

VALUES



VISION

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

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 Promote and Support Realisation of True Value of Sugarcane through Positive Influence on and Constructive Engagement with Stakeholders.
3. To Ensure Equitable, Effective and Informed Participation of Cane Growers in the Industry
4. To Promote and Support Sustainability through adopting suitable financing model, anticipating and proactively adapting to changes in the sugarcane business environment.
5. To Align the SCGA to Good Corporate Governance, Management Practices and 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. Drive for Results.

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1. CHAIRMAN'S REMARKS



I am pleased to present the Swaziland Cane Growers Association (SCGA) Annual Report for the year ended 31 March 2018. The 2017/18 year was supposed to be a relief from the drought devastations of the previous year. While grower yields partially recovered on one hand the sucrose price, on the other hand, corrected itself from the artificially high that coincided with the drought and global sugar deficit in 2016/17. The price was further exacerbated by the sudden strengthening of the Lilangeni against major currencies starting in the last half of the year. On average the sucrose price was E3 700 / tonne, about 4.5% down year on year. The price had initially been over-estimated due to the unforeseen strengthening of the Lilangeni and drop in world price. This resulted in overpayment of growers during early estimates. This necessitated pay back by growers (claw back) deferred to 2018/19 which will be a painful development for growers. Large scale growers (LSG) sucrose volumes were similar to those of the previous year. As a

result, this category of growers experienced a decline in revenue, year on year. Medium scale growers, on average, saw their revenue increase by about 23%. This category of Growers had their Revenue severely Shrank the most in the previous year (2016/17) hence noticeable recovery in 2017/18.

As predicted last year the impact of the drought is expected to spill into the following season hence growers are advised to prepare themselves for the slow recovery accompanied by a most probably lower price. The EU subsidized SCGA seedcane scheme produced 10 400 tonnes of seedcane which was sold to growers at half price. This translates to a E3 557 590 cost savings to the beneficiary growers.

The after effects of the drought are still lingering on SCGA yields as shown in later sections. On a year on year basis the total industry sucrose production was 757 479 about 9% up. SCGA members saw less of the recovery (5%) mostly from medium scale growers (MSGs) and small-scale growers (SSGs). Production by SCGA members classified as Large-Scale (LSG) remained almost flat. There was better recovery by Medium scale growers (MSG) at about 15% year on year and SSGs at about 6%. It will be recalled that the MSG category had lost proportionately more volume in the previous year hence the current increase includes harvesting of carry-over fields. Over-all SCGA members contributed 47% to industry sucrose production compared to 49% in 2016/17.

Total SCGA farmer revenue was flat at a mere 0.5% up year on year due mainly to lower price. This represents a loss in real

time basis when compared to an inflation of about 5%.

This report covers the year when the removal of EU sugar quotas finally happened with effect from 1 October 2017. The exact impact of this eventuality is not yet fully understood but EU local production is currently in surplus and the price is trending downwards more or less tracking the world price. So far, the price fetched by Eswatini sugar from EU markets is down. However, it must be noted that there are other micro- and macro-economic developments influencing the price besides quota removal. The impact of Brexit is still unclear as the process is still in progress.

The year opened with an average 15% electricity tariff increase and another 15% increase will take effect on 1 April 2018. It is estimated that each of the above increases reduces grower profitability by about 8%. Therefore, growers need to improve the efficiency of power usage while simultaneously increasing yield. On top of efficiencies growers need to think

about alternative and renewable sources of energy.

All the above developments call for a comprehensive sustainability strategy for growers. This need is already entrenched in the new SCGA 3-year Strategic Plan approved by SCGA ExCo on 14 March 2018. Efforts to get support in funding value chain and climate change mitigation studies were successful and the value chain study was completed in December 2017 while the climate change study is in progress and expected to conclude in November 2018. Both studies were financed through support from the EU. The two reports will hopefully provide data for informed strategic plans.

In conclusion, I wish to once again, implore SCGA members (the growers) to continue working together with the Executive Committee (ExCo) and the Office as we face further hardships, uncertainties and opportunities in our business environment. We should derive some inspiration from the cyclical nature of global sugar prices and focus on survival for the turn-around eagerly hoped for.

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 and 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 advocate, represent and support collective interests of cane growers through promoting, protecting 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. The operations of the SCGA are 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 **support 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 2017/18 Elected 13 September 2017

Table 1: SCGA ExCo Members in 2017/18

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

2.1.3 Big Bend Planters' Group Committee as Elected on 13 September 2017

Table 2: Big Bend Planters' Group Committee in 2017/18

Name	Position
1. Mr S. Geldenhuys	Chairman
2. Mr K FitzPatrick	Member
3. Mr M Mabuza	Vice Chairman
4. Mr. S Mahlalela	Member
5. Mr. M Mbingo	Member
6. Mr. L. Msibi	Member
8. Mr. GF Scheepers	Member

2.1.4 Mhlume Planters' Group Committee

Table 3: Mhlume Planters' Group Committee in 2017/18

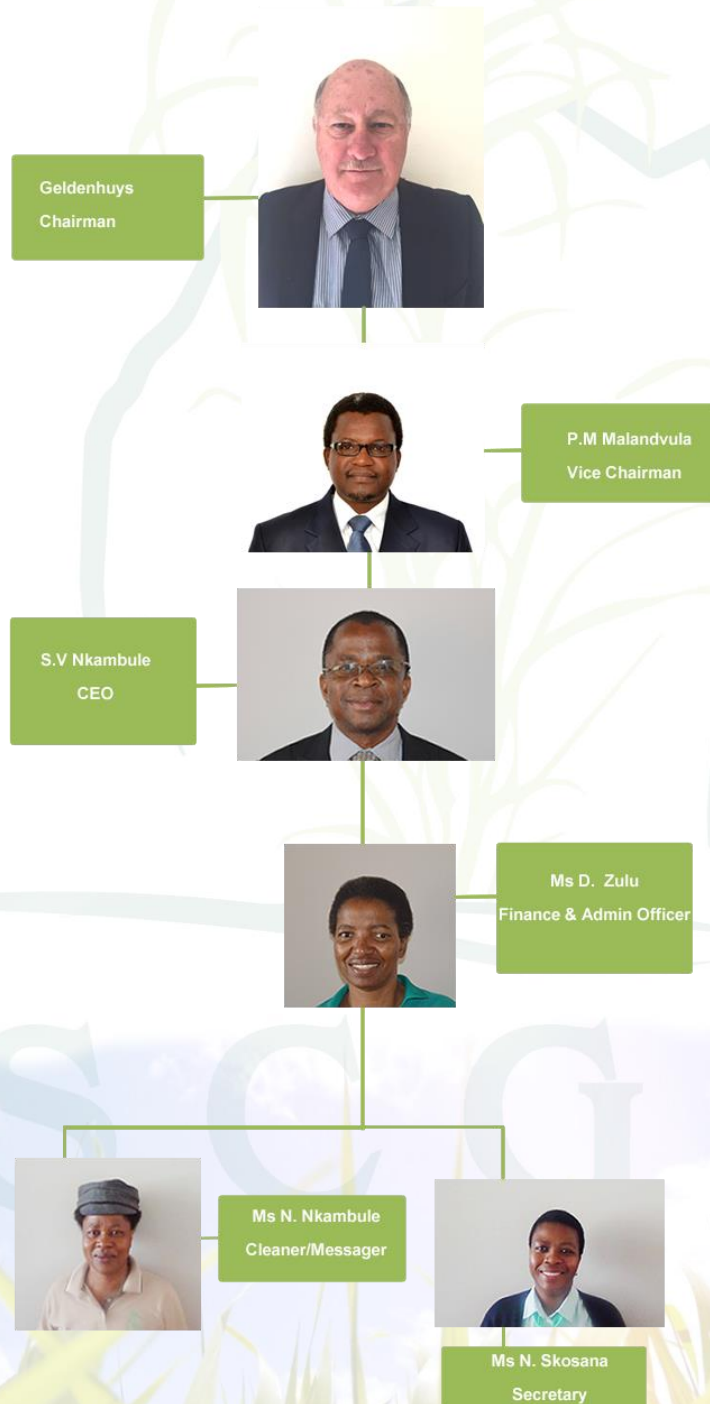
Name	Position
1 Mr. B James	Vice Chairman
2 Mr. M. Jele	Member
3 Mr. O. Mabuza	Member
4 Mr. G. Masilela	Member
5 Mr. E. Ndzimandze	Member
6 Mr. EJ Nxumalo	Member
7 Mr. N. Nxumalo	Member
8 Mr. GC White	Chairman

2.1.5 Simunye Planters' Group Committee

Table 4: Simunye Planters' Group Committee 2017/18

	Name	Position
1.	Mr M. Hlatjwako	Vice- Chairman
2.	Mr. B. Hlophe	Member
3.	Mr. J. Khumalo	Member
4.	Mr. S Mahlalela	Member
5.	Mr PM Malandvula	Chairman
6.	Mr. E. Motsa	Member
7.	Mr. M. Mndzebele	Member
8.	Mr. S Nkambule	Member

2.1.6 ORGANIZATIONAL STRUCTURE



Picture 1: SCGA Organizational Structure

2.2 THE CANE GROWING YEAR 2017/18

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, rate 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 2017/18 was worse than 2016/17, with exception of Big Bend PG (Figure 1) that was slightly up year on year.

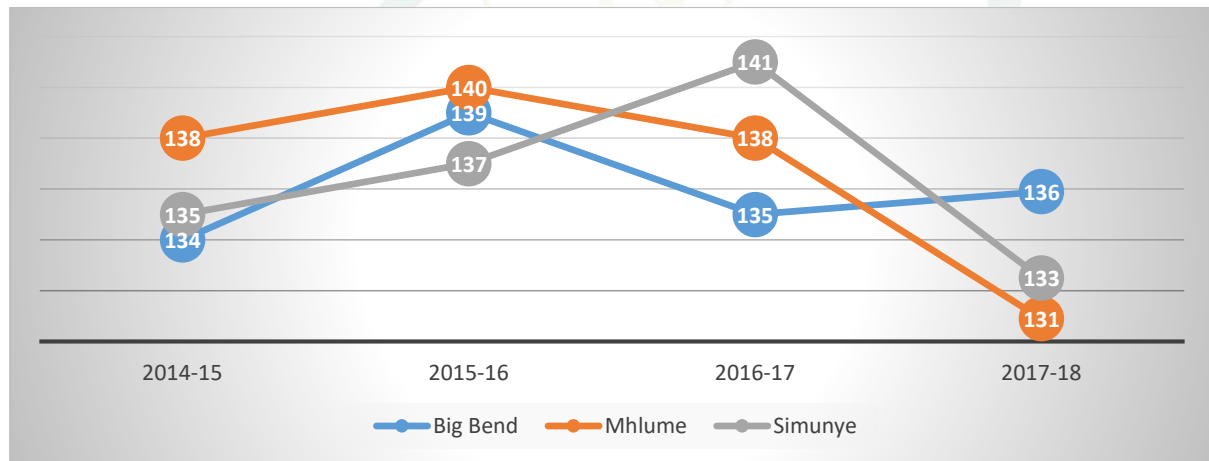


Figure 1: Potential Cane Yield (Tons Cane Per Hectare per Annum, TCHA) in 2017/18 compared to Previous 3 years (SSA IDB 2018).

