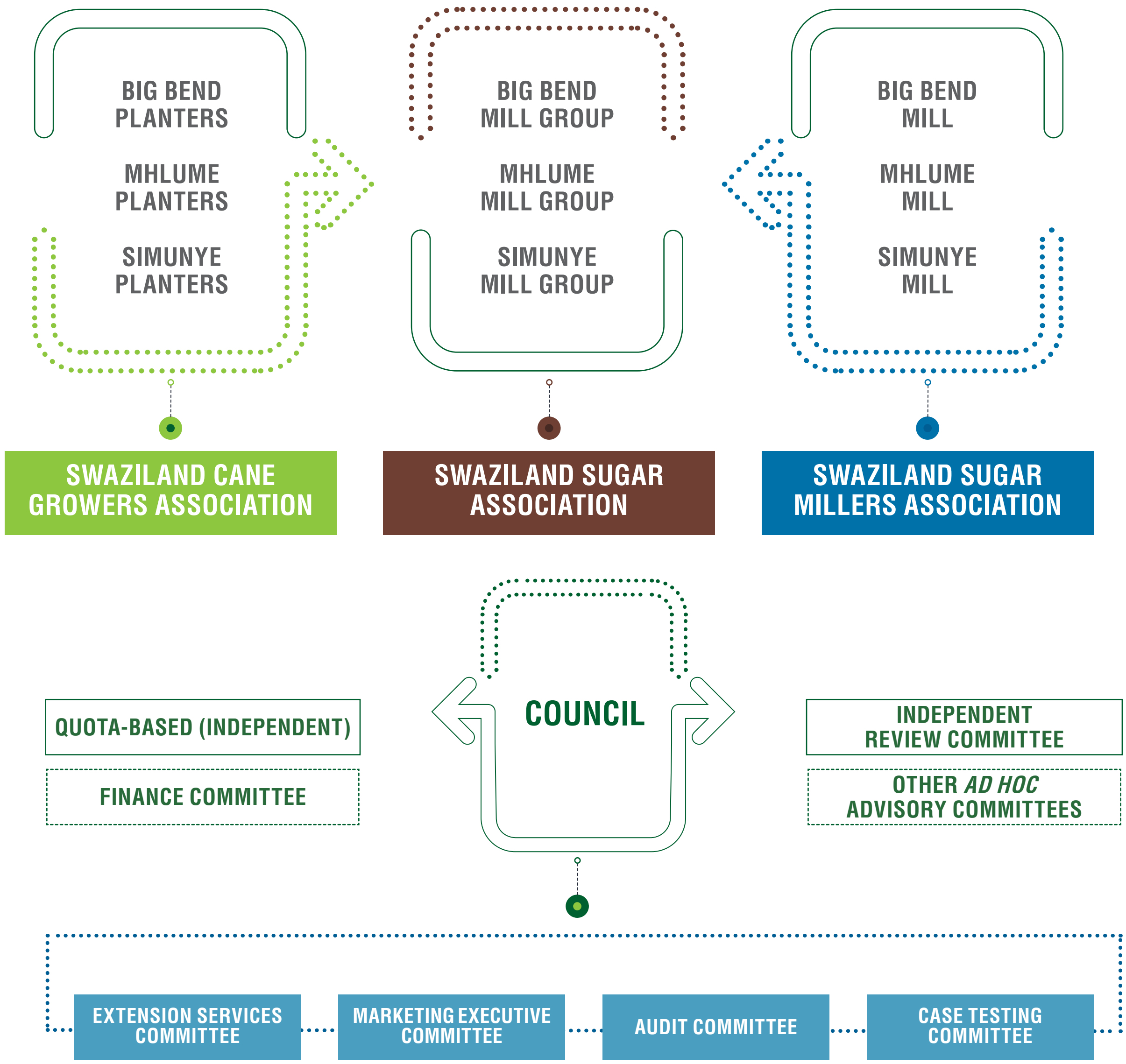
The Act also legally empowers the Sugar Industry Agreement (SIA), which regulates the relationship between growers and millers.

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

In terms of the SIA, this sugar, and its molasses by-product, is owned by the SSA, which markets it to the best advantage of growers and millers, who then share the proceeds on the basis of an agreed formula.

We at RSSC believe that the current SIA is outdated and warrants a review so that the arrangements for the Eswatini sugar industry recognise the markets, regulations and pricing realities of the current global industry.

INDUSTRY AND SSA STRUCTURES



The Swaziland Sugar Association (SSA) (continued)

Sugar market and price outlook

Although world prices have fallen and prospects are bearish in the short term they will not remain so, with global consumption even on a conservative basis still growing at 1.3% per annum (2.4 million tonnes).

With available capacity being utilised, new capacity will be required in the early 2020s, which with extended investment lead times, amounts to short-term rather than the medium-term investment. Prices will need to be attractive enough to encourage this to occur.

The EU market will still need some sugar from reliable, quality supply sources such as Eswatini. In our projections at RSSC, we have conservatively assumed a modest premium over the No. 11 price for both EU and World market sales.

While SACU prices should recover once new tariffs take effect, hopefully towards the end of 2018, premiums on regional prices are also expected to recover. While the US Quota continues to demonstrate high prices, exchange rates should soften going forwards.

World sugar price projections

	2018	2019	2020	Longer term (at an oil price of US$ 60/bbl)
New York No. 11 US Cents/lb, raw value	**13.5**	15.4	15.7	17.9
White premium, US$/tonne	**56**	60	65	68
London No. 5 US$/tonne	**353**	399	412	463

Key drivers in FY2018

The key drivers of the business, our actual performance against budget, and our financials during FY2018 can be seen in the table below and on page 33.

During the year under review, our cane and sugar volumes exceeded budget as well as the prior year comparative. Ethanol production and sales were lower than budget and the prior year comparative as a result of an explosion in the distillery.

The sugar price was lower than the budget and the prior year comparative. This is due to a number of factors which include: a lower world market sugar price; a firmer Lilangeni against major trading currencies; and lower SACU market prices.

The combination of the above volume and price dynamics resulted in profits that were lower than the prior year but better than budget.

Key drivers	Actual 2016/17	Actual 2017/18	Budget 2017/18	Variance
Estate cane (tonnes 000's)	1 803	**1 970**	1 870	100
Out-growers' cane (tonnes 000's)	1 227	**1 273**	1 222	51
Total cane (tonnes 000's)	**3 030**	**3 243**	**3 092**	**151**
Sugar 96 pol (tonnes 000's)	400	**436**	408	27
Cane to sugar (mtta) ratio	7.57	**7.43**	7.57	(0.14)
Ethanol prod. (litre 000's)	33 152	**24 468**	32 192	(6 724)
Ethanol sales (litre 000's)	32 138	**24 443**	30 414	(5 971)
Price:				
Sugar – E/tonnes	6 097	**5 813**	6 123	(310)
Ethanol – LAA	8.11	**8.04**	8.55	(0.51)

For more on our factories, see pages 48.

Financials to 31 February 2018

	Actual 2016/17 E'M	Actual 2017/18 E'M	Budget 2017/18 E'M	Variance E'M
Turnover (per management accounts)	2 936	**2 938**	2 975	(37)
Contribution:				
Cane growing	476	**264**	339	(75)
Sugar manufacturing	343	**369**	322	47
Ethanol	59	**8**	29	(21)
Other	1	**(1)**	1	(2)
Total contribution	879	**640**	691	(51)
Overheads and other	(325)	**(243)**	(302)	59
Profit before tax	554	**397**	389	8
Profit after tax	**408**	**301**	**287**	**14**

Sticky times

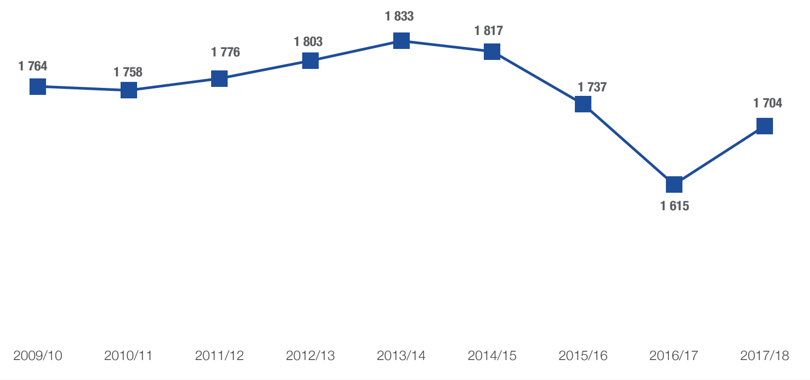
Our business, along with the industry, has been severely impacted by a strong rand and falling sugar prices.

SIMAMA 20-20

Work has begun to expand RSSC land under cane.

Human Resources

During the year under review, our employee numbers remained in the second lowest ranges since we implemented Simama 20-20, although slightly increasing from the previous year as a result of ramping up operations to pre-drought levels.



NUMBER OF PERMANENT EMPLOYEES OVER THE YEARS

Figure 6

E26.3m

AMOUNT WE HAVE SPENT ON TRAINING AND DEVELOPMENT IN 2017/18

100%

WE HAVE MAINTAINED A FULL COMPLEMENT OF ENGINEER POSITIONS IN 2017/18

112

THE NUMBER OF VACANCIES FILLED INTERNALLY OUT OF A TOTAL OF 138 VACANCIES IN 2017/18

We continued to drive a number of programmes and initiatives during the year which directly support and enable the implementation of the Simama 20-20 strategy, as summarised below:

- **A continuing focus on the Attraction and Retention Plan as a critical enabler of the Simama 20-20 strategy.** Amongst our critical initiatives were:
  - Developing the Group's talent pipelines, including accelerating our succession planning intervention
  - Reviewing the employee value proposition, including maintaining the employee performance incentive schemes
  - Reducing the recruitment turnaround time
- **Improving the HR function's effectiveness and efficiency. Our critical initiatives in this regard were:**
  - SAP system optimisation with a focus on improving HR master data accuracy
  - Implementing the SAP Integrated Performance Management system to computerise the process of performance contracting and evaluation
  - Implementing a biometric-based KRONOS payroll system
  - Implementing the new clinic management system (TriMed)
- Sustaining skills development with a focus on leadership, personal effectiveness, and technical and business skills
- Continuing the Group's effort to sustain our good, decade-long, employee-relations climate, with a specific focus on:
  - Accelerating the harmonisation of terms and conditions of service – a legacy issue that still remains outstanding from the merger of RSSC with Mhlume (Swaziland) Sugar Company Limited
  - Improving the relationship between the Group and all organised labour structures for sustainable industrial harmony
- Sustaining the focus on employee wellness to improve employee productivity and overall employee health.

Attraction and Retention of Critical Roles

RSSC has to continuously attract and retain the requisite skills to drive implementation of Simama 20-20. The ability to attract, develop, and retain talent, particularly in all engineering positions and at all leadership levels, is key for business sustainability and organisational growth. Initiatives to improve attraction included the review and re-branding of the Group's recruitment channels, RSSC's Employee Value Proposition (EVP), Employee Retention Scheme and implementing specific development interventions to support talent acquisition, development and retention.

The Talent Attraction Strategy was revitalised to target job entrants using career fairs both in Eswatini and South Africa (SA), the Internship Programme, and general job-seekers using social media-based job boards. A total of 24 SA-based Swati students and 63 from local universities participated in the Internship Programme.

Skills development

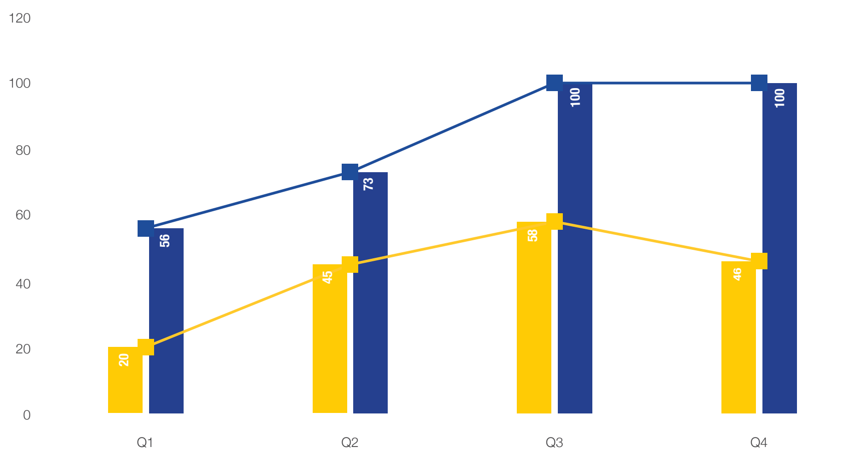
Development programmes targeting Engineers In Training (EITs), graduate trainees, technical trainees and apprentices were further updated. The programme content and remuneration of EITs was reviewed and implemented in July 2017. New recruitment criteria were also adopted for apprentices to meet the changing business needs that now dictate a preference towards multi-skilling artisans at the lower level. As a result, 20 new apprentices were recruited to add onto the 52 apprentices already in the pipeline.

Training & Development	2017/18 expenditure
Leadership Development	2 020 950
Business Skills	320 555
Technical Skills	9 568 521
Apprentices	14 369 126
Total	**E26 279 152**

Recruitment

During the year under review we maintained our 100% of engineer positions filled in both factories. This is expected to impact positively on the drive for improved efficiencies, human capital optimisation and the repositioning the business in line with Simama 20-20. The ratio of local engineers to expatriates, at 81%:19%, has been significantly reduced over the years – testimony to the success of the Group's localisation efforts.

Recruitment turnaround time for critical positions has improved from an average 42.29% in 2016/17 to 82.4% in 2017/18. Not only are we improving recruitment turnaround times, we are also increasingly filling positions using internal candidates, with 112 out of 138 vacancies filled internally.



CRITICAL POSITIONS RECRUITMENT TURNAROUND TIME

2016/17 2017/18

Figure 7

Human Resources (HR) (continued)

Data optimisation

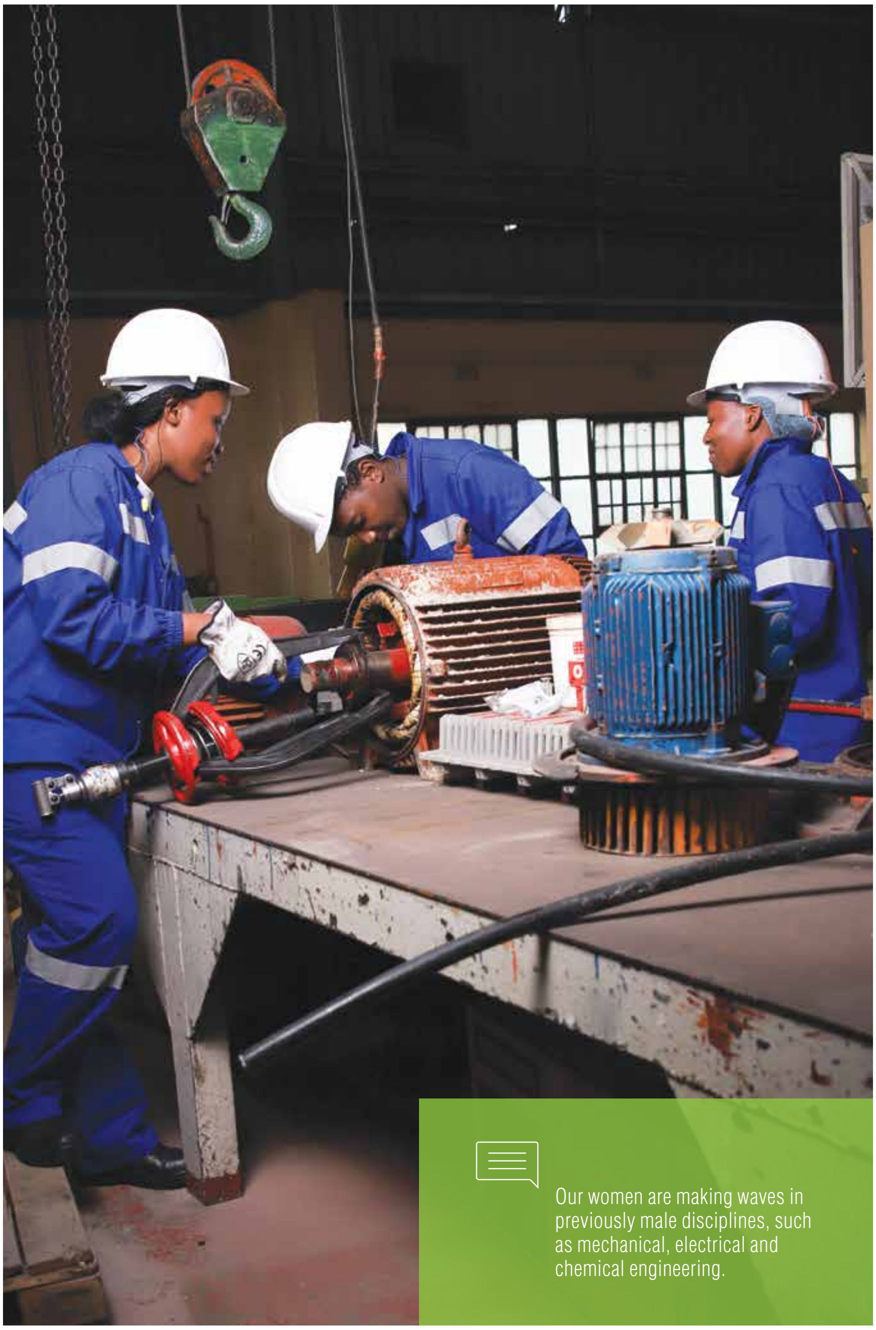
In the year under review, we implemented a centralised HR Master Data Unit. A number of HR personnel were redeployed to resource this unit without necessarily increasing overall HR manning levels. This initiative is aimed at addressing critical master data challenges whilst optimising SAP usage under the HR Division. This was one of three critical systems projects delivered in the year under review, with the biometric Kronos payroll system and the new Clinic Management System projects being the other two.

Employee relations and industrial harmony

The Employment Relations department continued to ensure that a harmonised industrial relations climate is maintained between the Group and the four recognised employee representative organisations. A number of initiatives were undertaken in the past financial year, including:

- Implementation of a revised Employment Relations (ER) Manual
- Closing out and concluding engagements on Phase 1 Collective Agreement on the Harmonisation of the Terms and Conditions of Service
- Implementation of relationship building programmes with organised labour
- Timely conclusion of Cost of Living Negotiations which were successfully finalised with increments as follows:
  - Non-represented employees average of 7.5%
  - SAMASA employees 8.5%
  - SAPWU employees 9.5%

It is crucial that a good industrial relations climate is maintained to enable a seamless implementation of interventions that will ensure the continuous sustainability of the business.



Our women are making waves in previously male disciplines, such as mechanical, electrical and chemical engineering.

Employee wellness

During the past financial year, the main objectives were to increase the Health and Wellness department's effectiveness and efficiency. The department continued to implement activities aimed at contributing to the Simama 20-20 strategy. The key activities included improving Health and Wellness infrastructure, effective management, prevention of chronic diseases and carrying out the Health and Wellness survey.

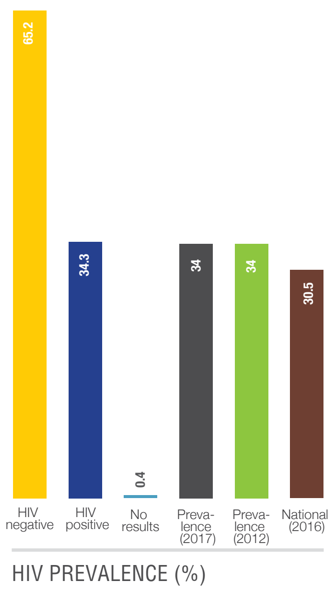


Figure 8

Improving infrastructure:

- The construction of the new occupational health building was completed and furnished with all the requisite equipment. All the required occupational health medical examinations can now be performed on site.
- In addition, two fully-equipped modern advanced life support ambulances were procured. This will enable the Group to manage all medical emergencies and transfer patients to the appropriate referral centres.

Health and Wellness Survey:

- About 2 425 employees (97% of the target) participated. The results showed an HIV prevalence of 34%, comparable to the national prevalence.

Prevention of chronic diseases:

- The risk of hypertension was found to be similar to that found in 2013 at 30%. However, the risk of diabetes was found to have increased from 2% to 6%, and 41% of participants were found to be overweight. Of those who are overweight and obese 75% suffer from hypertension.
- Figures 9 and 10 show an increasing risk of non-communicable diseases among employees and more efforts will thus be put in place to mitigate against these risks. Non-communicable diseases, such as hypertension, diabetes and arthritic conditions are currently well managed with very low morbidity from these areas.

Occupational health

During the year under review we saw a lower number of injury-on-duty cases, and there were no employee fatalities. This is attributable to the company-wide reinforcement of a high workplace safety culture amongst the employees and the contractors. Another big factor has been the introduction of compulsory alcohol testing at all factory sites. See Figure 11.

In order to monitor the safety of the workplace environment, employees undergo periodic medical examinations. During the year under review, 1 080 medical examinations were done against a target of 1 330.

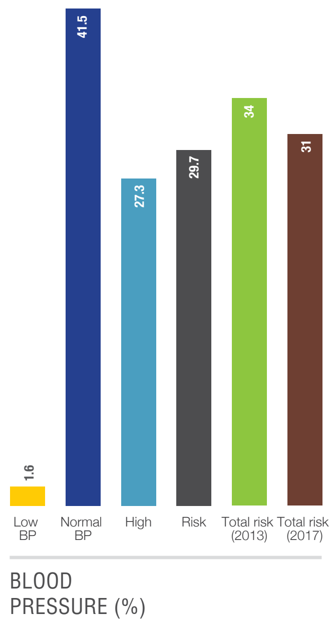


Figure 9

Figure 10

Employee wellness (continued)

Anti-retroviral therapy (ART)

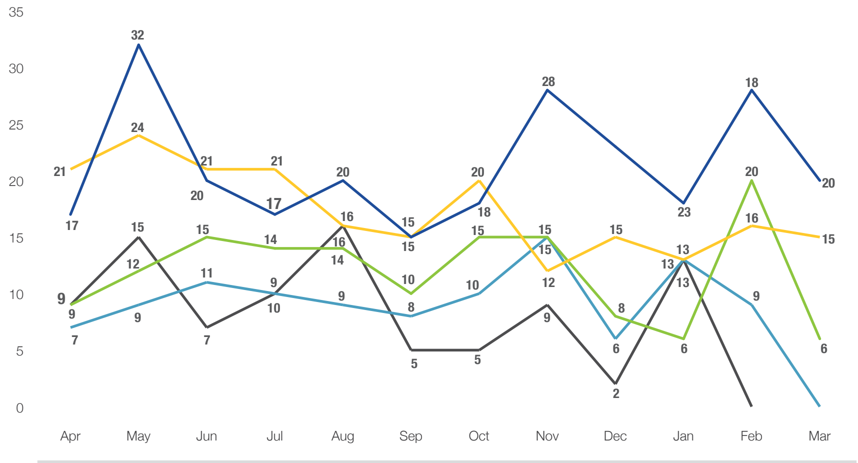
Approximately 900 out of about 4 000 employees are on effective HIV anti-retroviral treatment. 1 700 community members also access their antiretroviral treatment from the Group clinics. Effective antiretroviral treatment contributes to a significant reduction in morbidity and mortality due to HIV/Aids thus ensuring that the Group does not lose critical skilled and non-skilled employees.

