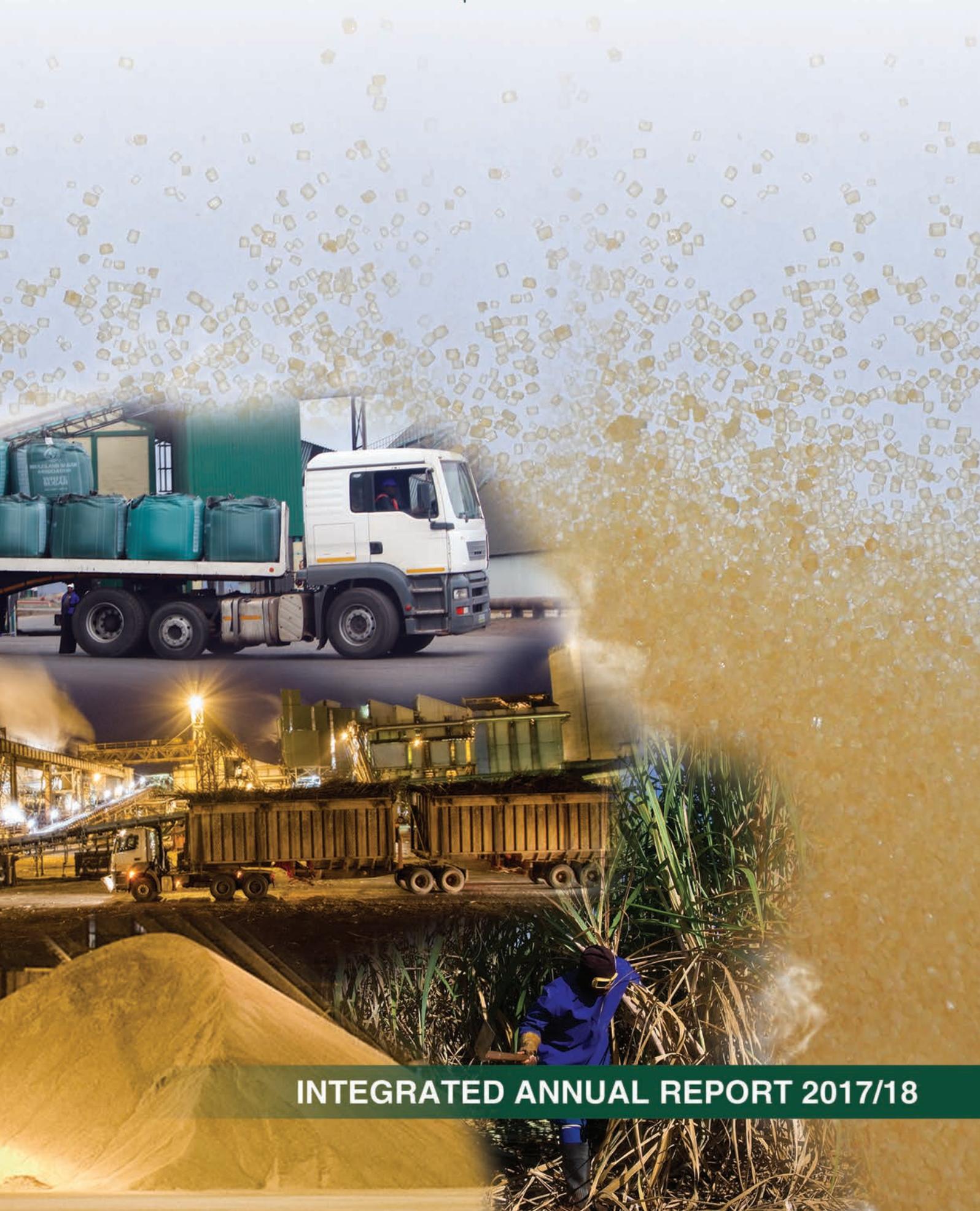




**SWAZILAND
SUGAR
ASSOCIATION**

UNITED FOR **GROWTH**.
CREATING MORE **VALUE**



INTEGRATED ANNUAL REPORT 2017/18



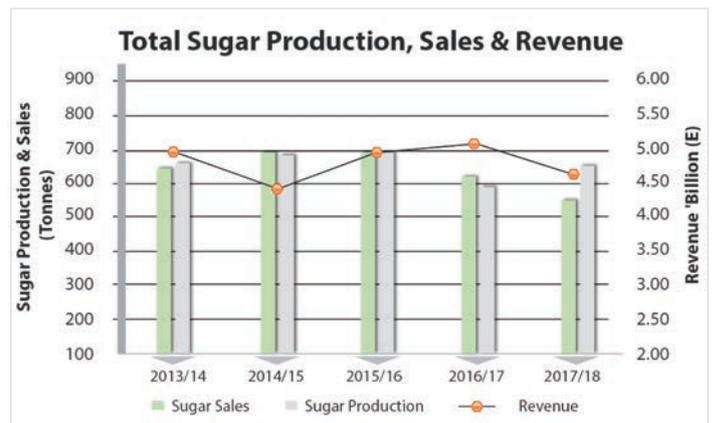
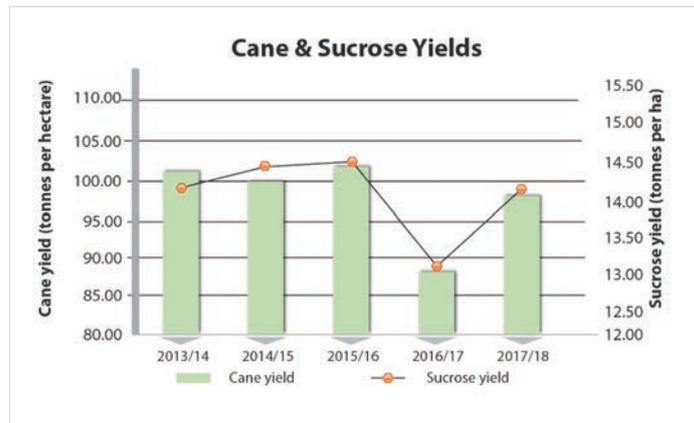
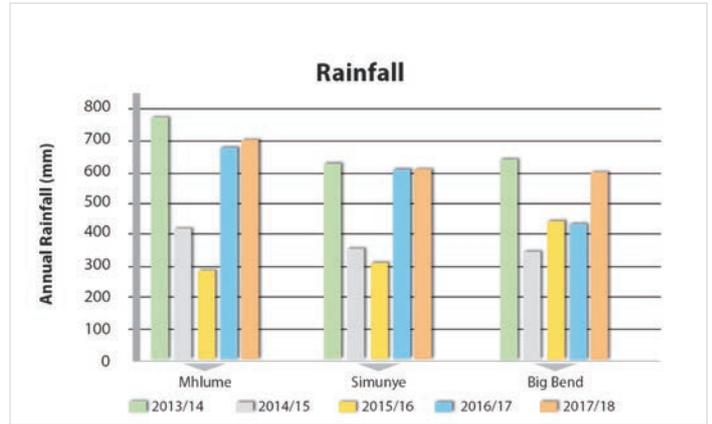
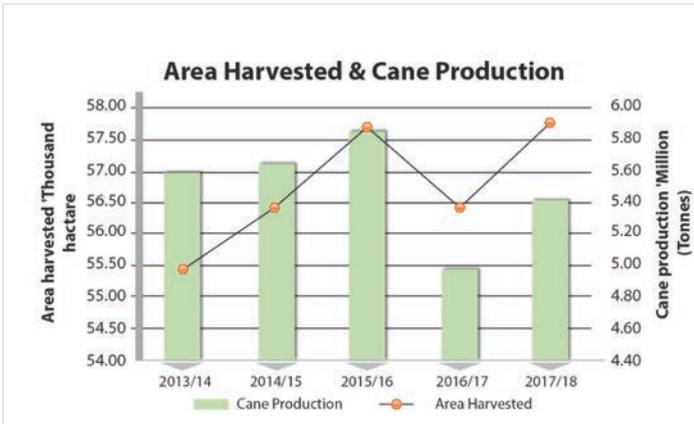
VISION STATEMENT

“Aligned and sustainable World-class Sugarcane Industry”.

MISSION STATEMENT

To consistently meet the requirements of customers, millers & growers and other stakeholders by providing quality products and services in an efficient, cost effective and sustainable manner.

HIGHLIGHTS 2017/18



ABBREVIATIONS

AGOA	African Growth & Opportunity Act
ARC	Audit & Risk Committee
CFTA	Continental Free Trade Area
COMESA	Common Market for Eastern and Southern Africa
DBRP	Dollar Based Reference Price
EAC	East African Community
EPA	Economic Partnership Agreement
EU	European Union
FSE&CC	The Federation of Swaziland Employers and Chamber of Commerce
FSSC	Food Safety System Certification
GDP	Gross Domestic Product
GSP	Generalised System of Preferences
IFRS	International Financial Reporting Standards
<IR>	Integrated Reporting
ISO	International Organisation for Standardisation
ITAC	International Trade Administration Commission
MTTQ	Metric Tonnes Tel Quel
REMCO	Remuneration Committee
RFID	Radio Frequency Identification
RSSC	Royal Swaziland Sugar Corporation
SACU	Southern African Customs Union
SADC	Southern African Development Community
SASRI	South African Sugarcane Research Institute
SCGA	Swaziland Cane Growers Association
SIA	Sugar Industry Agreement
SLA	Service Level Agreement
SSG	Smallholder Sugarcane Growers
SSMA	Swaziland Sugar Millers Association
TCH/AN	Tonnes Cane per Hectare per Annum
TFTA	Tripartite Free Trade Area
TRQ	Tariff Rate Quota

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CHAIRMAN'S REMARKS



On behalf of the Council of the Swaziland Sugar Association (SSA), I present this report. Stakeholders should take comfort that this report comes highly assured from various levels of the organisation and its oversight bodies. The pursuance of an optimal and equitable return for the Eswatini sugar industry members is ensured through the guidance of Council, who makes decisions on a consensus basis. The Report has considered all matters which are material to the sugar industry, reflecting a true position of the organisation, and a realistic outlook.

The year under review, 2017/18, has been yet another challenging period for the industry. Coming from a year (2016/17) of low production due to drought effect, and moving straight into one where improvements in sugar production were counteracted by a depressed market. In acknowledgement of the changing global sugar market environment and volatility thereof, adaptability and creativity have become vital for SSA - both operationally and strategically.

Strategic Direction

In year 2016, Council welcomed a new CEO to the fold. Subsequently, Council adopted a new Corporate Strategy, which will guide the activities and interventions of the industry for the next 5 years. Council is committed to the vision, goals and strategic

themes and actions of the Strategy, and believes that these will create value for the sugar industry and foster resilience as it navigates through its challenges.

Council's Responsibility and Approval

SSA's integrated annual report continues to be the flagship for the industry. The content of this report, and those before it, prove to be informative to stakeholders and raises awareness on the industry, its scope and its impact in the Eswatini communities and economy. The report has been drawn with adherence to the International <IR> Framework, and the accuracy of the statements contained herein have been verified extensively.

Council takes responsibility for the content and manner of presentation of the report and approved the SSA Integrated Annual Report on the 5th July 2018, upon recommendation by the Audit & Risk Committee.

Mr Tom Dlamini
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW



It is with great pleasure that I present the 2017/18 integrated annual report to stakeholders. This year has been a year of growth, realisations and new possibilities amidst numerous challenges for the sugar industry. SSA launched its 5-year Corporate Strategy geared towards being 'united for growth, and creating more value.' It is through this Strategy that SSA seeks to consistently meet the requirements of customers, millers and growers, and other stakeholders by providing quality products and services in an efficient, cost-effective and sustainable manner, thus creating an aligned and sustainable world-class sugarcane industry.

One thing I have learnt in these two short years with SSA is that the volatility and uncertainty of a commodity market will always keep one on his toes. It is therefore necessary to keep one's finger on the pulse with the market performance, and be able to react and adapt to the volatility where needed. In 2016/17, the industry was plagued by a drought. 2017/18 presented new hope as rainfall improved and river and dam levels reached pre-drought levels. However, market dynamics posed challenges which impacted SSA's performance.

Sugar production

It is with great joy that I report a 10,9% increase in production, as some growers who abandoned the crop in the last season, were able to replant this season.

Production for the year was about 650 000 tonnes sugar from 5,4 million tonnes cane. This was a considerable improvement in industry performance following the devastating drought experience. Unfortunately, this increase in production was not accompanied by positive returns as sales were not able to mirror the increase in production. To preserve value due to declining prices, a strategic decision was made to hold back stock at the end of the financial year.

Prices and Revenue

Revenues dropped by 8,8% from E4,6 billion last year to E4,2 billion this year. The decrease in revenue is mainly attributable to unfavourable market conditions which resulted in decreased sales and depressed market prices in all markets. The strengthening of the Swazi Lilangeni against major currencies in which export sales are denominated also played a role especially in the last quarter of the financial year.

Markets

To reiterate the statement above on the volatility of commodity markets, this year has shown significant changes in both the domestic and export markets. With the depressed world market prices caused by a global sugar production surplus, the prices attainable across all markets were not attractive. Overall, SSA saw an 11% drop in sales from about 621 thousand tonnes in 2016/17 to 552 thousand tonnes this year.

