Swaziland Sugar Association

(Annual Report 2008/09)

(Swaziland Sugar Association)

Contents

Members and Officers of the Swaziland Sugar Association

MEMBERS

Swaziland Cane Growers' Association

Swaziland Sugar Millers' Association

PRESIDENT

Richard Hulley

VICE-PRESIDENT

John du Plessis

CHAIRMAN OF COUNCIL

Tom Mbelu

CHIEF EXECUTIVE OFFICER

Dr Mike Matsebula

FINANCIAL DIRECTOR

Bimal de Silva

COMMERCIAL DIRECTOR

Sharon de Sousa

EXTENSION MANAGER

Jabulani Sifundza

CANE TESTING MANAGER

Sipho Dlamini

HR & ADMIN MANAGER

Musa P Dlamini

YEAR UNDER REVIEW

1 April 2008 - 31 March 2009

STATEMENT FROM THE PRESIDENT

RJ Hulley
SSA President 2008/09

Crop Statistics

These are presented in a table showing results for the past ten years later in this Report. They reveal a mixed bag of results in the year under review compared to the previous one, of which three will be highlighted. First, there was a decrease of 187 hectares (ha) in area under cultivation (the first dip in an upward trend over the last ten years); but an increase of 130 ha in area harvested. Second, there was a decline in cane yield by 3,5 tons per ha harvested; but an increase in sucrose content from 14,3% to 14,6%. Third, there was a decrease in both sugar yield from cane and sugar yield from area. A combination of all these changes resulted in a slight decline of 0.7% in total sugar produced to stand at 626 584 tons.

Restructuring of Technical Services

After a number of meetings and workshops, it was finally agreed to out-source the provision of Cane Testing and Extension Services to the millers. Service level agreements (SLAs) were negotiated between SSA and the two miller groups. The SLAs were approved for implementation with effect from 1 April 2009. The future provision of Crop Production Research was left to the conclusion of discussions between SSA and the South African Sugar Research Institute. However, Pest and Disease Control as well as the Seedcane Scheme were left to continue operations directly within SSA.

Smallholder Sugarcane Growers (SSGs)

The comprehensive assistance programme (whose implementation started in earnest during the previous year) experienced further progress in four areas. First, support was secured from local financial institutions to complement funding under European Commission (EC) Accompanying Measures. The support was targeted at development costs (mainly land preparation and provision of irrigation equipment) of new growers. With the EC providing 70% of the costs, the growers needed to approach financial institutions for the other 30%. This is expected to have a considerable favorable impact on the indebtedness of SSGs. Second, a rebate facility was

secured from government to reduce the indebtedness of SSGs, especially those in the Komati Downstream Development Project. Third, a study on the Fairtrade certification of SSGs was finalized and its implementation referred to appropriate grower bodies. Fourth, a technical and financial audit was conducted on most SSG schemes to determine the type of assistance which could be obtained under the EC Accompanying Measures. The findings of these audits will inform the formulation of the next phase of SSG assistance.

National Adaptation Strategy (NAS)

There are four developments to be highlighted. First, SSA increased its resources for coordinating sugar industry activities under the NAS, through the engagement of a Programme Officer. Second, programming for the 2009 assistance under the EC Accompanying Measures progressed significantly, with most of the interventions targeted at existing growers. This included a grant facility to be managed by the Swaziland Cane Growers Association. Third, a number of studies were conducted on possible projects to assist various components of the sugar industry. Fourth, by the end of the year, the sugar industry was finalizing the review of its restructuring and adaptation strategy initially developed in June 2005.

International Dimension

In the light of changes expected to occur in the various external markets for Swazi sugar, a workshop was held to update the strategic marketing plan. The sugar industry continued to maintain a high international profile in line with the fact that the bulk of the sugar produced within Swaziland is disposed outside the country. The high profile has been reflected in international forums – including meetings and conferences attended by representatives of the sugar industry, re-election into the Administrative Committee of the International Sugar Organisation as well as continued membership to the World Sugar Research Organisation.

Appreciation

On behalf of the sugar industry, I wish to express my deep appreciation for the good work done by the SSA management team over the year under review. They performed admirably, at times under very trying conditions. The hope is that they continue into the next year with similar or better dedication.

R J Hulley

(Swaziland Sugar Association)

(Swaziland Sugar Association)

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

Dr Mike Matsebula
Chief Executive Officer 2008/09

Despite a decline of 1,4% in the total sugar tonnage sold, revenue from sugar sales increased by 14,6% to E2,9 billion. Molasses revenue declined slightly to E43 million mainly as a result of reduced sales tonnage by 5,3%.

A total of E12,5 million was spent on an upgrade of the Ubombo bagging store, roof sheeting at Mhlume warehouse and installation of a dust extraction plant at the Simunye warehouse. These projects were undertaken as part of SSA's effort to maintain high quality standards to satisfy customers.

As in the previous year, SSA operations continued to be based on the ISO 9001:2000 standard as a quality management system. This helped to continuously improve the level of operations and meet the expectations of customers and other stakeholders. Through an external audit, SSA was re-certified under the standard.

The sections which follow give details on various aspects of SSA operations.

M S Matsebula

MARKETING AND LOGISTICS

Sharon de Sousa
Commercial Director

The marketing of sugar (and its by-product, molasses) is conducted through the Commercial Department. The commercial function involves the storage, movement and delivery to markets of all sugar produced by the Swaziland sugar industry. Accordingly, the department's key objectives include meeting SSA's sales targets, both in regard to the volume and value of sugar sold, in order to maximise the revenue generated from sugar sales for the benefit of the growers and millers of the industry. Complementing the departmental objective on sales is the requirement to ensure that the sugar supplied meets quality standards of the customers and markets served.

Sales

Total sugar sales for the year amounted to 618 107 tons which was 1,4% less than the sales for the previous year. The EU sales reduced slightly from 188 220 tons in the previous year to 182 739 tons due to the timing, which resulted in sales being carried over into the following year for SSA while it was within the EU marketing year. These sales could not be diverted to other markets because of contractual commitments. Sales to the US market remained virtually unchanged from the previous year while SACU sales improved marginally by 12 493 tons. Sales into the COMESA market increased by 9 202 tons to 99 554 tons. There were no sales to the world market during the year, where 25 000 tons was sold the previous year.

The net sugar sales revenue increased by 16,9% from E2,088 billion to E2,440 billion. Molasses net sales revenue amounted to E43 million, a decrease of 0,9% from the previous year's net revenue of R43,4 million, due to reduced sales from 194 332 tons to 181 399 tons. The total industry net proceeds amounted to E2,483 billion. This reflects an overall increase in net proceeds of 16,5%.

Product and Market Mix

The table (and **Figure 1**) on page 7 depicts the total sales by product. The table shows that the industry has progressively moved towards selling more sugar of higher value. As a consequence, sales of raw (low quality) sugar have declined while sales of very high pol (VHP or brown) and refined/white have increased.

Table 1: Total Sales by Product Type

	Raw	VHP/Brown	Refined/ White	Total
2004/05	199 748	209 065	197 861	**606 674**
2005/06	181 956	235 497	219 214	**636 667**
2006/07	156 465	257 139	224 431	**638 035**
2007/08	161 740	257 667	207 323	**626 730**
2008/09	111 047	274 765	232 295	**618 107**

Figure 1: Total Sales by Product Type (2004/05 - 2008/09)

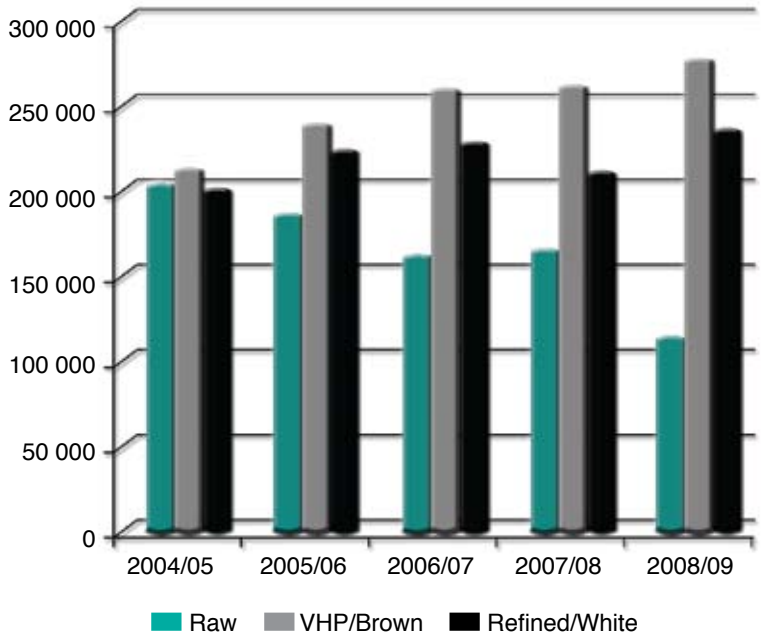
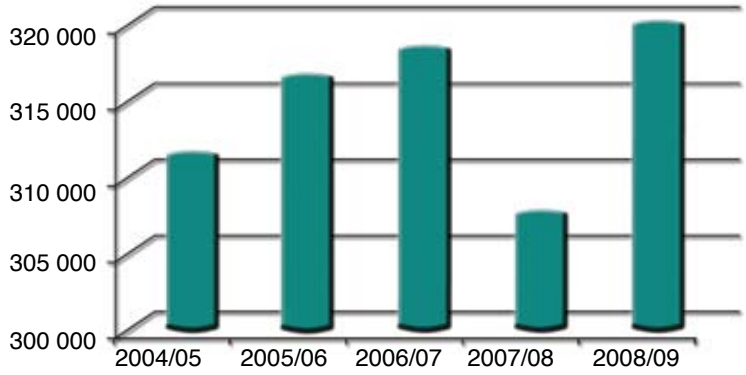


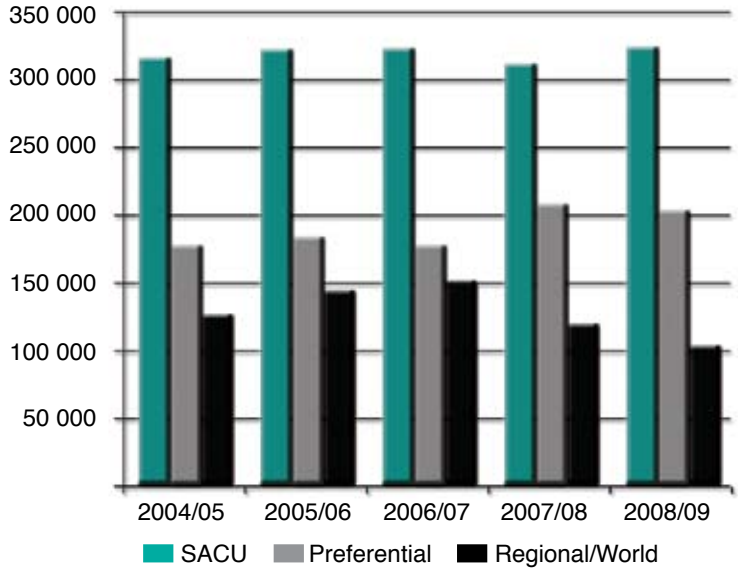
Figure 2 (below) shows the sales volume over the past five years into the SACU market, while **Figure 3** (on page 8) shows the sales broken down into the market categories of Preferential sales, SACU sales and Regional/World sales. Preferential sales include both EU and US sales.

