



OUR VISION

Grower sustainability and development through optimum and equitable value from a stick of cane.

OUR MISSION

Providing strong support, proactive advocacy, positive influence, accurate information and best practice skills to enable sugarcane business progress and sustainability.

OUR STRATEGIC OBJECTIVES

1. To build and sustain institutional capacity through attraction, development and retention of people with appropriate skills.
2. To realise true value of sugarcane through positive influence on and constructive engagement with stakeholders.
3. To anticipate and proactively adapt to and/or mitigate changes in the sugarcane business environment.
4. To ensure equitable, effective and informed participation of cane growers in the industry.
5. To align the SCGA to good corporate governance practices and responsible corporate citizenship.

OUR ORGANIZATIONAL VALUES

1. Integrity.
2. Best and sole interest of SCGA.
3. Positive influence and engagement.
4. Maximizing value from resources.
5. Continuous improvement.
6. Resource value maximization.
7. Results driven.



2017



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1. CHAIRMAN'S REMARKS

I am pleased to present the SCGA Annual Report for the year 2016/17. The 2016/17 year was an unusual and particularly difficult one in terms of its numerous challenges. Top among the encountered challenges was the El Nino induced drought that began late in 2014, through 2015 and reached its peak in 2016. The yields dropped materially resulting in financial challenges for both members and the Association. Despite the hardships encountered it is pleasing to note that growers once again mitigated the impact and minimised the losses. I wish to particularly applaud growers for their cooperation in trying times especially during water rationing periods. Unfortunately, the impact of the drought will continue to be felt in the crop harvested in 2017/18 and possibly beyond. Efforts have been made to mitigate the impact of the prevailing situation. The SCGA have, with the support of the EU, established an additional 103-Ha of secondary seed cane nurseries. Affected out-growers will benefit from subsidized seed cane in the Spring of 2017.

The drought adversely affected out-grower yields as shown in later sections. On a year on year basis the total industry sucrose production was 694 125 about 15% down.

The sucrose price ended at E3 873, up 24% year on year. This resulted in 7% growth in nominal revenue much against anticipated phenomenal losses following 13% decline in outgrower sucrose yield (51 067 tonnes down for outgrowers). The improved price is attributable to the weakening of the Lilangeni against major foreign currencies and diversification of allocations, by SSA, into the SACU market.

The SCGA EU Grant came to an end on 22 September 2016. The grant assisted sixty-one (61) smallholder and medium scale sugarcane growers across the entire Swaziland sugarcane industry. This covers growers assisted with rectification of irrigation design faults, rehabilitation of infield roads and drainage and diversification to other crops other than sugarcane. Furthermore 103-Ha of secondary seedcane nurseries were established to assist drought affected farmers re-establish their fields. The Grant further enabled the training of 264 farmer company (FC) board members in corporate governance. This was in response to the acute need for grower skills development in corporate governance which management identified in the previous year.

A number of operational improvements/modernisations have been made in the office during the year. Chief among these is computerised payroll and procurement. The effect of the drought will spill over to the next year. However, it is a significant relief that good rains were received towards the end of the year. This is also the year when the removal of EU sugar quotas will happen. The exact impact of this eventuality is unknown. However, the consensus seems to be that the price fetched by Swaziland sugar from EU markets will go down. This calls for fast-tracked implementation of the industry strategy to secure the Southern African Customs Union (SACU) market share and expand into the Regional (Continental) markets. The exit of the United Kingdom from the EU was an unexpected development. There is no way of accurately predicting how this development shall impact



marketing of Swaziland sugar further adding to the uncertainty.

The year ended with the Swaziland Energy Regulation authority (SERA) granting an average 15% electricity tariff increase for each of the next two years. This development will also have material adverse impact on the profitability of the sugarcane growers.

All the above developments call for a comprehensive sustainability strategy for growers. This need is already entrenched in the SCGA Strategic Plan. Efforts to get support in funding value chain and climate change mitigation studies were at an advanced stage at the end of the year and there were reasons to be hopeful for success. In conclusion, I wish to once again, implore SCGA members (the growers) to work together with the Executive Committee and the Office as we face the seemingly uncertain future business environment.



2. CEO'S REPORT

2.1 SCGA at a Glance

2.1.1 Legal Status

The Swaziland Cane Growers Association (SCGA) is a member owned/funded non-governmental organisation (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 Sugar Millers Association (SSMA) 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 three (3) prongs being representation, advocacy and service to cane growers in Swaziland.

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

- i. is a member of any other Association of sugar cane growers in Swaziland;
- ii. 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.

2.1.2 SCGA Executive Committee 2016/17 Elected 14 September 2016

Table 1: SCGA ExCo Members in 2016/17

Member	Group
1. Mr. GC White	Mhlume - Chair
2. Mr B James	Mhlume
3. Mr E Ndzimandze	Mhlume
4. Mr. J Nxumalo	Mhlume
5. Mr P Malandvula	Simunye – Vice Chair
6. Mr. M. Mndzebele	Simunye
7. Mr. M. Hlatjwako	Simunye
8. Mr S. Nkambule	Simunye
9. Mr K. FitzPatrick	Big Bend
10. Mr M Mabuza	Big Bend
11. Mr. S Geldenhuys	Big Bend
12. Mr T M Nkambule	Big Bend
13. Dr . AT Dlamini	Tibiyo
14. Mr. AT Ngcobo	Tibiyo
15. Ms SM Magagula	Tibiyo
16. Dr. SV Nkambule	CEO – Ex-officio

2.1.3 Big Bend Planters' Group Committee as Elected on 14 September 2016

Table 2: Big Bend Planters' Group Committee in 2016/17

	Name	Position
1	Mr S. Geldenhuys	Chairman
2	Mr M Mabuza	Vice Chairman
3	Mr. TM Nkambule	Member
4	Ms K. Dlamini	Member
5	Mr. S Mahlalela	Member
6	Mr K FitzPatrick	Member
7	Mr G. Scheepers	Member
8	Mr S Ngcamphalala	Member

2.1.4 Mhlume Planters' Group Committee

Table 3: Mhlume Planters' Group Committee in 2016/17

	Name	Position
1	Mr GC White	Chairman
2	Mr. B James	Vice Chairman
3	Mr. E J Nxumalo	Member
4	Mr E Ndzimandze	Member
5	Mr. T. Mthembu	Member
6	Mr M F. Dlamini	Member
7	Mr. N. Magagula	Member
8	Mr. I. Shabangu	Member

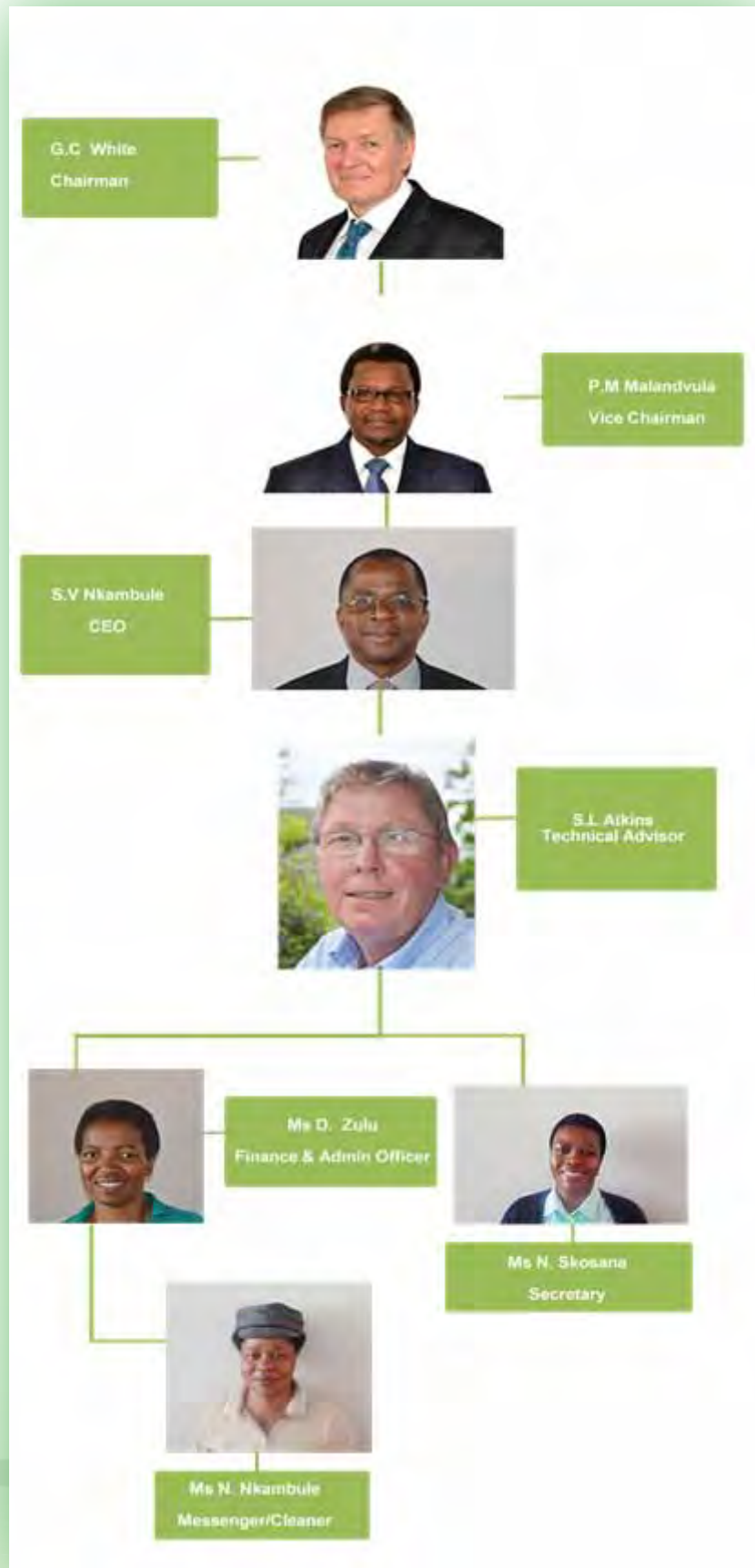
2.1.5 Simunye Planters' Group Committee

Table 4: Simunye Planters' Group Committee 2016/17

	Name	Position
1	Mr PM Malandvula	Chairman
2	Mr M. Hlatjwako	Vice Chairman
3	Mr. J. Khumalo	Member
4	Mr. R. Dlamini	Member
5	Mr. S Nkambule	Member
6	Mr M. Mndzebele	Member
7	Mr B Hlophe	Member
8	Mr J Mgabhi	Member



Organizational Structure



The Cane Growing Year 2016/17

2.2.1 Climatic and Other Growing Conditions

Potential cane yield is a measure of the maximum tonnage of cane that climatic conditions would permit, if the farming operations and inputs (irrigation, fertilizer, weed control, soil conditions, disease and pest control, general management, etc) were perfect in efficiency and effectiveness. In real life, perfection is not possible as one or more factors limit the yield. All things being equal the actual production is expected to be proportional to the potential yield.

In terms of climatic potential, the 2016/17 was worse than 2015/16, with exception of Simunye PG (Figure 1). Furthermore, the already poor growing conditions were not sufficiently exploited as will be seen later in the report.

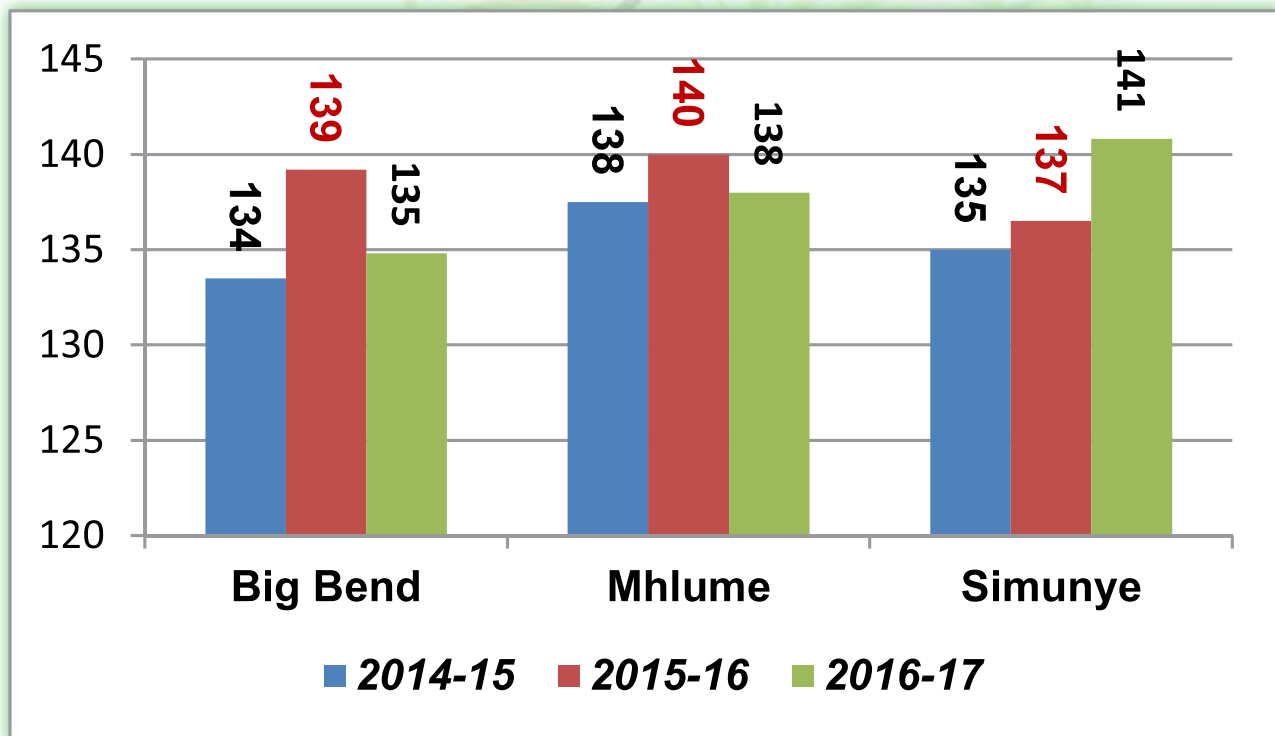


Figure 1: Potential Cane Yield (Tons Cane Per Hectare per Annum, TCHA) in 2016/17 compared to Previous 2 years (SSA IDB 2017).

