



EU

COMESA

SADC

SACU



**ESWATINI
SUGAR
ASSOCIATION**

**Integrated Annual Report
2019/20**



ESWATINI
SUGAR
ASSOCIATION

The Eswatini Sugar Association (“ESA”) is an **umbrella organisation bringing together all growers and millers of sugarcane.** Its highest policy-making body is the Council, where **growers and millers have equal representation.**

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NAVIGATION ICON



Indicates a reference of available information on the website



Indicates a page or note reference of information



Indicates metric/area independently assured

HIGHLIGHTS

United for
growth.
Creating
more
value.

Our
goal is to
double the
industry
revenue in
10 years.



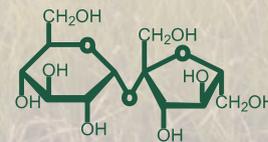
59 082 HECTARES
AREA HARVESTED
(2018/19: 57 420)



5 690 255 TONNES
CANE PRODUCTION
(2018/19: 6 197 753)



96,31 TONNES PER HECTARE
CANE YIELD
(2018/19: 107,94)



13,40 TONNES PER HECTARE
SUCROSE YIELD
(2018/19: 15,17)



791 911 TONNES
SUCROSE PRODUCTION
(2018/19: 871 301)



673 369 TONNES
SUGAR PRODUCTION
 (2018/19: 756 981)



759 421 TONNES
SUGAR SALES
 (2018/19: 756 356)



E5,94 BILLION
REVENUE
 (2018/19: E5,13 BILLION)



1,16
SUGAR PRICE INDEX
 (2018/19: 0,96)

OUR VISION

“Aligned and sustainable world-class sugarcane industry”.

OUR MISSION

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

OUR VALUES

ESA recognises and subscribes to high ethical standards and principles which apply equally and consistently across all of the organisation’s structures. As a result, ESA subscribes to values which guide the way business activities and dealings are conducted.

Excellence

We strive to excel in everything we do for all our key stakeholders.

Integrity

We are objective, professional, and conduct our business in accordance with the highest ethical standards.

Growing our people

We improve the welfare of our people and help them develop to their full potential.

Customer centric

We value our customers and strive to meet and exceed their expectations.

Continuous improvement

We are innovative and progressively develop our products, services and processes to be best in class.

ABOUT THE REPORT

Reporting boundary

This Integrated Annual Report is the primary communication of the Eswatini Sugar Association ("ESA") to all its stakeholders, including millers, growers, financiers, investors, employees, customers, suppliers, government, non-governmental organisations and local communities. Its purpose is to provide an overview of ESA's business activities as well as its financial and non-financial performance covering the period 1 April 2019 to 31 March 2020.

These business activities show how ESA interacts with the external environment and utilises capitals to create and sustain stakeholder value in the short, medium and long term. ESA believes that creating value for others, creates value for the business in the long term. This report endeavours to demonstrate the organisation's journey towards embedding integrated thinking within its activities, with all organisational parts moving and acting together. Integrated thinking is defined by the International Integrated Reporting Council as "the active consideration by an organisation of the relationships between its various operating and functional units and the capitals that the organisation uses or affects".

The report's primary focus is ESA, the reporting entity, as well as its subsidiaries and the jointly controlled company as indicated in the audited financial statements. It is worth noting that during the year under review, ESA's subsidiary company Swaziland Sugar Assets Limited underwent a name change to Eswatini Sugar Assets Limited to align with the renaming last year of the mother company from Swaziland Sugar Association to Eswatini Sugar Association.

In this report, reference is made to other entities whose business activities give rise to threats, opportunities and outcomes that may affect ESA's ability to create value. In addition, information in the report is presented in a consistent manner to enable comparison with past integrated reports for the purpose of tracking the organisation's ability to create and sustain value in the short, medium and long term.

Materiality

This report discloses information about matters that substantially affected ESA's ability to create value during the reporting year. Materiality analysis is a critical aspect in the roadmap of the organisation. ESA has developed, and maintains, a materiality determination process which involves a rigorous and systematic assessment of the probable impacts of identified material matters on the ability of the business to create value for its stakeholders.

Risk management

The process of identifying material matters involves performing an impact assessment of all identified

matters. However, due to the unpredictable nature of the business climate, particularly in the medium to long term, Council acknowledges that the impact may change with time. To safeguard against any material loss as a result of unexpected changes, ESA management reviews and updates its risk register quarterly.

The objective of our risk management strategy is to enable adaptability and to pre-empt any threats by mitigating risks and maximising opportunities arising from changes in our operating environment. In this regard, our stakeholder engagement involves direct dialogue with our various stakeholders in order to gain greater insights into matters that are material to them, thereby allowing us to determine how we can create value. This further assists us in arriving at a deeper understanding of how external stakeholders perceive the impact of these material issues, in both financial and non-financial terms, of the business. The section on materiality and risk management in this report provides greater details on our materiality determination process and its outcome in the year under review.

Sustainability

ESA pursues a strategy that ensures that our capitals are used sustainably within the economic, environmental and social context in which we operate. We recognise that long-term success hinges on our ability to create value without depleting resources of any kind, whether financial, natural, social or human. ESA believes that integrating broader sustainability considerations into the organisation's value proposition bestows a competitive advantage which should lead to a better performance in the longer term.

Moreover, stakeholders expect to receive information on how ESA connects its business strategy and model as well as its corporate governance with financial and non-financial performance. In the year under review, the objective was to implement the Sustainability Programme which emanated from the strategy through coordination with key industry members. *(For more on the Sustainability Programme, see pages 31 and 32.)*

The report endeavours to demonstrate **the organisation's journey towards embedding integrated thinking** within its activities.

Significant frameworks and methods

The infographic below shows the frameworks, standards, guidelines and legislation considered in the preparation of the various sections of the report.



Forward-looking statements

Certain aspects of the report contain forward-looking statements that are based on data that were available at the time of reporting. These statements are subject to known and unknown risks and uncertainties which may change the business environment leading to variations on outcomes disclosed in this report in the short, medium and long term. Council therefore does not commit to issuing any revisions in any way to reflect unforeseen events or changes that may occur after the release of this report. Readers are therefore advised to exercise caution regarding the interpretation of any forward-looking statements contained in this report.

Navigation

For ease of identifying our activities and the relationship they have with the capitals and strategic themes, we make use of icons to identify both capitals and strategic themes in the report as follows:

Capitals

- FC** Financial Capital
- HC** Human Capital
- MC** Manufactured Capital
- NC** Natural Capital
- IC** Intellectual Capital
- SRC** Social and Relationship Capital

Strategic themes

- GS** Promote growth and sustainability
- OE** Cost competitiveness, operational efficiencies and capabilities
- SE** Stakeholder engagement and harmonious miller and grower relations
- HD** Human capital development
- MV** Maximise value extraction from sugarcane

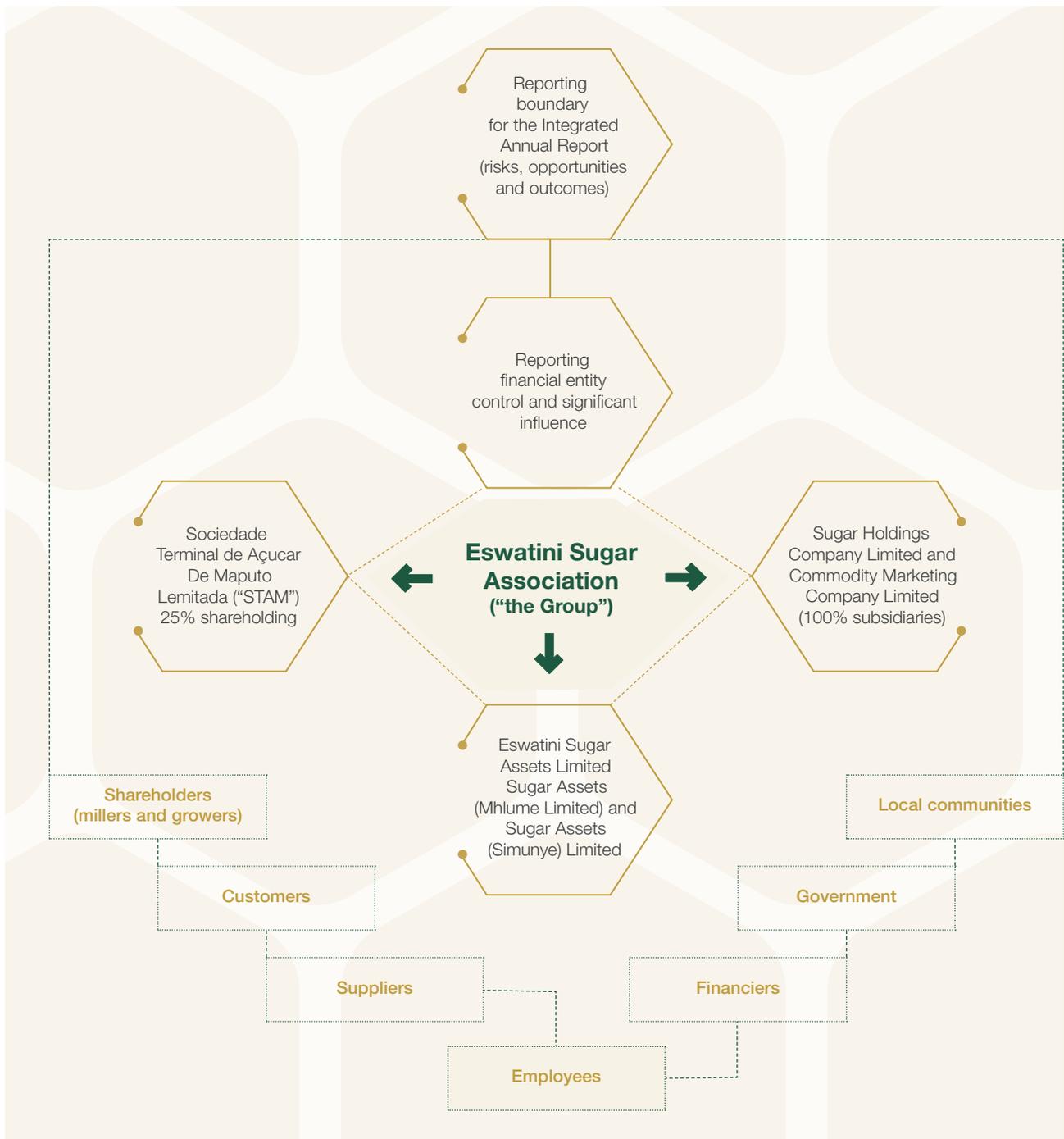
ABOUT THE REPORT *(continued)*

Responsibility

Council acknowledges its responsibility in ensuring the integrity and completeness of this report and assures that it has applied its collective mind in the preparation and presentation of the information it contains. Council believes that this report was prepared in accordance with the guidelines and principles of the International <IR> Framework. While the executive management in conjunction with the Audit and Risk Committee were instrumental in preparing the

report, Council is satisfied that matters which have had or could have had a material effect, positive or negative, on the organisation's ability to create value in the year under review are disclosed in a balanced manner.

On the recommendation of the Audit and Risk Committee, Council approved the ESA Integrated Annual Report of 2019/20 on 21 July 2020.



ABOUT ESA

ESA is the regulatory body of the sugar industry in the Kingdom of Eswatini, established by the Sugar Act of 1967. Its primary function is to develop and regulate the industry, market and sell sugar and its by-products for the benefit of both the industry and the economy of the country.

Sugarcane in the country is grown with irrigation in a semi-arid area of Eswatini spanning over 57 000 hectares of land. The industry has three mills and 489 growers of which 459 are smallholder growers and produces an average of 670 000 tonnes of sugar yearly.

The sugar industry contributes significantly to various national imperatives, such as gross domestic product

("GDP"), employment, public revenues, export earnings, social services in the form of education, health care, housing, water, sanitation and recreational facilities, as well as poverty alleviation, rural development and environmental protection. Because of its location, it has given rise to several formal and informal economic activities which have contributed positively to rural development.

Our business structure

In order to execute its statutory mandate effectively, ESA comprises five interdependent departments.



ABOUT ESA *(continued)*

Extension services department

- Aims to maximise sugarcane yields through the adoption of best and sustainable crop production and business management practices
- Provides growers with extension services through a service level agreement ("SLA") with industry millers
- Advises growers on all facets of sugarcane husbandry such as variety choice, supply of healthy seedcane, irrigation management, crop nutrition, crop protection services and many other related agronomic services
- Conducts field trials to identify novel and superior methodologies aimed at enhancing grower productivity, profitability and sustainability.

Cane testing and quality department

- Ensures reliable and accurate measurement of the sucrose content of the cane supplied by all growers for milling
- Laboratory testing at mills through an SLA with millers
- Facilitates equitable payment to both the millers and growers
- Ensures that ESA's Quality Management System ("QMS") is effectively applied within the organisation to optimise its use of capitals

Commercial department

- Provides storage, marketing services and sells all sugar products and molasses for maximum and sustainable returns to the industry
- Monitors, advises and advocates on market access for Eswatini sugar through key trade agreements with Eswatini's regional and international trade partners. These markets include Southern African Development Community ("SADC"), European Union ("EU"), United States of America ("USA"), Southern African Customs Union ("SACU"), and Common Market for Eastern and Southern Africa ("COMESA").

Finance department

- Oversees ESA's financial affairs, including:
 - payment of proceeds to millers
 - annual budgeting
 - financial reporting
 - preparing sugar and sucrose price estimates
 - sourcing working capital
 - implementing the Finance Risk Policy and Hedging Strategy
- Oversees the IT function and the financing and implementation of capital projects

Human capital and administration department

- Oversees staff recruitment, development and retention
- Ensures availability of adequate human and related resources to meet ESA's strategic objectives
- Focuses on employee wellness and safety
- Promotes harmonious labour relations

Our products

Products	Markets
Molasses	Domestic
Raw sugar	European Union United States of America
Very high polarity ("VHP") sugar Refined sugar	SACU Regional (COMESA and SADC) World market

During the year under review, we ran trials on the production of two new products in a bid to increase the organisation's product offerings, and these are:

- raw sugar with a low glycaemic index
- demerara specialty sugar

These additions will allow us to offer a wider variety of sugars to our customers, while also representing an opportunity to penetrate new markets and increase market share in others.

