

SWAZILAND SUGAR ASSOCIATION

ABRIDGED AUDITED GROUP FINANCIAL STATEMENTS

for the year ended 31 March 2013





ABRIDGED AUDITED GROUP FINANCIAL STATEMENTS
for the year ended 31 March 2013

Contents	Page
Council members' responsibility statement	43
Independent auditor's report	44
Council members' report	45 - 47
Consolidated statement of comprehensive income	48
Consolidated statement of financial position	49
Consolidated statement of cash flows	50
Consolidated statement of changes in reserves	51
Notes to the abridged audited financial statements	52 - 55



Council members' responsibility statement

Council members' responsibility statement for the Abridged Group Financial Statements

The Association's Council members are responsible for the preparation and fair presentation of the abridged consolidated and separate financial statements. These comprise the statements of financial position at 31 March 2013, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended and selected notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Swaziland Sugar Act of 1967.

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

The Council members' responsibility also includes maintaining adequate accounting records and an effective system of risk management 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 available in the SSA website and the abridged group financial statements set out on pages 45 to 55 were approved by the Council

.....
President

.....
Chief Executive Officer



Independent auditor's report on Abridged Group Financial Statements *To the members of Swaziland Sugar Association*

The accompanying abridged group financial statements of Swaziland Sugar Association, which comprise the abridged group statement of financial position at 31 March 2013, and the related abridged group statements of comprehensive income changes in equity and cash flows for the year then ended and related notes, are derived from the group financial statements of Swaziland Sugar Association for the year ended 31 March 2013. We expressed an unmodified opinion on those group financial statements in our auditor's report dated 4 July 2013.

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

Council members' responsibility for the Abridged Financial Statements

Council is responsible for the preparation of the abridged group financial statements on the basis described in Note 1.

Auditor's responsibility

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

Opinion

In our opinion, the abridged group financial statements derived from the Group Financial Statements of Swaziland Sugar Association for the year ended 31 March 2013, are consistent, in all material respects, with those financial statements, on the basis described in Note 1.

KPMG Chartered Accountants (Swaziland)

Auditors

4 July 2013

Mbabane



Council members' report
for the year ended 31 March 2013

Council has pleasure in submitting their report together with the Abridged Financial Statements of the Association for the financial year ended 31 March 2013.

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 2013 and the results of its operations for the year then ended, are fully set out in these financial statements.

Results of operations

The Group recorded revenue of E4,02 billion (2012: E3,14 billion). The increase in revenue is mainly attributable to favourable selling prices, the weakening of the Rand/Lilangeni against export currencies and increased sales volume. The cost of sales increased from E2,94 billion to E3,76 billion in line with increased sales volume. Profits that are made by the Association are distributed in full back to the millers and growers and form part of the cost of sales. Distribution costs incurred during the year were E62,19 million (2012: E68,62 million). The decrease is mainly as a result of favourable freight rates.

Net financing costs, including foreign gains and losses, increased from E93,55 million in 2012 to E143,69 million. This is primarily a result of the depreciation in the value of the Lilangeni against export currencies. Foreign exchange losses incurred were E60,43 million compared to E37,82 million in the previous year. Interest paid also increased from E70,67 million to E82,32 million as a result of increased sugar price payments and increased production when compared to the previous year. Unrealised cash flow hedges relates to foreign exchange gains that are recognised in equity in the current financial year. SSA's policy is to apply hedge accounting in respect of forward exchange contracts outstanding at the year end and this income is released to the income statement as the underlying sale transactions occur.

