



INTEGRATED ANNUAL REPORT 2014/15







TABLE OF CONTENTS

ACRONYMS	3
ABOUT THIS REPORT	4
PERFORMANCE HIGHLIGHTS	5
STRATEGIC RELEVANCE AND FOCUS AREAS	6
BASIS OF PREPARATION AND PRESENTATION	7
Introduction	7
Reporting Boundary	7
Summary of Materiality Determination Process	8
Significant Frameworks	9
Forward-Looking Statements	9
Assurance	9
ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT	10
Ownership and Structure	10
Products and Markets	11
Business Landscape and Positioning	11
External Environment	13
BUSINESS MODEL	14
SSA Value Creation Process	14
Definition of Value for SSA	14
Role of Water and Land in the Business Model	17
GOVERNANCE	18
Commitment and Compliance to Corporate Governance	18
Governance Framework	18
Leadership Structure and Profile	19
Key Governance Processes and Activities	19
Independent Industry Committees	20
Remuneration	20
Audit & Risk Committee Report	23
MATERIALITY	25
Determination	25
Material Matters	26
Changes in Materiality	26
Disclosure of Material Matters	27
STRATEGY AND RESOURCE ALLOCATION	30
Strategy Formulation	30
Crop Production Research Strategy	30
Extension Strategy	31
Marketing Strategy	31
PERFORMANCE	32
Overview and Outlook	32
Value Added Statement	34
Performance on Key Targets	35
OUTLOOK	38
Short-Term Outlook	38
Medium-Term Outlook	39
Long-Term Outlook	40
SUMMARISED AUDITED GROUP FINANCIAL STATEMENTS	51



ACRONYMS

ACP	African, Caribbean & Pacific
AGOA	African Growth & Opportunity Act
ARC	Audit & Risk Committee
COMESA	Common Market for Eastern and Southern Africa
DC Sugar	Direct Consumption Sugar
EAC	East African Community
EPA	Economic Partnership Agreement
EU	European Union
GDP	Gross Domestic Product
GSP	Generalised System of Preferences
ISO	International Organisation for Standardisation
KDDP	Komati Downstream Development Project
LDCs	Least Developed Countries
LTM	Long-Term Mean
LUSIP	Lower Usuthu Smallholder Irrigation Project
MEC	Marketing Executive Committee
MTTQ	Metric Tonnes Tel Quel
NAFTA	North American Free Trade Area
RoA	Rest of Africa
SACU	Southern African Customs Union
SADC	Southern African Development Community
SASRI	South African Sugar Research Institute
SCGA	Swaziland Cane Growers Association
SIA	Sugar Industry Agreement
SLA	Service Level Agreement
SSGs	Smallholder Sugarcane Growers
SSMA	Swaziland Sugar Millers Association
STAM	Sociedade Terminal de Acucar De Maputo Lemitada
TFTA	Tripartite Free Trade Area
TRQ	Tariff Rate Quota
USA	United States of America
VHP	Very High Pol sugar
WTO	World Trade Organisation



ABOUT THIS REPORT



Tom Dlamini

Chairman

Council has the pleasure to present the Integrated Annual Report (herein referred to as the Report) for the Swaziland Sugar Association (SSA) covering the period 1 April 2014 to 31 March 2015. It gives an account of SSA (including its subsidiaries and joint-venture company) in terms of its business model, governance as well as financial and non-financial performance on all material matters. Furthermore, it contains a disclosure of material risks, opportunities and outcomes within the scope and control of SSA as well as those associated with external stakeholders over which SSA has no control. It also provides an outlook in the short, medium and long terms.

The process resulting in this Report started from a management draft which was submitted to the Audit & Risk Committee (ARC) for its review. The ARC comments were incorporated into a new draft which was submitted to Council for its consideration and approval. The Council takes responsibility for the integrity of this Report and confirms that it has collectively reviewed the contents. Furthermore, the Report addresses all the material matters and provides a fair representation of the performance and future outlook of SSA. Council approved the issue of this Report on 02 July 2015.

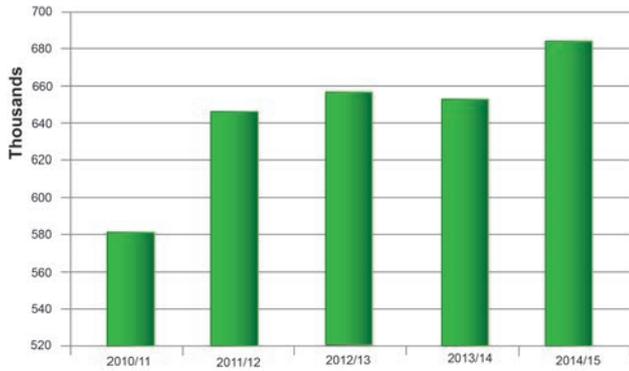
The objective of this Report is to communicate accurate and relevant information in a balanced and consistent manner so that stakeholders can fully appreciate the performance and circumstances under which SSA operates. Having chosen the integrated reporting approach as an instrument for communication four years back, the experience has yielded only positive results in terms of improving business processes as well as improving the method and content of the message being communicated to SSA's stakeholders. These improvements have resulted in reports which have received recognition as among the leaders in integrated reporting in the region; with the 2013/14 Report winning first prize (regional companies category) in the Integrated Reporting Awards run jointly by the Institute of Chartered Secretaries of Southern Africa and the Johannesburg Stock Exchange.

On behalf of Council, I extend our sincerest appreciation to the SSA management and staff for dedication and hard work whose results are contained in this Report. We hope that our stakeholders will get a good picture of SSA's past performance as well as the outlook for the short, medium and long terms.

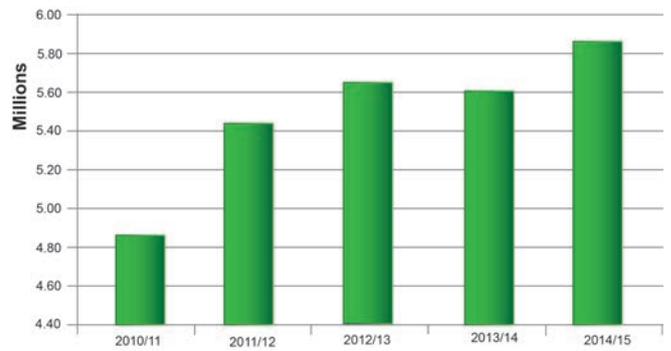


PERFORMANCE HIGHLIGHTS

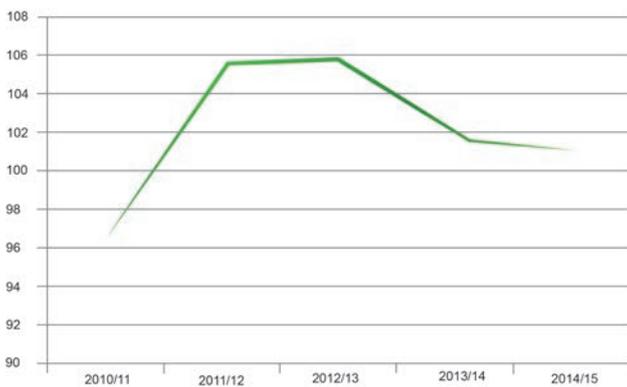
SUGAR PRODUCTION (MTTQ)



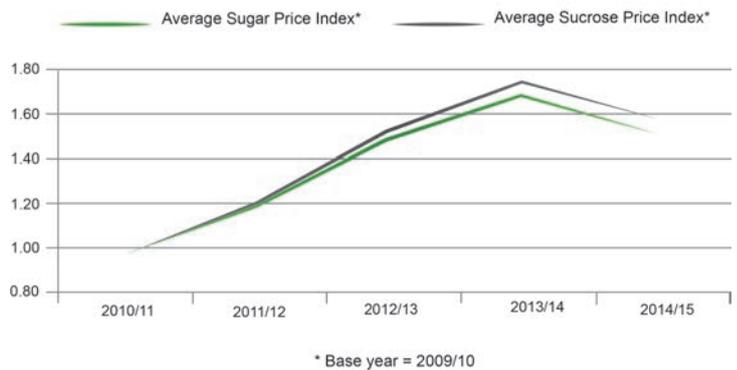
SUGARCANE PRODUCTION (TONNES)



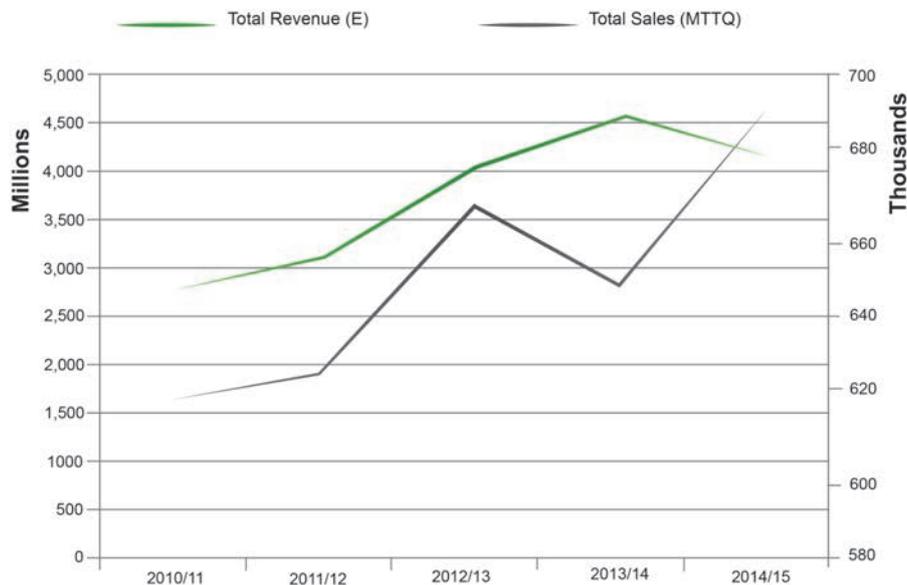
SUGARCANE YIELD (TONNES/HECTARE)



SUGAR AND SUCROSE PRICE INDICES



REVENUE AND SALES PERFORMANCE





STRATEGIC RELEVANCE AND FOCUS AREAS

Sugar Industry Contribution to the National Economy

From a current total production of approximately 685 000 tonnes per annum, the sugar industry generates revenues in excess of E4 billion per annum. Its direct employment currently stands at more than 10 000 workers (some seasonal, others permanent). It provides social services (i.e., education, health care, housing, water, sanitation and recreational facilities) whose annual expenditure exceeds E75 million. Relative to the overall Swazi economy, the sugar industry is quite significant as reflected in the following indices:

- Sugarcane growing accounts for 74% of total agricultural output.
- Employment in sugarcane growing contributes 35% to total agricultural wage employment.
- Sugar milling output contributes 25% to total manufacturing output.
- Sugar milling employment comprises 18% of total manufacturing wage employment.
- Sugar industry output (i.e., sugarcane growing plus milling) contributes 13% to Gross Domestic Product (GDP).
- Sugar industry employment comprises 17% of total private sector wage employment and 10% of national formal sector employment.
- Sugar exports contribute 16% to total export earnings.

It is because of its size, high profile and significant contribution to the overall Swazi economy that the sugar industry is considered strategic in the context of government's objectives vis-à-vis economic growth and human development.

Strategic Focus Areas

Sustainability

Strategies are being implemented to improve the sustainability of the sugar industry. They are being implemented throughout the value chain starting with research and development of new and improved varieties (in partnership with the South African Sugar Research Institute), sustainable sugarcane growing through the adoption of best management practices; improved sugar production through improved factory efficiencies; right up to the efficient marketing and distribution of the resulting products. One of the major decisions taken by the industry in the previous year was to review the industry vision in the light of projected decline in sugar prices from the country's major markets. This review is currently on-going with the final report expected to be delivered before the end of the 2015/16 financial year. This review will also cover the structure of the industry to find out if it is still appropriate for achieving the strategic objective of sustainable value creation for members.

Preferential Market Access

Government is playing an important role in assisting the industry preserve value in existing preferential markets as well as in the creation of new markets. SSA will continue providing the necessary technical support for government to be successful in this endeavour. Efforts continue to be focused on the Tripartite Free Trade Area (TFTA) which encompasses the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC) and Southern African Development Community (SADC).



Nick Jackson

President

The TFTA sugar industries have been involved in the discussion of a special dispensation for handling the cross-border flows of sugar since 2011. The future of the Swazi sugar industry lies in the TFTA as well as in the rest of Africa. Accordingly, SSA continues to devote a lot of resources in this respect.

Acknowledgement

SSA works through several structures (coordinated by Council) to ensure that business has the right strategic and policy framework in place. Business operations are then taken care of by management whose results are reported to the various structures. Management is commended for the positive results presented in different parts of this Report.



BASIS OF PREPARATION AND PRESENTATION



- Introduction
- Reporting Boundary
- Summary of Materiality Determination Process
- Significant Frameworks
- Forward-Looking Statements
- Assurance

Introduction

In compiling this Report, a number of initiatives were undertaken to ensure that improvements are made in line with the continual improvement objective reflected in the quality policy statement of SSA. Some of these initiatives included feedback from employees and principals, management team workshops and comments from a number of stakeholders. SSA has done all its best to utilise the feedback and comments from all sources to come out with this Report. For instance, in previous reports the Chairman of Council did not provide commentary to the Report but only the President did. The outcome of other feedbacks are contained in various parts of this Report.

The structure of the Report is organised in a way to best communicate the interaction and relationships between different aspects which impact on SSA's ability to create sustainable value over time. It covers all the content elements in the International <IR> Framework, with additional sections to address specific aspects relevant to SSA circumstances. The organisational overview and external environment sets the scene for the reader by giving a context to the

nature of SSA and the prevailing challenges in the external environment in which it operates. The next section is the business model which, constrained by the context and external environment, provides the methods, activities and outputs through which SSA creates value utilising all the capitals at its disposal. The section on governance provides the framework for supporting and guiding the business model in order to create value.

Materiality is dealt with next as the guiding role of the governance structure which demands that SSA focuses on those matters with the greatest potential to advance or harm the business model. This process also sets boundaries in the development of an appropriate strategy and efficiently allocating resources to best achieve the greatest value creation outcome.

The remaining sections cover performance aspects against pre-determined strategic imperatives during the year and also provide the reader with a view of the future using current assumptions. The financial results presented in the Report are in a summarised form, with the complete

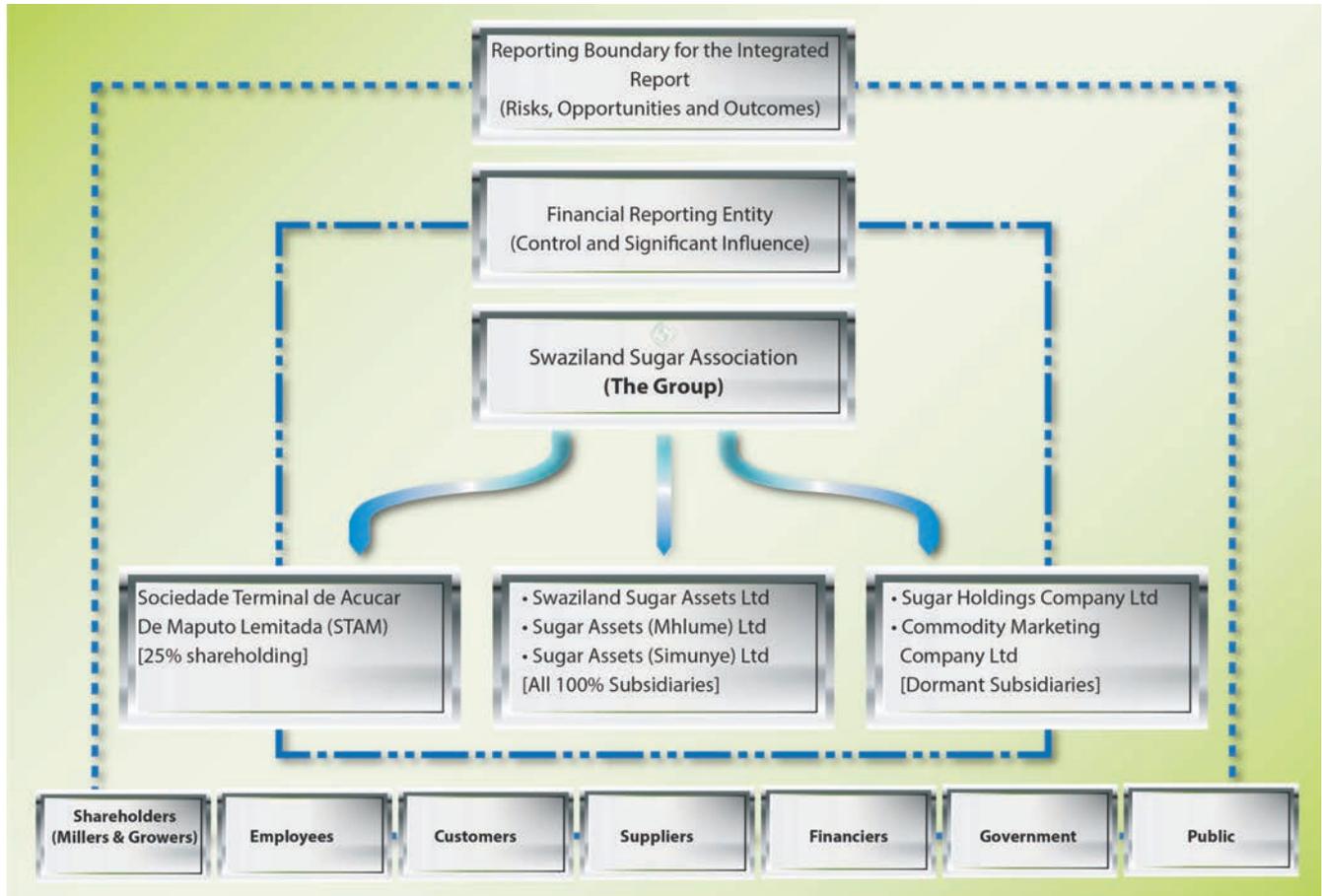
audited financial statements published in the SSA Website and also available in hard copy on request.