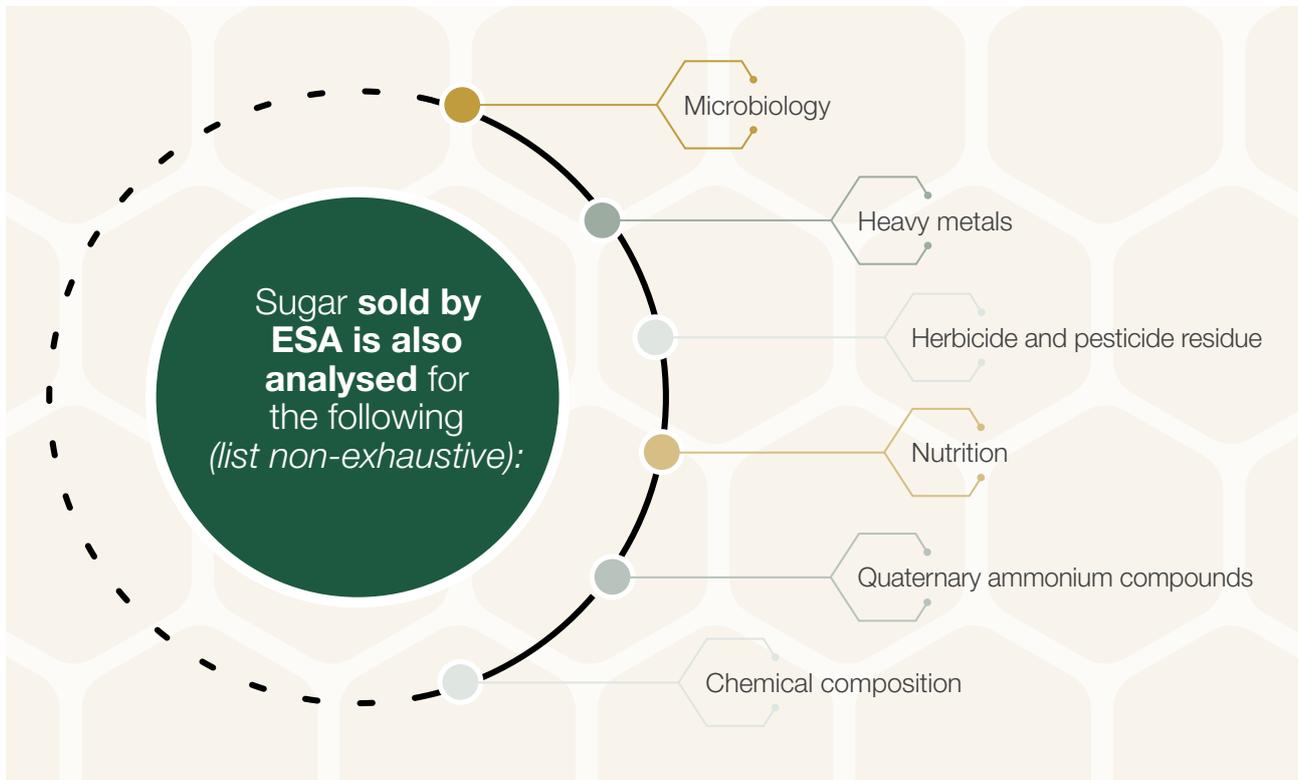
Our operating environment

External factors

ESA operates within parameters that include constructs such as the macro-economy, technology, the sociocultural environment, politics, legislation and the natural environment all of which have the potential to affect our business both positively and negatively. Some key external factors that were identified as likely to have an impact on ESA's business activities include:

Cost pressures

The continued increase in the costs of inputs of doing business puts a significant strain on the growing of sugarcane and the production of sugar. Increased demand for energy, combined with increases in electricity tariffs and changes in tariff structure for growers, have increased sugar production costs in Eswatini. In the medium to long term, the Eswatini sugar industry will need to explore ways of containing these costs, such as moving into alternative energy sources, with solar energy being a typical example. Another means of containing costs in general is the improvement of efficiencies in all business aspects of the industry.



Compliance with food safety standards

ESA is committed to supplying sugar products that meet and exceed the quality expectations of its customers. To ensure customer satisfaction, ESA has implemented a robust customer engagement programme aimed at ensuring that customers are supplied with products that are of the required specification. This includes ensuring that the sugar supplied is food-safety compliant. Currently, it is the Mhlume and Ubombo mills which are food-safety certified under the FSSC 22000 standard, while the Simunye mill is in the process of implementing that food safety standard.

Climate change

Climate change impact involves changes in global temperature and rainfall patterns. These changes have caused adverse effects on the hydrological and environmental systems upon which sugar production depends.

During the year under review, the sugar industry experienced significant changes in rainfall patterns, unusual frost, a noticeable decrease in annual solar radiation and the early flowering of sugarcane varieties. There was also an observed increase of pests and diseases. Results from industry pest and disease surveys over the past five years have revealed that major pests (such as eldana and yellow sugarcane aphids) and diseases (such as smut) have been

on an upward spiral. Low solar radiation combined with high pest and disease levels have thus had a negative effect on the growth and health of the crop and have led to reduced sugarcane yield.

The year under review also saw an increase in average temperature and a decrease in rainfall. There is no doubt that the advanced effects of global warming and increased weather variations will require a concerted effort towards improved water management, maintaining good agricultural practices and a commitment to reducing carbon emissions.

Foreign exchange rates

A substantial proportion of ESA sugar sales are destined for markets outside of SACU (which is a common monetary area with sales denominated in South African Rand), and as such the contracts entered into are denominated in either the Euro or US Dollar. Currency fluctuations consequently have an impact on ESA revenues. To reduce any potential negative impact, ESA has a Finance Risk Policy and Hedging Strategy which lays out the procedure on the use of forward exchange contracts to cushion the industry against volatility in exchange rates. During the year under review, the exchange rate fluctuations were favourable for ESA.

ABOUT

ESA (continued)

Our markets

SACU

This market serves as the primary market for Eswatini sugar and is considered a domestic market due to the free movement of goods within the customs union. It comprises the local Eswatini market and those of Botswana, Lesotho, Namibia and South Africa.

An import tariff protects the SACU market from the free entry of sugar produced outside of the region, except for a duty-free quota allowed from SADC sugar producers under the SADC Protocol on Trade. The majority of sales into this market are made mainly through locally-based pre-packers, industrial users and manufacturers.

EU

Sales to the European market benefit from duty-free quota free market access under the terms of the Economic Partnership Agreement ("EPA") between the EU and SADC-EPA states (Botswana, Eswatini, Lesotho, Namibia, Mozambique and South Africa). This market has been the main destination for raw bulk sugar.

USA

The US market is supplied through a Tariff Rate Quota ("TRQ"), which allows access on preferential terms for a limited volume, currently set at a minimum of 16 500 tonnes of raw sugar per annum. This volume may be increased during the year, depending on sugar demand in the US and the ability of other TRQ beneficiaries to supply their allocated quotas.

SADC

While 11 of the 16 SADC member states are sugar producers, four of them do not produce sufficient quantities to meet domestic consumption demands (referred to as deficit sugar producers), with the remaining seven producing more than they require for their domestic consumption (referred to as surplus producers). Collectively, these countries render the SADC region a surplus sugar-producing region. Trade in sugar in this region is governed by the SADC Protocol on Trade, with specificities laid out in Annexure VII (the Sugar Cooperation Agreement).

COMESA

The COMESA region comprises a total of 21 member countries and is collectively a deficit sugar-producing region. Eswatini is able to trade within the COMESA FTA under a derogation which grants Eswatini access to preferential market access to Members of the FTA. Efforts are ongoing to improve Eswatini market access preferences to other countries in the region.

Other regional markets

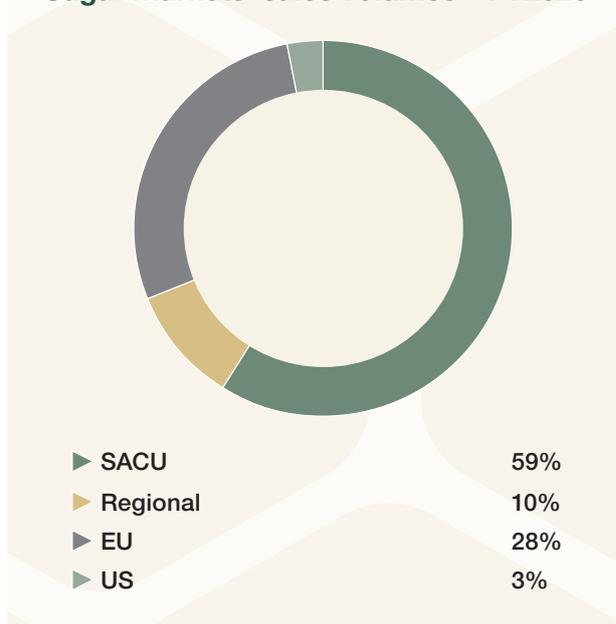
The countries of the African continent are further organised into other regional blocs such as the Tripartite Free Trade Area ("TFTA") and the African Continental Free Trade Area ("AfCFTA").

The TFTA brings together three regional blocs, namely SADC, COMESA and the East African Community, thereby creating a 28-member trading bloc. In order for this agreement to enter into force, 14 Members States are required to ratify it. By March 2020, eight countries had ratified the Agreement, while seven others, including Eswatini, were at an advanced stage of the ratification process.

On the other hand, the AfCFTA is a continent-wide bloc which brings together the 55 African Union ("AU") member states. It is anticipated that this bloc will create a market of more than 1,2 billion people, with a combined GDP of more than USD3,4 trillion, making it the world's largest free trade area since the formation of the World Trade Organisation ("WTO"). The agreement entered into force on 30 May 2019, and 30 countries, including Eswatini, had ratified the Agreement by May 2020.

ESA is committed to increasing its marketing reach into these regional markets for the development of value chains, thus presenting market opportunities for Eswatini sugar. Both regional blocs have made market integration and industrial development pillars for their implementation and there is an opportunity for the sugar sector to tap into these to spur regional trade and development.

Sugar markets' sales volumes – FY2020



World market

Residual volumes of Eswatini sugar are sold into the world market when the traditional markets are unable to absorb the full production. The world market continues to be characterised by relatively low prices due to distortions in the sugar supply to this market. These distortions arise from the supply of sugar benefiting from high levels of support that many countries provide to their respective sugar industries in the form of, among others, production subsidies and import barriers. This, combined with high competition from major producers such as Brazil, India and Thailand, which are able to supply large volumes into the market at low prices, inevitably drive the world market price downwards and make it unattractive for ESA.

Market outlook

The year under review drew to a close under a cloud of great uncertainty, in the face of the COVID-19 pandemic. The pandemic had an enormous effect on consumption patterns in general, and has therefore had a bearing on business management and consumer behaviour at both local and global scales, thus affecting the commodities market.

Global market

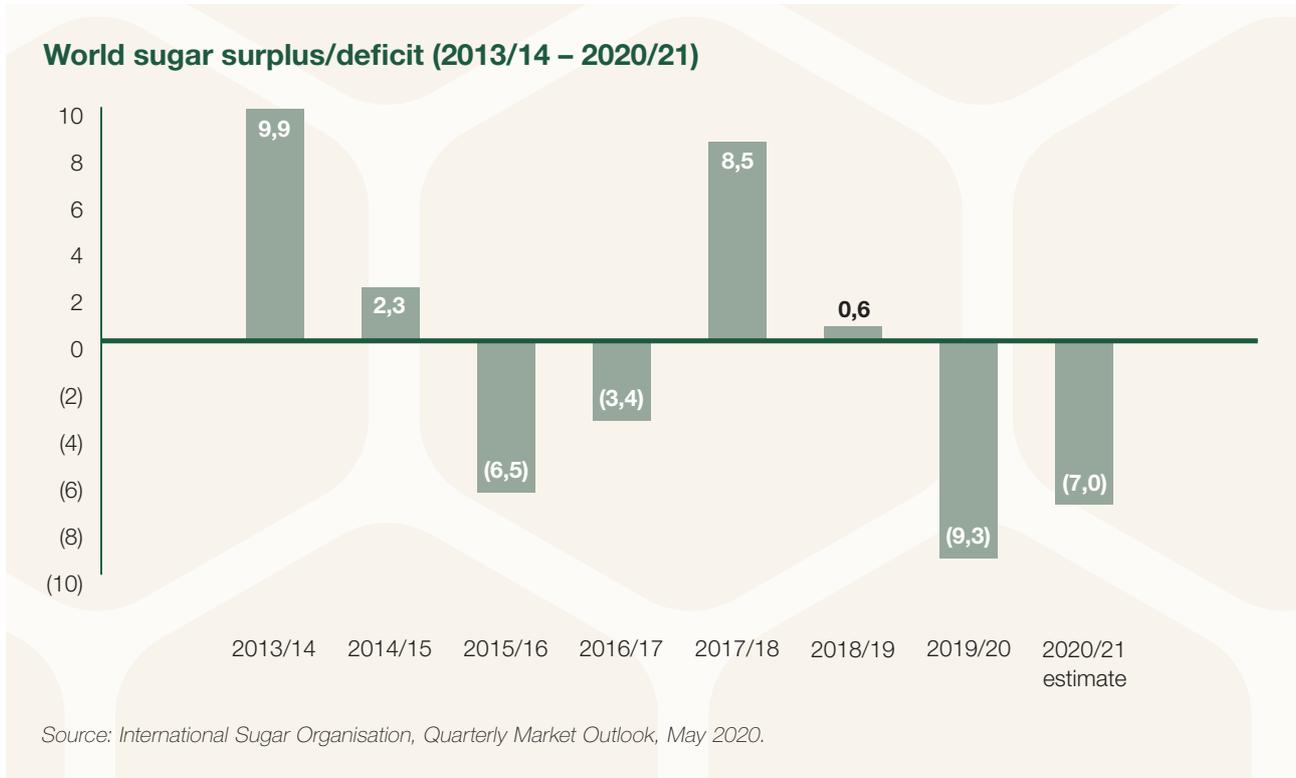
According to the International Sugar Organisation ("ISO"), the statistical deficit in the world sugar market for the 2019/20 (October to September) crop cycle is estimated at 9,3 million tonnes – the biggest deficit in 11 years. This is due to forecast drops in production by large producers such as Brazil, India and Thailand. India experienced floods which impacted the crop, while Thailand recorded the worst drought in 10 years. World production for 2019/20 (October/September) is forecast to be 166,8 million tonnes, down by 7,7 million tonnes (4,44%) from the previous season.