Events subsequent to year end

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

Subsidiaries and joint venture company

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%
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Council members' report
for the year ended 31 March 2013 (continued)

Council

Council is the highest governing body of the Association. It comprises an equal number of representatives from the Swaziland Sugar 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 are as follows:

Mr R Hulley	President
Mr S Cleasby	Vice President - Resigned 31 December 2012
Mr J Hulley	Vice President - Appointed 1 January 2013
Mr T Dlamini	Chairman
Mr N Jackson	
Mr E Ndzimandze	
Mr B James	
Mr E Nxumalo	Resigned 30 September 2012
Mr S Potts	
Mr G White	
Mr A Ngcobo	Resigned 30 September 2012
Mr J Khumalo	
Mr J Matimba	Resigned 30 September 2012
Mr A T Dlamini	
Mr J Blumberg	
Mr J M Sithebe	
Mr G Scheepers	
Mr S Geldenhuys	
Mr M Mkhaliphi	
Mr M Maziya	
Mr M Mndzebele	
Mr P Myeni	
Ms S M Magagula	Appointed: 30 September 2012
Mr G Williams	Appointed: 30 September 2012



Audit Committee

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

Mr B Mhlongo Mr S Potts Mr J Blumberg Mr P Ginindza Mr I Schei	Chairman	Appointed 14 November 2012
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Secretary
Mr B de Silva

Business address

Cnr Msakato & Dzeliwe Streets
Mbabane

Postal address

P. O. Box 445
Mbabane



Consolidated statement of comprehensive income
for the year ended 31 March 2013

	Notes	Group 2013 E	Group 2012 E	Association 2013 E	Association 2012 E
Revenue	2	4 020 171 682	3 141 642 115	4 020 171 682	3 141 642 115
Cost of sales		(3 764 484 944)	(2 935 756 183)	(3 781 675 285)	(2 953 124 578)
Gross profit		255 686 738	205 885 932	238 496 397	188 517 537
Other income		6 880 645	4 489 968	6 880 645	4 489 968
Distribution costs		(62 194 018)	(68 615 928)	(62 194 018)	(68 615 928)
Administrative expenses		(55 534 424)	(47 739 836)	(54 620 824)	(46 883 426)
Operating profit before financing costs	3	144 838 941	94 020 136	128 562 200	77 508 151
Finance income		40 615 226	39 772 744	55 540 656	55 188 053
Finance expense		(184 307 043)	(133 318 844)	(184 137 949)	(132 214 800)
Net financing costs	4	(143 691 817)	(93 546 100)	(128 597 293)	(77 026 747)
Share of (loss)/profit of joint venture (net of tax)		(1 182 217)	7 368	-	-
Profit before tax		(35 093)	481 404	(35 093)	481 404
Income tax expense		35 093	(481 404)	35 093	(481 404)
Profit for the year		-	-	-	-
Other comprehensive income					
Unrealised cash flow hedges		3 615 522	18 691 397	3 615 522	18 691 397
Total comprehensive income for the year		3 615 522	18 691 397	3 615 522	18 691 397

Profit for the year is attributable to members of the Association

The total comprehensive income of the group is attributed to the owners of the Association.



Consolidated statement of financial position
at 31 March 2013

	Notes	2013 E	Group 2012 E	2013 E	Association 2012 E
ASSETS					
Non-current assets					
Property, plant and equipment	5	176 959 356	182 972 875	12 988 541	12 987 544
Unsecured loans receivable		213 499	293 106	213 499	293 106
Investment in subsidiaries		-	-	500	500
Jointly controlled entity		18 269 405	19 156 098	19 451 622	19 148 730
Loan to jointly controlled entity		-	2 292 600	-	2 292 600
Total non-current assets		195 442 260	204 714 679	32 654 162	34 722 480
Current assets					
Loans to subsidiaries		-	-	163 342 002	166 883 791
Current portion of loan to jointly controlled entity		1 007 881	1 005 950	1 007 881	1 005 950
Unsecured loans receivable		79 607	72 369	79 607	72 369
Inventories		657 141 535	372 907 983	657 141 535	372 907 983
Trade and other receivables		260 594 138	192 526 063	260 593 938	192 526 063
Other financial assets		3 615 522	18 691 397	3 615 522	18 691 397
Cash and cash equivalents		53 857 671	96 787 212	53 857 671	96 787 212
Total current assets		976 296 354	681 990 974	1 139 638 156	848 874 765
Total assets		1 171 738 614	886 705 653	1 172 292 318	883 597 245
RESERVES AND LIABILITIES					
Non-distributable reserve		13 022	13 022	13 022	13 022
Cash flow hedge reserve		3 615 522	18 691 397	3 615 522	18 691 397
Total reserves and liabilities		3 628 544	18 704 419	3 628 544	18 704 419
Non-current liabilities					
Long term liabilities	6	-	250 000 000	-	250 000 000
Current liabilities					
Bank overdraft		673 279 104	343 005 103	673 279 104	343 005 103
Current portion of fixed loan	6	250 000 000	-	250 000 000	-
Current portion of long-term liabilities	6	-	6 229 824	-	3 425 921
Trade and other payables		244 691 770	268 383 738	245 245 474	268 079 233
Taxation		139 196	382 569	139 196	382 569
Total current liabilities		1 168 110 070	618 001 234	1 168 663 774	614 892 826
Total liabilities		1 168 110 070	868 001 234	1 168 663 774	864 892 826
Total reserves and liabilities		1 171 738 614	886 705 653	1 172 292 318	883 597 245