Sales to the EU fell by 36%, both as a result of loss in value in that market as well as the abolition of the EU production quotas in October 2017, which led to the EU market becoming self-sufficient. The SACU market, which is the market for the largest share of SSA sugar, saw a drop of 13.5% in the volumes sold into that market. This was mainly in response to the market being saturated by imports from the world market.

The marketing plan, in response to the foreseen loss of the EU market, was to divert sugar from the EU into the regional market (i.e. SADC and COMESA). However, the regional market is pegged to the world market, and as the world market price dropped during the course of the year, unfortunately this market was no longer as attractive as earlier envisaged.

The challenges facing the industry through this drop in sales have presented logistical challenges in storage and warehousing, which have called for innovative ways to store high stocks.

Sustainability

Globally, it is becoming an imperative to ensure responsible sugarcane and sugar production to create lasting value for the people, communities, businesses and eco-systems in which production occurs. SSA and the industry at large have embraced this need to maintain a balance between economic, environmental and social impact of sugar production, and strives to align itself to global standards on sustainability in order to compete effectively in the global market. SSA is in the process of developing a comprehensive sustainability programme that mirrors its commitment to sustainable business practices in respect of human rights, labour rights and laws while achieving sustainable economic development and environmental protection.

Anti-sugar campaigns

In the same way that markets change, consumer tastes change, and organisations which choose to compete in those markets must change. Gradually, consumers seek 'healthier' substitutes for sugar amidst growing health-focused campaigns against sugar and its contribution to obesity and other non-communicable diseases. As an industry, we continue to believe in the sustainability of the industry, as sugar is a good source of energy and can serve as a vehicle for micronutrients and vitamins.

Borrowing from the words of Jonathan Lockwood Huie, business enterprise can be a bumpy ride. But so were those roller coasters we loved as children. The market outlook for sugar is not encouraging at present, and the situation is forecasted to last another season. But the key is to savour the adventure, find the excitement in the uncertainty and the constant change, while acquiring ways to adapt. The industry may have no idea what the market will give it next, but whatever it is, I am sure it will be 'sweet'. We remain committed to our motto **"UNITED FOR GROWTH. CREATING MORE VALUE"**.

Mr. Phil Mnisi
CHIEF EXECUTIVE OFFICER

BASIS OF PREPARATION AND PRESENTATION

Reporting Boundary

This report is prepared to cover the financial period beginning 01 April 2017 and ending 31 March 2018. The scope of the report is largely focused on Swaziland Sugar Association (SSA), the reporting entity, as well as its subsidiaries and the Joint Venture Company as indicated in the audited financial statements. It communicates SSA's undertakings to create value for its stakeholders amidst internal and external challenges. The report is created for use by a wide range of stakeholders including millers, growers, financiers, investors, employees, customers, suppliers, government, non-governmental organisations and local communities. In the report, there are instances where reference is made to other entities or stakeholders solely because some identified threats, opportunities and outcomes arising from their business activities have potential to affect SSA's ability to create value. (The diagram on page 5 displays the reporting boundary in graphic form.)

Materiality determination

SSA defines materiality as those issues identified and assessed to have significance to limit the organisation's ability to create value for stakeholders in the short, medium and long term. Value created, in the context of this report, and as per the guidelines of the International Integrated Reporting Framework (International <IR> Framework), refers to the outcomes derived from increasing, decreasing or transforming organisational capitals from its activities and outputs. The stakeholder engagement programme of SSA plays a pivotal role in identifying relevant business matters. SSA developed a process of determining materiality which further assists in the prioritisation of material matters. The prioritisation of the matters is largely dependent on the impact (financial and non-financial) of the identified issues on value creation. A detailed description of the materiality determination process and a list of the top seven material

matters is given under the materiality section of the report (page 12).

SSA recognizes that the sugar industry exists and operates within diverse communities and utilises different capitals in the process of creating value. To maintain a balance between the economic, environmental and social impacts of the business, SSA recognises sustainability as a fundamental strategic imperative. As a result, the industry is in the process of developing a comprehensive sustainability programme that mirrors its commitment to sustainable business practices.

Significant Frameworks and Methods

In the preparation of this report, the frameworks and methods shown in the table below, were used for guidance.

Framework, Method, Standard, Law	Section of Report Affected
<i>The International <IR> Framework (2013)</i>	Whole report
<i>King III Code of Corporate Governance (2009)</i>	Governance
<i>International Financial Reporting Standards (IFRS)</i>	Financial Statements
<i>The Sugar Act (1967)</i>	Financial Statements and Governance
<i>Risk Assessment Criteria</i>	Materiality Determination and Risk Management

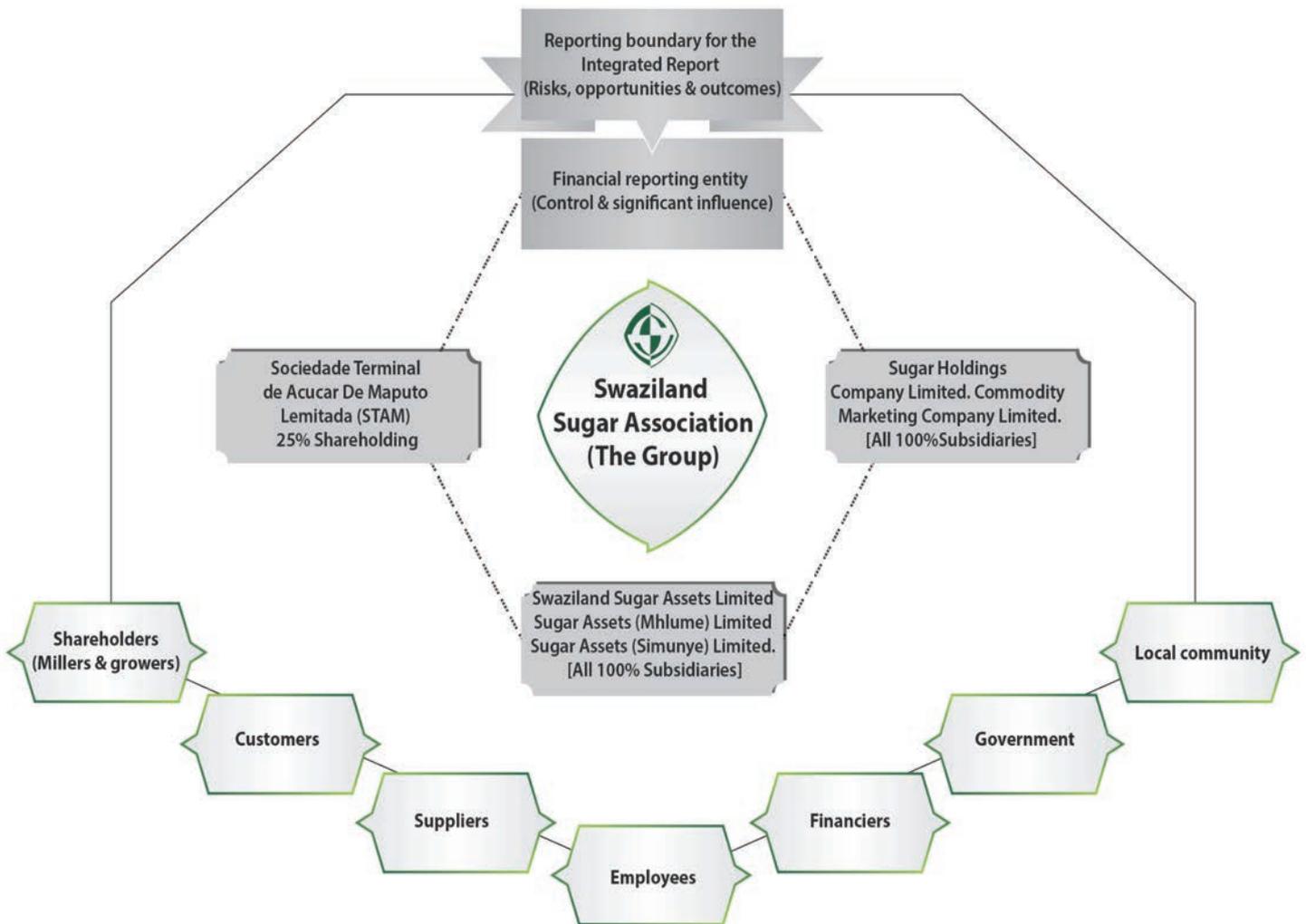
Responsibility, Limitations and Forward-Looking Statements

The Council acknowledges its responsibility in ensuring the integrity and completeness of this integrated annual report for the financial year 2017/18, and has applied its collective mind in the preparation and presentation of the entire report. It is the opinion of Council that this report was prepared and presented in accordance with the International <IR> Framework. Council confirms that the strategy presented herein is aimed at creating value by deploying available capitals, while addressing the aforesaid material matters.

Council further recognises that the business environment is increasingly becoming volatile, uncertain, complex and ambiguous, as such material matters identified to have a significant effect on SSA's ability to create value may change in their relative impact and ranking. To detect and mitigate the consequences of these dynamics, SSA employs a live risk management process.

This report contains forward-looking statements based on data available at the time of reporting which are subject to risks and uncertainties that are beyond SSA's control. Should the current information change with time - the impact of the risks, opportunities and outcomes identified and disclosed in this report may also change in response.

Council therefore makes no undertaking to issue any revisions in whatever way to reflect unexpected events or changes that may occur after the release of this report. Therefore, readers are advised to exercise caution regarding the interpretation of any forward-looking statements contained in this report.



ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT

Ownership and Operating Structure

SSA is an umbrella organisation that brings together all sugarcane growers and millers in Eswatini. The Sugar Act of 1967 establishes SSA as a corporate body capable of suing and being sued, and it is a private non-profit making organisation. SSA is guided by a constitution in carrying out its affairs. Council, working with its subcommittees, provides policy direction to SSA.

The Act also creates other industry bodies and legally empowers the Sugar Industry Agreement (SIA). The SIA is a negotiated instrument between millers and growers to regulate their affairs. This Agreement is binding on all millers, growers, millers-cum-planters, refiners, and other persons engaged in any aspects of the sugar industry.

Principal Activities

Support to Sugarcane Production

SSA provides extension services through a service level agreement (SLA) with the millers. The objective for extension service provision is to improve yields and ensure sustainability of sugarcane growers through the provision of technology transfer and advisory services on all aspects of sugarcane production. This is attained through providing crop production research (offered through collaboration with SASRI), agronomic advice, crop protection services, irrigation management, as well as control and supply of healthy seedcane.



Research findings are transferred to the growers to facilitate the quick adoption of improved agricultural practices aimed at enhancing productivity, profitability and sustainability of all growers. Council oversees the extension function through the Extension Committee.

Cane Testing

The cane testing service is responsible for the reliable and accurate measurement of sucrose content of cane supplied by all growers (including miller-cum planter) to facilitate payment. The service is provided by laboratories at the mills under a service level agreement with SSA. The Cane Testing Service Technical Committee, a subcommittee of Council, which has both miller and grower representatives, is responsible for establishing and maintaining the methods and standards applied. SSA provides an independent audit on all cane testing operations at each mill to ensure that the cane payment process is equitable to both the millers and the growers.

Marketing and Logistics

Obtaining maximum and sustainable returns for the industry through the marketing and sale of industry products is one of the major objectives of SSA. All sugar and molasses produced in Eswatini is owned by the SSA, for which it has the sole mandate to sell. In this context, SSA activities include the marketing, warehousing and movement of sugar as well as molasses.

SSA further monitors, advises and advocates on market access for sugar through key trade agreements in the domestic, regional and international markets where Eswatini sugar is sold. These include the Southern African Development Community (SADC), SADC-EU Economic Partnership Agreement (EPA), Southern African Customs Union (SACU) Agreement, Common Market for Eastern and Southern Africa (COMESA) Free Trade Area, and the ongoing Tripartite Free Trade Area (TFTA) and the Africa Continental Free Trade Area (AfCFTA) negotiations. These are critical for the successful marketing of Eswatini sugar.

SSA monitors market-specific regulations and requirements (e.g. market access regulations, food safety standards and product specifications).

SSA also has a customer complaints process which is used to address nonconformities. This information is important

not only to meet customer requirements, but also to enhance the competitiveness of Eswatini sugar.

Treasury and Financing

This function presides over the financial affairs of SSA. It involves payment of proceeds to millers (for onward payment to growers of their share), annual budgeting, financial reporting, compiling sugar and sucrose price estimates, sourcing working capital and implementing the Finance Risk policy and Hedging strategy. It also oversees the IT function, as well as the financing and implementation of capital projects.

Products and Markets

SSA has two primary products, namely sugar and molasses. Sugar, the main product, is sold into both the domestic and export markets, while all molasses (a by-product of sugar production) is sold domestically.

The sugar industry sells into five main markets namely: the European Union (EU), the United States of America (US), SACU, regional (COMESA and SADC) and the World market.

The wider SACU area (including the local Eswatini market) is considered as the domestic and primary market because of the free movement of goods within the Customs Union. An import tariff protects the SACU market to minimise the entry of foreign sugar. Sales into the SACU market are mainly through locally-based entities (including pre-packers, industrial users and manufacturers).

