



**ESWATINI  
SUGAR  
ASSOCIATION**

United for Growth. *Creating more Value*

**INTEGRATED**  
ANNUAL REPORT  
2022/23

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**Our strategic goal is to double the industry revenue in 10 years (2017–2026).**

## 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.

### Navigation icons

-  Reference to information available on the website
-  Page or note information reference
-  Metric or area independently assured

# Highlights

## Financial highlights for the year ended 31 March 2023



625 361  
tonnes



Sugar production  
(2022: 613 894 tonnes)



5 539 396  
tonnes



Cane crushed  
(2022: 5 266 602 tonnes)



96,52  
tonnes



Cane per hectare harvested  
(2022: 92,50 tonnes)



759 260  
tonnes



Sucrose production  
(2022: 726 302 tonnes)



605 556  
tonnes



Sugar sales  
(2022: 636 066 tonnes)



57 394  
hectares



Area harvested  
(2022: 56 936 hectares)



13,23  
tonnes



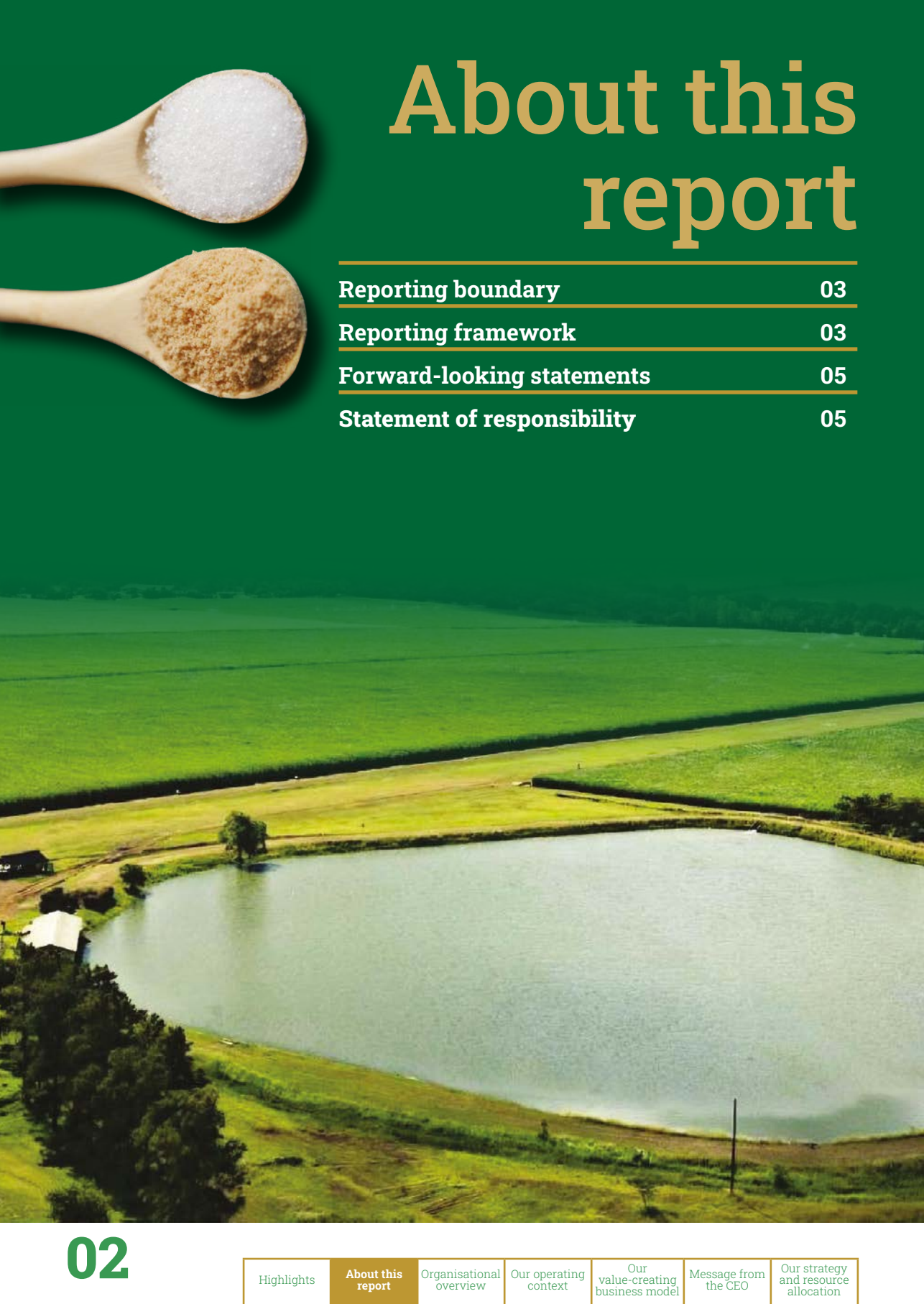
Sucrose yield per hectare  
(2022: 12,76 tonnes)



E6,44  
billion



Revenue  
(2022: E5,76 billion)



# About this report

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Our Integrated Annual Report for the year ended 31 March 2023 presents a clear, concise and balanced view of how the Eswatini Sugar Association (ESA) creates and delivers value. It reflects on the performance of the organisation, our opportunities and risks, alongside our strategic priorities for the year ahead as well as our efforts to build an aligned and sustainable sugarcane industry.

## Reporting boundary

This report focuses on the material matters relating to our strategy, business model, operating environment as well as on the performance, governance and the material risk and opportunities arising from them.

The report covers the financial year from 1 April 2022 to 31 March 2023 and concentrates primarily on ESA, the reporting entity, as well as its subsidiaries and the jointly controlled companies as presented in the audited financial statements (page 64). However, given the nature of the organisation, mention is also made of other entities whose activities attract risks, opportunities and outcomes that could potentially impact ESA's ability to create value in the short, medium and long term.

Our ability to create value beyond the short term hinges on the interdependencies, interactions, and trade-offs between our six capitals – and extends beyond what can be measured in financial terms. Our business model (page 14) and Corporate Strategy and Marketing Plan 2021–2026 (page 24) aim to maximise stakeholder returns through the optimal use of these capitals.

## Financial and non-financial reporting

The report extends beyond financial reporting and includes non-financial performance, opportunities, risks and outcomes that may have a significant influence on our ability to create value.

## Reporting framework

This report was prepared in accordance with the principles of the King IV Code on Corporate Governance (King IV) and is also guided by the principles and requirements of the IFRS Foundation's International Integrated Reporting Framework.

