annual report 2010/2011

Swaziland Sugar Association

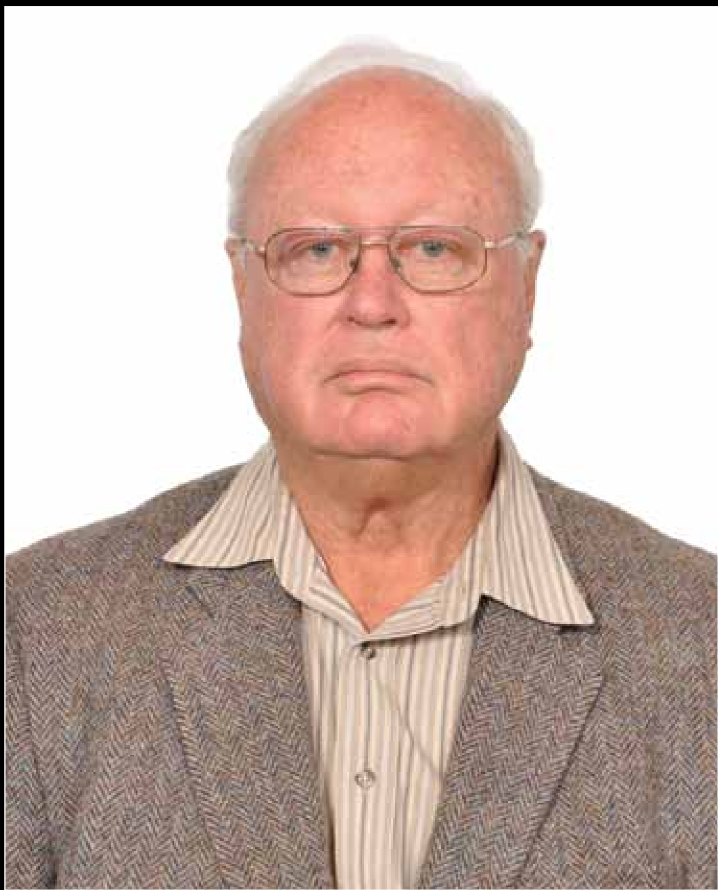
contents

members & officers

swaziland sugar association

Members	Swaziland Cane Growers' Association
	Swaziland Sugar Millers' Association
President	Richard Hulley
Vice President	Nick Jackson
Chairman of the Council	Tom Dlamini
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 2010 - 31 March 2011

president's statement



RJ Hulley, SSA President

Production Statistics

The area under cultivation increased by 413 hectares (ha) (compared to 754 ha in the previous year) to stand at an all-time high of 53 235 ha. The area harvested increased by 204 ha (compared to 127 ha in the previous year) to an all-time high of 50 706 ha.

Despite the increase in area harvested, the cane harvested declined by 45 850 tons (thus continuing the declining trend experienced in the past three years). The same pattern occurred in cane yield which declined from 97,2 tons per ha in the previous year to 95,9 tons per ha. At the same time, sucrose content fell slightly from 14,3% to 13,9%; with the sugar recovered from cane also falling slightly from 12,3% to 12,0%.

A combination of all the above changes resulted in a drop of sucrose production by 3,8% to 675 909 tons, whilst sugar production dropped by 3,9% to 582 019 tons (the lowest level in the past nine years). Thus, the year under review has not been a good one for the sugar industry in as far as production is concerned.

National Adaptation Strategy

Assistance under EC Accompanying Measures to develop land for smallholder sugarcane growers under the 2007 and 2009 programmes progressed satisfactorily. The total assistance under both programmes amounted to €31,4 million. Under the 2007 programme, a total of 593,96 ha was developed – with 223,96 ha being in the North and 370 ha being in the South of the sugarbelt. In addition, two contracts were awarded for the development of 1 250,4 ha. Completion of these contracts would bring the total area being developed under this programme to 1 800 ha. This is expected to result in an increase of sugar production by 20 000 tons, which is an increase of 3% above the level achieved in 2010/11 (and thereby expected to reverse the declining trend in production observed above). Within the 2009 Smallholder Support Programme, there was provision for a grant to the Swaziland Cane Growers Association (SCGA). This grant was signed by both parties in March 2011 to allow for the release of funds to support existing growers with irrigation equipment and infrastructure repairs. Funds are expected to be released to SCGA in the forthcoming year.

A pre-assessment of the sugar industry's readiness for Fairtrade certification was undertaken in December 2010. The assessment (which covered a sample of the targeted growers) found that compliance with the required standards is feasible. It was recommended that Fairtrade certification should focus on farmer associations in the initial stage (with individual growers to be considered later). At the end of year, the process to get the targeted growers certified was quite advanced, although the sugar industry was still addressing challenges of financing their certification.

The 2011-13 Multi-Annual Indicative Programme (which outlines areas of assistance for the second phase of the EC Accompanying Measures) was finalised. Subsequently, the EU announced that Swaziland had been allocated €54,267 million to implement it (representing the fourth largest allocation to the former Sugar Protocol countries). These funds would be utilised to complete Phase II of the roads infrastructure programme whose Phase I is financed under the 2008 and 2010 Financing Agreement. They will also be utilised on other interventions to improve the competitiveness of the sugar industry through grants issued via a central Sugar Facility. Funds from this Facility would be used for crop establishment, management and harvesting as well as improving bulk water supply infrastructure, transport logistics and social services in the sugarbelt. It is hoped that these programmes would be implemented speedily in the following 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 disposed 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 Council and management team over the year under review. In particular, it was pleasing to note the continued improvement as reflected in the key management performance targets achieved.

RJ Hulley

chief executive officer's report

Dr Mike Matsebula, Chief Executive Officer

Revenues

SSA gross revenues increased from E2,6 billion to E2,8 billion (representing an increase of 7,7%) due to increased sugar and molasses sales revenues, which increased by E137 million (5,3%) and E14 million (24,6%) respectively. However, due to a significant drawdown on closing stocks to meet sales commitments, owing to the considerable reduction in production, there was a downward adjustment in the value of stocks (by E219 million). As a result, the net proceeds from sugar and molasses sales reduced from E2,1 billion to E2,0 billion.

Employment and Capital Expenditure

Total employment of permanent and seasonal staff stood at 102 (the same level as in the previous year). Capital expenditure totalled E6 million (compared to E9 million in the previous year). Of this amount, E452 000 was on equipment to maintain high cane-testing measurement accuracy as well as adequate monitoring of extension service provision; E1,1 million for upgrading IT; and E4,5 million for improving warehousing facilities at the three mills in line with market demand.

Restructuring of Technical Services

This is the second 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 formalized outsourcing of Cane Testing Services is also in its second year of operation. The monitoring of the SLAs continues to be done by the SSA Technical Services Department.

Pest and Disease Control as well as the Seedcane continued to be operated directly by SSA. In the case of Crop Production Research, negotiations with the South African Sugar Research Institute pertaining to cooperation on the provision of sugarcane varieties as well as research had virtually been concluded by year end. What remained was streamlining the details before the agreement is submitted to the Swaziland and South Africa sugar industries for final decision.

Quality Management System

The SSA Quality Management System (QMS) has grown over the years to play a pivotal role in driving business operations throughout the value chain. An external evaluation conducted during the year confirmed its compliance with the ISO 9001:2008 international standard and therefore confirmed the maintenance of the certification. The refinement of the process for the development and measurement of key business objectives was among the major hallmarks of the maturing QMS of the organisation.

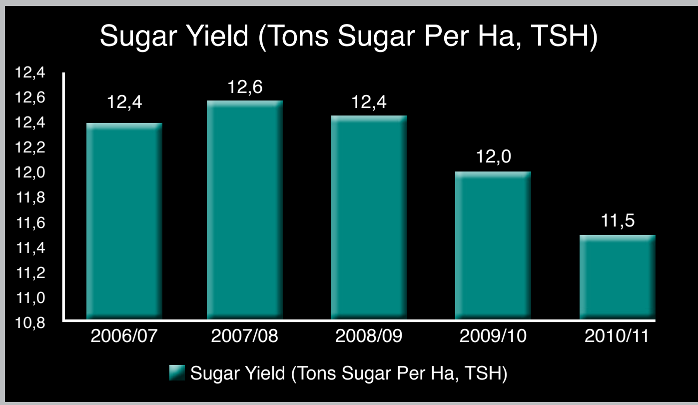
Departmental Reports

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

Key Drivers

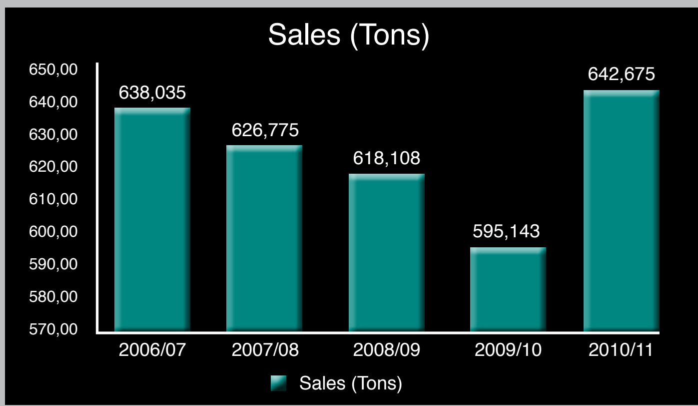
Figures 1-3 below show the behaviour of three key drivers for SSA operations in 2010/11 as compared to the preceding four years.

Figure 1: Sugar Yield 2006/07 – 2010/11



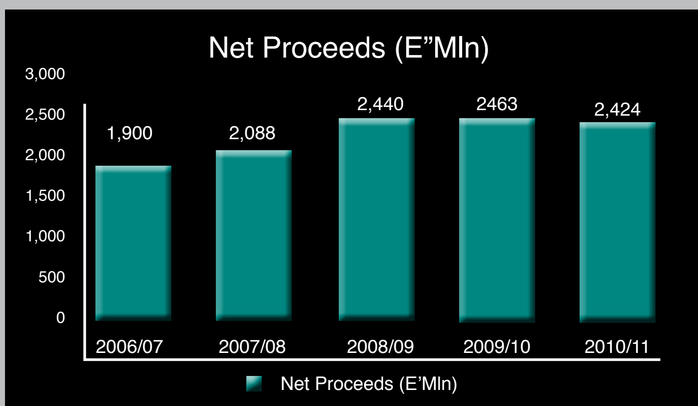
The sugar yield in this chart is a convenient summary of the combined effects of cane yield and sucrose content.

Figure 2: Sugar Sales 2006/07 – 2010/11



The considerable increase in the sugar sales tonnage shown in Figure 2 is as a result of sales adjustments on commitments for the year. Due to the poor production results highlighted in the Statement of the President, the high sales volumes had a negative impact on sugar stock holdings.

Figure 3: Net Sugar Sales Proceeds 2006/07-2010/11



The net sugar sales proceeds reduced during the year, despite an improvement in gross sales revenue due to disproportionally higher increases in sales costs (including closing stock adjustments and costs associated with the higher sales volume).

MS Matsebula (Dr)

marketing
and logistics

Sharon de Sousa, Commercial Director

The marketing of sugar (and its by-product, molasses) is one of the core functions of SSA. This function involves the storage, marketing, movement and delivery to the different markets of all sugar and molasses produced by the Swaziland sugar industry. Accordingly, the organisation's marketing objective is to achieve good sales performance, both in terms of the volume and the value of the sugar sold, in order to maximise its returns for the benefit of both the growers and millers. In support of this core objective, SSA has a quality monitoring system to ensure that the sugar supplied meets quality standards of the customers and the markets served. These functions, collectively, drove the Commercial Department's performance objectives for the year. All of these are consistent with, and in fulfilment of, SSA's Strategic Marketing Plan for 2009-11.