Figure 2: Sales into the SACU Market 2004/05 - 2008/09



(Swaziland Sugar Association)

Figure 3: Total Sales by Market Type: 2004/05 - 2008/09



Quality

Monitoring of deviations of the product from the approved quality specifications remains a key area of focus for the department. During the year, a process for continuous product testing and analysis through the Sugar Milling Research Institute in South Africa remained in place. This process is linked with another system for correcting any deviations found. During the year, quality deviations have remained within acceptable tolerance levels and as a result no quality-related threat existed on sugar sales to the different markets.

Through the organisation's certification in terms of ISO 9001:2000, a customer complaints handling system continued to be maintained. The system is complemented by an annual customer survey which for this season was conducted in September 2008, and whose results were used to make certain improvements to the way customers are served.

In addition, the efforts to ensure that there is full compliance with food safety standards and traceability of product for sugar supplied in all market segments are being progressed with more vigour and pace.

Storage and Movement of Sugar

The industry bagged sugar storage capacity was increased by 33 000 MT in order to provide for the increased direct consumption sugar sales. As a result of the reduction in bulk sugar sales to the EU and the world market, the total bulk sugar quantity moved to the Maputo Port declined from 165 140 MT in the previous year to 150 059 MT.

The use of Mlawula as a siding for the movement of export sugar by rail to Maputo continued during the year. Two audits (one on the ISO certification and the other being an internal audit on operations) were conducted, which confirmed the appropriateness and adequacy of processes being used.

HUMAN RESOURCES

Musa Dlamini
HR and Admin Manager

Human Resources

Staff complement was at 81 (permanents) and 24 seasonals.

Training of employees was carried out to address identified training needs.

Two disputes were lodged at CMAC and both were unresolved.

Corporate Social Responsibility

Donations were made again this year to assist rural primary schools and charity organisations. The total amount donated was increased from last year's E150,000 to E175, 000 this year.

The support for sports (amateur athletics and junior tennis) was also increased from E65, 000 for last year to E70, 850 this year.

EXTENSION SERVICES

Jabulani Sifundza
Extension Services

The potential size of the 2008/09 crop was determined primarily by summer growing conditions between November 2007 and May 2008. Potential sugarcane yields are determined largely by radiation and temperature and comments on growing conditions refer to these important climatic variables.

In the South winter was characterized by low radiation and average temperatures. These conditions extended into early spring. At the end of November 2007 just prior to the summer growing period, potential yields for the 2008/09 season were forecast to be 140 tons cane per hectare per annum (t/ha/an), similar to the long term mean (LTM). Low radiation conditions persisted during mid to late summer and potential yields continued to fall. At the end of May 2008 forecast yields had dropped to 132 t/ha/an at Ubombo, well below the LTM.

In the North winter and spring growing conditions were similar to those experienced in the South. Between May and October below average radiation conditions were experienced at Mhlume. Conditions at Simunye were slightly better and average conditions were recorded between July and September. At the end of November potential yields were forecast to be 136 t/ha/an compared to an LTM of 138 t/ha/an at Mhlume, and 139,5 t/ha/an at Simunye (LTM = 140,5 t/ha/an).

In the North, mid-summer conditions continued to be poor especially during January, one of the most important growing months in the region. At the end of January potential yields had declined to 134 t/ha/an at Mhlume and 136 t/ha/an at Simunye. However, good conditions during late summer and early autumn (February to April) saw some recovery and potential yields rose to 137,5 t/ha/an at Mhlume by the end of April and 136,5 t/ha/an at Simunye. This improvement in growing conditions was more pronounced at Mhlume than at Simunye.

Grower Performance

Industry average yield per harvested area for smallholder growers (growers with less than 50 ha harvested) declined by 1,3% from 79,50 in 2007 to 78,50 tons cane per hectare (TCH) in 2008 (Table page 11). Yields in the Big Bend area declined the most from 90,40 in 2007 to 85,14 TCH in 2008, a 5,8% decline. Average yields in the Simunye Mill area declined by 1,1% from 82,48 to 81,57 TCH. The Mhlume Mill area recorded the lowest

average yield at 69,66 TCH but this was an increase of 6,1% from the previous season. The lowest yield (5,06 TCH) recorded among the smallholder growers category was at the Mhlume Mill area due to the water closure to most farms in Vuvulane.

Industry average yields for medium scale growers (growers with 50 to but not greater than 1 000 ha harvested) increased by 1,7% from 91,68 in 2007 to 93,20 TCH in 2008. However, average yields in the Big Bend and Mhlume Mill areas declined by 8,1% and 2,2%, respectively. Average yields for growers in the Simunye Mill area increased by 15,1% from 76,04 to 87,52 TCH. The Lowest average yield (38,96 TCH) in this group was recorded in the Big Bend area.

Large scale growers' (growers with equals to or greater than 1 000 ha harvested) industry average yields declined by 3,1% from 105,56 in 2007 to 102,30 TCH in 2008. Yields in the Big Bend and Simunye areas declined by 3,6% and 7,5%, respectively. Growers in the Mhlume area recorded a slight increase of about 1,1% 97,76 to 98,86 TCH.

Table: Grower Performance

	Smallholder Growers			Medium Scale Growers			Large Scale Growers		
Mill Group	**2007**	**2008**	**% Var.**	**2007**	**2008**	**% Var.**	**2007**	**2008**	**% Var.**
Big Bend	90,4	85,14	(5,8)	98,97	91,00	(8,1)	103,72	100,03	(3,6)
Mhlume	65,63	69,66	6,1	100,03	97,84	(2,2)	97,76	98,86	1,1
Simunye	82,48	81,57	(1,1)	76,04	87,52	15,1	115,19	106,56	(7,5)
Industry	79.5	78.5	(1,3)	91,68	93,20	1,7	105,56	102.30	(3,1)

New Varieties

Varieties, N41 and N49 were imported from SASRI in October 2008 and planted at the Simunye Trial site for bulking purposes. N41 was ideally released for the dry land region of South Africa. Due to its good performance in Pongola, it is assumed that the variety will perform as well in Swaziland and will also be tried in Malkerns. Both varieties will be released to the Highveld Seedcane Scheme in spring 2009 and will be available to selected growers for planting in secondary nurseries in 2010.

Smut Surveys

About 80% (40 870 ha) of the total area under sugarcane in the industry was inspected during the 2008/09 season against a target of 70%. There was a slight decrease in average smut infection percentages in the Lowveld as compared to the previous season. The Malkerns area remained relatively free of smut. The highest regional average infection was recorded in the Nsoko area (1,14%) while the lowest was recorded at Mhlume (0,42%). There were two fields that were listed for compulsory plough out, one in the north and one in the south compared to five in the previous season. Both farms recorded smut levels greater than 15%.

CANE TESTING

Sipho Dlamini
Cane Testing Manager

The key objective for the cane testing service was to ensure the accurate determination and equitable distribution of the total sucrose delivered to each mill on a weekly basis. The two performance indicators used to monitor this objective were the pol factor and the testing efficiency (as measured by the total number of consignments tested compared to the total number delivered). The pol factor was deemed to be acceptable if it was within the range 98,50 % and 100,50 %, and the target for the testing efficiency was set at 70 %.

The graphs below show the weekly trends for the three mills during the entire season.

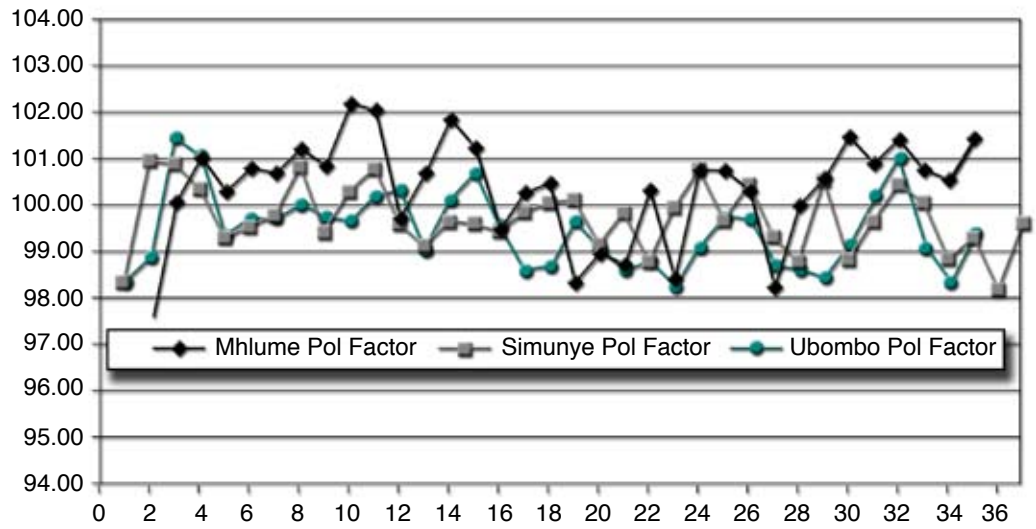


Figure 1

Whilst Mhlume experienced some big swings on a weekly basis, the year to date pol factor ended at 100,34 % which was still within the acceptable range.

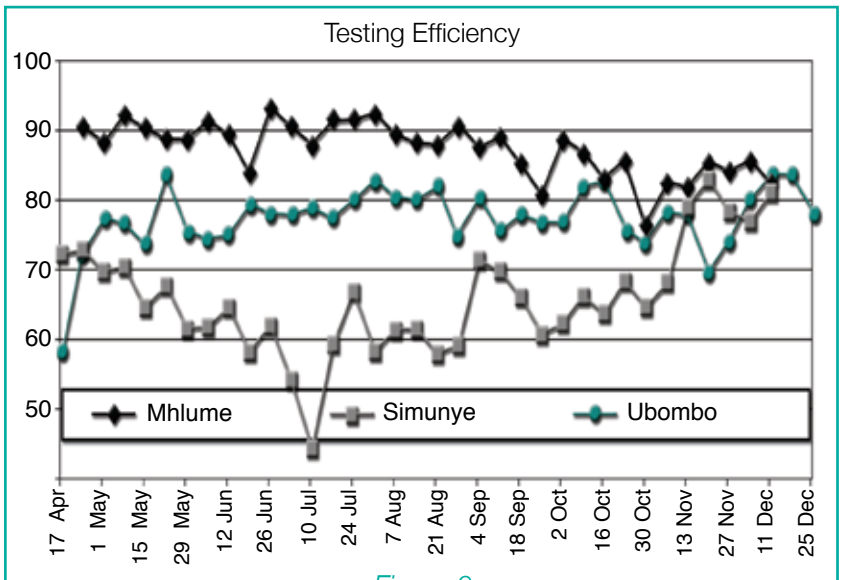


Figure 2

As evident from figure 2 above, challenges were experienced at Ubombo during mid-season in achieving the target. These challenges related to a large extent to equipment breakdowns, which were overcome towards the end of the season, hence the marked improvement during the last six weeks. Both Mhlume and Simunye performed exceptionally well throughout the season.