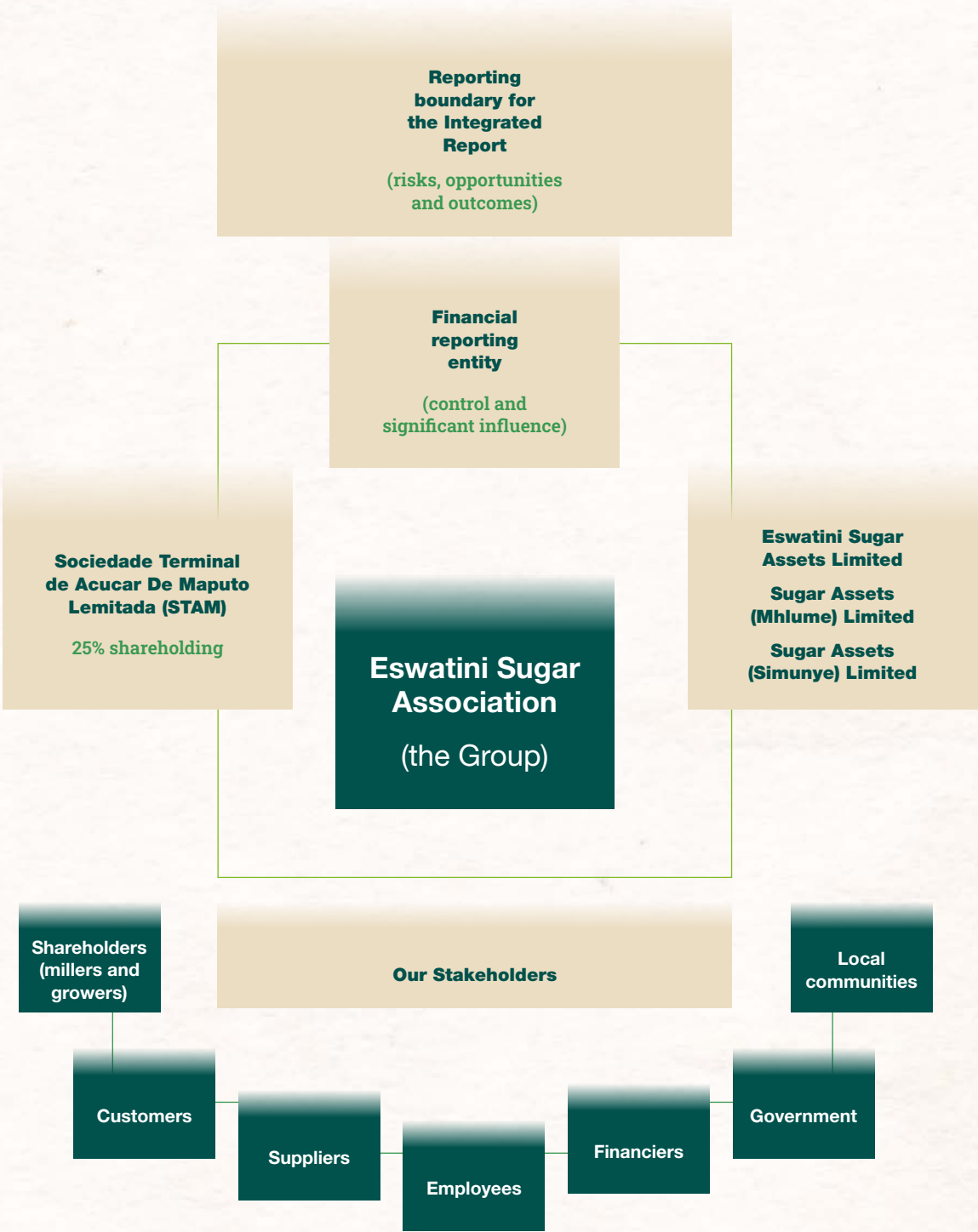
Our annual financial statements (from page 64) are aligned with International Financial Reporting Standards (IFRS).



White and brown sugar

Our business structure	Our operations	Our performance	Managing risk	Sustainability	Corporate social responsibility	Our governance	Financial statements
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Reporting boundary



## Forward-looking statements

This report contains certain forward-looking statements based on information available at the time of compiling this report. These statements are subject to some uncertainties, and Council therefore does not commit to issuing any revisions, in part or in whole, to reflect unforeseen events or circumstances that may occur after the compilation of this report. Readers are therefore advised to exercise caution regarding the interpretation and use of any forward-looking statements in the report. The forward-looking statements have not been reviewed or reported on by the auditors.

## Statement of responsibility

Council acknowledges its responsibility of overseeing and ensuring the veracity and comprehensiveness of this integrated report and has applied its collective mind in the preparation and presentation of the information herein.

Executive Management was instrumental in preparing this report, and the Audit and Risk Committee assured the accuracy and integrity of the information presented. Council is satisfied that the report reflects a complete and balanced overview of the financial and operational performance of the organisation, our opportunities and risks, alongside our strategic priorities for the year ahead.

Council has accordingly approved the ESA Integrated Annual Report 2022/23 on 29 June 2023.



RES mill (aerial)

Our business structure	Our operations	Our performance	Managing risk	Sustainability	Corporate social responsibility	Our governance	Financial statements
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# Organisational overview



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# Organisational overview



Sugarcane

# About ESA

The Eswatini Sugar Association (ESA) is the regulatory body for the sugar industry in Eswatini, bringing together sugarcane growers (quota holders) and millers.

The organisation is responsible for the regulation and development of the Eswatini sugar industry, for marketing and selling all sugar produced in the country and its by-products (currently molasses), and for ensuring the sustainability of the country's sugar industry.

ESA provides support services to the entire sugar industry's value chain, including agricultural research and extension, cane testing, warehousing and distribution, marketing and policy advocacy.

**United for growth, creating more value**

Sugarcane is grown under irrigation on approximately 60 000 hectares of land, yielding an average of 680 000 tonnes of sugar a year, depending on climatic conditions. The industry is a key contributor to the Eswatini economy, accounting for approximately 6% of the country's gross domestic product (GDP) in 2021, with both the cane growing and sugar milling sectors making a significant contribution to agriculture and manufacturing, respectively.

The industry is the largest non-government employer in Eswatini, and the multiplier effect of its formal and informal downstream economic activities is immense.

The Association was established by the Sugar Act of 1967 and is headquartered in Mbabane.

ESA				
Eswatini Cane Growers Association			Eswatini Sugar Millers Association	
Large-scale growers	Medium-scale growers	Small-scale growers	Royal Eswatini Sugar Corporation (RES) Mhlume & Simunye Mills	Ubombo Sugar Limited Big Bend Mill

# About ESA (continued)

## Overview of the Eswatini sugar industry

Of the 438 sugarcane growers active in the year under review, 94% (411) were small-scale growers. They contributed about 28% to the cane harvested and sugar produced.

## Output by grower category

Category	Number	Area under cane	% production
<b>Growers</b>	438		
Small-scale growers (including farmers associations)	411	< 50 ha	28%
Medium-scale growers	19	50–1 000 ha	7%
Large-scale growers	5	>1 000 ha	14%
Millers-cum-planters (MCPs)	3		51%

The number of active growers has declined over the years, particularly in the small-scale grower category, as they struggle to sustain their operations due to factors such as climatic conditions, conflicts, fluctuations in sugar prices and escalating input costs.

## Our vision

To develop the Eswatini sugar industry into an innovative, competitive and sustainable sugar cane entity promoting long-term stakeholder well-being.

## Our mission

To evolve ESA into an industry catalyst promoting innovation, industry development and revenue optimisation while delivering world-class services to its members and stakeholders in a sustainable manner.