Consumption is however projected to grow by 2,2 million tonnes (1,25%) from the previous season. This projection is in line with the increases in consumption in previous years.

The deficit is expected to lead to a rise in the world market price of sugar.

The world market cycle runs from October to September, which is different from our financial year **(and that of the Southern hemisphere) which runs from April to March.** As a result, changes in the world market tend to roll over two financial/reporting years of the organisation. **The future perspective of the business is therefore presented with this in mind,** where any changes in the global market, while discerned, would normally be realised partially in both the current and in the new year for the organisation.

ABOUT ESA (continued)



Regional market

There remains a significant potential to service the regional African markets (SADC, COMESA and the wider TFTA and AfCFTA areas) with Eswatini sugar. Sub-Saharan Africa consumes 6% of the world's total sugar. Consumption in the Equatorial and Southern African region alone is expected to grow by 4,28% in 2019/20 – the highest growth rate in consumption in the world.

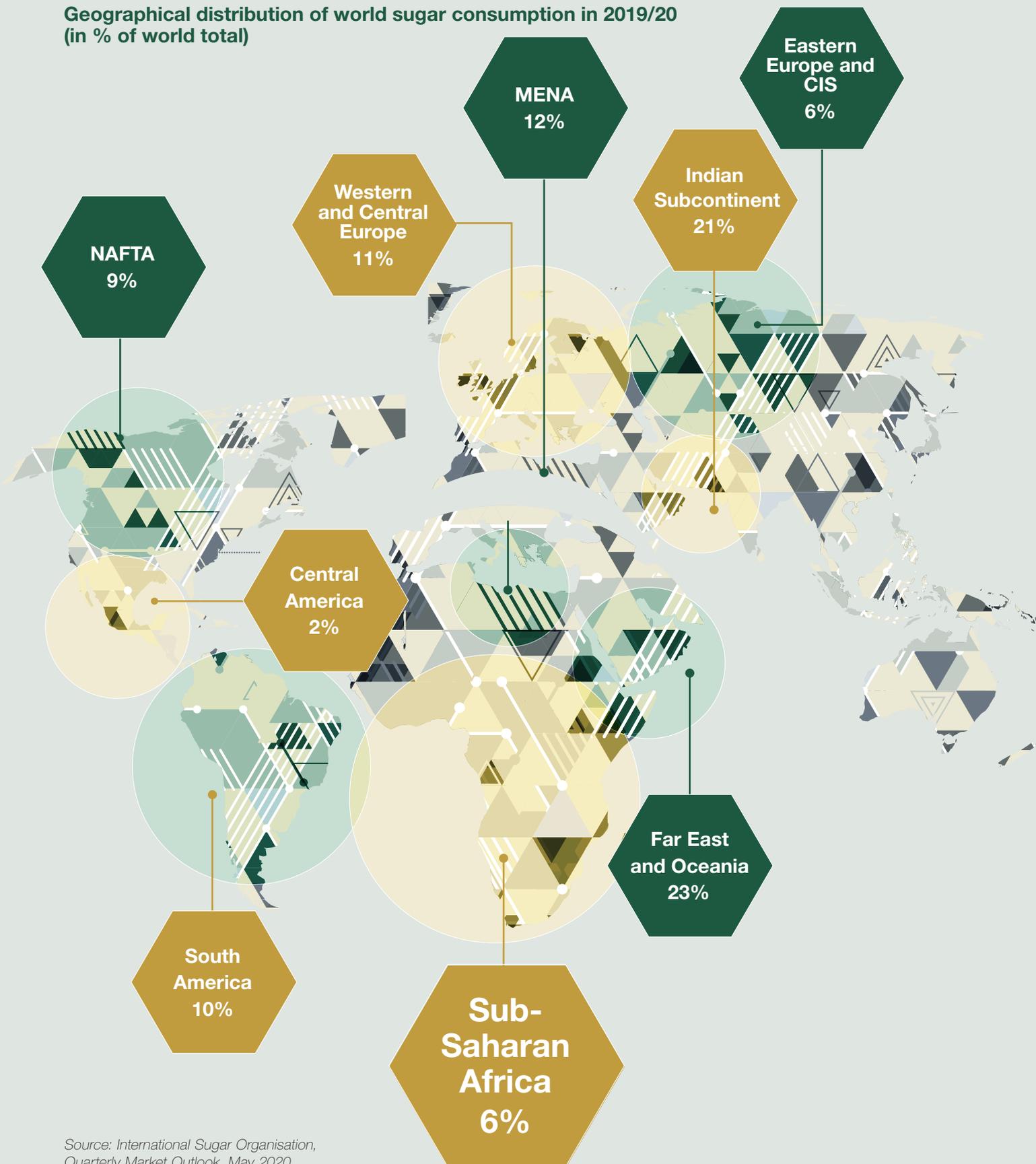
Prices attainable in most of these markets are at a premium to world market prices. It is part of our marketing strategy to increase sales into these regional markets going forward, through increasing capacity to bag sugar that is currently sold as bulk raw sugar to international preferential markets for refining.

Domestic market

Health perceptions of sugar as well as changing consumer preferences will continue to pose a challenge into the future. There is therefore a need to better position the product against its alternatives, with emphasis on its health benefits and its ability to be used as a vehicle for nutrients, such as when fortified with vitamins.

Sugar sales fell considerably in the SACU market following the coming into force of the Health Promotion Levy on sugar-sweetened beverages (otherwise known as the "sugar tax") in South Africa. This has led to key beverage manufacturers reformulating their products to reduce sugar content. This reduction in demand has put the SACU market sales under stress, necessitating the rigorous and aggressive exploration of alternative markets in the region to avoid the sale of Eswatini sugar to less remunerative world markets.

**Geographical distribution of world sugar consumption in 2019/20
(in % of world total)**



Source: International Sugar Organisation, Quarterly Market Outlook, May 2020.

MESSAGE FROM THE CHAIRMAN

Council has utmost confidence in Management, under the leadership of Dr Phil Mnisi, our CEO – in ensuring that the code of ethics and rules of good conduct are upheld by the organisation. ” ”

The year 2019/20 was eventful and presented both threats and compelling opportunities for ESA as it advanced its course of creating sustained value for stakeholders in the short, medium and long term. This report endeavours to paint a clear picture on how ESA utilised its capital inputs during the year under review to achieve the performance results presented in it, and I confirm that the guidelines and principles of the International <IR> Framework of the International Integrated Reporting Council were used in its preparation. I further confirm that the report discloses and addresses all material matters that affect ESA's ability to create value for stakeholders, and the results presented are a true reflection of the organisation's performance during the period of reporting. The report also contains financial statements whose assurance and integrity are guaranteed by independent external auditors.

To remain sustainable and gain competitive advantage in this difficult and challenging operating environment, Council, through its Audit and Risk Committee, maintains a well-thought-out and meticulous risk management system which is reviewed quarterly. During the year under review, none of the major identified risks materialised, suggesting that our risk management system was effective in safeguarding and mitigating the identified risks. *(For more on risk management, see page 24.)*





QUICK FACTS

- None of the major identified risks materialised
- Council adopted the King IV Code as a standard for good corporate governance



E5,66 BILLION
COST OF SALES
(2018/19: E4,80 BILLION)



E13,60 MILLION
DISTRIBUTION COST
(2018/19: E9,00 MILLION)



E4,29 MILLION
FOREIGN EXCHANGE LOSS
(2018/19: E30,30 MILLION)



E182,42 MILLION
INTEREST PAID
(2018/19: E215,34 MILLION)

MESSAGE FROM THE CHAIRMAN *(continued)*

Council is strongly committed to upholding the highest standards of ethical behaviour and corporate governance. In its oversight role on the business functions of ESA, Council adopted the King IV Code as a standard for good corporate governance as highlighted in the 2018/19 Report. As Chairman of Council, I am entrusted with the responsibility of ensuring that Council and the Executive act ethically and in the best interest of the organisation. It is with great delight that I report that during the year under review, there were no deviations from the expected.

I am grateful to Council and its Technical subcommittees for their continued support during the year in providing effective leadership and governance of the organisation. Your commitment and determination towards the business is exemplary to present and future generations. Indeed, you raise the bar each time in your pursuit of excellence, and I am proud to be associated with you.

Council has the utmost confidence in Management, under the leadership of Dr Phil Mnisi, our CEO – in ensuring that the code of ethics and rules of good conduct are upheld by the organisation. In this regard, Council is very particular about the conduct and practice of ESA's business partners, and frowns upon any misdemeanour.

On behalf of Council I would like to express to management and staff our sincere appreciation for their continued demonstration of professionalism and their unwavering commitment to the interests of the organisation. Notwithstanding the challenging and arduous operating environment, the results presented in this report are testimony to this sterling performance. The concept and culture of sustained value creation for all stakeholders in the short, medium and long term are deep-rooted within all levels of the organisation.



Mr Tom Dlamini
Chairman





Sugarcane on a conveyor belt.

MESSAGE FROM THE CEO

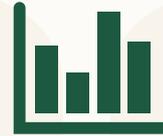
It is very gratifying to be able to say that once again ESA has been able to deliver on its promises and has ended the year on a high note. Despite the fact that the year could be characterised as having been “cloudy with a little sunshine”, it was in essence what I would term a calm year. As in any commodity market, there are storms to be weathered, and the sugar industry was able to sail through those turbulent winds, to the greater benefit both of the industry and its stakeholders. ” ”





QUICK FACTS

- Produced over 670 000 tonnes of sugar
- Successful trial for the production of a new product – a brown sugar with a low glycaemic index to be launched soon



E5,9 BILLION

REVENUE

(2018/19: E5,1 BILLION)



759 421 TONNES

SUGAR SALES

(2018/19: 756 356)



673 369 TONNES

SUGAR PRODUCTION

(2018/19: 756 981)



791 911 TONNES

SUCROSE PRODUCTION

(2018/19: 871 301)

MESSAGE FROM THE CEO *(continued)*

Key highlights

In delivering on its corporate strategy, ESA was able to optimise a marketing mix and increase revenues by 15,8%, to just over E5,9 billion. Although the increase in sales was marginal, at less than 1%, this performance was due to attractive prices realised in the various markets in which the sugar is sold, coupled with favourable exchange rates over the course of the year. As had occurred in 2018/19, we saw an uptick in the global sugar market prices as the FY2020 season drew to a close, driven by a deficit in the world market, which translated to better returns on sales.

Following the bumper harvest recorded by the industry and reported on in 2018/19, production tapered off to what I will term the 'normal' levels of just over 670 000 tonnes of sugar, produced from about 5,7 million tonnes of cane.

The reasons for this drop in production are detailed in the report. **E** *(For more on our performance, see page 29.)*

Milestones

The high revenues have resulted in high divisions of proceeds for our growers and millers. Having an effective hedging policy in place has assisted in the realisation of these returns.

In a bid to provide consumers with healthier alternatives, I am proud to report that in the year under review, we were able to run a successful trial for the production of a new product – a brown sugar with a low glycaemic index. The industry produced about 1 000 tonnes of this sugar during the year. The plan is to officially launch the product in 2020/21.

Future prospects

The business environment, as we knew it, has changed. An interaction of several variables now presents a "new normal" – although no one is yet in a position to say what that really means. For ESA, however, it is certain that this will include the need to unlock new markets for our products, and look beyond the traditional countries in which we have been selling in the Southern and East African regions.

Philosopher and theologian saint, Thomas Aquinas once said, "If the highest aim of a captain were to preserve his ship, he would keep it at port forever". In accordance with this precept, new waters will have to be chartered for the sugar industry. While SACU has been the main market for Eswatini sugar, this market is now under threat, posing the risk of having our sugar displaced to a less remunerative world market.

The launch of our new product will be a significant addition to the conventional sugars we have been selling. I am excited about this new venture and believe it will be a platform from which to propel us to greater heights as we continue to deliver sustainable growth by innovating and investing in the future of our industry.



“Twenty years from now you will be **more disappointed by the things that you didn't do than by the ones you did do.** So, throw off the bowlines. Sail away from the safe harbor. Catch the trade winds in your sails. **Explore. Dream. Discover.**”
– H. Jackson Brown, Jr



A sugarcane field under preparation for replanting near Mhlume mill.

With the advent of the fundamental changes taking place globally in the face of the COVID-19 pandemic, an opportunity has been presented to us to adopt novel technology, to align our efforts in order to leverage and innovate for the future.

This year marks the final year of implementation of the organisation's corporate strategy. The intention is to formulate a new strategy that will guide our activities through the next five-year period on effective ways of doing business in the new environment in which we find ourselves. It is a time for us to contain costs, adopt a pragmatic risk-management philosophy, and communicate effectively.

