

ESWATINI SUGAR ASSOCIATION

**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
for the year ended 31 March 2021**

ESWATINI SUGAR ASSOCIATION AND ITS SUBSIDIARIES

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 March 2021

Contents	Page
Council members' responsibility statement	2
Independent auditor's report	3 - 5
Council members' report	6 - 9
Consolidated and separate statement of comprehensive income	10
Consolidated and separate statement of financial position	11
Consolidated and separate statement of cash flows	12
Consolidated statement of changes in reserves	13
Notes to the financial statements	14 - 64
Supporting schedules not subject to the auditor's opinion	
Statement of changes in consolidated financial position	65 - 66
Export sales proceeds	67
Molasses trading account	68
Sugar trading account	69
Overhead expenses	70

ESWATINI SUGAR ASSOCIATION AND ITS SUBSIDIARIES

COUNCIL MEMBERS' RESPONSIBILITY STATEMENT

for the year ended 31 March 2021

Council Members' responsibility statement for the consolidated and separate financial statements

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

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

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

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

Approval of consolidated and separate financial statements

The consolidated financial statements prepared in accordance with IFRS which appear on pages 10 to 64 were approved by the council members on 01 July 2021 and signed on its behalf by:



T Dlamini
Chairman



P F Mnisi
Chief Executive Officer



Independent auditor's report

To the Members of Eswatini Sugar Association

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Eswatini Sugar Association (the Association) and its subsidiaries (together the Group) as at 31 March 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Eswatini Sugar Association's consolidated and separate financial statements set out on pages 10 to 64 comprise:

- the consolidated and separate statements of financial position as at 31 March 2021;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Eswatini. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Eswatini.

Other information

The members are responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the document titled "ESWATINI SUGAR ASSOCIATION CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS for the year ended 31 March 2021". The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Partner in charge T Mason
Resident Partner M Mhlanga
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P O Box 569, Mbabane H100, Eswatini Telephone +268 2404 2861/3 or 2404 3143, Facsimile +268 2404 5015, www.pwc.com



Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the members for the consolidated and separate financial statements

The members are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, and for such internal control as the members determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the members are responsible for assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the Group and/or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

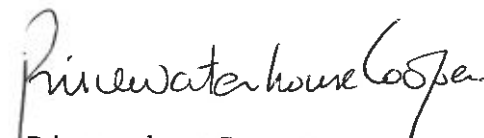
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members.



- Conclude on the appropriateness of the members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


PricewaterhouseCoopers
Partner: Theo Mason

Registered Auditor

P.O. Box 569

Mbabane

Date: **17 August 2021**

ESWATINI SUGAR ASSOCIATION

COUNCIL MEMBERS' REPORT

for the year ended 31 March 2021

Council has pleasure in submitting their report together with the consolidated and separate financial statements of the Association for the financial year ended 31 March 2021.

Business activities

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

General review of business operations and results

The state of affairs of the Association at 31 March 2021 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 E6,10 billion (2020: E5,94 billion). The increase in revenue is mainly attributable to better selling prices and foreign exchange rates compared with the previous year, even though sales volumes were lower. The cost of sales increased from E5,66 billion to E5,92 billion in line with increased distributable proceeds. Profits that are made by the Association are distributed in full to the millers and growers and form part of the cost of sales. Distribution costs incurred during the year were E13,8 million (2020: E13,6 million), increasing marginally compared with the previous year, signifying that the sales terms for export sales, were relatively the same with the previous year.

Foreign exchange gains of E26,3 million were realised compared to a foreign exchange loss of E4,29 million in the previous year. This is primarily a result of high favourable volatility of the Lilangeni against export currencies during the year. Interest paid decreased from E182,42 million to E87,20 million, a result of a better optimal funding, decreased prime lending rate, as well as good working capital management compared with the previous year. Total overheads increased from E83,05 million to E109,04 million, as a result of costs incurred for moving sugarcane from the Ubombo mill to the Simunye mill for purposes of crushing, costs incurred for the development of the ESA corporate and marketing strategy, as well as costs for developing the concept of the Agi-business park.

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

Consolidated statement of financial position

The carrying value of property, plant and equipment increased from E146,10 million to E209,69 million as a result of additional investment on the Ubombo bagging and warehousing infrastructure.

Inventories decreased from E511,8 million to E291,5 million as a result of lower closing stock quantities when compared to the previous year. Trade receivables decreased by E133,4 million mainly as a result of good sales performance, in the earlier periods of the year, such that towards the end of the financial year there was limited stock available to be sold to customers. In addition, customers settled their debts prior to year-end, with limited additional sales. Trade payables decreased as a result of the amount payable to the millers for allowances paid in respect of higher quality of the sugar. Short term borrowing decreased by E200 million as a result of the settlement of the Public Services Pension Fund loan. Bank overdraft decreased from E146 million to E138 million, in line with inventory and accounts payables.

ESWATINI SUGAR ASSOCIATION

COUNCIL MEMBERS' REPORT

for the year ended 31 March 2021 (continued)

Covid 19 Outlook and going concern

The Covid 19 pandemic developed rapidly in later parts of 2020 with a significant number of cases noted mainly during the second wave of the pandemic which was experienced during December 2020 and January 2021. Measures taken by various governments to curb the spread of the virus affected economic activity negatively across many industry sectors in the Kingdom.

The Association took a number of measures to monitor and mitigate the disastrous effects of the pandemic as below:

- Where possible employees were encouraged to work virtually from home;
- Sanitizers and temperature testing were introduced in all the Association offices and or areas of work;
- Utilization of virtual platforms for conducting all meetings between staff and external important stakeholders; and
- Ensuring social distancing at all the Association offices.

Council have reviewed budgets and flow of funds forecasts for the next few years and considered the Association's ability to continue as a going concern in light of current and anticipated economic conditions. These budgets and flow of funds forecast took the impact of the COVID-19 pandemic into consideration, including projections of the impact on the Association's funding and liquidity requirements, all of which have remained within internal targets.

As part of this assessment, Council considered the sufficiency of the Bank's financial resources throughout the pandemic. The management of the Association's financial resources, which it defines as funding and liquidity, and risk capacity, is a critical enabler of the achievement of the Association's stated growth targets and achieving its mandate as per the Sugar Act.

On the basis of this review, and in light of the current financial position, Council is satisfied that the Association has adequate resources to continue in operating for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

Subsidiaries and jointly controlled company

The Association has the following subsidiary companies:

Eswatini Sugar Assets Limited	100%
Sugar Assets (Mhlume) Limited	100%
Sugar Assets (Simunye) Limited	100%

In 2019, Council approved the deregistration of the two dormant companies: Commodity Marketing Company Limited and Sugar Holding Company Limited. This deregistration exercise was completed during this financial year.

The Association has interest in the following jointly controlled company:

Sociedade Terminal de Açúcar De Maputo Lemitada ("STAM")	25%
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Corporate Governance

The Group view the implementation of best corporate governance practice as a fundamental characteristic of its operations. Council is committed to the constitution and implementation of initiatives to improve corporate governance for the benefit of all members. A focus on sustainable value will benefit all the Group's stakeholders.

ESWATINI SUGAR ASSOCIATION

COUNCIL MEMBERS' REPORT

for the year ended 31 March 2021 (continued)

Council

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

Mr G White	President
Mr N Jackson	Vice President
Mr T Dlamini	Chairman
Mr O Magwenzi	
Dr A T Dlamini	
Mr B James	

Mr S Potts
Mr L Ndzimandze
Mr S Geldenhuys
Mr M Maziya
Mr M Mndzebele
Mr P Myeni
Mr P Malandvula
Mr M Mabuza
Mr T Nkambule
Mr M Hlatshwayo
Mrs S Magagula
Mr O Mabuza
Mr M Jele

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 in office at the reporting date were as follows:

Mr T Dlamini	Chairman
Mr M. Mndzebele	
Mr G White	
Mr O Magwenzi	
Mr P Malandvula	
Dr A T Dlamini	
Mr S Geldenhuys	
Mr N Jackson	
Mr M Maziya	
Mr S Potts	
Mr L. Ndzimandze	
Mr B. James	

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 P F Mnisi	Chairman
Mr S Potts	
Mr L Ndzimandze	
Mr J Msibi	
Mrs S Magagula	

ESWATINI SUGAR ASSOCIATION

COUNCIL MEMBERS' REPORT

for the year ended 31 March 2021 (continued)

Audit and Risk Committee

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

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

Secretary

Mr B Nyamane

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Mbabane

Auditors

PricewaterhouseCoopers
Mbabane

P O Box 564
Mbabane

ESWATINI SUGAR ASSOCIATION

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2021

	Notes	Group		Association	
		2021 E'000	2020 E'000	2021 E'000	2020 E'000
Revenue	6	6 101 677	5 939 729	6 101 677	5 939 729
Cost of sales		(5 923 686)	(5 661 296)	(5 936 082)	(5 677 266)
Gross profit		177 991	278 433	165 595	262 463
Other income		6 116	4 568	6 116	4 568
Distribution costs		(13 811)	(13 628)	(13 760)	(13 393)
Administrative expenses		(109 879)	(83 048)	(108 042)	(81 211)
Foreign exchange gain /(loss)	8	26 280	(4 296)	26 280	(4 296)
Operating profit before financing costs	7	86 697	182 029	76 189	168 131
Finance income		-	-	11 148	14 383
Finance expense		(87 203)	(182 423)	(87 203)	(182 423)
Net financing costs	8	(87 203)	(182 423)	76 055	(168 040)
Share of profit of jointly controlled entity (net of tax)		640	485	-	-
Profit before tax		134	91	134	91
Income tax expense	9	(134)	(91)	(134)	(91)
Profit for the year		-	-	-	-
Transfer to distributable reserves		-	-	-	-
Other comprehensive income					
<i>Items that are or may be reclassified to profit or loss</i>					
Unrealised cash flow hedges	24	70 578	-	70 578	-
Total comprehensive income for the year		70 578	-	70 578	-

*The above Consolidate and Separate statement of comprehensive income should be read in conjunction with the accompanying summary of significant accounting policies and notes to the financial statements.