Reporting Boundary

This Report covers the financial reporting entity "Swaziland Sugar Association, its subsidiaries and Joint Venture Company". It covers the period from 1 April 2014 to 31 March 2015. Whilst SSA issues various communications to targeted stakeholders at different times during the year, this Report represents a concise and comprehensive communication to the broad spectrum of stakeholders. It seeks to inform stakeholders on key aspects of the SSA business model, strategy, governance infrastructure, performance trends, risks, opportunities and future prospects. The information presented is meant to enable stakeholders to independently assess the capability of SSA to create value in the short, medium and long terms. The Report also contains disclosure on material risks, opportunities and outcomes within the scope and control of SSA as well as those associated with external stakeholders over which SSA has no control.

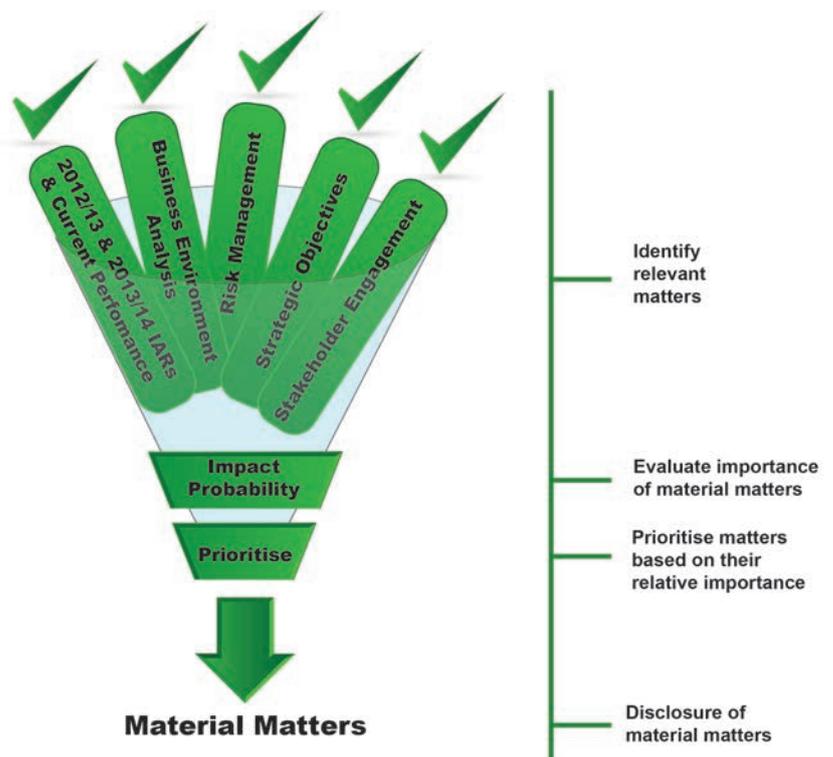


These external risks, opportunities and outcomes are disclosed due to the potential impact they may have on SSA's business model and sustainability. The entities and stakeholders considered in the Report are shown below using the diagram in the International <IR> framework as a basis:



Summary of Materiality Determination Process

This Report discloses information about SSA's business which has a substantive impact to the strategic objective of creating sustainable value over time for stakeholders. The process to determine these matters has been formalised and involves a number of key stakeholders at different stages until approval. The diagram on the right presents a summary of the process which is covered in greater detail later on under the section on "Material Matters".





Significant Frameworks

In preparing the Report, the following frameworks, codes, standards and laws have been utilised.

Framework, Code, Standard, Law	Section of Report
International Financial Reporting Standards	Financial statements
King III	Governance
The International <IR> framework	All
The Sugar Act, 1967	Financial statements, Governance

Forward-Looking Statements

This Report includes certain forward-looking statements that reflect the current views or expectations of Council with respect to future events and financial or operational performance. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond SSA's control.

These forward-looking statements speak only as of the date of this Report and are not based on historical facts, but rather reflect SSA's current expectations concerning future results and events. SSA undertakes no obligation to update

publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Report or to reflect the occurrence of any unexpected events. Readers are therefore advised to exercise caution regarding interpreting any forward-looking statements contained in this Report.

Assurance

SSA's approach to assurance is developing and responsive to the needs and expectations of key stakeholders. Further to the commitment made in the previous report on external assurance for some of the non-financial information, an investigation was conducted to

establish how best to implement this system. During the investigation and after consultation with relevant stakeholders, it was decided to delay this initiative and review the need after two years. In the meantime, strengthening the internal processes will continue to be pursued. These include the internal audit function, the ARC processes, quality management system, and various Council technical subcommittees. External assurance for the financial statements was provided by KPMG Chartered Accountants (Swaziland) and their independent opinion forms part of this Report.





ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT



- Ownership and Structure
- Products and Markets
- Business Landscape and Positioning
- External Environment

Ownership and Structure

SSA is an umbrella organisation bringing together all sugarcane growers and millers in the country. It derives its structure from the Sugar Act of 1967. The Act establishes SSA as a private non-profit association (body corporate capable of suing and being sued) and is thus neither a parastatal nor a public company. The Act also creates other industry bodies and legally empowers the Sugar Industry Agreement (SIA). The SIA is a negotiated instrument between growers and millers to regulate their affairs and to establish bodies to assist in this regard.

The SIA is binding to all millers, growers, miller-cum-planters, refiners and other persons engaged in any aspect of the sugar industry. It provides for all cane delivered to the mill to be crushed for the optimum production of sugar. It recognises the fact that in the process of sugar production, molasses is produced. Both sugar and molasses produced from the process are owned by SSA and sold to the best advantage of growers and millers who share the proceeds on the basis of an agreed formula.

In addition to selling or otherwise dealing in sugar and by-products, SSA is mandated to regulate, promote and foster the sugar industry. Accordingly, it is responsible for providing the services necessary for the general development of the industry and the marketing of SSA products with a view to ensuring optimum returns for growers and millers.

The support services provided are grouped into these categories: Sugarcane Production, Cane Testing, Marketing & Logistics, Finance and Economics.

Sugarcane Production

Research and Extension: SSA provides services to assist the industry to produce good quality sugarcane and ensure long-term viability and profitability of sugarcane growers. This is done by developing and promoting improved agricultural practices aimed at reducing production costs, increasing sugarcane yields and sustaining production in the long term. These are attained through conducting relevant research, providing an extension service (through a Service Level

Agreement (SLA) with the millers), providing crop protection services, irrigation management, controlling and supplying healthy seedcane. In improving its service delivery on variety research and release, SSA collaborates with the South African Sugarcane Research Institute.

Cane Testing



The cane testing service entails providing independent assurance to millers and growers on the laboratory processes used to measure the quality of cane delivered to the mills as well as the amount of pol (commonly referred to as sucrose) for purposes of facilitating payments to growers. The sampling & analysis methods and standards are established and maintained by the

Cane Testing Service Technical Committee, which comprises both miller and grower representatives. SSA provides an audit service on the processes, laboratory methods and procedures and related infrastructure to provide the assurance to the growers and millers that the sucrose payment process is accurate and reliable.

Marketing and Logistics

The overriding mandate is to obtain maximum, sustainable returns for the industry from the marketing and sale of industry products. In this context, the activities include the marketing, warehousing (at the mills and externally when necessary, including at the Mlawula Siding and Sociedade Terminal de Acucar De Maputo Lemitada (STAM)) and movement of sugar as well as molasses. These activities are housed in the Commercial Department which also monitors, advises and advocates on key trade agreements (including negotiations thereof) in the domestic, regional and international markets where Swazi sugar is sold. These include the SADC-EU EPA, Southern African Customs Union (SACU) Agreement, COMESA Free Trade Area, World Trade Organisation (WTO) Negotiations, and TFTA (encompassing COMESA, East African Community and SADC). These are critical for the successful marketing of Swazi sugar. In doing this, it also monitors market-specific regulations (e.g. market access regulations, food safety standards and product specifications) as well as customer complaints. The monitoring and usage of the information acquired is important not only to meet customer requirements but also to enhance the competitiveness of Swazi sugar in the marketplace.

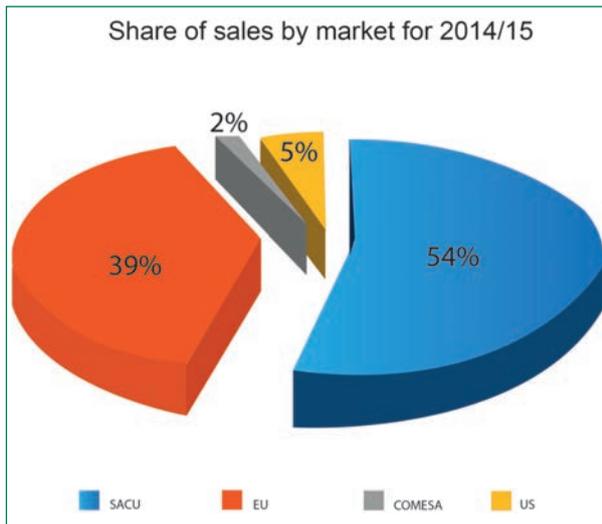
Finance

This service entails controlling the financial affairs of SSA. It includes the payment of proceeds to millers (for onward payment to growers of their share); consolidating the annual budget; compiling quarterly and annual sugar plus sucrose prices (to be paid to millers and growers); sourcing financing for the payment of sugar supplied by the mills; and implementing the foreign exchange hedging policy. It also oversees the IT Function as well as the financing and implementation of capital projects.

Economics Unit

Activities in this Unit (which is housed in the Commercial Department but with direct linkage to the CEO's Office) include maintaining a marketing information system which captures prices and other pertinent information in the different market segments for Swazi sugar; coordinating industry efforts on activities financed under the EU Accompanying Measures and other donor institutions; maintaining an Economic Intelligence system to track developments of direct and indirect impact to the sugar industry; providing technical advice to all other departments; and undertaking special projects.

Products and Markets



Swazi sugar is sold into both the domestic and export markets while all molasses produced is sold in the domestic market. The domestic sugar market includes both the local Swazi and the wider SACU area because of the free movement of goods within the union. The SACU market is supported by an import tariff regime which prevents free entry of foreign sugar and is not subjected to foreign exchange rate exposure. The export markets include the EU (duty-free quota-free

access), US (WTO-bound TRQ), COMESA (accessed on preferential terms under the derogation) and the world market.

The placement of Swazi sugar into the different markets for 2014/15 is shown in the graph.

Business Landscape and Positioning

It is ranked amongst the top ten low-cost sugar producers in the world. This competitiveness position is being eroded by rapidly rising costs and depressed prices where Swazi sugar is sold.

To appreciate the context of the positioning for Swazi sugar in the different markets, world sugar balances will be outlined first. This will be followed by sugar balances in the various markets where Swazi sugar has access, and the competition which Swazi sugar is facing in those markets.

Global production is forecasted to have increased from 171,0 million tonnes in 2013/14 to 173,6 million tonnes in 2014/15. This is despite forecasted declines in Brazil and China. The forecast is strengthened by higher output in India, Thailand and other countries. Sugar consumption grew from 167,8 million tonnes in 2013/14 to 171,4 million tonnes in 2014/15. The forecasted surplus for 2014/15 is 2,2 million tonnes. Due to surpluses in the previous five years, the world sugar market is awash with sugar. This has significantly depressed world sugar prices. Prices have declined from 18,53 US cents per pound to around 12,00 US cents per pound by end of March 2015. The most depressed market is the EU.

WORLD SUGAR BALANCES (in Million Tonnes)

	2012/13	2013/14	2014/15
Production	172,0	171,0	173,6
Consumption	164,3	167,8	171,4
Surplus/deficit	7,7	3,2	2,2

Source: International Sugar Organisation Market Outlook, May 2015



AVERAGE SUGAR BALANCES IN SSA MARKETS 2012-14 (Tonnes)

		PRODN*	CONS*	NET PRODN
Africa				
	SADC	5 536 333	4 413 333	1 123 000
	COMESA	6 586 667	8 145 000	-1 558 333
	SACU	2 937 667	2 176 333	763 333
	EAC	1 356 667	1 783 333	-426 667
	ROA	1 077 000	6 957 000	-5 880 000
Preferential Markets				
	EU	16 522 333	18 273 000	-1 750 667
	US	7 354 667	10 116 667	-2 762 000

*PRODN = Production; *CONS = Consumption

Source: International Sugar Organisation Market Sugar Outlook, May 2015

SACU Market: The SACU (and SADC) market is a surplus producer. Over the 2012-14, the surplus averaged 763 333 tonnes of sugar in SACU and 1,1 million tonnes in SADC. In the region the traditional competitors for Swazi sugar are the South African sugar millers and the non-SACU SADC sugar producing countries which have quota access under Annex VII of the SADC Trade Protocol (commonly referred to as the SADC Sugar Cooperation Agreement). During the year under review, competition from illegal cross-border flows and overseas/foreign sugars from large producers (particularly Brazil, Thailand and India) was minimal. The competition from foreign sugar can be particularly destabilising when it is flowing into "traditional" Swazi sugar markets within SACU.

and the Least Developed Countries (LDCs), who all have unlimited duty-free quota-free access. These are SSA's traditional competitors in this market. Other competitors include sugar suppliers from countries which have quotas with the EU under bilateral agreements. The biggest form of competition is from EU's domestic beet sugar production. This would be more intense once the proposed elimination of beet quotas is implemented in 2017. There is an expectation that the EU will become self-sufficient and this may crowd-out imports of sugar into EU as well as compete in other markets in Africa - where the EU has maintained a foothold.