The implementation of a formal service level agreement between SSA and the Milling companies during the 2009/2010 season presents an opportunity towards improving the relationship between the stakeholders by clearly defining responsibilities for each party as well as agreeing on performance expectations by the mills as service providers.

(Swaziland Sugar Association)

(Swaziland Sugar Association)

CORPORATE GOVERNANCE

SSA has a unitary Council of delegates that is balanced between millers and growers. The Council is ultimately responsible for ensuring that the business is a thriving concern, and to this end effectively controls the group and its management and is involved in all decisions that are material for this purpose.

Chairman

The Chairman is a non-executive and independent member of Council. The roles of the Chairman and Chief Executive Officer are separated.

Financial Statements

The SSA Council is responsible for ensuring the preparation of Annual Financial Statements and other information presented in reports to stakeholders in a manner that fairly presents the state of affairs and results of business operations. The external auditors are responsible for carrying out an independent examination of the Annual Financial Statements in accordance with International Standards on Auditing and reporting their findings.

The Annual Financial Statements are prepared in accordance with International Accounting Standards. They are based on appropriate accounting policies which have been consistently applied, except when otherwise stated in which case full disclosure is made, and are supported by reasonable and prudent judgements and estimates.

The members of Council have no reason to believe that the business will not continue as a going concern in the year ahead. The auditors concur with the opinion of the members of Council. Where the closure or discontinuation of an operation is anticipated, provision is made to reduce the carrying cost of the relevant assets to net realizable value if this is below cost. Provision is also made for any future operating losses incurred from the date of discontinuance of the anticipated disposal of such assets.

Council, Finance Committee and Audit Committee

The members of Council hold regular quarterly and annual meetings. In addition, there is provision in the SSA Constitution for decisions taken between meetings to be confirmed by way of Council resolutions.

SSA has a Finance Committee which comprises an equal number of millers and growers. The external auditors have unrestricted access to this Committee whose main task is to ensure the maintenance of and, where necessary, review of the effectiveness of internal controls in SSA in the light of findings by the external auditors. Other areas covered include the review of important accounting issues, pending litigation, specific disclosures in the Annual Financial Statements and a review of the major audit recommendations.

The Audit Committee assists Council in fulfilling its fiduciary responsibility by overseeing the integrity of SSA's financial statements, financial reporting processes, internal accounting and financial controls, annual independent audit and other aspects of financial management at SSA (including compliance with applicable standards, laws, regulations and policies).

Internal Control

SSA maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the Annual Financial Statements and to adequately safeguard, verify and maintain accountability for its assets. Such controls and systems are based on established policies and procedures and are implemented by trained personnel with an appropriate segregation of duties. The effectiveness of these internal controls and systems is monitored in a number of ways, as set out below, dependent upon the particular circumstances:

Aid of internal control checklists;

Establishment of defalcation reporting procedures; and

Adherence to performance standards.

Nothing has come to the attention of Council, senior management or the external auditors to indicate that any material breakdown in the functioning of the abovementioned internal controls and systems has occurred during the year under review.

Executive Management

The Executive Management meets on a monthly basis to review operational performance, capital programmes and other relevant issues. In addition, consideration is given through well-defined structures, to major investment and capital expenditure proposals as well as issues of strategic importance to the group, for recommendations to the members of Council. Furthermore, the regular involvement of the industry members with operational executives ensures the interactive nature of the overall management reporting structure.

Remuneration Committee

The Remuneration Committee, is responsible for the assessment and approval of a broad remuneration strategy for SSA, the determination of incentive pay structures for SSA management and staff, positioning of senior executive pay levels, and authorisation of specific reward proposals for SSA officers.

Management Reporting

SSA has established comprehensive management reporting disciplines which include the preparation of annual budgets by all operating entities. Monthly results and financial status of operating entities are reported against approved budgets and compared to the prior year. Profit and cash flow projections are reviewed regularly whilst working capital and borrowing levels are monitored on any ongoing basis.

Ethics

Members of Council and SSA employees maintain the highest ethical standards ensuring that business practices are conducted in a manner which, in all reasonable circumstances, is beyond reproach. In any instance where ethical standards are called into question, the circumstances are investigated and resolved by the appropriate executive.

Employment Equity, Social investment, Environment and Risk Management

SSA's strategic policies, actions and achievements in respect of these matters are covered in various parts of this annual report.

GROUP FINANCIAL STATEMENTS

Bimal de Silva
Financial Director

(Swaziland Sugar Association)

Council Members' responsibility statement for the financial statements

The Association's Council Members are responsible for the preparation and fair presentation of the consolidated and separate financial statements, comprising the balance sheet at 31 March 2009 and the income statement and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with Swaziland and International Financial Reporting Standards and in the manner required by the Swaziland Sugar Act of 1964.

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 as well as the preparation of the supplementary schedules included in these financial statements.

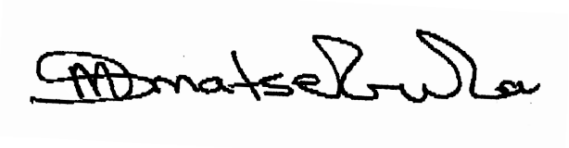
The Council Members' have made an assessment of the Association's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

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 consolidated and separate financial statements set out on pages 22 to 78 were approved by the Council Members on 2 July 2009 and are signed on its behalf by:

President



Chief Executive Officer

Report of the independent auditors

To the Members of the Swaziland Sugar Association

We have audited the consolidated and separate financial statements of the Swaziland Sugar Association, which comprise the balance sheet at 31 March 2009, and the income statement and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 22 to 78.

Council Members' responsibility for the financial statements

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

Auditor's responsibillty

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

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

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Swaziland Sugar Association at 31 March 2009, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with Swaziland and International Financial Reporting Standards, and in the manner required by the Swaziland Sugar Act.

Auditors

KPMG Chartered Accountants (Swaziland)

Mbabane

2 July 2009

SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Swaziland Sugar Association is an Association domiciled in Swaziland. The address of the Association's registered office is: Corner of Msakato & Dzeliwe Streets, P O Box 445, Mbabane H100, Swaziland. The consolidated and separate financial statements of the Association for the year ended 31 March 2009 comprise the Association and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities. The Group is primarily involved in selling sugar and molasses in Swaziland.

The financial statements were authorised for issue by Council on 2 July 2009.

Statement of compliance

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

Basis of measurement

The consolidated and separate annual financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value; and
- available-for-sale financial assets are measured at fair value.

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

Functional and presentation currency

The consolidated and separate financial statements are presented in Emalangeni, which is the Association's functional currency. All financial information presented in Emalangeni has been rounded to the nearest one.

Use of estimates and judgements

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated and separate financial statements are described in the following notes:

- provisions and contingencies
- valuation of financial instruments
- lease classification
- valuation of sugar and molasses stocks

SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

Subsidiaries

Subsidiaries are those entities, including special purpose entities, controlled by the Association. Control exists when the Association has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The annual financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Amounts realised from the sale of sugar and molasses stocks are distributed to growers and millers.

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

	2009	**2008**
	Control	*Control*
• Swaziland Sugar Assets Limited	100%	100%
• Sugar Assets (Mhlume) Limited	100%	100%
• Sugar Holding Company Limited	100%	100%
• Commodity Marketing Company Limited	100%	100%
• Sugar Assets (Simunye) Limited	100%	100%

Joint venture

Joint ventures are those entities over whose activities the Group has joint control, established by a contractual agreement. The consolidated annual financial statements include the Group's share of total recognised gains and losses of the joint venture on an equity accounted basis, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in the joint venture, the Group's carrying amount is reduced to nil and recognition of future losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. The following is the joint venture of the Association:

	2009	**2008**
	Share	*Share*
Sociedade Terminal de Acucar De Maputo LDA ("STAM")	25%	25%

Transactions eliminated on consolidation

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

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 balance sheet 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.

Financial instruments

Financial assets carried on the balance sheet include cash and bank balances, accounts receivable, forward exchange contract assets, loans to subsidiaries and unsecured loans. All financial assets are carried at anticipated net realisable value. An estimate is made of doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

Financial liabilities carried on the balance sheet include bank overdrafts, borrowings and accounts payable. All financial liabilities are carried at the anticipated settlement amount.

Unless otherwise stated, the carrying values of these financial assets and liabilities approximate their fair value.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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

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

Accounting for finance income and expenses is discussed below.

Held- to-maturity

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

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Financial instruments (continued)

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

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

Impairment

Financial assets

Impairment of a financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available for sale financial asset is calculated by reference to its current fair value.

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

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-financial assets

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continue)

Non-financial assets (continued)

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets ("cash generating unit").

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

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

Interest bearing borrowings

Interest bearing borrowings are recognised initially at cost less attributable transactions costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Trade and other payables

Trade and other payables are stated at amortised cost, using the effective interest method.

Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses, using the effective interest method.

Employee benefits

Defined contribution plans

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

Termination benefits

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Short term benefits

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

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

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

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 is considered to be cost, is determined as the estimated selling price in the ordinary course of business, less estimated volume rebates, discounts, and point of sale costs.

Managements' estimate of cost is based on the most reliable evidence available at balance sheet date.

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

Investments

Investments are shown at cost less impairment losses.

Investments in Italian Government bonds held to maturity are stated at amortised cost less impairment losses. A sinking fund has been established to account for the discount on the cost of such investments compared to the maturity value of the investments. The discount is released to income over the life of the bonds.

Leases

Leased assets

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Lease payments (continued)

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

Finance income and expense

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

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

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

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

Revenue

Sugar and molasses sales

Revenue from the sale of sugar and molasses is recognised in the income statement 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.

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 income statement as a foreign currency gain or loss.

Property, plant and equipment

Recognition and measurement

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

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

Property, plant and equipment (contnued)

Recognition and measurement (continued)

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

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

Depreciation

Freehold land is not depreciated. Improvements to leasehold property are capitalised and depreciated over the period of the lease. Depreciation is calculated on a reducing balance basis, with the exception of the subsidiaries' assets, which are depreciated on a straight line basis, at rates considered appropriate to reduce the book value over their useful lives. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

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

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

The residual value, depreciation method and useful lives are reassessed annually.

Subsequent costs

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Provisions

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

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2009, and have not yet been applied in preparing these consolidated annual financial statements:

- Revised IAS 23 – *Borrowing costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.
- Revised IAS 27 – *Consolidated and separate Financial Statements*, applicable to annual financial periods commencing on or after 1 January 2009
- Revised IAS 32 – *Financial instruments: Presentation and IAS 1 Presentation of financial statements: Puttable financial instruments and obligations arising on liquidation*, applicable to annual financial periods commencing on or after 1 January 2009
- Revised IAS 1 – *Presentation of financial statements*, applicable to annual financial periods commencing on or after 1 January 2009
- IFRIC 14 – *The limit on a defined benefit asset*, minimum funding requirements and their interaction, applicable to annual financial periods commencing on or after 1 January 2009.
- Revised IFRS 3 – *Business combinations* (2008) incorporate the following changes that are likely to be relevant to the Group's operations:
  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as a business combination
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in the acquired business will be measured at fair value with the gain or loss recognised in profit or loss.

SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations not yet adopted (continued)

- Revised IFRS 3 – *Business combinations* (continued)
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquired, on a transaction-by-transaction basis.
  - Revised IFRS 3, which becomes mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and thereafter there will be no impact on prior periods in the Group's consolidated financial statements.

Determination of fair values

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

Inventory

The fair value of sugar and molasses is determined based on the estimated selling prices for the next financial period less estimated volume rebate, discounts and point of sale costs.

Derivatives

The fair value of forward exchange contracts is based on their listed market price.

INCOME STATEMENTS

for the year ended 31 March 2009

	Notes	Group 2009 E	Group 2008 E	Association 2009 E	Association 2008 E
Revenue	1	**2 897 311 117**	2 527 423 738	**2 897 311 117**	2 527 423 738
Cost of sales		**(2 575 189 623)**	(2 297 612 049)	**(2 605 839 532)**	(2 319 151 285)
Gross profit		**322 121 494**	229 811 689	**291 471 585**	208 272 453
Other income		**347 417**	2 475 918	**-**	-
Distribution costs		**(89 657 331)**	(82 851 926)	**(89 657 331)**	(82 851 926)
Administrative expenses		**(39 368 228)**	(35 973 666)	**(38 765 676)**	(35 396 772)
Other expenses		**(102 994)**	(1 105 807)	**-**	-
Sugar export levy		**(26 967 600)**	(25 679 004)	**(26 967 600)**	(25 679 004)
Operating profit before financing costs	2	**166 372 758**	86 677 204	**136 080 978**	64 344 751
Finance income		**404 157**	6 158 993	**20 020 222**	21 618 435
Finance expenses		**(165 966 103)**	(91 777 745)	**(155 290 388)**	(84 904 734)
Net financing costs	3	**(165 561 946)**	(85 618 752)	**(135 270 166)**	(63 286 299)
Share of loss of joint venture	2	**(706 479)**	(946 237)	**(706 479)**	(946 237)
Profit before tax		**104 333**	112 215	**104 333**	112 215
Income tax expense	4	**(104 333)**	(112 215)	**(104 333)**	(112 215)
Profit for the year		**-**	-	**-**	-

BALANCE SHEETS

at 31 March 2009

	Notes	Group 2009 E	Group 2008 E	Association 2009 E	Association 2008 E
ASSETS					
Non current assets					
Property, plant and equipment	5	**193 927 991**	188 555 568	**10 937 191**	10 641 435
Unsecured loans receivable	6	**575 792**	784 512	**575 792**	784 512
Investments in subsidiaries	7	**-**	-	**500**	500
Investments in jointly controlled entities	7	**26 566 061**	27 272 540	**26 566 061**	27 272 540
		221 069 844	216 612 620	**38 079 544**	38 698 987
Current assets					
Inventories	8	**463 274 545**	351 613 374	**463 274 545**	351 613 374
Trade and other receivables	9	**96 467 966**	173 757 254	**96 467 966**	173 751 808
Forward exchange contract asset	20	**50 751 615**	35 146 040	**50 751 615**	35 146 040
Unsecured loans receivable	6	**185 739**	229 818	**185 739**	229 818
Cash and cash equivalents	14.3	**73 782 164**	165 053 860	**73 782 164**	164 902 511
Loans to subsidiaries	10	**-**	-	**139 350 899**	108 228 376
		684 462 029	725 800 346	**823 812 928**	833 871 927
Total assets		**905 531 873**	942 412 966	**861 892 472**	872 570 914
RESERVES AND LIABILITIES					
Non-distributable reserve	11	**13 022**	13 022	**13 022**	13 022
Cash flow hedge reserve	20	**50 751 615**	35 146 040	**50 751 615**	35 146 040
		50 764 637	35 159 062	**50 764 637**	35 159 062
Non-current liabilities					
Long term liabilities	12	**45 626 382**	63 989 597	**17 298 571**	22 677 568
Current liabilities					
Bank overdraft	14.3	**662 103 874**	602 139 743	**662 103 874**	600 805 308
Current portion of long-term liabilities	12	**20 671 256**	31 301 993	**5 720 882**	4 898 809
Trade and other payables	13	**126 364 921**	209 780 398	**126 003 706**	208 987 994
Taxation	14.2	**802**	42 173	**802**	42 173
		809 140 854	843 264 307	**793 829 264**	814 734 284
Total reserves and liabilities		**905 531 873**	942 412 966	**861 892 472**	872 570 914

CASH FLOW STATEMENTS

for the year ended 31 March 2009

	Notes	Group 2009 E	Group 2008 E	Association 2009 E	Association 2008 E
Cash flow from operations					
Cash generated from operations	14.1	**85 566 169**	43 039 217	**47 125 908**	12 296 649
Interest received		**404 158**	6 158 998	**20 020 222**	21 618 435
Interest paid		**(165 966 400)**	(91 777 750)	**(155 290 388)**	(84 904 734)
Sugar levy paid		**(26 967 600)**	(25 679 004)	**(26 967 600)**	(25 679 004)
Taxation paid	14.2	**(145 704)**	(247 801)	**(145 704)**	(247 801)
Net cash outflow from operations		**(107 109 377)**	(68 506 340)	**(115 257 562)**	(76 916 455)
Cash flows from investing activities					
Sinking fund investments paid		**-**	5 883 093	**-**	-
Acquisition of property, plant and equipment		**(15 420 438)**	(26 815 087)	**(1 799 026)**	(2 049 769)
Proceeds on disposal of property, plant and equipment		**64 132**	239 151	**64 132**	239 151
Net cash outflow from investing activities		**(15 356 306)**	(20 692 843)	**(1 734 894)**	(1 810 618)
Cash flows from financing activities					
Long term liabilities raised		**-**	47 000 000	**-**	30 000 000
Unsecured loans receivable repaid		**252 800**	264 387	**252 800**	264 387
Repayment of long term liabilities		**(29 022 946)**	(22 320 056)	**(4 556 926)**	(2 423 623)
Loans to subsidiary companies		**-**	-	**(31 122 331)**	(7 960 856)
Net cash (outflow) / inflow from financing activities		**(28 770 146)**	24 944 331	**(35 426 457)**	19 879 908
Net decrease in cash and cash equivalents		**(151 235 829)**	(64 254 852)	**(152 418 913)**	(58 847 165)
Cash and cash equivalents at the beginning of the year		**(437 085 881)**	(372 831 028)	**(435 902 797)**	(377 055 632)
Cash and cash equivalents at the end of the year	14.3	(588 321 710)	(437 085 880)	(588 321 710)	(435 902 797)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E
1. Revenue				
Revenue comprise:				
Sugar sales	**2 854 307 451**	2 484 070 629	**2 854 307 451**	2 484 070 629
Molasses sales	**43 003 666**	43 353 109	**43 003 666**	43 353 109
	2 897 311 117	2 527 423 738	**2 897 311 117**	2 527 423 738

Sugar sales relates to sugar sold in the South African Customs Union ("SACU"), the regional and international market as well as the world market. Molasses is sold within the SACU market. The analysis of revenue by market is provided on note 18 below.

2. Operating profit before financing costs is arrived at after charging the following:				
Income				
Sundry income	**312 696**	644 438	**312 696**	644 438
Profit on sale of property and equipment	**15 542**	58 111	**15 542**	58 111
Expenses				
Share of joint venture loss	**706 479**	946 237	**706 479**	946 237
Loss on currency realignment	**-**	2 690 945	**-**	206 710
Operating lease payments	**926 184**	842 184	**926 402**	842 184
Audit fees: current year	**182 354**	536 309	**151 274**	504 809
3. Net financing costs				
Finance income	**404 157**	6 158 993	**20 020 222**	21 618 435
Finance expense	**(165 966 103)**	(91 777 745)	**(155 290 388)**	(84 904 734)
	(165 561 946)	(85 618 752)	**(135 270 166)**	(63 286 299)
Included in net finance cost is:				
foreign exchange loss	**(57 552 092)**	(4 426 039)	**(57 552 092)**	(4 426 039)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E
4. Taxation				
Current year	**104 333**	112 215	**104 333**	112 215
Tax rate reconciliation				
Profit before taxation	**104 333**	112 215	**104 333**	112 215
Tax thereon at 30%	**31 300**	33 665	**31 300**	33 665
Non deductible expenses	**73 033**	78 550	**73 033**	78 550
	104 333	112 215	**104 333**	112 215
5. Property, plant and equipment				
Cost				
Freehold land and buildings	**12 398 035**	12 398 035	**12 398 035**	12 398 035
Leasehold land and buildings	**166 947**	166 947	**166 947**	166 947
Plant, machinery and computer equipment	**10 147 766**	8 403 137	**10 147 766**	8 403 137
Furniture and fittings	**1 536 984**	1 521 234	**1 536 984**	1 521 234
Motor vehicles	**2 190 594**	2 385 463	**1 680 336**	1 875 205
Conditioning silo buildings	**62 107 272**	62 107 272	**-**	-
Sugar store buildings	**84 110 322**	77 722 219	**-**	-
Molasses storage buildings	**1 371 928**	1 371 928	**-**	-
Conditioning silo equipment	**47 611 119**	47 611 119	**-**	-
Sugar store equipment	**43 463 840**	37 252 468	**-**	-
Molasses storage equipment	**22 457 501**	22 457 501	**-**	-
Work in progress	**1 154 117**	314 469	**132 181**	314 469
	288 716 425	273 711 792	**26 062 249**	24 679 027
Accumulated depreciation and impairment loss				
Freehold land and buildings	**7 880 336**	7 510 550	**7 880 336**	7 510 550
Leasehold land and buildings	**151 801**	149 875	**151 801**	149 875
Plant, machinery and computer equipment	**5 519 523**	4 963 254	**5 519 523**	4 963 254
Furniture and fittings	**719 374**	629 950	**719 374**	629 950
Motor vehicles	**990 089**	886 014	**854 024**	783 963
Conditioning silo buildings	**13 466 735**	11 926 561	**-**	-
Sugar store buildings	**16 574 806**	14 583 493	**-**	-
Molasses storage buildings	**1 371 928**	1 317 096	**-**	-
Conditioning silo equipment	**23 446 668**	20 936 693	**-**	-
Sugar store equipment	**15 346 012**	13 641 504	**-**	-
Molasses storage equipment	**9 321 162**	8 611 234	**-**	-
	94 788 434	85 156 224	**15 125 058**	14 037 592

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E
5. Property, plant and equipment (continued)				
Net book value				
Freehold land and buildings	**4 517 699**	4 887 485	**4 517 698**	4 887 485
Leasehold land and buildings	**15 146**	17 072	**15 146**	17 072
Plant, machinery and computer equipment	**4 628 243**	3 439 883	**4 628 243**	3 439 883
Furniture and fittings	**817 610**	891 284	**817 610**	891 284
Motor vehicles	**1 200 505**	1 499 449	**826 313**	1 091 242
Conditioning silo buildings	**48 640 537**	50 180 711	**-**	-
Sugar store buildings	**67 535 516**	63 138 726	**-**	-
Molasses storage buildings	**-**	54 832	**-**	-
Conditioning silo equipment	**24 164 451**	26 674 426	**-**	-
Sugar store equipment	**28 117 828**	23 610 964	**-**	-
Molasses storage equipment	**13 136 339**	13 846 267	**-**	-
Work in progress	**1 154 117**	314 469	**132 181**	314 469
	193 927 991	188 555 568	**10 937 191**	10 641 435

The transfer of freehold land at Mlawula, consisting of Portions 5 and 6 (portions of Portion 1) of Farm no 176 to Swaziland National Housing Board, has since been cancelled and ownership of the properties has reverted to the Association. Freehold land at Mlawula consisting of Portion 10 of Farm 177, Lubombo District, is in the process of being transferred to the Association at cost. The land at Phuzumoya siding is let by the Trustees for the Swazi Nation to Swaziland Railway and sublet by Swaziland Railway to the Association. Both the lease and sublease expire on 31 December 2013. Swaziland Railway has entered into agreements with the Association to operate sidings at Phuzumoya and Mlawula. The agreements are for indefinite periods but may be terminated at six months notice by either party.

