



SWAZILAND CANE GROWERS' ASSOCIATION
ANNUAL REPORT
2014/2015



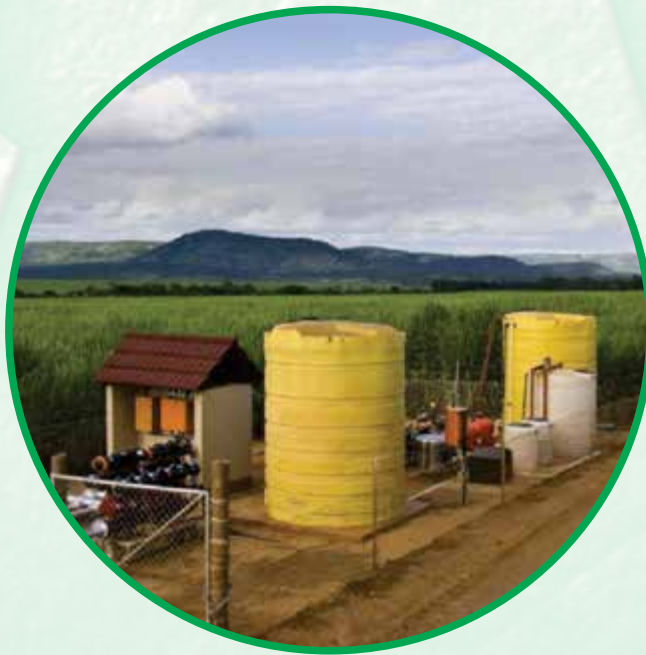


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SCGA OFFICERS AS AT 31 MARCH 2015



Mr. GC White - Chairman



Mr. G. Scheepers – Vice Chairman



Mr. PM Ginindza – Executive Director



S. Malaza – Project Manager



***Ms D. Zulu - Finance/Admin.
Officer***



Ms M. Dube - Project Accountant



Ms N. Skosana - Secretary

PREFACE

i. Introduction by Executive Director

The SCGA Office and cane growers as a whole welcome the end of another financial year. Amidst numerous challenges some successes have been achieved and lessons learned from failures. The 2014/15 Financial Year saw the actual bite of the declining grower prices. The cane growers' proceeds went down by about 10% year on year. As a result the SCGA Office was called upon to support members with more information and training. Trends in the EU and World market point to a likelihood of further declines in the next year. In Emalangeni terms the EU price of sugar received by the Swaziland sugar industry has declined by as much as 48% between March 2013 and March 2015. Amidst these challenges the industry has persevered. Hard work and support from the Government and friends of the industry and the country as a whole have been instrumental during the course of 2014/15. The competitiveness of outgrowers is evident in the subsequent sections of this Report. The year saw the implementation of a Strategic Plan probably for the first time in the history of the Association. The mission, strategic objectives and values formed a strong basis for alignment of purpose among staff and the Executive Committee. A number of the strategic actions were accomplished. Examples include training of growers on tax issues, regular feedback to growers, initiation of the process of development of a profile for external stakeholders, identification of overlaps between the roles of SCGA and SSA. Lessons were learnt from inability to develop an effective communication strategy, implementation of performance agreements and performance evaluation.

The SCGA Executive Committee (SCGA EC) and members in general provided invaluable support to the SCGA Office. It was through the SCGA EC oversight that discernible support was provided by the Office to growers. The handful of SCGA staff members played their role with commitment. The clean audit achieved for the year is reason for pride to the office and beyond.

The National Adaptation Strategy (EU funded project) benefitted over 40 farmers to date. Although formal monitoring of the impact of this support is not complete the indications are there for all to see that the beneficiary farmers are better off than they were without the project.

ii. Statement by SCGA Chairman

The 2014/15 Financial was an adventurous one. Probably for the first time the Association operated with an approved Strategic Plan. The industry as a whole agreed on the development of an industry vision.

On a negative side the anticipated grower price declines started to show on the proceeds. The price received by growers showed a 10% decline year on year. EU and world sugar prices continued to decline. On the other hand costs of production continued to increase. The increases were driven mainly by labour, irrigation, harvesting and transportation costs. Cane growers did not make any extra revenue from bagasse as the IRC concluded that there was no additional value besides that used in sugar production. The year also received lower rainfall than expected hence rivers and reservoirs were on a decline at the end of the year.

The above environment presented challenges to the SCGA as a whole. However, I am pleased that there were achievements recorded. The Executive Committee kept in touch with the growers. Information from various sources was accessed, processed and communicated to growers through feedback meetings. The feedback meetings also kept the Executive Committee in touch with members' felt needs.

The AGM held on 16 September 2014 was a successful event and a number of enabling resolutions were taken by the AGM. The budget was approved and a modest adjustment of the levy on growers was adopted.

As we look forward to 2015/16 I am conscious that it will be a busy and challenging year. The apparent drought will pose challenges to our

water resource systems. The unstable sugar markets will stretch our resources but I believe together we will find means to adapt and prosper. The industry vision development shall require a lot of time, ingenuity and creativity from all concerned. I trust that at the end of it all we will be better equipped for resiliency against anticipated challenges. The outcome of the vision will most likely lead to policy and legislative reviews. We look forward to cooperative and collaborative efforts with all stakeholders. The sugar industry is too important, to the economy of the country, to either stagnate or fail.

Let me conclude by extending appreciation to SCGA members, Executive Committee members and staff for their selfless efforts in the course of

the financial year. I also wish to extend mine and the SCGA's gratitude to His Majesty's Government and their partners especially the EU for the support granted to cane growers through SCGA and other role players. The millers were generally good partners where interests of growers were concerned. The competitive performance of cane growers as detailed in the various sections could not have been achieved without the miller-cum-planter (MCPs) input. We also appreciate the cooperation from the Swaziland Sugar Association Management and Staff. Their service in research, technical, extension support and pro-active identification of markets for the Swazi sugar was excellent especially in the context of the turbulent markets.

1.ABOUT SWAZILAND CANE GROWERS ASSOCIATION

1.1 Legal Framework

The Swaziland Cane Growers Association (SCGA) is a member owned/funded non-governmental (NGO) and not for profit (NFP) entity established through a legal instrument (Cane Growers Act No.12 of 1967 as amended) with retrospective effect to October 1963. The SCGA is a body corporate with capacity to sue and be sued. The main purpose of the SCGA is to serve and support cane growers through promoting, advocating and fostering their collective interests, sustainability and progress. The Act mandates the Minister of Agriculture to impose an annual levy on all growers upon the recommendation of the SCGA. Historically the operations of the SCGA have been funded almost exclusively by the levy which is charged per ton of sugar supplied to and accepted by the Miller.

The SCGA and the Swaziland Millers Association are equal owner partners (50% shareholders each) in the Swaziland Sugar Association (SSA).

In addition to the Act the entity is guided by a comprehensive constitution which spells out the objectives and functions of the Association. These functions can be broadly categorised into two prongs being to **represent** and **serve** the **cane growers in Swaziland**.

Membership of the SCGA is voluntary and open to any person who is a holder in his own name of a permit or quota, subject to approval by the SCGA Executive Committee. Notwithstanding the generality of the membership the Constitution exclude from membership a grower who either;

- i. Is a member of any other association of sugar cane growers in Swaziland;
- ii. Who is also a sugar miller in Swaziland and/or
- iii. Is a person in whom any sugar miller in Swaziland is directly or indirectly interested.

1.2 VISION

TO BE A NATIONAL CENTRE OF EXCELLENCE IN COLLECTIVE MEMBER REPRESENTATION AND SERVICE.

1.3 MISSION STATEMENT

TO PROGRESS THE INTERESTS OF CANE GROWERS THROUGH STRONG LEADERSHIP, INFLUENCE, INDUSTRY KNOWLEDGE AND BUSINESS ACUMEN TO EXTRACT MAXIMUM CROP VALUE IN PROACTIVE PARTNERSHIPS WITH STAKEHOLDERS.

TO EXPERTLY PROVIDE CANE GROWERS WITH REGULAR INFORMATION, EDUCATION AND BEST PRACTICE ADVICE TO ENSURE THE GROWTH AND SUSTAINABILITY OF THE INDUSTRY.

1.4 STRATEGIC PRIORITIES

- ◆ **PRIORITY 1: EVALUATE AND BUILD THE SKILLS AND CAPACITY OF SCGA OFFICE AND EXECUTIVE.**
- ◆ **PRIORITY 2: PROACTIVELY BUILDING RELATIONSHIPS WITH KEY STAKEHOLDERS**
- ◆ **PRIORITY 3: UNDERSTANDING THE FULL AND TRUE VALUE OF SUGAR CANE**
- ◆ **PRIORITY 4: COMMUNICATING INFORMING AND TRAINING OF GROWERS**

1.5 SCGA ORGANIZATIONAL VALUES

- ◆ **POSITIVE INFLUENCE**
- ◆ **PEOPLE SUPPORT AND DEVELOPMENT**
- ◆ **CONTINUOUS IMPROVEMENT**
- ◆ **MAXIMIZING VALUE FROM RESOURCES**
- ◆ **CUSTOMER FOCUS AND**
- ◆ **ACHIEVING RESULTS**

2. CORPORATE GOVERNANCE

2.1 Principles

The SCGA strives for the highest corporate governance standards that their resources may permit. Within these confines the SCGA strives to deal with supply and service providers that subscribe to similar standards. The establishing Act, SCGA Constitution, other national policies, legislation and internationally accepted best practices inform the activities of SCGA.

2.2 Governance Structures

2.2.1 Annual General Meeting (AGM)

The highest decision making body in SCGA is the Annual General Meeting (AGM) of members that meets at least once a year before the last day of September on dates and venues fixed by an SCGA Executive Committee (SCGA EC). The business of the Annual General Meeting (AGM) is;

- i. to receive and consider operational reports and audited financial statements (AFS) from the SCGA EC,
- ii. to consider a budget for the ensuing financial year.
- iii. to appoint Auditors for the ensuing financial year and fix their (auditors) remuneration,
- iv. to fix levy adjustments to be recommended to the Minister of Agriculture by the SCGA EC,
- v. to fix remuneration for the SCGA EC Chairman and Members for previous and/or ensuing year
- vi. to do any other business within their powers as set out in notice of the AGM.

2.2.2 SCGA Executive Committee (SCGA EC)

Beneath the AGM is a fourteen (14) member Executive Committee appointed (and removed) by the Mhlume Planters' Group (4), Simunye Planters' Group (4), Big Bend Planters' Group (4) and Tibiyo TakaNgwane (2) in total. In the first meeting following the AGM the SCGA EC appoint from their members a Chairman and a Vice Chairman. The SCGA EC is empowered to co-opt relevant persons as non-voting advisors. The Constitution appears not to set term limits for the

Executive Committee except to provide for removal and replacement by the appointing structures.

The functions of the SCGA EC include, inter alia;

- i. *To formulate and Control SCGA Financial Policy including but not limited to;*
 - *Recommend budget to AGM*
 - *Propose levy for AGM approval for recommendation to the Minister*
- ii. *To appoint and direct SCGA Representation to any authority, body, organization or association discharging any function relating to the Swaziland Sugar Industry*
- iii. *To negotiate the terms of any agreement, any statutory or other determination or arrangement relating to supply to millers of sugarcane supplied by members, the division of proceeds and any other matter relating to relationship between growers and sugar millers in Swaziland or any other aspect of the Swaziland Sugar Industry.*
- iv. *To make rules and regulations, consistent with the SCGA Constitution, for the SCGA activities*
- v. *To authorise the signature of any document and performance of any legal act on behalf of SCGA and*
- vi. *To authorise the appointment of administrative and executive officers and determine their remuneration.*

2.2.3 Planters' Groups Committees

Each of the three (3) mills has an SCGA Unit called the Planters Group (PG). Cane growers supplying cane to that particular mill elect their own Committees. The PGs are responsible;

- i. for the appointment and removal of their representatives to the SCGA EC.
- ii. Carrying out SCGA functions at local mill level
- iii. Liaison with the miller on matters pertaining to relations between the cane growers and the mill.
- iv. Nominating their representatives to the SSA Council
- v. Raising funds, within confines of SCGA Constitution, to finance their local activities.