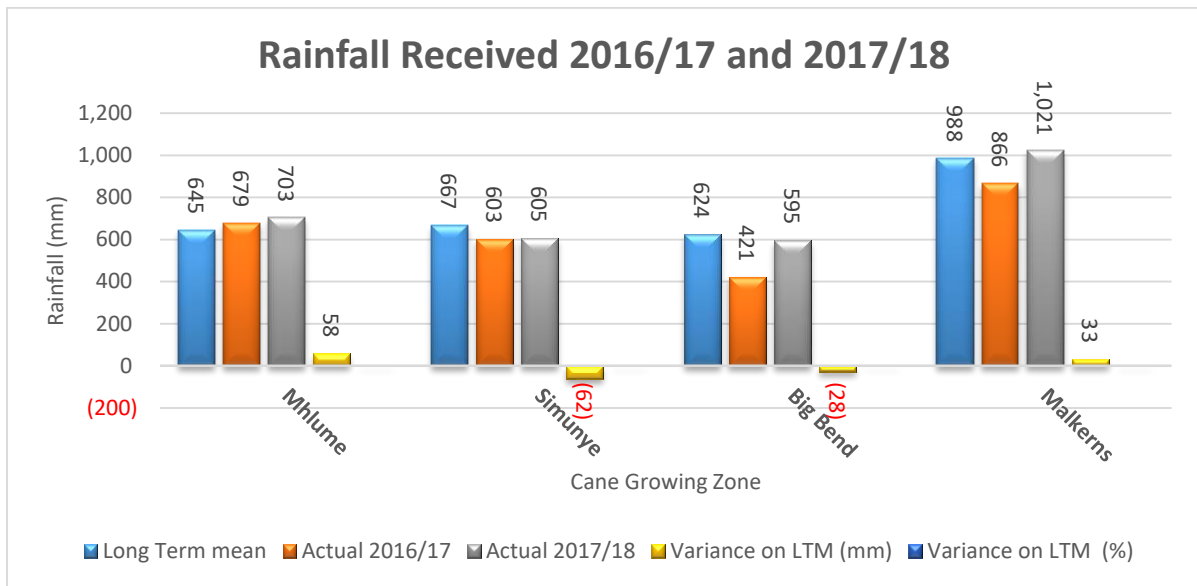


Figure 2: Rainfall Patterns over the Year 2017/18 (Source: SSA IDB 2018)

Mhlume and Malkerns received above normal (LTM) rainfall while Simunye and Big Bend received below normal rainfall. However, all areas received better rainfall than in 2016/17.

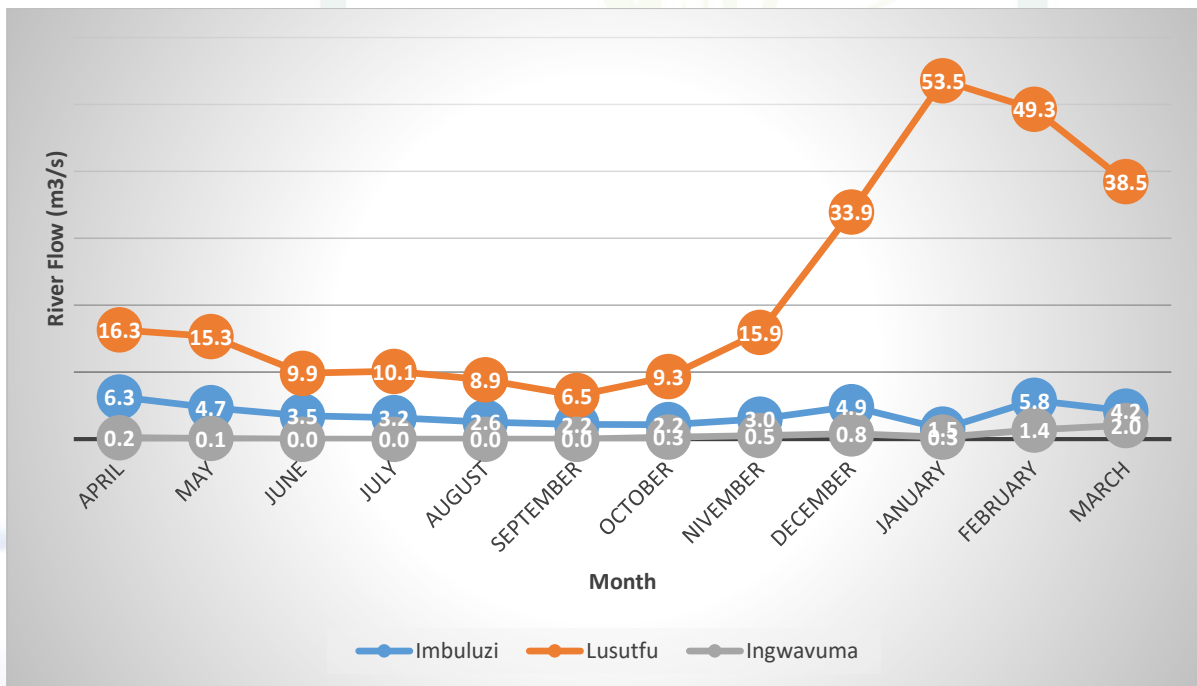


Figure 3(a): River Flows over the Year 2017/18

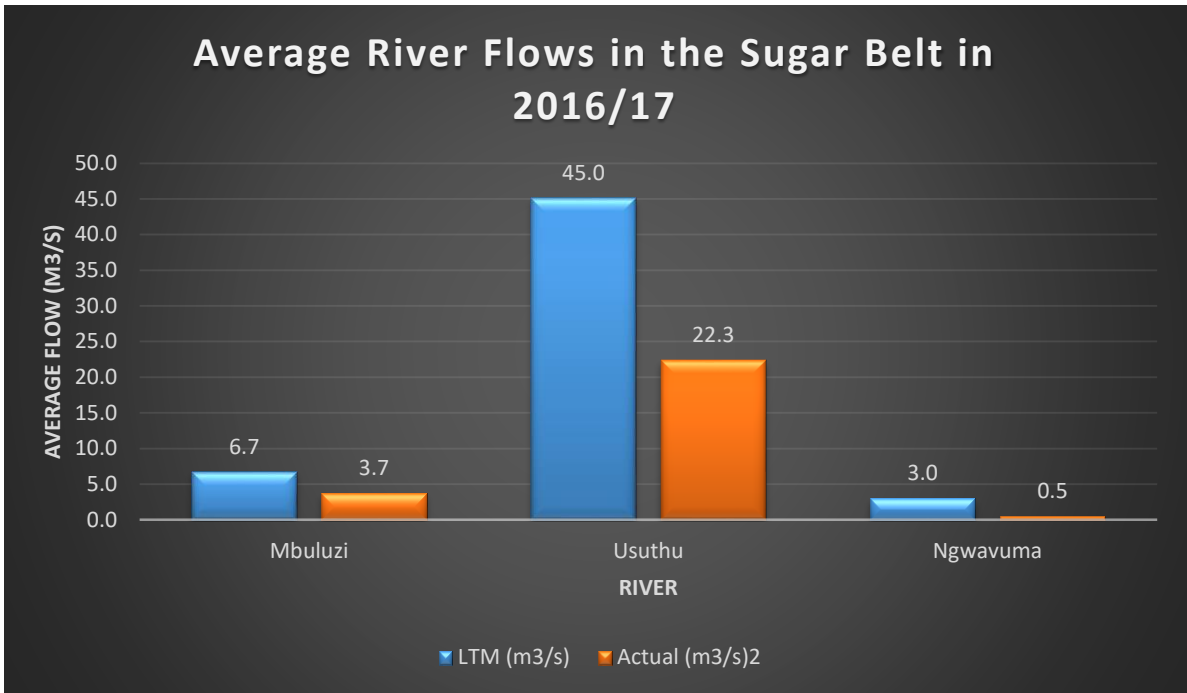


Figure 3(b): Average River Flow Levels in 2016/17 vs Long Term Means (LTMs)

Consistent with the rainfall the river flows were better but still unimpressive in all the rivers with the hardest hit being the Ingwavuma. Despite improvements in other basins the Ingwavuma Basin experienced another dry spell. At end of March 2018 the river flow was a trickly 2 cumecs heralding a third stressful year. Replanting of abandoned fields, in this basin, will most likely be deferred further. Some of the land has already been put to other crops and it is unknown if and when it will revert back to sugarcane.