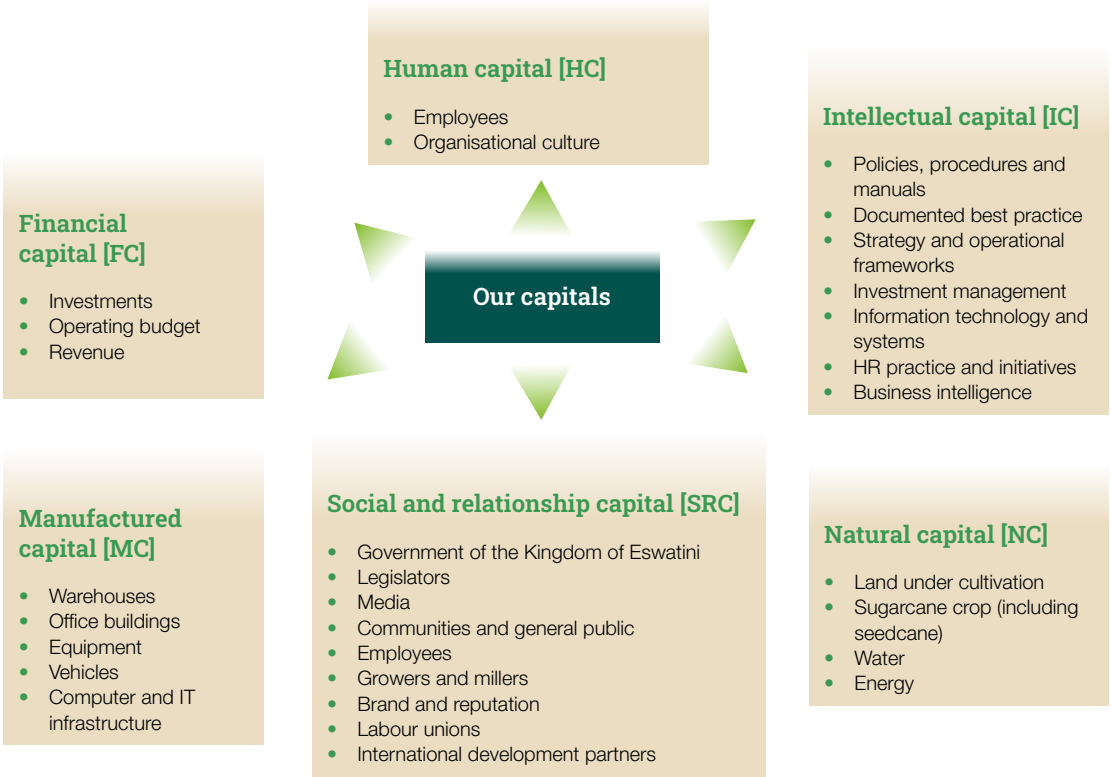
## Our values

<b>Excellence</b> We strive to excel in everything we do for all our key stakeholders.	<b>Integrity</b> We are objective, professional and conduct our business in accordance with the highest ethical standards.	<b>Growing our people</b> We improve the welfare of our people and help them develop to their full potential.	<b>Customer centric</b> We value our customers and strive to meet and exceed their expectations.	<b>Continuous improvement</b> We are innovative and progressively develop our products, services and processes to be best in class.
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## Quality policy statement

ESA is committed to the implementation and continual improvement of a quality management system (QMS) which meets the requirements of ISO 9001:2015. This commitment underlies our fundamental quality policy to understanding and satisfying all requirements and expectations of key stakeholders as well as statutory and regulatory requirements.

# Our capitals



The sugar industry provides direct employment for over 16 000 people and is a vital cog in the Eswatini economy, generating about E6 billion in revenue each year. ESA provides sugarcane farmers with sugarcane husbandry, business and technical management, and sustainable farming support. We further add value by promoting industry-wide collaboration and partnerships.

# Our products

Product	Volume (Tonnes produced)		Market
	2022/23	2021/22	
Direct consumption sugar	271 060	275 237	SACU Regional (COMESA and SADC) World market EU
Very high polarity (VHP) sugar			
Refined sugar	231 992	207 982	
Bulk raw sugar (for further processing)	122 309	130 675	
Molasses	234 555	219 791	Domestic



# Our operating context



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## Global sugar outlook

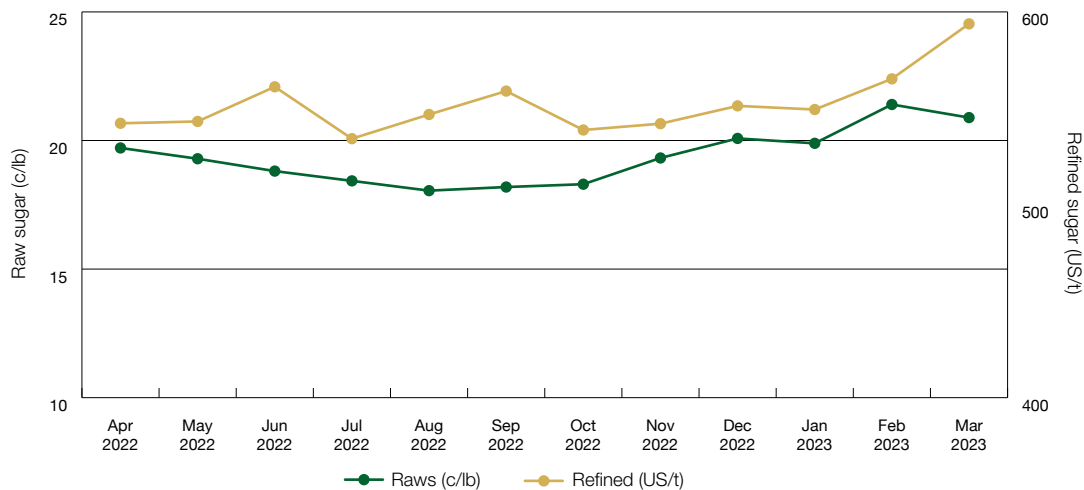
**The global supply and demand of sugar has recorded a substantially reduced surplus, exacerbated by a downward trend in production.**

According to the International Sugar Organisation (ISO) May 2023 outlook, world sugar production is expected to increase by 2,82% to 177,4 million tonnes in 2022/23 (October/September), from 172,5 million tonnes in 2021/22. This increase in production is lower than earlier forecast due to a downward revision in production estimates from the major global sugar producers.

On the other hand, consumption is set to reach a new high, growing by 1% to 176,5 million tonnes.

This upward trend in global sugar consumption is expected to continue over the coming decade, growing at around 0,9% annually and achieving 188 million tonnes by 2030, says the Organisation for Economic Co-operation and Development (OECD, 29 June 2022).

### World market prices per MT



Filtering in progress in laboratory

# Global sugar outlook (continued)

## Production expected to rally

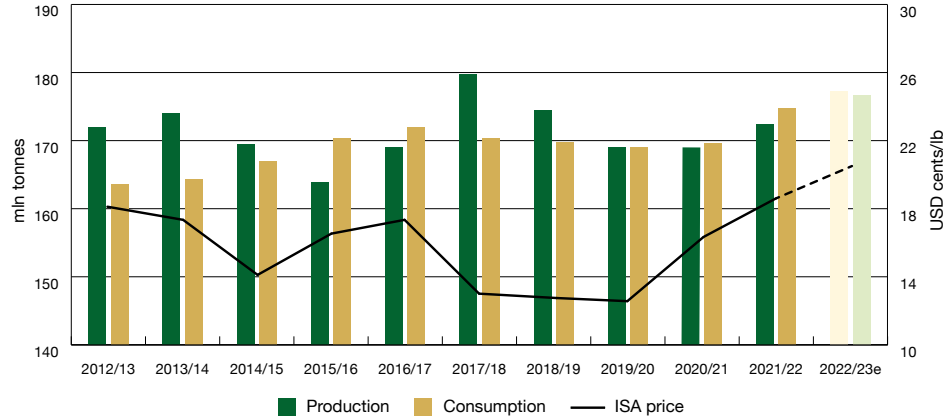
The outlook for global sugar production is upbeat, with production expected to rebound due to improved productivity and an enhanced crop base in India, Thailand and the European Union (EU). In Brazil, growth is expected from an expansion of area under cane, lucrative prices which encourage the production of sugar over ethanol, and improved yields. Brazil remains the largest global sugar producer, with sugar currently being more remunerative than supplying the domestic ethanol market.

## Consumption

Urbanisation, coupled with population and income growth in developing countries, will remain key drivers of world sugar consumption, particularly in Asia and Africa. However, declining population growth in other regions is expected to temper with the rate of global consumption growth, alongside an emphasis on healthier lifestyles.

India is projected to be the largest contributor to the overall increase in sugar consumption, followed by China and Indonesia, based on population and income growth, and a developing food and beverage industry. Per capita consumption in Asia is expected to grow by 0,6% p.a. over the next decade compared with 0,4% in the last decade.

## World production, consumption and ISA prices



Source: International Sugar Organisation Quarterly Outlook, May 2023

## Declining imports

A slump in the demand for imported sugar is likely, mainly in the EU, United States of America (USA), India, Iran and South Africa, due to increased domestic production. In the USA, government will continue to encourage domestic production and limit imports through tariff rate quotas (TRQs).

## Price volatility

The world market sugar prices rose as the year under review neared the close. An above historic high was reached in the period, supported by speculations on the supply of the commodity later in the year. These later cooled down as analysts took on a bearish position.

A moderate upswing in the nominal price of sugar is likely, as demand recovers to pre-COVID-19 levels. Supply should easily meet demand, assuming that there is little change in the relative price of ethanol and sugar.

