



THE ROYAL ESWATINI SUGAR CORPORATION LIMITED AND ITS SUBSIDIARIES

(Incorporated in the Kingdom of Eswatini)

Registration number: 197710032001568

Listed on the Eswatini Stock Exchange (ESE)

Share Code: RSSC

ISIN Code: SZ0005797920

CONDENSED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

THE TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE OWNERS OF THE COMPANY AMOUNTED TO E222.4 MILLION

Condensed Consolidated Statement of Comprehensive Income

	Six Months 30-09-22 Reviewed E'000	Six Months 30-09-21 Reviewed E'000	Year ended 31-03-22 Audited E'000
Revenue	2 254 352	2 615 159	3 627 535
Cost of sales	(1 653 029)	(1 554 827)	(2 865 645)
Change in fair value of biological assets	(70 140)	(142 997)	67 802
Gross profit	531 183	917 335	829 692
Other income	41 539	37 043	79 533
Distribution expenses	(5 347)	(3 400)	(8 382)
Administration expenses	(265 441)	(258 672)	(514 541)
Impairment loss on trade receivables	(538)	(480)	(637)
Gain on bargain purchase	-	-	-
Operating profit	301 396	691 826	385 665
Finance income	11 832	11 504	20 693
Finance costs	(14 465)	(19 788)	(31 678)
Net finance cost	(2 633)	(8 284)	(10 985)
Share of profit of equity accounted investees (net of income tax)	8 166	17 750	28 617
Profit before taxation	306 929	701 292	403 297
Income tax expense	(84 556)	(189 697)	(105 315)
Profit attributable to owners of the Company	222 373	511 595	297 982
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit liability	-	-	6 400
Related tax	-	-	(1 760)
Other comprehensive income (net of tax)	-	-	4 640
Total comprehensive income attributable to owners of the Company	222 373	511 595	302 622
Number of shares in issue ('000)	96 346	96 346	96 346
Sugar production (tonnes 96° Pol)	271 221	351 310	461 567
Ethanol production ('000 litres)	14 267	16 261	30 812
Ethanol sales ('000 litres)	12 240	10 775	31 936
Basic earnings per share (cents)	230.8	531.0	309.3
Dividends per share (cents)	53.5	125.0	192.9
Operating margin (%)	13.4	26.5	10.6
Interest cover (times)	21.7	35.5	12.8
Return on net assets (%)	8.4	19.7	12.5
Return on assets managed (%)	6.9	16.0	10.5
Return on shareholders' equity (%)	8.0	17.8	11.6
Price earnings ratio (times)	6.6	2.9	4.9
Earnings yield (%)	15.2	34.9	20.3
Dividend yield ratio (%)	3.5	8.2	12.7
Market share price (cents)	1 520	1 520	1 520

Condensed Consolidated Statement of Cash Flows

	30-09-22	30-09-21	31-03-22
Cash generated from operations	482 470	933 523	562 257
Changes in working capital	65 444	(78 478)	(68 804)
Finance costs	(21 885)	(9 066)	(26 927)
Taxation paid	(27 695)	(67 702)	(67 861)
Net cash generated from operating activities	498 334	778 277	398 665
Acquisition of property, plant and equipment	(381 136)	(247 461)	(567 676)
Acquisition of Intangible Assets	(6 506)	(10 651)	(3 950)
Acquisition of Partnership net of cash	0	0	0
Other investing activities	24 666	29 348	39 285
Net cash utilised in investing activities	(362 976)	(228 764)	(532 341)
Increase/ (decrease) in loans and borrowings	133 990	(28 548)	77 862
Dividends paid	(65 418)	(104 632)	(225 066)
Net cash generated by/ (used in) financing activities	68 572	(133 180)	(147 204)
Net increase/(decrease) in cash and cash equivalents	203 930	416 333	(280 880)
Cash and cash equivalents at beginning of year	71 903	354 244	354 244
Effect of exchange rate fluctuations on cash held	3 242	485	(1 461)
Cash and cash equivalents at end of the period	279 075	771 062	71 903

Condensed Consolidated Statement of Changes in Equity

	2022	2021	2022
Balance at beginning of year	2 602 365	2 485 595	2 485 595
Total comprehensive income for the year	222 373	511 595	302 622
Dividend declared	(51 546)	(120 430)	(185 852)
Balance at end of the year	2 773 192	2 876 760	2 602 365