Marketing Environment

The world sugar market environment continued to exhibit high volatility, amid a higher average price, mainly due to poor production, combined with logistical constraints, in the major sugar producers of the world (Brazil and India). The world sugar price averaged 23,53 USc/lb during the year (starting the year at 16,59 USc /lb in April 2010 and closing at 27,21 USc/lb in March 2011, after realising highs of 34 USc/lb in December 2010). This average price was higher than the 20,76USc /lb realised in the previous year (2009/10).

Given the industry's limited exposure to the world market, the impact of the highly volatile world sugar market on Swazi sugar sales was minimal. On the other hand, the EU market's slow and lagged response to these higher world market prices weakened its relative attractiveness. SSA's ability to move sugar from the (lower paying) EU market to the potentially higher paying US and regional markets was limited as the sugar was committed under long term contracts in the EU, while the US quota (increased through re-allocations from other countries who could not supply their quotas) was limited to only 25 329 tons for the year.

The 2010/11 year was the first full year in which the full (price) effects of the EU sugar sector reforms were felt by the industry. As a result, average EU prices were lower in 2010/11 compared to the previous year. This compounded the situation of lower returns as a result of the adverse movements in exchange rates (as described below).

Foreign Exchange Earnings

Since about half of Swazi sugar is sold to foreign markets, exchange rate movements, particularly against the Euro and US dollar, have a significant impact on the industry's returns. During the year, the Rand strengthened significantly against both the Euro and US dollar, the major currencies of Swazi sugar trade. The Rand achieved an average of 9,45 against the Euro during the year against a budget forecast of 11,04 (a negative movement of 14,3%). Against the US dollar, the Rand achieved an average of 7,18 during the year against a budget forecast of 7,85 (a negative movement of 8,5%). Better performance on SSA's hedging strategy however cushioned some of these potential losses as the organisation achieved an average exchange rate of E9,46/Euro and E7,24/$. All together, relative to the previous year, earnings in foreign currency worsened (ceteris paribus).

Production

Total sugar production fell to 582 019 tons from 605 582 tons in the previous year. This in essence meant that the industry had less sugar to sell during the year. However, the reduction in production was mitigated by, amongst other things, drawing down on stocks, with the result that the organisation ultimately achieved higher sales volumes than in the previous year. This was necessary to meet ongoing sales commitments. To restore SSA's stock holding requirements, these stocks would be rebuilt from the next year's production.

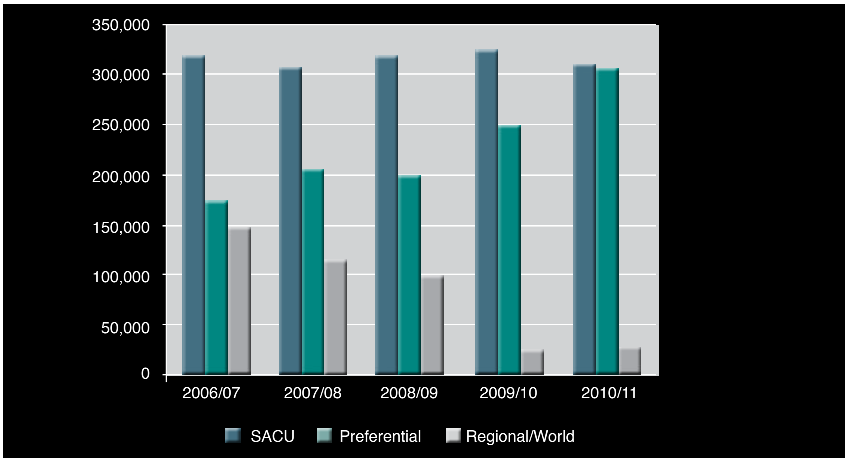
Commercial Team

Sugar Sales

Total sugar sales for the year increased significantly from the previous year, despite a marked reduction in sugar production. Total sales amounted to 642 675 tons which was 8% more than the sales for the previous year (which were 595 142 tons). There were two main reasons for the sharp increase in sales during the year. The first was the drawing down on stocks to meet contractual commitments and to attract better returns for the sugar. The second was the inclusion 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). As explained in last year's Annual Report, the international accounting standards required that the shipment be shown as a 2010/11 sale as it was made on a Cost Insurance Freight (CIF) basis.

In terms of market split, the sugar was sold almost evenly between two markets: SACU (48%) and EU (44%). The balance of the sugar was sold to the US (4%) and regional markets (4%). The EU and US market form the preferential sales. Sales to the SACU market are deemed domestic sales because of the existence of a common market and the fact that the majority of the sugar is sold through locally based operators (who are required to add valueto the sugar before it is sold elsewhere in SACU.) The regional market covers mainly sales to the COMESA countries, which provide preferential access for Swazi sugar under the terms of the COMESA derogation. Figure 1 shows the sales broken down into the market categories of Preferential sales, SACU sales and Regional/ COMESA sales. Preferential sales include both EU and US sales.

Figure 1: Total Sales by Market Type: 2006/07 - 2010/11



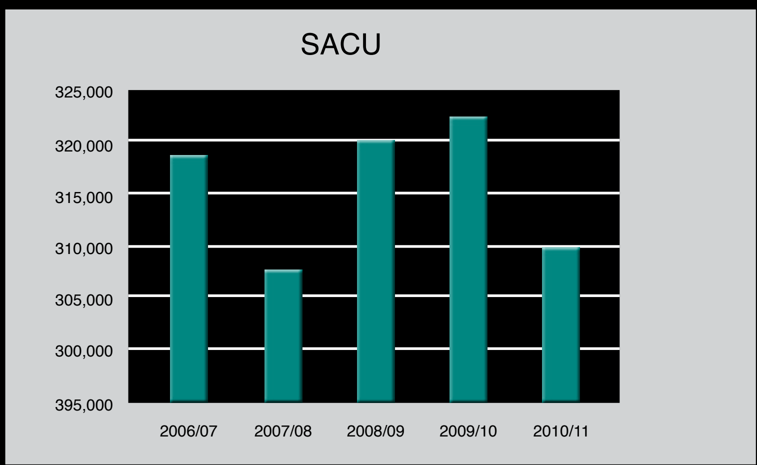
Preferential Sales:

There was an increase in preferential market sales from the previous year. The EU sales increased by 31 635 tons to 279 357 tons from 247 722 tons in the previous year, reflecting an increase of 12,8%. Of this increase, the 25 000 tons was the adjustment required by the International Accounting Standards on the sale made in March 2010. This balance of the increase was to cater for commitments already made in terms of long term contracts, which came into effect in September 2009. Sales to the US market amounted to 25 329 tons, while there were no sales to the US market during the previous year.

SACU Sales:

Sales to the SACU market reduced markedly by 3,8% (12 300 tons) from 321 783 tons in the previous year to 309 483 tons in the reporting year. This was purely as a result of diverting uncommitted sugar to take up opportunities to realise better returns in other markets, mainly the US and regional market (as a result of an increase in world sugar prices).

Figure 2: Sales into the SACU Market: 2006/07 - 2010/11



Regional/COMESA Sales:

Sales to the regional COMESA market increased marginally by 2 880 tons to 28 518 tons from 25 638 tons in the previous year. This additional tonnage was diverted from SACU so as to maximize returns as a result of higher world market prices.

World Market Sales

As in the previous year, there were no sales to the world market as sugar sales were targeted to the four main markets where Swazi sugar receives some form of preferential status. Even though world prices were relatively higher, there was no sugar available to sell to the world market.

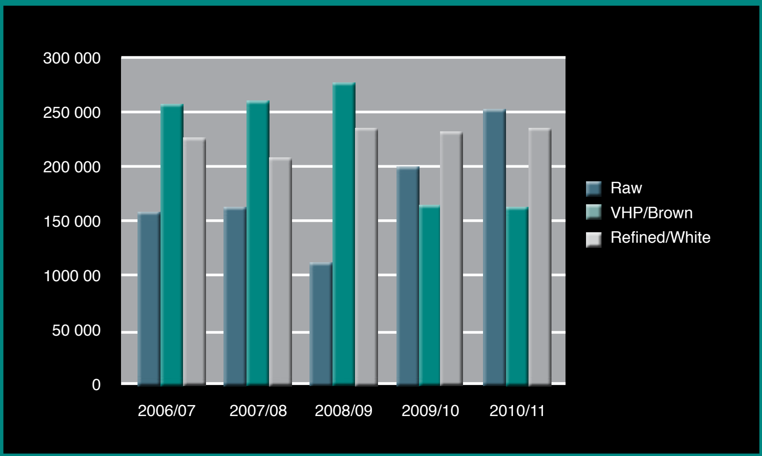
Product Mix

The table (and Figure 3) below shows the sales made in 2010/11broken down by product. Due to the increased sales of sugar to the EU and US market, which predominantly consists of bulk raw and very high pol (VHP) sugar, there was a marked increase in raw/bulk VHP sugar sales while refined sugar sales (mainly to SACU) were fairly stagnant.

Table 1: Total Sales by Product Type

	Raw/Bulk VHP	VHP/ Brown	Refined/ White	Total
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	165 246	231 197	**595 142**
2010/11	251 388	160 591	231 741	**643 720**

Figure 4: Total Sales by Product Type 2006/07 – 2010/11



Sales Revenue

The net sugar sales revenue decreased by 1,6% from E2,463 billion to E2,424 billion. Molasses net sales revenue increased by 24,5% from E57 million to E71 million.

Quality

Monitoring of deviations of the product from the approved quality specifications remains a key area of focus. During the year, the process of continuous product testing and analysis through the Sugar Milling Research Institute in South Africa remained in place. This process is linked with the quality management system for correcting any deviations identified. During the year, quality deviations remained within acceptable tolerance levels and as a result no quality-related threat existed on sugar sales to the different markets. Despite this good performance, the possibility of introducing a disciplinary (penalty-reward) system on sugar quality compliance is being considered by the industry as part of its control measures.

Through the organisation's certification in terms of ISO 9001:2008, a customer complaints handling system continued to be maintained. The system showed that there was a marked improvement in the performance as fewer complaints were registered (8 in total) and they were all closed within the year. The system is complemented by an annual customer survey which was conducted in September 2010, and whose results were used to make certain improvements to the way customers are served. This year, the organisation achieved a customer satisfaction index of 84%.

In its drive to respond to customer requirements, the organisation continued efforts to ensure that there is progression towards full compliance with food safety standards including the traceability of sugar produced by the industry. The upgrade of the Mhlume warehouse to meet the required food safety standards was concluded during the year. The bag traceability system could not be commissioned as planned in 2010 due to technical challenges. This is now scheduled to be effected in the 2011/12 year.

Some customers conducted supplier audits on two of the three mills in August 2010. The results were positive, resulting in the mills being certified to continue supplying the customers. Return visits-audits are scheduled for the ensuing year, mainly to check progress in implementing those actions identified during the audits as 'opportunities for improvement'.

Storage and Movement of Sugar

As a result of the significant increase in bulk sugar sales to the preferential markets (EU and US), the total bulk sugar quantity moved to the Maputo Port increased from 212 059 tons to 226 507 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, effectiveness and adequacy of processes being used.

Losses of sugar in transit showed significant improvement as these amounted to only 0,06% being significantly lower than the internationally accepted loss tolerance standard of 0,25%.

Molasses

Molasses sales amounted to 200 134 tons up from 192 941 tons in the previous year, while the sales revenue amounted to E71,0 million from E57,0 million in the previous year; an increase of 24,5%. The steep increase in revenue was as a result of SSA's strategy to move from a subsidised pricing of the molasses to a market-related one, in line with the drive to maximize revenues for growers and millers.