Voluntary HIV counselling and testing services continued to be offered to employees and members of the community at no cost. About 3 945 HIV tests were performed in the year under review, with about 4% of the tests registering positive. All those who had HIV positive results were linked to HIV treatment and care programme.

Other ongoing health initiatives

Our Wellness Champions made several health education presentations to employees and contractors on HIV, tuberculosis, hypertension, diabetes, cancers, work-life balance and stress management.

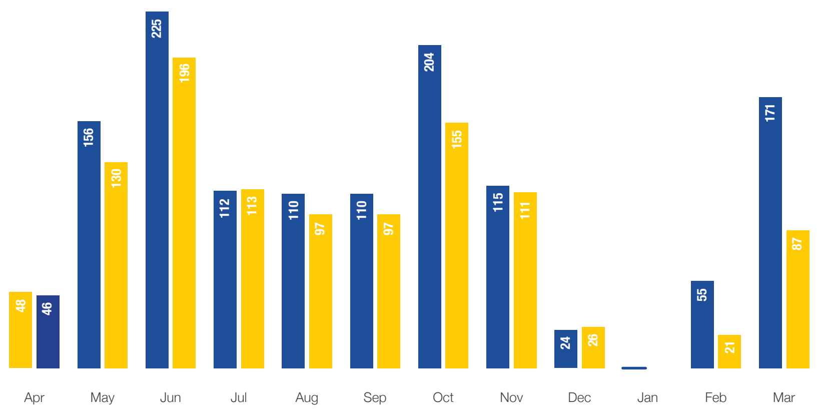
The Biggest Loser Challenge was again successfully implemented, with 39 participants showing positive results in reducing cardiovascular and musculoskeletal disease and consequent diabetes risk.



INJURY ON DUTY TRENDS

2013/14 2014/15 2015/16 2016/17 2017/18

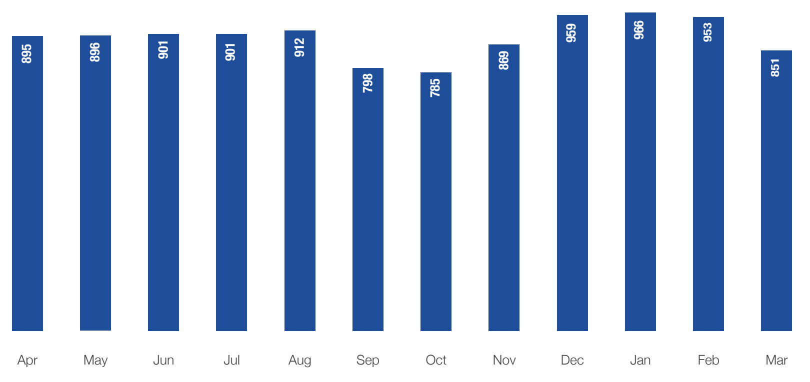
Figure 11



ROUTINE MEDICAL EXAMINATIONS (2017/18)

Planned Completed

Figure 12



RSSC EMPLOYEES ON ANTI-RETROVIRAL THERAPY (2017/18)

Figure 13

The cost of providing health and wellness services to employees also continues to increase due to the increases in drugs, medical equipment and human resource costs. Most equipment and other infrastructure needs to be refurbished or replaced. These pressures are unfortunately coinciding with reduced sugar industry profitability due to low prices of sugar on the world market and adverse exchange rates.

Outlook

Major investment has been made on talent management at RSSC and the results can be seen in our ability to retain critical talent with a turnover rate in the past financial year of under 2%.

The major threat of a change in employment legislation did not materialise and the Group remains hopeful that an investor-friendly legislation will replace the current draft legislation.

Experienced and skilled health and wellness human resources are retiring with a potential of leaving a deficit in knowledge and skills. A structured and well-planned knowledge management strategy is, however, being implemented to mitigate this.

Big IT strides

Tremendous progress has been made towards realising optimal use of SAP across the organisation. However, more work remains.

SIMAMA 20-20

Information Technology (IT)

During the year under review, Britehouse continued to provide SAP support. Two projects were successfully implemented, these being the Kronos payroll technology as well as the TriMed clinic system. Reconciliations between Cane and Mill and SAPLAB are ongoing. User Acceptance Testing (UAT) on the system will take place towards the end of March 2018, and we will use it for the next season.

The IT organisation was also changed during the year to reflect the services that we offer. The new structure includes an Internet of Things (IOT) department, a Business Intelligence department, as well as a Business Process Department. The year proved to be a very successful one in which progress has been made in all areas of IT service delivery in which we implemented:

- A Kronos Time and Attendance system on the farm with the employees clocking into specific tasks at the field edge. The time data is then automatically converted into days' work and integrated into the SAP payroll system. This methodology will be expanded to the rest of the business over the next few years
- The TriMed system, replacing the old clinic system, allowing for a full clinic service, dispensing service and record-keeping with deep integration with SAP
- A harvest scheduling programme within the Vistex Agri-Business Suite that allows for the planning of cane deliveries into the factory
- A SAP Integrated Performance Management system, which replaced the old documents with a digital system that includes the setting and agreeing of targets, as well as scoring via workflows based on HR structures
- A system to monitor the electrical maximum demand to enable us to manage the consumption of electricity
- A laboratory system in SAP to manage and monitor factory laboratory results
- The upgrading of CONLOG, the domestic electricity sales solution, as well as the hardware – Windows servers, the Hana database server, 200 PCs, network switches and wireless devices

Property Services

During the year under review Property Services undertook a number of projects and initiatives aimed at improving infrastructure.

E90 000

THE VALUE OF BOOKS PROVIDED BY RSSC TO RESTOCK THE GOVERNMENT-OWNED SCHOOL LIBRARIES

- **Integration:** The Cargo Integration Project enabled the integration of the Cargo Sewer Pond influent pipework into the Hambanathi sewer ponds through the construction of a pump station and the laying of new pipelines.
- **Rehabilitation:** Two kilometres of failing Lusoti Village roads were reprocessed into bitumen standard.
- **Paving:** The laying of 1 300m^2 of new paving was undertaken to improve the parking area of the Mhlume Administration Office Car Park.
- **Relocation:** A total of 84 third parties were relocated from the Mhlume and Simunye CBD in order to create room for Group employees.
- **Construction:** Five new ration area buildings at the Mhlume estate were built to facilitate the management of dry ration issues to employees.
- **Removal:** Trees that were endangering structures were removed.

The year also saw a number of new issues and developments, with the implementation of the construction of a new waste water treatment plant at Hambanathi being suspended due to insufficient funds. This project remains on hold until funds are approved.

We also undertook the validation of Property Services master data, especially that relating to housing and commercial areas. In addition, we formalised the management of swimming pools, by utilising out-sourced services. This was necessary in order to mitigate the very real risk of drowning of children at our swimming pools.

Our staff complement

During the year under review, Property Services saw four vacancies arising – for a Maintenance Planner – where we had an offer turned down – and two Assistant Security Coordinators for Mhlume, and a Maintenance Supervisor for Lusoti. All of these posts will be filled during FY 2019. Two casuals were engaged for house feature verification and to validate master data.

In addition, we had two vacancies for two Maintenance Planners, both of which were filled, with another filled at Simunye PSD Depot. We are in the process of reviewing our structure in response to new developments. When people depart, we restructure, as we did when one employee passed away. Other pending cases involve Disciplinary Case hearings (DC), and the addition of two Assistant Security Officers for our Dog Unit.

Comparatives

During the year under review, our house-move demands increased due to an increase in recruitments, promotions, accommodation requirements for seasonal and casual employees, and our planned maintenance budget had to be suspended in order to divert funds to house moves.

Performance against strategy

The issue of non-compliance of sewer effluent discharge is still a challenge.

SLAs were completed or reviewed between Property Services and the areas of Agriculture, Engineering, Stores, Purchasing and Workshop.

Key Performance Indicators

- Our property unit cost was below budget, with actuals of E236 per tonne against a budget of E244 per tonne.
- A preliminary report on the investigation of the cost benefits of insourcing vs. outsourcing was generated. The report suggests that out-sourcing of property maintenance work is currently more cost-effective for the Group.
- Unit-rating contracts were awarded and rolled out on 1 February 2018. Unit rating will improve efficiencies and turnaround times.

Outlook

We will be looking at restructuring our operations in order to achieve leanness by eliminating certain positions that become vacant due to natural attrition. We will also be undertaking rehabilitation of failing structures in line with the IGP, and will be harmonising housing units between estates for ease of identification.

Our aim is to achieve cost savings through unit rating and by balancing the insourcing and outsourcing of maintenance work.

Public Affairs

The ambit of Public Affairs embraces RSSC's social and relationship capital, with an overlap relating to our manufactured and human capitals, as well. Media reviews have been mainly positive for the year, and we have been using Facebook and LinkedIn to good advantage, with posts made during the year under review reaching close to 150 000 people. In initiatives undertaken together with the OSM, much effort has gone into ongoing communication of the Simama 20-20 strategy. The Country Clubs have been performing well and are ahead of their position in the prior year.

SOCIAL NETWORK

150 000

THE NUMBER OF PEOPLE REACHED BY RSSC THROUGH SOCIAL MEDIA BETWEEN JULY 2017 AND MARCH 2018

For more on wellness, see page 37.

The department has a full complement, and we are now able to operate optimally – with our focus for the year under review improving the Group's reputation through its corporate social investment (CSI).

Community engagement

We continued to seek creative ways and a model for impacting society more directly than simply through charity. With our activities largely the same as those we undertook during FY2017, we continued to achieve satisfactory results.

Education always forms a significant part of what we do. We continued providing aid to government schools, managing the administration, doing appraisals that look at performance, as well as sponsoring other projects. We have been able to assist with innovation, providing tools such as interactive whiteboards, in three schools, and essentials, such as buying library books to the value of E90 000. We also supported robotics in seven schools and sponsored children in a national competition in that subject. We subsidised transport as well as staff development training, and facilitated the hiring of new teachers at national level, providing transport for them.

In our determination to enlist our employees in reaching other stakeholders, an event was arranged in which the employees dressed in school uniforms and donated stationery and shoes to St Joseph's Primary School. Also in association with our employees, we donated reusable sanitary pads for young girls. This was our support for the drive by an organisation named Days For Girls aimed at keeping more girls at school, especially in the poor areas of the country. The donation will keep at least 150 girls at school for the next two years.

We continued to manage the child care centres and pre-school facilities (Tinkhulisa), providing both financial support and food. We are also considering partnering with UNICEF, and with their experience in early-childhood development (ECD), it is hoped that we can help to make an even more positive impact in this area.

Sport

Our sports programmes continued successfully during the year under review. The Siyaka 1800 soccer development programme in which we partner with the Football Association of Eswatini saw its third cycle in FY2018 with close to 4 000 participants benefitting.

Entrepreneurship

We again provided support to youth during FY2018 through our entrepreneurship programme, targeting unemployed and other disadvantaged young people. There were 30 participants during the year's competition, with the aim, as before, of empowering them by inculcating entrepreneurial skills. With prizes of seed capital of E100 000 for the top three businesses, the programme was once again hugely successful.

Our Thembelisha Preparatory School, offering the IEB curriculum, is the best in the region in many aspects, which helps us in attracting talent.

Public Affairs (continued)

Mealies making business sense

Nomfundo is one of 60 youth that have been empowered through the RSSC enterprise development initiative.

Fufu Green Mealies was established back in 2013 as a partnership between Nomfundo Mabuza and her mother. After joining the RSSC Youth Entrepreneurship Support programme in 2017, Nomfundo gained her confidence to venture into the business as a sole proprietor. It was after participating in the Youth Entrepreneurship Support Programme and receiving training on how to run a business that she felt confident enough to take charge of the establishment fulltime.

After successfully completing the programme, Nomfundo was recognised for her hard work and was awarded second place, with a prize of E30 000, in the seed capital competition made possible by RSSC funding. The seed capital transformed her business, and she was able to venture into mass production covering about two hectares of land with her green mealies. She was also able to put an irrigation system in place to cater for the really dry days in the Lubombo region.

Nomfundo is now able to sell her products even beyond the borders of Eswatini and has extended her reach even to Ermelo in South Africa. She continues to supply her local customers – vendors at Mpaka, Lonhlupheko and Lukhula. Multi-talented, having completed her tertiary education at European Campus, specialising in psychology. Her business provides employment to three people and she is also now able to provide for six dependents, including her mother and her siblings.

Maths competition

The maths competition is a demonstration of our desire to engage directly with learners with the goal of changing prevailing views of maths as a difficult subject. Tied to this is the long-term aim of promoting the study of engineering, from which the Group will also benefit over time. There has been a massive response to the competition, with full Government support, and the productive and positive cooperation from the schools, including the natural involvement of our employees and teachers as parents in the communities, and it has always been successful.

However, during the year under review, the Group incurred challenges relating to our engagement with our educational stakeholders, and the ways in which we support the schools. Over time there is a sense that entitlement has taken root, and during FY2018, the teachers stopped paying rent for their houses. We increased the subsidy, and were willing to write off the debt, as long as payments continued to be made, as maintenance of the properties amount to costs for the Group. The teachers entered into litigation, with no resolution achieved to date. With the recognition on our part that we need the ongoing support of the teachers in order to promote our educational goals, the competition was sadly postponed.

Swimming

This sport and recreation continued during the year under review. However, as there is no permanent coach we depend on one from the schools. This is a strategic issue, and one that impinges on health and safety, as well as having reputational risk implications for the Group. The employment of a new coach by the Group is being considered.

Wellness champions

This initiative continued during the year under review, with ongoing improvements to the concept. Each month now has a different theme, and we are actively seeking ambassadors, who will help boost the promotion of a culture of wellness, especially among the male employees.

Charity golf

Once again FY2018 saw a significant sum collected through this event. The E141 000 raised was used to promote and provide clean water for 600 people from two communities – in effect implementing two separate water projects. In order to make the projects sustainable, the communities in both cases were required to show how they would manage the maintenance and use of the equipment.

Facilities

We continue to manage the wellness centres at RSSC – the gym at Mhlume and two smaller ones at Simunye and Ngomane. We are looking at offering gym services to participants in the biggest loser initiative, with the arrangement that as long as their body-mass index (BMI) goes down to normalcy, the facilities are available for free. While we have made this investment in the gyms, the uptake has not been encouraging, and we are now looking at ways to make them more attractive.

Voluntary physical activity

While we have sports that take place on a voluntary basis, more needs to be done to push activities, such as running and cycling, and there is a need to host more events, such as the race for riders of standard bicycles (Humber Bicycles), and for which there was a first prize of E3 000 – undertaken to encourage the idea of cycling to work.

Online presence and communications

During the year under review we embarked on an initiative to extend our footprint with a presence on social media. We used online platforms not only to reach stakeholders where they themselves spend time, but to contain costs with increased effectiveness. We also used this approach as a low-cost channel for attracting talent.

With this new use of social media, our coverage has improved, with a special emphasis on our corporate social investment (CSI) initiatives. Since July, when it was launched, we have recorded about 11 000 "likes" on our Facebook site. Our LinkedIn profile was launched in February 2018, and since then, has garnered 4 155 followers.

For more on stakeholder management, see page 18.

With its professional and employment agenda, this site has proved to be a useful tool for recruitment.

We are also looking at establishing a space where the Outgrowers can see the value that we can provide for sustainability, and where they can clearly recognise their contribution.

In the traditional internal media we have seen a great improvement in our graphics, and we are focusing on being able to communicate in real time – something that is instrumental in communicating the Simama 20-20 strategy.

We have conducted several campaigns in which employees have been encouraged to tell "My Simama Story" and provide their thoughts on what it will take to ensure RSSC's continued success. This has helped to bring our strategy to life, and to break the perception that strategy belongs only to management.

We have continued with our usage of news boards to expand our communication and as a platform for driving our messages in a way that employees feel is peer-to-peer rather than a management pronouncement. This has been working well, and was effectively used in the anti-alcohol campaign.

A media day was held during the year under review to improve relations with the media, and in which we opened up our operations in a bid to show what we do. This resulted in very positive press for the Group. We continued with our stakeholder relations management programme with the hosting of our first suppliers' day, such engagement which is key to the success of our Simama 20-20 strategy.

New website

This is scheduled for launch late in 2018. A meaningful step forward from our existing site, it will significantly assist in improving our stakeholder relations through its interactivity capability. It will also serve as a platform for job applications, and for tenders from suppliers. It also enables us to better communicate the social investment that our Group is making in our various communities.

New thinking

One of the approaches to support our Simama 20-20 strategy has been to adopt social media as a low-cost channel and also as a new platform relevant to our stakeholders.

SIMAMA 20-20

Our employees dressed in uniform and donated stationery and shoes to St Joseph's Primary school.

06

Our performance

Expansion in full swing

Phase 2, which is the expansion of RSSC cane lands have all the required EIAs approved.

SIMAMA 20-20

833ha
TOTAL AREA OF NEW OUTGROWER CANE

43%
THE REDUCTION IN SUPPLEMENTARY FUEL AT MHLUME

E47m
REQUIRED FOR INFRASTRUCTURE TO ENABLE HOMESTEAD PLANTING

Our water resources

The year under review saw us in the favourable position of being able to begin recovering from the severe drought which had persisted for three years, and the availability of water, a critical part of our natural capital, was significantly better compared to that of FY2017, especially in the Mbuluzi system.

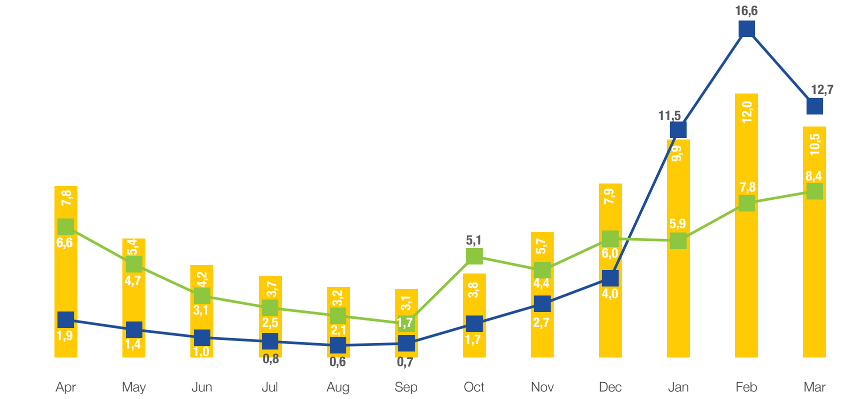
20%

THE AMOUNT OF WATER RESTRICTION THAT WE CONTINUE TO VOLUNTARILY IMPOSE ON THE MBULUZI BASIN

River flow during FY2018 was closer to the long-term average flow, indicating better groundwater recharge. This was mainly due to above normal rainfall received during the late summer of 2016/17.

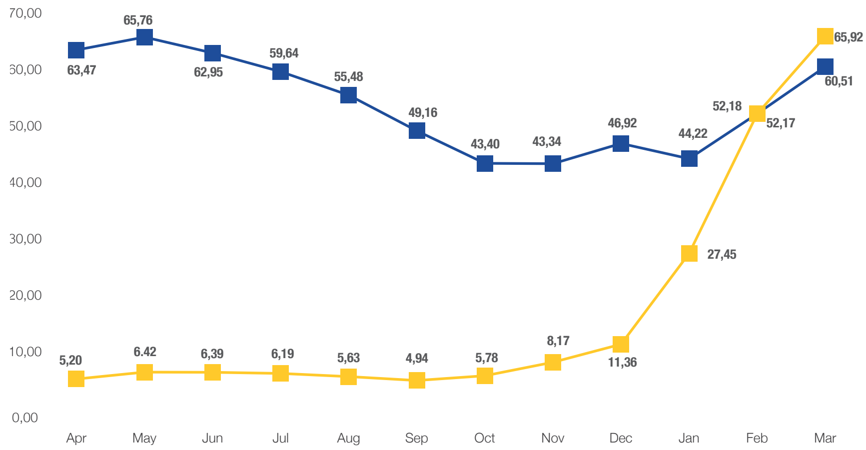
Water harvested and stored in the dams also showed great improvements against that of the 2016/17 season, and rainfall received within the estate resulted in a significant reduction on withdrawals from the dams.

By early June 2018, the Maguga Dam was standing at 99.8% full, while Mnjoli was at 81.6%, and the Sand River Reservoir at 94.9%. Given this improved water availability status, at the end of the FY2018, water curtailment was lifted in the Komati and supply was increased to 100%. Water restrictions on the Mbuluzi were, however, maintained at 20%, providing an 80% supply.



MBULUZI RIVER FLOW

Figure 14



DAM PERCENTAGES FOR MNJOLI

Figure 15

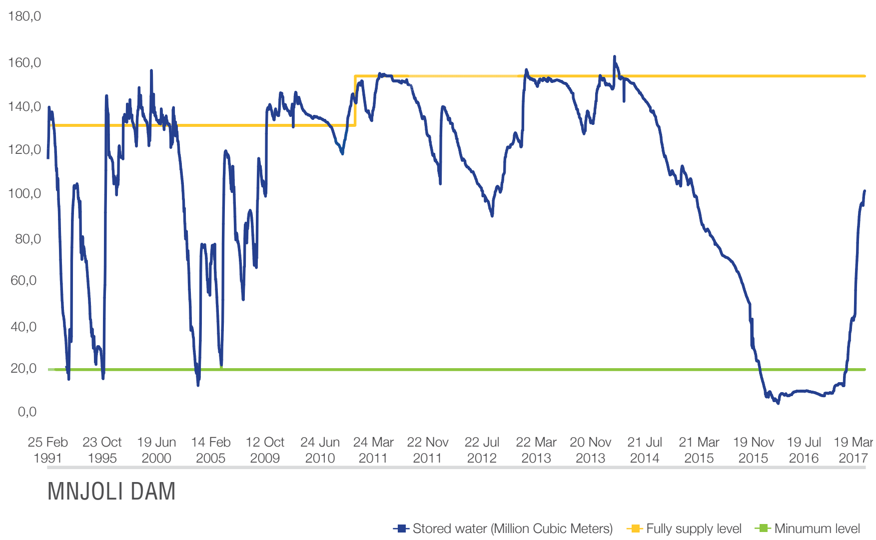
Water Security

During the year under review we completed construction of a 20 000m³ water harvesting storage on the West Main Drain. We also identified six new water-harvesting storage sites and carried out an initial environmental evaluation (IEE) as part of Swaziland Environmental Authority (SEA) requirements. We are awaiting SEA approval to proceed with construction.