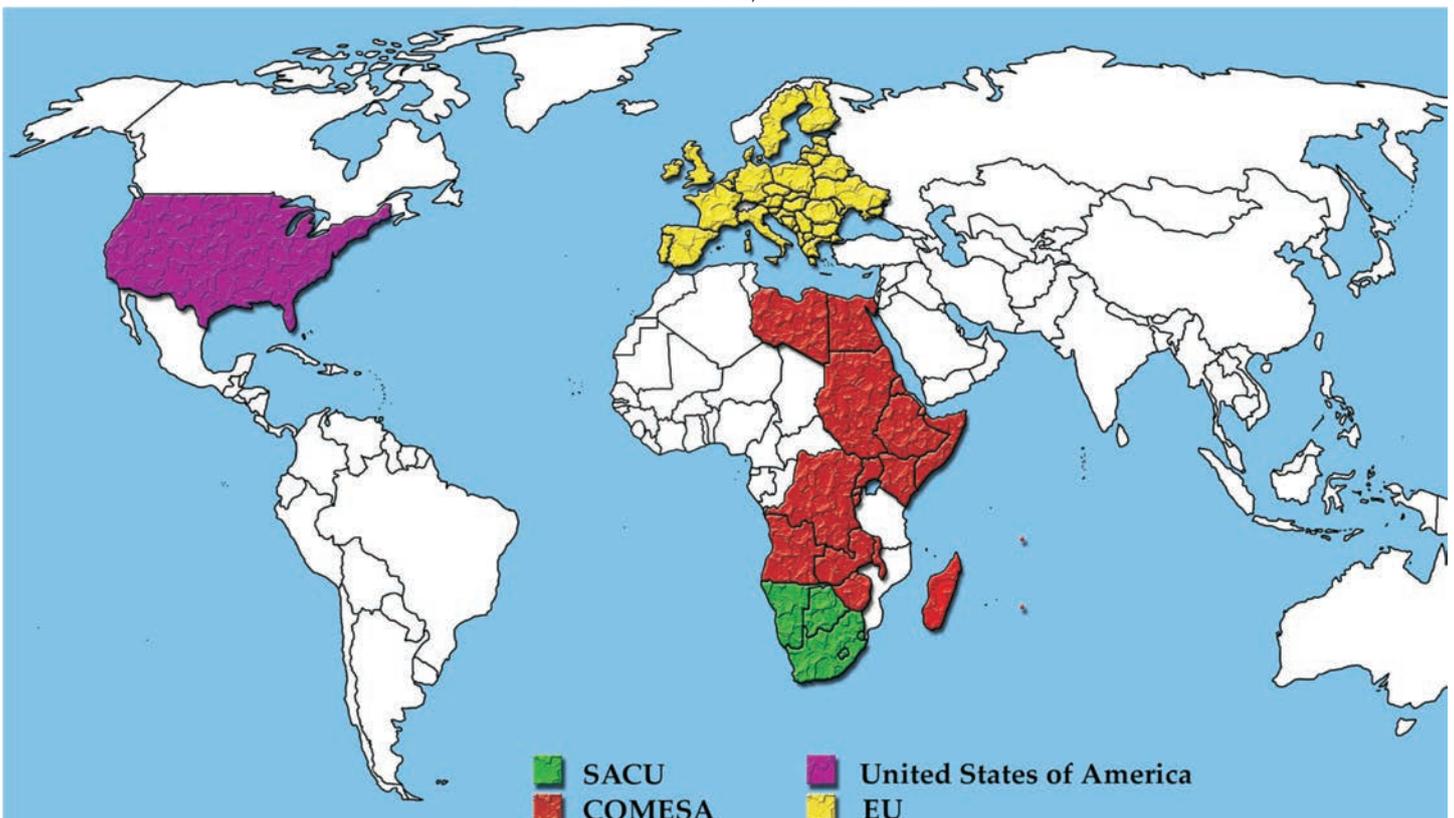
US Market: The shortfall over 2012-14 in the US market is 2,8 million tonnes.

EU Market: EU production averaged 16,5 million tonnes in 2012-14 against consumption of 18,3 million tonnes. The shortfall is sourced from traditional African, Caribbean & Pacific (ACP) sugar suppliers

This shortfall is met by suppliers benefiting from the restricted WTO-bound minimum tariff rate quota (TRQ) and increasingly Mexican sugar in terms of the North American Free Trade Area (NAFTA). Swaziland's access has been restricted to the TRQ. Swaziland lost its African Growth & Opportunity Act (AGOA) status in 2014 after the US government determined that certain critical benchmarks had not been met by the country. The loss of AGOA for Swaziland has made this market unattractive. The Government of Swaziland has announced that it is working tirelessly to address the concerns raised by the US to try and regain access.

COMESA Market: The COMESA market recorded a deficit of 1,6 million tonnes over 2012-14. The market is supplied by other African sugar producers (especially those under COMESA who enjoy duty-free access) as well as low-cost world sugar suppliers. It should be noted though that this market poses challenges to SSA in terms of logistics.

World Market: The major source of competition in this market is all world sugar producers (dependent on proximity) but mainly the major producers like Brazil, India and Thailand.





External Environment

There are significant factors that affect the external environment in which SSA operates. These factors on the one hand can have positive results while on the other hand they can affect the competitiveness of Swazi sugar and pose significant threats. Some of the factors that affect the environment are highlighted below but will be covered in detail under the Materiality Section of this Report. These are considered from the sugarcane growing as well as sugar marketing perspectives.

Sugarcane Growing

The need to continually improve the productivity of sugarcane growing, especially among smallholder growers, continues to drive the industry's intervention strategy. It covers the whole value-creation chain with respect to sugarcane growing - i.e., from research on appropriate varieties through pest and disease control up to delivery of sugarcane to the mills.

Climate Change and Water Availability

This is an environmental challenge that continues to affect the industry directly and will continue to impact business continuity, sustainability and profitability. Extreme temperature variations in the past year impacted negatively on the productivity of the crop. Moreover, the rainfall distribution has compromised water availability for irrigation purposes. The main strategies to deal with these have been securing current and future water resources, policy advocacy on setting water tariffs, increasing efficiencies in water usage through irrigation scheduling programmes, changing irrigations systems for more efficient ones and engaging in studies to generate information on how to react appropriately to climate change.

Cost Pressures

The Swazi sugar industry is one of the world's leading cost-competitive producers of high quality sugar.

However, increases in production costs are impacting negatively on this competitiveness and are projected to slow down profitability and dampen sustainability. This is more so in light of the projected price declines in premium markets. The sugarcane growing sector also remains vulnerable to increases in fertiliser, chemical, energy costs for irrigation, labour and haulage costs which comprised 73,2% of total costs per hectare over the period 2009-14.

It is imperative for the industry to continuously find ways of reducing costs and improving on efficiencies. Over the past few years, the EU has injected a considerable amount of funds to improve the competitiveness of the sugarcane growing sector. Cumulatively, the industry has also invested over E2 billion of its own resources in expanding capacity and improving productivity as well as efficiencies at field, factory and administration levels.

Sustainable Sourcing Initiatives are fast becoming requirements for sugarcane growing. These put pressure on the industry, especially smallholder sugarcane growers (SSGs) who are now expected to conform. Recognising the need for sustainable sugarcane production, the industry developed a production manual which is aimed at ensuring that growers adhere to basic best management practices. A Sustainability Management tool is currently being developed and will be piloted in 2015/16. The aim is to roll it out to all growers within the industry.

SSA has recently become a member of Bonsucro, a management system which seeks to promote the sustainable production of sugarcane and sugar. Because SSA has similar aspirations, a decision was made to take up membership of Bonsucro. This will enable SSA to acquire a good understanding of Bonsucro systems and operations. This understanding will help in the future assessment of whether or not Swazi sugar should seek certification under the Bonsucro production standards.

Marketing and Trade

Customer Requirements and Product Liability

Swaziland is a small country with just over a million people. Such a small population necessitates an outbound marketing strategy for its products. International and regional trade

agreements provide opportunities for market access. These markets are however either highly regulated and/or protected and being subjected to regulatory reforms. Such reforms sometimes adversely affect the marketing of Swazi sugar.

Compliance with Food Safety Standards:

There is continued pressure for SSA to comply with food safety standards. The mills where the sugar is produced are under constant pressure to ensure that they are certified for food safety standards and maintain their certification as failure to do so would adversely impact SSA's ability to sell to certain customers.

Compliance with Market Requirements:

SSA produces high quality sugar which meets customer specifications. However, the specification has had to be constantly revised to cater for new requirements. For instance, some markets require sugar for consumption to be fortified with vitamins to improve the nutritional uptake of the population. SSA is committed to meeting all customer requirements as it positions itself to be among the best in the world.

Logistics Infrastructure

Swaziland, being a landlocked country, owns no port facilities. However, the sugar industry owns 25% of STAM, the company operating the sugar terminal in Mozambique jointly owned with the sugar industries of Mozambique, South Africa and Zimbabwe. In order to meet customers' shipping schedules, the sugar has to be transported by road and rail from Swaziland to Mozambique.

Poor regional infrastructure has also negatively impacted SSA's ability to move sugar competitively in the Southern and East African region.

Foreign Exchange Exposure

As almost half of the sugar sales are destined for the EU and other markets outside the Southern African Common Monetary Area, the contracts entered into are denominated in foreign currency. Currencies used are either the Euro or US Dollar. Significant currency fluctuations have a huge impact on SSA revenues, whether positively or negatively. To minimise the negative impact, SSA has a hedging policy in place. The policy advocates for the use of foreign exchange contracts whose duration does not exceed twelve months.





BUSINESS MODEL



- SSA Value Creation Process
- Definition of Value for SSA
- Role of Water and Land in the Business Model

SSA Value Creation Process

The graphic presentation on the next page illustrates how SSA creates value for its stakeholders through the utilisation of the six capitals as described in the International <IR> Framework. The diagram shows the input capitals, the processes used to convert the capitals into outcomes as well as the outputs that emanate from the processes.

SSA's business model is underpinned by the aspiration to deliver high quality sugar products that meet customers' requirements. This helps to create sustainable value for members. The elements in the model provide the framework for appropriate strategies and the corresponding key performance areas. The key elements of the business model include:

- Quality Sugarcane Production.
- Marketing and Logistics.
- Financing.
- Revenue Realisation.

The starting point of the model is the growing of sugarcane for the production of sugar (Raw, VHP and Refined). It ends with the delivery of the sugar to the customer. The interim services include cane testing,

quality testing, logistics (warehousing and transportation) and financing.

Definition of Value for SSA

The value created in the business is defined in the context of net distributable proceeds. The more sales are made at higher prices the higher will be the value created. The key variables that are monitored to ensure sustained value creation are shown in the figure below. How SSA performed against these variables over the year under review is presented under the section on performance.





BUSINESS

Financial Capital

- Short & long term borrowings
- Cash generated by sales
- EU accompanying measures support programme

Manufactured Capital

- Warehouses
- Packaging infrastructure
- Warehouse management system

Social and Relationship Capital

- Customers
- Suppliers
- Employees
- Financiers
- Sugarbelt communities

Intellectual Capital

- Stakeholder engagement
- Governance structures
- Financial model
- ISO 9001:2008 certification
- Partnership agreements
- Trade agreements
- Warehouse management system
- Sugarcane variety programme
- Crop protection programme

Natural Capital

- Land
- Water
- Radiation



Human Capital

- Employees

- Forward cover
- Sales and marketing
- Borrowing
- Investing
- Stock financing
- Securing funding facilities
- Adaptation strategy implementation

- Bagging
- Sugar movement
- Storage

- Supply chain management
- Contract management
- Corporate social investment
- Engaging communities

- Adaptation strategy implementation
- Risk management
- Cost management
- Continuous systems improvement
- Review of SLAs

- Quota allocation
- Extension service
- Irrigation systems evaluation
- Water use efficiency advice
- Crop potential forecasting

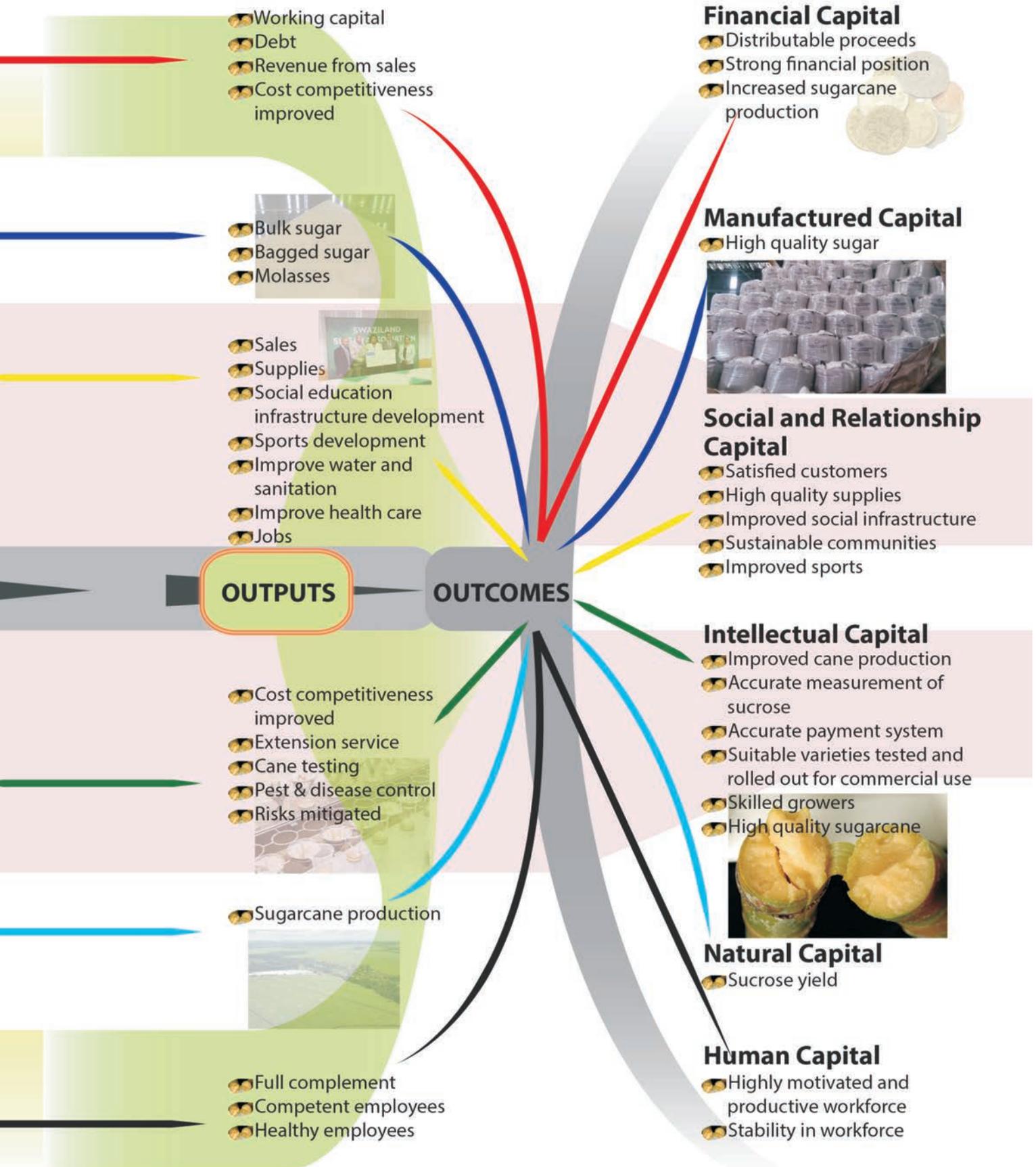
- Staff recruitment and retention
- Wellness programme
- Retirement scheme
- Training

INPUTS

ACTIVITIES



MODEL





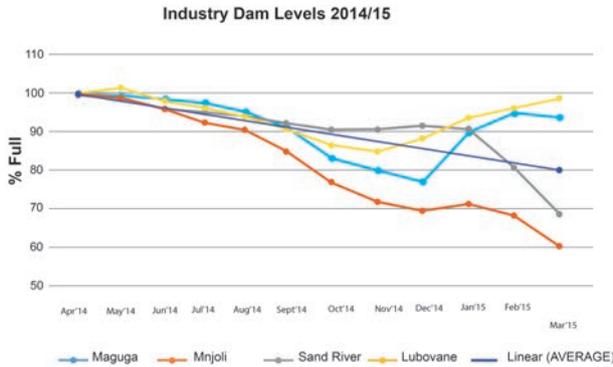
Role of Water and Land in the Business Model

High Quality Sugarcane Production
The anchor of the model is high quality sugarcane production. This requires the harnessing of the natural resources and expertise of employees at the Technical Services Department to ensure delivery of quality agronomic advice to growers. The key inputs in production include land and water.

Water Availability and Utilisation
Changes and variability in climate continue to pose a threat to the industry due to their negative impact on the crop. Unfavourable radiation, temperatures, and rainfall have compromised irrigation water availability and yields. The sugarcane crop water requirement in Swaziland is met by both rainfall and irrigation. In the growing season 2014/15, rainfall averaged 360 mm which translates to a 74% shortfall that had to be supplied by irrigation to meet the requirement of 1 365 mm of water per year. The rainfall was 53% less than the long-term mean as shown in the following graph and 53,7% lower than rainfall levels in 2013/14.

