RSSC

ROYAL SWAZILAND
SUGAR CORPORATION

2019

INTEGRATED REPORT

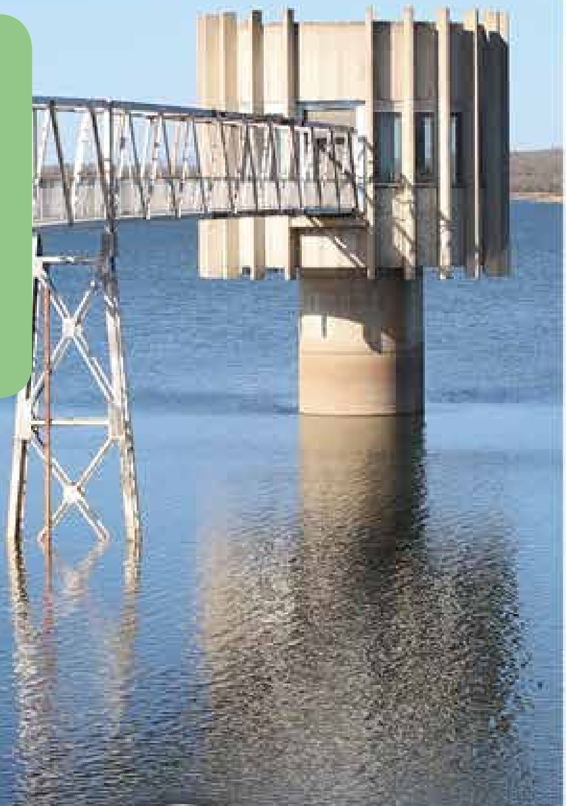
CONTENTS

Our new business as usual

Given the nature of the global sugar markets and the volatile exchange rate environment, we have come to accept that there are external factors that affect our industry which we cannot control. It is therefore imperative that we do our best to influence our internal environment by increasing our production capacity, driving down our unit cost and keeping our efficiencies in top notch. This is the case for our Simama 20-20 and the IGP, to ensure sustainability, which in turn guarantees value-creation for all, now and in the future.

01 ABOUT THIS REPORT

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.



This is the eighth Integrated Report of the Royal Swaziland Sugar Corporation (RSSC), and it outlines the issues, activities, relationships, interactions and performance of RSSC, within its operating and marketing contexts during the period between 1 April 2018 and 31 March 2019. 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, which we define as one to two years, three to five years, and five to 10 years respectively, not only to shareholders, but to other stakeholders with an interest in RSSC'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 IV Code on Corporate Governance (King IV).

Certain forward-looking statements are made in the report, particularly in relation to the impact on strategy, capital expenditure (Capex) and operational processes in the context of global and regional markets and economic trends. 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 operations please refer to pages 16, 18, 20 and 50

Financial and non-financial reporting

The report extends beyond financial reporting and includes non-financial performance, opportunities, risks and outcomes attributable to or associated with our stakeholders that have a significant influence on our ability to create value.

Directors' Statement of Responsibility

The responsibility of ensuring the integrity of this report lies with the Board of Directors. The Board has applied its collective mind to the presentation and preparation of this report. It is the Board's belief that this report is a fair representation of the performance of the RSSC Group and its material matters. Accordingly, the Board of Directors has approved the 2019 Integrated Report on the recommendation of the Audit and Risk Committees. The Group Financial Statements were audited by KPMG.

Materiality and material matters

The business's material aspects that were previously identified have not changed in any significant manner. Detail on further materiality issues that form the basis of the scope and boundary for this report and which pertain to ongoing stakeholder management is contained in our Stakeholder Relations section of this report on page 45.

02 HIGHLIGHTS

RSSC AT A GLANCE

With a record year in both cane and sugar production we have been able to achieve good financial results under conditions of depressed sugar prices. This has been attained through the ongoing reduction in our unit cost.

E3 047m
Revenue

E277m
Cane-growing contribution

E283m
Sugar-milling contribution

E25m
Ethanol contribution

E282m
Profit before tax

E218m
Attributable to shareholders

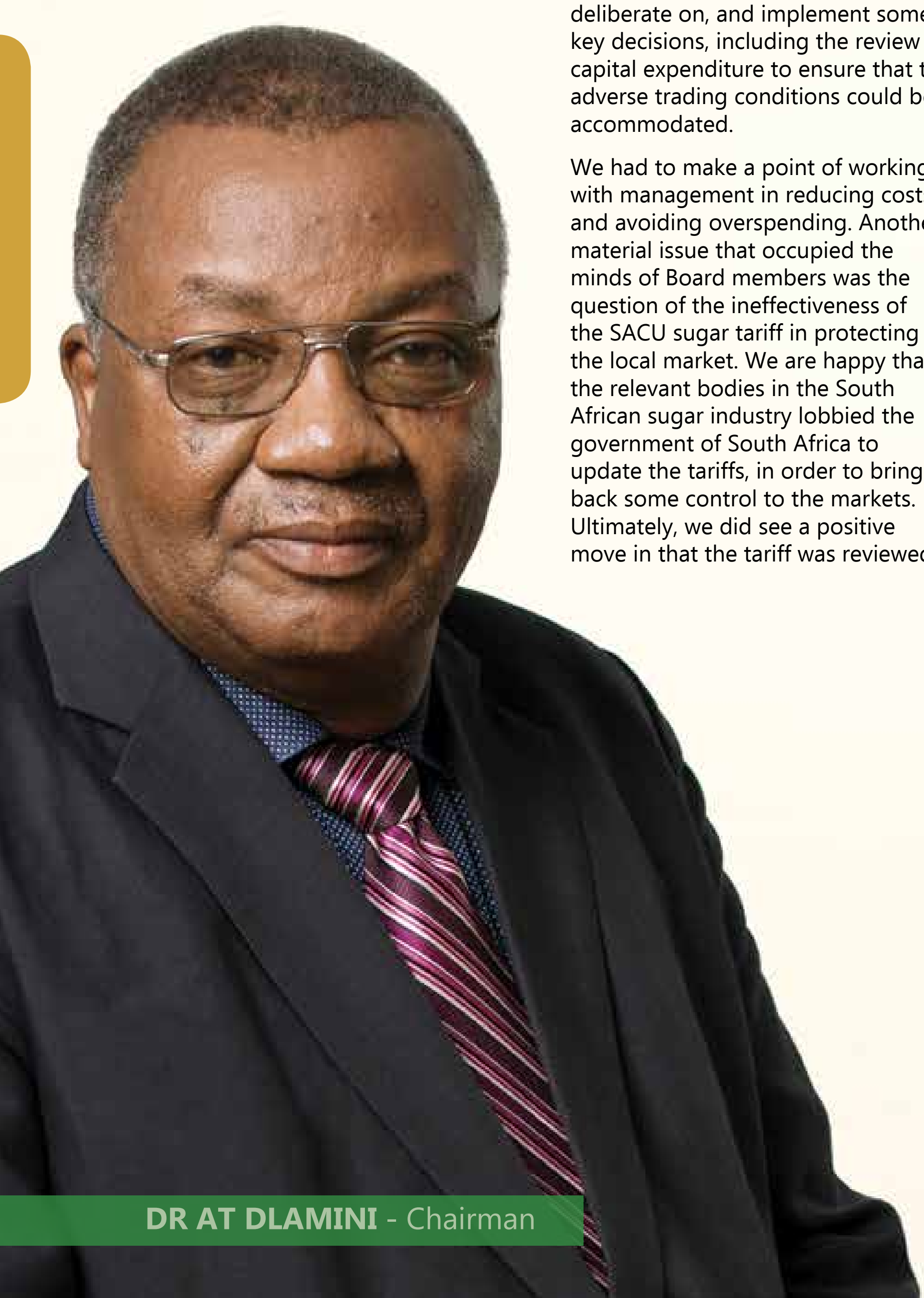
MESSAGE FROM THE CHAIRMAN

“

What confronted the Board and management during the year under review was primarily the markets not being in our favour. We saw our markets dwindling because of lower prices, unfavourable foreign exchange rates and the dumping of Brazilian sugar in the region, with customers unavoidably seeking this lower-priced product. Consequently, despite a record year in terms of crop yield and productivity, we were not able to translate this into a record profit.

Given the prevailing conditions, we were therefore compelled to deliberate on, and implement some key decisions, including the review of capital expenditure to ensure that the adverse trading conditions could be accommodated.

We had to make a point of working with management in reducing costs and avoiding overspending. Another material issue that occupied the minds of Board members was the question of the ineffectiveness of the SACU sugar tariff in protecting the local market. We are happy that the relevant bodies in the South African sugar industry lobbied the government of South Africa to update the tariffs, in order to bring back some control to the markets. Ultimately, we did see a positive move in that the tariff was reviewed.



DR AT DLAMINI - Chairman

We are closely following any developments in the market and we are making sure that our industry has appropriate interactions with the South African industry. Networking is critical in business, otherwise there is the risk of being overtaken by events.

Board committees

The Board committees continued to work very well, and in particular the Risk Committee was engaged in overseeing the concern of damage to property as a result of hailstorms, which had the potential to jeopardise the productivity and profitability of the business. It was gratifying to see the positive outcome of the ongoing process of engagement with senior management in this regard.

Despite the challenges that the Corporation was facing, we remain profitable. Management performed extremely well in offsetting these SACU challenges to deliver impressive production levels. The dilution of profitability that we have seen has been as a result of factors beyond management control.

Stakeholders

The prevailing adverse economic conditions affect all those with an interest in RSSC’s activities and achievements, as much as they do the Corporation. It is therefore in all our interests that open, transparent and material engagement continues to take place between us. It is important for the Government, labour organisations, growers and the industry to be aware of the ways in which these external conditions affect our performance, and that as a result, that performance may not be in line with certain expectations.

We continue to be mindful of our political environment, and we welcome interactions with the Government, both in Eswatini and in South Africa. We hope that positive decisions will be taken at this level, and that these will be of benefit to the sugar industries of both countries.

The new Government, headed by the dynamic Prime Minister bodes well for hopes of a positive business environment, and improved support for the industry.

Regulation

The South African sugar tax has had a significant impact on RSSC, and remains a threat to our profitability. No such legislation yet exists in Eswatini. We anticipate that company tax will be significantly reduced. If implemented, this will be a very positive development, as will be the regulations that will allow the mixing of ethanol into fuel, which will also have a very positive impact on RSSC's business.

Corporate Social Investment (CSI)

I would like to congratulate the Corporation on a job well done in providing assistance and facilitating support for those in need in our communities, during the year under review. Our ongoing efforts and achievements in this important arena continue to bring benefits to the people among whom we operate. We have the ability to make very meaningful changes to improve the lives of our people, and I am proud to be able to say that once again we have implemented some very important initiatives and undertakings in this regard. People affected by AIDS and other medical issues, poverty, water scarcity, as well as those in need of educational, skills and entrepreneurial support, continue to benefit from our interventions and projects.

Changes to the Board

I would like to welcome our two new Board members, Her Royal Highness Princess Lomajuba and Mr Andrew Westermeyer, to the Board, and wish them well as they continue to make the kind of positive contribution that we have already seen from them. To our departing Board members, Her Royal Highness Princess Phumelele and Mr Derek van Niekerk, I would like to express my thanks for the outstanding contribution they have made during their tenure with us, and I would like to wish them well in their future endeavours.

Management initiatives

The Board greatly appreciates the initiative of management in bringing representatives of the South African Institute of Directors to address us and hold workshops to raise even further our governance capacity and awareness. RSSC is a leader in good corporate governance in Eswatini, and these sessions will only add to our ability to add value in this vital aspect of our business. I am particularly proud that RSSC was a recipient of a merit award in the Chartered Secretaries Southern Africa/JSE Integrated Reporting Awards, and see this as evidence of our commitment to open and responsible governance and reporting. We hope that this level of achievement will be continued in the coming years.

E3 047m
REVENUE

Acknowledgements

I would like to thank my colleagues on the Board for their commitment, diligence and the application of their skills towards the responsible guidance of RSSC during the year. I would like to express my thanks to our Managing Director, Mr Nick Jackson, and his management team for their contribution in ensuring that every internal factor that can contribute to the sustainability and profitability of the Corporation in the short, medium and long term is explored and optimised. The exceptional crop yields and productivity levels that we have seen during the year is evidence of their skill and diligence.

I would like to thank all our employees for their efforts during the year under review, as well as all our stakeholders and the members of the communities in which we operate, and we look forward to continuing and strengthening our relationships with them.

Dr AT Dlamini
Chairman

IGP tidbits

IMPROVE MILL PERFORMANCE & SUFFICIENCY

The key aim is to reduce cost of production and increase the rate of production by ensuring that our plant operates at excellent levels all the time. That's one of the main elements of the IGP.

03 WHO WE ARE

2018/2019 IGP MHLUME

expansion phase 2 completed with
commissioned and operating

FACTORY

new evaporators installed,

IGP tidbits

NEW VISION

A renewed vision would place the industry in a stronger position. RSSC is lobbying for a new vision.

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 (tc/hr)

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 of Mhlume 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 E40.1 million of equity share capital

1980

SUGAR

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

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 began

2018
Mhlume factory expansion Phase 1 was completed and Phase 2 began, and the new equipment was already in operation, and aligned to crush the additional Outgrower cane.

2019
Phase 2 of the Integrated Growth Plan was completed during the off-crop (April)

OUR VISION, MISSION AND STRUCTURE

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.

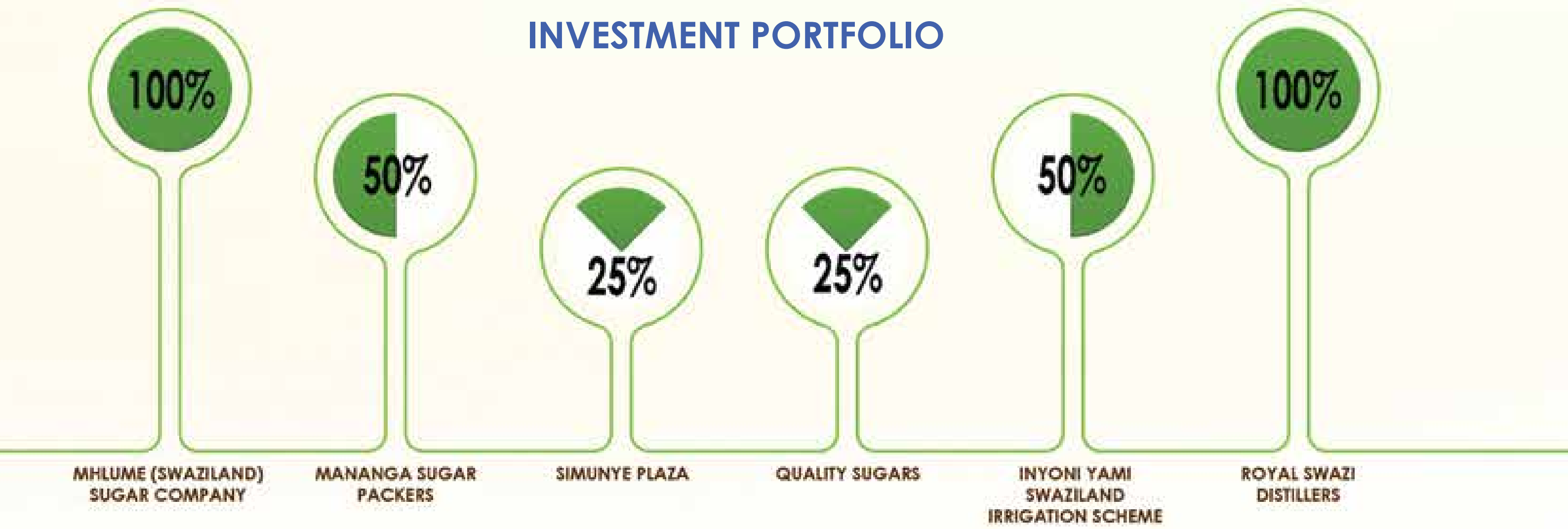
OUR VALUES

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

INVESTMENT PORTFOLIO



OUR OPERATING ENVIRONMENT

Global trends

The world sugar surplus continued with associated depressed prices at around 12(US)cents a pound, in comparison with around 20(US)cents a pound about two to three years ago. The year under review began with no tariff in place, and significant amounts of sugar being brought into the Southern African Customs Union (SACU) market from Brazil and to some extent, India.

Brazil is reported to be joining Australia in the lodging of a formal complaint against India at the World Trade Organisation (WTO), claiming that subsidies paid to farmers in India have led to a sugar glut and depressed global prices. It has been reported that in 2018, subsidies of about US$1 billion were paid to Indian sugar cane farmers.

Prices in Europe continued on a downward trend, and with substantial additional product available in that market, despite a significant drop in beet sugar supply, the average ex-works price for sugar within the EU fell further to the lowest recorded level at EUR314 (about E5 000) per ton.

This was against the expectations that there would be an increase in the price in the months leading to the end of the year, given the reduction in production and the pressure from beet growers for the domestic price to increase.

The currency exchange rate also has a bearing on our profitability, and from a high of over E17 to the Euro, and just on E14 to the US$ in September 2018, it fell to E15.66 and E13.80 respectively in February 2019. This trend appears set to continue, but with uncertainty arising from trade tariff disputes between the US and China, and the outcome of events such as the Brexit process, there remains a degree of uncertainty, which will affect our revenues, as well as the regional economies into which we export our product.