ESWATINI SUGAR ASSOCIATION

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
at 31 March 2021

	Notes	Group		Association	
		2021 E'000	2020 E'000	2021 E'000	2020 E'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	209 680	146 123	9 459	7 716
Investment in subsidiaries	11	-	-	-	-
Jointly controlled entity	11	36 989	44 001	39 362	39 362
Total non-current assets		246 669	190 124	48 821	47 078
Current assets					
Loans to subsidiaries	14	-	-	199 923	138 112
Inventories	12	291 542	511 794	291 542	511 794
Trade and other receivables	13	537 995	671 419	537 995	671 419
Contract Asset	24	70 578	-	70 578	-
Current tax asset	18.2	-	89	-	89
Cash and cash equivalents	18.3	25 168	4 608	25 168	4 608
Total current assets		925 283	1 187 910	1 125 206	1 326 022
Total assets		1 171 952	1 378 034	1 174 027	1 373 100
RESERVES AND LIABILITIES					
Non-distributable reserve	15	3 934	3 934	3 934	3 934
Cash flow hedge reserve	24	70 578	-	70 578	-
Total reserves		74 512	3 934	74 512	3 934
Non-current liabilities					
Long term liabilities	16.1	150 000	150 000	150 000	150 000
Current liabilities					
Bank overdraft	18.3	138 429	146 004	138 429	146 004
Current tax Liability	18.2	45	-	45	-
Short term borrowings	16.2	296 978	500 330	296 978	500 330
Contract Liabilities	24	-	20 884	-	20 884
Trade and other payables	17	511 988	556 882	514 063	551 948
Total current liabilities		947 440	1 224 100	949 515	1 219 166
Total liabilities		1 097 440	1 374 100	1 099 515	1 369 166
Total reserves and liabilities		1 171 952	1 378 034	1 174 027	1 373 100

*The above Consolidated and Separate statement of financial position should be read in conjunction with the accompanying summary of significant accounting policies and notes to the financial statements.

ESWATINI SUGAR ASSOCIATION

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS for the year ended 31 March 2021

	Notes	Group		Association	
		2021 E'000	2020 E'000	2021 E'000	2020 E'000
Cash flows from operating activities					
Cash generated from operations	18.1	388 461	986 062	369 066	963 259
Interest received	8	-	-	11 148	14 383
Interest paid	8	(87 203)	(182 423)	(87 203)	(182 423)
Taxation paid	18.2	-	(52)	-	(52)
<i>Net cash inflows from operating activities</i>		301 258	803 587	293 011	795 167
Cash flows from investing activities					
Acquisition of property, plant and equipment	10	(73 584)	(15 832)	(3 526)	(652)
Proceeds from the sale of property, plant and equipment		461	6	461	6
<i>Net cash outflows from investing activities</i>		(73 123)	(15 826)	(3 065)	(646)
Cash flows from financing activities					
Loans received from short term borrowings		-	130 000	-	130 000
Loans repaid from short term borrowings		(200 000)	(100 000)	(200 000)	(100 000)
Loans to subsidiary companies (repaid)		-	-	(61 811)	(6 760)
<i>Net cash (outflow)/inflow from financing activities</i>		(200 000)	30 000	(261 811)	23 240
Nets increase in cash and cash equivalents					
		28 135	817 761	28 135	817 761
Cash and cash equivalents at the beginning of the year		(141 396)	(959 157)	(141 396)	(959 157)
Cash and cash equivalents at the end of the year	18.3	(113 261)	(141 396)	(113 261)	(141 396)

*The above Consolidated and Separate statement of cashflows should be read in conjunction with the accompanying summary of significant accounting policies and notes to the financial statements.

ESWATINI SUGAR ASSOCIATION

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

for the year ended 31 March 2021

	Non-distributable reserve E'000	Other reserve E'000	Total Equity E'000
Group and Association 2021			
Balance at beginning of year	3 934	-	3 934
Changes in fair value of cashflow hedges	-	70 578	70 578
Balance at end of year	<u>3 934</u>	<u>70 578</u>	<u>74 512</u>
Group and Association 2020			
Balance at beginning of year	3 934		3 934
Changes in fair value of cash flow hedges	-	20 884	20 884
Cash flow hedges realised and reclassified to profit and loss	-	(20 884)	(20 884)
Balance at end of year	<u>3 934</u>	<u>-</u>	<u>3 934</u>

*The above Consolidated and Separate statement of changes in equity should be read in conjunction with the accompanying summary of significant accounting policies and notes to the financial statements.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

1. Reporting entity

Eswatini Sugar Association is an Association domiciled in Eswatini. The address of the Association's registered office is: Nkontfojeni Building, Corner of Msakato & Dzeliwe Streets, P O Box 445, Mbabane H100, Eswatini. The consolidated and separate financial statements of the Association as at and for the year ended 31 March 2021 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 The Kingdom of Eswatini as well as performing regulatory function for the sugar industry in The Kingdom of Eswatini. Amounts realised from the sale of sugar and molasses stocks are distributed to growers and millers.

The financial statements were Authorised for issue by the Council and signed on its behalf by the chairman and the Chief Executive Officer.

2. Basis of preparation

a) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance and comply with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB), and the requirements of Eswatini Sugar Act. Except as described in note 2 (e), the principal accounting policies are consistent with those of the previous year and have been applied consistently by the Group.

b) Basis of measurement

The consolidated and separate financial statements have been prepared on the historical cost basis except for derivative financial instruments which 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 Lilangeni (E), which is the Association's functional currency and the Group's presentation currency. All financial information presented in Lilangeni have been rounded to the nearest thousand.

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.

Judgements

Information about judgements made in applying accounting policies that have a significant effect on amounts recognised in the consolidated and separate financial statements are included in the following notes:

- note 6 : revenue recognition
- note 12 : classification of joint arrangements (refer also section 2(e)(ii) below)

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

2. Basis of preparation (continued)

d) Use of estimates and judgements (continued)

Assumptions and estimation uncertainties

In particular, information about significant areas of estimation uncertainties that have a significant risk in resulting in a material adjustment in the next year ending 31 March 2022 are included in the following notes:

- note 27 : provisions and contingencies
- notes 13, 14, 16, 17, 24 : valuation of financial instruments
- note 12 : valuation of sugar and molasses stocks
- note 10 : useful lives and residual values

Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group Financial Director, in consultation with the Group Finance Manager, determines the fair values used. As part of the process for determining the fair values, input data is obtained from the banks (foreign exchange rates) and where necessary reference is made to prices quoted in contracts entered into by the Group.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level inputs that is significant to the entire measurement. The Association and Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

2. Basis of preparation (continued)

e) Changes in accounting policy and disclosures

- a) International Financial Reporting Standards and amendments effective for the first time for the financial year beginning 01 April 2020.

International Financial Reporting Standards and amendments effective for the first time.			Applicable to the Group
Number	Effective date	Executive summary	Yes/No
Amendment to IFRS 3, 'Business combinations'	Annual periods on or after 1 January 2020	This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions.	Yes
Definition of a business	(Published October 2018)	To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.	

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

2. Basis of preparation (continued)

e) Changes in accounting policy and disclosures (continued)

- b) International Financial Reporting Standards and amendments not effective for the first time for the financial year beginning 01 April 2021.

International Financial Reporting Standards, interpretations and amendments issued but not effective.			Applicable to the Group
Number	Effective date	Executive summary	Yes/No
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2022 (Published January 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).	Yes
Amendment to IFRS 3, 'Business combinations'	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.	Yes

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

3. Significant accounting policies

3.1 Basis of consolidation

Subsidiaries

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

	2021 <i>Control</i>	2020 <i>Control</i>
■ Swaziland Sugar Assets Limited	100%	100%
■ Sugar Assets (Mhlume) Limited	100%	100%
■ Sugar Assets (Simunye) Limited	100%	100%

In the meeting held on 17 December 2019, Council approved the deregistration of the following companies which was concluded during the financial year ending 2020/21:

■ Sugar Holding Company Limited	-	100%
■ Commodity Marketing Company Limited	-	100%

Joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The consolidated 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:

	2021 <i>Share</i>	2020 <i>Share</i>
Sociedade Terminal De Açucar De Maputo Limatada ("STAM")	25%	25%

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated 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 Lilangeni at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised in 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 that are measured at fair value in foreign currencies 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.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

3. Significant accounting policies (continued)

3.3 Financial instruments

Financial assets include cash and cash equivalents, trade and other receivables, forward exchange contract assets and loans to subsidiaries.

Financial liabilities include bank overdrafts, long-term liabilities and trade and other payables. All financial liabilities are recognised initially at fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, any directly attributable transaction costs.