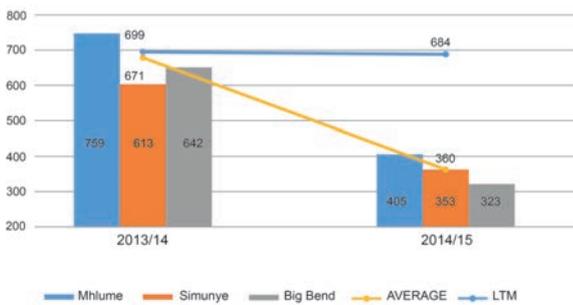
The trend in the dam levels during the year is depicted in the graph below. This decline was mainly due to the low rainfall received during the year under review.

sugar industry production coming from Farmer Companies (Associations) in communal land (known as Swazi Nation Land). In the process, this has empowered disadvantaged communities and integrated them into the industry. However, this sector demands the most from extension services and as such, has been prioritised.



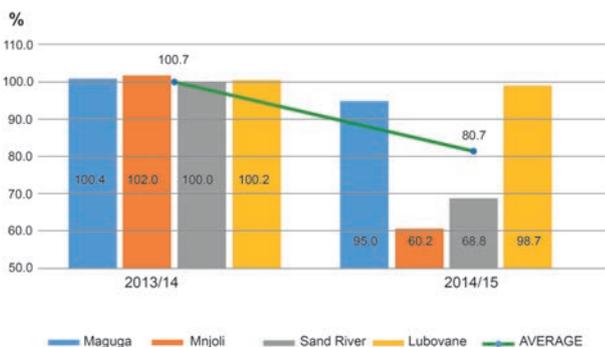
The graph shows that two of the main dams (Lubovane and Maguga) had sufficient water by the end of the year. However, Mnjoli and Sand River dams were the lowest. Sand River dam level is increased by pumping water from the Komati River which is controlled by releases from the Maguga dam. The releases from Mnjoli dam need close monitoring but with the implementation of water saving and conservation measures, the available water was sufficient for the season.

Swaziland Sugar Industry Rainfall (mm)



The main water storage facilities in the industry were on average 80,7% full at the end of the year compared to 100,7% at the end of the previous season. This is shown on the graph below.

Swaziland Sugar Industry Dam Levels (%)



Land

The total area under sugarcane for the year was 59 795 hectares (ha) compared to 58 979 ha in the previous season. This represents an increase by 818 ha.

Inclusive business models in the allocation and use of land is widespread in the country. This has allowed communities with rights to land for subsistence to utilise their land more productively. Of the total area under cane, over 23% (14 000 ha) is under the smallholder sugarcane growing sector. This has seen in excess of 20% of total



GOVERNANCE



- Commitment and Compliance to Corporate Governance
- Governance Framework
- Leadership Structure and Profile
- Key Governance Processes and Activities
- Independent Industry Committees
- Remuneration
- Audit & Risk Committee Report

Commitment and Compliance to Corporate Governance

SSA is committed to the highest standards of corporate governance as a guiding framework for its business management. Good corporate governance is critical to sustainable and successful business management. It facilitates positive business performance in the short, medium and long terms. This commitment is applicable to all SSA structures, including Council and its subordinate structures, management and all employees. As an extension, SSA also promotes dealing with business partners who exhibit good corporate practices in order to create sustainable business relationships.

Council adopted the King III Code as the standard to be used by SSA in managing its business affairs. SSA continuously reviews its position to ensure that at all times it continues to adhere to the Code.

Council acknowledges that full implementation of all the King III principles is a process which requires in-depth understanding and interpretation of the principles into contextual circumstances. For that reason, Council

is satisfied that SSA has applied all the King III principles except the following, which were found to be not relevant due to the nature and structure of SSA, as provided for in the Sugar Act of 1967 and the Sugar Industry Agreement:

representatives are appointed into the Council as defined by existing statutes. Therefore, these representatives' independence is limited to the extent that they represent the interests of their respective associations. However, this is compensated by the fact that all

decisions taken are expected to be for the good of the sugar industry and the benefits or losses are shared equally.

In terms of Clause 32 of the

Constitution of SSA, members of Council and other committees are nominated and appointed at the Annual General Meeting (AGM) in September.

All the current members of Council have extensive experience of SSA operations and of the sugar industry in Swaziland.

King III Principle	Explanation
The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	To the extent that the Council composition is defined in existing statutes, there is no need to define or assess its composition.
Directors should be appointed through a formal process.	The appointment of Council members is defined by existing statutes, and is done independently by its mother bodies (Swaziland Sugar Millers Association (SSMA) and Swaziland Cane Growers Association (SCGA)).
The evaluation of the Board, its committees and the individual directors should be performed every year.	There is no need for such, given the way they are appointed.

Governance Framework

Whilst SSA is committed to good corporate governance, its structure is different from a normal corporate entity. Its shareholders are the associations of millers and growers - namely, SSMA and SCGA respectively. Their



Leadership Structure and Profile

The leadership of SSA at all levels is through appointments by SSMA and SCGA. The decision-making process at Council and its subcommittees is by consensus, with each association having one vote. Appointment to these subcommittees is based on relevant expertise as well as experience. In this regard, the profile of individual members of the governance structures was found to be unnecessary for this Report.

Role of President and Vice President

The President and Vice President are elected at the AGM from nominated delegates. The position is occupied by a miller and grower representative on an alternating basis, unless agreed otherwise at the AGM. The duties of the President include chairing the AGM as well as representing SSA in some public forums when mandated by Council. In the absence of the President, the Vice President performs his duties.

Role of Chairman of Council

The Chairman of Council is nominated and appointed at the AGM and has to be an individual of good standing who has no interest directly or indirectly in the growing, milling or disposal of sugarcane or sugar in Swaziland. The Chairman's role is to guide the meetings of Council and MEC and in the event that there is an equal vote during voting, he has the power to have a casting vote after certain processes have been exhausted.

Role of Secretary

The role of the Secretary is handled by the Financial Director and he performs duties and functions as assigned in the Constitution of SSA and such further

functions and duties as the Council may from time assign to him. The current Secretary has one year experience within his current role and a number of years in similar positions with other entities.

Key Governance Processes and Activities

Council has established a number of bodies through which it executes its governance processes and activities. Membership to these structures is equal between millers and growers. Decisions are usually arrived at by consensus. The Council subcommittees are as follows:

- **Marketing Executive Committee:** The main responsibility is to purchase, market and sell sugar and by-products produced by the sugar industry. It recommends to Council the marketing strategy and product disposal policy as well as plan to be followed in any given period. The Committee is made up of three representatives from the millers and three from growers.
- **Cane Testing Service Technical Committee:** Its main function is the supervision of the cane testing service at the mills to ensure its independence and credibility, handling issues of mass determination or computation and advising SSA on all matters relating to cane testing in the industry. The Committee is made up of members with technical expertise in the processing and growing of sugarcane both from the millers and growers.
- **Remuneration Committee:** It deals with staff remuneration,

recruitment of senior executives and succession planning.

- The Committee is made up of senior members from both the millers and growers.
- **Extension Committee:** It supervises the provision of extension services in the industry, including crop production research, irrigation engineering as well as pest and disease control. The Committee is made of technical experts in the growing of sugarcane from both millers and growers.
- **Finance Committee:** Its role is to oversee the financial affairs of SSA, including scrutinising estimates, budgets and all other issues of a financial nature impacting on payments to producers (i.e., growers and millers). The Committee is made up of members from millers and growers who have expertise in financial matters.
- **Audit & Risk Committee:** It comprises an equal representation of millers and growers. It is chaired by an independent person with no interest in the sugar industry. It oversees the efficacy and effectiveness of internal controls as well as the overall risk management function. It also provides the functions required of it in King III. The Committee is made up of members from millers and growers who have expertise in financial matters.
- **Other Advisory Committees:**
 - Technical Committee (for assessing capital projects).
 - IT Policy Committee (for determining policy on industry IT strategy, systems and IT projects).
 - Sugar Industry Committee for National Adaptation Strategy (for discussing all issues related to the EU support programme and other donors).

All members of Advisory Committees are made up of technical experts in the various fields that those committees are set up for.

The terms of reference for all the Committees are reviewed at least once in three years. During the year, terms of reference for the Remuneration Committee were reviewed to clarify the membership of the Committee.



Independent Industry Committees

- **Quota Board:** Its main purpose is to allocate sugarcane growing quotas to potential growers and make adjustments in cases of non-performance. It is formed of equal representation between millers and growers, supplemented by two independent members appointed by government and an independent Chairman.
- **Independent Review Committee:** It comprises experts from outside the industry, but receives instructions from SSA. The experts have no interest in the industry. Their role is to investigate on matters mandated by SSA. The Committee deals with the determination of allowances payable to millers for refining sugar beyond the raw state. It has the power to require millers and growers, in confidence, to provide information to enable it to undertake the necessary analysis on matters so mandated and making appropriate recommendations to Council.

Internal Controls and Internal Audit

SSA operates a combined assurance approach that optimises the assurance obtained from management, Internal Audit and external assurance providers on all the risks identified by SSA. Risks are identified, evaluated and managed by implementing risk mitigations such as strategic actions, insurance and specific internal controls.

SSA's internal controls and systems are designed to provide reasonable assurance on the integrity and reliability of the financial and operational management information. They ensure that assets are safeguarded against material loss and that transactions are recorded and authorised.

SSA has set up a whistle blowing "hotline" that allows employees,

suppliers and any other stakeholders to anonymously report any unethical behaviour by employees. At the moment, this is managed by the Internal Auditor whilst investigations on the possibility to outsource this function to an external service provider in order to enhance independency are on-going.

Governance Policies and Procedures

During the year, Council considered a draft Code of Conduct for its members and those of subcommittees. The Code seeks to set minimum standards expected and required of all members of SSA committees. It seeks to ensure that these members uphold principles of integrity, accountability, and legal compliance in carrying out their duties and responsibilities. It will apply to all individuals whenever they are acting in their capacities as members of SSA committees. The approval process was postponed to the following year.

Remuneration

The remuneration philosophy is aimed at attracting and retaining appropriately skilled employees at all levels, so as to positively influence performance and enable the achievement of SSA objectives. To ensure that SSA remains competitive in the labour market and is able to attract as well as retain employees, it strives to provide competitive remuneration. This is achieved by participating in external remuneration surveys to confirm the position at least once in five years. Whilst seeking to ensure competitiveness of its remuneration, SSA also seeks to maintain equity and harmonisation of remuneration among its employees.

For permanent employees, remuneration comprises wages plus benefits. The latter includes contribution to provident fund, access to health care facilities or contribution to medical aid, housing or housing allowance, education assistance towards employees' children and other

incentives. As a further incentive, SSA offers an incentive bonus which is directly linked to specified targets of the organisation and is fully at the discretion of Council.

Annual salary increments for unionised and non-unionised employees are arrived at through a collective bargaining process with the respective representatives of the groups.

The formula for determining the total incentive bonus pool and its distribution among management and staff were audited by the External Auditor who provided a written report which had no adverse findings (i.e., no discrepancies or anomalies). The formula takes into account the overall performance of SSA as well as the individual performance of employees.

The Remuneration Committee met six times (in April, June, July, August, September and March) to transact activities within its terms of reference. Two issues handled by the Committee are worth mentioning in this Report. The first was a refinement of succession planning through formalising and extending the senior leadership development programme to enhance overall management capacity. The programme is managed by an external service provider in liaison with the Chief Executive Officer together with the HR & Admin Manager. The second issue was a review of the terms and conditions of employment for management with regards to the duration of their contracts and principle of pay. The review process was not concluded and will continue in the ensuing year.



Mr T Dlamini

Mr N M Jackson

Mr G White

Mr A T Dlamini

Mr B James

COUNCIL MEMBERS



Mr E Nxumalo

Mr J M Sithebe

Mr M Mabuza

Mr S Potts

Mr G Scheepers

Mr P Malandula



Mr M Maziya

Mr P Myeni

Ms S M Magagula

Mr J Matimba

Mr T Nkambule

COUNCIL MEMBERS



Mr G Williams

Mr M Mndzebele

Mr O Magwenzi

Mr S Geldenhuys

Mr E Ndzimandze

Mr J Blumberg



Barnabas Mhlongo

**Chairman,
Audit & Risk Committee**

Audit & Risk Committee Report

The Audit & Risk Committee (hereafter referred to as "Committee") is pleased to present its report for the financial year ended 31 March 2015 to members of Council. This report is in compliance with the requirements of King III.

Mandate

The Committee is governed by a formal audit charter which provides a guide in terms of objectives, authority and responsibilities. The charter and terms of reference were reviewed and approved by Council during the reporting period. The Committee recognises its important role as part of the risk management and corporate governance processes and procedures of SSA and has satisfactorily executed its responsibilities as outlined below.

General Role of the Committee

- To ensure that the respective roles and functions of external and internal audits are sufficiently clarified and coordinated, and that the combined assurance received is appropriate to address all significant risks.

- To assist Council to carry out its fiduciary responsibilities by overseeing the integrity of SSA's financial statements, financial reporting processes, internal accounting and financial controls, annual independent audit of the financial statements, and other aspects of financial management (including overseeing the establishment and maintenance processes to assure compliance by SSA with all applicable laws, regulations and policies).

Internal Audit

The internal audit function provides assurance to SSA, via the Committee, on the adequacy and effectiveness of the Group's internal control and risk management practices as well as the integrity of financial reporting systems. Internal audit also assists management by making recommendations for improvements to the control and risk management environment.

The principle of independence of the Internal Audit Unit is upheld. On operational and administrative matters, the Internal Auditor reports to the Chief Executive Officer and Financial Director, respectively.

The scope of work for the Internal Audit Unit includes the following:

- Reviewing, appraising and reporting on the adequacy and effectiveness of the system of internal controls.
- Reviewing the processes and systems which are designed to ensure integrity in reporting of financial and operating information.
- Reviewing the adequacy of compliance with applicable policies, plans, procedures, laws and regulations.

Opinion on Internal Financial Controls

Based on the review of internal control systems conducted by the Internal Auditor, as well as information and explanations given by management and discussions held with the external auditors on the results of the audit, the Committee is of the opinion that SSA's system of internal controls is effective and forms a basis for the preparation of reliable financial statements in respect of the year under review. In addition, the Committee was not made aware of any:

- Material breaches of any laws or legislation or,
- Material breaches of internal controls or procedures.

To the extent that it is practical, the Committee has ensured that the external auditors leverage on the work performed by the Internal Auditor.

Committee Activities

The Committee held four meetings during the financial year. It considered the draft annual financial reports prepared by management and recommended their adoption to Council. The Chairman provided written reports to Council summarising the Committee's findings and recommendations.

The Chief Executive Officer, Financial Director, Commercial Director, Finance Manager, SCGA Executive Director, Internal Auditor and External Auditor attend the quarterly meetings.

Independent of management, members of the Committee met separately with the Internal Auditor and the external auditors on 18 June 2014. Meeting dates and topics were agreed well in advance. Attendance by members during the course of the financial year was as follows:

Member	June	July	November	March
B Mhlongo (Chairman)	✓	✓	✓	✓
S Potts/D Dhlwayo (Alternate)	✓	✓	✓	✓
A Ngcobo	✓	✓	✓	✓
J Blumberg/L Ndzimandze(Alternate)	✓	✓	✓	✓
I Schei	✓	✓	✓	✓

Note: ✓ = Attendance and ✗ = Non-attendance.



Risk Management

Whilst Council is ultimately responsible for the maintenance of an effective risk management process, the Committee, together with management, assists Council in assessing the adequacy of the risk management process. The Committee fulfils an oversight role regarding financial and operational risks. During the year under review, the Committee considered the risk management approach as well as key risks and believes that the approach is appropriate and that all key risks are being adequately addressed by management.

External Auditors

The Group's external auditors were KPMG Chartered Accountants (Swaziland). They were afforded unrestricted access to the Group's records and management; and presented any significant issues arising from the annual audit to the Committee. The Committee gave due consideration

to the independence of the external auditors and is satisfied that KPMG is independent of the Group and management and therefore able to express an independent opinion on the Group's annual financial statements.

Financial Statements

The Committee has reviewed the statutory financial statements of the Group and is satisfied that they comply with International Financial Reporting Standards. In addition, the Committee has reviewed management's assessment of the appropriateness of the use of the going-concern assumption in preparing the financial statements and is satisfied that it is appropriate.