During the 2016-17 season, the major limiting factor to cane production was once again the lack of water due to severe drought conditions experienced throughout Swaziland, and indeed the whole the Southern Africa Region. The 2016/17 season saw the full impact of the drought that started in late 2014. Throughout the year the quantum of rains and dam levels were well below normal.

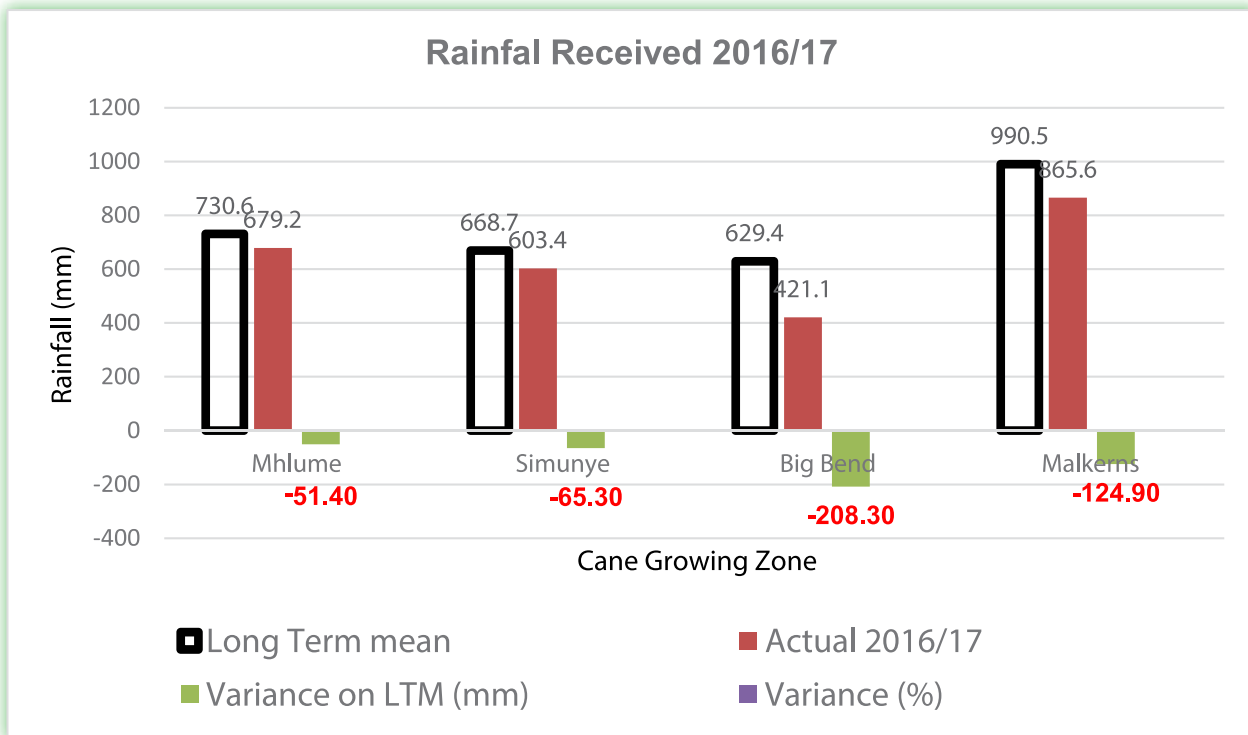


Figure 2: Rainfall Patterns over the Year 2016/17 (April 2016 to March 2017)

The rainfall received was between 7%(Mhlume) and 33% (Big Bend) below the long term means.

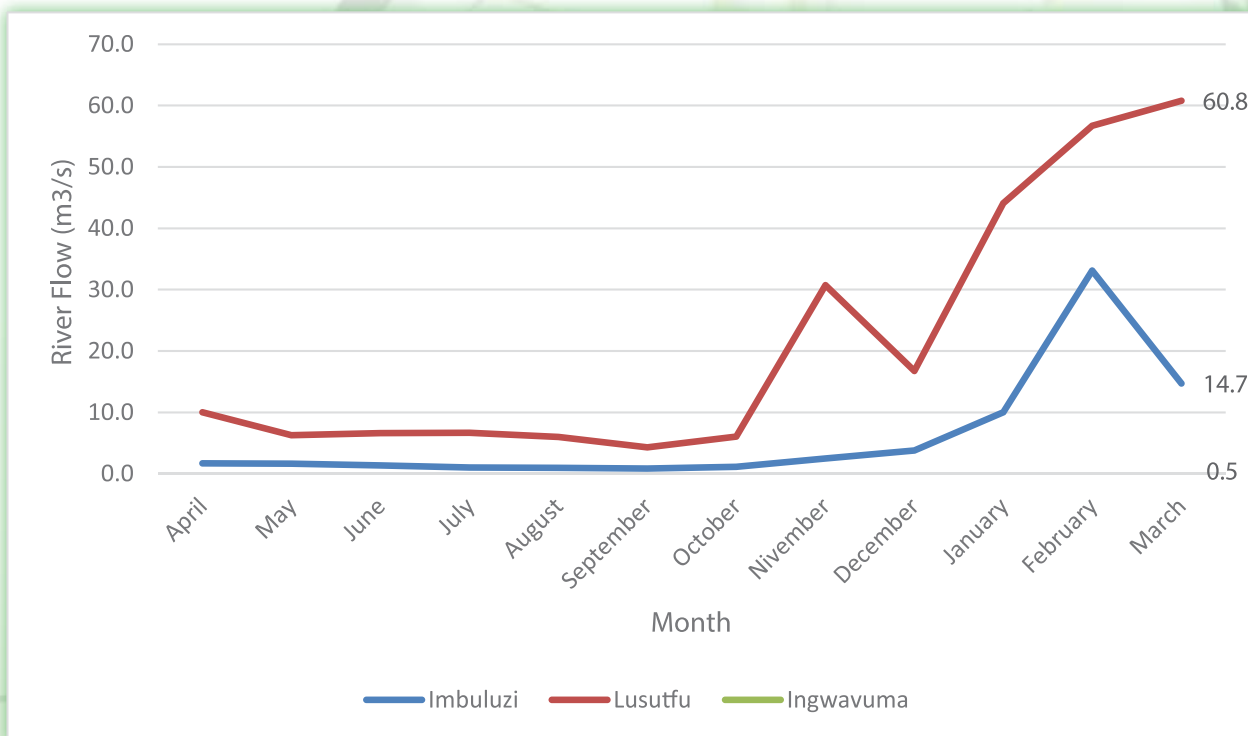


Figure 3(a) : River Flows over the Year

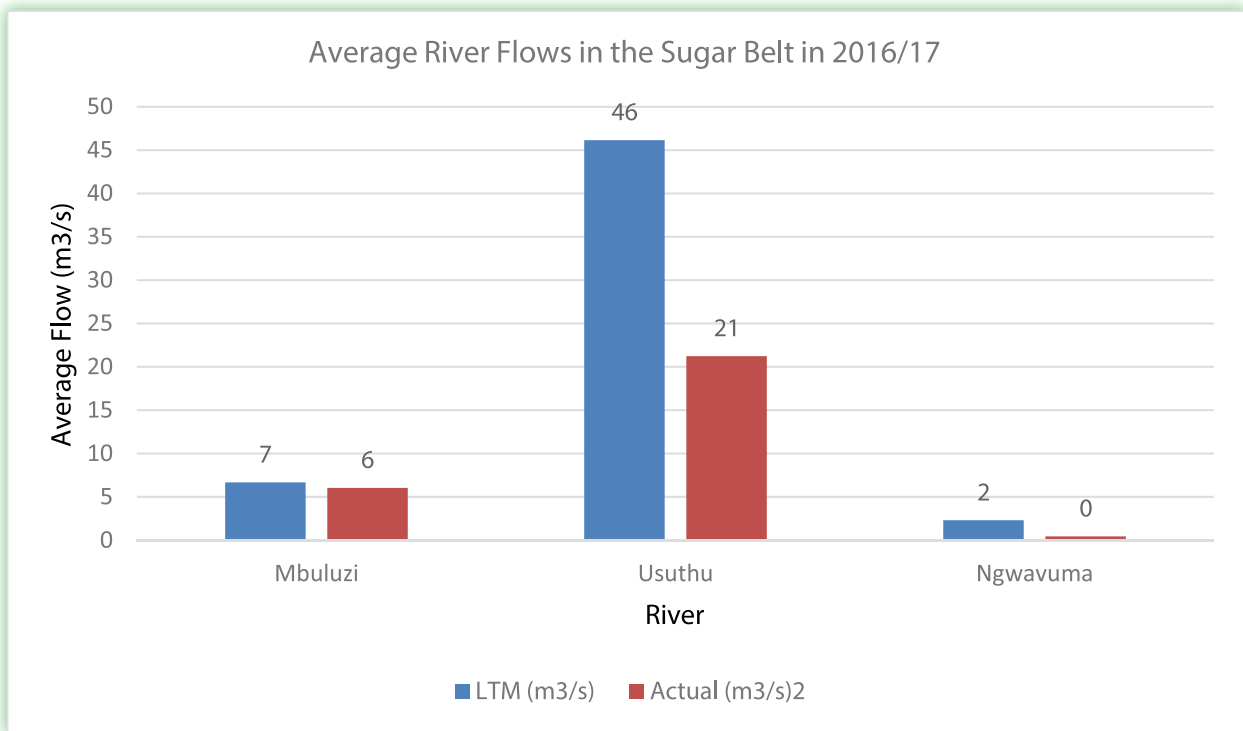


Figure 3(b): Average River Flow Levels in 2016/17 vs Long Term Means (LTMs)

In consistency with the rainfall the flow levels were low in all the rivers with the hardest hit being the Usuthu and Ngwavuma.

