



**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 RESULTS FOR THE YEAR ENDED 31 MARCH 2022**

**THE TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE OWNERS OF THE COMPANY AMOUNTED TO E302.6 MILLION**

**Condensed Consolidated Statement of Comprehensive Income**

	Year ended 31-03-22 Audited E'000	Year ended 31-03-21 Audited E'000
Revenue	3 627 535	3 776 873
Cost of sales	(2 858 510)	(2 836 926)
Change in fair value of biological assets	67 802	110 848
Gross profit	836 827	1 050 795
Other income	78 824	69 676
Distribution expenses	( 8 382)	( 8 508)
Administration expenses	( 520 967)	( 473 574)
Impairment loss on trade receivables	( 637)	( 988)
Gain on bargain purchase	-	7 476
<b>Operating profit</b>	<b>385 665</b>	<b>644 877</b>
Finance income	14 703	31 607
Finance costs	( 25 688)	( 18 872)
<b>Net finance (cost) /income</b>	<b>( 10 985)</b>	<b>12 735</b>
Share of profit of equity accounted investees (net of income tax)	28 617	33 524
<b>Profit before taxation</b>	<b>403 297</b>	<b>691 136</b>
<b>Income tax expense</b>	<b>( 105 315)</b>	<b>( 185 433)</b>
<b>Profit attributable to owners of the Company</b>	<b>297 982</b>	<b>505 703</b>
<b>Other comprehensive income</b>		
<i>Items that will never be reclassified to profit or loss</i>		
Remeasurements of defined benefit liabilities	6,400	2 571
Related tax	( 1 760)	( 707)
<b>Other comprehensive income (net of tax)</b>	<b>4,640</b>	<b>1 864</b>
<b>Total comprehensive income attributable to owners of the Company</b>	<b>302 622</b>	<b>507 567</b>
Number of shares in issue ('000)	96 346	96 346
Sugar production (tonnes 96° Pol)	424 294	461 567
Ethanol production ('000 litres)	28 870	30 812
Ethanol sales ('000 litres)	27 291	31 936
Basic earnings per share (cents)	309.3	524.9
Dividends per share (cents)	192.9	254.5
Operating margin (%)	10.6	17.1
Interest cover (times)	15.6	35.8
Debt (net) to Equity (%)	11.2	-
Gearing (%)	10.1	-
Return on net assets (%)	12.3	21.5
Return on assets managed (%)	10.4	18.0
Return on shareholders' equity (%)	11.6	20.4
Price earnings ratio (times)	4.9	2.9
Earnings yield (%)	20.3	34.5
Dividend yield ratio (%)	12.7	16.7
Market share price (cents)	1 520	1 520

**Condensed Consolidated Statement of Cash Flows**

	Year ended 31-03-22	Year ended 31-03-21
Cash generated from operations	562 257	763 648
Changes in working capital	(68 804)	95 989
Finance costs	(20 937)	(18 872)
Taxation paid	(67 861)	(128 030)
<b>Net cash generated from operating activities</b>	<b>404 655</b>	<b>712 735</b>
Acquisition of property, plant and equipment	( 567 676)	( 293 288)
Acquisition of intangible assets	( 3 950)	( 16 928)
Acquisition of partnership assets	-	( 55 936)
Other investing activities	33 295	46 134
<b>Net cash utilised in investing activities</b>	<b>(538 331)</b>	<b>(320 018)</b>
Net increase / (decrease) in loans and borrowings	77 862	( 16 858)
Dividends paid	( 225 066)	( 206 769)
<b>Net cash used in financing activities</b>	<b>(147 204)</b>	<b>(223 627)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>( 280 880)</b>	<b>169 090</b>
Cash and cash equivalents at beginning of year	354 244	187 356
Effect of exchange rate fluctuations on cash held	( 1 461)	( 2 202)
<b>Cash and cash equivalents at end of the period</b>	<b>71 903</b>	<b>354 244</b>

**Condensed Consolidated Statement of Changes in Equity**

	2022	2021
Balance at beginning of year	2 485 595	2 223 229
Total comprehensive income for the year	302 622	507 567
Dividends declared	(185 852)	(245 201)
<b>Balance at end of the year</b>	<b>2 602 365</b>	<b>2 485 595</b>

