

THE SWAZILAND SUGAR ASSOCIATION

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 March 2014

THE SWAZILAND SUGAR ASSOCIATION

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 March 2014

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THE SWAZILAND SUGAR ASSOCIATION

COUNCIL MEMBERS' RESPONSIBILITY STATEMENT

for the year ended 31 March 2014

Council Members' responsibility statement for the consolidated financial statements

The Association's Council Members are responsible for the preparation and fair presentation of the consolidated and separate financial statements of The Swaziland Sugar Association, comprising the statements of financial position at 31 March 2014, the statements of comprehensive income, changes in reserves and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Swaziland Sugar Act of 1967, as set out on pages 5 to 66. The Council Members are also responsible for the preparation of the Council Members report.

The Council Members are also responsible for such internal control as the Council Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

The Council Members have made an assessment of the Association and its subsidiaries' ability to continue as going concerns and have no reason to believe the business' will not be a going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the financial statements

The consolidated and separate financial statements as set out above were approved by the Council Members on 3 July 2014 and are signed on its behalf by:

N Jackson
President

Dr M S Matsebula
Chief Executive Officer

3 July 2014

Independent Auditors' Report

To the Members of The Swaziland Sugar Association

We have audited the consolidated and separate financial statements of The Swaziland Sugar Association, which comprise the statements of financial position at 31 March 2014, and the statements of comprehensive income, changes in reserves and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the Council Members' report, as set out on pages 5 to 66.

Council's responsibility for the financial statements

The Association's council members are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the requirements of the Swaziland Sugar Act of 1967, and for such internal control as the Council Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of The Swaziland Sugar Association at 31 March 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Swaziland Sugar Act of 1967.

KPMG Chartered Accountants (Swaziland)
Auditors

THE SWAZILAND SUGAR ASSOCIATION

COUNCIL MEMBERS' REPORT

for the year ended 31 March 2014

Council has pleasure in submitting their report together with the consolidated and separate financial statements of the Association for the financial year ended 31 March 2014.

Business activities

The Association, which is established by an Act of Parliament, is involved in the purchasing and selling of sugar and molasses in Swaziland. The function of the Association under the Act is to also regulate the sugar industry.

General review of business operations and results

The state of affairs of the Association at 31 March 2014 and the results of its operations for the year then ended, are fully set out in these financial statements.

Results of operations

The Group recorded revenue of E4,55 billion (2013: E4,02 billion). The increase in revenue is mainly attributable to favourable selling prices, the weakening of the Lilangeni against export currencies though the sales volume was lower than the previous year. The cost of sales increased from E3,76 billion to E4,15 billion in line with increased distributable proceeds. Profits that are made by the Association are distributed in full back to the millers and growers and form part of the cost of sales. Distribution costs incurred during the year were E22,06 million (2013: E62,19 million). The decrease is mainly as a result of changes in sales terms. In the previous year, the Group was responsible for majority of the shipment costs.

Net financing costs, including foreign gains and losses, increased from E143,69 million in 2013 to E318,78 million. This is primarily a result of the depreciation in the value of the Lilangeni against export currencies. Foreign exchange losses incurred were E206,18 million compared to E60,43 million in the previous year. Interest paid also increased from E83,29 million to E112,62 million as a result of increased sugar price payments which resulted in increased funding requirements. The SACU market was also challenged by the influx of imported sugar, which resulted in the slow movement of sugar sales resulting in less cash receipts to settle borrowed funds.

Net cash flow hedges realised and transferred to profit or loss relates to foreign exchange gains that were recognised in equity in the previous financial year. SSA's policy is to apply hedge accounting in respect of the hedging instruments outstanding at year end and this gain or loss is released to profit or loss as the underlying sale transactions occur.

Consolidated statement of financial position

The carrying value of property, plant and equipment decreased from E176,96 million to E169,77 million in line with the depreciation charge for the year.

During the previous year the quota holders of Sociedade Terminal de Açúcar De Maputo Lemitada ("STAM") decided that a portion of the investment be converted into a loan and be reimbursed to the shareholders. This portion of the investment is now being disclosed as a long term loan receivable. The current portion of this long term loan is E0,03 million.

Inventories increased marginally from E657,14 million to E664,83 million as a result of higher closing stock of raw bulk sugar valued at lower net realisable value expected from the EU market. Selling prices are expected to decrease significantly in the EU market in the following year. Trade receivables increased by E117 million when compared with the previous year mainly as a result of a vat refund of E113 million from the Swaziland Revenue Authority (SRA), which had not been recovered at the end of the financial year. Trade payables decreased by E175 million as a result of a reduction in millers' retentions, amount available for distribution as well as refining and vhp allowances payable at year end.

THE SWAZILAND SUGAR ASSOCIATION

COUNCIL MEMBERS' REPORT

for the year ended 31 March 2014 (continued)

Events subsequent to year end

No events occurred after the reporting date that would require adjustment to or additional disclosure in these financial statements.

Subsidiaries and joint venture company

The Association has the following subsidiary companies:

| | |
|-------------------------------------|------|
| Swaziland Sugar Assets Limited | 100% |
| Sugar Assets (Mhlume) Limited | 100% |
| Sugar Holding Company Limited | 100% |
| Commodity Marketing Company Limited | 100% |
| Sugar Assets (Simunye) Limited | 100% |

The Association is involved in the following joint venture company:

| | |
|---|-----|
| Sociedade Terminal de Açucar De Maputo Lemitada | 25% |
|---|-----|

Council

Council is the highest governing body of the Association. Council comprises an equal number of representatives from the Swaziland Millers Association and the Swaziland Cane Growers Association. The Chairperson is an independent non-executive member. Council members in office at the reporting date were as follows:

| | | |
|-----------------|----------------|------------------------------|
| Mr N Jackson | President | Appointed :1 October 2013 |
| Mr A T Dlamini | Vice President | Appointed: 1 October 2013 |
| Mr R Hulley | President | Resigned: 30 September 2013 |
| Mr J Hulley | Vice President | Resigned: 30 September 2013 |
| Mr T Dlamini | Chairman | |
| Mr E Ndzimandze | | Resigned: 30 September 2013 |
| Mr B James | | |
| Mr E Nxumalo | | Appointed: 30 September 2013 |
| Mr S Potts | | |
| Mr G White | | |
| Mr J Khumalo | | |
| Mr J Blumberg | | |
| Mr J M Sithebe | | |
| Mr G Scheepers | | |
| Mr S Geldenhuys | | |
| Mr M Mkhalihi | | Resigned 30 September 2013 |
| Mr M Maziya | | |
| Mr M Mndzebele | | |
| Mr P Myeni | | |
| Ms S M Magagula | | |
| Mr G Williams | | |
| Mr O Magwenzi | | Appointed: 30 September 2013 |
| Mr P Malandula | | Appointed: 30 September 2013 |
| Mr J Matimba | | Appointed: 30 September 2013 |

THE SWAZILAND SUGAR ASSOCIATION

COUNCIL MEMBERS' REPORT

for the year ended 31 March 2014 (continued)

Marketing Executive Committee

The Marketing Executive Committee ("MEC") is a sub-committee of Council and is responsible for the marketing of sugar and molasses. The committee is chaired by an independent non-executive member. MEC members in office at the reporting date were as follows:

| | |
|-----------------|------------------------------|
| Mr T Dlamini | Chairman |
| Mr G White | |
| Mr E Nxumalo | |
| Mr E Ndzimandze | Resigned: 30 September 2013 |
| Mr J Hulley | Resigned: 30 September 2013 |
| Mr O Magwenzi | Appointed: 30 September 2013 |
| Mr P Malandula | Appointed: 30 September 2013 |
| Mr P Ginindza | |
| Mr A T Dlamini | |
| Mr M Mkhaliphi | |
| Mr G Scheepers | |
| Mr S Geldenhuys | |
| Mr N Jackson | |
| Mr J M Sithebe | |
| Mr J Blumberg | |
| Mr M Maziya | |
| Mr S Potts | |
| Mr R Hulley | |
| Mr G Williams | |

Finance Committee

The Finance Committee is a sub-committee of Council and is responsible for overseeing the financial management of the Association. The committee is chaired by an executive member and its members at the reporting date were as follows:

| | |
|-----------------|----------|
| Dr M Matsebula | Chairman |
| Mr S Potts | |
| Mr J Blumberg | |
| Mr P Ginindza | |
| Mr I Schei | |
| Mr A Ngcobo | |
| Ms S M Magagula | |

THE SWAZILAND SUGAR ASSOCIATION

COUNCIL MEMBERS' REPORT

for the year ended 31 March 2014 (continued)

Audit and Risk Committee

The Audit and Risk Committee is a sub-committee of Council. The Committee is responsible for overseeing the overall risks of the Association and ensuring that adequate controls are in place to mitigate identified risks. The committee is chaired by an independent non-executive member. Members of the Audit and Risk Committee at the reporting date were as follows:

| | |
|---------------|----------|
| Mr B Mhlongo | Chairman |
| Mr S Potts | |
| Mr J Blumberg | |
| Mr P Ginindza | |
| Mr I Schei | |
| Mr A Ngcobo | |

Secretary

| | |
|---------------|----------------------------|
| Mr B de Silva | Resigned: 31 January 2014 |
| Mr B Nyamane | Appointed: 1 February 2014 |

Business address

Cnr Msakato & Dzeliwe Street
Mbabane

Postal address

P O Box 445
Mbabane

THE SWAZILAND SUGAR ASSOCIATION

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2014

| | Notes | Group 2014 E | 2013 E | Association 2014 E | 2013 E |
|---|-------|------------------------|-----------------|--------------------------|-----------------|
| Revenue | 6 | 4 546 940 980 | 4 020 171 682 | 4 546 940 980 | 4 020 171 682 |
| Cost of sales | | (4 147 163 359) | (3 764 484 944) | (4 162 288 801) | (3 781 675 285) |
| Gross profit | | 399 477 621 | 255 686 738 | 384 652 179 | 238 496 397 |
| Other income | | 689 478 | 6 880 645 | 689 478 | 6 880 645 |
| Distribution costs | | (22 064 839) | (62 194 018) | (22 064 838) | (62 194 018) |
| Administrative expenses | | (59 441 959) | (55 534 424) | (58 341 615) | (54 620 824) |
| Operating profit before financing costs | 7 | 318 960 301 | 144 838 941 | 304 935 204 | 128 562 200 |
| Finance income | | 30 185 597 | 40 615 226 | 44 292 299 | 55 540 656 |
| Finance expense | | (348 964 964) | (184 307 043) | (348 964 964) | (184 137 949) |
| Net financing costs | 8 | (318 779 367) | (143 691 817) | (304 672 665) | (128 597 293) |
| Share of profit / (loss) jointly controlled entity (net of tax) | | 81 605 | (1 182 217) | - | - |
| Profit / (loss) before tax | | 262 539 | (35 093) | 262 539 | (35 093) |
| Income tax (expense) / credit | 9 | (262 539) | 35 093 | (262 539) | 35 093 |
| Profit for the year | | - | - | - | - |
| Other comprehensive income | | | | | |
| <i>Items that are or may be reclassified to profit or loss</i> | | | | | |
| Unrealised cash flow hedges | 25 | 22 210 304 | 3 615 522 | 22 210 304 | 3 615 522 |
| Total comprehensive income for the year | | 22 210 304 | 3 615 522 | 22 210 304 | 3 615 522 |

Profit for the year is attributable to members of the Association

Total comprehensive income of the group is attributed to the members of the Association.