In addition to the Planters' Groups Tibiyo TakaNgwane also nominates one representative to each Mill

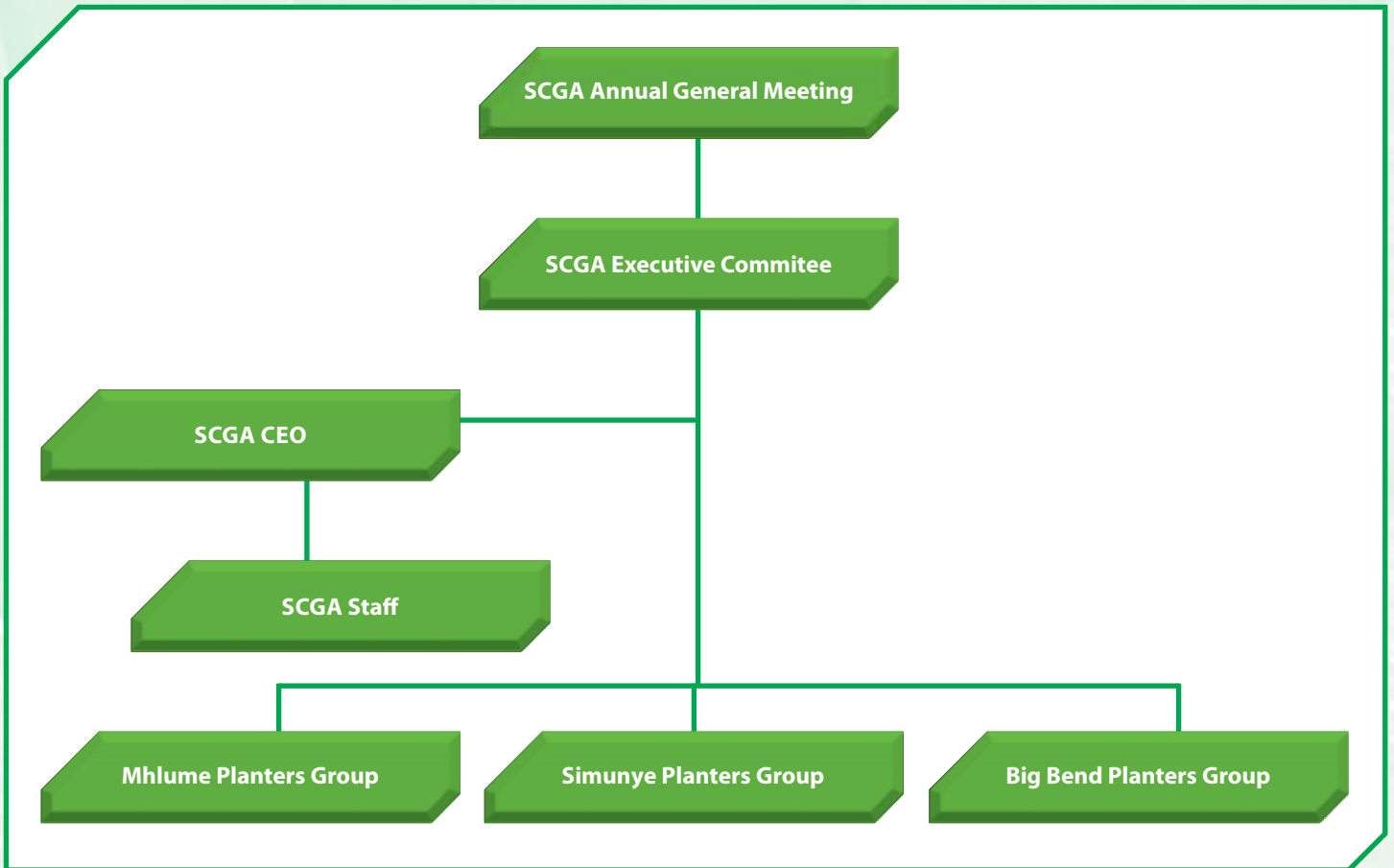


Figure 1: Overall SCGA Governance Structure

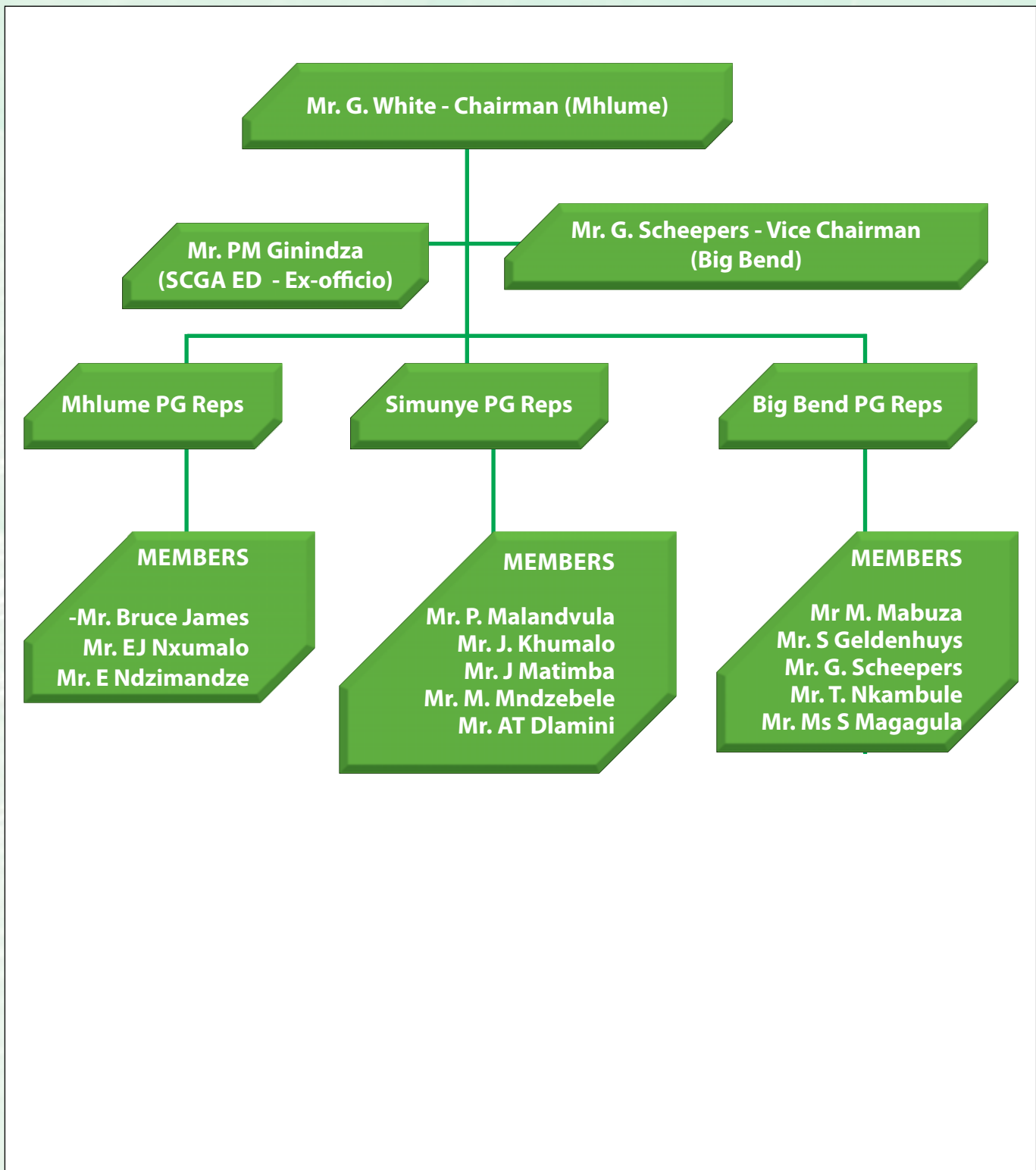


Figure 2: SCGA Executive Committee as at 31 March 2015

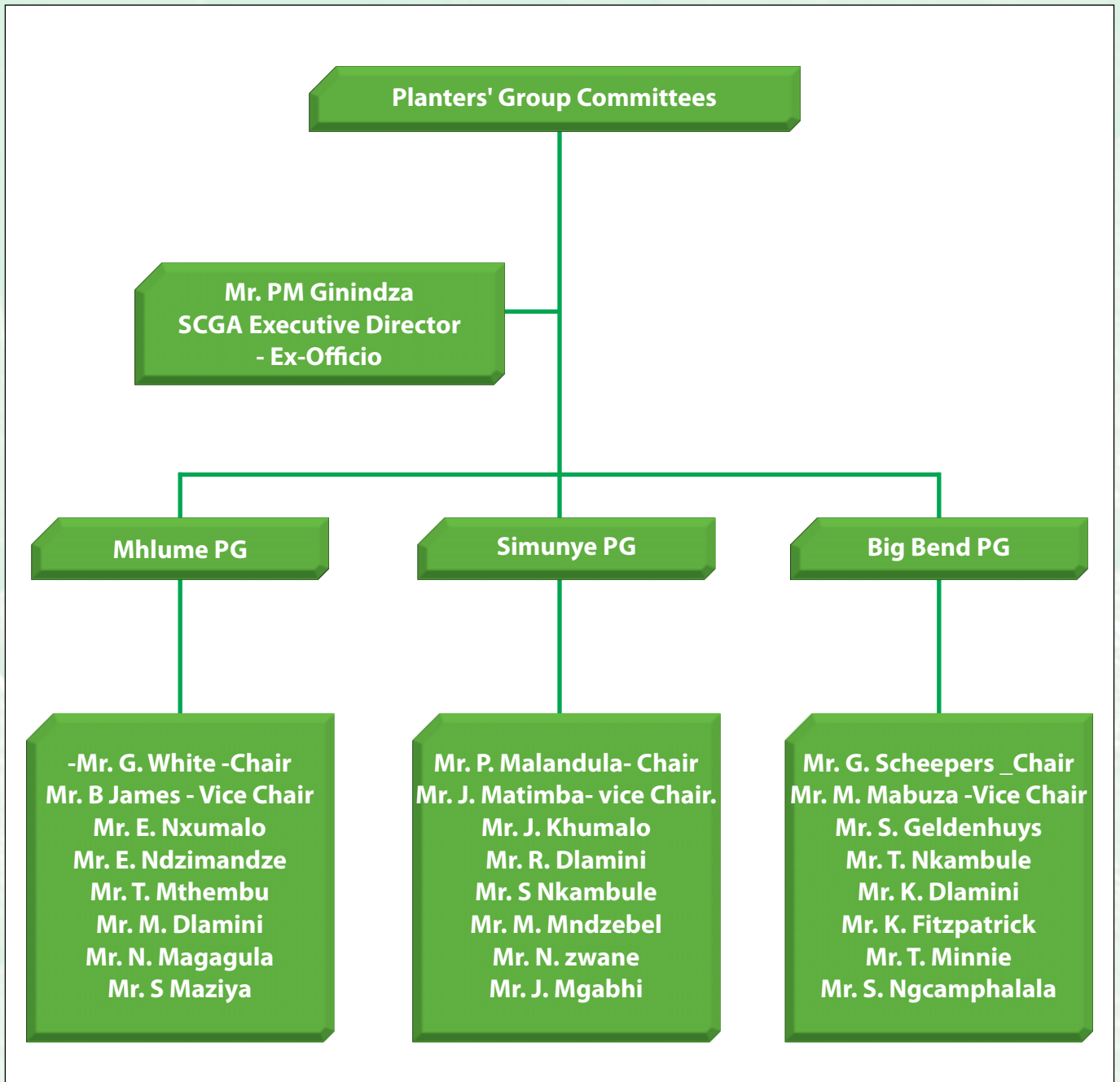


Figure 3: Planters' Groups Membership as at 31 March 2015.

3. PERFORMANCE OVERVIEW

3.1 Strategic plan implementation progress report

In or about March 2014 the SCGA EC finalised a Strategic Plan document for implementation with effect from April 2014. The performance report is structured along the lines of the four Strategic Priorities identified. Progress against the strategy implementation was reviewed in December 2014.

3.1.1 Priority 1: Evaluate and build the skills and capacity of scga office and executive.

3.1.1.1 Strengthening the scga management office

The job profile of the SCGA CEO was reviewed and signed off in the course of the Financial Year. The skills gap analysis was deferred pending the finalization of the Swaziland Sugar Industry Vision due to start in April 2015. Once the industry vision is adopted the organisational structure will be revisited in light of the role to be played by SCGA going forward. A rapid institutional assessment is scheduled for the first quarter of the 2015/16 Financial Year.