As I pen this statement, the entire globe is reeling from the dire economic and social impacts of the coronavirus that has inflicted COVID-19, and the much-needed vaccine is still being sought. This pandemic has had an enormous effect on business management and customer priorities on both local and global scales. The Eswatini sugar industry has not been exempted from these effects, and to ensure that shareholder value is preserved, the ESA has realigned certain aspects of its business processes. These changes include adopting world-class communication technologies that have transformed the way we engage our stakeholders.

Acknowledgements

On a closing note, I would like to express my gratitude to the ESA Council – we would not have been able to accomplish any of what is detailed in this report without its wise counsel and support. To the Government of Eswatini, and especially the Ministry of Commerce, Industry and Trade, our parent Ministry – we are very fortunate to have a Ministry that diligently backs us as an industry in our endeavours. The industry appreciates your continued support. Last but not least, to the ESA staff – please accept my heartfelt gratitude for your hard work, you are indeed invaluable assets to the organisation.

Dr Phil Mnisi (PhD)
Chief Executive Officer

OUR STRATEGY AND RESOURCE ALLOCATION

Vision

Aligned and sustainable world-class sugarcane industry

Mission

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

STRATEGIC GOAL AND OBJECTIVES

DOUBLE THE INDUSTRY REVENUE IN 10 YEARS (2017 - 2026)

OBJECTIVE 1

Achieve a sugar price in 2021 that exceeds inflation

OBJECTIVE 2

Explore viable value – addition initiatives to benefit the industry

OBJECTIVE 3

Promote and support sustainable industry expansion

STRATEGIC THEMES

GS

Growth and sustainability

MV

Sugar and sugarcane products

OE

Operational efficiencies and capabilities

HD

Human capital development

SE

Stakeholder engagement

KEY PERFORMANCE TARGETS FOR 2019/20



Increase the sugar price

- Achieve sugar price that exceeds budget
- Achieve a favourable borrowing rate



Support sustainable industry growth and development

- Develop a business case for at least one value addition proposition for the industry
- Sucrose and cane yield for small-scale growers to be increased by 2,6% from 2018/19 performance
- Present a business and financing plan for additional sugar storage



Improve laboratory testing competency and integrity of results

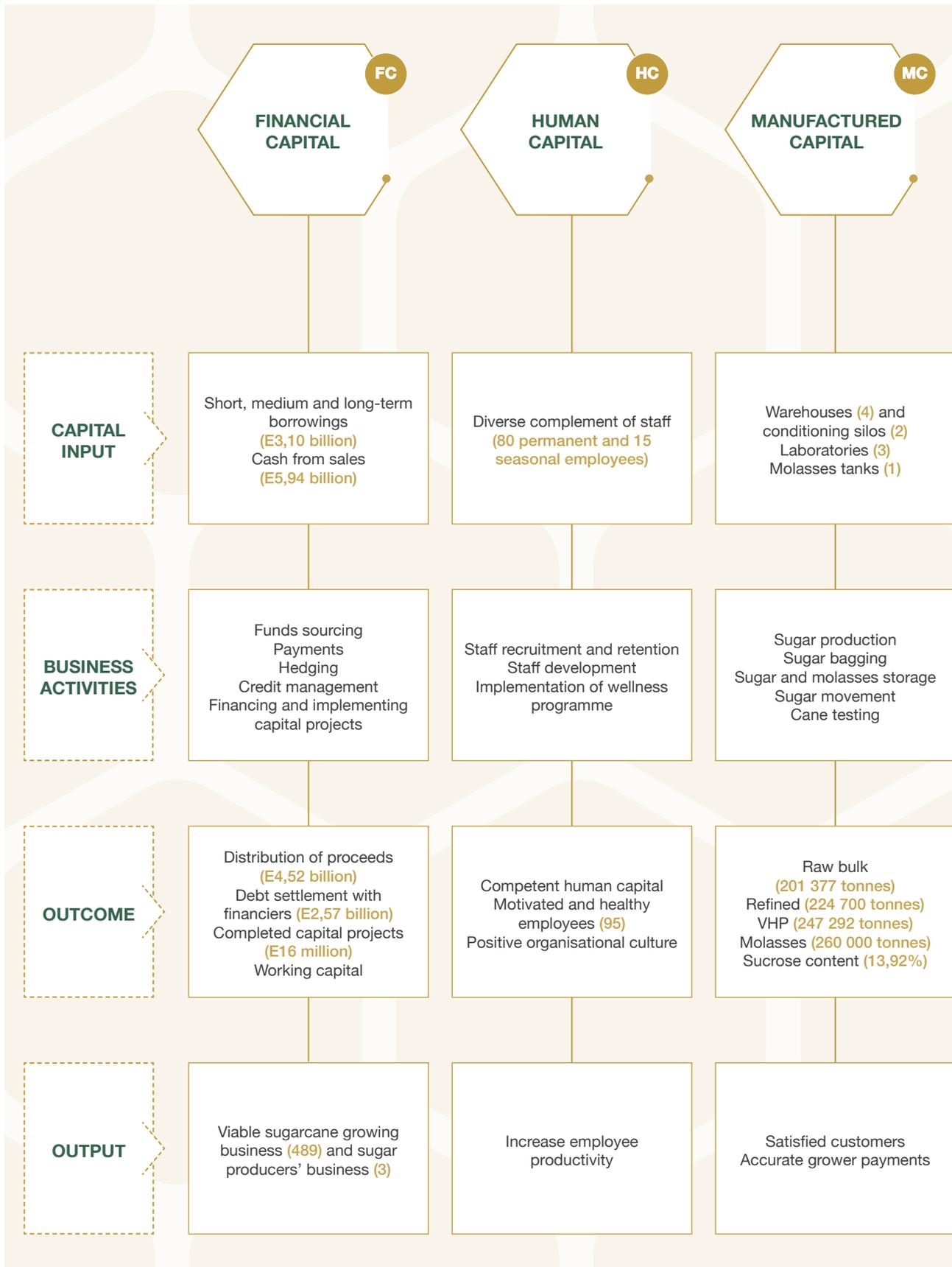
- Complete feasibility testing and implementation plan for the introduction of an electronic cane delivery ticket
- Sign an MoU with the University of Eswatini on the operating model and financing plan for an accredited sugar testing laboratory

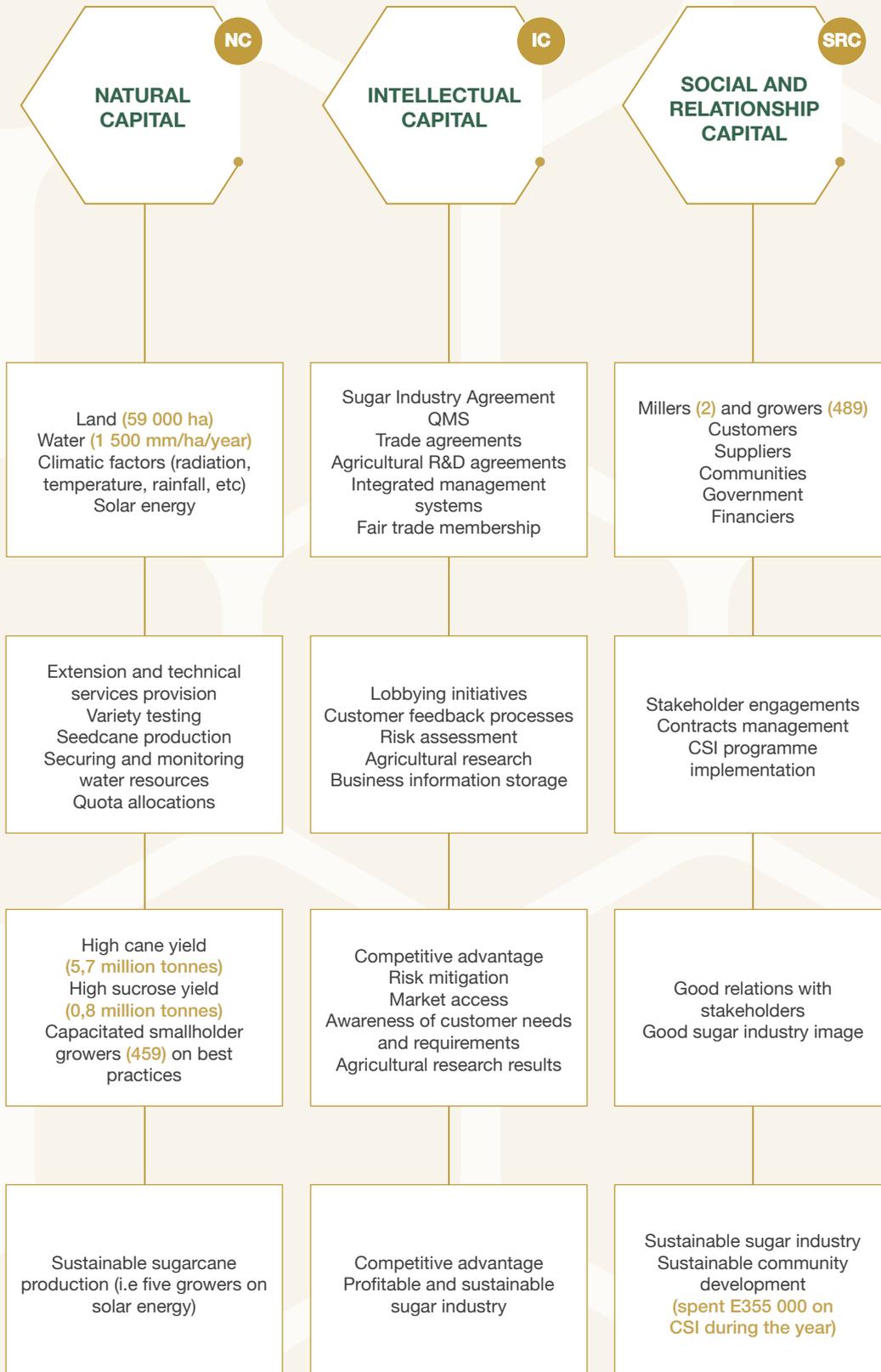


Maintain and improve market access for Eswatini Sugar in the region

- Submit and support an application for the review of the DBRP (mechanism) in SACU
- Increase volume of sales to Kenya
- Diversify sales to other markets in Africa, excluding Kenya
- Sell a minimum of 10 000 tonnes to other markets in Africa, excluding Kenya

OUR VALUE-CREATING BUSINESS MODEL





MANAGING RISK

The management of risk forms part of our **intellectual capital**, and is conducted with reference to our strategic theme of **promoting growth and sustainability**. ESA views value creation holistically in the context of sustainability, and applies **integrated thinking** to identify those material matters that may influence its ability to create value in the short, medium and long term. These matters inform our strategy in managing the risks and **maximising the opportunities** arising from them.

Materiality

Depending on the likely impact of the matter as well as the probability of its occurrence, and guided by predetermined financial thresholds, these matters are classified as high, medium or low. For each material matter, appropriate mitigation measures are listed and implemented by responsible authorities. The final product is a materiality matrix which is monitored and reported on quarterly.

In order to identify matters that are material for the business, ESA identifies material matters at the beginning of every financial year that are likely to affect its ability to create stakeholder value within that period, as well as those matters that significantly affect ESA's ability to create value in the medium and long term.

We identify our material matters by:

- scanning the local, regional and global environment
- considering stakeholders, their concerns and expectations
- reviewing the previous year's risk register and Integrated Annual Report
- reviewing management performance
- reviewing legal and other regulatory requirements

The material matters are further reviewed by management on an ongoing basis and approved by Council within the context of the existing governance framework and operating model.

The following table outlines the process of identifying and monitoring matters that are material to ESA's ability to create and sustain value.

Capitals	
FC Financial Capital	NC Natural Capital
HC Human Capital	IC Intellectual Capital
MC Manufactured Capital	SRC Social and Relationship Capital
Strategic themes	
GC Promote growth and sustainability	HD Human capital development
OE Cost competitiveness, operational efficiencies and capabilities	MV Maximise value extraction from sugarcane
SE Stakeholder engagement and harmonious miller and grower relations	

Process		Inputs
Identify	Management conducts the necessary research to analyse the operating environment, business capitals as well as feedback from internal and external stakeholders in order to assess matters that could be of financial, reputational, operational, environmental, social, strategic or legislative significance. Based on these identified matters, a risk register is developed which is reviewed and updated quarterly.	<ul style="list-style-type: none"> Stakeholder engagement Media scan Global research reports Internal documentation Market intelligence Management review sessions Council discussions
Prioritise	The relative importance of each material matter is determined by its potential impact on strategy, performance, reputation and governance. The matters are ranked and listed according to their order of material importance.	<ul style="list-style-type: none"> Audit and Risk Committee Council Management
Integrate	The management of the identified material matters is integrated into the organisation's strategy.	<ul style="list-style-type: none"> Audit and Risk Committee Council Management
Monitor	The risks are reviewed and updated quarterly, taking into consideration stakeholder attitude, expectations and outcomes of management review sessions.	<ul style="list-style-type: none"> Stakeholder engagement Media scan Global research reports Internal documentation Market intelligence Management review sessions Council discussions

Top material risks

As part of the risk assessment process, risks are assessed annually, and the table below shows the seven material risks that were determined during the year under review.

1. Inability to sustain sugarcane growing due to rising production costs	Capitals impacted
The inability to sustain the profitability of the sugarcane growing business resulting in the collapse of agro-farming can lead to a negative image of the sugarcane and sugar businesses and have a socio-economic impact.	
	Strategic matters impacted
Mitigating actions and opportunities <ul style="list-style-type: none"> Promote through training and the adoption of water and energy saving practices Train at least 500 grower association members on corporate governance Facilitate the roll out of regional bulk input sourcing services to smallholder sugarcane growers Solicit funding to conduct irrigation trials on solar as a source of energy Conduct annual grower cost survey 	
Impact/action outcome <ul style="list-style-type: none"> Awareness among growers of water and energy management practices has resulted in a degree of shift from traditional to modern irrigation scheduling techniques. Other growers installed energy-saving devices (i.e. variable speed drives) on their pumps, realising savings on electricity costs. Some growers were assisted with a new irrigation layout for conversion from dragline to drip and improved sprinkler systems for water conservation. Awareness of alternative sources of energy has resulted in some growers shifting to solar power as an alternative energy source for irrigation pumping, while others have submitted solar project proposals to financiers for funding. 	