THE SWAZILAND SUGAR ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

at 31 March 2014

| | Notes | Group 2014 E | 2013 E | Association 2014 E | 2013 E |
|--|-------|----------------------|----------------------|--------------------------|----------------------|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 10 | 169 768 712 | 176 959 356 | 14 041 118 | 12 988 541 |
| Unsecured loans receivable | 11 | 133 891 | 213 499 | 133 891 | 213 499 |
| Investment in subsidiaries | 12 | - | - | 500 | 500 |
| Jointly controlled entity | 12 | 22 787 440 | 18 269 405 | 23 888 052 | 19 451 622 |
| Total non-current assets | | 192 690 043 | 195 442 260 | 38 063 561 | 32 654 162 |
| Current assets | | | | | |
| Loans to subsidiaries | 15 | - | - | 155 429 954 | 163 342 002 |
| Current portion of loan to jointly controlled entity | 12 | 32 831 | 1 007 881 | 32 831 | 1 007 881 |
| Unsecured loans receivable | 11 | 79 607 | 79 607 | 79 607 | 79 607 |
| Inventories | 13 | 664 827 914 | 657 141 535 | 664 827 914 | 657 141 535 |
| Trade and other receivables | 14 | 377 922 048 | 260 594 138 | 377 922 048 | 260 593 938 |
| Other financial assets | 25 | 22 210 304 | 3 615 522 | 22 210 304 | 3 615 522 |
| Cash and cash equivalents | 19.3 | 72 870 572 | 53 857 671 | 72 870 572 | 53 857 671 |
| Total current assets | | 1 137 943 276 | 976 296 354 | 1 293 373 230 | 1 139 638 156 |
| Total assets | | 1 330 633 319 | 1 171 738 614 | 1 331 436 791 | 1 172 292 318 |
| RESERVES AND LIABILITIES | | | | | |
| Non-distributable reserve | 16 | 13 022 | 13 022 | 13 022 | 13 022 |
| Cash flow hedge reserve | 25 | 22 210 304 | 3 615 522 | 22 210 304 | 3 615 522 |
| Total reserves and liabilities | | 22 223 326 | 3 628 544 | 22 223 326 | 3 628 544 |
| Non-current liabilities | | | | | |
| Long term liabilities | 17 | 250 000 000 | - | 250 000 000 | - |
| Current liabilities | | | | | |
| Bank overdraft | 19.3 | 988 479 231 | 673 279 104 | 988 479 231 | 673 279 104 |
| Current portion of fixed loan | 17 | - | 250 000 000 | - | 250 000 000 |
| Trade and other payables | 18 | 69 929 198 | 244 691 770 | 70 732 670 | 245 245 474 |
| Taxation | 19.2 | 1 564 | 139 196 | 1 564 | 139 196 |
| Total current liabilities | | 1 058 409 993 | 1 168 110 070 | 1 059 213 465 | 1 168 663 774 |
| Total liabilities | | 1 308 409 993 | 1 168 110 070 | 1 309 213 465 | 1 168 663 774 |
| Total reserves and liabilities | | 1 330 633 319 | 1 171 738 614 | 1 331 436 791 | 1 172 292 318 |

THE SWAZILAND SUGAR ASSOCIATION

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2014

| | Notes | Group | | Association | |
|---|-------|----------------------|---------------|----------------------|---------------|
| | | 2014 | 2013 | 2014 | 2013 |
| | | E | E | E | E |
| Cash flows from operating activities | | | | | |
| Cash generated from / (absorbed by) operations | 19.1 | 15 287 143 | (235 669 675) | 7 086 856 | (244 898 097) |
| Interest received | | 44 292 299 | 55 540 656 | 44 292 299 | 55 540 656 |
| Interest paid | | (348 964 964) | (184 137 949) | (348 964 964) | (184 137 949) |
| Taxation paid | 19.2 | (400 171) | (278 466) | (400 171) | (278 466) |
| <i>Net cash flows from operating activities</i> | | (289 785 693) | (364 545 434) | (297 985 980) | (373 773 856) |
| Cash flows from investing activities | | | | | |
| Increase in investment in jointly controlled entity | | (4 429 067) | (295 524) | (4 437 430) | (302 892) |
| Acquisition of property, plant and equipment | | (3 068 423) | (4 810 908) | (2 771 821) | (1 920 810) |
| Decrease in loan due from jointly controlled entity | | 975 050 | 2 290 669 | 975 050 | 2 290 669 |
| Proceeds from the sale of property, plant and equipment | | 41 300 | 315 110 | 41 300 | 315 110 |
| <i>Net cash flows from investing activities</i> | | (6 481 140) | (2 500 653) | (6 192 901) | 382 077 |
| Cash flows from financing activities | | | | | |
| Decrease in unsecured loans receivable | | 79 607 | 72 369 | 79 607 | 72 369 |
| Unsecured fixed term loan received | | 250 000 000 | - | 250 000 000 | - |
| Repayment of long term liabilities | | (250 000 000) | (6 229 824) | (250 000 000) | (3 425 921) |
| Loans to subsidiary companies repaid | | - | - | 7 912 048 | 3 541 789 |
| <i>Net cash flows from financing activities</i> | | 79 607 | (6 157 455) | 7 991 655 | 188 237 |
| Net decrease in cash and cash equivalents | | (296 187 226) | (373 203 542) | (296 187 226) | (373 203 542) |
| Cash and cash equivalents at the beginning of the year | | (619 421 433) | (246 217 891) | (619 421 433) | (246 217 891) |
| Cash and cash equivalents at the end of the year | 19.3 | (915 608 659) | (619 421 433) | (915 608 659) | (619 421 433) |

THE SWAZILAND SUGAR ASSOCIATION

STATEMENTS OF CHANGES IN RESERVES

for the year ended 31 March 2014

| | Non- distributable reserve E | Hedging reserve E | Total E |
|---|---------------------------------------|-------------------------|-------------------|
| Group and Association 2014 | | | |
| Balance at beginning of year | 13 022 | 3 615 522 | 3 628 544 |
| Cash flow hedges realised and reclassified to profit or loss | - | (3 615 522) | (3 615 522) |
| Unrealised cash flow hedge recognised in other comprehensive income (1) | - | 22 210 304 | 22 210 304 |
| Balance at end of year | <u>13 022</u> | <u>22 210 304</u> | <u>22 223 326</u> |
| Group and Association 2013 | | | |
| Balance at beginning of year | 13 022 | 18 691 397 | 18 704 419 |
| Cash flow hedges realised and reclassified to profit or loss | - | (18 691 397) | (18 691 397) |
| Unrealised cash flow hedge recognised in other comprehensive income (1) | - | 3 615 522 | 3 615 522 |
| Balance at end of year | <u>13 022</u> | <u>3 615 522</u> | <u>3 628 544</u> |

(1) This amount also represents total comprehensive income for the period

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

1. Reporting entity

The Swaziland Sugar Association is an Association domiciled in Swaziland. The address of the Association's registered office is: Corner of Msakato & Dzeliwe Streets, P O Box 445, Mbabane H100, Swaziland. The consolidated and separate financial statements of the Association as at and for the year ended 31 March 2014 cover the activities of the Association and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities. The Group is primarily involved in purchasing and selling sugar and molasses in Swaziland. Amounts realised from the sale of sugar and molasses stocks are distributed to growers and millers.

2. Basis of preparation

a) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB), and the requirements of the Swaziland Sugar Act. Except as described in note 2 (e), the principal accounting policies are consistent with those of the previous year and have been applied consistently by the Group.

b) Basis of measurement

The consolidated and separate financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

The methods used to measure fair value are discussed further below.

c) Functional and presentation currency

The consolidated and separate financial statements are presented in Swaziland Lilangeni, which is the Association functional currency. All financial information presented in Swaziland Lilangeni have been rounded to the nearest one.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

2. Basis of preparation (continued)

d) Use of estimates and judgements

The preparation of the consolidated and separate financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements

Information about judgements made in applying accounting policies that have a significant effect on amounts recognised in the consolidated and separate financial statements are included in the following notes:

- note 6 : revenue recognition
- note 12 : classification of joint arrangements (refer also section 2(e)(ii) below)
- note 20 : lease classification

Assumptions and estimation uncertainties

In particular, information about significant areas of estimation uncertainties that have a significant risk in resulting in a material adjustment in the year ending 31 March 2015 are included in the following notes:

- note 28 : provisions and contingencies
- notes 11, 14, 15, 17, 18, 25 : valuation of financial instruments
- note 13 : valuation of sugar and molasses stocks
- note 10 : useful lives and residual values

Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The group financial director, in consultation with the group finance manager determine the fair values used. As part of the process for determining the fair values input data is obtained from the banks (foreign exchange rates) and where necessary reference is made to prices quoted in contracts entered into by the Group.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- | | |
|---------|---|
| Level 1 | quoted prices (unadjusted) in active markets for identical assets or liabilities. |
| Level 2 | inputs other than quoted prices included in level 1 that are observable for the asset of liability, either directly (ie as prices) or indirectly (ie derived from prices) |
| Level 3 | inputs for the asset or liability that are not based on observable market data (unobservable inputs) |

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level inputs that is significant to the entire measurement. The Association and Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

2. Basis of preparation (continued)

e) Change in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated and separate financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 April 2013.

- a. Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment to IFRS 7)
- b. IFRS 10 *Consolidated Financial Statements* (2011)
- c. IFRS 11 *Joint Arrangements*
- d. IFRS 12 *Disclosure of Interests in Other Entities*
- e. IFRS 13 *Fair Value Measurement*
- f. Presentation of Items of Other Comprehensive Income (Amendment to IAS 1)

The nature and effects of the changes are explained below.

i) Offsetting of financial assets and financial liabilities

As a result of the amendments to IFRS 7, the Group will expand its disclosure when offsetting financial assets and financial liabilities.

ii) Subsidiaries

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. This has not resulted in any changes to the Group's assessment of control.

iii) Joint arrangements

As a result of IFRS 11, the Group has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the Group has classified its interests in joint arrangements as a joint venture (if the Group has rights only to the net assets of an arrangement). When making this assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Group has re-evaluated its involvement in its only joint arrangement and the investment continues to be classified as a joint venture. The investment continues to be recognised by applying the equity method and there has been no impact on the recognised assets, liabilities and comprehensive income of the Group.

iv) Presentation of items of other comprehensive income

As a result of the amendment to IAS 1, the Group has modified the presentation of items of OCI in its statement of comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated and separate financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

Subsidiaries

Subsidiaries are those entities controlled by the Association. The Association controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated.

