Swaziland Sugar Association

Annual Report 2009/2010

Contents

Members & Officers of the Swaziland Sugar Association

Members	Swaziland Cane Growers Association
	Swaziland Sugar Millers Association
President	Nick M Jackson
Vice President	Richard Hulley
Chairman of the Council	Tom Mbelu (up to 30 May 2009)
	Tom Dlamini (from 30 September 2009)
Chief Executive Officer	Dr Mike Matsebula
Financial Director	Bimal de Silva
Commercial Director	Sharon de Sousa
SLA Manager - Extension	Jabulani Sifundza
SLA Manager - Cane Testing	Sipho Dlamini
HR & Admin Manager	Musa P Dlamini
Year under Review	1 April 2009 - 31 March 2010

Statement from the President

NM Jackson SSA President

Production Statistics

Compared to the previous year, the area under cultivation increased by 754 hectares (ha) to stand at an all-time high of 52 822 ha. The area harvested increased by 127 ha to 50 502 ha (which is below the all-time high of 50 610 ha achieved in 2005). Despite the increase in area harvested, the cane harvested declined by 4 797 tons (with the cane yield declining by 0,34 tons per ha). Sucrose content fell slightly from 14,6% to 14,3% with the sugar recovered from cane also falling slightly from 12,8% to 12,3%. A combination of all these changes resulted in a drop of sucrose production by 13 893 tons to 702 825 tons, whilst sugar production dropped by 20 927 tons to 605 656 tons (the lowest levels in the last five years).

Restructuring of Technical Services

The year under review has been the first year in which Extension Services have been provided by millers on an out-sourced basis. The out-sourcing is regulated under service level agreements (SLAs) between SSA and the two millers. The outsourcing of Cane Testing Services was also formalised through an SLA. The monitoring of the SLAs is done by the SSA Technical Services Department. Pest and Disease Control as well as the Seedcane Scheme continued to be operated directly by SSA. In the case of Crop Production Research, discussions on a cooperation agreement between SSA and the South African Sugar Research Institute were quite advanced by the end of the year.

Smallholder Sugarcane Growers (SSGs)

The implementation of the assistance programme for SSGs was progressed in a number of areas. First, the Technical Assistance Unit to coordinate the implementation of the Smallholder Irrigation Support Programme commenced work in the first quarter of the financial year. Second, EU funding (in the form of a 70% subsidy on development costs) supported the development of 630 ha for new sugarcane growing, of which 233 ha is in the Komati Downstream Development Project (KDDP) and 397 ha in the Lower Usuthu Smallholder Irrigation Project (LUSIP). An additional 1 164 ha has been approved for support and will be implemented during the 2010/11 financial year.

Third, a total amount of E37 million was paid out by Government as rebate to qualifying SSGs in KDDP. This is a repayment of part of the capital costs incurred in the development of SSG schemes which would have ordinarily been financed by Government. Fourth, a smallholder irrigation tariff was implemented by the Swaziland Electricity Company (SEC) with effect from 1 November 2009. The sugar industry had sought the special tariff to minimise SSG irrigation costs. Discussions with SEC were still continuing by the end of year to make the tariff more effective in reducing electricity costs for SSGs.

National Adaptation Strategy

There are three developments to be highlighted. First, the Financing Agreement for the 2009 Smallholder Support Programme was signed by the European Commission in December 2009 and by the Ministry of Economic Planning & Development in March 2010. The signing opened the way for the mobilisation of resources to support a grant awarded to the Swaziland Cane Growers Association for the implementation of certain adaptation programmes for existing growers. Second, the programming of the 2010 assistance was finalised with an agreement to focus on the road infrastructure in the northern

sugarbelt. Third, the sugar industry reviewed its restructuring and adaptation strategy. New priorities were agreed in the light of changing economic circumstances as well as experiences learnt in the preceding period. This was used as an input towards the formulation of the 2011-13 Multi-annual Indicative Programme for Swaziland whose drafting started in September 2009 and had not been concluded by the end of the year.

International Dimension

The sugar industry continued to maintain a high international profile in line with the fact that the bulk of the sugar produced within Swaziland is sold outside the country. The high profile has been reflected in various international forums – including meetings and conferences attended by representatives of the sugar industry, re-election into the Administrative Committee of the International Sugar Organisation as well as continued membership to the World Sugar Research Organisation.

Appreciation

On behalf of the sugar industry, I wish to express my appreciation for the work done by the SSA management team during the year under review. In particular, it was pleasing to note the continued improvement as reflected in the key performance targets achieved.

NM Jackson

Report from the Chief Executive Officer

Dr Mike Matsebula

Revenues

Sugar revenues (net of rebates and direct export costs) increased by 1% from E2,44 billion to E2,46 billion. Molasses revenues (net of rebates) increased by a massive 32,6% to E57 million from E43 million. Total revenues from both sugar and molasses amounted to E2,52 billion (a marginal increase of 0,4% over the previous year).

Employment and Capital Expenditure

Total employment of permanent and seasonal staff declined by 3 to stand at 103, the lowest level over the past five years. Capital expenditure totalled approximately E9 million. Of this amount, E5,8 million was for installing a bagging line, improving the quality of the sugar and reducing the risk of dust explosion; E1,9 million for upgrading the IT system; and E1,2 million for improving storage and loading facilities at the STAM terminal in Maputo.

Quality Management System

As in the previous year, SSA operations continued to be based on the ISO 9001 quality management system. SSA was audited and certified under the new ISO 9001:2008 standard (replacing the older ISO 9001:2000 version). This helped to continuously improve the level of operations towards meeting the expectations of customers and other stakeholders. All SSA operations are guided by the ISO 9001:2008 system as the underlying common thread.

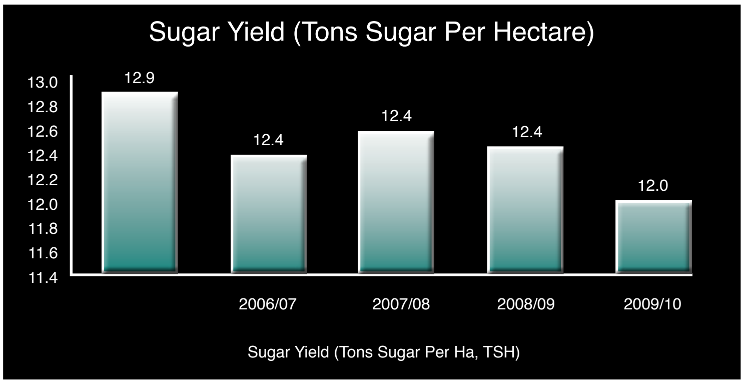
Departmental Reports

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

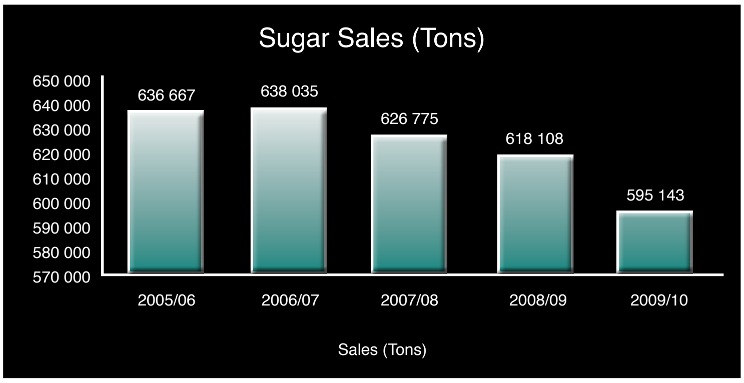
Key Drivers

Charts 1-3 show the behaviour of three key drivers for SSA operations in 2009/10 as compared to the preceding four years.

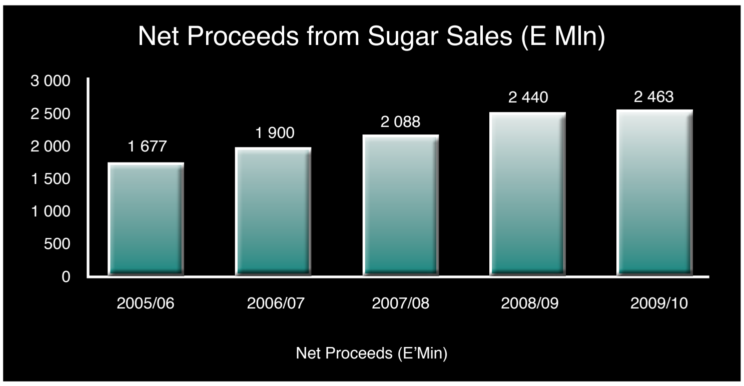
MS Matsebula



Sugar Yield (Tons Sugar Per Hectare)



Sugar Sales (Tons)



Net Proceeds from Sugar Sales (E Mln)

Marketing and Logistics

Sharon de Sousa

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

Sales

Total sugar sales for the year amounted to 595 143 tons which was 3,7% less than the sales for the previous year (of 618 107 tons). The reason for the decline in sales was the exclusion of a shipment of 25 000 tons that was made in the 2009/10 year (March) but arrived at the port of destination in the 2010/11 year (April). International accounting standards require that this sale, which was on a CIF basis, be deemed a 2010/11 sale.

The EU sales increased significantly to 247 722 tons from 182 739 tons in the previous year mainly as a result of the introduction of unlimited market access into the EU effective from 1 October 2009. There were no sales to the US market during the financial year, although the quota for Swaziland is expected to be utilised in August 2010 (which is within the 2009/10 US marketing year).

Sales to the SACU market improved marginally by 0,6% (2 070 tons) from 319 716 tons to 321 783 tons while sales to the COMESA market reduced significantly by 73 916 tons to 25 638 tons (from 99 554 tons in the previous year). The tonnage that was previously sold to the COMESA market was sold to the EU market to take advantage of higher prices and the offer of unlimited market access. As in the previous year, there were no sales to the world market during the year.

Revenue

The net sugar sales revenue increased by 1.0% to E2,463 billion from E2,440 billion. Molasses net sales revenue amounted to E57,0 million, an increase of 32,7% from the previous year's net revenue of E43,0 million. Total molasses sales increased from 181 399 tons to 192 941 tons. The total industry net proceeds amounted to E2,520 billion. Which is very similar to the previous year.

Product and Market Mix

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

Table 1: Total Sugar Sales by Product Type

	Raw/Bulk VHP	VHP/Brown	Refined/White	**Total**
2005/06	181 956	235 497	219 214	**636 667**
2006/07	156 465	257 139	224 431	**638 035**
2007/08	161 740	257 667	207 323	**626 730**
2008/09	111 047	274 765	232 295	**618 107**
2009/10	198 700*	165 24	231 197	**595 142**

Note: *It must be noted that in line with the industry's value addition strategy, more VHP sugar was produced while less raw sugar was produced during the year, compared to the previous year. However, because all VHP sugar sold to the EU which is made in bulk is accounted for as raw sugar, there appears to be a significant shift in sales from VHP to raw sugar sales. Such categorisation does not affect SSA's returns as SSA still receives a premium for the higher quality VHP sugar.

Figure 1: Total Sales by Product Type 2005/06 – 2009/10

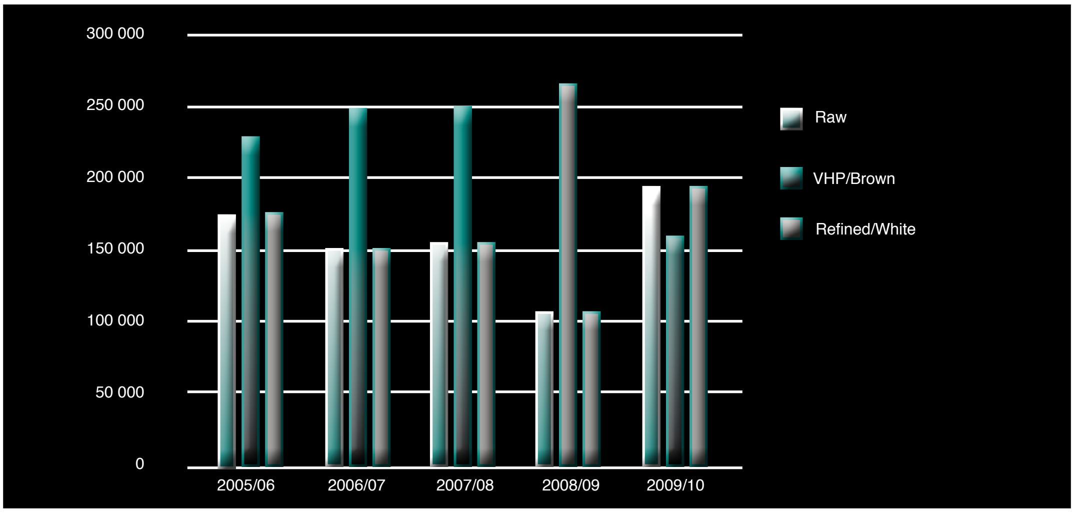


Figure 2 (below) shows the sales volume over the past five years into the SACU market, while **Figure 3** shows the sales broken down into the market categories of Preferential sales, SACU sales and Regional/World sales. Preferential sales include both EU and US sales.