FIGURE 1 - World Market Prices (per MT)

FIGURE 2 - EU market price and world market prices
London 5 and NY 11 - first future - $/t

FIGURE 3- - World Market Prices (per MT)

OUR OPERATING ENVIRONMENT - *continued*

South Africa and the region

In South Africa, the industry is suffering from a depressed economic environment as a result of a variety of factors. Ours is to closely monitor the situation so that we can make any adjustments in a timely manner. We remain cognisant of the challenges posed by low prices and would like to see a reasonable sugar price maintained in the region through the appropriate management of imports.

Owing to the challenging, import-affected SACU market over the past two years, industry sales into SACU were relatively low in 2018/19. The recently introduced Health Promotion Levy on Sugary Beverages in South Africa has also dampened industrial off-take to about 250 000 tons per annum and economic conditions have also taken their toll. Overall, the SACU market is estimated at around 1.9 million tons, significantly below its previous level of 2.1 million tons.

Eswatini

Within Eswatini there has been a change in the makeup of the Government, with a young, dynamic new Prime Minister, and many of the Cabinet ministers being business-oriented. There have already been proposals to lower the corporate tax rate significantly, and we anticipate that this will happen in a sustained manner which will bring benefits to RSSC in the medium to long term.

1.9m tons

estimated SACU market significantly below its previous level of 2.1m tons

04 OUR STRATEGY

OUR STRATEGY

MESSAGE FROM THE MANAGING DIRECTOR

The year under review began within a somewhat adverse industry environment. There was no SACU tariff in place, and significant amounts of sugar coming into the SACU market from Brazil and India. While it was our belief that there would be a review of the tariff, we considered it to be likely only in the latter part of 2018, and possibly as late as January or February of 2019.

NICK JACKSON - Managing Director

In addition to that negative outlook, we were only too aware of the price collapse in Europe to its lowest recorded level of EUR314 per ton, as a result of the additional production – a factor that continued to contribute to the general global surplus. We understood that the markets that we traditionally looked to were not going to be easy to penetrate at a level that would create value for RSSC.

Nonetheless, in August 2018, the South African industry campaigned, with the vocal support of a new breakaway group called the South African Farmers Development Association (SAFDA), who are politically well-connected. Through their efforts, which included a march to the Union Buildings in Pretoria, a review of the tariff was forced and put in place. This meant a sudden increase of 19% for producers, which helped set us on the path towards our achieving a profit after tax (PAT) of E218 million.

E218m
PROFIT
attributable income

SUGAR

E5 000
PER TON
the average ex-works EU sugar price, which is a record low

Record crop, production and sales

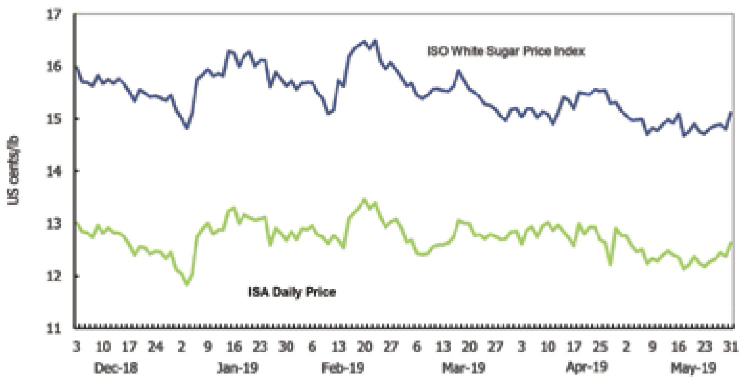
The basis for our financial performance was the record crop that we were able to harvest. This was a result of a combination of external factors such as sufficient water, good radiation and internal factors which included our ongoing commitment to our Simama 20-20 objective of reducing our unit costs, and maximising efficiencies. Our other strategic thrust – the Integrated Growth Plan (IGP) also contributed, both in additional land under cane, and the Phase 1 and Phase 2 expansion that had taken place at Mhlume.

Having worked on our cane yields, building on our achievements in keeping our cane alive through the drought years, we were able to deliver a record crop of just under 113 tons per hectare (tch). In all, we crushed 3.7 million tons of cane at the factories, and with the unit costs brought down by these record levels, our profitability under the depressed sugar price regime was enhanced.

With sales having begun poorly at the start of the year, the unexpected tariff increase made all the difference and by year's end we achieved a result of E218 million against last year's E301 million.

FIGURE 4 - ISO world sugar balance (per MT)

FIGURE 5 - World Market Prices for Raw and White Sugar



Sales Performance to end of January 2019 in metric tons – SACU

	Allocated	Sold	Variance
Refined	179 871	161 582	(18 289)
VHP	174 230	156 419	(17 811)
Total	354 101	318 001	(36 100)

Sales Performance to end of January 2019 in metric tons – Region

	Allocated	Sold	Variance
Refined	4 320	4 170	(150)
VHP	39 779	20 762	(19 017)
Total	44 099	24 932	(19 167)

Sales Performance to end of January 2019 in metric tons – EU and US

	Allocated	Sold	Variance
Bulk	187 126	187 127	1
Refined	87	86	(1)
VHP	10 270	10 120	(151)
Total	197 483	197 332	(151)

MESSAGE FROM THE MANAGING DIRECTOR - *continued*

Cane variety

Another factor that is beginning to work for us is the improvement we have been making in our cane varieties. We have dispensed with our non-performing varieties and brought in higher producing ones.

IGP benefits

The completion of Phase 1 of the IGP at Mhlume, included the replacement of evaporators that had been in place since the Corporation's inception in the 1950s. The modern equipment has enabled us to clean the evaporators on the run, resulting in an additional week of factory activity per season, which otherwise wouldn't have been there.

EU Grower Projects

These two initiatives, Mnyangombili and Mbombowendlovu farms, funded by the EU, came on stream in the year under review, although the benefit to RSSC was interrupted by the fact that as a result of rain and other reasons, our harvesting of this new grower cane occurred very late in the season, causing us to run the factory far longer than we do normally. The result was that our final crushing took place on 4 January 2019, which added to the unit cost. Nonetheless, the cane was successfully harvested and the growers benefitted from the payment for their crop.

Outgrowers

Our relationship with the growers who supply cane to the Corporation remained under pressure. During the year under review there was a disagreement concerning the beneficial use of bagasse. This reached deadlock at Council, something which has not happened in 10 years. No way forward has been found yet. We believe that we are in a position to make some concessions available to the growers, but this would first require a resolution of the beneficial use of bagasse. We continue in our wish to see a restructuring of the Eswatini industry, with a modernised system that will replace the current one that dates back to 1968.

It is our belief that continuing with the status quo will lead to a palpable risk of our becoming redundant. We see this as a major threat, as it impacts on our long-term sustainability.

For more on risk, see page 22, 23 and 24.

Change management

The training we undertook during the year under review through our Vuka 1 and Vuka 2 change management initiatives is part of a broader project to better understand and optimise our culture, and this process will continue in the short and medium term.

Stakeholders

We understand that our stakeholders, as the key element in our social and relationship capital, have an effect on our ability to create value, and we continued during the year to pay careful attention to the issues that affect that relationship. An issue that raised its head was that of the Vuvulane Irrigated Farmers, a grouping originating in a well-intentioned project set up in the 1960s by the Commonwealth Development Corporation (CDC). The project settled farmers on land with the intention that over an extended period they would be trained in farming techniques, and would then move on to make way for others.

Unfortunately, most did not move on, and when attempts have been made to precipitate such a move, claims of unlawful and unjust eviction were made by the grouping. After a process of court appeals, and the involvement of international NGOs, the grouping then initiated a campaign with our customers in South Africa, based on claims of human rights abuses. This proved to be a real threat, and we approached it as an industry issue, whose outcome would affect not just the Corporation but the entire industry and all its beneficiaries. While we

3.7m

TONS OF CANE CRUSHED

This record production enhanced our profitability in the price-depressed environment.

mounted an effective counter-campaign using social media and other engagement efforts to dispel false accusations and the potency of the threat, the land issue still requires resolution at Government level.

For more on our stakeholder management, see page 45.

Outlook

A large storm at the end of February affected 11 000ha of cane, a phenomenon known as lodging. This lodged cane will cause problems in harvesting and our yield to be low on the FY2020 achievement.

With the current low sugar price of 12cents a pound, we anticipate that the market will continue to be tough, and the global sugar surplus will continue until the cycle of consumption brings about a deficit, when prices will rise once more.

Our IGP continues to show very good profit and cash generation, which we anticipate will lead to improved dividends in the future, and ensure the sustainability of RSSC in the long term.

Acknowledgements

With the year's achievements evident in our record cane and sugar production numbers, I would like to thank the Chairman, Dr AT Dlamini and the Board for their unstinting and skilled support and guidance. I am grateful too to the efforts and commitment of my management team, whose dedication, skills and expertise have greatly contributed to the value we have created during the year under review.

To our stakeholders – I would like to express my appreciation for their ongoing contribution to our very important relationships, without which our mutual interests would not be as well-served as they are.

Finally, I would like to thank all our employees. It is through the application, commitment, teamwork and hard work of every single individual that we have built on the achievements of FY2018, to see ourselves attain the outstanding results that we have, at the end of this financial year. Siyabonga.

NM Jackson
Managing Director

IGP tidbits

BUSINESS GROWTH

Our IGP continues to show very good profit and cash generation, which we anticipate will lead to improved dividends in the future, and ensure the sustainability of RSSC in the long term.

OUR STRATEGY

OUR INTEGRATED GROWTH PLAN (IGP)

Integrated Growth Programme (IGP)

The IGP is divided into 7 phases, commencing with Phase 1 in 2017/18 and ending with Phase 7 in 2023/24. The major part of the capital expenditure will take place over Phases 1 to 4. The factory project expenditure will be complete by the end of Phase 4 while on the agricultural side the last portion of the land development (on IYSIS) will be completed in 2023/24, unless market conditions improve significantly and the IGP can be accelerated.

The IGP plays to the current themes, drivers and dynamics of the global sugar industry, both internationally and on the African continent. It will place RSSC in a stronger position going forward, thereby enabling the company to competitively take advantage of future opportunities as they arise as well as to remain robust and sustainable in difficult times.

Strategic progress

Progress made under the Simama 20-20 strategy can be directly tracked to financials for some initiatives while other efficiency improvements are realised indirectly. The gradual advances in achievement of Simama 20-20 initiatives favourably set-up RSSC for the long-term strategy with a more enabled human capital utilising appropriate information systems and equipped appropriately with key organisational capabilities to address continued external changes.

Our Thembelisha Preparatory School is a strategic unit which helps to attract and retain talent and also provide flagship education in the region.

RSSC FIVE-YEAR REVIEW

	March 2015	March 2016	March 2017	March 2018	March 2019
Production					
Sugar (96º tons)	471 208	485 529	400 102	435 763	505 575
Ethanol ('000 Litres)	31 344	35 316	33 218	25 468	29 844
Financial Results (E M's)					
Revenue (RSSC)	2 636	2 865	2 958	2 962	3 047
Profit attributable to shareholders	234	273	393	301	218
Balance sheet & cash flow (E M's)					
Total assets	2 537	2 646	2 940	2 939	3 130
Shareholders' funds	1 677	1 755	1 893	1 982	2 053
Net borrowings	52	-	-	-	145 239
Net cash from operating activities	414	426	572	391	75
Financial ratios					
Operating Margin %	10.7	12.5	18.2	11.1	8.0
Return on Net Assets (%)	15.5	17.7	24.1	16.7	11.6
Return on shareholders equity (%)	14.0	15.6	20.8	15.2	10.6
Interest cover (times)	37.6	48.2	78.0	173.5	21.1

MANAGING RISK

Risk management is a fundamental aspect of our financial and intellectual capitals, and we recognise that the requirements of open, transparent and effective governance and ultimately the sustainability of the company demand the meticulous identification, prioritising and mitigation of risks that have an impact on RSSC's ability to create value.

During the year under review, RSSC attained ISO certification on 9001:2015 (quality management systems), 14001:2015 (environmental management systems), and 45001:2018 (occupational health and safety management systems).

Triple certification paves the road to sustainability

MD Nick Jackson receives one of the 3 certificates

Minister of Commerce Manqoba Khumalo

LOAD-SHEDDING

The South African power utility Eskom, being the major supplier of electricity to Eswatini, is undergoing challenges. The ongoing outages emanating from South Africa within the framework of the load-shedding programme imposed by Eskom constitute a tangible risk to our ability to operate optimally. Load shedding thus poses a direct threat to our ability to deliver against our strategic and financial targets.

South Africa requires approximately 30 000 –35 000 MW to power businesses and households, from an installed generation capacity of +/-47 000 MW. Generating capacity often drops well below the installed capacity, the ultimate cause of the need for load shedding.

In recognition of this risk, late in 2018 RSSC commissioned Bosch Projects to carry out a study on how to become self-sufficient in terms of power.

The amount of load that Eskom sheds at each stage

Stage	Load-shedding - MW
1	1 000 MW
2	2 000 MW
3	3 000 MW
4	4 000 MW
5	5 000 MW
6	6 000 MW
7	7 000 MW
8	8 000 MW

The Eswatini Electricity Company (EEC) affirms that when Eskom faces supply constraints, the EEC will commence reducing load from the Eskom network, to help prevent the collapse of the power system.

Our assessment indicates that:

- Risk of reaching Stage 5 is low
- The EEC prioritises businesses over domestic users when reducing loads
- The EEC increases domestic generation during shedding
- The EEC buys power from the "day ahead market"

In the short term it was agreed and accepted that the main risks emanating from load shedding have been addressed.

35 000

MEGA WATTS

to power South Africa's businesses and households, and SA often can't meet this target

The expansion of Mhlume Factory has already begun to yield positive results

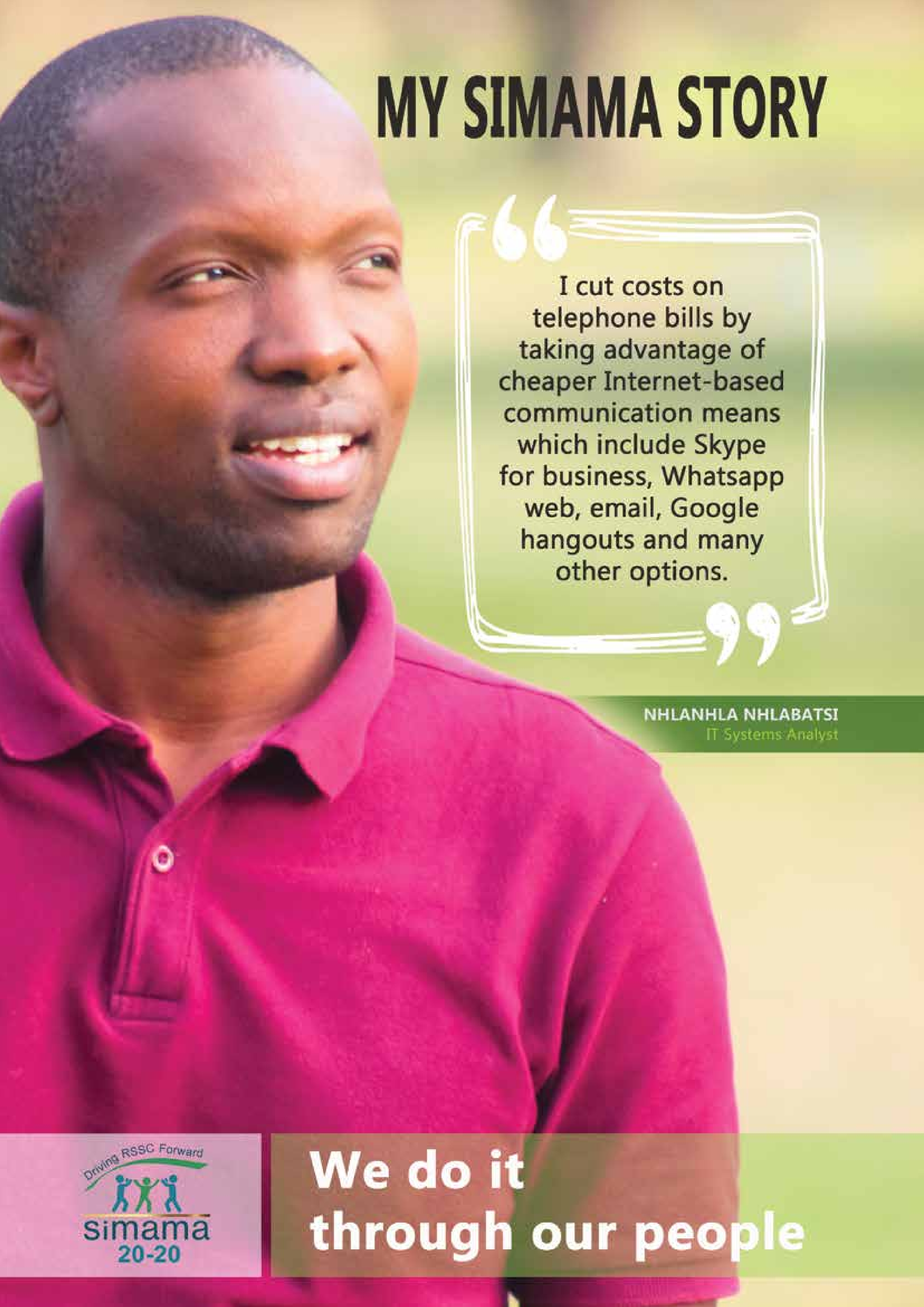
ADEQUACY AND EFFECTIVENESS OF THE RISK MANAGEMENT PROCESS

Given the current risk profile and the respective changes made in response to it, management is of the view that the risk management process adhered to by RSSC in addressing risks is sufficient and effective.