The Group financial statements incorporate the assets, liabilities and results of the operations of the Association and the following subsidiaries:

| | 2014 <i>Control</i> | 2013 <i>Control</i> |
|---------------------------------------|-------------------------------|-------------------------------|
| ■ Swaziland Sugar Assets Limited | 100% | 100% |
| ■ Sugar Assets (Mhlume) Limited | 100% | 100% |
| ■ Sugar Holding Company Limited | 100% | 100% |
| ■ Commodity Marketing Company Limited | 100% | 100% |
| ■ Sugar Assets (Simunye) Limited | 100% | 100% |

Joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The consolidated financial statements include the Group's share of total recognised gains and losses of the joint venture on an equity accounted basis, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in the joint venture, the Group's carrying amount is reduced to nil and recognition of future losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. The following is the joint venture of the Association:

| | 2014 <i>Share</i> | 2013 <i>Share</i> |
|--|-----------------------------|-----------------------------|
| Sociedade Terminal De Açúcar De Maputo Limatada ("STAM") | 25% | 25% |

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

3. Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Emalangeni at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated to Emalangeni at foreign exchange rates ruling at the date the fair value was determined. These foreign currency exchange differences are also recognised in profit or loss.

3.3 Financial instruments

Financial assets include cash and cash equivalents, trade and other receivables, forward exchange contract assets, loans to subsidiaries and unsecured loans receivable.

Financial liabilities include bank overdrafts, long-term liabilities and trade and other payables. All financial liabilities are recognised initially at fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, any directly attributable transaction costs.

Unless otherwise stated, the carrying values of these financial assets and financial liabilities approximate their fair value, due to their short term nature.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

i) Non-derivative financial assets

A financial asset is recognised if the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

The Group initially recognises loans and receivables on the date they are originated. These assets are initially recognised at fair value plus any directly attributable transaction costs.

Held to maturity financial assets are initially recognised at fair value plus any directly attributable transaction costs.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts and call loans that are payable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Subsequent to initial recognition non-derivative financial assets are measured as described below.

Held-to-maturity

If the Group has the positive intent and ability to hold debt security to maturity, then they are classified as held to maturity. Subsequent to initial recognition held to maturity investments are measured at amortised cost using the effective interest method, less impairment losses.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as a held for trading or is designated as such upon initial recognition. Financial assets are recognised initially at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit and loss are measured at fair value and changes therein are recognised in profit or loss.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method less any impairment losses.

Loans and receivables comprise unsecured loans receivable, loans to subsidiaries, cash and cash equivalents and trade and other receivables.

ii) *Non-derivative financial liabilities*

The Group initially recognises a financial liability when it becomes party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: long term liabilities, bank overdrafts, and trade and other payables.

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

iii) *Derivative financial instruments*

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

iii) Derivative financial instruments (continued)

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability of a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

3. Significant accounting policies (continued)

3.4 Impairment

i) *Non-derivative financial assets*

A financial asset not measured at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated cash flows of that asset, that can be estimated reliably. Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers and economic conditions that correlate with defaults.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

ii) *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets ("cash generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

3. Significant accounting policies (continued)

3.5 Employee benefits

i) *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

ii) *Termination benefits*

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

iii) *Short term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus plans, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

3. Significant accounting policies (continued)

3.6 Income tax

The income tax expense comprises current tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities is a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.7 Inventories

Inventories of sugar and molasses on hand at the year-end are valued at the amounts distributable to the growers and millers in accordance with the final estimate. The final estimate which represents the amounts to be paid by the Association to growers and millers is considered to be the lower of cost and net realisable value and, is determined as the estimated selling price in the ordinary course of business, less estimated volume rebates, discounts, and point of sale costs.

Management's determination of the final estimate is based on the most reliable evidence available at reporting date.

Other stocks are valued at the lower of cost and net realisable value, on a first in - first out basis.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

3. Significant accounting policies (continued)

3.8 Investments

Investments are shown at cost less impairment losses in the Association's separate financial statements, and comprise investments in subsidiaries and jointly controlled entities.

3.9 Leases

i) *Leased assets*

Leases of plant and equipment under which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are recognised in the statement of financial position by recording an asset and liability equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease. Capitalised leased assets are depreciated in accordance with the depreciation policy noted below, with the depreciation period being the lower of the estimated useful life of the asset or the lease term where appropriate. Lease liabilities are reduced by repayments of principal, whilst the finance charge component of the lease payment is charged directly to profit or loss.

ii) *Lease payments*

Payments made under operating leases are recognised in the profit or loss on a straight line basis over the term of lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease payments made.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability.

3.10 Finance income and expense

Finance income comprises interest income on funds invested and foreign currency gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs are recognised in profit or loss using the effective interest method.

All interest and other costs other than those noted under the capitalisation of borrowing costs accounting policy below, incurred in connection with borrowings, are expensed as incurred as part of finance expense.

Foreign currency gains and losses are reported on a net basis.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

3. Significant accounting policies (continued)

3.11 Revenue

i) Sugar and molasses sales

Revenue from the sale of sugar and molasses is recognised in the profit or loss when significant risks and rewards of ownership have been transferred to the buyer. Revenue is measured at the fair value of the consideration received or receivable, net of strategic rebates, export rebates and discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or possible return of goods. No revenue is recognised if there is significant continuing management involvement with the goods.

ii) Export sales

Export sales proceeds are translated at the rate ruling when the risk and rewards have passed to the buyer. The difference between the actual rates of exchange at transaction date and the rate at which the Association has obtained advances in foreign currencies for those sales or, where applicable, the rates of exchange actually realised after taking account of forward exchange contracts, is recognised in the profit or loss as a foreign currency gain or loss.

3.12 Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to acquisition of the asset. The cost of self constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in profit or loss.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

3. Significant accounting policies (continued)

3.12 Property, plant and equipment (continued)

ii) Depreciation

Freehold land is not depreciated. Improvements to leasehold property are capitalised and depreciated over the period of the lease. Depreciation is calculated on a reducing balance and on a straight line basis at the rate considered appropriate to reduce the carrying value of their useful lives. Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate.

The estimated useful lives for the current and comparative periods are as follows:

| | <i>Years</i> |
|--------------------------------|--------------|
| Buildings | 25 |
| Motor vehicles | 5 |
| Plant, machinery and equipment | 10 |
| Furniture and fittings | 10 |
| Computer equipment | 3 |
| Sugar assets | |
| <i>Bulk store</i> | |
| Bulk store building | 40 |
| Bulk store equipment | 20 - 40 |
| <i>Conditioning silo</i> | |
| Conditioning building | 40 |
| Conditioning equipment | 10 - 40 |
| <i>Molasses storage</i> | |
| Molasses tanks | 40 |
| Molasses equipment | 10 - 35 |
| Bagging plant equipment | 20 |
| Bulk loading equipment | 20 |
| Front end loader equipment | 15 |
| VHP reclaim equipment | 20 |

iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of replaced part is derecognised. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

3. Significant accounting policies (continued)

3.13 Borrowing costs

Borrowing costs incurred in respect of assets which require more than one year to construct (qualifying assets) are capitalised up to the date that the assets are brought into use, and to the extent that the borrowing costs have been incurred to finance operations, they are expensed as incurred.

3.14 Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

4. New standards and interpretations not yet adopted

At the date of authorisation of the financial statements of The Swaziland Sugar Association for the year ended 31 March 2014, the following Standards and Interpretations were in issue but not yet effective:

Effective for the financial year commencing 1 April 2014

- *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27)
- *Offsetting Financial Assets and Financial Liabilities* (Amendments to IAS 32)
- *Recoverable Amount Disclosures for Non-Financial Assets* (Amendment to IAS 36)
- *Novation of Derivatives and Continuation of Hedge Accounting* (Amendments to IAS 39)
- *IFRIC 21 Levies*

Effective for the financial year commencing 1 April 2015

- *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19)

Effective for the financial year commencing 1 April 2016

- *IFRS 14 Regulatory Deferral Accounts*

To be decided

- *IFRS 9 Financial Instruments*

* All Standards and Interpretations will be adopted at their effective date, except for those Standards and Interpretations that are not applicable to the entity.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

4. New standards and interpretations not yet adopted (continued)

IFRS 10 amendment, IFRS12 amendment, IAS 27 amendment, IAS 36 amendment, and IAS 19 amendment are not applicable to the business of the entity and will therefore have no impact on future financial statements.

The impact of the remaining statements on the financial statements has not yet been estimated.

5. Determination of fair values

A number of the Group's accounting policies and disclosures require determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

Forward exchange contracts

The fair value of forward exchange contracts is based on their quoted price obtained from the Association's bankers. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

| | Group | | Association | |
|---|----------------------|---------------|----------------------|---------------|
| | 2014 E | 2013 E | 2014 E | 2013 E |
| 6. Revenue | | | | |
| Revenue comprises: | | | | |
| - Sugar sales | 4 433 027 832 | 3 914 762 049 | 4 433 027 832 | 3 914 762 049 |
| - Molasses sales | 113 913 148 | 105 409 633 | 113 913 148 | 105 409 633 |
| | 4 546 940 980 | 4 020 171 682 | 4 546 940 980 | 4 020 171 682 |
| <p>Sugar is sold into the South African Customs Union (“SACU”), regional and international markets. Molasses is sold within the SACU market. The percentage analysis of revenue by market is provided in note 23.</p> | | | | |
| 7. Operating profit before financing costs | | | | |
| Operating profit before financing costs is arrived at after charging (crediting) the following: | | | | |
| Income: | | | | |
| Sugar recoveries | 352 635 | 6 485 013 | 352 635 | 6 485 013 |
| Profit on sale of property, plant and equipment | 3 865 | 171 032 | 3 865 | 171 032 |
| Expenses: | | | | |
| Auditors remuneration | | | | |
| - Current year | 131 150 | 122 000 | 131 150 | 122 000 |
| - Prior year | 390 500 | 430 205 | 390 500 | 430 205 |
| Council emoluments | - | - | - | - |
| Depreciation | 10 221 634 | 10 680 347 | 1 681 809 | 1 775 735 |
| Lease expenses | 984 577 | 1 377 373 | 984 577 | 1 377 373 |
| Management fees | | | | |
| - Computer related | 149 618 | 70 420 | 149 618 | 70 420 |
| Payroll costs | 20 817 076 | 20 345 184 | 20 817 076 | 20 345 184 |
| 8. Net financing costs | | | | |
| Included in net finance cost are: | | | | |
| Unrealised foreign exchange gains | 3 615 522 | 18 691 397 | 3 615 522 | 18 691 397 |
| Realised foreign exchange losses | (206 183 395) | (60 432 056) | (206 183 395) | (60 432 056) |