Integrated Report

The Committee fulfils an oversight role in respect of SSA's Integrated Annual Report. The Committee has considered the sustainability information as disclosed in the annual integrated report

and has assessed its consideration to the need for assurance on financial statements. The Committee is satisfied that the sustainability information is in no way contradictory to that disclosed in the annual financial statements.

Expertise, Resources and Experience of the Finance Function

The Committee considered the appropriateness of the expertise and experience of the finance function. In this respect, the Committee believes that the Finance Department possesses the appropriate expertise and experience to meet its responsibilities. The Committee further considers that the expertise, resources and experience of the finance function are appropriate based on the nature, complexity and size of the operations.

Approval

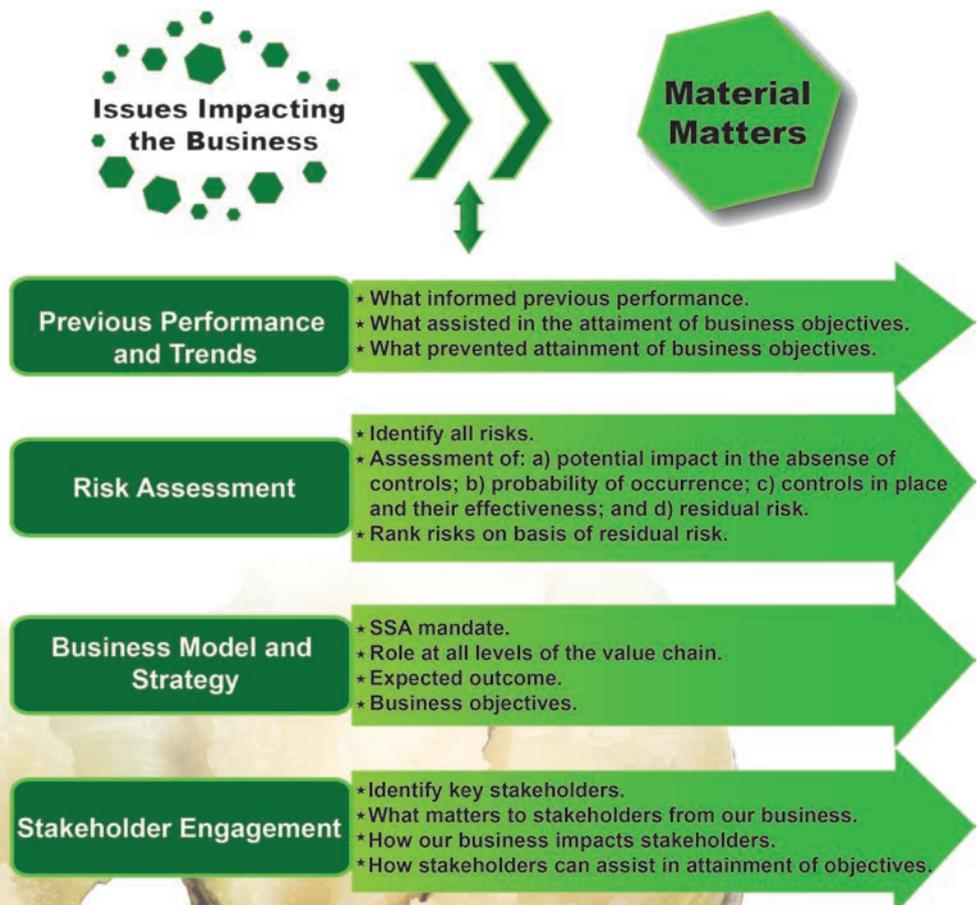
The Committee recommends to Council the approval of Integrated Annual Report 2014/15.

MATERIALITY



Figure 1: Material Matters Identification Process

Determination: All issues that have the potential to substantively affect SSA's ability to achieve its mission and strategic objectives over the short, medium and long terms are considered material. This determination is informed by a process which incorporates stakeholder engagement, risk assessment, business strategy (marketing, etc.), value chain analysis and SSA's performance and trends. In the risk assessment process, all risks with critical and catastrophic or fundamental impacts and have significant effects on SSA's main capitals are considered material. This materiality determination process is depicted in the diagram on the right.



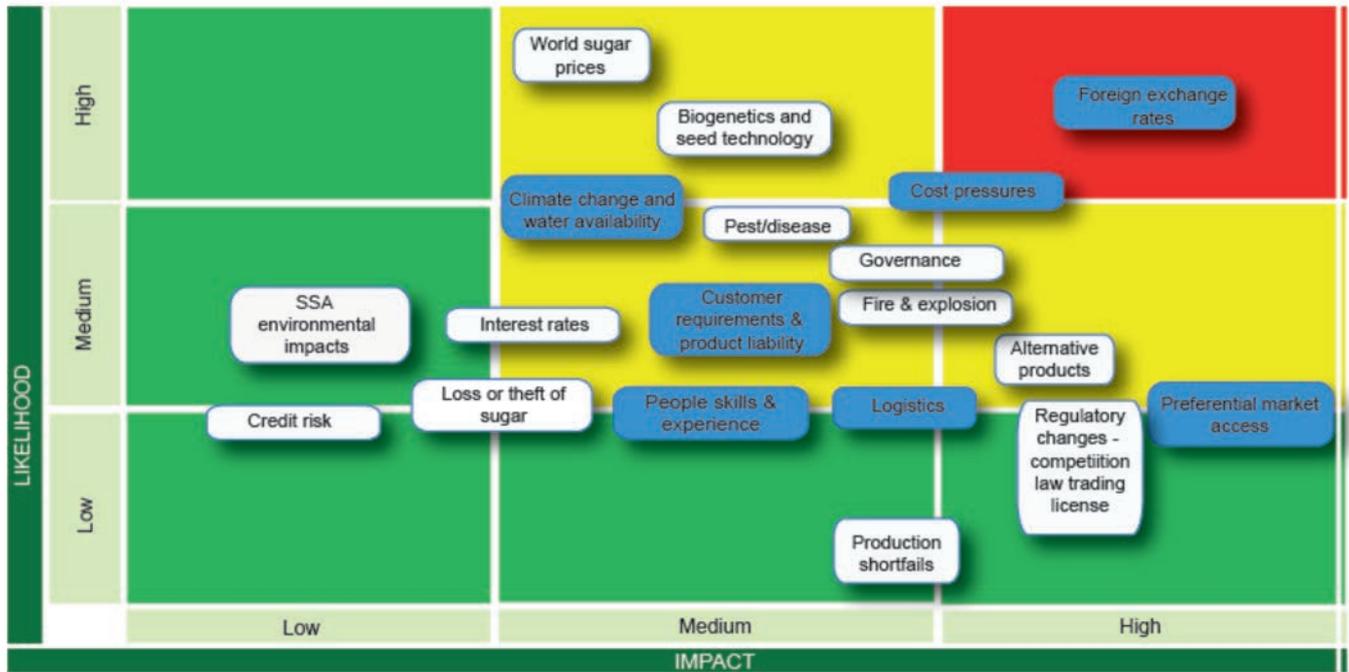


Material Matters

As a consequence of the processes above, SSA has determined the matters indicated in blue in the figure below to be material to its business during the

reporting period. Those matters which were part of the consideration during the materiality determination process but which were found to be of less significance in terms of the business

model and the strategic objectives (thus not material) are indicated in white in the diagram.



Changes in Materiality

The organisation came up with seven

material matters in 2014/15, coincidentally similar in number to the

previous year. As a result of the more intensive process engaged in coming up with material matters during the year, some of the material matters were dropped while others were introduced. Some of this change was purely a result of rephrasing an issue to make it more direct to the impact on the business including the need to respond to new challenges and a constantly evolving market environment. Four material matters were maintained from the previous year's list while three were new.





Disclosure of Material Matters

Material Matters	Performance Target	2014/15 Result	Comment (Strategic Response to Performance)
Preferential Market Access	<p>The existence of preferential markets supports SSA in obtaining relatively more remunerative prices than would have been the case otherwise. The main markets for Swazi sugar are the following:</p> <p>i) SACU: This is a domestic market due to the common customs area and is protected through a sugar import tariff. Over half of SSA sales are to SACU.</p> <p>ii) EU: Swazi sugar enjoys duty-free quota-free access into the EU and SSA sells virtually all the balance of the sugar not sold into SACU (save for the limited volumes sold to the US and the region). The EU common market organisation for sugar is supported by a sugar import tariff.</p> <p>iii) US: Swazi sugar enjoys a limited TRQ access to AGOA and the GSP. The expiry of the GSP in 2013 and the loss of AGOA in 2014 impacted negatively on SSA's ability to maximize revenues.</p> <p>iv) Regional Markets: The SADC and COMESA regions have generally been treated as residual markets due to the relatively high prices obtainable in the other markets (SACU, EU and US). However, the market has potential for growth in value given the growing populations and incomes in the region. The establishment of a TFTA would further improve trade opportunities in the region.</p>	<p>a) Sustaining an effective sugar import tariff in SACU.</p> <p>b) Maintenance of Swaziland as a beneficiary of EU market preferences.</p> <p>c) Inability to be re-admitted into AGOA or GSP programme in US.</p> <p>d) Inability to secure appropriate arrangement for preferential trade in sugar in the TFTA coupled with loss of COMESA preferential access.</p>	<p>Mount lobby efforts to ratify the EU-SADC EPA and to regain AGOA status for US access.</p>
Foreign Exchange Rates	<p>Foreign exchange is a significant contributor in determining the returns of the business as 50% of sales (all exports outside SACU) are in foreign currency. It is one of the most sensitive variables of the SSA business and can significantly tilt the industry fortunes. At the same time, foreign exchange rates are one of the macroeconomic factors for which SSA has no control whatsoever. All that can be done is to put in place instruments to minimise the risk of foreign exchange exposure.</p>	<p>This is outside any influence of SSA while it is an important variable in determining SSA fortunes.</p>	<p>SSA manages the foreign exchange risk through a Hedging Policy and strategy under which only two currencies of exchange are accepted (US Dollar and Euro). This policy is continuously reviewed to ensure that it addresses emerging risks. Where possible, export sales are made in local currency denomination.</p>



Material Matters	Performance Target	2014/15 Result	Comment (Strategic Response to Performance)
<p>Cost Pressures</p>	<p>The ability to compete effectively in the market place depends on the industry being able to maintain low costs of production (in both sugarcane growing and milling), including marketing costs. The SSA value proposition is sustained by its ability to attain returns which exceed costs of production. SSA takes interest in supporting cost-competitive measures for its members and, at the same time, focuses on maintaining a low cost structure for the marketing operation. These costs of production have been increasing sharply over the years and, against the low price levels forecasted in the major markets, threaten the profitability, sustainability and the very existence of the industry.</p>	<ul style="list-style-type: none"> a) Lack of resources from members to implement some of the necessary cost reduction measures. b) Drying up of donor funds to support industry adaptation initiatives. c) Ever-increasing costs of energy and introduction of water tariff. 	<p>Adaptation initiatives are implemented through national and industry level interventions, including from donors. Periodic cost surveys are conducted to assess trends in costs of production, and to identify appropriate response initiatives which are then implemented either at individual member or industry level. SSA continues to maintain a lean, low-cost marketing structure for its operations.</p>
<p>Customer Requirements and Product Liability</p>	<p>The customers determine the quantity, form and quality of the product that SSA must supply to the market. This is formalised through sugar specifications and supply agreements. Failure to satisfy these customer requirements exposes SSA to the risk of losing customers or, in the case where supply has taken place, of being liable for any defaults in the final products.</p>	<ul style="list-style-type: none"> a) Inability to meet sugar quality requirements. b) Smallholder grower capacities to meet customer requirements on farm operations and management. c) Possible contamination of product during handling at several points. d) Loss of food safety accreditation or inability to expand food safety coverage to more facilities. 	<p>SSA has developed a set of specification for all its sugar products based on top-end market and customer requirements with a target to meet the most stringent of the specifications (e.g. by 'blue chip' customers). Industry to continue expanding scope of food safety compliance of all its sugar production and supply facilities.</p>
<p>Climate Change and Water Availability</p>	<p>The sugarcane crop water requirement in Swaziland is met by both rainfall and irrigation (contributing 24% and 74%, respectively). The entire sugarcane crop is irrigated in Swaziland. The crop, therefore, depends heavily on availability of suitable climate (radiation, temperatures) and water resources. Unfavourable radiation, temperatures and rainfall can compromise irrigation water availability and crop yields. Changes and variability in climate pose a significant threat to the industry due to the likely negative impacts on the sugarcane crop and the resultant lower sucrose or sugar production.</p>	<ul style="list-style-type: none"> a) Inability to meet sugar quality requirements. b) Smallholder grower capacities to meet customer requirements on farm operations and management. c) Possible contamination of product during handling at several points. d) Loss of food safety accreditation or inability to expand food safety coverage to more facilities. 	<p>SSA has developed a set of specification for all its sugar products based on top-end market and customer requirements with a target to meet the most stringent of the specifications (e.g. by 'blue chip' customers). Industry to continue expanding scope of food safety compliance of all its sugar production and supply facilities.</p>



Material Matters	Performance Target	2014/15 Result	Comment (Strategic Response to Performance)
<p>People Skills & Experience</p>	<p>To perform its main functions SSA requires a range of competences within the human capital at its disposal, including professional skills and experience to support successful delivery on the business objectives. The attraction of competent human capital and the retention of such skills and experience within SSA are important elements.</p>	<p>a) Departure of key personnel due to instability or uncertainty.</p> <p>b) Loss of competitiveness in attracting and retaining high quality staff.</p> <p>c) Inability to acquire specialist skills required to respond to new market environment.</p>	<p>SSA offers a market-related remuneration and continually reviews its Staff Retention Policy (primarily focusing on critical positions and highly competent employees). Staff development through targeted training and development programmes is part of key management objectives.</p>
<p>Logistics</p>	<p>Logistics management involves the maintenance of physical infrastructure for the storage, packaging and dispatch/distribution of sugar and molasses. This further entails the detailed coordination of all production and supply operations including movement of sugar from SSA warehouses to the delivery points. The SSA business model relies on ensuring that sugar received from the mills is immediately packaged, stored and dispatched as effectively and efficiently as possible. Poor coordination of logistics can affect mill production by causing stoppages.</p>	<p>a) Limited physical infrastructure to meet logistics requirements.</p> <p>b) Loss of customers due to inability to provide appropriate facilities for sugar packaging and storage.</p>	<p>Warehouse management agreements, with appropriate control mechanisms, have been established with all the mills to ensure that logistics at the mill are handled efficiently. A logistics infrastructure assessment was conducted as part of the development of the 2014/15-2019/20 Marketing Strategy through which necessary improvements were identified and would be implemented going forward. The upgrading of all strategic sugar warehouses to be food-safety compliant continues.</p>



STRATEGY AND RESOURCE ALLOCATION



- Strategy Formulation
- Crop Production Research Strategy
- Extension Strategy
- Marketing Strategy

SSA's fundamental purpose is to promote the efficient production as well as the optimal marketing of sugar. The long-term strategic objective is sustainable value creation for the sugar industry.

Strategy Formulation

SSA's mandate is defined by the Sugar Act of 1967 read together with the Sugar Industry Agreement. Council formulates the SSA broad strategy which gets reviewed periodically. The value chain mirrors the strategy formulation which starts from crop production, followed by the provision of extension services and ending with the marketing of the sugar and by-products. The strategy follows these three main areas and SSA has formulated and documented strategies along this classification. Each of the strategies is explained below. The strategies are then classified into short term (a period of one year or less), medium term (a period of 2-5 years) and long term (a period more than 5 years).

Crop Production Research Strategy

The purpose for developing the crop

production research strategy was to allow the industry to extract maximum value under the SASRI/SSA Cooperation Agreement and to guide the focus of the Technical Services program of work for the benefit of the industry stakeholders. This would be helpful in establishing the milestones to pursue and therefore the human resource requirements. The intent of the crop production research strategy is to source and generate relevant technical information on agronomic and irrigation aspects of sugarcane production through research to support millers and growers on sugarcane growing. The existing strategy was formulated in 2013 from terms of reference developed by the Extension Committee and approved by Council. The Extension Committee identified consultants to work with industry stakeholders in developing this strategy. The formulation was through a workshop with key industry members and stakeholders. This resulted in the identification of a number of strategic issues for consideration by the Extension Committee. These issues were submitted to Council for approval.