However, the impact of the Russia-Ukraine war, extreme weather conditions and volatile crude oil prices could also trigger supply-side challenges.

Brazil, for example, could divert sugarcane and molasses to ethanol production in response to higher international crude oil prices, which may result in less sugar being produced. This link between the sugar industry and energy markets will become increasingly significant as the ethanol sector begins to expand, particularly in major sugar-producing countries.

In addition, although the war in Ukraine has directly impacted the cereals, fertiliser and vegetable oil markets, data indicates that the world sugar market has been indirectly affected too. Domestic prices in the USA, the EU, and United Kingdom (UK) have spiked, while prices in other countries have been capped or have grown in line with government targets.

Overall, world market sugar prices are expected to remain relatively high during the current season although some volatility due to domestic policies and market dominance by a few exporters over the next decade is likely to continue.

In the year ahead, Eswatini will look to leverage its preferential trade agreements with key trading partners such as the USA, the EU, UK, Southern Africa Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA) and Southern African Customs Union (SACU), to expand its exports and increase market share.



## Regional market

The regional sugar industry is well-placed for modest growth in the year ahead, owing to increasing demand.

Eswatini is Africa's fifth largest sugar producer and the largest net exporter. Globally she is the 28<sup>th</sup> largest producer and the 8<sup>th</sup> largest net-exporter. Sugar is one of Eswatini's main export commodities, and sugarcane accounts for about 30,5% of the country's agricultural output. The industry provides significantly to employment of the population and is a vital cog in the Eswatini economy, generating over E6 billion in revenue a year, E1,8 billion of which is hard currency earnings.

There is significant potential to increase the existing regional trade through a number of trading blocs; specifically SADC, COMESA, and the relatively newly established African Continental Free Trade Area (AfCFTA), which offers potential growth in intra-African trade and investment.

The industry also aims to continue working with Government to improve preferential access for Eswatini sugar to other parts of Africa through the Tripartite Free Trade Area (TFTA), which aims to combine the SADC, COMESA and the East African Community (EAC) markets, as well as through the AfCFTA.

## Domestic market

SACU – the primary demand centre for Eswatini sugar comprising South Africa, Eswatini, Lesotho, Botswana, and Namibia – currently offers good and sustainable value for Eswatini sugar, but challenges remain. There are threats of the market being susceptible to low priced imports, either due to special import regimes allowed for non-sugar producers in the region, or general market protection being eroded by a lower sugar import tariff.

In addition, the South African Sugarcane Value Chain Masterplan contains a specific intent to reduce sugar imports into South Africa, and encourages domestic consumers to “buy local”. This continues to pose a threat to Eswatini sugar sales into the South African market. A further difficulty is posed by the SADC sugar-producing states who are advocating for increased market access into the bloc. The Eswatini sugar advantage however, is that it continues to be competitively priced and thus remains an attractive option for most sugar users in SACU.

This year sales into SACU represented 66% of Eswatini sugar sales (2021/22: 67%). The slight reduction from previous year's sales was due to lower production later in the season, which resulted in some of the SACU supplies being rationed.

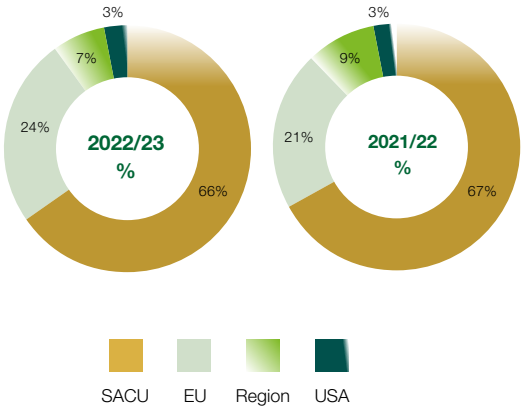
Challenges being faced in the South African sugar industry could have major implications for the Eswatini sugar industry. These challenges could have an impact on the availability of refined sugar in the SACU market, increasing the pressure from sugar users to have access to low priced imports. This would destabilise the SACU market, affecting Eswatini sales into the bloc – which would force us to sell our sugar to less lucrative export markets.

## International market

The EU and the USA are Eswatini's primary export markets outside of the African region. However, as these markets are mainly supplied with raw bulk sugar, they face increased exposure to volatile world market prices thus threatening our ability to attain premium prices for our sugar. Efforts to increase the volumes of direct consumption and specialty sugars sold into these markets are ongoing, as these attract premium prices. The volume of specialty sugars sold during the year increased to 30 872 tons (2022: 16 109 tons).

Eswatini Sugar Industry		
Globally and Africa		
5 <sup>th</sup> largest producer in Africa	One of the top 5 lowest cost producer globally and in Africa	8 <sup>th</sup> largest net exporter globally, 1 <sup>st</sup> in Africa

### Market split



Market dynamics are expected to be tough over the next five to ten years as sugar volumes and competition from larger exporters such as Brazil, Thailand and India increases, potentially displacing Eswatini sugar in our traditional international markets. Industries, including ours, are therefore actively exploring alternative markets and pursuing value-added products including ethanol, blended fuels and fertiliser from vinasse in order to mitigate this challenge. (Read more about diversification on page 38.)

# Our value-creating business model



# Our value-creating business model

Our business model reflects the commercial, social and environmental context in which we operate and governs how we optimise our six capitals and any interactions or trade-offs between them to create value.



Bagging of 50kg brown sugar bags

Our business structure	Our operations	Our performance	Managing risk	Sustainability	Corporate social responsibility	Our governance	Financial statements
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Our value-creating business model (continued)

FC Financial capital

- Short, medium and long-term borrowings (E2,4 billion)
- Earnings from sales (E6,44 billion)

IC Intellectual capital

- Sugar Industry Agreement
- QMS
- Trade agreements
- Agricultural R&D agreements
- Customer contracts
- Fair trade certification
- Bonsucro membership

HC Human capital

- Diverse and competent staff (80 permanent and 15 seasonal employees)

CAPITAL INPUTS

SRC Social and relationship capital

- Millers (3) and growers (438)
- Customers
- Suppliers
- Communities
- Government
- Financiers

MC Manufactured capital

- Warehouses (4)
- Conditioning silos (2)
- Laboratories (3)
- Molasses tanks (8)

NC Natural capital

- Area of land harvested (57 394 ha)
- Water (1 500mm/ha/year)
- Climate conditions (radiation, temperature, rainfall, etc)
- Solar energy

### **FC** Financial capital

- Sugar and molasses sales
- Funds sourcing
- Payments
- Hedging
- Credit management
- Financing and implementing capital projects

### **IC** Intellectual capital

- Lobbying initiatives
- Customer feedback process
- Risk assessment
- Agricultural research
- Business information storage

### **HC** Human capital

- Staff recruitment and retention (3 resignations, 3 retirements, 5 recruitments in the year)
- Staff development (57% of the training plan was implemented)
- Implementation of wellness programme (100% of programme was executed)