Outlook for 2011/12

The world sugar market environment continues to be plagued by volatility, making it difficult to put in place firm marketing plans. This is however of less concern to the Swazi sugar industry given its limited exposure to world market influences as most of the sugar is sold to the more stable domestic and EU markets. As noted above, only limited volumes are available to place in the US and regional markets (less than 20 000 tons or 3% of expected production).

The high world market prices have, with significant lag, now influenced upward movement of the EU prices which were raised in order to attract world market (and ACP) sugars. This will therefore improve the prospects for achieving higher prices for Swazi sugar sold in the EU. In addition, the higher world prices would result in limited imports into the SACU market where about half of SSA's sugar is sold, thus allowing the Swazi sugar industry to grow its sales into this market.

The organisation would during the ensuing year embark on the development of a new Strategic Marketing Plan for the next three-year period.

human resources &
corporate social responsibility

Musa P Dlamini, HR & Admin Manager

Human Resources

Staff complement for the year stood at 77 permanent employees and 25 seasonal employees (at peak).

The industrial relations climate continued to be congenial and consequently there was only 1 dispute filed against the organization which was amicably resolved and settled.

The organisation undertook performance evaluation of employees at all levels in the course of the year. This process was instrumental in determining the training and development needs of the employees. This is a result of the organisation's religious adherence to the quality management system (ISO 9001:2008) requirements on productivity measurement and to ensure continuous improvement in staff performance.

Corporate Social Responsibility

As a result of the poor financial performance of the organization, in terms of revenue returns, expenditure on corporate social responsibility programmes was significantly scaled down during the year. However, the organization still managed to join with the nation and other institutions in supporting the hosting of the COMESA meetings (including the Summit of Heads of State) during the year. In addition, employee-linked social programmes were also undertaken during the year.

HR & Admininstration

extension services

Jabulani Sifundza, SLA Manager, Extension Services

Grower Performance

The overall industry average yield declined by 3,89 tons cane per hectare (TCH) from 100,22 in 2009 to 96,34 TCH in 2010 (see table below). Yields declined by 6,46 and 4,83 TCH in the Big Bend and Simunye mill areas respectively. This could be attributed to the decline in crop yield potential throughout the industry due to unfavourable climatic conditions. In the Mhlume Mill area average yields increased marginally by 0,05 TCH.

For smallholder growers (individual growers with less than 50 ha of area under cane and all farmers' associations) average yields increased by 0,82 TCH from 88,45 in 2009 to 89,27 TCH in 2010. The average yields in the Mhlume area increased by 5,16 TCH due to intensified ploughing out and replanting of old ratoon crops. Yields declined by 5,78 and 2,59 in the Big Bend and Simunye mill areas, respectively. The Simunye mill area recorded the lowest average yield of 84,17 TCH. The most common reasons for yield decline included unfavourable climatic conditions, old ratoons, delayed input applications and use of poor quality fertilizer, incorrect fertilizer application rates or no fertilizer at all as a result of financial constraints. The extension services providers have intensified efforts to improve the situation by, amongst other things, collaborating with financial institutions to assist growers with appropriate finance for farm inputs.

For medium scale growers (individual or estate growers with 50 to 1 000 ha of area under cane) average yields increased by 6,16 TCH from 87,33 TCH in 2009 to 93,49 TCH in 2010. Average yields in the Big Bend mill area increased markedly by 10,73 TCH as a result of intensified ploughing out and replanting to replace old ratoon crops. Average yields for growers in the Mhlume and Simunye Mill areas declined by 0,37 and 0,56 TCH, respectively. The Simunye mill area recorded the lowest average yields of 87,42 TCH.

Average yields for large scale growers (growers with more than 1 000 ha of area under cane) decreased by 6,44 TCH from 105,06 in 2009 to 98,63 TCH in 2010. Yields in the Big Bend, Simunye and Mhlume Mill areas decreased by 10,35, 5,46 and 2,84 TCH, respectively. This could be attributed to the decline in crop yield potential throughout the industry as a result of unfavourable climatic conditions.

Grower Performance

	Smallholder			Medium Scale			Large Scale			Industry		
Mill												
Group	2009	2010	Change	2009	2010	Change	2009	2010	Change	2009	2010	Var.
Big Bend	90,87	85,09	-5,78	83,85	94,58	10,73	105,12	94,77	-10,35	99,71	93,25	-6,46
Mhlume	87,58	92,74	5,16	100,44	100,07	-0,37	97,48	94,64	-2,84	94,18	94,23	0,05
Simunye	86,76	84,17	-2,59	87,98	87,42	-0,56	110,33	104,87	-5,46	106,69	101,86	-4,83
Industry	88,45	89,27	0,81	87,33	93,49	6,16	105,06	98,63	-6,44	100,22	96,34	-3,89

Rainfall Distribution

Rainfall for the 2010/11 season was higher at Mhlume and Simunye mill areas compared to the 2009/10 growing season. Simunye received a total of 673,1mm compared to 631,3mm in the previous season while Mhlume received 724,9mm compared to 552,4mm in the previous season. The Ubombo mill area received similar rainfall in the two seasons.

The October to March period received more rainfall in all the three mill areas compared to the same period in the previous season. Mhlume had 585,9mm compared to 453,7mm, Simunye had 580,8mm compared to 464,7mm and Ubombo had 458,1mm compared to 419,0mm.

The 2010/11 Crop

Potential sugarcane yields are determined largely by radiation and temperature. Therefore comments on growing conditions refer to movements in these two climatic variables. The potential for the 2010/11 crop was determined primarily by the growing conditions between November 2009 and May 2010.

In the South poor winter growing conditions were followed by very low radiation conditions for the entire spring and summer periods. Potential yields declined steadily during this -important summer growing period and were forecast to be 129 tons per hectare per annum (t/ha/an) by the end of May 2010. Radiation continued to be below the long term mean (LTM) for the 2010 year and the potential yield estimated for the 2010/11 season at the end of December 2010 dropped to 126,3 t/ha/an, close to the record low of 125,7 t/ha/an calculated for the 2000/01 season.

The North, experienced very poor growing conditions in winter and, spring provided a poor start to the growing season. Potential yields forecast at the end of November 2009 were estimated to be 137,5 t/ha/an at Simunye and 132,5 t/ha/an at Mhlume, well below the LTM at both sites. During the key summer period, radiation values were similar to the LTM in December and February, but well below the LTM in January, March and April. Potential yields declined further and were forecast to be 131 t/ha/an at Simunye and 126,5 t/ha/an at Mhlume by the end of May 2010. By the end of 2010 potential yields had declined still further and by the end of December 2010 were estimated to be 124,4 t/ha/an at Simunye and 121,6 t/ha/an at Mhlume (a record low).

Outlook for the 2011/12 Season

At all the three mill group sites, the respective growing conditions in winter and spring 2010 were similar to or slightly poorer than the LTMs. Potential yields were forecast to be similar to LTM yields at the end of October 2010 (141,5 t/ha/an at Ubombo, 138,5 t/ha/

an at Simunye and 134 t/ha/an at Mhlume).

In the South poor radiation in December and January pulled the forecast lower but better than average conditions in February and March 2011 reversed the situation. By the end of March 2011 potential yields were forecast to be 141 t/ha/an, the highest potential yield forecast in seven years. Conditions were again below the LTM in April resulting in the forecast being dropped to 139 t/ha/an but still above the potential yields estimated for the past six seasons.

Conditions in the North followed a similar trend as the South, with potential yields dropping to 134 t/ha/an at Simunye and 131 t/ha/an at Mhlume at the end of January 2011. Good growing conditions in February and March improved the outlook. At the end of March, potential yields were forecast to be 138,5 t/ha/an at Simunye and 134,5 t/ha/an at Mhlume. However, the forecast declined following poor conditions in April resulting in potential yields dropping to 135,5 t/ha/an at Simunye and 131,5 t/ha/an at Mhlume at the end of April 2011. At both Northern sites this is the highest forecast for the past 3 seasons.

The ACP/EU Smallholder Irrigation Scheduling Project

The ACP/EU sugarcane research projects started way back in 1999 when research proposals were invited from interested ACP sugarcane producing countries. The first meeting was held in 2000. That meeting did not yield much as no concrete action was taken until 2005. New calls for proposals were invited from member countries in August 2005 with the Steering Committee meeting held in October 2006. That meeting was followed by email correspondences from project leaders of member countries that resulted in 13 projects selected including the Swaziland Smallholder Project. The financing agreement for selected research projects was finalized in December 2007.

The contract for the Swaziland project was signed in November 2010. The request for the payment of the Pre-financing for the period of April 2011 – March 2012 was made on the 14th February 2011. The money was released by the EU to SSA on the 20th April, 2011. Quotations to buy equipment required for the project are being made. The project is expected to be implemented as growers harvest in 2011/12.

Seedcane Breeding and Variety Approval

One variety, N53, was imported from SASRI in October 2010 and planted at the Simunye trial site for bulking purposes. At the same time, N41, N43, N46 and N49 were all promoted to Category 2 of the varieties schedule.

In response to the industry's desire to fast-track release of varieties, the variety release procedure was reviewed during the year. The review found that the procedure was presently adequate and appropriate to the industry's needs.

Collaboration between the South African Sugarcane Research Institute (SASRI) and the Swaziland Sugar Association Technical Services (SSATS) continued during the year. This saw SSA forwarding completed summary results of two variety trials and Gallant Super trial results to SASRI for review as per agreed protocols. In addition, the process to review the SSA-SASRI agreement on variety breeding and related technical cooperation progressed during the year but was not concluded. It is envisaged to be concluded in the ensuing year. In the meantime, normal operations were not disturbed.

Nutrition

Two trials to determine the amount of nitrogen to cut when applying potassium (K) through stillage were undertaken, and these showed positive results.

Ripening

The industry continued its monitoring programme of the ripening processes, including the use of acceptable chemicals. As a result, the use of Fusilade Super was discontinued due to environmental and health risks. Also discontinued was the use of Downrite. The available permissible alternatives to Fusilade Super are Fusilade Forte, Gallant Super and Volley. (Through trials, it was established that Fusilade Forte was more effective than Volley)The available alternatives to Downrite are Li700 and Mist Control.

Locust Control

A locust outbreak in March caused severe damage at Ngomane (Simunye) on fields bordering the Hlane game reserve. However, the infestation and damage did not go beyond 50 meters from the edges of the fields. Indications are that the insects came from the game reserve. Through effecting the necessary procedures, the locusts were successfully controlled. This area, which remains the only known breeding ground for the identified breed of the locusts, will continue to be monitored in future to prevent a recurrence of this outbreak.

Thrips Damage

A consultant was engaged during the year to study the damage caused by thrips in the industry, whose presence was first observed in 2005. The need for the consultancy arose from an observation that while all along the indication was that infested cane always out-grew the damage symptoms, this year the damage seemed to be more severe and the crop was not getting over the problem as in the previous years. The consultancy advised that a certain chemical can control thrips. Surveys will now be conducted to determine the peak period for thrips so that once this is known, the relevant fields can be treated to prevent damage.

Primary Seed Cane Scheme Review

An increase in seed cane orders from the Highveld Seed Cane Scheme (HVSCS) in Malkerns in the last few years resulted in the shortage of land to meet the requirements. The services of a consultant were sought to look at options for addressing this challenge. The industry is due to make a final decision on the options presented by the consultant.

cane testing
services

Sipho Dlamini, SLA Manager, Cane Testing

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 (as 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 of 98,50 % and 100,50 %. The target for the testing efficiency is 70 %.

The graphs below show the results for the above metrics for the three mills during the year. During the period, the targets were met in respect of each one of the two metrics.