Unless otherwise stated, the carrying values of these financial assets and financial liabilities approximate their fair value, due to their short-term nature.

i) Financial Assets

Financial assets include cash and cash equivalents, trade and other receivables, forward exchange contract assets and loans to subsidiaries.

(a) Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income (“FVOCI”) or through profit or Loss (“FVPL”)), and
- Those to be measured at amortised cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (“FVOCI”)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss (“FVPL”)

All the financial assets held by the Group during the year and as at year end were classified as those measured at amortised cost as they were held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

(b) Measurement

At initial recognition, the Group measures a financial asset classified at amortised cost at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in foreign exchange (loss/gain). Impairment losses are presented as separate line item in the statement of profit or loss. No impairment loss was recognised in the current period.

If the transaction price differs from fair value at initial recognition the difference is accounted for as follows; if fair value is evidenced by a quoted price in an active market for an identical asset or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss) or in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability). After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that will market participants would consider when pricing the asset or liability

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(d) Off-setting financial instruments

Financial assets and liabilities are set off and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. There were no financial instruments that were offset during the year (2018:E nil).

(e) Impairment of financial assets

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and FVOCI. All the financial assets held by the Group during the year and as at year end were classified as those measured at amortised cost.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates are calculated based on historical credit losses experienced. Historically, the Group has not had credit losses due to the nature of the customers. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group computed the expected credit loss allowance on the basis of the new accounting policy and determined that this was not material.

Financial assets are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. There no write offs in the current period (2019: E nil).

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

ii) *Non-derivative financial liabilities*

The Group initially recognises a financial liability when it becomes 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 financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: long term liabilities, bank overdrafts, and trade and other payables.

Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

iii) *Derivative financial instruments*

The Group holds derivative financial instruments to hedge its foreign currency 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. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

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. 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.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

3. Significant accounting policies (continued)

3.4 Impairment of non-financial assets

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

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

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

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

3.5 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 plans, 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.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

3. Significant accounting policies (continued)

3.6 Income tax

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

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

3.7 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.

3.8 Investments

Investments are shown at cost less impairment losses in the Association's separate financial statements, and comprise investments in subsidiaries and jointly controlled entities.

3.9 Leases

The Group recognises both a right-of-use asset and a lease liability as at the lease commencement date. The right-of-use asset is initially measured at cost, which represents the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred, plus an estimate of the costs required to dismantle and remove the underlying asset or to restore the site on which it is located (if applicable), less any lease incentives received. The lease liability is initially measured at the present value of the lease payments that have not yet been paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot readily be determined, the Group's incremental borrowing rate. The lease liability is remeasured when there are changes in the amounts of future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

3. Significant accounting policies (continued)

3.9 Leases (continued)

The Group presents right-of-use assets and lease liabilities in a separate line in the statement of financial position.

Short-term leases and leases of low-value assets

As permitted under the standard, the Group does not recognise right-of-use assets and lease liabilities for short-term leases of assets that have lease terms of 12 months or less, and leases of low value assets. The Group recognises the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

Amortisation

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those used for the property and equipment items.

Impairment

The right-of-use assets are periodically reduced by the amounts of impairment losses and adjusted to reflect certain remeasurements of the respective lease liabilities.

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.

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

The Group adopted IFRS 15, "Revenue from contracts with customers" from 1 April 2018 which resulted in changes in accounting policies.

New accounting policies on revenue from contracts with customers are summarised below;

Revenue is derived from sale of sugar and molasses. Revenue is recognised when or as the Group satisfies performance obligations by transferring a good or service to a customer. The Group has determined that it generates all its revenues at a point in time. Revenue is measured based on the consideration specified in the different contracts with customers and net of value-added tax, rebates and discounts.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

3. Significant accounting policies (continued)

3.11 Revenue (continued)

i) Sugar and molasses sales (continued)

The group buys and sells sugar and molasses from millers and growers. Revenue is recognised when control of sugar and molasses has transferred, when the sugar or molasses is delivered to the customer. For the local market delivery is generally when the sugar or molasses is released from the warehouse to the customer, while for the export market, depending on the terms of the sale, if free – on – board, the sale is recognized upon loading the sugar to the carrier and issuance of the bill of lading. In the case of cost-insurance-freight sale, revenue is recognized when the carrier has discharged the sugar to the customer, at the customer's port destination. Molasses revenue is for the local market and revenue is recognized upon release to the customer at the warehouse. The group has full discretion, over the channels and price, to sell sugar and molasses, and there are no unfulfilled obligation that can affect customer's acceptance of sugar or molasses.

Revenue from the sale of sugar and molasses is recognised in 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. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described above. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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 group 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 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 measured 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.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

3. Significant accounting policies (continued)

3.12 Property, plant and equipment (continued)

ii) Depreciation

Freehold land is not depreciated. Improvements to leasehold property are capitalised and depreciated over the period of the lease. Depreciation is calculated on a reducing balance and on a straight-line basis at the rate considered appropriate to reduce the carrying value of their useful lives. Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate.

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

	<i>Years</i>
Buildings	25
Motor vehicles	5
Plant, machinery and equipment	10
Furniture and fittings	10
Computer equipment	3
Sugar assets	
<i>Bulk store</i>	
Bulk store building	40
Bulk store equipment	20 - 40
<i>Conditioning silo</i>	
Conditioning building	40
Conditioning equipment	10 - 40
<i>Molasses storage</i>	
Molasses tanks	40
Molasses equipment	10 - 35
Bagging plant equipment	20

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.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

3. Significant accounting policies (continued)

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. 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.

Forward exchange contracts

The fair value of forward exchange contracts is based on their quoted price obtained from the Association's bankers. If a quoted 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.

Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes.

5. Comparatives

Where necessary comparatives have been adjusted to conform with changes in presentation in current year.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

	Group		Association	
	2021	2020	2021	2020
	E'000	E'000	E'000	E'000
6. Revenue - disaggregation of revenue from contracts with customers				
The group derives revenue from transfer of goods at a point in time in the following major product lines and channels				
<i>Revenue by product type comprises:</i>				
- Sugar sales	5 920 584	5 743 642	5 920 584	5 743 642
- Molasses sales	181 093	196 087	181 093	196 087
	<u>6 101 677</u>	<u>5 939 729</u>	<u>6 101 677</u>	<u>5 939 729</u>
<i>Revenue by channel comprises:</i>				
SACU market	4 229 909	4 070 243	4 229 909	4 070 243
Regional market	505 360	570 695	505 360	570 695
International market	1 366 408	1 298 791	1 366 408	1 298 791
	<u>6 101 677</u>	<u>5 939 729</u>	<u>6 101 677</u>	<u>5 939 729</u>

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

7. Operating profit before financing costs

Operating profit before financing costs is arrived at after charging the following:

Income:

Administration Expenses:

Auditors remuneration

- Current year	3	101	3	102
- Prior year	713	786	713	786
Depreciation	9 847	9 592	1 603	1 170
Lease expenses	1 381	1 283	1 381	1 283
Management fees				
- Computer related	2 046	1 627	2 046	1 627
Payroll costs	43 498	38 892	43 498	38 892

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

	Group		Association	
	2021	2020	2021	2020
	E'000	E'000	E'000	E'000
8. Net financing costs				
<i>Finance income and expense</i>				
<i>Finance expense on financial liabilities</i>				
Measured at amortised cost	(87 203)	(182 423)	(87 203)	(182 423)
Interest income on loans originated by the Association	-	-	11 148	14 383
Finance expenses	(87 203)	(182 423)	(76 055)	(168 040)
<i>Finance income on financial assets</i>				
Foreign exchange loss	-	(20 758)	-	(20 758)
Foreign Exchange gain	26 280	16 462	26 280	16 462
Finance income	26 280	(4 296)	26 280	(4 296)

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

	Group		Association	
	2021 E'000	2020 E'000	2021 E'000	2020 E'000
9. Income tax expense				
<i>Tax recognised in profit or loss</i>				
Current year charge	134	91	134	91
	<u>134</u>	<u>91</u>	<u>134</u>	<u>91</u>
<i>Tax rate reconciliation</i>				
Profit before taxation	134	91	134	91
Tax thereon at 27.5%	37	25	37	25
Tax effect of non-deductible expenses	97	66	97	66
	<u>134</u>	<u>91</u>	<u>134</u>	<u>91</u>
10. Property, plant and equipment				
Cost				
Freehold land and buildings	13 043	12 859	13 043	12 859
Leasehold land and buildings	167	167	167	167
Plant, machinery and computer equipment	19 181	18 023	19 181	18 023
Furniture and fittings	1 904	1 807	1 904	1 807
Motor vehicles	7 511	6 592	5 259	4 340
Conditioning silo buildings	63 507	63 507	-	-
Sugar store buildings	91 354	90 585	-	-
Molasses storage buildings	1 372	1 372	-	-
Conditioning silo equipment	49 263	49 263	-	-
Sugar store equipment	78 104	76 578	-	-
Molasses storage equipment	22 760	22 760	-	-
Capital work in progress	73 631	5 890	559	583
	<u>421 797</u>	<u>349 403</u>	<u>40 113</u>	<u>37 779</u>
Accumulated depreciation				
Freehold land and buildings	(11 441)	(11 270)	(11 441)	(11 270)
Leasehold land and buildings	(166)	(166)	(166)	(166)
Plant, machinery and computer equipment	(15 172)	(14 410)	(15 172)	(14 410)
Furniture and fittings	(1 311)	(1 256)	(1 311)	(1 256)
Motor vehicles	(3 358)	(3 666)	(2 564)	(2 961)
Conditioning silo buildings	(31 755)	(30 193)	-	-
Sugar store buildings	(43 766)	(41 461)	-	-
Molasses storage buildings	(1 372)	(1 372)	-	-
Conditioning silo equipment	(44 446)	(43 690)	-	-
Sugar store equipment	(43 989)	(40 921)	-	-
Molasses storage equipment	(15 341)	(14 875)	-	-
	<u>(212 117)</u>	<u>(203 280)</u>	<u>(30 654)</u>	<u>(30 063)</u>