Sales to the EU market benefit from duty-free quota-free access under the terms of the Economic Partnership Agreement (EPA) with the EU and the SADC-EPA States (Botswana, Eswatini, Lesotho, Namibia and South Africa). The US market is supplied through a Tariff Rate Quota (TRQ), which allows access on preferential terms for a limited volume (minimum of 16 500 tonnes) per annum.

Both SADC and COMESA form the regional market. While the SADC region is a surplus sugar producer, COMESA is a deficit producer. Opportunities exist for selling Eswatini sugar in both markets as some countries offer preferential access for regional sugar. Negotiations towards the Tripartite Free Trade Area are earmarked to provide a trade arrangement for access of Eswatini sugar into the regional market.

Sales into the world market are largely representative of residual volumes, as this market is characterised by relatively low prices because of competition. The main sources of competition are the major producers like Brazil, Thailand and India.

Key Developments in the External Environment

The external environment in which SSA operates is greatly impacted by a number of factors. These factors, which are highlighted below, can impact the environment either negatively or positively. The focus in this section is on those elements that significantly influence both sugarcane growing and the marketing of sugar.

Climate Change and Water Availability



Generally, the sugarcane plant thrives in warm and wet weather. Very high temperatures and little to no rainfall over extended periods of time negatively impacts the crop. The rainfall received in the past year, 2017, was higher than that received in the preceding two years thus dam levels were well replenished. However, since the industry was still recovering from the 2015/16 drought, efforts are ongoing to lobby government to construct more dams that will benefit the sugar industry and fulfil government's efforts to alleviate poverty by improving access to water. In addition, the industry is promoting the adoption of efficient irrigation systems, optimal water use and climate smart practices.

Cost Pressures

The Eswatini sugar industry is amongst the world's most cost-efficient producers of high quality sugar. However, increases in production costs are negatively impacting the competitiveness of the industry. The sugarcane growing sector remains exposed to increases in fertilizer, chemicals, electricity, labour and haulage costs. Profitability is expected to slow down further with sugar prices also declining in premium markets. As electricity has increased by around 15% this year, and minimum basic wages for agricultural labours by 46%, it is imperative for the industry to continuously find ways of reducing costs and improving on efficiencies.

Markets



SSA trades sugar to the EU market under the SADC-EU Economic Partnership Agreement which offers duty-free quota-free market access. However, returns from this market have been diminishing over the years, and are expected to continue to do so as beet production restrictions in the EU were abolished in October 2017. Due to the increased beet production, the demand for imported sugar in the EU has declined as the region has become a net exporter.

The Generalised System of Preferences (GSP) which granted Eswatini Sugar duty free treatment under the US tariff rate quota expired in December 2017. However, duty free access through AGOA was restored in January 2018 securing continued access for Eswatini sugar into the US market.

The regional market opportunities lie within the SADC and COMESA markets, as some of the countries in these regions are deficit markets. However, protectionist measures in the form of high tariffs and non-tariff barriers (e.g. import licences, surcharges, etc.) in some countries seeking to protect and grow their domestic industries continue to be a deterrent to selling sugar into those markets.

The SACU market continues to be the key market for SSA sugar, and it absorbs a large share of Eswatini sugar. In the year under review, this market has seen an increase in imports, which have displaced Eswatini sugar, and threatened the value attainable within it. The market is customarily protected by a variable formula tariff based on a Dollar-Based Reference Price (DBRP) mechanism. However, due to the low world market price, this mechanism has rendered domestic sugar uncompetitive to world market sugars, thus displacing Eswatini sugar.

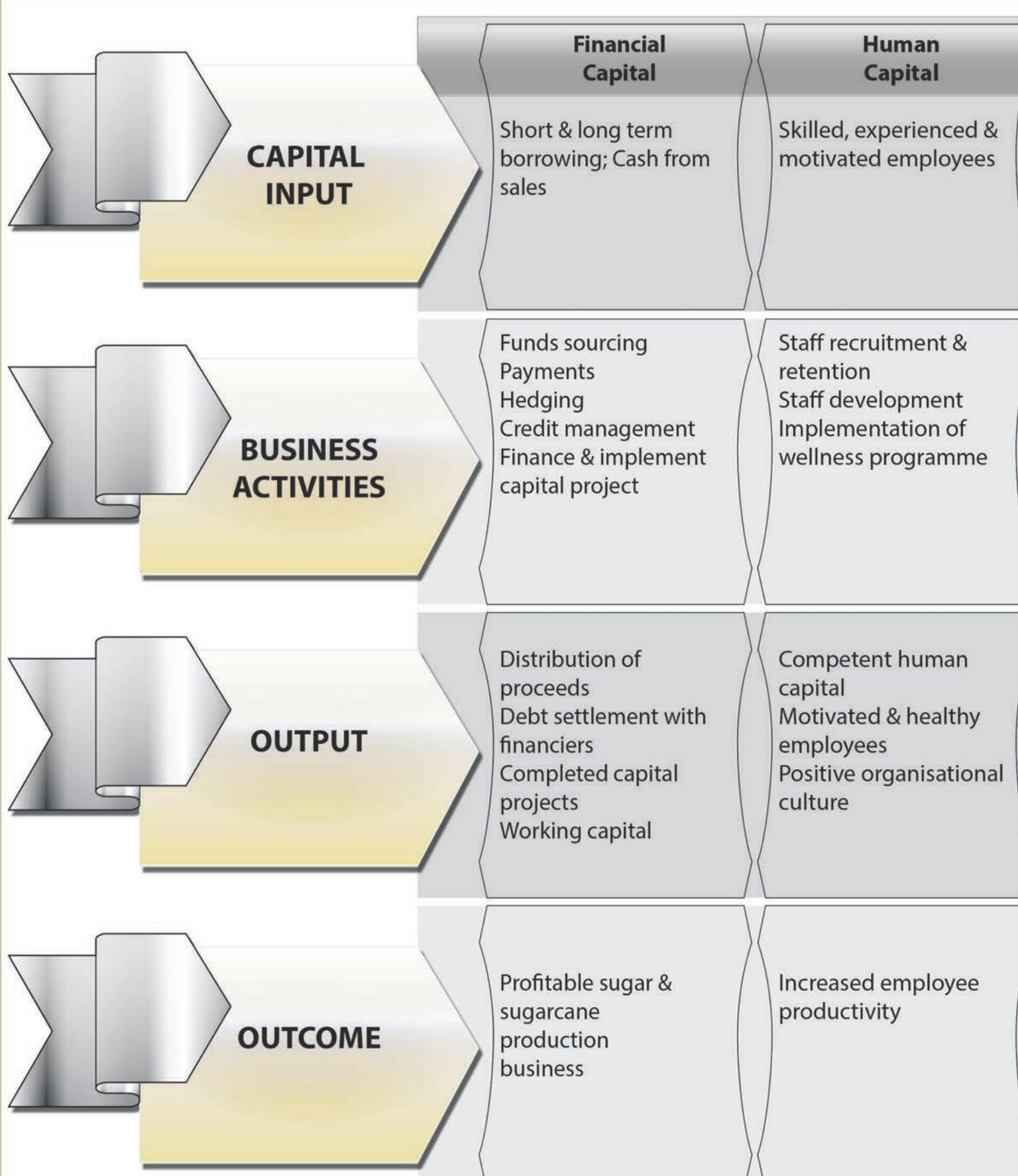
Sustainability

Consumers are increasingly becoming more aware and conscious of the products they consume. This has put pressure on manufacturers to ensure that the ingredients in their products are produced sustainably. This changing environment calls for consideration of environmental, economic and social matters in the sugarcane industry. Adopting best practices for sustainability within the industry is critical in ensuring that production occurs while maintaining good economic, social and environmental principles.

In recognition of the importance of building a sustainable industry, a jurisdiction project was initiated by the industry. The outcome of the project was to establish a baseline for the industry benchmarked against global sustainability standards. This would assist the industry to then develop and roll-out an industry-wide programme.

The results from the baseline study have formed the basis from which the industry will develop its shared value strategy on sustainability and development of a continuous improvement programme. The process will provide a trusted platform for industry stakeholders to convene and develop short, medium and long-term goals for issues in a manner that addresses business/economic, social and environmental aspects, while also providing a platform for verification and/or certification.

How SSA creates



MODEL

sustainable value

Manufactured Capital	Natural Capital	Intellectual Capital	Social & Relationship Capital
Warehouses & conditioning silos; Bagging and storing equipment; Laboratories	Land, water & climatic factors	Sugar industry agreement; Quality management system; Trade agreements; Information management systems	Millers & growers; customers; suppliers; communities; government; financiers
Sugar production Sugar bagging Sugar & molasses storage Sugar movement Cane testing	Extension services provision Variety testing Seedcane production Securing & monitoring water resources Quota allocations	Lobbying initiatives Customer feedback processes Risk assessment & recovery processes Business information storage	Stakeholder engagements Contracts management CSI programme implementation
Bulk & bagged sugar Produced molasses Sucrose content measurement	High cane & sucrose yield Capacitated smallholder growers on best practices	Competitive advantage Risk mitigation Market access Customer feedback	Good governance Improved welfare of communities Good relationship
Satisfied customers Accurate grower payment	Sustainable sugarcane production	Competitive advantage	Sustainable sugar industry & community development

Compliance with Market Requirements and Food Safety Standards

There is continued pressure for SSA to comply with food safety standards. The mills wherein sugar is produced are required to be certified for food safety standards and to maintain their certification, as failure to do so would impact SSA's ability to sell to certain customers. Presently, one mill is still working towards being FSSC (Food Safety System Certification) 22000 certified while the other two already have certifications.

In keeping with the customer-centric value of the organisation, the specifications are constantly revised to cater for new requirements. There is a growing drive in some markets for vitamin-fortified sugar to improve the nutritional uptake of the population. SSA is committed to

meeting all market requirements as it positions itself to be among the best in the world.

Foreign Exchange Exposure

As a substantial proportion of the sugar sales are destined to markets outside the SACU and Common Monetary Area, the contracts entered into are denominated in foreign currency. Currencies used are either the Euro or the US Dollar. Currency fluctuations have an impact on SSA revenues, whether positively or negatively. The year under review was one where the exchange rate fluctuations did not work in favour of SSA. To minimise the negative impact, SSA has a Finance Risk Policy and Hedging policy in place. The policy advocates for the use of forward exchange contracts in order to cushion against volatility in exchange rates.

Selected Eswatini Sugar Industry Data

Parameter	2013/14	2014/15	2015/16	2016/17	2017/18
Area under cane (ha)	58 979	59 586	59 924	61 073	61 864
Area Harvested (ha)	55 478	56 438	57 685	56 420	57 776
Cane Production (tonnes)	5 591 830	5 639 193	5 836 553	4 973 571	5 405 151
Yield (tonnes cane per ha)	100,8	99,9	101,2	88,2	93,6
Sucrose content (%)	13,7	13,9	13,9	13,97	14,01
Sucrose Production (MTTQ)	767 292	781 313	813 966	694 124	757 480
Sugar Production (MTTQ)	653 337	686 778	695 408	586 085	650 126
Cane: Sugar Ratio	8,56	8,21	8,39	8,49	8,31
Annual Rainfall (mm):					
Mhlume	764	410	295	679	703
Simunye	622	354	308	603	605
Big Bend	642	341	429	421	595
Number of Growers:					
Large Scale	9	9	9	9	9
Medium Scale	28	30	29	29	28
Smallholder	414	428	450	446	449

MATERIALITY AND RISK MANAGEMENT

SSA has identified material matters which could significantly impact positively or negatively its ability to

create and sustain value. These matters are reviewed annually by management where all relevant internal, industry specific and macroeconomic factors are evaluated. The needs, expectations and concerns of the stakeholder groups that are most likely to influence SSA's ability to create sustainable value, notably customers, growers, millers, staff and shareholders, are central to determining the material matters. The infographic below shows the procedure SSA uses to determine material matters.

Action	Description	Sources of Input	Responsibility	
MATERIALITY DETERMINATION PROCESS	Identify relevant matters	<ul style="list-style-type: none"> All matters that could negatively or positively affect value creation 	<ul style="list-style-type: none"> Stakeholder engagement Market intelligence Prior year Risk Register & Integrated Report Management review sessions Council discussions 	Management & all employees
	Evaluate importance	<ul style="list-style-type: none"> Importance is determined by its potential impact on performance, reputation, strategy and governance 	<ul style="list-style-type: none"> Quantitative and qualitative analysis Stakeholder attitude 	Management
	Prioritise material matters	<ul style="list-style-type: none"> Ranking the matters in order of their significant importance so that effort is focused accordingly 	<ul style="list-style-type: none"> Heat Map and Risk Register Stakeholder attitude 	ARC, Council & Management
	Disclosure	<ul style="list-style-type: none"> The matter is explained and strategic responses are indicated. Management decides on the matters to disclose 	<ul style="list-style-type: none"> Stakeholder engagement Strategic objectives 	ARC, Council & Management
	Monitoring	<ul style="list-style-type: none"> All matters that could negatively or positively affect value creation 	<ul style="list-style-type: none"> Updates on Risk Register Stakeholder attitude 	ARC, Management & Employees

Due to changes in the external business environment, the prioritisation of material matters changed as the year progressed. Markets and storage capacity gained weight on their effect on the organisation's ability to create value. At the same time, sufficient rainfall during the year reduced significantly the impact of climate change and water availability as a priority in the short to medium term. A detailed analysis of the material matters is presented in the next section.