Figure 1: Pol Factor

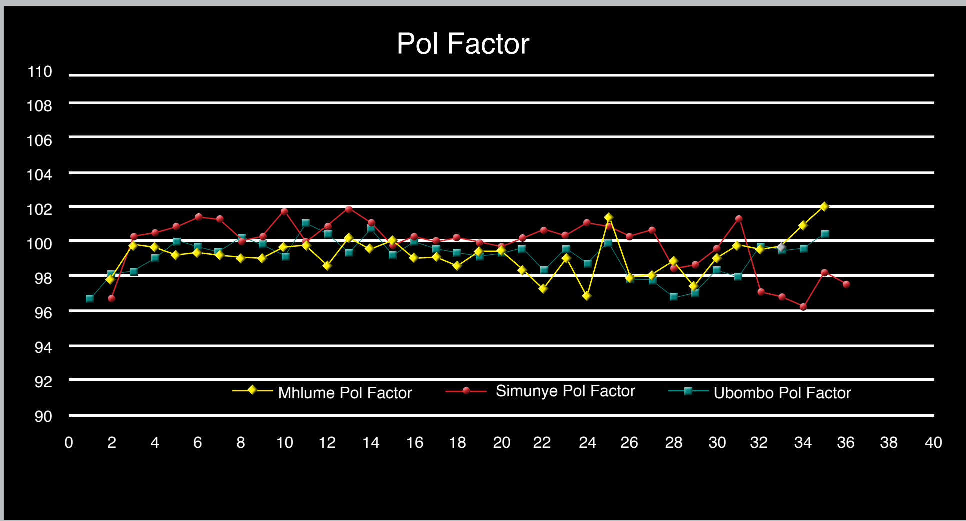
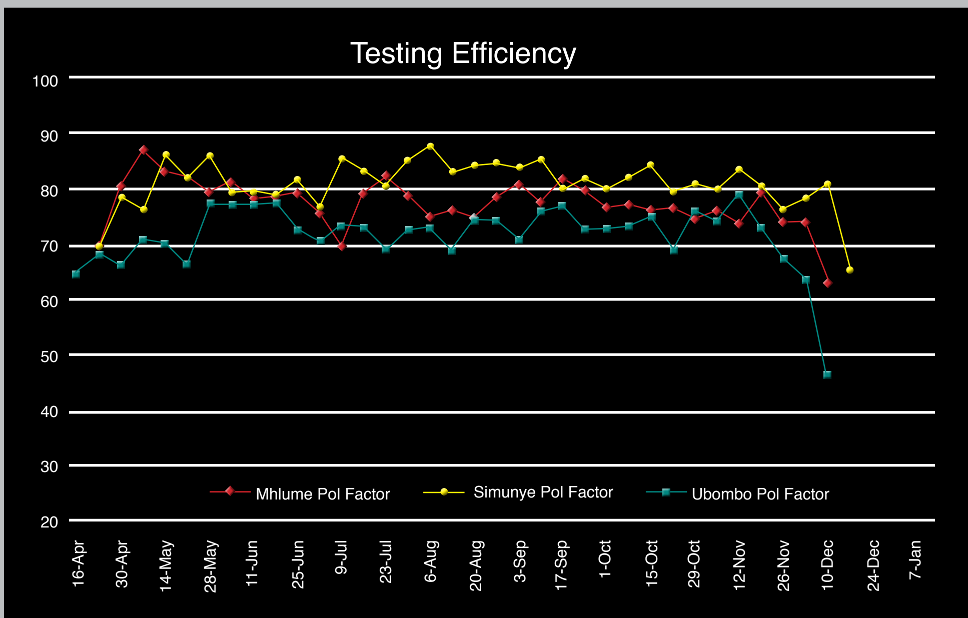


Figure 2: Testing Efficiency



group financial performance

Bimal de Silva Finance Director

The 2010/11 year realized poor financial returns for the Swaziland sugar industry. These returns were adversely affected by two main developments (compared to the results from the previous year):

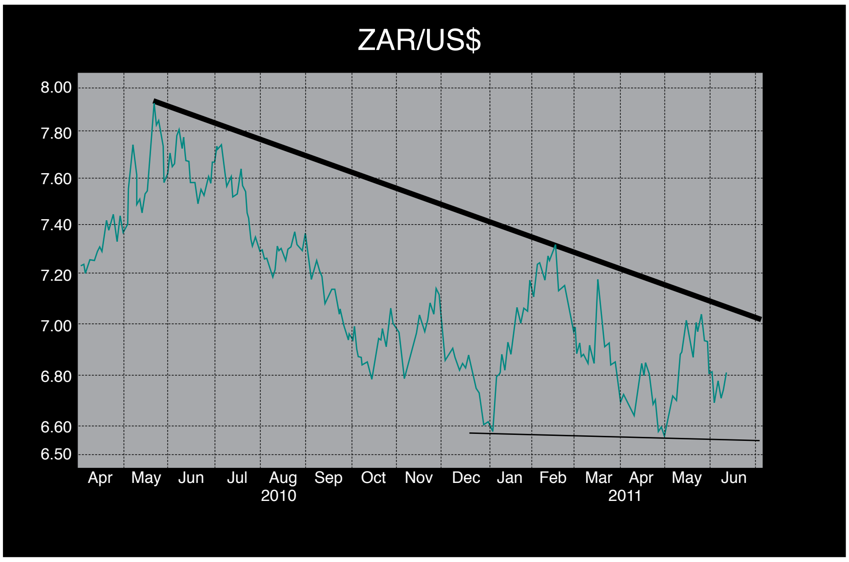
- A strengthening of the domestic currency resulting in lower average prices obtained from export markets, and
- Lower actual production.

Exchange rates continue to be one of the most significant factors affecting the revenue performance for the industry. During the year, the Rand continued to strengthen against both the Euro and US dollar by an average of approximately 3,6% and 3,1% respectively.

As a result of this, the average prices received from the export markets were lower than the previous year. In addition, as a consequence of the EU sugar sector reforms, the EU prices were lower, on average, compared to the previous year.

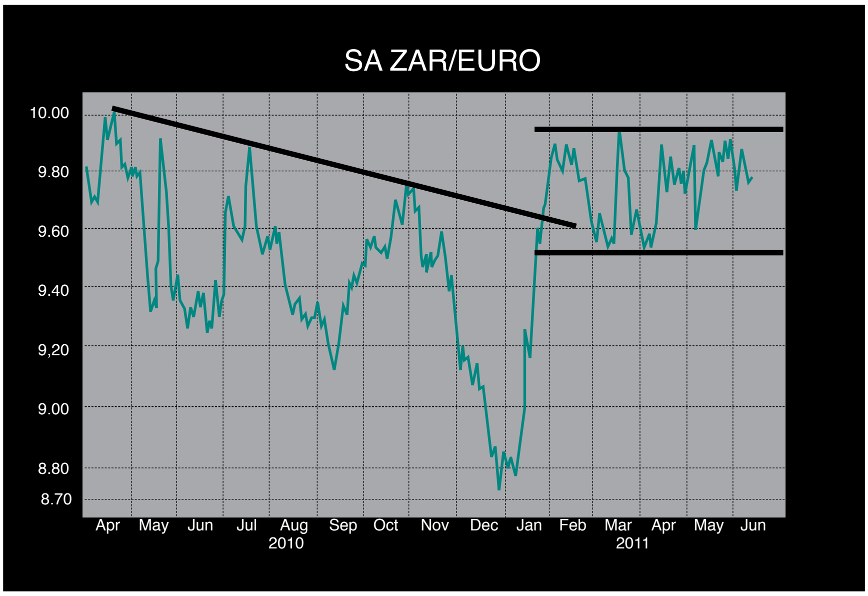
The graphs below indicate the performance of the two currencies.

Figure 1: Movement of South African Rand (ZAR) versus the US Dollar/US$



Finance Group

Figure 2: Movement of the Rand/Euro



Revenue

Despite the poor performance in EU returns the industry revenues increased from E2,6 billion to E2,8 billion. This was mainly driven by higher sales volumes and increased revenues from the domestic SACU sales (supported by price growth). In addition, the improved pricing, as a result of higher world market prices, in the regional market and US market more than offset the lower revenues generated from the EU market (in terms of both the Euro price and adverse exchange rate movements).

In addition to this, due to the revenue recognition criteria under IAS 18 Revenue, the sale of 25 000 tons (shipped in March 2010 but arrived at destination port in April 2010) was recognized as a 2010/11 revenue which resulted in E101,6 million (Euro 9,1 million) being recorded as revenue in the 2010/11 financial year.

Molasses revenue also increased from E57 million to E71 million driven by price and volume increases.

Interest Rates

The prime interest rates declined from 10% to 9% resulting in lower financing costs for the organisation.

Income Statement

The cost of sales for the Group includes all disbursements made by Swaziland Sugar Association (SSA) to its members through the mills including the distribution of the profit for the year component (as SSA is a non-profit making entity). The finance income component comprises largely the foreign exchange gains in relation to the daily rates at which the transactions are recognized.

The finance expenses comprise foreign exchange losses and the costs for funding SSA and the sugar asset companies (warehouses) based at the mills.

Cost of Sales

The cost of sales increased during the year largely due to the stock movement of E222 million as a result of the reduction in closing stocks from 104 686 MT in the previous year to 43 016 MT in the current year. The lower closing stocks were mainly as a result of higher sales volumes and decreased production. This increase in cost of sales was slightly offset by reduced bagging and dispatching costs as well as reduced payments of VHP and refining allowances resulting from the lower production levels.

Expenses

Distribution costs increased by approximately E26,6 million when compared to the previous financial year, mainly driven by increases in average freight rates and increased shipment quantities. In addition to this, the sugar export levy payment lapsed in the previous year. Financing costs also decreased to approximately E60 million from E77 million as a result of the prime lending rate decreasing and lower weekly payments resulting from lower production levels coupled with the lower average price paid for the sugar produced.

good corporate governance

SSA embarked on an effort to assess how well it complies with the principles of Good Corporate Governance as contained in the King III Report. By year end, the assessment had been completed wherein SSA was found to be in full compliance with 83% of the principles. A few areas were identified where SSA either did not comply or only partially complied. An action programme to achieve full compliance in these areas will be developed in the ensuing year.

financial statements

Council Members' Responsibility Statement

for the year ended 31 March 2011

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 2011 and the statements of comprehensive income, statements of changes in equity and statements of 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 36 to 89 were approved by the Council Members on 7 July 2011 and are signed on its behalf by:

President

Chief Executive Officer

Independent Auditor's Report

To the Members of Swaziland Sugar Association

7 July 2011

We have audited the group annual financial statements and the annual financial statements of Swaziland Sugar Association, which comprise the statements of financial position at 31 March 2011, 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, and the council members' report, as set out on pages 36 to 89.

Councils' 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 Sugar Act of 1967, and for such internal control as the Council Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 2011, 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 Sugar Act of 1967 .

KPMG

Auditors

Council Members' Report

for the year ended 31 March 2011

Council has pleasure in submitting their report together with the annual financial statements of the Association for the financial year ended 31 March 2011.

Business activities

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

General review of business operations and results

The state of affairs of the Association at 31 March 2011 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 E2.8 billion (2010: E2.6 billion) revenue. The increase in revenue is mainly attributable to additional sales to the US market and sales revenue amounting to E101.6 million "carried over" from the previous year. The carried over revenue was not recognised in the previous year as a result of the sale not meeting the revenue recognition criteria as stated under IAS 18 – *Revenue*. Revenue was negatively influenced by the strength of the Lilangeni against the currencies of the Association's trading partners. Selling and distribution costs incurred during the year were E113.20 million (2010: E102.60 million). The increase is mainly driven by freight cost as a result of increased sales volume to the international market during the course of the year. Financing costs (excluding foreign exchange gains and losses) reduced from E77.7 million in 2010 to E61.1 million. This is as a result primarily of the reductions in the prime lending rate and the average costs of funds sourced during the year.