Risk Rank	Risk Issue	Causes	Consequences	Current mitigation control(s) or optimisation/leverage/ replication capability	Loss/ harm category
1	Sugar markets	• Significant price decreases in SACU • Import tariff protection not triggered by ITAC • Threat of imports into SACU • Currency strengthening significantly, reducing export returns • Significant reduction in EU sugar prices • Sustainability of SACU if Namibia and Botswana exit the SACU arrangement for sugar	• Decreased profitability • Negative impact on sustainability	• Currency hedging • Forward contracts • Lobbying and influencing	
2	Labour unrest	• Trade union activities • Tough economic environment • Increases in taxation	• Negative impact on productivity and profitability if strikes occur • Strained employer / employee relationship	• Effective /regular engagements with staff • Effective engagements with Trade Unions • Ongoing and effective engagement with surrounding communities • Training of staff reps • Training of line managers • Team/relationship building • MD Roadshows	
3	Lack of Sugar Tariff protection	• Lengthy (RSA) government implementation processes	• Increased sugar imports • Slow sugar sales in the market • Reduced sugar prices • Sugar storage challenges • Increased costs for storage	• Lobbying via the ESA for effective tariff implementation • Explore other sugar markets	
4	Disposal of hazardous waste	• Non-availability of sites for disposal of waste	• Environmental breaches - damage to human beings and environment • Heavy fines • Fire, explosion, health hazards, chemical reactions	• Housekeeping practices • Proper storage, pending securing of alternative disposal site	
5	Effluent quality	• Discharges from the factory and distillery	• Discharge into a watercourse • Damage to aquatic life	• Use water for irrigation • Implementation of recommendations from Wastewater Treatment Master Plan	
6	Air quality	• Emissions from the factory	• Environmental damage - Air pollution • Environmental breaches/ fines • Negative publicity • Damage to human beings' health	• Implement pollution mitigation measures and install scrubbers when the financial position improves	

Risk Rank	Risk Issue	Causes	Consequences	Current mitigation control(s) or optimisation/leverage/ replication capability	Loss/ harm category
7	Stability of power supply	• Failure of equipment due to age and maintenance • Potential mal-operation of equipment • Cost of fuel • Lack of diversity of fuel types	• Negative impact on productivity • Increase in production costs • Opportunity cost lost in terms of saving 'imported' power • Insurance claims	• Capital replacement programme in place • Maintenance programme in place, including machine condition monitoring • Skills training	
8	Not achieving business growth and optimisation	• Lack of availability of finance / capex • Not delivering the return on previous phase investment / capex • Lack of appropriate skills (project management) • Viability of the IGP due to decrease in profitability and reduced cash flow	• Threat to business sustainability • Unsuccessful in reducing unit cost	• Regular update of the IGP (Business Plan) against progress - quarterly	

The merit award given to RSSC by the CSSA/Johannesburg Stock Exchange is a good indicator on the progress made by RSSC in integrated reporting


MY SIMAMA STORY
I cut costs on telephone bills by taking advantage of cheaper Internet-based communication means which include Skype for business, Whatsapp web, email, Google hangouts and many other options.
NHLANHLA NHLABATSI
IT Systems Analyst
Driving RSSC Forward
simama 20-20
We do it through our people

05 OUR BUSINESS

OUR VALUE-CREATION 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

HUMAN CAPITAL

- **1 678** loyal, skilled and motivated permanent employees
- Experienced management team

NATURAL CAPITAL

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

MANUFACTURED CAPITAL

- Simunye Sugar Mill
- Mhlume Sugar Mill
- Refinery
- Ethanol plant
- **22 000** ha of cane
- **2 211** head of cattle
- **6 790** head of game

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

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

505 575
Tons of sugar

29.8m
Litres of ethanol

66 483kg
Beef

E3.047bn
Revenue

E218m
Attributable income

1 050 641
Tons of bagasse

116 938
Tons of stillage (solid and used for liquid fertilizer) procured back as liquid fertilizer

OUTPUTS

E417m
in Company tax, PAYE, Withholding tax and VAT paid to government

3 500
Seasonal, casual and permanent jobs sustained

E32.8m
Staff development spend

E669.1m
Salaries and wages

Housing provided to about
22 000
People

Healthcare services to the value of
E27.1m

OUTCOMES

STRATEGY

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

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.

RISKS

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

HUMAN RESOURCES

Human Resources (HR) is a fundamental component of our human and intellectual capitals, and during the year under review we continued with our efforts to optimise operations in terms of recruitment, payroll streamlining and training, in line with the strategic objectives of Simama 20-20. To this end we undertook a number of initiatives during the year under review.

75%

The average recruitment turnaround time against a target of 80%

Recruitment turnaround time

The HR Operations department has continued to track recruitment turnaround time for all positions at RSSC. The average recruitment turnaround time percentage for 2018/19 is 75% against a target of 80%. The increased number of vacancies in most departments is attributable to natural attrition.

During the year under review, retired employees were all replaced by internal candidates, which triggered a ripple cycle of vacancy filling. This required the additional attention of HR consultants, who incidentally were already stretched as a result of having to participate in the rollout of the SAP Success Factors ERP module. This technology ultimately aims to improve talent management and our recruitment processes. There is more information on this later on in this section.

Figure 6 reflects the progress of overall recruitment turnaround time for each quarter in percentages.

FIGURE 6 - Recruitment Turnaround Time 2018/2019

LinkedIn recruiter licence usage

The LinkedIn recruiter license piloted in January 2018 and contracted for July 2018 to June 2019 has been effective in realising cost savings of approximately E85 000 in recruitment advertisements. With external talent now accustomed to interacting with job posts through social media and the website, print media costs can be avoided except for cases where pipelined talent has been identified as inaccessible on the LinkedIn platform.

SAP Success Factors - eRecruitment, succession planning & learning

In October 2018 RSSC implemented a cloud-based automated system to support talent management processes like recruitment, training and succession planning. The eRecruitment system offers transparency and traceability of progress and activities, enabling more accountability on the achievement of Service Level Agreements timelines with the business.

KRONOS Project in the Agriculture Pilot Section

The KRONOS project go-live date was the end of February 2018 when employees were first paid via the KRONOS-SAP payroll system at Agriculture Production, Section 03. Since then, the system has had both successes and challenges in meeting agriculture production requirements regarding the automation of time and attendance capture and ultimately interfacing the data into SAP for payroll purposes. Given the challenges posed by the nature of the agricultural sites, a decision was taken to shelve the implementation of KRONOS in this area of the business. The implementation at factories was instead identified as low-hanging fruit, and full roll out will be done in one of the two factories in October 2019. This is limited to only one factory at the moment due to insufficient funding.

IGP tidbits

HUMAN RESOURCES SKILLS, MOTIVATION & ALIGNMENT

The IGP requires skilled personnel to be able to deal with the concomitant complexity and expanded scope.

Employee relations

The Industrial Relations Climate came under pressure during the year under review due to prolonged cost of living (COL) negotiations. This situation was further exacerbated by the minimal progress made on the harmonisation of the outstanding terms and conditions of service between the former Mhlume Sugar Company and Simunye Sugar Estate, including the unification of the Recognition Agreements with the four employee organisations (two SAPWU and two SAMASA).

One of the initiatives that will be embarked upon in the new financial year to improve the IR climate will include intensifying training on leadership roles and responsibilities for union officials and shop stewards. In addition to this, the long outstanding issues of harmonisation of terms and conditions of service for the ex-Mhlume and ex-Simunye employees will be accelerated in the coming year in an effort to conclude them.

Remuneration & employee benefits

Employee remuneration is a critical aspect of attraction and retention. During the year we reviewed a number of elements in our remuneration proposition:

- The number of permanent employees declined to 1 678 at year-end (2018: 1 704), mainly due to natural attrition
- In partnership with MTN our employees are now able to enjoy free mobile calls to any RSSC employee, provided they are part of the closed user group facility
- Employees continue to enjoy the benefits of Group Life Assurance (three times annual salary), Permanent Health Insurance (at 75% of basic), and Funeral Cover of E15 000 inclusive of the E5 000 family support fund, with the provision of insured benefits tendered out for the FY2020 and the cost reduced by more than E1m.

The Corporation has also continued to place a retirement contribution for seasonal employees through the ENPF supplementary fund with the Eswatini National Provident Fund.

HUMAN RESOURCES - *continued*

Limiting financial exposure and cost rationalisation

Leave management

With 6 368 sick leave days recorded at year-end, and 1 680 employees on the sick sheet, the cost of sick leave amounted to E3.7m (2018: E3.5m). Sick leave days have averaged 6 800 for the past three years. This is a very high number considering the number of wellness interventions initiated by the Corporation.

The leave liability stood at E23.8m at year-end (2018: E19.63m), an increase of 21%. No leave target was set for the FY2019 as management had fully implemented interventions designed to manage leave liability. However, the leave liability was not reduced as much as anticipated during the shutdown period due to the extended crushing period which resulted in many employees in the Operations Division and Support Services not taking the annual leave. There is a need to continuously manage this liability on a monthly basis.

Management of illness

Thirteen employees were on the Disability/Income Replacement Scheme at year-end compared to 11 last year. Even though this number remains in line with the long-term average and the assumptions that informed the development of the existing cover parameters and costs of the contract with the insurer, the number of pending cases has risen to 34. The number of permanent disability cases has the potential to rise at any given time across the business. To closely monitor the situation we are enforcing the Management Of Illness At Work Policy.

Learning and Talent

Skills development – personal effectiveness, leadership, business and technical Skills

Through a partnership with the University of Stellenbosch – Executive Development (USB-ED), the RSSC Leadership Academy continues to make a positive impact on increasing leadership skills and equipping managers with skills and knowledge for the handling of challenges emanating from the Fourth Industrial Revolution (4IR). Three main programmes targeted supervisors, middle management and senior management:

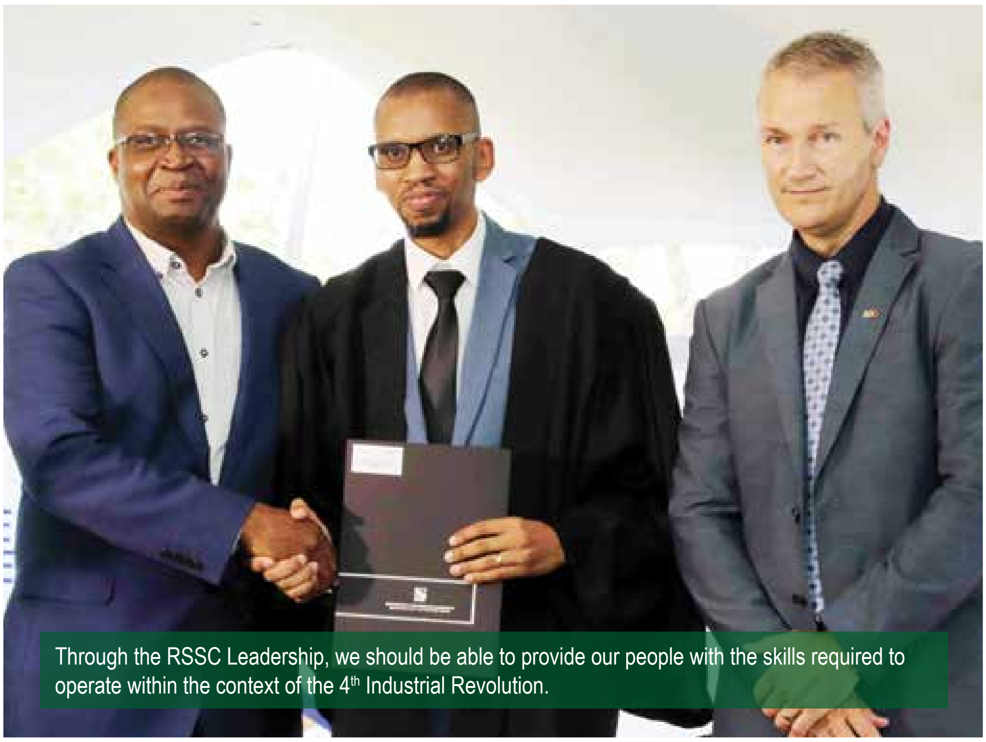
- New Managers Development Programme (NMDP)
- Managers Development Programme (MDP)
- Senior Managers Development Programme (SMDP)

These programmes included participants from other companies, and a total of 93 candidates (31 external) from 17 companies successfully completed their programmes and graduated on 22 February 2019.

The measure for this key metric is the number of managers scoring more than 65% on Personal Effectiveness and Leadership, Business and Technical skills Training for the last 12 months / Cumulative number of managers attending training over the last 12 months. The target was reached, with an overall score of 72%.

Training expenditure in 2018/19

Training & Development	2017/18 Expenditure (E)	2018/19 Expenditure (E)
Leadership Development	2 020 950	3 824 391
Business Skills	320 555	241 517
Technical Skills	9 568 521	12 503 456
Apprentices	14 369 126	16 182 934
TOTAL	**26 279 152**	**32 752 298**



Through the RSSC Leadership, we should be able to provide our people with the skills required to operate within the context of the 4th Industrial Revolution.

Succession planning – two successors per critical role

The overall objective of RSSC's succession planning is to have in place at least two successors per critical role by March 2020, as well as to prepare identified employees to take up specified future roles. At least 17% of middle and senior managers will be retiring in the next 10 years. All divisions have identified at least two successors per critical role and a number of training interventions are being implemented to equip potential successors with skills and competencies for the roles they have been identified for. Where an adequate potential replacement does not exist internally, efforts are being made to identify an external pipeline.

Performance management

The SAP Individual Performance Management (IPM) system which is based on the Balanced Scorecard principles has for the past year been used by employees in Grades T12, while the rest of the employees were using the paper-based system because of obstacles like literacy and access to computers. A plan to roll out SAP IPM to the lower ranks is in place and in the period under review, 272 employees in grades T10 & T11 have been therefore trained. These employees will now be able to do their performance appraisals electronically.

Moreover, an improvement in managing performance has been made. Line managers adhered to all the timelines of contracting, conducting mid-year and final year reviews.

Talent pipelines

The sugar industry requires specialized technical skills that are in demand in the labour market due to growth of the sugar industry in the region and globally. RSSC's approach has always been to develop these skills internally to ensure adherence to high quality standards of training and a consistent supply of skills. Having removed the position of artisans from the list of approved Critical Skills three years ago, there has been a focus in ensuring that there is a steady supply in the talent development pipeline of apprentices, with an investment of E1 438 483 per apprentice over a four year period, which includes training costs, accommodation, meals and wages (see Figure 7 below).

Recruitment of apprentices has also been informed by turnover trends and business needs. Currently, the average age for artisans at RSSC is 39.4 years, 70% of them are aged between 25 – 44 years whilst 15.7% are approaching retirement, aged 50 – 60 years. About 8.7% will be retiring in the next 5 years. Only 0.8% artisans resigned in the past financial year and 89% of newly recruited artisans were absorbed from the Apprenticeship Programme.

The Graduate Traineeship Programme is another important stream in the talent development initiative and is a feeder to engineering positions in the Operations Division, as well as into middle management/professional positions in Services Division. The current complement of Engineers in Training (EITs) is at 70%, with challenges experienced in attracting graduates in the mechanical discipline. The trend has been that EITs resign in their 2nd or 3rd year of their training programme hence this risk was mitigated by reviewing their remuneration, as well as reviewing their career pathing requirements to address their career aspirations. Only one EIT from mechanical engineering discipline resigned in the period under review.

FIGURE 7 - Breakdown of training costs for apprentices

The RSSC Leadership Academy makes an impact on RSSC's sustainability programmes but also contributes to the entire economy by enrolling participants from other companies as well.

HEALTH AND WELLNESS

Health and wellness forms part of our human, and social and relationship capitals. Various initiatives were implemented during the year under review to ensure that employees, their dependents, and the community receive high quality health and wellness services. RSSC remains committed to ensuring that its employees, their dependents and community members remain healthy and contribute to the economic sustainability of the organisation and the country in general.

Health and wellness objectives and targets are aligned to increase the effectiveness and efficiency of support functions which ultimately support the strategy of reducing unit cost and maximising shareholder value.

The goals and main focus are to ensure that employees remain healthy and productive and minimise absenteeism through ill health. The major contributors to ill health, such as communicable disease prevention and control are therefore closely monitored.

New Electronic Patient Record Management (EPR) system

In line with the objective of keeping up with modern electronic patient data management, RSSC implemented an EPR system to improve the efficiency and quality of services. The new EPR system enables effective inventory management of pharmaceutical stock, improved patient data analysis and generation of various accurate reports. This enables management to make evidence-based decisions from reports generated.

The new EPR system has also improved revenue collection in the clinic, with a year-on-year increase of about 25% in revenue collection. The increase is mainly due to the gaps in revenue collection which were not addressed with the previous EPR system.

FIGURE 8 - Clinic revenue trends 2018/19

Managing Director's Health and Wellness Dinner

The RSSC Managing Director together with all senior management, hosted employees at a Health and Wellness Dinner in order to reaffirm the Company's commitment to the wellness of its employees. About 450 employees had an opportunity to engage on topical health issues, such as HIV prevention, mental health and healthy lifestyle.

Employees also took the opportunity to express their appreciation of RSSC's efforts in promoting their wellbeing. Employees also committed to playing their role to complement the Corporation's efforts.