Our water resources (continued)

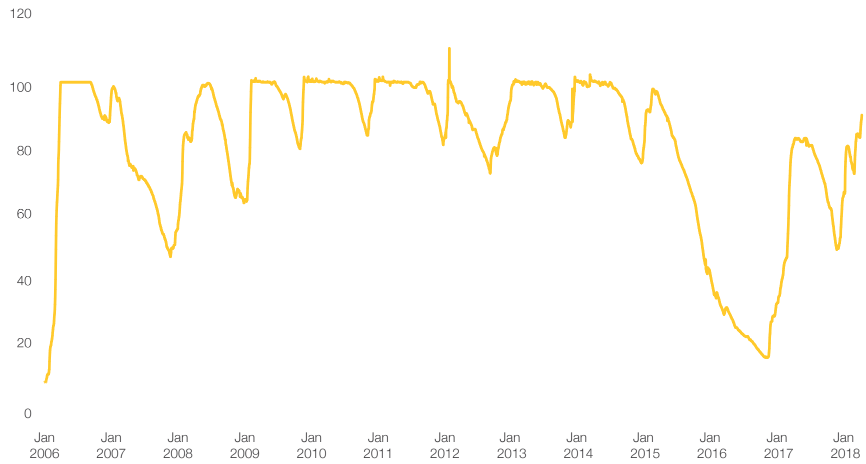
209ha

THE LAND AREA THAT HAS BEEN CONVERTED FROM FURROW AND SPRINKLER TO DRIP IRRIGATION



MNJOLI DAM

Figure 16



MAGUGA DAM STORAGE (%)

Figure 17

We submitted a funding proposal through Government to the African Development Bank (ADB) and the SADC African Facility for a feasibility study for the Isilele Dam. We increased our irrigation efficiencies, and converted 209ha from furrow and sprinkler, to drip irrigation – a system which is more efficient.

Lessons learnt

There were a number of lessons learnt during the drought, which have not only put us in good stead during the year under review, but will continue to have a positive impact on our water management into the future:

- With the need to build more storage in order to be able to harvest and store water, we robustly pursued a project for constructing on farm water harvesting ponds.
- We achieved the conservation of water by maximising the benefit of rainfall received within the estate through rainfall forecasting, which allows for the timely reduction of releases from the dams, thereby reducing the drawdown rate.
- We continued to utilise the technique of inter-basin transfers which was key in saving the crop during the drought. By transferring water from the Komati to the Mbuluzi, and by and reducing withdrawals from the Mnjoli Dam, we have been able to minimise drawdown of the Mnjoli storage.

We continued to conserve water by converting less efficient irrigation systems to those that are more efficient.

Our crop

Our crop constitutes part of our natural and financial capitals, and with conditions during the year under review wetter than those of the prior year, the season was completed on 10 December 2017. Most of the parameters better than budget, and cane production back to normal levels, and 379ha of new IGP-linked cane development.

E453.9m

THE PRESENT VALUE OF OUR STANDING CANE

Crop production

	Budget 17/18	Actual 17/18	Variance
Under cane (ha)	20 636	**20 639**	0%
Harvested (ha)	19 802	**19 815**	(1%)
Replanted (ha)	2 113	**1 667**	21%
Estate cane (tonnes)	1 870 200	**1 969 998**	5%
Estate sucrose (tonnes)	266 110	**282 093**	6%
Sucrose percentage	14.23%	**14.32%**	1%
Tonnes cane/ha	93.7	**99.4**	6%
Tonnes sucrose/ha	13.3	**14.2**	7%
Outgrowers' cane (tonnes)	1 222 115	**1 273 082**	4%
Outgrowers' sucrose (tonnes)	175 510	**182 910**	4%

Our biological assets

Our standing cane is valued at E453.9 million

	Actual 31 March 17	Actual 31 March 18	Budget 31 March 18	Variance
Sucrose production assumed for next season (tonnes)	266 110	**296 190**	302 024	(5 834)
Sucrose content %	54.28	**54.48**	54.54	(0.06)
	144 413	**161 376**	164 715	(3 339)
RSSC share (tonnes)	131 738	**148 555**	150 900	(2 345)
Estimate average sucrose price (E)	3 855	**3 056**	3 990	(934)
Value of standing cane (E'000)	**507 000**	**453 931**	**602 132**	**(148 201)**
Standing cane income statement cr/(dr) (E'000)		**(53 949)**	**99 351**	**(153 300)**

IGP Phase 2 cane expansion

The IGP Phase 2 expansion of RSSC cane lands have all had their EIAs approved. There is a small expansion of 43ha of land at IYSIS, as well as a short-term lease which is in place at IYSIS for the period while we await the main lease. A sum of E47 million is required for bulk infrastructure to enable cane planting at Homestead in 2019.

Cane expansion – IGP Phase 2

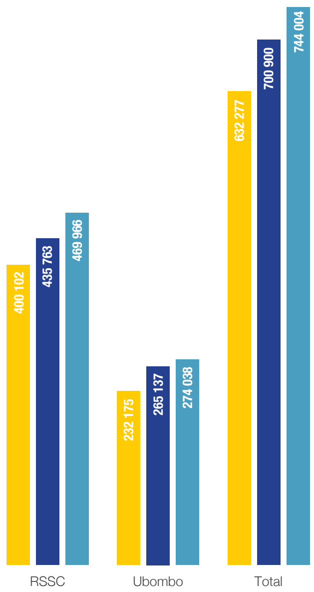
Hectares	17/18	18/19	19/20	20/21	21/22	22/23	23/24	Total
Citrus Estate	–	**133**	–	–	–	–	–	**133**
Pump stations 05 (MLA)	–	**36**	–	–	–	–	–	**36**
Pump stations 21 (NG)	–	**93**	–	–	–	–	–	**93**
Pump station 29 (NG)	–	**74**	–	–	–	–	–	**74**
P2 (West) – **IYSIS**	–	**43**	–	–	–	–	–	**43**
Emasotjeni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

EU farmer projects

Planting operations have been completed at Mnyangombili, covering 400ha, while at Umbombo Wendlovu the operation has covered 433ha. Planting of the entire farms was completed in December 2017, with the social component to continue to December 2018. The Group's application to the EU for an extension of the period to December 2018 was granted, and the addenda to the grant contracts have been signed.

Mnyangombili, an EU-funded project, includes teacher housing and the provision of fresh water.

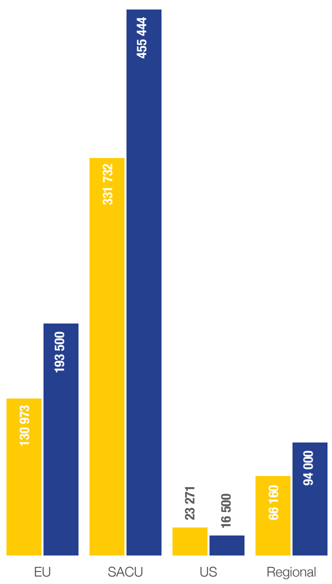
Our factories



INDUSTRY SUGAR PRODUCTION (96° POL)

Actual 16/17 Actual 17/18 Budget 18/19

Figure 18



SUGAR MARKET ASSUMPTIONS

Forecast 17/18 Budget 18/19

Figure 19

Our factories form part of our manufactured and financial capitals. Our mills had a fairly good crushing season during the year under review.

Consolidated factory output against budgets

	CONSOLIDATED FACTORIES		
	Budget 17/18	Actual 17/18	Variance
Cane crushed	3 092 315	**3 243 080**	5%
Sugar 96 pol	408 301	**435 763**	7%
Sugar mttq	378 275	**404 363**	7%
Refined mttq	157 000	**122 210**	(22%)
VHP mttq	217 775	**281 042**	29%
Raw mttq	3 500	**1 111**	(68%)

Simunye

Despite the mill not operating at 100% capacity. The Simunye factory improved its extraction output. A new No 1 mill was installed, helping to increase throughput and extraction. A new vertical crystalliser was commissioned and recoveries were 1.9 units better than budget. The year also saw a decline in very high polarity (VHP) sugar quality, and we have begun looking at a syrup clarifier to improve quality. Although we experienced some issues with our NIRS online system which enables instant monitoring of colour quality throughout the manufacturing process, we have been working to address them. TA 4 alternator rotor failed towards the end of the season and resulted in reduced production for four weeks. Our supplementary fuel was down by 32% due to good operating conditions.

Mhlume

The year under review saw cane throughput up by 8%, to a record 62 585 tonnes in week 17. We saw our perforated rollers beginning to make a difference, and some of these will be fitted as and when old rollers are changed. It is pleasing to note that it was our good cane quality that led to improved recoveries, although there was a reduction in refined sugar due to market conditions. Our supplementary fuel was down by 43% due to good operating conditions and less refined sugar being produced.

Our industry context

Eswatini sugar production in FY2018 was 11% higher than FY2017 due to the drought recovery. For FY2018, a further increase of 6% is projected with our market assumptions as follows:

- Total sales of 759 444 tonnes for FY2019 vs. 552 136 for FY2018.
- FY2019 SACU volumes projected to be 37% higher. Sales in FY2018 were low due to lower priced imported sugar. 2018/19 prices will need to be discounted to encourage off-take while the South African sugar industry lobbies for protective tariffs.

Ethanol production

The prices of extra neutral alcohol (ENA) have been very depressed over the past five years. As a result, we reduced our sales to Europe, and concentrated more on the SADC market.

Our production was also reduced due to an explosion that occurred in our larger No 2 plant in July 2017, and our No 1 plant had to take up the capacity as best it could. Despite three separate independent inquiries, no ultimate cause for the explosion could be identified, as the plant had been cold and out of production for cleaning at the time of the incident.

Repairs were undertaken, and after exceptional effort, we had the plant back in operation by November 2017, after approximately three months. The limited output had a knock-on effect on our marketing and sales, with our regular customers seeking supplies elsewhere.

After a thorough HAZOP analysis, our shut-down procedures were changed, despite the routine having been one we had followed regularly for a number of years.

Product diversification

During the year under review we diversified our product portfolio, as shown on Figure 21, successfully launching rectified spirit (RS), which now accounts for 8% of our total year-to-date sales.

Molasses

FY2018 turned out to be a challenging period. As a result of the aforementioned explosion incident we needed to sell about 11 500 metric tonnes of molasses to avoid stopping the sugar mills due to the risk of running out of molasses storage space. With only the older and less efficient No 1 plant available during the restoration of the No 2 plant, we could not process molasses fast enough.

Under these conditions, the quality of our molasses deteriorated as we had to store some of it in less than ideal conditions. Some of the molasses was exposed to bacteria and water thus lowering the yield. The production statics for FY2018 are consequently down when compared to FY2017.

Following the successful commissioning of the refurbished No 2 plant in November 2017, we are now running a highly effective and energy-saving plant.

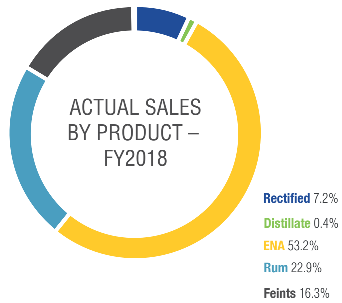


Figure 21

Figure 22

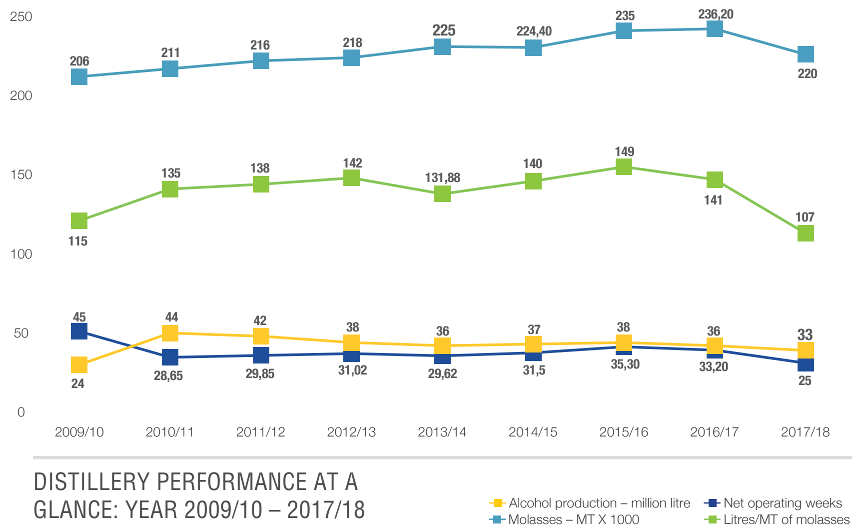


Figure 20

Ethanol production (continued)

Explosive incident

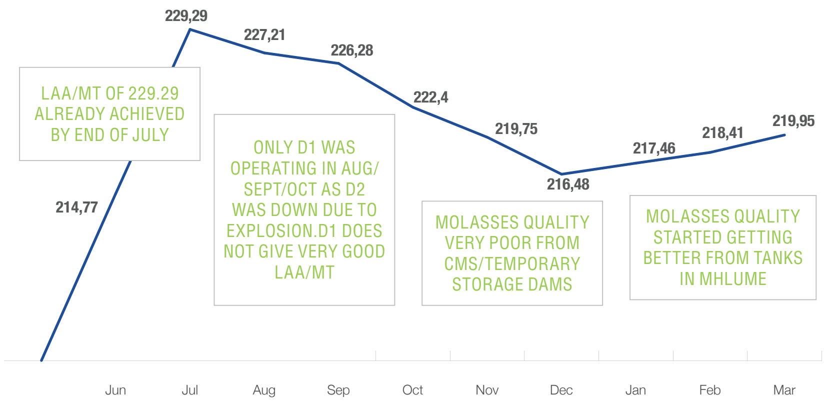
Our distillery production was heavily affected by an explosion in mid-2017, resulting in only one of two plants operating.

SIMAMA 20-20

Outlook

Looking forward, our two major projects are a mild steel storage tank under construction, with a capacity of about 42 000 metric tonnes, and A 1,5 million-litre storage tank to be built in FY2019 which will provide us with a storage capacity of 36 days in the case of a no-sale scenario. Work is ongoing as part a feasibility investigation into the infrastructure and marketing of an hydrous ethanol.

In the context of the Group's human capital rationalisation programme, we have trimmed down our staff complement to a minimum. While we do not have any projects approved in terms of Simama 20-20, there is vacuum technology that we are looking at acquiring which, if approved, will enable us to achieve at least a 17% cost reduction per unit.



MONTH-ON-MONTH DOWNWARD TREND OF ALCOHOL RECOVERY IN 2017 TO 18 DUE TO AN EXPLOSION. THE BUDGET WAS 230M TONNES OF ALCOHOL

Figure 23

Ethanol marketing

The ethanol business unit had been performing well prior to the year under review. The greatest challenge for the ethanol business has been the big increases in molasses prices in the face of declining ethanol prices. Efforts are being made to agree a fair pricing system with the supplier. However, we are now working on diversifying into fuel ethanol and reducing our operating costs in order to survive difficult conditions.

Molasses now accounts for approximately 41% of our total operating costs, and due to unfavourable trading conditions, current molasses pricing has hit the ethanol business very hard. For the breakdown of ours costs, see Figure 24.

Commercial excellence

We have continued with various cost control measures, such as costs in logistics and packaging in a bid to improve returns of the business. So we continue to look at drumming options in order to be able to supply the drummed market at a competitive cost.

We also successfully completed the first phase of the drumming plant, and installed loading equipment, in a bid to improve compliance with food safety requirements.

FY2018 market features

Our fiscal year was not a normal one as a consequence of the production disruption arising from the distillery explosion, while the ethanol market remained immature and highly volatile. Our SACU market share dropped due to rationing of our product during the unscheduled shutdown period. That market is still protected by non-tariff barriers, such as restrictive labelling requirements, which are making it difficult for us to improve our share in this market.

The EU market

Since May 2011, prices of ethanol have been falling in the EU market, and owing to low fuel ethanol prices most manufacturers have diverted biofuel into the traditional market for rectification purposes, thereby displacing imports of potable ethanol into the EU market. Further ethanol from some Asian origins have continued to sell into this market at prices much, much cheaper that we can afford.

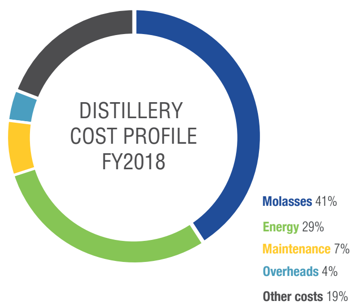


Figure 24

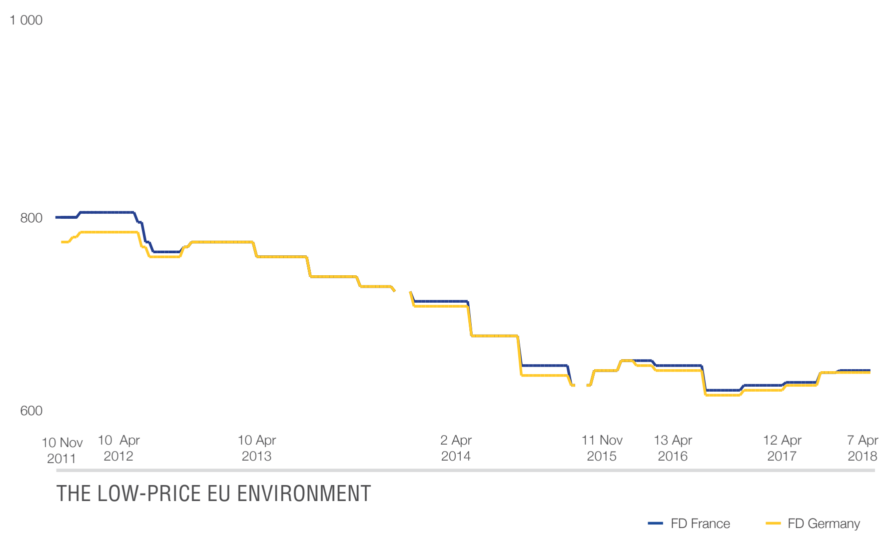


Figure 25


MY SIMAMA STORY
The steel blade of my brush cutter uses more fuel compared to the string cutter. I use the string most of the time. I want to achieve Simama 20-20.
Simanga Mathonsi
Brush Cutter Operator
STIHL
Driving RSSC Forward
simama 20-20
We do it through our people

Global surplus and Asian implications

The global surplus of molasses and sugar has resulted in the reduction of sugar and molasses prices, while the weakening of the Indian Rupee (Rs) against the US dollar and low molasses prices have enabled India to export ethanol at significantly lower prices. India is currently selling at +-US$0.91/litre CIF duty paid and drummed to the port of discharge in East Africa, while we are unable to break-even at such prices. We would have to sell at a huge loss to compete with this price. As a price-taker in the market we are thus struggling to compete against cheap and heavily subsidised product from Asia.

Performance against strategy

While we have adopted Simama 20-20 as a road map for all our strategic initiatives, the production disruption as a result of the distillery explosion necessitated a revisiting of our strategic objectives. The result was that our primary strategic focus shifted towards the retention of our premium and profitable customers in view of severe product shortage, and managing molasses storage in order to avoid molasses spillage and stopping of sugar factories due to a shortage of molasses storage.

Outlook and risk

The trajectory of the depressed EU market since 2011 is likely to continue in the short- to medium-term, while the new sugar regime and global surplus stock of molasses is expected to continue to put pressure on ethanol prices.

In order to survive in the turbulent ethanol business environment some competitors have combined the manufacture-to-sell and trade-to-sell business model, making it profitable to source for forward selling the significantly cheaper ethanol from Asia rather than exiting from the market. We believe that the future of this business lies in product diversification, improving recoveries and containment of prices. Molasses price continues to be a risk for this business.

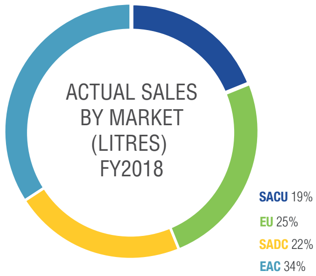
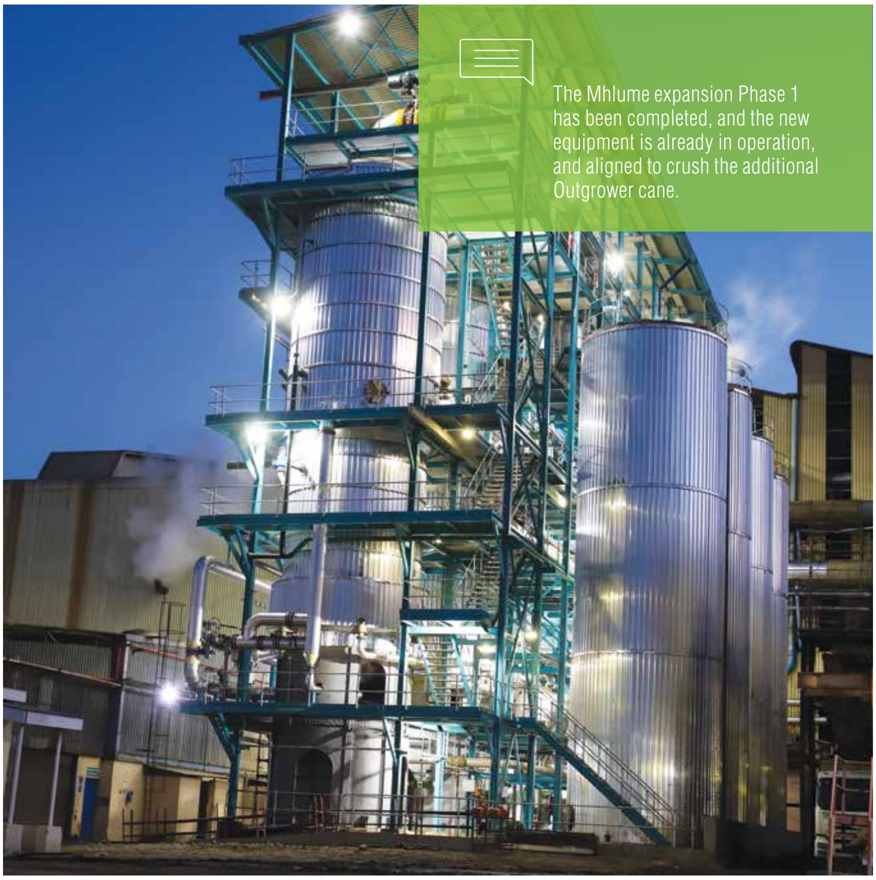


Figure 26

Difficult market conditions

As a price taker we are struggling to stand toe-to-toe with players who sell cheap and heavily subsidised product from Asia.

SIMAMA 20-20



The Mhlume expansion Phase 1 has been completed, and the new equipment is already in operation, and aligned to crush the additional Outgrower cane.

2011

IN MAY 2011 PRICES OF ETHANOL BEGAN FALLING AND HAVE NOT RECOVERED SINCE THAT TIME

For more on risk, see page 22.

Our distillery suffered an explosion, resulting in compromised production results.

Procurement

The department held its first suppliers' day during the year under review. Approximately 350 suppliers attended, and there were a number of sessions with them. The aim was to:

- Share with our suppliers, as our key stakeholders, the challenges facing RSSC with respect to sugar markets and the impact these will have on our bottom line.
- Share the Simama 20-20 strategy which is aimed at mitigating the impact of the adverse aspects of the sugar markets, i.e. the drop in prices and the strong rand.
- Share our procurement strategy, which is aligned with Simama 20-20, and highlight the need for an operational improvement in the timely, quality delivery and competitive pricing which we require in order to achieve effective and efficient procurement processes.
- Educate suppliers on the prevention of fraud and corruption in the supply chain.
- Highlight the importance of growth and collaboration amongst themselves, with some suppliers awarded prizes for growth and the forming of joint-ventures.
- Inform suppliers of the chain of command within RSSC in the event that they have complaints. A new supplier manual was distributed on the day.
- Highlight the Construction Industry Council, Labour, Swaziland Revenue Authority, Swaziland National Provident Fund legislative and safety requirements with which suppliers need to comply.

The approach is to establish and maintain a mutual beneficial partnership with our suppliers across the spectrum of vendors for RSSC.