Prioritisation of Material Matters at start and end of 2017/18

At Beginning of Financial Year	At End of Financial Year
Climate Change & Water Availability	Global Sugar Markets & Preferential Market Access
Preferential Market Access	Cost Pressures
Cost Pressures	Foreign Exchange Rates
Foreign Exchange Rates	Logistics
Customer Requirements & Product Liability	Climate Change & Water Availability
People Skills & Experience	Customer Requirements & Product Liability
Logistics	People Skills & Experience

* Sustainability of sugarcane growing and sugar production is a cross-cutting issue as is shown by the range of material matters.

Global Sugar Markets & Preferential Market Access

The sugar markets have been challenging due to the world sugar surplus which has caused a fall in world market prices over the past year. SSA has had challenges in obtaining markets that offer remunerative prices as in prior years. The key market, SACU, experienced an influx of world market sugar imports which eroded the value in this market and displaced Eswatini sugar. SSA has also seen the value attainable in the regional markets, which are pegged to the world market, also fall in the past year. The potential in regional deficit markets has been limited by protective measures put in place to protect domestic industries.

Material Risks	Opportunities and Risk Management
Ability to remain competitive in the markets in which SSA operates and has growth aspirations.	Reduce production costs. Advocate for limited preferential access for other world market sources. Venture into value-added products.
Ineffectiveness of SACU sugar tariff protection.	Advocate for upward review of SACU tariff. Consistent high quality supplies allow SSA to maintain sales to manufacturing customers. Consider selling higher value products.
Failure to comply with standards and customer requirements.	Continually review systems to monitor compliance to standards and specifications. Early compliance with most major standards makes SSA a preferred supplier.
Lower realizable sugar prices to allow SSA to compete with low cost (subsidised/dumped) sugars.	As a low cost producer SSA can sustain lower prices for longer than other producers, thus allowing other suppliers to fall off the supply chain.

Cost Pressures

Maintaining low production costs is key for the sugar industry to remain competitive. It is therefore essential to contain costs of sugarcane production because they affect profitability and sustainability of the sugarcane growing enterprises and the industry.

Material Risks	Opportunities and Risk Management
Increasing input costs for sugarcane and sugar production.	Interrogate production practices and implement cost saving measures throughout the value chain. Leveraging available systems, processes, and structures to allow for improved efficiency and productivity. Investigate and invest in cheaper alternative sources of energy in the long term. Increased lobbying for realistic remuneration and labour laws for the grower viability.

Foreign Exchange Rates

SSA sells a proportion of its product in markets outside the SACU Market and Common Monetary Area. This presents SSA with risk of currency volatility.

Material Risks	Opportunities and Risk Management
Failure to achieve budgeted rates	Increasing sales volume to SACU market. Enhance effectiveness of Finance Risk Policy and Hedging policy.

Logistics

SSA is reliant on the effectiveness and efficiency of product distribution channels. During the year under review, the slow movement of sugar to markets presented huge storage challenges for the industry. This increased significantly the logistics costs in the year.

Material Risks	Opportunities and Risk Management
Inability to meet strategic targets	Develop a Logistics plan to support marketing strategy
Shortage of storage facilities	Review logistics model including storage capacity

Climate Change and Water Availability

The prevalent changing and uncertain weather patterns make sugarcane growing and sugar production unpredictable. It is therefore critical to assess the possible impacts of climate change on the industry, as well as its financial implications and sustainability.

Material Risks	Opportunities and Risk Management
Inability to support expansion of sugar industry due to inadequate supply of water.	Lobby Government for additional dams to support sugar industry
Decline in yields and area under sugarcane production due to lack of water.	Promote adoption of efficient irrigation systems and climate smart practices

Customer Requirements & Product Liability

Customer requirements are evolving with time, as such SSA is continuously improving to meet or exceed customer demands. Furthermore, SSA is aware that possible liability may arise as a result of supplying lower standard products.

Material Risks	Opportunities and Risk Management
Loss of customers & inability to attract new customers due to failure to comply with standards and customer requirements	Conduct and analyse industry compliance audits, develop and implement action plans for continuous improvement. Product diversification

People Skills and Experience

SSA recognises that attracting and retaining skills is critical in delivering its strategy to create value for stakeholders.

Material Risks	Opportunities and Risk Management
Loss of skills and experience in SSA	Develop capacitation programme for key functions and pursue a skills retention policy.
Inability to provide or deliver the required level and quality of service	Identify key functions and develop and implement a robust succession plan.

STRATEGY AND RESOURCE ALLOCATION

Previous SSA integrated annual reports presented various individualised strategies (crop production research, crop protection and extension, marketing and funding strategies) aimed at creating value in each division of the organisation. The increasing risks and uncertainties

associated with the sugar producing and selling business necessitated a change in approach. This gave rise to a development of an overarching corporate strategy intended to create focus towards a common goal, with a special emphasis on the 5-year period beginning 2017 to 2021. This strategy communicates SSA's strategic path aimed at achieving short, medium and long-term strategic objectives.

The Executive Committee

The Executive Committee (EXCO), comprising the CEO and Heads of Departments, directs the execution of the strategic objectives on a day to day basis.



SSA CORPORATE STRATEGY 2017-2021

VISION

ALIGNED AND SUSTAINABLE
WORLD-CLASS SUGARCANE INDUSTRY

MISSION

TO CONSISTENTLY MEET THE REQUIREMENTS OF CUSTOMERS, MILLERS AND GROWERS
AND OTHER STAKEHOLDERS BY PROVIDING QUALITY PRODUCTS AND
SERVICES IN AN EFFICIENT, COST EFFECTIVE AND SUSTAINABLE MANNER

OBJECTIVES

ACHIEVE A SUGAR PRICE
IN 2021 THAT EXCEEDS
INFLATION

EXPLORE VIABLE VALUE ADDITION
INITIATIVES TO BENEFIT THE INDUSTRY

PROMOTE AND SUPPORT
SUSTAINABLE INDUSTRY
EXPANSION

UNITED FOR GROWTH. CREATING MORE VALUE.

GOAL

DOUBLE THE INDUSTRY REVENUE
IN 10 YEARS

THEMES

GROWTH
AND
SUSTAINABILITY

SUGAR AND
SUGARCANE
PRODUCTS

OPERATIONAL
EFFICIENCIES
AND
CAPABILITIES

HUMAN
CAPITAL
DEVELOPMENT

STAKEHOLDER
ENGAGEMENT

VALUES

EXCELLENCE

INTEGRITY

GROWING
OUR PEOPLE

CONTINUOUS
IMPROVEMENT

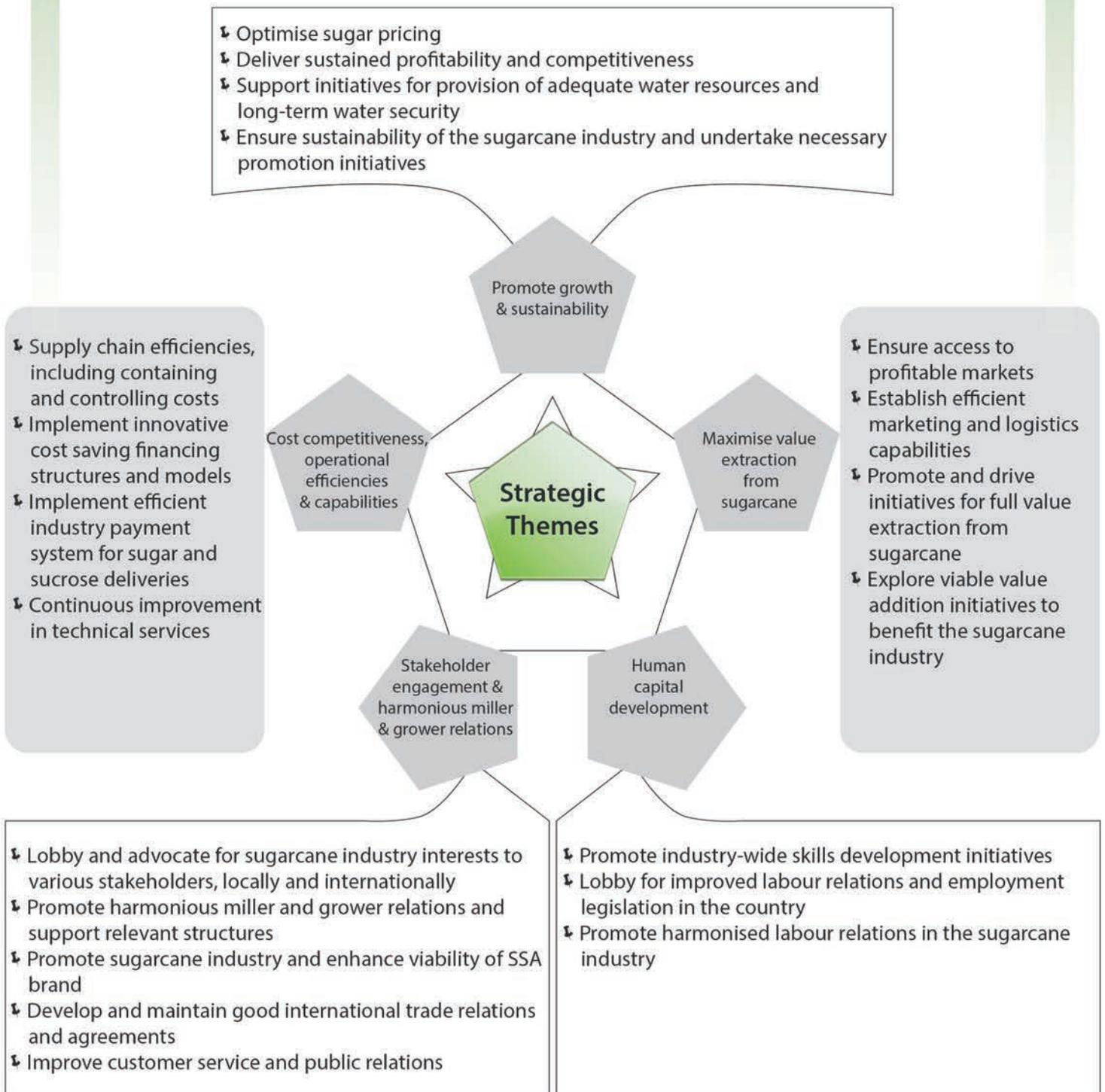
CUSTOMER
CENTRIC

STRATEGIC THEMES

SSA in its quest to achieve the long-term strategic goal of doubling industry revenue in 10 years will do so through pursuing the following objectives

- ↳ Achieve a sugar price in 2021 that exceeds inflation
- ↳ Explore viable value addition initiatives to benefit the industry
- ↳ Promote and support sustainable industry expansion

These objectives are further divided into 5-broad strategic themes to guide the execution of the strategy as shown below. The strategy takes into consideration the material matters indicated in the previous section.



Stakeholders Engagements and Outcomes in 2017/18

Stakeholder	Mode of engagement	Frequency of engagement	Strategic issues arising from engagement
Members (Millers & Growers)	Council meetings Marketing executive committee meetings Finance committee meetings Audit & risk committee meetings Extension committee meetings Cane testing committee meetings Mill group meetings Ad hoc meetings	Quarterly Quarterly Quarterly Quarterly Quarterly Quarterly Monthly, Quarterly As and when a need arises	<ul style="list-style-type: none"> ➤ Sustainability of the sugar industry ➤ Accessing profitable markets ➤ Cost competitiveness and improved operational efficiencies ➤ Full value extraction from the sugarcane crop ➤ Advocacy and policy influence ➤ Water storage and security
Customers	Customer visits and surveys Emails, telephone Audits	Monthly, quarterly, biennially and annually	<ul style="list-style-type: none"> ➤ Need to remain competitive with imports (including protecting domestic industry and market from imports) and South African sugar. ➤ Pricing for manufacturing customers - who are a strategic focus clientele - to allow them to compete with goods imported from countries where sugar cost is subsidised. ➤ Continue to focus on producing and supplying good quality sugar to maintain its competitive edge in the market.
Suppliers	Supplier audits Business functions Emails, telephone	As and when necessary	<ul style="list-style-type: none"> ➤ Operational efficiencies ➤ Improved information and communications systems ➤ Sustainable product and service supply
Employees	Departmental meetings Negotiations & consultation meetings CEO memos and interactions	Monthly Quarterly (at times more frequently) Bi-annually, Quarterly	<ul style="list-style-type: none"> ➤ Improved benefits ➤ Staff welfare issues ➤ Skills development
Financiers	Financier visits	As and when necessary	<ul style="list-style-type: none"> ➤ Long-term sustainable funding
Government	Briefings and business functions	As and when a need arises	<ul style="list-style-type: none"> ➤ Legislation and policy ➤ Trade issues and market access ➤ Infrastructure development

PERFORMANCE

Strategic objectives:	Target:
Reduce sugarcane production costs	Develop programme for addressing high production costs
Optimise utilisation of cane testing infrastructure by testing sufficient cane deliveries	Achieve at least a 70% test rate for all growers
Promote irrigation efficiencies	Evaluate irrigation systems to recommend improved usage of water & electricity
	Roll-out irrigation scheduling project technology to more growers