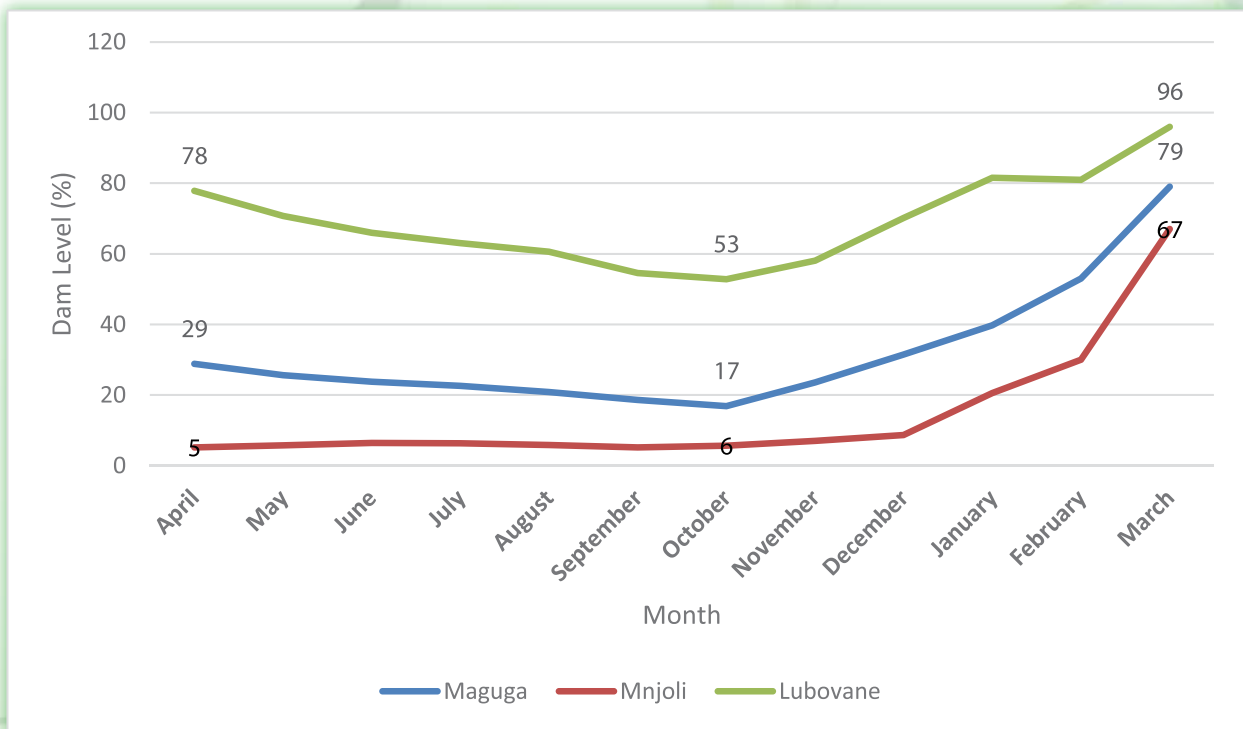


Figure 4(a): Major Dam Levels During the Reporting Year

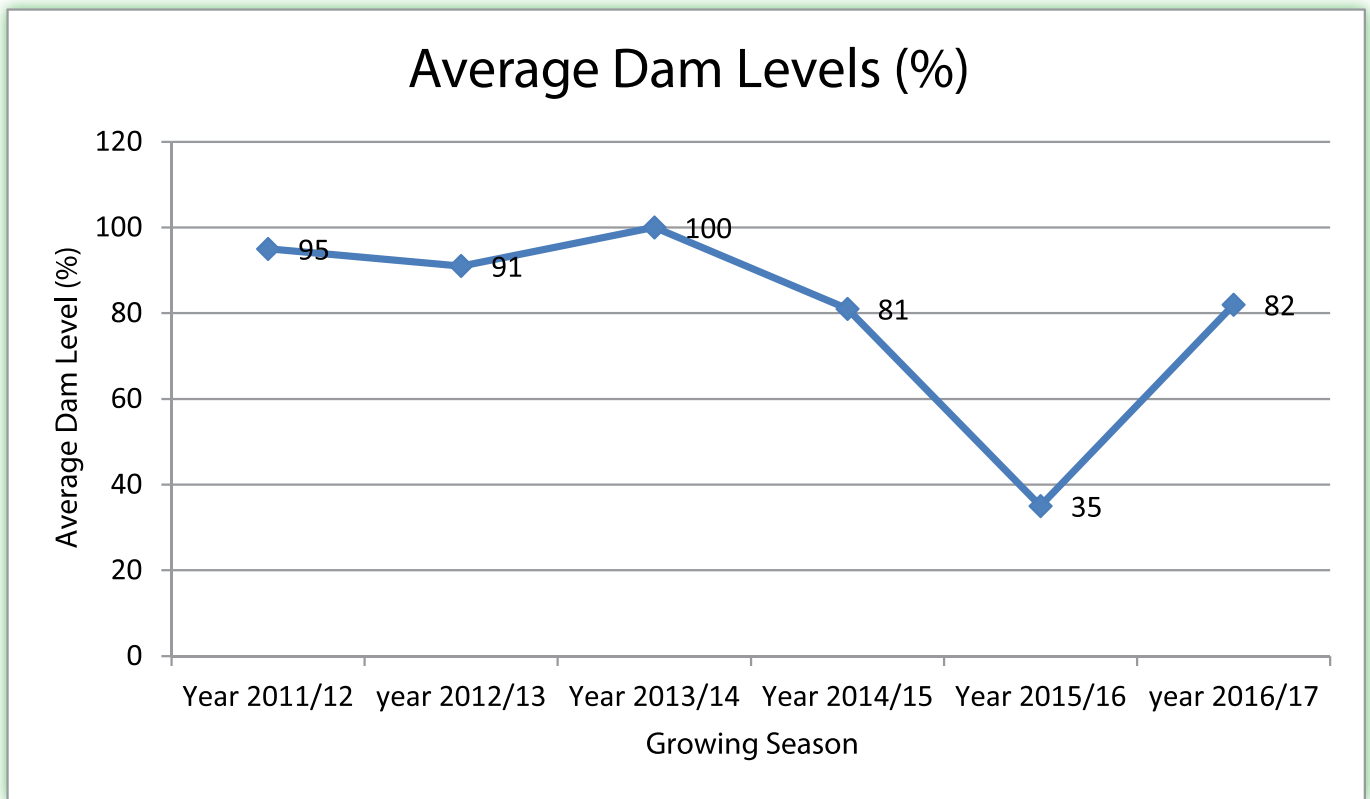


Figure 4 (b): Average Dam Levels (%) over the Past Five Years (Source SSA)

The year ended with dam levels generally much better than the previous season thanks to good rains in January to March 2017. This may chronicle a possible partial recovery in the 2018/19 crop. Unfortunately, the rains were a bit too late for the 2017/18 crop which is expected to be marginally better than 2016/17. The Ngwavuma Basin ended the year in another severe drought. At end of March the available water around Nsoko was enough for no more than 8 weeks. This Basin will almost definitely continue to be under severe stress in the course of the incoming year.

With the improved Dam levels, some of the fields damaged by the drought will be replanted in spring 2017. The seedcane scheme established with assistance of EU funds shall come in very handy.



2.2.2 Membership

During the course of the year membership forms were distributed for completion in order to update the database. A total of 128 (24%) growers responded hence the database is still incomplete especially as it pertains to contact details. The total number of quota holders eligible for SCGA membership stood at 536. Approximately 61 growers did not deliver cane, for various reasons such as the drought, crop abandonment due to harsh economic challenges, late establishment of fields under new quotas etc. Growers in the Ngwavuma Basin delivered as little as 10% of their usual crop volumes due to water shortage.

Table 5: Number of SCGA Members 2016/17

Planters' Group (1)	*Eligible SCGA Quota Holders (2)	Growers* Delivering Cane in 2015/16 (3)	Growers* Delivering Cane in 2016/17 (4)	Pre-Existing Growers Not Delivering (5)	New Growers Delivering (6)	Net Gain/ (Loss) (5)-(6)
Big Bend	166	136	134	6	4	(-2)
Mhlume	335	314	309	5	0	(-5)
Simunye	35	30	32	0	2	+2
TOTAL	536	480	475	11	6	(-5)

**Excludes mill owned growing entities*

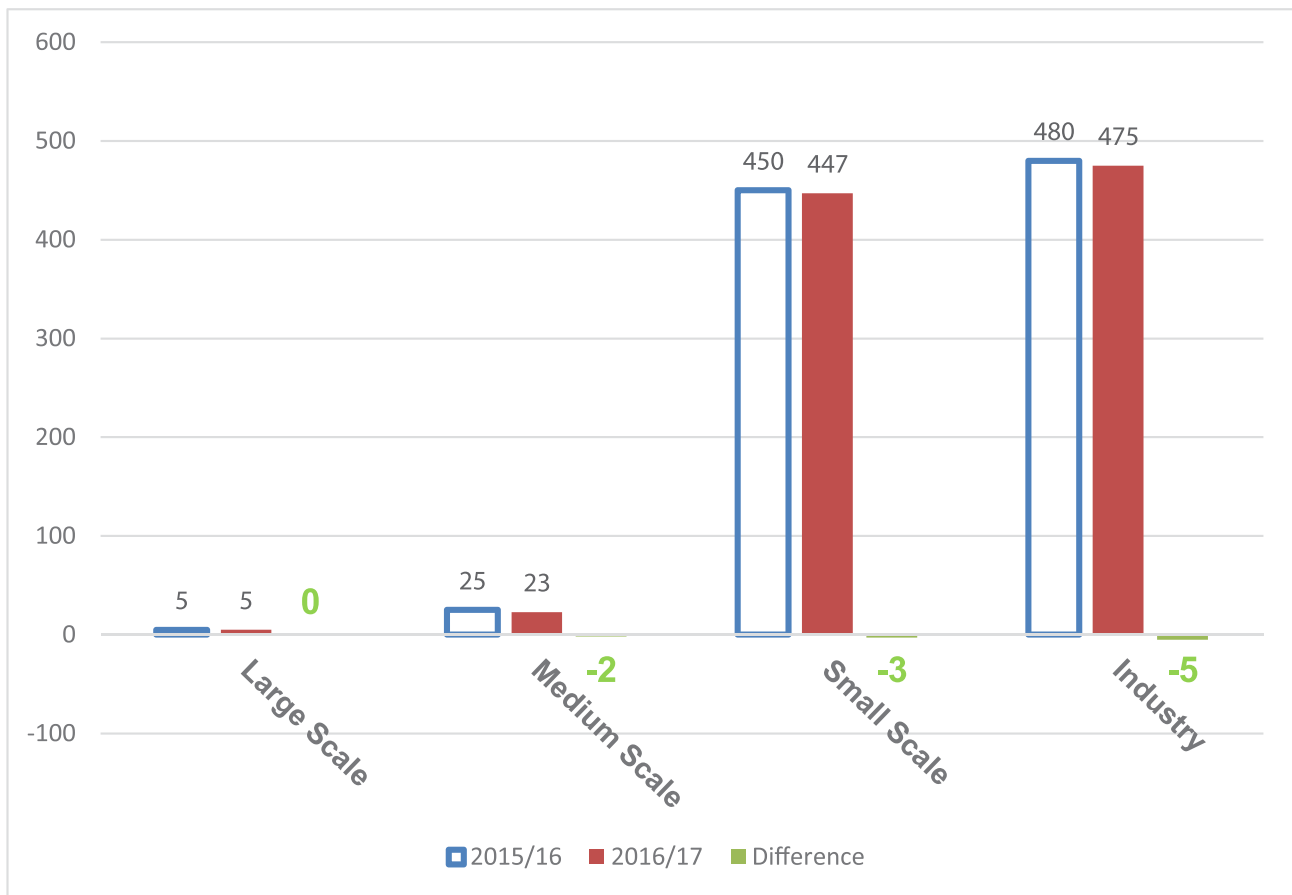


Figure 5: Number of SCGA Members in 2016/17 by Farm Category

Big bend PG lost 6 growers (2 medium and 4 small) and gained 4 (all small). Mhlume lost 5 small growers and gained none while Simunye PG gained 2 small growers and lost none. The net effect of grower movements is that SCGA was 5 growers short year-on-year.



2.3 Strategic Planning

2.3.1 Swaziland Sugarcane Industry Vision

The industry vision development exercise was in stagnation. The initiatives identified during the process hardly progressed. However, the subject remains on the agenda for discussions between Sugarcane Millers and Growers.

2.3.2 SCGA Three Year Strategic Plan

A three (3) year Rolling Strategic Plan was adopted in the course of the 2015/16 year. The vision, mission, objectives and organisational values reflected in this document are part of the Plan.

The 3-year rolling strategic plan was in its second year in 2016/17. The document underwent some material revision mainly because of the change of direction in the industry vision. Notable new actions were, inter alia, capacity development in corporate governance and increased support for drought mitigation.

The SCGA EU Grant project ended on 22 September 2016. The final reporting was completed and submitted on 16 December 2016.

2.4 Performance Against Strategic Plan

In the course of the financial year a three (3) year rolling strategic plan was approved by the Executive Committee (ExCo). This part of the report is structured in alignment with the strategic objectives in that plan.

2.4.1 To Build and Sustain Institutional Capacity through Attraction, Development and Retention of People with Appropriate Skills.

2.4.1.1 Identification and Solicitation of Required Support.

The SCGA Office, through collaboration with partner stakeholders, recognises skills development (governance, managerial and record keeping) as a key support focus area. Through EU funding 264 Farmer Company (FC) Directors



were trained in general corporate governance, 35 Clerks in computerised record keeping and 4 FC supervisors underwent the South African Sugar Research institute (SASRI) Junior Certificate course in Durban.

The SCGA is sincerely grateful to the EU and the Government of the Kingdom of Swaziland for the generous support. It is anticipated that the aforesaid training will bear fruit through improved performance and reduction in debilitating conflicts.

2.4.1.2 Other Skills Development Initiatives

During the Planters' Group Feedback meetings, the following awareness campaigns were organised by SCGA and conducted by different vendors.

- i. Anti-corruption awareness by Anticorruption Commission (ACC);
- ii. Alternative Financial and Social Investment vehicles by African Alliance and;
- iii. Conflict resolution by Swaziland Water and Agricultural Enterprise (SWADE).

2.4.2 Objective 2: To Realise True Value of Sugarcane through positive Influence on and Constructive Engagement with Stakeholders

2.4.2.1 Engagement with SRA Concerning Cane Grower Grievances over Taxation Issues

The SCGA office was overwhelmed with cane farmer grievances over taxation issues. Many farmer companies complained that they were struggling to satisfy SRA with regard to tax compliance. Many had been audited and found to be owing amounts that they can never be able to pay from the receipts. Once again, several engagements were made with SRA to enable understanding and appreciation of the conundrum by both sides. While the engagements continue efforts to upgrade farmer company compliance will be sustained.

2.4.3 Objective 3: To Ensure Equitable, Effective and Informed Participation of Cane Growers in the Industry.

2.4.3.1 Grower Procurement Strategy

A strategic issues analysis was conducted in the course of the year. The vulnerability of small scale growers to inconsistent and relatively high input prices was re-affirmed as a priority problem. Engagements with different stakeholders were done. The problem of fragmented procurement of goods and services has been identified as the main cause for the problem especially in the north. Further engagements plans



with the millers, SWADE and Farmer Federations are in the pipeline for the next financial year. The office is also looking at organising stakeholder seminars to align service vendors' efforts.

2.4.3.2 Funding Options Analysis for Growers

The action was explored through engagements with several financial institutions and investment houses. The preferred option is for the action to be pursued through the industry (SSA). SCGA shall continue to play an active supportive role in further developing the concept as growers will be the primary beneficiaries.

2.4.4 Objective 4: To Anticipate and Proactively Adapt to Changes in the Sugarcane Business Environment

2.4.4.1 Adaptation to Drought

The SCGA/EU Grant is one successful adaptation initiative implemented by SCGA. The application for and approval of Addendum 3 sought to address the anticipated seed cane shortage. A total of 103-Ha of seedcane, in 8 host farms, was established for use in spring 2017. The agreement with host farmers is to sell the seedcane at 50% of the normal price to the affected farmers.

2.4.4.2 Climate Change Study

SCGA prepared terms of reference (ToRs) for a study into the potential impact and mitigation/adaptive measure to climate change. It was agreed with other stakeholders that the study should be expanded to cover agricultural production in broad terms. At the end of the year there were advanced arrangements to obtain funding and appoint a team of consultants to carry out the work before end of 2017.

2.4.4.3 Value Chain Study

The SCGA prepared ToRs for a sugarcane value chain study. It was agreed with other partners that the study should serve as an exit strategy of the national adaptation strategy initiatives in sugarcane. At the end of the year, plans were at an advanced stage to finance and implement the action.



2.4.5 Objective 5: To Align the SCGA to Good Corporate Governance Practices and responsible Corporate Citizenship

2.4.5.1 Budget in Compliance with the Constitution

The 2017/18 budget was presented to and approved by the Annual General Meeting, on 14 September 2016, before the year began in line with the SCGA constitution. This enabled the Association to address issues such as levy adjustment based on an approved budget. Budget awareness enabled members to take some tough resolutions.