Events subsequent to year end

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

Subsidiaries and joint venture company

The Association has the following subsidiary companies:

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

The Association is involved in the following joint venture company:

Sociedade Terminal de Açucar De Maputo Lemitada	25%

Council Members' Report (continued)

for the year ended 31 March 2011

Council

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

Mr R Hulley	President
Mr N Jackson	Vice President
Mr T Dlamini	Chairman
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 S Cleasby	
Mr J Blumberg	
Mr J M Sithebe	
Mr G Scheepers	
Mr S Geldenhuys	
Mr M Mkhaliphi	
Mr M Maziya	
Mr M Mndzebele	
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
Mr G White	
Mr E Nxumalo	
Mr E Mndzebele	
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 J Blumberg	
Mr M Maziya	
Mr S Potts	
Mr R Hulley	
Miller representative vacant (Ubombo)	
Miller representative vacant (Simunye)	
Miller representative vacant (Mhlume)	

Finance Committee

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

Dr M Matsebula	Chairman
Mr S Potts	
Mr J Blumberg	
Mr P Ginindza	
Mr I Schei	
Mr A Ngcobo	
Mr J Gule	

Audit Committee

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

Mr J Hayter	Chairman
Mr S Potts	
Mr J Blumberg	
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

Statement of Comprehensive Income

for the year ended 31 March 2011

		Group		Association	
	Notes	2011	2010	2011	2010
		E	E	E	E
Revenue	6	**2 773 849 068**	2 622 648 390	**2 773 849 068**	2 622 648 390
Cost of sales		**(2 597 743 195)**	(2 545 550 701)	**(2 615 764 536)**	(2 564 389 675)
Gross profit		**176 105 873**	77 097 689	**158 084 532**	58 258 715
Other income		**175 159**	96 519	**175 159**	96 519
Distribution costs		**(73 316 361)**	(64 129 223)	**(73 316 361)**	(64 129 223)
Administrative expenses		**(40 708 135)**	(39 241 479)	**(39 881 424)**	(38 382 455)
Operating profit/(loss) before financing costs	7	**62 256 536**	(26 176 494)	**45 061 906**	(44 156 444)
Finance income		**23 420 098**	68 316 242	**38 997 173**	83 699 053
Finance expenses		**(85 652 210)**	(93 301 538)	**(83 950 047)**	(90 141 395)
Net financing costs	8	**(62 232 112)**	(24 985 296)	**(44 952 874)**	(6 442 342)
Share of profit of joint venture (net of tax)	27	**84 608**	563 004	**-**	-
Profit/(loss) before tax		**109 032**	(50 598 786)	**109 032**	(50 598 786)
Income tax expense	9	**(109 032)**	(152 829)	**(109 032)**	(152 829)
Loss for the year		**-**	(50 751 615)	**-**	(50 751 615)
Other comprehensive income					
Net change in fair value of cash flow hedges transferred to profit and loss	23	**-**	50 751 615	**-**	50 751 615
Other comprehensive income for the year		**-**	50 751 615	**-**	50 751 615
Total comprehensive income for the year		**-**	-	**-**	-

Statement of Financial Position

for the year ended 31 March 2011

	Notes	Group		Association	
		2011	2010	2011	2010
		E	E	E	E
ASSETS					
Non current assets					
Property, plant and equipment	10	**189 638 754**	194 360 691	**13 933 536**	13 909 860
Unsecured loans receivable	11	**373 143**	455 649	**373 143**	455 649
Investments in subsidiaries	12	**-**	-	**500**	500
Investments in jointly controlled entities	12	**27 213 703**	27 129 095	**27 213 703**	27 129 095
		217 225 600	221 945 435	**41 520 882**	41 495 104
Current assets					
Loans to subsidiaries	15	**-**	-	**161 279 155**	152 002 825
Unsecured loans receivable	11	**76 678**	101 568	**76 678**	101 568
Inventories	13	**196 249 919**	417 766 192	**196 249 919**	417 766 192
Trade and other receivables	14	**106 354 490**	114 948 221	**106 354 490**	114 948 221
Forward exchange contract asset	25	**10 146 884**	-	**10 146 884**	-
Cash and cash equivalents	19.3	**36 072 482**	47 381 536	**36 072 482**	47 381 536
		348 900 453	580 197 517	**510 179 608**	732 200 342
Total assets		**566 126 053**	802 142 952	**551 700 490**	773 695 446
RESERVES AND LIABILITIES					
Non-distributable reserve	16	**13 022**	13 022	**13 022**	13 022
Cash flow hedge reserve	25	**10 146 884**	-	**10 146 884**	-
		10 159 906	13 022	**10 159 906**	13 022
Non-current liabilities					
Long term liabilities	17	**6 013 378**	23 197 751	**3 179 920**	10 450 422
Current liabilities					
Bank overdraft	19.3	**440 021 673**	586 973 011	**440 021 673**	586 973 011
Current portion of long-term liabilities	17	**17 938 287**	21 950 995	**7 759 059**	6 549 431
Trade and other payables	18	**91 988 065**	169 966 758	**90 575 188**	169 668 145
Taxation	19.2	**4 744**	41 415	**4 744**	41 415
		549 952 769	778 932 179	**538 360 664**	763 232 002
Total reserves and liabilities		**566 126 053**	802 142 952	**551 700 490**	773 695 446

Statement of Cash Flows

for the year ended 31 March 2011

	Notes	Group 2011 E	Group 2010 E	Association 2011 E	Association 2010 E
Cash flow from operations					
Cash generated from operations	19.1	**225 156 404**	71 956 861	**197 652 906**	45 171 274
Interest received		**23 420 098**	68 316 243	**38 997 173**	83 699 053
Foreign exchange gains realised during the year		**-**	50 751 615	**-**	50 751 615
Interest paid		**(85 652 210)**	(93 301 538)	**(83 950 047)**	(90 141 395)
Sugar levy paid		**-**	(17 462 438)	**-**	(17 462 438)
Taxation paid	19.2	**(145 703)**	(112 216)	**(145 703)**	(112 216)
Net cash inflows from operations		**162 778 589**	80 148 527	**152 554 329**	71 905 893
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(6 046 620)**	(10 484 793)	**(1 682 238)**	(4 719 494)
Proceeds on disposal of property, plant and equipment		**-**	11 048	**-**	11 048
Net cash outflow from investing activities		**(6 046 620)**	(10 473 745)	**(1 682 238)**	(4 708 446)
Cash flows from financing activities					
Unsecured loans receivable repaid		**107 396**	204 343	**107 396**	204 314
Repayment of long term liabilities		**(21 197 081)**	(21 148 890)	**(6 060 874)**	(6 019 600)
Loans to subsidiary companies repaid		**-**	-	**(9 276 329)**	(12 651 926)
Net cash outflow from financing activities		**(21 089 685)**	(20 944 547)	**(15 229 807)**	(18 467 212)
Net increase in cash and cash equivalents		**135 642 284**	48 730 235	**135 642 284**	48 730 235
Cash and cash equivalents at the beginning of the year		**(539 591 475)**	(588 321 710)	**(539 591 475)**	(588 321 710)
Cash and cash equivalents at the end of the year	19.3	**(403 949 191)**	(539 591 475)	**(403 949 191)**	(539 591 475)

Statement of Changes in Equity

for the year ended 31 March 2011

	Non-distributable reserve E	Hedging reserve E	Total E
Group and Association 2011			
Opening balance	13 022	-	13 022
Net change in fair value of cash flow hedges recognised during the year	-	10 146 884	10 146 884
Closing balance	13 022	10 146 884	10 159 906
Group and Association 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)	(50 751 615)
Closing balance	13 022	-	13 022

Notes to the Financial Statements

for the year ended 31 March 2011

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 2011 cover the activities of the Association and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities. The Group is primarily involved in purchasing and selling sugar and molasses in Swaziland. Amounts realised from the sale of sugar and molasses stocks are distributed to growers and millers.

2. Basis of preparation

a) Statement of compliance

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

The financial statements were authorised for issue by Council on 7 July 2011.

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;

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, 25 : valuation of financial instruments
- note 20 : lease classification
- note 13 : valuation of sugar and molasses stocks.

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.

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.

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

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

	2011	**2010**
	Control	*Control*
Swaziland Sugar Assets Limited	100%	100%
Sugar Assets (Mhlume) Limited	100%	100%
Sugar Holding Company Limited	100%	100%
Commodity Marketing Company Limited	100%	100%
Sugar Assets (Simunye) Limited	100%	100%

Joint venture

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

	2011	**2010**
	Share	*Share*
Sociedade Terminal De Açucar De Maputo Limatada ("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 cash equivalents, trade and other receivables, forward exchange contract assets, loans to subsidiaries and unsecured loans receivable.

Financial liabilities carried on the statement of financial position include bank overdrafts, long-term liabilities and trade and other payables. All financial liabilities are recognised initially at fair value plus any directly attributable transaction costs, and 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 and liabilities

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.

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.

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

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.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

iii) Non-derivative financial liabilities (continued)

The group has the following non-derivative financial liabilities: long term liabilities, 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 and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

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

Cash flow hedges

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

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 asset's original effective interest rate.

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

3 Significant accounting policies (continued)

3.4 Impairment (continued)

i) Financial assets (continued)

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 and deferred tax assets, 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 Employee benefits

i) Defined contribution plans

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

ii) Termination benefits

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

iii) Short term benefits

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

A liability is recognised for the amount expected to be paid under short term cash bonus, 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.

3.6 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 for a transaction that is not a business combination and ownership are classified as finance leases. Other leases are classified as operating leases.

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

ii) Lease payments

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

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

3.10 Finance income and expense

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

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

3 Significant accounting policies (continued)

3.10 Finance income and expense (continued)

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.

3.11 Revenue

i) Sugar and molasses sales

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

ii) Export sales

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

3.12 Property, plant and equipment

i) Recognition and measurement

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

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

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

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

ii) Depreciation

Freehold land is not depreciated. Improvements to leasehold property are capitalised and depreciated over the period of the lease. Depreciation is calculated on a reducing balance and on a straight line basis at the rate considered appropriate to reduce the book value of 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

3. Significant accounting policies (continued)

3.12 Property, plant and equipment (continued)

ii) Depreciation

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.

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.

3.13 Borrowing costs

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

3.14 Provisions

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

4. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2011, 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:

Summary of Standards and Interpretations not yet effective for March 2011

The relevant Standards and Interpretations which are not yet effective and which should be disclosed for March 2011 year-ends are identified in the table below, together with the dates on which these were issued by the IASB and the APB respectively:

Standard / Interpretation		Date issued by IASB	Date issued by APB
IAS 24 (revised)	*Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12*	December 2010	January 2011
11 individual amendments to 6 standards	*Improvements to International Financial Reporting Standards 2010*	May 2010	August 2010
IFRS 7 amendment	*Disclosures – Transfers of Financial Assets*	October 2010	December 2010
IFRS 9 (2009)	*Financial Instruments*	November 2009	December 2010
IFRS 9 (2010)	*Financial Instruments*	October 2010	December 2010

The impact on the financial statements for 31 March 2012 has not yet been estimated.

5. Determination of fair values

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

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).

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.