Strategic objectives:	Target:	Achieved:	Impact on capital:
Maximise sugar sales revenues	Achieve exchange rates better than budgeted Achieve the budgeted sugar prices	<ul style="list-style-type: none"> ✓ Better exchange rates were achieved ✗ Not achieved due to depressed prices & high imports at SACU 	Increased financial capital
Ensure adequate water resources	Engage relevant stakeholders to ensure future water security for the industry	<ul style="list-style-type: none"> ✓ Meetings held with relevant Government officials 	Improved natural capital
Ensure sustainability and profitability of smallholder growers (SSGs)	SSGs average yields to exceed 11,94 tonnes sucrose per hectare per annum (tsh/an)	<ul style="list-style-type: none"> ✓ Average yields growers increased to 12,83 tsh/an 	Increased manufactured capital
	Develop industry Sustainability Policy and Strategy	<ul style="list-style-type: none"> ✓ Policy was developed and approved. ✗ Strategy is yet to be developed 	
Broaden industry sugarcane variety base	Increase availability of better yielding varieties	<ul style="list-style-type: none"> ✓ Variety N53 was released 	Increased financial capital



Strategic objectives:	Target:	Achieved:	Impact on capital:
Stakeholder liaison and Advocacy	Keep all relevant key stakeholders informed on industry developments and interests.	<ul style="list-style-type: none"> ✓ Strategy & industry outlook was communicated 	Improved relationship capital

PERFORMANCE OVERVIEW

Achieved:	Impact on capital:
✗ Programme not yet materialized	Depleted financial capital
✓ Test rates achieved: Mhlume, 83%; Simunye, 81%; & Ubombo, 80%	Improved usage of manufactured capital
✓ Irrigation systems were evaluated on 21 different farms & recommendations were given	Increased financial capital
✓ Irrigation scheduling project technology was rolled out to 17 newgrowers	Improved usage of natural capital

operational efficiencies

Revenue in 10 - years

Maximise value extraction from sugarcane

Maximise value extraction from sugarcane

Strategic objectives:	Target:	Achieved:	Impact on capital:
Increase (preferential) access and grow market share in regional markets	Secure improved preferential sugar access in the region	✓ TFTA: sugar is now on the sensitive list of products	Improved intellectual capital
Maintain preferential access	Maintain preferential access to the Region, EU and the US	✓ SADC, COMESA, US & EU access maintained	
Orient marketing strategy	Develop a Regional Marketing Strategy Divert sugar from low to higher paying markets	✓ Strategy developed and approved ✗ Not achieved due to depressed world market	
Increase customer satisfaction	Sell sugar within agreed specification Reduce customer complaints	✓ sugar sold was within specification ✗ No change from previous year	Enhanced reputation and brand hence growth in relationship capital
Meet customer delivery requirements and attain improved logistics efficiency	Reduce sugar export costs per tonne	✗ Road & rail costs increased by 2.2% and 3.45%, respectively	
Protect and sustainably grow the domestic market-share	Increase sales revenue Increase sales volume to industrial customers	✗ Revenue & volume were lower than last year due to depressed prices & imports at SACU	Reduced financial capital

Strategic objectives:	Target:	Achieved:	Impact on capital:
Talent development & retention	Keep staff turnover below 5%	✓ Staff turnover (voluntary exits) at 2.5%	Improved staff motivations

OUTLOOK

The outlook as presented in this report is based on the best judgement of all available information, especially where associated with issues outside the control of SSA. It is to be noted that it is difficult to identify all risks, opportunities, threats and outcomes which could materially affect any entity, particularly in the long term. Despite this, it is essential to be cognisant of what challenges and uncertainties lie ahead, whilst pursuing organisational objectives. This being a dynamic industry, dependent on an equally dynamic world market environment, circumstances can change with time.

The future position of SSA is considered in three periods - the short term (one year or less), medium term (two to five years), and the long term (beyond five years).

Global Sugar Markets & Preferential Market Access



The viability and sustainability of the sugar industry in Eswatini is leveraged on the value of both domestic and export markets. The country only consumes less than 5% of the sugar produced, the rest being sold outside its borders. It is therefore pertinent that favourable market access conditions exist to meet this objective. During the year under review and in the early part of the ensuing year, the Kingdom of Eswatini has succeeded in obtaining preferential access for its sugar into several other world market destinations. However, with the evolving world

market conditions, together with the erosion of value in what were historically preferential markets, trade dynamics will remain challenging.

Short Term

The past year saw the abolition of the EU beet quotas, which resulted in increased production of sugar in the EU market. This translated into a significant drop in prices in the EU market to world market levels, eroding the value attainable in that market. While the country as a signatory of the SADC-EU EPA benefits from duty-free quota-free access into that market, there is very little value in continuing to pursue sales in that market due to the decrease in value attainable. In addition, the EU has become a surplus producer and exporter of sugar, requiring less volumes of imported sugar. As a result, alternative markets in the East and Southern African region are being actively pursued to divert sales from the EU market.

Over 60% of SSA sales are into the SACU market. The SACU sugar market is protected by a common external tariff based on a variable formula which is informed by world market prices. The restoration of the protection of this market is pertinent in the short term to enable the movement of sales into the SACU market.

Medium Term

The deficit regional market (SADC, COMESA and EAC) continues to present an opportunity for sales into this region. However, with ongoing expansions in the sugar producing countries in the region, there is resistance in opening their markets for regional sugar. Meanwhile, those sourcing the sugar have an appetite for cheaper world market sugar than sugar from the region. Anti-sugar campaigns and the roll-out of taxes on sugar containing beverages (commonly termed, the sugar tax) stands to dampen the demand for sugar.

Long Term

In addition to the above, world sugar surpluses will further stifle the price of sugar and the returns from the earmarked markets. As major sugar producers react to the depressed prices by diverting cane to other products other than sugar, the world market price is expected to recover together with returns attainable in the various markets of interest.

Logistics

The establishment of efficient logistics capabilities which also meet diverse customer requirements is one of SSA's strategic objectives. As SSA diversifies its markets, the new markets demand sugar delivered in different forms from the traditional offerings. This requires continuous review of equipment, capacity and supply chain efficiencies to meet the demand. This, coupled with increased production, presents new dynamics to the supply chain with provisions needing to be made for flexibility in warehousing, handling and movement of the products and different package sizes.

Limited storage capacity of bagged sugar affected SSA's ability to create value in the year under review emanating from the slow movement of sugar to markets. During the course of the year, a study was commissioned to assess the bagging and storage capacities with a view of recommending appropriate additional capacities to match the industry's forecasted requirements.

Climate Change and Water Availability

Sugarcane growing is a large user of water, and water management for growing of the crop is important for the sustainability of the industry and environment. Having recovered from a devastating drought, the water levels in the main rivers and dams in the country have recovered to levels close to pre-drought periods. The same recovery was seen in the water sources servicing the industry. The recovery in rainfall and water levels has seen a significant improvement in sugar production to levels close to pre-drought periods. With the lessons learnt from the drought period, and increased efficiencies in water use and irrigation, sugar production is expected to return to levels prior to the peak of the drought in 2016.

Short Term

Indications are that sugar production will steadily increase by about 6%, from 650 126 tonnes in the year under review to 688 517 tonnes in 2018/19. This increase is attributed to good water levels, good rains and increased yields. The water levels in rivers and dams are deemed to be sufficient to sustain the crop through the dry winter season until the next rainy season.

Unfortunately, the Ngwavuma river which services the most southern part of the industry has not seen a full recovery. As a result, reviving fields that were affected by the drought is expected to be on a slow off-take hence cane supply from that part of the country will be negatively affected.

There is adequate supply of seedcane, and the area to be replanted and the costs associated with the activity are only being impacted by the drop in sugar prices.

Medium and Long Term

The industry continues to look to expand cane production as far as the available resources will allow. Due to the effects of the past drought, the industry has heightened its efforts to work with the Government to increase water storage capabilities in strategic areas of the country as mitigation of similar impacts in the long-term. The inter-ministerial engagement on the matter is ongoing and promising to reap benefits for the industry. It is imperative that adequate water resources be secured, and that there is continuous promotion of the adoption of efficient irrigation technologies and practices.

Cost Pressures

The key to viable and sustainable sugarcane production is keeping costs of production low, while improving operational efficiencies. Various factors can threaten the viability in the sector, particularly of smallholder sugarcane growers who do not enjoy the economies of scale that larger growers do. Many growers took a knock from the drought, and recovery from a financial shock takes time. To sustain operations can be costly because external funding is required.

Short Term

The annual 15% increase in electricity effected at the beginning of 2017/18 significantly increased the energy cost of growing sugarcane. With the crop being 100% irrigated, and irrigation costs making up more than 50% of the overall crop upkeep, this increase will continue to put pressure on the growers. More so because another increase is slated for the 2018/19 year as well. This stands to threaten the viability of some growers who are already struggling to meet their financial obligations.

Medium Term

The need for alternative and renewable sources of energy for the irrigation of the crop is becoming imminent with the rise of irrigation costs. There is also a need to adopt and harmonise other cost reduction initiatives throughout the industry to retain value.

Long Term

The discussion focussing on being a sugarcane industry is ongoing throughout the industry, to be able to extract full value out of the stick of cane. This includes interrogating and enhancing the sugarcane value chain for product optimisation.

Foreign Exchange Rates

The movement of foreign exchange rates plays a pivotal role in the returns realised by the industry. As a significant share of sales are to markets denominated in foreign currency, the movement of foreign exchange rates influences the profitability of the industry. When the Lilangeni strengthens, as was the case during the year under review, this has a negative impact on the industry. The Lilangeni strengthened from E13,45 to the US Dollar in April 2017, to E 11,84 in March 2018. This impacted the returns attained from sales as the year progressed.

Short Term

Due to the numerous factors which influence the foreign exchange movements, the outlook remains uncertain.

Medium Term

The political and economic developments in neighbouring South Africa, as well as the US and the EU will determine the exchange rate. It will work in the industry's favour if the local currency weakens in the medium term.

Customer Requirements and Product Liability

Customer requirements are increasingly evolving from quality to sustainable sourcing. The drive is to source products that can be produced sustainably - and there is increased pressure to comply with this requirement. SSA is committed to gain the competitive edge with regards to sustainability, and be a preferred supplier for key buyers of sugar.

Short Term

SSA is committed to retain certification on food safety standards and to comply or demonstrate continuous improvement towards compliance on global standards on sustainability. As such, SSA has chosen to benchmark itself against global standards and align its best management practices for sugarcane production to these standards.

Sugar is viewed as one of the affordable foods which can be used to address malnutrition challenges in developing countries. The Ministry of Health in Eswatini is already exploring the use of sugar fortified with micronutrients and vitamins (e.g. Vitamin A) as a vehicle for the nutrients to the population.

Medium Term

Customer requirements and preferences are fluid in nature. The growing preference for alternative sweeteners deemed to be healthier stands to have a negative impact on the demand for sugar. Health promotion taxes and other anti-sugar campaigns stand to have an increased influence on consumer choices.

People Skills and Experience

One of SSA's key strategic objectives is to create an enabling and healthy environment for its human capital. One of the values pronounced in the SSA Corporate Strategy is 'Growing our People' - as the organisation aims to improve the welfare of its people and help them develop to their full potential.

Short Term

The development and retention of talent is crucial for the smooth running of any organisation and SSA continues to lobby for improved labour relations and employment legislation in the country, as well as promotion of harmonised labour relations in the sugarcane industry.

Medium to Long Term

SSA continues to implement its internship policy, which will develop relevant skills and experience required by the industry. SSA will also coordinate the identification of industry skills development needs for the sustainability of the sugar industry. These interventions are intended to address the shortage of skills in the medium to long term.

GOVERNANCE AND REMUNERATION

Commitment to Ethical and Effective Corporate Governance

SSA is committed to the highest standards of ethical and effective corporate governance as a guiding framework for its business management. SSA promotes strong principles of integrity which helps in the entrenchment of sustained excellence in every aspect of the business. This enables positive business performance in the short, medium and long terms. This commitment is applicable to all SSA structures, including Council and its subcommittees, management and all SSA employees. By extension, SSA

also promotes dealing with business partners who exhibit good corporate practices to create sustainable business relationships.

Council adopted the principles of the King III Code on Corporate Governance as the standard to be used by SSA in managing its business affairs. SSA continuously reviews its position to ensure that it continues to adhere to the principles of the Code of Corporate Governance. With the King IV Code on Corporate Governance having been launched in South Africa in November 2016, SSA is continuing to assess the implications of the new principles to existing governance processes.

Council acknowledges that full implementation of the King IV Code will be a process which will require an in-depth understanding and interpretation of its principles into contextual circumstances. At this point, Council is satisfied that SSA has applied all the King III principles except the following:

King III Principle	Explanation
The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	To the extent that Council composition is defined in existing statutes, there is no need to define or assess its composition.
Directors should be appointed through a formal process.	The appointment of Council members is defined by existing statutes and is done independently by its mother bodies (Swaziland Sugar Millers Association (SSMA) and Swaziland Cane Growers Association (SCGA)).
The evaluation of the Board, its committees and the individual directors should be performed every year.	This is not done, given the way they are appointed and the duration.