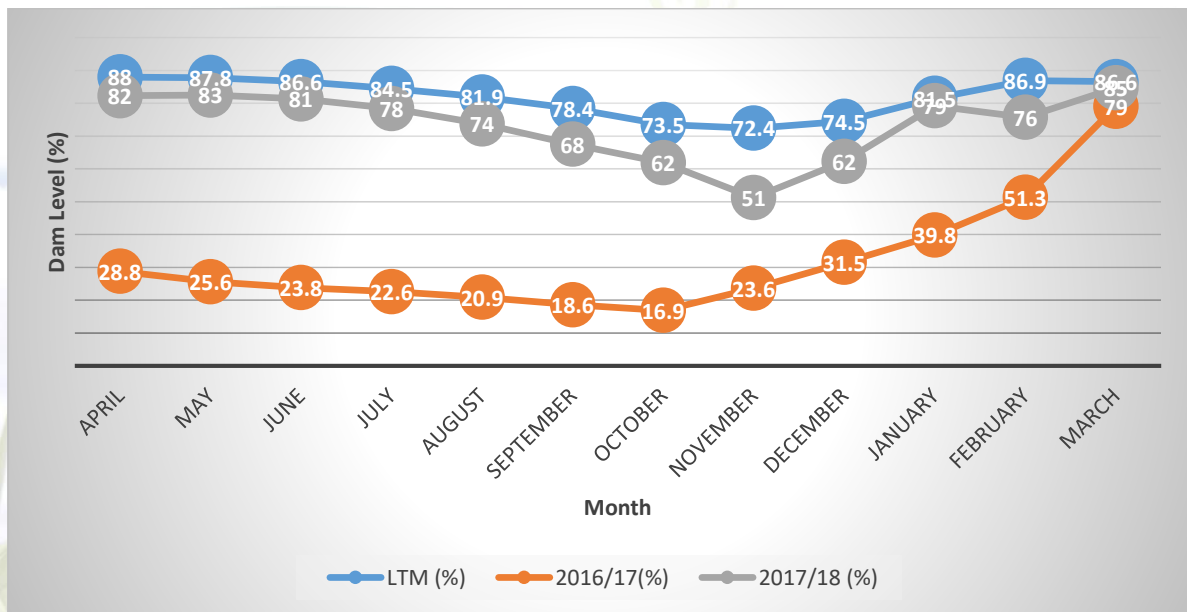


Figure 4(a): Maguga Dam Levels During the Reporting Year

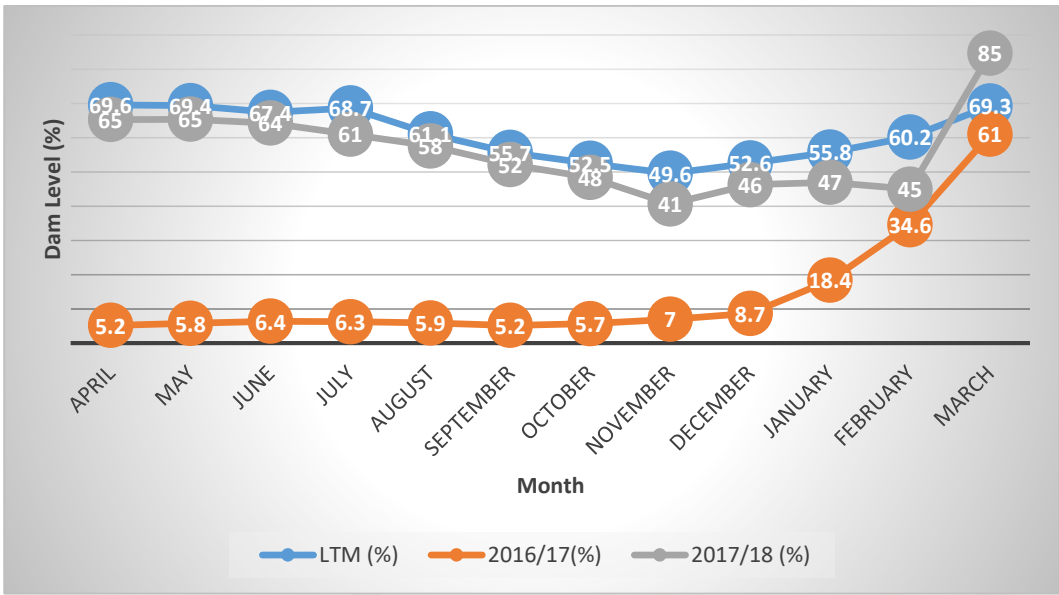


Figure 4(b) : Mnjoli Dam Levels in 2017/18

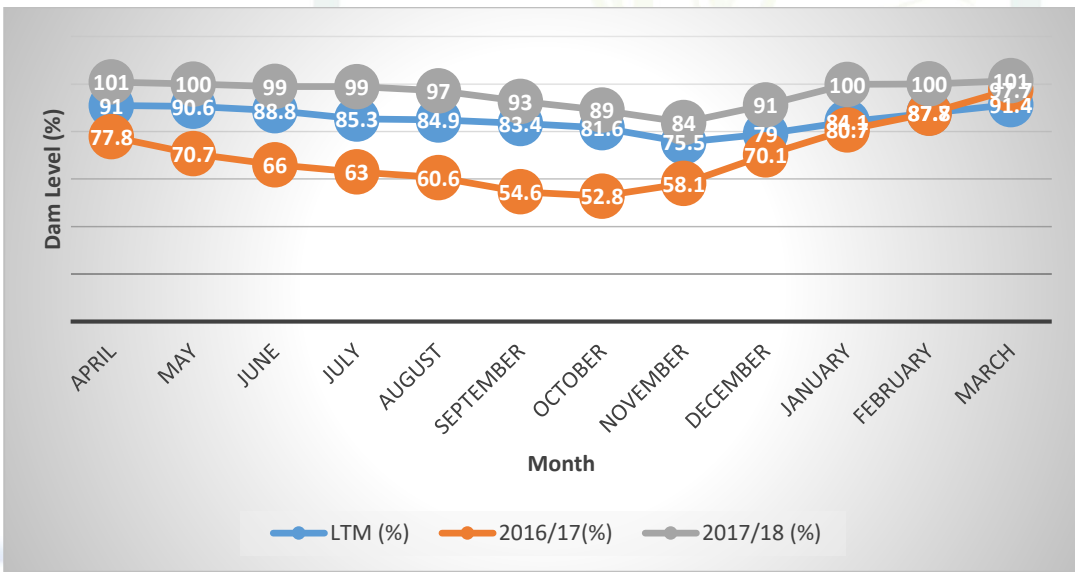


Figure 4(c) : Lubovane Dam Levels in 2017/18

Throughout the year dam levels were satisfactory and much improved compared to the previous season thanks to good rains in last 2 summers. Maguga and Mnjoli Dams were trending slightly below average while Lubovane was above average.

The climatic conditions described above are good reason for optimism in the next harvesting season (2018/19) from the production perspective but the business/market side is still uncertain calling for continued caution.

2.2.2 Membership

During the course of the year membership forms were distributed for completion in order to update the database. By the end of the year about 36% of growers had responded hence the database is still incomplete especially as it pertains to contact details.

Figure 5 below shows the trend in the categories of active SCGA members in 2017/18.

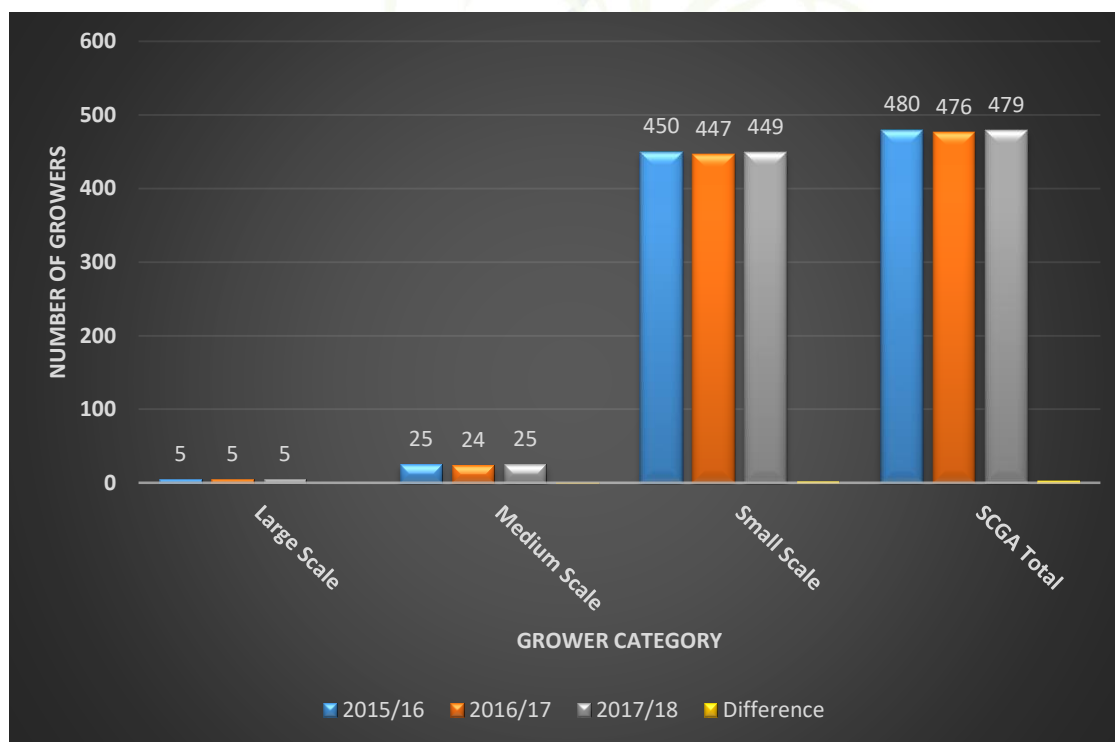


Figure 5: Number of SCGA Members in 2017/18 by Farm Category (Excludes MCPs)

During the year 479 SCGA members delivered cane to the mills reflecting a net increase of three growers. Table 5 below shows details of the changes. Most changes occurred within the small holder (SSG) category.

Table 5: Number of Active SCGA Members 2017/18

Planters' Group (1)	* SCGA Quota Holders	SCGA Deliveries in 2016/17	SCGA Deliveries in 2017/18	**Gains	***Losses	Net Gain/(Loss)
Big Bend	166	134	138	6	2	+4
Mhlume	335	310	310	4	4	0
Simunye	35	32	31	0	1	(-1)
SCGA TOTAL	536	476	479	10	7	+3

*Excludes mill owned growing entities. **10 SSG gained, ***7 SSGs lost.

Figure 6 shows the changes in the composition of the industry over the past 6 years.

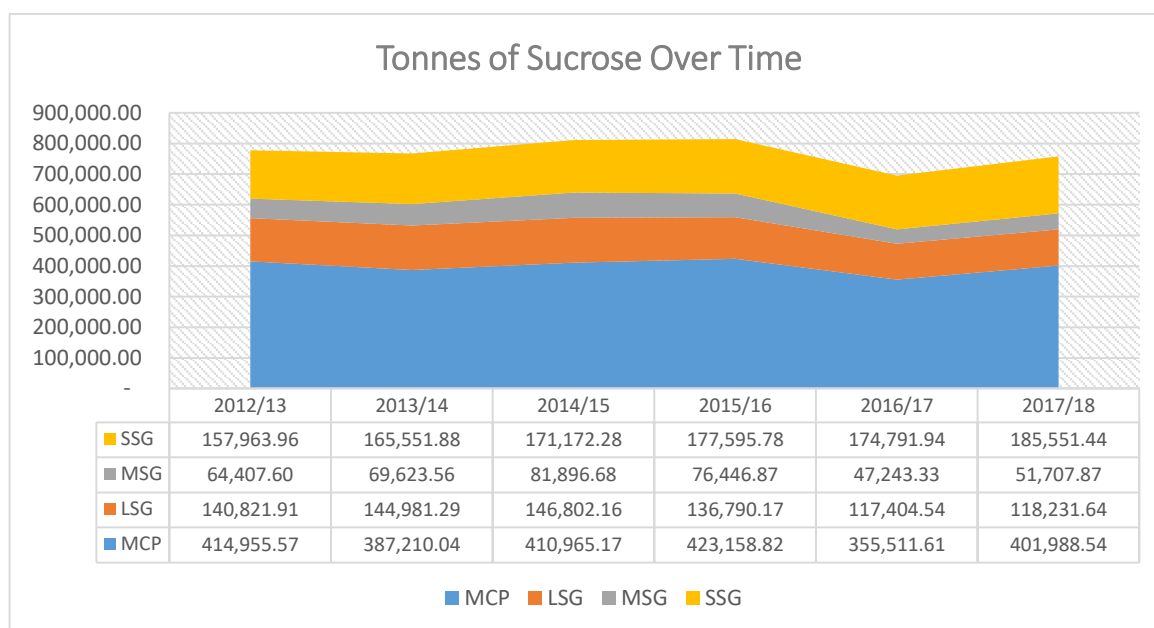


Figure 6(a): Sucrose Production (Volume) Trends by Field Category

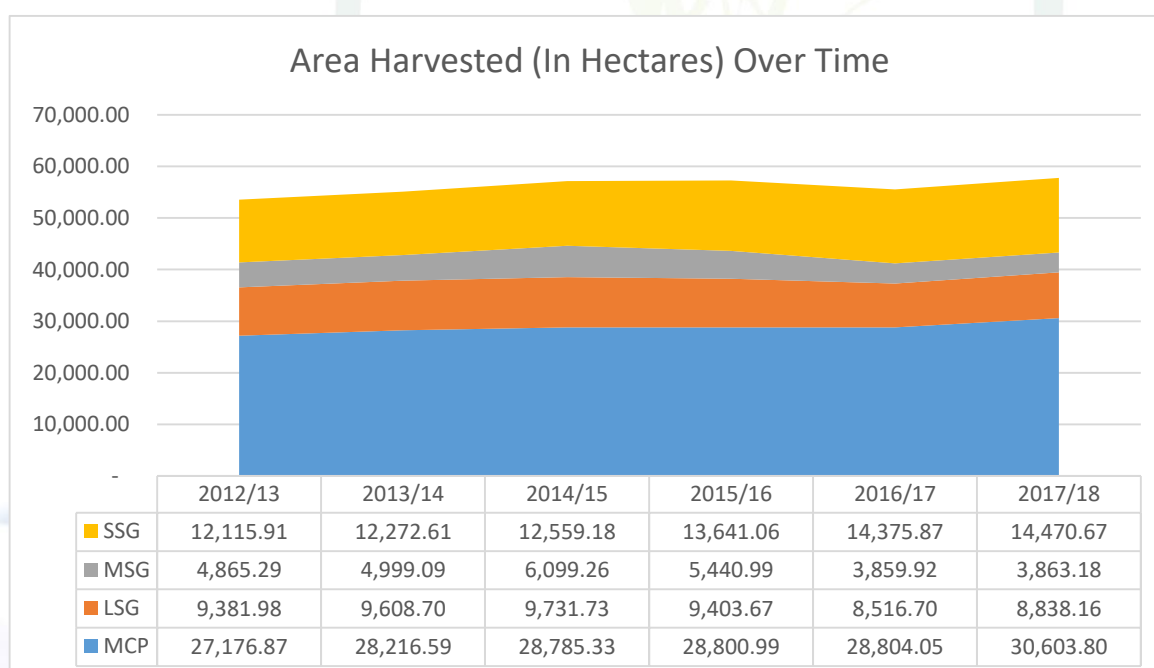


Figure 6(b): Cane area harvested trends by Field Category

The total contribution by SCGA members has remained fairly constant over the past 6 years. However, there were changes within the categories in SCGA. The percentage of SSGs grew while MSG and LSGs both decreased.

2.3 STRATEGIC PLANNING

2.3.1 Swaziland Sugarcane Industry Vision

The industry vision development exercise did not move. 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 2015/16. The vision, mission, objectives and organisational values reflected in this document are part of the Plan, as amended from time to time.

The 3-year rolling strategic plan was in its third and final year in 2017/18. A new strategic plan was approved in March 2018 for the years 2018/19 to 2020/21. The revision was to update and align with emerging industry developments and directions.

A comprehensive strategic review covering the previous cycle (past 3 years) is scheduled for 2018/19.