The recommended levy was presented to Government five (5) months before the ensuing financial year. This ought to have enabled consideration, approval and hopefully gazetting in time for implementation at the beginning of the new financial year in April 2017.

2.4.5.2 Production and Publication of Formal SCGA Annual Report

The SCGA Annual Report 2015/16 was published and distributed to key stakeholders through print and online media thanks to about E15 000 funding from our partners the EU. This has enabled the Association to improve networks with the rest of the world.

2.5 Human Resources

The SCGA/EU Grant staff contracts ended during the course of the year. The Office and ExCo take the opportunity to extend gratitude to the Project Manager and Project Accountant for their dedication in seeing the project to the end especially at the crucial close-out stages. The presence of the Strategy and Management Advisor was also crucial to the process.

The human resource capacity inadequacy at SCGA, in the backdrop of increasing demand for services, has become glaringly evident. Capacity building (quantity and quality) is central to the current strategy.



2.6 Operational Performance Report

2.6.1 ExCo Meetings

A total of four (4) scheduled ExCo meetings were held during the year. The table below shows the record of attendance by members.

Table 6: Attendance of SCGA ExCo Statutory Meetings

	July '16	Sept. '16	Dec. '16	Mar. '17	Remarks
Member					
GC White	+C	+C	+C	-	
GF Scheepers	+	+			Resigned Sept' 16
K. FitzPatrick	-	-	+	+	Joined Sept. '16
PM Malandvula	+	+	-	-	
AT Dlamini	+	+	-	-	
B James	+	+	+	+	
S Geldenhuys	+	-	-	+C	
M Mndzebele	+	+	+	+	
J. Matimba	-	-	-	-	Resigned Sept. '16
EJ Nxumalo	+	+	-	+	
E Ndzimandze	+	-	+	+	
J Khumalo	+	-	-	-	Resigned Sept. '16
M Hlatjwako	-	-	+	+	Joined Sept. '16
TM Nkambule	+	+	+	+	
M Mabuza	+	+	+	+	
SM Magagula	+	-	-	+R	
AT Ngcobo	+	-	+	-	
SV Nkambule	+R	+R	+R	-	

+ = present, - = apology, +C = chairing, +R = recording

ExCo meetings were quorate and well attended demonstrating a high level of commitment of members.



2.6.2 Annual General Meeting (AGM)

The SCGA Annual General Meeting was held on 14 September 2016 at Mhlume Country Club. An attendance in excess of 400 members was recorded.

Key decisions taken, by consensus, include the following;

- i. Approval of Budget 2017/18
- ii. Increase levy to E4.38 per ton sucrose
- iii. Election of Office Bearers for Various Committees
- iv. Approval of 2015/16 Audited Financial Statements
- v. Approval of Appointment of PwC as Auditors for 2016/17.

2.6.3 Relationship Building, Networking and Information Sharing

During the year SCGA participated in a number of national, regional international forums and conferences, with the generous support of the European Union and Swaziland Government. Members of SCGA attended the WABCG Council 2016 in France, ISO/WABCG meetings in London and WABCG Council 2017 in Ivory Coast.

Lessons learned during the above visits were shared with other growers through reports and presentations during grower feedback meetings.

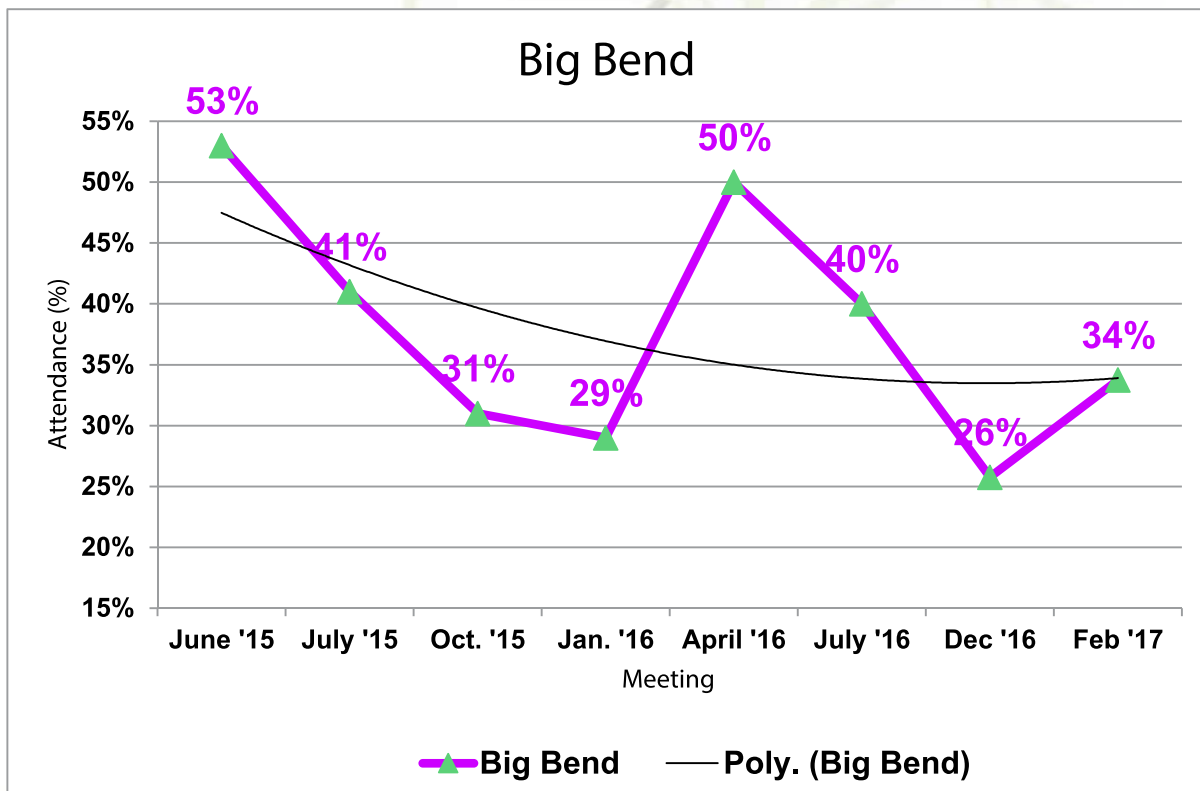
On the international front SCGA maintained membership of and participated in the Southern African Development Community (SADC) water sector, World Association of Beet and Cane Growers (WABCG) and International Sugar Organization (ISO) among others.



2.7. Grower Performance

2.7.1 Grower Feedback Meeting Attendance

Four Feedback Meetings were held in each Region. The Figures below show the trends in attendance.



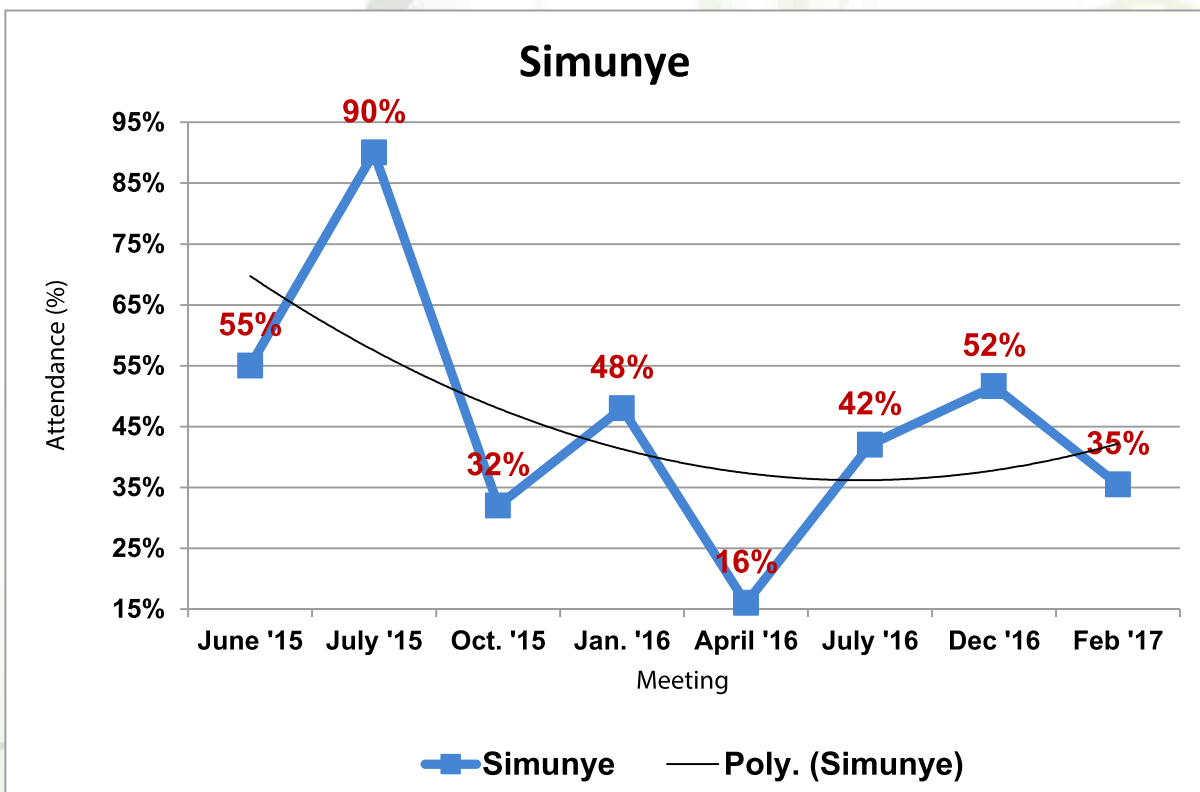
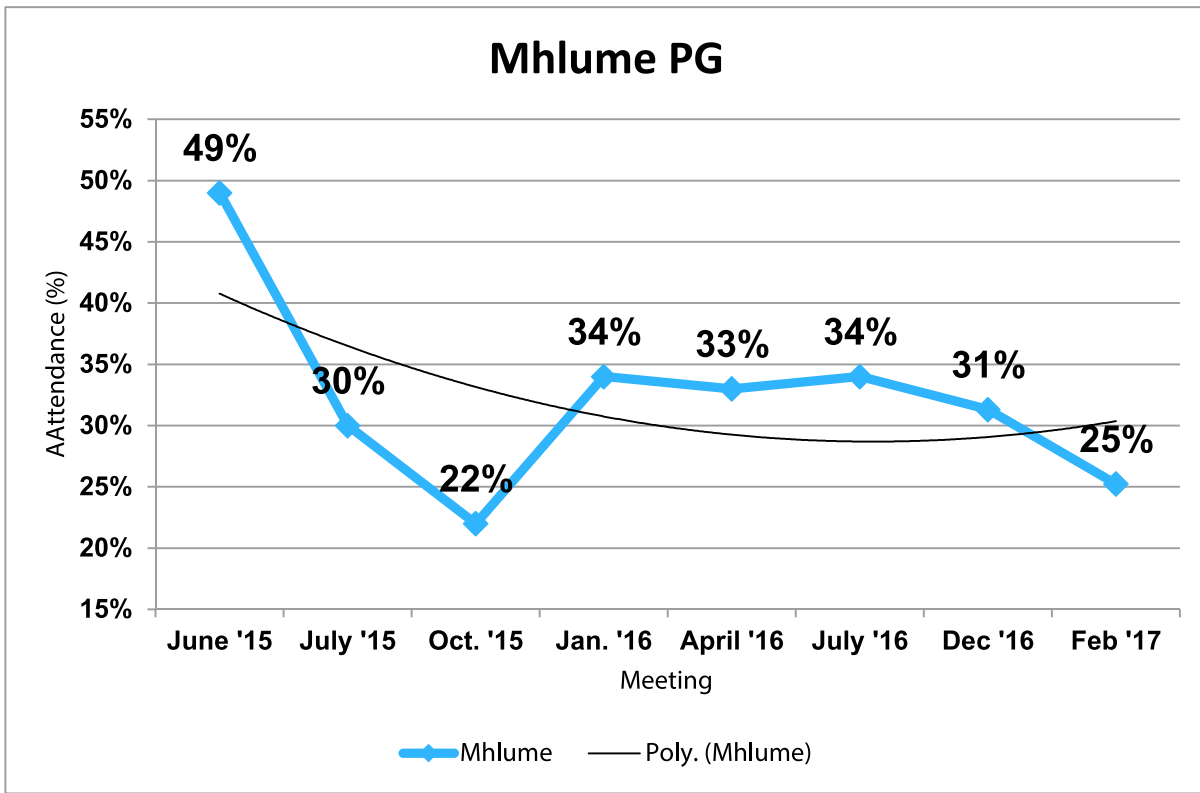


Figure 6: Percentage Attendance of Feedback Meetings during the Year 2016/17.

The attendance showed a downward trend at both Mhlume and Big Bend. The year was a difficult one demanding that growers attend to water shortage challenges. Simunye is showing an upward trend compared to previous year. A major change at Simunye was to centralise the meetings in Manzini. Although too early to conclude it is possible that such change brought about the improvement.