MANAGING RISK *(continued)*

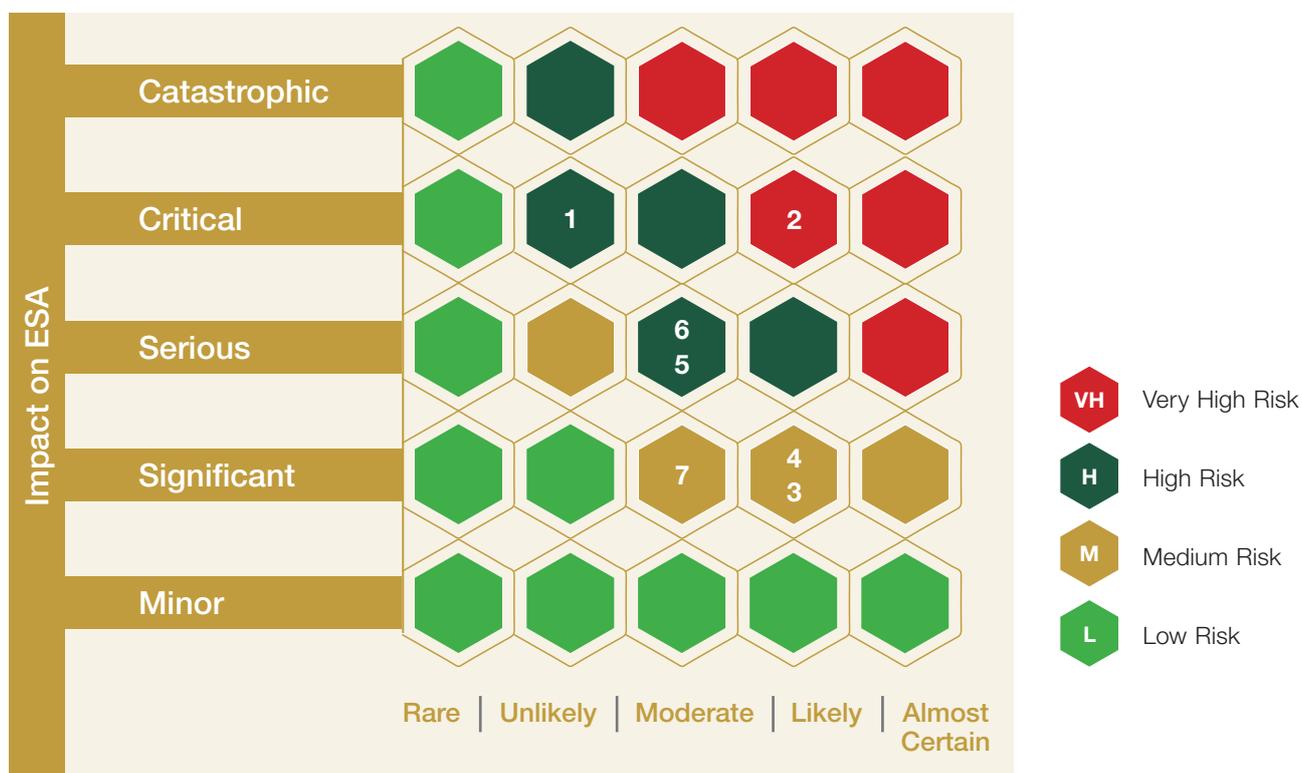
2. Decline in yields and area under sugarcane production due to a shortage of water for irrigation and the incursion of pests and diseases	Capitals impacted
<p>Climate change leading to extreme weather conditions and invasion of exotic pests and diseases continue to pose a risk to the yields and area under sugarcane production. It is therefore important for the sugarcane businesses to evolve their strategies to align with the changes in the natural environment in which they operate.</p>	<p>FC HC IC NC SRC</p>
	Strategic matters impacted
<p>Mitigating actions and opportunities</p> <ul style="list-style-type: none"> • Monitor and advise industry on weather and crop forecasts • Potential crop yields forecast reports are continuously being provided to assist industry growers to improve their crop management techniques and boost actual yields • Monitor pest and disease levels and movements, and advise growers to take appropriate preventative or corrective actions where necessary 	<p>GS OE MV</p>
<p>Impact/action outcome</p> <ul style="list-style-type: none"> • Awareness among growers of water and energy management practices has resulted in a degree of shift from traditional to modern irrigation scheduling techniques to optimise water. • Some growers were assisted with new irrigation layouts to convert from dragline to drip and improved sprinkler systems for water conservation. • Pest and disease survey results were shared with growers on a monthly basis to take appropriate actions. 	
3. Reduced revenue as a result of unfavourable exchange rate fluctuations	Capitals impacted
<p>A significant proportion of ESA sugar is traded in markets denominated in currencies different from the local currency. As a result, income derivable in those markets is exposed to exchange rate fluctuations.</p>	<p>FC HC SRC</p>
	Strategic matters impacted
<p>Mitigating actions and opportunities</p> <ul style="list-style-type: none"> • Optimise domestic sales to reduce exposure to sales denominated in foreign currency • Implement Finance Risk Policy and Hedging Strategy and assess effectiveness 	<p>GS OE</p>
<p>Impact/action outcome</p> <ul style="list-style-type: none"> • Domestic sales were increased. • Finance Risk Policy and Hedging Strategy were effectively implemented. 	

4. Loss of customers and inability to attract new customers	Capitals impacted
Loss of customers and inability to attract new customers due to failure to comply with standards and customer requirements.	FC IC SRC
	Strategic matters impacted
Risk response – mitigating actions and opportunities	GS OE SE HD
<ul style="list-style-type: none"> Conduct and analyse industry compliance audits, and develop and implement action plans for continuous improvement Monitor and advise growers on compliance requirements Ensure contracts limit ESA product liability 	
Impact/action outcome	
<ul style="list-style-type: none"> Action plan to close gaps identified during audits was implemented. Growers were continuously advised on changes in chemicals used to ensure compliance with standards and conventions. Agreed contracts limited ESA product liability. 	
5. Inability to meet strategic targets due to logistical constraints	Capitals impacted
Logistical constraints can significantly hinder our business from meeting strategic sales targets (Corporate and Marketing Strategies).	FC IC SRC
	Strategic matters impacted
Mitigating actions and opportunities	GS OE
<ul style="list-style-type: none"> Increase bagging and storage facilities 	
Impact/action outcome	
<ul style="list-style-type: none"> Construction of an additional bagging and storage facility is expected to be completed in 2020/21. 	
6. Loss of market due to negative environmental impact	Capitals impacted
ESA operations occur within a particular environment, and carelessness may lead to contamination of the environment in which these operations take place.	FC IC NC SRC
	Strategic matters impacted
Mitigating actions and opportunities	GS OE
<ul style="list-style-type: none"> Promote adoption of best production practices that have minimum impact on the environment 	
Impact/action outcome	
<ul style="list-style-type: none"> Growers were trained on best practices during the year, with an impact assessment of the trainings to be conducted within the 2020/21 financial year. 	

MANAGING RISK *(continued)*

7. Loss of people skills and experience	Capitals impacted
There is a risk of an inability on the part of ESA to deliver the required level and quality of service due to loss of skills and experience.	<div style="display: flex; gap: 10px;"> HC IC SRC </div>
	Strategic matters impacted
Mitigating actions and opportunities <ul style="list-style-type: none"> Pursue a skill retention policy and develop and implement a robust succession plan 	<div style="display: flex; gap: 10px;"> GS OE SE HD </div>
Impact/action outcome <ul style="list-style-type: none"> Succession and capacity-building plans were implemented. 	

Risk assessment heat map



OUR PERFORMANCE

In order to achieve profitability and value, ESA sets yearly performance indicators and subsequent outputs in accordance with forecasts and aligned to the organisation's strategic priorities.

During the year under review, ESA business was driven by four key performance objectives:

- Increase sugar price
- Support sustainable industry growth and development
- Improve laboratory testing competence and integrity of results for the industry
- Maintain and improve market access for Eswatini sugar in the region



Boilers at the Simunye mill.

Our overall target during the year under review was to exceed the budgeted sugar price, utilising our financial, manufactured and natural capitals. This was done under **the strategic focus of promoting growth and sustainability, cost competitiveness,** operational efficiencies and capabilities, and maximising value extraction from sugarcane.

Capitals

- | | |
|--------------------------------|--|
| FC Financial Capital | NC Natural Capital |
| HC Human Capital | IC Intellectual Capital |
| MC Manufactured Capital | SRC Social and Relationship Capital |

Strategic themes

- | | |
|---|--|
| GC Promote growth and sustainability | HD Human capital development |
| OE Cost competitiveness, operational efficiencies and capabilities | MV Maximise value extraction from sugarcane |
| SE Stakeholder engagement and harmonious miller and grower relations | |

OUR PERFORMANCE *(continued)*

Performance against objectives

Deliverable	Measurement	Outcome
Increase sugar price FC MC NC GS OE MV	Achieve sugar price that is above budget	The targeted sugar price was achieved.
	Achieve an average borrowing rate equal or less than the target	Target was achieved.
Support sustainable industry growth and development SRC SE	Develop a business case for at least one value-addition proposition for the industry	A value addition proposition was considered for which further work is ongoing.
	Sucrose ("TSH") and cane ("TCH") yield per hectare for small-scale growers in the year under review to be increased by 2,6% from that of 2018/19	Sucrose and cane yields were lower in 2019/20 than in 2018/19, attributable primarily to unfavourable climatic conditions encountered during the year.
	Present a business and financing plan for additional sugar storage	The plan was approved. Implementation is scheduled for completion during the next financial year.
Improve laboratory testing competence and integrity of results for the industry IC GS	Complete the feasibility testing for the introduction of an electronic cane delivery ticket for the industry	Feasibility testing demonstrated the functional and operational viability of the concept; phased implementation was approved.
	ESA to sign a MoU with the University of Eswatini for an independent and accredited sugar testing laboratory	The industry approved the signing of an MoU with the University as well as a budget for the establishment of the laboratory, targeted for 2020/21.
Maintain and improve market access for Eswatini sugar in the region FC MC NC GS OE MV	Submit and support an application for review of the Dollar-Based Reference Price ("DBRP") mechanism in SACU	The Government of Eswatini was requested to support the review of the formula for the calculation of the resultant tariff (inclusion of the Real Effective Exchange Rate ("REER")).
	Increase sales volume to Kenya	Sales to Kenya increased by 99% from the previous year.
	Secure a preferential regime for Eswatini Sugar into Mozambique	Positive engagements were held in which the principle of a partnership was agreed.
	Diversify sales to other markets in Africa, excluding Kenya	Efforts to penetrate other regional markets were made, although not to the desired extent due to production shortfall.

SUSTAINABILITY

Sustainability continues to be core to the strategic direction of the business and industry. During the year under review, we continued to implement our Sustainability Programme as approved by Council. The Sustainability Programme comprises five focal areas:

- Environmental protection
- Community development
- Human resource development
- Governance
- Economic development

In implementing the programme, we continue to strive to demonstrate continuous improvement in adopting and promoting best management practices to meet global sustainability requirements.

During the year under review, we embarked on an industry-wide assessment to determine gaps in sustainability requirements for one of our blue-chip customers. The assessment identified actions that need to be included in the Sustainability Programme, and placed us in a better position to meet the requirements and expectations of most of our customers.

We view sustainability as the ability to continue to use resources today to **support the ability to create value in the future**, while proactively adapting, responding and shaping the drivers of future achievements. Our commitment to sustainability forms **an important part of our social and relationship, human and natural capitals**, and relates to our strategic themes of promoting growth and sustainability, and stakeholder engagement and harmonious miller and grower relations.



SUSTAINABILITY *(continued)*

Considerable strides were made in each of the focus areas of the Sustainability Programme:

Focus Area	Actions taken
Environmental protection 	<p>Environmental management initiatives, with the intention of preserving ecosystems and sustainable use of natural resources, were implemented. These were:</p> <ul style="list-style-type: none"> • Five industry-wide workshops were conducted on water and energy management during irrigation scheduling. • Nine growers were assisted with shifting from traditional irrigation scheduling to a more realistic modern software-based irrigation scheduling practice. • Seven growers installed energy-saving variable speed drives on their pumps. • Five growers were assisted with new irrigation layout for conversion from the less efficient dragline irrigation systems to improved efficient irrigation systems such as drip and semi-solid systems. • Five growers have started using solar as an alternative energy source in their irrigation pumping infrastructure in order to reduce the escalating electricity costs. • Five growers have submitted proposals to financiers for funding solar energy installations. • Chemicals used within the industry are carefully monitored to ensure that those used are safe for the environment and human and animal life. ESA advises growers on any changes in the status of agrochemicals used in the industry.
Community development 	<p>We continued to pursue the socio-economic transformation of the communities where the sugar industry operates. As part of our CSI programme, we donated E355 000 directly and indirectly through partner organisations in support of health, primary education, youth sports development, and disaster relief to these communities.</p>
Human resource development 	<ul style="list-style-type: none"> • We provided business management and technical sugarcane-growing seminars aimed at equipping growers with the skills needed to attain viable and profitable sugarcane businesses.
Governance 	<ul style="list-style-type: none"> • During the year under review 419 participants representing different farmer groups benefited from workshops on good corporate governance. • Several awareness seminars were held on good labour practices in order to capacitate growers on compliance with labour legislation and contract enforcement.
Economic development 	<ul style="list-style-type: none"> • We conduct annual grower cost surveys to ascertain the impact of production costs on the profitability of businesses. • We continued to monitor and advise on best production standards within the industry as well as on cost-containment measures to ensure viable and sustainable businesses.