The sugar conditioning plant, molasses storage tanks and sugar warehouse at Ubombo are situated on land owned by Ubombo Sugar Limited and over which a subsidiary of the Association has been granted servitude of right of use for a period of 100 years which commenced on 20 August 1994. Upon termination of the servitude Ubombo Sugar Limited has the option to purchase the plant at a price equal to the final cost of the plant, or to lease the plant at a rental to be agreed. The sugar conditioning plant, molasses storage tanks and sugar warehouse at Mhlume are situated on land sub-leased from Mhlume (Swaziland) Sugar Company Limited. The sub-lease endures until 8 September 2009. A subsidiary of the Association has the right to renew the sub-lease thereafter for a further period of twenty- five years. The warehouse and bagging plant at Simunye is situated on land to be sub-leased from the Royal Swaziland Sugar Corporation Limited. The sub-lease is still to be registered. Depreciation for the year has been charged as follows:

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E
5. Property, plant and equipment (continued)				
Allocation of depreciation				
Direct cost of sales	**448 038**	467 358	**448 038**	467 358
Direct analysis of cane	**249 556**	216 560	**249 556**	216 560
Extension services	**234 040**	281 014	**234 040**	281 014
Administration	**302 110**	332 496	**302 110**	332 852
Operating expense	**8 544 745**	7 676 775	**-**	-
Total	**9 778 489**	8 974 203	**1 233 744**	1 297 784

Reconciliation of the opening carrying value and closing carrying amount

Association

	Opening net book value	Additions	Disposals	Transfer	Deprec-iation	Closing net book value
	E	**E**	**E**	**E**	**E**	**E**
Freehold land and buildings	4 887 485	-	-	-	(369 786)	4 517 699
Leasehold land and buildings	17 072	-	-	-	(1 926)	15 146
Motor vehicles	1 091 242	-	(48 590)	-	(216 340)	826 312
Furniture and fittings	891 284	15 750	-	-	(89 424)	817 610
Plant and equipment	3 439 883	559 164	-	1 185 464	(556 268)	4 628 243
Work in progress	314 469	1 224 112	(220 936)	(1 185 464)	-	132 181
	10 641 435	1 799 026	(269 526)	-	(1 233 744)	10 937 191

5. Property, plant and equipment (continued)

	Opening net book value	Additions	Disposals	Transfer	Deprec-iation	Closing net book value
	E	E	E	E	E	E
Group						
Freehold land and buildings	4 887 485	-	-	-	(369 786)	4 517 699
Leasehold land and buildings	17 072	-	-	-	(1 926)	15 146
Plant and equipment	3 439 883	559 165	-	1 185 464	(556 269)	4 628 243
Furniture and fittings	891 284	15 750	-	-	(89 424)	817 610
Motor vehicles	1 499 449	-	(48 590)	-	(250 354)	1 200 505
Conditioning silo buildings	50 180 711	-	-	-	(1 540 174)	48 640 537
Sugar store buildings	63 138 726	6 388 103	-	-	(1 991 313)	67 535 516
Molasses storage buildings	54 832	-	-	-	(54 832)	-
Conditioning silo equipment	26 674 426	-	-	-	(2 509 975)	24 164 451
Sugar store equip-ment	23 610 960	6 211 372	-	-	(1 704 508)	28 117 824
Molasses storage equipment	13 846 272	-	-	-	(709 928)	13 136 344
Work in progress	314 468	2 246 048	(220 936)	(1 185 464)	-	1 154 116
	188 555 568	15 420 438	(269 526)	-	(9 778 489)	193 927 991

		Group		Association	
		2009	2008	**2009**	2008
		E	E	**E**	E
6. Unsecured loans receivable	Interest per annum				
Ubombo Sugar Limited					
Repayable together with interest in nineteen equal annual instalments terminating 30 April 2010	10%	**8 443**	12 104	**8 443**	12 104
		8 443	12 104	**8 443**	12 104
The Royal Swaziland Sugar Corporation Limited					
Repayable together with interest in eleven equal instalments terminating 1 September 2009	10%	**50 761**	64 703	**50 761**	64 703
Repayable together with interest in eleven equal annual instalments terminating 30 June 2016	10%	**173 826**	187 645	**173 826**	187 645
Balance carried forward		**224 587**	252 348	**224 587**	252 348

	Interest per annum	Group 2009 E	Group 2008 E	Association 2009 E	Association 2008 E
6. Unsecured loans receivable (continued)					
Balance brought forward		**224 587**	252 348	**224 587**	252 348
Repayable together with interest in eleven equal instalments terminating 1 November 2009	10%		-		-
Repayable together with interest in eleven equal instalments terminating 1 April 2009	10%	**64 773**	123 657	**64 773**	123 657
Repayable together with interest in eleven equal instalments terminating 1 February 2009	10%	**-**	67 060	**-**	67 060
Repayable together with interest in eleven equal instalments terminating 1 December 2009	10%	**41 896**	79 984	**41 896**	79 984
Repayable together with interest in eleven equal instalments terminating 1 December 2010	10%	**50 210**	71 946	**50 210**	71 946
Repayable together with interest in eleven equal instalments terminating 31 March 2016	10%	**143 632**	157 395	**143 632**	157 395
Repayable together with interest in eleven equal instalments terminating 31 March 2016	10%	**227 990**	249 836	**227 990**	249 836
		753 088	1 002 226	**753 088**	1 002 226
Total unsecured loans receivable		**761 531**	1 014 330	**761 531**	1 014 330
Current portion					
Deduct amounts due within one year disclosed as current assets		**(185 739)**	(229 818)	**(185 739)**	(229 818)
		575 792	784 512	**575 792**	784 512

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for the year ended 31 March 2009

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E
7. Investments in subsidiary companies				
Shares in Swaziland Sugar Assets Limited - at cost	**-**	-	**100**	100
Shares in Sugar Assets (Mhlume) Limited - at cost	**-**	-	**100**	100
Shares in Sugar Assets (Simunye) Limited - at cost	**-**	-	**100**	100
Shares in Sugar Holding Company Limited - at cost	**-**	-	**100**	100
Shares in Commodity Marketing Company Limited – at cost	**-**	-	**100**	100
	-	-	**500**	500
Investments in jointly controlled entities				
Shares in Sociedade Terminal de Açucar de Maputo Limitada ("STAM")	**26 566 061**	27 272 540	**26 566 061**	27 272 540

	Group and Association	
	2009	2008
	E	E
8. Inventories		
The following inventories were held by the Group:		
Measured at net realisable value		
Sugar stocks	**455 316 908**	340 062 410
Molasses stocks	**-**	219 946
Measured at cost		
Bags and liners	**7 957 637**	11 331 018
	463 274 545	351 613 374

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E
9. Trade and other receivables				
Trade receivables	**94 381 196**	171 853 781	**94 381 196**	171 853 781
Other receivables	**2 086 770**	1 903 473	**2 086 770**	1 898 027
	96 467 966	173 757 254	**96 467 966**	173 751 808
10. Loans to subsidiaries				
Loan to Swaziland Sugar Assets Limited	**-**	-	**36 453 703**	22 777 010
Loan to Sugar Assets (Simunye) Limited	**-**	-	**23 699 192**	11 466 888
Loan to Sugar Assets (Mhlume) Limited	**-**	-	**79 198 004**	73 984 478
	-	-	**139 350 899**	108 228 376

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

11. Non-distributable reserve				
Non distributable reserve	**13 022**	13 022	**13 022**	13 022
	13 022	13 022	**13 022**	13 022

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E
12. Long term liabilities				
Loan from the European Investment Bank	-	5 724 090	-	-
Amounting to 4 500 000 Euros for the purpose of financing the construction of a bulk refined sugar conditioning plant. Swaziland Sugar Assets Limited will pay interest to the European Investment Bank on the outstanding balance of the loan at an annual rate of 3%. The loan is being repaid in ten equal annual instalments which commenced on 10 November 1999. Repayments will be funded out of Euro proceeds on maturity of the Italian Government Euro bonds which are due prior to the scheduled repayments of capital and interest.				
Less: Current portion transferred to current liabilities	-	(5 724 090)	-	-
	-	-	-	-
Loan from the European Investment Bank	-	4 243 459	-	-
Amounting to 3 000 000 Euros for the purpose of financing the construction of a bulk sugar conditioning tower, bagging and storage facility and warehouse. Sugar Assets (Mhlume) Limited will pay interest to the European Investment Bank on the outstanding balance of the loan at an annual rate of 3%. The loan is being repaid in nine equal annual instalments, which commenced on 1 December 2000.				
Less: Current portion transferred to current liabilities	-	(4 243 459)	-	-
	-	-	-	-
Balance carried forward	-	-	-	-

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E
12. Long term liabilities (continued)				
Balance brought forward	**-**	-	**-**	-
Loan from Nedbank (Swaziland) Limited	**23 019 452**	27 576 377	**23 019 452**	27 576 377
Amounting to E30 million for the purpose of financing the construction of the 4th tower at STAM. The loan is being repaid in monthly instalments of E660 090 commencing on 31 October 2008. Interest is calculated at a rate of prime less 1.75%.				
The loan is secured by an unlimited suretyship by Swaziland Sugar Association to meet the monthly repayment of the loan and cession of right over the assets financed.				
Less: current portion transferred to current liabilities	**(5 720 881)**	(4 898 809)	**(5 720 881)**	(4 898 809)
	17 298 571	22 677 568	**17 298 571**	22 677 568
Balance carried forward	**17 298 571**	22 677 568	**17 298 571**	22 677 568