2.7.2 Out-grower Cane and sucrose Yields

2.7.2.1 Sucrose Yield by Farm Size

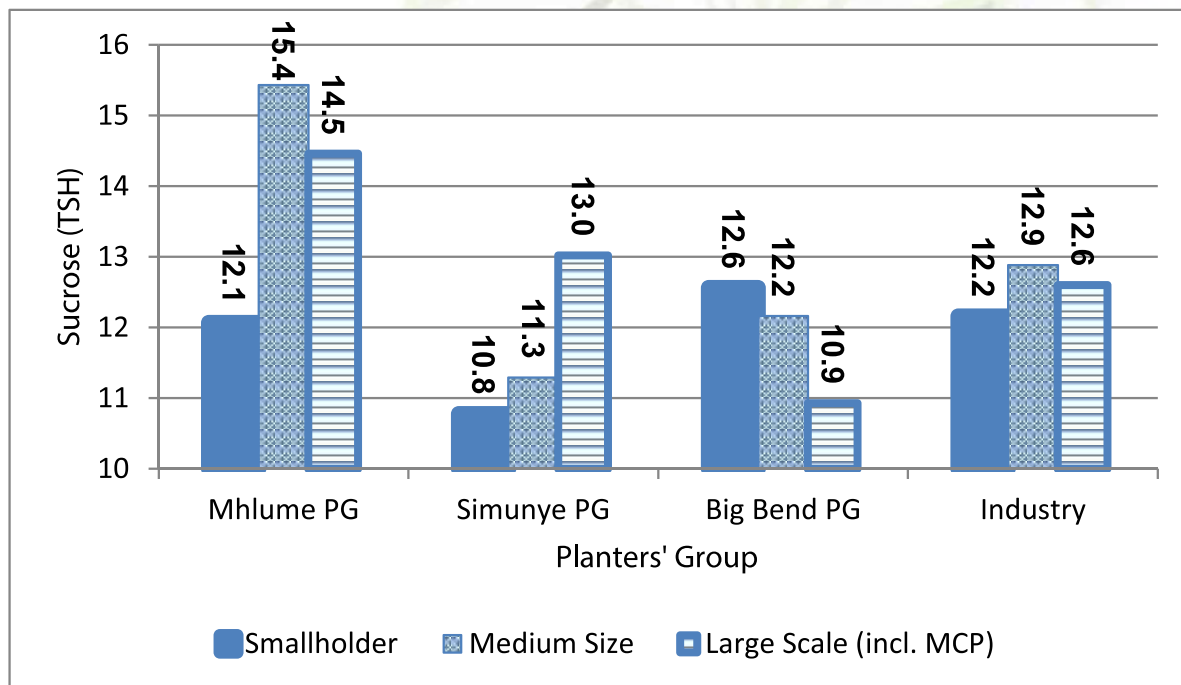


Figure 7: 2016/17 Sucrose Yield by Farm Size (TSH) (Source: SSA IDB 2016/17)

It was another difficult year for the industry especially for smallholder growers at Simunye and Mhlume which is consistent with the water shortages. At Big Bend, small and medium scale growers performed better than large growers thanks to Lubovane Dam levels that remained high in spite of the drought. The Simunye Planters Group was most affected owing to Mnjoli Dam levels that dropped to less than 5% during the year. The benefit of the in-stream Maguga Dam is demonstrated by the generally higher yields at Mhlume when compared to other mill areas.



2.7.2.2 Actual Cane Yield 2016/17 vs Potential Yield

It was pointed out earlier that, at Mhlume and Big Bend, the potential cane yield in 2016/17 was lower than that of 2015/16 and higher at Simunye. A good year on year comparison is shown by the actual cane yield (TCHA) expressed as a percentage of potential yield shown in Figures 8-11 below.

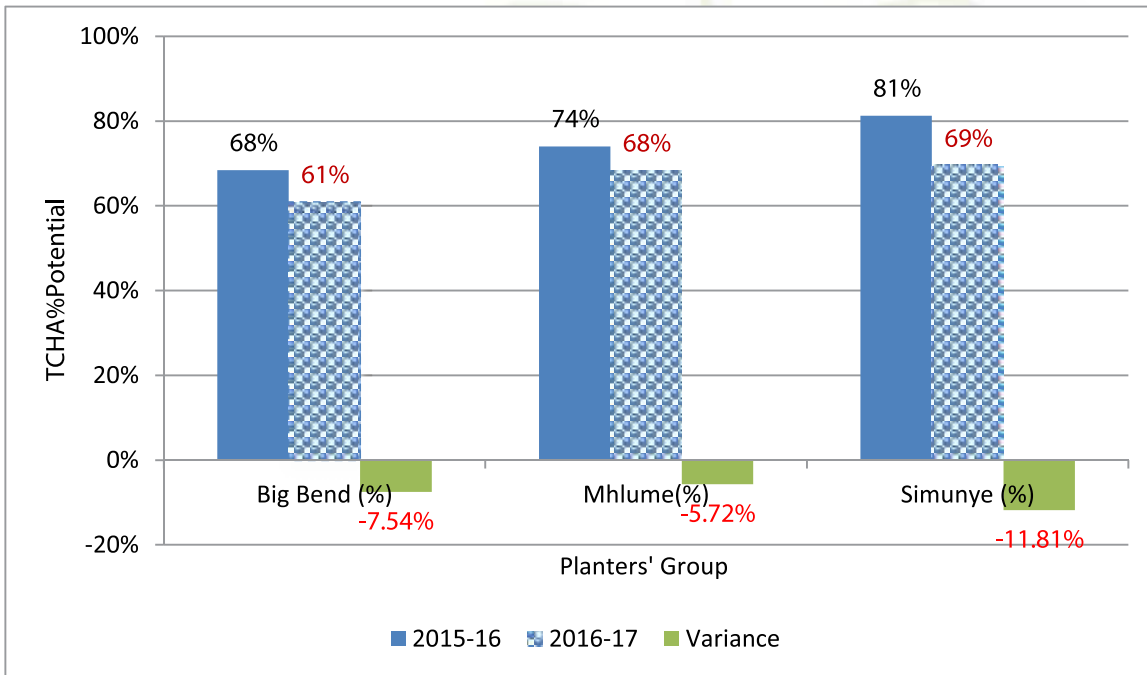


Figure 8: Industry Cane Yield Against Potential Yield

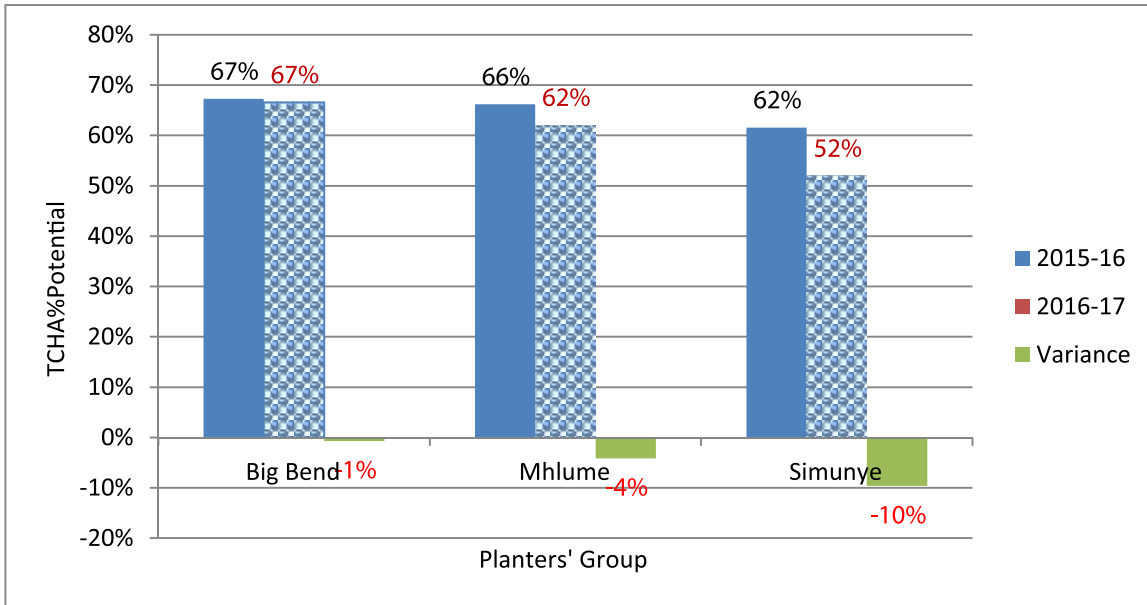


Figure 9: Small Grower Performance Against Potential Yield

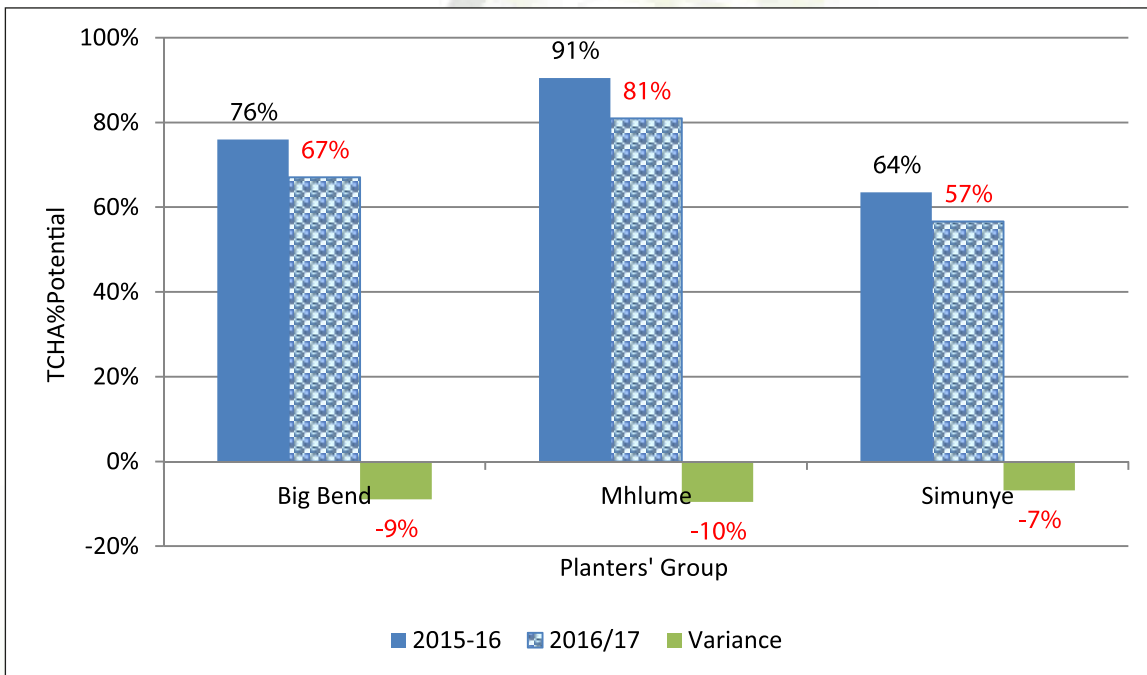


Figure 10: Medium Scale Grower Cane Yield (TCHA) vs Potential Yield

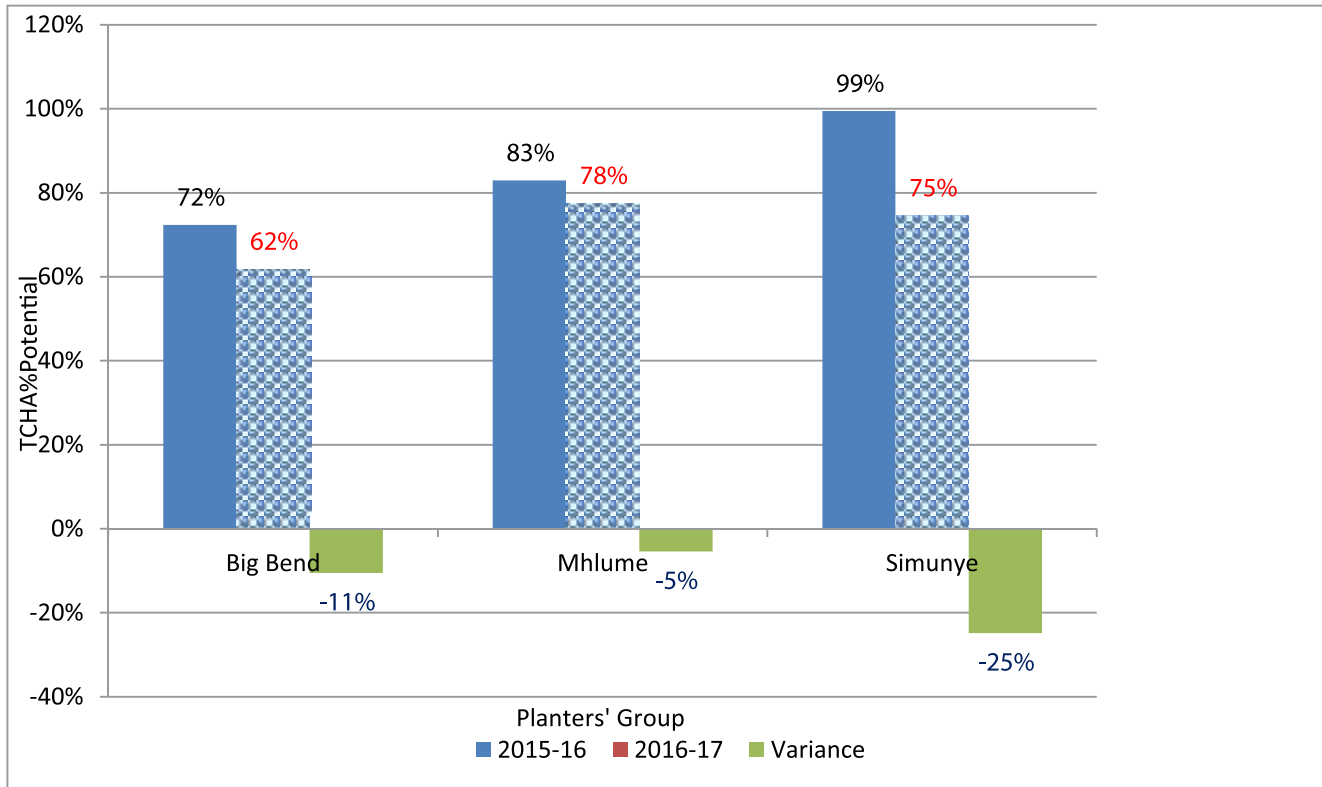


Figure 11: Large Scale Growers Cane Yield (excluding MCP) vs Potential Yield

All growers experienced a drop in cane yield expressed as percentage of potential yield. The year on year decline in performance was most pronounced at Big Bend and Simunye which is consistent with the depleted Mnjoli Dam and Low Flows in Mbuluzi and low flows at Usuthu and Ngwavuma. The year clearly demonstrated the value of regulating rivers through dam construction.