Some of the key challenges to be addressed were:

- Industry area expansion against limited resources (land and water)
- Choice of varieties
- Crop nutrition and pest & disease control
- Alternative revenue streams.

Key developments from this strategy have been the steady expansion of the area under sugarcane as a result of initiatives in new sugarcane growing schemes and the provision of irrigation, crop nutrition and pest & disease advice to smallholder growers. SSA has also incorporated an environmental management section in the revised industry sugarcane production manual and published the manual for grower use.

Short-Term Perspective

The main focus of the crop production strategy in the short term is addressing research issues for the industry in collaboration with SASRI through the SASRI/SSA Cooperation Agreement. This includes the impact of climate change on sugarcane water requirements, a study to determine the



impact of climate change on crop water demand/use, the current irrigation scheduling systems and water allocation model.

Medium-Term Perspective

This focuses on ensuring that SSA extracts optimum value under the SASRI/SSA Cooperation Agreement. It includes ensuring a faster release of sugarcane varieties to take full advantage of the economic gains that come with the new varieties. On pest & disease control, the strategy is to participate in the implementation of the SADC Biosecurity Planning for later adoption and roll out.

Long-Term Perspective

Currently there is a review of the industry vision which will inform the direction of future research efforts. A proactive approach is required which would view sugarcane as an energy crop with potential for additional revenue streams (e.g. electricity co-generation and biofuels). The industry needs to work on incentives to achieve this, as currently payment is for sucrose only.

Extension Strategy

SSA provides extension services through a service level agreement (SLA) entered into with the mills. The strategic objective in providing the extension service is to improve yields and ensure sustainability through providing technology transfer and advisory service to sugarcane growers on all aspects of sugarcane production. This includes the provision of advice based on research findings approved by SSA to the growers to facilitate the quick adoption of improved agricultural practices and increase productivity, profitability and sustainability of smallholder growers.

The extension strategy was formulated following a similar process as the crop production research strategy. It was also developed and approved in 2013.

The main result areas of the strategy are:

- Capacitation of extension officers

to provide farm business management skills. This is currently being implemented through the EU Technical Assistance.

- Provision of a holistic extension service to growers which will include all aspects of sugarcane production, best management practices and business management skills. Previously extension service was limited to technical aspects of growing sugarcane up to the crop-cutting stage. The business management, conflict resolution and sugarcane delivery aspects were outside the extension service scope. Growers are capacitated through training sessions on best management practices.
- Continuous improvement in grower sucrose yields is another key result area with the tonnes sucrose per hectare per annum increasing steadily.

Short-Term Perspective

The focus is the continuous improvement in grower sucrose yields, particularly the tonnes sucrose per hectare per annum. The strategies include recommendations on plough-out of poor performing fields, the rolling-out of improved irrigation scheduling tools to growers.

Medium-Term Perspective

The focus is on the capacitation of extension officers to provide farm business management skills. This is currently being implemented through the EU Technical Assistance.

Long-Term Perspective

The long-term vision for the SLA and extension service is a dynamic process with the objective of moving from mainly supply driven (scheduled) extension to demand (on request). The vision is that 80% of the smallholder growers must be seen to be making sound business management decisions within ten years of adopting the strategy. This is expected to occur as a result of acquiring business management skills.

Marketing Strategy

SSA's over-riding objective is to sell all sugar and its by-products to the maximum advantage of the industry (namely, growers and millers) in a sustainable manner. The current marketing strategy was for a three-year period. It outlined the marketing framework and strategy to be used during the period. The plan is executed through annual policy guidelines approved by Council for execution by the Marketing Executive Committee (and its subcommittees).

The current plan expired at the end of March 2015. Council commissioned the formulation of the new marketing strategy during the current financial year to renew the strategy. The Marketing Strategy was adopted by Council in December 2014 with the detailed Action Programme approved in February 2015.

Short-Term Perspective

For the period 2014/15, the marketing strategy focused on market orientation. This included researching and recommending minimum allocations per market and stock financing. Other short-term strategies include annual assessment of opportunities for marketing VHP sugar, reviewing the foreign exchange rate and trade policy.

Medium-Term Perspective

Issues for the 2-5 year period include updating strategies on pricing, logistics and marketing of sugar to preferential and regional markets. Such strategies include the development of a pricing and logistics model for the different markets and an investigation of opportunities for branding SSA's products.

Long-Term Perspective

The long-term perspective issues include sustainability approach and product certification. Sustainability standards include Fairtrade for the smallholder growers, ISO standards and others as required by customers. Trade policy review, although done annually, is a long-term issue to ensure that Swazi sugar gets the best returns and remains competitive in the SACU, EU, US and Regional markets.



PERFORMANCE



Overview and Outlook

Despite a challenging environment, we are pleased to report that SSA has delivered on its strategic objective of sustainable creation of value for the industry by attaining our overall target for the year. The price per tonne of 96° pol sugar achieved for the year was 2% better than budget. Whilst the achieved price was 9,4% lower than that in 2013/14 (which was driven primarily by favourable market prices in the EU as well as favourable exchange rates), the decline was moderate in an environment where about 50% of sales were exposed to considerable price reductions of more than 30%. Thus, the created value for the industry was better than could have been the case otherwise. The cushion was provided by an effective implementation of the Foreign Exchange Rate Cover Policy.



Mike Matsebula (Dr)
Chief Executive Officer

Strategic Objectives

The sales strategy for the year was to maximise revenues by allocating more volumes to higher value markets. This strategy was achieved by maximising sales into the SACU, US and African/Regional markets. Sales to the EU were reduced because the net prices obtainable there were below what was achievable in the other markets.

With respect to sugarcane production, the strategy to improve yields was achieved as average sucrose yields increased from 13,83 to 14,09 tonnes sucrose per hectare per annum. Improvement in sucrose yields translates to enhanced productivity in

sugarcane growing; thus improving growers' sustainability. Cane testing targets for all sugarcane consignments delivered to the mills were met, thus giving growers assurance on accurate sucrose payments.

Adequate facilities were in place to meet SSA's payments to growers and millers throughout the year. As a result, all payments were fully made all the time.

The maintenance of preferential market access for Swazi sugar was met partially as access to the EU market was maintained whilst access to the US market was lost when Swaziland lost its AGOA status.

Market Outlook for the Sugar Industry

The world sugar market environment has been challenging over the past year with the outlook for the coming year not indicating any positive recovery. As such, world market prices are expected to remain bearish. Even though a small global deficit is forecast for the 2014/15 year, the high stocks are expected to absorb this deficit. Hence, it is not expected that the currently low prices will improve because markets will continue to be supplied out of stocks.



Looking forward, sentiments are that production will remain flat given the low prices. Even though a further deficit is forecast for the 2015/16 season, the stocks are expected to be sufficient to absorb this deficit. Therefore this is not expected to have any significant positive impact on the sugar prices going forward.

At 31 March 2015, the world market prices for raw sugar closed at 12,32 US\$/lb while the refined sugar price was at US\$358/tonne (or 16,24 US\$/lb). This is from a raw sugar price of 17,18 US\$/lb and refined sugar price of US\$458/tonne (or 20,77 US\$/lb) reported at the end of March 2014.

The EU market has been very challenging as noted above, with prices reducing by over 30% in the 2014/15 season. The reduction in prices has impacted on SSA's ability to deliver on its strategic objectives. In response, SSA has had to re-assess opportunities in the African/regional markets so as to counter the negative impact of the EU prices. Going forward, the drive will be to increase the regional presence of Swazi Sugar, so as to reduce the reliance on the EU market. This is also expected to provide SSA with the ability to switch

sales between markets.

Imports of sugar into SACU reduced from about 462 000 tonnes (22% of SACU market) in 2013/14 to about 118 000 tonnes (6% of SACU market) in the current year. This reduction has had a positive impact on SSA's SACU sales as it allowed SSA to recapture market share. But the 6% is still higher than the global standard of 5% for foreign sugars.

Key Focus Areas Going Forward

To enable SSA to meet its long-term objective of sustainable value creation for its stakeholders, the focus will be on:

- Growing a sustainable customer base. This will be through employing strategies to grow the manufacturing customer base.
- Continuous improvement in product quality and customer service because they are critical in the competitiveness of SSA products in the marketplace.
- Improved efficiencies in all our operations with a view to reducing the cost per tonne of deliveries to customers.
- Improving sucrose yields so that growers remain sustainable.
- Developing African/Regional markets through increasing sales

of Swazi sugar.

- Engaging government to pursue preferential access for Swazi sugar in the US market as well as African/Regional markets.
- Enhancing revenue streams through value added products such as speciality sugars and smaller pack sizes.

Performance at SSA is driven by the effectiveness and efficiency in using and transforming the business capitals (human, financial, natural, etc.) into products - goods and services - that support value creation. This section presents the overall performance of SSA in this regard, but is limited to those areas considered material to the business.

The performance framework was again subjected to further review and refinement in comparison to that of the previous year. This is informed by the continuous improvement commitment in terms of SSA's Quality Policy which requires all processes (including policies, procedures, frameworks and instruments) to be subjected to periodic reviews to ensure that they remain relevant to the material matters and needs of each period.



The important deliverable from the business is to create value and consequently distribute it to various key stakeholders. A summary of the value created and distributed to stakeholders is presented below:

Value Added Statement

Wealth created	2014/15	2013/14
Revenue	4 107 737 432	4 546 940 980
Less: Marketing and logistics costs	287 822 803	283 311 853
Less: VHP and refining allowances	171 757 469	164 983 078
Less: Technical services costs	26 540 914	24 464 700
Total wealth created	3 621 616 246	4 074 181 349
Wealth distribution		
To millers	1 113 370 566	1 256 639 995
To growers:	2 376 819 297	2 682 670 335
Out-growers	1 221 841 730	1 278 560 732
Mill estates	1 154 977 567	1 404 109 603
To government	261 996	267 283
To financial institutions	112 425 853	112 620 702
To donation beneficiaries	1 179 881	1 165 958
To employees	17 558 653	20 817 076
Total wealth distributed	3 621 616 246	4 074 181 349
Wealth distribution in %		
To millers	31%	31%
To growers	66%	66%
To government*	0%	0%
To financial institutions	3%	3%
To donation beneficiaries*	0%	0%
To employees*	0%	0%

*Negligible since it is less than 0,02%.

NOTE: As an association, SSA is exempt from paying tax in terms of the Income Tax Order, and SSA fully complies with this legislation. This law provides that if an association derives benefits on behalf of its members and distributes such benefits to such members, then it is exempt from paying income tax. However, certain expenses are disallowed and result in a tax liability which is the amount indicated as paid to government above. The millers and growers, who are the SSA members and receive the proceeds from SSA operations, are the ones who pay tax to government in their individual capacities.



Performance on Key Targets

This section presents outcomes on the key performance targets set at the beginning of the year as informed by the material matters for the reporting period,

given the primary objective of sustainable value creation for the sugar industry into the long term.

Overall Performance: Despite the

unfavourable movement in sales prices in major markets, the business was able to achieve its main target of exceeding its budgeted price per tonne of 96° pol sugar by a margin of 2%.

1. Preferential Market Access

Performance Area	Performance Target	2014/15 Result	Comment (Strategic Response to Performance)
Trade preferences.	Retention of existing preferential market access.	All preferences intact except loss of AGOA.	Continue lobby efforts to ratify the EU-SADC EPA and to regain AGOA status for US access.
	Secure preferential access in TFTA.	SACU, SADC and COMESA market access not affected. Discussions on proposed special sugar dispensation were conducted.	SSA to participate in TFTA negotiations to safeguard industry interests.
Sugar and molasses sales revenue.	Not less than budgeted sales volume.	Total sugar sales were 690 278 tonnes versus a budget of 684 921 tonnes while total molasses sales were 262 484 tonnes versus a budget of 244 574 tonnes.	There was healthy demand for sugar in SACU due to introduction of sugar import tariff which reduced cheap imports. Import tariff to be closely monitored so as to take appropriate action.
	Not less than budgeted selling prices.	Average sugar selling price was 0,8% higher than the budgeted price while molasses selling price was 1,03% higher than the budgeted price.	This was mainly due to a better than budgeted performance in exchange rate cover.

2. Foreign Exchange Rates

Performance Area	Performance Target	2014/15 Result	Comment
Foreign exchange cover.	Budgeted average forward exchange rate cover.	US\$ cover achieved was 2% better than budget. Euro cover achieved was 4% better than budget.	The forward exchange rate cover strategy delivered good results for the industry. To continue vigilance on opportunities to take forward cover.



3. Cost Pressures

Performance Area	Performance Target	2014/15 Result	Comment
Cane production.	External assistance for cost reduction measures.	All funds earmarked for Sugar Facility under EC Accompanying Measures committed.	These will assist with infrastructure projects as well as reduce establishment costs for smallholder growers. To monitor disbursements of committed funds.
Sugarcane yields.	To improve yields from previous season.	Tonnes of sucrose per hectare per annum improved by 1,9% over the previous season.	Efforts will be continued to enhance the productivity of growers, especially SSGs.
Sugar movement.	Not to exceed road and rail transport cost per tonne.	Cost per tonne was below budget by 1%.	This was assisted by the higher volume of sugar moved for export and slight reduction in fuel costs. Road and rail usage will be optimised to reduce costs.
Financing costs.	Not to exceed budgeted cost of funds.	Financing costs were 5,6% below budget.	The prime lending rate was not increased and SSA was able to negotiate better interest terms. Interaction with financiers will be intensified to hold the line on financing costs.

4. Customer Requirements and Product Liability

Performance Area	Performance Target	2014/15 Result	Comment (Strategic Response to Performance)
Customer satisfaction.	Not to fall below satisfaction index of 80%.	Satisfaction index of 82% achieved.	Customers remain satisfied with SSA products and services. Nevertheless, areas of improvement have been identified and an action programme developed to address them.
	Meeting customer shipment/off-take requirements.	Requirements were met.	Adequate discussions with customers on their requirements to be continued.
	Close all customer complaints within agreed timelines.	71% closed within agreed timelines.	Closure of complaints depends on a variety of stakeholders, some of whom may require capital investments and off-crop maintenance. To improve performance, there will be more interaction with the concerned stakeholders to prioritise closure of complaints.
Sugar quality.	Minimal deviations from SSA specification resulting in no product liability claims.	76% of sugar quality complaints were closed, with most sugar produced within specification and there were no product liability claims.	To review effectiveness of processes which have been put in place to improve quality assurance and ensure the supply of conforming sugar to customers.



5. Climate Change and Water Availability

Performance Area	Performance Target	2014/15 Result	Comment
Research	Undertake a study on climate change effects on the industry.	Not done.	Study was deferred to 2015/16. Results to be used as basis for compiling an appropriate plan.
Pest & Disease Control.	Survey target areas under cane; identify and deal with pests and diseases effectively.	Target areas under cane were all surveyed for pests and diseases.	To monitor the new pests and diseases and develop biosecurity systems to avoid entry of pests and diseases from other origins.

6. People Skills and Experience

Performance Area	Performance Target	2014/15 Result	Comment
Well-skilled and motivated employees.	Staff turnover not to exceed 5%.	Employee turnover was 2,6%.	To maintain effectiveness of staff retention strategy.
	80% implementation of training plan.	89% implementation achieved.	To ensure talent management is maintained.
Safe working environment.	Injury-free workplace	No injuries experienced.	To ensure safe and healthy working environment.

7. Logistics

Performance Area	Performance Target	2014/15 Result	Comment
Transport/ logistics efficiency.	Meeting customer shipment/ off-take requirements.	Requirements were met.	Adequate discussions with customers on their requirements to be continued.
Storage and bagging capacity.	Sufficient storage and no shortage of bagging material	Storage and bagging was sufficient	Remote warehouses to be used as additional storage.
Sugar losses.	Zero losses attributable to theft.	Zero losses attributable to theft.	Stock control procedures are effective and should continue being closely monitored.



OUTLOOK



- Short-Term Outlook
- Medium-Term Outlook
- Long-Term Outlook

This outlook will focus on the short term (a period of one year or less), medium term (a period of 2-5 years) and long term (a period above 5 years). The different metrics underlying the outlook are based on currently available information. The actual outcome may deviate from this outlook if circumstances change considerably along the way. This outlook should be read together with the disclaimer on forward-looking statements under 'Basis of Preparation and Presentation'.