Figure 2: Sales into the SACU Market 2005/06 – 2009/10

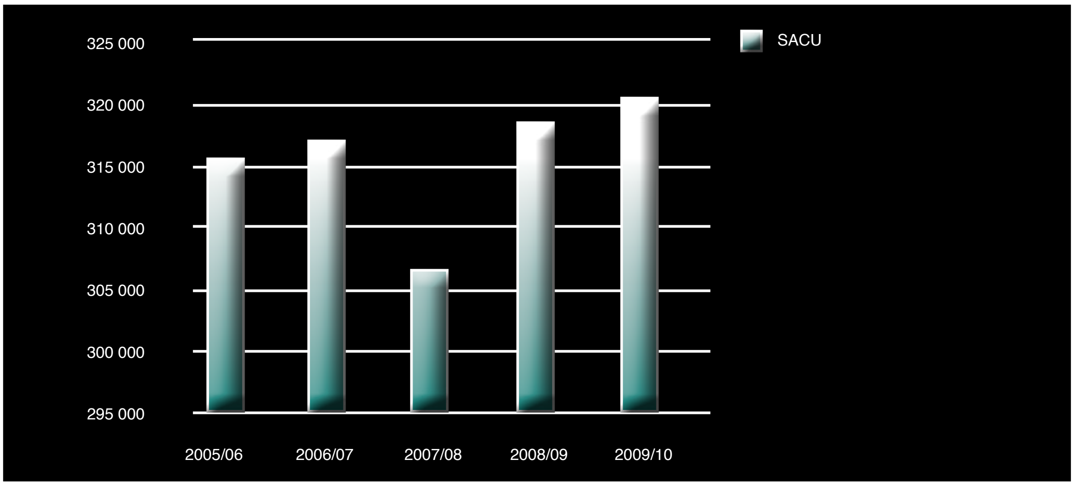
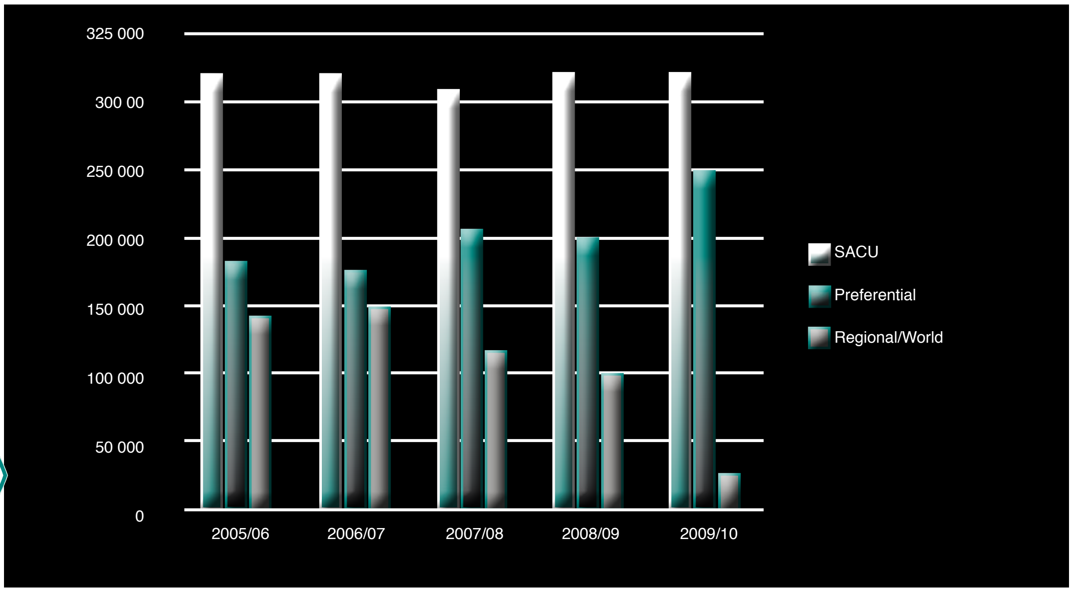


Figure 3: Total Sales by Market: 2005/06 -2009/10



Quality

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

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

In addition, efforts to ensure that there is full compliance with food safety standards and traceability requirements for sugar supplied are being progressed with more vigour and pace. The installation of the equipment and systems for facilitating the implementation of the 'tag and recall' system for bagged sugar was concluded during the year. The actual commissioning and implementation of the system was due to begin in April 2010.

Two of the three mills were audited for compliance with the Supplier Guiding Principles, within the Programme for Responsible Sourcing (PROGRESS), to which major international 'blue chip' customers (including Coca Cola and Cadbury) subscribe. Both mills were found to be compliant. The third mill will be audited in 2010.

Storage and Movement of Sugar

As a result of the significant increase in bulk sugar sales to the EU, the total bulk sugar quantity moved to the Maputo Port increased from 150 059 tons to 212 059 tons.

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

Human Resources

Musa P Dlamini

Human Resources

Staff complement was at 78 permanents and 25 seasonals as at 31 March 2010.

There was no dispute with either individual employees or employee formations.

A comprehensive training needs analysis was conducted and important areas of up-skilling and development were identified. A number of employees have gone through the required training.

Corporate Social Responsibility

The support for sports development (amateur athletics and junior tennis) was increased from E70, 850 in the previous year to E76, 829 during year under review. E100, 000 was donated to four (4) charity organisations.

Extension Services

Jabulani Sifundza

The Crop Potential (or Crop Growing Conditions) for 2009

Potential sugarcane yields are influenced largely by radiation and temperature. Differences in these weather parameters between the 2008 and 2009 growing seasons influenced the potential yields for the 2009/10 crop throughout the industry.

South: Relatively poor winter growing conditions were followed by a reasonable spring period. Radiation totals (not Total Radiation) in excess of the long term mean (LTM) during September and October 2008 ensured a potential yield forecast of 143 tons cane per hectare (TCH) at the start of summer, above the LTM of 140 TCH. However, below-average radiation conditions were recorded during the peak growing months of November 2008 to February 2009 and potential yields declined accordingly. Potential yields for the 2009 season were forecast to be 138 TCH at the end of February 2009. During late summer, between March and May 2009, growing conditions were close to LTM and the potential yield forecast declined slightly to 137 TCH.

North: Winter and spring growing conditions were similar to those experienced in the South. At the start of summer (i.e. end of October 2008), potential yields were forecast to be above average at both Simunye (142 TCH vs. LTM of 140) and Mhlume (138 TCH vs. LTM of 137 TCH). Conditions during the peak summer growing period between November 2008 and January 2009 were exceptionally poor, with radiation totals well below the LTM. By the end of February 2009 potential yields had declined to 133,5 TCH at Simunye and 131 TCH at Mhlume. Conditions at Simunye continued to deteriorate during late summer and by the end of May 2009 potential yields had dropped to 129,5 TCH, similar to the low of 2000. At Mhlume radiation totals during the late summer period were similar to the LTM and potential yields declined to the same level of 129,5 TCH by the end of May 2009.

Outlook for the 2010 season

Following the poor growing conditions during 2009, potential yields forecast for all cane growing areas at the start of summer (at the end of October 2009) were below the LTM. In all three areas growing conditions continued to be below average for the remainder of the 2009 season and potential yields dropped still further. By the end of December 2009 potential yields for the 2010 season crop were 132,3 TCH at Ubombo, 122,1 TCH at Simunye (the lowest on record) and 124,0 TCH at Mhlume (the lowest on record).

In the South, radiation totals were below LTM for the entire period of between November 2009 and May 2010. Potential yields declined substantially over this period and at the end of May 2010 they were forecast to be 129 TCH (close to the 2000 season low).

In the North, radiation values higher than LTM during December provided some hope of a better summer. However, below average growing conditions during the remainder of summer impacted negatively on the potential yield forecast. At Simunye, the potential yield for the 2010 season is forecast to be 131 TCH, while the potential yield forecast at the end of May 2010 at Mhlume was 126,5 TCH.

Grower Performance

Average yields for smallholder growers (growers with less than 50 ha of area harvested) increased marginally by 0,14 TCH from 78,46 TCH in 2008 to 78,60 TCH in 2009 (see table below). Average yields in the Simunye Mill area increased markedly by 4,34 TCH from 81,57 TCH in 2008 to 85,91 TCH in 2009. Yields in the Big Bend area increased slightly by 1,19 TCH from 85,14 TCH to 86,33 TCH during the same period. The Mhlume Mill area recorded the lowest average yield at 68,11 TCH, a decline of 1,55 TCH from the previous season.

Average yields for medium scale growers (growers with 50 ha to but not greater than 1 000 ha of area harvested) decreased by 2,19 TCH from 93,21 TCH in 2008 to 91,02 TCH in 2009. Average yields in the Big Bend and Mhlume Mill areas declined by 3,35 TCH and 2,26 TCH, respectively. Average yields for growers in the Simunye Mill area remained virtually unchanged for both seasons. The lowest average yield (34,80 TCH) in this group was recorded in the Big Bend area.

Average yields for large scale growers (growers with more than 1 000 ha of area harvested) increased by 2,79 TCH from 102,27 TCH in 2008 to 105,06 TCH in 2009. Yields in the Big Bend and Simunye areas increased by 5,09 TCH and 3,77 TCH, respectively. Yields in the Mhlume area declined by 1,38 TCH from 98,86 TCH to 97,48 TCH.

Table: Grower Performance

	Smallholder Growers			Medium Scale Growers			Large Scale Growers			Industry Total		
Mill Group	**2008**	**2009**	**Var.**	**2008**	**2009**	**Var.**	**2008**	**2009**	**Var.**	**2008**	**2009**	**Var**
Big Bend	85,14	86,33	1,19	91,00	87,70	-3,35	100,03	105,12	5,09	96,71	99,1	3,00
Mhlume	69,66	68,11	-1,55	97,84	95,58	-2,26	98,86	97,48	-1,38	94,18	94,8	0,00
Simunye	81,57	85,91	4,34	87,52	87,59	0,07	106,56	110,33	3,77	100,14	106.68	3,50
Industry	78,46	78,60	0,14	93,21	91,02	-2,19	102,27	105,06	2,79	97,53	97,9	-0,34

Crop Protection and Nutrition Programmes

Smut

Smut surveys were conducted on 37 579 hectares, representing 75% of the total industry area under cane. Smut infection levels increased in the Mhlume, Sidvokodvo and Ubombo areas while at Nsoko disease levels declined by 50% compared to last year. The smut infection levels remained below the threshold of 5% throughout the industry indicating that the disease remained under control. The Malkerns area remained relatively free of the disease and this is commendable considering that this area serves as the nucleus for the industry primary seedcane.

Three growers were issued with compulsory plough out orders during the year compared to five in 2008.

Nurseries

All nurseries were surveyed for pests, diseases and off-types (out of place varieties). No nursery was condemned throughout the industry as pests and diseases levels were below the required thresholds. Noteworthy is that a high number of secondary nurseries were re-registered in 2009 compared to the previous season due to the high demand for secondary seedcane. The primary seedcane scheme at Malkerns is now struggling to meet the high demand because of limitations in the land available. A consultant will be engaged in 2010 to review the industry primary seedcane supply in the face of escalating transport costs and the establishment of commercial sugarcane fields around the scheme that pauses a danger of spreading pests and diseases to the scheme.

Chilo

Chilo saccariphagus, a sugarcane stalk borer that causes more damage to the sugarcane crop than Eldana is a native of the Far East countries and migrated to Mauritius over many years ago before coming to Mozambique, is monitored. Mozambique is currently the only country in Mainland Africa where it is found. The Swaziland and South African sugar industries recognised the need to keep this pest confined to Mozambique. Through collaborative means, programmes have been developed to control and manage it there and to prevent its entry into the two neighbouring sugar industries.