2.7.2.3 Sucrose Yield by Farm Size and Year

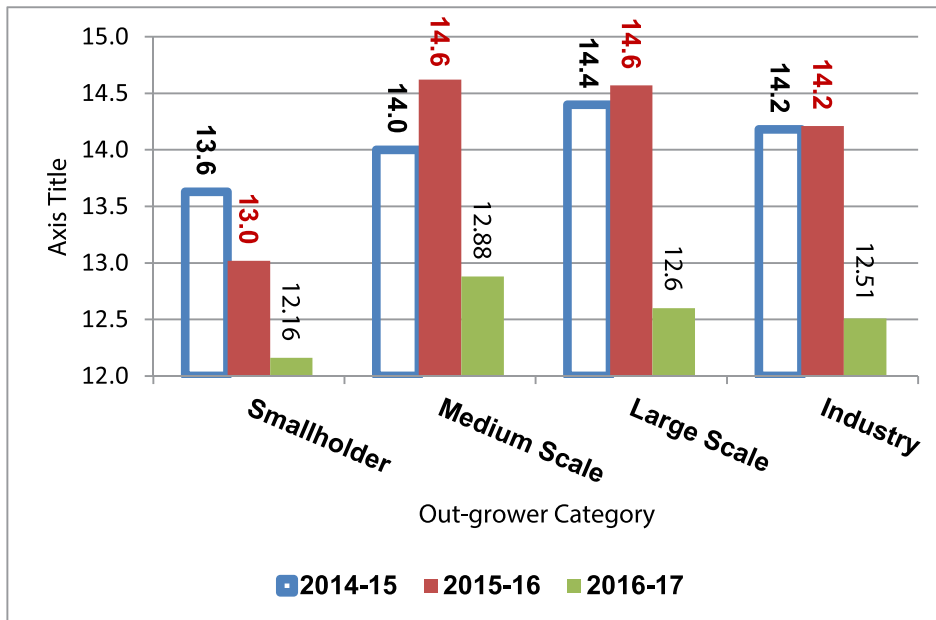


Figure 12: Year on Year Sucrose Yield by Farm Size (TSH)

All grower categories show a decline in sucrose yield year on year. This was to be expected in the context of the prolonged drought showing its full impact in the reporting year (2016/17).



2.7.3 Sucrose Price and Value Creation by Members of SCGA Outgrowers

2.7.3.1 Sucrose Production

Figure 13 shows the contribution of SCGA Members, to sucrose production, Year on Year

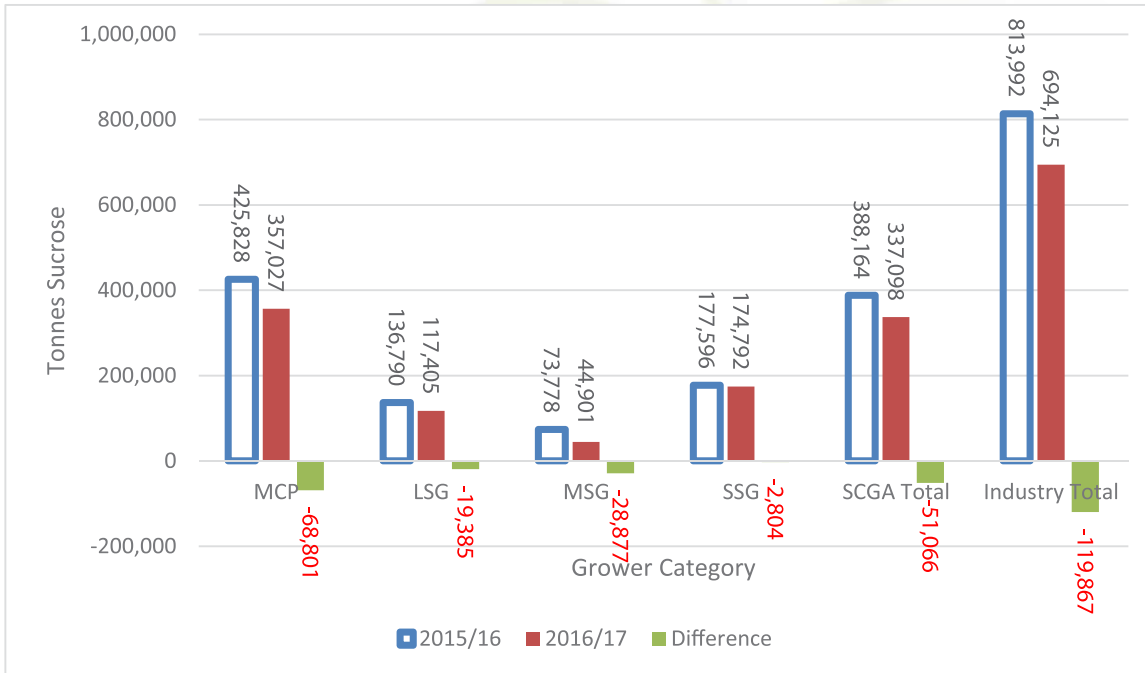


Figure 13: Sucrose Production by SCGA Members (Outgrowers)

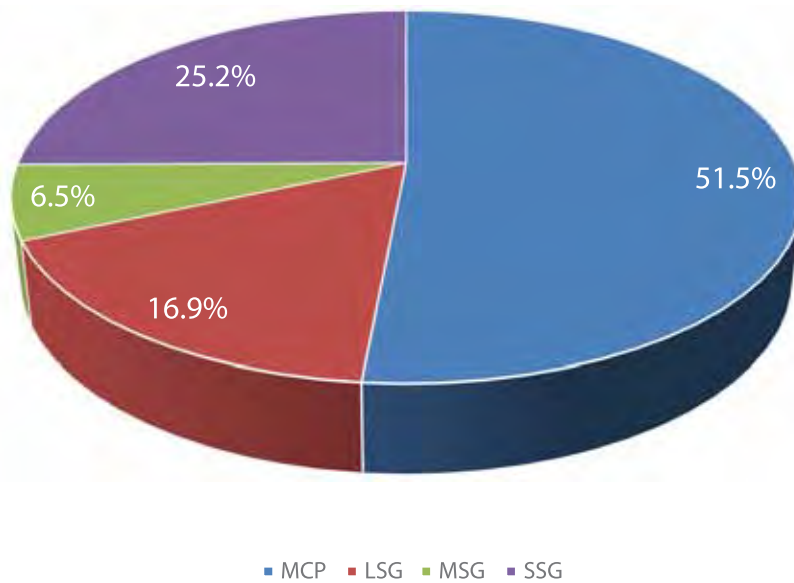


Figure 14: Outgrower Sucrose Production as Percentage of Industry 2016/17

SCGA members produced almost half of the industry sucrose with small growers contributing a quarter, medium scale outgrowers 6% and large scale outgrowers 17%. The medium outgrower production was hardest hit as it dropped by 39% mainly due to the impact of the drought in the unregulated (no significant dams) Ngwavuma River Basin. Large scale growers dropped by 14% for the same reason.

2.7.3.2 Grower Sucrose Price 2016/17

Figure 14 below shows the trend in the sucrose price over the past years.

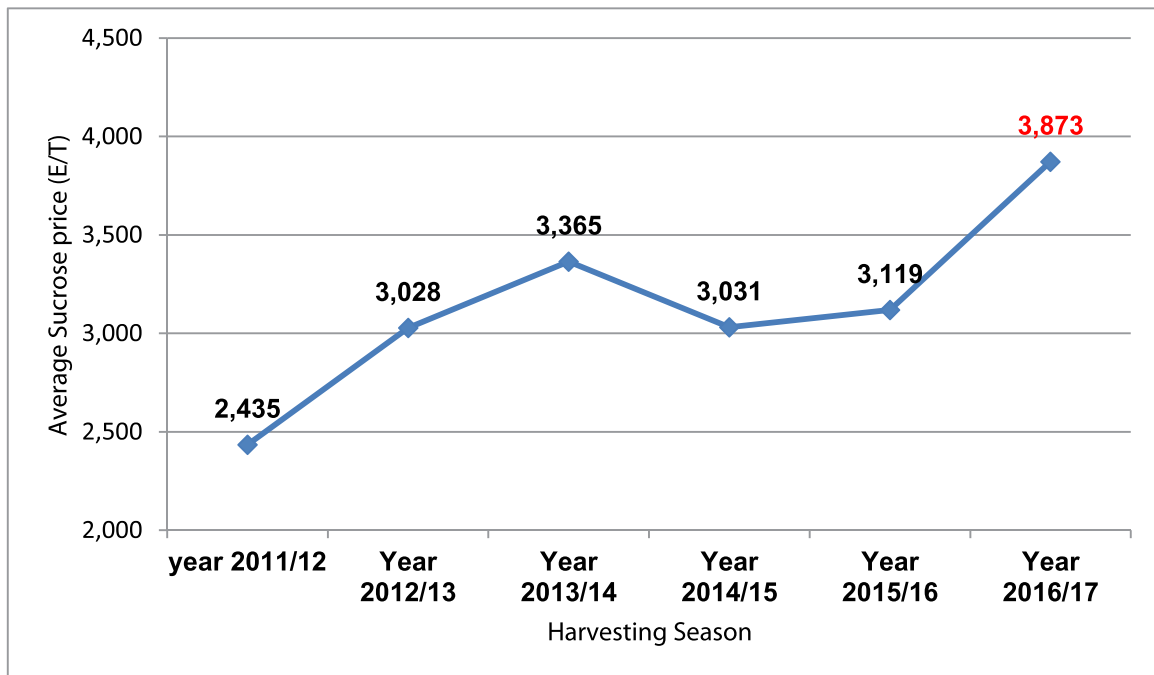


Figure 15: Sucrose Price Trends over the Past Six Years

The year closed with an approximately 24% price improvement year on year. The better price was attributable to weaker local currency and sugar shortages in general and specifically in the SACU market. This price increase cushioned the revenue losses due to reduced volumes.



2.7.3.2 Value (Wealth) Creation and Estimated Cost of Drought

Figures 16(a) and 16(b) show the nominal values created by SCGA members (outgrowers) with MCP for comparisons.

2.7.3.2.1 Nominal Value Creation

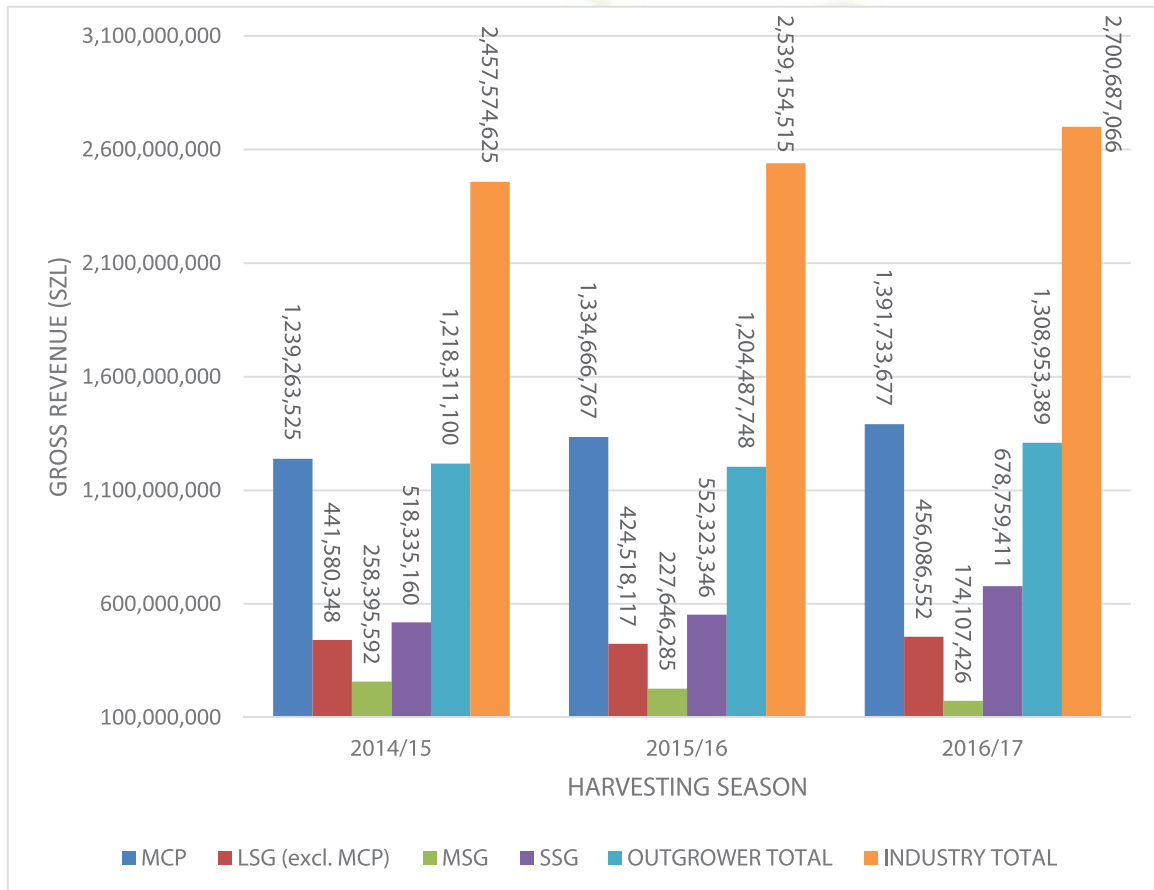


Figure 16 (a): Value Creation by Outgrowers in Local Currency (SZL)