## **BUSINESS ACTIVITIES**

### **SRC** Social and relationship capital

- Stakeholder engagements
- Contracts management
- CSI programme implementation

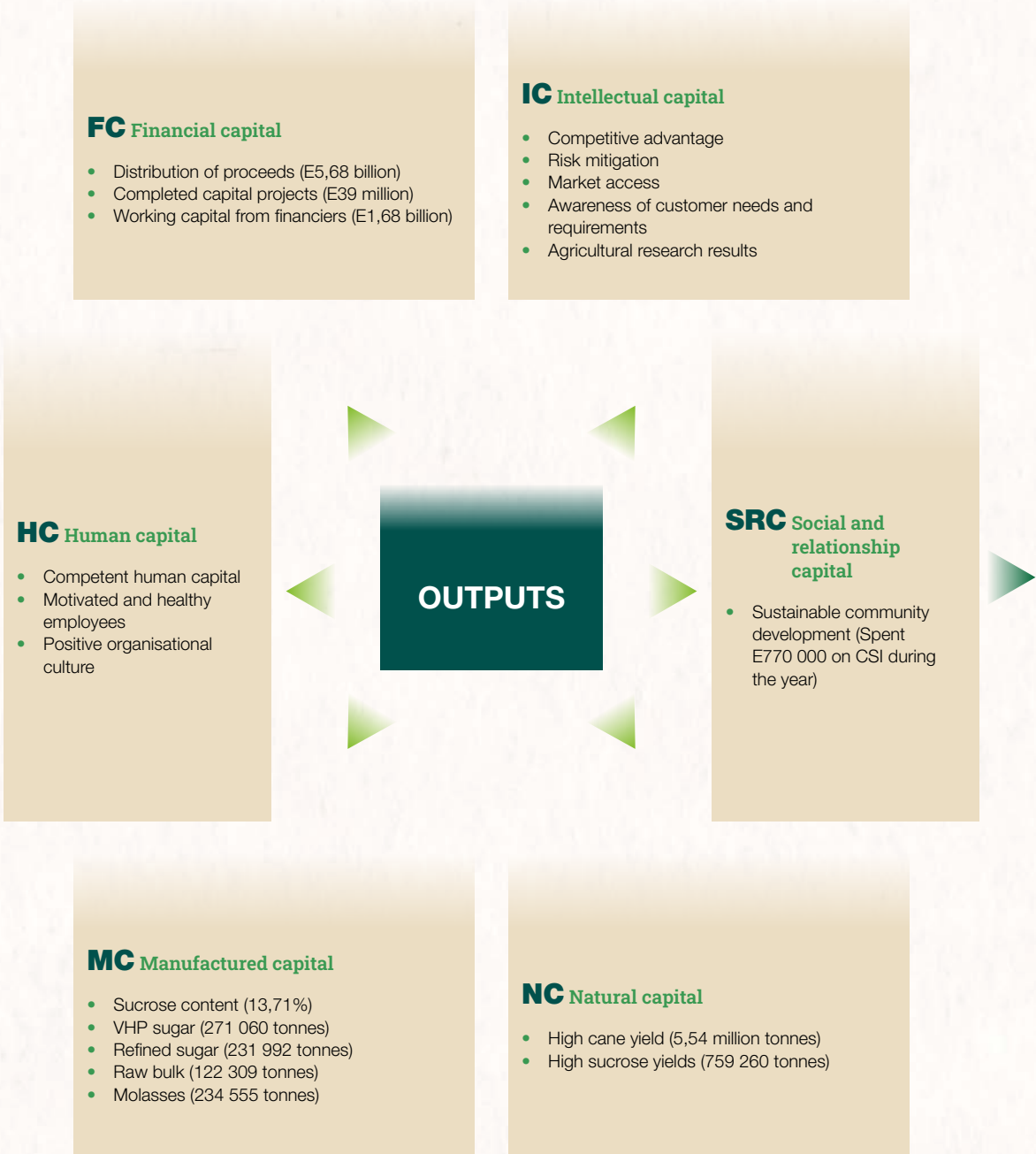
### **MC** Manufactured capital

- Cane testing
- Sugar bagging
- Sugar and molasses storage
- Movement of sugar/logistics

### **NC** Natural capital

- Provision of extension and technical services
- Cane variety testing
- Seedcane production
- Securing and monitoring water resources
- Quota allocations

Our value-creating business model (continued)



### **FC** Financial capital

- Viable sugarcane growing business (438 growers) and sugar producers' business (3 mills)

### **IC** Intellectual capital

- Competitive advantage
- Profitable and sustainable sugar industry

### **HC** Human capital

- Increased employee productivity

## OUTCOMES

### **SRC** Social and relationship capital

- Good relations with stakeholders
- Good sugar industry image

### **MC** Manufactured capital

- Satisfied customers
- Accurate grower payments

### **NC** Natural capital

- Sustainable and viable sugarcane production

(Read more about our operations and strategy on pages 30 and 24.)



# Message from the CEO





**Obstacles and hardships are an opportunity to prove our mettle and I believe that ESA has done just this. We grappled with climate change, ongoing political and social unrest and a weak economic environment, factors that were all beyond our control. Nevertheless, we continued to use all the expertise and tools at our disposal to meet these uncertainties in global and regional markets. We wrestled with changing consumption patterns, sugar prices that have been under pressure for several years, increased competition and a growing demand for alternative products.**

All in all, the year under review was an eventful one, which began with the departure of our Commercial Director and CEO during the first quarter of the year.

Added to the mix, things did not quite live up to initial forecasts of sugar production, which increased by a modest 1,8% compared to the projected 9,6%. This was largely due to sustained adverse climatic conditions that led to poor yields.

Substantial rainfall made it difficult for growers to harvest the cane, and crushing was only completed at the end of February, three months later than usual. These adverse weather conditions also disrupted operations at the mills, hampering production. Furthermore, while we had hoped to differentiate ourselves from competitors by increasing our specialty sugar offering to the European market, we were unable to meet our target.

On a positive note, high sugar prices and a weaker exchange rate saw total revenue grow by a pleasing 11,8% to E6,44 billion (2022: E5,76 million) despite lower sales volumes, with the world market sugar price expected to continue its upward trend over the next 18 months. (Read more about our performance on page 36.)

We also continue to boast a strong customer base, an experienced marketing team, and enjoy stakeholder confidence and preferential access to key markets.

## Demand for sustainability-certified sugar

Customers are increasingly demanding sustainability-certified sugar and the industry's move towards accreditation is opportune. With the food safety accreditation of Simunye Mill in November 2022, all our mills now meet food safety standards (FSSC 22 000). (Read more about sustainability on page 44.)

We have reason to be concerned about the challenges at Tongaat Hulett in South Africa as these could prompt the South African government to open the SACU market to deep sea imports, threatening the stability of the SACU market and adversely affecting the Eswatini sugar industry.

There is also pressure from the SACU non-sugar producing countries to import sugar from the world market into SACU. We continue to monitor this situation while exploring ways to maintain the status quo.

On the international front, the Russia-Ukraine war has drastically affected the price of agricultural inputs, particularly fertilisers, which in some cases have increased by 100%. Some growers have been struggling to keep their businesses afloat as a result. (Read more about global trends on page 11.)

## A broader role

With shifting industry and market dynamics regionally and across the globe, we are cognisant of the need to broaden our current marketing-focused role to include a facilitative role that will drive innovation and facilitate industry developments for our members and the industry as a whole.

Our Corporate Strategy and Marketing Plan (2021–2026) represents a fundamental repositioning that will see us augment into an industry catalyst promoting innovation, industry development and revenue optimisation, while delivering world-class services in a sustainable manner.

**In many ways the past year brings to mind the quote from Charles Dickens' Tale of Two Cities: "It was the best of times: it was the worst of times."**

## Performance

Overall, our 2022/23 performance was somewhat disappointing. Production in relation to sales was below par, particularly given high world market sugar prices and a favourable exchange rate. Although we saw a slight improvement on last year's production figures from 613 894 tonnes to 625 361 tonnes, we did not do as well as anticipated at the start of the season, therefore affecting the overall season's performance.

A shift away from raw sugar production and sales presents new opportunities for us. We have made satisfactory progress in diversifying our markets and investing in the necessary equipment and bagging facilities to offset the anticipated decline in raw sugar prices, thereby increasing the supply of bagged sugar for direct consumption. Regional sales to markets other than Kenya rose to now constitute an impressive 53% of regional sales compared with the previous season where they were only 32%. These alternative market sales were also at far more lucrative prices compared to Kenya.

Similarly, the strategy on increasing production and sales of specialty sugars saw the volume of Nucane sold into the SACU market soar to over 5 000 tonnes following its launch in March 2022. We anticipate significant growth in the specialty sugar segment in the year ahead. Sales of Fairtrade sugar were also pleasing.

So, although we are playing catch up in areas where we have fallen behind, we are on a positive trajectory, and I am optimistic about our future growth. (Read more about diversification on page 38.)