Consolidated statement of cash flows
for the year ended 31 March 2013

Notes	2013 E	Group 2012 E	2013 E	Association 2012 E
Cash flows from operating activities				
Cash (absorbed by)/generated from operations	(235 669 675)	(20 717 935)	(244 898 097)	(44 901 230)
Interest received	55 540 656	39 772 744	55 540 656	55 188 053
Interest paid	(184 137 949)	(95 500 057)	(184 137 949)	(94 396 013)
Taxation paid	(278 466)	(103 579)	(278 466)	(103 579)
<i>Net cash flows from operating activities</i>	<u>(364 545 434)</u>	<u>(76 548 827)</u>	<u>(373 773 856)</u>	<u>(84 212 769)</u>
Cash flows from investing activities				
Increase in investment in jointly controlled entity	(295 524)	-	(302 892)	-
Acquisition of property, plant and equipment	(4 810 908)	(3 853 875)	(1 920 810)	(794 080)
Decrease in loan due from jointly controlled entity	2 290 669	5 771 497	2 290 669	5 771 497
Proceeds from the sale of property, plant and equipment	315 110	-	315 110	-
<i>Net cash flows from investing activities</i>	<u>(2 500 653)</u>	<u>1 917 622</u>	<u>382 077</u>	<u>4 977 417</u>
Cash flows from financing activities				
Decrease in unsecured loans receivable	72 369	84 346	72 369	84 346
Unsecured fixed term loan received	-	250 000 000	-	250 000 000
Repayment of long term liabilities	(6 229 824)	(17 721 841)	(3 425 921)	(7 513 058)
Loans to subsidiary companies repaid / (advanced)	-	-	3 541 789	(5 604 636)
<i>Net cash flows from financing activities</i>	<u>(6 157 455)</u>	<u>232 362 505</u>	<u>188 237</u>	<u>236 966 652</u>
Net (decrease)/increase in cash and cash equivalents	<u>(373 203 542)</u>	<u>157 731 300</u>	<u>(373 203 542)</u>	<u>157 731 300</u>
Cash and cash equivalents at the beginning of the year	(246 217 891)	(403 949 191)	(246 217 891)	(403 949 191)
Cash and cash equivalents at the end of the year	<u>(619 421 433)</u>	<u>(246 217 891)</u>	<u>(619 421 433)</u>	<u>(246 217 891)</u>



Consolidated statement of changes in reserves
for the year ended 31 March 2013

	Non- distributable reserve E	Hedging reserve E	Total E
Group and Association 2013			
Balance at beginning of year	13 022	18 691 397	18 704 419
Net cash flow hedges realised and recognised in comprehensive income	-	(18 691 397)	(18 691 397)
Net change in fair value of cash flow hedges recognised during the year	-	3 615 522	3 615 522
Balance at end of year	<u>13 022</u>	<u>3 615 522</u>	<u>3 628 544</u>
Group and Association 2012			
Balance at beginning of year	13 022	10 146 884	10 159 906
Net cash flow hedges realised and recognised in comprehensive income	-	(10 146 884)	(10 146 884)
Net change in fair value of cash flow hedges recognised during the year	-	18 691 397	18 691 397
Balance at end of year	<u>13 022</u>	<u>18 691 397</u>	<u>18 704 419</u>