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E
12. Long term liabilities (continued)				
Balance brought forward	**17 298 571**	22 677 568	**17 298 571**	22 677 568
Loan from Standard Bank (Swaziland) Limited Amounting to E59 million for the purpose of financing the Sugar Assets (Simunye) Limited loan owed to Swaziland Sugar Association. The loan is being repaid in ten six monthly instalments of E5.9 million commencing on 1 July 2006. Sugar Assets (Simunye) Limited will pay interest to Standard Bank (Swaziland) Limited on the outstanding balance of the loan at an annual rate of the prime rate less 1.48%. The loan is secured by an unlimited suretyship by Swaziland Sugar Association to meet the semi-annually repayment of the loan and a cession of right over the assets financed.	**29 500 000**	41 300 000	**-**	-
Less: current portion transferred to current liabilities	**(11 800 000)**	(11 800 000)	**-**	-
	17 700 000	29 500 000	**-**	-
Balance carried forward	**34 998 571**	52 177 568	**17 298 571**	22 677 568

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E
12. Long term liabilities (continued)				
Balance brought forward	**34 998 571**	52 177 568	**17 298 571**	22 677 568
Loan from Nedbank (Swaziland) Limited	**13 778 186**	16 447 664	**-**	-
Amounting to E17 million for the purpose of financing the upgrading of the sugar stores at Ubombo. The loan is being repaid in monthly instalments of E373 409 commencing on 31 January 2008. Interest is calculated at a rate of prime less 1.75%.				
The loan is secured by an unlimited suretyship by Swaziland Sugar Association to meet the monthly repayment of the loan and cession of right over the assets financed.				
Less: current portion transferred to current liabilities	**(3 150 375)**	(4 635 635)	**-**	-
	10 627 811	11 812 029	**-**	-
	45 626 382	63 989 597	**17 298 571**	22 677 568

	Current	Within 2 years	Within 3 years	Thereafter	Total 2009
	E	E	E	E	E
12. Long term liabilities (continued)					
Debt repayment profile					
Group - 2009					
Short term borrowings					
Call loans	412 103 874	-	-	-	412 103 874
Fixed loans	250 000 000	-	-	-	250 000 000
Long term liabilities					
Nedbank (Swaziland) Limited	8 871 256	9 875 453	10 988 292	7 062 637	36 797 638
Standard Bank (Swaziland) Limited	11 800 000	11 800 000	5 900 000	-	29 500 000
Loans other than call loans	20 671 256	21 675 453	16 888 292	7 062 637	66 297 638
	682 775 130	21 675 453	16 888 292	7 062 637	728 401 512
Group - 2008					
Short term borrowings					
Call loans	602 139 740	-	-	-	602 139 740
Long term liabilities					
European Investment Bank	9 967 549	-	-	-	9 967 549
Nedbank (Swaziland) Limited	9 534 444	9 534 444	9 534 444	15 420 709	44 024 041
Standard Bank (Swaziland) Limited	11 800 000	11 800 000	11 800 000	5 900 000	41 300 000
Loans other than call loans	31 301 993	21 334 444	21 334 444	21 320 709	95 291 590
	633 441 733	21 334 444	21 334 444	21 320 709	697 431 330

	Current	Within 2 years	Within 3 years	Thereafter	Total
	E	E	E	E	E

12. Long term liabilities (continued)

Debt repayment profile

Association - 2009

Short term borrowings

Call loans	412 103 874	-	-	-	412 103 874
Fixed loans	250 000 000	-	-	-	250 000 000
Nedbank (Swaziland) Limited	5 720 881	6 368 153	7 085 975	3 844 444	23 019 453
	667 824 755	6 368 153	7 085 975	3 844 444	685 123 327

Association - 2008

Short term borrowings

Call loans	600 805 308	-	-	-	600 805 308
Nedbank (Swaziland) Limited	4 898 809	4 898 809	4 898 809	12 879 950	27 576 377
	605 704 117	4 898 809	4 898 809	12 879 950	628 381 685

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E

13. Trade and other payables

Milling companies	**59 105 867**	162 518 495	**59 105 867**	162 518 395
Other creditors and accruals	**67 259 054**	47 261 903	**66 897 839**	46 469 599
	126 364 921	209 780 398	**126 003 706**	208 987 994

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E
14. Notes relating to the cash flow statements				
14.1 Reconciliation of profit before interest and tax to cash flows generated from operations:				
Profit before interest, tax and sugar export levy	**192 633 875**	111 409 972	**162 342 099**	89 077 518
Adjustment for non cash flow items:				
(Profit)/loss on disposal of property, plant and equipment	**205 394**	(58 111)	**205 394**	(58 111)
Share of joint venture loss	**706 479**	946 237	**706 479**	946 237
Depreciation	**9 778 528**	8 974 206	**1 233 744**	1 297 784
Unrealised foreign exchange loss on long term liabilities	**28 890**	2 584 087	**-**	-
Unrealised foreign exchange gain on investment	**-**	(1 447 440)	**-**	-
Transfer from Italian Government Euro Bonds sinking fund	**-**	(405 853)	**-**	-
	203 353 166	122 003 098	**164 487 716**	91 263 428
Adjustment for working capital changes:				
Increase in inventories	**(111 661 171)**	(59 241 554)	**(111 661 171)**	(59 241 554)
Decrease/(increase) in trade and other receivables	**77 289 288**	(79 979 880)	**77 283 843**	(79 979 880)
(Decrease)/increase in trade and other payables	**(83 415 114)**	60 257 553	**(82 984 480)**	60 254 655
	85 566 169	43 039 217	**47 125 908**	12 296 649

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E
14. Notes relating to the cash flow statements				
14.2 Taxation paid				
Balance at 31 March 2008	**42 173**	177 759	**42 173**	177 759
Current year provision	**104 333**	112 215	**104 333**	112 215
Balance at 31 March 2009	**(802)**	(42 173)	**(802)**	(42 173)
	145 704	247 801	**145 704**	247 801
14.3 Cash and cash equivalents				
Bank balances and cash on hand	**73 782 164**	165 053 860	**73 782 164**	164 902 511
Bank overdrafts	**(662 103 874)**	(602 139 740)	**(662 103 874)**	(600 805 308)
	(588 321 710)	(437 085 880)	**(588 321 710)**	(435 902 797)
15. Lease commitments				
Future operating lease rentals of premises not provided for are as follows:				
Due within one year	**1 094 400**	994 909	**1 094 400**	994 909
Two to five years	**2 417 711**	3 512 110	**2 417 711**	3 512 110
	3 512 111	4 507 019	**3 512 111**	4 507 019

The Association has leased property, which it utilises as office. The lease period is for ten years, renewable. Lease instalments of E78 995 are payable monthly and are subject to an escalation clause of ten percent per annum, effective on the 1 July each year.

	Group and Association			
	2009		2008	
	US$	**EURO**	US$	EURO
16. Foreign currency				
The following balances are (payable)/receivable in foreign currency:				
Payable				
Included in trade payables:				
Sociedade Terminal de Maputo Limitada ("STAM")	**(253 417)**	**-**	(105 317)	-
	(253 417)	**-**	(105 317)	-
Included in long term liabilities				
Sugar Assets Limited	**-**	**-**	-	(450 000)
Sugar Assets (Mhlume) Limited	**-**	**-**	-	(333 600)
	-	**-**	-	(783 600)

	Group and Association			
	2009		2008	
	US$	**EURO**	US$	EURO
16. Foreign currency (continued)				
The following balances are (payable)/receivable in foreign currency:				
Included in bank balances				
Credit balances:				
Standard Bank Swaziland Limited	**2 690 005**	**79 311**	5 278 182	1 945 933
Foreign currency loans:				
Standard Bank foreign currency Loans	**(4 603 150)**	**-**	(1 832 761)	-
First National Bank (Swaziland) Foreign currency loans	**-**	**-**	(22 564)	-
	(1 913 145)	**79 311**	3 422 857	1 945 933
Receivable				
Included in trade and other receivables	**323 615**	**1 536 728**	1 695 699	6 689 578
Included in investments				
Sugar Assets Limited	**-**	**-**	-	462 500

17. Retirement benefit information

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

	Group and Association	
	2009	2008
	E	E
Defined contributions	**1 874 634**	1 474 388

18. Financial instruments

Financial risk management

Overview

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

- credit risk
- liquidity risk
- market risk

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

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

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

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

Credit risk

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 40 (2008: 43) percent of the Group's revenue is attributable to sales transactions with 49 (2008: 33) customers, within the South African Customs Union ("SACU") market and 60 (2008: 57) percent of the Group's revenue is attributable from sales transactions with 13 (2008: 23) customers, within the regional and international markets. However, geographically the credit risk is mainly concentrated within the SACU market.

18. Financial instruments (continued)

Financial risk management (continued)

Trade and other receivables (continued)

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

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

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

Unsecured loans receivable

The Group limits its exposure to credit risk by only investing in secured investments and to a lesser extent unsecured investments. In the case of unsecured investments, such as unsecured loans receivable, the Group utilises the property associated with such an investment. Management does not expect any counterparty to fail to meet its obligations. Loans are receivable as follows:

	Group and Association	
	2009	2008
Within one year of balance sheet date	**185 739**	229 818
More than one year and less than five years from balance sheet date	**449 850**	441 562
Five years or more from balance sheet date	**125 943**	342 951
	761 532	1 014 331

The interest rates and terms of repayment of loans receivable are disclosed in note 6 to the financial statements.

Guarantees

The Group's policy is to provide guarantees for loans extended only to its wholly-owned subsidiaries. At 31 March 2009 E43 279 114 was owing by the subsidiaries (2008: E67 715 213).

18. Financial instruments (continued)

Liquidity risk

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

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

- E1 028 million (2008: E955 million) overdraft facility that is unsecured. Interest would be negotiated.
- E66 million (2008: E95 million) in long term loans. Interest is payable at a rate linked to the prime lending rate.

Market risk

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

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

Currency risk

The Group is exposed to currency risk on sales, foreign currency payments and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. These are primarily the Euro (€) and U.S. Dollars (USD) and to a lesser extent the Sterling (GBP).

The Group hedges all of its trade receivables denominated in foreign currency, by establishing forward exchange contracts against such sales. Where necessary, forward exchange contracts are rolled over at maturity. The Group has also hedged its foreign currency exposure in respect of borrowings by establishing a sinking fund investment. The Group entered into a transaction in terms of which a Euro denominated loan (refer note 12) was hedged through the purchase of Euro denominated Italian Government Zero Coupon Bonds. Both the loan and the bonds are stated in the financial statements at closing exchange rates at 31 March 2008 and settled during the course of the financial year.

Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which hedge accounting is applied are recognised as part of equity. Both the changes in fair value of the forward exchange contracts and the foreign exchange gains and losses relating to monetary items are recognised as part of net financing costs. The fair values of forward exchange contracts used as economic hedges of monetary assets and liabilities in foreign currencies at 31 March 2009 was E359 577 275 (2008: E588 111 093) recognised in fair value derivatives.

Amounts payable and receivable in foreign currency are set out in note 16 to the financial statements.