3.1.1.2 Building capacity at all scga governance levels

An exercise to compare the roles of SCGA against those of other organisations was initiated but not finalised. The roles of SCGA were compared with those of SSA. Areas of overlapping roles were identified. Further work will be done to cover other players such as SWADE, Miller-cum-planters (MCPs), Government etc. Thereafter the SCGA Roles shall be cleaned up by clarification of overlapping functions in consultation with the other institutions.

Terms of reference for the various levels at SCGA and SSA were circulated to new SCGA EC members. The SCGA EC was not successful in their attempt to reinforce their delegates to negotiation forums with external expertise.

Alternative means of building capacity will have to be explored in the new Financial Year. Suitable Leadership Programmes have been identified for the 2015/16 Financial Year subject to successful sourcing of funding.

3.1.2 Priority 2: pro-actively build partnerships with stakeholders

3.1.2.1 Holding of formal planters' groups meetings as per terms of reference

The quarterly Planters' Groups Formal Feedback meetings were scheduled and held as planned. Guidelines for the Planters' Groups' were adopted by the SCGA EC. Planters' Group Executive Committee meetings were resumed towards the end of the Financial Year and will continue in the 2015/16 Financial Year.

The initiative to improve communication between SCGA and outgrowers is work in progress. Invitations to meetings were made through radio advertisements and mobile short message systems (SMS) to both of which most growers have access. It is noted with concern that in some Planters' Groups the attendance was very poor. PG Committees are interrogating the root causes with a view to redress the unfortunate trend. The Statutory Annual General Meeting (AGM) was held on 16 September 2014 at Mhlume Country Club as scheduled. The AGM adopted the 2013/14 Annual Report inclusive of Budget. Furthermore a modest adjustment in the levy on growers was approved for recommendation to the Minister of Agriculture.

3.1.2.2 Developing a common vision/strategy for the sugar industry in light of external environmental changes affecting the industry

Upon the instance of SCGA the Swaziland Sugar Industry agreed to retain the services of experts for facilitating the formulation of the Industry Vision in response to forecast challenging times ahead. By the end of the Financial Year a strong team of Consultants had been identified for the task. The work is anticipated to start in April 2015 and conclude in or about June 2015. The key

areas or components of the vision will be to find ways to adapt to and mitigate the prevailing and forecast downward trends in the sugar market prices. Expectations from the new vision exercise are high.

The SCGA are reinforcing their capacity to participate as equal partners in the exercise. Subsequent to the development and adoption of the common vision the SCGA will have to review their capacity requirements in line with the new vision. This will in turn inform the outstanding exercise to build or reinforce the capacity of SCGA.

3.1.2.3 Scheduling regular feedback meetings with key policy makers (various ministers, senior government officers and parliamentarians.

Although the SCGA was not successful in formally scheduling the meetings, engagements with the stakeholders did take place as and when the needs arose. In consideration of the busy schedules of Ministers and Senior Government Officials this may turn out to be the best approach. The primary key strategic partner Government Ministries were identified as; the Ministry of Agriculture, Ministry of Economic Planning, Ministry of Industry and Commerce, Ministry of Labour and Ministry of Natural Resources and Energy. Building relationships and raising the image of SCGA to these stakeholders shall be the priority for the coming Financial Year. Relations with other stakeholders, such as SWADE, SEC, SRA, FSE/CC will also be upscaled from 2015/16 onwards.

3.1.2.4 Improving cooperation and complementarity with SSA

The SCGA worked together with SSA Management in the course of the Financial Year. SSA staff were instrumental in the training of growers on felt needs regarding the workings of the industry. The SCGA Office and SCGA EC are optimistic that the cooperation will become more visible in the coming Financial Year. Cooperation with other stakeholders will also be

harnessed to complement the limited resource capacity of SCGA.

3.1.2.5 SCGA to be an active member of the federation of Swaziland employers

The SCGA was an active co-opted member of the FSE/CC Board by attending and actively participating in most FSE/CC meetings. Some of the interests of the SCGA members have been successfully dealt with through this forum.

3.1.2.6 Drawing up an SCGA profile for outsiders

A profile of the Association has been drafted drawing from the establishing Act, Constitution and recently approved Strategic Plan. A Mission Statement, Strategic Priorities and Organizational Values have been developed. During the implementation of this action it became very clear that the profile of SCGA needs urgent attention. The Association must move very fast in taking advantage of modern technology.

One of the top priorities for the 2015/16 Financial Year is to develop an SCGA website and leverage the power of social media to reach out to existing and potential stakeholders and partners. One of the cornerstones of success in achieving this goal will be to send out messages that are generally complementary with those from key players in the industry and clarify a niche role and position for SCGA. These will provide a suitable platform to market the SCGA profile, issues and brand to the world.

3.1.3 Priority 3: understanding the full value of cane

The dissatisfaction of cane growers with the value derived from their product is loud. It is for that reason that the SCGA lobbied the Swaziland Sugar Industry to work on a collective vision. The challenges faced by the Industry in the markets have forced the stakeholders to look inside themselves for resourceful potential to do better. SCGA would like to see the Swaziland sugar industry and the sugarcane crop undergo a

revolution/transformation to a multiple-product cane industry and cane crop, respectively.

Swaziland and other SADC Party States are facing challenges with respect to energy supply. The value of clean renewable energy is the dominant paradigm globally. It is estimated that the country has enough potential to provide renewable energy to surpass the local requirements and a large part of the potential is in the cane crop and is waiting to be unlocked. SCGA was driven by the need to play a role and share benefits from the potential together with present and future stakeholders as equal partners in a win-win fashion when motivating for a common vision.

The Vision development process starting in April 2015 will hopefully give all partners in the cane ecosystem an opportunity to come together and agree on pragmatic strategies to enable the industry to weather the turbulent times it is going through and prosper. SCGA will pursue the initiative with an open mind and will participate in good faith towards success of the process.

During the course of the 2014/15 FY representatives of SCGA and the industry as a whole were able to visit the Brazilian Sugar industry, famous for its competitiveness, to learn for themselves the success factors. It is intended that, financial resources permitting, other study tours to other industries in the SADC Region will be undertaken in the course of 2015/16.

The understanding of the full value of cane by growers is work in progress. Cane growers, to an extent, understand the primary sugarcane products i.e. sugar, molasses and bagasse. The growers also got to increasingly understand that the environment is fast changing and the necessity to revisit the strategies that sustained the industry in the past.

Understanding, alignment on, and realization of value from the secondary products of cane is still a subject for debate during the Industry Vision development process. The opportunities in secondary value of sugarcane still to be better understood and hopefully realised by growers

include, inter alia, renewable energy from bagasse (electricity) and molasses (ethanol/biofuel), biodegradable paper plates/cups/shopping bags.

3.1.4 Priority4: Good communication with cane growers

It is unambiguous that SCGA's reason for existence is to represent, support and serve cane growers in Swaziland. The future of the Association therefore depends on it not only fulfilling but also being seen to be fulfilling and excelling in that role. New approaches implemented in reaching member growers have been alluded to in previous sections of this report. However, there is enormous scope for SCGA in this area. Physical presence and visibility of SCGA, on platforms affecting membership, will be upscaled in the new Financial Year.

Support in delivering service to the growers on the ground has been seen to be very effective in demonstrating value to members. The NAS/EU funded project to rectify defective irrigation designs and improve condition of haulage roads has been extremely effective in reconnecting the SCGA with their members. However there is still a lot to be done. In addition to carrying out adaptation projects the SCGA did and will continue to actively support and influence the efforts of partners such as the SSA, MCPs, Government and international cooperating partners.

The development of the website and use of social media alluded to earlier will be pursued with urgency, vigour and aggression at the onset of the 2015/16 Financial Year. These are viewed as the potentially most effective tools to communicate with a large section of growers and other current and potential stakeholders locally and globally.

Some of the top outstanding assignments awaiting SCGA in the 2015/16 are communicating the Strategic Plan and Industry Vision to achieve appreciation and ownership among members.

3.2 Financial Management

The SCGA Audited Financials Statements are attached herewith. It is pleasing to note that the Association once again managed to get an unqualified audit for the year ended on 31 March 2015. Work on development of suitable financial control and procurement policies will be the focus of the new financial year.

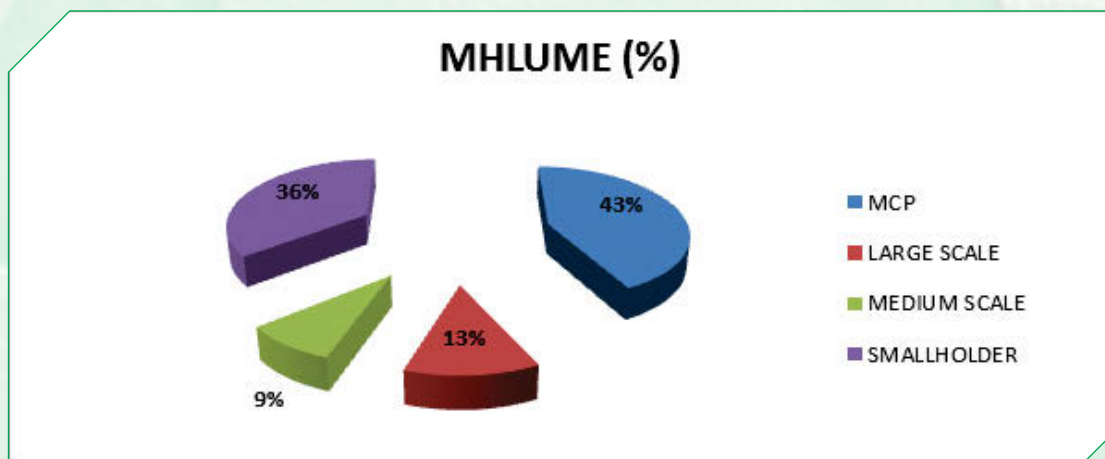
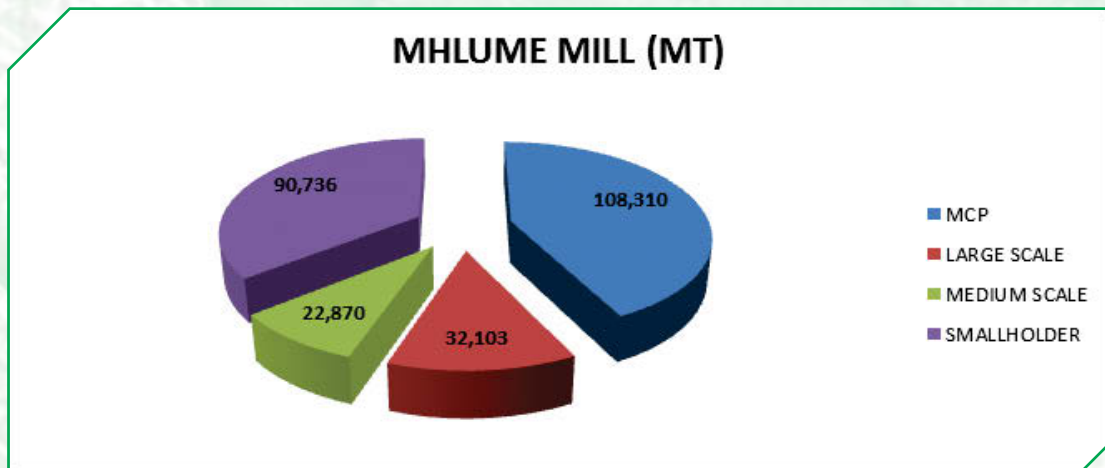
The SCGA has historically relied on sugar levies for its operations. This is not a sustainable situation. The future strategy of the Association should include focus on alternative revenue

sources and potential synergies with other role players.