Bio-Security Workshops: As part of the drive to keep Chilo out of the Swaziland and South African sugar industries, three collaborative workshops were held in the last quarter of 2009, two in South Africa and one in Swaziland. In these workshops, strategies for achieving this goal were discussed. The major strategies were focused on efforts that will be undertaken to develop legislation to declare Chilo as a registered or notifiable pest in both countries. While legislation is still under development, the parallel strategy is to monitor Chilo through pheromone (chemical lure) traps placed at strategic positions along the border with Mozambique. It was also observed that there is also a need to conduct awareness training for communities bordering Mozambique. The awareness training was done targeting people who grow and/or sell sugarcane for chewing in these communities. A meeting with the Mozambican sugar industry was held in Maputo in February 2010 in which meeting the concept of co-operation in the fight against Chilo was well received. A programme to visit affected estates in Mozambique is already in place, with the visits tentatively scheduled for August 2010.

Crop Nutrition

Two trials were conducted to quantify the amount of nitrogen to be saved, and thus reduce costs when applying potassium through CMS (stillage). This is based on the 1% nitrogen in CMS. Preliminary results indicated that it is possible to cut nitrogen application by 10.7% (from 140kg N/ha to 125kg N/ha) and 12.5% (from 160kg N/ha to 140kg N/ha) in the early and late part of the season respectively, without a significant effect on the sucrose yields.

Chemical ripening

Following the decision to discontinue the supply of Fusilade Super to the sugar industry, in line with the Fair Trade concerns over human life and the environment, Arysta LifeScience in South Africa has registered a new chemical, Volley 125EC which has the same active ingredient as Fusilade Super. Technical Services is conducting trials to confirm the effectiveness of this chemical.

Cane Testing Services

Sipho Dlamini

The objective of the cane testing service is to ensure the accurate determination and equitable distribution of the total sucrose delivered to each mill. The two performance indicators used to monitor this objective are the pol factor and the testing efficiency (which is measured by the total number of consignments tested compared to the total number delivered). The pol factor is deemed to be acceptable if it is within the range 98.50% and 100.50%, and the target for the testing efficiency is 70%.

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

Figure 1: Pol Factor

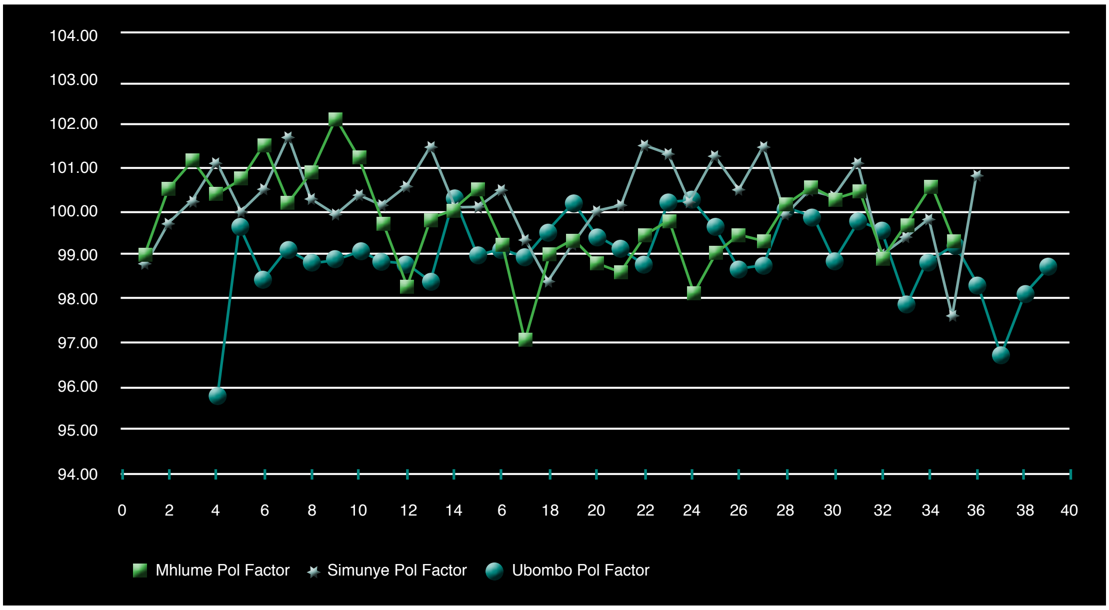
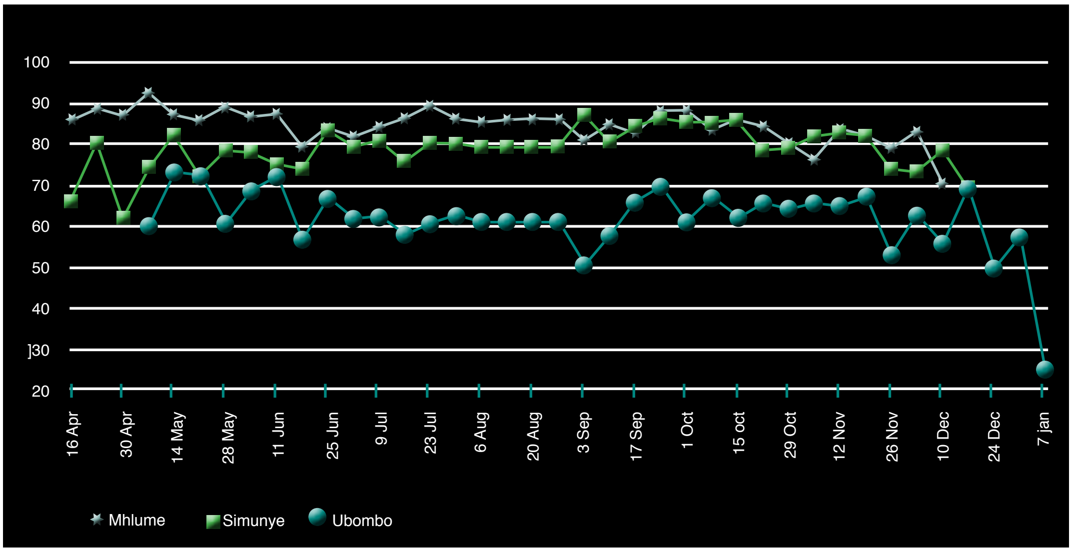


Figure 2: Testing Efficiency



Achieving the target of 70% testing efficiency at Ubombo was a challenge during the season. The major cause for the underperformance was computer network unreliability which resulted in failure to sample a substantial portion of the delivered consignments. Improvements are expected in the 2010/11 season following the upgrading of the network infrastructure towards the end of the season.

Finance

Bimal de Silva

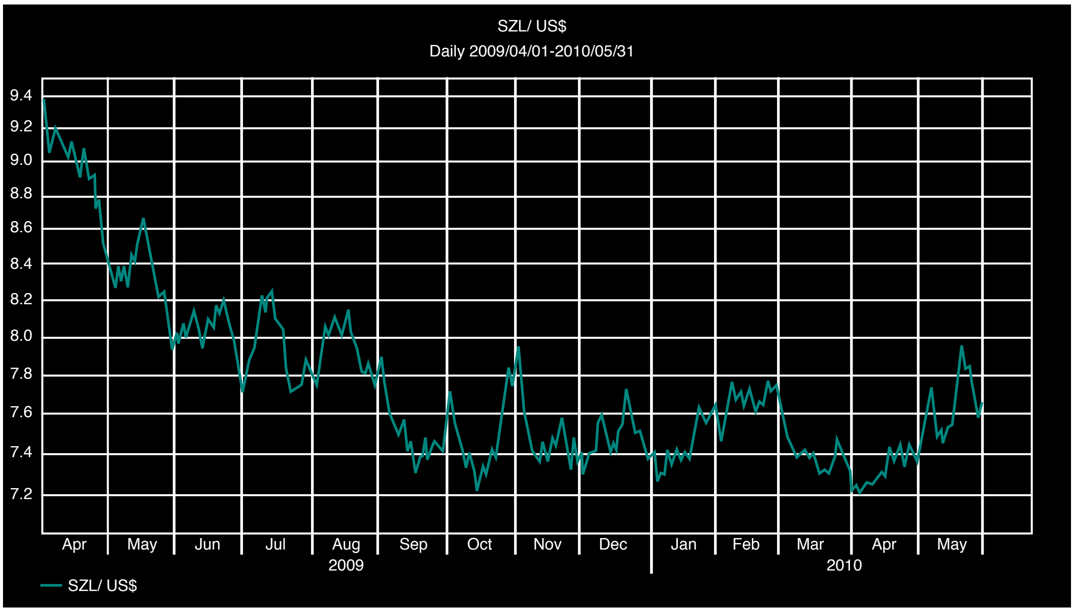
The 2009/10 year has been a particularly difficult year for the Swaziland Sugar Industry, being adversely affected in three main areas:

- A strengthening Lilangeni.
- Lower actual production than initially projected.
- Lowering of selling prices from the EU resulting from market reforms.

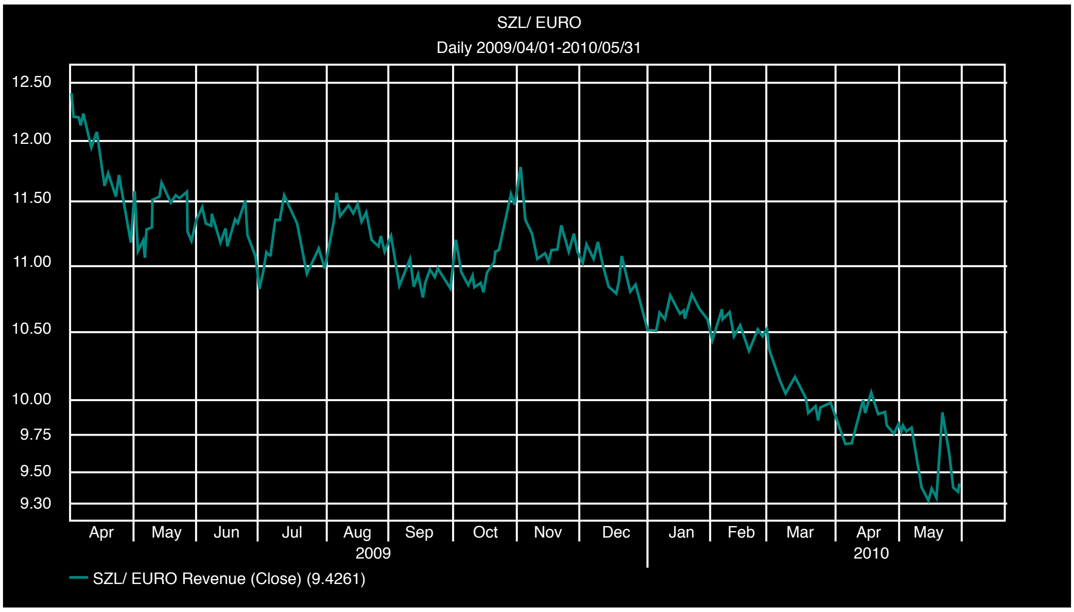
Exchange rates continue to be the largest single determinant of revenues for the industry. During the 2009/10 financial year both the Euro and USD depreciated against the Lilangeni by approximately 12% and 14% respectively.

The attached graphs indicate the performance of the two currencies.

Dollar/Lilangeni



Euro/Lilangeni



Revenue not recognized in 2009/10

In early March 2010, a 25 000 ton bulk cargo shipment destined for the EU market was not recognized in the 2009/10 revenues. This shipment did not fully qualify to be recorded under revenue in line with the criteria stipluated by IAS 18 Revenue. The value of revenue not recognized is E101.6 million (Euro 9.1 million) which will be recorded in the 2010/11 financial year.

Interest Rates

The prime interest rate declined from 15.5% to 10% during the year. This assisted favourably in lowering Swaziland Sugar Association's (SSA) financing costs.

Income Statement

The cost of sales for the group includes all disbursements made by SSA to the mills including the profit for the year component. It must be noted that SSA is a non- profit making entity. The finance income components are largely foreign exchange movements on actual revenues received in relation to the daily rates at which the transactions are recognized.

The finance expenses are comprised of foreign exchange losses, finance costs for funding SSA and the Sugar Asset Companies. The net changes in fair value represent the recognition of cash flow hedges realized during the year.