**Notes to Condensed Consolidated Interim Financial Statements**

**Business segmental analysis**

<b>1. External revenue</b>		
- Cane Growing	8 980	11 098
- Sugar production and marketing	3 238 156	3 332 069
- Ethanol production and marketing	340 798	403 384
- External revenue not meeting segment criteria	39 601	30 322
	<b>3 627 535</b>	<b>3 776 873</b>
<b>2. Operating segment results</b>		
- Cane growing	292 388	422 693
- Sugar production and marketing	475 152	534 933
- Ethanol production and marketing	64 226	101 024
	<b>831 766</b>	<b>1 058 650</b>
- Results of other operations not meeting segment criteria	( 18 340)	( 14 543)
- Unallocated other income	79 667	66 726
- Unallocated corporate costs	( 507 637)	( 472 147)
- Unallocated net finance income	( 10 777)	11 451
- Share of profit of equity accounted investees	28 618	33 523
- Gain on bargain purchase	-	7 476
<b>Profit before taxation</b>	<b>403 297</b>	<b>691 136</b>

**Condensed Consolidated Statement of Financial Position**

	As at 31-03-22 Audited E'000	As at 31-03-21 Audited E'000
<b>Non-current assets</b>		
Property, plant and equipment	2 228 442	1 882 171
Goodwill	286 481	286 481
Intangible assets	50 863	72 723
Equity accounted investees	194 643	183 806
Deferred tax assets	33	60
	<b>2 760 462</b>	<b>2 425 241</b>
<b>Current assets</b>		
Inventories	174 558	156 878
Biological assets - growing cane	816 272	747 915
Biological assets - livestock	18 623	19 178
Trade and other receivables	330 687	253 503
Taxation prepaid	21 259	5 297
Cash and cash equivalents	71 903	354 244
	<b>1 433 302</b>	<b>1 537 015</b>
<b>Total assets</b>	<b>4 193 764</b>	<b>3 962 256</b>
<b>Equity and non-current liabilities</b>		
Ordinary shareholders' funds	2 602 365	2 485 595
Deferred tax liabilities	546 652	487 127
Loans and borrowings	286 489	228 314
Employee benefits	98 300	108 270
Derivative instruments	2 399	-
	<b>3 536 205</b>	<b>3 309 306</b>
<b>Current liabilities</b>		
Trade and other payables	394 677	320 015
Short term employee benefits	92 965	141 567
Derivative Instruments	2 352	-
Current portion of loans and borrowings	76 890	57 103
Current tax liabilities	25 257	29 633
Dividends payable	65 418	104 632
	<b>657 559</b>	<b>652 950</b>
<b>Total equity and liabilities</b>	<b>4 193 764</b>	<b>3 962 256</b>

**COMMENTARY**

**Statement of Compliance**

The condensed interim consolidated financial information, which has 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.

**Commentary on Results**

Cane crushed, at 3.2 million tonnes, was 7% lower than cane crushed in the previous year. Estate sucrose yields (tonnes sucrose per hectare - ts/ha) were higher at 14.20 ts/ha compared to 14.11 ts/ha for the same period last year. The current year crop was negatively affected by the late arrival of rains, long after the crop had been stressed, and pests and diseases in the form of yellow sugarcane aphid and thrip outbreaks.

Sugar production was commensurately lower at 424 294 tonnes, 96° pol sugar, as compared to 461 567 tonnes, 96° pol sugar for the same period last year. In addition to the lower cane volumes, an abnormally wet period towards the end of the crushing season led to an extension of the crushing period, characterised by lower sugar recoveries. The impact of climate change is becoming more frequent. Heavy rains and winds have twice led to extensive cane lodging in the current financial year.

Ethanol production at 28.9 million litres was 6% lower than the production in the same period last year. The molasses to cane ratio was at 3.74% which is in line with 3.73% achieved in the prior year. Ethanol sales at 27.3 million litres were 14.55% lower than the prior comparative period due to the lower production on account of reduced molasses and a strategic build up of stocks to cover post year end customer requirements.