## IT security

The integrity of our IT systems posed a significant risk a couple of years ago, and I am pleased to report that this has been addressed. Additionally, to further streamline our operations, a new integrated enterprise resource planning (ERP) system will be in place in the next reporting period.

## Industry alignment

As the umbrella body for Eswatini's sugar industry, the alignment and productive relationships amongst industry members is crucial for the future of the industry. Relationships between millers and growers have remained good and we hope to foster even greater collaboration with the public and private sectors in the medium to long term.

In line with our commitment to ensure optimal value for our products and unlock opportunities for the benefit of the industry, we also regularly review and rationalise our partnerships across the various markets.



## Looking ahead

The Eswatini sugar industry has remained resilient in the face of an exceedingly difficult operating environment, and our commitment to improving production efficiencies in the sector, and remaining competitive, still stands.

We will concentrate on three distinct areas in the new financial year: we will work on improving miller-grower relationships to resolve outstanding issues that are critical to the sustainability of all industry members; we will actively pursue Bonsucro certification to help the industry retain those markets that increasingly require sustainability certification; and, lastly, we will explore new markets and opportunities for diversification.

Despite setbacks, our Corporate Strategy and Marketing Plan (2021–2026) is beginning to show positive results, and I am optimistic that we will see a marked improvement in the year ahead.

ESA and the Eswatini sugar industry have overcome multiple hurdles over the years and I have no doubt that the year ahead will be no different and we will continue to grow from strength to strength.

## Acknowledgements

I would like to thank our growers and millers whose resilience ensured a continued supply of sugarcane and sugar respectively, under particularly difficult climatic and political circumstances.

To our customers, I extend my sincere gratitude for your understanding and support during a difficult time as we dealt with matters beyond our direct control.

My sincere appreciation goes to my predecessor Dr Phil Mnisi for his dynamic leadership and invaluable contribution to ESA and the sugar industry over the past six years. Special mention also goes to Ms Sharon de Sousa, ESA's former Commercial Director, who served ESA for 30 years in various capacities. Both your contributions in the years past and the framework you had already laid for the year, formed the basis for our success in the year under review.

During the year, we also welcomed the appointments of our new Chairman of Council, Mr Meshack Kunene, ESA's new Commercial Director, Mr Walter Matsebula, and Financial Director, Ms Andrea Mendes. I look forward to their invaluable contribution to the future success of ESA and the industry.

To my colleagues in the ESA management team, thank you for your ongoing commitment and contribution to ESA's positive performance as we evolve to assume a more pivotal role in driving the industry forward. All members of the ESA staff made a telling contribution to the year's success. Thank you for your dedication and support as we strive to evolve ESA into a better business that renders the industry future-proof.



**Banele Nyamane**  
Chief Executive Officer



Irrigation pump house

Our business structure	Our operations	Our performance	Managing risk	Sustainability	Corporate social responsibility	Our governance	Financial statements
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# Our strategy and resource allocation



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<b>Proposed product mix</b>	<b>27</b>
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Mounting uncertainties in both global and regional markets have triggered structural and functional changes that are expected to shift industry dynamics. The growing protection of domestic markets, changing customer demands and volatile world market prices are putting strain on our limited resources, and pose several emerging threats and challenges for the Eswatini sugar industry and ESA alike.

## The changing face of the sugar industry




**Increasing protection of domestic markets**

Rising protectionism and push for domestic sugar industry across SACU, regional markets and the EU is a threat for Eswatini sugar which could lead to difficult market conditions in future.




**Volatile world market prices**

With continued supply of low-cost sugar from major global sugar producers, world market prices for raw sugar and white sugar remain volatile, sometimes creating pressure on traditional revenue streams.




**Change in nature of demand**

Customer demand has shown a shift across global markets, demand for specialty products and customised packaging has been on the rising trend.




**Competitiveness**

Sustaining competitive advantage in terms of quality, service and product offering amidst volatile sugar prices could be the key differentiator with emphasis on food safety, refining processes and global quality standards.



**Industry challenges**

To overcome the internal industry challenges in the form of stakeholder alignment and develop mutual beneficial roadmap for sustainable industry.



**Climate change**

Focus on incorporation of more sustainable practices, efficient growing and milling processes are becoming an industry norm across key production centers globally to curb climate change and reduce the carbon footprint.

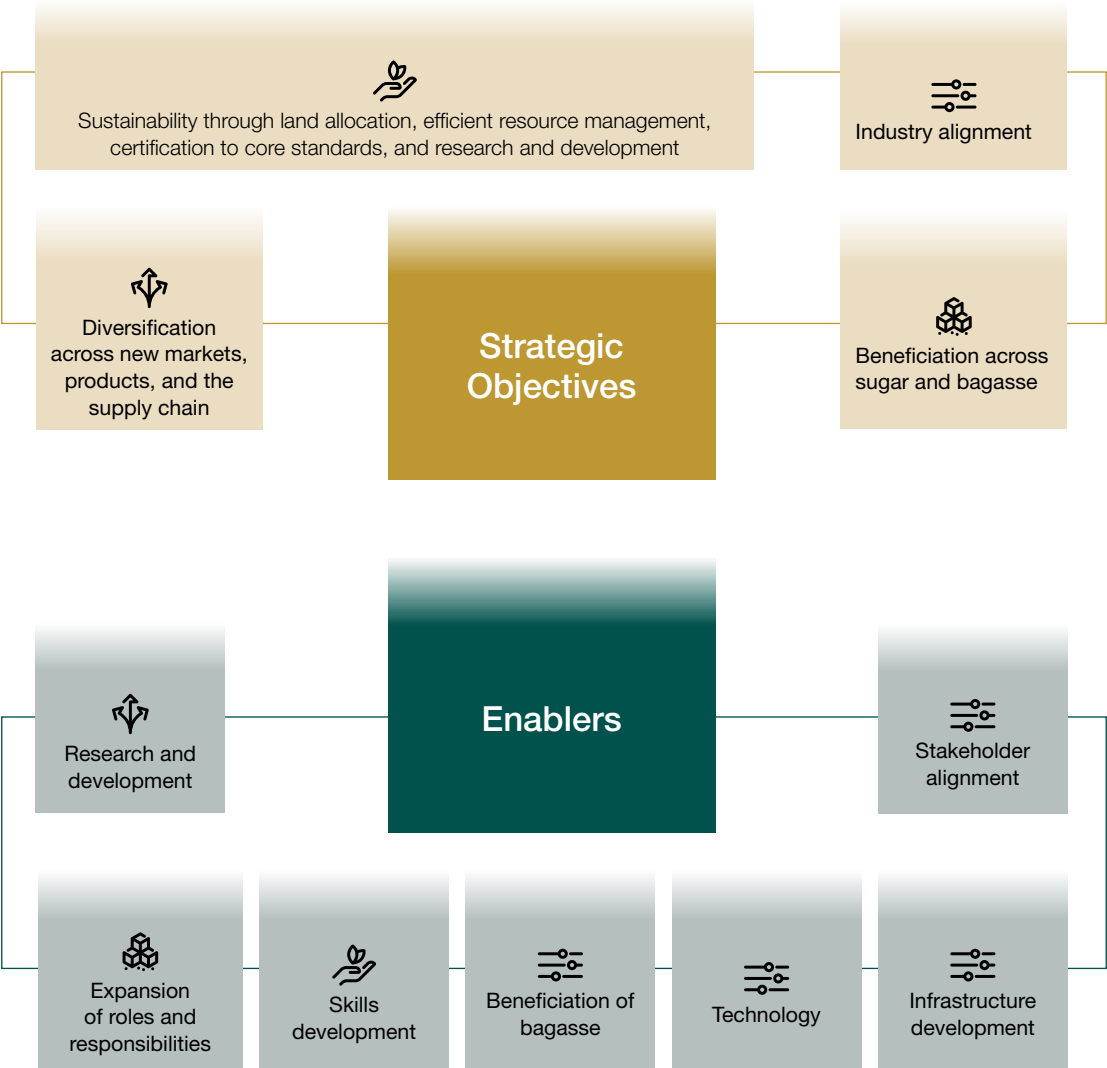
Our Corporate Strategy and Marketing Plan (2021–2026) therefore aims to reinvent and reposition the organisation for the future and ensure our continued success amidst an ever-changing environment. It is based on a number of measurable objectives that guide our operations and signal a new direction for the organisation. (Read more about our operations on page 30).