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

| | Group | | Association | |
|--|----------------------|---------------|---------------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| | E | E | E | E |
| 9. Income tax expense | | | | |
| <i>Tax recognised in profit or loss</i> | | | | |
| Current year charge | (267 283) | (238 032) | (267 283) | (238 032) |
| Prior year over provision | 4 744 | 273 125 | 4 744 | 273 125 |
| | (262 539) | 35 093 | (262 539) | 35 093 |
| <i>Tax rate reconciliation</i> | | | | |
| Profit/(loss) before taxation | 262 539 | (35 093) | 262 539 | (35 093) |
| Tax thereon at 27.5% (30%) | (72 198) | 10 528 | (72 198) | 10 528 |
| Non-deductible expenses | (195 085) | (248 560) | (195 085) | (248 560) |
| Prior year over provision | 4 744 | 273 125 | 4 744 | 273 125 |
| | (262 539) | 35 093 | (262 539) | 35 093 |
| 10. Property, plant and equipment | | | | |
| Cost | | | | |
| Freehold land and buildings | 12 398 035 | 12 398 035 | 12 398 035 | 12 398 035 |
| Leasehold land and buildings | 166 947 | 166 947 | 166 947 | 166 947 |
| Plant, machinery and computer equipment | 14 531 003 | 13 845 319 | 14 531 003 | 13 845 319 |
| Furniture and fittings | 1 644 003 | 1 563 466 | 1 644 003 | 1 563 466 |
| Motor vehicles | 3 241 041 | 3 208 965 | 2 730 783 | 2 698 707 |
| Conditioning silo buildings | 63 380 195 | 63 380 195 | - | - |
| Sugar store buildings | 89 807 023 | 89 807 023 | - | - |
| Molasses storage buildings | 1 371 928 | 1 371 928 | - | - |
| Conditioning silo equipment | 48 461 259 | 48 065 982 | - | - |
| Sugar store equipment | 52 682 171 | 52 682 171 | - | - |
| Molasses storage equipment | 22 457 501 | 22 457 501 | - | - |
| Capital work in progress | 5 126 390 | 3 412 954 | 5 125 593 | 3 313 483 |
| | 315 267 496 | 312 360 486 | 36 596 364 | 33 985 957 |
| Accumulated depreciation | | | | |
| Freehold land and buildings | (9 710 499) | (9 346 497) | (9 710 499) | (9 346 497) |
| Leasehold land and buildings | (161 430) | (159 505) | (161 430) | (159 503) |
| Plant, machinery and computer equipment | (10 404 069) | (9 519 449) | (10 404 069) | (9 519 447) |
| Furniture and fittings | (1 061 505) | (999 753) | (1 061 505) | (999 753) |
| Motor vehicles | (1 523 943) | (1 244 376) | (1 217 743) | (972 212) |
| Conditioning silo buildings | (20 910 722) | (19 380 313) | - | - |
| Sugar store buildings | (27 849 283) | (25 530 771) | - | - |
| Molasses storage buildings | (1 371 928) | (1 371 928) | - | - |
| Conditioning silo equipment | (34 287 284) | (32 381 751) | - | - |
| Sugar store equipment | (26 167 234) | (23 944 185) | - | - |
| Molasses storage equipment | (12 050 887) | (11 522 602) | - | - |
| | (145 498 784) | (135 401 130) | (22 555 246) | (20 997 412) |

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

10. Property, plant and equipment (continued)

| | Group | | Association | |
|---|--------------------|--------------------|-------------------|-------------------|
| | 2014 E | 2013 E | 2014 E | 2013 E |
| Carrying amount | | | | |
| Freehold land and buildings | 2 687 536 | 3 051 538 | 2 687 536 | 3 051 538 |
| Leasehold land and buildings | 5 517 | 7 442 | 5 517 | 7 442 |
| Plant, machinery and computer equipment | 4 126 934 | 4 325 870 | 4 126 934 | 4 325 870 |
| Furniture and fittings | 582 498 | 563 713 | 582 498 | 563 713 |
| Motor vehicles | 1 717 098 | 1 964 589 | 1 513 040 | 1 726 495 |
| Conditioning silo buildings | 42 469 473 | 43 999 882 | - | - |
| Sugar store buildings | 61 957 740 | 64 276 252 | - | - |
| Molasses storage buildings | - | - | - | - |
| Conditioning silo equipment | 14 173 975 | 15 684 231 | - | - |
| Sugar store equipment | 26 514 937 | 28 737 986 | - | - |
| Molasses storage equipment | 10 406 614 | 10 934 899 | - | - |
| Capital work in progress | 5 126 390 | 3 412 954 | 5 125 593 | 3 313 483 |
| | 169 768 712 | 176 959 356 | 14 041 118 | 12 988 541 |

The sugar conditioning plant, molasses storage tanks and sugar warehouse in Big Bend are situated on land owned by Ubombo Sugar Limited and over which a subsidiary of the Association has been granted servitude of right of use for a period of 100 years which commenced on 20 August 1994. Upon termination of the servitude, Ubombo Sugar Limited has the option to purchase the plant at a price equal to the final cost of the plant, or to lease the plant at a rental to be agreed. The sugar conditioning plant, molasses storage tanks and sugar warehouse at Mhlume are situated on land sub-leased from Mhlume (Swaziland) Sugar Company Limited. The sub-lease expired on 8 September 2008 and is in the process of being renewed. The subsidiary of the Association has the right to renew the sub-lease thereafter for a further period of twenty- five years. The warehouse and bagging plant at Simunye is situated on land to be sub-leased from the Royal Swaziland Sugar Corporation Limited. The sub-lease is still to be registered. Depreciation for the year has been charged as follows:

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

10. Property, plant and equipment (continued)

Allocation of depreciation

| | Group | | Association | |
|-------------------------|-------------------|------------|------------------|-----------|
| | 2014 E | 2013 E | 2014 E | 2013 E |
| Direct cost of sales | 732 647 | 733 830 | 732 647 | 733 830 |
| Direct analysis of cane | 179 895 | 205 131 | 179 895 | 205 132 |
| Extension services | 246 404 | 262 066 | 246 404 | 262 066 |
| Administration | 522 863 | 574 706 | 522 863 | 574 707 |
| Operating expense | 8 539 823 | 8 904 614 | - | - |
| Total | 10 221 632 | 10 680 347 | 1 681 809 | 1 775 735 |

Reconciliation of the opening and closing carrying amounts

Association

| | Opening carrying amount E | Additions E | Disposals E | Transfer E | Depreciation E | Closing carrying amount E |
|------------------------------|------------------------------------|------------------|-----------------|---------------|--------------------|------------------------------------|
| Freehold land and buildings | 3 051 538 | - | - | - | (364 002) | 2 687 536 |
| Leasehold land and buildings | 7 442 | - | - | - | (1 925) | 5 517 |
| Plant and equipment | 4 325 870 | 496 735 | - | 188 948 | (884 619) | 4 126 934 |
| Furniture and fittings | 563 713 | 80 540 | - | - | (61 755) | 582 498 |
| Motor vehicles | 1 726 495 | 193 488 | (37 435) | - | (369 508) | 1 513 040 |
| Capital work in progress | 3 313 483 | 2 001 058 | - | (188 948) | - | 5 125 593 |
| | 12 988 541 | 2 771 821 | (37 435) | - | (1 681 809) | 14 041 118 |

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

10. Property, plant and equipment (continued)

| Group | Opening carrying amount E | Additions E | Dispo- sals E | Transfer E | Deprec- iation E | Closing carrying amount E |
|------------------------------|--|------------------------|------------------------------|-----------------------|---------------------------------|--|
| Freehold land and buildings | 3 051 538 | - | - | - | (364 002) | 2 687 536 |
| Leasehold land and buildings | 7 442 | - | - | - | (1 925) | 5 517 |
| Plant and equipment | 4 325 870 | 496 735 | - | 188 948 | (884 619) | 4 126 934 |
| Furniture and fittings | 563 713 | 80 540 | - | - | (61 755) | 582 498 |
| Motor vehicles | 1 964 589 | 193 488 | (37 435) | - | (403 544) | 1 717 098 |
| Conditioning silo buildings | 43 999 882 | - | - | - | (1 530 409) | 42 469 473 |
| Sugar store buildings | 64 276 252 | - | - | - | (2 318 512) | 61 957 740 |
| Conditioning silo equipment | 15 684 231 | 296 606 | - | 98 670 | (1 905 532) | 14 173 975 |
| Sugar store equipment | 28 737 986 | - | - | - | (2 223 049) | 26 514 937 |
| Molasses storage equipment | 10 934 899 | - | - | - | (528 285) | 10 406 614 |
| Capital work in progress | 3 412 954 | 2 001 054 | - | (287 618) | - | 5 126 390 |
| | <u>176 959 356</u> | <u>3 068 423</u> | <u>(37 435)</u> | <u>-</u> | <u>(10 221 632)</u> | <u>169 768 712</u> |

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

| 11. Unsecured loans receivable | Interest p.a. | Group | | Association | |
|--|------------------|-----------------|-----------|-----------------|-----------|
| | | 2014 E | 2013 E | 2014 E | 2013 E |
| The Royal Swaziland Sugar Corporation Limited | | | | | |
| Repayable together with interest in eleven equal annual instalments terminating 30 June 2016 | 10% | 81 028 | 103 283 | 81 028 | 103 283 |
| Repayable together with interest in eleven equal instalments terminating 31 March 2016 | 10% | 51 203 | 73 369 | 51 203 | 73 369 |
| Repayable together with interest in eleven equal instalments terminating 31 March 2016 | 10% | 81 267 | 116 454 | 81 267 | 116 454 |
| Total unsecured loans receivable | | 213 498 | 293 106 | 213 498 | 293 106 |
| Less current portion due within one year disclosed as current assets | | (79 607) | (79 607) | (79 607) | (79 607) |
| Non-current portion | | 133 891 | 213 499 | 133 891 | 213 499 |

Unsecured loans receivable are in respect of amounts receivable from millers. Refer above for terms of repayment.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

| | Group | | Association | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2014 E | 2013 E | 2014 E | 2013 E |
| 12. Investments | | | | |
| Shares at cost | | | | |
| - Swaziland Sugar Assets Limited | | | 100 | 100 |
| - Sugar Assets (Mhlume) Limited | | | 100 | 100 |
| - Sugar Assets (Simunye) Limited | | | 100 | 100 |
| - Sugar Holding Company Limited | | | 100 | 100 |
| - Commodity Marketing Company Limited | | | 100 | 100 |
| | | | 500 | 500 |
| Jointly controlled entity | | | | |
| <i>Investment in jointly controlled entity</i> | | | | |
| Opening balance | 18 269 405 | 19 156 098 | 19 451 622 | 19 148 730 |
| Share of profit / (loss) of equity accounted investment | 81 605 | (1 182 217) | - | |
| Investment during the year | 4 436 430 | 295 524 | 4 436 430 | 302 892 |
| | 22 787 440 | 18 269 405 | 23 888 052 | 19 451 622 |

The investment relates to shares in Sociedade Terminal De Açucar De Maputo Limitada (“STAM”). Refer to note 27 for analysis of the interest in the jointly controlled entity.