2.4 PERFORMANCE AGAINST STRATEGIC PLAN

This part of the report is structured in alignment with the strategic objectives in the Strategic Plan that ended on 31 March 2018.

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

2.4.1.1 Skills Development

Grower feedback meetings were held as scheduled in April 2017, July 2017, November 2017 and February 2018. The normal updates on the industry were given to members. In addition, the following special presentations were made by different invited vendors.

Table 6: Skills development Presentations to SCGA Members

Title	Presenter (Organization)	Date
Grower Cost Analysis	SSA	July 2017
Labour Laws Pertinent to Agriculture Sector	Ministry of labour and Social Security	November 2017
Markets and Grower Sucrose Price Trends	SSA	February 2018

The Office Secretary was trained on Personal Assistance at Mananga College in April and May 2017.

SCGA hosted 3 Junior Achievement students for a week. An accounts intern was hosted by SCGA for 12 months ending in December 2017.

2.4.1.2 Position Establishment in the Office

An extra position of Grower Support Manager was approved by the Annual General Meeting (AGM) held in September 2017. The position is intended to increase contact with SCGA members on their issues, at farm level. It will also support the grower financial performance monitoring being implemented by SSA.

2.4.1.3 Staff Remuneration Benchmarking

The exercise was done in February 2018 and it informed the staff salary adjustments for 2018/19. Furthermore, performance evaluation was implemented at all staff levels.

2.4.1.4 Alignment of Training offered to SCGA Members

A workshop of key service providers, in skills development, was held in February 2018. One of the key outcomes of the meeting was identification of a need to compile a list of recognised practitioners in skills development. This action has been incorporated into the SCGA Three-year strategic plan.

2.4.1.5 ExCo Training

This action did not take place due to shortage of financial resources. The only event in this regard was the formal induction of new SCGA Executive Committee (ExCo Members) in September 2017.

2.4.2 Objective 2: To promote and support realisation of 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 continued to be 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.

Several engagements were made with SRA to enable understanding and appreciation of the conundrum by both sides. At the end of the year both SRA and SCGA were working on various aspects of the subject and the subject will be pursued in the new financial year

2.4.2.2 Grower revenue maximization strategy

A visit to South African Cane Growers Association (SACGA) was undertaken and findings reported to ExCo and at feedback meetings. The main purpose was to see a biogas plant run by the SACGA and an independent farmer. Further engagements with EU and UNDP took place. The power options being investigated are solar, wind and bioenergy. The rest of strategy development was carried over to the new strategic plan.

2.4.2.3 Division of proceeds workshop for SCGA ExCo

The exercise was done for Simunye PG. Similar workshops for Big Bend and Mhlume PGs are in the pipeline for 2018/19.

2.4.2.4 Sugarcane value chain study

SCGA prepared the terms of reference for the study and submitted to Government and EU for funding. The study was approved for funding by EU. A final report was submitted in November 2017 and presented to the industry in January 2018. SCGA as part of the industry were working on an implementation plan by the end of the year.

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. The problem of fragmented procurement of goods and services has been identified as the main cause for the problem especially in the north. Engagements with different stakeholders were in progress at year end.

2.4.4 Objective 4: To promote and support sustainability through adopting suitable financing model, anticipating and proactively adapting to changes in the sugarcane business environment

2.4.4.1 Drought Mitigation

The SCGA/EU Grant is one successful adaptation initiative implemented by SCGA. A total of 103-Ha of seed cane, in 8 host farms, was established in 2016 for use in spring 2017.

The EU subsidized SCGA seed cane scheme produced 10 400 tonnes of seed cane which was sold to growers at half price. This translates to a E3 557 590 benefit (cost savings) to the growers who accessed the facility. This is in addition to the establishment benefit at host farms.

2.4.4.2 Climate Change Study

SCGA prepared terms of reference (ToRs) for a study into the potential impact and mitigation/adaptive measures 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 funding had been approved and the consultants had been appointed. The study is expected to conclude in November 2018.

2.4.4.3 Formation of Cane Growers Saving and Investment Instrument

During the course of the year it was decided by the industry that for this initiative to succeed it should be owned by the whole industry. It was therefore decided to transfer it to the SSA strategy which has since been approved for implementation. SCGA are participating at that level. SCGA will continue to investigate alternative investments focussing on social welfare of growers.

2.4.4.4 Grower Business Monitoring

The end of the EU funded Business Sector Analysis (BSA) left a gap in grower business analysis. The industry (SSA) has taken over the most critical elements of the exercise. At the end of the year SSA had set aside resources to start the process in the first quarter of 2018/19. SCGA will support the process wherever required.

2.4.5 Objective 5: To Align the SCGA to good Corporate Governance, Management Practices and responsible Corporate Citizenship

2.4.5.1 Budget in Compliance with the Constitution

The 2018/19 budget was presented to and approved by the Annual General Meeting (AGM), on 13 September 2017, 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.

2.4.5.2 Grower Satisfaction Survey

The survey was not carried out upon realisation that there were not enough resources to administer it. More preparatory work is required than had been anticipated.

2.5 HUMAN RESOURCES

The contract of the EU funded Technical advisor, Dr SL Atkins, ended in November 2017. During his tenure at SCGA Dr Atkins compiled a strategic issues paper that has been incorporated into the SCGA 3-year strategy. Dr Atkins was also instrumental in the successful solicitation of funding for value chain and climate change adaptation studies.

During the course of the year the Accounts Intern, Ms Ntombizodwa Ntshakala, concluded her programme. Ms Ntshakala added valuable support to the Association financial management. Good wishes on her future endeavours are extended.

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 7: Attendance of SCGA ExCo Statutory Meetings

	July '17	Sept. '17	Dec. '17	Mar. '18	Remarks
Members					
White, GC	+C	+C	+	+	
Dlamini, AT	-	+	+	-	
FitzPatrick, K	+	-	+	+	
Geldenhuis, S	+	+	+C	+C	
Hlatjwako, M	+	+	+	+	
James, B.	+	+	+	+	
Jele, M.	-	+	+	+	Joined Sept 2017
Mabuza, M	+	+	+	+	
Mabuza, O	-	+	+	+	Joined Sept. 2013
Magagula, SM	+	+	+	+	
Malandvula, PM	+	+	+	+	
Mndzebele, M	+	+	+	-	
Ndzimandze, E	+	-	-	-	Left Sept. 2017
Ngcobo, AT	+	+	+	+	
Nkambule, S	+	-	-	-	
Nkambule, TM	+	+	+	-	
Nxumalo, EJ	+	-	-	-	Left Sept. 2017
Nkambule, SV	+R	+R	+R	+R	
Observer					
Mabuza, O	+				
Ndlovu, JD	-		+	+	
Shabangu, I.	-		-	-	
Shongwe, T	-		-	+	

+ = 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 13 September 2017 at Mhlume Country Club. An attendance in excess of 300 members was recorded.

Key decisions taken, by consensus, include the following;

- i. Approval of Budget 2018/19
- ii. Increase levy to E5.00 per ton sucrose
- iii. Election of Office Bearers for Various Committees
- iv. Approval of 2016/17 Audited Financial Statements
- v. Approval of Appointment of PwC as Auditors for 2017/18.

2.6.3 Relationship Building, Networking and Information Sharing

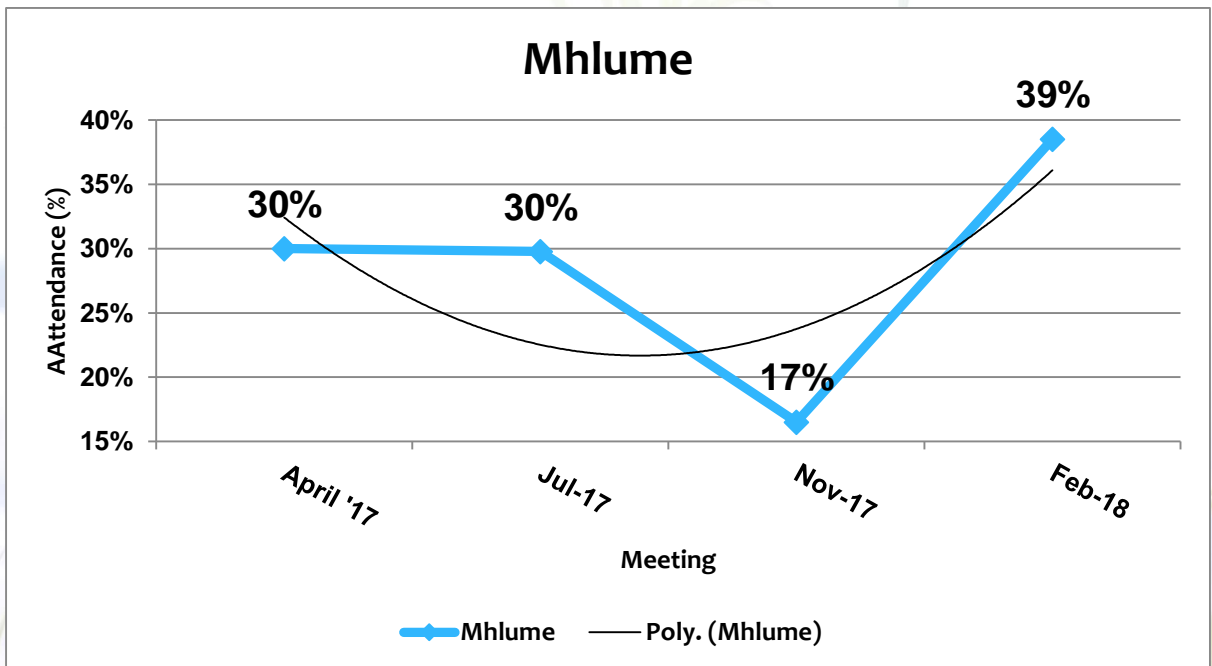
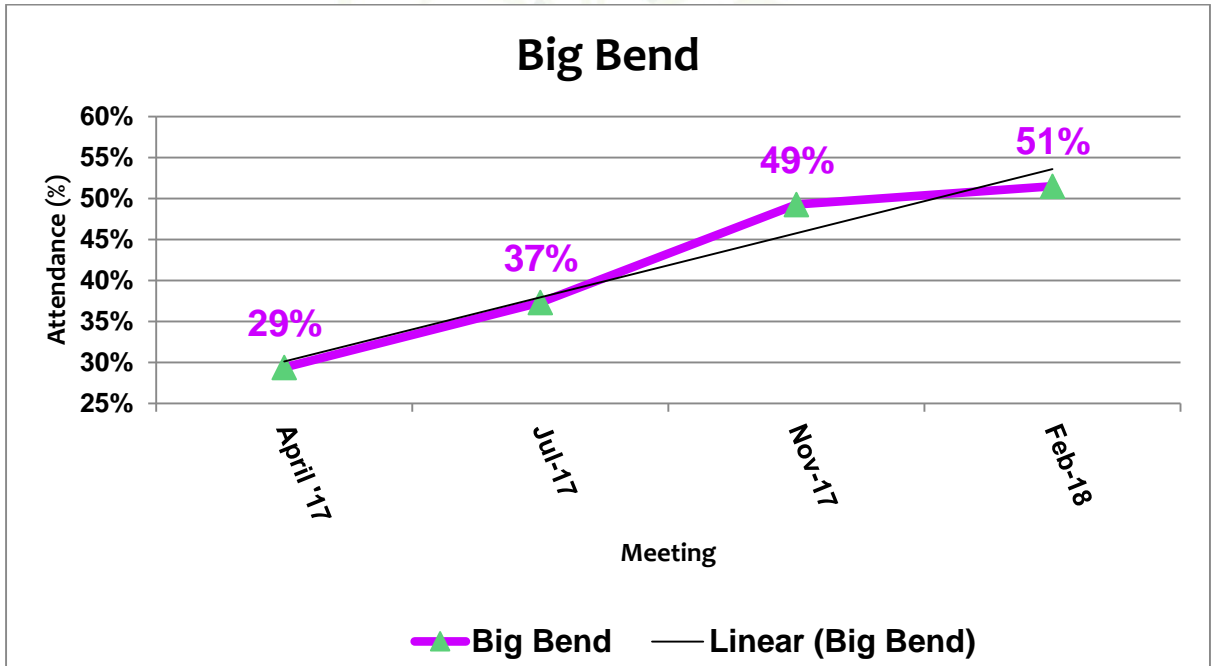
During the year SCGA was represented at the ISO/WABCG meetings in London.