MD Nick Jackson receives an award from NERCHA CEO Khanya Mabuza. Our stakeholders continue to recognise the success of our Health and Wellness programmes

Health and Wellness Manager Dr Rhoy Shoshore cherishes one of our awards

3 804

HIV tests conducted in 2019

Eswatini Business Sector Wellness (SWABCHA) Awards

RSSC participated in the annual World AIDS Day Commemoration 2018 and SWABCHA awards event. This resulted in our company receiving:

- Star Performing MD of the Year: Mr Nick Jackson – 1st category
- Best workplace Health and Wellness Programme: RSSC – 1st category
- Most Innovative Wellness Program Initiative: RSSC – 1st category
- Wellness Champion of the Year – Rosewell Mziyako – 2nd category
- Focal Person of the year – Lungile Shabangu – 2nd category

HIV prevention and management

HIV testing remains important as the first stage in persuading patients living with HIV to undergo care and treatment. A total of 3 804 HIV tests were conducted during the year under review, slightly lower than the 3 945 tests performed in FY2018. Approximately 3% of the individuals who took the tests had positive results. All new HIV cases were linked into treatment and care.

FIGURE 9 - Employee HIV testing 2018/19

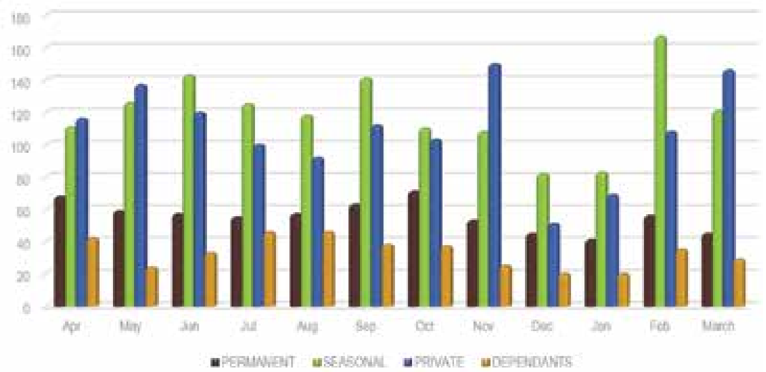
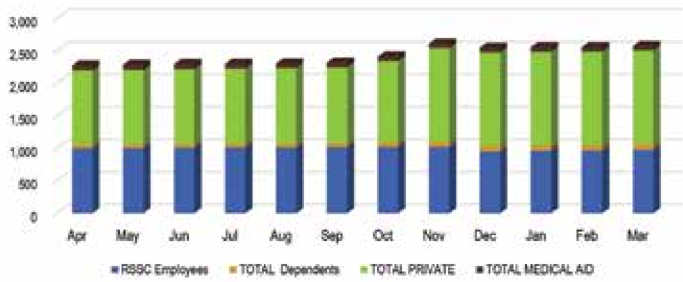


FIGURE 10 - Patients on antiretrovirals per patient category



RSSC continues to work with the Eswatini Ministry of Health to provide HIV care and treatment. The public-private partnership in which government provides antiretroviral drugs and RSSC provides human resources for care and treatment saw about 300 new cases being enrolled.

A total of 2 500 patients are currently accessing HIV care and treatment from the RSSC medical facilities at no cost to them. This is in line with achieving the universal access to HIV treatment and care as per World Health Organisation (WHO) recommendations.

HEALTH AND WELLNESS - *continued*

Communicable Diseases Management

During the year under review, the number of upper respiratory tract and tuberculosis infections reported was the lowest recorded in the past five years. This is an indication that communicable disease prevention and control measures are effective. Upper respiratory tract infections and tuberculosis are the major contributors of productive man-hours lost through sick leave. Sick leave due to malaria was significantly reduced.

Employee Occupational Health and Safety

A slightly increased number of injuries on duty cases occurred during FY2019, most of which occurred during the crushing season. All the injured employees were treated successfully and were able to return to work. There were no fatal injuries as a high safety culture continues to be practised in all our workplaces.

Occupational medical examinations are routinely carried out on all employees as an additional means of monitoring workplace health and safety. Of the targeted 1 132 employees, 1 021 (90%) were examined. 32 employees (3%) of those who were examined had occupationally-acquired conditions. The employees were referred for the appropriate medical management and measures were also taken to eliminate hazards and reduce risk at the workplace.

While legislation recommends that 100% routine medical examinations should be conducted periodically

FIGURE 11 - Upper respiratory tract infections trends

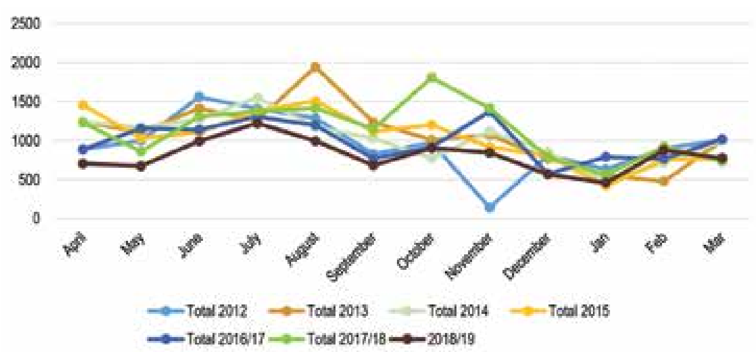


FIGURE 12 - TB cases

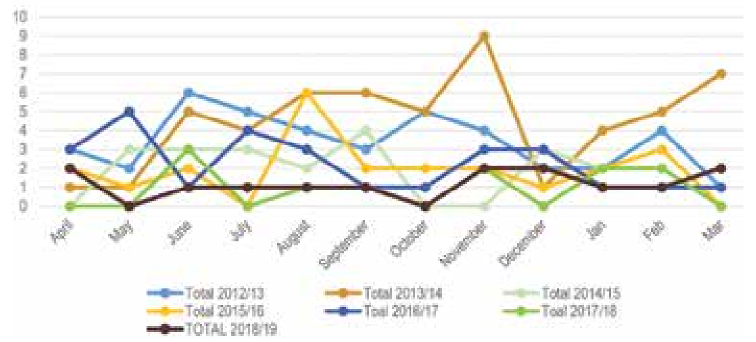


FIGURE 13 - Injuries on duty 2014/15 to date

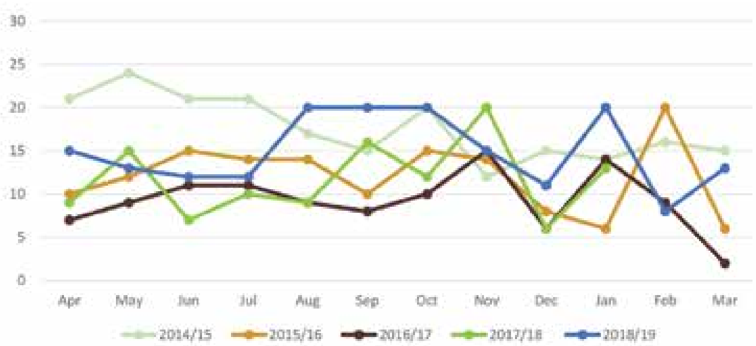


FIGURE 14 - Routine medical examination 2018/19

RSSC also received the Star MD of the year for excellence in Health and Wellness.

according to the inherent risk of the job and the work environment, 90% routine medicals were completed. Surveillance recorded 32 occupational illnesses, 6 acute illnesses, 9 chronic illnesses and 17 other conditions for further management. All were referred and treated accordingly.

Health and Wellness – outlook

The focus areas for year 2020 are to:

- Offer quality and easily accessible health services at a reasonable cost to all patients
- Increase operational efficiency through an improved electronic patient record system and review of the Health and Wellness operational processes
- Reduce costs due to sick leave through more robust disease prevention strategies
- Implement health and safety education in the workplace in order to reduce the incidence of occupationally acquired diseases and injury on duty.

The short-, medium- and long-term perspective

- The cost of providing health and wellness services continues to increase in line with the global health sector trends
- There is an improvement in terms of reduction in HIV related deaths as more effective antiretroviral medications are being introduced
- There is a progressive increase in non-communicable diseases like diabetes, hypertension and cancer, a development requiring more resources to be channeled towards disease prevention, as opposed to the current skewed focus on curative interventions
- Diagnostic technology is improving year by year, requiring medical services to remain up to date with current improvements in disease diagnostics equipment.

INFORMATION TECHNOLOGY (IT)

IT forms part of our intellectual and manufactured capitals. The IT strategy, adjusted in February 2018, is fully aligned to support the goals and objectives of Simama 20-20.

Overview

Operationally, IT recorded a very successful year, with the majority of our Service Level Agreements achieved. The one exception is the closing of SAP support tickets for new system developments on whose achievement we continue to work on committedly.

The majority of IT projects were delivered on time and on budget, with the exception of the Business Planning Consolidation project where the complexity of the business was under-estimated.

The IT department welcomed three new employees, and one manager left during the year under review. We also trained Super Users and signed them up to the SAP on-line training courses. The pipeline of work at IT sits at 43 days, which means that each employee has on average 43 days of scheduled work at any one time. This impacts IT performance and decreases the satisfaction of users due to delays in starting work.

Of the 20 strategic initiatives during the year under review, IT is involved in 15, and directly responsible for four. Of special note during FY2019, are the innovative Internet of Things (IoT) projects, with Inbound Logistics and Bulk Water having gone live during the prior year.

Inbound logistics utilises sensors in the harvesting vehicles to assist in decision-making and in reducing no-cane stops. We will also be analysing the data in order to improve availability, routes and maintenance of the fleet. For the Bulk Water project, we have mapped the flow in the Mbuluzi river in order to improve the levels in the Mnjoli dam, while still fulfilling our obligations to downstream users.

Activities and projects

IT supported a number of projects during the year under review, including performance management, with the rolling out of the Individual Performance Management (IPM) to grades T10 and T11, which was achieved on the SAP IPM platform, at very little cost. The various SAP modules added included:

SAP Success Factors

- Recruitment, which automates the recruitment process and aides the efficiency in the HR Support Function
- Learning, which manages the training requirements, planning administration and training material
- Succession Planning, which automates the succession planning and assists the HR department with efficiency

IoT – These were delivered in the SAP cloud platform, SAP Leonardo and SAP Analytics Cloud. This project was nominated, and qualified for the finals, for an SAP Global Innovation award, and included:

- Inbound Vehicle Logistics – Managing and monitoring the internal harvest fleet, as well as the third-party fleet which delivers RSSC cane
- Bulk Water Management – Monitoring the flow of water on the Mbuluzi river
- SAP SOLMAN Business Process monitoring and analysis, a system that allows the monitoring, analysis and management of SAP processes, with the Procure to Pay, the performance monitoring of purchasing cycle, and warehousing, and the creditor payment processes all rolled out during the year
- BEST – A SAP add-on which assists with the creditor reconciliation process by scanning supplier statements and automating the approval of invoices

We successfully upgraded SAP to the latest versions, with the modules that were improved in the course including:

- The sucrose solution
- The ABS Harvesting Plan to assist with in-bound logistics

Other systems implemented included the IoT initiative of remote crop monitoring in CanePro, where the health of the crop is improved by the availability of normalised difference vegetation index (NDVI) images of the farm, allowing management to see crop growth, water usage as well as ripening. This utilises images from the European Space agency.

Projects continuing into FY2020

SAP Budgeting, planning and consolidation (BPC). The first phase of this project was launched to assist with the budgeting process and to replace a legacy system, with go-live scheduled for September 2019.

Key IT indicators

Business value

We achieved our business value targets by concentrating on strategic projects, ensuring the long-term sustainability of the systems and by spending within budget and within the target range for medium-sized IT organisations.

Innovation

During the year under review, we introduced:

- New technologies, including IoT, Analytics, Big Data, and the Success Factors cloud solutions.
- New capabilities in the form of process-mapping and design thinking
- An improvement in business operational efficiencies with the introduction of the process-monitoring tools
- An RSSC Technology committee to oversee the introduction of all new technology into the organisation.

PROPERTY SERVICES

RSSC's Property Services Department (PSD) forms a part of our manufactured capital, and is responsible for the maintenance of 5 800 residential and commercial buildings and some 125km of village roads. In addition, the department provides a potable water supply, security services, grounds maintenance, solid waste removal, and the management of an engineered landfill in support of business operations.

In a master data clean-up, conducted during the year under review, we initiated a confirmation of housing features and updating of the master data to ensure that all 5 800 housing units are correctly billed. We have seen 60% progress in this exercise. In addition, we confirmed all commercial properties and ensured that the master data and billing information is updated accordingly. This was an important exercise, and was one of our set of strategic objectives set for the year, which also included:

- The improvement of quality control for maintenance works and enforcement of warranty/guarantee terms and conditions to recover costs
- The introduction of insourcing and outsourcing of works implemented based on economic viability
- The relocation of third parties from the busy villages to the less populated agricultural villages in order to open up space for employees
- Engagement with all relevant stakeholders on a long-term plan to solve the issue of the shortage of appropriate housing
- Guarding of dumpsites to prevent illegal dumping of inappropriate waste that pollutes the environment
- Filling longstanding Planner and Supervisor vacancies to improve efficiencies

The quality of maintenance works delivery has improved significantly and contractors found to have done substandard works are now instructed to correct at their own cost. The efficiency level is at 94%.

The painting of houses using insourced materials and outsourced labour is in progress, with painting costs decreasing by 30%.

The relocation of identified third parties was almost completed during the year, save for a few and company employees were allocated houses accordingly.

Security and crime prevention

Year-on-year crime statistics have improved, with FY2019 ending at 80 incidents, as against 127 in the prior year. This represents a 37% reduction in crime, and is due to improved intelligence, raids and crime prevention awareness campaigns.

Capital expenditure (Capex)

The bulk of this department's FY2019 capex was used to rehabilitate the road linking corporate head office and the MR3 main national road, returning it to a serviceable level. Other expenditure was allocated to a harmonisation project for the installation of electric geysers in previously coal-fired houses at Mhlume and A-type houses at Lusoti which currently do not have water-heating appliances.

FIGURE 15 - Maintenance budget

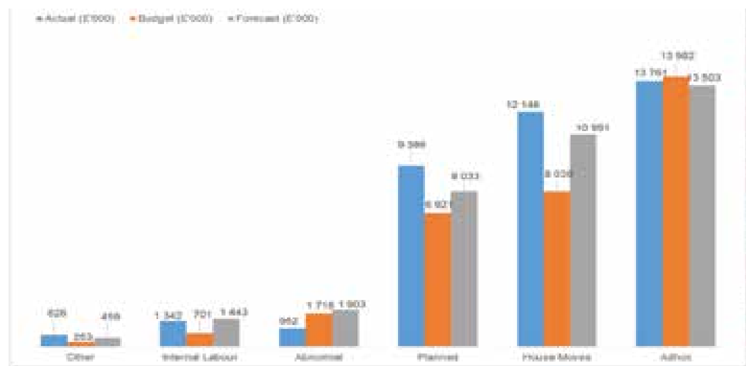
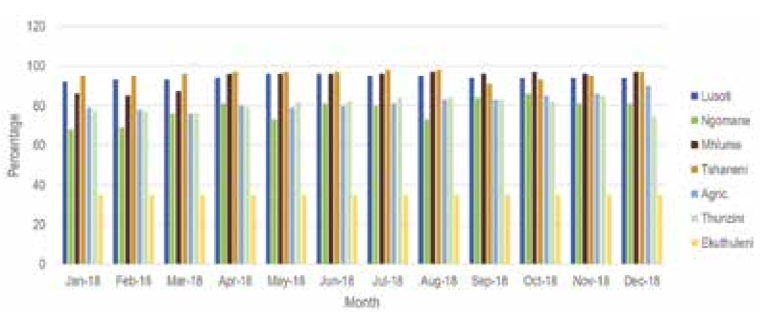


FIGURE 16 - Housing occupancy rate



PROPERTY SERVICES

Addressing challenges

Despite reduced manpower resulting from the Voluntary Exit Process in prior years, PSD has improved the quality of work supervision, moving from 5% - 70%, from month to month.

We initiated interventions directed at resolving issues identified through customer satisfaction surveys and during interdepartmental interactions.

FIGURE 18 - Crime statistics

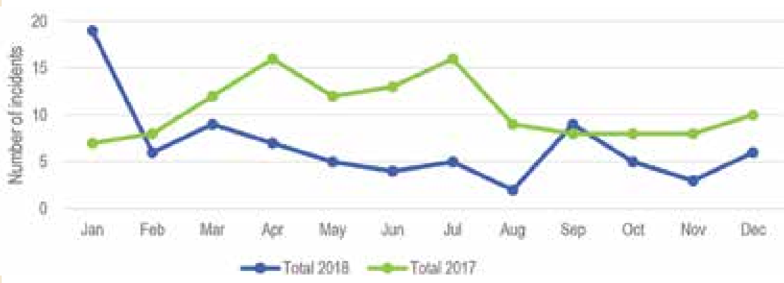
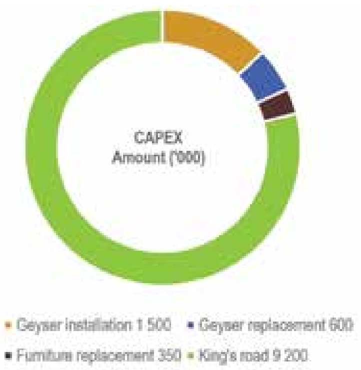


FIGURE 17 - Capex expenditure



There remains a challenge of shortage of appropriate housing stock to accommodate employees according to their grades, especially at the artisan level. While, in the short term, there has been no change or improvement, we are nevertheless continuing to work on finding a solution by involving all relevant stakeholders.