| Entity | Principal place of business | Country of incorporation | Ownership | |
|---|-----------------------------|--------------------------|-----------|-----------|
| | | | 2014 % | 2013 % |
| - Swaziland Sugar Assets Limited | Big Bend, Swaziland | Swaziland | 100 | 100 |
| - Sugar Assets (Mhlume) Limited | Mhlume, Swaziland | Swaziland | 100 | 100 |
| - Sugar Assets (Simunye) Limited | Simunye, Swaziland | Swaziland | 100 | 100 |
| - Sugar Holding Company Limited | Dormant | Swaziland | 100 | 100 |
| - Commodity Marketing Company Limited | Dormant | Swaziland | 100 | 100 |
| Sociedade Terminal De Açucar De Maputo Limitada | Maputo, Mozambique | Mozambique | 25 | 25 |

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

| | Group | | Association | |
|--|------------------|-------------|------------------|-------------|
| | 2014 E | 2013 E | 2014 E | 2013 E |
| 12. Investments in subsidiary companies (continued) | | | | |
| Long term loan to jointly controlled entity | | | | |
| Loan to Sociedade Terminal De Açucar De Maputo Limitada (“STAM”) | | | | |
| Opening balance | 1 007 881 | 2 292 600 | 1 007 881 | 2 292 600 |
| Loan repaid | (975 050) | (1 284 719) | (975 050) | (1 284 719) |
| | 32 831 | 1 007 881 | 32 831 | 1 007 881 |
| Less current portion of loan | (32 831) | (1 007 881) | (32 831) | (1 007 881) |
| | - | - | - | - |
| The repayment of the loan is analysed as follows: | | | | |
| Within 1 year | 32 831 | 975 050 | 32 831 | 975 050 |
| Between 2 – 5 years | - | 32 831 | - | 32 831 |
| More than 5 years | - | - | - | - |
| | 32 831 | 1 007 881 | 32 831 | 1 007 881 |

The loan receivable from STAM was to fund the refurbishment of the infrastructure. It does not attract interest and will be repaid at the discretion of the committee members.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

| | Group | | Association | |
|---|--------------------|-------------|--------------------|-------------|
| | 2014 E | 2013 E | 2014 E | 2013 E |
| 13. Inventories | | | | |
| The following inventories were held by the Group: | | | | |
| Sugar and molasses stocks | 650 980 504 | 647 615 718 | 650 980 504 | 647 615 718 |
| Bags and liners | 13 847 410 | 9 525 817 | 13 847 410 | 9 525 817 |
| | 664 827 914 | 657 141 535 | 664 827 914 | 657 141 535 |

There is a negative pledge over inventory. Refer to note 23.

During the year there were no write downs or reversals of any write downs of inventory.

14. Trade and other receivables

| | | | | |
|-------------------|--------------------|-------------|--------------------|-------------|
| Trade receivables | 257 066 477 | 258 948 345 | 257 066 477 | 258 948 345 |
| Other receivables | 120 855 571 | 1 645 793 | 120 855 571 | 1 645 593 |
| | 377 922 048 | 260 594 138 | 377 922 048 | 260 593 938 |

There is a negative pledge over trade receivables. The Group's exposure to credit risk; currency risks; and impairment losses related to trade and other receivables is disclosed in note 23.

Other receivables comprises predominantly a VAT refund due from the Swaziland Revenue Authority.

15. Loans to subsidiaries

| | | | | |
|--|---|---|--------------------|-------------|
| Loan to Swaziland Sugar Assets Limited | - | - | 43 667 028 | 46 086 463 |
| Loan to Sugar Assets (Mhlume) Limited | - | - | 65 472 431 | 68 624 322 |
| Loan to Sugar Assets (Simunye) Limited | - | - | 46 290 495 | 48 631 217 |
| | - | - | 155 429 954 | 163 342 002 |

The loans attract interest at prime rate per annum, are unsecured and have no fixed terms of repayment.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

| | Group | | Association | |
|--------------------------------------|---------------|--------|--------------------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| | E | E | E | E |
| 16. Non-distributable reserve | | | | |
| Non distributable reserve | 13 022 | 13 022 | 13 022 | 13 022 |

The non-distributable reserve is in respect of the debentures that have matured, but not been held by the holders.

17. Long term liabilities

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 23.

| | | | | |
|--|--------------------|-------------|--------------------|-------------|
| Fixed loan from Public Services Pension Fund | 250 000 000 | 250 000 000 | 250 000 000 | 250 000 000 |
|--|--------------------|-------------|--------------------|-------------|

Amounting to E250 million, the loan will be repaid in full on 31 July 2015. Interest is negotiated on a yearly basis and is linked to the prime lending rate. The loan is unsecured.

| | | | | |
|--|---------------------------|----------------------|---------------------------|----------------------|
| Less: current portion transferred to current liabilities | <u>-</u> | <u>(250 000 000)</u> | <u>-</u> | <u>(250 000 000)</u> |
| Non-current portion | <u>-</u> | <u>(250 000 000)</u> | <u>-</u> | <u>(250 000 000)</u> |
| Total non-current portion | <u>250 000 000</u> | <u>-</u> | <u>250 000 000</u> | <u>-</u> |

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

| | Current E | Within 2 years E | Within 3 years E | After 3 years E | Total 2014 E |
|--|--------------------|------------------------|------------------------|-----------------------|----------------------|
| 17. Long term liabilities (continued) | | | | | |
| Debt repayment profile | | | | | |
| Group - 2014 | | | | | |
| <i>Short term borrowings</i> | | | | | |
| Bank overdraft | 988 479 231 | - | - | - | 988 479 231 |
| <i>Long term liabilities</i> | | | | | |
| Public Services Pension Fund | - | 250 000 000 | - | - | 250 000 000 |
| | <u>988 479 231</u> | <u>250 000 000</u> | <u>-</u> | <u>-</u> | <u>1 238 479 231</u> |
| Group – 2013 | | | | | |
| <i>Short term borrowings</i> | | | | | |
| Bank overdraft | 673 279 104 | - | - | - | 673 279 104 |
| <i>Long term liabilities</i> | | | | | |
| Public Services Pension Fund | 250 000 000 | - | - | - | 250 000 000 |
| | <u>923 279 104</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>923 279 104</u> |

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

| | Current E | Within 2 years E | Within 3 years E | After 3 years E | Total E |
|--|--------------------|------------------------|------------------------|-----------------------|----------------------|
| 17. Long term liabilities (continued) | | | | | |
| Debt repayment profile | | | | | |
| Association - 2014 | | | | | |
| <i>Short term borrowings</i> | | | | | |
| Bank overdraft | 988 479 231 | - | - | - | 988 479 231 |
| <i>Long term liabilities</i> | | | | | |
| Public Services Pension Fund | - | 250 000 000 | - | - | 250 000 000 |
| | <u>988 479 231</u> | <u>250 000 000</u> | <u>-</u> | <u>-</u> | <u>1 238 479 231</u> |
| Association - 2013 | | | | | |
| <i>Short term borrowings</i> | | | | | |
| Bank overdraft | 673 279 104 | - | - | - | 673 279 104 |
| Public Services Pension Fund | 250 000 000 | - | - | - | 250 000 000 |
| | <u>923 279 104</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>923 279 104</u> |
| | | Group | | Association | |
| | 2014 | 2013 | 2014 | 2013 | |
| | E | E | E | E | |
| 18. Trade and other payables | | | | | |
| Milling companies | 29 939 813 | 214 153 735 | 29 939 813 | 214 707 439 | |
| Other payables and accruals | 39 989 385 | 30 538 035 | 40 792 857 | 30 538 035 | |
| | <u>69 929 198</u> | <u>244 691 770</u> | <u>70 732 670</u> | <u>245 245 474</u> | |

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

| | Group | | Association | |
|---|----------------------|---------------|----------------------|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| | E | E | E | E |
| 19. Notes relating to the cash flow statements | | | | |
| 19.1 Reconciliation of profit before interest and tax to cash flows generated from operations: | | | | |
| Profit for the year before tax | 262 539 | 35 093 | 262 539 | 35 093 |
| <i>Adjustment for non-cash flow items:</i> | | | | |
| Profit on disposal of property, plant and equipment | (3 865) | (171 032) | (3 865) | (171 032) |
| Depreciation | 10 221 636 | 10 680 349 | 1 681 809 | 1 775 735 |
| Finance income | (44 292 299) | (55 540 656) | (44 292 299) | (55 540 656) |
| Finance expenses | 348 964 964 | 184 137 949 | 348 964 964 | 184 137 949 |
| Share of joint venture loss (profit) | (81 605) | 1 182 217 | - | - |
| | 315 071 370 | 140 323 920 | 306 613 148 | 130 237 089 |
| <i>Changes in working capital:</i> | | | | |
| Increase in inventories | (7 686 379) | (284 233 552) | (7 686 379) | (284 233 552) |
| Increase in trade and other receivables | (117 328 110) | (68 068 075) | (117 328 110) | (68 067 875) |
| Decrease in trade and other payables | (174 769 738) | (23 691 968) | (174 511 803) | (22 833 759) |
| | 15 287 143 | (235 669 675) | 7 086 856 | (244 898 097) |
| 19.2 Taxation | | | | |
| Balance at beginning of year | (139 196) | 382 569 | (139 196) | 382 569 |
| Reversal of prior year over provision | 4 744 | 273 125 | 4 744 | 273 125 |
| Current year charge | (267 283) | (238 032) | (267 283) | (238 032) |
| Balance at end of year | 1 564 | (139 196) | 1 564 | (139 196) |
| Taxation paid | (400 171) | 278 466 | (400 171) | 278 466 |
| 19.3 Cash and cash equivalents | | | | |
| Bank balances and cash on hand | 72 870 572 | 53 857 671 | 72 870 572 | 53 857 671 |
| Bank overdrafts | (988 479 231) | (673 279 104) | (988 479 231) | (673 279 104) |
| | (915 608 659) | (619 421 433) | (915 608 659) | (619 421 433) |

The bank overdraft is secured by a negative pledge. The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities is disclosed in note 23.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

| | Group | | Association | |
|---|------------------|------------------|------------------|------------------|
| | 2014 E | 2013 E | 2014 E | 2013 E |
| 20. Lease commitments | | | | |
| Future operating lease rentals of premises not provided for are as follows: | | | | |
| Due within one year | 1 003 049 | 1 003 049 | 1 003 049 | 1 003 049 |
| Two to five years | 1 003 049 | 2 006 098 | 1 003 049 | 2 006 098 |
| | <u>2 006 098</u> | <u>3 009 147</u> | <u>2 006 098</u> | <u>3 009 147</u> |

The Association has leased property, which it utilises as offices. The lease period is for three years, renewable. Lease instalments of E83 460 are payable monthly and are subject to an escalation clause of ten percent per annum, effective on the 1 May each year. Refer to note 7 for current year operating lease expense.