For more on the RSSC Board, committees and related issues, see pages 60 to 67.

IYSIS

Inyani Yami Swaziland Irrigation Scheme (IYSIS), with its 110 employees, is a partnership between RSSC and Tibiyo and is a component of RSSC's natural and financial capital.

Its Board, to which the General Manager (GM) reports, comprises three representatives from each partner and the Chairman elected from Tibiyo representatives. The Board oversees separate Board sub-committees, namely Audit and Risk and Remuneration Committees. IYSIS is administered as a separate entity with its own accounts.

IYSIS is engaged in several revenue generating activities:

- Cane growing (about E28 million)
- Cattle and game farming (about -E1 million)
- Hospitality (about E1.2 million)
- Rented farms (about E1.8 million)

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

While the ranch area during the year under review has remained the same as in the prior year, the expectation is that 2 864 hectares will change to cane as the IGP expansions, as approved by both the IYSIS and the RSSC boards, are implemented.

IYSIS has drafted a lease agreement with RSSC according to which RSSC will manage the development and will pay 5% of sucrose proceeds to IYSIS. This arrangement will create more value for IYSIS than the current ranching and associated operations. However, the development cannot be initiated because of the current term of the lease, which expires in 2031. Permission will have to be obtained from His Majesty the King, to extend the lease, so that the development pay back period can justify its implementation in the longer term.

We already have 4 300ha under cane, with the total current ranching area standing at 21 000ha. A section of the land near to the Mhlume Mill will be taken for the purpose of the development, in order to maintain the integrity of the land.

Our ranch cattle herd has remained more or less the same, at 2 500 head, thanks to feeding. The feedlot numbers are down to 250 head although its optimum capacity should be 800 head. There are no cattle available to buy following the drought.

With the 80% of the long-term average rain having fallen, the veld has recovered, and the cattle are doing well. Nonetheless, for the first time since 1993, we had cases of rabies among the cattle, and we lost six head. After the 1993 outbreak we vaccinated for a few years, but later dropped the procedure. With the new cases, we revaccinated as quickly as we could, and were successful in containing the disease. We are now giving the annual vaccine to the whole herd, and this is a practice that will need to continue.

Butcheries and other operations

Our butchery revenue has declined somewhat during the year under review, with electricity costs for refrigeration continuing to be high. A new walk-in freezer is being installed at the Country Club which falls under our management.

HR and labour

During the year under review, our ranch manager retired after 38 years' service, but the succession plan that we have been implementing over a number of years will ensure a smooth transition.

We were able to conclude our agreements with the unions amicably and successfully for the past few years.

IYSIS (continued)

Game census

We completed a full terrestrial vertebrate survey in order to provide a reliable indication of the health of our ecosystem. Among other things, the study was designed to:

- Prepare checklists of amphibians, reptiles, birds and mammals occurring at IYSIS.
- Determine the abundance and species richness of these four taxa, with particular emphasis on the abundance of those that are threatened.
- Relate species richness with habitats available at IYSIS.

With each group surveyed with species-appropriate methods, the study recorded a total of 356 species of vertebrates at IYSIS, including 28 species of frogs, and 48 reptile, 224 bird and 56 mammal species. These results, together with the fact that IYSIS is home to at least 22 species of threatened animals, demonstrate the importance of IYSIS as a nationally important site for the continued existence of the wildlife of Eswatini.

4 300ha

THE TOTAL IYSIS AREA UNDER CANE IN 2017/18

Our game numbers are down, and the game census indicated that we had lost about 3 500 to 4 000 head. It will take some time for the game to fully recover from the depredations of the drought.

IYSIS – statistics FY2018

	2016/17	2017/18
Ranch area (ha)	20 786	**20 786**
Cattle		
Average herd size	2 323	**2 211**
Females bred	1 165	**1 180**
Conception %	44	**81**
Calving %	39	**72**
Mortality %	9.90	**4.6**
Number sold	772	**476**
Feedlot		
Head of cattle bought and re-sold	1 668	**489**
Butcheries (Kgs beef sold)	64 072	**62 726**

	Population estimate		Sold	
Wildlife species	**2016/17**	**2017/18**	**2016/17**	**2017/18**
Impala	5 000	**5 000**	807	**660**
Zebra	280	**200**	11	**11**
Warthog	200	**150**	23	**13**
Waterbuck	60	**60**	–	**–**
Kudu	550	**550**	9	**61**
Bushbuck	50	**50**	–	**–**
Nyala	800	**700**	11	**13**
Wildebeest	60	**50**	3	**–**
Giraffe	25	**30**	–	**–**

Mananga Sugar Packers (MSP)

Mananga Sugar Packers

Profile

Mananga Sugar Packers (MSP) is a partnership between RSSC and RCL Foods Sugar and Milling. The company specialises in pre-packing of sugar, castor sugar and icing in a state-of-the-art packaging facility in Mhlume, inside the sugar mill premises. MSP employs approximately 150 employees, including seasonal and casual employees, and operates 24 hours a day.

MSP procures sugar from Swaziland Sugar Association, pre-packs and markets both brown and refined sugar under different brands. Brands packed at MSP vary from, PnP, Selati, Spar, First Value, Great Value, South Bakels and First Sugar. Pack sizes range from 500g to 25kg for both refined and brown sugar. The current sugar quota for MSP is 118 847 tonnes of which 77 868 is refined sugar and 40 979 is brown sugar. The quota increased by 16 126 from last year.

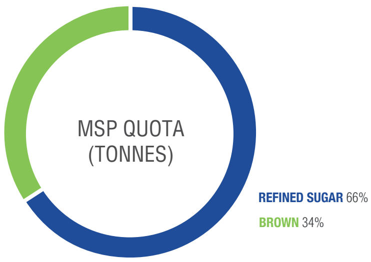


Figure 27

Production

During the year under review, Mananga Sugar Packers performed well even though sales were not as planned. As of end of March 2018, MSP has produced 101 076 tonnes versus a budget of 100 841 tonnes, which is 595 tonnes more than budget. The table below shows MSP production up to the end of March 2018.

	Production(Tons)	
Category	**2016/17**	**2017/18**
White	42 999	**55 864**
Brown	21 167	**30 988**
Specialities (icing & castor)	10 698	**14 224**
Total	74 864	**101 076**

MSP employs about 150 people in its 24 hour operation.

Mananga Sugar Packers (MSP) (continued)

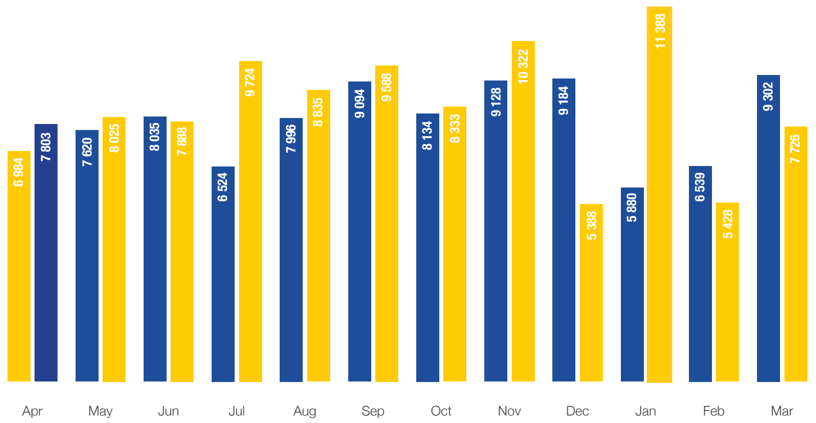
No milk and honey

Competition has been particularly fierce in the South African market as a result of imports.

SIMAMA 20-20

Sales and Marketing

Mananga Sugar Packers sells and markets sugar through Quality Sugars based in South Africa. Quality Sugars is owned by RCL Foods Sugar and Milling with 75% and RSSC with 25%. About 99% of sugar packed at MSP is sold in South Africa and the balance is sold in Eswatini as our own brand First Sugar and small quantities are sold as icing sugar to industrial customers. The year under review has been difficult due to competition in the market as a result of imports into South Africa. The imports have affected white pre-packs in the wholesale and retail space, while brown sugar sales were slightly ahead of plan. As of the end of March 2018, MSP has sold 94 420 tons against a budget of 100 393 tons which is 5 973 tons behind. MSP monthly sales for the year under review are as shown in the table below.



MONTHLY SALES VS BUDGET (TONS)

Figure 28

94 420 tons

TOTAL PRODUCT OUTPUT BY MSP IN 2017/18

In-house manufacturing of tailored trailers that maximise the conveyance of cane is instrumental in reducing our unit cost under the Simama 20-20 strategy.

07

Our governance framework

Our Board of Directors

Dr AT Dlamini – Chairman

MBA, Bcom

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

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

Ms Busangani G. Mkhaliphi – Member

IMBA, BCom, Diploma in Accounting and Business Studies

Busangani G. Mkhaliphi is employed by the Ministry of Finance as Director of the Public Enterprises Unit. She had also worked for the Ministry of Agriculture under the Monitoring and Evaluation Unit.

She is a member of the Board of Directors of the Swaziland Royal Insurance Corporation where she sits on the Remuneration, Investment and Audit Committees. She is also a member of the Board of Directors of Kobolondo Mining Swaziland.

Chief Zibuse Ndlangamandla – Member

Dip Accounting

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

Princess Phumelele – Member

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

Mr Jameson Gule – Member

MBA, CIS, Business Studies, Dip. Farm Management, Cert. Finance Management

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

RSSC's subcommittees are:

- Risk Committee
- Remuneration Committee
- Audit Committee
- Committee on Non-Executive Remuneration

Mr Derek van Niekerk – Member

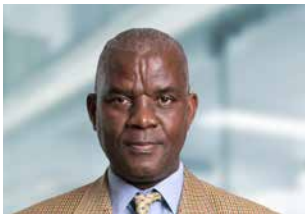
MBL, BCom (Hons) Accounting

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

Mr Gerhard van der Walt – Member

BCom (Hons), Chartered Accountant S.A.

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



Mr Zombodze Robert Magagula – Member

LLB, LLM (Insurance Law) Masters Sports Organisation Management; Post-grad. Dip (International Law)

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

Mr Idris Alhaji Ahmed – Member

MIAD, MBA, BSc (Accountancy)

Idris Alhaji Ahmed is the Accountant-General of the Federation in Nigeria. He has held various executive positions in the federal Civil Service such as Director (Finance and Accounts) at the Nigeria Security and Civil Defence Corps (NSCDC) Wuse Zone 5, Abuja and at the Ministry of Mines and Steel Development Wuse II, Abuja. He is a member of a number of financial institutions in Nigeria. He was appointed RSSC Board member on 3 September 2015. He has presented various papers on many topical issues including Reform in the Nigeria Capital Market, Fraud in the Banking Services Delivery and Supervisory Skills in Banking Service Delivery. He also sits on several boards.

Mr John du Plessis – Member

BSc Agriculture, MDP

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

Mr Nick Jackson – Executive Member

BSc (Hons) Biochemistry

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

Mr Mike Shongwe – Member

MDP, Dip Creation and Development of SMEs

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

Governance overview

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

We see corporate governance as the responsibility of both the Board and Executive Management, with a culture of good governance embedded throughout the organisation.

The Board of Directors endorses the principles of fairness, responsibility, transparency and accountability articulated in the King Reports, A review of RSSC's practices *vis-à-vis* King IV principles was undertaken during the year under review and it showed a high degree of application by RSSC of governance practices as recommended by the King Reports, including King IV. However, application on its own is insufficient for King IV purposes, as the updated Code is more focused on outcomes, rather than simply actions in their own right. RSSC's focus will therefore be on demonstrating and disclosing how its practices achieve the principles and contribute to the achievement of governance outcomes set out in King IV.

The Board applies a stakeholder-inclusive approach in its decision-making processes, having due regard for the interests of shareholders and other stakeholders, while demonstrating concern for sustainability as a business opportunity that guides the formulation of strategy.

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

The Policy on Powers Reserved for the Board of Directors and Delegated Authority has been maintained unchanged. It is due for review in 2018/19 and the delegation continues to be in terms of the Policy in its current form. *Ad hoc* delegation is utilised in cases not covered by the Policy as it stands.

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

Board responsibilities

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

The Board meets quarterly and special meetings are convened from time to time when considered necessary. To facilitate a meaningful decision-making process, Board papers are circulated timeously to the directors to allow them to thoroughly peruse the content and raise appropriate issues. Members of the Executive Committee attend Board meetings to ensure comprehensive reporting to directors.

Through monthly reports and regular briefings by management on material issues, the Board is able to monitor, among others, operational and financial performance of the business, key risk matters and major Group initiatives.

The governance practices of RSSC are summarised and set out in the Integrated Report which is circulated to all shareholders and key stakeholders. Our website also makes reference to our corporate governance practices.

Induction and evaluation

New directors go through an induction process which entails comprehensive presentations by the Managing Director and divisional heads on the Group's operations, governance structures and investments. The induction programme is aimed at providing an understanding of the Group, its operating environment and the markets in which it trades.

There was no formal Board evaluation during FY2018, with evaluation taking place mainly at committee and Board level, where actual performance is measured against the plans agreed at the beginning of the reporting year.

Remuneration

Directors' emoluments are contained in the financial statements and the disclosure therein is considered adequate.

Changes to Board composition in FY2018

During the year under review, there were two notable changes. Two shareholders who are entitled to appoint directors into the Board, (Booker Tate and Coca Cola), disposed of their shares in RSSC, resulting in a reduction in:

- The number of shareholder-appointed directors on the Board
- The number of directors
- The Board of Directors appointing an additional director in accordance with Article 90 of the Articles of Association, with the rationale being to maintain a reasonable number and to ensure an appropriate balance of knowledge, skills, experience, diversity and independence in order to discharge its governance role and responsibilities objectively and effectively.

The membership of Booker Tate's nominee and appointed director, IG van der Walt as a shareholder-appointed director of the RSSC Board of Directors came to an end on 15 September 2017 as a result of Booker Tate ceasing to be a shareholder in the Group. He was subsequently elected by the Board as an additional director in accordance with Article 90 of the Articles of Association, in order to ensure a reasonable number of directors serving on the RSSC Board and to benefit from his extensive knowledge of the sugar industry and his expertise in finance and investments.

Key focus areas in FY2108

During the year under review, the Board executed all scheduled activities as set out in the Board Charter and the Board of Directors' Annual Work Plan.

In addition, in accordance with its role of providing strategic leadership, the Board approved Phases I and II of the IGP expansion project, as well as the conclusion of the finance agreements with Standard Bank Swaziland in respect of Phase I and Nedbank Swaziland in respect of Phase II.

The Board was also engaged in monitoring of the implementation of the IGP expansion project, identification of critical risks and overseeing management's mitigation strategies to manage the identified risks, as well as the monitoring of the economic, social and political environment to ensure the success of the Group's strategic objectives. It noted that the challenges to the successful accomplishment of this strategic initiative were mainly in relation to sugar prices, difficult ethanol markets and appreciation of the Lilangeni against major currencies during the latter part of the 2017/18 financial year.

The Board also continued its oversight of the two EU projects – Umbombo Wendlovu and Mnyangombili, to ensure increased cane supply to meet the requirements of the expanded Mhlume factory capacity under the IGP.

As part of providing ethical leadership and ensuring that the Group's ethical environment was effectively managed, the Board:

- Reviewed and approved the Code of Ethics
- Reviewed and approved the Directors' Code of Conduct
- Undertook annual and continuous disclosure of directors' interests
- Continued enhancement of Directors' skills, through training provided by the Institute of Directors of Southern Africa

The Board also reviewed sub-committee membership as follows:

- **Risk Committee**
  - D van Niekerk – Chairman
  - Chief ZN Ndlangamandla
  - NM Jackson
  - MSM Shongwe
- **Remuneration Committee**
  - Dr AT Dlamini – Chairman
  - ZR Magagula
  - J du Plessis
- **Audit Committee**
  - IG van der Walt – Chairman
  - B Mkhaliphi
  - ZR Magagula
  - JN Gule
- **Committee on Non-Executive Directors' Remuneration**
  - Dr AT Dlamini – Chairman
  - NM Jackson

Our Board committees

AUDIT COMMITTEE

IG van der Walt, ZR Magagula, B Mkhaliphi and JN Gule

The Audit committee is responsible for:

- Reviewing and assessing the integrity and effectiveness of accounting, financial, compliance and other control systems.
- Assisting the Board in discharging its duties relating to the safeguarding of assets and the evaluation of the Group internal control frameworks.
- Considering the internal and external audit processes and the accounting principles and policies.
- Assisting the Board with monitoring the selection, compensation, independence and performance of the Group's external auditors.
- Inculcating the independence of the internal and external audit functions to ensure their effectiveness.
- Ensuring effective communication between the internal auditors, the external auditors, the Board and management.
- Ensuring compliance with and adherence to applicable legal, regulatory and financial reporting standards and accounting requirements.
- Oversight with respect to embedding a culture of discipline and control which will reduce the opportunity for fraud.
- Monitoring financial risks and their mitigation by management.

Focus, initiatives and decisions

During the year under review, the Audit Committee:

- Considered and recommended Board approval of the Interim and Annual Financial Statements for the reporting period, as well as supplementary reports.
- Considered and satisfied itself as to the adequacy of the resourcing and expertise of the finance division.
- Ongoing monitoring of financial risks identified in the Enterprise Wide Risk Register.
- Reviewed and approved the RSSC Internal Audit Charter.
- Considered and approved the Internal Audit Plan for the reporting period and monitored its implementation during the year, as well as progress in closing out internal control weaknesses identified by reviews carried out by Internal and External Audit.
- Recommended Board approval of the engagement of KPMG as the Group's external auditors following a rigorous tender process.
- Monitored the Group's compliance with legal requirements, with particular focus on compliance with tax legislation. Specific attention was given to findings and management's resolution of issues raised by the Swaziland Revenue Authority's Pay As You Earn tax audit.

REMUNERATION COMMITTEE

Dr AT Dlamini, J du Plessis and ZR Magagula

The Remuneration Committee is responsible for:

- Reviewing the design and management of remuneration structures, policies and incentive schemes and ensuring that they motivate sustained high performance and are linked to corporate performance.
- Assisting the Board in ensuring that the Group remunerates executives fairly and responsibly.
- Overseeing the setting and administering of remuneration at all levels in the Group and the review of remuneration trends across the Group.
- Reviewing any major changes in employee benefit structures for ExCo members and other senior managers.
- Determining the framework for the remuneration of ExCo members and other senior executives that will promote the achievement of strategic objectives and encourage individual performance. The purpose of this is to motivate and retain competent members of the executive management of the Group by ensuring they are provided with appropriate and cost-effective incentives to encourage enhanced performance and shareholder value.
- Ensuring that the mix of fixed and variable pay, in cash, and other elements, meets the Group's needs and strategic objectives.
- Obtaining reliable, up-to-date information about remuneration in other companies and generally in any relevant skills market, for the purpose of comparing remuneration levels.

During the year under review, the Remuneration Committee:

- Considered and approved executive managers' cost of living award.
- Approved the proposed. amendments to the Short-Term (STI) and Long-Term Incentive (LTI) schemes.
- Approved the STI and LTI payment of 2016/17 financial year to eligible scheme participants.
- Satisfied itself, with the assistance of independent assurance providers as to the accuracy of the 2016/17 STI and LTI performance awards.
- Continued the review of remuneration levels and incentive schemes aimed at ensuring motivation and retention of skills and contribution to shareholder value.

RISK COMMITTEE

D van Niekerk, Chief ZN Ndlangamandla, MSM Shongwe and M Geraghty*

The Risk Committee is responsible for:

- Setting risk management priorities and ensuring that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks.
- Overseeing the compilation and maintenance of a business continuity plan.
- Receiving reports from management on the Group's risk management programme and monitoring the risk management action plans.
- Making recommendations to the Board concerning the levels of tolerance and appetite and monitoring the management of risks to within the levels of tolerance and appetite as approved by the Board.
- Reviewing the risks inherent in the Group's business at least once a year.
- Ensuring that risk management assessments are performed on a continuous basis and monitoring of management's responsiveness to the findings and recommendations from the assessments.
- Reviewing the Corporation's policies and procedures for the management of ethics, detection of fraud and prevention of bribery and corruption.
- Setting risk-management priorities and ensuring that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks.
- Ensuring that adequate insurance policies and cover is in place at all times.
- Reviewing all policies and procedures in respect of the management of safety, health, environment, quality and ethics by the Group.

In addition to performing all its responsibilities as set out in the Terms of Reference, during the year under review, the Risk Committee:

- Continued to monitor the Top 10 risks contained in the Enterprise Wide Risk Register and mitigation actions being implemented by management.
- Monitored risk mitigation action plans being advanced by management in connection with the Mhlume factory expansion project.
- Exercised oversight in connection with ISO certification audits, all of which were successful and monitored the ISO transition project in order to ensure successful recertification under the revised standards.
- Continued monitoring the embedding of the SAP ERP system and maintained oversight of IT projects advanced during the reporting period.
- Exercised oversight with respect to insurance claims and corrective measures implemented by management in connection with insurable incidents that took place during the reporting year.
- Monitored management's implementation of the Waste-Water Treatment and Effluent Management Master Plan aimed at ensuring RSSC's compliance with regulatory standards on industrial effluent discharges and treated domestic waste-water.
- Reviewed and approved the 2017/18 Annual Insurance Renewal terms and started a review of the Group's risk-bearing capacity.

* *Membership ended March 2018*

Board and committee meeting attendance in FY2018

Nature of Meeting

	Board		Audit		Risk		Remuneration	
Board Member	**SM**	**AM**	**SM**	**AM**	**SM**	**AM**	**SM**	**AM**
Dr AT Dlamini[1]	4	4	–	–	–	–	3	3
Chief ZN Ndlangamandla	4	4	–	–	3	2	–	–
IG van der Walt[2]	4	3	3	3	–	–	–	–
HRH Princess Phumelele	4	3	–	–	–		–	–
ZR Magagula	4	4	3	3	–	–	3	3
ID van Niekerk[3]	4	4	–	–	3	3	–	–
MSM Shongwe	4	4	–	–	3	3	–	–
JN Gule	4	4	3	3	–	–	–	–
M Geraghty[4]	3	3	–	–	3	1	–	–
NM Jackson[5]	4	4	–	–	3	3	–	–
J du Plessis	4	4	–	–	–	–	3	3
B Mkhaliphi	4	4	3	3	–	–	–	–
I Ahmed	4	2	–	–	–	–	–	–
Dr B Wadinga[6]	–	1						

Legend

SM Number of scheduled meetings held during the period in which the director was a member of the Board and/or subcommittee

AM Number of scheduled meetings attended by directors as a member of the Board and/or subcommittee – Not applicable to alternate directors

1. Board and Remuneration Committee Chairman
2. Audit Committee Chairman
3. Risk Committee Chairman
4. Resigned 28 March 2018
5. Managing Director
6. Alternate to I Ahmed; attended one meeting on his behalf

Our executive management

Executive Management

Below the level of the Board, key management decisions are the responsibility of the Managing Director (MD), who in terms of the Policy on Matters Reserved for the Board and Delegated Powers has been delegated authority on a wide range of matters in relation to financial, strategic, operational, governance, risk and other functional issues.

The MD has authority over senior management committees (which include ExCo, the Tender Committee, the Risk Management Executive Committee and the IT Steering Committee) and individual members of the management team who assist the MD in guiding and controlling the overall direction of the business and monitoring business performance. *Ad hoc* management committees are put in place to focus and monitor issues of strategic importance to the Corporation. The MD, however, remains accountable to the Board for all authority delegated to him.