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), International Sugar Organization (ISO) and Institute of Directors in Southern Africa (IoDSA). Lessons learned during the above participations were shared with other growers through reports and presentations during grower feedback meetings.

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.



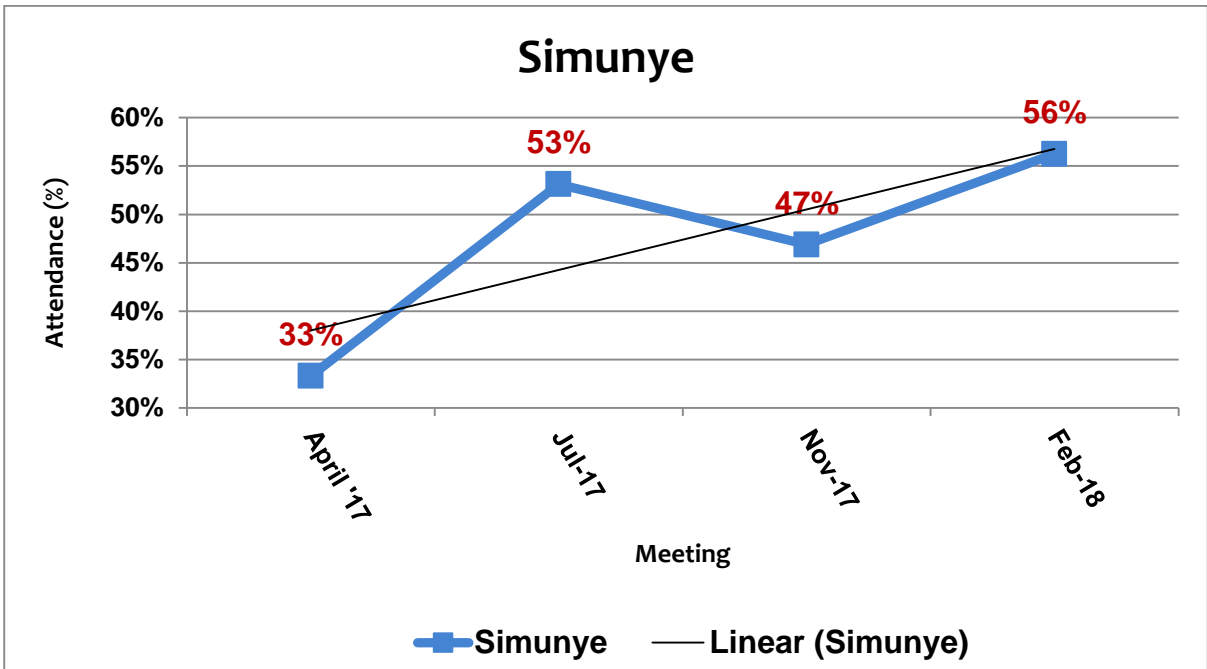


Figure 7: Percentage Attendance of Feedback Meetings during the Year 2016/17.

The attendance showed an upward trend at all three PGs. However it is still a concern that attendance at Mhlume failed to break the 40% ceiling.

2.7.2 Grower Sucrose Yields and Trends

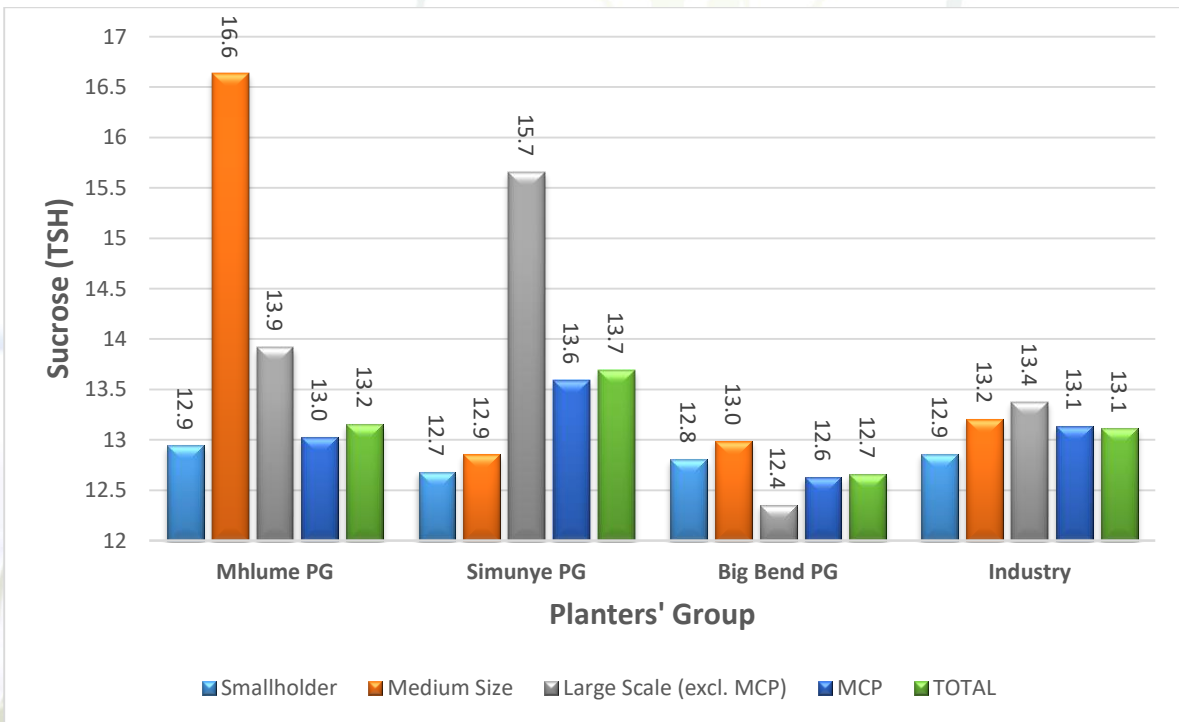


Figure 8(a): 2017/18 Sucrose Yield by Planters' Group and Farm Category (TSH) (Source: SSA IDB 2017/18)

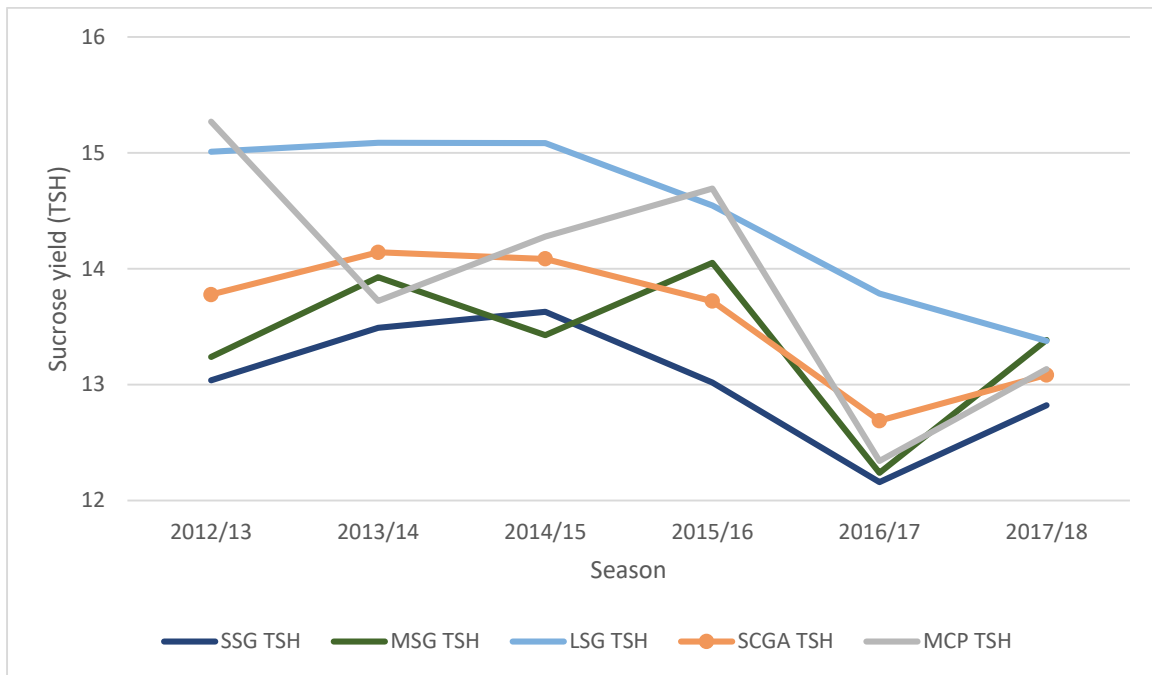


Fig.8(b) Sucrose Yield Trends by Grower Category

Large scale growers show sucrose yield decline year on year. The decline in this category occurred in the Big Bend PG most likely owing to extended effects of drought on water sources. Small (SSG) and medium (MSG) scale growers show an improvement in sucrose yield year on year. This was to be expected in the context of the drought showing its full impact in the previous year (2016/17). However, the crop has not yet recovered to the 2015/16 levels manifesting the long-term effect of water shortage on stalk population.

Figure 8(b) shows that over the years SSGs have consistently performed below their MSG and LSG counterparts. This trend is disappointing and a cause for concern as it undermines the poverty alleviation for which these developments were intended. Reasons vary from difficult water reticulation/management to serious governance/management problems. SCGA and the industry are reviewing the extension strategy with a view to mainstream governance skills and improve monitoring in the growing SSG category

2.7.3 Sucrose Production and Value Creation by Members of SCGA Out Growers

2.7.3.1 Sucrose Production Volumes

The Figures 9(a) to (c) show the contribution of independent growers (SCGA Members), to sucrose production, year on year.

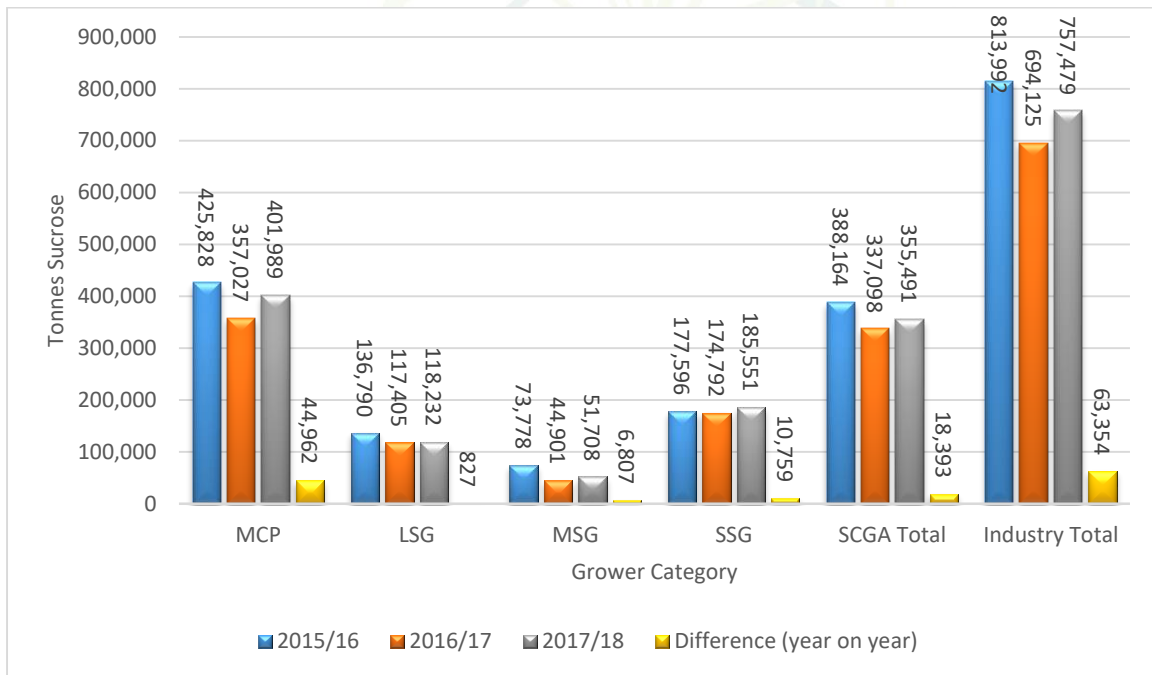


Figure 9(a): Total Sucrose Contribution by SCGA Members (Independent Growers) in the Industry