The value created is forecasted to decrease in the short term as a result of the EU sugar price declines and thereafter it is expected to increase in the medium term. Even with the decline in sugar prices, the EU market will continue to be vital for SSA due to continued preferential access. The reduction in the attractiveness of the preferential EU market calls for changes in the marketing strategy. In entering into contracts with customers in the EU, SSA has tried to reduce the risk of low returns by ensuring that the contracts provide for switching to other more lucrative markets. If regained,

preferential access into the US will enhance sustained value creation for the business. SSA will be increasing the volumes sold to the markets with higher returns than the EU. These include SACU (assuming effective tariff protection continues) and African/Regional markets. This will also reduce marketing costs.

The continued support by the EU towards viable entry of new SSGs, some expansion in largescale grower farms as well as support for existing growers to improve their efficiencies are all expected to bolster growth prospects in sugarcane production. The rise in costs of production and energy is however expected to dampen growth prospects for SSG profitability. The expected appreciation in the external value of Lilangeni, coupled with depressed sugar prices in preferential markets, will result in falling revenues.

Short-Term Outlook

The overall value created is expected to decline following a decline in the EU sugar prices. The loss of Swaziland's AGOA status means Swazi sugar into

the US would attract a duty, thus hampering the attainable value from the US market. Highlights for the short-term outlook are as follows:

Production

- Steady expansion in sugarcane growing as a result of initiatives in the Komati Downstream Development Project (KDDP) in the Northern part of the sugarbelt and Lower Usuthu Smallholder Irrigation Project (LUSIP) in the Southern part of the sugarbelt. The total area is expected to increase by 1 686 hectares to 60 059 hectares in 2015.
- In the south, potential cane yields declined almost linearly between the end of October 2014 and end of March 2015. They declined by approximately 1,5 tonnes cane per hectare per month (tch/month). At the end of March 2015, potential yields were forecast to be 133 tonnes cane per hectare per annum (tch/an). Conditions deteriorated markedly during April and the forecast was reduced to 130 tch/an at the end of April 2015.



- In the north, conditions deteriorated during summer and by the end of February 2015 potential yields had declined to 131 tch/an at both Mhlume and Simunye. Conditions during March were average to slightly above average, but deteriorated again during April 2015. Potential yields forecast at the end of April 2015 were 130,5 tch/an at Mhlume and 128,5 tch/an at Simunye.
- Sugar production is forecasted to increase by 6% to stand at 728 555 tonnes in the next financial year.
- The increase in production costs (especially energy) is projected to slow down profitability and dampen sustainability of the industry, especially for SSGs.

Extension Service

All Extension Officers will undergo training in farm business management in 2015 to capacitate them with the necessary skills to train smallholder growers in sugarcane business management to improve farm productivity, profitability and sustainability.

Marketing

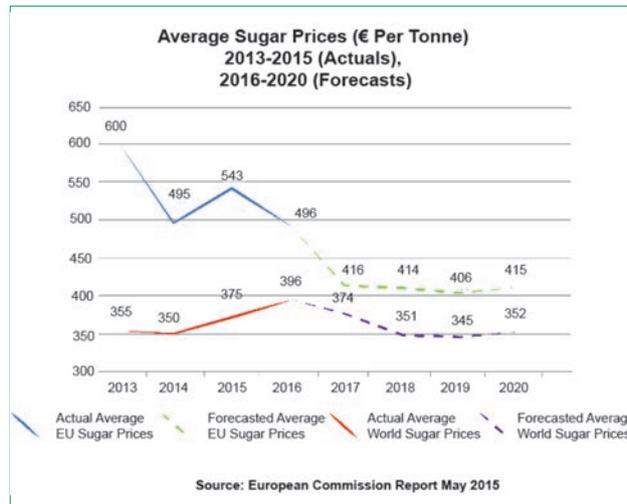
- The value created is expected to decline by 6% as a result of the decline in EU sugar prices.
- The SACU and African/Regional sales volumes and revenues are projected to grow by 2,0 and 9,2%, respectively. The value in SACU will be dependent on effective tariff protection.
- The preferential market sales volume is projected to grow by 8,1% and the net sales value is projected to decline by 22,4% as a result of the decrease in the EU sugar prices.
- The refined sugar prices in the EU are projected to decline by 26% from €416 to €306 per tonne. VHP DC sugar to the EU has been selling at a premium to the refined sugar. This is assumed to remain throughout the short-to-medium term. Access to regional markets such as COMESA is expected to compensate for the price declines in the EU.

Financing

- Financing requirements are expected to be less than in the previous year and within the available facilities.

- The cost of financing is expected to be similar to the previous financial year.
- The external value of Lilangeni is expected to appreciate thereby resulting in less revenue than in the previous year.

Medium-Term Outlook



The industry is expected to grow steadily up to 2019/20. The main challenge will be with respect to the maximisation of revenues in a sustainable manner from the various sugar and molasses markets. The SACU and African/Regional markets are projected to continue being a major source of value creation for SSA, whilst value in the EU market will be negatively impacted by uncontrollable market conditions. The full ratification process of the EPA is expected to be completed by September 2016.

Production

- In an effort to ensure that growers benefit earlier on genetic gains derived from SASRI's breeding and selection programme, SSA will import the best two varieties at advanced pre-release stage for bulking up in trial stations. Depending on whether both varieties are approved for release, or only one, SSA will then advance planting material for the released varieties for multiplication in the industry's

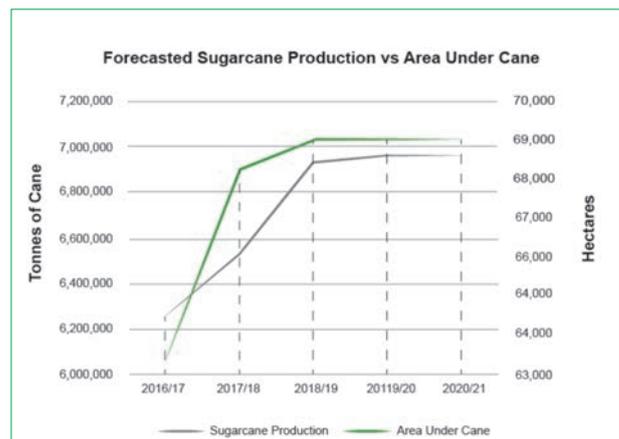
Highveld Seedcane Scheme at Malkerns.

- The total area under sugarcane production is forecasted to increase to 69 035 hectares in 2018/19.
- Water requirement will increase by 24 379 megalitres (ML) to stand at 863 786ML in 2018/19. The

capacity of the current main water storage dams should be able to meet the industry expansion provided enough rainfall is received and diligent irrigation water management practices are adopted.

- Sugar production is projected to grow by an annual average of 2,9% to stand at 835 632 tonnes by 2019/20.

- Continuous expansion in sugarcane growing is expected under the KDDP and LUSIP areas. The flow of donor and/or government funding to subsidise SSGs with development costs will be crucial in the expansion programme.
- The increase in production costs (especially energy) is projected to slow down profitability and dampen sustainability of the industry (especially the SSG sector). This will require continued efforts to improve productivity and efficiencies at all points of the value chain.





Extension Service

Training of smallholder growers in sugarcane business management will commence in 2016 to improve farm productivity, profitability and sustainability.

Marketing

- Sales volumes in SACU and African/Regional markets are projected to increase at an average annual rate of 3,5% up to 2019/20 to stand at a combined record level of 464 132 tonnes. The actual value earned from SACU sales will depend on the effectiveness of tariff protection.
- Even though EU prices have declined, they are still trading at a premium to the world market prices. Going forward, the EU prices are expected to have a close correlation with world market prices.
- When entering into contracts with EU customers, SSA has tried to reduce the risk of low returns by ensuring that the contracts provide for switching to other more lucrative markets wherever possible.

Financing

- Financing requirements are expected to be within available facilities. However the cost of financing is expected to increase slightly in line with the projected increase in the Bank Rate.
- The expected appreciation in the external value of Lilangeni, coupled with depressed sugar prices in overseas preferential markets, will result in falling revenues.

Long-Term Outlook

Extension Service

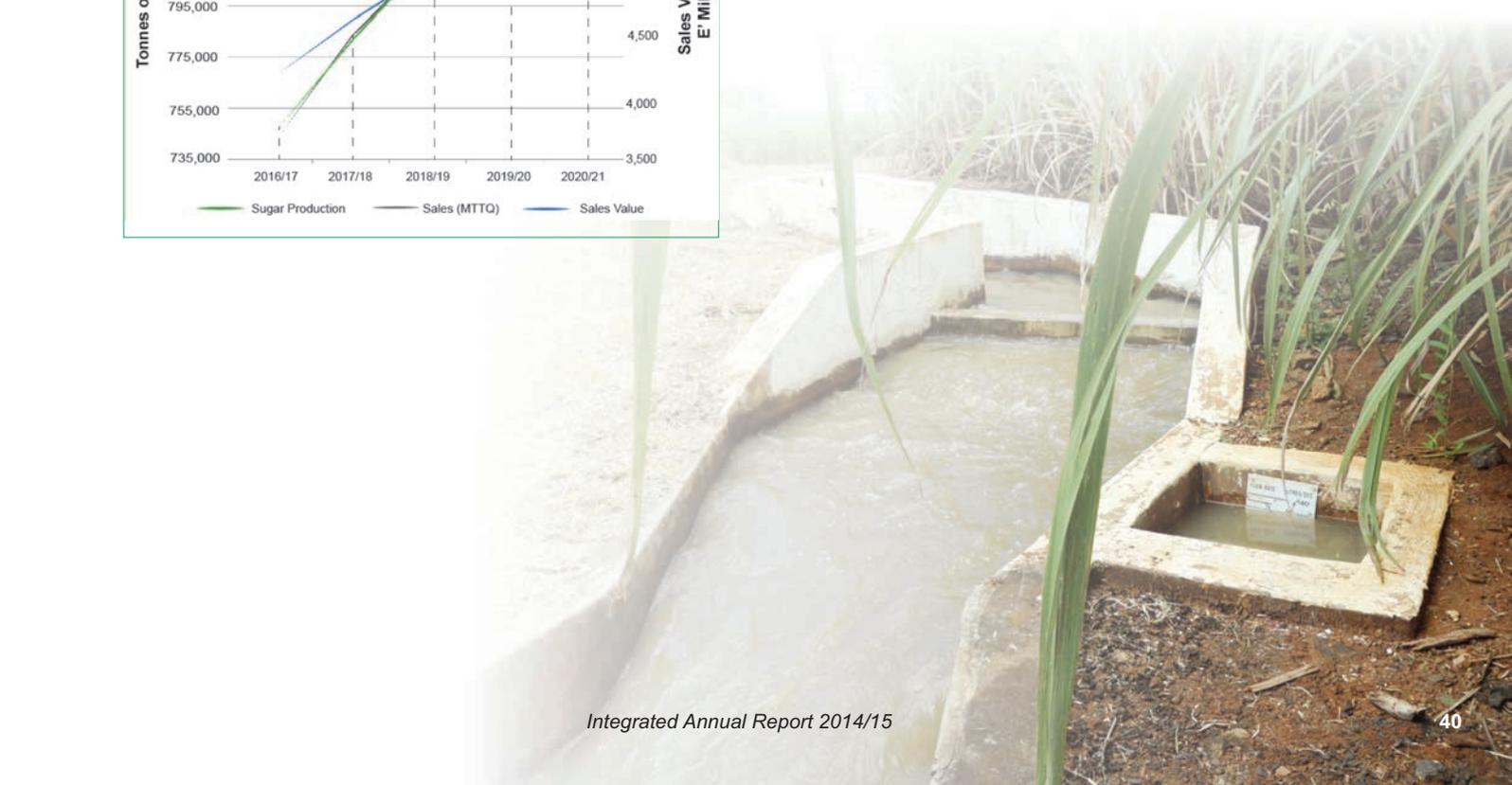
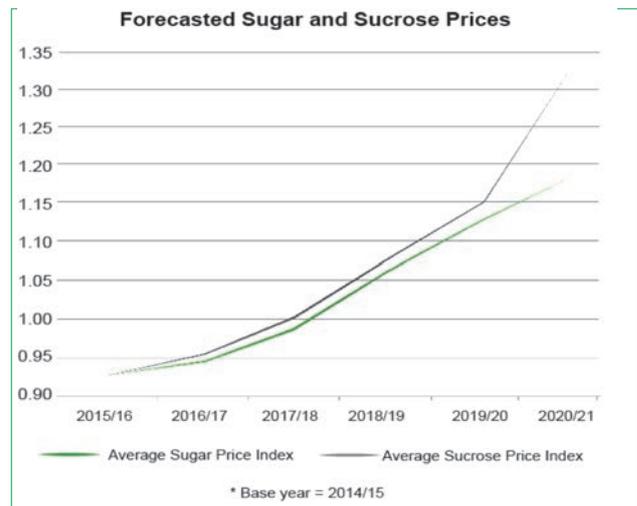
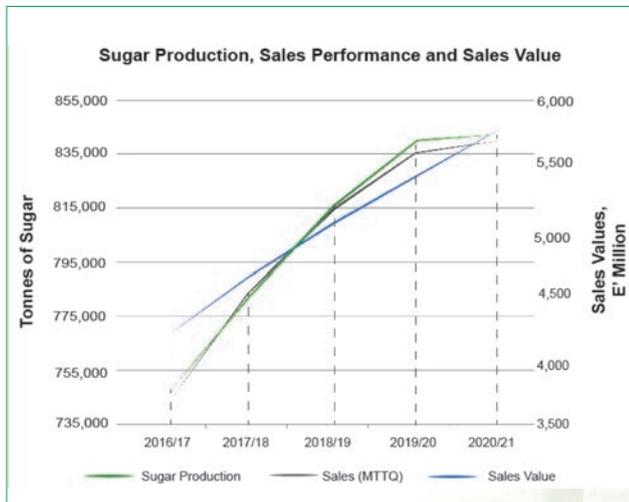
- Following capacitation in sugarcane business management skills, at least 80% of smallholder growers must be seen to be making sound management decisions which will ensure farm

productivity, profitability and sustainability.

- The industry could consider changing the provision of extension service from scheduled to on-call or at grower request, following training on sugarcane production best practices and business management.

Summary

The combined effect of the metrics above relating to extension, production, marketing and financing is expected to yield results depicted in the graph below.





SWAZILAND SUGAR ASSOCIATION

*SUMMARISED AUDITED GROUP FINANCIAL STATEMENTS
for the year ended 31 March 2015*



SUMMARISED AUDITED GROUP FINANCIAL STATEMENTS
for the year ended 31 March 2015

<i>Contents</i>	<i>Page</i>
Council members' responsibility statement	43
Report of the independent auditors	44
Council members' report	45 - 46
Consolidated statement of comprehensive income	47
Consolidated statement of financial position	48
Consolidated statement of cash flows	49
Consolidated statement of changes in reserves	50
Notes to the consolidated financial statements	51 - 54



COUNCIL MEMBERS' RESPONSIBILITY STATEMENT
for the year ended 31 March 2015

Council Members' responsibility statement for the Summarised Group Financial Statements

Council Members are responsible for the preparation and fair presentation of the summarised consolidated and separate financial statements. These comprise the statements of financial position at 31 March 2015, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended and selected 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.

The Council Members' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

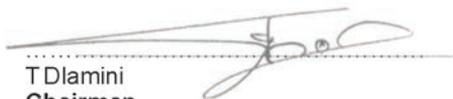
The Council Members' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

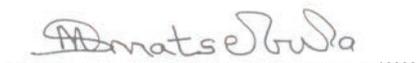
The Council Members have made an assessment of the Association's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

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 Summarised group financial statements set out on pages 45 to 54 were approved by the Council Members on 2 July 2015 and are signed on its behalf by:


T Dlamini
Chairman


Dr M S Matsebula
Chief Executive Officer

**INDEPENDENT AUDITOR'S REPORT ON SUMMARISED GROUP FINANCIAL STATEMENTS**

To the members of the Swaziland Sugar Association

The accompanying summarised consolidated and separate financial statements of the Swaziland Sugar Association, which comprise the summarised consolidated and separate statement of financial position at 31 March 2015, and the related summarised consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended and related notes, are derived from the consolidated and separate financial statements of the Swaziland Sugar Association for the year ended 31 March 2015. We expressed an unmodified opinion on those consolidated and separate financial statements in our auditor's report dated 2 July 2015.