Ageing infrastructure of over 50 years' vintage, has almost reached its service life and is in need of major rehabilitation. We engaged geotechnical engineering specialists for a study of the foundation soils with a view to developing remedial actions to address the structural deterioration.

Waste water effluent quality is still not compliant with regulations. However, a master plan is in place to address this challenge in a phased manner depending on budget availability. Intervention has had to be postponed again due to other pressing priorities in the business.

Outlook

In the short to medium term we anticipate:

- Improvement in customer satisfaction as measured in the next biennial customer surveys from its current standing in the lower 60s to 70s
- Depending on its cost-effectiveness, the increasing use by PSD of a combination of insourcing and outsourcing services
- Improved competency levels both for in-house and vendor personnel doing PSD work, resulting in enhanced service delivery
- A much-improved maintenance backlog as we unlock potential through cost-cutting measures
- Improved terms of service delivery and cost savings, contributing meaningfully towards RSSC sustainability

IGP tidbits

SECURE MORE WATER

Securing water for the business is one of the focal areas for the IGP. Our water usage strategies continue to evolve in support of the IGP.

5 800
residential and commercial building maintenance

Because WE CARE for our people

PUBLIC AFFAIRS

CSI

During the year under review, we continued with our established programmes, as well as a number of other initiatives:

Initiative	Nature and outcome
Siyaka 1800	This is a soccer development programme, in which we partner with the Football Association of Eswatini. FY2019 saw the fourth cycle of this programme, with close to 4 000 participants benefitting.
The Entrepreneurship Programme	In the second cycle of this programme, which provides support to unemployed and other disadvantaged young people. There were 30 participants during the year's competition, with the aim of empowering them by fostering entrepreneurial skills. The prizes comprise seed capital of E100 000 for the top three businesses, and the programme was once again very successful, to the extent that as a result of the high level of entries that we had, we were able to make awards to four winners.
Cyclone relief	Employees collected clothing and perishable food to the value of over E20,000 which was taken to Mozambique for victims of the cyclone that struck that country.
School assistance	In this initiative we worked with employees to assist at a preschool in the area. We painted the centre and helped with looking after the children for the day and cooking and providing meals
Surveys	We conducted two surveys during the year under review. A survey to check whether RSSC is indeed an active contributor to the socio-economic development of Eswatini. This was a stakeholder survey with government ministries, parastatals, community leaders and area schools, and was completed in September 2018. The results were extremely pleasing, with stakeholders recognising who RSSC is, and able to articulate what we do in the national context. We approached the small farmers in the rural areas to measure their perception of RSSC, in a survey with Outgrowers to gain insights into our relationship with them.
Corporate Brand Store	This was established to enable employees to purchase corporate apparel and RSSC branded items. The excellent response is an indication of the loyalty and identification with the brand among employees.
RSSC Annual Charity Golf Day	The funds raised from this event enabled us to provide water to about 3,000 people from two boreholes in June 2019.
Employee welfare annual survivor challenge	We participated in this project, which was part of a national project to raise funds for charity.
Sponsorship of an Outgrowers competition run by ESA	We provided E10 000 to sponsor this event
Donations	We donated wheelchairs to a rehabilitation centre, and a second-hand ambulance to the Good Shepherd Hospital which services the entire area of the estate.
First Lego League into Orbit World Festival.	This was a robotics competition held in Detroit. We were able to raise funds for students from our school, six students and teacher from our school Thembelisha, to take part, and attain medals for participation.
Annual Biggest Loser competition and Healthy BMI competition	All the participants were able to use the Mhlume, Simunye and Ngomane gyms for free for the healthy BMI competition, which ran in tandem with the Biggest Loser competition. We achieved the highest participation in the last three years, with the free use of the gyms being the biggest draw.

Communication

The year under review also saw a number of Public Affairs communications initiatives:

- We published a CSI booklet for internal and external stakeholders, as well as a booklet aligned with the ongoing IGP expansion programme, and covering phases 1 and 2.
- We produced a 30-minute video for internal and external stakeholders, and which we uploaded to the RSSC website. The video is also used for inductions and visitors to the MD.
- We continued with our individual Simama 20-20 stories, upgrading the initiative to include departmental stories for Public Affairs, and are working on extending this to other departments as well.
- Towards to the end of 2018, we launched a new SMS internal communications platform for quick access to employees who have no access to email, to provide them with important information such as updates and electrical outages. While there was initially some skepticism for reasons of privacy, once employees saw that others were being kept updated, they started choosing to participate. And our contact list now stands at around 600-700.
- We continued with our generic platforms – the intranet service and the updating of the news boards.

RSSC seeks to propagate the culture of social investment through promoting employee involvement.

We are proud that our strategic partnerships with suppliers and the National Disaster Management Agency (NDMA) have resulted in 6 boreholes, giving clean water to about 6 000 people in our communities.

Stakeholder management

Our stakeholders constitute an important part of our social and relationship capital. We understand that there is a wide range of material matters arising from our relationships with our stakeholders and that these concerns have an impact on our ability to create value.

We therefore follow a rigorous plan to resolve these concerns through regular and rigorous consultation and engagement with our stakeholders. We work to a carefully devised stakeholder management plan in order to regularly assess our status with regard to these material matters as measured against our desired position, and maintain clearly defined actions and timelines in order to achieve our objectives.

We are committed to scrupulous adherence to our plan as it allows us to gain a clear understanding of the measures we need to implement to facilitate the creation of value for our shareholders, and to maintain strong and mutually beneficial relationships with all of them.

PUBLIC AFFAIRS - *continued*

Our stakeholder management plan – FY2019

Stakeholder	Material Issue	Current Position	Desired Position	Ranking			Required Action	Frequency
				Level of Influence	Level of Power	PI Ranking		
Organised Labour	Increased compliance to Income Tax Order	Because of SRA Tax Audit, employees expected to pay more income tax from April 2018 thus reducing their disposable income Pressure will be brought on ER climate as a result of increased demand for RSSC to make up shortfall created by tax through higher pay increases	Employees tax regime fully complies with Income Tax Order	High	Low	Keep Informed	Consultations with organised labour representatives and shop stewards on new reality Prepare all employees for change through increased awareness	Management Briefs, divisional meetings and consultation sessions with employee reps
Ministry of Labour and Social Security	Localisation and Training	Imposes one-size-fits-all on localisation and training standards or requirements that restrict optimal human resource-management	Ministry's understanding and acceptance of what drives the industry and RSSC business model in terms of localisation quotas and training needs	High	Low	Keep Informed	Continuous relationship building with Training and Localisation Committee including annual presentation on RSSC's status and challenges	Periodic sessions with TLC and annual presentation to committee
Local Universities and Professional Institutions	Talent tracking	Poor collaboration with local universities in developing demand driven programmes and tracking talent relevant for RSSC business	Demand-driven programmes and effective human resource development through tracker studies in monitoring talent from training stages in collaboration with these institutions	Low	Low	Monitor	Participation in curriculum development forums with UNESWA and other institutions	As invited by UNESWA
				Low	Low	Monitor	Annual meeting with Ministry of Labour and Social Security to share information on SD-sponsored students in RSA universities	Annual
Suppliers/ Contractors	Supplier/ contractors service delivery Sustainable and productive working/ contractual relationships	Service/ pricing not aligned to RSSCs low-cost strategy and operational efficiencies Increase in number of workplace incidents by contractors (health and safety issues) Unsatisfactory compliance with RSSC-adopted standards or legislative requirements, i.e. ISO	Quality, timely and adequately priced service delivery from all RSSC suppliers Timely payment for services/products delivered Reduced number of incidents/ Improved health and safety culture Implementation of systems to comply with RSSC-adopted standards/regulatory requirements	High	High	Manage closely	Host Suppliers Day event to engage suppliers on contractors on how to improve business relations between all parties	Annual

Our stakeholder management plan – FY2019 - *continued*

Stakeholder	Material Issue	Current Position	Desired Position	Ranking			Required Action	Frequency
				Level of Influence	Level of Power	PI Ranking		
Board/ Shareholders	Seek board approval for the implementation of IGP Phase 2	IGP Phase 2 tabled and approved by the board	Board approval of Phase 3 as part of objective to increase capacity of Mhlume factory back-end by increasing capacity of processing equipment sizes which includes pans, crystallisers and centrifugation stations	Low	High	Keep Satisfied	Table Phase 3 proposal for review and subsequent board approval	Quarterly
			Phase 2 implemented	Low	High	Keep Satisfied	Increased capacity and better performance at Mhlume factory	Once-off
Financial Institutions	Financing of IGP Phase 2 and 3 required	Development of IGP included interaction with financing institutions to table proposal	Acquire desired funding ingeniously with long-term goal of eventual control	High	High	Manage Closely	Meet with financing institutions to review Phase 3 funding proposals	Once-off
Employee	Employee engagement on IGP progress	Employees familiar with IGP but need to be kept engaged on progress	Employees buy-in in subsequent stage of IGP for their input and implementation	High	High	Manage Closely	Employees engaged on expectations and any changes affecting them due to the project	On-going
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	High	High	Manage closely	Strategy review with internal & external input	VUKA sessions
			Achieve operational excellence through adherence to strategy framework	High	High	Manage closely	Strategy retreat for ExCo and senior management	Annual
	SAP Embedment	SAP system underutilised and optimal benefits of the system are yet to be realised	Optimal usage of SAP to fullest potential	High	High	Manage closely	Optimal value of return experienced through adequate implementation and utilisation of the system, resulting in seamless cohesion within RSSC business processes	Once-off
	Business Process Mapping	Business processes mapped	Business process maps adherence in everyday operational activities	High	High	Manage closely	Business process videos developed and roll-out through-out the company for educational purposes	Once-off
Downstream effluent water users	Water Quality	Poor quality effluent water discharges from the villages, factories and distillery that could potentially damage the ecosystem	Good potable water quality for downstream water users	Low	Low	Monitor	Sink, groundwater monitoring, boreholes Continue with current mitigation controls Reduce COD of treated effluent from the Simunye ETP from 1000mg/l to 900 mg/l	Annual

PUBLIC AFFAIRS - *continued*

Our stakeholder management plan – FY2019 - *continued*

Stakeholder	Material Issue	Current Position	Desired Position	Ranking			Required Action	Frequency
				Level of Influence	Level of Power	PI Ranking		
Teachers of RSSC-aided government schools	RSSC-aided government school teachers' housing	No housing system in place to address the issue of accommodation shortages within the schools for teachers and staff members	Teachers to be prioritised for housing to ensure recruitment and retention of the qualified teachers for the schools.	Low	High	Keep satisfied	Housing arrangement that provides subsidy for housing of teachers PSD recognises and prioritises the housing of school staff within the estate	Once –off
		RSSC houses currently occupied by teachers with no recoveries due to past anomalies in the absence of recognised housing arrangement	Recognised housing system that addresses both RSSC and teachers issues to be in place and implemented to address the current state.	Low	High	Keep satisfied		
Teachers of RSSC-aided government schools	RSSC-aided government school teachers' housing	No housing system in place to address the issue of accommodation shortages within the schools for teachers and staff members	Teachers to be prioritised for housing to ensure recruitment and retention of the qualified teachers for the schools.	Low	High	Keep satisfied	Housing arrangement that provides subsidy for housing of teachers PSD recognises and prioritises the housing of school staff within the estate	Once –off
		RSSC houses currently occupied by teachers with no recoveries due to past anomalies in the absence of recognised housing arrangement	Recognised housing system that addresses both RSSC and teachers issues to be in place and implemented to address the current state.					
Local media	Media engagement	Media relations are stable and proactively managed to remain favourable	Media partners to maintain positive open relations with RSSC, ultimately driving favourable reputation for the corporation to the national audience	Low	High	Keep satisfied	Host Media Day where RSSC openly invites and engages media on business updates Prompt interactions	Annual
Illegal farmers	Unavailability of land and water for agricultural use Lawlessness Hygiene issues	Illegal farmers on unallocated land using water illegally and demanding their cane to be milled, against the rules	Access to agricultural and water resources Structured allocation of land	Low	Low	Monitor	Enforce compliance where possible through the courts and engage relevant stakeholders such as Tibiyo and SSA, where necessary	Annual
Customers	Product that meets specification Timely payment	Customer complaints Challenges with legal compliance	Fair treatment and effective service delivery Quality product Continued accessibility Latest technology Regular feedback Professional and approachable personnel Accurate/ correct and efficient billing	Low	High	Keep satisfied	Achieve ISO 9001 certification as part of customer-centric focus Monitor and reduce customer complaints Customer surveys	Ongoing

Our stakeholder management plan – FY2019 - *continued*

Stakeholder	Material Issue	Current Position	Desired Position	Ranking: Level of Influence	Ranking: Level of Power	Ranking: PI Ranking	Required Action	Frequ-ency
Employees	Labour unrest	Unstable relations between labour unions and employer Tough economic environment	Fair remuneration Clearly defined job descriptions and performance contracts Job security, if retrenchments are imminent, early warning expected Compensation in case of injury Acceptable work environment Fair treatment: Consistency Training Transparency Regular communication Safe and healthy working environment as per the OSH Act	High	High	Manage closely	Effective /regular engagements with staff Effective engagements with Trade Unions Ongoing and effective engagement with surrounding communities Training of staff representatives and line managers Team/ relationship building Performance evaluation Job descriptions Competency-management Continued compliance with safety and health legislation	Ongoing
Growers (Swaziland Cane Growers)	Industry Vision	Differing views and interests on sugar industry issues Legislation and sugar agreement not updated to meet current sugar industry circumstances	Fruitful negotiation on industries issues which are of mutual interest and benefit, such as sugar marketing and co-generation issues, thereby progressing of Industry Vision	High	High	Manage Closely	Internal recalibration on expectation and subsequent action Engagement with Growers on issues of mutual concern and benefit	Once-off
Ministry of Natural Resources + Ministry of Agriculture Eswatini Environmental Authority (EEA)	Water Security Protection and preservation of environment	As part of RSSC long term plan on water security continued efforts on reducing future exposure have to be pursued Air pollution	Actively participate in assisting Government in the building of the Silele and Silingane dams Reduced pollution to the environment	High	High	Manage Closely	Continue positive engagements with ministries through senior officials and portfolio committees E3m already set aside for feasibility studies for construction of the two dams Implement pollution mitigation measures and install scrubbers	On-going
Community	Youth Entrepreneurship Support Unemployment Access to health facilities	Local out-of-school youths faced with unemployment, poverty	Provide platform that offers young people within the RSSC community to engage in entrepreneurship as a means to creating a sustainable livelihood, which combats unemployment, poverty and incidentally tackles crime issues	Low	High	Keep satisfied	Host annual competition where applicants are capacitated with free business training as well as standing a chance to win grant capital towards funding small businesses, and be eligible for funding from other financial institutions	Annual

Being an active contributor to the socio-economic development of the country has given us light....

"We teach the youth to fish, for them to live their entire lives and open more job opportunities," RSSC MD NICK JACKSON

Our Youth Entrepreneurship Programme has trained 60 youth members and awarded 7 with E210 000 seed capital to kick-start their businesses

Entrepreneurship is the future of the Kingdom of Eswatini

06 OUR PERFORMANCE

SUGAR

69 812
tons 96 Pol sugar produced higher than FY2018

OUR PERFORMANCE

DELIVERING VALUE

Our cane crop and water resources are both fundamental parts of our natural and manufactured capitals, and RSSC is committed to working within the parameters of our Simama 20-20 strategic objectives, and the IGP as it is implemented phase by phase, in order to maintain growth, profitability and sustainability in the short, medium and long term.

Our performance against strategy has been excellent during the year under review, enabling us to exceed the budget. Through careful management and the disciplined application of expertise and technology, the year under review proved to be very successful both in our crop yield and our resulting factory output, both of which produced record numbers.

Our key drivers – FY2019

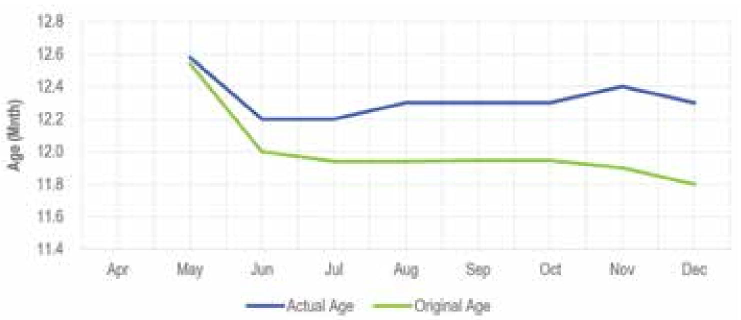
Key Drivers	Actual 2017/18	Actual 2018/19
Estate cane (tons 000's)	1 970	2 229
Out-growers' cane (tons 000's)	1 273	1 497
Total cane (tons 000's)	3 243	3 726
Sugar 96 pol (tons 000's)	436	506
Cane to sugar (96 Pol) ratio	7.44	7.37
Ethanol production (litres 000's)	25 468	29 844
Ethanol sales (litres 000's)	24 443	29 179
Price		
Sugar – E/ton	5 813	5 098
Ethanol - E/litre	8.04	9.15

IGP tidbits

ENERGY SELF-SUFFICIENCY

Through the IGP, the strategy is to improve energy generation for the sustainability of our business.