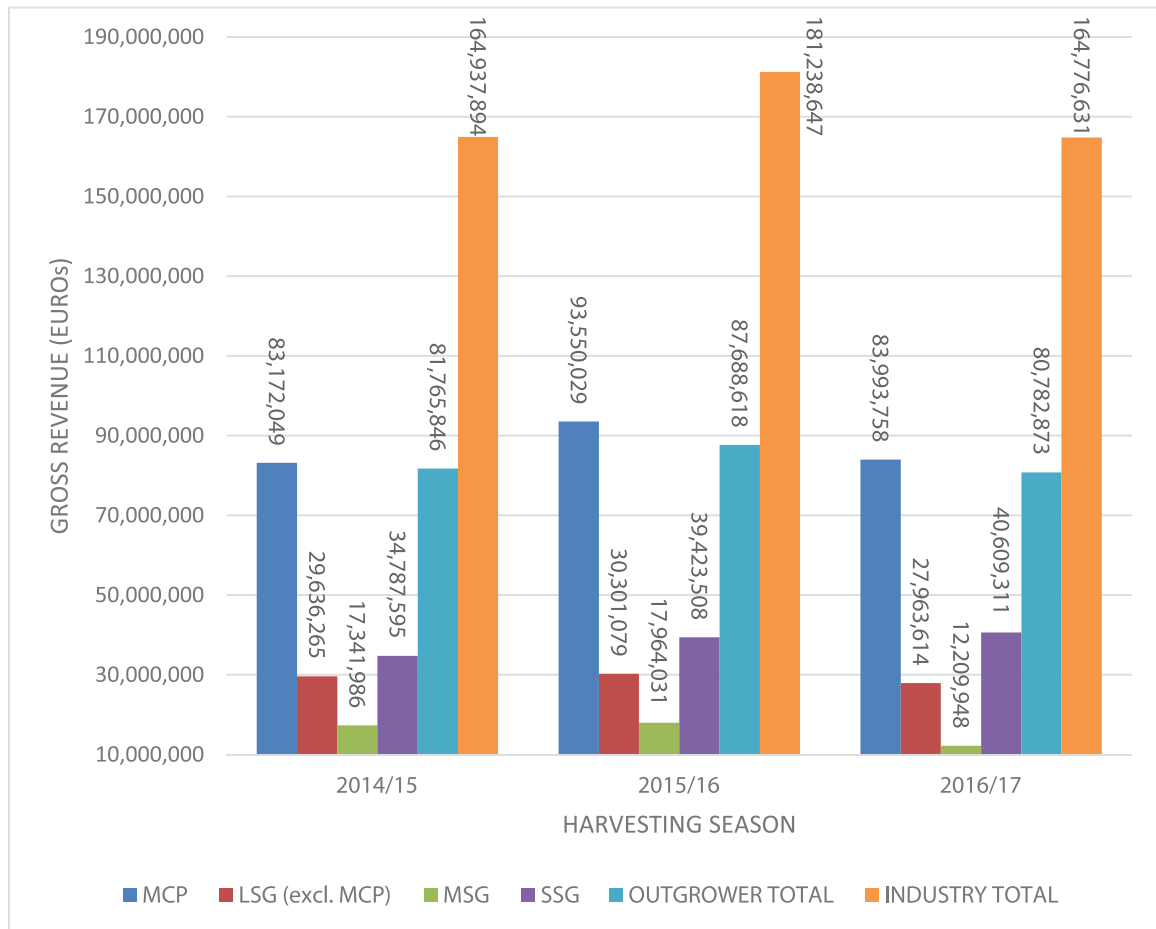


Figure 16(b): Value Creation by Outgrowers in Euros

It was anticipated that the decline in sucrose yield would result in significant revenue reduction for growers. However, the drought resulted in shortage of sugar in the SACU market and the SSA management were smart in reallocating the product such that in the end the total SCGA members (out-grower) revenue increased by **E104 465 641** compared to the previous year. When expressed in Euros the total revenue of SCGA members declined by about Euro 6 905 745 (about 8% down) illustrating the impact of the exchange rate. The unexpected but welcome increase in revenue, in local currency, is attributed to the price increase of about 24% as shown in Figure 4 and the favourable exchange rate as illustrated by Figure 15(b).

2.7.3.2.2 Estimated Cost of Drought to Cane Growers

Outgrower (SCGA Members) sucrose production was down 51 067 tonnes year-on-year. Assuming the price would have stayed the same this equates to lost revenue amounting to about **E197 782 491** (about Euros 12 133 895). For the industry as a



whole sucrose yield was down 119 041 tonnes year-on-year which translates to about **E461 045 793** (about Euros 28 285 018) in revenue, once again assuming prices would have stayed the same. Although the estimated revenue losses are probably a bit on the high side as the price could have come down slightly with higher volumes, they still reasonably illustrate the impact of the drought on sugarcane growing.





2.8 SCGA/EU Grant Project

2.8.1 Background

As part of the National Adaptation Strategy (NAS) to counteract the challenges and grasp opportunities arising out of the EU's sugar reforms, a sum of €3.9-million was made available to SCGA to help improve the productivity and profitability of its smallholder and medium scale cane growers. The SCGA Grant had the specific objectives of: (i) correction of irrigation design faults, (ii) rehabilitation of farm haulage roads and (iii) crop diversification. The project implementation had been ongoing since about 2012.

2.8.2 Project Progress to March 2017

To date the grant has assisted 61 smallholder and medium scale sugarcane growers across the entire Swaziland sugarcane industry. This covers growers assisted with rectification of irrigation design faults, rehabilitation of infield roads and drainage, and diversification to other crops other than sugarcane. The total expenditure was € 741 663 (approximately E49 015 785).



2.9 Financial Management

An external audit was carried out, in terms of IFRS and an unqualified audit was achieved credit to the office staff under the oversight of the ExCo. An operational loss of about E2.8 million resulted largely from 5% co-funding of EU Grant funded grower projects as well as reduced levy income that is tied to sucrose yields.

2.10 Strategic Issues Facing the Association

Since its establishment in the 1950's, Swaziland's sugar industry has seen a radical change in the ratio of independent growers to miller-cum-planters. While initially sugar was produced mainly by the miller-cum-planters and a few large independent growers, of the approximately 694,000 tonnes of sucrose produced in 2016/17, millers-cum-planters accounted for 51 per cent, large outgrowers 17 percent, medium scale outgrowers 7 per cent and smallholders 25 per cent.

Government, the European Union (EU) and other development partners have invested considerable sums to develop the sugar industry in favour of emerging smallholder growers on communal land. Sizeable investments have been made to better manage the country's water resources including the Maguga and Lubovane dams and their associated downstream smallholder sugar cane growing irrigation projects of the Komati Downstream Development Project and the Lower Usuthu Smallholder Irrigation Project respectively.

Furthermore, the EU has provided substantial grant funding to develop and rehabilitate smallholder sugar cane farms. Additionally, some developments have been facilitated by Farmer Companies (FCs) taking out loans from commercial banks. Through such support, the proportion of sugarcane now produced by smallholder FCs is critical to the sustainability of the industry.

However, the Swaziland Cane Growers Association (SCGA) feels that smallholder sugar cane farming companies, in general, are in a highly fragile situation characterised, amongst others, by:

- A low level of reinvestment in essential irrigation infrastructure
- A high risk of poor cane production performance due to the impact of climate change
- A mixed record of following best management practices including the sequencing of ratoon plough-out and replant, and the application of farm chemicals
- High transaction costs of farm inputs



- Vulnerability to poor quality service providers and contractors
- Poor access to suitable financing products
- Poor financial management and record keeping skills, including the filing of inaccurate tax returns
- Unsuitably structured farming organisations with regard to tax efficiency for the benefit of members
- A poor track record of good governance and transparency.

From several recent studies and its own interaction with its members, the SCGA is very much aware that smallholder farming companies will require continuous training in good governance, business and financial management and crop husbandry. However, the Association feels that sugar industry stakeholders should review their approach to supporting smallholder FCs.

The Swaziland Water and Agricultural Enterprise (SWADE), who helped establish many of the FCs, is to wean-off some older farming companies from its business development and agronomic support.

The SSA Technical Services Department (SSATS) has seconded its Extension Officers (EOs) to mill management, paid for by the industry on a full cost recovery basis. It is uncertain how the extension service will be structured after 2020.

There is a need for the industry to help facilitate independent sugar cane companies overcome the problems of poor business management including financial and accounting management, and poor organisational governance.

In addition, a clear opportunity exists for the industry to tackle the financing problems of independent growers, namely the establishment of financing products, including a revolving fund to ensure appropriate ratoon plough-outs and replants are undertaken, that seasonal credit is used to facilitate the timely application of critical farm inputs and that farmers' follow necessary and prescribed maintenance regimes on their irrigation systems.

Notwithstanding the above, the industry would benefit from tackling the problem of poor service providers, bring them up to standard and ensure that a more professional approach to their work is promoted.

The SCGA is also concerned that following the cessation of EU support to the National Adaptation Strategy (NAS) to the EU's sugar reforms, there may be limited official source of objective information relating the situation and performances of smallholder FCs.


The SCGA would like to be a stronger mouthpiece for its entire membership, and to do this requires more detailed objective field information derived from structured



annual socio-economic surveys followed by robust analyses to compliment the production data captured in the Industry Data Base (IDB). It is noted that the SSA has allocated funds for an annual data collection after 2017 and are likely to have a service provider collect and analyse data.

Finally, the year ended with the sad news that the cost of electricity would be increasing by an average 15% in the next two seasons, twice the rate of inflation. This will hit the cane growers very hard. The industry needs to actively pursue initiatives to improve power use efficiency as well as strategically explore more affordable energy mixes.



A large, stylized illustration of a sugarcane plant is centered on the page. The plant is rendered in a light green color with a darker green outline. It features several long, curved leaves and a central stalk. The background is a soft, light green gradient, suggesting a field or landscape. The overall aesthetic is clean and professional, with a focus on the agricultural theme.

**Swaziland Cane Growers' Association
Annual Financial Statements
For the year ended 31 March 2017**



ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2017

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Taxation schedule	Annexure 2



SWAZILAND CANE GROWERS' ASSOCIATION

STATEMENT OF EXECUTIVE COMMITTEE'S RESPONSIBILITY

For the year ended 31 March 2017

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 - 5. The financial statements were approved by the Executive Committee and are signed on its behalf by:



CHAIRMAN

03/08/17
DATE



EXECUTIVE DIRECTOR

03/08/2017
DATE



Independent auditor's report

To the Members of Swaziland Cane Growers Association

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the organisation as of 31 March 2017 and of their financial performance and their cash flows for the period then ended in accordance with International Financial Reporting Standards.

What we have audited

Swaziland Cane Growers Association's financial statements set out on pages 8 to 26 comprise:

- the statement of financial position as at 31 March 2017;
 - the statement of comprehensive income for the year the ended;
 - the statement of changes Statement of changes in equity for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
-

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Association in accordance with the requirements of the International Federation of Accountants' (IFAC) Code of Ethics for Professional Accountants. We have fulfilled our ethical responsibilities in accordance with the IFAC Code.

Other information

The Executive Committee is responsible for the other information. The other information comprises the Statement of Executive Committee's responsibility, the Executive Committee's report, the detailed income statements and the taxation schedule. Other information does not include the financial statements and our auditor's report thereon.

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



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Committee for the financial statements

The Executive Committee are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Executive Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Committee.
- Conclude on the appropriateness of the Executive Committee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that



a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers
Partner: Theo Mason
Registered Auditor
P.O. Box 569, Mbabane
Date:



EXECUTIVE COMMITTEE'S REPORT

For the year ended 31 March 2017

The Executive Committee present their annual report, which forms part of the audited financial statements of the Association for the year ended 31 March 2017.

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 2017 and the date of approval of the financial statements.

Financial results

The financial results show a decrease in revenue of 7.6%. (2016 increase of 2%). Costs decreased by 59% (2016 increased by 30%). Full details of the financial results are set out on pages 7 to 24 in the financial statements.

Accumulated funds

Accumulated funds decreased by 44% (2016 increased by 9.4%) due to the favourable profits in the current year.