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

10. Property, plant and equipment (continued)

	Group		Association	
	2021 E'000	2020 E'000	2021 E'000	2020 E'000
Carrying amount				
Freehold land and buildings	1 602	1 589	1 602	1 589
Leasehold land and buildings	1	1	1	1
Plant, machinery and computer equipment	4 009	3 613	4 009	3 613
Furniture and fittings	593	551	593	551
Motor vehicles	4 153	2 926	2 695	1 379
Conditioning silo buildings	31 752	33 314	-	-
Sugar store buildings	47 588	49 124	-	-
Molasses storage buildings	-	-	-	-
Conditioning silo equipment	4 817	5 573	-	-
Sugar store equipment	34 115	35 657	-	-
Molasses storage equipment	7 419	7 885	-	-
Capital work in progress	73 631	5 890	559	583
	209 680	146 123	9 459	7 716

Included in property, plant and equipment are assets with zero net book values which are still being used by the Group. Summarised details of these assets are as follows:

	2021 E'000	2020 E'000
Cost	53 749	35 950
Accumulated depreciation	(53 749)	(35 950)
	-	-

The sugar conditioning plant, molasses storage tanks and sugar warehouse in Big Bend 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 Sugar Company Limited. The sub-lease expired on 8 September 2008 and is in the process of being renewed for a further period of twenty- five years. The warehouse and bagging plant at Simunye is situated on land to be sub-leased from the Royal Eswatini Sugar Corporation Limited. The sub-lease is still to be registered. Depreciation for the year has been charged as follows:

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2021 (continued)

10. Property, plant and equipment (continued)
Allocation of depreciation

	Group		Association	
	2021 E'000	2020 E'000	2021 E'000	2020 E'000
Direct cost of sales	722	331	722	331
Direct analysis of cane	209	233	209	233
Extension services	211	209	211	209
Administration	461	397	461	397
Operating expense	8 244	8 422	-	-
Total	9 847	9 592	1 603	1 170

Reconciliation of the opening and closing carrying amounts – 2021

Association

	Opening Carrying Amount E'000	Additions E'000	Disposals E'000	Transfer E'000	Depreciation E'000	Closing Carrying amount E'000
Freehold land and buildings	1 589	160	-	24	(171)	1 602
Leasehold land and buildings	1	-	-	-	-	1
Plant and equipment	3 613	1 158	-	-	(762)	4 009
Furniture and fittings	551	98	-	-	(56)	593
Motor vehicles	1 379	2 110	(180)	-	(614)	2 695
Capital work in progress	583	-	-	(24)	-	559
	7 716	3 526	(180)	-	(1 603)	9 459

Reconciliation of the opening and closing carrying amounts – 2020

Association

	Opening Carrying Amount E'000	Additions E'000	Disposals E'000	Transfer E'000	Depreciation E'000	Closing Carrying Amount E'000
Freehold land and buildings	1 754	-	-	-	(165)	1 589
Leasehold land and buildings	1	-	-	-	-	1
Plant and equipment	3 795	447	(25)	-	(604)	3 613
Furniture and fittings	531	79	(3)	-	(56)	551
Motor vehicles	1 724	-	-	-	(345)	1 379
Capital work in progress	457	126	-	-	-	583
	8 262	652	(28)	-	(1 170)	7 716

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2021 (continued)

10. Property, plant and equipment (continued)

Reconciliation of the opening and closing carrying amounts - 2021

Group	Opening Carrying Amount E'000	Additions E'000	Disposals E'000	Transfer E'000	Depreciation E'000	Closing Carrying Amount E'000
Freehold land and buildings	1 589	160	-	24	(171)	1 602
Leasehold land and buildings	1	-	-	-	-	1
Plant and equipment	3 613	1 158	-	-	(762)	4 009
Furniture and fittings	551	98	-	-	(56)	593
Motor vehicles	2 926	2 110	(180)	-	(703)	4 153
Conditioning silo buildings	33 314	-	-	-	(1 562)	31 752
Sugar store buildings	49 124	767	-	-	(2 303)	47 588
Conditioning silo equipment	5 573	-	-	-	(756)	4 817
Sugar store equipment	35 657	1 526	-	-	(3 068)	34 115
Molasses storage equipment	7 885	-	-	-	(466)	7 419
Capital work in progress	5 890	67 765	-	(24)	-	73 631
	146 123	73 584	(180)	-	(9 847)	209 680

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2021 (continued)

10. Property, plant and equipment (continued)

Reconciliation of the opening and closing carrying amounts - 2020

Group	Opening Carrying Amount E	Additions E	Disposals E	Transfer E	Depreciation E	Closing Carrying Amount E
Freehold land and buildings	1 754	-	-	-	(165)	1 589
Leasehold land and buildings	1	-	-	-	-	1
Plant and equipment	3 795	447	(25)	-	(604)	3 613
Furniture and fittings	531	79	(3)	-	(56)	551
Motor vehicles	2 669	692	-	-	(435)	2 926
Conditioning silo buildings	34 875	-	-	-	(1 561)	33 314
Sugar store buildings	50 623	780	-	-	(2 279)	49 124
Conditioning silo equipment	6 685	-	-	-	(1 112)	5 573
Sugar store equipment	29 900	8 672	-	-	(2 915)	35 657
Molasses storage equipment	8 350	-	-	-	(465)	7 885
Capital work in progress	728	5 162	-	-	-	5 890
	<u>139 911</u>	<u>15 832</u>	<u>(28)</u>	<u>-</u>	<u>(9 592)</u>	<u>146 123</u>

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

	Group		Association	
	2021 E'000	2020 E'000	2021 E'000	2020 E'000
11. Investments				
Shares at cost				
- Eswatini Sugar Assets Limited	-	-	-	-
- Sugar Assets (Mhlume) Limited	-	-	-	-
- Sugar Assets (Simunye) Limited	-	-	-	-
- Sugar Holding Company Limited	-	-	-	-
- Commodity Marketing Company Limited	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Jointly controlled entity				
<i>Investment in jointly controlled entity</i>				
Opening balance	44 001	35 231	39 362	39 362
Share of profit of equity accounted investment	640	485	-	-
Exchange differences	(7 652)	8 285	-	-
Closing balance	<u>36 989</u>	<u>44 001</u>	<u>39 362</u>	<u>39 362</u>
<i>The carrying value of the investment comprises:</i>				
Cost of investment	19 149	19 149	-	-
Accumulated post acquisition gains	3 098	2 458	-	-
Post acquisition investment	20 213	20 213	-	-
Accumulated foreign exchange losses on translation of Association interest	(5 471)	2 181	-	-
Closing balance	<u>36 989</u>	<u>44 001</u>	<u>-</u>	<u>-</u>

The investment relates to shares in Sociedade Terminal De Açúcar De Maputo Limitada ("STAM"). Refer to note 26 for analysis of the interest in the jointly controlled entity.

Entity	Principal place of business	Country of incorporation	Ownership	
			2021	2020
			%	%
- Eswatini Sugar Assets Limited	Big Bend, Eswatini	Eswatini	100	100
- Sugar Assets (Mhlume) Limited	Mhlume, Eswatini	Eswatini	100	100
- Sugar Assets (Simunye) Limited	Simunye, Eswatini	Eswatini	100	100
- Sugar Holding Company Limited	Dormant, Eswatini	Eswatini	-	100
- Commodity Marketing Company Limited	Dormant, Eswatini	Eswatini	-	100
- Sociedade Terminal De Açúcar De Maputo Limitada	Maputo, Mozambique	Mozambique	25	25

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2021 (continued)

	Group		Association	
	2021	2020	2021	2020
	E'000	E'000	E'000	E'000
12. Inventories				
The following inventories were held by the Group:				
Sugar and molasses stocks	266 789	487 131	266 789	487 131
Bags and liners	24 753	24 663	24 753	24 663
	<u>291 542</u>	<u>511 794</u>	<u>291 542</u>	<u>511 794</u>
There is a negative pledge over inventory. Refer to note 22.				
During the year there were no write downs or reversals of any write downs of inventory.				
13. Trade and other receivables				
Trade receivables	504 084	601 776	504 084	601 776
Other receivables	33 911	69 643	33 911	69 643
	<u>537 995</u>	<u>671 419</u>	<u>537 995</u>	<u>671 419</u>
There is a negative pledge over trade receivables. The Group's exposure to credit risk; currency risks; and impairment losses related to trade and other receivables is disclosed in note 22.				
14. Loans to subsidiaries				
Loan to Eswatini Sugar Assets Limited	-	-	113 969	48 174
Loan to Sugar Assets (Mhlume) Limited	-	-	43 631	46 580
Loan to Sugar Assets (Simunye) Limited	-	-	42 323	43 358
	<u>-</u>	<u>-</u>	<u>199 923</u>	<u>138 112</u>