FIGURE 19 - Age comparison 2018



Our crop

Both cane yields and cane quality were better than budget for the year under review, as well as against the actuals for FY2018. This is mainly the result of the following two contributing factors:

Increased harvest age

The average harvest age for estate cane was 12.3 months against a budget of 11.8 months and actual for FY2018 of 11.9 months. The start of the 2018/19 crushing season was delayed by the commissioning of Phase 1 of the IGP, which entailed the expansion of the Mhlume mill. Consequently, the growing period for the cane was increased. This, combined with favorable climate and crop management practices, led to the record crop which exceeded the budget by 149 056 tons and the FY2018 actual by 258 786 tons.

Favourable climate conditions

The radiation received in the 2018/19 season in the summer months was higher than in 2017 season (i.e September 2017 to January 2018). In addition, rainfall received during the same period (November to February), was comparable to last season. With dam levels higher during the reporting season, irrigation was not restricted. These factors precipitated a bumper crop.

Figure 20 shows a comparison in radiation distribution during the summer months in the two seasons, while Figure 21 shows the rainfall comparison.

An overview of our yield over the past 10 years provides an insight into the record performance we were able to achieve during FY2019, and in particular after the extremely difficult two seasons during which the drought held sway.

FIGURE 20 - Summer radiation comparison

FIGURE 21 - Summer rainfall comparison

258 786

tons cane higher than FY2018

Our Thembelisha Preparatory School flew the country's flag high in the US, where students joined a global Robotics contest as a result of RSSC joining hands with its stakeholders.

DELIVERING VALUE

Cane value

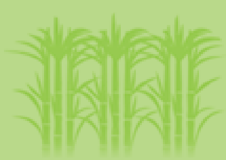
The value of our cane at 31 March 2019 was E75 million higher than its value at 31 March 2018, due to our larger crop and an increase in sucrose price. The sucrose content at 31 March 2019, is however, lower due to a 2018/2019 season extension, and the resulting younger cane.

FIGURE 22 - Year yield trend - Tonnes cane per ha (TCH)

E75m
HIGHER
The value of cane was higher than previous year

FIGURE 23 - Year yield trend - Tonnes sucrose per ha (TSH)

IGP tidbits



GROW MORE CANE
Increasing land under cane as part of the IGP will ensure that the business is sustainable in the long term

Our biological assets

	Actual 31 Mar 18	Actual 31 Mar 19
Sucrose Production assumed for next season	296 190	320 501
Sucrose Content %	54.5%	52%
Sucrose tons valued	161 376	166 738
RSSC Share	148 555	152 523
Estimate Ave Sucrose price (E)	3 056	3 466
Value of Standing Cane (E'000)	453 931	528 644
Standing cane income stmt cr/(dr) (E'M)	53 949	74 713

Our water resources

It has been very gratifying to see our water availability situation continuing to improve. It was significantly better during the year under review compared with the situation during 2017/18.

This position was influenced by a number of factors including:

- Dam storages, known as Reference Storages, at the start of the season
- Rainfall
- River flows, and
- Local water conservation efforts

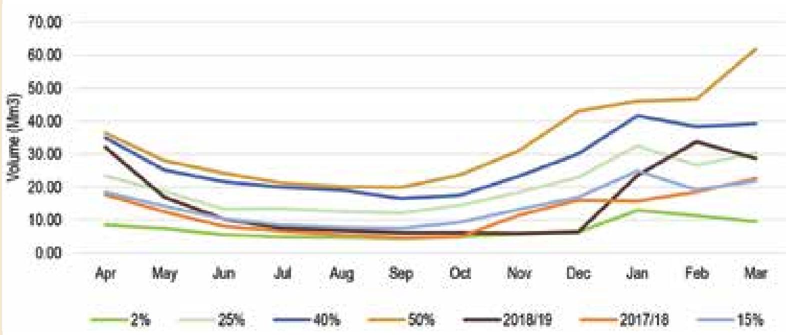
Reference Storages

Storages at the beginning of the year under review were 90.1%, 61.6%, and 67.6% for the Maguga Dam, Mnjoli Dam and the Sand River Reservoir (SRR) respectively. This position was far better than that prevailing during the previous season, as more water was available to support our cane growing operations at the start the season.

FIGURE 24 - Mhlume Estate rainfall

FIGURE 25 - Simunye Estate rainfall

FIGURE 26 - Observed flows to Mnjoli Dam



Rainfall

The rainfall received in the Komati and Mbuluzi catchments during the FY2019, while below the long-term average, were slightly better than that of the previous financial year. At catchment scale the rainfall impacted on river flow, while at the estate level, it influenced the amount of irrigation required and ultimately the rate of withdrawal from the dams. The rainfall received in the two RSSC estates is as indicated in Figures 24 and 25.

River flow

There was a notable improvement in river flow during the year under review, compared with FY2019. This is evident in the observed flows into the Mnjoli dam as indicated in Figure 26, which shows the improvement of the inflows to above the 25% percentile during the late autumn and 2018/19 summer rains. This was in contrast to the observed flows during FY2018, which remained consistently below the 15% percentile throughout the season.

DELIVERING VALUE

A similar analysis done by Komati Basin Water Authority (KOBWA) on the Komati system indicated an even better situation, with the observed inflows to the Maguga dam during FY2019 consistently above the 60% percentile, with the highest flow on record observed in February 2019. This resulted in the Maguga dam filling up and overflowing from 15 February 2019.

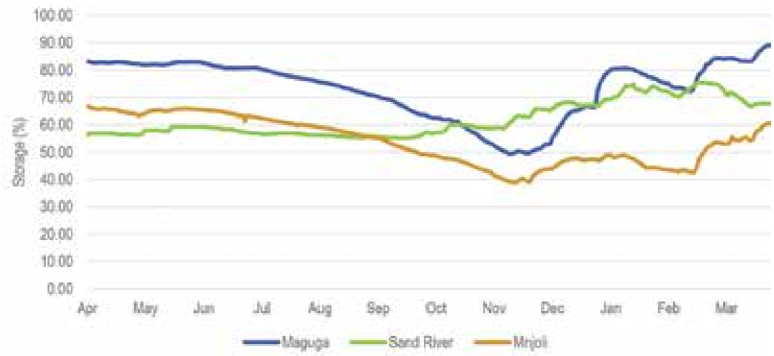
Water conservation efforts

It was established during the course of the year that the Mbuluzi system was slow in recovery compared with the Komati system, due to a bigger and wetter catchment. In response to this, and in order to assist in the system's recovery, efforts were made to save water in the Mbuluzi. These efforts included the following strategies:

- Proactive reduction in water requests due to rainfall received within the RSSC estates so that withdrawals from the dams could be reduced
- Interbasin transfers from the full and spilling Komati system in order to increase the storage level of Mnjoli Dam, with a total of 6.8 million cubic metres transferred from the Komati to the Mbuluzi system
- The implementation of a 20% restriction on crop water requirement, which was monitored and controlled so as to avoid negatively affecting the yields.

FIGURE 27 - Dam storage 2018/19

FIGURE 28 - Dam storage 2017/18



There is a concerted effort to improve the artisan pipeline.

Performance of dams and future outlook

The performance of the major dams supplying water to RSSC during the year under review, as well as that of the previous financial year, are depicted in Figures 27 and 28.
The amount of water stored in the dams during the year under review was much better compared with the situation during the same period in the previous season. At the end of March 2019 the dam storages were 99.7%, 90.1% and 98.3% for Maguga and Mnjoli Dams and Sand River Reservoir, respectively. Given the water availability status at the end of the FY2019, water supply in the Komati has been maintained at 100% of annual allocations, while water restrictions on the Mbuluzi have been maintained at 20% of crop water requirement (80% supply).

Strategic objectives for water management

Water security

Water security has remained an important strategic objective because water is a key input to the RSSC cane growing and sugar production processes. We have therefore continued to pursue initiatives to improve our water security, undertaking the following activities as part of the efforts:

Water harvesting ponds

We secured Initial Environmental Evaluation (IEE) approval from Eswatini Environmental Authority (EEA) to proceed with the construction of water harvesting ponds on identified sites within the RSSC Estates. The following sites were prioritised for implementation during the year under review:

Ngomane balancing dam – 100 000 cubic metres

We completed the installation of buoyancy gates on the dam spillway, and this has resulted in a 100 000 m3 increase in storage capacity. This project will enable RSSC to harvest and store excess water, which would otherwise go to waste, in the Mnjoli system. This wastage could occur during power outages, or with sudden water request cancellations due to rainfall and when Mnjoli is full and overflowing.

Thunzini Area IV – 6.1 million cubic metres

We concluded preliminary designs for this project during the year under review, and will be proceeding to the detailed design stage and implementation during FY2020.

We put forward proposals for the funding of the Isilele Dam feasibility study submitted through the Eswatini Government to the SADC Infrastructure and ADB African Water Facility, and are awaiting feedback from funding agencies.

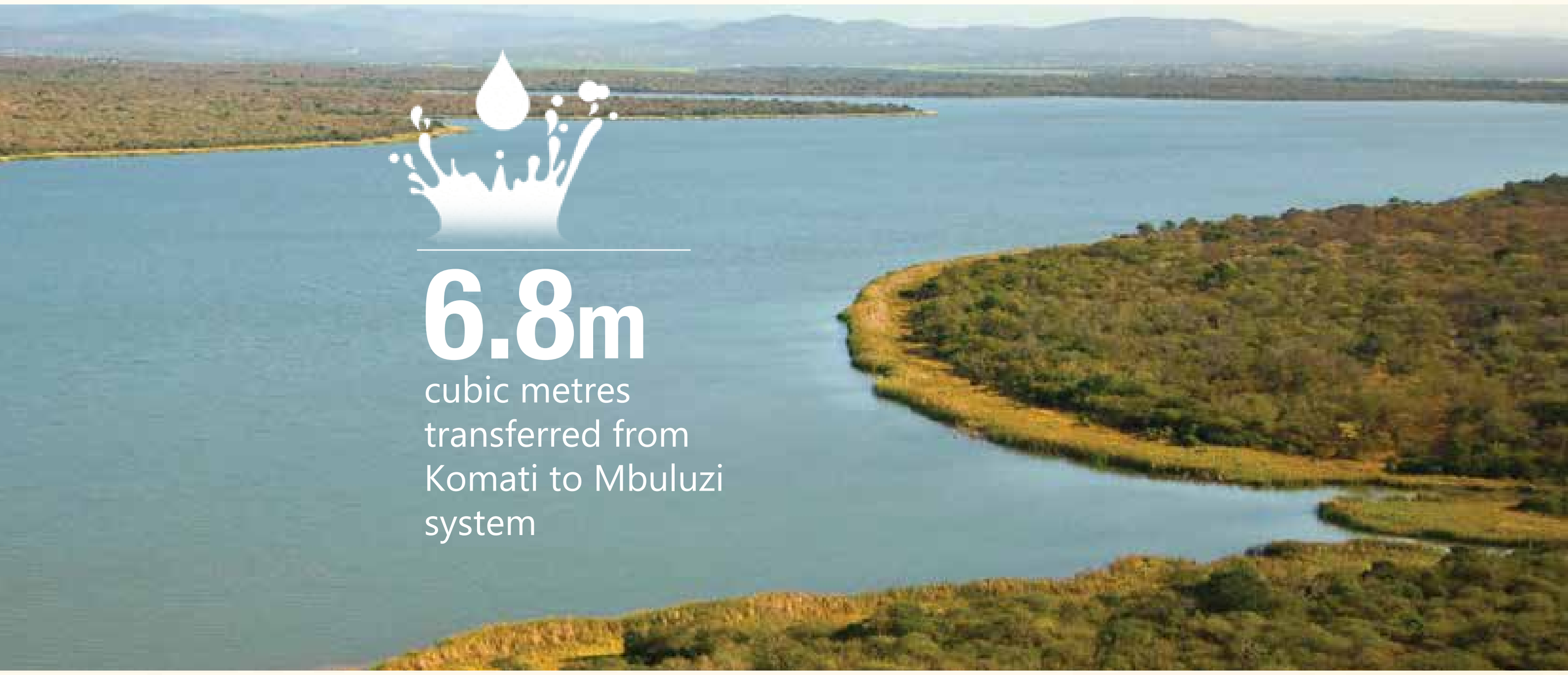
Increasing irrigation efficiencies

During the year under review, we converted 165.7 ha from furrow and sprinkler irrigation to drip irrigation, which is more efficient.

We have converted an additional

166ha

to drip irrigation



OUR FACTORIES

Our factories form part of our manufactured and financial capitals. With the excellent crop yield, we were able to crush a record amount of cane during the year under review.

Consolidated Factory output

	Actual FY2018	Actual FY2019
Cane Milled (tons)	3 243 080	3 725 617
Sugar 96 pol (tons)	435 763	505 575
Sugar MTTQ	404 363	469 979
Refined Sugar MTTQ	122 210	85 195
VHP Sugar MTTQ	281 042	377 264
Raw Sugar MTTQ	1 111	7 522

IGP expansion benefits

We run two factories – at Mhlume and Simunye. At Mhlume, phase 1 of the IGP was completed, with the installation of evaporators, which should be capable of raising our crushing capacity from 350 tons per hour to 440 tons per hour.

This has allowed us to save time, allowing us to clean the evaporators while still on line without stoppages in the factory. We had budgeted for 202 hours, but used only 138 hours. This is what facilitated the record crushing of 1.725 million tons in 35 weeks, surpassing the previous record of 1.636 million tons set in 2014 – and that in 37 weeks. This new capacity has also enabled us to make a saving of 5% in our fuel costs for the year.

We also upgraded the pan floor with a new continuous 120 cubic metre vacuum pan, as well as a new batch pan. These innovations have proven to be working very well in improving the efficiency of the factory.

The Simunye factory continued as normal, with normal maintenance and production routine for the year, also saving about 5% of the budget. The 30mw Turbo Alternator set at this mill presented problems, forcing us to run without it for 13 weeks. Without internal generating capacity, we were forced to import electricity. This action diluted profitability against budget by E49 million in the mill. To mitigate this extra cost, irrigation electricity demand was curtailed as much as possible, reducing the net impact on the Group against budget to E25 million.

Simunye, having started two weeks ahead of Mhlume, was nonetheless able almost to meet the budget, as it had 36 weeks, processing just under 2 million tons of cane crushed, against a budget of 2.061 million tons, leaving us with a variance of 61 000. Most of this shortfall was covered by Mhlume, which performed exceptionally well.

Of the 27 Southern African sugar factories, Simunye was placed first in overall sugar recovery, while Mhlume was placed third.

Challenges and risks

The loss of the generator at Simunye constituted a risk, which, while it was repaired, will require the installation of a completely new rotor. The new rotor was supplied but not in time for installation during the off-crop maintenance of FY2019. The power station at Mhlume is also still under-capacitated, requiring the import of costly power. Factory risk therefore resides mainly in the power generation component of our operations.

The performance of the boilers at Simunye has been problematic with numerous tripping incidents occurring. Mitigating actions thus far have not been successful. Consequently, sufficient phased Capex has been scheduled for the FY2020 off-crop as, well the ensuing one.

Molasses

As cane quality was good, the trade-off was evident in lower molasses volumes. Both factories experienced a reduction in molasses production from the normal 4% of the total cane to around 3.76%, which affected the distillery volumes.

Outlook

The factories will aim to embed Phases 1 and 2 of the IGP, seeking to maximise benefits from the modern equipment. The remaining phases of the IGP will continue to be exercised with the diligence exercised to-date and with the lessons learnt from the previous two phases, improving our implementation efforts.

It is imperative that in pursuit of our low cost strategy, sugar volumes are maximised while costs are contained. In this regard our efforts at continously improving the LTA and Overall Recovery in our mills will continue to receive maximum focus. We remain proud of the performance of our mills in the region.

440
TONS/HOUR
crushing capacity following the expansion of Mhlume Factory

IGP tidbits

PRODUCE MORE ETHANOL

Producing more ethanol is one of the critical steps to sustainability via the IGP.

ETHANOL

With ethanol forming part of our manufactured and financial capitals, the distillery performed very well during the year under review. We made a strategic decision to run only the larger 100 kilolitres (KL) per day plant, and not utilise the other less efficient 40KL with its greater energy demands. The larger capacity plant, installed in 2006/7, uses state-of-the-art technology, with much less steam and electricity consumption, and much better recovery of alcohol. We manufactured approximately 29.8 million litres of alcohol during the year under review.

34m
LITRES
budget for the new financial year is on target at the distillery

While the old distillation plant yields about 220litres of alcohol recovery per ton of molasses after fermentation, the new one yields 250litres/ton. The molasses quality was very good, with the total reducible sugar averaging 50%, and the unfermentable averaging around 7%, which means that we are achieving around 43% fermentable sugar to make the alcohol.

With the strategic decision to use only our No. 2 plant, we began achieving alcohol recovery of around 245litres/ton, which at times reached 250litres/ton of molasses. As we had a good supply of molasses to consume, the plant ran comfortably through the year until mid-April, with the support of steam from the sugar mill boilers, which meant that we were able to enter the new season as well.

	Actual 17/18	Actual 18/19
Production - '000 litres	25 468	29 844
Sales - '000 litres	24 443	29 179
Molasses Used - tons	115 789	131 370
Molasses Yield - litres/ton	220	227
Ex Mill Selling Price/ Litre - E	8,04	9,15

29.8m
LITRES
manufactured in 2018/19

ETHANOL MARKETING

The year under review saw a shift in market dynamics, with resultant challenges. The EU market remains depressed, with the price of €0.43/ LAA FOB (port of loading) standing below our break-even point, especially for our main product of extra-neutral alcohol (ENA).