| | Group | | Association | |
|--|------------------|---------------------|------------------|---------------------|
| | 2014 US\$ | 2013 US\$ | 2014 US\$ | 2013 US\$ |
| 21. Foreign currency | | | | |
| The following balances are (payable)/receivable in foreign currency: | | | | |
| Payable | | | | |
| Included in trade payables: | | | | |
| Sociedade Terminal De Açucar De Maputo Limitada ("STAM") | (130 984) | (131 611) | (130 984) | (131 611) |
| Pfeifer and Langen | (36 204) | (70 645) | (36 204) | (70 645) |
| R Markey | (20 936) | - | (20 936) | - |
| Manica | (77 476) | - | (77 476) | - |
| | <u>(265 600)</u> | <u>(202 256)</u> | <u>(265 600)</u> | <u>(202 256)</u> |
| Included in loans due from equity-accounted investee: | | | | |
| Sociedade Terminal De Açucar De Maputo Limitada ("STAM") | 3 123 | 108 869 | 3 123 | 108 869 |
| | <u>3 123</u> | <u>108 869</u> | <u>3 123</u> | <u>108 869</u> |
| Included in bank balances | | | | |
| Standard Bank Swaziland Limited | 90 428 | (20 580 618) | 90 428 | (20 580 618) |
| | <u>90 428</u> | <u>(20 580 618)</u> | <u>90 428</u> | <u>(20 580 618)</u> |

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

| | Group | | Association | |
|--|------------------|------------------|--------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | EURO | EURO | EURO | EURO |
| 21. Foreign currency (continued) | | | | |
| The following balances are (payable)/receivable in foreign currency: | | | | |
| Included in bank balances | | | | |
| Standard Bank Swaziland Limited | 1 591 174 | - | 1 591 174 | - |
| Nedbank (Swaziland) Limited | 864 | 1 259 264 | 864 | 1 259 264 |
| | <u>1 592 038</u> | <u>1 259 264</u> | <u>1 592 038</u> | <u>1 259 264</u> |
| Receivable | | | | |
| Included in trade and other receivables | <u>1 989 736</u> | <u>6 019 809</u> | <u>1 989 736</u> | <u>6 019 809</u> |
| Payables | | | | |
| <i>Included in trade and other payables</i> | | | | |
| Mitra Sugar Limited | <u>(25 000)</u> | <u>(725 893)</u> | <u>(25 000)</u> | <u>(725 893)</u> |

22. Retirement benefit information

The Group provides retirement benefits for all its permanent employees through a defined contribution fund known as the Swaziland Sugar Association Staff Provident Fund. In terms of the rules of the provident fund the employees contribute 5% - 6% and the employer contributes 11% - 12%. The Group contributed the following amount during the year:

| | Group and Association | |
|-----------------------|------------------------------|------------------|
| | 2014 | 2013 |
| | E | E |
| Defined contributions | <u>3 041 547</u> | <u>2 719 337</u> |

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

23. Financial instruments

Financial risk management

Overview

Financial assets of the Group and Association include cash and cash equivalents, loans receivables, forward exchange contract assets and trade and other receivables. Financial liabilities of the Association and Group include bank overdrafts, long term liabilities and trade and other payables. The Association enters into forward foreign exchange contracts and forward sugar pricing contracts in order to hedge its exposure to currency and pricing risks. The Association and Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Association and Group's exposure to each of the above risks, the Association and Group's objectives, policies and processes for measuring and managing risk, and the Association and Group's management of capital. Further quantitative disclosures are included through these consolidated financial statements.

Council has overall responsibility for the establishment and oversight of the Association and Group's risk management framework. Council has established an Audit Committee, which is responsible for developing and monitoring the Association and Group's risk management policies. The committee reports on a quarterly basis to Council on its activities.

The Association and Group's risk management policies are established to identify and analyse the risks faced by the Association and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Association and Group's activities. The Association and Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Association and Group's financial risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Association and Group. The Audit Committee with the assistance of its internal auditors carries out the role of risk management. Internal Audit undertakes reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

23. Financial instruments (continued)

Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Group and Association if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group and Association's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 40 (2013: 39) percent of the Group and Association's revenue is attributable to sales transactions with 30 (2013: 30) customers, within the South African Customs Union ("SACU") market and 60 (2013: 61) percent of the Group and Association's revenue is attributable from sales transactions with 7 (2013: 11) customers, within the regional and to international markets. However, geographically the credit risk is mainly concentrated within the SACU market.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group and Association's standard payment and delivery terms and conditions are offered. The Group and Association's credit terms are cash and where credit terms are extended, security is required. Purchase limits are established for each customer, in line with approved credit terms. These limits are reviewed regularly.

The majority of the Group and Association's customers have been transacting with the Group and Association for over five years, and losses have occurred infrequently. The Group and Association require bank guarantees in respect of trade and other receivables.

The Group and Association provide an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

23. Financial instruments (continued)

Unsecured loans receivable

The Group and Association limit its exposure to credit risk. In the case of the unsecured loans receivable between the Association and the subsidiaries. The loans were advanced from the Association to the subsidiaries in order to finance the construction of the warehouse facilities. The Group utilises the warehouse properties as storage facilities.. Management does not expect any counterparty to fail to meet its obligations. The warehouses are integral to the continued operations of the Group. Loans are receivable as follows:

| | Group and Association | |
|---|-----------------------|----------------|
| | 2014 | 2013 |
| | E | E |
| Within one year of reporting date | 79 607 | 79 607 |
| More than one year and less than five years from reporting date | 133 891 | 213 499 |
| Five years or more from reporting date | - | - |
| | <u>213 498</u> | <u>293 106</u> |

The interest rates and terms of repayment of loans receivable are disclosed in note 11 to the financial statements.

Guarantees

The Group and Association's policy is to provide guarantees for loans extended only to its related entities. At 31 March 2014 there were no outstanding loans owed by the subsidiaries. All amounts owing by subsidiaries are fully guaranteed by the Association.

The Group has acted as a guarantor for the Swaziland Cane Growers Association (SCGA) to Standard Bank Swaziland Limited for an amount of Euro 1 070 937 which action allowed the bank to issue a bank guarantee of an equivalent amount to the European Union (EU) as part of the terms of a grant funding to SCGA.

Any default on the guarantee would be recovered from the amount distributed by the association to the Swaziland Cane Growers Association at the end of each sugar season.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

23. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses zero based budgeting to establish its costs and periodically prepares management accounts and cash flow projections, which assists it in monitoring cash flow requirements. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. In addition, the Group maintains the following lines of credit:

- E2 446 million (2013: E1 719 million) overdraft facility that is secured. Interest would be negotiated.

Market risk

Market risk is the risk of changes in market prices, foreign exchange rates and interest rates which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage the exposure within acceptable parameters, while optimising the returns to the industry.

In order to manage market risk, the Group buys and sells derivatives in the ordinary course of business, and as such incurs financial liabilities. All such transactions are carried out within the guidelines set by the Finance Committee and approved by Council. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

The Group is exposed to currency risk on sales, foreign currency payments and borrowings that are denominated in a currency other than the Swaziland Lilangeni, which is the Group's functional currency. These are primarily the Euro (€) and U.S. Dollars (USD) and to a lesser extent Pounds Sterling (GBP).

The Group and Association is not exposed to the South African Rand, since the Swaziland Lilangeni is linked to the South African Rand on a 1:1 ratio.

The Group hedges all of its trade receivables denominated in foreign currency, by establishing forward exchange contracts against such sales. Where necessary, forward exchange contracts are rolled over at maturity.

Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which hedge accounting is applied are recognised directly in equity. When such hedges are realised they are recognised in other comprehensive income. Both the changes in fair value of the forward exchange contracts and the foreign exchange gains and losses relating to monetary items are recognised as part of net financing costs. The fair values of forward exchange contracts used as economic hedges of monetary assets and liabilities in foreign currencies at 31 March 2014 was E22 210 304 (2013: E3 615 522) recognised in fair value derivatives.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

23. Financial instruments (continued)

Forecasted transactions

The Group classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and measures them at fair value. The forward exchange contracts and forward exchange currency options at the end of the year were as follows:

| | Group | | Association | |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | EURO | EURO | EURO | EURO |
| Forward exchange cover | | | | |
| Standard Bank Swaziland Limited | 48 340 000 | 25 917 742 | 48 340 000 | 25 917 742 |
| Nedbank (Swaziland) Limited | 8 888 481 | 39 554 944 | 8 884 481 | 39 554 944 |
| First National Bank | - | 127 504 | - | 127 504 |
| | <u>57 228 481</u> | <u>65 600 190</u> | <u>57 228 481</u> | <u>65 600 190</u> |

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group. This provides an economic hedge and no derivatives are entered into.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group's investment in STAM, a joint venture based in Maputo, requires that transactions be paid for in foreign currencies. These are undertaken by buying foreign currencies at spot rates.

Interest rate risk

The Group adopts a policy of ensuring its exposure to changes in interest rates on borrowings is on a fixed rate basis, if this is going to be of financial benefit to the Group, otherwise interest rates are maintained as floating rates linked to prime lending rates.

The interest rates and terms of repayment of loans of the Group are disclosed in notes 15 and 17 to the financial statements. Bank overdrafts bear interest at rates linked to the prime overdraft rate as applicable in Swaziland on a floating rate basis.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

23. Financial instruments (continued)

Capital management

Council's policy is to maintain a sufficient working capital base to maintain investor, creditor and market confidence and to sustain future development of the business. Council seeks to maintain a balance between the higher returns that might be possible with using long term funding as opposed to short term funding for long term projects. Short term funding is used to finance working capital. Council, for the subsidiary companies, seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. There were no changes in the Group's approach to capital management during the year. Neither the Association nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group's target is to maintain a current ratio of 1:1. The debt current ratio for the current year is detailed below.