The loans attract interest at prime lending rate, are unsecured and have no fixed terms of repayment. The repayment of the loans is offset against conditioning fees charged by the subsidiary.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

	Group		Association	
	2021 E'000	2020 E'000	2021 E'000	2020 E'000
15. Non-distributable reserve				
Non distributable reserve	<u>3 934</u>	<u>3 934</u>	<u>3 934</u>	<u>3 934</u>
<p>The non-distributable reserve is in respect of profit on disposal of property, plant and equipment.</p>				
16. Financial Liabilities				
16.1 Long term liabilities				
<p>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 22.</p>				
Fixed term loan from Public Service Pensions Fund	150 000	250 000	150 000	250 000
<p>The loan will be repaid in full on 30 June 2023. Interest is negotiated on a renewal basis and is linked to the prime lending rate. The loan is unsecured.</p>				
Less: current portion transferred to current liabilities	-	(100 000)	-	(100 000)
Total non-current portion	<u>150 000</u>	<u>150 000</u>	<u>150 000</u>	<u>150 000</u>
16.2 Short term borrowings				
Promissory notes	296 978	300 330	296 978	300 330
Other Loans	-	200 000	-	200 000
	<u>296 978</u>	<u>500 330</u>	<u>296 978</u>	<u>500 330</u>

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2021 (continued)

	Current E'000	Within 2 years E'000	Within 3 years E'000	After 3 years E'000	Total 2021 E'000
16.3 Long term liabilities (continued)					
Debt repayment profile					
Group and Association – 2021					
<i>Short term borrowings</i>					
Bank overdraft	138 429	-	-	-	138 429
Short term borrowings	293 000	-	-	-	293 000
<i>Long term liabilities</i>					
Public Service Pensions Fund	-	150 000	-	-	150 000
	<u>431 429</u>	<u>150 000</u>	<u>-</u>	<u>-</u>	<u>581 429</u>
Group and Association – 2020					
<i>Short term borrowings</i>					
Bank overdraft	146 004	-	-	-	146 004
Short term borrowings	493 000	-	-	-	493 000
<i>Long term liabilities</i>					
Public Service Pensions Fund	-	150 000	-	-	150 000
	<u>639 004</u>	<u>150 000</u>	<u>-</u>	<u>-</u>	<u>789 004</u>

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

16.4 Reconciliation of opening and closing carrying amounts

Group and Association	Group		Association	
	2021 E'000	2020 E'000	2021 E'000	2020 E'000
Opening carrying amount	643 000	613 000	643 000	613 000
Additions during the year	-	130 000	-	130 000
Repayment during the year	(200 000)	(100 000)	(200 000)	(100 000)
Accrued interest	3 978	7 330	3 978	7 330
Closing carrying amount	446 978	650 330	446 978	650 330
Current portion of carrying amount	(296 978)	(500 330)	(296 978)	(500 330)
	150 000	150 000	150 000	150 000

17. Trade and other payables	Group		Association	
	2021 E'000	2020 E'000	2021 E'000	2020 E'000
Milling companies	356 974	354 402	356 971	354 401
Other payables and accruals	155 014	202 480	157 092	197 547
	511 988	556 882	514 063	551 948

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 22. Included in other payables and accruals is a provision for incentive bonus refer to note 27.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

	Group		Association	
	2021 E'000	2020 E'000	2021 E'000	2020 E'000
18. Notes relating to the cash flow statements				
18.1 Cash generated from operations				
Profit for the year before tax	134	91	134	91
<i>Adjustment for non-cash flow items:</i>				
(Profit)/loss on disposal of property, plant and equipment	(281)	23	(281)	23
Depreciation	9 847	9 592	1 603	1 170
Finance income		-	(11 148)	(14 383)
Finance expenses	87 203	182 423	87 203	182 423
Share of joint venture profit	(640)	(485)	-	-
Foreign exchange difference on revaluation of forward exchange contracts	(20 885)	20 885	(20 885)	20 885
FCTR on equity accounted investment	7 652	(8 285)	-	-
	83 030	204 244	56 626	190 209
Decrease in inventories	220 252	499 799	220 252	499 799
Decrease in trade and other receivables	133 424	89 825	133 424	89 825
(Decrease)/increase in trade and other payables	(48 245)	192 194	(41 236)	183 426
	388 461	986 062	369 066	963 259
18.2 Taxation paid				
Balance at beginning of year	89	128	89	128
Current year charge	(134)	(91)	(134)	(91)
Balance at end of year	45	(89)	45	(89)
	-	(52)	-	(52)
18.3 Cash and cash equivalents				
Bank balances and cash on hand	25 168	4 608	25 168	4 608
Bank overdrafts	(138 429)	(146 004)	(138 429)	(146 004)
	(113 261)	(141 396)	(113 261)	(141 396)

The bank overdraft and short term borrowing are secured by a negative pledge. The overdraft facilities are held with Standard Bank of Eswatini, First National Bank of Eswatini, Eswatini Bank, Nedbank Eswatini and Rand Merchant. These facilities are renewable on an annual basis. Bank The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities is disclosed in note 22. At 31 March 2021, E934 207 (2020: E1 008 243) was held by the Group on behalf of certified Fairtrade growers in respect of Fairtrade premiums.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

	Group		Association	
	2021 E'000	2020 E'000	2021 E'000	2020 E'000
19. Lease commitments				
Future operating lease rentals of premises not provided for:				
Due within one year	1 415	1 347	1 415	1 347
Two to five years	118	1 533	118	1 533
	<u>1 533</u>	<u>2 880</u>	<u>1 533</u>	<u>2 880</u>

The Association has leased property, which it utilises as offices. The lease period is for three years, renewable. Lease instalments of E118 358 are payable monthly and are subject to an escalation clause of ten percent per annum, effective on 1 May each year. Refer to note 7 for current year operating lease expense.

	Group		Association	
	2021 US\$	2020 US\$	2021 US\$	2020 US\$
20. Foreign currency				
The following balances are (payable)/receivable in foreign currency:				
Payable				
Included in trade payables:				
Sociedade Terminal De Açucar De Maputo Limitada ("STAM")	(535)	(478)	(535)	(478)
Other	<u>(1 383)</u>	<u>(1 289)</u>	<u>(1 383)</u>	<u>(1 289)</u>
	<u>(1 918)</u>	<u>(1 767)</u>	<u>(1 918)</u>	<u>(1 767)</u>
Receivables				
Included in trade and other receivables	<u>11 234</u>	<u>2 786</u>	<u>11 234</u>	<u>2 786</u>
Included in bank balances				
Standard Bank Eswatini Limited	8	16	8	16
First National Bank Eswatini Limited	<u>133</u>	<u>50</u>	<u>133</u>	<u>50</u>
	<u>141</u>	<u>66</u>	<u>141</u>	<u>66</u>

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

	Group		Association	
	2021	2020	2021	2020
	EURO	EURO	EURO	EURO
20. Foreign currency (continued)				
The following balances are (payable)/receivable in foreign currency:				
Included in bank balances				
Standard Bank Eswatini Limited	<u>97</u>	<u>76</u>	<u>97</u>	<u>76</u>
	<u>97</u>	<u>76</u>	<u>97</u>	<u>76</u>
Receivable				
Included in trade and other receivables	<u>909</u>	<u>1 534</u>	<u>909</u>	<u>1 534</u>

21. Retirement benefit information

The Group provides retirement benefits for all its permanent employees through a defined contribution fund known as Eswatini Sugar Association Staff Provident Fund. In terms of the rules of the provident fund the employees contribute 5% - 7% and the employer contributes 11% - 12%. The Group contributed the following amount during the year:

	Group and Association	
	2021	2020
	E'000	E'000
Defined contributions	<u>4 731</u>	<u>4 399</u>

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

22. Financial risk management

Overview

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Association and Group's exposure to each of the above risks, the Association and Group's objectives, policies and processes for measuring and managing risk, and the Association and 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 Association and Group's risk management framework. Council has established an Audit and risk committee, which is responsible for developing and monitoring the Association and Group's risk management policies. The committee reports on a quarterly basis to Council on its activities.

The Association and Group's risk management policies are established to identify and analyse the risks faced by the Association and 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 Association and Group's activities. The Association and Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Association and 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 Association and Group. The Audit and risk 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 and risk committee.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

22. Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Group and Association 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 and Association's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 66 (2020: 69) percent of the Group and Association's revenue is attributable to sales transactions with 39 (2020: 37) customers, within the Southern African Customs Union ("SACU") market and 34 (2020: 31) percent of the Group and Association's revenue is attributable from sales transactions with 27 (2020: 37) customers, within the regional and to 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 and Association's standard payment and delivery terms and conditions are offered. The Group and Association'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 and Association's customers have been transacting with the Group and Association for over five years, and losses have occurred infrequently. The Group and Association require bank guarantees in respect of trade and other receivables.

The Group and Association provide an allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables. The expected credit loss allowances for financial assets are based on assumptions about risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The identified impairment loss on the three classes of financial assets was immaterial, both on adoption of IFRS 9 as well as at year end.