Looking ahead

Customers and consumers have an interest in tracking the sustainable sourcing of the ingredients and products throughout the value chain. There is therefore a need for suppliers such as ESA to demonstrate that the production process considers a wide range of factors – environmental, social, and ethical, and not solely the traditional economic benefit. It is in this light that ESA continues to implement its sustainability agenda. The success of this agenda lies with buy-in from industry stakeholders at all levels in the sugar value chain.



A tester in the laboratory weighing sugar for analysis.

OUR GOVERNANCE

Our leadership



Mr Tom Dlamini (70)
Chairman

Tom Dlamini is the Chairman of Council. Mr Dlamini is a retiree, his last employment having been with the Swaziland National Housing Board ("SNHB") as Managing Director for 16 years. Prior to joining SNHB, he worked for 14 years as an Engineer and held a senior management position at the then Swaziland Electricity Board, now known as Eswatini Electricity Company. He has been serving as Chairman of Council for 10 years.



Mr George White (61)
President

George White holds a Diploma in Agriculture and has attended an Executive Development Programme. He was appointed President of ESA from 1 April 2020, having been nominated by Eswatini Cane Growers Association ("ECGA"). During the year under review, he served as President, in line with the Constitution of ESA. With 41 years' experience in the sugarcane growing business, he is currently General Manager at Tambankulu Estates. He has been a member of Council for 40 years.



Mr Nick Jackson (55)
Vice President

Nick Jackson holds an honours degree in biochemistry, and was appointed Vice President of ESA from 1 April 2020, having been nominated by Eswatini Sugar Millers Association ("ESMA"). He is currently the Managing Director of the Royal Eswatini Sugar Corporation ("RES") and has 20 years' experience mostly in the sugar industry, having held the position of CEO of Guyana Sugar Corporation in the Caribbean. He serves on several other boards in leading Eswatini institutions. He has been a member of Council for 11 years.

Council members

Eswatini Sugar Millers Association

Council members nominated by ESMA include senior executive managers from both RES and Ubombo Sugar. Their skills span sugar milling operations, finance, legal, commercial and agricultural operations with an average experience of 20 years in the industry. Their average tenure as Council members is 10 years.

Eswatini Cane Growers Association

Council members nominated by ECGA include senior executive managers from large sugar estates and Tibiyo Taka Ngwane as well as growers who run their own sugarcane farming businesses. Their experience is largely in sugarcane growing and the management of their own farms with an average experience of 21 years in the industry. Their average tenure as Council members is 10 years.

Chairman of Council

The Chairman of Council is nominated and appointed at the Annual General Meeting ("AGM") and must be an individual of good standing who has no direct or indirect interest in the growing, milling or disposal of sugarcane or sugar in Eswatini. The Chairman's role is to guide the meetings of Council and the Marketing Executive Committee. If there is an equal vote during voting, the Chairman has the power of casting a vote after certain constitutional processes have been exhausted.

President and Vice President

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



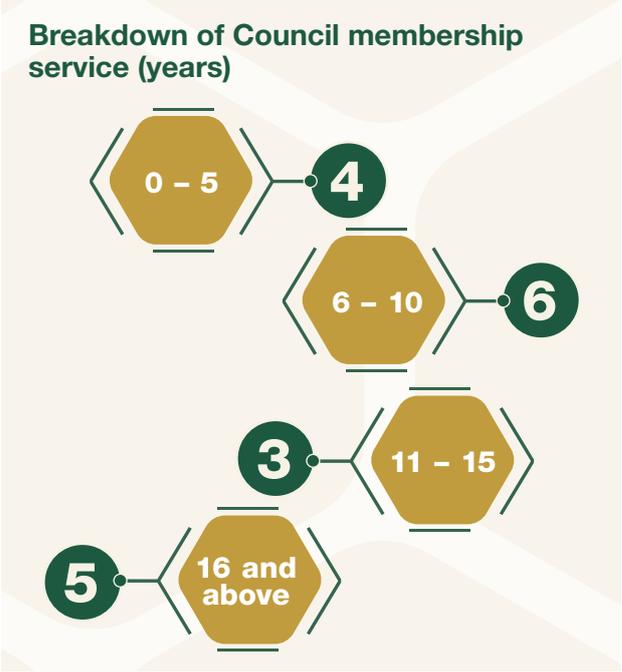
A water conveyance canal.

Secretary

The role of the Secretary is filled by the Financial Director. The Secretary performs duties and functions as prescribed in the Constitution of ESA and such other functions and duties as Council may from time to time deem fit. Since the Secretary’s duties are defined by statute, Council is satisfied that there is no conflict between the secretariat and executive roles. The current Secretary has six years’ experience in the role and several years’ experience in similar positions at other entities.

Executive Committee and Management Team

Council assigns responsibility for the day-to-day CEO. To assist the CEO in discharging his duties, there is an Executive Committee (“EXCO”) comprising six heads of departments. EXCO meets at least once a month to review operations and ensure that the key strategic objectives are pursued vigorously and thoughtfully.



OUR GOVERNANCE *(continued)*

Our Executive Committee



Dr Phil Mnisi (52)
Chief Executive Officer (“CEO”)

As CEO, Dr Mnisi sees to the advancement of the sugar industry’s interests through the observance of the Sugar Act, Sugar Industry Agreement, and the effective and efficient execution of ESA’s corporate strategy. He plays a strategic and pivotal role in advocating for the sugar industry through interaction with policymakers and other (national and international) stakeholders on behalf of the industry. The prime goal is the profitable marketing and management of the industry and its association through fulfilment of its strategic objectives. Dr Mnisi’s previous positions include CEO of Standard Bank Swaziland, Assistant Governor of the Central Bank of Eswatini, and CEO of Institute of Bankers South Africa.



Ms Sharon de Sousa (50)
Commercial Director (“CD”)

As CD, Ms de Sousa is responsible mainly for the development and implementation of ESA’s marketing strategy, with the objective of achieving an optimal marketing mix so as to maximise sales revenue on a sustainable basis, while also ensuring the provision of an efficient logistics system, including storage, movement and delivery of the products to customers. This office also oversees the function of trade and external affairs management, which includes advocating and lobbying for preferential market access for Eswatini Sugar.



Mr Banele Nyamane (41) CA(SA)
Financial Director (“FD”)/Company Secretary

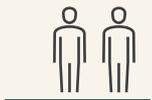
As FD, Mr Nyamane maintains control over all ESA financial activities including annual budgeting, sourcing working capital, accounting, auditing and implementing finance policies to ensure optimum use of organisational assets while safeguarding against any financial loss, in addition to overseeing the information technology systems. The FD further assumes and executes the functions of Company Secretary of ESA.

ESA Management Team Diversity, Tenure and Expertise

EXCO is supported by six managers who form the ESA Management Team and they have an average experience of more than 16 years.



3 0 – 5 years



2 6 – 10 years



3 11 – 15 years



3 16 and above

Strategy

Finance

Audit

Sales and marketing

QMS

Logistics



Mr Noah Dlamini (54)

Head: Extension and Technical Services (“HETS”)

As HETS, Mr Dlamini manages the sugar industry extension and technical services by coordinating industry crop production research, irrigation design and management, extension, pest and disease control and seedcane production functions to encourage the adoption of improved agricultural practices by stakeholders for sustainable sugarcane production.



Ms Lungile Motsa (45)

Head: Human Capital and Administration (“HHCA”)

As HHCA, Ms Motsa is entrusted with human capital attraction, capacitation, retention and general welfare in support of the overall delivery of ESA’s strategic objectives. Her portfolio is also responsible for employee safety, health, wellness and employee relations in the workplace as well as the promotion and advocacy for harmonious labour relations in the sugar industry.



Mr Siphon R Dlamini (55)

Head: Cane Testing and Quality (“HCTQ”)

As HCTQ, Mr Dlamini oversees the industry’s sugar laboratory infrastructure for the measurement of sucrose to facilitate the payment of sugarcane growers. This infrastructure includes the three laboratories located at each of the mills as well as the methods and standards for the accurate determination of the amount and quality of the sugarcane delivered by each grower and hence the monetary value due to each grower. This function also oversees the ESA’s QMS, which provides customers and other stakeholders with independent assurance of ESA’s compliance with internationally acceptable management systems and processes.

Human capital

Economics

IT

Trade

Irrigation engineering

Water resource management

Leadership

Risk management

Chemistry

Sugar technology



**3 Females
(27%)**



**8 Males
(73%)**

OUR GOVERNANCE *(continued)*

The organisation believes that effective corporate governance enables it to maximise value creation for stakeholders, while managing key risks. *(For more on risk, see page 24.)*

ESA promotes strong principles of integrity which contribute to the entrenchment of sustained excellence in every aspect of the business, and yield positive business performance in the short, medium and long term. *(For more on our performance, see page 29.)*

This commitment is evident across all ESA structures, including Council and its subcommittees, management structures and all ESA employees. By extension, ESA also promotes dealing with business partners who exhibit good corporate practices in creating sustainable business relationships.

Council embraces the principles of the King IV Code on Corporate Governance as a guideline to be used in managing ESA's business affairs. Council acknowledges that full implementation of the King IV Code will be a process which will require an in-depth understanding and interpretation of its principles within contextual circumstances.

Our governance framework

ESA is committed to good corporate governance even though its structure is different from that of a normal corporate entity, with its members comprising the ESMA and the ECGA. Their representatives are appointed to Council, as required by existing statutes. Their independence is therefore limited to the extent that they represent the interests of their respective associations. However, this is compensated for by the fact that all decisions taken are expected to be for the good of the overall sugar industry whereby derived benefits or losses derived are shared among members in a predefined manner.

Council

In line with the Constitution of ESA, members of Council and other committees are nominated and appointed at the AGM which is held annually in September. In the year under review, ECGA amended its constitution to allow members to serve for a three-year period. While previously members were elected annually, the lack of continuity was found to be a disadvantage. It is envisaged that this step will ensure ECGA representatives have additional time to understand and add value to the operations of ESA.

All current members of Council have sufficient experience in ESA operations, complemented by extensive experience in the sugar industry in Eswatini.

Over and above the duties set out in the Constitution of the ESA, Council also:

- determines strategies and approves major policies and plans.

Our **rigorous and transparent governance** forms a key part of our **human and intellectual capitals**, and relates to our strategic theme of growth and sustainability. ESA's commitment to the **highest standards of ethical and effective corporate governance**, strong risk management and a transparent culture are the **guiding framework** for its business management.

- is responsible for risk management
- provides oversight as well as monitoring to help ensure accountability

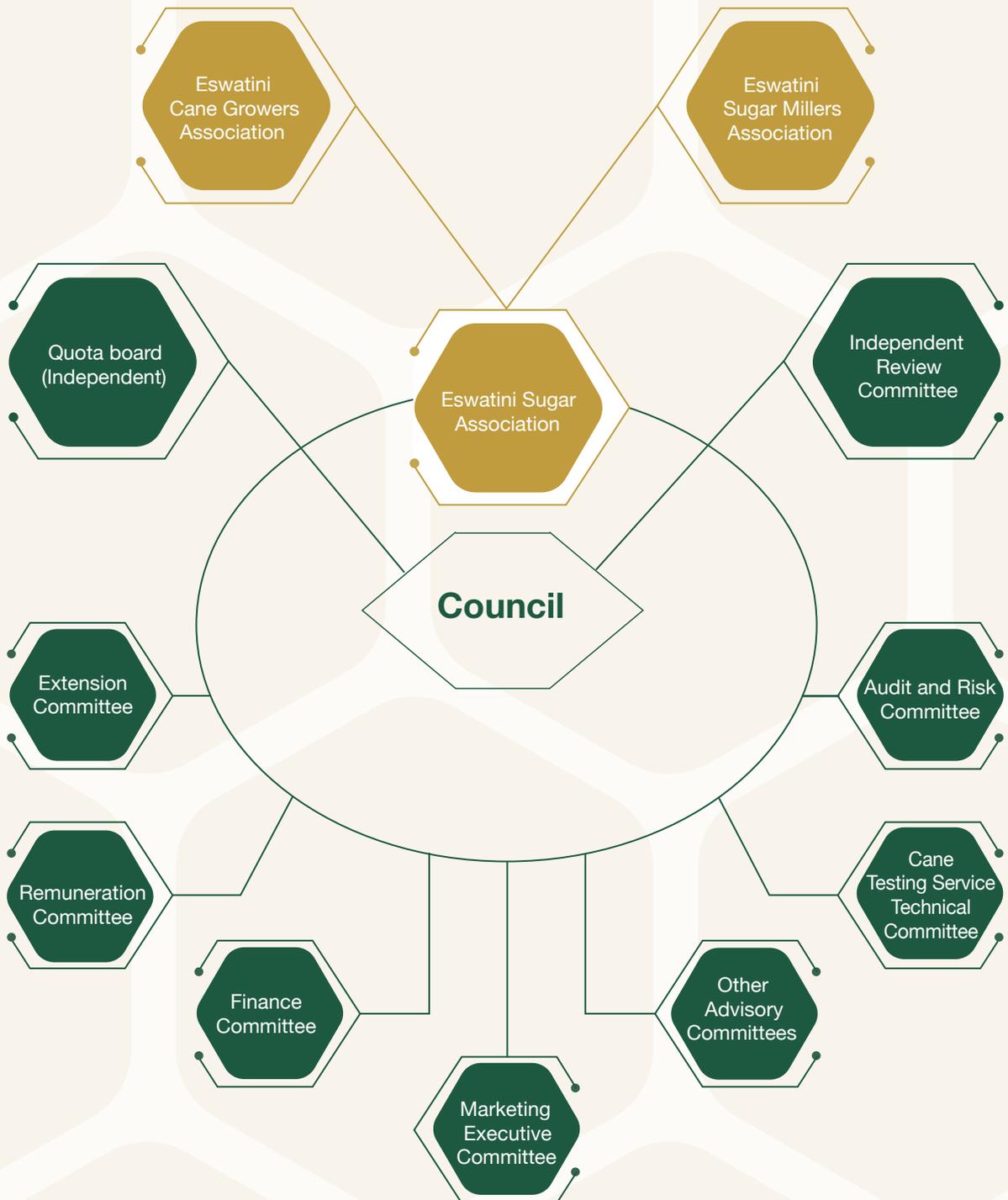
To ensure effectiveness, Council has delegated some of its responsibilities to its subcommittees.