Executive Committee

Members:

Mr P Malandvula	Simunye Planters' Group (Vice Chairman)
Mr S Nkambule	Simunye Planters' Group (Member)
Mr M Hlatjwako	Simunye Planters' Group (Member)
Mr M Mndzebele	Simunye Planters' Group (Member)
Mr T Nkambule	Big Bend Planters' Group (Member)
Mr K Fitzpatrick	Big Bend Planters' Group (Member)
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 2017

Members (continued):

Dr A T Dlamini
Ms S M Magagula
Mr A T 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

S V Nkambule
P O Box 273
Mbabane



Statement Of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 E	2016 E
Revenue		1 944 221	2 105 034
Grant Income	3	1 693 401	14 114 338
Total income		<u>3 637 623</u>	<u>16 219 372</u>
Administration expenses		(1 933 573)	(3 203 589)
Other expenses		<u>(4 728 664)</u>	<u>(12 950 318)</u>
(Deficit)/Surplus from operations		(3 188 617)	65 465
Finance income	2	<u>428 232</u>	<u>602 653</u>
(Deficit)/Surplus before taxation	1	(2 760 384)	668 118
Income tax expense	17	<u>(40 876)</u>	<u>(74 072)</u>
Net (deficit)/Surplus for the year		<u>(2 801 261)</u>	<u>594 046</u>



Statement Of Financial Position

STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Notes	2017 E	2016 E
ASSETS			
Non-current assets			
Property, plant and equipment	4	<u>21 358</u>	<u>108 403</u>
		<u>21 358</u>	<u>108 403</u>
Current assets			
Loans and receivables	6	4 008 152	6 482 564
Accounts and other receivables	7	1 764 749	79 668
Cash and cash equivalents	8	124 677	1 792 324
Current tax prepayment	15	<u>48 042</u>	<u>11 891</u>
		<u>5 945 619</u>	<u>8 366 446</u>
Total assets		<u><u>5 966 977</u></u>	<u><u>8 474 849</u></u>
RESERVES AND LIABILITIES			
Reserves			
Accumulated funds		3 507 100	6 293 541
General reserve	9	1 934 087	1 934 087
Training grant	10	<u>27 236</u>	<u>27 236</u>
		<u>5 468 423</u>	<u>8 254 864</u>
Current liabilities			
Trade and other payables	12	<u>498 554</u>	<u>219 986</u>
		<u>498 554</u>	<u>219 986</u>
Total reserves and liabilities		<u><u>5 966 976</u></u>	<u><u>8 474 849</u></u>



Statement of Changes In Equity

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Training Grant E	General Reserve E	Accumulated Funds E	Total E
Balance at 31 March 2016	27 236	1 934 087	6 308 360	8 269 684
Deficit for the year	-	-	(2 801 261)	(2 801 261)
Transfer to general reserve (Note 9)	-	-	-	
	27 236	1 934 087	3 507 100	5 468 423
Balance at 31 March 2017	<hr/>			
Balance at 31 March 2015	43 025	1 785 576	5 862 826	7 691 427
Surplus for the year	(15 789)	-	594 046	578 257
Transfer to general reserve	-	148 512	(148 512)	-
	27 236	1 934 087	6 308 360	8 269 684



STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Notes	2017 E	2016 E
Cash Flows from operating activities			
Cash generated from operations	13	(4 483 765)	(902 914)
Interest received	2	428 232	602 653
Taxation paid	15	(77 028)	(56 262)
		<u> </u>	<u> </u>
Net cash generated from operating activities		<u>(4 132 561)</u>	<u>(356 523)</u>
Cash Flows from investing activities			
Decrease/(Increase) of available for sale investments		2 474 412	(202 242)
Proceeds on disposal of assets		-	-
Intangible additions		-	-
Purchase of property, plant and equipment	4	(9 500)	(31 727)
		<u> </u>	<u> </u>
Net cash outflow from investing activities		<u>2 464 912</u>	<u>(233 969)</u>
Cash Flows from financing activities			
Decrease in training		-	(15 789)
Increase in deferred grant		-	(13 821 892)
		<u> </u>	<u> </u>
Net cash (outflow)		-	(13 837 681)
Movement during the year		(1 667 649)	(14 428 173)
At beginning of year		1 792 324	16 220 497
		<u> </u>	<u> </u>
Cash equivalents at end of year	8	<u>124 675</u>	<u>1 792 324</u>



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2017

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 International Financial Reporting Standards. 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 International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies.

(a) *New standards, amendments and interpretations adopted by the Association*

There were no new standards adopted by the Corporation for the first time for the financial year beginning on or after 1 April 2016.

(b) *New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2017 reporting periods and have not been early adopted by the Corporation. The Corporation's assessment of these new standards and interpretations is set out below:

Title of standard	Nature of change	Mandatory application date
IFRS 9 Financial Instruments	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.	Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2017

<p>IFRS 15 Revenue from Contracts with Customers</p>	<p>The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.</p> <p>The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 January 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.</p>	<p>Mandatory for financial years commencing on or after 1 January 2017.</p>
<p>IFRS 16 – Leases</p>	<p>After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard.</p> <p>The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).</p> <p>A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.</p> <p>One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).</p> <p>IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.</p>	<p>Mandatory for financial years commencing on or after 1 January 2019.</p>



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2017

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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the year ended 31 March 2017

2. Property, plant and equipment (continued)

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.

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	33%
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 2017

3. Financial assets (continued)

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

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.

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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the year ended 31 March 2017

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.

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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the year ended 31 March 2017

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.

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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) for the year ended 31 March 2017

13. Revenue recognition (continued)

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.

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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) for the year ended 31 March 2017

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 2017

	2017 E	2016 E
1 Surplus before taxation		
(Deficit)/Surplus before taxation is stated after:		
Auditor's remuneration	102 357	(54 204)
Depreciation on property, plant and equipment	96 545	100 887
Amortisation of intangible assets	-	133
Staff costs (note 14)		
Portion in respect to Swaziland Cane Growers Association employees	(1 555 773)	(1 437 687)
Portion paid from grant funding	(437 800)	(1 765 902)
Finance income (note 2)	428 232	602 653
Sundry income	-	-
Repairs and maintenance	(10 930)	(14 830)
2 Finance income		
Interest received	428 232	602 653
	<u>428 232</u>	<u>602 653</u>
3 Grant income		
Analysis of grant income is as follows:		
Sources of grants		
European Union	1 693 401	14 114 338
	<u>1 693 401</u>	<u>14 114 338</u>
The analysis of expenditure that matches the grant income is as follows:		
Salaries	-	1 765 902
Depreciation	-	66 944
Motor vehicle expenses	-	29 253
Other expenses	1 693 401	12 252 239
	<u>1 693 401</u>	<u>14 114 338</u>



NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

4 Property, plant and equipment

	Computer Equipment E	Office Furniture E	Motor Vehicle E	Total E
Year ended 31 March 2017				
Opening carrying amount	29 669	12 926	65 809	108 403
Additions	9 500	-	-	9 500
Assets written off	-	-	-	-
Depreciation charge	(25 156)	(5 580)	(65 809)	(96 545)
Closing net book amount	<u>14 013</u>	<u>7 442</u>	<u>-</u>	<u>21 358</u>
At 31 March 2017				
Cost	380 727	179 773	389 172	949 672
Accumulated depreciation	(366 714)	(172 331)	(389 172)	(928 217)
Closing carrying amount	<u>14 013</u>	<u>7 442</u>	<u>-</u>	<u>21 358</u>
Year ended 31 March 2016				
Opening carrying amount	49 305	56 776	126 989	233 071
Additions	10 149	7 700	13 879	31 728
Disposals	(7 795)	(47 712)	-	(55 507)
Depreciation charge	(21 990)	(3 838)	(75 059)	(100 887)
Closing net book amount	<u>29 669</u>	<u>12 926</u>	<u>65 809</u>	<u>108 403</u>
At 31 March 2016				
Cost	371 227	179 773	389 172	940 172
Accumulated depreciation	(341 558)	(166 849)	(323 363)	(831 769)
Closing carrying amount	<u>29 669</u>	<u>12 926</u>	<u>65 809</u>	<u>108 403</u>

	2017 E	2016 E
5 Intangible Assets		
Year ended 31 March 2017		
Opening carrying amount	-	133
Amortisation	-	(133)
Closing net book amount	<u>-</u>	<u>-</u>
At 31 March 2016		
Cost	-	8 685
Accumulated amortisation	-	(8 685)
Closing carrying amount	<u>-</u>	<u>-</u>

All intangible assets purchased were from grant funding from the European Union. These were fully written off as the grant funding was fully utilised in the current year.



NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

	2017 E	2016 E
6 Loans and receivables		
Swaziland Sugar Association	<u>4 008 152</u>	<u>6 479 624</u>
Opening balance	6 479 624	6 277 382
Interest	388 528	402 242
Payment received	<u>(2 860 000)</u>	<u>(200 000)</u>
Closing balance	<u>4 008 152</u>	<u>6 479 624</u>
The investment earns interest at prime rate less 3% per annum.		
7 Accounts and other receivable		
EU receivable	1 693 401	9 988
Other debtors	11 680	
Prepayments	51 423	60 417
VAT control	<u>8 244</u>	<u>9 263</u>
	<u>1 764 748</u>	<u>79 668</u>
8 Cash and cash equivalents		
Nedbank current account	35 281	44 594
Nedbank call account	23 563	67 940
Nedbank grant call account	56 450	1 652 368
Nedbank grant current account	7 674	26 396
Cash in hand	<u>1 709</u>	<u>1 026</u>
Net cash and cash equivalents	<u>124 677</u>	<u>1 792 324</u>
9 General reserve		
Opening balance	1 934 087	1 785 576
Transfer during the year	-	148 512
Closing balance	<u>1 934 087</u>	<u>1 934 087</u>

It is the Association's policy to transfer 25% of its surplus after taxation to a general reserve.



NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

	2017 E	2016 E
10 Training grant		
Unutilised amount carried forward	<u>27 236</u>	<u>27 236</u>
<p>This is a grant received from Swaziland Sugar Association for training farmers on better farming methods. Grant is still being utilised.</p>		
11 Deferred Grant		
Opening balance	-	13 821 892
Received during the year	-	292 446
Amortisation during the year	-	<u>(14 114 338)</u>
Closing balance	<u>-</u>	<u>-</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	253 936	19 577
Accruals	50 317	54 837
Provision for Salary Bonus	141 154	145 572
Provision for audit fees	53 147	-
	<u>498 554</u>	<u>219 986</u>
13 Reconciliation of cash flows to cash generated by operations		
Operating (deficit)/surplus before taxation	(2 760 384)	668 118
Depreciation	96 545	101 020
Add back: Non cash assets written off		55 507
Interest income	<u>(428 232)</u>	<u>(602 653)</u>
Operating (deficit) /surplus before working capital changes	(3 092 072)	221 992
Working capital changes	(1 391 694)	(1 124 907)
(Increase)/Decrease in accounts receivable	(1 685 081)	63 134
Decrease in accruals	14 820	-
(Decrease)/increase in accounts payable	<u>278 568</u>	<u>(1 188 041)</u>
Cash flows from operations	<u>(4 483 765)</u>	<u>(902 914)</u>



NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

	2017 E	2016 E
14 Staff costs		
Salaries and wages paid in respect to Swaziland Cane Growers Association employees	1 555 773	1 437 687
Car allowances	-	-
Salaries and wages paid by grant	437 800	1 765 902
	<u>1 993 573</u>	<u>3 203 589</u>
The average number of employees during the year was 6 (2016: 6).		
15 Taxation		
Tax asset at the beginning of the year	11 889	29 700
Taxation charge	(40 876)	(66 645)
Prior year tax charge	-	(7 428)
Tax paid during the year	77 028	56 262
	<u>48 042</u>	<u>11 889</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 E4 008 152 (2016: E6 482 564).		
b) Executive Committee expenses	<u>73 303</u>	<u>106 682</u>



NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

	2017 E	2016 E
17 Income tax expense		
Current tax	40 876	66 645
Prior year tax charge	-	7 428
	<u>40 876</u>	<u>74 072</u>
Tax reconciliation		
Surplus before tax	<u>(2 760 384)</u>	668 118
Tax at 27.5%	759 106	183 732
Non-taxable income	(799 982)	(117 088)
Prior year tax charge	-	7 428
	<u>40 876</u>	<u>74 072</u>



Detailed Income Statement

DETAILED INCOME STATEMENT

for the year ended 31 March 2017

	2017 E	2016 E
INCOME		
Levies	1 443 734	1 474 374
Miller-Cum-Planter	500 487	630 660
Grant Income	1 693 401	14 114 338
Interest received – grant	34 082	195 489
Interest received – SCGA	394 151	407 164
	<u>4 065 854</u>	<u>16 822 025</u>
EXPENDITURE		
Audit fees	(102 357)	(54 204)
Bank charges	(327 654)	(189 611)
Cleaning	(362)	-
Consultants fees and expenses	(27 416)	(12 944)
Costs of conferences and seminars	(446 682)	-
Expenditure verification	(110 000)	-
Meetings	(93 959)	(75 497)
Depreciation and Amortisation	(96 545)	(101 020)
Electricity	(20 000)	(21 500)
Entertainment	(8 238)	(4 777)
Executive Committee expenses	(73 303)	(106 682)
General expenses	(27 366)	(35 410)
Insurance	(63 179)	(87 198)
Legal fees	(27 155)	-
Adaption/new irrigation	-	(2 969 901)
Motor vehicle expenses	(136 337)	(84 671)
Printing and stationery	(81 888)	(66 161)
Rent and office facilities	(171 736)	(149 203)
Repairs and maintenance	(10 930)	(14 830)
Salaries and wages	(1 993 573)	(3 203 589)
Seed cane production	(2 623 122)	-
Subscriptions	(164 235)	(85 749)
Telephone and postage	(60 965)	(63 396)
Training	(5 309)	(6 171)
Travelling and subsistence expenses	(48 292)	(53 525)
Visibility	(105 635)	-
Pumps	-	(3 959 672)
Mainline	-	-
Infield road/other	-	(4 792 545)
Website development	-	(15 650)
	<u>(6 826 239)</u>	<u>(16 153 907)</u>
Surplus for the year before taxation	(2 760 384)	668 118
Swaziland normal taxation	(40 867)	(74 072)
(Deficit)/Surplus for the year after taxation	<u>(2 801 261)</u>	<u>594 046</u>



TAXATION SCHEDULE for the year ended 31 March 2017

	2017 E
Taxable income:	394 151
Interest received	<u>394 151</u>
Deduct direct expenditure	
Insurance	(63 179)
Repairs and maintenance	(10 930)
Legal fees	<u>(27 155)</u>
10% apportionment of:	
Effective Executive Director's salary	(108 149)
Office admin staff salary	(14 431)
Printing and stationery	(8 189)
Telephone	<u>(6 097)</u>
	<u>(136 866)</u>
Indirect expenditure	
Audit and accounting fees	(50 823)
Bank charges	(17 297)
Interest paid	<u>-</u>
	<u>(68 120)</u>
Apportionment $(\frac{394\,151 \times 68\,120}{3\,637\,623})$	<u>(7 381)</u>
Taxable income	<u>148 641</u>
Tax thereon @ 27.5%	<u>40 876</u>