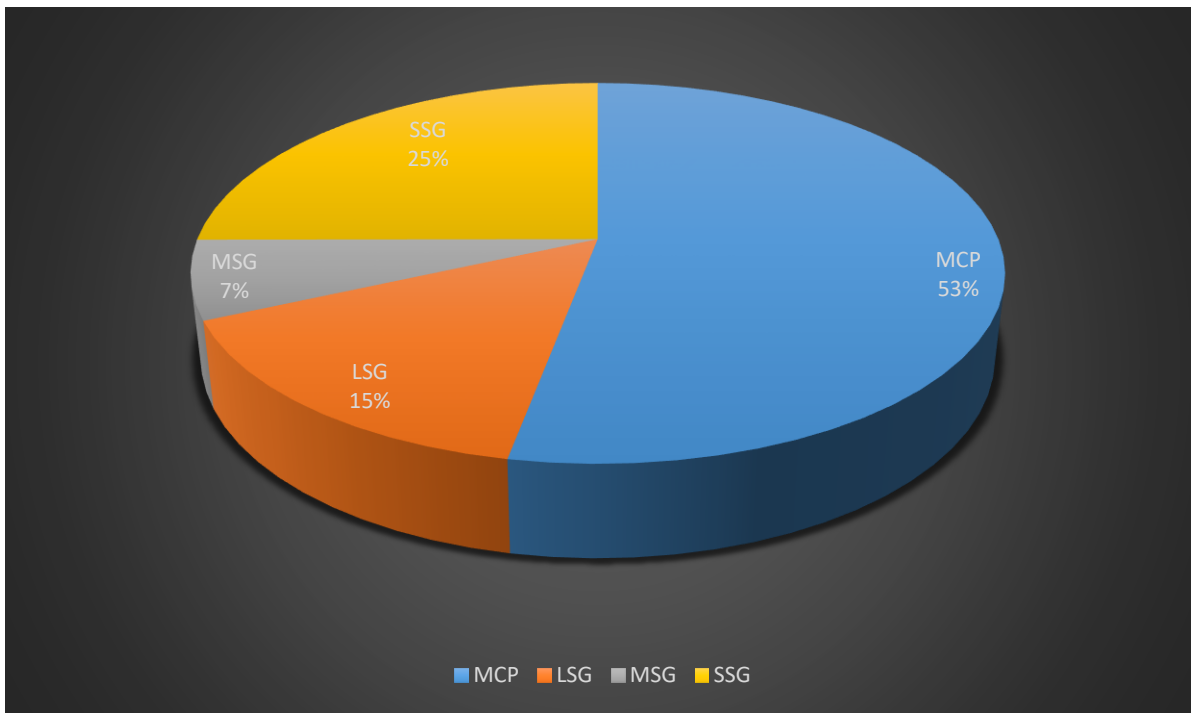


Figure 9(b): SCGA Farmers Area Harvested as Percentage of Industry 2017/18

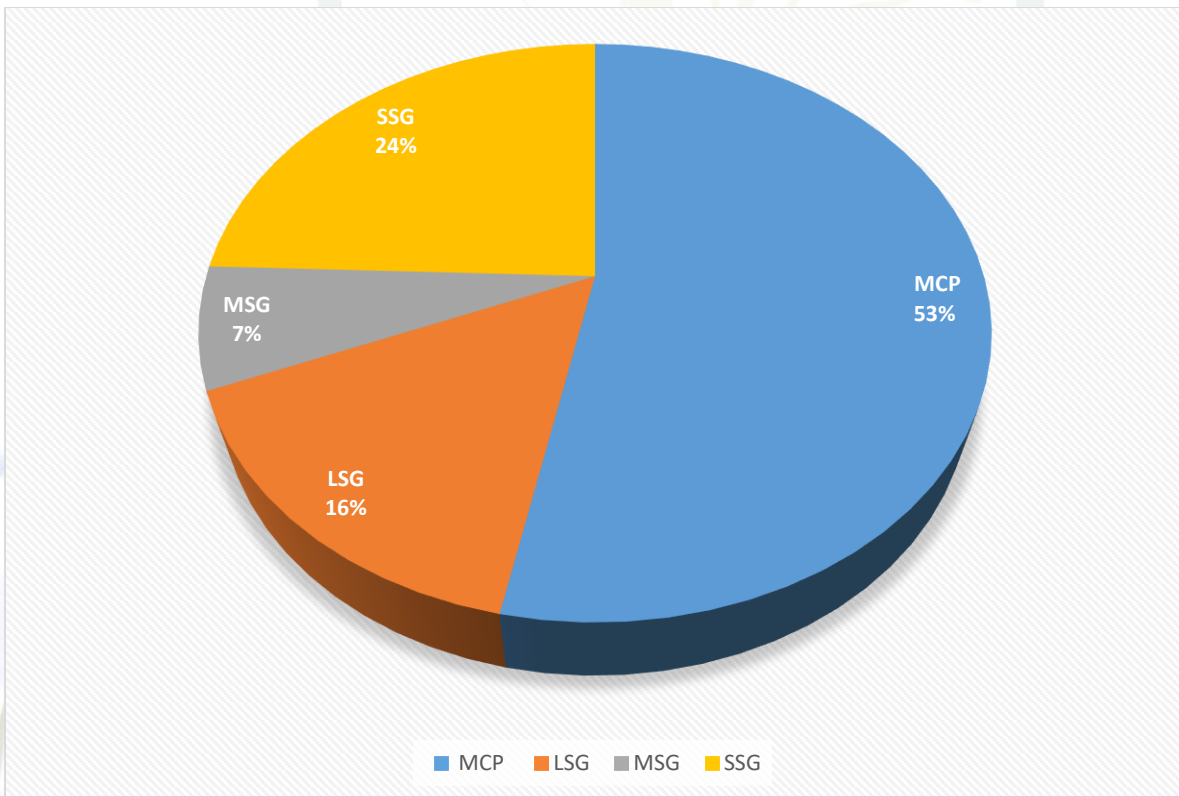


Figure 9(c): SCGA Farmers Sucrose Contribution as Percentage of Industry

The (sucrose) production of SCGA members increased by 5.4% year on year showing a small recovery compared to the miller-cum-planters (MCPs) who increased by 12.6% year on year. The slow recovery by growers resulted in reduced contributions to over-all production. SCGA members produced 47% (vs. 49% in 2016/17) of the industry sucrose with small growers contributing 24% (vs. 25.2% in 2016/17) and the rest coming from medium and large-scale independent growers.

Small and large-scale grower production volume improved 6% and 1%, respectively). For LSG the unchanged volume resulted from reduced yields while for SSGs the increase in yield is attributed to yield and area increase. MSG sucrose volume was up 15%, year on year, driven by better yield as the area harvested was unchanged.

2.7.3.2 Grower Sucrose Price Trends to 2017/18

Figure 10 below shows the trend in the sucrose price over the past 7 years.

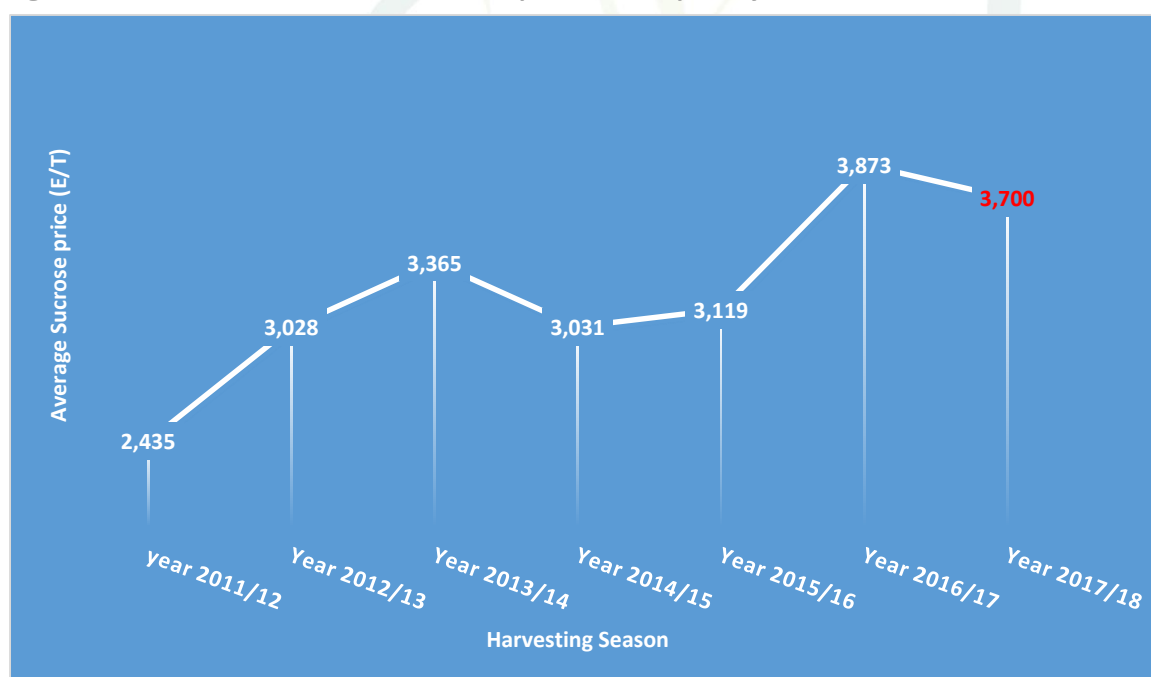


Figure 10: Sucrose Price Trends over the Past Seven Years

The year closed with an approximately 4.5% drop in price, year on year. The price decline is attributed to a drop in world price and the sudden strengthening of the Eswatini Lilangeni (E) against major currencies during the year. The local and world price corrections were to be expected following the 2016/17 decline brought about by deficits during the drought. The price decrease cancelled some of the volume gains. A further correction is expected in the next year (2018/19) in spite of new interventions that are underway and/or under consideration.

2.7.3.3 Value (Wealth) Creation by Independent Growers in 2017/18

Figure 11 shows the nominal monetary value created by SCGA members (independent growers).