Guarantees

The Group and Association's policy is to provide guarantees for loans extended only to its related entities. At 31 March 2021 there were no outstanding loans owed by the subsidiaries to third parties.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

22. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and 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:

- E2 869 million (2020: E3 250million) overdraft facility that is secured. Interest would be negotiated.

Market risk

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

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

Currency risk

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

The Group and Association is not exposed to the South African Rand, since Eswatini Lilangeni is linked to the South African Rand on a 1:1 ratio.

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 directly in equity. When such hedges are realised they 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 and forward sugar pricing used as economic hedges of monetary assets and liabilities in foreign currencies at 31 March 2021 was E70 578 113 2020: (E20 884 424) recognised in fair value derivatives.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2021 (continued)

22. Financial risk management (continued)

Forecasted transactions

The Group classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and measures them at fair value. There were no forward exchange contracts and forward exchange currency options at the end of the year.

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 joint venture 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 14 and 16 to the financial statements. Bank overdrafts bear interest at rates linked to the prime overdraft rate as applicable in Eswatini on a floating rate basis.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

22. Financial risk management (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 current ratio of 1:1. The current ratio for the current year is detailed below.

Capital management

	Group		Association	
	2021 E'000	2020 E'000	2021 E'000	2020 E'000
Total current liabilities	<u>947 440</u>	<u>1 224 100</u>	<u>949 515</u>	<u>1 219 166</u>
Total current assets	<u>925 283</u>	<u>1 187 910</u>	<u>1 125 206</u>	<u>1 326 022</u>
Ratio of total current assets to liabilities	<u>0.98</u>	<u>0.97</u>	<u>1.19</u>	<u>1.09</u>
Cash flow hedge				
Net change in fair value of cash flow hedges transferred from other comprehensive income	<u>70 758</u>	<u>-</u>	<u>70 758</u>	<u>-</u>

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

22. Financial risk management (continued)

	Group		Association	
	2021	2020	2021	2020
	E'000	E'000	E'000	E'000
<i>Loans and borrowings</i>				
<p>This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.</p>				
Non-current liabilities				
Unsecured fixed term loans	150 000	150 000	150 000	150 000
Current liabilities				
Short term borrowings	296 978	500 330	296 978	500 330
Bank overdraft	138 429	146 004	138 429	146 004
	585 407	796 334	585 407	796 334

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2021 (continued)

22. Financial risk management (continued)

Terms and repayment schedule

Group and Association	Carrying currency	Nominal interest rate	Year of maturity	2021		2020	
				Face value E'000	Carrying amount E'000	Face value E'000	Carrying amount E'000
Fixed loan	Lilangeni	Negotiated rates	31 July 2023	150 000	150 000	150 000	150 000
Short term borrowings	Lilangeni	Negotiated rates	30 July 2021	296 978	296 978	500 330	500 330
Unsecured bank facility	Lilangeni	Negotiated rates	31 March 2021	138 429	138 429	146 004	146 004
Total interest-bearing liabilities				<u>585 407</u>	<u>585 407</u>	<u>796 336</u>	<u>796 334</u>

The unsecured bank loans and short term borrowings are secured by a negative pledge over inventory and trade receivables with a carrying value of E829 536 431 (2020: E853 171 860).

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

22. Financial risk management (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	
	2021 E'000	2020 E'000	2021 E'000	2020 E'000
Carrying amount				
Loans and receivables	-	-	199 923	138 112
Trade receivables (excluding other receivables)	504 084	562 872	504 084	562 872
Cash and cash equivalents	25 168	4 608	25 168	4 608
Other forward exchange contracts	70 578	-	70 578	-
	599 830	567 480	799 753	705 592

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

Southern African Customs Union ("SACU")	341 943	471 467	341 943	471 467
Regional	12 141	11 138	12 141	11 138
International	150 000	80 267	150 000	80 267
	504 084	562 872	504 084	562 872

Trade receivables

The aging of trade receivables at the reporting date was:

Gross carrying amount

Current	193 336	373 398	193 336	373 398
0 – 30 days	245 417	60 333	245 417	60 333
31 – 120 days (past due)	65 331	129 140	65 331	129 140
	504 084	562 871	504 084	562 871

Based on past experience, the Group believes that no impairment allowance is necessary in respect of trade receivables other than those specifically identified. Impairment of trade receivables was assessed in terms of IFRS 9 expected credit loss model. Based on the assessment done at year, possible impairment was considered immaterial. The Group requires bank guarantees in respect of trade and other receivables.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2021 (continued)

22. Financial risk management (continued)

Group – 2021

Liquidity risk

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

	Carrying amount E'000	Contractual cash flows E'000	6 months or less E'000	6 – 12 months E'000	1 – 2 years E'000	2 – 5 years E'000
Non-derivative financial liabilities						
Short term borrowings	293 000	301 243	301 243	-	-	-
Unsecured bank facility	138 429	138 429	138 429	-	-	-
Trade and other payables	511 988	511 988	511 988	-	-	-
Other financial liabilities	522 977	522 977	522 977	-	-	-
Fixed loan – Long term	150 000	186 152	8 964	5 438	171 750	-
	1 620 394	1 1 660 789	1 483 601	5 438	171 750	-

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

Group - 2020

Liquidity risk

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

	Carrying amount E'000	Contractual cash flows E'000	6 months or less E'000	6 – 12 Months E'000	1 – 2 years E'000	2 – 5 years E'000
Non-derivative financial liabilities						
Short term borrowings	500 330	500 330	493 000	-	-	-
Unsecured bank facility	146 004	146 004	146 004	-	-	-
Trade and other payables	556 882	556 882	556 882	-	-	-
Other financial liabilities	20 884	20 885	20 885	-	-	-
Fixed loan – Long term	150 000	180 450	4 350	8 700	167 400	-
	1 374 100	1 404 551	1 228 121	8 700	167 400	-

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2021 (continued)

22. Financial risk management (continued)

Liquidity risk

Association – 2021

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

	Carrying amount E'000	Contractual cash flows E'000	6 months or less E'000	6 – 12 Months E'000	1 – 2 years E'000	2 – 5 years E'000
Non-derivative financial liabilities						
Unsecured bank facility	138 429	138 429	138 429	-	-	-
Fixed loan – long term	150 000	186 152	8 964	5 438	171 750	-
Short term borrowings	296 978	296 978	296 978	-	-	-
Trade and other payables	514 063	514 063	514 063	-	-	-
	1 099 470	1 135 622	958 434	5 438	171 750	-

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.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2021 (continued)

22. Financial risk management (continued)

Liquidity risk

	Carrying Amount E'000	Contractual cash flows E'000	6 months or less E'000	6 – 12 months E'000	1 – 2 years E'000	2 – 5 Years E'000
Association – 2020						
The following are the contractual maturities of financial liabilities including interest payments and excluding the impact of netting agreements						
Non-derivative financial liabilities						
Unsecured bank facility	146 004	146 004	146 004	-	-	-
Fixed loan – long term	150 000	180 450	4 350	8 700	167 400	-
Other financial liabilities	20 885	20 885	20 885	-	-	-
Short term borrowings	500 330	500 330	500 330	-	-	-
Trade and other payables	551 948	551 948	551 948	-	-	-
	<u>1 369 167</u>	<u>1 399 617</u>	<u>1 223 517</u>	<u>8 700</u>	<u>167 400</u>	<u>-</u>

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.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2021 (continued)

22. Financial risk management (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 2021		Group and Association 2020	
	Euro'000	USD'000	Euro'000	USD'000
Trade receivables	909	11 234	1 534	2 786
Bank balances	97	141	76	66
Trade payables	-	(1 918)	-	(1 767)
Gross statement of financial position exposure	1 006	9 457	1 610	1 085
Estimated forecast sales (2020/21)	9 085	77 724	8 823	90 636
Estimated forecast purchases (2020/21)	(1 087)	(4 516)	(1 288)	(5 066)
Gross exposure	9 004	82 665	9 145	86 655
Forward exchange contracts (2020/21)	-	(12 500)	(3 200)	(58 000)
Net exposure	9 004	70 165	5 945	28 655

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

22. Financial risk management (continued)

The following significant exchange rates applied during the year:

	Group and Association Average rates achieved		Group and Association Closing rates	
	2021	2020	2021	2020
Euro	18.28	16.42	17.51	19.80
USD	16.43	14.99	14.86	17.91

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 2021 and 2020.

	Group and Association export proceeds	
	2021 E'000	2020 E'000
USD and EURO	101 785	164 647

A 10 percent weakening of the Lilangeni against the Euro and USD 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 has no exposure to the rand as at 31 March 2021, as the Lilangeni and Rand are linked.

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

22. Financial risk management (continued)

Interest rate risk

Profile

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

	Group		Association	
	2021	2020	2021	2020
	E'000	E'000	E'000	E'000
<i>Fixed rate instruments</i>				
Financial liabilities	150 000	150 000	150 000	150 000
<i>Variable rate instruments</i>				
Financial liabilities	431 429	639 004	431 429	639 004

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 (profit or loss) 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 2021 and 2020. Since all proceeds are distributed to the millers and growers, there is no effect on equity.