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

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

Our executive management team

Our Group Executive Committee

Mr Nick Jackson – Managing Director
Bsc (Hons) Biochemistry

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

Max Mkhonta was appointed Group Human Resources Manager in April 2015 and has extensive experience in HR management, having worked in a variety of industries including pulp and paper, textile, communications, services and energy. He serves on several boards in Swaziland.

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

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

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

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

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

Stephen Potts has many years' experience in Finance, Projects Finance, Sugar Marketing, Business and Strategic Planning. He reports to the RSSC Board on all financial matters and attends the Audit, Risk and Remuneration Committee meetings. He is also a director of Mananga Sugar Packers (Pty) Ltd and chairman of the Audit and Risk Committee, a director of Quality Sugars (Pty) Ltd, and a member of the Audit and Risk Committee. He is also Chairman of the IYSIS Audit and Risk Committee and a member of the IYSIS Board.

Internal audit

The Group manages significant risks affecting the Group and the business environment in which it operates by maintaining internal controls and systems designed for the purpose of providing reasonable assurance against material misstatement or loss.

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

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

Induction and Development

RSSC is committed to the continuing development of its directors to support them in building on their expertise and developing a more detailed understanding of their responsibilities. Directors receive briefings on new legal developments and changes in the risk and the general business environment on an ongoing basis.

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

For more about stakeholder relations, see pages 18 - 21.

Shareholder engagement

The Corporation is committed to communicating and engaging with shareholders and pursues this interaction in line with the King principles on stakeholder management. Shareholders are provided with an update on the Group's performance at the Annual General Meeting (AGM) which also offers an opportunity for shareholders to ask questions. The Corporation also undertakes proactive engagement with institutional shareholders on a continuous basis and we employ a variety of formal and informal engagement processes to ensure alignment with the interests of shareholders and to enable an understanding of their views.

Ethics

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

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

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

Controls

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

- Information management environment.
- Reliability and integrity of financial and operating information.
- Safeguarding of assets, including fraud prevention, and effective use of the 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 these reviews, there is reasonable assurance that an effective system of internal controls and risk management is in place.

Creating SHARED VALUE

Driving RSSC Forward
simama 20-20

08

Consolidated and separate financial statements

Contents

08 **Consolidated and separate financial statements**

70 Statement of responsibility by the Board of Directors
71 Independent auditors' report
74 Directors' report
76 Statements of financial position
77 Statements of profit or loss and other comprehensive income
78 Statements of cash flows
79 Statements of changes in equity
80 Identification of reporting entity and basis of preparation
81 Notes to the financial statements

Statement of responsibility by the Board of directors

for the year ended 31 March 2018

Directors' responsibilities in relation to financial statements

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial statements and the separate financial statements of The Royal Swaziland Sugar Corporation Limited, comprising the statements of financial position at 31 March 2018, statements of profit or loss and other comprehensive income, the statements of changes in equity, the statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies, the identification of reporting entity and basis of preparation, and the directors' report in accordance with International Financial Reporting Standards and in the manner required by the Swaziland Companies Act.

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

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

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

Approval of consolidated financial statements and Company financial statements

The consolidated financial statements and separate financial statements of The Royal Swaziland Sugar Corporation Limited, set out on pages 74 to 119, were approved by the board of directors on 29 June 2018 and are signed on their behalf by:

Dr A T Dlamini
Chairman

NM Jackson
Director

Independent auditors' report

To the members of The Royal Swaziland Sugar Corporation Limited

Opinion

We have audited the consolidated and separate financial statements of The Royal Swaziland Sugar Corporation Limited (the Group and Company) set out on pages 74 to 119, which comprise the statements of financial position as at 31 March 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the identification of reporting entity and basis of preparation, and the notes to the financial statements, including a summary of significant accounting policies, and the directors' report.

In our opinion the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of The Royal Swaziland Sugar Corporation Limited as at 31 March 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Swaziland Companies Act.

Basis for opinion

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

Key audit matters

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

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

Refer to note 4 to the financial statements

The key audit matter	**How the matter was addressed in our audit**
Goodwill is required to be assessed for impairment on an annual basis. The impairment assessment, made by the directors, in respect of the goodwill allocated to Mhlume (Swaziland) Sugar Company Limited (the cash generating unit, "CGU") involves judgement in relation to forecasting future cash flows and is sensitive to growth rates embedded in the business plan and the discount rate applied to the future cash flows. The estimation uncertainty in respect of determining the value-in-use of the CGU resulted in the assessment of goodwill for impairment being a key audit matter in our audit of the consolidated financial statements.	We assessed the assumptions used by the directors in the goodwill impairment assessment specifically in respect of the cash flow forecasts, discount rates and growth rates applied by performing the following: • Using our valuation specialist on our audit team to assess the reasonableness of the discount rate applied in the discounting of future cash flows by comparing the rates used to those rates applicable to the R186 risk free bond rate, adjusted for country- and industry-specific risk factors. • Evaluating the cash flow forecasts by analysing projected income and expenditure streams in line with the Company's projected production. • Assessing future projected production for reasonableness in relation to current production and management's future plans. • Comparing capital expenditure projections to existing plans to acquire assets necessary to ensure the Company meets production targets. • Assessing the reasonableness of future growth rates by: – Comparing forecast sugar prices to current prices and to the expected prices from global and regional markets. – Comparing the inflation adjustments on expenses to current and projected inflation rates. • Performing our own sensitivity analysis in relation to the key assumptions applied to assess the impact on the value-in-use of the CGU by changing the key assumptions. • Assessing the appropriateness of the disclosures made in note 4 to the consolidated financial statements against requirements of the financial reporting framework.

Independent auditors' report (continued)

Valuation of biological asset – growing cane of E453 931 000 in the consolidated financial statements and E326 167 000 in the separate financial statements

Refer to note 8 to the financial statements

The key audit matter	How the matter was addressed in our audit
Growing cane is classified as a biological asset in terms of IAS 41 *Agriculture* and is carried at fair value. The fair value of the growing cane is determined using level 3 valuation techniques which includes significant unobservable inputs. We concentrated on the valuation of growing cane given the level of judgement and estimation involved in determining the fair value. The fair values are derived from the following significant unobservable inputs; forecast yields per hectare of cane, forecast content of sucrose in cane, forecast sucrose prices, exchange rates (indirectly) and the forecast costs for harvesting and transporting cane to the mills. Accordingly the fair value of the growing cane was considered a key audit matter in our audit of the consolidated and separate financial statements.	• We assessed management's historic estimation accuracy in the determination of the fair value of growing cane by comparing the data that was used in the previous financial period against current year results, particularly with regards to the yields per hectare of cane, sucrose percentage in cane, harvest age, sugar prices actually paid by Swaziland Sugar Association (SSA) which were based on sugar prices achieved in destination markets and exchange rate fluctuations. • We assessed the reasonableness of assumptions applied in the determination of the current year's fair value of growing cane by comparing the data that was used in the calculation as follows: – Selling price of sugar was agreed to the estimate obtained from the SSA. The selling price was assessed for reasonableness taking into account our knowledge of the Swaziland sugar industry, world, regional and local sugar prices and global exchange rate trends. – Yields per hectare of cane, sucrose percentage in cane, harvest age of cane were compared to historical information. – Harvesting costs were agreed to the following year's budgeted information. • We physically inspected a sample of cane fields to assess the quality of the crops to support the inputs used in the fair value determination of the growing cane. The quality of the crops was corroborated by discussions held with the SSA and Group agronomists. • We assessed the appropriateness of the disclosures made in note 8 to the financial statements against the requirements of the financial reporting framework.

Other information

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

Auditors' responsibilities for the audit of the consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

KPMG

KPMG Chartered Accountants (Swaziland)
per Robert Sithebe Partner Registered
Chartered Accountant (SD)
Partner

1 July 2018

Umkhiwa House
Lot 195 Kal Grant Street
Mbabane
Swaziland

Directors' report

for the year ended 31 March 2018

The Directors have pleasure in presenting their report together with the financial statements for the year ended 31 March 2018.

General review of operations

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

Dividends

The following dividends have been declared (refer note 12.3):

- A first interim dividend for the year ended 31 March 2018 of 121.0 cents per share which was paid in November 2017; and
- A second interim dividend for the year ended 31 March 2018 of 99.0 cents per share which was paid in February 2018.

Board structure

The Board comprises of one executive and 12 non-executive directors.

Directorate

The directors of the Company during the year were:

Directors

A T Dlamini	(Chairman)
N M Jackson	(Managing Director)
J M du Plessis	
HRH Princess Phumelele	
J N Gule	
I Ahmed	
M Geraghty	(resigned 15 March 2018)
Z R Magagula	
B Mkhaliphi	
Chief Z N Ndlangamandla	
M S M Shongwe	
I G van der Walt	
I D van Niekerk	

Alternates

B Wadinga	(to I Ahmed)
M Ndlela	(to J N Gule)
A Ngcobo	(to A T Dlamini)

Secretary and registered office

Secretary	Registered Office
L S Masango	Simunye Sugar Estate P O Box 1 Simunye

Auditors

KPMG Chartered Accountants (Swaziland)
Umkhiwa House
Lot 195, Kal Grant Street
Mbabane

Bankers

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

Transfer secretaries

KPMG Advisory (Swaziland) (Proprietary) Limited
P O Box 331
Mbabane
H100

Management structure

Managing Director

N M Jackson*

Commercial

M I Maziya*	General Manager Commercial
M Gamedze	Stores Manager
S Saxena	Head of Distillery
J Shiba	Purchasing Manager
M Zikalala	Logistics and Marketing Manager

Operations

P Myeni*	General Manager – Operations
C Crick	Head of Agriculture
I Voigt	Head of Factories
M Gama	Agricultural Manager – Production
B Shongwe	Agricultural Manager – Water Resources
J Tfwala	Factories Manager
M Tshawuka	Agricultural Manager – Services
V Malubane	Agronomy Manager

Finance

S G Potts*	General Manager – Finance
D V Dhliwayo	Financial Manager – Business Planning & Reporting
Vacant	Financial Manager – Financial Management
A B Hlatshwayo	Financial Manager – Tax and Projects
I Fakudze	Property Services Manager

Human Resources

M B Mkhonta*	Group Human Resources Manager
B A Maziya	Head of Human Resources Operations
A Mdluli	Employee Relations Manager
S Shiba	Human Resources Manager – Learning and Talent
Dr R Shoshore	Human Resources Manager – Health and Wellness

Information Technology

R Coombe	Group IT Manager

Office of Strategy Management

P M Dlamini	Head of Strategy

Public Affairs

S Nyembe	Group Public Affairs Manager

**Members of the Executive Committee (ExCo)*

Material events after year-end

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

Statements of financial position

as at 31 March 2018

	Note	GROUP 2018 E'000	GROUP 2017 E'000	COMPANY 2018 E'000	COMPANY 2017 E'000
ASSETS					
Property, plant and equipment	3	**1 468 894**	1 340 865	**974 250**	955 189
Goodwill	4	**286 481**	286 481	**–**	–
Intangible assets	5	**2 966**	3 110	**2 966**	3 110
Investments in subsidiaries	6	**–**	–	**666 474**	666 474
Equity accounted investees	7	**118 776**	111 090	**52 500**	52 500
Deferred tax assets	24.4	**150**	184	**–**	–
Total non-current assets		**1 877 267**	1 741 730	**1 696 190**	1 677 273
Inventories	9	**149 009**	128 275	**94 160**	72 742
Biological asset – growing cane	8.2	**453 931**	507 880	**326 167**	349 557
Biological asset – livestock	8.3	**6 468**	7 053	**6 468**	7 053
Trade and other receivables	10	**235 376**	115 907	**164 129**	96 787
Taxation prepaid	29.1	**–**	34 963	**–**	34 963
Cash and cash equivalents	11	**216 935**	404 253	**84 508**	247 894
Total current assets		**1 061 719**	1 198 331	**675 432**	808 996
Total assets		**2 938 986**	2 940 061	**2 371 622**	2 486 269
EQUITY					
Share capital	12.1	**128 639**	128 639	**128 639**	128 639
Share premium	12.1	**632 379**	632 379	**632 379**	632 379
Preference share redemption reserve	12.2	**78 104**	78 104	**78 104**	78 104
Retained earnings		**1 143 247**	1 053 987	**804 753**	608 447
Total equity		**1 982 369**	1 893 109	**1 643 875**	1 447 569
LIABILITIES					
Deferred tax liabilities	24.4	**316 581**	324 710	**232 895**	231 564
Loans and borrowings	14	**–**	8 571	**–**	8 571
Employee benefits	15	**90 420**	100 188	**63 406**	70 926
Total non-current liabilities		**407 001**	433 469	**296 301**	311 061
Trade and other payables	16	**437 289**	381 364	**363 171**	562 755
Short-term employee benefits	17	**93 566**	113 296	**61 746**	70 858
Bank overdraft	11,18	**4 728**	–	**1 070**	–
Current portion of loans and borrowings	14	**–**	15 000	**–**	15 000
Current tax liabilities	29.1	**14 033**	24 797	**5 459**	–
Dividends payable	29.2	**–**	79 026	**–**	79 026
Total current liabilities		**549 616**	613 483	**431 446**	727 639
Total equity and liabilities		**2 938 986**	2 940 061	**2 371 622**	2 486 269

Statements of profit or loss and other comprehensive income

for the year ended 31 March 2018

	Note	GROUP 2018 E'000	GROUP 2017 E'000	COMPANY 2018 E'000	COMPANY 2017 E'000
Revenue	19	**2 961 672**	2 957 614	**1 787 678**	1 812 772
Cost of sales		**(2 314 046)**	(2 226 725)	**(1 421 025)**	(1 472 008)
Change in fair value of biological assets	8	**(54 534)**	139 710	**(23 975)**	110 204
Gross profit		**593 092**	870 599	**342 678**	450 968
Other income	20	**104 069**	51 121	**313 676**	227 518
Distribution expenses		**(6 679)**	(6 973)	**(6 679)**	(6 973)
Administration expenses		**(360 386)**	(404 526)	**(210 219)**	(247 313)
Operating profit	21	**330 096**	510 221	**439 456**	424 200
Finance income		**53 482**	33 457	**32 372**	13 493
Finance costs		**(2 211)**	(10 657)	**(2 565)**	(10 643)
Net finance income	23	**51 271**	22 800	**29 807**	2 850
Share of profit of equity accounted associate companies (net of income tax)	7	**20 318**	31 026	**–**	–
Profit before taxation		**401 685**	564 047	**469 263**	427 050
Income tax expense	24.1	**(97 327)**	(162 922)	**(58 771)**	(70 851)
Profit attributable to owners of the Company		**304 358**	401 125	**410 492**	356 199
Other comprehensive income (OCI)					
Items that will never be reclassified to profit or loss					
Remeasurements of defined benefit liabilities	15	**(4 325)**	(10 511)	**(3 069)**	(10 043)
Related deferred tax	24.2	**1 189**	2 891	**845**	2 762
Other comprehensive income, net of tax		**(3 136)**	(7 620)	**(2 224)**	(7 281)
Total comprehensive income for the year attributable to owners of the Company		**301 222**	393 505	**408 268**	348 918
Basic and diluted earnings per share (cents)	25	**315.9**	416.3	**426.1**	369.7

Statements of cash flows

for the year ended 31 March 2018

	Note	GROUP		COMPANY	
		2018 E'000	2017 E'000	**2018 E'000**	2017 E'000
Cash flows from operating activities					
Profit before taxation		**401 685**	564 047	**469 263**	427 050
Adjusted for:					
Depreciation		**182 215**	181 298	**128 814**	127 297
Amortisation of intangible assets		**144**	144	**144**	144
Decrease /(increase) in fair value of biological assets – growing cane		**53 949**	(139 920)	**23 390**	(110 414)
Decrease in fair value of biological assets – livestock		**585**	210	**585**	210
(Decrease)/increase in non-current employee benefits		**(14 093)**	12 825	**(10 589)**	8 805
Loss/(profit) on disposal of property, plant and equipment		**5 537**	(770)	**5 537**	(182)
Dividend income		**–**	–	**(235 247)**	(199 396)
Finance income		**(38 109)**	(33 457)	**(17 004)**	(13 493)
Finance costs		**2 211**	4 798	**2 565**	4 784
Unrealised currency loss		**4 014**	25 823	**4 014**	25 823
Share of associated Company net profit		**(20 318)**	(31 026)	**–**	–
Operating cash flows before movement in working capital		**577 820**	583 972	**371 472**	270 628
Movement in working capital					
Increase in inventory		**(20 734)**	(2 812)	**(21 418)**	(8 991)
(Increase)/decrease in trade and other receivables		**(119 469)**	26 527	**(67 342)**	852
Increase/(decrease) in trade and other payables		**55 925**	149 308	**(199 584)**	190 020
(Decrease)/increase in short-term employee benefits		**(19 730)**	407	**(9 112)**	(3 039)
Cash generated from operations		**473 812**	757 402	**74 016**	449 470
Interest paid	23	**(2 211)**	(4 798)	**(2 565)**	(4 784)
Taxation paid	29.1	**(80 034)**	(180 578)	**(16 173)**	(112 011)
Net cash generated by operating activities		**391 567**	572 026	**55 278**	332 675
Cash flows from investing activities					
Finance income	23	**38 109**	33 457	**17 004**	13 493
Dividends received		**12 632**	18 775	**235 247**	199 396
Proceeds from sale of property, plant and equipment		**105**	955	**105**	266
Acquisition of property, plant and equipment	3	**(315 886)**	(88 211)	**(153 517)**	(55 853)
Net cash (utilised in)/generated by investing activities		**(265 040)**	(35 024)	**98 839**	157 302
Cash flows from financing activities					
Repayment of borrowings		**(23 571)**	(15 030)	**(23 571)**	(15 030)
Dividends paid	29.2	**(290 988)**	(269 949)	**(290 988)**	(269 949)
Net cash utilised in financing activities		**(314 559)**	(284 979)	**(314 559)**	(284 979)
Net (decrease)/increase in cash and cash equivalents		**(188 032)**	252 023	**(160 442)**	204 998
Cash and cash equivalents at beginning of year	11	**404 253**	178 053	**247 894**	68 719
Effect of exchange rate fluctuations on cash held		**(4 014)**	(25 823)	**(4 014)**	(25 823)
Cash and cash equivalents at year end	11	**212 207**	404 253	**83 438**	247 894

Statements of changes in equity

for the year ended 31 March 2018

	Share Capital E'000	Share Premium E'000	Preference Share Redemption Reserve E'000	Retained Earnings E'000	Total E'000
GROUP					
2018					
Balance at 1 April 2017	**128 639**	**632 379**	**78 104**	**1 053 987**	**1 893 109**
Profit	**–**	**–**	**–**	**304 358**	**304 358**
Other comprehensive income	**–**	**–**	**–**	**(3 136)**	**(3 136)**
Total comprehensive income for the year	**–**	**–**	**–**	**301 222**	**301 222**
Transactions with owners recorded directly in equity					
– Dividends (note 12.3)	**–**	**–**	**–**	**(211 962)**	**(211 962)**
Balance at 31 March 2018	**128 639**	**632 379**	**78 104**	**1 143 247**	**1 982 369**
2017					
Balance at 1 April 2016	128 639	632 379	78 104	915 511	1 754 633
Profit	–	–	–	401 125	401 125
Other comprehensive income	–	–	–	(7 620)	(7 620)
Total comprehensive income for the year	–	–	–	393 505	393 505
Transactions with owners recorded directly in equity					
– Dividends (note 12.3)	–	–	–	(255 029)	(255 029)
Balance at 31 March 2017	128 639	632 379	78 104	1 053 987	1 893 109

	Share Capital E'000	Share Premium E'000	Preference Share Redemption Reserve E'000	Retained Earnings E'000	Total E'000
COMPANY					
2018					
Balance at 1 April 2017	**128 639**	**632 379**	**78 104**	**608 447**	**1 447 569**
Profit	**–**	**–**	**–**	**410 492**	**410 492**
Other comprehensive income	**–**	**–**	**–**	**(2 224)**	**(2 224)**
Total comprehensive income for the year	**–**	**–**	**–**	**408 268**	**408 268**
Transactions with owners recorded directly in equity					
– Dividends (note 12.3)	**–**	**–**	**–**	**(211 962)**	**(211 962)**
Balance at 31 March 2018	**128 639**	**632 379**	**78 104**	**804 753**	**1 643 875**
2017					
Balance at 1 April 2016	128 639	632 379	78 104	514 558	1 353 680
Profit	–	–	–	356 199	356 199
Other comprehensive income	–	–	–	(7 281)	(7 281)
Total comprehensive income for the year	–	–	–	348 918	348 918
Transactions with owners recorded directly in equity					
– Dividends (note 12.3)	–	–	–	(255 029)	(255 029)
Balance at 31 March 2017	128 639	632 379	78 104	608 447	1 447 569

Identification of reporting entity and basis of preparation

Reporting entity

The Royal Swaziland Sugar Corporation Limited is a company domiciled in the Kingdom of Swaziland. The address of the Company's registered office is Simunye Sugar Estate. The consolidated financial statements as at and for the year ended 31 March 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group companies") and the Group's interest in associates and joint ventures. The Group is primarily involved in the growing and milling of sugar cane, the manufacture of sugar and the manufacture of ethanol from molasses.

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

Basis of accounting

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

The Group financial statements and Company financial statements were authorised for issue by the Board of Directors on 29 June 2018.

Basis of measurement

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

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

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

Functional and presentation currency

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

Use of estimates and judgements

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

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

Judgements

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

- Notes 6, 7 and 30 – classification of joint arrangements;
- Note 6 – consolidation: whether the Group has *de facto* control over an investee; and
- Note 33 – lease classification.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 March 2019 is included in the following notes:

- Note 3 – measurement of useful lives and residual values of property, plant and equipment;
- Note 4 – goodwill impairment test: key assumptions underlying recoverable amounts;
- Note 8 – biological assets: key assumptions relating to unobservable inputs into valuation techniques;
- Note 15 – measurement of defined benefit obligations: key actuarial assumptions; and
- Note 28 – contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

Notes to the financial statements
for the year ended 31 March 2018

1. Operating segments

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

- Cane growing — Includes the growing of sugar cane on an area of approximately 20 500 hectares. All cane is harvested and delivered to the two sugar mills in the Group.
- Sugar manufacturing — Includes the crushing of sugar cane by the two mills in the Group to produce either Raw Sugar, Very High Polarity ("VHP") Sugar or Refined Sugar. All sugar produced by the mills is sold to the Swaziland Sugar Association.
- Ethanol production — Includes the manufacture of ethanol from molasses which is a by-product of the sugar production process. The ethanol is sold to the African, European and regional markets.

Other operations include citrus growing, livestock rearing, and eco-tourism activities. None of these segments meet any of the quantitative thresholds for determining reportable segments in 2018 or 2017.