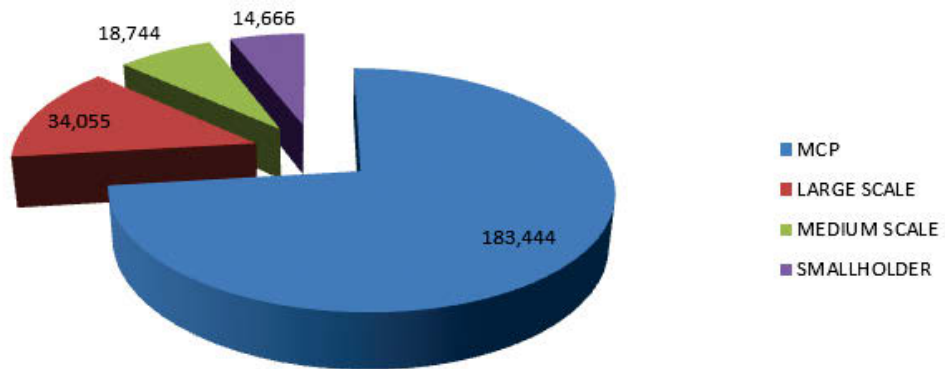
3.3 Cane Grower production performance in 2014/15

3.3.1 Grower Contribution to the Swaziland Sugarcane Industry

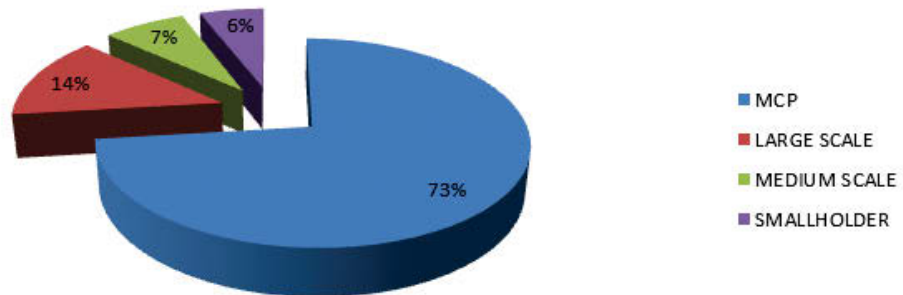
The Figures below show the 96% Pol production statistics by grower category during the year reported on.



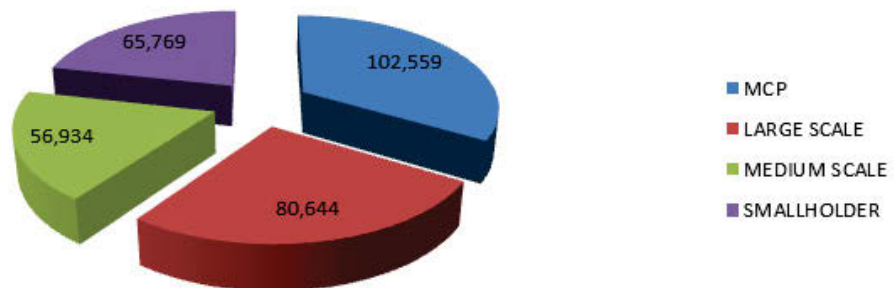
SIMUNYE MILL (MT)



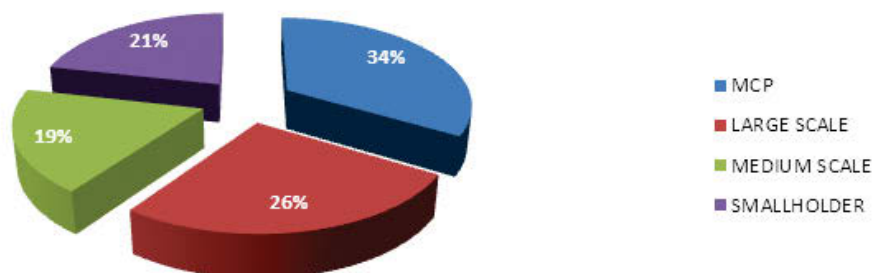
SIMUNYE MILL (%)



UBOMBO MILL (MT)



UBOMBO MILL (%)



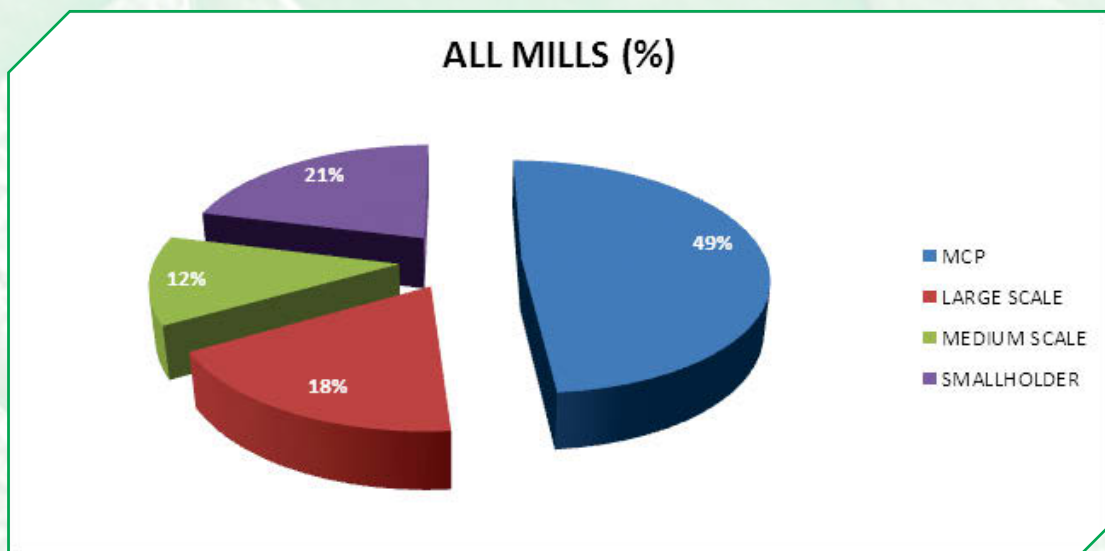
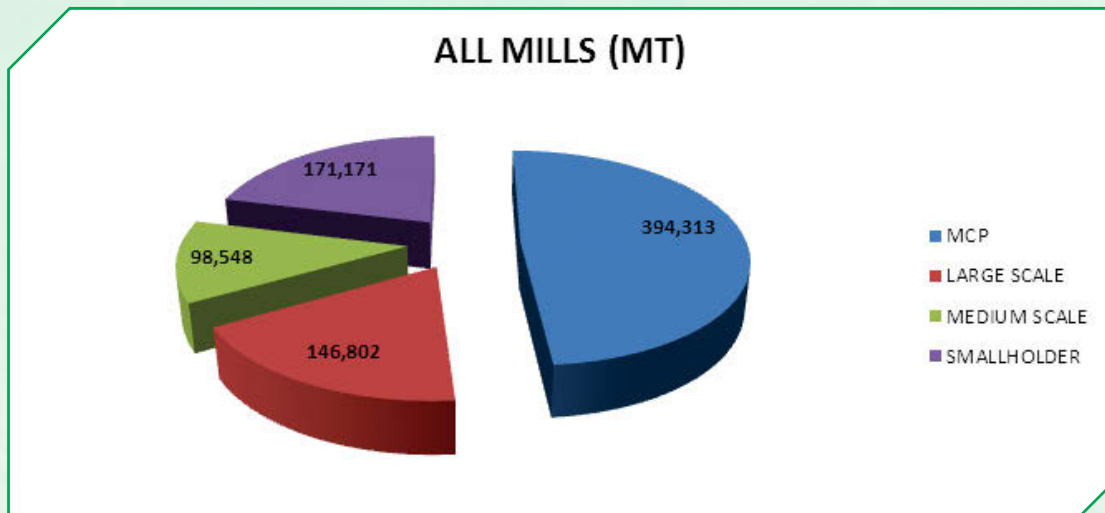


Figure 4: 96% Pol Production by Farm Size in 2015/16

The Swaziland Sugar Industry produced about 810 000 metric tonnes of 96% Pol. Of this amount the outgrowers contributed an incredible 51% which clearly shows that members of the SCGA are increasingly major players in the industry. Subsequent sections will demonstrate the competitiveness of outgrowers.

3.3.2 Grower Sucrose Yield by Farm Size

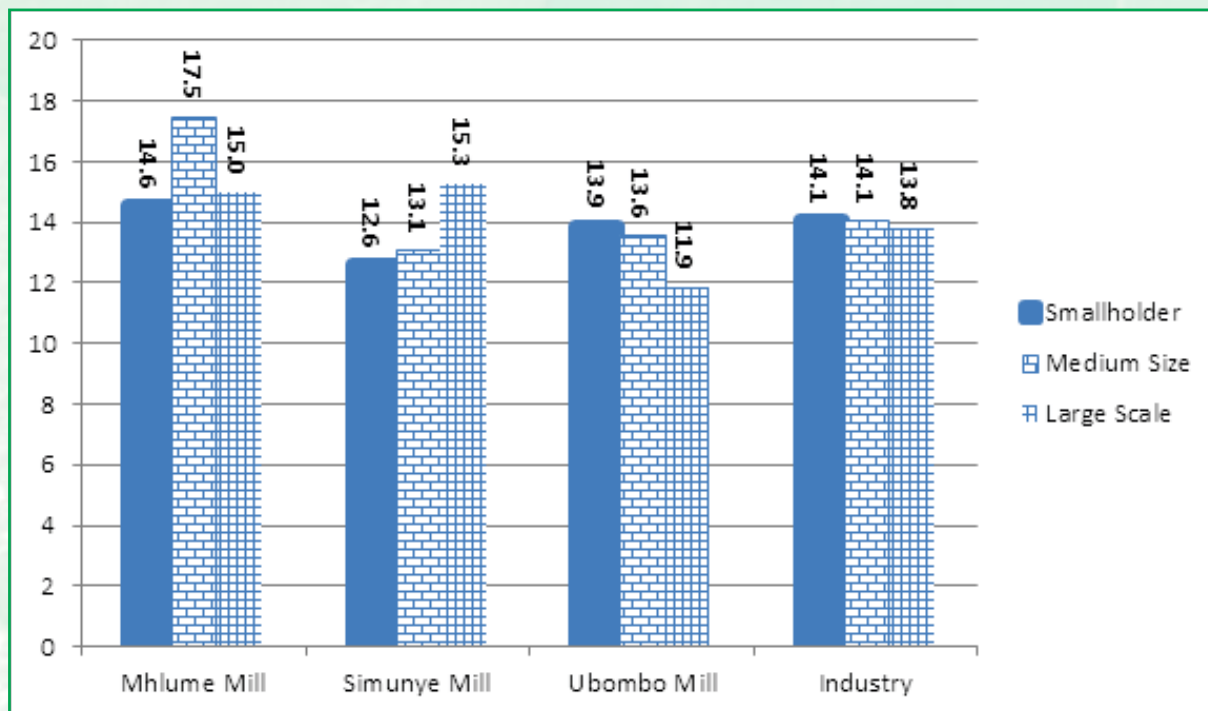


Figure 5: Sucrose Yield by grower Category (TSHA)(Source: SSA IDB 2014/15)

It is pleasing to note that growers performance in this regard compared favourably with, in some cases was better than, the rest of the industry credit to the support and effort by all stakeholders. Special credit goes to the role played by the extension services currently housed under the miller-cum-planters (MCP) and the growers themselves. The contribution of the National Adaptation Strategy (NAS) with EU funding also contributed to the observed good performance.

3.3.3 Sucrose% Cane by Farm Size

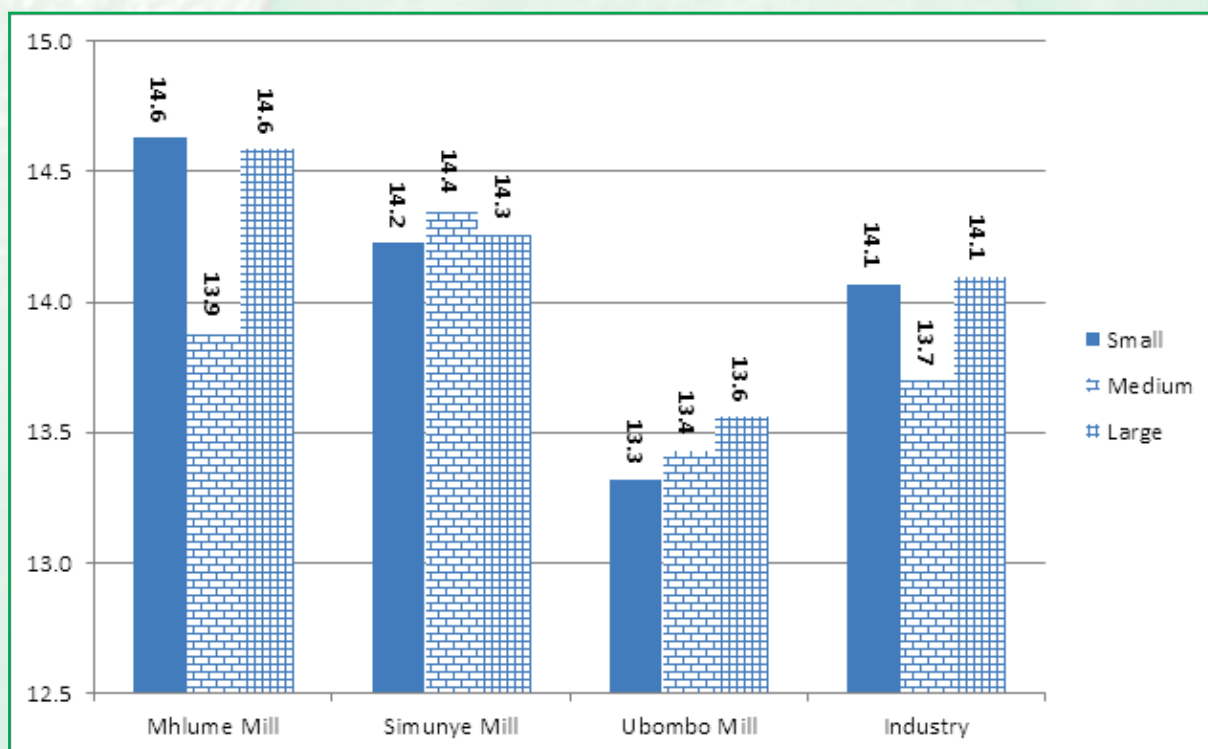


Figure 6: Sucrose% Cane by Farm Size (Source: SSA IDB 2014/15)

3.3.3 Purity (%) by Mill

Purity data per grower category is currently not available. The figure below shows performance by mill/planters' group.