	100 bp increase	100 bp decrease	100 bp Increase	100 bp decrease
	E	E	E	E
<i>31 March 2021</i>				
Variable rate instruments	5 814	(5 814)	5 814	(5 814)
Cash flow sensitivity (net)	5 814	(5 814)	5 814	(5 814)
<i>31 March 2020</i>				
Variable rate instruments	7 890	(7 890)	7 890	(7 890)
Cash flow sensitivity (net)	7 890	(7 890)	7 890	(7 890)

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

22. Financial risk management (continued)

Fair values

Fair value and accounting classification

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

Group

	Derivative financial instruments	Financial assets at amortised cost	Financial liabilities at amortised costs	Total carrying
	E'000	E'000	E'000	E'000
31 March 2021				
Forward Exchange contracts	70 578	-	-	70 578
Cash and cash equivalents	-	25 168	-	25 168
Trade and other receivables	-	537 995	-	537 995
	<u>70 578</u>	<u>563 163</u>	<u>-</u>	<u>633 741</u>
Trade and other payables	-	-	(511 988)	(511 988)
Unsecured fixed loan	-	-	(150 000)	(150 000)
Short term borrowings	-	-	(296 978)	(296 978)
Bank overdraft	-	-	(138 429)	(138 429)
	<u>-</u>	<u>-</u>	<u>(1 097 395)</u>	<u>(1 097 395)</u>
	Derivative financial instruments	Financial assets at amortised cost	Financial liabilities at amortised costs	Total carrying Amount
	E'000	E'000	E'000	E'000
31 March 2020				
Cash and cash equivalents	-	4 608	-	4 608
Trade and other receivables	-	671 419	-	671 419
	<u>-</u>	<u>676 027</u>	<u>-</u>	<u>676 027</u>
Trade and other payables	-	-	(556 882)	(556 882)
Unsecured fixed loan	-	-	(150 000)	(150 000)
Other financial Liabilities	(20 884)	-	-	(20 884)
Short term borrowings	-	-	(500 330)	(500 330)
Bank overdraft	-	-	(146 004)	(146 004)
	<u>(20 884)</u>	<u>-</u>	<u>(1 353 216)</u>	<u>(1 374 100)</u>

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

22. Financial risk management (continued)

Fair values

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

	Derivative financial instruments E'000	Financial assets at amortised costs E'000	Financial liabilities at amortised cost E'000	Total carrying E'000
31 March 2021				
Forward Exchange contracts	70 578	-	-	70 578
Trade and other receivables	-	537 995	-	537 995
Loans to subsidiary companies	-	199 923	-	199 923
Cash and cash equivalents	-	25 168	-	25 168
	<u>70 578</u>	<u>763 086</u>	<u>-</u>	<u>833 664</u>
Trade and other payables	-	-	(514 063)	(514 063)
Unsecured fixed loan	-	-	(150 000)	(150 000)
Short term borrowings	-	-	(296 978)	(296 978)
Bank overdraft	-	-	(138 429)	(138 429)
	<u>-</u>	<u>-</u>	<u>(1 099 470)</u>	<u>(1 099 470)</u>

Association

	Derivative financial instruments E'000	Financial assets at amortised costs E'000	Financial liabilities at amortised cost E'000	Total carrying E'000
31 March 2020				
Forward exchange contract	-	-	-	-
Trade and other receivables	-	671 419	-	671 419
Loans to subsidiary companies	-	138 112	-	138 112
Cash and cash equivalents	-	4 608	-	4 608
	<u>-</u>	<u>814 139</u>	<u>-</u>	<u>814 139</u>
Trade and other payables	-	-	(551 948)	(551 948)
Unsecured fixed loan	-	-	(150 000)	(150 000)
Other financial Liabilities	(20 884)	-	-	(20 884)
Short term borrowings	-	-	(500 330)	(500 330)
Bank overdraft	-	-	(146 004)	(146 004)
	<u>(20 884)</u>	<u>-</u>	<u>(1 348 282)</u>	<u>(1 369 166)</u>

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

22. Financial risk management (continued)

Basis for determining fair values

The basis for determining fair values is detailed in note 4.

Fair value hierarchy

The table below analyses financial instruments measured at fair value, by valuation method.

	Level 1 E'000	Level 2 E'000	Level 3 E'000
2021			
Forward exchange contract asset	-	70 578	-
2020			
Forward exchange contract liability	-	20 885	-

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

23. Related parties

Identification of related parties:

Related parties comprise subsidiary companies, a joint venture, the millers and the growers. The council and other key portfolios are occupied by representatives from the millers and 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.

23.1 Amounts due by related parties

	Group		Association	
	2021 E'000	2020 E'000	2021 E'000	2020 E'000
Accounts receivable – millers	1 911	7 870	1 911	7 870
Loans to subsidiaries	-	-	199 923	138 112
	<u>1 911</u>	<u>7 870</u>	<u>201 834</u>	<u>145 982</u>

23.2 Amounts due to related parties

Milling creditors (refer to note 17)	<u>356 971</u>	<u>354 402</u>	<u>356 971</u>	<u>354 401</u>
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23.3 Related party transactions

Conditioning fee paid	-	-	26 264	29 292
Interest on loan to subsidiaries	-	-	11 148	14 383
Sugar purchases	-	-	4 895 815	4 320 919
Molasses purchases	-	-	179 996	194 719

Millers and growers do not receive remuneration as members of Council and sub- committees.

Key management personnel compensation

Key management personnel receive salaries as approved by the remuneration committee. In addition to their salaries, management personnel receive incentive bonuses as determined and approved by the remuneration committee.

	2021 E'000	2020 E'000
Short-term employee benefits	15 973	15 073
Post-employment benefits	<u>3 475</u>	<u>3 241</u>

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

	Group		Association	
	2021	2020	2021	2020
	E'000	E'000	E'000	E'000
24. Contract Assets/Liabilities				
Cash flow hedge reserve				
Balance at the beginning of the year	-	-	-	-
Effective portion of changes in fair value of cash flow hedges	70 578	-	70 578	20 884
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	(20 884)
Balance at the end of the year	70 578	-	70 578	-
25. Capital commitments				
Approved but not yet contracted for	3 392	3 964	3 392	3 964
Approved and contracted for	55 887	109 500	55 887	-
	59 279	113 464	59 279	3 964

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

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

26. Equity accounted joint venture

Sociedade Terminal De Açucar De Maputo Limitada (“STAM”) is the only joint arrangement in which the Association and Group participate. The arrangement was entered into to facilitate the construction of a Silo Storage facility in Maputo, Mozambique which are utilised by the partners in the arrangement for storage of sugar destined for the export markets.

STAM is structured as a separate legal entity and the Group has a residual interest in the net assets of STAM. Accordingly the Group classifies its interest in STAM as a joint venture. In accordance with the agreement under which STAM was formed, the Group and the other three investors in the joint venture have agreed to make additional contributions in proportion to their shareholding to finance any working capital or capital requirements. The investors have also agreed to make good, in proportion to their shareholding, any losses should the need arise.

The following table summarises the financial information of STAM as included in its own financial statements.

Statement of financial position – 31 March 2021	Aggregate Amount		Association 25% Interest	
	2021 E'000	2021 \$'000	2021 E'000	2021 \$'000
Non-current assets	147 640	9 938	36 910	2 485
Current assets	45 364	3 054	11 341	763
Total assets	193 004	12 992	48 251	3 248
Non-current liabilities	164 767	11 091	41 192	2 773
Current liabilities	28 237	1 901	7 059	475
Total liabilities	193 004	12 992	48 251	3 248
Statement of comprehensive income – year ended 31 March 2021				
Revenue	75 924	5 110	18 981	1 278
Operating expenses	(70 344)	(4 734)	(17 586)	(1 184)
Profit from operations	5 580	376	1 395	94
Net finance income	(870)	(59)	(218)	(15)
Tax	(2 149)	(145)	(537)	(36)
Profit for the year	2 561	172	640	43
Share of profit after tax recognised in the statement of comprehensive income	640	43	640	43

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

26. Equity accounted joint venture (continued)

Statement of financial position - 31 March 2020	Aggregate Amount		Association 25% Interest	
	2020 E'000	2020 \$'000	2020 E'000	2020 \$'000
Non-current assets	171 674	9 585	42 918	2 396
Current assets	50 392	2 814	12 598	704
Total assets	222 066	12 399	55 516	3 100
Non-current liabilities	198 432	11 079	49 608	2 770
Current liabilities	23 634	1 320	5 908	330
Total liabilities	222 066	12 399	55 516	3 100
Statement of comprehensive income - year ended 31 March 2020				
Revenue	113 191	6 320	28 298	1 580
Operating expenses	(106 866)	(5 967)	(26 716)	(1 492)
Profit from operations	6 325	353	1 582	88
Net finance income	(1 466)	(82)	(367)	(20)
Tax	(2 919)	(163)	(730)	(41)
Profit for the year	1 940	108	485	27
Share of profit after tax recognised in the statement of comprehensive income	485	27	485	27

ESWATINI SUGAR ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

27. Provisions and contingent liabilities

On 31 March 2021, the Group had no contingent liabilities against it.

The Group had made the following provision at year end:

Provision for incentive bonus

	Group		Association	
	2021	2020	2021	2020
	E'000	E'000	E'000	E'000
Balance at beginning of year	8 039	5 545	8 039	5 545
Provision raised during the year	9 607	6 173	9 607	6 173
Provision utilised during the year	(8 646)	(3 679)	(8 646)	(3 679)
Balance at the end of the year	<u>9 000</u>	<u>8 039</u>	<u>9 000</u>	<u>8 039</u>

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 and the Remuneration Committee.