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

Income				
Sundry income	**175 159**	91 233	**175 159**	91 233
Profit on sale of property and equipment	**-**	5 286	-	5 286
Expenses				
Depreciation	**10 278 169**	10 046 331	**1 658 562**	1 609 884
Personnel expenses	**25 324 953**	23 029 591	**25 324 953**	23 029 591
Operating lease payments	**1 027 081**	1 019 042	**1 027 081**	1 019 042
Sugar export levy	**-**	17 462 438	**-**	17 462 438
Audit fees: Current year	**189 763**	119 860	**189 763**	119 860
Prior year	**388 998**	353 094	**388 998**	318 894

	Group 2011 E	Group 2010 E	Association 2011 E	Association 2010 E
8. Net financing costs				
Finance income	**23 420 098**	68 316 242	**38 997 173**	83 699 053
Finance expense	**(85 652 210)**	(93 301 538)	**(83 950 047)**	(90 141 395)
	(62 232 112)	(24 985 296)	**(44 952 874)**	(6 442 342)
Included in net finance cost is:				
Foreign exchange profit / (loss)	**(811 061)**	52 586 769	**(811 061)**	52 586 769

	Group		Association	
	2011	**2010**	**2011**	**2010**
	E	**E**	**E**	**E**
9. Income tax expense				
Current year	**109 032**	152 829	**109 032**	152 829
Tax rate reconciliation				
Profit/(loss) before taxation	**109 032**	50 598 786	**109 032**	50 598 786

for the year ended 31 March 2011

	Group 2011 E	Group 2010 E	Association 2011 E	Association 2010 E
6. Revenue				
Revenue comprises:				
Sugar sales	**2 702 803 817**	2 565 600 869	**2 702 803 817**	2 565 600 869
Molasses sales	**71 045 251**	57 047 521	**71 045 251**	57 047 521
	2 773 849 068	2 622 648 390	**2 773 849 068**	2 622 648 390
Sugar is sold in the South African Customs Union ("SACU"), the regional and international markets. Molasses is sold within the SACU market. The percentage analysis of revenue by market is provided in note 23.				
Net change in fair value of cash flow	**-**	(50 751 615)	**-**	(50 751 615)
Profit for the year	**109 032**	152 829	**109 032**	152 829
Tax thereon at 30%	**32 709**	45 849	**32 709**	45 849
Non deductible expenses	**76 323**	106 980	**76 323**	106 980
	109 032	152 829	**109 032**	152 829
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	**12 471 463**	11 543 956	**12 471 465**	11 543 956
Furniture and fittings	**1 540 430**	1 540 430	**1 540 430**	1 540 430
Motor vehicles	**2 318 126**	2 190 594	**1 807 868**	1 680 336
Conditioning silo buildings	**62 612 107**	62 107 272	**-**	-
Sugar store buildings	**85 870 448**	85 632 803	**-**	-
Molasses storage buildings	**1 371 928**	1 371 928	**-**	-
Conditioning silo equipment	**47 611 119**	47 611 119	**-**	-
Sugar store equipment	**49 797 752**	48 022 936	**-**	-
Molasses storage equipment	**22 457 501**	22 457 501	**-**	-
Capital work in progress	**5 967 444**	3 983 549	**3 773 919**	3 146 722

	304 583 300	299 027 070	**32 158 664**	30 476 426
Accumulated depreciation and impairment loss				
Freehold land and buildings	**8 618 061**	8 249 413	**8 618 061**	8 249 413
Leasehold land and buildings	**155 653**	153 727	**155 653**	153 727
Plant, machinery and computer equipment	**7 407 915**	6 347 952	**7 407 915**	6 347 952
Furniture and fittings	**870 743**	796 183	**870 743**	796 185
Motor vehicles	**1 376 852**	1 189 370	**1 172 756**	1 019 289
Conditioning silo buildings	**16 319 493**	14 888 907	**-**	-
Sugar store buildings	**21 045 937**	18 806 301	**-**	-
Molasses storage buildings	**1 371 928**	1 371 928	**-**	-
Conditioning silo equipment	**27 751 552**	25 599 110	**-**	-
Sugar store equipment	**19 560 388**	17 369 873	**-**	-
Molasses storage equipment	**10 466 026**	9 893 615	**-**	-
	114 944 548	104 666 379	**18 225 128**	16 566 566

	Group		Association	
	2011	2010	2011	2010
	E	E	E	E
10. Property, plant and equipment (continued)				
Net book value				
Freehold land and buildings	**3 779 974**	4 148 622	**3 779 974**	4 148 622
Leasehold land and buildings	**11 294**	13 220	**11 294**	13 220
Plant, machinery and computer equipment	**5 063 550**	5 196 004	**5 063 550**	5 196 004
Furniture and fittings	**669 687**	744 247	**669 687**	744 245
Motor vehicles	**941 274**	1 001 224	**635 112**	661 047
Conditioning silo buildings	**46 292 614**	47 218 365	**-**	-
Sugar store buildings	**64 824 511**	66 826 502	**-**	-
Conditioning silo equipment	**19 859 567**	22 012 009	**-**	-
Sugar store equipment	**30 237 364**	30 653 063	**-**	-
Molasses storage equipment	**11 991 475**	12 563 886	**-**	-
Capital work in progress	**5 967 444**	3 983 549	**3 773 919**	3 146 722
	189 638 754	194 360 691	**13 933 536**	13 909 860

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 and is in the process of being re-newed. 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:

	Group 2011 E	Group 2010 E	Association 2011 E	Association 2010 E
10. Property, plant and equipment (continued)				
Allocation of depreciation				
Direct cost of sales	**483 306**	461 722	**484 112**	461 722
Direct analysis of cane	**223 054**	227 872	**223 054**	227 872
Extension services	**204 529**	220 421	**204 529**	220 426
Administration	**747 675**	699 864	**746 867**	699 864
Operating expense	**8 619 605**	8 436 452	**-**	-
Total	**10 278 169**	10 046 331	**1 658 562**	1 609 884

Reconciliation of the opening carrying value and closing carrying amount

Association

	Opening net book value E	Additions E	Disposals E	Transfer E	Depreciation E	Closing net book value E
Freehold land and buildings	4 148 622	-	-	-	(368 648)	3 779 974
Leasehold land and buildings	13 220	-	-	-	(1 926)	11 294
Motor vehicles	661 047	127 532	-	-	(153 467)	635 112
Furniture and fittings	744 245	-	-	-	(74 558)	669 687
Plant and equipment	5 196 004	74 645	-	852 864	(1 059 963)	5 063 550
Capital work in progress	3 146 722	1 480 061	-	(852 864)	-	3 773 919
	13 909 860	1 682 238	-	-	(1 658 562)	13 933 536

	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	4 148 622	-	-	-	(368 648)	3 779 974
Leasehold land and buildings	13 220	-	-	-	(1 926)	11 294
Plant and equipment	5 196 004	74 645	-	852 864	(1 059 963)	5 063 550
Furniture and fittings	744 245	-	-	-	(74 558)	669 687
Motor vehicles	1 001 224	127 532	-	-	(187 481)	941 275
Conditioning silo buildings	47 218 365	504 835	-	-	(1 430 586)	46 292 614
Sugar store buildings	66 826 503	237 645	-	-	(2 239 637)	64 824 511
Conditioning silo equipment	22 012 009	-	-	-	(2 152 442)	19 859 567
Sugar store equipment	30 653 064	1 522 044	-	252 773	(2 190 517)	30 237 364
Molasses storage equipment	12 563 886	-	-	-	(572 411)	11 991 475
Capital work in progress	3 983 549	3 579 919	(490 387)	(1 105 637)	-	5 967 444
	194 360 691	6 046 620	(490 387)	-	(10 278 169)	189 638 754

The sugar stores buildings with a net book value of E47 594 753 (2010 : E51 402 259) secure the long term loans with Standard Bank Swaziland Limited and Nedbank (Swaziland) Limited (Refer to note 17).

	Interest per annum	Group 2011 E	Group 2010 E	Association 2011 E	Association 2010 E
11. Unsecured loans receivable					
Ubombo Sugar Limited					
Repayable together with interest in nineteen equal annual instalments terminating 30 April 2011	10%	-	4 416	-	4 416
		-	4 416	-	4 416
The Royal Swaziland Sugar Corporation Limited					
Repayable together with interest in eleven equal instalments terminating 1 September 2011	10%	**18 556**	35 426	**18 556**	35 426
Repayable together with interest in eleven equal annual instalments terminating 30 June 2016	10%	**141 906**	158 627	**141 906**	158 627
Balance carried forward		**160 462**	194 053	**160 462**	194 053

		Group		Association	
		2011	2010	2011	2010
		E	E	E	E
11. Unsecured loans receivable (continued)	Interest per annum				
Balance brought forward		**160 462**	194 053	**160 462**	194 053
Repayable together with interest in eleven equal instalments terminating 1 December 2011	10%	**-**	26 301	**-**	26 301
Repayable together with interest in eleven equal instalments terminating 31 March 2016	10%	**111 839**	128 492	**111 839**	128 492
Repayable together with interest in eleven equal instalments terminating 31 March 2016	10%	**177 520**	203 955	**177 520**	203 955
		449 821	552 801	**449 821**	552 801
Total unsecured loans receivable		**449 821**	557 217	**449 821**	557 217
Current portion					
Deduct amounts due within one year disclosed as current assets		**(76 678)**	(101 568)	**(76 678)**	(101 568)
		373 143	455 649	**373 143**	455 649

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

	Group 2011 E	Group 2010 E	Association 2011 E	Association 2010 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")	**27 213 703**	27 129 095	**27 213 703**	27 129 095

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

	Group and Association 2011 E	Group and Association 2010 E
13. Inventories		
The following inventories were held by the Group:		
Sugar stocks	**187 912 497**	407 018 936
Bags and liners	**8 337 422**	10 747 256
	196 249 919	417 766 192

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

	Group 2011 E	Group 2010 E	Association 2011 E	Association 2010 E
14. Trade and other receivables				
Trade receivables	**104 926 268**	113 209 630	**104 926 268**	113 209 630
Other receivables	**1 428 222**	1 738 591	**1 428 222**	1 738 591
	106 354 490	114 948 221	**106 354 490**	114 948 221

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

	Group 2011 E	Group 2010 E	Association 2011 E	Association 2010 E
15. Loans to subsidiaries				
Loan to Swaziland Sugar Assets Limited	**-**	-	**39 726 989**	38 728 322
Loan to Sugar Assets (Simunye) Limited	**-**	-	**46 504 706**	37 116 520
Loan to Sugar Assets (Mhlume) Limited	**-**	-	**75 047 460**	76 157 983
	-	-	**161 279 155**	152 002 825

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

	Group 2011 E	Group 2010 E	Association 2011 E	Association 2010 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.