Group Financial Statements

Council Members' responsibility statement for the financial statements

Council Members' responsibility statement for the consolidated financial statements

The Association's Council Members are responsible for the preparation and fair presentation of the consolidated and separate financial statements, comprising the statements of financial position at 31 March 2010 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with Swaziland and International Financial Reporting Standards and in the manner required by the Swaziland Sugar Act of 1967.

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

The Council Members' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

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

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

Approval of the financial statements

The consolidated and separate financial statements set out on pages 26 to 79 were approved by the Council Members on 21 July 2010 and are signed on its behalf by:

President

Chief Executive Officer

Report of the Independent Auditors

To the Members of the Swaziland Sugar Association

We have audited the group annual financial statements and the annual financial statements of the Swaziland Sugar Association, which comprise the statements of financial position at 31 March 2010, statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Council members' report, set on pages 26 to 79.

Council Members' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Swaziland Sugar Association at 31 March 2010, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with Swaziland and International Financial Reporting Standards, and in the manner required by the Swaziland Sugar Act.

KPMG

Auditors
KPMG Chartered Accountants (Swaziland)
21 July 2010
Mbabane

Council Members' Report

for the year ended 31 March 2010

Council has pleasure in submitting its report together with the annual financial statements of the Association for the financial year ended 31 March 2010.

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.

General review of business operations and results

The state of affairs of the Association at 31 March 2010 and the results of its operations for the year then ended, are fully set out in the annual financial statements.

Results of operations

The Group recorded E2.6 billion (2009: E2.9 billion) revenue. The decrease in revenues is mainly attributable to the stronger Lilangeni which off-set the benefits of higher sales volumes into the European and Regional Markets. Selling and distribution costs incurred during the year were E102.6 million (2009:E156 million). The decrease in costs is as a result of favourable market conditions and management's initiatives in cost cutting. Financing costs (excluding foreign exchange gains and losses) improved favourably from E81.6 million to E77.6 million. This is as a result of the reductions in the prime lending rate.

Revenue recognized in the following financial year

At year end a sale of 25 000 tonnes of bulk VHP sugar, sold to Pfeifer and Langen, valued at E101.6 million (Euro 9.1 million) was not recognised, as a result of it not meeting the revenue recognition criteria, as stated under IAS 18 *Revenue*. One of the conditions that IAS 18 requires, prior to a sale being recognised is that: "all risks and rewards associated with ownership should pass to the buyer before a sale can be recognised". On the 7th of March 2010, the shipment was despatched from the Maputo port, in the expectation that the shipment would reach its port destination before 31 March 2010. However, the ship was delayed and berthed on 5 April 2010. The terms of the contract required that cost, insurance and freight costs are to be borne by the Association. The risks and rewards associated with this contract therefore passed when the ship berthed at the destination port and therefore the sale was not recognised in 2009/2010. The delayed recognition of this sale has a significant effect on the value of the revenue for the year under review when compared with the previous financial year.

This shipment has been included as part of inventory at year end and was valued at cost, in line with the sugar inventory valuation policy. The cost of the shipment included in inventory is E95.3 million. The initial payment by Pfeifer and Langen, on receipt of the bill of lading, which amounted to E70.2 million at year end, was included in accounts payable.

Events subsequent to year end

There were no events after balance sheet date

Subsidiary and joint venture company

The Association has the following subsidiary companies:

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

The Association has the following joint venture company:

Sociedade Terminal de Acucar De Maputo LDA ("STAM")	25%

Council

Council is the highest governing body of the Association. Council is comprised equally of members from the Swaziland Millers Association and the Swaziland Cane Growers Association. The Chairperson is an independent non-executive member. Council members who were in office at the date of this report were as follows:

Mr N Jackson	President
Mr R Hulley	Vice President
Mr T Dlamini	Chairman (Appointed 30 September 2009)
Mr T Mbelu	Chairman (Deceased 30 June 2009)
Mr B James	
Mr E Nxumalo	
Mr S Potts	
Mr G White	
Mr A Ngcobo	
Mr J Hulley	
Mr J Khumalo	
Mr J Matimba	
Mr A T Dlamini	
Mr G Williams	
Mr S Cleasby	
Mr J M Sithebe	
Mr G Scheepers	
Mr S Geldenhuys	
Mr M Mkhaliphi	
Mr M Maziya	
Mr D S Dlamini	
Mr J Shilubane	
Mr P Myeni	
Miller representative vacant (Ubombo)	
Miller representative vacant (Simunye)	
Miller representative vacant (Mhlume)	

Marketing Executive Committee

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

Mr T Dlamini	Chairman (Appointed 30 September 2009)
Mr T Mbelu	Chairman (Deceased 30 June 2009)
Mr G White	
Mr E Nxumalo	
Mr M Masina	
Mr J Hulley	
Mr P Ginindza	
Mr A T Dlamini	
Mr M Mkhaliphi	
Mr G Scheepers	
Mr S Geldenhuys	
Mr N Jackson	
Mr S Cleasby	
Mr J M Sithebe	
Mr G Williams	
Mr M Maziya	
Mr S Potts	
Mr R Hulley	
Miller representative vacant (Mhlume)	
Miller representative vacant (Simunye)	

Council Members' Report (continued)

for the year ended 31 March 2010

Finance Committee

The Finance Committee is a sub-committee of Council and is responsible for ensuring that the Association is adequately funded and that all finance related risks are mitigated. The Committee is chaired by the Chief Executive Officer of SSA and its members at the reporting date were as follows:

Dr M Matsebula	Chairman
Mr S Potts	
Mr G Williams	
Mr P Ginindza	
Mr I Schei	
Mr A Ngcobo	

Audit Committee

The Audit Committee is a sub-committee of Council. The committee is chaired by an independent non-executive member. Members of the Audit Committee at the reporting date were as follows:

Mr J Hayter	Chairman
Mr S Potts	
Mr G Williams	
Mr P Ginindza	
Mr I Schei	

Secretary
Mr B de Silva

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

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2010

		Group		Association	
	Notes	**2010**	2009	**2010**	2009
		E	E	**E**	E
Revenue	6	**2 622 648 390**	2 897 311 117	**2 622 648 390**	2 897 311 117
Cost of sales		**(2 545 550 701)**	(2 575 189 623)	**(2 564 952 679)**	(2 605 839 532)
Gross profit		**77 097 689**	322 121 494	**57 695 711**	291 471 585
Other income		**96 519**	347 417	**96 519**	-
Distribution costs		**(46 666 785)**	(89 657 331)	**(46 666 785)**	(89 657 331)
Administrative expenses		**(39 125 594)**	(39 368 228)	**(38 382 455)**	(38 765 676)
Other expenses		**(17 578 323)**	(27 070 594)	**(17 462 438)**	(26 967 600)
Operating (loss)/profit before financing costs	7	**(26 176 494)**	166 372 758	**(44 719 448)**	136 080 978
Finance income		**68 316 242**	404 157	**83 699 053**	20 020 222
Finance expenses		**(93 301 538)**	(201 112 143)	**(90 141 395)**	(190 436 428)
Net financing costs	8	**(24 985 296)**	(200 707 986)	**(6 442 342)**	(170 416 206)
Share of profit/(loss) of joint venture (net of tax)	27	**563 004**	(706 479)	**563 004**	(706 479)
Loss before tax		**(50 598 786)**	(35 041 707)	**(50 598 786)**	35 041 707
Income tax expense	9	**(152 829)**	(104 333)	**(152 829)**	(104 333)
Loss for the period		**(50 751 615)**	(35 146 040)	**(50 751 615)**	(35 146 040)
Other comprehensive income					
Net change in fair value of cash flow hedges transferred to profit and loss		**50 751 615**	35 146 040	**50 751 615**	35 146 040
Other comprehensive income for the period		**50 751 615**	35 146 040	**50 751 615**	35 146 040
Total comprehensive income for the period		**-**	-	**-**	-

Consolidated Statement of Financial Position

at 31 March 2010

	Notes	Group 2010 E	Group 2009 E	Association 2010 E	Association 2009 E
ASSETS					
Non current assets					
Property, plant and equipment	10	**194 360 691**	193 927 991	**13 909 860**	10 937 191
Unsecured loans receivable	11	**455 649**	575 792	**455 649**	575 792
Investments in subsidiaries	12	**-**	-	**500**	500
Investments in jointly controlled entities	12	**27 129 095**	26 566 061	**27 129 095**	26 566 061
		221 945 435	221 069 844	**41 495 104**	38 079 544
Current assets					
Loans to subsidiaries	15	**-**	-	**152 002 825**	139 350 899
Unsecured loans receivable	11	**101 568**	185 739	**101 568**	185 739
Inventories	13	**417 766 192**	463 274 545	**417 766 192**	463 274 545
Trade and other receivables	14	**114 948 221**	96 467 966	**114 948 221**	96 467 966
Forward exchange contract asset	25	**-**	50 751 615	**-**	50 751 615
Cash and cash equivalents	19.3	**47 381 536**	73 782 164	**47 381 536**	73 782 164
		580 197 517	684 462 029	**732 200 342**	823 812 928
Total assets		**802 142 952**	**905 531 873**	**773 695 446**	**861 892 472**
RESERVES AND LIABILITIES					
Non-distributable reserve	16	**13 022**	13 022	**13 022**	13 022
Cash flow hedge reserve	25	**-**	50 751 615	**-**	50 751 615
		13 022	50 764 637	**13 022**	50 764 637
Non-current liabilities					
Long term liabilities	17	**23 197 751**	45 626 382	**10 450 422**	17 298 571
Current liabilities					
Bank overdraft	19.3	**586 973 011**	662 103 874	**586 973 011**	662 103 874
Current portion of long-term liabilities	17	**21 950 995**	20 671 256	**6 549 431**	5 720 882
Trade and other payables	18	**169 966 758**	126 364 922	**169 668 145**	126 003 706
Taxation	19.2	**41 415**	802	**41 415**	802
		778 932 179	809 140 854	**763 232 002**	793 829 264
Total reserves and liabilities		**802 142 952**	**905 531 873**	**773 695 446**	**861 892 472**

Consolidated Statement of Cash Flows

for the year ended 31 March 2010

	Notes	Group		Association	
		2010	2009	**2010**	2009
		E	E	**E**	E
Cash flow from operations					
Cash generated from operations	19.1	**72 934 282**	87 536 710	**46 148 695**	49 096 445
Interest received		**118 090 436**	404 157	**133 473 247**	20 020 222
Interest paid		**(93 301 538)**	(167 936 934)	**(90 141 395)**	(157 260 925)
Sugar levy paid		**(17 462 438)**	(26 967 600)	**(17 462 438)**	(26 967 600)
Taxation paid	19.2	**(112 216)**	(145 704)	**(112 216)**	(145 704)
Net cash inflows/(outflow) from operations		**80 148 527**	(107 109 377)	**71 905 893**	(115 257 562)
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(10 484 793)**	(15 420 438)	**(4 719 494)**	(1 799 026)
Proceeds on disposal of property, plant and equipment		**11 048**	64 132	**11 048**	64 132
Net cash outflow from investing activities		**(10 473 745)**	(15 356 306)	**(4 708 446)**	(1 734 894)
Cash flows from financing activities					
Unsecured loans receivable repaid		**204 343**	252 800	**204 314**	252 800
Repayment of long term liabilities		**(21 148 890)**	(29 022 946)	**(6 019 600)**	(4 556 926)
Loans to subsidiary companies repaid		**-**	-	**(12 651 926)**	(31 122 331)
Net cash outflow from financing activities		**(20 944 547)**	(28 770 146)	**(18 467 212)**	(35 426 457)
Net increase / (decrease) in cash and cash equivalents		**48 730 235**	(151 235 829)	**48 730 235**	(152 418 913)
Cash and cash equivalents at the beginning of the year		**(588 321 710)**	(437 085 881)	**(588 321 710)**	(435 902 797)
Cash and cash equivalents at the end of the year	19.3	**(539 591 475)**	(588 321 710)	**(539 591 475)**	(588 321 710)

Consolidated Statement of Changes in Equity

for the year ended 31 March 2010

	Non distributable reserve E	Hedging reserve E	Total E
Group 2010			
Opening balance	13 022	50 751 615	50 764 637
Net change in fair value of cash flow hedges transferred to profit or loss	-	(50 751 615)	(50 751 675)
Closing balance	13 022	-	13 022
Group 2009			
Opening balance	13 022	35 146 040	35 159 062
Net change in fair value of cash flow hedges recognised	-	50 751 615	50 751 615
Net change in fair value of cash flow hedges transferred to profit or loss	-	(35 146 040)	(35 146 040)
Closing balance	13 022	50 751 615	50 764 637

1. Reporting entity

The Swaziland Sugar Association is an Association domiciled in Swaziland. The address of the Association's registered office is: Corner of Msakato & Dzeliwe Streets, P O Box 445, Mbabane H100, Swaziland. The consolidated and separate financial statements of the Association as at and for the year ended 31 March 2010 cover the activities of the Association and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities. The Group is primarily involved in purchasing and selling sugar and molasses in Swaziland.