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

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

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

	Cane Growing		Sugar manufacturing and marketing		Ethanol production and marketing		Elimination		Consolidated	
	2018 E'000	2017 E'000	**2018 E'000**	2017 E'000	**2018 E'000**	2017 E'000	**2018 E'000**	2017 E'000	**2018 E'000**	2017 E'000
1.1 Information about reportable segments										
External revenue	**10 973**	7 305	**2 691 503**	2 598 250	**239 742**	327 225	**–**	–	**2 942 218**	2 932 780
Inter segment revenue	**981 717**	921 703	**–**	–	**–**	–	**(981 717)**	(921 703)	**–**	–
Total revenue	**992 690**	929 008	**2 691 503**	2 598 250	**239 742**	327 225	**(981 717)**	(921 703)	**2 942 218**	2 932 780
External revenue of all other operations not meeting segment criteria									**19 454**	24 834
Total consolidated revenue									**2 961 672**	2 957 614
Reportable segment operating profit before corporate costs and income tax	**263 950**	475 691	**369 228**	342 956	**7 807**	58 916	**–**	–	**640 985**	877 563
Results of other operations not meeting segment criteria									**(6 135)**	(7 870)
Unallocated other income									**61 434**	50 949
Unallocated corporate costs									**(365 218)**	(409 366)
Unallocated net finance income									**50 301**	21 745
Share of profit of equity accounted associate companies									**20 318**	31 026
Consolidated profit before tax from continuing operations									**401 685**	564 047

Notes to the financial statements (continued)

for the year ended 31 March 2018

	Cane Growing		Sugar manufacturing and marketing		Ethanol production and marketing		Unallocated		Consolidated	
	2018 E'000	2017 E'000	**2018 E'000**	2017 E'000	**2018 E'000**	2017 E'000	**2018 E'000**	2017 E'000	**2018 E'000**	2017 E'000
1. Operating segments (continued)										
1.1 Information about reportable segments (continued)										
Segment capital expenditure	**81 527**	25 394	**170 985**	33 652	**33 396**	13 366	**29 978**	15 799	**315 886**	88 211
Depreciation and impairment	**72 334**	80 282	**57 633**	56 321	**14 100**	13 215	**38 148**	31 480	**182 215**	181 298
Amortisation of intangible assets	**47**	47	**–**	–	**–**	–	**97**	97	**144**	144
(Decrease)/increase in fair value of biological assets	**(53 949)**	139 920	**–**	–	**–**	–	**(585)**	(210)	**(54 534)**	139 710
Net foreign exchange gains/(losses)	**–**	–	**–**	–	**–**	–	**15 373**	(5 859)	**15 373**	(5 859)

1.2 Geographical information

	Swaziland		South Africa		Consolidated	
	2018 E'000	2017 E'000	**2018 E'000**	2017 E'000	**2018 E'000**	2017 E'000
External revenue	**2 961 672**	2 957 614	**–**	–	**2 961 672**	2 957 614
Non-current assets	**1 874 521**	1 738 951	**2 746**	2 779	**1 877 267**	1 741 730
Capital expenditure	**315 886**	88 211	**–**	–	**315 886**	88 211

Eliminated inter-segment sales from Swaziland to South Africa were Enil (2017 – Enil).

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

2. Use of judgements and estimates

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

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

Judgements

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

- Note 6, 7 and 30 – classification of joint arrangements;
- Note 6 – consolidated: whether the Group has *de facto* control over an investee; and
- Note 33 – lease classification.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 March 2019 is included in the following notes:

- Note 3 – measurement of useful lives and residual values of property, plant and equipment;
- Note 4 – goodwill impairment test: key assumptions underlying recoverable amounts;
- Note 8 – biological assets: key assumptions relating to unobservable inputs valuation techniques;
- Note 15 – measurement of defined benefit obligations: key actuarial assumptions; and
- Note 28 – contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

Measurement of fair values

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

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

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

Significant valuation issues are reported to the Group Audit Committee.

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

- Level 1: quoted prices (unadjusted) in active markets.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

Property, plant and equipment

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

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

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

Intangible assets

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

Biological assets

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

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

Inventories

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

Trade and other receivables

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

Forward exchange contracts

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

Non-derivative financial liabilities

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

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 4 – measurement of the recoverable amounts of CGUs containing goodwill;
- Note 5 – measurement of the recoverable amounts of intangible assets; and
- Note 8 – biological assets

Notes to the financial statements (continued)

for the year ended 31 March 2018

3. Property, plant and equipment

	Land and buildings E'000	Plant and machinery E'000	Irrigation equipment E'000	Vehicles, computer equipment, furniture and fittings E'000	Bearer plants E'000	Capital work in progress ("CWIP") E'000	Total E'000
GROUP							
Cost							
Balance at 1 April 2016	492 409	1 211 337	458 495	785 711	272 751	15 911	3 236 614
Additions	–	–	–	–	–	88 211	88 211
Transfers in from CWIP	3 984	23 597	2 247	36 055	7 220	–	73 103
Disposals	–	(276)	–	(10 868)	(7 105)	–	(18 249)
Transfers out from CWIP	–	–	–	–	–	(73 103)	(73 103)
Balance at 31 March 2017	496 393	1 234 658	460 742	810 898	272 866	31 019	3 306 576
Balance at 1 April 2017	**496 393**	**1 234 658**	**460 742**	**810 898**	**272 866**	**31 019**	**3 306 576**
Additions	**–**	**–**	**–**	**–**	**–**	**315 886**	**315 886**
Transfers in from CWIP	**36 824**	**55 793**	**24 322**	**52 632**	**23 546**	**–**	**193 117**
Disposals	**(5 684)**	**(2 914)**	**–**	**(1 745)**	**(3 705)**	**–**	**(14 048)**
Transfers out from CWIP	**–**	**–**	**–**	**–**	**–**	**(193 117)**	**(193 117)**
Balance at 31 March 2018	**527 533**	**1 287 537**	**485 064**	**861 785**	**292 707**	**153 788**	**3 608 414**
Accumulated depreciation and impairment losses							
Balance at 1 April 2016	(248 624)	(750 862)	(336 604)	(389 225)	(77 162)	–	(1 802 477)
Depreciation for the year	(14 340)	(56 573)	(23 567)	(44 549)	(42 269)	–	(181 298)
Disposals	–	179	–	10 780	7 105	–	18 064
Balance at 31 March 2017	(262 964)	(807 256)	(360 171)	(422 994)	(112 326)	–	(1 965 711)
Balance at 1 April 2017	**(262 964)**	**(807 256)**	**(360 171)**	**(422 994)**	**(112 326)**	**–**	**(1 965 711)**
Depreciation for the year	**(15 082)**	**(56 858)**	**(20 752)**	**(49 078)**	**(40 445)**	**–**	**(182 215)**
Disposals	**1 771**	**1 517**	**–**	**1 413**	**3 705**	**–**	**8 406**
Balance at 31 March 2018	**(276 275)**	**(862 597)**	**(380 923)**	**(470 659)**	**(149 066)**	**–**	**(2 139 520)**
Carrying value at 31 March 2016	243 785	460 475	121 891	396 486	195 589	15 911	1 434 137
Carrying value at 31 March 2017	233 429	427 402	100 571	387 904	160 540	31 019	1 340 865
Carrying value at 31 March 2018	**251 258**	**424 940**	**104 141**	**391 126**	**143 641**	**153 788**	**1 468 894**

	Land and buildings E'000	Plant and machinery E'000	Irrigation equipment E'000	Vehicles, computer equipment, furniture and fittings E'000	Bearer plants E'000	Capital work in progress ("CWIP") E'000	Total E'000
COMPANY							
Cost							
Balance at 1 April 2016	319 172	682 663	329 351	491 700	189 513	9 918	2 022 317
Additions	–	–	–	–	–	55 853	55 853
Transfers in from CWIP	3 242	12 353	1 865	23 183	5 250	–	45 893
Disposals	–	–	–	(3 718)	(6 875)	–	(10 593)
Transfers out from CWIP	–	–	–	–	–	(45 893)	(45 893)
Balance at 31 March 2017	322 414	695 016	331 216	511 165	187 888	19 878	2 067 577
Balance at 1 April 2017	**322 414**	**695 016**	**331 216**	**511 165**	**187 888**	**19 878**	**2 067 577**
Additions	**–**	**–**	**–**	**–**	**153 517**	**–**	**153 517**
Transfers in from CWIP	**29 635**	**32 219**	**17 923**	**35 628**	**17 120**	**–**	**132 525**
Disposals	**(5 684)**	**(2 914)**	**–**	**(1 745)**	**(1 846)**	**–**	**(12 189)**
Transfers out from CWIP	**–**	**–**	**–**	**–**		**(132 525)**	**(132 525)**
Balance at 31 March 2018	**346 365**	**724 321**	**349 139**	**545 048**	**203 162**	**40 870**	**2 208 905**
Accumulated depreciation and impairment losses							
Balance at 1 April 2016	(143 039)	(365 253)	(229 259)	(210 359)	(47 690)	–	(995 600)
Depreciation for the year	(10 792)	(34 137)	(20 728)	(34 408)	(27 232)	–	(127 297)
Disposals	–	–	–	3 634	6 875	–	10 509
Balance at 31 March 2017	(153 831)	(399 390)	(249 987)	(241 133)	(68 047)	–	(1 112 388)
Balance at 1 April 2017	**(153 831)**	**(399 390)**	**(249 987)**	**(241 133)**	**(68 047)**	**–**	**(1 112 388)**
Depreciation for the year	**(11 184)**	**(34 657)**	**(18 018)**	**(38 255)**	**(26 700)**	**–**	**(128 814)**
Disposals	**1 771**	**1 517**	**–**	**1 413**	**1 846**	**–**	**6 547**
Balance at 31 March 2018	**(163 244)**	**(432 530)**	**(268 005)**	**(277 975)**	**(92 901)**	**–**	**(1 234 655)**
Carrying value at 31 March 2016	176 133	317 410	100 092	281 341	141 823	9 918	1 026 717
Carrying value at 31 March 2017	168 583	295 626	81 229	270 032	119 841	19 878	955 189
Carrying value at 31 March 2018	**183 121**	**291 791**	**81 134**	**267 073**	**110 261**	**40 870**	**974 250**

Freehold land and buildings

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

Company

Portion 2 of farm No. 175, situated in the district of Lubombo, Swaziland, measuring 236 hectares.

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

At year end the carrying value of freehold land and buildings was E129 769 954 (2017 – E114 659 188).

Subsidiaries

Erf 65 Umbogintwini (Southgate) registration division ET situated in the South Local Council Area province of KwaZulu-Natal in extent of 5 705 square metres. At year end the carrying value of freehold land and buildings was E2 595 768 (2017 – E2 595 768).

Notes to the financial statements (continued)

for the year ended 31 March 2018

3. Property, plant and equipment (continued)

Leasehold land

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

Company

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

- Ngomane Estate: Farm No. 1 044, situated in the district of Siteki, Swaziland, measuring 11 633 hectares; and Portion of the remainder of Farm 78, situated in the district of Siteki, Swaziland, measuring 450 hectares.
- Portion of the remainder of portion B of Farm No. 704 and a portion of the remainder of Farm No. 704, situated in the district of Siteki, Swaziland, measuring 3 808 hectares.
- Mlaula Estate: Farm No. 1 244, situated in the district of Siteki, Swaziland, measuring 5 570 hectares.

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

Subsidiaries

Portions 1, 23, and 27 of farm number 860 and a certain portion 4 of farm number 94 situated in the district of Siteki, Swaziland, measuring 6 540 hectares are leased from the Swazi Nation for a period of 25 years following renewal of the initial 25 year lease which lapsed on 8 September 2008.

Assets pledged as security

All moveable and immoveable assets are pledged as security for loans. (Refer note 14.3 and note 18).

4. Goodwill

With effect from 1 May 2001 the Company acquired 100% of the issued share capital of Mhlume (Swaziland) Sugar Company Limited for a consideration of E660 739 000 (Refer to note 6 for Mhlume (Swaziland) Sugar Company Limited's operations). Additional expenditure relating directly to the due diligence process amounting to E4 225 000 was capitalised. After revaluation of property, plant, equipment, and growing cane the resultant goodwill amounted to E337 037 000. Goodwill amounting to E50 556 000 was amortised from the date of acquisition up to 31 March 2004. During the year ended 31 March 2005, the Company ceased amortising goodwill in terms of IFRS 3 – *Business Combinations*. Goodwill is now being subjected to annual impairment tests.

	GROUP		COMPANY	
	2018 E'000	2017 E'000	**2018 E'000**	2017 E'000
Goodwill				
Arising from holding company investment in subsidiary	**286 481**	286 481	**–**	–

Impairment testing for goodwill

For purposes of impairment testing goodwill is allocated to the Mhlume Sugar Company which represents the lowest level CGU within the Group at which goodwill is monitored for internal management purposes.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the sugar industries and have been based on historical data from both external and internal sources.

- Cash flows were projected based on actual results and the 20-year-long range business plan and a terminal growth rate of 5% thereafter.
- A pre-tax discount rate of 17.4% was used. This is based on the Group's weighted average cost of capital which is based on a typical sugar market debt leveraging of 28% at an after-tax market interest rate of 9.3%.
- Budgeted EBITDA was estimated taking into account past experience, adjusted for planned efficiency improvements, price changes as informed by long-term market research, and currency forecasts.

The recoverable amount of the CGU which is based on its value-in-use as determined by management, was calculated at E876 million. This amount exceeds the carrying value of the CGU of E778 million.

The recoverable amount of the CGU was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

In order for the carrying amount to equal the recoverable amount the pre-tax discount rate would need to be 18.33%.

	GROUP		COMPANY	
	2018 E'000	2017 E'000	**2018 E'000**	2017 E'000
5. Intangible assets				
Favourable lease contracts				
Cost				
Balance at 1 April	**4 200**	4 200	**4 200**	4 200
Balance at 31 March	**4 200**	4 200	**4 200**	4 200
Accumulated amortisation and impairment				
Balance at 1 April	**(1 090)**	(946)	**(1 090)**	(946)
Amortisation for the year	**(144)**	(144)	**(144)**	(144)
Balance at 31 March	**(1 234)**	(1 090)	**(1 234)**	(1 090)
Net carrying amount	**2 966**	3 110	**2 966**	3 110
There have been no impairment losses recognised against the above intangible assets.				
6. Investments in subsidiaries				
Mhlume (Swaziland) Sugar Company Limited ("MSCo") (100% held)				
5 000 006 ordinary shares of E1 each	**–**	–	**664 964**	664 964
Royal Swazi Distillers (Proprietary) Limited ("RSD") (100% held)				
70 ordinary and 30 preference shares of R1 each	**–**	–	**1 510**	1 510
Swazican Citrus (Proprietary) Limited (100% held)				
100 ordinary shares of E1 each	**–**	–	**–**	–
Total investments	**–**	–	**666 474**	666 474

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

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

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

7. Equity accounted investees

The Group has the following equity investments:

Joint ventures

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

Associates

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

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

Notes to the financial statements (continued)

for the year ended 31 March 2018

7. Equity accounted investees (continued)

	Mananga Sugar Packers		Simunye Plaza		Quality Sugars		Total	
	2018 E'000	2017 E'000	**2018 E'000**	2017 E'000	**2018 E'000**	2017 E'000	**2018 E'000**	2017 E'000
GROUP								
The carrying amount of the investments are analysed below:								
Shares at cost	**52 500**	52 500	**–**	–	**–**	–	**52 500**	52 500
Share of associate Company reserves	**53 849**	48 032	**3 269**	3 297	**9 158**	7 261	**66 276**	58 590
	106 349	100 532	**3 269**	3 297	**9 158**	7 261	**118 776**	111 090
Summary of unaudited financial information for equity accounted investees is as follows:								
Property, plant and equipment	**43 381**	44 728	**11 001**	10 658	**587**	1 098	**54 969**	56 484
Goodwill	**18 139**	18 139	**–**	–	**3 751**	3 751	**21 890**	21 890
Intangible assets	**–**	1 387	**–**	–	**–**	–	**–**	1 387
Current assets	**288 566**	264 930	**4 714**	6 061	**504 980**	345 193	**798 260**	616 184
Deferred tax (liabilities)/assets	**(12 138)**	(12 138)	**(1 513)**	(1 700)	**516**	2 215	**(13 135)**	(11 623)
Employee benefit liability	**–**	–	**(84)**	(87)	**(660)**	(698)	**(744)**	(785)
Current liabilities	**(125 249)**	(115 982)	**(1 041)**	(1 746)	**(472 542)**	(322 516)	**(598 832)**	(440 244)
Net assets	**212 699**	201 064	**13 077**	13 186	**36 632**	29 043	**262 408**	243 293
Group's share of associate's net assets	**106 349**	100 532	**3 269**	3 297	**9 158**	7 261	**118 776**	111 090
Revenue	**947 775**	931 906	**6 942**	5 663	**94 300**	91 958	**1 049 017**	1 029 527
Profit	**32 697**	56 522	**2 120**	2 012	**13 756**	9 046	**48 573**	67 580
Group share of profit for the year	**16 349**	28 261	**530**	503	**3 439**	2 262	**20 318**	31 026
Reconciliation of carrying amounts								
Opening balance at 1 April	**100 532**	89 605	**3 297**	3 169	**7 261**	6 065	**111 090**	98 839
Group share of profit for the year	**16 349**	28 261	**530**	503	**3 439**	2 262	**20 318**	31 026
Dividends paid	**(10 532)**	(17 334)	**(558)**	(375)	**(1 542)**	(1 066)	**(12 632)**	(18 775)
Closing balance at 31 March	**106 349**	100 532	**3 269**	3 297	**9 158**	7 261	**118 776**	111 090

8. Biological assets

8.1 Description of principal activities

Cane growing

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

The Group grows cane on approximately 16 350 (2017 – 16 346) hectares of sugar cane on land leased from the Swazi Nation (refer note 3). The Group manages a further 4 288 (2017 – 4 286) hectares on behalf of the IYSIS/MSCO Sugar Partnership (refer note 30.1) and 796 (2017 – 796) hectares on behalf of Tibiyo Taka Ngwane.

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

The Company grows cane on approximately 11 800 (2017 – 11 700) hectares of sugar cane on land leased from the Swazi Nation and 31 (2017 – 31) hectares on freehold land.

Livestock rearing

The New IYSIS partnership in which the Company acquired a 50% interest in 2009, engages in the farming of livestock and sale of meat products in the local and regional markets. At 31 March 2018, the partnership held 2 800 (2017 – 2 723) head of cattle.

		GROUP		COMPANY	
		2018 E'000	2017 E'000	**2018 E'000**	2017 E'000
8.2	Reconciliation of carrying amounts of growing cane				
	Carrying amount at 1 April	**507 880**	367 960	**349 557**	239 143
	Gain arising from changes in fair values less estimated costs to sell attributable to physical changes	**64 844**	96 929	**62 159**	80 140
	(Loss)/gain arising from changes in fair values less estimated costs to sell attributable to price changes	**(118 793)**	42 991	**(85 549)**	30 274
	Balance at 31 March	**453 931**	507 880	**326 167**	349 557
8.3	Reconciliation of carrying amounts of livestock				
	Balance at 1 April	**7 053**	7 263	**7 053**	7 263
	Purchases	**2 408**	3 372	**2 408**	3 372
	Net increase due to births and deaths	**8 966**	813	**8 966**	813
	Decrease due to sales	**(11 959)**	(4 395)	**(11 959)**	(4 395)
	Balance at 31 March	**6 468**	7 053	**6 468**	7 053

8.4 Risk management strategy related to agricultural activities

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

Regulatory and environmental risks

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

Pricing and currency risks

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

Climate and other risks

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

8.5 Biological assets pledged as security

Growing cane is pledged as security over borrowings. (Refer note 14.3 and note 18).

Notes to the financial statements (continued)

for the year ended 31 March 2018

8. Biological assets (continued)

8.6 Measurement of fair value

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

Level 3 fair values

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

	GROUP			COMPANY		
	Growing cane E'000	Livestock E'000	Total E'000	Growing cane E'000	Livestock E'000	Total E'000
Carrying amount at 1 April	507 880	7 053	514 933	349 557	7 053	356 610
Purchases	–	2 408	2 408	–	2 408	2 408
Sales	–	(11 959)	(11 959)	–	(11 959)	(11 959)
Gain included in profit or loss						
– Change in fair value (realised)	–	–	–	–	–	–
– Change in fair value (unrealised)	(53 949)	–	(53 949)	(23 390)	–	(23 390)
– Net increase due to births and deaths	–	8 966	8 966	–	8 966	8 966
Gains included in OCI	–	–	–	–	–	–
Carrying amount at 31 March	453 931	6 468	460 399	326 167	6 468	332 635

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

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

	GROUP		COMPANY	
	2018 E'000	2017 E'000	**2018 E'000**	2017 E'000
9. Inventories				
Raw materials	**2 666**	786	**1 370**	786
Consumables stores and spares	**116 846**	107 884	**63 294**	52 351
Finished goods and by-products	**29 497**	19 605	**29 496**	19 605
	149 009	128 275	**94 160**	72 742
Write-down of obsolete consumable stores and spares to net realisable value included in profit or loss	**18 436**	18 993	**7 104**	9 362
Inventories are pledged as security over borrowings. (Refer note 14.3 and note 18).				
10. Trade and other receivables				
Trade receivables	**125 539**	35 292	**71 435**	19 862
Related party receivables (note 32.1)	**16 914**	20 203	**13 450**	26 255
Prepayments	**68 542**	54 936	**54 045**	45 959
FEC asset	**–**	–	**–**	–
Other receivables	**27 353**	6 009	**26 652**	5 130
Less: impairment (note 31.2)	**(2 972)**	(533)	**(1 453)**	(419)
	235 376	115 907	**164 129**	96 787
Receivables are pledged as security for borrowings (Refer note 14.3 and note 18).				
11. Cash and cash equivalents				
Bank balances	**84 703**	286 790	**83 550**	246 313
Cash on hand	**146**	127	**66**	47
Call deposit	**132 086**	117 336	**892**	1 534
	216 935	404 253	**84 508**	247 894
Bank overdraft	**(4 728)**	–	**(1 070)**	–
Per statement of cash flows	**212 207**	404 253	**83 438**	247 894
12. Share capital and premium				
12.1 Share capital and premium				
Authorised				
140 100 000 "A" Ordinary shares of E1 each	**140 100**	140 100	**140 100**	140 100
8 073 160 "B" Ordinary shares of E5 each	**40 366**	40 366	**40 366**	40 366
	180 466	180 466	**180 466**	180 466
Issued and fully paid				
88 273 160 "A" Ordinary shares of E1 each	**88 273**	88 273	**88 273**	88 273
8 073 160 "B" Ordinary shares of E5 each	**40 366**	40 366	**40 366**	40 366
	128 639	128 639	**128 639**	128 639
Share premium	**632 379**	632 379	**632 379**	632 379
	761 018	761 018	**761 018**	761 018
The "A" and "B" ordinary shares rank *pari passu* in all respects. The directors of the Company are authorised to issue un-issued shares.				
The holders of ordinary shares are entitled to receive ordinary dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.				
12.2 Preference share redemption reserve	**78 104**	78 104	**78 104**	78 104

An amount equivalent to the redemption value of the previous "A" and "B" non-cumulative redeemable preference shares was transferred to the Preference Share Redemption Reserve at each redemption.