	Group 2011 E	Group 2010 E	Association 2011 E	Association 2010 E
Loan from Nedbank (Swaziland) Limited	**10 938 979**	16 999 853	**10 938 979**	16 999 853
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 E647 536 commencing on 31 October 2007. 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. Refer to note 10.				
Less: current portion transferred to current liabilities	**(7 759 059)**	(6 549 431)	**(7 759 059)**	(6 549 431)
	3 179 920	10 450 422	**3 179 920**	10 450 422
Balance carried forward	**3 179 920**	10 450 422	**3 179 920**	10 450 422

	Group		Association	
	2011	2010	2011	2010
	E	E	E	E
17. Long term liabilities (continued)				
Balance brought forward	**3 179 920**	10 450 422	**3 179 920**	10 450 422
Loan from Standard Bank (Swaziland) Limited	**5 900 000**	17 700 000	**-**	-
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	**(5 900 000)**	(11 800 000)	**-**	-
	-	5 900 000	**-**	-
Balance carried forward	**3 179 920**	16 350 422	**3 179 920**	10 450 422

	Group		Association	
	2011	2010	2011	2010
	E	E	E	E
17. Long term liabilities (continued)				
Balance brought forward	**3 179 920**	16 350 422	**3 179 920**	10 450 422
Loan from Nedbank (Swaziland) Limited	**7 112 686**	10 448 893	**-**	-
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 E363 863 commencing on 31 January 2008. Interest is calculated at a rate of prime less 1.75%.				
The loan is secured by an unlimited suretyship by Swaziland Sugar Association to meet the monthly repayment of the loan and cession of right over the assets financed.				
Less: current portion transferred to current liabilities	**(4 279 228)**	(3 601 564)	**-**	-
	2 833 458	6 847 329	**-**	-
	6 013 378	23 197 751	**3 179 920**	10 450 422

	Current E	Within 2 years E	Within 3 years E	Thereafter E	Total 2011 E
17. Long term liabilities (continued)					
Debt repayment profile					
Group - 2011					
Short term borrowings					
Call loans	190 021 673	-	-	-	190 021 673
Fixed loans	250 000 000	-	-	-	250 000 000
Long term liabilities					
Nedbank (Swaziland) Limited	12 038 287	6 013 378	-	-	18 051 665
Standard Bank (Swaziland) Limited	5 900 000	-	-	-	5 900 000
Loans other than call loans	17 938 287	6 013 378	-	-	23 951 665
	457 959 960	6 013 378	-	-	463 973 338
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

	Current E	Within 2 years E	Within 3 years E	Thereafter E	Total E
17. Long term liabilities (continued)					
Debt repayment profile					
Association - 2011					
Short term borrowings					
Call loans	190 021 673	-	-	-	190 021 673
Fixed loans	250 000 000	-	-	-	250 000 000
Nedbank (Swaziland) Limited	7 759 059	3 179 920	-	-	10 938 979
	447 780 732	3 179 920	-	-	450 960 652
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

	Group		Association	
	2011 E	2010 E	2011 E	2010 E
18. Trade and other payables				
Milling companies	**63 317 422**	59 102 152	**63 317 422**	59 102 152
Other creditors and accruals	**28 670 643**	40 755 406	**27 257 766**	40 456 793
Initial proceeds from customers	**-**	70 109 200	**-**	70 109 200
	91 988 065	169 966 758	**90 575 188**	169 668 145

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

	Group 2011 E	Group 2010 E	Association 2011 E	Association 2010 E
19. Notes relating to the cash flow statements				
19.1 Reconciliation of profit before interest and tax to cash flows generated from operations:				
Profit / (Loss) for the year	**109 032**	(50 598 786)	**109 032**	(50 598 786)
Adjustment for non cash flow items:				
Loss / (Profit) on disposal of property, plant and equipment	**490 387**	(5 528)	**-**	125 651
Sugar levy paid	**-**	17 462 438	**-**	17 462 438
Depreciation	**10 278 169**	10 046 331	**1 658 562**	1 609 884
Net finance costs	**62 605 200**	24 985 296	**44 952 874**	6 442 342
Share of joint venture profit	**(84 608)**	(563 004)	**(84 608)**	(563 004)
Unrealised foreign exchange loss on foreign balances	**-**	977 421	**-**	977 421
	73 398 180	3 281 589	**46 635 860**	(25 521 475)
Adjustment for working capital changes:				
Decrease in inventories	**221 516 273**	45 508 353	**221 516 273**	45 508 353
Decrease/ (Increase) in trade and other receivables	**8 593 731**	(18 480 255)	**8 593 731**	(18 480 255)
Increase / (decrease) in trade and other payables	**(78 351 780)**	43 602 016	**(79 092 958)**	43 664 651
	225 156 404	71 956 861	**197 652 906**	45 171 274

	Group		Association	
	2011	2010	2011	2010
	E	E	E	E
19. Notes relating to the cash flow statements (continued)				
19.2 Taxation				
Balance at 31 March 2010	**41 415**	802	**41 415**	802
Current year provision	**109 032**	152 829	**109 032**	152 829
Balance at 31 March 2011	**(4 744)**	(41 415)	**(4 744)**	(41 415)
	145 703	112 216	**145 703**	112 216
19.3 Cash and cash equivalents				
Bank balances and cash on hand	**36 072 482**	47 381 536	**36 072 482**	47 381 536
Short term fixed loan	**(190 021 673)**	(336 973 011)	**(190 021 673)**	(336 973 011)
Bank overdrafts	**(250 000 000)**	(250 000 000)	**(250 000 000)**	(250 000 000)
	(403 949 191)	(539 591 475)	**(403 949 191)**	(539 591 475)

The bank overdraft and the short term fixed loan is secured by a negative pledge. The short term fixed loan is negotiated on a yearly basis. Interest is payable on a quarterly basis and is calculated based on an interest rate linked to the prime lending rate.

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

	Group 2011 E	Group 2010 E	Association 2011 E	Association 2010 E
20. Lease commitments				
Future operating lease rentals of premises not provided for are as follows:				
Due within one year	**1 213 871**	1 203 840	**1 213 871**	1 203 840
Two to five years	**-**	1 213 871	**-**	1 213 871
	1 213 871	2 417 711	**1 213 871**	2 417 711

The Association has leased property, which it utilises as offices. The lease period is for ten years, renewable. Lease instalments of E95 586 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	
	US$	US$
	2011	2010
21. Foreign currency		
The following balances are (payable)/receivable in foreign currency:		
Payable		
Included in trade payables:		
Sociedade Terminal De Açucar De Maputo Limitada ("STAM")	**(94 909)**	(199 788)
	(94 909)	(199 788)

	Group and Association			
	2011		2010	
	US$	EURO	US$	EURO
The following balances are (payable)/ receivable in foreign currency:				
Included in bank balances				
Credit balances:				
Standard Bank Swaziland Limited	**432 002**	**950 902**	611 587	217 598
Nedbank (Swaziland) Limited	**-**	**477**	-	1 718 600
Foreign currency loans:				
Standard Bank foreign currency loans	**-**	**-**	(1 257 200)	-
	432 002	**951 379**	(645 613)	1 936 198
Included in accounts receivable				
Included in trade and other receivables	**1 611 012**	**2 861 838**	-	3 727 398

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	
	2011	**2010**
	E	**E**
Defined contributions	**2 453 120**	1 935 090

23. Financial instruments

Financial risk management

Overview

Financial assets of the Group and Association include cash and cash equivalents, loans receivables, forward exchange contract assets and trade and other receivables. Financial liabilities of the Group include bank overdrafts, long term liabilities 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 on a quarterly basis 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.

23. Financial instruments (continued)

Financial risk management (continued)

Overview (continued)

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 53 (2010: 48) percent of the Group's revenue is attributable to sales transactions with 30 (2010: 29) customers, within the South African Customs Union ("SACU") market and 47 (2010: 52) percent of the Group's revenue is attributable from sales transactions with 8 (2010: 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.

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. In the case of the 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	
	2011	**2010**
	E	E
Within one year of reporting date	**76 678**	101 568
More than one year and less than five years from reporting date	**373 144**	305 323
Five years or more from reporting date	**-**	150 325
	449 822	557 216

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

Guarantees

The Group's policy is to provide guarantees for loans extended only to its wholly-owned subsidiaries. At 31 March 2011 E13 008 082 was owing by the subsidiaries (2010: E28 148 893). All amounts owing by subsidiaries are fully guaranteed by the Association.

Liquidity risk

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

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

- E1 243 million (2010: E1 174 million) overdraft facility that is unsecured. Interest would be negotiated.
- E24 million (2010: E46 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.

23. Financial instruments (continued)

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 Pounds 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 in other comprehensive income. Both the changes in fair value of the forward exchange contracts and the foreign exchange gains and losses relating to monetary items are recognised as part of net financing costs. The fair values of forward exchange contracts used as economic hedges of monetary assets and liabilities in foreign currencies at 31 March 2011 was E10 146 884 (2010: ENil) 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	
	2011	**2010**
	Euro	**Euro**
Forward exchange cover		
Standard Bank Swaziland Limited	33 999 476	-
Nedbank (Swaziland) Limited	13 431 872	-
	47 431 348	-
	US$	**US$**
Forward exchange cover		
Nedbank (Swaziland) Limited	3 795 072	-
	3 795 072	-

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.

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. The debt current ratio for the current year was 1:1.12 (2010:1:1.13)

Cash flow hedges

	Group		Association	
	2011	**2010**	**2011**	**2010**
	E	**E**	**E**	**E**
Net change in fair value of cash flow hedges transferred from profit and loss	**-**	50 751 615	**-**	50 751 615
Fair value of cash flow hedges recognised in equity	**10 146 884**	-	**10 146 884**	-
	10 146 884	50 751 615	**10 146 884**	50 751 615

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.

	Group 2011	Group 2010	Association 2011	Association 2010
Non-current liabilities				
Unsecured bank loans	**6 013 378**	23 197 751	**3 179 920**	10 450 422
	6 013 378	23 197 751	**3 179 920**	10 450 422
Current liabilities				
Current portion of unsecured bank loans	**17 938 287**	21 950 995	**7 759 059**	6 549 431
Unsecured bank facility	**440 021 673**	586 973 011	**440 021 673**	586 973 011
	457 959 960	608 924 006	**447 780 732**	593 522 442

23. Financial instruments (continued)

Terms and repayment schedule

Group

	Carrying currency	Nominal interest rate	Year of maturity	2011 Face value E	2011 Carrying amount E	2010 Face value E	2010 Carrying amount E
Unsecured bank loan	Lilangeni	Prime less 1.75%	30 September 2012	**47 000 000**	**18 051 665**	47 000 000	27 448 746
Unsecured bank loan	Lilangeni	Prime less 1.48%	1 July 2011	**59 000 000**	**5 900 000**	59 000 000	17 700 000
Unsecured bank facility	Lilangeni	Negotiated rates	31 March 2011	**440 021 673**	**440 021 673**	586 973 011	586 973 011
Total interest-bearing liabilities				**546 021 673**	**463 973 338**	692 973 011	632 121 757

The bank loans are secured by a negative pledge over inventory and trade receivables with a carrying value of E302 863 925 (2010 : E532 714 413)

Association

	Carrying currency	Nominal interest rate	Year of maturity	2011 Face value E	2011 Carrying amount E	2010 Face value E	2010 Carrying amount E
Unsecured bank loan	Lilangeni	Prime less 1.75%	30 September 2012	**30 000 000**	**10 938 979**	30 000 000	16 999 853
Unsecured bank facility	Lilangeni	Negotiated rates	31 March 2011	**440 021 673**	**440 021 673**	586 973 011	586 973 011
Total interest-bearing liabilities				**470 021 673**	**450 960 652**	616 973 011	603 972 864

The bank loans are secured by a negative pledge over inventory and trade receivables with a carrying value of E302 604 409 (2010 : 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	
	2011	**2010**	**2011**	**2010**
	E	**E**	**E**	**E**
Carrying amount				
Loans and receivables	**-**	-	**161 652 240**	152 002 825
Cash and cash equivalents	**36 072 482**	47 381 536	**36 072 482**	47 381 536
Unsecured loans receivables	**449 821**	557 217	**449 821**	557 217
Other forward exchange contracts	**10 146 884**	-	**10 146 884**	-
	46 669 187	47 938 753	**208 321 427**	199 941 578

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

Southern African Customs Union ("SACU")	**58 829 388**	56 087 926	**58 829 388**	56 087 926
International	**45 380 771**	54 934 854	**45 380 771**	54 934 854
Regional countries	**2 144 331**	3 925 441	**2 144 331**	3 925 441
	106 354 490	114 948 221	**106 354 490**	114 948 221

	Group and Association	
	2011	2010
	E	E

23. Financial instruments (continued)

Trade receivable

The ageing of trade receivables at the reporting date was:

	Gross carrying amount	
Current	**46 814 586**	107 673 639
0 – 30 days	**42 854 236**	4 540 106
31 – 120 days (past due)	**16 685 668**	1 612 499
More than one year (past due)	**-**	1 121 977
Total	**106 354 490**	114 948 221

	Impairment loss	
31 – 120 days (past due)	**-**	-
More than one year (past due)	**-**	-
Total	**-**	-

An impairment loss of ENil (2010: ENil) 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
Impairment loss recognised	**-**	-
Impairment loss reversed	**-**	(1 108 274)
Balance at 31 March	**-**	-

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 - 2011

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	23 951 665	24 295 982	12 079 008	6 068 392	6 148 582	-
Unsecured bank facility	440 021 673	440 021 673	278 369 433	161 652 240	-	-
Trade and other payables	91 988 065	91 988 065	86 848 073	5 139 992	-	-
	555 961 403	556 305 720	377 296 514	172 860 624	6 148 583	-

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.