FIGURE 29 - YTD sales by production

FIGURE 30 - Annual sales by marker - FY2019

Due to these market dynamics we made a strategic decision to move up the value chain, and to concentrate on value-adds. We thus continue to sell into Europe, which in the recent past was our major market, although our mainstream ENA product still fetches a price below our full absorption cost, but slightly higher than our marginal cost.

The East Africa market, to which we have preferential duty-free access, has seen a number of distilleries mushrooming in the region, especially in Tanzania and Uganda, with competitors in the former country producing more than 20 million litres per annum at a price lower than our cost of production particularly considering that these producers are based within the market and have much lower distribution costs compared to importers.

About 50% of our operating cost relates to molasses – our raw material, which is a by-product of the sugar manufacturing process. The industry structure dictates that we have to buy this molasses from the Eswatini Sugar Association (ESA). While the net sugar price after discounts for FY2019 was lower than FY2018, the same did not occur with molasses pricing, in spite of the agreed principle of correlation in the price of the two products. So molasses has continued to impact the costs of production upwards, in turn putting pressure on the profitability of the ethanol business. This has rendered RSSC ethanol uncompetitive in our main markets.

Non-tariff barriers

In the SACU market we have continued to experience non tariff barriers which made our access to this market to be very restricted in spite of Eswatini being a member of the customs union.

RSSC continues to participate in this market as a niche player supplying specific suppliers who have specific requirements.

The portion of the SADC market outside of SACU remains a good market for us, although the banning of sachets in that market, while a good ethical decision, affects our volumes. Packaging in sachets is faster and cheaper than other forms of packaging.

In Mozambique, which is our outlet to the sea, the transit cost was raised to US$100 000 per container, which is multiplied by a factor of 40, if the product is moved by train.

In Tanzania, road liquor transport limits were reduced from 32 tons to 25 tons. This has had the effect of increasing freight costs. It can now also take up to a month for the Tanzania Food and Drug Authority to conduct laboratory tests. This has resulted in sharp increases in the demurrage bill. Naturally this will lead to serious reduction of imports into that market.

IGP tidbits

OPERATIONAL EFFICIENCY

The IGP aims to ensure that not only do we do things right but we also do the right things. A lot of work has gone into building the required skills.

ETHANOL MARKETING - *continued*

Outlook

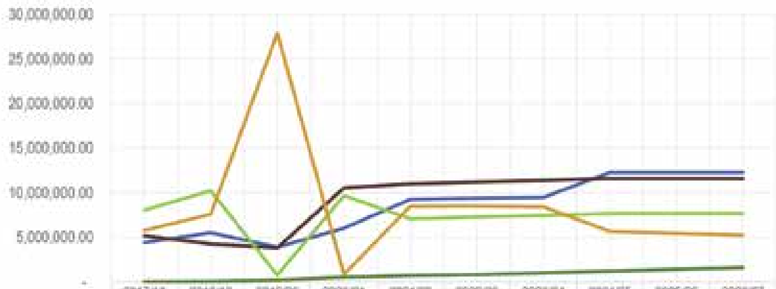
The ethanol market is expected to remain tough. However, ethanol, as a product, is expected to maintain its place in the world economy. In the current environment, RSSC is positioning itself as a niche player with a diversified ethanol product range and to provide efficiencies and improve partnership with our ethanol customers.

Work is ongoing to improve efficiencies in logistics with a view to ensuring timely delivery at controlled cost. Initiatives are also pursued aimed at introducing new ethanol products into the RSSC ethanol product range.

RSSC realises that ethanol as a product has the potential to contribute not only to RSSC's profitability, but to the economy of the country as well. That is why we are also engaged in discussions with the Government of the Kingdom of Eswatini on the introduction of a bio-fuel mandate in the country.

We are convinced that with the available opportunities the ethanol business remains viable well into the foreseeable future.

FIGURE 31 - Ethanol sales projections (litres) 2017/18 - 2026/27



	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
SACU	4,412,835	5,505,937	3,891,320	6,025,088	9,267,306	9,368,501	9,470,207	12,286,43	12,286,43	12,286,43
SADC	5,164,744	4,246,807	3,820,000	10,532,19	10,993,92	11,186,83	11,380,70	11,602,26	11,602,26	11,602,26
EAC	8,044,580	10,216,04	763,200.0	9,888,904	7,092,785	7,269,877	7,447,863	7,651,257	7,651,257	7,651,257
EU	5,778,514	7,597,033	27,905,83	825,724.0	8,488,219	8,502,064	8,416,483	5,647,237	5,447,237	5,247,237
ASIA	-	50,000.00	200,000.0	500,000.0	700,000.0	800,000.0	1,000,000	1,200,000	1,400,000	1,600,000

Our cane and sugar production broke all records, a cause for celebration.

PROCUREMENT

Procurement forms part of the intellectual, social and relationship capitals of RSSC. During the year under review we issued a number of Requests For Prices (RFPs), and awarded various contracts for fixed-term services, mainly for the maintenance of our estate houses. Previously this had been done on an inefficient ad hoc basis.

Each contractor was allocated a zone, which increased our efficiencies in both quality and processes. There were challenges with some contractors who had benefitted from the previous ad hoc process, and escalated their dissatisfaction to court. They were not successful in these matters, and we proceeded to adjudicate our awards.

IGP contracts

The year under review also saw the implementation of phase 2 of the IGP with respect to procurement. In phase 1 we had awarded a major mechanical installation contract to a Mauritian company which sub-contracted a local fabricating company, and in phase 2 we are proud of being able to award the contract directly to the local company.

This has yielded very good results, with the local contractor now also sub-contracting Mauritian employees – something that augurs well for local growth.

Procurement initiatives

We introduced several new initiatives in FY2019:

- Placing our tender box on our website and changing from email to a web-based platform. This improved our visibility, and we have had a number of responses from global companies. We now publish the inquiry in this virtual tender box without including all the details. This enables the browser to view what is on offer, and this has aroused global interest.
- During the year the division conducted a feasibility study to introduce a supplier interface. The intention was to look at the possibility of putting in place an interface which would allow suppliers to capture their invoices, and the buyer would be able to float inquires to the various suppliers that are registered within the net. This initiative will continue into the new year and is aimed at improving efficiencies in our procurement, as well as the servicing of our supplier accounts.
- The Construction Industry Council (CIC) requires that for all construction work, the contractor must remit a 1% levy. We engaged with CIC, and successfully negotiated a configuration of our system so that the levy can be paid directly by us. This has a discount associated with it, and will result in savings once it is implemented in FY2020.

We have included the quantification of the savings that will be realised by these initiatives in our strategic monitoring process for FY2020.

IGP tidbits

EXPAND MHLUME FACTORY

The expansion of Mhlume Factory is beginning to bear fruit. Increasing productivity is one of the key goals of the IGP.

IYSIS

IYSIS represents an important part of the natural and financial capitals of RSSC, and the year under review saw sugar producing an excellent yield on IYSIS fields, and beef production on the ranch the best ever recorded.

While we are still below long-term rainfall averages, there has been abundant grass on the ranch during the year under review. This is possibly an outcome of less pressure on the grazing as a result of the number of animals lost in the drought.

Although in the past we worked on a grazing rate figure of five hectares per large stock unit, that figure now sits at six hectares, and will in all likelihood remain so. This has had the effect of promoting the breeding of the animals, with more calves being born as a result of improved nutrition.

There are certain species of game that will still take years to recover, however, and we have removed species such as the waterbuck, wildebeest and bushbuck from the hunting list. Out hunting operations have been continuing smoothly, with sufficient animals removed, and no live capture at all permitted.

Our proportion of Nguni cattle in the herd has been increasing, while the red Brangus has been decreasing. We believe that this may be due to the Ngunis protecting their calves more effectively against predators.

Succession planning

With the retirement of our ranch manager during the prior year, the changeover has gone smoothly, with the current incumbent due to retire in three years' time. The designated successor, a Master's degree candidate being groomed for the position, we are comfortable that change is being managed efficiently and productively.

Vegetation survey

We commissioned a vegetation survey, and in the course of the investigation, in the area designated for cane expansion there was a first recording of a tree known as the hairy star-apple. This discovery temporarily delayed the process of the IGP expansion, until a further search of the area revealed several more specimens. The next step was to investigate other areas of the ranch, and leading to the discovery of yet more specimens. This means that the intended area for cane development will no longer be prejudiced by the presence of the tree.

Butchery

This operation continues to reflect a low volume of sales. There is a macro-economic input into this situation, with a gradual reduction in the purchase of beef, due to less disposable income of the people in the community.

In addition, our abattoir is grappling with the lack of market for hides, the result of diminished global demand, and causing us simply to dispose of hides.

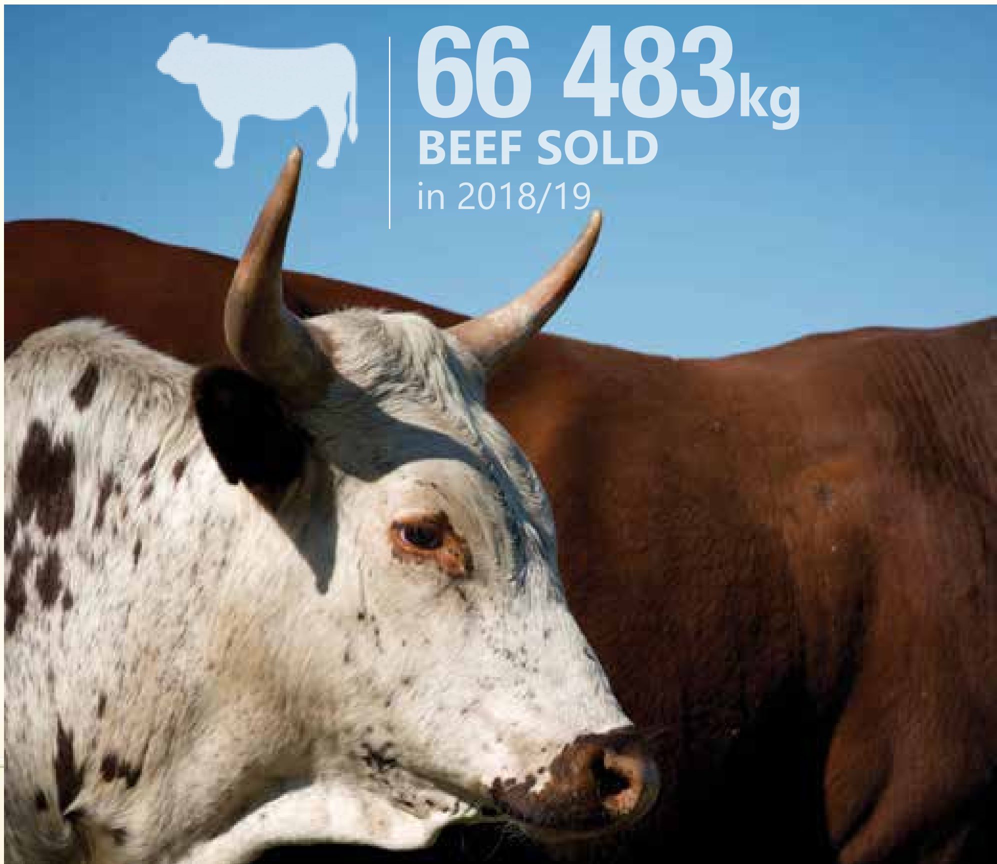
While increased electricity costs also exacerbate the losses, the vertically integrated structure of IYSIS means that the entire company, comprising the feedlot, the ranch, the hunting, the abattoir and the butchery, taken as a whole, has delivered a good performance during the year under review.

Outlook

As a ranching operation, IYSIS remains fairly resilient to climate issues, except in the case of exceptional circumstances, such as the drought experienced between 2016 and 2018. We do not see any major challenges to our operations in the short to medium term. Our Board is always willing to authorise the necessary capital expenditure to improve facilities, and this will continue, with the result that the operation can remain sustainable, productive and profitable.

The animals we buy for the feedlot come from farming communities, and as that herd is still in the process of being rebuilt, in the short to medium term there will be limited animals for purchase by IYSIS. This situation will see a gradual improvement.

An attraction will be the new 'booze cruiser' boat that we have ordered, which, when delivered during the course of FY2020, will add to the offering for the recreation and fishing components of our business.



MANANGA SUGAR PACKERS

Mananga Sugar Packers (MSP) is a 50% subsidiary of RSSC.

During the year under review, Mananga Sugar Packers performed well as production exceeded what was planned. As of end of March 2019, MSP has produced 124 794 tons versus a budget of 114 612 tons, which is 10 182 tons more than budget.

Trading conditions continue to be tough, with competition from residual imported sugar. This is compounded by the shrinking of the market due to the sugar tax in South Africa. MSP will continue to monitor the situation.

MSP sells and markets sugar through Quality Sugars based in South Africa. Quality Sugars is owned by RCL Sugar at 75% and RSSC at 25%. About 99% of sugar packed at MSP is sold in South Africa and the balance is sold in Eswatini.

End March 2019	Actual (E) 2017/18	Actual (E) 2018/19
Net Pricing	9 892	9 198
Net Cost	8 951	8 045
Contribution margin	941	1 153
Fixed cost	488	443
Net Margin	453	710
EBIT(M)	43 422	52 398

OUTGROWERS

There are around 4 000 ha under cane farmed by approximately 286 outgrowers, who produce cane independently of the RSSC estate, and send that cane for processing to the mills, where the sugar is manufactured. That sugar, like all the output of the factories, is then marketed by the ESA which then distributes a portion of the proceeds from sales. The growers are thus affected by the state of the market, and the same logistical issues as the Corporation. Aside from the impact of the EU market's low prices and over supply, the next biggest challenges that growers have faced are the rising costs of labour and electricity.

While there was a late start to the crushing season for the Outgrowers as a result of the expansion activities at Mhlume mill, deliveries went smoothly during the year under review. There was sufficient water for most of the growers, although some small growers remained under water restrictions. For most growers, however, there was an above average crop.

It is the Vuvulane Irrigated Farmers (VIF) who continue to grapple with inadequate infrastructure and must contend with a restricted volume of allocated water. This grouping also struggles with a land tenure issue, as the land they occupy belongs to the nation, and they have no rights of occupation. This is a burning issue for them and has implications for the industry in general, and will require resolution in the short term. (For more on VIF, see page 18.)

Relationship with RSSC

The Outgrower Department at RSSC provides much appreciated assistance to the growers with land preparation, planting, equipment, and harvesting services. However, issues persist that the growers view as stumbling blocks to their ability to maximise their operations.

Among these issues is the fact that Outgrowers have specified quotas that bind them to particular mills, and the distance to the mill where the quota exists, may not be optimal. Within the confines of this arrangement, growers therefore feel that the relationship with RSSC could be improved. Engagement on the differences of opinion and priorities is hampered by frustration in communication and responses. Issues with payment for the beneficial use of bagasse which is used as fuel for the generation of electricity have reached a deadlock with the Corporation and are indicative, from the perspective of the growers, of the problematic relationship with the Corporation.

For the growers, there appears to be a difference between their interpretation of that agreement with industry and the interpretation by the mills. The essential gap is that the agreement with the mills is for sugar, and not for cane. Other beneficial use accrues from the latter, which the growers believe they should be shared with them.

Creating Shared Value

Building the youth through sport via the Siyakha 1800 soccer initiative. More than 4 000 children play soccer in our communities.

Our drive to cultivate the culture of social investment among our employees is bearing fruit. Our Health and Wellness support groups produce food for themselves and donate to the community.

Good Shepherd Hospital now has an ambulance to service the community following a donation by RSSC.

Our programme of matching whatever our employees donate is benefiting many needy school children in our community.

Through collaboration with our employees we are pleased to have made a contribution towards the response to Mozambique floods, among many other initiatives.

Our CSI focus extends to early childhood development. We provide the equipment necessary for well-developed children.

07 OUR GOVERNANCE FRAMEWORK

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 King IV and other international guidelines on corporate governance.

OUR BOARD OF DIRECTORS

RSSC's subcommittees are:

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

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 a former Prime Minister of the Kingdom of Eswatini. He has held executive positions in various local institutions, such as the Central Bank of Eswatini, Eswatini 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 China on Taiwan.

1 Ms Busangani Mkhaliphi – Member

IMBA, BCom, Dip. Accounting and Business Studies

Busangani G. Mkhaliphi is employed by the Ministry of Finance as Director of the Public Enterprises Unit. She 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 Eswatini 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.

2 Chief Zibuse Ndlangamandla – Member

Dip Accounting

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

3 Mr Andrew Westermeyer – Member

B Com (Hons), Chartered Accountant (SA)

Mr Andrew Westermeyer is the Financial Director of RCL Foods. He qualified as a Chartered Accountant CA(SA) in 2002 and spent a year on secondment with Deloitte in Luanda, Angola. Upon returning to South Africa he joined RCL Foods where he has held various financial and commercial roles across the Group.

4
Mr Gerhard van der Walt – Member
BCom (Hons), Chartered Accountant (SA).

Gerhard van der Walt is currently employed by Remgro Limited as part of the executive team. He has more than 30 years' experience in the auditing, financial and commercial environment. He has 28 years of experience in the sugar industry where he served in several leadership positions and has been involved in several large capital and expansion projects with his previous employer as the Financial Director of RCL FOODS Sugar and Milling Ltd . He also played a key role in the design and implementation of several grower financing schemes.