Notes to the financial statements (continued)

for the year ended 31 March 2018

	GROUP 2018 E'000	GROUP 2017 E'000	COMPANY 2018 E'000	COMPANY 2017 E'000
12. Share capital and premium (continued)				
12.3 Dividends				
1st Interim dividend for the year ended 31 March 2018 of 121.0 cents (2017 – 53.5 cents) per "A" and "B" ordinary shares.	**116 579**	51 545	**116 579**	51 545
2nd Interim dividend for the year ended 31 March 2018 of 99.0 cents (2017 – 130.0 cents) per "A" and "B" ordinary shares.	**95 383**	125 250	**95 383**	125 250
Final dividend for the year ended 31 March 2018 of 0.0 cents (2017 – 81.2 cents) per "A" and "B" ordinary shares.	**–**	78 234	**–**	78 234
	211 962	255 029	**211 962**	255 029

Dividends will have the following tax consequences:

- Local residents withholding tax amounting to 10% of dividend declared; and
- Non-resident withholding tax amounting to 15%.

13. Capital management

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

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, represented by shareholders' equity. The Group's target is to achieve a return on shareholders' equity of 20%, calculated as total comprehensive income for the year attributed to owners of the Company divided by shareholders' equity. For the current year, the return on shareholders' equity achieved was 15.2% (2017 – 20.8%). The Board of Directors implement long-term strategies to ensure that the Group target is achieved over the longer term. Management and staff performance bonuses are linked to the achievement of targets.

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

	GROUP 2018 E'000	GROUP 2017 E'000	COMPANY 2018 E'000	COMPANY 2017 E'000
14. Loans and borrowings				
14.1 Secured loan for Simunye Mill power plant upgrade.				
The loan was repayable over 14 half-yearly instalments that commenced on 30 September 2012. The loan bore interest at the Swaziland prime rate, currently 10.25% (2017 – 10.70%), less 1.0%.	**–**	6 429	**–**	6 429
14.2 Secured loan for Simunye Mill power plant upgrade.				
The loan was repayable over 14 half-yearly instalments that commenced on 30 September 2012. The loan bore interest at the Swaziland prime rate, currently 10.25% (2017 – 10.75%), less 0.55%.	**–**	17 142	**–**	17 142
	–	23 571	**–**	23 571
Deduct: current portion included in current liabilities	**–**	(15 000)	**–**	(15 000)
Total non-current loans and borrowings	**–**	8 571	**–**	8 571

During the year under review the Group negotiated the penalty free early settlement of all outstanding loans.

14.3 Loan securities

The loan in 14.1 was secured by the following:

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

The loan in 14.2, which was part of a multi-option facility, was secured by the following:

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

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

	GROUP		COMPANY	
	2018 E'000	2017 E'000	**2018 E'000**	2017 E'000
15. Employee benefit liabilities				
Retirement pay	**74 864**	75 753	**53 999**	55 341
Long service awards	**7 071**	9 773	**4 694**	7 011
Actuarially valued employee benefit liabilities	**81 935**	85 526	**58 693**	62 352
Long-term incentive scheme	**31 092**	25 465	**17 599**	14 971
Total employee benefit liabilities	**113 027**	110 991	**76 292**	77 323
Deduct: current portion included in current liabilities (note 17)	**(22 607)**	(10 803)	**(12 886)**	(6 397)
	90 420	100 188	**63 406**	70 926

Retirement pay

The Group provides retirement benefits for most of its employees through defined contribution plans (refer note 26). In addition, arrangements exist in respect of certain employees by which eligible employees receive benefits based on the length of permanent service. These benefits are unfunded and only payable to eligible employees on retirement. The liability is based on an actuarial valuation performed at year end.

Long service awards

The long service awards amount is based on an actuarial valuation. The amounts are unfunded and are payable on the anniversary date of employees achieving ten, 20 or 30 years' continuous service. The latter category was introduced during the current year.

Long-term incentive scheme

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

Notes to the financial statements (continued)
for the year ended 31 March 2018

15. Employee benefit liabilities (continued)

Long-term incentive scheme (continued)

An actuarial valuation of the retirement pay and long service awards was done at 31 March 2018. The actuarially valued liabilities are accordingly reported as follows at 31 March 2018:

	2018			2017		
	Retirement pay E'000	**Long service awards E'000**	**Total E'000**	Retirement pay E'000	Long service awards E'000	Total E'000
GROUP						
Retirement pay and long service award obligations						
The amount recognised in the statement of financial position is determined as follows:						
Present value of obligation	**74 864**	**7 071**	**81 935**	75 753	9 773	85 526
Unrecognised actuarial gain	**–**	**–**	**–**	–	–	–
Liability recorded in statement of financial position	**74 864**	**7 071**	**81 935**	75 753	9 773	85 526
Movement in present value of the obligation:						
Opening liability	**75 753**	**9 773**	**85 526**	59 437	5 066	64 503
Included in profit or loss:						
– Current service cost	**3 571**	**871**	**4 442**	5 085	4 416	9 501
– Curtailment cost	**–**	**–**	**–**	1 937	–	1 937
– Interest cost	**6 476**	**740**	**7 216**	5 181	430	5 611
– Actuarial loss recognised	**–**	**548**	**548**	–	–	–
	85 800	**11 932**	**97 732**	71 640	9 912	81 552
Included in OCI:						
– Actuarial loss recognised	**4 325**	**–**	**4 325**	9 725	786	10 511
Other:						
– Benefits paid	**(15 261)**	**(4 861)**	**(20 122)**	(5 612)	(925)	(6 537)
	74 864	**7 071**	**81 935**	75 753	9 773	85 526

	2018			2017		
	Retirement pay E'000	**Long service awards E'000**	**Total E'000**	Retirement pay E'000	Long service awards E'000	Total E'000
COMPANY						
Retirement pay and long service awards obligations						
The amount recognised in the statement of financial position is determined as follows:						
Present value of obligation	**53 999**	**4 694**	**58 693**	55 341	7 011	62 352
Unrecognised actuarial gain	**–**	**–**	**–**	–	–	–
Liability recorded in statement of financial position	**53 999**	**4 694**	**58 693**	55 341	7 011	62 352
Movement in present value of the obligation:						
Opening liability	**55 341**	**7 011**	**62 352**	41 056	3 574	44 630
Included in profit or loss:						
– Current service cost	**2 576**	**668**	**3 244**	2 775	3 195	5 970
– Curtailment cost	**–**	**–**	**–**	1 937	–	1 937
– Interest cost	**4 671**	**526**	**5 197**	3 611	299	3 910
– Actuarial loss recognised	**–**	**398**	**398**	–	–	–
	62 588	**8 603**	**71 191**	49 379	7 068	56 447
Included in OCI:						
– Actuarial loss recognised	**3 069**	**–**	**3 069**	9 280	763	10 043
Other:						
– Benefits paid	**(11 658)**	**(3 909)**	**(15 567)**	(3 318)	(820)	(4 138)
Closing liability	**53 999**	**4 694**	**58 693**	55 341	7 011	62 352

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	%	%	**%**	%
15. Employee benefit liabilities (continued)				
Retirement pay and long service awards obligations (continued)				
The principal actuarial assumptions used were as follows:				
Discount rates	**7.8 – 8.4**	8.6 – 9.2	**7.8 – 8.3**	8.6 – 8.9
Future salary increases	**7.00**	7.00	**7.00**	7.00

	E'000	E'000	**E'000**	E'000
16. Trade and other payables				
Trade payables	**387 800**	259 012	**225 530**	149 441
Related party payables (note 32.1)	**19 596**	28 126	**116 668**	358 546
Retentions	**7 784**	8 256	**5 636**	6 653
FEC liability	**90**	–	**90**	–
Other payables	**22 019**	85 970	**15 247**	48 115
	437 289	381 364	**363 171**	562 755
17. Short-term employee benefits				
Employee bonuses	**40 062**	60 056	**24 689**	33 921
Leave pay accrual	**22 251**	15 194	**17 462**	11 480
Termination benefits	**–**	22 178	**–**	15 259
Employee accruals	**8 646**	5 065	**6 709**	3 801
	70 959	102 493	**48 860**	64 461
Current portion of long-term employee benefits (note 15)	**22 607**	10 803	**12 886**	6 397
	93 566	113 296	**61 746**	70 858

18. Bank overdraft

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

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

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	E'000	E'000	**E'000**	E'000
19. Revenue				
Inter-Group sucrose sales for the year	**–**	–	**134 532**	138 346
Final sucrose price adjustment for the previous year based on final sugar price	**–**	–	**2 781**	2 268
Sale of sugar for the year	**2 635 620**	2 552 460	**1 362 437**	1 296 556
Final sugar price adjustment for previous year from Swaziland Sugar Association	**55 883**	45 790	**25 839**	26 723
	2 691 503	2 598 250	**1 525 589**	1 463 893
Ethanol sales	**239 742**	327 225	**239 742**	327 225
Other sales	**30 427**	32 139	**22 347**	21 654
	2 961 672	2 957 614	**1 787 678**	1 812 772

Notes to the financial statements (continued)

for the year ended 31 March 2018

	GROUP 2018 E'000	GROUP 2017 E'000	COMPANY 2018 E'000	COMPANY 2017 E'000
20. Other income				
Dividends received	**–**	–	**235 247**	199 396
Rental income	**24 534**	23 474	**15 281**	14 420
Management fees	**8 741**	8 835	**2 209**	2 941
Insurance claims	**35 479**	–	**35 444**	–
Sundry sales of molasses	**5 574**	506	**5 429**	102
School fees	**6 139**	5 954	**3 499**	3 589
Consumable sales	**7 476**	6 633	**3 568**	3 162
Scrap sales, canteen, clinic and sundry	**16 126**	5 719	**12 999**	7 070
	104 069	51 121	**313 676**	227 518
21. Operating profit				
The operating profit for the year is stated after charging/(crediting) the following:				
Auditors' remuneration				
– current year	**921**	849	**505**	505
– prior year	**802**	1 260	**769**	769
– other services	**1 186**	845	**472**	472
– disbursements	**545**	437	**251**	251
Amortisation of intangible assets (note 5)	**144**	144	**144**	144
Depreciation of property, plant and equipment (note 3)	**182 215**	181 298	**128 814**	127 297
Directors' emoluments				
– for services as directors	**3 308**	3 308	**3 308**	3 308
– for other services	**9 627**	9 082	**9 627**	9 082
– expenses	**1 553**	347	**347**	1 553
Leasehold property rentals (note 33)	**5 058**	2 224	**4 960**	2 224
Loss/(gain) on disposal of property, plant and equipment	**5 537**	(770)	**5 537**	(182)
22. Staff costs				
Salaries, wages, and incentive scheme accruals	**625 799**	559 080	**331 515**	299 230
Contributions to defined contribution plans	**24 724**	24 255	**12 916**	13 347
Termination costs	**–**	22 135	**–**	11 576
Expense related to defined benefit plan (note 15)	**12 203**	17 049	**8 839**	11 817
Increase/(decrease) in liability for leave pay	**7 404**	(4 108)	**4 160**	(3 139)
	670 130	618 411	**357 430**	332 831
23. Net finance costs				
Interest income on cash and cash equivalents	**38 109**	33 457	**17 004**	13 493
Net foreign exchange gain	**15 373**	–	**15 368**	–
Finance income	**53 482**	33 457	**32 372**	13 493
Interest expense on financial liabilities measured at amortised cost	**(2 211)**	(4 798)	**(2 565)**	(4 784)
Net foreign exchange loss	**–**	(5 859)	**–**	(5 859)
Finance cost	**(2 211)**	(10 657)	**(2 565)**	(10 643)
Net finance income recognised in profit or loss	**51 271**	22 800	**29 807**	2 850

		GROUP		COMPANY	
		2018 E'000	2017 E'000	**2018 E'000**	2017 E'000
24.	**Income taxes**				
24.1	Amounts recognised in profit or loss				
	Current tax expense				
	Swaziland current tax				
	– current year	**106 818**	142 766	**59 180**	51 981
	– changes in estimates related to prior years	**(2 585)**	(15)	**(2 585)**	–
		104 233	142 751	**56 595**	51 981
	Deferred tax				
	– origination and reversal of temporary differences	**(6 906)**	20 171	**2 176**	18 885
	– changes in estimates related to prior years	**–**	–	**–**	(15)
		(6 906)	20 171	**2 176**	18 870
	Total tax expense from continuing operations	**97 327**	162 922	**58 771**	70 851
24.2	Amounts recognised in OCI				
	Deferred tax charge on measurement of defined benefit liability	**1 189**	2 891	**845**	2 762
		%	%	**%**	%
24.3	Tax rate reconciliation				
	Tax using the Company's domestic tax rate	**27.5**	27.5	**27.5**	27.5
	Tax effect of:				
	– Share of profit of equity-accounted investees reported net of tax	**(0.5)**	(0.6)	**–**	–
	– Tax-exempt dividend income	**(0.9)**	(0.9)	**(13.8)**	(12.8)
	– Non-(taxable)/deductible movements in provisions	**(1.7)**	2.7	**(0.9)**	1.7
	– Non-deductible expense items	**0.4**	0.2	**0.2**	0.2
	– Changes in estimates related to prior years	**(0.6)**	–	**(0.5)**	–
	Tax expense as a percentage of profit before income tax	**24.2**	28.9	**12.5**	16.6
		E'000	E'000	**E'000**	E'000
24.4	Recognised deferred tax assets and liabilities				
	Deferred tax assets				
	Property, plant and equipment	**150**	184	**–**	–
	Inventories	**5 070**	5 223	**1 954**	2 574
	Defined benefit obligations	**21 241**	21 592	**14 850**	15 219
	Employee bonuses, employee leave and other provisions	**29 819**	31 258	**20 027**	19 816
	Income in advance	**1 586**	4 167	**1 586**	4 167
	FEC liability	**25**	–	**24**	–
	Customer provisions and deposits	**1 529**	–	**682**	–
	Deferred tax assets before set off	**59 420**	62 424	**39 123**	41 776
	Set off against deferred tax liabilities	**(59 270)**	(62 240)	**(39 123)**	(41 776)
	Deferred tax asset after set off	**150**	184	**–**	–

Notes to the financial statements (continued)

for the year ended 31 March 2018

	GROUP		COMPANY	
	2018 E'000	2017 E'000	**2018 E'000**	2017 E'000
24. Income taxes (continued)				
24.4 Recognised deferred tax assets and liabilities (continued)				
Deferred tax liabilities				
Property, plant and equipment	**194 421**	191 806	**139 551**	138 142
Intangible assets	**470**	483	**470**	483
Biological assets	**157 612**	174 768	**112 799**	119 837
Agricultural consumable stores	**3 576**	5 021	**1 905**	2 372
Prepayments	**16 976**	14 872	**14 515**	12 506
Unrealised currency gains	**2 796**	–	**2 778**	–
Deferred tax liabilities before set off	**375 851**	386 950	**272 018**	273 340
Deferred tax assets set off	**(59 270)**	(62 240)	**(39 123)**	(41 776)
Deferred tax liabilities after set off	**316 581**	324 710	**232 895**	231 564
Overall net deferred tax liabilities	**316 431**	324 526	**232 895**	231 564
Movement in net deferred tax liability				
Opening net deferred tax liability	**324 526**	307 246	**231 564**	215 456
Recognised in profit or loss (note 24.1)	**(6 906)**	20 171	**2 176**	18 870
Recognised in OCI (note 24.2)	**(1 189)**	(2 891)	**(845)**	(2 762)
Closing net deferred tax liability	**316 431**	324 526	**232 895**	231 564
25. Earnings per share				
Group basic and diluted earnings per share is based on profit attributable to ordinary shareholders of E304 357 661 (2017: E401 125 092) and 96 346 320 (2017: 96 346 320) weighted ordinary shares in issue.				
Company basic and diluted earnings per share is based on profit attributable to ordinary shareholders of E410 492 768 (2017: E356 198 742) and 96 346 320 (2017: 96 346 320) weighted ordinary shares in issue.				
Basic and diluted earnings per share (cents)	**315.9**	416.3	**426.1**	369.7

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

26. Retirement benefit information

All permanent employees are members of pension or provident funds which are defined contribution funds. The funds are funded by Company and employee contributions. Company contributions are charged to profit or loss as they are due to be settled (refer note 22).

	GROUP		COMPANY	
	2018 E'000	2017 E'000	**2018 E'000**	2017 E'000
27. Capital commitments				
Approved by the directors:				
Contracted for	**95 604**	40 309	**48 604**	29 848
Not contracted for	**504 454**	337 115	**157 653**	228 675
	600 058	377 424	**206 257**	258 523

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

28. Contingent liabilities

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

	COMPANY		SUBSIDIARY	
	2018 E'000	2017 E'000	**2018 E'000**	2017 E'000
Swaziland Government – Labour	**60**	60	**75**	75
Swaziland Government – Sales tax	**275**	275	**–**	–
Swaziland Government – General Bond	**70**	70	**6**	6
Swaziland Revenue Authority – Customs and Excise	**10 500**	10 500	**–**	–
South African Revenue Service – VAT	**550**	550	**–**	–
European Union [€4 658 315 (2017 – €4 658 315)]	**67 708**	69 248	**–**	–
Transnet	**50**	50	**–**	–

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

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

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

29. Notes to the statement of cash flows

	GROUP		COMPANY	
	2018 E'000	2018 E'000	**2018 E'000**	2017 E'000
29.1 Taxation paid				
Balance (prepaid)/owing at 1 April	**(10 166)**	27 661	**(34 963)**	25 067
Current tax charge per statement of comprehensive income (note 24.1)	**104 233**	142 751	**56 595**	51 981
Balance (owing)/prepaid at 31 March	**(14 033)**	10 166	**(5 459)**	34 963
Cash amount paid	**80 034**	180 578	**16 173**	112 011
29.2 Dividends paid				
Balance at 1 April	**79 026**	93 946	**79 026**	93 946
Declared during the year (note 12.3)	**211 962**	255 029	**211 962**	255 029
Balance at 31 March	**–**	(79 026)	**–**	(79 026)
Cash amount paid	**290 988**	269 949	**290 988**	269 949

Notes to the financial statements (continued)

for the year ended 31 March 2018

	GROUP		COMPANY	
	2018 E'000	2017 E'000	**2018 E'000**	2017 E'000
30. Interests in joint operations				
30.1 IYSIS/MSCO Sugar joint operation				
The Group, through its subsidiary Mhlume (Swaziland) Sugar Company Limited ("MSCo"), holds a 20% interest in the IYSIS/MSCO Sugar Partnership, whereby MSCo manages the growing of sugar cane on behalf of and on land leased by Inyoni Yami Swaziland Irrigation Scheme ("IYSIS") in return for a 20% share of all profits or losses derived from operations (see note 30.2).				
The consolidated results include the following amounts relating to the Group's effective interest in the joint operation:				
Statement of comprehensive income				
Share of pre-tax operating profit*	**6 305**	17 321	**–**	–
Non-current assets				
Property plant and equipment	**7 203**	6 511	**–**	–
Current assets				
Biological assets – growing cane	**19 606**	24 461	**–**	–
Current liabilities				
Amounts due to partners	**26 809**	30 972	**–**	–

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

	GROUP		COMPANY	
	2018 E'000	2017 E'000	**2018 E'000**	2017 E'000
30.2 Inyoni Yami Swaziland Irrigation Scheme ("IYSIS")				
The Company holds a 50% interest in the Inyoni Yami Swaziland Irrigation Scheme. This is a partnership with operations in the lowveld of Swaziland (see note 32). The results include the following amounts relating to the Company's interest in the partnership:				
Statement of comprehensive income				
Share of pre-tax operating profit*	**9 197**	33 125	**9 197**	33 125
Statement of financial position				
Non-current assets	**34 971**	30 596	**34 971**	30 596
Current assets	**90 824**	119 120	**90 824**	119 120
Non-current liabilities	**(227)**	(227)	**(227)**	(227)
Current liabilities	**(54 887)**	(63 144)	**(54 887)**	(63 144)
Interest in partnership equity	**70 681**	86 345	**70 681**	86 345
Statement of cash flows				
Cash generated by operating activities	**14 810**	18 465	**14 810**	18 465
Cash outflows from investing activities	**(9 196)**	(808)	**(9 196)**	(808)
	5 614	17 657	**5 614**	17 657
Distribution of profits to partners	**(22 861)**	(17 515)	**(22 861)**	(17 515)
Net increase in cash and cash equivalents	**(17 247)**	142	**(17 247)**	142
Cash and cash equivalents at beginning of the year	**18 161**	18 019	**18 161**	18 019
Cash and cash equivalents at end of the year	**914**	18 161	**914**	18 161

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

31. Financial instruments – fair values and risk management

31.1 Accounting classification and fair values

Fair values versus carrying amounts

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

	Note	Carrying amount 2018 E'000	Fair value 2018 E'000	Carrying amount 2017 E'000	Fair value 2017 E'000
GROUP					
Financial assets measured at fair value					
– Forward exchange contract asset	10	**–**	**–**	–	–
Financial assets not measured at fair value					
– Trade and other receivables	10	**166 834**	**166 834**	60 971	60 971
– Cash and cash equivalents	11	**216 935**	**216 935**	404 253	404 253
		383 769	**383 769**	465 224	465 224
Financial liabilities measured at fair value					
– Forward exchange contract liability	16	**(90)**	**(90)**	–	–
Financial liabilities not measured at fair value					
– Bank loans	14	**–**	**–**	(23 571)	(23 571)
– Bank overdraft	11	**(4 728)**	**(4 728)**	–	–
– Trade and other payables	16	**(437 199)**	**(437 199)**	(381 364)	(381 364)
		(441 927)	**(441 927)**	(404 935)	(404 935)

	Note	Carrying amount 2018 E'000	Fair value 2018 E'000	Carrying amount 2017 E'000	Fair value 2017 E'000
COMPANY					
Financial assets measured at fair value					
– Forward exchange contract asset	10	**–**	**–**	–	–
Financial assets not measured at fair value					
– Trade and other receivables	10	**110 084**	**110 084**	50 828	50 828
– Cash and cash equivalents	11	**84 508**	**84 508**	247 894	247 894
		194 592	**194 592**	298 722	298 722
Financial liabilities measured at fair value					
– Forward exchange contract liability	16	**(90)**	**(90)**	–	–
Financial liabilities not measured at fair value					
– Bank loans	14	**–**	**–**	(23 571)	(23 571)
– Bank overdraft	11	**(1 070)**	**(1 070)**	–	–
– Trade and other payables	16	**(363 081)**	**(363 081)**	(562 755)	(562 755)
		(364 151)	**(364 151)**	(586 326)	(586 326)

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

Notes to the financial statements (continued)

for the year ended 31 March 2018

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

31.2 Financial risk management

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

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

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

Risk management framework

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

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

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

Credit risk

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

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

Trade and other receivables

Sugar produced by the Group's mills is sold to the Swaziland Sugar Association (SSA). This represents 91% of the Group's revenue (2017 – 88%). The regulations of the Sugar Industry in Swaziland are such that the mills are paid weekly for sugar produced.

Ethanol, which accounts for 8% of the Group's revenue (2017 – 11%) is sold to various customers. Credit limits, which are reviewed regularly, are in place and selected customers are required to obtain letters of credit as security.