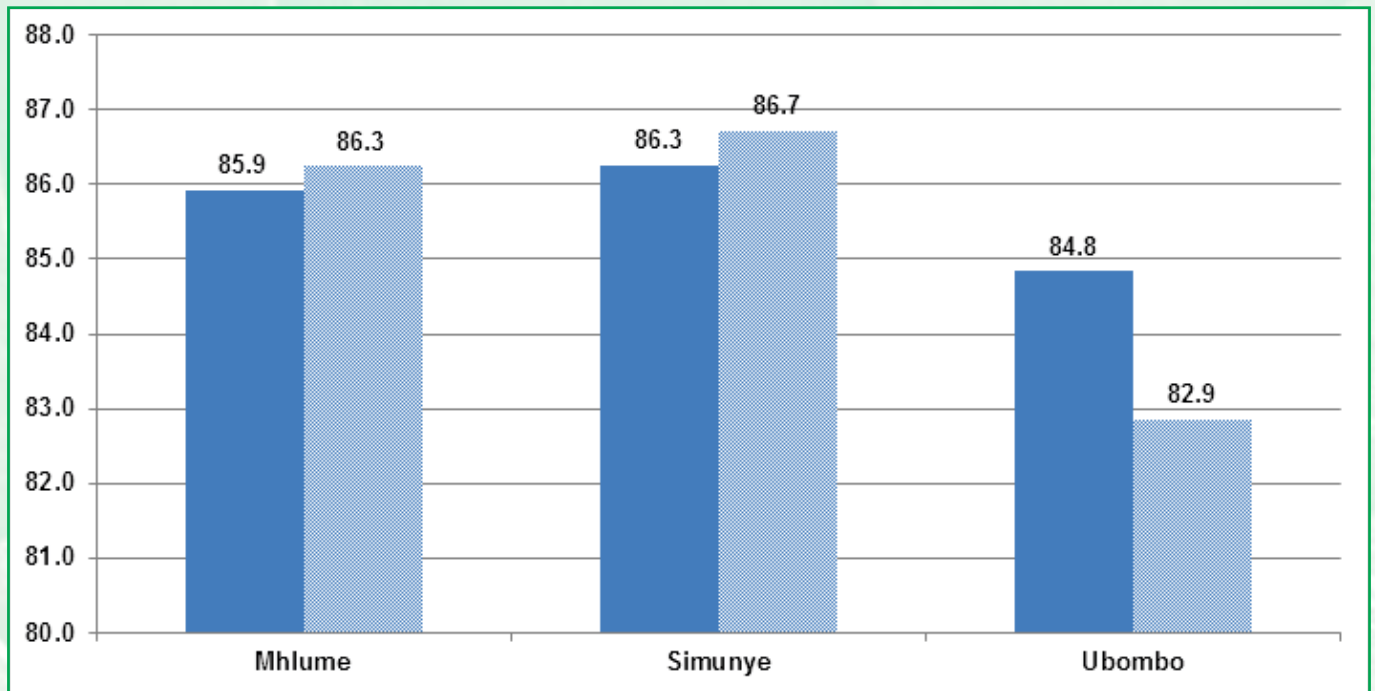


Figure 7: Mixed Juice Purity by Mill and Year (source SSA Council 19 March 2015)

The quality at Mhlume and Simunye Mills was relatively good. However, the Ubombo Mill continued to encounter poorer quality (purity in particular). Part of the factors may be geographical. Nevertheless there is need to further unpack the contributing factors as the price received by the affected growers is adversely affected. The effect of the poor quality as it relates to growers and millers may require a review going forward.

3.3.4 Grower Price (E/Ton Sucrose)



Figure 8: Trends in EU Gross Price Received for Swaziland Sugar in last Three (3) Years