The summarised consolidated and separate financial statements do not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the consolidated and separate financial statements of the Swaziland Sugar Association. Reading the summarised consolidated and separate financial statements, therefore, is not a substitute for reading the consolidated and separate financial statements.

Council's Responsibility for the Summarised Financial Statements

Council is responsible for the preparation of the summarised consolidated and separate financial statements on the basis described in note 1.

Auditor's responsibility

Our responsibility is to express an opinion on the summarised consolidated and separate financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

Opinion

In our opinion, the summarised consolidated and separate financial statements derived from the consolidated and separate financial statements of Swaziland Sugar Association for the year ended 31 March 2015, are consistent, in all material respects, with those financial statements, on the basis described in Note 1.

KPMG Chartered Accountants (Swaziland)
Auditors



COUNCIL MEMBERS' REPORT
for the year ended 31 March 2015

Council has pleasure in submitting their report together with the financial statements of SSA for the financial year ended 31 March 2015.

Business activities

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

General review of business operations and results

The state of affairs of SSA at 31 March 2015 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 E4,11 billion (2014: E4,55 billion). The decrease in revenue is mainly attributable to unfavourable selling prices in the EU market, the strengthening of the Lilangeni against export currencies though the sales volume was higher than the previous year. The cost of sales decreased from E4,15 billion to E4,04 billion in line with decreased 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 E27 million (2014: E22,06 million). The increase is mainly as a result of changes in sales terms. In the current year, the Group was responsible for majority of the shipment costs.

Net financing costs, including foreign gains and losses, decreased from E318,78 million in 2014 to E30,39 million. This is primarily a result of the strengthening in the value of the Lilangeni against export currencies. Foreign exchange gains of E124,19 million were realised compared to foreign exchange losses of E206,18 million in the previous year. In a period of a strengthening Lilangeni, a foreign exchange gain will generally be realised as forward exchange contracts are concluded at higher foreign exchange rates compared to the foreign exchange rate at the time of recognition of the sale. Interest paid also decreased marginally from E112,62 million to E112,43 million. The interest expense increased slightly compared to the previous year, despite a decrease in the total amount available for distribution, due to changes in the shipping programme, which concentrated shipments towards the last quarter of the financial year.

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 hedged items outstanding at year end and this gain or loss is released to profit or loss as the underlying sale transactions occur. At the end of the financial year, there were few outstanding forward exchange contracts compared to the previous year.

Consolidated statement of financial position

The carrying value of property, plant and equipment decreased from E169,77 million to E163,61 million in line with the depreciation charge for the year. Inventories decreased from E664,83 million to E618,74 million as a result of lower closing stock volumes compared to the previous year. Trade receivables increased by E10,38 million when compared with the previous year mainly as a result of a sale that occurred towards the end of the financial year. Trade payables increased by E107,12 million as a result of an increase in the amount available for distribution.

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

SSA 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%

SSA is involved in the following joint venture company:

Sociedade Terminal de Açúcar De Maputo Lemitada	25%
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COUNCIL MEMBERS' REPORT

for the year ended 31 March 2015 (continued)

Council

Council is the highest governing body of SSA. 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 who were in office at the date of this report were as follows:

Mr T Dlamini	Chairman
Mr N Jackson	(President)
Mr G White	(Vice President)
Mr A T Dlamini	
Mr E Ndzimandze	
Mr B James	
Mr E Nxumalo	
Mr S Potts	
Mr J Blumberg	
Mr J M Sithebe	
Mr G Scheepers	
Mr S Geldenhuys	
Mr T Nkhambule	
Mr M Maziya	
Mr M Mndzebele	
Mr P Myeni	
Ms S M Magagula	
Mr G Williams	
Mr O Magwenzi	
Mr P Malandula	
Mr J Matimba	
Mr M Mabuza	

Audit & 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 Committee at the reporting date were as follows:

Mr B Mhlongo	Chairman
Mr S Potts	
Mr J Blumberg	
Mr I Schei	
Mr A Ngcobo	
Alternates	
Mr D Dhliwayo	(Alternate to Mr S Potts)
Mr L Ndzimandze	(Alternate to Mr J Blumberg)

Secretary

Mr B Nyamane

Business address

Cnr Msakato & Dzeliwe Street
Mbabane

Postal address

P O Box 445
Mbabane



STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 March 2015

	Notes	Group		Association	
		2015 E	2014 E	2015 E	2014 E
Revenue	2	4 107 737 432	4 546 940 980	4 107 737 432	4 546 940 980
Cost of sales		(4 040 177 609)	(4 147 163 359)	(4 055 838 016)	(4 162 288 801)
Gross profit		67 559 823	399 477 621	51 899 416	384 652 179
Other income		3 830 340	689 478	3 830 340	689 478
Distribution costs		(26 988 744)	(22 064 839)	(26 976 210)	(22 064 838)
Administrative expenses		(60 031 467)	(59 441 959)	(58 878 665)	(58 341 615)
Operating (loss)/profit before financing costs	3	(15 630 048)	318 960 301	(30 125 119)	304 935 204
Finance income		155 148 907	30 185 597	168 897 115	44 292 299
Finance expense		(138 510 000)	(348 964 964)	(138 510 000)	(348 964 964)
Net financing costs	4	16 638 907	(318 779 367)	30 387 115	(304 672 665)
Share of (loss)/profit jointly controlled entity (net of tax)		(746 863)	81 605	-	-
Profit before tax		261 996	262 539	261 996	262 539
Income tax expense		(261 996)	(262 539)	(261 996)	(262 539)
Profit for the year		-	-	-	-
Other comprehensive income					
<i>Items that are or may be reclassified to profit or loss</i>					
Unrealised cash flow hedges		1 395 883	22 210 304	1 395 883	22 210 304
Total comprehensive income for the year		1 395 883	22 210 304	1 395 883	22 210 304
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.					



STATEMENTS OF FINANCIAL POSITION
at 31 March 2015

	Notes	2015 E	Group 2014 E	2015 E	Association 2014 E
ASSETS					
Non-current assets					
Property, plant and equipment	5	163 608 273	169 768 714	14 825 942	14 041 118
Unsecured loans receivable		29 609	133 891	29 609	133 891
Investment in subsidiaries		-	-	500	500
Jointly controlled entity		25 525 534	22 787 440	27 373 009	23 888 052
Total non-current assets		189 163 416	192 690 045	42 229 060	38 063 561
Current assets					
Loans to subsidiaries		-	-	148 484 691	155 429 954
Current portion of loan to jointly controlled entity		-	32 831	-	32 831
Unsecured loans receivable		96 323	79 607	96 323	79 607
Inventories		618 736 948	664 827 914	618 736 948	664 827 914
Trade and other receivables		388 297 773	377 922 048	388 297 773	377 922 048
Other financial assets		1 395 883	22 210 304	1 395 883	22 210 304
Cash and cash equivalents		54 343 660	72 870 572	54 343 660	72 870 572
Total current assets		1 062 870 587	1 137 943 276	1 211 355 278	1 293 373 230
Total assets		1 252 034 003	1 330 633 321	1 253 584 338	1 331 436 791
RESERVES AND LIABILITIES					
Non-distributable reserve		13 022	13 022	13 022	13 022
Cash flow hedge reserve		1 395 883	22 210 304	1 395 883	22 210 304
Total reserves and liabilities		1 408 905	22 223 326	1 408 905	22 223 326
Non-current liabilities					
Long term liabilities	6	250 000 000	250 000 000	250 000 000	250 000 000
Current liabilities					
Bank overdraft		824 186 909	988 479 231	824 186 909	988 479 231
Trade and other payables		176 302 472	69 929 200	177 852 807	70 732 670
Taxation		135 717	1 564	135 717	1 564
Total current liabilities		1 000 625 098	1 058 409 995	1 002 175 433	1 059 213 465
Total liabilities		1 251 371 961	1 308 409 995	1 252 175 433	1 309 213 465
Total reserves and liabilities		1 252 034 003	1 330 633 321	1 253 584 338	1 331 436 791



STATEMENTS OF CASH FLOWS
for the year ended 31 March 2015

Notes	2015 E	Group 2014 E	2015 E	Association 2014 E
Cash flows from operating activities				
Cash generated from operations	136 641 360	29 393 844	114 572 249	7 086 856
Interest received	155 148 907	30 185 597	168 897 115	44 292 299
Interest paid	(138 510 000)	(348 964 964)	(138 510 000)	(348 964 964)
Taxation paid	(127 843)	(400 171)	(127 843)	(400 171)
<i>Net cash flows from operating activities</i>	<u>153 152 424</u>	<u>(289 785 694)</u>	<u>144 831 521</u>	<u>(297 985 980)</u>
Cash flows from investing activities				
Increase in investment in jointly controlled entity	(3 484 957)	(4 429 062)	(3 484 957)	(4 437 430)
Acquisition of property, plant and equipment	(4 056 603)	(3 068 428)	(2 680 965)	(2 771 821)
Decrease in loan due from jointly controlled entity	32 831	975 050	32 831	975 050
Proceeds from the sale of property, plant and equipment	34 149	41 300	34 149	41 300
<i>Net cash flows from investing activities</i>	<u>(7 474 580)</u>	<u>(6 481 140)</u>	<u>(6 098 942)</u>	<u>(6 192 901)</u>
Cash flows from financing activities				
Decrease in unsecured loans receivable	87 566	79 608	87 566	79 607
Unsecured fixed term loan received	-	250 000 000	-	250 000 000
Repayment of long term liabilities	-	(250 000 000)	-	(250 000 000)
Loans to subsidiary companies repaid	-	-	6 945 265	7 912 048
<i>Net cash flows from financing activities</i>	<u>87 566</u>	<u>79 608</u>	<u>7 032 831</u>	<u>7 991 655</u>
Net decrease in cash and cash equivalents	145 765 410	(296 187 226)	145 765 410	(296 187 226)
Cash and cash equivalents at the beginning of the year	(915 608 659)	(619 421 433)	(915 608 659)	(619 421 433)
Cash and cash equivalents at the end of the year	<u>(769 843 249)</u>	<u>(915 608 659)</u>	<u>(769 843 249)</u>	<u>(915 608 659)</u>


STATEMENTS OF CHANGES IN RESERVES
for the year ended 31 March 2015

	Non- distributable reserve E	Hedging reserve E	Total E
Group and Association 2015			
Balance at beginning of year	13 022	22 210 304	22 223 326
Cash flow hedges realised and reclassified to profit or loss	-	(22 210 304)	(22 210 304)
Unrealised cash flow hedge recognised in other comprehensive income (1)	-	1 395 883	1 395 883
Balance at end of year	<u>13 022</u>	<u>1 395 883</u>	<u>1 408 905</u>
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>

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

**NOTES TO THE SUMMARISED AUDITED GROUP FINANCIAL STATEMENTS**

for the year ended 31 March 2015

1. Significant accounting policies

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

1.1 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 that 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 denominated in foreign currencies that are stated at fair value 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.

1.2 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.

1.3 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.


NOTES TO THE SUMMARISED AUDITED GROUP FINANCIAL STATEMENTS
for the year ended 31 March 2015 (continued)

	Group		Association	
	2015	2014	2015	2014
	E	E	E	E
2. Revenue				
Revenue comprises:				
- Sugar sales	3 973 537 520	4 433 027 832	3 973 537 520	4 433 027 832
- Molasses sales	134 199 912	113 913 148	134 199 912	113 913 148
	<u>4 107 737 432</u>	<u>4 546 940 980</u>	<u>4 107 737 432</u>	<u>4 546 940 980</u>
Sugar is sold into the Southern African Customs Union (SACU), regional and international markets. Molasses is sold within the SACU market.				
3. Operating (loss)/profit before financing costs				
Operating profit before financing costs is arrived at after charging (crediting) the following:				
Income:				
Sugar recoveries	2 433 828	352 635	2 433 828	352 635
(Loss)/profit on sale of property, plant and equipment	(19 305)	3 865	(19 305)	3 865
Expenses:				
Auditors remuneration				
- Current year	139 675	131 150	139 675	131 150
- Prior year	393 601	390 500	393 601	390 500
Council emoluments	-	-	-	-
Depreciation	10 163 590	10 221 635	1 842 647	1 681 809
Lease expenses	996 060	984 577	996 060	984 577
Management fees				
- Computer related	16 605	149 618	16 605	149 618
Payroll costs	<u>17 558 653</u>	<u>20 817 076</u>	<u>17 558 653</u>	<u>20 817 076</u>
4. Net financing costs				
Included in net finance costs are:				
Unrealised foreign exchange gains	22 210 304	3 615 522	22 210 304	3 615 522
Realised foreign exchange gains/(losses)	<u>127 244 094</u>	<u>(206 183 395)</u>	<u>127 244 094</u>	<u>(206 183 395)</u>
5. Property, plant and equipment				
Allocation of depreciation				
Direct cost of sales	919 999	732 647	919 999	732 647
Direct analysis of cane	191 127	179 895	191 127	179 895
Extension services	291 126	246 404	291 126	246 404
Administration	440 433	522 863	440 435	522 863
Operating expense	8 320 905	8 539 826	-	-
Total	<u>10 163 590</u>	<u>10 221 635</u>	<u>1 842 687</u>	<u>1 681 809</u>

NOTES TO THE SUMMARISED AUDITED GROUP FINANCIAL STATEMENTS
for the year ended 31 March 2015 (continued)

Reconciliation of the opening and closing carrying amounts

Association

	Opening carrying amount E	Additions E	Disposals E	Transfer E	Deprec- iation E	Closing carrying amount E
Freehold land and buildings	2 687 536	28 004	-	75 824	(364 434)	2 426 930
Leasehold land and buildings	5 517	-	-	-	(1 926)	3 591
Plant and equipment	4 126 934	151 913	(28 097)	1 047 159	(899 328)	4 398 581
Furniture and fittings	582 498	27 011	(2 375)	80 851	(61 187)	626 798
Motor vehicles	1 513 040	473 306	(22 982)	752 443	(515 812)	2 199 995
Capital work in progress	5 125 593	2 000 731	-	(1 956 277)	-	5 170 047
	<u>14 041 118</u>	<u>2 680 965</u>	<u>(53 454)</u>	<u>-</u>	<u>(1 842 687)</u>	<u>14 825 942</u>
Group						
Freehold land and buildings	2 687 536	28 002	-	75 825	(364 434)	2 426 930
Leasehold land and buildings	5 517	-	-	-	(1 926)	3 591
Plant and equipment	4 126 934	151 913	(28 097)	1 047 159	(899 328)	4 398 581
Furniture and fittings	582 498	27 011	(2 375)	80 851	(61 187)	626 798
Motor vehicles	1 717 100	473 306	(22 982)	752 443	(549 846)	2 370 021
Conditioning silo buildings	42 469 471	-	-	-	(1 530 411)	40 939 060
Sugar store buildings	61 971 507	-	-	-	(2 304 744)	59 666 763
Conditioning silo equipment	14 173 975	801 864	-	-	(1 929 476)	13 046 363
Sugar store equipment	26 501 169	-	-	573 774	(1 993 951)	25 080 992
Molasses storage equipment	10 406 614	-	-	-	(528 287)	9 878 327
Capital work in progress	5 126 393	2 000 731	-	(1 956 277)	-	5 170 847
	<u>169 768 714</u>	<u>4 056 603</u>	<u>(53 454)</u>	<u>-</u>	<u>(10 163 590)</u>	<u>163 608 273</u>



NOTES TO THE SUMMARISED AUDITED GROUP FINANCIAL STATEMENTS
for the year ended 31 March 2015 (continued)

	2015 E	Group	2014 E	2015 E	Association	2014 E
5. Long term liabilities						
<p>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.</p>						
Public Service Pension Fund	250 000 000		250 000 000	250 000 000		250 000 000
Total liabilities	250 000 000		250 000 000	250 000 000		250 000 000
Current portion included in current liabilities	-		-	-		-
Non-current portion	250 000 000		250 000 000	250 000 000		250 000 000
Repayment profile						
Current	-		-	-		-
Within 2 years	250 000 000		250 000 000	250 000 000		250 000 000
More than 2 years	-		-	-		-
	250 000 000		250 000 000	250 000 000		250 000 000



Notes



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