Laboratory testing of sugar

Our business structure	Our operations	Our performance	Managing risk	Sustainability	Corporate social responsibility	Our governance	Financial statements
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# Our strategic objectives and enablers



**Our strategic goal is to double the industry revenue in 10 years (2017–2026).**

We have identified a number of strategic interventions through which the Eswatini sugar industry can evolve to become a future-fit, innovative, competitive and sustainable sugarcane entity, thus promoting long-term stakeholder well-being.

Our priorities are to strengthen existing initiatives, identify new projects, adopt global industry standards, explore new markets, and build internal industry relations and structures – all of which will allow ESA to leverage opportunities across the sugar value chain. (Read about our strategic progress on page 36.)

Areas of opportunity have been identified stemming from the changes across the value chain, customer demand and other industry initiatives. The Corporate Strategy therefore aims to leverage on these opportunities and expand the product mix as shown below.

## Opportunity areas



**New Demand Centres**  
Diversification to new markets



**New Product Lines**  
Product innovation and diversification



**Benefication**  
Value-creation from by-products



**Customisation**  
Value addition activities, packaging



**Sustainability and Climate change**  
Ensuring long-term growth



**Industry standard Certifications**  
Adherence and integration with global supply chain



**Digitalisation**  
Adoption of digital solution, efficient methods



**Research and Development**  
Domestic innovation and testing capability



**Co-generation**  
Sustainable power generation



**Direct Marketing**  
Exploring new marketing channels



**Competitive Value**  
Cost-efficient quality production

## Proposed product mix

	Short-term (0-1 year)	Medium-term (2-3 years)	Long-term (4-5 years)
Raw sugar/VHP	●	●	
Refined/White sugar	●	●	●
Specialty sugar		●	●
Industrial sugars		●	●



# Our business structure



## Commercial Department

- Ensures efficient logistics chain (including storage) for sugar and by-products.
- Markets and sells all sugar and molasses for maximum value on a sustainable basis.
- Works closely with the relevant government ministries, and monitors, advises and advocates on market access for Eswatini sugar as provided for in key trade agreements. These markets include SADC, the EU, UK, USA, SACU and COMESA.
- Ensures compliance with market access regulations, food safety standards and product specification, as well as customer requirements.
- Implements the price risk management policy.

## Human Capital & Administration

- Oversees the attraction, development and retention of human capital.
- Ensures availability of adequate human and related resources to meet ESA's strategic objectives.
- Ensures employee wellness and safety.
- Advocates for and promotes harmonious labour relations.

## Cane Testing & Quality

- Ensures accurate measurement of the volume of sucrose that growers deliver to the mills.
- Monitors testing at the laboratories through service level agreements (SLAs) with millers.
- Audits processes, laboratory methods and procedures to assure growers and millers that the sucrose payment process is accurate and reliable.
- Ensures ESA compliance with its quality management system (QMS) for resource optimisation.
- Coordinates implementation of the sustainability programme.

## Extension & Technical Services

- Ensures the production of good quality sugarcane and the long-term viability and profitability of sugarcane growers, by promoting sound agricultural practices.
- Provides growers with extension services through service level agreements (SLAs) with industry millers.
- Advises and assists cane growers on suitable cane varieties, pest and disease control, supply of healthy seed cane, crop nutrition and protection, and irrigation management, to enhance productivity.

## Finance Department

- Controls the financial affairs of ESA, including:
  - Payment of proceeds to millers (for onward payment to growers for their share)
  - Financial reporting
  - Preparing sugar and sucrose price estimates
  - Sourcing working capital
  - Implementing the Finance Risk Policy and Hedging Strategy
- Oversees the IT function.
- Finances and implements capital projects.
- Manages the warehouses through SLAs with the mills.

# Our operations



<b>Cane testing and quality</b>	<b>31</b>
<b>Commercial department</b>	<b>31</b>
<b>Extension and technical services</b>	<b>32</b>
<b>Human capital</b>	<b>34</b>



Recent shifts in regional and world sugar market trends, coupled with eroding sales margins and evolving consumer preferences, mean that we are compelled to develop new markets and product portfolios to ensure the long-term growth and sustainability of the Eswatini sugar industry.

During the year, we worked single-mindedly to identify opportunities across diverse product portfolios to boost revenue streams, penetrate additional regional markets and ensure the long-term financial viability of the industry.

We anticipate a stable 2023/24 season with good prices and rising demand, assuming there are no further disruptions. The outlook for the regional and global sugar market looks promising.

Cane testing and quality

Quality assurance

Consistency in the quality of sugar and associated products is critical for maintaining the industry's position as a reputable and reliable supplier.

First sugar testing laboratory for Eswatini

The Sugar Milling Research Institute (SMRI) in South Africa has historically conducted testing on behalf of the Eswatini sugar industry. However, this has not been ideal given the costs and logistical challenges due to the distance involved. As a result, ESA, in collaboration with the University of Eswatini, recently developed the first independent sugar testing laboratory in the country as part of the industry's intention to add value for stakeholders in the medium to long term. The proximity of our new laboratory will drastically reduce turnaround time in receiving results.

Commercial department

The Commercial team continued to explore opportunities to expand sales in the region, working hard to mitigate potential disruptions along the supply chain, and provide superior and dependable marketing and logistical services.

The state-of-the-art sugar bagging and warehousing facility at Ubombo which began operating in August 2021 allows us to deliver more sugar in the different bag sizes desired by the customers, all packed in a food safety compliant environment, giving us a significant competitive edge over other countries in the SADC region and globally.

Unfortunately, sugar production was lower than forecast at the start of the season, hampered by unplanned work stoppages at the mills. Since the quality of the juice deteriorates if left in the mill for extended periods, the mills had no alternative but to increase bulk sugar production, despite our commitments for bagged sugar which commands a higher return and is preferred.

Though challenging, we managed the situation by delaying deliveries and short delivering some products to enable us to meet most of our contractual obligations. Whereas bulk sugar generally attracts a lower price compared to the other products due to the further processing it requires, bagged sugar requires no further processing and is intended for direct consumption and is sold to the domestic and export markets for a better return.

We have been researching new opportunities to increase the returns attained for our members and, with markets opening up, there are opportunities to expand our sales further into the rest of Africa. Similarly, if the returns attained in international markets were to decline as world market price fall, African markets, which are geographically closer, have growing consumption rates and tend to command higher prices, are expected to continue to yield good returns.

Sugar, however, is particularly susceptible to external factors beyond our control. Prices are currently bolstered by the Russia-Ukraine war and other emerging geopolitical factors, but a change in the fundamentals could have a reverse effect. (Read more about the global sugar industry on page 11.)

Nucane, more sustainable, healthier

We are pleased to report a healthy uptake in the sale of Nucane, the low-GI sugar launched for sale to SACU and Europe at the end of the previous reporting period. Nucane is less processed compared to regular sugar with a lower carbon footprint in production, making it a more sustainable and healthier alternative, and we anticipate continued growth in sales volumes in future as awareness of the product grows. The improved production capacity for bagged sugar at Ubombo will likewise boost the production of Nucane.

Demerara production deferred

The production of Demerara was scheduled to commence in late December, close to the mill's end of season crushing, but the specifications could not be met, forcing us to defer production to the start of the new season. This therefore meant that we were unable to meet our contractual obligations. Efforts at the mill to meet the specification are ongoing.

To meet the strategic objective to increase sales of specialty sugars, a minimum increase of 10% in the volume of both Nucane and Demerara sugar sold in SACU and the EU is expected in the 2023/24 financial year.