18. Financial instruments (continued)

Forecasted transactions

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

	Group and Association	
	2009	2008
	US$	US$
Forward exchange cover		
Standard Bank Swaziland Limited	**-**	2 075 593
Nedbank (Swaziland) Limited	**-**	11 469 600
First National Bank (Swaziland) Limited	**-**	45 127
	-	13 590 320
Range forward cover		
Nedbank (Swaziland) Limited	**-**	443 409
	Euro	Euro
Forward exchange cover		
Standard Bank Swaziland Limited	**9 794 760**	25 536 314
Nedbank (Swaziland) Limited	**18 400 082**	10 594 128
	28 194 842	36 130 442

The principal amount of the Group's Euro bank loans, taken out by a subsidiary company, whose functional currency is Emalangeni, have been fully hedged using a sinking fund investment that matures at the same dates the loans are due for repayment.

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

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

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

Interest rate risk

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

The interest rates and terms of repayment of loans of the Group are disclosed in notes 6, 10 and 12 to the financial statements. Bank overdrafts bear interest at rates linked to the prime overdraft rate as applicable in Swaziland on a floating rate basis.

18. Financial instruments (continued)

Other market price risk

In order to mitigate the risk related to sugar prices in the regional market, the Price Risk Management Committee ("PRMC"), has a policy which enables it to enter into forward sugar sales pricing, on either the London Number 5 or New York Number 11.

Capital management

Council's policy is to maintain a sufficient working capital base to maintain investor, creditor and market confidence and to sustain future development of the business.

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

Cash flow hedges

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E
Net change in fair value of cash flow hedges transferred from equity finance income	**35 146 040**	4 624 454	**35 146 040**	4 624 454
	35 146 040	4 624 454	**35 146 040**	4 624 454

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E
***18* Financial instruments (continued)**				
Finance income and expense				
Finance expense on financial liabilities				
Measured at amortised cost	**108 414 012**	87 351 706	**97 738 297**	75 262 993
Foreign exchange loss	**84 388 242**	4 426 039	**84 388 242**	9 641 741
Finance expenses	**192 802 254**	91 777 745	**182 126 539**	84 904 734
Finance income on financial assets				
Foreign exchange gain	**26 836 151**	5 197 738	**26 836 151**	5 119 955
Interest income on bank deposits	**404 157**	961 255	**299 325**	555 412
Interest income on loans originated by the Association	**-**	-	**19 720 897**	15 943 068
Finance income	**27 240 308**	6 158 993	**46 856 373**	21 618 435
Net finance costs	**165 561 946**	85 618 752	**135 270 166**	63 286 299
The above financial income and expenses include the following in respect of assets (liabilities) not at fair value through profit or loss:				
Total interest income on financial assets	**27 240 308**	6 158 993	**46 856 373**	21 618 435
Total interest expense on financial liabilities	**192 802 254**	91 777 745	**182 126 539**	84 904 734

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E
18. Financial instruments (continued)				
Recognised directly in equity				
Effective portion of changes in fair value of cash flow hedge	**50 751 615**	35 146 040	**50 751 615**	35 146 040
Fair value of cash flow hedges transferred to profit or loss	**(35 146 040)**	(4 624 454)	**(35 146 040)**	(4 624 454)
	15 605 575	30 521 586	**15 605 575**	30 521 586
Recognised in				
Hedging reserve	**50 751 615**	35 146 040	**50 751 615**	35 146 040
	50 751 615	35 146 040	**50 751 615**	35 146 040
Sinking fund investment				
Current investments				
Derivatives used for hedging	**-**	6 034 442	**-**	-
	-	6 034 442	**-**	-

Held-to-maturity investments relate to sinking funds established to provide a natural hedge for a loan sourced in foreign currency. The investment matures on a yearly basis as the loan repayments become due.

The derivatives used for hedging represents an amount of Euro Nil (2008: Euro 462 500) that have matured from the investments which will be used to repay the foreign denominated loan.

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E

18. Financial instruments (continued)

Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

Non-current liabilities

Unsecured bank loans	**45 626 382**	68 989 597	**17 298 571**	22 677 568
	45 626 382	68 989 597	**17 298 571**	22 677 568

Current liabilities

Current portion of unsecured bank loans	**20 671 256**	31 301 993	**5 720 881**	4 898 809
Unsecured bank facility	**662 103 874**	602 139 743	**662 103 874**	600 805 308
	682 775 130	633 441 736	**667 824 755**	605 704 117

18. Financial instruments (continued)

Terms and repayment schedule

Group

	Carrying currency	Nominal interest rate	Year of maturity
Unsecured bank loan	Lilangeni	Prime less 1.75%	30 September 2012
Unsecured bank loan	Lilangeni	Prime less 1.48%	1 July 2011
Unsecured bank loan	Euro	3%	1 December 2009
Unsecured bank loan	Euro	3%	1 November 2009
Unsecured bank facility	Lilangeni	Negotiated rates	31 March 2009
Unsecured bank facility	Lilangeni	Negotiated rates	31 March 2009
Total interest-bearing liabilities			

The bank loans are secured by a negative pledge over inventory and trade receivables with a carrying value of E559 742 511 (2008 : E525 365 182)

Association

	Carrying currency	Nominal interest rate	Year of maturity
Unsecured bank loan	Lilangeni	Prime less 1.75%	30 September 2012
Unsecured bank facility	Lilangeni	Negotiated rates	31 March 2009
Unsecured bank facility	Lilangeni	Negotiated rates	31 March 2009
Total interest-bearing liabilities			

The bank loans are secured by a negative pledge over inventory and trade receivables with a carrying value of E559 742 511 (2008 : E525 365 182)

2009 Face value E	2009 Carrying amount E	2008 Face value E	2008 Carrying amount E
47 000 000	**36 797 638**	47 000 000	44 024 041
59 000 000	**29 500 000**	59 000 000	41 300 000
-	**-**	17 328 217	4 243 459
-	**-**	18 543 461	5 724 090
662 103 874	**662 103 874**	602 139 743	602 139 743
2 595 553	**2 595 553**	61 833 022	61 833 022
770 699 427	**730 997 065**	805 844 443	759 264 355

2009 Face value E	2009 Carrying amount E	2008 Face value E	2008 Carrying amount E
30 000 000	**23 019 452**	30 000 000	27 576 377
662 103 874	**662 103 874**	600 805 308	600 805 308
2 595 553	**2 595 553**	61 833 022	61 833 022
694 699 427	**687 718 879**	692 638 330	690 214 707

18. Financial instruments (continued)

Credit risk

Exposure to credit risk

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

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E
Carrying amount				
Loans and receivables	**-**	-	**139 350 899**	108 228 376
Cash and cash equivalents	**73 782 164**	165 053 860	**73 782 164**	164 902 511
Unsecured loans receivables	**761 531**	1 014 331	**761 531**	1 014 331
Other forward exchange contracts	**50 751 615**	35 146 040	**50 751 615**	35 146 040
	125 295 310	201 214 231	**264 646 209**	309 291 258

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

Southern African Customs Union ("SACU")	**74 931 288**	76 488 790	**74 931 288**	76 488 790
International	**21 536 678**	84 132 230	**21 536 678**	84 132 230
Regional countries	**-**	4 905 964	**-**	4 905 964
	96 467 966	165 526 984	**96 467 966**	165 526 984

18. Financial instruments (continued)

	Group and Association	
	2009	**2008**
	E	**E**
Trade receivable		
The ageing of trade receivables at the reporting date was:		
	Gross carrying amount	
Current	**74 742 956**	152 966 840
0 – 30 days	**20 238 176**	10 581 026
31 – 120 days (past due)	**266 450**	575 157
More than one year (past due)	**1 220 384**	1 403 961
Total	**96 467 966**	165 526 984
	Impairment loss	
31 – 120 days (past due)	**-**	87 060
More than one year (past due)	**1 108 274**	1 403 961
Total	**1 108 274**	1 491 021

An impairment loss of E1 108 274 (2008: E1 491 021) in respect of trade receivables and no impairment loss was recognised during the year.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Balance at 1 April	**1 491 021**	1 491 021
Impairment loss recognised	**398 362**	548 833
Impairment loss reversed	**(781 109)**	(548 833)
Balance at 31 March	**1 108 274**	1 491 021

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

18. Financial instruments (continued)

Group - 2009

Liquidity risk

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

	Carrying amount E	Contractual cash flows E
Non-derivative financial liabilities		
Unsecured bank loans	66 297 638	73 953 664
Unsecured bank facility	662 103 874	729 934 539
Trade and other payables	126 364 868	126 364 868
Derivative financial liabilities		
Forward exchange contracts used for hedging		
Inflow	(421 319 189)	(421 319 189)
	433 447 191	508 933 882

The financial liabilities above do not exceed periods of more than five years.

Group - 2008

Liquidity risk

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

	Carrying amount E	Contractual cash flows E
Non-derivative financial liabilities		
Unsecured bank loans	95 291 590	122 156 357
Unsecured bank facility	602 139 743	657 688 261
Trade and other payables	209 780 398	209 780 398
Bank overdraft	1 334 435	1 421 229
Derivative financial liabilities		
Forward exchange contracts used for hedging		
Inflow	(355 056 418)	(355 056 418)
	553 489 748	635 989 827

The above financial liabilities do not exceed periods of more than five years.

6 months or less E	6 – 12 months E	1 – 2 years E	2 – 5 years E
13 143 768	13 143 768	33 103 177	14 562 951
-	729 934 539	-	-
123 769 315	2 595 553	-	-
(216 308 438)	(205 010 751)	-	-
(79 395 355)	540 663 109	33 103 177	14 562 951

6 months or less E	6 – 12 months E	1 – 2 years E	2 – 5 years E
14 004 839	24 157 429	28 009 678	55 984 411
365 723 750	291 964 511	-	-
147 947 285	61 833 022	-	-
1 421 229	-	-	-
(29 455 876)	(332 283 488)	-	-
499 641 227	45 671 474	28 009 678	55 984 411

18. Financial instruments (continued)

Association - 2009

Liquidity risk

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

	Carrying amount E	Contractual cash flows E	Less than one year E	More than 2 years E
Non-derivative financial liabilities				
Unsecured bank loans	23 019 452	23 445 467	8 175 348	15 270 119
Unsecured bank facility	662 103 874	662 103 874	162 103 874	500 000 000
Trade and other payables	126 003 706	126 003 706	126 003 706	-
Derivative financial liabilities				
Forward exchange contracts used for hedging				
Inflow	(421 319 189)	(421 319 189)	(421 319 189)	-
	389 807 843	390 233 858	(125 036 261)	515 270 119

The financial liabilities above do not exceed periods of more than five years.

Association - 2008

Liquidity risk

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

	Carrying amount E	Contractual cash flows E	6 months or less E	6 – 12 months E
Non-derivative financial liabilities				
Unsecured bank loans	27 567 377	36 789 066	8 175 348	28 613 718
Unsecured bank facility	600 805 308	657 688 261	657 688 261	-
Trade and other payables	208 987 994	209 066 263	209 066 263	-
Derivative financial liabilities				
Forward exchange contracts used for hedging				
Inflow	(355 056 418)	(355 056 418)	(355 056 418)	-
	482 304 261	548 487 172	519 873 454	28 613 718

The financial liabilities above do not exceed periods of more than one year.