Swaziland Cane Grower Price Trends in Last Ten (10) Years

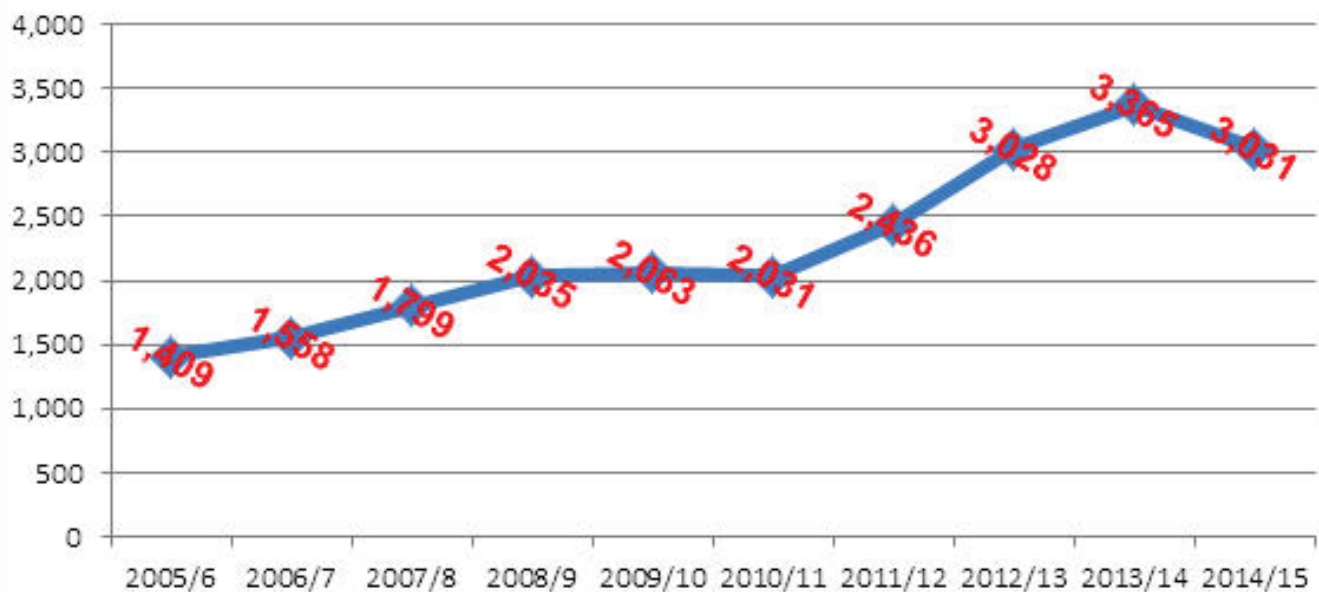


Figure 9: Trends in Grower Price over the Last Ten (10) Years

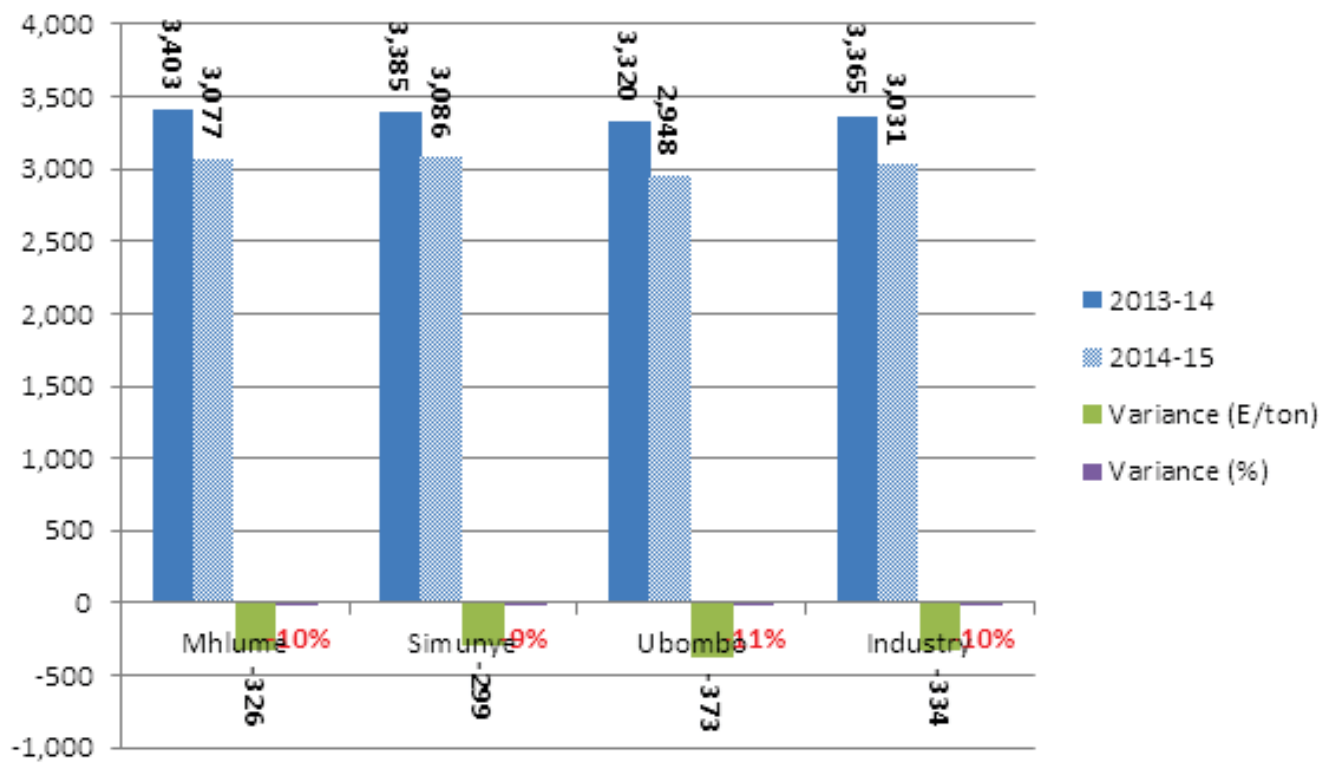


Figure 10: Grower Proceeds by Mill and By Year

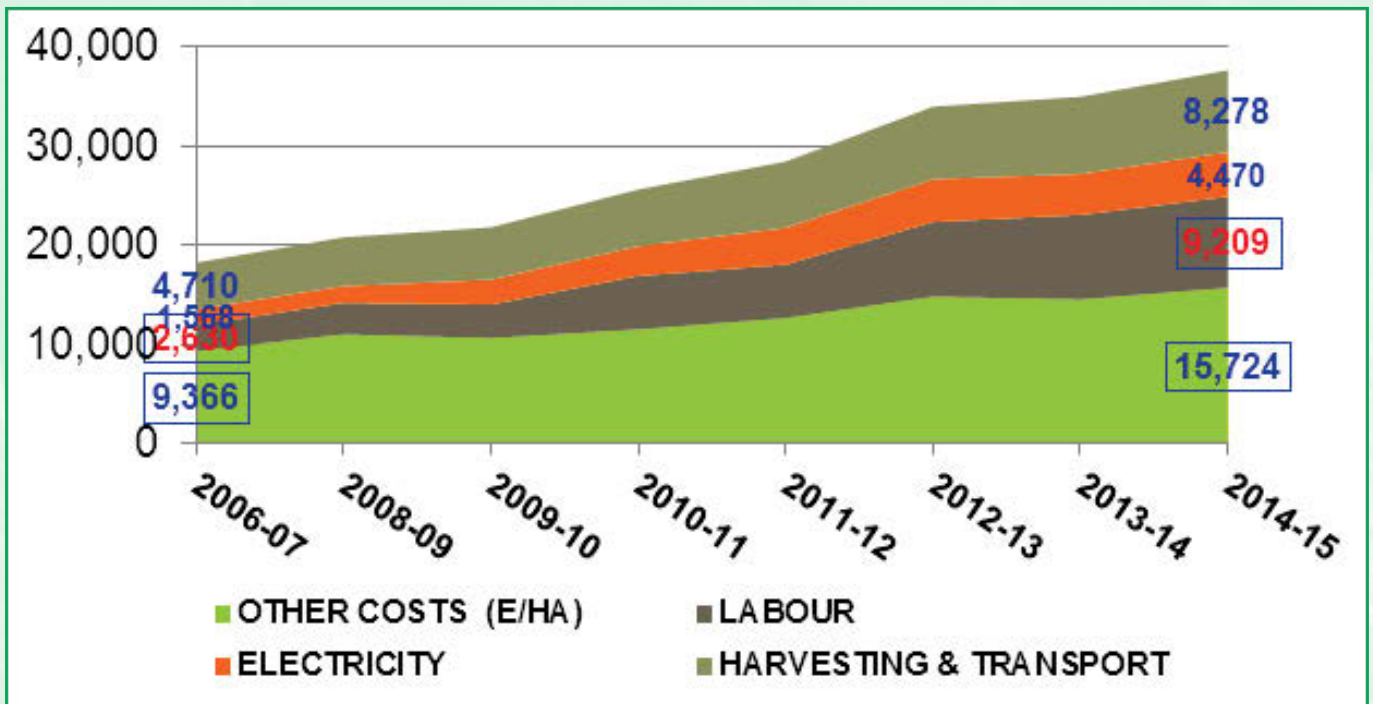


Figure 11: Trends in Cane production Costs (Source: SSA Surveys)

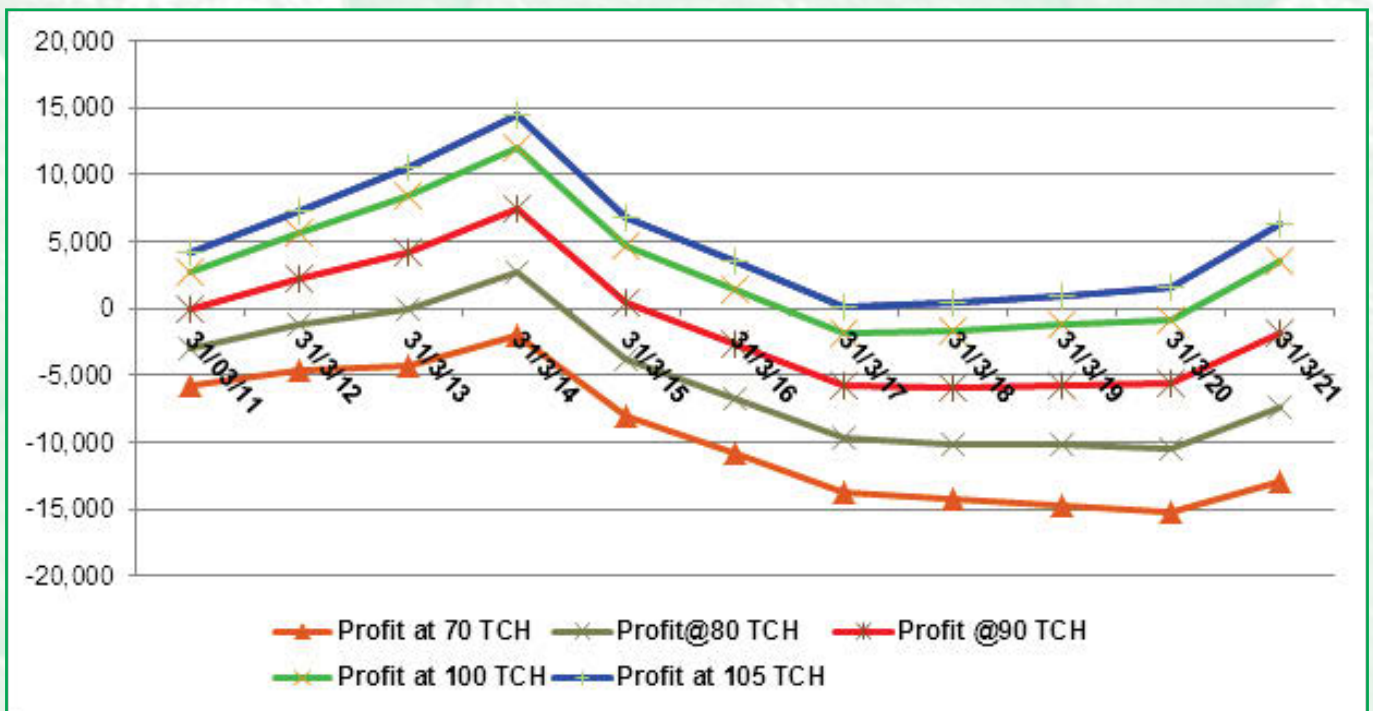


Figure 12: Sensitivity Analysis of Cane Grower Profitability to Yield Based on projected Prices and Costs of Production (Source : SSA Crude Estimates December 2014)

The downward trend in grower prices and escalations in costs of production are evident in the above Figures. The main drivers are the gradual removal of quotas forced upon the EU and exchange rates. On the other hand costs of production, in general, and electricity, labour and transport in particular are increasing in significant proportions.

Figure 12 shows that an average farmer would need to produce at least 105 TCH at 14% sugar to maintain profitability through the next five (5) years. Growers producing 100 TCH and above may recover profitability towards the end of the period. This would of course be affected by specific circumstances of each grower i.e. distance to mill, production systems etc.

The future trends in the EU and world prices is not certain and analysts are not yet in consensus about it. However, it is generally estimated that there will be a further 10% decline, year on year, in the price received by Swaziland cane growers in 2015/16. The main drivers are macro-economic and largely beyond the control of growers. However, with some assistance from and cooperation of other role players, Swaziland cane growers have some options to mitigate the projected effect. Some of these are improved productivity, improved resource use efficiency, cost efficiencies, revenue diversification, a proactive and real-time responsive marketing strategy and realisation of the fair value of sugarcane through equitable participation in primary and secondary products of the crop.

The industry as a whole (millers and growers) recognize the need to mitigate the downward trend in profitability. Growers' sustainability opportunities will be explored, as a priority, during the course of the industry vision/strategy. A new marketing strategy, that will benefit the industry as a whole, is warranted as well. Government policy and legislative review are required if the industry in general and growers in particular are to be sustained. Appropriate engagements with relevant role players will be put in place in the coming year. The Swaziland Sugar Industry will have to continue monitoring and participating in developing strategies to benefit from markets such as the SADC, COMESA and TFTA.

The EU, through National Adaptation Strategy (NAS) funding, has played a significant role in mitigating some of the effects of declining profits to growers. Sustainability lies in the efficient use of natural and financial resources.

In the recent past focus has been on horizontal expansion which is understandable from the perspective of increasing the number of beneficiaries in poverty alleviation. However, some pockets of existing growers also require assistance in order to achieve vertical expansion.

The SCGA, MCPs and Government are, mainly with assistance of the EU funded NAS, addressed some elements of this sector through replant programmes, correction of irrigation design faults and rehabilitation of infield roads.

The SCGA welcomes and supports sustainable horizontal expansion. However, such expansion should be on the basis of economic, social and environmental viability. Unless these are assured it might be better to use the available funds in uplifting existing growers. Introduction of non-viable schemes would place an additional burden on SCGA, the industry and the country. SCGA will do its best to play an increased role in influencing decisions to include deserving existing growers in future adaptation strategies and initiatives.

3.4 SCGA/EU Grant Project Progress Report

3.4.1 Introduction

As part of the National Adaptation Strategy (NAS) to eminent changes in the EU sugar market a sum of Euro€3.4-million (E42.5-million at exchange rate of E12.5:€1) was made available, through the partnership of the EU and the Kingdom of Swaziland, for the correction of irrigation design faults and rehabilitation of farm haulage roads under the management of SCGA. The project implementation has been ongoing since about 2012.

To date the grant has assisted forty smallholder and medium scale sugarcane growers across the entire sugar industry. This covers both growers assisted with rectification of irrigation design faults, rehabilitation of infield roads and drainage and diversification to other crops other than sugarcane. To date a total of SZL 34,752,879.40 has been disbursed for all the Grant activities. This is inclusive of contribution from the Association which currently stands at SZL 1,472,709.63 and SZL 2,532,952.71 from the beneficiary growers. Disbursement from the third pre-financing currently stands at about 18% to-date.

3.4.2 Progress on Result Area1 Call 3

3.4.2.1 Rehabilitation of Infield Roads

The implementation of works under the contract SCGA/RWKS/08 (rehabilitation of infield roads) is on average about 95% complete. This entails gravelling of infield roads and construction of

natural waterway crossings, to facilitate expedient haulage of sugarcane during harvesting. Final inspections to facilitate commissioning of completed works and provisional issuance of acceptance certificates will then be issued out for commencement of the defects liability period will be done early in 2015/16.

Table 1 Completed infield roads

Name of Grower	Mill Area	Distance (Km)
Makhulu Sihlenga Farmers Association	South (Big-Bend)	1.9
Johannes Tsabedze	South (Big-Bend)	1.8
Madwambane Farm	South (Big-Bend)	0.6
Chief Mshikashika Ngcamphalala	South (Big-Bend)	0.7
Mjemeni Ngcamphalala	South (Big-Bend)	1.1
Qwabe Investments	South (Big-Bend)	2.5
Mavela Farmers	North (Simunye)	3
Makhosazane Malambe	North (Simunye)	4
TOTAL		15.6



Picture 2: Culvert Construction at Makhulusihlengi farmers Association



Picture 3: Infield Road Construction at Malambe Farmers

3.4.2.2 Rectification of Irrigation Design Faults

The implementation of works under the contract SCGA/RWKS/07 is on average about 14% complete. This involves the construction of properly located abstraction points and intake

structures for two growers located in the Siphofaneni and Madlenya areas along the Usuthu River (Nkhambule Sugar Estate and Mgwagwa Farm). Trenching started at Ngudumane Dlamini Farm for the installation of correctly sized mainlines and submains infield.

Table 2 Progress on Rectification of Irrigation Design Faults

Grower	Location	Progress	Comments
Cathula Farmers Association	North	0%	
Hlofu Farmers Association	North	0%	
Mphilimbe Association	South	0%	
Chief Mgwagwa Gamedze	South	45%	Suction sump completed
Nkhambule Sugar estate	South	80%	Suction sump completed
Madlenya Irrigation Scheme	South	0%	
James Shabangu	South	0%	
Mciniseli Tsabedze	South	0%	
Hlandeni Farm	South	0%	
Mdobandola Farmers Association	South	0%	
Ngudumane Dlamini Farm	South	40%	Trenching started
Jabusisa Farm	South	0%	



Picture 5: Installation of a Flushing Manifold at Hlofu Farmers Association



Picture 6: Construction of a Suction Sump at Mpilimbe Farmers Association



Picture 7: Suction pump at Construction at Nkambule Sugarcane Farm



Picture 8: Installation of Correct Size Sub Mains at Mciniseli Tsabedze Farm

3.4.3 Result Area1 Call 2 and 1

Monitoring of completed works is on-going and it is planned that once harvesting is completed analysis will be done on the yield performance per beneficiary.

3.4.4 Planned Activities for the Next Financial Year

- 1) Field visit with the Contracting Authority and the EU Delegation.
- 2) Issuance of a Provisional Acceptance Certificate for contract SCGA/RWKS/08 (infield roads rehabilitation).
- 3) Monitoring implementation of works under contract SCGA/RWKS/07 and SCGA/RWKS/08.
- 4) Engagement of the Contracting Authority and the beneficiaries of the grants under the Swaziland Sugar Facility to solicit support to existing sugarcane growers for replanting of old un-productive ratoons.

4. STRATEGIC OUTLOOK

The challenges and opportunities ahead of SCGA have been highlighted in previous sections. The industry vision/strategy is going to be a priority for the year. Flowing out of the process may be a new strategic outlook. The visions for the near future are summarised in the sub-sections below.