2. Basis of preparation

a) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB), and the requirements of the Swaziland Sugar Act. The principal accounting policies are consistent with those of the previous year except noted under sub paragraph e) below.

The financial statements were authorised for issue by Council on 21 July 2010.

b) Basis of measurement

The consolidated and separate annual financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:
- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value; and

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

c) Functional and presentation currency

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

d) Use of estimates and judgements

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated and separate financial statements are described in the following notes:
- note 28 : provisions and contingencies
- notes 11, 14, 15, 17, 18, 19.3, 25 : valuation of financial instruments
- note 20 : lease classification
- note 13 : valuation of sugar and molasses stocks.

e) Changes in accounting policies

The group applies revised IAS 1 *Presentation of Financial Statements (2007)*, which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of comprehensive income all non-owner changes in equity whereas all owner changes in equity are presented in the consolidated statement of changes in equity. Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings of the Association.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2010

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities except as described on the previous page.

3.1 Basis of consolidation

Subsidiaries

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

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

	2010 *Control*	**2009** *Control*
Swaziland Sugar Assets Limited	100%	100%
Sugar Assets (Mhlume) Limited	100%	100%
Sugar Holding Company Limited	100%	100%
Commodity Marketing Company Limited	100%	100%
Sugar Assets (Simunye) Limited	100%	100%

Joint venture

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

	2010 *Share*	**2009** *Share*
Sociedade Terminal de Acucar De Maputo LDA ("STAM")	25%	25%

Transactions eliminated on consolidation

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

3.2 Foreign currency

Foreign currency transactions

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

3. Significant accounting policies (continued)

3.3 Financial instruments

Financial assets carried on the statement of financial position include cash and bank balances, accounts receivable, forward exchange contract assets, loans to subsidiaries and unsecured loans. The group has the following non-derivative financial assets: Financial assets at fair value through profit and loss and loans and receivables. An estimate is made of doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

Financial liabilities carried on the statement of financial position include bank overdrafts, borrowings and accounts payable. All financial liabilities are recognised initially at fair value plus any directly attributable transaction costs subsequent to initial recognition, they are measured at amortised cost using the effective interest method unless they are recognised as at fair value through profit or loss.

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

i) Non-derivative financial assets

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

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

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

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

Held- to-maturity

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Other

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

3. Significant accounting policies (continued)

3.3 Financial instruments

ii) Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the group becomes a party to the contractual provisions of the instrument.

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

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

The group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method, unless they are recognised at fair value through profit or loss.

iii) Derivative financial instruments

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

Cash flow hedges

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

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

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

3. Significant accounting policies (continued)

3.4 Impairment

i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated cash flows of that asset, that can be estimated reliably.

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

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

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

ii) Non-financial assets

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

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

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

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

3.5 Interest bearing borrowings

Interest bearing borrowings are recognised initially at cost less distributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

3.6 Trade and other payables

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

3.7 Trade and other receivables

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

3.8 Employee benefits

i) Defined contribution plans

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

3. Significant accounting policies (continued)

3.8 Employee benefits (continued)

ii) Termination benefits

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

iii) Short term benefits

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

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

3.9 Income tax

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

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

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

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

3.10 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.

Managements' 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.

3.11 Investments

Investments are shown at cost less impairment losses, and comprise investments in subsidiaries and jointly controlled entities.

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3. Significant accounting policies (continued)

3.12 Leases

i) Leased assets

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

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

ii) Lease payments

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

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

3.13 Finance income and expense

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

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

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

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

3.14 Revenue

i) Sugar and molasses sales

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

ii) Export sales

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

3.15 Property, plant and equipment

i) Recognition and measurement

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

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

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

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

3. Significant accounting policies (continued)

3.15 Property, plant and equipment (continued)

ii) Depreciation

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

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

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

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

3.15 Property, plant and equipment (continued)

iii) Subsequent costs

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

3.16 Borrowing costs

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

3.17 Provisions

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

4. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2010, and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the consolidated financial statements of the group, except for:

i) IAS 24 Related party disclosure

IAS 24 will be adopted by Swaziland Sugar Association for the first time for its financial reporting period ending 31 March 2012. The standard will be applied retrospectively.

IAS 24 addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party and disclosure requirements by government-related entities.

The change in the definition of a related party has resulted in a number of new related party relationships being identified.

ii) IAS 27 Consolidated and separate financial statements

IAS 27 will be adopted by Swaziland Sugar Association for the first time for its financial reporting period ending 31 March 2011.

In accordance with IAS 27 amendments, acquisitions of additional non-controlling equity interests in subsidiaries have to be accounted for as equity transactions. Disposals of equity interests while retaining control are also accounted for as equity transactions. When control of an investee is lost, the resulting gain or loss relating to the transaction will be recognised in profit or loss.

The amendments to IAS 27 also require that losses (including negative “other comprehensive income” as detailed in the revised IAS I have to be allocated to the non-controlling interest even if doing so causes the non-controlling interest to be in a deficit position. The group will in future change its accounting policies on the allocation of losses to non-controlling interest. In the past, losses were allocated only until the non-controlling interests had a zero balance.

iii) IAS 39 Eligible hedged items

The amendments to IAS 39 Eligible Hedged items will be adopted by Swaziland Sugar Association for the fist time for its financial reporting period ending 31 March 2011.

The amendments to IAS 39 clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied for the following:

- designation in a hedged item of a one-sided risk
- designation of inflation in a financial hedged item

iv) IFRS 3 Business combinations

The revised IFRS 3 will be adopted by Swaziland Sugar Association for the first time for its financial reporting period ending 31 March 2011.

IFRS 3 applies to all new business combinations that occur after 1 July 2009. For these business combinations after 1 July 2009, the group will change its accounting policies to be in line with the revised IFRS 3. In future all transaction costs will be expensed and contingent purchase consideration will be recognised at fair value at acquisition date. For successive share purchases, any gain or loss for the difference between the fair value and the carrying amount of the previously held equity interest in the acquiree will be recognised in profit or loss.

v) IFRS 9 Financial instruments

IFRS 9 will be adopted by Swaziland Sugar Association for the first time for its financial reporting period ending 31 March 2014. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

The impact on the financial statements for 31 March 2010 has not yet been estimated.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2010

5. Determination of fair values

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

Inventory

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.

Derivatives

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

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

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

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

	Group		**Association**	
	2010	2009	**2010**	**2009**
	E	E	**E**	**E**
6. Revenue				
Revenue comprise:				
Sugar sales	**2 565 600 869**	2 854 307 451	**2 565 600 869**	2 854 307 451
Molasses sales	**57 047 521**	43 003 666	**57 047 521**	43 003 666
	2 622 648 390	2 897 311 117	**2 622 648 390**	2 897 311 117

Sugar sales relates to sugar sold in the South African Customs Union ("SACU"), the regional and international market. Molasses is sold within the SACU market. The percentage analysis of revenue by market is provided on note 23.

7. Operating (loss)/profit before financing costs is a rrived at after charging the following:				
Income				
Sundry income	**91 233**	312 696	**91 233**	312 696
Profit on sale of property and equipment	**5 286**	205 394	**5 286**	205 394
Expenses				
Operating lease payments	**1 019 042**	926 184	**1 019 042**	926 402
Sugar export levy	**17 462 438**	26 967 600	**17 462 438**	26 967 600
Audit fees: Current year	**119 860**	182 354	**119 860**	151 274
Prior year	**353 094**	-	**318 894**	-

	Group 2010 E	Group 2009 E	Association 2010 E	Association 2009 E
7. Operating (loss)/profit before financing costs is a rrived at after charging the following:				
Income				
Sundry income	**91 233**	312 696	**91 233**	312 696
Profit on sale of property and equipment	**5 286**	205 394	**5 286**	205 394
Expenses				
Operating lease payments	**1 019 042**	926 184	**1 019 042**	926 402
Sugar export levy	**17 462 438**	26 967 600	**17 462 438**	26 967 600
Audit fees: Current year	**119 860**	182 354	**119 860**	151 274
Prior year	**353 094**	-	**318 894**	-
8. Net financing costs				
Finance income	**68 316 242**	404 157	**83 699 053**	20 020 222
Finance expense	**(93 301 538)**	(201 112 143)	**(90 141 395)**	(190 436 428)
	(24 985 296)	(200 707 986)	**(6 442 342)**	(170 416 206)
Included in net finance cost is:				
Foreign exchange profit / (loss)	**52 586 769**	(22 406 052)	**52 586 769**	(22 406 052)
9. Income tax expense				
Current year	**152 829**	104 333	**152 829**	104 333
Tax rate reconciliation				
Loss before taxation	**50 598 786**	35 041 707	**50 598 786**	35 041 707
Net change in fair value of cash flow	**(50 751 615)**	(35 146 040)	**(50 751 615)**	(35 146 040)
Loss after net change in fair value of cash flow	**152 829**	104 333	**152 829**	104 333
Tax thereon at 30%	**45 849**	31 300	**45 849**	31 300
Non deductible expenses	**106 980**	73 033	**106 980**	73 033
	152 829	104 333	**152 829**	104 333

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2010

	Group		Association	
	2010	2009	**2010**	2009
	E	E	**E**	**E**
10. Property, plant and equipment				
Cost				
Freehold land and buildings	**12 398 035**	12 398 035	**12 398 035**	12 398 035
Leasehold land and buildings	**166 947**	166 947	**166 947**	166 947
Plant, machinery and computer equipment	**11 543 956**	10 147 766	**11 543 956**	10 147 766
Furniture and fittings	**1 540 430**	1 536 984	**1 540 430**	1 536 984
Motor vehicles	**2 190 594**	2 190 594	**1 680 336**	1 680 336
Conditioning silo buildings	**62 107 272**	62 107 272	**-**	-
Sugar store buildings	**85 632 803**	84 110 322	**-**	-
Molasses storage buildings	**1 371 928**	1 371 928	**-**	-
Conditioning silo equipment	**47 611 119**	47 611 119	**-**	-
Sugar store equipment	**48 022 936**	43 463 840	**-**	-
Molasses storage equipment	**22 457 501**	22 457 501	**-**	-
Capital work in progress	**3 983 549**	1 154 117	**3 146 722**	132 181
	299 027 070	288 716 425	**30 476 426**	26 062 249
Accumulated depreciation and impairment loss				
Freehold land and buildings	**8 249 413**	7 880 336	**8 249 413**	7 880 336
Leasehold land and buildings	**153 727**	151 801	**153 727**	151 801
Plant, machinery and computer equipment	**6 347 952**	5 519 523	**6 347 952**	5 519 523
Furniture and fittings	**796 183**	719 374	**796 185**	719 374
Motor vehicles	**1 189 370**	990 089	**1 019 289**	854 024
Conditioning silo buildings	**14 888 907**	13 466 735	**-**	-
Sugar store buildings	**18 806 301**	16 574 806	**-**	-
Molasses storage buildings	**1 371 928**	1 371 928	**-**	-
Conditioning silo equipment	**25 599 110**	23 446 668	**-**	-
Sugar store equipment	**17 369 873**	15 346 012	**-**	-
Molasses storage equipment	**9 893 615**	9 321 162	**-**	-
	104 666 379	94 788 434	**16 566 566**	15 125 058