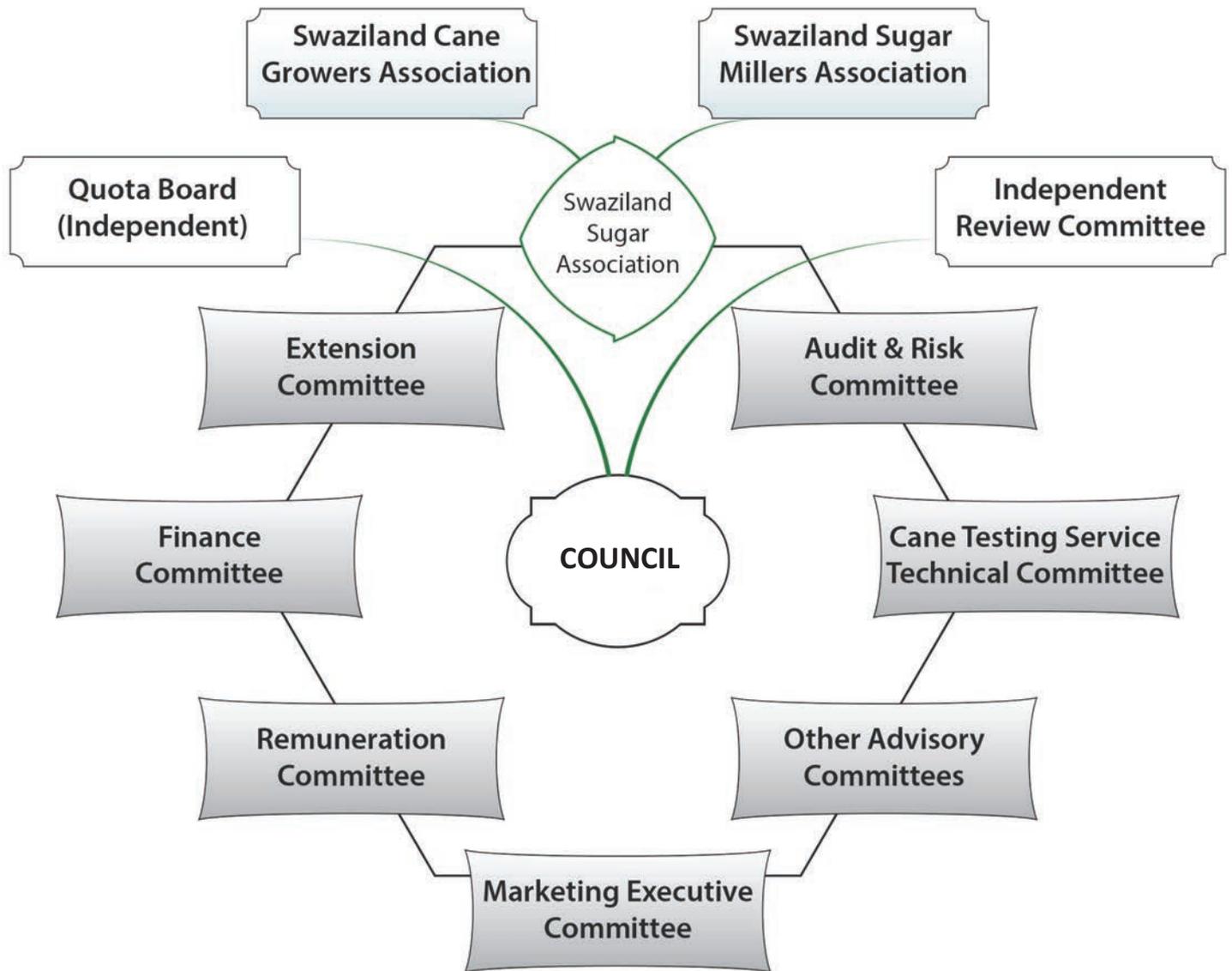
Council believes that these 3 principles are not applicable to SSA due to the operational nature and structure of SSA (as provided for in the Sugar Act of 1967 and the Sugar Industry Agreement).

Governance Framework

SSA is committed to good corporate governance even though its structure is different from a normal corporate

entity. Its members are the Associations of millers and growers - namely, SSMA and SCGA respectively. Their representatives are appointed into Council as defined by existing statutes. Therefore, their independence is limited to the extent that they represent the interests of their respective associations. However, this is compensated by the fact that all decisions taken are expected to be for the good of the overall sugar industry wherein the benefits or losses are shared in a predefined manner.

The diagram below depicts the governance structure of SSA.



Appointment and Induction of Members

In line with the Constitution of SSA, members of Council and other committees are nominated and appointed at the Annual General Meeting (AGM) every September. All the current members of Council have sufficient experience in SSA operations complemented by extensive experience in the sugar industry in Eswatini.

At the first meeting of all the committees after the Annual General Meeting, members of those committees are taken through an induction. The induction covers the structure and mandate of SSA. It also covers the terms of reference of that committee and the Code of Conduct for SSA committee members. During the year, there were only two new members elected into Council.

Leadership Structure and Profile

The leadership of SSA at all levels is through appointments by SSMA and SCGA. The decision-making process at Council and its subcommittees is by consensus, with each association having one vote. In considering appointment to the subcommittees, these bodies assess the relevant expertise as well as experience of the candidate. In this regard, the individual members of the governance structures were considered appropriate for appointment.

SSA Leadership

Mr. Tom Dlamini (68) - Chairman,

Tom Dlamini is the Chairman of Council. Retired, his last employment was with Swaziland National Housing Board as Managing Director for 16 years. For 14 years previously, he was employed as an Engineer and held a senior

management position at the then Swaziland Electricity Board (SEB), now known as Swaziland Electricity Company. He has been the Chairman of Council for 8 years. He qualified with a BSc (Engineering) in U.K; became a member of the Institute of Electrical Engineers and was registered as a Chartered Engineer with the Council of Engineering Institutions (U.K) and had training in general and project management. His experience covers being: Board Member at SEB; Board Member at FSE & CC; Director at Knight Piesold (South Africa); Engineering Consultant; Chairman of Swaziland Public Enterprises Association; Councillor at Ngwenya Town Board; President of Mbabane Rotary Club; President of Mbabane Toastmasters Club; Toastmasters District 74 Area Governor; President of Junior Chambers (Jaycees); Chairman of Sifundzani School Governing Body; Mentor with Begin Believe Become under Technoserve.

Mr. George White (59) - President,

George White is the President of SSA from 1 April 2018 having been nominated by the Swaziland Cane Growers Association. During the year under review, he served as Vice President in line with the constitution of the Association. He is currently the General Manager Tambankulu Estates with over 40 years experience in the sugarcane growing business. He holds a Diploma in Agriculture and has attended an Executive Development Programme. He has been a member of Council for 38 years.

Mr. Nick Jackson (53) - Vice President,

Nick Jackson is the Vice President of SSA from 1 April 2018 having been nominated by the Swaziland Sugar Millers Association. He is currently the Managing Director of Royal Swaziland Sugar Corporation and has over 20 years experience mostly in the sugar industry, having held the position of CEO of Guyana Sugar Corporation in the Caribbean. He holds an Honours Degree in Bio Chemistry. He serves on several other Boards in institutions of high importance in the country. He has been a member of Council for 9 years.

Other Council Members

Swaziland Sugar Millers Association - Council members nominated by the SSMA include senior executives from both RSSC and Ubombo Sugar. Their experience varies from sugar milling operations, finance, legal, commercial and agricultural operations with an average experience of 18 years in the industry. Their average tenure as Council Members is 9 years.

Swaziland Cane Growers Association - Council members nominated by the SCGA include senior executives from large sugar estates (including Tibiyo Taka Ngwane) as well as growers who run their own sugarcane farms. Their

experience is largely skewed to sugarcane growing and managing their own farms with an average experience of 20 years in the industry. Their average tenure as Council Members is 9 years.

Role of President and Vice President

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

Role of Chairman of Council

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

Role of Secretary

The role of the Secretary is handled by the Financial Director. He performs duties and functions as prescribed in the Constitution of SSA and such other functions and duties as Council may from time to time assign to him. Since his duties are defined by statute, Council is happy that there is no conflict between his secretarial and executive role. The current Secretary has four years experience in his current role and several years in similar positions with other entities.

Management Composition

Council assigns responsibility for the day-to-day management of the Association to the CEO. To assist the CEO in discharging his duties, there is an Executive team (EXCO) which comprises the heads of departments, who are specialists in their fields with an average of 15 years experience at SSA in their roles. The EXCO meets at least once a month to review operations and ensure that the key strategic objectives are pursued vigorously.

Key Governance Processes and Activities

The role of Council is defined in the SIA and it primarily involves: Strategic leadership and guidance; ultimate

oversight, accountability and responsibility. Council has established several bodies through which it executes its governance processes and activities by delegation. Membership to these structures is equal between millers and growers. Decisions are usually arrived at by consensus. Council standing subcommittees are as follows:

- **Marketing Executive Committee:** The main responsibility is to purchase, market and sell sugar and by-products produced by the sugar industry. It recommends to Council the marketing strategy and product disposal policy as well as the plan to be followed in any given period. The Committee is made up of three representatives from each of the miller and grower constituencies.
- **Cane Testing Service Technical Committee:** Its main function is the supervision of the cane testing service at the mills to ensure its independence and credibility, handling issues of mass determination or computation and advising SSA on all matters relating to cane testing in the industry. The Committee is made up of members with technical expertise in the processing and growing of sugarcane both from the millers and growers.
- **Remuneration Committee:** It deals with leadership development and remuneration. The Committee is made up of two representatives from each of the miller and grower constituencies. The current members are three Managing Directors and a General Manager in their respective organisations.
- **Extension Committee:** It supervises the provision of extension services in the industry, including crop production research, irrigation engineering as well as pest and disease control. The Committee is made up of technical experts in the growing of sugarcane from both millers and growers.
- **Finance Committee:** Its role is to oversee the financial affairs of SSA, including scrutinizing estimates, budgets and all other issues of a financial nature impacting on payments to producers (i.e., growers and millers). The Committee is made up of members from millers and growers who have expertise in financial matters.
- **Audit & Risk Committee:** It comprises an equal representation of millers and growers. It is chaired by an independent person with no direct interest in the sugar industry. It oversees the efficacy and effectiveness of internal controls as well as the overall risk management function. It also provides the functions required of it in the King III Code. The Committee is made up of members from millers and growers who have expertise in financial matters.

All the subcommittees listed above met quarterly during the year to discharge their duties with an average attendance rate of 95%.

➤ **Other Advisory Committees:**

- **Technical Committee:** for assessing requests for funding, design and implementation (including periodic monitoring) of capital projects.
- **IT Policy Committee:** for recommending industry information technology (IT) policy, strategy, systems and projects.
- **Sugar Industry Committee on National Adaptation Strategy:** for discussing all issues related to the implementation of the Sugar Industry Adaptation Strategy, including the EU support programme under the EC Accompanying Measures and support from other donors towards the implementation of the Strategy.
- **The Water Strategy Committee:** for discussing all issues related to the development of new water infrastructure.

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

The various Committees have standing terms of reference which are reviewed at least once in three years.

Independent Industry Committees

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

Council Discussions

Council has developed and maintains a standard agenda which sets the framework for meetings and seeks to ensure that each meeting covers all the sections of the industry - from routine business, through operational reports and

project updates, to special items and matters of strategy, as well as business development.

The structure of the agenda is such that all material matters for the business are monitored and reported-on at appropriate intervals, including those forming part of the marketing strategy and management objectives. The latter two areas are reported-on on a half-yearly basis while others are reported-on either quarterly or annually.

Each meeting receives reports on organisational activities and performance with respect to:

- Cane Testing
- Extension Services
- Marketing
- Industrial Relations
- Financial Performance
- Sugar and Sucrose Price Estimate
- Sustainability
- International Trade Issues, and
- Information Technology

In addition to these regular items, the following matters were discussed, among others, during the year:

July 2017

- Council delegated the Miller-Grower forum together with the IRC to consider the issue of beneficiation of bagasse.

September 2017

- Council approved the organisation's five-year Corporate Strategy.
- Council considered a paper on future storage capacity requirements and commissioned a study thereof.

December 2017

- Council discussed the Industry five-year forecast.

March 2018

- Council approved the Budget and Marketing Plan for the year 2018/19.

➤ Internal Controls and Internal Audit

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

strategic actions, insurance and specific internal controls.

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

Governance Policies and Procedures

SSA has a policy on Code of Conduct for its members and subcommittees. The Code seeks to set minimum standards expected and required of all members of SSA committees. It seeks to ensure that these members uphold principles of integrity, accountability, and legal compliance in carrying out their duties and responsibilities. It applies to all individuals whenever they are acting in their capacities as members of SSA committees. Two other Codes of Conduct also exist mainly for SSA employees and suppliers.

Whistle-blower Hotlines and Follow up of Tip-offs

SSA operates a whistle-blowing 'hotline'. This service, operated by the Internal Auditor, enables all stakeholders to anonymously report issues that may be fraudulent or unethical. It is the responsibility of all employees and stakeholders to report known or suspected unethical or illegal conduct. Retaliation against whistle-blowers is not tolerated. The follow-up on all reported matters is co-ordinated by the Internal Auditor and reported to the Audit & Risk Committee.

Remuneration Committee

The key activities of the Committee during the year were as follows:

- Review and approval of the incentive bonus for the year ended 31 March 2017.
- Review of the cost-of-living adjustments for staff and Chairmen's allowances for the year.
- Supervising the Senior Leadership Development Plan.