Council is satisfied that, in the year under review, it has fulfilled its responsibilities in accordance with the organisation's Constitution and the spirit of the principles espoused in King IV.

Council induction

At the first meeting of all the committees after the AGM, members of the subcommittees are taken through an induction process covering the structure and mandate of ESA. It also covers the terms of reference of each committee as well as the ESA Code of Conduct.

Our governance structure



OUR GOVERNANCE *(continued)*

Leadership structure and profile

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

Key governance processes and activities

The role of Council is defined in the Sugar Industry Agreement ("SIA") and it primarily involves: strategic leadership and guidance; ultimate oversight; accountability; and responsibility. Council has established several bodies (subcommittees) through which it executes its governance processes and activities by delegation. Membership to these structures is equal between millers and growers, and decisions taken are usually arrived at by consensus.

Code of conduct

ESA has a Code of Conduct for its members and subcommittees. The code seeks to set minimum standards expected and required of all members of ESA committees. It seeks to ensure that these members uphold principles of integrity, accountability and legal compliance in carrying out their duties and responsibilities. It applies to all individuals whenever they are acting in their capacities as members of ESA committees. There are two other codes of conduct, mainly for ESA employees and suppliers of goods and services.

Internal controls

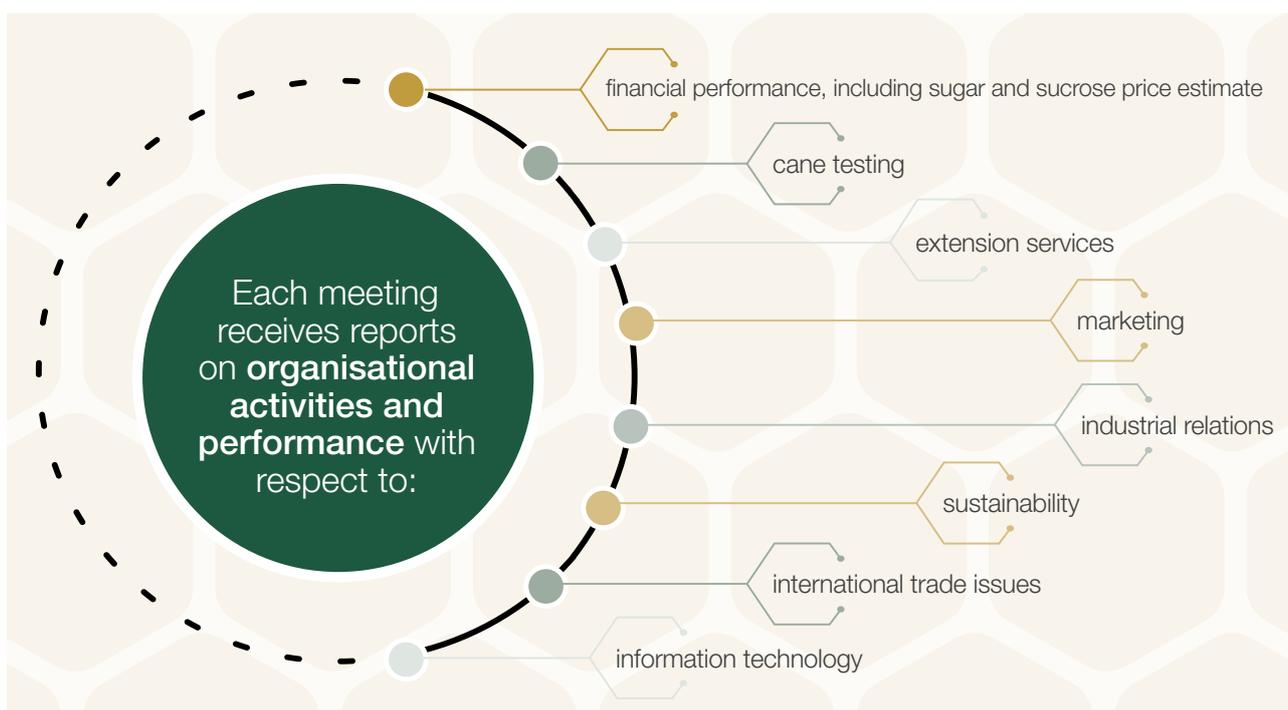
ESA operates a combined assurance approach that optimises the assurance obtained from management, internal audit and external assurance providers on all the risks identified by ESA. Risks are identified, evaluated and managed by implementing risk mitigations such as strategic actions, insurance and specific internal controls.

ESA's internal controls and systems are designed to provide reasonable assurance on the integrity and reliability of the financial and operational management information system. They ensure that assets are safeguarded against material loss and that transactions are recorded and authorised. *(For more on risk management and internal audit, see pages 24 and 43 respectively.)*

Council discussions

Council has developed and maintains a standard agenda which sets the framework for its meetings and seeks to ensure that each meeting covers all the sections of the industry from routine business, through operational reports and project updates, to special items and matters of strategy as well as business development.

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



Council held four meetings during the year under review, and in addition to these regular agenda items, a number of issues were discussed. At meetings held in:

July 2019	Management was tasked to investigate the possibility of partnering with a public institution to establish a local laboratory that will also service the industry.
	There was full engagement on Brexit developments to ensure that Eswatini could still have access to the United Kingdom market.
September 2019	The sourcing of working capital in hard currency from a regional bank was approved, a decision which also fulfils the organisation's strategy of diversifying its source of funds.
	In recognition of the fact that most industry sugar estates are located in the country's malaria-prone area, a donation of E600 000 over a three-year period to the Malaria Fund was approved.
December 2019	The expansion of the Ubombo bagging and warehousing facilities to the value of E110 million was approved. This facility will assist the industry to increase its bagging capacity for sugar destined to the regional markets.
	The industry's five-year forecast was discussed.
March 2020	A new Funding Policy for the industry, which seeks to reduce working capital sourced from the financial institutions, was approved.
	A report on the significant decline in sugarcane yields during the year under review was received and considered.
	A subcommittee was appointed to explore an initiative that could potentially lead to significant investment in Eswatini, and which would add value to sugarcane and its by-products.
	A partnership with the University of Eswatini to set up an independent laboratory that will be used by the industry to test its products was approved.
	The piloting of an electronic cane delivery ticketing system that will reduce costs and improve efficiencies for the industry was approved.

Council focus areas for FY2021

In the coming year, Council will focus on a number of key initiatives:

- Ensuring that the industry monitors the safeguards implemented to prevent the spread of the COVID-19 virus
- Managing the development of the Ubombo warehouse
- Pursuing the development of the value-adding initiative
- Guiding management on the efforts to continue lobbying for preferential access to new markets

Council subcommittees

Audit and Risk Committee

Mandate

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

The Committee's role is to:

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

OUR GOVERNANCE *(continued)*

Responsibilities

External audit

The Committee is responsible for:

- evaluating the independence, effective roles and functions of the external audit
- evaluating and recommending the appointment of external auditors annually
- approving the audit and non-audit services fees
- considering and responding to any question from Council regarding the resignation or dismissal of external auditors, if necessary
- reviewing and approving the external audit plan
- ensuring that the scope of the external audit has no limitations imposed by management and that there is no impairment of its independence

Internal control and internal audit

The Committee is responsible for:

- reviewing the effectiveness of ESA's system of internal controls, including internal financial control and risk management, and ensuring that effective internal control systems are maintained
- monitoring and supervising the effective functioning and performance of the internal audit
- reviewing and approving the annual audit plan and internal audit charter
- ensuring that the internal audit function has no limitations imposed by management and that there is no impairment of its independence

Financial statements and Integrated Annual Report

The Committee is responsible for:

- considering any accounting treatment, significant unusual transactions or judgements that could be contentious

- reviewing the integrated annual report, as well as the annual financial statements
- providing as part of the integrated annual report, a report by the Committee

Opinion on internal financial controls

Based on the review of internal control systems conducted by the Internal Auditor, as well as information and explanations given by management and discussions held with the external auditors on the results of the audit, the Committee believes ESA's system of internal controls is effective and forms a basis for the preparation of reliable financial statements for the year under review. In addition, the Committee was not made aware of any material breaches of any laws or legislation or material breaches of internal controls or procedures.

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

Committee activities

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

The Committee held four meetings during the year under review, and in addition to regular agenda items, a number of issues were discussed. At meetings held in:

June 2019	The Committee considered the draft annual financial reports prepared by management and recommended their adoption to Council. They also reviewed the risk register for FY2019 and approved that for FY2020.
September 2019	The Committee received several internal and external audit reports which covered other standing agenda items.
November 2019	The Committee received and approved, together with the audit fee, the external audit strategy to be followed in the audit for the year ending 31 March 2020.
March 2020	The Committee reviewed the Internal Audit Charter and made editorial amendments.

Risk management

While Council is ultimately responsible for the maintenance of an effective risk management process, the Committee, together with management, assists Council in assessing the adequacy of the risk management process, as the Committee fulfils an oversight role with regard to financial and operational risks. During the year under review, the Committee considered the risk management approach as well as key risks, and believes that the approach is appropriate and that all key risks are being adequately addressed by management. *(For more on risk management, see page 24.)*

External auditors

In September 2019, the Committee evaluated the performance of PwC and concluded that it was satisfied with their work. It went on to recommend their reappointment at the AGM.

Internal audit

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

The principle of independence of the internal audit unit is upheld. On operational and administrative matters, the Internal Auditor reports to the CEO and Financial Director.

The scope of work for the internal audit unit includes:

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

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

Financial statements

The Committee reviewed the statutory financial statements of ESA and is satisfied that they comply with International Financial Reporting Standards ("IFRS"). In addition, the committee reviewed management's assessment of the appropriateness of the use of the going concern assumption in preparing the financial statements, and is satisfied that it is appropriate.

Integrated Annual Report

The Committee was satisfied that all the information disclosed in the Integrated Annual Report is in no way contradictory to the annual financial statements, and recommended to Council the approval of the 2019/20 Integrated Annual Report.

Expertise, resources and experience of the finance function

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

Remuneration Committee ("REMCO")

During the year under review, the Committee:

- Reviewed and approved the incentive bonus for the year ended 31 March 2019
- Reviewed the cost-of-living adjustments for staff and the Council Chairman's allowances for the year

Remuneration of employees

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

Remuneration of non-independent and independent members

No members of Council and its subcommittees, except the independent chairmen, receive any remuneration, and are only reimbursed for costs incurred in attending to ESA business. These costs typically include hotel and travel costs.

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

OUR GOVERNANCE *(continued)*

Other Council subcommittees

Marketing Executive Committee

The Marketing Executive Committee is vested with powers of ESA in the purchase, marketing, sale and disposal of sugar and its by-products manufactured in Eswatini according to the general policy determined by Council for the year. This Committee has equal representation of millers and growers and is chaired by an independent chairperson.

The Cane Testing Service Technical Committee

The Cane Testing Service Technical Committee is responsible for the supervision of the cane testing service at the mills and it advises ESA on all matters relating to the testing of cane in Eswatini. The Committee has equal representation of millers and growers and is chaired by a representative of either millers or growers.

The Independent Review Committee

The Independent Review Committee is an independent committee that deals with technical matters referred to it by Council. Currently, it is tasked with the determination of allowances paid to millers for producing refined and VHP sugars and also the determination of the beneficial use of bagasse. It comprises experts with knowledge of the sugar industry.

The Extension Committee

The Extension Committee advises Council on the overall direction of all technical services other than cane testing. The focus areas for the Committee are crop production

research, pest and disease control, extension services, and any ancillary matter. The Committee comprises equal representation by millers and growers and is chaired by a representative of either millers or growers.

The Technical Committee

The Technical Committee advises Council on investments in infrastructure owned by ESA. The Committee comprises equal representation of millers and growers and is chaired by the Commercial Director.

The Finance Committee

The Finance Committee advises Council on industry financial issues. It oversees the sugar price estimate process, manages the Foreign Exchange Hedging Policy and the raising of working capital for ESA. The Committee comprises equal representation of the millers and growers and is chaired by the CEO.

Whistleblowing hotline and follow-up

ESA operates a whistleblowing hotline. This service, operated by the Internal Auditor, enables all stakeholders to anonymously report issues that may be fraudulent or unethical. It is the responsibility of all employees and stakeholders to report known or suspected unethical or illegal conduct. Retaliation against whistleblowers is not tolerated at ESA. Follow-up on all reported matters is coordinated by the Internal Auditor and reported to the Audit and Risk Committee.



The Simunye mill.

SUMMARISED AUDITED FINANCIAL STATEMENTS

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Trucks arrive at the mill with sugarcane.

COUNCIL MEMBERS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

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

The members are responsible for the preparation 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 ESA 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 ESA 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.

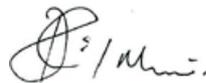
Based on the information and explanations given by management and the internal auditors, the members are of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing the consolidated and separate financial statements in accordance with IFRS and maintaining accountability for ESA'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 ESA, has occurred during the year and up to the date of this report.

The members have a reasonable expectation that ESA 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.

The consolidated financial statements prepared in accordance with IFRS, which appear on pages 50 to 57 were approved by the Council members on 21 July 2020 and signed on its behalf by:



Mr T Dlamini
Chairman



Dr PF Mnisi
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

To the Members of Eswatini Sugar Association

Opinion

The summary consolidated financial statements of Eswatini Sugar Association, contained in the accompanying Integrated Annual Report, which comprise the summary consolidated statements of financial position as at 31 March 2020, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Eswatini Sugar Association for the year ended 31 March 2020.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the Companies Act of Eswatini as applicable to summary financial statements.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of Eswatini as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 6 August 2020.