Capital management

| | Group | | Association | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | E | E | E | E |
| Total current liabilities | <u>1 058 409 993</u> | <u>1 168 110 070</u> | <u>1 059 214 465</u> | <u>1 168 663 774</u> |
| Total current assets | <u>1 137 943 276</u> | <u>976 296 354</u> | <u>1 293 373 230</u> | <u>1 139 638 156</u> |
| Ratio of total liabilities to current assets | <u>0.93</u> | <u>1.19</u> | <u>0.82</u> | <u>1.03</u> |

Cash flow hedges

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Net change in fair value of cash flow hedges transferred from other comprehensive income | <u>3 615 522</u> | <u>18 691 397</u> | <u>3 615 522</u> | <u>18 691 397</u> |
| Fair value of cash flow hedges recognised in other comprehensive income | <u>22 210 304</u> | <u>3 615 522</u> | <u>22 210 304</u> | <u>3 615 522</u> |

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

23. Financial instruments (continued)

| | Group | | Association | |
|--|----------------------|--------------------|----------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | E | E | E | E |
| <i>Loans and borrowings</i> | | | | |
| This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. | | | | |
| Non-current liabilities | | | | |
| Unsecured fixed term loans | 250 000 000 | - | 250 000 000 | - |
| Current liabilities | | | | |
| Bank overdraft | 988 479 231 | 673 279 104 | 988 479 231 | 673 279 104 |
| Current portion of fixed loan | - | 250 000 000 | - | 250 000 000 |
| | <u>1 238 479 231</u> | <u>923 279 104</u> | <u>1 238 479 231</u> | <u>923 279 104</u> |

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

23. Financial instruments (continued)

Terms and repayment schedule

Group and Association

| | Carrying currency | Nominal interest rate | Year of maturity | 2014 | | 2013 | |
|---------------------------------------|----------------------|-----------------------------|---------------------|----------------------|-------------------------|--------------------|-------------------------|
| | | | | Face value E | Carrying amount E | Face value E | Carrying amount E |
| Fixed loan | Lilangeni | Negotiated rates | 30 June 2016 | 250 000 000 | 250 000 000 | 250 000 000 | 250 000 000 |
| Unsecured bank facility | Lilangeni | Negotiated rates | 31 March 2014 | 988 479 231 | 988 479 231 | 673 279 104 | 673 279 104 |
| Total interest-bearing liabilities | | | | <u>1 238 479 231</u> | <u>1 238 479 231</u> | <u>923 279 104</u> | <u>923 279 104</u> |

The bank loans are secured by a negative pledge over inventory and trade receivables with a carrying value of E1 115 620 534 (2013 : E952 125 594)

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

23. Financial instruments (continued)

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | Group | | Association | |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 E | 2013 E | 2014 E | 2013 E |
| Carrying amount | | | | |
| Loans and receivables | - | - | 155 429 954 | 163 342 002 |
| Loans to jointly controlled entity | 32 831 | 1 007 881 | 32 831 | 1 007 881 |
| Trade and other receivables | 377 922 048 | 260 594 138 | 377 922 048 | 260 593 938 |
| Cash and cash equivalents | 72 870 572 | 53 857 671 | 72 870 572 | 53 857 671 |
| Unsecured loans receivables | 213 498 | 293 337 | 213 498 | 293 337 |
| Other forward exchange contracts | 22 210 304 | 3 615 522 | 22 210 304 | 3 615 522 |
| | <u>473 249 253</u> | <u>319 368 549</u> | <u>628 679 207</u> | <u>482 710 351</u> |

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

| | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Southern African Customs Union (“SACU”) | 221 774 216 | 159 655 082 | 221 774 216 | 159 655 082 |
| International | 40 007 531 | 57 697 709 | 40 007 531 | 57 697 709 |
| | <u>261 781 747</u> | <u>217 352 791</u> | <u>261 781 747</u> | <u>217 352 791</u> |

Trade receivables

The aging of trade receivables at the reporting date was:

Gross carrying amount

| | | | | |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
| Current | 180 173 089 | 140 765 953 | 180 173 089 | 140 765 953 |
| 0 – 30 days | 81 608 658 | 76 586 838 | 81 608 658 | 76 586 838 |
| 31 – 120 days (past due) | - | - | - | - |
| | <u>261 781 747</u> | <u>217 352 791</u> | <u>261 781 747</u> | <u>217 352 791</u> |

Based on past experience, the Group believes that no impairment allowance is necessary in respect of trade receivables other than those specifically identified. The allowance includes amounts that have been handed over to our attorneys for collection. The Group requires bank guarantees in respect of trade and other receivables.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

23. Financial instruments (continued)

Group - 2014

Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

| | Carrying amount E | Contractual cash flows E | 6 months or less E | 6 – 12 months E | 1 – 2 years E | 2 – 5 years E |
|---|----------------------------------|---|-----------------------------------|--------------------------------|------------------------------|------------------------------|
| Non-derivative financial liabilities | | | | | | |
| Unsecured bank facility | 988 479 231 | 988 479 231 | 988 479 231 | - | - | - |
| Trade and other payables | 69 929 198 | 69 929 198 | 69 929 198 | - | - | - |
| Fixed loan | 250 000 000 | 266 750 000 | 8 375 000 | 8 375 000 | 250 000 000 | - |
| | <u>1 308 408 429</u> | <u>1 325 158 429</u> | <u>1 066 783 429</u> | <u>8 375 000</u> | <u>250 000 000</u> | <u>-</u> |

The financial liabilities above do not exceed periods of more than five years. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

23. Financial instruments (continued)

Group - 2013

Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

| | Carrying amount E | Contractual cash flows E | 6 months or less E | 6 – 12 months E | 1 – 2 years E | 2 – 5 years E |
|---|----------------------------------|---|-----------------------------------|--------------------------------|------------------------------|------------------------------|
| Non-derivative financial liabilities | | | | | | |
| Unsecured bank facility | 673 279 104 | 673 279 104 | 673 279 104 | - | - | - |
| Trade and other payables | 244 691 770 | 244 691 770 | 244 691 770 | - | - | - |
| Fixed loan | 250 000 000 | 250 000 000 | 250 000 000 | - | - | - |
| | <u>1 167 979 874</u> | <u>1 167 979 874</u> | <u>1 167 979 874</u> | <u>-</u> | <u>-</u> | <u>-</u> |

The financial liabilities above do not exceed periods of more than five years. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

23. Financial instruments (continued)

| <i>Liquidity risk</i> | Carrying amount E | Contractual cash flows E | 6 months or less E | 6 – 12 months E | 1 – 2 years E |
|--|---------------------------------|--|----------------------------------|-------------------------------|-----------------------------|
| Association – 2014 | | | | | |
| The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements. | | | | | |
| Non-derivative financial liabilities | | | | | |
| Unsecured bank facility | 988 479 231 | 988 479 231 | 988 479 231 | - | - |
| Fixed loan | 250 000 000 | 266 750 000 | 8 375 000 | 8 375 000 | 250 000 000 |
| Trade and other payables | 70 732 670 | 70 732 670 | 70 732 670 | - | - |
| | <u>1 309 211 901</u> | <u>1 325 961 901</u> | <u>1 067 586 901</u> | <u>8 375 000</u> | <u>250 000 000</u> |

The financial liabilities above do not exceed periods of more than five years. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Association – 2013

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

Non-derivative financial liabilities

| | | | | | |
|--------------------------|----------------------|----------------------|----------------------|----------|----------|
| Unsecured bank loans | | | | - | - |
| Unsecured bank facility | 673 279 104 | 673 279 104 | 673 279 104 | - | - |
| Fixed loan | 250 000 000 | 254 125 000 | 254 125 000 | - | - |
| Trade and other payables | 245 245 474 | 245 245 474 | 245 245 474 | - | - |
| | <u>1 168 524 578</u> | <u>1 172 649 578</u> | <u>1 172 649 578</u> | <u>-</u> | <u>-</u> |

The financial liabilities above do not exceed periods of more than one year. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

23. Financial instruments (continued)

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

| | Group and Association 2014 | | Group and Association 2013 | |
|--|-------------------------------|------------------|-------------------------------|---------------------|
| | Euro | USD | Euro | USD |
| Trade receivables | 1 989 736 | - | 6 019 809 | - |
| Bank balances | 1 592 038 | 90 428 | 1 259 264 | (20 580 618) |
| Loans due from jointly controlled entity | - | 3 123 | - | 108 869 |
| Trade payables | (25 000) | (266 500) | (725 893) | (202 256) |
| Gross statement of financial position exposure | <u>3 556 774</u> | <u>(172 949)</u> | <u>6 553 180</u> | <u>(20 674 005)</u> |
| Estimated forecast sales (2014/15) | 149 509 389 | 7 920 800 | 194 897 690 | 6 823 360 |
| Estimated forecast purchases (2014/15) | - | (6 001 080) | - | (3 750 000) |
| Gross exposure | <u>153 066 163</u> | <u>1 746 771</u> | <u>201 450 870</u> | <u>(17 600 645)</u> |
| Forward exchange contracts (2014/14) | (57 228 481) | - | (65 600 190) | - |
| Net exposure | <u>95 837 682</u> | <u>1 746 771</u> | <u>135 850 680</u> | <u>(17 600 645)</u> |

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

23. Financial instruments (continued)

The following significant exchange rates applied during the year:

| | Group and Association Average rates achieved | | Group and Association Closing rates | |
|------|---|-------|--|-------|
| | 2014 | 2013 | 2014 | 2013 |
| Euro | 12.61 | 10.75 | 14.57 | 11.84 |
| USD | 8.71 | 8.71 | 10.51 | 9.26 |

Sensitivity analysis

A 10 percent strengthening of the Lilangeni against the Euro and USD at 31 March would have increased export proceeds by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014 and 2013.

| | Group and Association export proceeds | |
|----------------------------------|--|-------------|
| | 2014 E | 2013 E |
| USD and EURO (2013:USD and EURO) | 208 196 000 | 225 918 000 |

A 10 percent weakening of the Lilangeni against the Euro and USD at 31 March would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The Group has no exposure to the rand as at 31 March 2014, as the Lilangeni and Rand are linked.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

23. Financial instruments (continued)

Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

| | Group | | Association | |
|----------------------------------|--------------------|----------------------|--------------------|----------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | E | E | E | E |
| <i>Fixed rate instruments</i> | | | | |
| Financial liabilities | <u>250 000 000</u> | <u>250 000 000</u> | <u>250 000 000</u> | <u>250 000 000</u> |
| <i>Variable rate instruments</i> | | | | |
| Financial liabilities | <u>988 479 231</u> | <u>(623 279 104)</u> | <u>988 479 231</u> | <u>(623 279 104)</u> |

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) the amount available for distribution (profit or loss) by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014 and 2013.

| | 100 bp | 100 bp | 100 bp | 100 bp |
|-----------------------------|------------------|--------------------|------------------|--------------------|
| | increase | decrease | increase | decrease |
| | E | E | E | E |
| <i>31 March 2014</i> | | | | |
| Variable rate instruments | <u>9 884 792</u> | <u>(9 884 792)</u> | <u>9 884 792</u> | <u>(9 884 792)</u> |
| Cash flow sensitivity (net) | <u>9 884 792</u> | <u>(9 884 792)</u> | <u>9 884 792</u> | <u>(9 884 792)</u> |
| <i>31 March 2013</i> | | | | |
| Variable rate instruments | <u>6 232 791</u> | <u>(6 232 791)</u> | <u>6 232 791</u> | <u>(6 232 791)</u> |
| Cash flow sensitivity (net) | <u>6 232 791</u> | <u>(6 232 791)</u> | <u>6 232 791</u> | <u>(6 232 791)</u> |