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

Cash and cash equivalents

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

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

	GROUP		COMPANY	
	2018 E'000	2017 E'000	**2018 E'000**	2017 E'000
Credit risk				
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:				
Trade and other receivables	**166 834**	60 971	**110 084**	50 828
Cash and cash equivalents	**216 935**	404 253	**84 508**	247 894
	383 769	465 224	**194 592**	298 722
The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:				
Domestic	**149 044**	55 122	**92 295**	44 979
Europe	**14 228**	3 311	**14 228**	3 311
South Africa	**3 562**	2 538	**3 561**	2 538
	166 834	60 971	**110 084**	50 828
The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:				
Sugar debtors	**60 487**	36 604	**25 173**	35 904
Ethanol debtors	**17 773**	6 247	**17 773**	6 263
Value added tax	**48 833**	–	**28 983**	–
Insurance proceeds	**21 275**	–	**21 275**	–
Rental, school, staff, clinic and other debtors	**18 466**	18 120	**16 880**	8 661
	166 834	60 971	**110 084**	50 828
The maximum exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was:				
Swaziland Sugar Association	**3 619**	18 108	**1 708**	9 525
Ethanol customers	**17 773**	6 247	**17 773**	6 263
Related parties	**16 914**	20 203	**13 450**	26 255
Cane Suppliers	**41 788**	5 752	**10 771**	731
Trade VAT	**48 833**	–	**28 984**	–
Insurer	**21 275**	–	**16 402**	–
Sundry debtors (rentals, schools, clinic, staff)	**16 632**	10 661	**20 996**	8 054
	166 834	60 971	**110 084**	50 828
Impairment				
The ageing of trade and other receivables at the reporting date was:				
Not past due	**165 270**	59 373	**109 279**	49 463
Past due over 90 days	**4 536**	2 131	**2 258**	1 784
Impairment on past due receivables	**(2 972)**	(533)	**(1 453)**	(419)
	166 834	60 971	**110 084**	50 828
The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:				
Balance at 1 April	**533**	1 032	**419**	466
Impairment loss recognised/(reversed)	**2 439**	(499)	**1 034**	(47)
Balance at 31 March	**2 972**	533	**1 453**	419

The impairment loss allowance at 31 March 2018 relates to numerous individually insignificant customers who failed to honour their past due debts.

Notes to the financial statements (continued)

for the year ended 31 March 2018

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

31.2 Financial risk management (continued)

Liquidity risk

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

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

At year-end the Group had overdraft facilities of E83 million (2017 – E165 million) to cover the operations of the Company and its subsidiary, Mhlume (Swaziland) Sugar Company Limited. Interest is payable at rates linked to the Swaziland prime rate (currently 10.25%) less 1% (2017 – 10.75% prime less 1%).

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

	Carrying amount E'000	Contractual cash flows E'000	Within 1 year E'000	2 to 5 Years E'000	More than 5 years E'000
GROUP					
2018					
Non-derivative financial liabilities					
Bank loans	–	–	–	–	–
Trade and other payables	**437 199**	**(437 199)**	**(437 199)**	–	–
Bank overdraft	**4 728**	**(4 728)**	**(4 728)**	–	–
Derivative financial liabilities					
Forward exchange contracts – Outflow	**90**	**(707)**	**(707)**	–	–
	442 017	**(442 634)**	**(442 634)**	–	–
2017					
Non-derivative financial liabilities					
Bank loans	23 571	(27 106)	(17 440)	(9 666)	–
Other unsecured loans	–	–	–	–	–
Trade and other payables	381 364	(381 364)	(381 364)	–	–
Bank overdraft	–	–	–	–	–
Derivative financial liabilities					
Forward exchange contracts	–	–	–	–	–
	404 935	(408 470)	(398 804)	(9 666)	–

	Carrying amount E'000	Contractual cash flows E'000	Within 1 year E'000	2 to 5 Years E'000	More than 5 years E'000
COMPANY					
2018					
Non-derivative financial liabilities					
Bank loans	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**363 081**	**(363 081)**	**(363 081)**	**–**	**–**
Bank overdraft	**1 070**	**(1 070)**	**(1 070)**	**–**	**–**
Derivative financial liabilities					
Forward exchange contracts	**90**	**(707)**	**(707)**	**–**	**–**
	364 241	**(364 858)**	**(364 858)**	**–**	**–**
2017					
Non-derivative financial liabilities					
Bank loans	23 571	(27 106)	(17 440)	(9 666)	–
Other unsecured loans	–	–	–	–	–
Trade and other payables	562 755	(562 755)	(562 755)	–	–
Bank overdraft	–	–	–	–	–
Derivative financial liabilities					
Forward exchange contracts	–	–	–	–	–
	586 326	(589 861)	(580 195)	(9 666)	–

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

Certain loans as disclosed in note 14 contained loan covenants with minimum or maximum levels of debt/equity, interest cover, asset cover, and dividend pay-out. The Group ratios were all well within the prescribed limits prior to settlement of the loans in the current financial year.

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

Notes to the financial statements (continued)

for the year ended 31 March 2018

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

31.2 Financial risk management (continued)

Market risk

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

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

Currency risk

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

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

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

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

Exposure to currency risk

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

	GROUP				COMPANY			
	Foreign amount		Emalangeni		Foreign amount		Emalangeni	
	2018 '000	2017 '000	2018 E'000	2017 E'000	2018 '000	2017 '000	2018 E'000	2017 E'000
Euro cash in bank	1 289	3 645	18 649	50 531	1 289	3 645	18 649	50 531
Euro trade receivables	2	596	32	8 255	2	596	32	8 255
US Dollar cash in bank	3 881	11 640	45 572	151 081	3 881	11 640	45 572	151 081
US Dollar trade receivables	370	96	4 348	1 243	370	96	4 348	1 243
US Dollar trade payable	482	478	5 677	6 653	482	478	5 677	6 653
US Dollar Forward exchange contracts (inflows)	52	–	90	–	52	–	90	–

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

	Reporting date			
	Bank buying rate		Bank selling rate	
	2018	2017	2018	2017
USD 1	11.74	12.98	11.79	13.96
GBP 1	16.54	16.20	16.61	17.37
EURO 1	14.47	13.86	14.53	14.87

	Average rate	
	2018	2017
USD 1	12.99	14.06
GBP 1	17.22	18.44
EURO 1	15.19	15.45

Sensitivity Analysis

A 10% strengthening of the Lilangeni against the following currencies at 31 March would have increased/(decreased) pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017. There is no additional impact on equity.

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

	GROUP		COMPANY	
	2018 E'000	2017 E'000	**2018 E'000**	2017 E'000
USD	**4 427**	14 567	**4 427**	14 567
Euro	**1 868**	5 879	**1 868**	5 879

Interest rate risk

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

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

	GROUP		COMPANY	
	2018 E'000	2017 E'000	**2018 E'000**	2017 E'000
Profile				
Variable rate instruments				
Financial assets – call deposits	**132 086**	117 336	**891**	1 534
Financial liabilities	**–**	(23 571)	**–**	(23 571)
	132 086	85 817	**891**	(22 037)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. There is no additional impact on equity. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

	GROUP		COMPANY	
	100 bp increase E'000	100 bp decrease E'000	**100 bp increase E'000**	100 bp decrease E'000
31 March 2018				
Net cash flow sensitivity of variable rate instruments	**(253)**	253	**(263)**	263
31 March 2017				
Net cash flow sensitivity of variable rate instruments	**(543)**	543	**(505)**	505

Notes to the financial statements (continued)

for the year ended 31 March 2018

32. Related parties

Significant related party relationships exist between the Company and:

- major shareholders, Tibiyo Taka Ngwane, RCL Foods Sugar and Milling (Proprietary) Limited and organisations controlled by such shareholders;
- directors and members of the Executive Committee;
- joint ventures as stated in note 7; and
- subsidiary and associate companies as stated in notes 6 and 7.

A subsidiary company has entered into a partnership agreement with Inyoni Yami Swaziland Irrigation Scheme ("IYSIS") an organisation controlled by Tibiyo Taka Ngwane and the Company for the cultivation of sugar cane and the leasing of residential and commercial property on land leased by IYSIS (refer to note 30.1). In addition IYSIS operates a division, Mhlume Water, which is responsible for the conveyance of water for irrigation purposes. The management of Mhlume Water was delegated to the Company on 1 May 2004.

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

32.1 Related party balances

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

	GROUP		COMPANY	
	2018 E'000	2017 E'000	**2018 E'000**	2017 E'000
Amounts owing by related parties				
The following amounts are due from related parties at year end:				
IYSIS/MSCO Sugar Partnership	**15 187**	18 333	**12 705**	8 725
IYSIS	**412**	207	**87**	80
Mhlume Sugar Company (Pty) Limited	**–**	–	**–**	16 892
Mananga Sugar Packers (Proprietary) Limited	**795**	997	**138**	–
Mhlume (Swaziland) Sugar Company Limited	**–**	–	**–**	–
Mhlume Country Club	**–**	108	**–**	–
Simunye Country Club	**–**	131	**–**	131
Simunye Plaza	**520**	427	**520**	427
	16 914	20 203	**13 450**	26 255
Amounts owing to related parties				
IYSIS/MSCO Sugar Partnership	**5 023**	16 892	**22 876**	27 053
IYSIS	**–**	–	**–**	–
Mhlume (Swaziland) Sugar Company Limited	**–**	–	**77 379**	318 290
Mhlume Water	**1 520**	1 593	**–**	–
Royal Swazi Distillers (Proprietary) Limited	**–**	–	**14 798**	13 413
Tibiyo Taka Ngwane	**12 512**	9 491	**1 074**	–
RCL Foods Sugar and Milling (Proprietary) Limited	**541**	150	**541**	150
	19 596	28 126	**116 668**	358 546

There are no provision for debt impairment or bad debts written off relating to the above related party balances.

32.2 Related party transactions

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

	GROUP		COMPANY	
	2018 E'000	2017 E'000	**2018 E'000**	2017 E'000
Share of IYSIS/MSCO Sugar partnership profit	**6 305**	20 878	**–**	–
Share of IYSIS partnership profit	**7 197**	33 124	**33 124**	33 124
Water cost paid to Mhlume Water	**703**	648	**703**	648
Mhlume Water – water charged to IYSIS	**31**	29	**31**	29
Mhlume Water – water charged to IYSIS/MSCO Sugar partnership	**2 441**	2 239	**1 627**	1 493
Mhlume Water – water charged to Mhlume (Swaziland) Sugar Company Ltd	**4 855**	4 679	**–**	–
Interest paid – Royal Swazi Distillers (Proprietary) Limited	**(1 348)**	(1 221)	**(1 348)**	(1 221)
Management, marketing and technical fees (paid)/received:				
– RCL Foods Sugar and Milling (Proprietary) Limited	**(2 342)**	(2 020)	**(2 342)**	(2 020)
– Mhlume Water	**2 629**	2 429	**2 629**	2 429
– Mananga Sugar Packers (Proprietary) Limited	**957**	896	**957**	896
– Tibiyo Taka Ngwane	**3 952**	2 747	**1 426**	738
	5 196	4 052	**2 710**	2 043

Directors' emoluments are disclosed in note 21.

32.3 Compensation for key management personnel

	GROUP		COMPANY	
	2018 E'000	2017 E'000	**2018 E'000**	2017 E'000
Short term benefits	**17 659**	15 356	**10 066**	8 754
Other long term employee benefits	**9 021**	10 841	**5 142**	6 179
	26 680	26 197	**15 208**	14 933

32.4 Related party contingent liabilities and commitments

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

32.5 Impairments

There are no impairments on amounts due from related parties.

33. Operating leases

Where the Group is a lessee

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

	GROUP		COMPANY	
	2018 E'000	2017 E'000	**2018 E'000**	2017 E'000
Payable within one year of reporting date	**2 562**	2 481	**2 562**	2 481
More than one year and less than five years from reporting date	**10 025**	9 611	**10 025**	9 611
Five years or more from reporting date	**20 632**	16 791	**20 632**	16 791
	33 219	28 883	**33 219**	28 883

The Group leases land as detailed in note 3. Additionally the Group also leases farms for cane growing purposes, and residential and office property for certain employees working on the leased farms.

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

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

Notes to the financial statements (continued)

for the year ended 31 March 2018

34. Significant accounting policies

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

34.1. Basis of consolidation

Business combinations

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

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

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

Acquisitions on or after 1 April 2010

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

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

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

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

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

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

Acquisitions between 1 April 2004 and 31 March 2010

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

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

Acquisitions prior to 1 April 2004

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

Acquisition of non-controlling interests ("NCI")

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

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

Subsidiaries

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

Investments in subsidiaries are accounted for at cost in Company financial statements.

Loss of control

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

Interests in equity-accounted investees

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

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

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

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

Transactions eliminated on consolidation

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

34.2. Foreign currency transactions

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

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

34.3. Financial instruments

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

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

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

The Group initially recognises loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

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

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

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

Non-derivative financial assets – measurement

Loans and receivables

Loans and receivables comprise trade receivables, related party receivables, and other receivables.

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

Cash and cash equivalents

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

These are measured at amortised cost.

Notes to the financial statements (continued)

for the year ended 31 March 2018

34. Significant accounting policies (continued)

34.3 Financial Instruments (continued)

Non-derivative financial liabilities – measurement

Other financial liabilities comprise loans and borrowings, bank overdrafts, trade, related party, retained amounts and other payables.

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

Derivative financial instruments

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

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

34.4. Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured initially at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. Items of property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses.

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

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

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

Subsequent expenditure

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

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

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

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

Derecognition

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

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

34.5. Goodwill

Initial measurement

The initial measurement of goodwill is detailed under "Business Combinations" above.

Subsequent measurement

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

34.6. Intangible assets

Favourable lease contracts

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

Subsequent expenditure

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

Amortisation of intangible assets

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

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

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

34.7. Biological assets

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

34.8. Inventories

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

- Raw materials, consumable stores and spares – weighted average cost;
- Finished goods and by-products – weighted average cost, including a proportion of production overheads based on normal operating capacity; and
- Consumables stores and spares – weighted average cost.

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

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

34.9. Impairment

Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

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

Financial assets measured at amortised cost

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

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

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

Equity-accounted investees

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

Non-financial assets

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

Notes to the financial statements (continued)

for the year ended 31 March 2018

34. Significant accounting policies (continued)

34.9 Impairment (continued)

Non-financial assets (continued)

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

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

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

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

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

34.10. Share capital

Ordinary shares

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

34.11. Employee benefits

Defined benefit obligation – Retirement pay

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

The retirement pay obligation is calculated every three years by a qualified actuary using the projected unit credit method. Independent actuaries perform a roll forward of the valuation annually for the years during the tri-annual full valuation. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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

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

Other long-term employee benefits – Long service awards and Long-term incentive

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

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

34.12. Revenue

Sale of goods

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

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

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

34.13. Dividend and rental income

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

34.14. Leases

Determining whether an arrangement contains a lease

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

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

Leased assets

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

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

Lease payments

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

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

34.15. Finance income and finance costs

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

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

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

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

34.16. Operating profit

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

Notes to the financial statements (continued)

for the year ended 31 March 2018

34. Significant accounting policies (continued)

34.17. Income tax

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

Current tax

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

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

Deferred tax

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

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

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

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

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

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

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

34.18. Earnings per share

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

34.19. Segment reporting

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

34.20. Measurement of fair values

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

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

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

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

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

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

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

35. New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 April 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following standards are expected to have a material impact on the Group's financial statements in the period of initial application.

35.1. IFRS 9 Financial Instruments

The Group and Company are expected to adopt IFRS 9 *Financial Instruments* from the financial year end commencing on 1 April 2018.

IFRS 9 *Financial Instruments* set out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

Classification and measurement – Financial assets

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

IFRS 9 contains three principal classification categories for financial assets:

- measured at amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVTPL).

The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

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

Based on its assessment, the Group and Company do not believe that the new classification requirements will have any impact on its accounting for trade receivables and loans that are managed on a fair value basis.

Impairment – financial assets

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

The new impairment model will apply to financial assets measured at amortised cost. Under IFRS 9, loss allowances will be measured on either of the following bases:

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

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; but will not apply to investments in equity securities. The Group and Company have also elected to apply this policy for trade receivables with a significant financing component, should the Group and Company have such trade receivables at a future date.

The Group and Company believe that the impairment losses are likely to become more volatile for assets in the scope of IFRS 9 impairment model. The Group and Company believe that the adoption of the new IFRS 9 impairment model will not have a significant impact on the quantum of the impairment loss provision as the Group and Company closely monitors its trade receivables and provides for impairment as soon as an impairment event is identified.

Cash and cash equivalents are held with reputable financial institutions and no impairment loss is expected with respect to cash and cash equivalents.

Disclosures

The Group and Company will provide extensive new disclosures under IFRS 9, in particular about credit risk and ECLs. The Group's and Company's assessment included an analysis to identify data gaps against current processes and the Group's and Company's process of implementing the system and control changes that it believes will be necessary to capture the required data.

Transition

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

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

Notes to the financial statements (continued)

for the year ended 31 March 2018

35. New standards and interpretations not yet adopted (continued)

35.2. IFRS 15 Revenue from Contracts with Customers

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

Sale of goods

For the sale of goods, revenue is currently recognised when the goods are delivered to the customers' premises, which is taken to be the point at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods. The Group and Company's assessment indicates that this will not have a significant impact on the revenue recognition policies currently employed by the Group and Company. The application of the standard might change the timing of revenue recognised.

Rendering of services

The Group and Company are currently involved in the rendering of certain services. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different reporting periods. Revenue is currently recognised when the services are rendered.

Under IFRS 15, the total consideration in the service contract will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group and Company sells the services in separate transactions.

Based on the Group and Company's assessment, the fair value and the stand-alone selling prices of the services are broadly similar. Therefore the Group and Company does not expect the application of IFRS 15 to result in significant differences in the timing or amount of revenue recognised for these services.

Transition

The Group and Company plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying the standard being recognised at the date of initial application (1 April 2018). As a result the Group and Company will not apply the requirements of IFRS 15 to the comparative period presented. It will, however, present the amounts that would have been recognised using the accounting policies prior to the adoption of IFRS 15.

35.3. IFRS 16 Leases

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

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

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

The Group and Company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The initial assessment has indicated that the most significant impact on the financial statements of the Group and Company would arise from the Group and Company's lease of certain Swaziland National Land on which the subsidiary currently cultivates sugar cane.

The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's and Company's borrowing rate at 1 April 2019. The composition of the Group's and Company's lease portfolio at that date, the Group's and Company's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group and Company chooses to use practical expedients.

In addition, the nature of expenses related to old operating leases will now change as IFRS 16 replaces the straight lining of operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

No significant impact is expected on the Group's and Company's finance leases.

35.3. IFRS 16 Leases (continued)

Determining whether an arrangement contains a lease

Should the Group and Company have an arrangement that is not in the legal form of a lease, for which it concludes that the arrangement contains a lease. On transition to IFRS 16 the Group and Company can choose whether to:

- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

The Group and Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 April 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Transition

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

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

The lessee applies the election consistently to all of its leases.

The Group and Company plan to apply IFRS 16 initially on 1 April 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balances of retained earnings at 1 April 2019, with no restatement of the comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group and Company is assessing the potential impact of using these practical expedients.

The Group and Company is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

35.4. Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- Annual Improvements to IFRSs 2014 – 2016 Cycle – Amendments to IFRS 1 and IAS 28.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.
- IFRIC 23 Uncertainty over Income Tax Treatments.

Abbreviations and acronyms

ACP	Africa, Caribbean and Pacific
BOM	Bills of Materials
CDC	Commonwealth Development Corporation
CMP	Comprehensive Mitigation Plan
CMS	Concentrated molasses stillage
CSI	Corporate Social Investment
CXL	An EU import duty on sugar
DIFR	Disabling Injury Frequency Rate
EAP	Employee Assistance Programme
EIA	Environmental Impact Assessment
EIT	Engineers-in-Training
ENA	Extra Neutral Alcohol
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
EU	European Union
EVP	Employee Value Proposition
FOB	Free On Board
GM	General Manager
HCRP	Human Capital Rationalisation Project
HR	Human Resources
IGP	Integrated Growth Plan
IR	Industrial relations
ISO	International Sugar Organisation
IYSIS	Inyoni Yami Swaziland Irrigation Scheme
KPI	Key Performance Indicator
LAA	Litres of absolute alcohol
LDC	Less Developed Country
LTA	Lost time available
LTI	Long-term Incentive

MD	Managing Director
MLSS	Ministry of Labour and Social Security
MoU	Memorandum of Understanding
MSP	Mananga Sugar Packers
NERCHA	National Emergency Response Council on HIV and Aids
OSM	Office of Strategy Management
PHC	Primary Health Care
PMS	Performance Management System
PoI	Polarity
PPP	Public Private Partnership
PSD	Property Services Department
SACU	Southern African Customs Union
SCGA	Swaziland Cane Growers Association
SEA	Swaziland Environmental Authority
SEC	Swaziland Electricity Company
SIA	Sugar Industry Agreement
SRA	Swaziland Revenue Authority
SSA	The Swaziland Sugar Association
STI	Short-term Incentive
TCH	Tonnes cane per hectare
TSH	Tonnes sucrose per hectare
TCHR	Tonnes cane per hour
TOR	Terms of Reference
TRP	Temporary Residence Permit
VHP	Very high polarisation
WWMP	Waste Water Management Master Plan
YTD	Year-to-date

FORM OF PROXY

The Royal Swaziland Sugar Corporation Limited
Annual General Meeting
To be held on 14 September 2018

We/I...

of ....being a member of The Royal Swaziland Sugar Corporation Limited,

do hereby appoint .... or failing him/her, the Chairman of the meeting as our/my proxy to attend, speak and vote for us/me and on our/my behalf at the Annual General Meeting of the company to be held on the 14th day of September 2018 and at any adjournment thereof.

Voting instructions

Please indicate with an X in one of the spaces below how you wish your vote to be cast. In the absence of such an indication, the proxy will exercise his discretion in voting or abstaining from voting.

	In favour of	Against	Abstaining
Resolution to:			
Resolution to:			
Resolution to:			
Resolution to:			

Dated this the..day of...2018.

Name (in full) and address

....

....

....

....

Signature ....

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 40th Annual General Meeting of Shareholders of the Royal Swaziland Sugar Corporation Limited will be held at the Royal Swaziland Sugar Corporation, Management Development Centre (MDC), Simunye Sugar Estate, on Friday, 14 September 2018 at 2:00pm for the following purposes:

1. To receive the Chairman's report for the year to 31 March 2018.
2. To receive and adopt the Group Financial Statements for the year ended 31 March 2018, together with the related reports of the Directors and Auditors.
3. To authorise the Directors to re-engage the External Auditors for the 2018/19 financial year and to fix the remuneration of the Auditors.
4. To approve the remuneration paid to Directors during the year ended 31 March 2018.
5. To note the replacement or re-appointment of Messers. A Idris, D van Niekerk, Chief ZN Ndlangamandla and HRH Princess Phumelele who retire by rotation, and being eligible, respectively, offer themselves for re-appointment by the appointing shareholders in terms of article 91.1 of the Company's Articles of Association.

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

Proxy forms should be forwarded to the registered office of the Company or the office of the Transfer Secretaries at or before 2:00pm, on 14 September 2018.

By order of the Board.

L S Masango
Company Secretary

REGISTERED OFFICE
The Royal Swaziland Sugar Corporation Ltd
P.O. Box 1
Simunye
L301
Swaziland

TRANSFER SECRETARIES
KPMG Advisory (Swaziland)
(Proprietary) Limited
P.O Box 331
Mbabane
H100
Swaziland

Simunye Sugar Estate
PO Box 1, Simunye
Tel: +268 231 34000
Fax: +268 238 38171

Mhlume Sugar Estate
PO Box 1, Mhlume
Tel: +268 231 34000
Fax: +268 238 31309

Emails
info@rssc.co.sz
sugarmarketing@rssc.co.sz
ethanolmarketing@rssc.co.sz

www.rssc.co.sz