4.1 Strategic Plan Review

The current SCGA Strategic Plan pre-dates the industry vision. It will be necessary to review the document to align with the findings of the industry wide vision. This will be followed by awareness creation of both the industry and SCGA visions. Of utmost importance will be for SCGA to crystallise a niche role in the sugar industry.

4.2 Organisational Structure Review and Alignment

The office structure of SCGA will have to align to the future vision of the Association. The

Governance structure will be further strengthened with skills to effectively play the oversight role incumbent upon them. Alternative resources for capacity building will be pursued in earnest.

4.3 Service Delivery to, Representation of and Support to Cane Growers

Service delivery to members has to be upscaled in the face of the challenges faced by the industry. SCGA will individually and in cooperation with other stakeholders investigate ways to enable cane growers to run their business to ensure sustainability.

The Association is cognizant of its limitations with regard to financial and material resources. Alternative ways of addressing the deficiency/handicap will be pursued in earnest. The SCGA will have to demonstrate increased sense of diligence and effectiveness in order to achieve the desired recognition and positive image.



Picture 9: Grower Feedback Meeting at Mhlume Hambanathi Hall

4.4 Communication, Networking and Relations Building

The challenges ahead of the cane growing business require new ways of doing things. One of the priorities for the new year will be leveraging technology to improve efficiency. The year shall see the Association take advantage of modern communication systems

such as social networks and websites. Modern banking methods will be introduced to reduce costs and time of doing work.

Networks, collaborations and relations with other Associations in the Region and abroad will be pursued and copy best practices shared for the betterment of Swazi cane growers.



**SWAZILAND CANE GROWERS' ASSOCIATION
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2015

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SWAZILAND CANE GROWERS' ASSOCIATION

STATEMENT OF EXECUTIVE COMMITTEE'S RESPONSIBILITY

For the year ended 31 March 2015

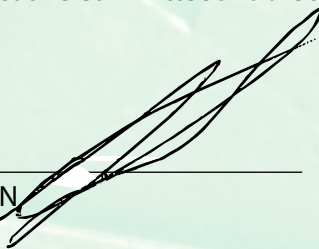
The Executive Committee are responsible for the preparation, integrity and fair presentation of the financial statements of Swaziland Cane Growers Association. The financial statements presented on pages 5 to 24 have been prepared in accordance with International Financial Reporting Standards and include amounts based on judgements and estimates made by management. The Executive Committee also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

The Executive Committee are also responsible for the Association's system of internal financial control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Executive Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

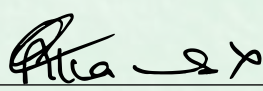
The going concern basis has been adopted in preparing the financial statements. The Executive Committee have no reason to believe that the Association will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the Association.

The financial statements have been audited by the independent auditors, PricewaterhouseCoopers, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Executive Committee. The Executive Committee believe that all representations made to the independent auditors during their audit are valid and appropriate.

The audit report of PricewaterhouseCoopers is presented on pages 3 - 4. The financial statements were approved by the Executive Committee and are signed on its behalf by:



CHAIRMAN



EXECUTIVE DIRECTOR

24 August 2015
DATE

24 August 2015
DATE



REPORT OF THE INDEPENDENT AUDITORS FOR THE YEAR ENDED 31 MARCH 2015 TO THE MEMBERS OF SWAZILAND CANE GROWERS' ASSOCIATION

We have audited the annual financial statements of Swaziland Cane Growers' Association, which comprise the Executive Committee's report, the statement of financial position as at 31 March 2015, the statement of comprehensive income, the statement of changes in equity, the statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 24.

Executive Committees Responsibility for the Financial Statements

The Executive Committee is responsible for the preparation and fair presentation of these financial statements in accordance with Swaziland and International Financial Reporting Standards, and in the manner required by the Swaziland Cane Growers Act of 1967. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Committee, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Association at 31 March 2015, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Swaziland Cane Growers Act of 1967, as amended.

Supplementary information

The statements presented on Annexure 1 and 2 do not form part of the financial statements and are presented as additional information.

PricewaterhouseCoopers

PricewaterhouseCoopers

Partner: *Theo Mason*

Chartered Accountant (Swaziland)

Mbabane

Date *24 August 2015.*

EXECUTIVE COMMITTEE'S REPORT

For the year ended 31 March 2015

The Executive Committee present their annual report, which forms part of the audited financial statements of the Association for the year ended 31 March 2015.

General review

The Association continued to charge levies in terms of Section 4 of the Cane Growers Act of 1967, as amended, on sugar cane growers in Swaziland. No matter which is material to the financial affairs of the Association has occurred between 31 March 2015 and the date of approval of the financial statements.

Financial results

The financial results show an increase in revenue of 10%. (2014 increase of 1%). Costs increased by 72% (2014 increase by 106%). Full details of the financial results are set out on pages 7 to 24 in the financial statements.

Accumulated funds

Accumulated funds increased by 1% due to the favourable profits in the current year.

Executive Committee

PM Ginindza is the Executive Director and retired on the 30 April 2015, replaced by Dr S Nkambule on the 1 May 2015.

Members:

Mr P Malandvula	Simunye Planters' Group (Member)
Mr J L Khumalo	Simunye Planters' Group (Member)
Mr J Matimba	Simunye Planters' Group (Member)
Mr M Mndzebele	Simunye Planters' Group (Member)
Mr T Nkambule	Big Bend Planters' Group (Member)
Mr G F Scheepers	Big Bend Planters' Group (Vice Chairman)
Mr S Geldenhuys	Big Bend Planters' Group (Member)
Mr M Mabuza	Big Bend Planters' Group (Member)
Mr G White	Mhlume Planters' Group (Chairman)
Mr E J Nxumalo	Mhlume Planters' Group (Member)
Mr B James	Mhlume Planters' Group (Member)
Mr E M Ndzimandze	Mhlume Planters' Group (Member)

EXECUTIVE COMMITTEE'S REPORT (continued)

For the year ended 31 March 2015

Members (continued):

Mr AT Dlamini

Mrs MS Magagula

Mr AT Ngcobo

Tibiyo Taka Ngwane (Member)

Tibiyo Taka Ngwane (Member)

Tibiyo Taka Ngwane (Member)

Auditors

It is recommended that PricewaterhouseCoopers be re-appointed into office for the ensuing year.

Bankers

Nedbank (Swaziland) Limited

P O Box 68

Mbabane

Secretary

P M Ginindza

P O Box 273

Mbabane

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2015

	Note	2015 E	2014 E
Revenue		2 066 505	1 886 230
Grant Income	3	16 490 163	9 592 193
Profit from sale of fixed assets		-	5 329
Other income	18	72 838	4 000
Total income		18 629 506	11 487 752
Administration expenses		(2 461 911)	(2 295 397)
Other expenses		(15 883 723)	(9 235 699)
Total expenses		(18 345 634)	(11 531 096)
Profit/ (Loss) from operations		283 872	(43 344)
Finance income – net	2	572 872	306 569
Profit before taxation	1	856 744	263 225
Income tax expense	17	(56 262)	(48 336)
Net profit for the year		800 482	214 889

STATEMENT OF FINANCIAL POSITION

At 31 March 2015

	Note	2015 E	2014 E
ASSETS			
Non-current assets			
Property, plant and equipment	4	233 071	284 587
Intangible asset	5	133	2 566
		<u>233 204</u>	<u>287 153</u>
Current assets			
Financial asset – at amortised cost	6	6 280 322	5 933 671
Accounts and other receivables	7	142 802	164 909
Cash and cash equivalents	8	16 220 497	16 561 829
Current tax prepayment	15	29 700	37 626
		<u>22 673 321</u>	<u>22 698 035</u>
Total assets		<u><u>22 906 525</u></u>	<u><u>22 985 188</u></u>
RESERVES AND LIABILITIES			
Reserves			
Accumulated funds		5 847 864	5 247 502
General reserve	9	1 785 576	1 585 456
Training grant	10	43 025	43 025
		<u>7 676 465</u>	<u>6 875 983</u>
Current liabilities			
Trade and other payables	12	1 408 168	2 453 380
Deferred grant	11	13 821 892	13 655 825
		<u>15 230 060</u>	<u>16 109 205</u>
Total reserves and liabilities		<u><u>22 906 525</u></u>	<u><u>22 985 188</u></u>

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	Training Grant E	General Reserve E	Accumulated Funds E	Total E
Balance at 31 March 2014	43 025	1 585 456	5 247 502	6 875 983
Profit for the year	-	-	800 482	800 482
Transfer to general reserve (Note 9)	-	200 120	(200 120)	-
Received during the year	-	-	-	-
Balance at 31 March 2015	43 025	1 785 576	5 847 864	7 676 465
Balance at 31 March 2013	43 025	1 531 733	5 086 336	6 661 094
Profit for the year	-	-	214 889	214 889
Transfer to general reserve (Note 9)	-	53 723	(53 723)	-
Balance at 31 March 2014	43 025	1 585 456	5 247 502	6 875 983

STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	Note	2015 E	2014 E
Cash Flows from operating activities			
Cash generated from operations	13	(631 029)	1 983 926
Interest received	2	572 872	468 909
Interest paid	2	-	(162 340)
Taxation paid	15	(48 336)	(78 535)
Net cash generated from operating activities		(106 493)	2 211 960
Cash Flows from investing activities			
Increase of available for sale investments		(346 651)	(316 824)
Proceeds on disposal of assets		6 941	1 000
Purchase of property, plant and equipment	4	(61 193)	(6 167)
VAT refund		-	51 248
Net cash outflow from investing activities		(400 903)	(270 743)
Cash Flows from financing activities			
Decrease in trust funds		-	(5 999)
Increase in deferred grant		166 064	7 312 105
		166 064	7 306 106
Movement during the year		(341 332)	9 247 323
At beginning of year		16 561 829	7 314 506
Cash equivalents at end of year	8	16 220 497	16 561 829

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2015

The principal accounting policies adopted in the preparation of these financial statements are set out below.

1. Basis of preparation

The financial statements of Swaziland Cane Growers' Association have been prepared in accordance with Swaziland and International Financial Reporting Standards (IFRS). They have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Association's accounting policies. There are no areas in the financial statements involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements. Where estimates are involved, these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

1.1 Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the company*

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2014 that would be expected to have a material impact on the Association.

(b) *New standards, amendments and interpretations*

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. This amendment is not applicable to the company.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. This amendment is not applicable to the association.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the year ended 31 March 2015

1. Basis of preparation (continued)**1.1 Changes in accounting policy and disclosures (continued)****(b) New standards, amendments and interpretations (continued)**

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Association is not currently subjected to significant levies so the impact on the Association is not material.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The company is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Association is assessing the impact of IFRS 15.

The following standards and amendments to existing standards have been published and are mandatory for the Association's accounting periods beginning on or after 1 January 2014 or later periods, but the Association has not early adopted them as they are not applicable to the association.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Association.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the year ended 31 March 2015

2. Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the association and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on the straight line method to write off the cost of each asset to their residual values over their estimated useful life as follows:

Office furniture	10%
Computer equipment	33%
Motor Vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

3. Financial assets

The Association classifies its investments in the following categories: financial assets at cost, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Association provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the year ended 31 March 2015

3. Financial assets (continued)**b) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or cannot be classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Investments are initially recognised at fair value plus transaction cost for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Association has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Purchases and sales of investments are recognised on the trade date, which is the date that the Association commits to purchase or sell the asset. Cost of purchase includes transaction costs.

Financial assets at fair value through profit and loss, and available-for-sale investments are subsequently carried at fair value. Held-to-maturity investments are carried at amortised cost using the effective yield method.

Realised and unrealised gains and losses arising from changes in the fair value of trading investments are included in the income statement in the period in which they arise.

b) Available-for-sale financial assets (continued)

The fair values of investments are based on stock exchange quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

c) Offset of financial assets and liabilities

Financial assets and financial liabilities are offset in the amount represented in the balance sheet when the Association has a legally enforceable right to set off the recognised amount, and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the year ended 31 March 2015

3. Financial assets (continued)

d) Financial assets at cost

The financial assets are carried in the balance sheet at cost.

4. Deferred grants

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Association will comply with all attached conditions.

Grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

5. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

6. Taxation

The Association is exempt from taxation except for net income arising from activities which are outside the core business in terms of Section 12 (1) (a) (vi) of the Income Tax Order.