Notes to the abridged audited financial statements
for the year ended 31 March 2013

1. Significant accounting policies

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

1.1 Foreign currency

Foreign currency transactions

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

1.2 Inventories

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

Management's determination of the final estimate is based on the most reliable evidence available at reporting date. Other stocks are valued at the lower of cost and net realisable value, on a first in - first out basis.

1.3 Revenue

i) Sugar and molasses sales

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

ii) Export sales

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



Notes to the abridged audited financial statements
for the year ended 31 March 2013 (continued)

	Group		Association	
	2013 E	2012 E	2013 E	2012 E
2. Revenue				
Revenue comprises:				
- Sugar sales	3 914 762 049	3 050 412 315	3 914 762 049	3 050 412 315
- Molasses sales	105 409 633	91 229 800	105 409 633	91 229 800
	<u>4 020 171 682</u>	<u>3 141 642 115</u>	<u>4 020 171 682</u>	<u>3 141 642 115</u>
<p>Sugar is sold into the South African Customs Union ("SACU"), regional and international markets. Molasses is sold within the SACU market.</p>				
3. Operating profit before financing costs				
Operating profit before financing costs is arrived at after charging (crediting) the following:				
Auditors remuneration				
- Current year	122 000	127 994	122 000	127 994
- Prior year	430 205	345 086	430 205	330 123
Council emoluments	-	-	-	-
Depreciation	10 680 347	10 519 752	1 775 735	1 740 072
Lease expenses	1 377 373	1 127 896	1 377 373	1 127 896
Management fees				
- Computer related	70 420	56 108	70 420	56 108
Profit on sale of property, plant and equipment	(171 032)	-	(171 032)	-
Payroll costs	<u>20 345 184</u>	<u>16 528 873</u>	<u>20 345 184</u>	<u>16 528 873</u>
4. Net financing costs				
Included in net finance cost are:				
Foreign exchange gain	18 691 397	10 146 884	18 691 397	10 146 884
Foreign exchange losses	<u>(60 432 056)</u>	<u>(37 818 787)</u>	<u>(60 432 056)</u>	<u>(37 818 787)</u>



Notes to the abridged audited financial statements
for the year ended 31 March 2013 (continued)

5. Property, plant and equipment

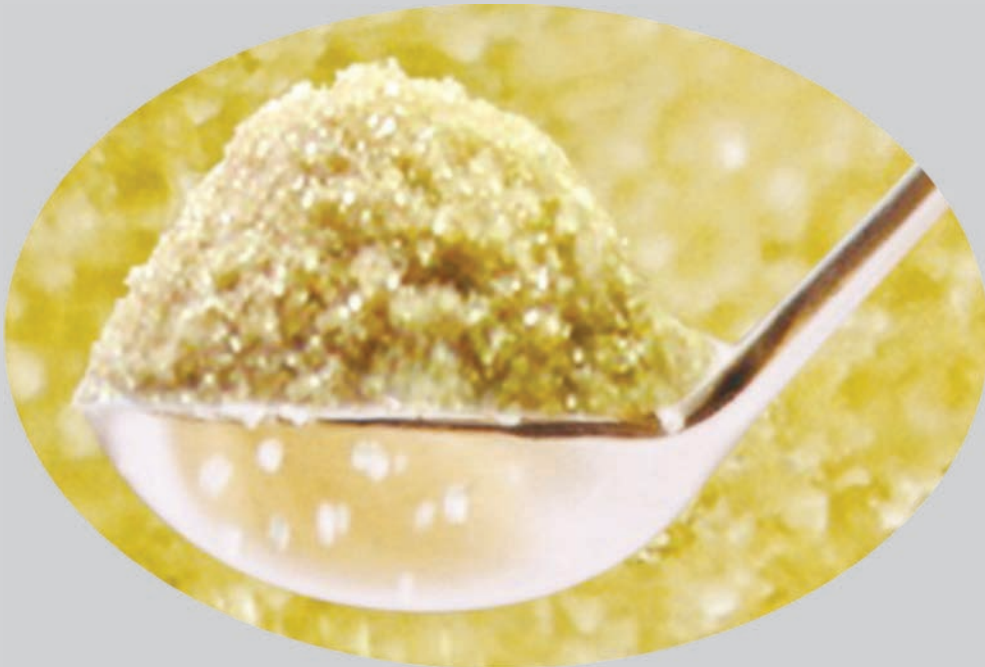
Reconciliation of the opening carrying amount and closing carrying amount