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

23. Financial instruments (continued)

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

| | 2014 | | Group | |
|---|-------------------------|------------------------|-------------------------|----------------------------|
| | Carrying amount E | Fair value E | Carrying amount E | 2013 Fair value E |
| Assets at fair value | | | | |
| Forward exchange contracts used on hedging: | 22 210 304 | 22 210 304 | 3 615 522 | 3 615 522 |
| Assets at amortised cost | | | | |
| Loans receivable | 213 498 | 213 498 | 293 337 | 293 337 |
| Cash and cash equivalents | 72 870 572 | 72 870 572 | 53 857 671 | 53 857 671 |
| Loan due from jointly controlled entity | 32 831 | 32 831 | 1 007 881 | 1 007 881 |
| Trade and other receivables | 377 922 048 | 377 922 048 | 260 594 138 | 260 594 138 |
| | <u>451 038 949</u> | <u>451 038 949</u> | <u>315 753 027</u> | <u>315 753 027</u> |
| Liabilities at amortised cost | | | | |
| Trade and other payables | (69 929 198) | (69 929 198) | (244 691 770) | (244 691 775) |
| Unsecured fixed loan | (250 000 000) | (250 000 000) | (250 000 000) | (250 000 000) |
| Bank overdraft | (988 479 231) | (988 479 231) | (673 279 104) | (673 279 104) |
| | <u>(1 308 408 429)</u> | <u>(1 308 408 429)</u> | <u>(1 167 970 874)</u> | <u>(1 167 970 874)</u> |

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

Fair values

Fair values versus carrying amounts

The fair values of financial assets and financial liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

| | 2014 | | Association | | 2013 | |
|--|-------------------------|------------------------|-------------------------|------------------------|-------------------------|--------------------|
| | Carrying amount E | Fair value E | Carrying amount E | Fair value E | Carrying amount E | Fair value E |
| Assets at fair value | | | | | | |
| Forward exchange contracts used for hedging: | 22 210 304 | 22 210 304 | 3 615 522 | 3 615 522 | | |
| Assets at amortised cost: | | | | | | |
| Loans and receivables | 155 429 954 | 155 429 954 | 163 352 002 | 163 352 002 | | |
| Loans due from equity-accounted investee | 32 831 | 32 831 | 1 007 881 | 1 007 881 | | |
| Trade and other receivables | 337 922 048 | 337 922 048 | 260 593 938 | 260 593 938 | | |
| Cash and cash equivalents | 72 870 572 | 72 870 572 | 53 857 671 | 53 857 671 | | |
| | <u>566 255 405</u> | <u>566 255 405</u> | <u>478 811 492</u> | <u>478 811 492</u> | | |
| Liabilities at amortised cost | | | | | | |
| Unsecured fixed loan | (250 000 000) | (250 000 000) | (250 000 000) | (250 000 000) | | |
| Trade and other payables | (70 733 670) | (70 733 670) | (245 245 474) | (245 245 474) | | |
| Bank overdraft | (988 479 231) | (988 479 231) | (673 279 104) | (673 279 104) | | |
| | <u>(1 309 212 901)</u> | <u>(1 309 212 901)</u> | <u>(1 168 524 578)</u> | <u>(1 168 524 578)</u> | | |

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

23. Financial instruments (continued)

Basis for determining fair values

The basis for determining fair values is detailed in note 5..

Fair value hierarchy

The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 : inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 1 E | Level 2 E | Level 3 E |
|---------------------------------|--------------|--------------|--------------|
| 2014 | | | |
| Forward exchange contract asset | - | 22 210 304 | - |
| | <hr/> | <hr/> | <hr/> |
| 2013 | | | |
| Forward exchange contract asset | - | 3 615 522 | - |
| | <hr/> | <hr/> | <hr/> |

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

23. Financial instruments (continued)

| | Group | | Association | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | E | E | E | E |
| <i>Finance income and expense</i> | | | | |
| <i>Finance expense on financial liabilities</i> | | | | |
| Measured at amortised cost | 112 620 702 | 83 292 144 | 112 620 702 | 83 123 050 |
| Foreign exchange loss | 236 344 262 | 82 323 502 | 236 344 262 | 82 323 502 |
| Finance expenses | <u>348 964 964</u> | <u>165 615 646</u> | <u>348 964 964</u> | <u>165 446 552</u> |
| <i>Finance income on financial assets</i> | | | | |
| Net change in fair value of cash flow hedges transferred from other comprehensive income | (3 615 522) | (18 691 397) | (3 615 522) | (18 691 397) |
| Other interest income | 24 729 | - | 24 729 | - |
| Interest income on loans originated by the Association | - | - | 14 106 703 | 14 957 813 |
| IAS 39 reclassification from revenue | 30 160 868 | 21 891 446 | 30 160 868 | 21 891 446 |
| Finance income | <u>26 570 075</u> | <u>3 200 049</u> | <u>40 676 778</u> | <u>18 157 862</u> |
| Net finance costs | <u>322 394 889</u> | <u>162 415 597</u> | <u>308 288 186</u> | <u>147 288 690</u> |
| The above financial income and expenses include the following in respect of assets (liabilities) not at fair value through profit or loss: | | | | |
| Total interest income on financial assets | <u>26 570 075</u> | <u>3 200 049</u> | <u>40 676 778</u> | <u>18 157 862</u> |
| Total interest expense on financial liabilities | <u>348 964 964</u> | <u>165 615 646</u> | <u>348 964 964</u> | <u>165 446 552</u> |

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

24. Related parties

Identification of related parties:

Related parties comprise subsidiary companies, a joint venture, the millers and the growers. The council and other key portfolios are occupied by representatives from the millers and growers.

The main related party transactions relate to sugar and molasses purchases and sales, property leases, provision of technical and related services and related party loans. All related party transactions and interest arising in respect of related party loans were concluded on a market related and arm's length basis.

24.1 Amounts due by related parties

| | Group | | Association | |
|---|------------------|------------------|--------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | E | E | E | E |
| Loans receivable | 213 498 | 293 337 | 213 498 | 293 337 |
| Loan due from equity accounted investee | 32 831 | 1 007 881 | 32 831 | 1 007 881 |
| Accounts receivable – millers | 3 826 504 | 592 992 | 3 826 504 | 592 992 |
| Loans to subsidiaries | - | - | 155 429 954 | 163 342 002 |
| | <u>4 072 833</u> | <u>1 894 210</u> | <u>159 502 787</u> | <u>165 236 212</u> |

24.2 Amounts due to related parties

| | | | | |
|--------------------------------------|-------------------|--------------------|-------------------|--------------------|
| Milling creditors (refer to note 18) | <u>29 939 813</u> | <u>213 863 762</u> | <u>29 939 813</u> | <u>214 707 439</u> |
|--------------------------------------|-------------------|--------------------|-------------------|--------------------|

24.3 Related party transactions

| | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|
| Conditioning fee paid | - | - | 26 049 994 | 27 608 251 |
| Interest on loan to subsidiaries | - | - | 14 106 703 | 14 925 430 |
| Sugar purchases | 3 682 851 927 | 3 529 961 212 | 3 682 851 927 | 3 529 961 212 |
| Molasses purchases | 61 262 853 | 55 345 140 | 61 262 853 | 55 345 140 |

Millers and growers receive no remuneration for sitting on the various councils and portfolio committees.

Key management personnel compensation

Key management personnel receive salaries as approved by the remuneration committee. In addition to their salaries, management personnel receive incentive bonuses as determined and approved by the remuneration committee.

Key management only receive short term benefits. Key management do not receive any post employment benefits, other long term benefits, termination benefits or share based payments.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

| | Group | | Association | |
|---|-------------------|------------------|--------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | E | E | E | E |
| 25. Other financial assets | | | | |
| Cash flow hedge reserve | | | | |
| Balance at the beginning of the year | 3 615 522 | 18 691 397 | 3 615 522 | 18 691 397 |
| Effective portion of changes in fair value of cash flow hedges | 22 210 304 | 3 615 522 | 22 210 304 | 3 615 522 |
| Net change in fair value of cash flow hedges reclassified to profit or loss | (3 615 522) | (18 691 397) | (3 615 522) | (18 691 397) |
| Balance at the end of the year | <u>22 210 304</u> | <u>3 615 522</u> | <u>22 210 304</u> | <u>3 615 522</u> |
| 26. Capital commitments | | | | |
| Approved but not yet contracted for | 3 598 152 | 2 565 345 | 3 598 152 | 1 423 284 |
| Approved and contracted for | 857 606 | 7 026 806 | 857 606 | 2 256 806 |
| | <u>4 455 758</u> | <u>9 592 151</u> | <u>4 455 758</u> | <u>3 680 090</u> |

The proposed capital expenditure will be incurred in the new financial year and will be financed by external borrowings.

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

27. Equity accounted joint venture

Sociedade Terminal De Açúcar De Maputo Limitada (“STAM”) is the only joint arrangement in which the Association and Group participate. The arrangement was entered into to facilitate the construction of a Silo Storage facility in Maputo, Mozambique which are utilised by the partners in the arrangement for storage of sugar destined for the export markets.

STAM is structured as a separate legal entity and the Group has a residual interest in the net assets of STAM. Accordingly the Group classifies its interest in STAM as a joint venture. In accordance with the agreement under which STAM was formed, the Group and the other three investors in the joint venture have agreed to make additional contributions in proportion to their shareholding to finance any working capital or capital requirements. The investors have also agreed to make good, in proportion to their shareholding, any losses should the need arise.

The following table summarises the financial information of STAM as included in its own financial statements.

| | Group | |
|--|--------------------|--------------------|
| | 2014 | 2013 |
| | E | E |
| Non-current assets | 113 610 581 | 110 100 030 |
| Current assets | 29 148 723 | 17 895 904 |
| Total assets | 142 759 304 | 127 995 934 |
| Non-current liabilities | 91 084 174 | 107 563 271 |
| Current liabilities | 51 675 130 | 20 432 663 |
| Total liabilities | 142 759 304 | 127 995 934 |
| Revenue | 85 837 042 | 66 378 699 |
| Expenses | (85 510 629) | (71 107 568) |
| Profit / (loss) for the year | 326 413 | (4 728 869) |
| Share of profit / (loss) after tax recognised in the statement of comprehensive income | 81 605 | (1 182 217) |
| Ownership | 25% | 25% |

THE SWAZILAND SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 (continued)

28. Provisions and contingent liabilities

On 31 March 2014, the Group had no contingent liabilities against it.

The Group had made the following provision at year end:

Provision for incentive bonus

| | Group | | Association | |
|------------------------------------|------------------|------------------|--------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | E | E | E | E |
| Balance at beginning of year | 5 581 012 | 4 479 626 | 5 581 012 | 4 479 626 |
| Provision raised during the year | 4 987 088 | 5 500 000 | 4 987 088 | 5 500 000 |
| Provision reversed during the year | - | (1 602 195) | - | (1 602 195) |
| Provision utilised during the year | (5 394 690) | (2 796 419) | (5 394 690) | (2 796 419) |
| Balance at the end of the year | <u>5 173 410</u> | <u>5 581 012</u> | <u>5 173 410</u> | <u>5 581 012</u> |

Incentive bonus

The incentive bonus is payable to both management and staff based on financial performance of the Group. The bonus is payable once it has been approved by Council and the Remuneration Committee.

29. Guarantees

The banks have issued guarantees on behalf of the Association in respect of:

- Swaziland Customs and Excise – E208 500 (2013: E208 500)

30. Events after the reporting date

There were no events which have occurred between the accounting date and the date of this report which have a material impact on the financial statements.