7. Provisions

Provisions are recognised when the Association has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The Association recognises the estimated liability on all products still under warranty at the balance sheet date. The provision is calculated based on service histories. Employee entitlements to annual leave and long service leave are recognised when they accrue to employees.

A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date. The Association recognizes provisions for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the year ended 31 March 2015

7. Provisions

Restructuring provisions comprise lease termination penalties and employee termination payments are recognized in the period in which the Association became legally or constructively obligated. Costs related to the ongoing activities of the Association are not provided for in advance.

8. Employee benefits

For defined contribution plans, the Association pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Association has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

9. Accounts payable

Accounts payables are carried at fair value of the consideration to be paid in future for goods or services that have been received or supplied and invoiced or formerly agreed with the supplier.

10. Leased assets

Where the Association enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'.

The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalment. All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

11. Impairment of assets

The carrying amounts of the Association's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised in the profit and loss statement whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the year ended 31 March 2015

11. Impairment of assets (continued)

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount than would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

12. Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is an objective evidence that the Association will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount.

13. Revenue recognition***Levies***

Levies are recognised when it is probable that the economic benefits associated with the transaction will flow to the Association and the amounts of levies can be reliably measured.

Grant Income

Grants from the government are recognised at their fair value as deferred income where there is a reasonable assurance that the grant will be received and the Association will comply with all attached conditions. Government grants relating to project costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight line basis over the expected lives of the related assets.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Association reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized either as cash is collected or on a cost-recovery basis as conditions warrant.

14. Related parties

Parties are related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and other operating decisions.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the year ended 31 March 2015

15. Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The deferred tax asset and liability of the Association relate to the same fiscal authority and therefore have been offset against each other.

16. Comparatives

Where necessary comparative figures have been restated to conform with changes in presentation in the current year.

17. Financial risk management

The Association's activities expose it to credit risk and liquidity risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation

Credit risk arises from cash and cash equivalents with banks and financial institutions, as well as credit exposures to outstanding receivables. The Association's cash and cash equivalents are placed with high credit quality financial institutions. Accordingly the Association has no significant concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Association remains confident that the available cash resources and overdraft facilities will be sufficient to meet its funding requirements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

	2015 E	2014 E
1 Profit before taxation		
Profit before taxation is stated after:		
Auditor's remuneration	(51 134)	(38 324)
Depreciation on property, plant and equipment	105 769	107 884
Amortisation of intangible assets	2 434	2 866
Staff costs (note 14)		
Portion in respect to Swaziland Cane Growers Association employees	(1 026 954)	(1 054 717)
Portion paid from grant funding	(1 434 958)	(1 168 680)
Finance income-net (note 2)	572 872	306 569
Profit on property, plant and equipment disposals	-	5 329
Sundry income	72 838	4 000
Repairs and maintenance	(4 275)	(13 641)
2 Finance income – net		
Interest received	572 872	468 909
Interest paid	-	(162 340)
	572 872	306 569
3 Grant income		
Analysis of grant income is as follows:		
Sources of grants		
European Union	16 490 163	9 592 193
This is the amortisation of the portion of the grant that was utilised in 2015		
The analysis of expenditure that matches the grant income is as follows:		
Salaries	1 434 958	1 168 680
Depreciation	83 727	85 096
Motor vehicle expenses	58 559	77 927
Other expenses	14 912 919	8 260 489
	16 490 163	9 592 192

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2015

4 Property, plant and equipment

	Computer Equipment E	Office Furniture E	Motor Vehicle E	Total E
Year ended 31 March 2015				
Opening carrying amount	32 720	49 820	202 047	284 589
Additions	51 223	9 970	-	61 193
Disposals	(6 942)	-	-	(6 942)
Depreciation charge	(27 696)	(3 014)	(75 058)	(105 769)
Closing net book amount	<u>49 306</u>	<u>56 776</u>	<u>126 989</u>	<u>233 071</u>
At 31 March 2015				
Cost	368 873	219 785	375 293	961 951
Accumulated depreciation	(319 568)	(163 008)	(248 304)	(730 880)
Closing carrying amount	<u>49 305</u>	<u>56 776</u>	<u>126 989</u>	<u>233 071</u>
Year ended 31 March 2014				
Opening carrying amount	28 709	78 571	325 942	433 222
Additions	10 566	-	-	10 566
Disposals	-	(2 481)	(48 836)	(51 317)
Depreciation charge	(6 555)	(26 270)	(75 059)	(107 884)
Closing net book amount	<u>32 720</u>	<u>49 820</u>	<u>202 047</u>	<u>284 587</u>
At 31 March 2014				
Cost	324 592	209 815	375 293	909 700
Accumulated depreciation	(291 872)	(159 995)	(173 246)	(625 113)
Closing carrying amount	<u>32 720</u>	<u>49 820</u>	<u>202 047</u>	<u>284 587</u>

	2015 E	2014 E
5 Intangible Assets		
Year ended 31 March 2015		
Opening carrying amount	2 566	5 432
Amortisation	(2 433)	(2 866)
Closing net book amount	<u>133</u>	<u>2 566</u>
At 31 March 2014		
Cost	8 685	8 685
Accumulated amortisation	(8 552)	(6 119)
Closing carrying amount	<u>133</u>	<u>2 566</u>

All intangible assets purchased were from grant funding from the European Union.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2015

	2015 E	2014 E
6 Financial Asset – at amortised cost		
Swaziland Sugar Association	<u>6 280 322</u>	<u>5 933 671</u>
Opening balance	<u>5 933 671</u>	5 616 847
Interest	<u>346 651</u>	<u>316 824</u>
Closing balance	<u>6 280 322</u>	<u>5 933 671</u>
The investment earns interest at prime rate less 3% per annum.		
7 Accounts and other receivable		
Debtors	<u>82 636</u>	95 275
Prepayments	<u>35 680</u>	54 930
VAT control	<u>24 486</u>	<u>14 704</u>
	<u>142 802</u>	<u>164 909</u>
8 Cash and cash equivalents		
Nedbank current account	<u>135 531</u>	66 250
Nedbank call account	<u>63 017</u>	104 555
Nedbank grant call account	<u>15 957 157</u>	15 150 137
Nedbank grant current account	<u>64 607</u>	1 239 182
Cash in hand	<u>185</u>	<u>1 705</u>
Net cash and cash equivalents	<u>16 220 497</u>	<u>16 561 829</u>
9 General reserve		
Opening balance	<u>1 585 456</u>	1 531 733
Transfer during the year	<u>185 049</u>	<u>53 723</u>
Closing balance	<u>1 770 505</u>	<u>1 585 456</u>
It is the Association's policy to transfer 25% of its profit after taxation to a general reserve.		
10 Training grant		
Unutilised amount carried forward	<u>43 025</u>	<u>43 025</u>
This is a grant received from Swaziland Sugar Association for training farmers on better farming		

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2015

	2015 E	2014 E
11 Deferred Grant		
Opening balance	13 655 825	6 343 720
Received during the year	16 656 230	16 904 297
Amortisation during the year (note 3)	<u>(16 490 163)</u>	<u>(9 592 192)</u>
Closing balance	<u>13 821 892</u>	<u>13 655 825</u>
<p>This is a grant received from the European Union for the empowerment of local farmers. Grant is still being utilised.</p>		
12 Trade and other payables		
Other payables	1 405 046	2 279 401
Accruals	<u>3 122</u>	<u>173 979</u>
	<u>1 408 168</u>	<u>2 453 380</u>
13 Reconciliation of cash flows to cash generated by operations		
Operating surplus before taxation	856 744	263 225
Depreciation	108 202	110 750
Interest income	(572 872)	(468 909)
Interest expense	-	162 340
Profit on disposal	-	(5 329)
	<u>392 074</u>	<u>62 077</u>
Operating surplus before working capital changes	392 074	62 077
Working capital changes	(1 023 103)	1 921 849
Decrease/(increase) in accounts receivable	22 108	(92 153)
(Decrease)/increase in accounts payable	<u>(1 045 211)</u>	<u>2 014 002</u>
Cash flows from operations	<u>(631 029)</u>	<u>1 983 926</u>

NOTES TO THE FINANCIAL STATEMENTS(continued)

For the year ended 31 March 2015

	2015 E	2014 E
14 Staff costs		
Salaries and wages paid in respect to Swaziland Cane Growers Association employees	954 953	1 054 717
Car allowances	72 000	72 000
Salaries and wages paid by grant	1 434 958	1 168 680
	<u>2 461 911</u>	<u>2 295 397</u>
The average number of employees during the year was 6 (2014: 6).		
15 Taxation		
Tax asset at the beginning of the year	37 626	7 428
Taxation charge	(56 262)	(48 336)
Tax paid during the year	48 336	78 534
	<u>29 700</u>	<u>37 626</u>
16 Related party transaction		
a) Swaziland Cane Growers Association has a 50% representation on the Swaziland Sugar Association Council. The remaining 50% representation is by Swaziland Millers Association. As at year end Swaziland Cane Growers Association had an investment in Swaziland Sugar Association amounting to E6 280 322 (2014: E5 933 671).		
b) Executive Committee expenses	<u>51 167</u>	<u>36 046</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2015

	2015	2014
	E	E
17 Income tax expense		
Current tax	<u>56 262</u>	<u>48 336</u>
	<u>56 262</u>	<u>48 336</u>
Tax reconciliation		
Surplus before tax	<u>856 744</u>	263 225
Tax at 27.5%	<u>235 605</u>	72 387
Non-taxable income	<u>(179 343)</u>	<u>(24 051)</u>
	<u>56 262</u>	<u>48 336</u>
18 Other income		
Income from the sale of tender documents and sale of used irrigation equipment	<u>72 838</u>	<u>4 000</u>

DETAILED INCOME STATEMENT

for the year ended 31 March 2015

	2015 E	2014 E
INCOME		
Levies	1 464 418	1 221 084
Special levy	602 087	665 146
Grant Income	16 490 163	9 592 192
Interest received- grant	220 252	-
Interest received- SCGA	352 620	468 909
Sundry income	72 838	4 000
Income from sale of non-current asset	-	5 329
	19 202 378	11 956 660
EXPENDITURE		
Audit fees	(38 324)	(45 517)
Bank charges	(48 749)	(26 629)
Consultants fees and expenses	(47 817)	(99 053)
Meetings	(67 531)	74 984
Depreciation and Amortisation	(108 202)	(110 749)
Electricity	(19 000)	(19 500)
Entertainment	(8 781)	(7 575)
Executive Committee expenses	(51 167)	(36 046)
General expenses	(34 199)	(14 773)
Insurance	(47 650)	(63 075)
Legal fees	(15 250)	(8 728)
Adaption/new irrigation	(4 700 108)	-
Motor vehicle expenses	(44 482)	(60 059)
Printing and stationery	(65 856)	(55 575)
Rent and office facilities	(158 574)	(148 200)
Repairs and maintenance	(4 275)	(13 641)
Salaries and wages	(2 461 911)	(2 295 397)
Subscriptions	(176 307)	(131 850)
Telephone and postage	(64 568)	(60 178)
Training	-	(3 254)
Travelling and subsistence expenses	(28 844)	(29 018)
Visibility	(3 021)	(162 340)
Advertising Costs	-	(68 697)
Technical Studies	-	(6 925)
Pumps	(2 237 936)	(4 389 777)
Eradication of Cane(New crop establishment)	-	(1 368 310)
New crop establishment	-	(178 273)
Mainline	(3 128 796)	(1 395 612)
Infield road/other	(4 784 286)	(819 700)
	(18 345 634)	(11 693 435)
Surplus for the year before taxation	856 744	263 225
Swaziland normal taxation	(56 262)	(48 336)
Surplus for the year after taxation	800 482	214 889

TAXATION SCHEDULE

for the year ended 31 March 2015

		2015 E
Taxable income:		
Interest received		352 620
		<u>352 620</u>
Deduct direct expenditure		
Insurance	47 650	
Legal fees	15 250	
	<u>(62 900)</u>	
10% apportionment of:		
Effective Executive Director's salary	20 106	
Office admin staff salary	51 532	
Printing and stationery	6 585	
Telephone	5 260	
	<u>(83 483)</u>	
Indirect expenditure		
Audit and accounting fees	38 325	
Bank charges	48 749	
Interest paid	-	
	<u>(87 074)</u>	
Apportionment $(\frac{352\,620 \times 87\,074}{18\,629\,506})$		(1 648)
Taxable income		<u>204 589</u>
Tax thereon @ 27.5%		<u>56 262</u>