Director's responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the Companies Act of Eswatini as applicable to summary financial statements.

Auditor's responsibility

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

PricewaterhouseCoopers

Partner: Theo Mason
Registered Auditor
PO Box 569
Mbabane, Eswatini

Date: 6 August 2020

COUNCIL MEMBERS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

Council has pleasure in submitting their report together with the consolidated and separate financial statements of ESA for the financial year ended 31 March 2020.

Business activities

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

General review of business operations and results

The state of affairs of ESA at 31 March 2020 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 E5,94 billion (2019: E5,13 billion). The increase in revenue is mainly attributable to increased sales volume and better selling prices compared with the previous year. The cost of sales increased from E4,80 billion to E5,66 billion in line with increased distributable proceeds. Profits that are made by ESA are distributed in full to the millers and growers and form part of the cost of sales. Distribution costs incurred during the year were E13,6 million (2019: E9 million). The increase is mainly as a result of more sales being on Cost, Insurance and Freight ("CIF") terms as opposed to Free On Board ("FOB") terms when compared with the previous year.

Foreign exchange loss of E4,29 million was incurred compared to a E30,30 million loss in the previous year. This is primarily a result of high volatility of the Lilangeni against export currencies during the year. Interest paid decreased from E215,34 million to E182,42 million as a result of a better optimal funding compared with the previous year. Administration expenses increased from E77,4 million to E83,05 million.

Net cash flow hedges realised and transferred to profit or loss relate to foreign exchange gains that were recognised in equity in the previous financial year. 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 E139,91 million to E146,12 million as a result of additional investment on the warehousing infrastructure.

Inventories decreased from E1,012 million to E511,8 million as a result of lower closing stock quantities when compared to the previous year. Trade receivables decreased by E89,8 million mainly as a result of customers settling their debts prior to year end. The market conditions had improved when compared with the previous year where a lot of sugar was being imported into the SACU market. Trade payables increased as a result of a high amount available for distribution when compared with the previous year. Bank overdraft decreased from E1,02 billion to E146 million, in line with inventory and accounts payables.

Going concern

The financial statements have been prepared on a going concern basis, which assumes that ESA will be able to meet the mandatory repayment terms of the liabilities disclosed in the statement of financial position.

Events subsequent to year end

Prior to the reporting date, the World Health Organization declared the outbreak of the COVID-19 to be a pandemic. On 17 March 2020, the Prime Minister of the Kingdom of Eswatini declared a National Disaster in terms of section 29 of the Disaster Management Act, 2006. A partial lockdown was implemented across the country and the manufacturing, pre-packing and distribution of sugar and its by-products were exempted. The millers and growers have implemented measures to minimise the spread of the virus. Management does not expect the Group's income to be impacted by this, hence there is no adjustment to or additional disclosures in the financial statements.

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

Subsidiaries and jointly controlled company

ESA has the following subsidiary companies:

• Eswatini Sugar Assets Limited	100%
• Sugar Assets (Mhlume) Limited	100%
• Sugar Holding Company Limited*	100%
• Commodity Marketing Company Limited*	100%
• Sugar Assets (Simunye) Limited	100%

* These two are dormant subsidiaries of ESA.

ESA has interest in the following jointly controlled company:

• Sociedade Terminal de Açúcar De Maputo Lemitada ("STAM")	25%
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Council

Council is the highest governing body of ESA. Council comprises an equal number of representatives from Eswatini Millers Association and Eswatini Cane Growers Association. The Chairman 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 AT 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 V Madume	
• Mr M Jele	

Audit and Risk Committee

The Audit and Risk Committee is a subcommittee of Council. The Committee is responsible for overseeing the overall risks of ESA 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 Dlamini	Chairman
• Mr S Potts	
• Mr L Ndzimandze	
• Mr A Ngcobo	
• Mr J Msibi	

Secretary

Mr B Nyamane

Business address

Nkhotfotjeni Building
Cnr Msakato and Dzelewe Streets
Mbabane

Postal address

PO Box 445
Mbabane
H100

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Group		Association	
		2020 E'000	2019 E'000	2020 E'000	2019 E'000
Revenue	2	5 939 729	5 128 521	5 939 729	5 128 521
Cost of sales		(5 661 296)	(4 803 007)	(5 677 266)	(4 818 902)
Gross profit		278 433	325 514	262 463	309 619
Other income		4 568	5 961	4 568	5 961
Distribution costs		(13 628)	(8 954)	(13 393)	(8 866)
Administrative expenses		(83 048)	(77 427)	(81 211)	(75 694)
Foreign exchange loss		(4 296)	(30 297)	(4 296)	(30 297)
Operating profit before financing costs	3	182 029	214 797	168 131	200 723
Finance income		–	–	14 383	14 719
Finance expense		(182 423)	(215 338)	(182 423)	(215 338)
Net financing costs	4	(182 423)	(215 338)	(168 040)	(200 619)
Share of profit of jointly controlled entity (net of tax)		485	645	–	–
Profit before tax		91	104	91	104
Income tax expense		(91)	(104)	(91)	(104)
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		–	–	–	–
Total comprehensive income for the year		–	–	–	–

Profit for the year is attributable to the members of ESA.

Total comprehensive income of the Group is attributed to the members of ESA.

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

AT 31 MARCH 2020

	Notes	Group		Association	
		2020 E'000	2019 E'000	2020 E'000	2019 E'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	146 123	139 911	7 716	8 262
Investment in subsidiaries		–	–	–	–
Jointly controlled entity		44 001	35 231	39 362	39 362
Total non-current assets		190 124	175 142	47 078	47 624
Current assets					
Loans to subsidiaries		–	–	138 112	131 351
Inventories		511 794	1 011 592	511 794	1 011 593
Trade and other receivables		671 419	761 245	671 419	761 245
Current tax asset		89	128	89	128
Cash and cash equivalents		4 608	57 080	4 608	57 080
Total current assets		1 187 910	1 830 045	1 326 022	1 961 397
Total assets		1 378 034	2 005 187	1 373 100	2 009 021
RESERVES AND LIABILITIES					
Non-distributable reserve		3 934	3 934	3 934	3 934
Total reserves		3 934	3 934	3 934	3 934
Non-current liabilities					
Long-term liabilities	6	150 000	250 000	150 000	250 000
Current liabilities					
Bank overdraft		146 004	1 016 237	146 004	1 016 237
Short-term borrowings		493 000	363 000	493 000	363 000
Other financial liabilities		20 884	–	20 884	–
Trade and other payables		564 212	372 016	559 278	375 850
Total current liabilities		1 224 100	1 751 253	1 219 166	1 755 087
Total liabilities		1 374 100	2 001 253	1 369 166	2 005 087
Total reserves and liabilities		1 378 034	2 005 187	1 373 100	2 009 021

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Group		Association	
	2020 E'000	2019 E'000	2020 E'000	2019 E'000
Cash flows from operating activities				
Cash generated from operations	986 062	189 944	963 259	167 045
Interest received	–	–	14 383	14 718
Interest paid	(182 423)	(215 338)	(182 423)	(215 338)
Taxation paid	(52)	(119)	(52)	(119)
Net cash inflows/outflows from operating activities	803 587	(25 513)	795 167	(33 694)
Cash flows from investing activities				
Acquisition of property, plant and equipment	(15 832)	(2 111)	(652)	(1 366)
Proceeds from the sale of property, plant and equipment	6	116	6	116
Net cash outflows from investing activities	(15 826)	(1 995)	(646)	(1 250)
Cash flows from financing activities				
Loans received from short-term borrowings	130 000	30 000	130 000	30 000
Loans repaid from long-term borrowings	(100 000)	–	(100 000)	–
Loans to subsidiary companies received/(repaid)	–	–	(6 760)	7 436
Net cash inflows from financing activities	30 000	30 000	23 240	37 436
Net increase in cash and cash equivalents	817 761	2 492	817 761	2 492
Cash and cash equivalents at the beginning of the year	(959 157)	(961 649)	(959 157)	(961 649)
Cash and cash equivalents at the end of the year	(141 396)	(959 157)	(141 396)	(959 157)

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 MARCH 2020

	Non- distributable reserve E'000	Other reserve E'000	Total equity E'000
Group and Association 2020			
Balance at the beginning of the year	3 934	-	3 934
Changes in fair value of cash flow hedges	-	20 884	-
Cash flow hedges realised and reclassified to profit or loss	-	(20 884)	-
Balance at the end of the year	3 934	-	3 934
Group and Association 2019			
Balance at the beginning of the year	3 934	1 666	5 600
Cash flow hedges realised and reclassified to profit or loss	-	(1 666)	(1 666)
Balance at the end of the year	3 934	-	3 934

NOTES TO THE SUMMARISED AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1. Significant accounting policies

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

1.1 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to 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.

1.2 Inventories

Inventories of sugar and molasses on hand at the year end are valued at 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. In determining net realisable value, management estimates prices obtainable from the markets that stocks will be sold to. Management's determination of the final estimate is based on the most reliable evidence available at reporting date.

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

1.3 Revenue

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.

i) Sugar and molasses sales

The Group buys and sells sugar and molasses from millers and growers. Revenue is recognised when control of sugar and molasses has been transferred and 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 recognised upon loading the sugar to the carrier and issuance of the bill of lading. In the case of cost-insurance-freight sale, revenue is recognised 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 recognised 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 obligations that can affect a 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 Group 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.

	Group		Association	
	2020 E'000	2019 E'000	2020 E'000	2019 E'000
2. 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				
Revenue by product type comprises:				
– Sugar sales	5 743 642	4 937 825	5 743 642	4 937 825
– Molasses sales	196 087	190 696	196 087	190 696
	5 939 729	5 128 521	5 939 729	5 128 521
Revenue by channel comprises:				
SACU market	4 070 243	3 471 657	4 070 243	3 471 657
Regional market	570 695	268 396	570 695	268 396
International market	1 298 791	1 388 468	1 298 791	1 388 468
	5 939 729	5 128 521	5 939 729	5 128 521

Sugar is sold into the SACU, regional and international markets. Molasses is sold within the SACU market.

3. Operating profit before financing costs

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

	Group		Association	
	2020 E'000	2019 E'000	2020 E'000	2019 E'000
Income:				
Administration expenses:				
Auditor's remuneration				
– Current year	101	89	101	89
– Prior year	786	619	786	619
Depreciation	9 591	9 550	1 170	1 368
Lease expenses	1 283	1 220	1 283	1 220
Management fees				
– Computer related	1 627	1 669	1 627	1 669
Payroll costs	38 892	35 009	38 892	35 009

NOTES TO THE SUMMARISED AUDITED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 MARCH 2020

	Group		Association	
	2020 E'000	2019 E'000	2020 E'000	2019 E'000
4. Net financing costs				
Finance income and expense				
Finance expense on financial liabilities				
Measured at amortised cost	(182 423)	(215 338)	(182 423)	(215 338)
Foreign exchange loss	(20 758)	(30 297)	(20 758)	(30 297)
Finance expenses	(203 181)	(245 635)	(203 181)	(245 635)
Finance income on financial assets				
Interest income on loans originated by ESA	–	–	14 383	14 719
Foreign exchange gain	16 462	–	16 462	–
Finance income	16 462	–	30 845	14 719
Net finance costs	(186 719)	(245 635)	(172 336)	(230 916)
5. Property, plant and equipment				
Allocation of depreciation				
Direct cost of sales	331	493	331	493
Direct analysis of cane	233	196	233	196
Extension services	209	262	209	262
Administration	397	417	397	417
Operating expense	8 422	8 181	–	–
Total	9 592	9 549	1 170	1 368

Reconciliation of the opening and closing carrying amounts – 2020

	Opening carrying amount E'000	Additions E'000	Disposals E'000	Transfer E'000	Depreciation E'000	Closing carrying amount E'000
Association						
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

Reconciliation of the opening and closing carrying amounts – 2020

	Opening carrying amount E'000	Additions E'000	Disposals E'000	Transfer E'000	Depreciation E'000	Closing carrying amount E'000
Group						
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	(30)	–	(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
	139 911	15 832	(28)	–	(9 592)	146 123

	Group		Association	
	2020 E'000	2019 E'000	2020 E'000	2019 E'000
6. Long-term liabilities				
This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.				
Fixed-term loan from Public Service Pensions Fund	250 000	250 000	250 000	250 000
The loan will be repaid in full on 30 June 2023. Interest is negotiated on a yearly basis and is linked to the prime lending rate. The loan is unsecured.				
Less: Current portion transferred to current liabilities	(100 000)	–	(100 000)	–
Total non-current portion	150 000	250 000	150 000	250 000

ABBREVIATIONS

Abbreviation	Description
AGM	Annual General Meeting
AfCFTA	African Continental Free Trade Area
COMESA	Common Market for Eastern and Southern Africa
CIS	Commonwealth of Independent States
CSI	Corporate Social Investment
DBRP	Dollar Based Reference Price
EAC	East African Community
ECGA	Eswatini Cane Growers Association
EPA	Economic Partnership Agreement
ESA	Eswatini Sugar Association
ESMA	Eswatini Sugar Millers Association
EU	European Union
GDP	Gross Domestic Product
<IR>	Integrated Reporting
IFRS	International Financial Reporting Standards
IMS	Integrated Management System
ISO	International Sugar Organisation
MEC	Marketing Executive Committee
MENA	Middle East and North Africa
MoU	Memorandum of Understanding
NAFTA	North American Free Trade Agreement
REMCO	Remuneration Committee
QMS	Quality Management System
R&D	Research and Development
SACU	Southern African Customs Union
SADC	Southern African Development Community
SIA	Sugar Industry Agreement
SLA	Service Level Agreement
TCH	Tonnes Cane per Hectare
TFTA	Tripartite Free Trade Area
TRQ	Tariff Rate Quota
TSH	Tonnes Sucrose per hectare
USA	United States of America
VHP	Very High Polarity

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