18. Financial instruments (continued)

Cash flow hedges

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur.

	Carrying amount E	Contractual cash flows E	6 months or less E	6 – 12 months E
Group and Association - 2009				
Forward exchange contracts:				
Assets	421 319 189	421 319 189	216 308 438	205 010 751
	421 319 189	421 319 189	216 308 438	205 010 751
Group and Association- 2008				
Forward exchange contracts:				
Assets	355 056 418	355 056 418	28 927 281	326 129 137
	355 056 418	355 056 418	28 927 281	326 129 137

The expected cash flows associated with derivatives do not exceed a one year period.

18. Financial instruments (continued)

Currency risk

Exposure to currency risk

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

	Group and Association 2009	
	Euro	**USD**
Trade receivables	**1 536 728**	**323 615**
Bank balances	**79 311**	**2 690 005**
Unsecured bank loans	**-**	**-**
Trade payables	**-**	**(4 853 245)**
Gross balance sheet exposure	**1 616 039**	**(1 839 625)**
Estimated forecast sales (2009/10)	**114 698 597**	**-**
Estimated forecast purchases (2009/10)	**-**	**19 268 361**
Gross exposure	**114 698 597**	**19 268 361**
Forward exchange contracts (2009/10)	**28 194 842**	**-**
Net exposure	**88 119 794**	**17 428 736**

	Group and Association 2008		
	Euro	USD	GBP
	6 689 578	1 695 699	-
	1 945 933	5 278 182	
	783 600	-	-
	-	(1 960 642)	-
	9 419 111	5 013 239	-
	84 212 164	47 505 000	364 980
	(11 171 993)	(1 604 571)	(66 590)
	73 040 171	45 900 429	298 390
	36 130 442	14 033 729	-
	36 909 729	31 866 700	298 390

18. Financial instruments (continued)

The following significant exchange rates applied during the year:

	Group and Association		Group and Association	
	2009	2008	**2009**	2008
	Average rates achieved		**Closing rates**	
Euro	**12.36**	9.84	**12.75**	12.72
USD	**8.46**	7.31	**9.55**	8.06
GBP	**-**	14.41	**13.63**	16.02

Sensitivity analysis

A 10 percent strengthening of the Lilangeni against the Euro and USD at 31 March would have increased (decreased) export proceeds by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009 and 2008.

	Group and Association	
	2009	2008
	Export	Export
	proceeds	proceeds
	E	E
EURO (2008:USD, GBP and EURO)	**(128 125 367)**	(122 328 432)

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

Interest rate risk

Profile

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

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E
Fixed rate instruments				
Financial assets	**-**	-	**139 350 899**	108 228 376
Financial liabilities	**-**	(9 967 549)	**-**	-
	-	(9 967 549)	**139 350 899**	108 228 376
Variable rate instruments				
Financial liabilities	**(728 401 512)**	(731 514 707)	**(685 123 326)**	(690 214 707)

18. Financial instruments (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) the amount available for distribution by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009 and 2008.

	100 bp increase E	**100 bp decrease E**	**100 bp increase E**	**100 bp decrease E**
31 March 2009				
Variable rate instruments	7 284 015	(7 284 015)	6 851 253	(6 851 253)
Cash flow sensitivity (net)	7 284 015	(7 284 015)	6 851 253	(6 851 253)
31 March 2008				
Variable rate instruments	7 315 147	(7 315 147)	6 902 147	(6 902 147)
Cash flow sensitivity (net)	7 315 147	(7 315 147)	6 902 147	(6 902 147)

Fair values

Fair values versus carrying amounts

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

	Group			
	2009		2008	
	Carrying amount E	**Fair value E**	Carrying amount E	Fair value E
Cash and cash equivalents	**73 782 164**	**73 782 164**	165 053 860	165 053 860
Trade and other receivables	**96 467 966**	**96 467 966**	173 357 254	173 357 254
Forward exchange contracts used or hedging:	**50 751 615**	**50 751 615**	35 146 040	35 146 040
Assets				
Financial liabilities	**(66 297 638)**	**(66 297 638)**	(78 843 926)	(78 843 926)
Unsecured bank loans				
Trade and other payables	**(126 364 868)**	**(126 364 868)**	(209 780 398)	(209 780 398)
Bank overdraft	**(662 103 874)**	**(662 103 874)**	(602 139 743)	(602 139 743)
	(633 764 635)	**(633 764 635)**	(517 206 913)	(517 206 913)

18. Financial instruments (continued)

Fair values

Fair values versus carrying amounts

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

	Association			
	2009		2008	
	Carrying amount E	**Fair value E**	Carrying amount E	Fair value E
Loans and receivables	**139 350 899**	**139 350 899**	108 228 376	108 228 376
Trade and other receivables	**96 467 966**	**96 467 966**	173 751 808	173 751 808
Cash and cash equivalents	**73 782 164**	**73 782 164**	165 053 860	165 053 860
Forward exchange contracts used for hedging:				
Assets	**50 751 615**	**50 751 615**	35 146 040	35 146 040
Unsecured bank loans	**(66 297 638)**	**(66 297 638)**	(78 843 926)	(78 843 926)
Trade and other payables	**(126 003 706)**	**(126 003 706)**	(148 025 545)	(148 025 545)
Bank overdraft	**(662 103 874)**	**(662 103 874)**	(602 139 743)	(602 139 743)
	(494 052 574)	**(494 052 574)**	(408 662 152)	(408 662 152)

Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available.

Non-derivative financial liabilities

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

Trade and other receivables and payables

For receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. The fair value of trade and other receivables and payables, with a remaining life of more than a year, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

19. Related parties

Related parties comprise subsidiary companies, a joint venture, the millers and the growers. The main related party transactions relate to sugar and molasses purchases and sales, property leases, provision of technical and related services and related party loans. All related party transactions and interest arising in respect of related party loans were concluded on a market related and arm's length basis.

19.1 Amounts due by related parties

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E
Loans receivable	**761 531**	1 014 330	**761 531**	1 014 330
Accounts receivable - millers	**677 991**	4 636 969	**677 991**	4 636 969
Loans to subsidiaries	**-**	-	**139 350 899**	108 228 376
	1 439 522	5 651 299	**140 790 421**	113 879 675

19.2 Amounts due to related parties

Milling creditors (refer to note 13)	**59 105 867**	162 518 395	**59 105 867**	162 518 395

19.3 Related party transactions

Conditioning fee paid	**-**	-	**39 194 698**	31 246 158
Interest on loan to subsidiaries	**-**	-	**19 720 897**	15 943 068
Sugar purchases	**2 107 674 074**	1 873 559 595	**2 107 674 074**	1 873 559 595
Molasses purchases	**25 908 344**	41 209 124	**25 908 344**	41 209 124

19.4 Key management personnel compensation

Key management comprise mainly directors and managers. These officers are involved in forming and executing the key strategic decisions of the Group. During the year E10 485 651 (2008: E7 124 084) was paid as remuneration.

	Group		Association	
	2009	2008	**2009**	2008
	E	E	**E**	E
20. Cash flow hedge reserve				
Balance at the beginning of the year	**35 146 040**	4 624 454	**35 146 040**	4 624 454
Foreign exchange gain realised during the year	**(46 933 398)**	(4 624 454)	**(46 933 398)**	(4 624 454)
Gain on forward Priced sugar sales contracts	**11 787 358**	11 787 358	**11 787 358**	11 787 358
Loss on forward exchange contract during the year	**(50 751 615)**	(46 933 398)	**(50 751 615)**	(46 933 398)
Balance at the end of the year	**(50 751 615)**	(35 146 040)	**(50 751 615)**	(35 146 040)
21. Capital commitments				
Approved but not yet contracted for	**12 219 220**	2 412 356	**3 692 844**	2 412 356
Approved and contracted for	**2 856 500**	4 488 850	**456 500**	4 488 850
	15 075 720	6 901 206	**4 149 344**	6 901 206

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

	Group	
	2009	2008
	E	E
22. Equity accounted joint venture		
Non current assets	**76 196 585**	64 455 509
Current assets	**24 916 629**	24 552 416
Total assets	**101 113 214**	89 007 925
Non current liabilities	**69 403 920**	67 097 674
Current liabilities	**31 709 294**	21 910 251
Total liabilities	**101 113 214**	89 007 925
Revenue	**42 354 361**	29 565 949
Expenses	**(45 180 275)**	(33 350 898)
Loss for the year	**(2 825 914)**	(3 784 949)
Share of loss recognised in the statement	**706 479**	946 236
Ownership	**25%**	25%

The Group has not recognised losses relating to the joint venture since the Group has no obligation in respect of these losses. The financial year end for the joint venture is 31 December. The transactions between 31 December and 31 March are considered not material.

23. Provisions and contingent liabilities

On 31 March 2009, the Group had no contingent liabilities against it. The Group had made the following provision at year end, which are payable as part of the trade and other payables.

Provision for incentive bonus

	Group and Association	
	2009	2008
	E	E
Opening balance	**1 733 656**	1 006 873
Provision raised during the period	**2 110 790**	1 435 723
Provision utilised during the period	**(1 233 335)**	(708 940)
Closing balance	**2 611 111**	1 733 656

Incentive bonus

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

24. Events after the balance sheet date

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


DEMAG

TEN YEAR CROP RESULTS 1999 - 2008*

YEAR	1999	2000	2001
Area Under Cultivation (Hectares)	44 046	45 437	46 516
Area Harvested (Hectares)	42 606	43 547	43 855
Increase/Decrease in Area Harvested	2 132	941	308
Cane Production (Tons)	4 322 618	4 441 907	4 178 867
Cane Yield (Tons/Area Harvested)	101.46	102	95.29
Sucrose Content (% Cane))	14.05	13.59	13.7
Sugar Recovered % Cane)	12.36	11.88	11.98
Sugar Yield from Cane (Tons cane/tons sugar)	8.09	8.42	8.35
Sugar Yield from Area (Tons cane/Area Harvested)	12.54	12.12	11.42
Sucrose Production (Tons)	607 475	603 450	572 635
Sugar Production (Tons tel quel)	534 183	527 583	500 670

*** Where applicable, these statistic refer to the full season from April to March the following year. For example, 2008 refers to the period April 2008 to March 2009.**

2002	2003	2004	2005	2006	2007	2008
48 307	49 932	50 932	52 196	52 233	52 255	52 068
45 126	48 061	49 727	50 610	50 400	50 245	50 375
1 271	2 935	1 666	883	(210)	(155)	130
4 608 933	5 046 252	4 883 961	5 164 748	4 930 938	5 075 693	4 912 949
102.13	105	98.22	102.5	97.84	101.02	97.53
14.46	14.25	14.05	14.44	14.43	14.28	14.59
12.65	12.45	12.24	12.64	12.64	12.44	12.75
7.91	8.03	8.17	7.91	7.91	8.04	7.84
12.92	13.07	12.02	12.9	12.37	12.56	12.44
666 385	719 203	686 425	745 984	711 504	724 716	716 718
583 014	628 191	597 563	652 735	623 357	631 236	626 584