	Opening carrying amount E	Additions E	Disposal E	Transfer E	Depreciation E	Closing carrying amount E
Association						
Freehold land and buildings	3 415 555	-	-	-	(364 017)	3 051 538
Leasehold land and buildings	9 368	-	-	-	(1 926)	7 442
Motor vehicles	733 752	1 510 409	(144 078)	-	(373 588)	1 726 495
Furniture and fittings	602 693	23 035	-	-	(62 015)	563 713
Plant and equipment	4 860 655	7 600	-	431 804	(974 189)	4 325 870
Capital work in progress	3 365 521	379 766	-	(431 804)	-	3 313 483
	<u>12 987 544</u>	<u>1 920 810</u>	<u>(144 078)</u>	<u>-</u>	<u>(1 775 735)</u>	<u>12 988 541</u>
Group						
Freehold land and buildings	3 415 555	-	-	-	(364 017)	3 051 538
Leasehold land and buildings	9 368	-	-	-	(1 926)	7 442
Plant and equipment	4 860 655	7 600	-	431 804	(974 189)	4 325 870
Furniture and fittings	602 693	23 035	-	-	(62 015)	563 713
Motor vehicles	1 005 881	1 510 409	(144 078)	-	(407 622)	1 964 589
Conditioning silo buildings	44 762 204	768 088	-	-	(1 530 410)	43 999 882
Sugar store buildings	65 450 471	1 087 374	-	-	(2 275 361)	64 262 484
Conditioning silo equipment	18 005 016	-	-	-	(2 320 785)	15 684 231
Sugar store equipment	29 627 612	1 034 636	-	305 240	(2 215 735)	28 751 753
Molasses storage equipment	11 463 188	-	-	-	(528 289)	10 934 899
Capital work in progress	3 770 232	379 766	-	(737 044)	-	3 412 954
	<u>182 972 875</u>	<u>4 810 908</u>	<u>(144 078)</u>	<u>-</u>	<u>(10 680 349)</u>	<u>176 959 356</u>



Notes to the abridged audited financial statements
for the year ended 31 March 2013 (continued)

	Group		Association	
	2013	2012	2013	2012
	E	E	E	E
6. Long term liabilities				
This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.				
Loan from Nedbank (Swaziland) Limited	-	3 425 921	-	3 425 921
Loan from Standard Bank Swaziland Limited	-	-	-	-
Loan from Nedbank (Swaziland) Limited	-	2 803 903	-	-
Public Service Pension Fund	250 000 000	250 000 000	250 000 000	250 000 000
Total liabilities	250 000 000	256 229 824	250 000 000	253 425 921
Current portion included in current liabilities	(250 000 000)	(6 229 824)	(250 000 000)	(3 425 921)
Non-current portion	-	250 000 000	-	250 000 000
Repayment profile				
Current	250 000 000	6 229 824	250 000 000	3 425 921
Within 2 years	-	250 000 000	-	250 000 000
More than 2 years	-	-	-	-
	250 000 000	256 229 824	250 000 000	253 425 921



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