2.7.3.3.1 Nominal Value Creation from Sucrose Sales

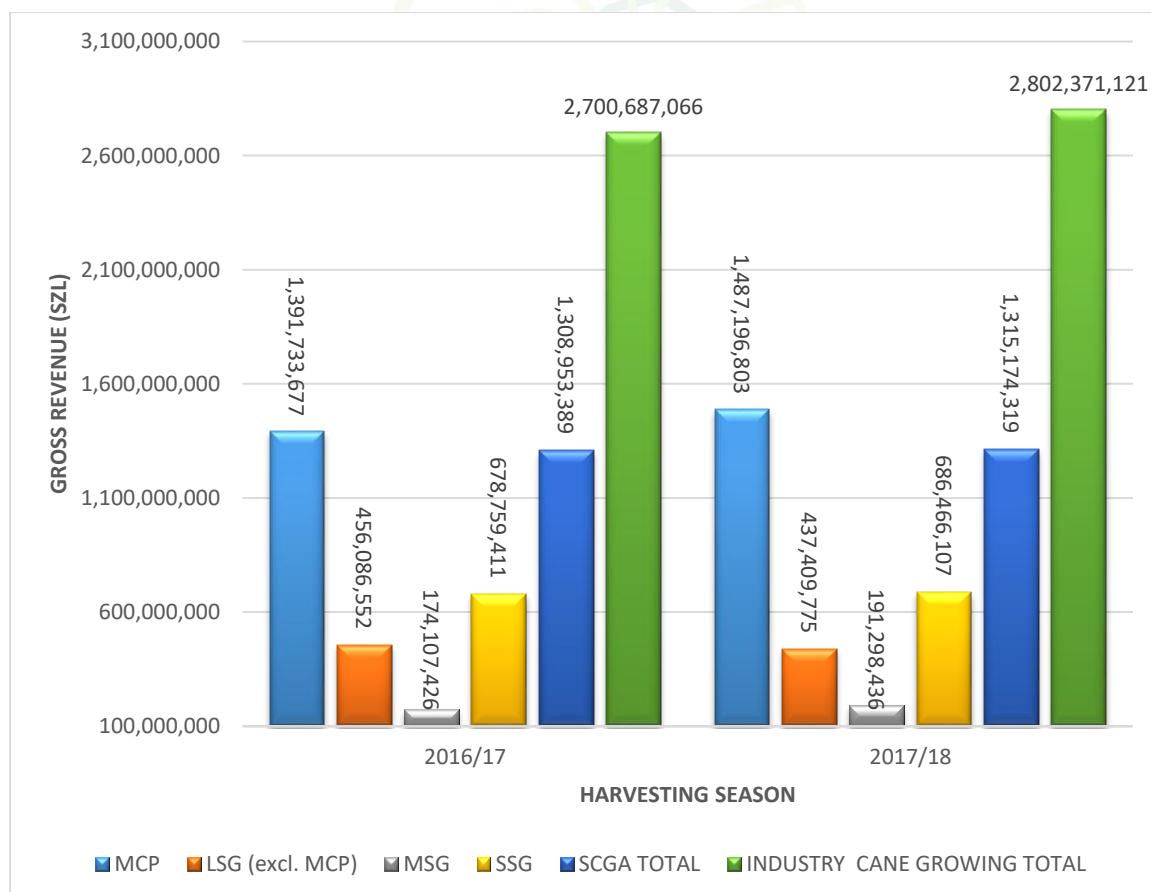


Figure 11: Value Creation by Out growers in Local Currency (SZL)

Table 8 below shows the gross revenue changes, year on year.

Table 8: Changes in Nominal Grower Revenue Year on Year

Grower Category	Revenue Increase/(decrease) Year on Year (E)	Revenue Increase/(decrease) Year on Year (%)
Large (LSG)	(-18 676 777)	(-4%)
Medium (MSG)	17 191 010	10%
Small (SSGs)	7 706 696	1%
All SCGA Growers	6 220 930	(0.5%)

The net effect was an insignificant 0.5% more revenue year on year, for SCGA members. That means in real terms SCGA growers, on average, lost revenue due mainly to price reduction and the brunt was borne by LSG

2.8 FINANCIAL MANAGEMENT

Sources of revenue for the SCGA office, in 2017/18, are summarised in the Figure 12.

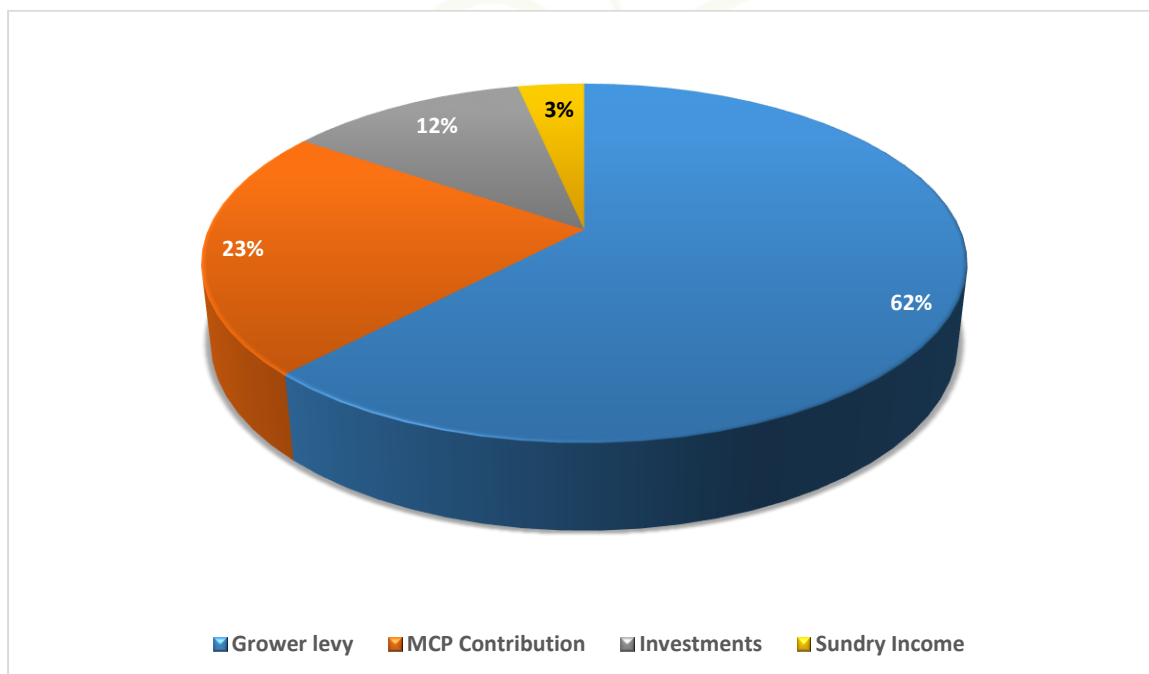


Figure 12: SCGA Sources of Revenue (2017/18)

The revenue split shows heavy reliance on grower levies and MCP contributions. The Association is alive to the sustainability risk associated with the limited revenue sources. Investigations of alternative sources have been made but no material headway is reportable to date. The efforts will continue in future years.

Expenditure was audited externally and the statements are attached herewith.

2.9 FUTURE OUTLOOK

2.9.1 Future sucrose production and delivery by SCGA Members

2.9.1.1 Short Term (1-year)

The combined 2017/18-year climatic conditions favour a very good crop in the 2018/19 season. Moderate increase in SCGA harvested area is expected following the continuation of developments in Lower Usuthu Small Holder Irrigation Project (LUSIP) after a slowdown during the drought. Some, but not all, of the land taken out of cane in 2016/17 is likely to be replanted. The current forecast is for a 15% increase in SCGA sucrose production volumes in 2018/19 vs 2017/18.

The SSA have provided a detailed forecast of the market conditions and it will not be repeated here save to mention that it is likely to remain on slippery slopes over the next year.

2.9.1.2 Medium Term (up to 5 years)

It is not anticipated that the recent magnitude of drought will recur in the medium term hence yields are expected to return to the pre-drought (pre-2016/17) levels. Combined with increase in area the current forecast is for a 23% volume increase by 2021/22 compared to 2017/18.

The SCGA office finances are currently marginal and increasingly coming under growing pressure. The current levy adjusted for inflation does not cater for growth to meet growing demand. There will soon come a time when key strategic directions will be required. These may include more aggressive levy adjustments combined with investment on alternative revenue sources and yields improvement. This is the period over which bold decisions will be called for.

It is also hoped that in the course of this term the sucrose price will have at least partially turned around.

2.9.1.3 Long Term (Over 5 Years)

This is the most difficult period to call. The climate change phenomenon is increasingly becoming a reality with increased frequency of extreme weather conditions. The likelihood of severe droughts and/or floods is high over this period. On the other hand, there is hope that water storage plans will come to fruition and thus mitigate some of the adverse effects of climate change.

SWAZILAND CANE GROWERS ASSOCIATION

ANNUAL FINANCIAL STATEMENTS

**For the year ended 31 March
2018**

SCGA

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Statement of cash flows	12
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Detailed income statement	Annexure 1
Taxation schedule	Annexure 2

STATEMENT OF EXECUTIVE COMMITTEE'S RESPONSIBILITY
For the year ended 31 March 2018

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 7 to 20 have been prepared in accordance with the Association's accounting policies 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 2 - 4. The financial statements were approved by the Executive Committee and are signed on its behalf by:


CHAIRMAN

17/08/2018
DATE


EXECUTIVE DIRECTOR

17/08/2018
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 Swaziland Cane Growers Association as at 31 March 2018 and its financial performance and cash flows for the year then ended in accordance with the accounting policies of the Association.

What we have audited

Swaziland Cane Growers Association's financial statements set out on pages 7 to 20 comprise:

- The statement of comprehensive income for the year ended 31 March 2018;
 - The statement of financial position as at 31 March 2018;
 - The statement of changes in equity for the year then ended;
 - 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 Swaziland Institute of Accountants (SIA) Code of Ethics for Professional Accountants. We have fulfilled our ethical responsibilities in accordance with the SIA Code and in accordance with other ethical requirements to performing audits in Swaziland.

Emphasis of Matter – Basis of Accounting

We draw attention to note 1 on the summary of accounting policy to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the accounting policies of the Association. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The Executive Committee is responsible for the other information. The other information comprises the Executive Committee's Report, the Statement of Executive Committee's Responsibility, the detailed income statement 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 the requirements of the accounting policies of the Association, 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.

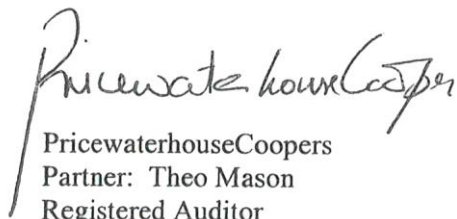
Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.

- 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: 21 August 2018.

SCGA

EXECUTIVE COMMITTEE'S REPORT
For the year ended 31 March 2018

The Executive Committee present their annual report, which forms part of the audited financial statements of the Association for the year ended 31 March 2018.

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 2018 and the date of approval of the financial statements.

Financial results

The financial results show an increase in revenue of 17%. (2017 decrease of 7.6%). Full details of the financial results are set out on pages 7 to 20 in the financial statements.

Accumulated funds

Accumulated funds decreased by 31% (2017 decreased by 44%) due to the loss 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 (Chairman)
Mr M Mabuza	Big Bend Planters' Group (Member)
Mr G White	Mhlume Planters' Group (Member)
Mr O Mabuza	Mhlume Planters' Group (Member)
Mr B James	Mhlume Planters' Group (Member)
Mr M Jele	Mhlume Planters' Group (Member)
Dr A T Dlamini	Tibiyo Taka Ngwane (Member)
Mrs S M Magagula	Tibiyo Taka Ngwane (Member)
Mr A T Ngcobo	Tibiyo Taka Ngwane (Member)

EXECUTIVE COMMITTEE'S REPORT (continued)
For the year ended 31 March 2018

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

The logo for SCGA (Swaziland Cereals Growers Association) features the letters 'S', 'C', 'G', and 'A' in a large, light blue, serif font. The letters are arranged horizontally and are partially overlaid by a stylized green plant with long, thin leaves. The background of the entire page is a photograph of a lush green field of crops under a bright, sunny sky with some clouds.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2018

	Notes	2018 E	2017 E
Revenue		2 282 065	1 944 222
Grant Income	3	-	1 693 401
Income		2 282 065	3 637 623
Sundry income		90 562	-
Total income		2 372 627	3 637 623
Payroll costs	12	(1 720 473)	(1 993 573)
Administration expenses		(2 035 024)	(4 832 667)
Deficit from operations		(1 382 870)	(3 188 617)
Finance income	2	325 985	428 232
Deficit before taxation	1	(1 056 885)	(2 760 385)
Income tax expense	15	(39 708)	(40 876)
Net deficit for the year		(1 096 593)	(2 801 261)