Remuneration of Employees

The remuneration philosophy is aimed at attracting and retaining appropriately skilled employees at all levels to positively influence performance and enable the achievement of SSA objectives. To ensure that SSA remains competitive in the labour market and can attract and retain employees, it strives to provide competitive remuneration.

Purpose	Operation	SSA Approach
FIXED		
Component - Base Salary		
<ul style="list-style-type: none"> ➤ It reflects the market value of the role, individual skills, contribution, experience and performance. ➤ It is intended to attract and retain key talent. 	<ul style="list-style-type: none"> ➤ Paid monthly in cash. ➤ Reviewed annually with remuneration adjustments to be effective from 1 April in each year. ➤ Base salary reviews take outcomes of pay surveys of similar industries, prevailing market conditions and increase provided by larger sugar industry members. 	<ul style="list-style-type: none"> ➤ For the CEO and Management, increases are decided by REMCO. ➤ For the rest of the employees, increases are negotiated with Union and leadership of non-unionised staff.
Component - Benefits		
<ul style="list-style-type: none"> ➤ To provide protection and market competitive benefits to aid recruitment and retention. 	<ul style="list-style-type: none"> ➤ Medical insurance. ➤ Income in the event of death or disability. ➤ Housing or an allowance. ➤ Educational assistance. 	<ul style="list-style-type: none"> ➤ These are reviewed annually.
Component - Retirement plan		
<ul style="list-style-type: none"> ➤ Make ongoing employer contributions during employment. ➤ To provide market-related benefits. ➤ Facilitate the accumulation of savings for post-retirement years. 	<ul style="list-style-type: none"> ➤ Comprises defined contribution plans. 	<ul style="list-style-type: none"> ➤ SSA contributes to the Swaziland National Provident Fund. For non-managerial and permanent positions, both SSA and employees contribute a certain percentage of salary.
Purpose	Operation	SSA Approach
VARIABLE		
Component - Annual cash incentive		
<ul style="list-style-type: none"> ➤ Focus participants on targets relevant to SSA's strategic goals. ➤ Drive performance. ➤ Motivate employees to achieve specific and stretch short-term goals. ➤ Reward individuals for their personal contribution and performance. ➤ Annual bonus aligns interests with members. 	<ul style="list-style-type: none"> ➤ All measures and objectives are reviewed and set at the beginning of the financial year. ➤ Payments are reviewed and approved at year-end by REMCO based on performance against the set targets. ➤ Threshold is required to be met for any bonus payment to occur. ➤ Target levels of bonuses vary as determined by the model. ➤ Bonuses are paid in cash. 	<ul style="list-style-type: none"> ➤ Maximum bonuses payable are capped dependent on grade of employee. ➤ The target sugar price for the year must be met before employees are eligible to a bonus.

Remuneration of Non-Independent and Independent Members

All members of Council and its subcommittees, except the independent chairmen, are not paid any remuneration. They are only reimbursed costs incurred in attending SSA business and this typically includes hotel as well as travel costs.

Remuneration of the independent chairmen is reviewed by REMCO on an annual basis, taking into account market information. They are also reimbursed costs directly incurred in carrying out the business of SSA in line with approved rates which are also reviewed annually.

AUDIT & RISK COMMITTEE REPORT



The Audit & Risk Committee (hereafter referred to as "The Committee") is pleased to present its report for the financial year ended 31 March 2018 to members of Council. This report follows the Swaziland Sugar Act of 1967 and the requirements of King III. The Committee carried out its responsibilities as set out in the Audit Charter.

Members

There were no changes in membership during the year. All members possess the required knowledge and experience to discharge their duties. The composition and attendance record of members during the year stands as follows:

Member	Attendance
B Mhlongo (<i>Chair</i>)	4/4
A Ngcobo	4/4
S Potts	4/4
L Ndzimandze	3/4
J Msibi	4/4

The Chief Executive Officer, Financial Director, Commercial Director, Finance Manager, Internal Auditor

and external auditor attend the quarterly meetings.

Mandate

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

Role of the Committee

General

- To ensure that the respective roles and functions of external and internal audits are sufficiently clarified and coordinated, and that the combined assurance received is appropriate to address all significant risks.
- To assist Council in carrying out its fiduciary responsibilities by overseeing the integrity of SSA's financial statements, financial reporting processes, internal accounting and financial controls, the annual independent audit of the financial statements, and other aspects of financial management (including overseeing the establishment and maintenance of processes to assure compliance by SSA with all applicable laws, regulations and policies).

External Audit

- To evaluate the independence, effective roles and functions of the external audit.
- To evaluate and recommend the appointment of external auditors on an annual basis.
- To approve the audit and non-audit services fees.
- To consider and respond to any question from Council regarding the resignation or dismissal of external auditors, if necessary.
- To review and approve the external audit plan.
- To ensure that the scope of the external audit has no limitations imposed by management and that there is no impairment on independence.

Internal Control and Internal Audit

- To review the effectiveness of the group's system of internal controls, including internal financial control and risk management and to ensure that effective internal control systems are maintained.
- To monitor and supervise the effective functioning and performance of internal audit.
- To review and approve the annual audit plan and

internal audit charter.

- To ensure that the internal audit function has no limitations imposed by management and that there is no impairment on its independence.

Financial Statements and Integrated Report

- To consider any accounting treatment, significant unusual transactions or judgments that could be contentious.
- To review the integrated report, as well as annual financial statements.
- To provide as part of the integrated report, a report by the Committee.

Internal Audit

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

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

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

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

Specific focus is placed on the system of internal controls to ensure that assets and information are protected against loss, theft or misuse, as well as on those controls which ensure that key transactional information is of high integrity.

Opinion on Internal Financial Controls

Based on the review of internal control systems conducted by the Internal Auditor, as well as information and explanations given by management and discussions held with the external auditors on the results of the audit,

the Committee believes SSA's system of internal controls is effective and forms a basis for the preparation of reliable financial statements in respect of the year under review. In addition, the Committee was not made aware of any:

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

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

Committee Activities

The Committee Chairman has regular and direct access to management at any time to discuss pertinent issues. Together with the Internal Auditor they also have closed meetings without management with the external auditors on matters that are relevant in fulfilling their functions.

The Committee held four meetings during the financial year and the following issues were discussed among other standing agenda items;

June 2017

The Committee considered the draft annual financial reports for the year ended 31 March 2017 prepared by management and recommended their adoption to Council. They also reviewed the risk register for 2017 and approved the one for 2018. They reviewed the insurance cover report for the Association and satisfied themselves that the risk was properly managed.

September 2017

The Committee received several internal and external audit reports which covered other standing agenda items.

November 2017

The Committee received and approved the external audit strategy to be followed in the audit for the year ended 31 March 2018 together with the audit fee.

March 2018

The Committee received and approved the internal audit plan for the new financial year.

Throughout the year, the Chairman provided written reports to Council summarising the Committee's findings and recommendations.

Risk Management

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

External Auditors

In September 2017, the committee evaluated the performance of PwC and concluded that they were satisfied with their work and went on to recommend their re-appointment in the Annual General Meeting.

Financial Statements

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

concern assumption in preparing the financial statements and is satisfied that it is appropriate.

Integrated Report

The Committee fulfils an oversight role in respect of SSA's Integrated Annual Report. The Committee is satisfied that all the information disclosed in the Integrated Annual Report is in no way contradictory to the annual financial statements.

Expertise, Resources and Experience of the Finance Function

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

Approval

The Committee recommends to Council the approval of the Integrated Annual Report 2017/18.

Mr Barnabas Mhlongo
Chairman

SWAZILAND SUGAR ASSOCIATION

SUMMARISED AUDITED GROUP FINANCIAL STATEMENTS *for the year ended 31 March 2018*

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COUNCIL MEMBERS' RESPONSIBILITY STATEMENT*for the year ended 31 March 2018**Council Members' responsibility statement for the Summarised Group Financial Statements*

The members are responsible for the preparation of the Summarised consolidated financial statements which comply with International Financial Reporting Standards (IFRS) and which, in accordance with those standards, fairly present the state of affairs of the association as at the end of the financial year, and the net income and cash flows for that period.

It is the responsibility of the independent auditors to report on the fair presentation of the Summarised consolidated financial statements.

The members are ultimately responsible for the internal controls. Management enables the members to meet these responsibilities. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the Summarised financial statements in terms of IFRS and to adequately safeguard, verify and maintain accountability for the association assets. Accounting policies supported by judgements, estimates, and assumptions which comply with IFRS, are applied on a consistent and going concern basis. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Based on the information and explanations given by management and the internal auditors, the members are of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing the Summarised consolidated financial statements in accordance with IFRS and maintaining accountability for the association's assets and liabilities. Nothing has come to the attention of the members to indicate that any breakdown in the functioning of these controls, resulting in material loss to the association, has occurred during the year and up to the date of this report. The members have a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Summarised consolidated financial statements.

The Summarised consolidated financial statements prepared in accordance with IFRS which appear on pages 40 to 48 were approved by the council members on 05 July 2018 and signed on its behalf by:

.....
Chairman

05 July 2018

.....
Chief Executive Officer

Independent auditor's report on the summary consolidated financial statements

To the Members of Swaziland Sugar Association

Opinion

The summary consolidated financial statements of Swaziland Sugar Association, set out on pages 40 to 48 of the Integrated Annual Report, which comprise the statement of financial position as at 31 March 2018, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Swaziland Sugar Association for the year ended 31 March 2018.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements for summary financial statements, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Act of Swaziland Sugar Act of 1967.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Swaziland Sugar Act of 1967 as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon. The summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report for the financial year ended 31 March 2018.

Council's Responsibility for the Summary Consolidated Financial Statements

Council is responsible for the preparation of the summary consolidated financial statements in accordance with the requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Swaziland Sugar Act of 1967 as applicable to summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers

Director: *Theo Mason*

Registered Auditor

P.O Box 569 Mbabane, Swaziland

Date: *05 July 2018*

COUNCIL MEMBERS' REPORT*for the year ended 31 March 2018*

Council has pleasure in submitting their report together with the consolidated and separate financial statements of the Association for the financial year ended 31 March 2018.

Business activities

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

General review of business operations and results

The state of affairs of the Association at 31 March 2018 and the results of its operations for the year then ended, are fully set out in these financial statements.

Results of operations

The Group recorded revenue of E4,24 billion (2017: E4,64 billion). The decrease in revenue is mainly attributable to unfavourable selling prices and decreased sales volume in all markets, as a result of the unfavourable market conditions. The cost of sales decreased from E4,50 billion to E3,97 billion in line with decreased distributable proceeds. Profits that are made by the Association are distributed in full to the millers and growers and form part of the cost of sales. Distribution costs incurred during the year were E19 million (2017: E62 million). The decrease is mainly as a result of a majority of the sales being on FOB terms as opposed to CIF terms in the previous year.

Net financing costs, including foreign gains and losses, increased from a loss of E5,04 million in 2017 to a loss of E175,21 million. This is primarily a result of high volatility of the Lilangeni against export currencies during the year. Foreign exchange gains of E11,13 million were realised compared to E132,04 million in the previous year. Interest paid also increased from E137,07 million to E186,34 million as a result of prevailing market conditions. Administration expenses increased from E70 million to E71,3 million.

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

Consolidated statement of financial position

The carrying value of property, plant and equipment decreased from E151,23 million to E147,46 million as a result of the depreciation charged during the year.

Inventories increased from E534 million to E1,125 billion as a result of high closing stock quantities compared to the previous year. Trade receivables increased by E176,30 million mainly as a result of funds receivable from millers and growers. Trade payables decreased as a result of a lower amount retained by the millers as well as lower amount available for distribution. Bank overdraft increased from E513,25 million to E1,40 billion in line with the increased inventory and accounts receivable values.