	Group		Association	
	2010	2009	**2010**	2009
	E	E	**E**	E
Property, plant and equipment (continued)				
Net book value				
Freehold land and buildings	**4 148 622**	4 517 699	**4 148 622**	4 517 699
Leasehold land and buildings	**13 220**	15 146	**13 220**	15 146
Plant, machinery and computer equipment	**5 196 004**	4 628 243	**5 196 004**	4 628 243
Furniture and fittings	**744 247**	817 610	**744 245**	817 610
Motor vehicles	**1 001 224**	1 200 505	**661 047**	826 312
Conditioning silo buildings	**47 218 365**	48 640 537	**-**	-
Sugar store buildings	**66 826 502**	67 535 516	**-**	-
Molasses storage buildings	**-**	-	**-**	-
Conditioning silo equipment	**22 012 009**	24 164 451	**-**	-
Sugar store equipment	**30 653 063**	28 117 828	**-**	-
Molasses storage equipment	**12 563 886**	13 136 339	**-**	-
Capital work in progress	**3 983 549**	1 154 117	**3 146 722**	132 181
	194 360 691	193 927 991	**13 909 860**	10 937 191

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

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

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2010

	Group		Association	
	2010	2009	**2010**	2009
	E	E	**E**	E
10. Property, plant and equipment (continued)				
Allocation of depreciation				
Direct cost of sales	**461 722**	448 038	**461 722**	448 038
Direct analysis of cane	**227 872**	249 556	**227 872**	249 556
Extension services	**220 421**	234 040	**220 426**	234 040
Administration	**699 864**	302 110	**699 864**	302 110
Operating expense	**8 436 452**	8 544 745	**-**	-
Total	**10 046 331**	9 778 489	**1 609 884**	1 233 744

Reconciliation of the opening carrying value and closing carrying amount

Association

	Opening net book value	**Additions**	**Disposals**	**Transfer**	**Deprec- lation**	**Closing net book value**
	E	**E**	**E**	**E**	**E**	**E**
Freehold land and buildings	4 517 699	-	-		(369 077)	4 148 622
Leasehold land and buildings	15 146	-	-		(1 926)	13 220
Motor vehicles	826 312	-	-		(165 265)	661 047
Furniture and fittings	817 610	12 500	(2 818)		(83 047)	744 245
Plant and equipment	4 628 243	345 728	(2 944)	1 215 546	(990 569)	5 196 004
Capital work in progress	132 181	4 361 266	(131 179)	(1 215 546)	-	3 146 722
	10 937 191	4 719 494	(136 941)	-	(1 609 884)	13 909 860

	Opening net book value E	Additions E	Disposals E	Transfer E	Depreciation E	Closing net book value E
10. Property, plant and equipment (continued)						
Group						
Freehold land and buildings	4 517 699	-	-	-	(369 077)	4 148 622
buildings Leasehold land and	15 146	-	-	-	(1 926)	13 220
Plant and equipment	4 628 243	345 728	(2 944)	1 215 546	(990 569)	5 196 004
Furniture and fittings	817 610	12 500	(2 818)	-	(83 047)	744 245
Motor vehicles	1 200 505	-	-	-	(199 281)	1 001 224
Conditioning silo buildings	48 640 537	-	-	-	(1 422 172)	47 218 365
Sugar store buildings	67 535 516	1 522 481	-	-	(2 231 494)	66 826 503
equipment Conditioning silo	24 164 451	-	-	-	(2 152 442)	22 012 009
Sugar store equipment	28 117 828	3 883 833	-	675 273	(2 023 870)	30 653 064
equipment Molasses storage	13 136 339	-	-	-	(572 453)	12 563 886
Capital work in progress	1 154 117	4 720 251	-	(1 890 819)	-	3 983 549
	193 927 991	10 484 793	(5 762)	-	(10 046 331)	194 360 691

The sugar stores buildings with a net book value of E51 402 259 (2009 : E53 118 100) secure the long term loans with Standard Bank Swaziland Limited and Nedbank Swaziland Limited (Refer to note 17).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2010

		Group		Association	
		2010	2009	**2010**	2009
		E	E	**E**	E
11. Unsecured loans receivable	Interest per annum				
Ubombo Sugar Limited					
Repayable together with interest in nineteen equal annual instalments terminating 30 April 2010	10%	**4 416**	8 443	**4 416**	8 443
		4 416	8 443	**4 416**	8 443
The Royal Swaziland Sugar Corporation Limited					
Repayable together with interest in eleven equal instalments terminating 1 September 2010	10%	**35 426**	50 761	**35 426**	50 761
Repayable together with interest in eleven equal annual instalments terminating 30 June 2016	10%	**158 627**	173 826	**158 627**	173 826
Balance carried forward		**194 053**	224 587	**194 053**	224 587

		Group		Association	
		2010	2009	**2010**	2009
		E	E	**E**	E
11. Unsecured loans receivable (continued)	Interest per annum				
Balance brought forward		**194 053**	224 587	**194 053**	224 587
Repayable together with interest in eleven equal instalments terminating 1 April 2010	10%	**-**	64 773	**-**	64 773
Repayable together with interest in eleven equal instalments terminating 1 December 2010	10%	**-**	41 896	**-**	41 896
Repayable together with interest in eleven equal instalments terminating 1 December 2010	10%	**26 301**	50 210	**26 301**	50 210
Repayable together with interest in eleven equal instalments terminating 31 March 2016	10%	**128 492**	143 632	**128 492**	143 632
Repayable together with interest in eleven equal instalments terminating 31 March 2016	10%	**203 955**	227 990	**203 955**	227 990
		552 801	753 088	**552 801**	753 088
Total unsecured loans receivable		**557 217**	761 531	**557 217**	761 531
Current portion					
Deduct amounts due within one year disclosed as current assets		**(101 568)**	(185 739)	**(101 568)**	(185 739)
		455 649	575 792	**455 649**	575 792

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

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2010

	Group		Association	
	2010	2009	**2010**	2009
	E	E	**E**	E
12. Investments in subsidiary companies				
Shares in Swaziland Sugar Assets Limited - at cost	**-**	-	**100**	100
Shares in Sugar Assets (Mhlume) Limited - at cost	**-**	-	**100**	100
Shares in Sugar Assets (Simunye) Limited - at cost	**-**	-	**100**	100
Shares in Sugar Holding Company Limited - at cost	**-**	-	**100**	100
Shares in Commodity Marketing Company Limited – at cost	**-**	-	**100**	100
	-	-	**500**	500
Investments in jointly controlled entities				
Shares in Sociedade Terminal de Açucar de Maputo Limitada (“STAM”)	**27 129 095**	26 566 061	**27 129 095**	26 566 061

Refer to note 27 for analysis of the interest in joint venture.

	Group and Association	
	2010	2009
	E	E
13. Inventories		
The following inventories were held by the Group:		
Sugar stocks	**407 018 936**	455 316 908
Bags and liners	**10 747 256**	7 957 637
	417 766 192	463 274 545

Inventory with a value of E95.3 million was sold on 5 April 2010. Refer to the Council Members' report for further details.

	Group		Association	
	2010	2009	**2010**	2009
	E	E	**E**	E
14. Trade and other receivables				
Trade receivables	**113 209 630**	94 381 196	**113 209 630**	94 381 196
Other receivables	**1 738 591**	2 086 770	**1 738 591**	2 086 770
	114 948 221	96 467 966	**114 948 221**	96 467 966

The Group's exposure to credit and currency risks; and impairment losses related to trade and other receivables is disclosed in note 23

	Group		Association	
15. Loans to subsidiaries				
Loan to Swaziland Sugar Assets Limited	**-**	-	**38 728 322**	36 453 703
Loan to Sugar Assets (Simunye) Limited	**-**	-	**37 116 520**	23 699 192
Loan to Sugar Assets (Mhlume) Limited	**-**	-	**76 157 983**	79 198 004
	-	-	**152 002 825**	139 350 899

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

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2010

	Group		Association	
	2010	2009	**2010**	2009
	E	E	**E**	E
16. Non-distributable reserve				
Non distributable reserve	**13 022**	13 022	**13 022**	13 022
17. Long term liabilities				
This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 23.				
Loan from Nedbank (Swaziland) Limited	**16 999 853**	23 019 452	**16 999 853**	23 019 452
Amounting to E30 million for the purpose of financing the construction of the 4th tower at STAM. The loan is being repaid in monthly instalments of E653 252 commencing on 31 October 2009. Interest is calculated at a rate of prime less 1.75%.				
The loan is secured by an unlimited suretyship by Swaziland Sugar Association to meet the monthly repayment of the loan and cession of right over the assets financed.				
Less: current portion transferred to current liabilities	**(6 549 431)**	(5 720 881)	**(6 549 431)**	(5 720 881)
	10 450 422	17 298 571	**10 450 422**	17 298 571
Balance carried forward	**10 450 422**	17 298 571	**10 450 422**	17 298 571

	Group		Association	
	2010	2009	**2010**	**2009**
	E	E	**E**	**E**
17. Loans and borrowings (continued)				
Balance brought forward	**10 450 422**	17 298 571	**10 450 422**	17 298 571
Loan from Standard Bank (Swaziland) Limited	**17 700 000**	29 500 000	**-**	-
Amounting to E59 million for the purpose of financing the Sugar Assets (Simunye) Limited loan owed to Swaziland Sugar Association. The loan is being repaid in ten six monthly instalments of E5.9 million commencing on 1 July 2006.				
Sugar Assets (Simunye) Limited will pay interest to Standard Bank (Swaziland) Limited on the outstanding balance of the loan at an annual rate of the prime rate less 1.48%.				
The loan is secured by an unlimited suretyship by Swaziland Sugar Association to meet the semi-annual repayment of the loan and a cession of right over the assets financed.				
Less: current portion transferred to current liabilities	**(11 800 000)**	(11 800 000)	**-**	-
	5 900 000	17 700 000	**-**	-
Balance carried forward	**16 350 422**	34 998 571	**10 450 422**	17 298 571

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2010

	Group		Association	
	2010	2009	**2010**	2009
	E	E	**E**	E
17. Loans and borrowings (continued)				
Balance brought forward	**16 350 422**	34 998 571	10 450 422	**17 298 571**
Loan from Nedbank (Swaziland) Limited	**10 448 893**	13 778 186	-	**-**
Amounting to E17 million for the purpose of financing the upgrading of the sugar stores at Ubombo. The loan is being repaid in monthly instalments of E367 509 commencing on 31 January 2009. Interest is calculated at a rate of prime less 1.75%.				
The loan is secured by an unlimited suretyship by Swaziland Sugar Association to meet the monthly repayment of the loan and cession of right over the assets financed.				
Less: current portion transferred to current liabilities	**(3 601 564)**	(3 150 375)	-	**-**
	6 847 329	10 627 811	-	**-**
	23 197 751	45 626 382	10 450 422	**17 298 571**

	Current E	Within 2 years E	Within 3 years E	Thereafter E	Total 2010 E
17. Loans and borrowings (continued)					
Debt repayment profile					
Group - 2010					
Short term borrowings					
Call loans	333 847 560	-	-	-	333 847 560
Fixed loans	253 125 451	-	-	-	253 125 451
Long term liabilities					
Nedbank (Swaziland) Limited	10 150 995	11 237 692	6 060 059	-	27 448 746
Standard Bank (Swaziland) Limited	11 800 000	5 900 000	-	-	17 700 000
Loans other than call loans	21 950 995	17 137 692	6 060 059	-	45 148 746
	608 924 006	17 137 692	6 060 059	-	632 121 757
Group - 2009					
Short term borrowings					
Call loans	412 103 874	-	-	-	412 103 874
Long term liabilities					
Nedbank (Swaziland) Limited	8 871 256	9 875 453	10 988 292	7 062 637	36 797 638
Standard Bank (Swaziland) Limited	11 800 000	11 800 000	5 900 000	-	29 500 000
Loans other than call loans	20 671 256	21 675 453	16 888 292	7 062 637	66 297 638
	432 775 130	21 675 453	16 888 292	7 062 637	478 401 512

	Current E	Within 2 years E	Within 3 years E	Thereafter E	Total E
17. Loans and borrowings (continued)					
Debt repayment profile					
Association - 2010					
Short term borrowings					
Call loans	333 847 560	-	-	-	333 847 560
Fixed loans	253 125 451	-	-	-	253 125 451
Nedbank (Swaziland) Limited	6 549 431	7 244 979	3 205 443	-	16 999 853
	593 522 442	7 244 979	3 205 443	-	603 972 864
Association - 2009					
Short term borrowings					
Call loans	412 103 874	-	-	-	412 103 874
Fixed loans	250 000 000	-	-	-	250 000 000
Nedbank (Swaziland) Limited	5 720 881	6 368 153	7 085 975	3 844 444	23 019 453
	667 824 755	6 368 153	7 085 975	3 844 444	685 123 327