SCGA

STATEMENT OF FINANCIAL POSITION
As at 31 March 2018

	Notes	2018 E	2017 E
ASSETS			
Non-current assets			
Property, plant and equipment	4	<u>22 281</u>	<u>21 358</u>
		<u>22 281</u>	<u>21 358</u>
Current assets			
Investments	5	4 373 490	4 008 152
Accounts and other receivables	6	36 357	1 764 748
Current tax assets	13	74 979	48 042
Cash and cash equivalents	7	<u>235 759</u>	<u>124 677</u>
		<u>4 720 585</u>	<u>5 945 619</u>
Total assets		<u>4 742 866</u>	<u>5 966 977</u>
RESERVES AND LIABILITIES			
Reserves			
Accumulated funds		2 410 507	3 507 100
General reserve	8	1 934 087	1 934 087
Training grant	9	<u>24 061</u>	<u>27 236</u>
		<u>4 368 655</u>	<u>5 468 423</u>
Current liabilities			
Trade and other payables	10	<u>374 211</u>	<u>498 554</u>
		<u>374 211</u>	<u>498 554</u>
Total reserves and liabilities		<u>4 742 866</u>	<u>5 966 977</u>

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2018

	Training Grant	General Reserve	Accumulated Funds	Total
	E	E	E	E
Balance at 31 March 2018	27 236	1 934 087	3 507 100	5 468 423
Deficit for the year	-	-	(1 096 593)	(1 096 593)
Utilized during the year	(3 175)	-	-	(3 175)
Balance at 31 March 2018	24 061	1 934 087	2 410 507	4 368 655
Balance at 31 March 2017	27 236	1 934 087	6 308 361	8 269 684
Deficit for the year	-	-	(2 801 261)	(2 801 261)
Balance at 31 March 2017	27 236	1 934 087	3 507 100	5 468 423

STATEMENT OF CASH FLOWS
For the year ended 31 March 2018

	Notes	2018 E	2017 E
Cash Flows from operating activities			
Cash generated from/ (utilised in) operations	11	141 753	(4 483 765)
Interest received	2	325 985	428 232
Taxation paid	13	(66 645)	(77 028)
		<u>401 093</u>	<u>(4 132 561)</u>
Cash Flows from investing activities			
(Additions)/Disposals of investments		(365 338)	2 474 412
Proceeds on disposal of assets		89 512	-
Purchase of property, plant and equipment	4	(11 008)	(9 500)
		<u>(286 834)</u>	<u>2 464 912</u>
Cash Flows from financing activities			
Decrease in training grant		(3 175)	-
		<u>(3 175)</u>	<u>-</u>
Net cash (outflow) from financing activities			
		<u>(3 175)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		111 084	(1 667 649)
Cash and cash equivalents at beginning of year		124 675	1 792 324
		<u>111 084</u>	<u>(1 667 649)</u>
Cash and cash equivalents at end of year	7	<u>235 759</u>	<u>124 675</u>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
For the year ended 31 March 2018

1. Principal accounting policies

The financial statements of Swaziland Cane Growers Association have been prepared in accordance with the Association's accounting policies. They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with the Association accounting policies 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.

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	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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition is included in the statement of comprehensive income in the year the asset is de-recognised. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
For the year ended 31 March 2018

Financial assets

The Association classifies its investments in the following categories: financial assets at amortised cost, loans and receivables, held-to-maturity investments 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. The financial assets are carried in the balance sheet at amortised cost.

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.

Financial liabilities

Financial liabilities are recognised initially at fair value and, in the case of borrowings, less directly attributable transaction costs. The Association's financial liabilities include other payables.

Financial liabilities are classified as financial liabilities at fair value through profit or loss, at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Association determines the classification of its financial liabilities on initial recognition.

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

De-recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in statement of comprehensive income.

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.

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 2018

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.

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.

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.

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.

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
For the year ended 31 March 2018

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.

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
For the year ended 31 March 2018

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.

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 2018

	2018 E	2017 E
1 Deficit before taxation		
Deficit before taxation is stated after:		
Auditor's remuneration	58 320	102 357
Depreciation on property, plant and equipment	10 085	96 545
Staff costs (note 12)		
Portion in respect to Swaziland Cane Growers Association employees	(1 720 473)	(1 555 773)
Portion paid from grant funding	-	(437 800)
Finance income (note 2)	325 985	428 232
Sundry income	90 562	-
Repairs and maintenance	(9 038)	(10 930)
2 Finance income		
Interest received	325 985	428 232
	<u>325 985</u>	<u>428 232</u>
3 Grant income		
Analysis of grant income is as follows:		
Sources of grants		
European Union	-	1 693 401
	<u>-</u>	<u>1 693 401</u>
The grant was fully utilised in prior period.		
The analysis of expenditure that matches the grant income is as follows:		
Other expenses	-	1 693 401
	<u>-</u>	<u>1 693 401</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

4 Property, plant and equipment

	Computer & Office Equipment E	Office Furniture E	Motor Vehicle E	Total E
Year ended 31 March 2018				
Opening carrying amount	13 964	7 394	-	21 358
Additions	11 008	-	-	11 008
Assets written off	-	-	-	-
Depreciation charge	(6 272)	(3 813)	-	(10 085)
Closing net book amount	<u>18 700</u>	<u>3 581</u>	-	<u>22 281</u>
At 31 March 2018				
Cost	391 736	179 773	389 172	960 681
Accumulated depreciation	(373 036)	(176 192)	(389 172)	(938 400)
Closing carrying amount	<u>18 700</u>	<u>3 581</u>	-	<u>22 281</u>
Year ended 31 March 2017				
Opening carrying amount	29 666	12 974	65 809	108 452
Additions	9 451	-	-	9 451
Disposals	-	-	-	-
Depreciation charge	(25 156)	(5 580)	(65 809)	(96 545)
Closing net book amount	<u>13 964</u>	<u>7 394</u>	-	<u>21 358</u>
At 31 March 2017				
Cost	380 678	179 773	389 172	949 623
Accumulated depreciation	(366 714)	(172 379)	(389 172)	(928 265)
Closing carrying amount	<u>13 964</u>	<u>7 394</u>	-	<u>21 358</u>

	2018 E	2017 E
5 Investments		
Swaziland Sugar Association	<u>4 373 490</u>	<u>4 008 152</u>
Opening balance	4 008 152	6 479 624
Additions	1 000 000	-
Interest	315 338	388 528
Payment received	<u>(950 000)</u>	<u>(2 860 000)</u>
Closing balance	<u>4 373 490</u>	<u>4 008 152</u>

The investment earns interest at prime rate less 3% per annum.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

	2018 E	2017 E
6 Accounts and other receivable		
EU receivable	-	1 693 401
Other debtors	18 771	11 679
Prepayments	17 586	51 423
VAT control	-	8 245
	<u>36 357</u>	<u>1 764 748</u>
7 Cash and cash equivalents		
Nedbank current account	103 015	35 281
Nedbank call account	132 462	23 563
Nedbank grant call account	-	56 450
Nedbank grant current account	-	7 674
Cash in hand	282	1 709
	<u>235 759</u>	<u>124 677</u>
Net cash and cash equivalents		
	<u>235 759</u>	<u>124 677</u>
8 General reserve		
Balance as at	<u>1 934 087</u>	<u>1 934 087</u>
<p>It is the Association's policy to transfer 25% of its surplus after taxation to a general reserve.</p>		
9 Training grant		
Unutilised amount carried forward	27 236	27 236
Utilised during the year	(3 175)	-
	<u>24 061</u>	<u>27 236</u>

This is a grant received from Swaziland Sugar Association for training farmers on better farming methods. Grant is still being utilised.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

	2018 E	2017 E
10 Trade and other payables		
Other payables	20 873	253 93
Provision for leave pay	100 718	50 31
Provision for bonus pay	141 154	141 15
Provision for audit fees	111 466	53 14
	<u>374 211</u>	<u>498 55</u>
11 Reconciliation of cash flows to cash generated by operations		
Operating deficit before taxation	(1 056 885)	(2 760 38)
Depreciation	10 085	96 54
Interest income	(325 985)	(428 23)
Profit on disposal of assets	(89 512)	-
Operating (deficit) /surplus before working capital changes	(1 462 297)	(3 092 07)
Working capital changes	1 604 050	(1 391 69)
(Increase)/decrease in trade and other receivables	1 728 392	(1 685 08)
(Decrease)/increase in trade and other payables	(124 342)	293 38
Cash flows from operations	<u>141 753</u>	<u>(4 483 76)</u>
12 Staff costs		
Salaries and wages paid in respect to Swaziland Cane Growers Association employees	1 720 473	1 555 773
Salaries and wages paid by grant	-	437 800
	<u>1 720 473</u>	<u>1 993 573</u>

The average number of employees during the year was 6 (2017: 6).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

	2018	2017
	E	E
13 Taxation		
Tax asset at the beginning of the year	48 042	11 890
Taxation charge	(39 708)	(40 876)
Tax paid during the year	66 645	77 028
	<hr/>	<hr/>
Tax asset at the end of the year	74 979	48 042
	<hr/>	<hr/>
14 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 373 490 (2017: E4 008 152).		
b) Executive Committee expenses	129 815	73 303
	<hr/>	<hr/>
15 Income tax expense		
Current tax	39 70	40 87
	<hr/>	<hr/>
Tax reconciliation		
Taxable income before tax	144 39	148 64
	<hr/>	<hr/>
Tax at 27.5%	39 70	40 87
	<hr/>	<hr/>

DETAILED INCOME STATEMENT
for the year ended 31 March 2018

Annexure I

	2018 E	2017 E
Income		
Levies	1 676 237	1 443 734
Miller-Cum-Planter	605 828	500 487
Grant income	-	1 693 401
Interest received - grant	-	34 082
Interest received - SFA	325 985	394 151
Sundry income	90 562	-
	<u>2 698 612</u>	<u>4 065 855</u>
Expenditure		
Accounting fees	(6 152)	-
Audit fees	(58 320)	(102 357)
Bank charges	(119 044)	(327 654)
Cleaning	(1 044)	(362)
Consultants fees and expenses	(3 930)	(27 416)
Costs of conferences and seminars	-	(446 682)
Depreciation and amortisation	(10 085)	(96 545)
Electricity	(26 000)	(20 000)
Entertainment	(27 056)	(8 238)
Executive committee expenses	(129 815)	(73 303)
Expenditure verification	-	(110 000)
General expenses	(2 991)	(27 366)
Insurance	(50 755)	(63 179)
Legal expenses	-	(27 155)
Meetings	(94 685)	(93 959)
Motor vehicle expenses	(77 199)	(136 337)
Printing and stationery	(66 399)	(81 888)
Rent and office facilities	(188 909)	(171 736)
Repairs and maintenance	(9 038)	(10 930)
Salaries and wages	(1 720 473)	(1 993 573)
Seed cane production	-	(2 623 123)
Subscriptions	(168 961)	(164 235)
Telephone and postage	(46 618)	(60 965)
Training	(12 632)	(5 309)
Travelling and subsistence expenses	(104 375)	(48 292)
Visibility	-	(105 635)
Write off	(831 016)	-
	<u>(3 755 497)</u>	<u>(6 826 239)</u>
Deficit for the year before taxation	(1 056 885)	(2 760 384)
Normal taxation	(39 708)	(40 867)
Deficit for the year	<u>(1 096 593)</u>	<u>(2 801 251)</u>

	2018 E	2017 E
Taxable income:		
Interest received	<u>325 985</u>	<u>394 151</u>
	<u>325 985</u>	<u>394 151</u>
Deduct direct expenditure		
Insurance	(50 755)	(63 179)
Repairs and maintenance	(9 038)	(10 930)
Legal fees	-	(27 155)
	<u>(59 793)</u>	<u>(101 264)</u>
10% apportionment of:		
Effective Executive Director's salary	(70 459)	(108 149)
Office admin staff salary	(14 702)	(14 431)
Printing and stationery	(6 640)	(8 189)
Telephone	(4 662)	(6 097)
	<u>(96 463)</u>	<u>(136 866)</u>
Indirect expenditure		
Audit and accounting fees	(58 320)	(50 823)
Bank charges	(119 044)	(17 297)
	<u>(177 364)</u>	<u>(68 120)</u>
Apportionment	<u>(25 336)</u>	<u>(7 381)</u>
Taxable income	<u><u>144 393</u></u>	<u><u>148 641</u></u>
Tax thereon @ 27.5%	<u>39 708</u>	<u>40 876</u>