Notes to Condensed Consolidated Interim Financial Statements

Business segmental analysis			
1. External revenue			
- Cane Growing	2 668	3 890	8 980
- Sugar production and marketing	2 064 370	2 452 911	3 238 156
- Ethanol production and marketing	166 491	133 416	340 795
- External revenue not meeting segment criteria	20 524	25 002	41 289
2 254 053	2 615 219	3 629 220	
2. Operating segment results			
- Cane growing	129 414	297 193	292 388
- Sugar production and marketing	361 872	594 128	475 152
- Ethanol production and marketing	33 168	24 486	64 226
524 454	915 807	831 766	
- Results of other operations not meeting segment criteria	(3 516)	(5 370)	(18 340)
- Unallocated other income	40 840	36 996	79 667
- Unallocated corporate costs	(260 431)	(255 716)	(507 637)
- Unallocated net finance cost	(2 584)	(8 176)	(10 777)
- Share of profit of equity accounted investees	8 166	17 751	28 618
Profit before taxation	306 929	701 292	403 297

Condensed Consolidated Statement of Financial Position

	As at 30-09-22 Reviewed E'000	As at 30-09-21 Reviewed E'000	As at 31-03-22 Audited E'000
Non-current assets			
Property, plant and equipment	2 493 012	2 024 116	2 228 442
Goodwill	286 481	286 481	286 481
Intangible assets	46 957	73 301	50 863
Equity accounted investees	188 101	183 777	194 643
Financial derivatives	1 282	-	-
Deferred tax assets	33	60	33
	3 015 866	2 567 735	2 760 462
Current assets			
Inventories	261 857	243 220	174 558
Biological assets - growing cane	747 644	605 605	816 272
Biological assets - livestock	17 111	18 491	18 623
Trade and other receivables	282 232	293 470	330 687
Taxation prepaid	-	-	21 259
Financial derivatives	1 387	-	-
Cash and cash equivalents	317 232	771 062	71 903
	1 627 463	1 931 848	1 433 302
Total assets	4 643 329	4 499 583	4 193 764
Equity and non-current liabilities			
Ordinary shareholders' funds	2 773 192	2 876 760	2 602 365
Deferred tax liabilities	564 342	478 266	546 652
Loans and borrowings	397 519	199 766	286 489
Employee benefits	87 665	94 072	98 300
Derivatives	-	6 471	2 399
	3 822 718	3 655 335	3 536 205
Current liabilities			
Trade and other payables	496 962	415 838	394 677
Short term employee benefits	90 927	91 434	92 965
Derivatives	-	4 251	2 352
Bank overdraft	38 157	-	-
Current portion of loans and borrowings	99 850	57 103	76 890
Current tax liabilities	43 169	155 192	25 257
Dividends payable	51 546	120 430	65 418
	820 611	844 248	657 559
Total equity and liabilities	4 643 329	4 499 583	4 193 764

COMMENTARY

Statement of Compliance

The condensed interim consolidated financial information, which has been reviewed but not audited, has been drawn up in compliance with the recognition and measurement criteria under International Financial Reporting Standards and in the manner required by the Eswatini Companies Act.

Accounting Policies

The Group has consistently applied the accounting policies as set out in the RES March 2022 consolidated and separate financial statements.

Cyclicality of Operations at Interim Report Date

Due to the seasonal nature of the business, whereby the crushing season ends in December, the expected results for the second six months will be significantly lower than those recorded in the first six months.

Commentary on Results

Cane crushed, at 2.1 million tonnes, was 20% lower than cane crushed in the same period last year. This is primarily due to curtailed harvesting operations on account of unprecedented high winter rains. Area harvested was 26% lower than for the same period last year. Whilst a return to normal production levels had been anticipated for the current season, cane yields have not reached their potential. Estate sucrose yields (tonnes sucrose per hectare - ts/ha) showed slight improvement at 13.43 ts/ha compared to 13.27 ts/ha for the same period last year. The current year crop has been negatively affected by adverse climatic conditions that included low radiation during the peak growing period, cane lodging on substantial areas of the estate, cane quality degradation on ripened fields due to the interrupted winter harvesting operations, and a conducive climate for pests and disease infestation.