Total comprehensive income attributable to the Owners of the Company amounted to E302.6 million. This was 40.38% lower than the record results achieved in 2020/21. The reduction is due to the lower cane volumes as explained, increased costs due to wet cane harvesting and milling, and significant cost escalations in the last quarter of the financial year following the Russian invasion of Ukraine.

The condensed consolidated statement of financial position of the Group shows a strong balance sheet with total assets amounting to E4.2 billion. This was due to ongoing growth capital projects: 500 hectares of new land development, upgrade of distillation plant, and mill efficiency initiatives. The Group assumed new debt of E135.0 million to partially finance the expansion projects. Cash balances were impacted by the adverse operating conditions and the part - equity funding of the ongoing growth initiatives.

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

**Covid-19**

The financial performance of the financial year ended 31 March 2022 reflects trade conducted under Covid-19 conditions. The Group continued to operate while adhering to the Covid-19 guidelines issued by Government and a proactive response has ensured the continuity of operations. Management and employees remained vigilant, cognisant of the negative ramifications that arise from complacency.

**Russia and Ukraine War**

The effects of the war between Russia and Ukraine also impacted on the financial performance of the Group for the year ended 31 March 2022 as the business experienced significant price increases on fertilizer, various chemicals and fuels. Both the Euro and US dollar traded at weaker levels with the former registering higher movement. This affected both sugar and ethanol revenues and associated trade collections. The Group is implementing various strategies to mitigate the associated risks.

**Outlook**

Excellent rains received during the year sustained dam levels at their maximum storage. The 2022/23 season is likely to see a return to normal production levels. Good crop practices will contribute to normalised production in the ensuing seasons. Adapting to climate change impact will be a necessary ingredient for sustainability. The sugar markets are expected to present a number of challenges for the Eswatini sugar industry. The Group plans to improve efficiencies in its' pursuit to be a low cost producer of sugar and the Group will be investing E513.6 million in the 2022/23 financial year on growth and efficiency projects to ensure sustainability.

**Corporate Governance**

The Group is committed to best corporate governance practices and in this regard is guided by, the code of corporate best practice and conduct contained in the King reports and other international guidelines on corporate governance. 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 year.

**Report of Independent Auditors on the Consolidated Financial Statements**

The condensed consolidated financial statements, which comprise the condensed consolidated statement of financial position as at 31 March 2022, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year ended 31 March 2022, and related notes, are derived from the audited financial statements of The Royal Eswatini Sugar Corporation for the year ended 31 March 2022.

SNG Grant Thornton Chartered Accountants (Eswatini), have audited the consolidated and separate financial statements of The Royal Eswatini Sugar Corporation Limited for the year ended 31 March 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 while capital commitments have increased by E85 million when compared to the disclosed amounts in the March 2021 Integrated Report. This is due to the ongoing growth and efficiency projects to be undertaken in the 2022/23 financial year.

**Dividend Declared**

A first interim dividend for the year ended 31 March 2022 (dividend 59) of 125 cents per share was declared on 17 September 2021 and paid in November 2021 to shareholders who were registered in the books of the Company at the close of business on 22 October 2021.

A second and final dividend for the year ended 31 March 2022 (dividend 60) of 67.9 cents per share was declared on 25 March 2022 and was paid in June 2022 to shareholders registered in the books of the Company at the close of business on 07 May 2022. This dividend, together with the interim dividends make a total distribution in respect of the year ended 31 March 2022 of 192.9 cents (2021 - 254.50 cents) per share.

**Material Events After the Reporting Date**

There have been no material events after the reporting date.

**Registered Office and Postal Address**

The Royal Eswatini Sugar Corporation Limited  
P O Box 1  
Simunye  
L301 Eswatini

**Website:** www.res.co.sz

**Transfer Secretaries**

SNG Grant Thornton (Advisory) (Eswatini) (Proprietary) Limited  
P O Box 331  
Mbabane  
H100 Eswatini

**Sponsoring Broker**

Swaziland Stockbrokers Limited  
P O Box 2818  
Mbabane  
H100 Eswatini

**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 Mkhaphi, Chief Z N Ndlangamandla, M S M Shongwe, I G van der Walt, A. Westermeyer.  
Alternate: 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 challenging year ended 31 March 2022.

For and on behalf of the Board,

**Dr A T Dlamini** **N M Jackson**  
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