5
Mr Zombodze Robert Magagula – Member
LLB, LLM (Insurance Law) Masters in Sports Organisation Management; Post-grad. Dip (International Law)

Zombodze Robert Magagula is currently practicing law as partner at the law firm Mlangeni and Company in Manzini and runs other business operations. He served as board member in several boards and as trustee of retirement funds. He was also involved with the Olympic Movement both locally and continental. His working life was spent as a prosecutor in Government Service and Chief Executive Officer at Eswatini Royal Insurance Corporation.

6
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.

7
HRH Princess Lomajuba – Member
BSC in Hotel, Restaurant and Tourism Management

HRH Princess Lomajuba is an experienced director with vast corporate experience having served on numerous boards. She currently serves as a board member of the Eswatini Electricity Company, the Firearms Licensing Board and the Minerals Management Board. She obtained her qualifications at Western Kentucky University USA, and at Vincennes University USA and was awarded a ServSafe Certificate also from Vincennes University. She has previously worked as an Assistant Manager at Shoney's Restaurant in the United States where she honed her skills in the hospitality industry.

8
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, SESA Finance and the Swaziland Sugar Industry Board.

9
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.

10
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 Eswatini 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.

11
Mr Mike Shongwe – Member
MDP, Dip Creation and Development of SMEs

Mike Shongwe is a retired career banker, now a businessman and Eswatini 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. Our aim is to incorporate those recommendations 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 (the Board) endorses the principles of fairness, responsibility, transparency and accountability articulated in the King Reports.

The Board applies a stakeholder-inclusive approach in its decision-making processes, having due regard to the interests of shareholders and other stakeholders, while demonstrating concern for sustainability as a business opportunity that guides 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 RSSC Board has a unitary structure, comprising 12 non-executive directors (including one elected exclusively by small shareholders) and one executive director. The directors are not regarded as independent within the definition of King 1V, as they are all shareholder appointees. The Board is, however, of the view that this does not affect its independence, as all non-executive directors exercise independent judgement in all Board deliberations and decisions at all times. Furthermore, there are policies in place concerning directors' conduct. These policies are aimed at ensuring that directors perform their fiduciary duties diligently in the best interests of the company and stakeholders.

Board responsibilities

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

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

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

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

The governance practices of RSSC are clearly set out in the Company's Annual Reports which are circulated to all shareholders and key stakeholders. Our website also alludes to our corporate governance practices.

Changes to the Board in FY2019
Two non-executive directors retired/resigned from the Board in 2018/19:

- HRH Princess Phumelele
- Mr D van Niekerk

The following appointments to the board were made in 2018/19:

- HRH Princess Lomajuba
- Mr Andrew Westermeyer

Induction

On appointment, new directors undergo an induction programme to facilitate their understanding of the sugar industry, business environment and markets in which the company operates, as well as information on directors' roles and responsibilities in terms of legislation, regulatory requirements and best practice (King Reports on Corporate Governance). This programme includes, inter alia, information and guidance on, group structure and long range plan/business strategy, financial and non-financial performance, reciprocal expectations, familiarisation through site visits, and consultation with senior management, as well as corporate policies and procedures.

During the year there were two induction sessions – for HRH Princess Lomajuba and Mr Andrew Westermeyer.

Remuneration

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

Board – Key focus areas in FY2019

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

Following the successful commission of Phase I of the IGP which entailed the expansion of the Mhlume mill and the subsequent approval of Phase II, as well as the conclusion of the finance agreements, the Board has, during the year under review, continued to closely monitor the implementation of the expansion project, the identification of critical risks and overseeing management's mitigation strategies to manage the identifies risks. In addition, the Board monitored the economic, social and political environment to ensure that the corporation's strategic objective was being achieved throughout the year.

Challenges to the successful achievement of this strategic initiative were mainly related to sugar prices, difficult ethanol markets and unfavorable exchange rate movements when they occurred.

Oversight continued in connection with the two EU projects – Umbombo Wendlovu and Mnyangombili, to ensure increased cane supply and meeting the requirements of the expanded Mhlume factory capacity under the IGP.

The Board also established an ad hoc committee to exercise oversight on funding requirements for strategic projects.

As part of our commitment to good governance practices, the Board also:

- Reviewed and approved the Board Charter
- Reviewed and approved the Legal and Regulatory Compliance Policy
- Undertook annual and continuous disclosure of directors' interests
- Reviewed sub-committee membership

BOARD COMMITTEES

The Board has established sub-committees to assist in the discharge of its duties and responsibilities.

AUDIT COMMITTEE

Responsibilities:

- Reviewing and assessing the integrity and effectiveness of the accounting, financial, compliance and other control systems;
- Assisting the Board of Directors in discharging its duties relating to the safeguarding of assets and the evaluation of internal control frameworks within the Company;
- Considering the internal and external audit processes and the accounting principles and policies;
- Assisting the Board of Directors with the selection, compensation, freedom and performance of the Company'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/ accounting requirements;
- Oversight with respect to embedding a culture of discipline and control which will reduce the opportunity for fraud; and
- Monitoring financial risks and mitigation thereof by management.

IG van der Walt (Chairman) **A Westermeyer** **B Mkhaliphi** **JN Gule**

REMUNERATION COMMITTEE

Responsibilities:

- Reviewing the design and management of remuneration structures, policies and incentive schemes and to ensure that they motivate sustained high performance and are linked to corporate performance;
- Assisting the Board in ensuring that the Company remunerates executives fairly and responsibly;
- Overseeing the setting and administering of remuneration at all levels in RSSC and reviewed remuneration trends across the the Corporation;
- Reviewing major changes in employee benefits structures for EXCO members and other senior executives;
- Determining the framework for the remuneration of EXCO members and other Senior Executives;
- Ensuring that the mix of fixed and variable pay, in cash, and other elements, meets the company's needs and strategic objectives; and
- Obtaining reliable, up-to-date information about remuneration in other companies and generally in any relevant skills market, for the purposes of comparing remuneration levels.

Dr AT Dlamini (Chairman) **J du Plessis** **ZR Magagula**

BOARD COMMITTEES

RISK COMMITTEE

Responsibilities:

- Setting risk management priorities and to ensure 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 risk management programme and monitoring risk management action plans;
- Making recommendations to the Board concerning the levels of tolerance and appetite and monitoring risk management within Board-approved levels of tolerance and appetite;
- Reviewing inherent risks at least once per year;
- Ensuring risk management assessments on a continuous basis and monitoring management's responsiveness to findings and recommendations;
- Reviewing policies and procedures for management of ethics, detecting fraud and prevention of bribery/ corruption;
- Setting risk management priorities and ensuring that frameworks and methodologies are implemented;
- Ensuring that adequate insurance policies and covers are always in place; and
- Reviewing all Safety, Health, Environment, Quality and Ethics policies and procedures.

ZR Magagula (Chairman) **Chief ZN Ndlangamandla** **MSM Shongwe**

Board and sub-committee meeting attendance 2018/19

Board Member	Nature of Meeting							
	Board		Audit		Risk		Remuneration	
	SM	AM	SM	AM	SM	AM	SM	AM
AT Dlamini 1	4	4	-	-	-	-	2	2
Chief ZN Ndlangamandla	4	4	-	-	3	3	-	-
IG van der Walt 2	4	4	4	4	-	-	-	-
HRH Princess Phumelele 3	2	2	-	-	-		-	-
ZR Magagula 4	4	4	2	2	1	1	2	2
ID van Niekerk 5	2	2	-	-	2	2	-	-
MSM Shongwe	4	4	-	-	3	3	-	-
JN Gule	4	4	3	3	-	-	-	-
NM Jackson 6	4	4	3	3	3	3	2	2
J du Plessis	4	4	-	-	-	-	2	2
B Mkhaliphi	4	4	3	3	-	-	-	-
I Ahmed	4	2	-	-	-	-	-	-
HRH Princess Lomajuba 7	2	2	-	-	-	-	-	-
A Westermeyer 8	2	2	1	1	-	-	-	-
Dr B Wadinga 9	-	2						

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. Resigned 31 October 2018
4. Risk, Social & Ethics Committee Chairman
5. Retired 14 September 2018
6. Managing Director
7. Replaced HRH Princess Phumelele
8. Replaced ID van Niekerk
9. Alternate to I Ahmed; attended two meetings in his stead

OUR EXECUTIVE MANAGEMENT

Executive Management

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

The senior management committees and/or senior managers act, among others, to translate and implement the Company'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 Company, 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

1 Mr Nick Jackson – Managing Director
Bsc (Hons) Biochemistry
(See page 67 for full biography)

2 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 Eswatini Fuel Pricing, National Adaptation Strategy and the Eswatini Sugar Association Council. He is also a member of the IYSIS Board.

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

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.

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

Advocate Muhawu Maziya, a Fulbright alumnus, has served as Head of Law at the University of Eswatini and Deputy Executive Director of the Federation of Swaziland Employers and Chamber of Commerce. He has also served as director of Nedbank (Swaziland) Limited, Chairman of the Financial Services Regulatory Authority, Chairman of the National Maize Corporation and Chairman of Newera Partners Limited. At RSSC he has also served as Group Company Secretary and Legal Advisor before taking up his current responsibility.

APPROACH TO GOVERNANCE

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

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

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

Induction and development

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

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

Shareholder engagement

The Corporation is committed to communicating and engaging with shareholders, and pursues this interaction in line with the King VI principles on stakeholder management. Shareholders are provided with an update on the Corporation performance at the Annual General Meeting (AGM) which also offers an opportunity for shareholders to ask questions. The Corporation also undertakes proactive engagement with institutional shareholders on a continuous basis and we employ a variety of both formal and informal engagement processes to ensure alignment with the interests of shareholders and to enable an understanding of their views. (For more about shareholder engagement, see page 44.)

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 Company in its approved Code of Ethics, its guide in day-today 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 Company does not engage in or accept or condone any illegal acts in the conduct of its business, and operates a "whistle-blowing" line managed by an independent firm of auditors.

This line provides an impartial facility for all stakeholders to anonymously report fraud, statutory malpractice and other crimes, unsafe behaviours, deviations from procurement policies or any other deviation from ethical conduct. All matters received via the line are investigated, appropriately resolved and reported upon to the Risk Committee.

Controls

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

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

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

Governance outlook

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

08 ABBREVIATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2019

The Directors have pleasure in presenting their report together with the financial statements for the year ended 31 March 2019.

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

Dividends
The following dividends have been declared:
- A first interim dividend for the year ended 31 March 2019 of 56.2 cents per share which was paid in November 2018; and
- A final dividend for the year ended 31 March 2019 of 96.18 cents per share which will be paid in June 2019.

Board structure
The Board comprises one executive and eleven non-executive directors.

Directorate
The directors of the Company during the period were:

Directors

A T Dlamini	(Chairman)
N M Jackson	(Managing Director)
J M du Plessis	
HRH Princess Lomajuba	
J N Gule	
I Ahmed	
Z R Magagula	
B Mkhaliphi	
Chief Z N Ndlangamandla	
M S M Shongwe	
I G van der Walt	
A Westermeyer	

Alternates

A Adeyemi	(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
Vacant	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
M Zwane	Financial Manager – Financial Management
A B Hlatshwayo	Financial Manager – Tax and Projects
I Fakudze	Property Services Manager

Human Resources

Vacant*	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

Governance, Risk and Compliance

L Masango	Head: Governance, Risk and Compliance

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)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2019

Material events after year-end

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

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

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

The Group auditors, KPMG, have issued an unmodified audit report on the consolidated annual financial statements for the year ended 31 March 2019 from which this information has been extracted.

A copy of their audit report on the consolidated annual financial statements is available for inspection on RSSC's website, and is incorporated in the full annual financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	GROUP	
	2019 E'000	2018 E'000
Assets		
Property, plant and equipment	**1 678 118**	1 468 894
Goodwill	**286 481**	286 481
Intangible assets	**2 823**	2 966
Investments in subsidiaries	**-**	-
Equity accounted investees	**146 181**	118 776
Deferred tax assets	**119**	150
Total non-current assets	**2 113 722**	1 877 267
Inventories	**171 037**	149 009
Biological asset - growing cane	**528 644**	453 931
Biological asset - livestock	**7 902**	6 468
Trade and other receivables	**291 459**	235 376
Taxation prepaid	**13 799**	-
Cash and cash equivalents	**3 684**	216 935
Total current assets	**1 016 525**	1 061 719
Total assets	**3 130 247**	2 938 986
Equity		
Share capital	**128 639**	128 639
Share premium	**632 379**	632 379
Preference share redemption reserve	**78 104**	78 104
Retained earnings	**1 214 238**	1 143 247
Total equity	**2 053 360**	1 982 369
Liabilities		
Deferred tax liabilities	**371 824**	316 581
Loans and borrowings	**116 250**	-
Employee benefits	**83 172**	90 420
Total non-current liabilities	**571 246**	407 001
Trade and other payables	**305 194**	437 289
Short term employee benefits	**75 110**	93 566
Bank overdraft	**13 298**	4 728
Current portion of loans and borrowings	**19 375**	-
Current tax liabilities	**-**	14 033
Dividends payable	**92 664**	-
Total current liabilities	**505 641**	549 616
Total liabilities	**1 076 887**	956 617
Total equity and liabilities	**3 130 247**	2 938 986

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	GROUP	
	2019 E'000	2018 E'000
Continuing Operations		
Revenue	**3 047 455**	2 961 672
Cost of sales	**(2 543 599)**	(2 314 046)
Change in fair value of biological assets	**76 147**	(54 534)
Gross profit	**580 003**	593 092
Other income	**66 140**	104 069
Distribution expenses	**(7 527)**	(6 679)
Administration expenses	**(396 015)**	(360 386)
Operating profit	**242 601**	330 096
Finance income	**24 196**	53 482
Finance costs	**(12 620)**	(2 211)
Net finance income	**11 576**	51 271
Share of profit of equity accounted associate companies (net of income tax)	**28 015**	20 318
Profit before taxation	**282 192**	401 685
Income tax expense	**(72 079)**	(97 327)
Profit from continuing operations attributable to owners of the Company	**210 113**	304 358
Other comprehensive income (OCI)		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit liabilities	**10 607**	(4 325)
Related deferred tax	**(2 917)**	1 189
Other comprehensive income, net of tax	**7 690**	(3 136)
Total comprehensive income for the year attributable to owners of the Company	**217 803**	301 222
Basic and diluted earnings per share (cents)	**218.1**	315.9

	Share Capital E'000	Share Premium E'000	Preference Share Redemption Reserve E'000	Retained Earnings E'000	Total E'000
GROUP					
2019					
Balance at 1 April 2018	128 639	632 379	78 104	1 143 247	1 982 369
Profit	-	-	-	210 113	210 113
Other comprehensive income	-	-	-	7 690	7 690
Total comprehensive income for the year	-	-	-	217 803	217 803
Transactions with owners recorded directly in equity					
- Dividends	-	-	-	(146 812)	(146 812)
Balance at 31 March 2019	128 639	632 379	78 104	1 214 238	2 053 360
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	-	-	-	(211 962)	(211 962)
Balance at 31 March 2018	128 639	632 379	78 104	1 143 247	1 982 369

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	GROUP	
	2019 E'000	2018 E'000
Cash flows from operating activities		
Profit before taxation	282 192	401 685
Adjusted for:		
Depreciation	193 590	182 215
Amortisation of intangible assets	143	144
(Increase)/ decrease in fair value of biological assets - growing cane	(74 713)	53 949
(Increase)/decrease in fair value of biological assets - livestock	(1 434)	585
Increase/ (decrease) in non-current employee benefits	3 359	(14 093)
(Profit)/ loss on disposal of property, plant and equipment	(665)	5 537
Dividend income	-	-
Finance income	(22 506)	(38 109)
Finance costs	12 620	2 211
Unrealised currency (gain)/ loss	(348)	4 014
Share of associated company net profit	(28 015)	(20 318)
Operating cash flows before movement in working capital	364 223	577 820
Movement in working capital		
Increase in inventory	(22 028)	(20 734)
Increase in trade and other receivables	(56 083)	(119 469)
(Decrease)/ increase in trade and other payables	(132 095)	55 925
Decrease in short term employee benefits	(18 456)	(19 730)
Cash generated from operations	135 561	473 812
Interest paid	(12 620)	(2 211)
Taxation paid	(47 554)	(80 034)
Net cash generated by operating activities	75 387	391 567
Cash flows from investing activities		
Finance income	22 506	38 109
Dividends received	610	12 632
Proceeds from sale of property, plant and equipment	676	105
Acquisition of property, plant and equipment	(402 825)	(315 886)
Net cash (utilised in)/generated by investing activities	(379 033)	(265 040)
Cash flows from financing activities		
Proceeds from loans and borrowings	155 000	-
Repayment of borrowings	(19 375)	(23 571)
Dividends paid	(54 148)	(290 988)
Net cash generated by/ (utilised in) financing activities	81 477	(314 559)
Net decrease in cash and cash equivalents	(222 169)	(188 032)
Cash and cash equivalents at beginning of year	212 207	404 253
Effect of exchange rate fluctuations on cash held	348	(4 014)
Cash and cash equivalents at year end	(9 614)	212 207

For detailed financial results, visit
www.rssc.co.sz

Simunye Sugar Estate
P. O. Box 1 Simunye
Tel: +268 2313 4000
Fax: +268 238301309

Mhlume Sugar Estate
P. O. Box 1 Mhlume
Tel: +268 2313 4000
Fax: +268 238301309

Emails
info@rssc.co.sz
sugarmarketing@rssc.co.sz
ethanolmarketing@rssc.co.sz

www.rssc.co.sz

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