	Group		Association	
	2010	2009	**2010**	2009
	E	E	**E**	E
18. Trade and other payables				
Milling companies	**59 102 152**	59 105 867	**59 102 152**	59 105 867
Other creditors and accruals	**40 755 406**	67 259 055	**40 456 793**	66 897 839
Initial proceeds from customers	**70 109 200**	-	**70 109 200**	-
	169 966 758	126 364 922	**169 668 145**	126 003 706

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

	Group		Association	
	2010	2009	**2010**	2009
	E	E	**E**	E
19. Notes relating to the cash flow statements				
19.1 Reconciliation of profit before interest and tax to cash flows generated from operations:				
Loss for the year	**(50 598 786)**	(35 041 707)	**(50 578 786)**	(35 041 707)
Adjustment for non cash flow items:				
(Profit)/loss on disposal of property, plant and equipment	**(5 528)**	205 394	**125 651**	205 394
Sugar levy paid	**17 462 438**	26 967 600	**17 462 438**	26 967 600
Depreciation	**10 046 331**	9 778 528	**1 609 884**	1 233 744
Net finance costs	**24 985 296**	200 707 986	**6 442 342**	170 416 206
Share of joint venture profit/(loss)	**(563 004)**	706 479	**(563 004)**	706 479
Unrealised foreign exchange loss on long term liabilities	**-**	28 890	**-**	-
Unrealised foreign exchange losses/(gain) on foreign balances	**977 421**	1 970 537	**977 421**	1 970 537
	2 304 168	205 323 707	**(24 544 054)**	166 458 253
Adjustment for working capital changes:				
Decrease/(increase) in inventories	**45 508 353**	(111 661 171)	**45 508 353**	(111 661 171)
(Increase)/decrease in trade and other receivables	**(18 480 255)**	77 289 288	**(18 480 255)**	77 283 843
Increase / (decrease) in trade and other payables	**43 602 016**	(83 415 114)	**43 664 651**	(82 984 480)
	72 934 282	87 536 710	**46 148 695**	49 096 445

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2010

	Group		Association	
	2010	2009	**2010**	2009
	E	E	**E**	E
19. Notes relating to the cash flow statements (continued)				
19.2 Taxation				
Balance at 31 March 2009	**802**	42 173	**802**	42 173
Current year provision	**152 829**	104 333	**152 829**	104 333
Balance at 31 March 2010	**(41 415)**	(802)	**(41 415)**	(802)
	112 216	145 704	**112 216**	145 704
19.3 Cash and cash equivalents				
Bank balances and cash on hand	**47 381 536**	73 782 164	**47 381 536**	73 782 164
Bank overdrafts	**(586 973 011)**	(662 103 874)	**(586 973 011)**	(662 103 874)
	(539 591 475)	(588 321 710)	**(539 591 475)**	(588 321 710)

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities is disclosed 23.

20. Lease commitments				
Future operating lease rentals of premises not provided for are as follows:				
Due within one year	**1 203 840**	1 094 400	**1 203 840**	1 094 400
Two to five years	**1 213 871**	2 417 711	**1 213 871**	2 417 711
More than five years	**-**	-	**-**	-
	2 417 711	3 512 111	**2 417 711**	3 512 111

The Association has leased property, which it utilises as offices. The lease period is for ten years, renewable. Lease instalments of E86 895 are payable monthly and are subject to an escalation clause of ten percent per annum, effective on the 1 July each year. Refer to note 7 for current year operating lease expense.

	Group and Association	
	E	**E**
	US$	**US$**
21. Foreign currency		
The following balances are (payable)/receivable in foreign currency:		
Payable		
Included in trade payables:		
Sociedade Terminal de Maputo Limitada ("STAM")	(199 788)	(253 417)
	(199 788)	(253 417)

	Group and Association			
	2010		2009	
	US$	**EURO**	US$	EURO
21. Foreign currency (continued)				
The following balances are (payable)/ receivable in foreign currency:				
Included in bank balances				
Credit balances:				
Standard Bank Swaziland Limited	**611 587**	**217 598**	2 690 005	79 311
Nedbank Swaziland Limited	**-**	**1 718 600**	-	-
Foreign currency loans:				
Standard Bank foreign currency Loans	**(1 257 200)**	**-**	(4 603 150)	-
	(645 613)	**1 936 198**	(1 913 145)	79 311
Receivable				
Included in trade and other receivables	**-**	**3 727 398**	323 615	1 536 615

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2010

22. Retirement benefit information

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

	Group and Association	
	2010	2009
	E	E
Defined contributions	**1 935 090**	1 874 634

23. Financial instruments

Financial risk management

Overview

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

- credit risk
- liquidity risk
- market risk
- operational risk

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

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

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

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

Credit risk

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 48 (2009: 40) percent of the Group's revenue is attributable to sales transactions with 29 (2009: 49) customers, within the South African Customs Union ("SACU") market and 52 (2009: 60) percent of the Group's revenue is attributable from sales transactions with 13 (2009: 13) customers, within the regional and international markets. However, geographically the credit risk is mainly concentrated within the SACU market.

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

23. Financial instruments (continued)

Financial risk management (continued)

Trade and other receivables (continued)

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

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

23. Financial instruments (continued)

Unsecured loans receivable

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

	Group and Association	
	2010	2009
Within one year of balance sheet date	**101 568**	185 739
More than one year and less than five years from balance sheet date	**305 323**	449 850
Five years or more from balance sheet date	**150 325**	125 943
	557 216	761 532

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

Refer to note 11 for further details on unsecured loans receivable.

Guarantees

The Group's policy is to provide guarantees for loans extended only to its wholly-owned subsidiaries. At 31 March 2010 E28 148 893 was owing by the subsidiaries (2009: E43 278 176).

23. Financial instruments (continued)

Liquidity risk

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

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

- E1 174 million (2009: E1 028 million) overdraft facility that is unsecured. Interest would be negotiated.
- E46 million (2009: E66 million) in long term loans. Interest is payable at a rate linked to the prime lending rate.

Market risk

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

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

Currency risk

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

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

Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which hedge accounting is applied are recognised as part of equity. Both the changes in fair value of the forward exchange contracts and the foreign exchange gains and losses relating to monetary items are recognised as part of net financing costs. The fair values of forward exchange contracts used as economic hedges of monetary assets and liabilities in foreign currencies at 31 March 2010 was E Nil (2009: E359 577 275) recognised in fair value derivatives.

Amounts payable and receivable in foreign currency are set out in note 21 to the financial statements.

Forecasted transactions

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

	Group and Association	
	2010	**2009**
	Euro	**Euro**
Forward exchange cover		
Standard Bank Swaziland Limited	-	9 794 760
Nedbank (Swaziland) Limited	-	18 400 082
	-	28 194 842

23. Financial instruments (continued)

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

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

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

Interest rate risk

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

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

Other market price risk

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

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from legal and external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the business. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risk identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Group standard is supported by a programme of periodic reviews undertaken by the Internal Audit. The results of the Internal Audit reviews are discussed with the management of the department to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2010

23. Financial instruments (continued)

Capital management

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

The Group's target is to maintain a debt to current assets ratio of 1 : 1.

Cash flow hedges

	Group		Association	
	2010	2009	**2010**	2009
	E	E	**E**	E
Net change in fair value of cash flow hedges transferred from equity finance income	**50 751 615**	35 146 040	**50 751 615**	35 146 040
	50 751 615	35 146 040	**50 751 615**	35 146 040

Loans and borrowings

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

Non-current liabilities				
Unsecured bank loans	**23 197 751**	45 626 382	**10 450 422**	17 298 571
	23 197 751	45 626 382	**10 450 422**	17 298 571
Current liabilities				
Current portion of unsecured bank loans	**21 950 995**	20 671 256	**6 549 431**	5 720 881
Unsecured bank facility	**586 973 011**	662 103 874	**586 973 011**	662 103 874
	608 924 006	682 775 130	**593 522 442**	667 824 755

23. Financial instruments (continued)

Terms and repayment schedule

Group

	Carrying currency	Nominal interest rate	Year of maturity	2010 Face value E	2010 Carrying amount E	2009 Face value E	2009 Carrying amount E
Unsecured bank loan	Lilangeni	Prime less 1.75%	30 September 2012	47 000 000	27 448 746	47 000 000	36 797 638
Unsecured bank loan	Lilangeni	Prime less 1.48%	1 July 2011	59 000 000	17 700 000	59 000 000	29 500 000
Unsecured bank facility	Lilangeni	Negotiated rates	31 March 2011	586 973 011	586 973 011	662 103 874	662 103 874
Total interest-bearing liabilities				692 973 011	632 121 757	768 103 874	728 401 512

The bank loans are secured by a negative pledge over inventory and trade receivables with a carrying value of E532 714 413 (2009 : E559 742 511)

Association

	Carrying currency	Nominal interest rate	Year of maturity	2010 Face value E	2010 Carrying amount E	2009 Face value E	2009 Carrying amount E
Unsecured bank loan	Lilangeni	Prime less 1.75%	30 September 2012	30 000 000	16 999 853	30 000 000	23 019 452
Unsecured bank facility	Lilangeni	Negotiated rates	31 March 2011	586 973 011	586 973 011	662 103 874	662 103 874
Total interest-bearing liabilities				616 973 011	603 972 846	692 103 874	685 123 326

The bank loans are secured by a negative pledge over inventory and trade receivables with a carrying value of E532 714 413 (2009 : E559 742 511)

23. Financial instruments (continued)

Credit risk

Exposure to credit risk

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

	Group		Association	
	2010	2009	**2010**	2009
	E	E	**E**	E
Carrying amount				
Loans and receivables	**-**	-	**152 002 825**	139 350 899
Cash and cash equivalents	**47 381 536**	73 782 164	**47 381 536**	73 782 164
Unsecured loans receivables	**557 217**	761 531	**557 217**	761 531
Other forward exchange contracts	**-**	50 751 615	**-**	50 751 615
	47 938 753	125 295 310	**199 941 578**	264 646 209
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:				
Southern African Customs Union ("SACU")	**56 087 926**	74 931 288	**56 087 926**	74 931 288
International	**54 934 854**	21 536 678	**54 934 854**	21 536 678
Regional countries	**3 925 441**	-	**3 925 441**	-
	114 948 221	96 467 966	**114 948 221**	96 467 966

	Group and Association	
	2010	**2009**
	E	**E**

23. Financial instruments (continued)

Trade receivable

The ageing of trade receivables at the reporting date was:

	Gross carrying amount	
Current	107 673 639	74 742 956
0 – 30 days	4 540 106	20 238 176
31 – 120 days (past due)	1 612 499	266 450
More than one year (past due)	1 121 977	1 220 384
Total	114 948 221	96 467 966

	Impairmxent loss	
31 – 120 days (past due)	-	-
More than one year (past due)	-	1 108 274
Total	-	1 108 274

An impairment loss of E Nil (2009: E1 108 274) in respect of trade receivables and no impairment loss was recognised during the year.