COUNCIL MEMBERS' REPORT*for the year ended 31 March 2018 (continued)***Events subsequent to year end**

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

Subsidiaries and jointly controlled company

The Association has the following subsidiary companies:

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

The Association is involved in the following jointly controlled company:

Sociedade Terminal de Açúcar De Maputo Lemitada	25%
---	-----

Council

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

Mr T Dlamini	Chairman
Mr O Magwenzi	President
Mr G White	Vice President
Mr N Jackson	
Dr A T Dlamini	
Mr B James	
Mr S Potts	
Mr L Ndzimandze	
Mr S Geldenhuys	
Mr M Maziya	
Mr M Mndzebele	
Mr P Myeni	
Mr P Malandvula	
Mr M Mabuza	
Mr T Nkambule	
Mr J Blumberg	
Mr M Hlatshwayo	
Mrs S Magagula	
Mr K Fitzpatrick	
Mr O Mabuza	
Mr M Jele	

COUNCIL MEMBERS' REPORT*for the year ended 31 March 2018 (continued)**Audit and Risk Committee*

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

Mr B Mhlongo	Chairman
Mr S Potts	
Mr L Ndzimandze	
Mr A Ngcobo	
Mr J Msibi	

Secretary

Mr B Nyamane

Business address

Nkotfotjeni Building

Cnr Msakato & Dzeliwe Street
Mbabane*Postal address*P O Box 445
Mbabane

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 March 2018

	Notes	2018 E	Group 2017 E	2018 E	Association 2017 E
Revenue	2	4 235 745 911	4 635 250 153	4 235 745 911	4 635 250 153
Cost of sales		(3 972 952 545)	(4 499 769 448)	(3 990 562 258)	(4 515 871 468)
Gross profit		262 793 366	135 480 705	245 183 653	119 378 685
Other income		4 509 714	4 677 469	4 509 714	4 677 469
Distribution costs		(18 978 309)	(61 950 598)	(18 966 249)	(61 939 288)
Administrative expenses		(72 945 106)	(71 282 000)	(71 297 949)	(69 977 533)
Foreign exchange gains /(losses)		11 127 836	132 035 712	11 127 836	132 035 712
Operating profit before financing costs	3	186 507 501	138 961 288	170 557 005	124 175 045
Finance income		-	-	15 904 247	16 896 113
Finance expense		(186 341 950)	(137 073 755)	(186 341 950)	(137 073 755)
Net financing costs	4	(186 341 950)	(137 073 755)	(170 437 703)	(120 177 642)
Share of (loss)/profit of jointly controlled entity (net of tax)		(46 249)	2 109 870	-	-
Profit before tax		119 302	3 997 403	119 302	3 997 403
Income tax expense		(119 302)	(76 117)	(119 302)	(76 117)
Profit for the year		-	3 921 286	-	3 921 286
Transfer to distributable reserves		-	(3 921 286)	-	(3 921 286)
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Unrealised cash flow hedges		1 666 400	2 260 923	1 666 400	2 260 923
Total comprehensive income for the year		1 666 400	2 260 923	1 666 400	2 260 923

Profit for the year is attributable to members of the Association

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

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION*at 31 March 2018*

	Notes	2018 E	Group 2017 E	2018 E	Association 2017 E
ASSETS					
Non-current assets					
Property, plant and equipment	5	147 456 052	151 231 493	8 369 671	8 424 122
Investment in subsidiaries		-	-	500	500
Jointly controlled entity		27 833 442	31 848 323	39 362 024	39 362 024
Total non-current assets		175 289 494	183 079 816	47 732 195	47 786 646
Current assets					
Loans to subsidiaries		-	-	138 788 734	142 509 730
Inventories		1 125 254 831	533 982 558	1 125 254 831	533 982 558
Trade and other receivables		517 657 496	341 377 612	517 657 496	341 377 612
Other financial assets		1 666 400	2 260 923	1 666 400	2 260 923
Current tax asset		113 479	173 628	113 479	173 628
Cash and cash equivalents		100 530 320	23 755 414	100 530 320	23 755 414
Total current assets		1 745 222 526	901 550 135	1 884 011 260	1 044 059 865
Total assets		1 920 512 020	1 084 629 951	1 931 743 455	1 091 846 511
RESERVES AND LIABILITIES					
Non-distributable reserve		3 934 308	3 934 308	3 934 308	3 934 308
Cash flow hedge reserve		1 666 400	2 260 923	1 666 400	2 260 923
Total reserves and liabilities		5 600 708	6 195 231	5 600 708	6 195 231
Non-current liabilities					
Long term liabilities	6	250 000 000	250 000 000	250 000 000	250 000 000
Current liabilities					
Bank overdraft		1 395 179 602	513 245 465	1 395 179 602	513 245 465
Trade and other payables		269 731 710	315 189 255	280 963 145	322 405 815
Total current liabilities		1 664 911 312	828 434 720	1 676 142 747	835 651 280
Total liabilities		1 914 911 312	1 078 434 720	1 926 142 747	1 085 651 280
Total reserves and liabilities		1 920 512 020	1 084 629 951	1 931 743 455	1 091 846 511

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS*for the year ended 31 March 2018*

	2018	Group	2017	2018	Association	2017
	E		E	E		E
Cash flows from operating activities						
Cash generated from operations	(622 809 140)	338 460 051	(648 145 787)	313 606 677		
Interest received	27 537 558	-	43 441 803	16 896 113		
Interest paid	(202 751 670)	(137 073 755)	(202 751 670)	(137 073 755)		
Taxation paid	(59 156)	(55 021)	(59 156)	(55 021)		
<i>Net cash (outflows)/inflows from operating activities</i>	<u>(798 082 408)</u>	<u>201 331 275</u>	<u>(807 514 810)</u>	<u>193 374 014</u>		
Cash flows from investing activities						
Investment in jointly controlled entity	-	(6 546 026)	-	(6 546 026)		
Acquisition of property, plant and equipment	(7 076 823)	(11 855 031)	(1 365 417)	(2 733 907)		
Proceeds from the sale of property, plant and equipment	-	7 529 831	-	7 529 831		
<i>Net cash outflows from investing activities</i>	<u>(7 076 823)</u>	<u>(10 871 226)</u>	<u>(1 365 417)</u>	<u>(1 750 102)</u>		
Cash flows from financing activities						
Decrease in unsecured loans receivable	-	29 621	-	29 621		
Loans to subsidiary companies received/(repaid)	-	-	3 720 996	(1 163 863)		
<i>Net cash inflows/(outflows) from financing activities</i>	<u>-</u>	<u>29 621</u>	<u>3 720 996</u>	<u>(1 134 242)</u>		
Net (decrease)/increase in cash and cash equivalents	<u>(805 159 231)</u>	<u>190 489 670</u>	<u>(805 159 231)</u>	<u>190 489 670</u>		
Cash and cash equivalents at the beginning of the year	(489 490 051)	(679 979 721)	(489 490 051)	(679 979 721)		
Cash and cash equivalents at the end of the year	<u>(1 294 649 282)</u>	<u>(489 490 051)</u>	<u>(1 294 649 282)</u>	<u>(489 490 051)</u>		

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN RESERVES
for the year ended 31 March 2018

	Non- distributable reserve E	Hedging reserve E	Total E
Group and Association 2018			
Balance at beginning of year	3 934 308	2 260 9233	6 195 231
Cash flow hedges realised and reclassified to profit or loss	-	(2 260 923)	(2 260 923)
Unrealised cash flow hedge recognised in other comprehensive income (1)	-	1 666 4000	1 666 400
Balance at end of year	<u>3 934 308</u>	<u>1 666 4000</u>	<u>5 600 708</u>
Group and Association 2017			
Balance at beginning of year	13 022	6 516 589	6 529 611
Cash flow hedges realised and reclassified to profit or loss	-	(6 516 589)	(6 516 589)
Unrealised cash flow hedge recognised in other comprehensive income (1)	-	2 260 923	2 260 923
Transfer from profit and loss	3 921 286	-	3 921 286
Balance at end of year	<u>3 934 308</u>	<u>2 260 923</u>	<u>6 195 231</u>

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

NOTES TO THE SUMMARISED AUDITED FINANCIAL STATEMENTS

for the year ended 31 March 2018

1. Significant accounting policies

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

1.1 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Emalangeneni 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 Emalangeneni at foreign exchange rates ruling at the date the fair value was determined. These foreign currency exchange differences are also recognised in profit or loss.

1.2 Inventories

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

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

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

1.3 Revenue

i) Sugar and molasses sales

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

ii) Export sales

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

NOTES TO THE SUMMARISED AUDITED FINANCIAL STATEMENTS
for the year ended 31 March 2018

	2018	Group	2017	2018	Association	2017
	E		E	E		E
2. Revenue						
Revenue comprises:						
- Sugar sales	4 050 693 859		4 486 751 733	4 050 693 859		4 486 751 733
- Molasses sales	185 052 052		148 498 420	181 052 052		148 498 420
	<u>4 235 745 911</u>		<u>4 635 250 153</u>	<u>4 235 745 911</u>		<u>4 635 250 153</u>

Sugar is sold into the Southern African Customs Union ("SACU"), regional and international markets. Molasses is sold within the SACU market.

3. Operating profit / (loss) before financing costs

Operating profit / (loss) before financing costs is arrived at after charging (crediting) the following:

Income:

Sugar recoveries	-	-
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Expenses:

Auditors remuneration				
- Current year	213 116	107 642	213 116	107 642
- Prior year	490 236	516 400	490 236	516 400
Council emoluments	-	-	-	-
Depreciation	10 852 264	9 686 735	1 419 868	1 729 476
Lease expenses	1 140 389	1 071 627	1 140 389	1 071 627
(Profit)/Loss on sale of property, plant and equipment	-	(528 526)	-	(528 526)
Management fees				
- Computer related	1 217 474	1 189 259	1 217 474	1 189 259
Payroll costs	<u>33 240 098</u>	<u>33 981 544</u>	<u>33 240 098</u>	<u>33 981 544</u>

NOTES TO THE SUMMARISED AUDITED FINANCIAL STATEMENTS
for the year ended 31 March 2018

4. Net financing costs

	Group		Association	
	2018	2017	2018	2017
	E	E	E	E
Finance income and expense				
<i>Finance expense on financial liabilities</i>				
Measured at amortised cost	(186 341 950)	(137 073 755)	(186 341 950)	(137 073 755)
Foreign exchange loss	(16 409 720)	-	(16 409 720)	-
Finance expenses	<u>(202 751 670)</u>	<u>(137 073 755)</u>	<u>(202 751 670)</u>	<u>(137 073 755)</u>
<i>Finance income on financial assets</i>				
Interest income on loans originated by the Association	-	-	15 904 247	16 896 853
Foreign Exchange gain	27 537 556	132 034 972	27 537 556	132 034 972
Finance income	<u>27 537 556</u>	<u>132 034 972</u>	<u>43 441 803</u>	<u>148 931 825</u>
Net finance costs	<u>(175 214 114)</u>	<u>(5 038 783)</u>	<u>(159 309 867)</u>	<u>11 858 070</u>

5. Property, plant and equipment
Allocation of depreciation

	Group		Association	
	2018	2017	2018	2017
	E	E	E	E
Direct cost of sales	554 570	739 809	554 570	739 809
Direct analysis of cane	220 460	269 144	220 460	269 144
Extension services	233 730	305 186	233 730	305 186
Administration	411 108	415 337	411 108	415 337
Operating expense	9 432 396	7 951 259	-	-
Total	<u>10 852 264</u>	<u>9 680 735</u>	<u>1 419 868</u>	<u>1 729 476</u>

NOTES TO THE SUMMARISED AUDITED FINANCIAL STATEMENTS
for the year ended 31 March 2018

5. Property, plant and equipment (continued)

Reconciliation of the opening and closing carrying amounts

Association

	Opening carrying amount E	Additions E	Disposals E	Transfer E	Depreciation E	Closing carrying amount E
Freehold land and buildings	1 713 663	-	-	-	(178 233)	1 535 430
Leasehold land and buildings	1 482	-	-	-	(184)	1 298
Plant and equipment	4 007 533	1 118 882	-	-	(762 399)	4 364 016
Furniture and fittings	573 164	-	-	-	(57 316)	515 848
Motor vehicles	2 108 680	-	-	-	(421 736)	1 686 944
Capital work in progress	19 600	246 535	-	-	-	266 135
	<u>8 424 122</u>	<u>1 365 417</u>	<u>-</u>	<u>-</u>	<u>(1 419 868)</u>	<u>8 369 671</u>
Freehold land and buildings	1 713 663	-	-	-	(178 233)	1 535 430
Leasehold land and buildings	1 482	-	-	-	(184)	1 298
Plant and equipment	4 007 533	1 118 882	-	-	(762 399)	4 364 016
Furniture and fittings	573 164	-	-	-	(57 316)	515 848
Motor vehicles	3 233 965	-	-	-	(511 624)	2 722 341
Conditioning silo buildings	37 985 639	-	-	-	(1 549 611)	36 436 028
Sugar store buildings	55 073 315	-	-	-	(2 291 259)	52 782 056
Conditioning silo equipment	9 491 045	-	-	-	(1 695 017)	7 796 028
Sugar store equipment	29 849 431	4 830 433	-	-	(3 340 865)	31 338 999
Molasses storage equipment	9 281 856	-	-	-	(465 756)	8 816 100
Capital work in progress	20 400	1 127 508	-	-	-	1 147 908
	<u>151 231 493</u>	<u>7 076 823</u>	<u>-</u>	<u>-</u>	<u>(10 852 264)</u>	<u>147 456 052</u>

NOTES TO THE SUMMARISED AUDITED FINANCIAL STATEMENTS
for the year ended 31 March 2018 (continued)

	Group		Association	
	2018	2017	2018	2017
	E	E	E	E
6. Long term liabilities				
This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk.				
Public Service Pension Fund	<u>250 000 000</u>	<u>250 000 000</u>	<u>250 000 000</u>	<u>250 000 000</u>
Total liabilities	250 000 000	250 000 000	250 000 000	250 000 000
Current portion included in current liabilities	-	-	-	-
Non-current portion	<u>250 000 000</u>	<u>250 000 000</u>	<u>250 000 000</u>	<u>250 000 000</u>
Repayment profile				
Current	-	-	-	-
Within 2 years	-	250 000 000	-	250 000 000
More than 2 years	250 000 000	-	250 000 000	-
	<u>250 000 000</u>	<u>250 000 000</u>	<u>250 000 000</u>	<u>250 000 000</u>

Notes



Values

SSA recognizes and subscribes to high ethical standards and principles which guide the way the organisation conducts its business activities and dealings. The following are SSA's main values which have been cascaded and adopted across the organisation with no exception.





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