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 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 - 2011

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	10 938 979	11 005 016	7 768 247	3 236 770
Unsecured bank facility	440 021 673	440 021 673	278 369 433	161 652 240
Trade and other payables	90 575 188	90 575 188	85 435 196	5 139 992
	541 535 840	541 601 877	371 572 876	170 029 002

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 – 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
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 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 2011		Group and Association 2010	
	Euro	USD	Euro	USD
Trade receivables	**2 861 838**	**1 611 012**	3 727 398	-
Bank balances	**951 379**	**432 002**	1 936 198	611 587
Unsecured bank loans	**-**	**-**	-	(1 257 200)
Trade payables	**-**	**(94 909)**	-	(199 788)
Gross statement of financial position exposure	**3 813 217**	**1 948 105**	5 663 596	(845 401)
Estimated forecast sales (2011/12)	**114 748 769**	**19 461 529**	108 543 554	10 266 206
Estimated forecast purchases (2011/12)	**-**	**(11 891 564)**	-	(12 822 872)
Gross exposure	**118 561 986**	**9 518 070**	108 543 554	(2 556 666)
Forward exchange contracts (2011/12)	**(47 431 348)**	**(3 795 072)**	-	-
Net exposure	**71 130 638**	**5 722 998**	114 207 150	(3 402 067)

23. Financial instruments (continued)

The following significant exchange rates applied during the year:

	Group and Association		Group and Association	
	2011	2010	2011	2010
	Average rates achieved		Closing rates	
Euro	**9.46**	12.03	**9.63**	9.60
USD	**7.24**	7.61	**6.72**	7.16

Sensitivity analysis

A 10 percent strengthening of the Lilangeni against the Euro and USD at 31 March would have increased export proceeds by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011 and 2010.

	Group and Association	
	2011	2010
	Export proceeds	Export proceeds
	E	E
USD and EURO (2010:USD and EURO)	**81 798 000**	125 759 665

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 2011 is not material as the Lilangeni and Rand were at par.

23. Financial instruments (continued)

Interest rate risk

Profile

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

	Group		Association	
	2011	**2010**	**2011**	**2010**
	E	**E**	**E**	**E**
Fixed rate instruments				
Financial assets	**-**	-	**161 652 240**	152 002 825
	-	-	**161 652 240**	152 002 825
Variable rate instruments				
Financial liabilities	**(463 973 338)**	(628 037 787)	**(450 960 652)**	(599 339 463)

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 2011 and 2010.

	100 bp increase E	**100 bp decrease E**	**100 bp increase E**	**100 bp decrease E**
31 March 2011				
Variable rate instruments	**4 639 733**	**(4 639 733)**	**4 509 607**	**(4 509 607)**
Cash flow sensitivity (net)	**4 639 733**	**(4 639 733)**	**4 509 607**	**(4 509 607)**
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)

23. Financial instruments (continued)

Fair values

Fair values versus carrying amounts

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

	Group			
	2011		2010	
	Carrying amount E	Fair value E	Carrying amount E	Fair value E
Assets at fair value				
Forward exchange contracts used on hedging:	**10 146 884**	**10 146 884**	-	-
Assets at amortised cost				
Loans receivable	**449 821**	**449 821**	557 217	557 217
Cash and cash equivalents	**36 072 482**	**36 072 482**	47 381 536	47 381 536
Trade and other receivables	**106 354 490**	**106 354 490**	114 948 221	114 948 221
	142 876 793	**142 876 793**	162 886 974	162 886 974
Liabilities at amortised cost				
Unsecured bank loans	**(23 951 665)**	**(23 951 665)**	(45 148 746)	(45 148 746)
Trade and other payables	**(91 988 065)**	**(91 988 065)**	(169 966 758)	(169 966 758)
Bank overdraft	**(440 021 673)**	**(440 021 673)**	(586 973 011)	(586 973 011)
	(555 961 403)	**(555 961 403)**	(802 088 515)	(802 088 515)

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 statement of financial position, are as follows:

	Association			
	2011		2010	
	Carrying amount E	Fair value E	Carrying amount E	Fair value E
Assets at fair value				
Forward exchange contracts used for hedging:	10 146 884	10 146 884	-	-
Assets at amortised cost:				
Loans and receivables	161 279 154	161 279 154	152 560 042	152 560 042
Trade and other receivables	106 354 490	106 354 490	114 948 221	114 948 221
Cash and cash equivalents	36 072 482	36 072 482	47 381 536	47 381 536
	303 706 126	303 706 126	314 889 799	314 889 799
Liabilities at amortised cost				
Unsecured bank loans	(23 951 665)	(23 951 665)	(16 999 853)	(16 999 853)
Trade and other payables	(90 575 188)	(90 575 188)	(169 668 145)	(169 668 145)
Bank overdraft	(440 021 673)	(440 021 673)	(586 973 011)	(586 973 011)
	(554 548 525)	(554 548 525)	(773 641 009)	(773 641 009)

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	Level 2	Level 3
	E	E	E
2011			
Forward exchange contract asset	**-**	**10 146 884**	**-**
2010			
Forward exchange contract asset	-	-	-

23. Financial instruments (continued)

	Group		Association	
	2011	2010	2011	2010
	E	E	E	E
Finance income and expense				
Finance expense on financial liabilities				
Measured at amortised cost	**61 463 453**	77 654 665	**59 761 289**	74 494 522
Foreign exchange loss	**24 188 757**	15 646 873	**24 188 758**	15 646 873
Finance expenses	**85 652 210**	93 301 538	**83 950 047**	90 141 395
Finance income on financial assets				
Foreign exchange gain	**23 377 697**	68 294 420	**23 377 697**	68 233 642
Other interest income	**42 401**	21 822	**42 401**	21 822
Interest income on loans originated by the Association	**-**	-	**15 577 075**	15 443 590
Finance income	**23 420 098**	68 316 242	**38 997 173**	83 699 054
Net finance costs	**62 232 112**	24 985 296	**44 952 874**	(6 442 341)
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	**23 420 098**	68 316 242	**38 997 173**	85 699 054
Total interest expense on financial liabilities	**85 652 210**	93 301 538	**83 950 047**	90 141 395

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	
	2011	2010	2011	2010
	E	E	E	E
Loans receivable	**449 821**	557 217	**449 821**	557 217
Accounts receivable - millers	**2 486 184**	1 663 588	**2 486 184**	1 663 588
Loans to subsidiaries	**-**	-	**161 279 154**	152 002 825
	2 936 005	2 220 805	**164 215 159**	154 223 630

24.2 Amounts due to related parties

	Group 2011 E	Group 2010 E	Association 2011 E	Association 2010 E
Milling creditors (refer to note 18)	**77 736 793**	59 102 152	**77 736 793**	59 102 152

24.3 Related party transactions

	Group 2011 E	Group 2010 E	Association 2011 E	Association 2010 E
Conditioning fee paid	**-**	-	**28 830 487**	30 902 596
Interest on loan to subsidiaries	**-**	-	**15 577 075**	15 382 811
Sugar purchases	**1 874 843 210**	2 052 970 057	**1 874 843 210**	2 060 274 040
Molasses purchases	**70 456 610**	57 047 521	**70 456 610**	38 963 595

24.4 Key management personnel compensation

Key management comprise mainly directors and managers. There were 11 (2010: 11) members of key management during the course of the year. 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:

	2011	2010
	E	E
Short term employee benefits		
Remuneration	**10 075 861**	9 704 026
Contribution to provident fund	**2 109 077**	1 979 265
	12 184 938	10 485 651

		Group		Association	
		2011 E	2010 E	2011 E	2010 E
25.	**Cash flow hedge reserve**				
	Balance at the beginning of the year	**-**	50 751 615	**-**	50 751 615
	Forward exchange contract recognised to equity	**10 146 884**	-	**10 146 884**	-
	Gain on forward Priced sugar sales contracts	**-**	-	**-**	-
	Foreign exchange gain utilised during the year	**-**	(50 751 615)	**-**	(50 751 615)
	Balance at the end of the year	**10 146 884**	-	**10 146 884**	-
26.	**Capital commitments**				
	Approved but not yet contracted for	**4 784 317**	434 114	**743 000**	110 914
	Approved and contracted for	**4 888 715**	8 218 190	**529 046**	1 528 190
		9 673 032	8 652 304	**1 272 046**	1 639 104

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

		Group	
		2011 E	2010 E
27.	**Equity accounted joint venture**		
	Non current assets	**54 508 904**	59 677 405
	Current assets	**11 707 289**	13 012 524
	Total assets	**66 216 193**	72 689 929
	Non current liabilities	**57 644 261**	63 029 657
	Current liabilities	**8 571 932**	9 660 272
	Total liabilities	**66 216 193**	72 689 929
	Revenue	**32 224 249**	37 590 289
	Expenses	**(31 740 775)**	(34 373 121)
	Profit/(loss) for the year	**483 474**	3 217 168
	Share of profit after tax recognised in the statement	**84 608**	563 004
	Ownership	**25%**	25%

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 2011, 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	
	2011	**2010**
	E	**E**
Opening balance	**1 525 760**	2 611 111
Provision raised during the period	**400 000**	1 525 760
Provision utilised during the year	**(1 277 695)**	(1 487 964)
Provision reversed during the year	**-**	(1 123 147)
Closing balance	**648 065**	1 525 760

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 -2001-2010

YEAR	2001	2002	2003
Area Under Cultivation (Hectares)	46 516	48 307	49 932
Area Harvested (Hectares)	43 855	45 126	48 061
Increase/Decrease in Area Harvested	43 855	1 271	2 935
Cane Production (Tons)	4 178 867	4 608 933	5 046 252
Cane Yield (Tons Cane per Hectare)	95,29	102,13	105
Sucrose Content (% Cane)	13,7	14,46	14,25
Sugar Recovered (% Cane)	11,98	12,65	12,45
Sugar Yield from Cane (Tons Cane/Tons Sugar)	8,35	7,91	8,03
Sugar Yield from Area (Tons Sugar per Hectare)	11,42	12,92	13,07
Sucrose Production (Tons)	572,635	666,385	719,203
Sugar Production (Tons Tel Quel)	500,670	583,014	628,191

	2004	2005	2006	2007	2008	2009	2010
	50 932	52 196	52 233	52 255	52 068	52 822	53 372
	49 727	50 610	50 400	50 245	50 375	50 502	50 473
	1 666	883	(210)	(155)	130	127	204
	4 883 961	5 164 748	4 930 938	5 075 693	4 912 949	4 908 152	4 862 302
	98,22	102,5	97,84	101,02	97,53	97,19	95,89
	14,05	14,44	14,43	14,28	14,59	14,32	13,90
	12,24	12,64	12,64	12,44	12,75	12,34	11,97
	8,17	7,91	7,91	8,04	7,84	8,10	8,35
	12,02	12,9	12,37	12,56	12,44	11,99	11,48
	686,425	745,984	711,504	724,716	716,718	702,825	675,909
	597,563	652,735	623,357	631,236	626,584	605,656	582,019

contact details

BUSINESS ADDRESS
Cnr Msakato & Dzeliwe Street
Mbabane

POSTAL ADDRESS
P O Box 445
Mbabane
8001

Tel: +268 2404 2037/2646

Fax: +268 2404 5005

Web: www.ssa.co.sz