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

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

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

23. Financial instruments (continued)

Group - 2010

Liquidity risk

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

	Carrying amount E	Contractual cash flows E	6 months or less E	6 – 12 months E	1 – 2 years E	2 – 5 years E
Non-derivative financial liabilities						
Unsecured bank loans	45 148 746	49 828 856	12 611 372	12 611 372	18 568 036	6 038 076
Unsecured bank facility	586 973 011	586 973 011	-	582 339 610	-	-
Trade and other payables	169 966 758	169 966 758	165 151 023	4 815 735	-	-
	802 088 515	806 768 625	177 762 395	599 766 717	18 568 036	6 038 076

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

Group - 2009

Liquidity risk

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

	Carrying amount E	Contractual cash flows E	6 months or less E	6 – 12 months E	1 – 2 years E	2 – 5 years E
Non-derivative financial liabilities						
Unsecured bank loans	66 297 638	73 953 664	13 143 768	13 143 768	33 103 177	14 562 951
Unsecured bank facility	662 103 874	729 934 539	-	729 934 539	-	-
Trade and other payables	126 364 868	126 364 868	123 769 315	2 595 553	-	-
	854 766 380	930 253 071	136 913 083	745 673 860	33 103 177	14 562 951

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

23. Financial instruments (continued)

Association - 2010

Liquidity risk

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

	Carrying amount E	Contractual cash flows E	Less than one year E	More than 2 years E
Non-derivative financial liabilities				
Unsecured bank loans	16 999 853	18 406 712	7 616 571	10 790 141
Unsecured bank facility	586 973 011	586 973 011	586 973 011	-
Trade and other payables	169 668 145	164 852 410	4 815 735	-
	773 641 009	770 232 133	599 405 317	10 790 141

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

Association - 2009

Liquidity risk

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

	Carrying amount E	Contractual cash flows E	6 months or less E	6 – 12 months E
Non-derivative financial liabilities				
Unsecured bank loans	23 019 452	23 445 467	8 175 348	15 270 119
Unsecured bank facility	662 103 874	662 103 874	162 103 874	500 000 000
Trade and other payables	126 003 706	126 003 706	126 003 706	-
	811 127 032	811 553 047	296 282 928	515 270 119

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

23. Financial instruments (continued)

Currency risk

Exposure to currency risk

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

	Group and Association		Group and Association	
	2010		2009	
	Euro	**USD**	Euro	USD
Trade receivables	**3 727 398**	**-**	1 536 728	323 615
Bank balances	**1 936 198**	**611 587**	79 311	2 690 005
Unsecured bank loans	**-**	**(1 257 200)**	-	-
Trade payables	**-**	**(199 788)**	-	(4 853 245)
Gross statement of financial position exposure	**5 663 596**	**(845 401)**	1 616 039	(1 839 625)
Estimated forecast sales (2010/11)	**108 543 554**	**10 266 206**	114 698 597	-
Estimated forecast purchases (2010/11)	**-**	**(12 822 872)**	-	19 268 361
Gross exposure	**108 543 554**	**(2 556 666)**	114 698 597	19 268 361
Forward exchange contracts (2010/11)	**-**	**-**	28 194 842	-
Net exposure	**114 207 150**	**(3 402 067)**	88 119 794	17 428 736

The following significant exchange rates applied during the year:

	Group and Association		Group and Association	
	2010	**2009**	**2010**	**2009**
	Average rates achieved		**Closing rates**	
Euro	**12.03**	12.36	**9.60**	12.75
USD	**7.61**	8.46	**7.16**	9.55

Sensitivity analysis

A 10 percent strengthening of the Lilangeni against the Euro and USD at 31 March would have increased (decreased) export proceeds by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010 and 2009.

	Group and Association	
	2010	2009
	Export proceeds E	Export proceeds E
USD and Euro (2009:USD and Euro)	**125 759 665**	(128 125 367)

23. Financial instruments (continued)

Sensitivity analysis (continued)

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

The Group's exposure to the rand as at 31 March 2010 is not material as the lilangeni and rand were at par.

Interest rate risk

Profile

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

	Group		**Association**	
	2010	2009	**2010**	2009
	E	E	**E**	E
Fixed rate instruments				
Financial assets	**-**	-	**152 002 825**	139 350 899
	-	-	**152 002 825**	139 350 899
Variable rate instruments				
Financial liabilities	**(628 037 787)**	(728 401 512)	**(599 339 463)**	(685 123 326)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) the amount available for distribution by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010 and 2009.

	100 bp increase E	**100 bp decrease E**	**100 bp increase E**	**100 bp decrease E**
31 March 2010				
Variable rate instruments	6 280 378	(6 280 378)	5 993 395	(5 993 395)
Cash flow sensitivity (net)	6 280 378	(6 280 378)	5 993 395	(5 993 395)
31 March 2009				
Variable rate instruments	7 284 015	(7 284 015)	6 851 253	(6 851 253)
Cash flow sensitivity (net)	7 284 015	(7 284 015)	6 851 253	(6 851 253)

23. Financial instruments (continued)

Fair values

Fair values versus carrying amounts

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

	Group			
	2010		2009	
	Carrying amount E	**Fair value E**	Carrying amount E	Fair value E
Assets at fair value				
Forward exchange contracts used on hedging:	**-**	**-**	50 751 615	50 751 615
Assets at amortised cost				
Loans receivable	**557 217**	**557 217**	761 531	761 531
Cash and cash equivalents	**47 381 536**	**47 381 536**	73 782 164	73 782 164
Trade and other receivables	**114 948 221**	**114 948 221**	96 467 966	96 467 966
	162 886 974	**162 886 974**	171 011 661	171 011 661
Liabilities at amortised cost				
Unsecured bank loans	**(45 148 746)**	**(45 148 746)**	(66 297 638)	(66 297 638)
Trade and other payables	**(169 966 758)**	**(169 966 758)**	(126 364 868)	(126 364 868)
Bank overdraft	**(586 973 011)**	**(586 973 011)**	(662 103 874)	(662 103 874)
	(802 088 515)	**(802 088 515)**	(854 766 380)	(854 766 380)

23. Financial instruments (continued)

Fair values

Fair values versus carrying amounts

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

	Association			
	2010		2009	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	E	**E**	E	E
Assets at fair value				
Forward exchange contracts used for hedging:	**-**	**-**	50 751 615	50 751 615
Assets at amortised cost*:*				
Loans and receivables	**152 560 042**	**152 560 042**	139 350 899	139 350 899
Trade and other receivables	**114 948 221**	**114 948 221**	96 467 966	96 467 966
Cash and cash equivalents	**47 381 536**	**47 381 536**	73 782 164	73 782 164
	314 889 799	**314 889 799**	309 601 029	309 601 029
Liabilities at amortised cost				
Unsecured bank loans	**(16 999 853)**	**(16 999 853)**	(66 297 638)	(66 297 638)
Trade and other payables	**(169 668 145)**	**(169 668 145)**	(126 003 706)	(126 003 706)
Bank overdraft	**(586 973 011)**	**(586 973 011)**	(662 103 874)	(662 103 874)
	(773 641 009)	**(773 641 009)**	(854 405 218)	(854 405 218)

23. Financial instruments (continued)

Basis for determining fair values

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

Derivatives

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

Non-derivative financial liabilities

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

Trade and other receivables and payables

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

Fair value hierarchy

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

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

	Level 1 E	Level 2 E	Level 3 E
2010			
Forward exchange contract asset	-	-	-
2009			
Forward exchange contract asset	-	50 751 615	-

	Group		Association	
	2010	2009	**2010**	2009
	E	E	**E**	E
23. Financial instruments (continued)				
Finance income and expense				
Finance expense on financial liabilities				
Measured at amortised cost	**77 654 665**	108 414 012	**74 494 522**	97 738 297
Foreign exchange loss	**15 646 873**	92 698 131	**15 646 873**	92 698 131
Finance expenses	**93 301 538**	201 112 143	**90 141 395**	190 436 428
Finance income on financial assets				
Foreign exchange gain	**68 294 420**	-	**68 233 642**	-
Interest income on bank deposits	**21 822**	404 157	**21 822**	299 325
Interest income on loans originated by the Association	**-**	-	**15 443 590**	19 720 897
Finance income	**68 316 242**	404 157	**83 699 054**	20 020 222
Net finance costs	**24 985 296**	200 707 986	**(6 442 341)**	170 416 206
The above financial income and expenses include the following in respect of assets (liabilities) not at fair value through profit or loss:				
Total interest income on financial assets	**68 316 242**	404 157	**85 699 054**	20 020 222
Total interest expense on financial liabilities	**93 301 538**	201 112 143	**90 141 395**	190 436 428

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2010

24. Related parties

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

24.1 Amounts due by related parties

	Group		Association	
	2010	2009	**2010**	2009
	E	E	**E**	E
Loans receivable	**557 217**	761 531	**557 217**	761 531
Accounts receivable - millers	**1 663 588**	677 991	**1 663 588**	677 991
Loans to subsidiaries	**-**	-	**152 002 825**	139 350 899
	2 220 805	1 439 522	**154 223 630**	140 790 421

24.2 Amounts due to related parties

Milling creditors (refer to note 18)	**59 102 152**	59 105 867	**59 102 152**	59 105 867

24.3 Related party transactions

Conditioning fee paid	**-**	-	**30 902 596**	-
Interest on loan to subsidiaries	**-**	-	**15 382 811**	-
Sugar purchases	**2 060 274 040**	2 100 346 299	**2 060 274 040**	2 107 674 074
Molasses purchases	**38 963 595**	25 908 344	**38 963 595**	25 908 344

24.4 Key management personnel compensation

Key management comprise mainly directors and managers. These officers are involved in forming and executing the key strategic decisions of the Group. During the year the following amounts were paid as remuneration

	2010	2009
	E	E
Remuneration	**8 506 386**	7 918 582
Contribution to provident fund	**1 979 265**	1 909 527
	10 485 651	9 828 109

		Group		Association	
		2010	2009	**2010**	2009
		E	E	**E**	E
25.	**Cash flow hedge reserve**				
	Balance at the beginning of the year	**50 751 615**	35 146 040	**50 751 615**	35 146 040
	Foreign exchange gain realised during the year	**(50 751 615)**	(46 933 398)	**(50 751 615)**	(46 933 398)
	Gain on forward Priced sugar sales contracts	**-**	11 787 358	**-**	11 787 358
	Loss on forward exchange contract during the year	**-**	50 751 615	**-**	50 751 615
	Balance at the end of the year	**-**	50 751 615	**-**	50 751 615
26.	**Capital commitments**				
	Approved but not yet contracted for	**434 114**	12 219 220	**110 914**	3 692 844
	Approved and contracted for	**8 218 190**	2 856 500	**1 528 190**	456 500
		8 652 304	15 075 720	**1 639 104**	4 149 344

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

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2010

	Group	
	2010	2009
	E	E
27. Equity accounted joint venture		
Non current assets	**59 677 405**	76 196 585
Current assets	**13 012 524**	24 916 629
Total assets	**72 689 929**	101 113 214
Non current liabilities	**63 029 657**	69 403 920
Current liabilities	**9 660 272**	31 709 294
Total liabilities	**72 689 929**	101 113 214
Revenue	**37 590 289**	42 354 361
Expenses	**(34 373 121)**	(45 180 275)
Profit/(loss) for the year	**3 217 168**	(2 825 914)
Share of profit/(loss) after tax recognised in the statement	**563 004**	(706 479)
Ownership	**25%**	25%

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

28. Provisions and contingent liabilities

On 31 March 2010, the Group had no contingent liabilities against it. The Group had made the following provision at year end:

Provision for incentive bonus

	Group and Association	
	2010	**2009**
	E	**E**
Opening balance	2 611 111	1 733 656
Provision raised during the period	1 525 760	2 110 790
Provision utilised during the year	(1 487 964)	(1 233 335)
Provision reversed during the year	(1 123 147)	-
Closing balance	1 525 760	2 611 111

Incentive bonus

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

29. Events after the balance sheet date

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

Ten Year Crop Results 2000 - 2009

YEAR	2000	2001	2002
Area Under Cultivation (Hectares)	45,437	46,516	48,307
Area Harvested (Hectares)	43,547	43,855	45,126
Increase/Decrease in Area Harvested	941	308	1,271
Cane Production (Tons)	4,441,907	4,178,867	4,608,933
Cane Yield (Tons/Area Harvested)	102	95.29	102.13
Sucrose Content (% Cane))	13.59	13.7	14.46
Sugar Recovered % Cane)	11.88	11.98	12.65
Sugar Yield from Cane (Tons cane/tons sugar)	8.42	8.35	7.91
Sugar Yield from Area (Tons cane/Area Harvested)	12.12	11.42	12.92
Sucrose Production (Tons)	603,450	572,635	666,385
Sugar Production (Tons tel quel)	527,583	500,670	583,014

2003	2004	2005	2006	2007	2008	2009
49,932	50,932	52,196	52,233	52,255	52,068	52,822
48,061	49,727	50,610	50,400	50,245	50,375	50,502
2,935	1,666	883	(210)	(155)	130	127
5,046,252	4,883,961	5,164,748	4,930,938	5,075,693	4,912,949	4,908,152
105	98.22	102.5	97.84	101.02	97.53	97.2
14.25	14.05	14.44	14.43	14.28	14.59	14.32
12.45	12.24	12.64	12.64	12.44	12.75	12.34
8.03	8.17	7.91	7.91	8.04	7.84	8.10
13.07	12.02	12.9	12.37	12.56	12.44	11.99
719,203	686,425	745,984	711,504	724,716	716,718	702,825
628,191	597,563	652,735	623,357	631,236	626,584	605,656