Sugar production was consequently 23% lower at 271 221 tonnes, 96° pol sugar, as compared to 351 310 tonnes, 96° pol sugar for the same period last year.

Ethanol production at 14.3 million litres was 12% lower than the production in the same period last year. This is due to lower production resulting from lower molasses availability and using one distillation plant while the other one was being upgraded. Ethanol sales at 12.2 million litres were 14% higher than the prior comparative period due to scheduled sales ex stock.

Total comprehensive income attributable to the Owners of the Company amounted to E222.4 million. This is 57% lower than the results achieved for the period to September 2021. This decrease is due to the lower sugar as described above, in an inherently high fixed cost environment, as well as the impact of global inflationary pressures due to the ongoing Russia/Ukraine war affecting all oil-linked commodities such as diesel and agrochemicals. Pleasingly, the average sugar price has been 9% higher than the comparative prior year period due to higher inflation, and reduced volumes into lower priced markets on account of lower production by the local sugar industry. Cash generation for the current interim period has therefore been substantially lower than for the prior year comparative period.

The expansion drive of the Group continues in line with our long-term strategic goals. The modified D1 distillation plant was recently commissioned at a cost of approximately E130 million, while the development of 1 000 hectares of new cane fields at a cost of E358 million commenced in the current financial year. The Mhlume factory is undergoing upgrades of E146 million. The condensed consolidated statement of financial position of the Group reflects this capital expenditure and related activities with a strong balance sheet with total assets of E4.6 billion.

The financial ratios reflect the commentary above with diluted but positive profitability and leverage ratios.

Covid-19

These interim results reflect trade conducted under the relaxed Covid-19 conditions. Operations continued with no major disruptions as the threat has significantly reduced.

Outlook

Sugar production for the current year is expected to be marginally higher than the prior year due to cane yield potential being impacted by the events described prior. Based on current crop estimates and above normal rainfall predictions for the remainder of the harvesting season, the results for the full year are expected to be modestly lower than the prior year.

The Group continues to improve efficiencies in its pursuit to be a low cost producer of sugar. A number of projects on growth and efficiency are on going to ensure sustainability of the Group.

Corporate Governance

The Group is committed to best corporate governance practices and in this regard is guided on a voluntary basis by the King IV code of corporate governance best practices and other international guidelines. Details of the Group's compliance with corporate governance are set out in the March 2022 Integrated Report and these have been consistently applied during the six month period.

Review by Independent Auditors

The Group auditors, SNG Grant Thornton Chartered Accountants (Eswatini) have reviewed but not audited the interim consolidated financial results for the period ended 30 September 2022 and have issued an unmodified report. The report of the independent auditors is available for inspection at the registered office of the Company.

Contingencies and Commitments

There have been no material changes to contingencies and commitments as disclosed in the March 2022 Integrated Report.

Dividend Declared

A first interim dividend for the year ending 31 March 2023 (dividend 61) of 53.5 cents per share was declared on 16 September 2022 and was paid in November 2022 to shareholders who were registered in the books of the Company at the close of business on 16 October 2022.

Material Events After the Reporting Date

There have been no material events after the reporting date.

Registered Office and Postal Address

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Simunye
L301 Eswatini



Website: www.res.co.sz

Transfer Secretaries

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P O Box 331
Mbabane
H100 Eswatini



Sponsoring Broker

African Alliance Eswatini Securities Limited
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Mbabane
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Auditors

SNG Grant Thornton Chartered Accountants (Eswatini)
P O Box 331
Mbabane
H100 Eswatini



Directors: Dr A T Dlamini (Chairman), N M Jackson (Managing Director), HRH Princess Lomajuba, I Ahmed, R Field, J N Gule, Z R Magagula, B Mkhali, Chief Z N Ndlangamandla, M S M Shongwe, I G van der Walt, A. Westermeyer.

Alternates: A Adeyemi (alternate to I Ahmed), M Ndlela (alternate to J N Gule), A Ngcobo (alternate to A T Dlamini).

Company Secretary: L S Masango

Acknowledgements

The Board expresses its appreciation to management and staff for their efforts during the period ended 30 September 2022.

For and on behalf of the Board

Dr A T Dlamini N M Jackson
Simunye

09 December 2022