28. Guarantees

The banks have issued guarantees on behalf of the Association in respect of:

- Swaziland Customs and Excise – E208 500 (2020: E208 500)

29. Events after the reporting date

There are no events that have occurred after the reporting period that would require adjustment to or additional disclosure in these financial statements.

ESWATINI SUGAR ASSOCIATION

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION
for the year ended 31 March 2021

	Group		Association	
	2021	2020	2021	2020
	E'000	E'000	E'000	E'000
Funds were derived from				
Net increase in unsecured loans receivable	-	-	-	-
Decrease in current assets	353 765	642 136	353 765	642 136
Increase in current liabilities	45	352 698	45	343 930
Proceeds from Disposals	-	-	-	-
	353 810	994 834	353 810	986 066
Add: Items not affecting the flow of funds				
Non distributable reserve	49 693	-	49 693	-
Depreciation	9 847	9 592	1 603	1 170
Profit on disposal	180	28	180	28
	413 530	1 004 454	405 286	987 264
Funds were utilised for				
Profit in joint venture	-	8 770	-	-
Acquisition of fixed assets	73 584	15 833	3 526	652
Increase in current assets	91 138	-	152 949	6 761
Decrease in long term liabilities	-	100 000	-	100 000
Decrease in current liabilities	406 641	1 020 770	406 644	1 020 770
	571 363	1 145 373	563 119	1 128 183
Excess of utilisation funded by proceeds not yet distributed				
	157 833	140 919	157 833	140 919

ESWATINI SUGAR ASSOCIATION

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

for the year ended 31 March 2021 (continued)

Notes to the statement of changes in financial position	Group		Association	
	2021 E'000	2020 E'000	2021 E'000	2020 E'000
Increase in current assets				
Loans to subsidiaries	-	-	61 811	6 761
Taxation	-	-	-	-
Cash at bank and on hand	20 560	-	20 560	-
Other Financial Assets	70 578	-	70 578	-
	91 138	-	152 949	6 761
Increase in current liabilities				
Milling and other creditors	-	201 813	-	193 045
Short term borrowings	-	130 000	-	130 000
Other Financial liabilities	-	20 885	-	20 885
Taxation	45	-	45	-
	45	352 698	45	343 930
Decrease in current assets				
Trade and other receivables	133 424	89 826	133 424	89 826
Loans to subsidiaries	-	-	-	-
Taxation	89	39	89	39
Cash at bank and on hand	-	52 473	-	52 473
Inventory	220 252	499 798	220 252	499 798
	353 765	642 136	353 765	642 136
Decrease in current liabilities				
Milling and other creditors	58 147	-	58 150	-
Bank overdraft	7 575	870 234	7 575	870 234
Short term borrowings	200 000	-	200 000	-
Prior year proceeds distributed	140 919	150 536	140 919	150 536
	406 641	1 020 770	406 644	1 020 770

ESWATINI SUGAR ASSOCIATION

EXPORT SALES PROCEEDS

for the year ended 31 March 2021

	2021			2020		
	OUT-TURN MTTQ	GROSS PROCEEDS E'000	EXPORT EXPENSES E'000	EX MILL PROCEEDS E'000	OUT-TURN MTTQ	EX MILL PROCEEDS E'000
EU bulk	186 765	1 219 635	154 002	1 065 633	220 527	1 021 798
EU bagged						
Sugar	16 469	141 792	24 630	117 162	12 490	83 749
Regional						
bagged	63 941	536 616	120 834	415 782	78 373	449 731
Regional						
bulk	-	-	-	-	-	-
	<u>267 175</u>	<u>1 898 043</u>	<u>299 466</u>	<u>1 598 577</u>	<u>311 390</u>	<u>1 555 278</u>
ADD						
Export						
losses/gain	-				-	
	<u>267 175</u>				<u>311 390</u>	
	2020			2020		
	OUT-TURN MTTQ	GROSS PROCEEDS E'000	EXPORT EXPENSES E'000	EX MILL PROCEEDS E'000	OUT-TURN MTTQ	EX MILL PROCEEDS E'000
EU bulk	220 527	1 194 219	172 421	1 021 798	288 904	1 060 168
EU bagged						
Sugar	12 490	106 376	22 627	83 749	12 259	81 699
Regional						
Bagged	78 373	585 352	135 621	449 731	42 216	220 942
	<u>311 390</u>	<u>1 885 947</u>	<u>330 669</u>	<u>1 555 278</u>	<u>343 379</u>	<u>1 362 809</u>
ADD						
Export						
losses/gain	-				56	
	<u>311 390</u>				<u>343 435</u>	
AVERAGE PER MTTQ		GROSS PROCEEDS E	EXPORT EXPENSES E	EX MILL PROCEEDS E		EX MILL PROCEEDS E
EU bulk		6 530	824	5 706		4 633
EU bagged		8 610	1 496	7 114		6 705
Regional bagged		8 392	1 890	6 502		5 738
TOTAL				<u>19 322</u>		<u>17 076</u>

ESWATINI SUGAR ASSOCIATION

MOLASSES TRADING ACCOUNT

for the year ended 31 March 2021

	2021		2020	
	MTTQ	E'000	MTTQ	E'000
Proceeds	<u>238 204</u>	<u>181 094</u>	<u>259 771</u>	<u>196 087</u>
	<u>238 204</u>	<u>181 904</u>	<u>259 771</u>	<u>196 087</u>
<i>Cost of sales</i>				
Opening stock	-	-	-	-
<i>Purchases</i>				
The Royal Swaziland Sugar Corporation – Mhlume	63 155	46 375	72 513	53 546
Ubombo Sugar Limited	109 137	87 407	111 103	87 588
The Royal Swaziland Sugar Corporation Limited – Simunye	65 912	46 214	76 155	53 585
	<u>238 204</u>	<u>179 996</u>	<u>259 771</u>	<u>194 719</u>
Deduct: Closing stock	-	-	-	-
	<u>238 204</u>	<u>179 996</u>	<u>259 771</u>	
Sundry costs		<u>1 908</u>		<u>1 368</u>
		<u>181 904</u>		<u>196 087</u>

ESWATINI SUGAR ASSOCIATION

SUGAR TRADING ACCOUNT

for the year ended 31 March 2021

	2021		2020	
	MTTQ	E'000	MTTQ	E'000
Proceeds				
Export sales - ex mill	267 175	1 835 567	311 390	1 632 969
Foreign gain/(loss)	-	(26 276)	-	16 462
Local sales	442 690	4 048 816	448 031	3 874 156
Outturn loss				
	<u>709 865</u>	<u>5 858 107</u>	<u>759 421</u>	<u>5 523 587</u>
Cost of sales				
Opening stock	57 322	487 131	144 866	1 011 593
	<u>57 322</u>	<u>487 131</u>	<u>144 866</u>	<u>1 011 593</u>
<i>Purchases</i>				
The Royal Swaziland Sugar Corporation Limited - Mhlume	203 053	1 411 526	197 981	1 235 977
Ubombo Sugar Limited	256 032	1 770 796	245 532	1 519 283
The Royal Swaziland Sugar Corporation Limited – Simunye	225 478	1 555 660	229 792	1 424 173
Available for distribution		157 833		140 919
	<u>684 563</u>	<u>4 895 815</u>	<u>673 305</u>	<u>4 320 352</u>
	<u>741 885</u>	<u>5 382 946</u>	<u>818 171</u>	<u>5 331 945</u>
Deduct – Closing stock	(30 329)	(266 789)	(57 322)	(487 131)
- Loss of sugar	(1 691)		(1 428)	-
	<u>709 865</u>	<u>5 116 157</u>	<u>759 421</u>	<u>4 844 814</u>
Refining/VHP allowance		235 138		226 811
Bagging, dispatch and other costs		358 120		327 093
Conditioning fee		36 156		39 218
Insurance		4 494		4 440
		<u>5 750 065</u>		<u>5 442 376</u>
Surplus on sugar trading		108 042		81 211
		<u>5 858 107</u>		<u>5 523 587</u>

ESWATINI SUGAR ASSOCIATION

OVERHEAD EXPENSES

for the year ended 31 March 2021

	2021 E'000	2020 E'000
Administration expenses		
Advertising	17	7
Audit fees	716	888
Bank charges	643	776
Chairman's fee	198	198
Computer expenses	2 046	1 627
Consultant's fees	1 600	608
Depreciation	461	398
Electricity and water	269	246
Equipment rental	428	447
General expenses	445	356
Insurance	2 051	1 356
Legal expenses	86	54
Maintenance	189	94
Meetings	38	228
Motor vehicle expenses	110	89
Postages	1	1
Professional and training	554	284
Public affairs	1 272	1 860
Recruiting expenses	35	70
Rent	1 381	1 283
Printing and stationery	84	253
Security expenses	100	100
Staff expenses	43 498	38 892
Subscriptions	59	82
Telephone and telex	489	463
Travelling and entertainment	316	1 340
Vehicle allowance	3 476	3 068
Occupational Health	180	96
International Sugar Organisation	55	55
	60 797	55 219
Industry obligations		
Independent Review Committee fees and expenses	0	102
Consultants fees and expenses	6 028	2 058
Direct analysis of cane expenses	6 760	7 338
Extension services expenses	19 728	15 093
Quota Board fees and expenses	63	50
Seedcane project	14 666	1 351
Small quota holders		-
	47 245	25 992
Total overhead expenses	108 042	81 211