Commercial department (continued)

Production and marketing focus: 2023/24 season			
Increase production and sales of bagged and specialty sugar	Maximise US bulk sales as allocated in the TRQ	Maintain flexibility between markets and products to attain maximum returns	Supply sugar to strategic markets, even if production volume is reduced

Sustainable and circular economy

Beneficiation has been identified as being key to the economic viability of the sugar industry and the circular economy. Beneficiation is also instrumental in reducing the carbon footprint of the industry, diversifying risk and lowering the cost of operations.

Bagasse, one of the most important by-products of the sugar milling process, has long been an area of misalignment between growers and millers, depriving the industry of its full potential benefits and a much-needed revenue stream. The misalignment arises from different interpretations of the Sugar Industry Agreement. Currently, co-generation of electricity using bagasse and supplementary fuel is carried out on a limited scale at the mills for their internal requirements and limited export into the national grid.

Molasses is also an important by-product that is currently sold to domestic distillers. Our customers add value to the molasses by producing different forms of ethanol, which is in demand across several industrial sectors and markets. The beneficiation of molasses may become a critical part of the sugar value chain in future.

New ERP system approved

Our existing enterprise resource planning (ERP) and warehouse management system is outdated and the installation of a cutting-edge integrated enterprise resource planning system (ERP) that offers value-add services to end users was approved, and the goal is to go live by 1 April 2024.

Extension and technical services

The Extension and Technical Services team ensures that all sugarcane farmers adhere to up-to-date sugarcane growing practices to improve yields and sustainability. Focus is placed on small-scale growers who do not have the same facilities, expertise or resources as their large counterparts.

The Technical Services team found themselves under pressure this year when heavy rains at the beginning of the season delayed harvesting, while tropical cyclones led to flooding and strong winds resulted in the lodging of the cane.

Despite these obstacles, the team delivered on the bulk of its strategic goals. Yield targets were achieved, and the sugarcane field mapping programme is progressing well.

One of Extension and Technical Services' key performance targets was to ensure that small-scale growers achieved 89% of the tonnage and sucrose per hectare attained by large-scale growers, so that they do not fall below the industry average. This technical support has seen small-scale farmers flourish, armed with the latest farming and pest and disease control practices, best fertiliser application, and effective weeding techniques. Growers also received governance support, particularly on record keeping and operating their farms as businesses rather than subsistence farming.

Our efforts resulted in a pleasing uptick in tonnes cane and sucrose per hectare yields of 96,52t/ha and 13,23t/ha respectively (2022: 92,50t/ha and 12,76t/ha, respectively). Extension and Technical Services further assisted small-scale growers to install solar power.

At the time of reporting, 21 farms had installed solar power. A lack of finance, however, is hampering many small-scale growers from installing solar plants on their farms and we are exploring sources of funds which growers can approach for funding to address this issue. (Read more about sustainability on page 44.)

Highlights	About this report	Organisational overview	Our operating context	Our value-creating business model	Message from the CEO	Our strategy and resource allocation
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## Benefits of water management

Over the past five years or so, rains have been good and storage dams have been full, but we are cognisant of the potential of a sustained drought. A programme is in place to continually train growers on irrigation scheduling and water management, particularly those who still use furrow irrigation systems on about 1 300 ha, and who are consequently vulnerable to unpredictable weather patterns.

The programme educates small-scale growers on the benefits of water management and the importance of using water sustainably, especially since government water permits are issued on a volumetric basis and once a grower has exhausted their allocation, water becomes extremely expensive.

The few small-scale growers concentrated around the Simunye Mill have been compelled to adopt more efficient water management practices such as drip irrigation, because the area is predominantly supplied by the Mbuluzi River and Mnjoli Dam, which have limited annual flows.

## Extending the cane base

**Research and development of improved sugar varieties, with a focus on high yielding and drought-tolerant varieties is ongoing, and is expected to benefit overall productivity. A large-scale trial is scheduled to start in the new financial year.**

The different varieties of cane lose their resistance to pests over time, thus reducing yields. An allied problem, attributable to climate change, is the surge in pests and diseases that have become resistant to standard pesticides and present a medium to long-term challenge for the industry. The presence of Eldana – a major sugarcane pest – affected some cane, resulting in lower yields.

To counter this, Technical Services, in collaboration with industries close to Eswatini and own breeding stations, is assessing potential varieties to extend the cane variety base in the Eswatini sugar industry. The top performing global cane varieties, specifically those found along the same lines of latitude and which share similar geographic conditions – e.g., Mauritius, Reunion, Australia, Zambia and Malawi – were evaluated based on their yield, resistance to pests and disease and, to an extent, fibre content for bagasse production. Most alternative varieties, however, originate from South Africa, because of our common topology.

## Latest cane production standards

We use a best management practices manual to provide a guide for growers in sugarcane husbandry. This manual is undergoing a review to incorporate the latest global cane production standards and sustainable management practices.

## Crop modelling monitoring system

The effects of climate change are becoming more severe and destructive year after year. The current potential yield forecasting tool that the industry is using is not able to provide accurate estimates both in short and long-term because it simply relies on only two climate parameters, namely solar radiation and temperature. Further, it does not incorporate the outputs of global circulation models (GCMs) which are generally employed in climate change simulation models. To address this challenge, we are exploring satellite-based crop models/technologies that are suitable for forecasting yield and monitoring sugarcane growth. This initiative will be fast tracked in the upcoming year after investigating the costs involved.

To further support our members and stakeholders, and in conjunction with government, construction of six storage dams is being planned to mitigate the potential impact of the dry El Niño conditions that are forecast to replace the La Niña weather pattern of the past three years.

Construction of the Mpakeni Dam has commenced and is progressing slowly, while feasibility studies for the remainder of the dams are underway.

## Expanding drone technology

Four drone companies currently service the sugar industry, with two being used to assist small-scale growers in the application of herbicides and chemical ripeners. Given the size of the industry we anticipate additional drone service providers to come on board to meet demand.

## Soaring input costs

The high cost of energy is driving costs of growing sugarcane up and converting to renewable energy is the obvious solution. The 21 growers/farms who have installed solar have recorded 35%–40% savings on their energy expenditure. (Read more about sustainability on page 44.)

Furthermore, as Eswatini receives 80% of its power from South Africa, the country must ensure adequate generation capacity to meet its escalating energy requirements. The availability of power into the future remains a concern for the industry given its use for irrigation.

Extension and technical services (continued)

Human capital

Our people constitute the central pillar of our human and intellectual capital and are instrumental in ESA being able to fulfil its mandate and operate sustainably in line with our strategy. The value of employees with institutional knowledge and key skills in this industry cannot be overstated.

Open conversations were held with each department, encouraging employees to share concerns and ideas on business improvements. The process takes place through a standing agenda item in departmental meeting and via the CEO’s “Vusela” and has been well received. These are sessions wherein the CEO visits the different workstations to provide and receive feedback from staff on our operations and performance. Suggestions received have included improvements on staff welfare matters.

Training and development

Only 57% of training was conducted as employees were not able to undertake it, and courses had to be rescheduled. In other instances, the intended training was not available post-COVID-19. However, the majority of training courses are now being re-introduced and others will take place in the upcoming financial year.

Type of training	Employees trained
Employee development (current roles)	13
Graduate training (irrigation section)	2
Skills development of small-scale growers	5
Ongoing research on sugar cane products for value addition	1

Talent pool essential

A talent pool of skilled workers is essential to ensure the long-term competitiveness and future growth of the Eswatini sugar industry, and groundwork on an audit to assess skills gaps across the industry has started. The audit is being conducted in conjunction with industry stakeholders, tertiary institutions and professional bodies.

Findings show that large-scale growers and MCPs have already implemented plans to address the skills gaps, but small-scale growers require training on the sugarcane industry and on governance issues. The first group of small-scale growers has already attended a sugarcane agriculture course, which will be run on an ongoing basis as the need arises and additional growers are identified.

Three employees were selected to attend a management development programme at the beginning of 2023/24, while two executives have enrolled for executive coaching.

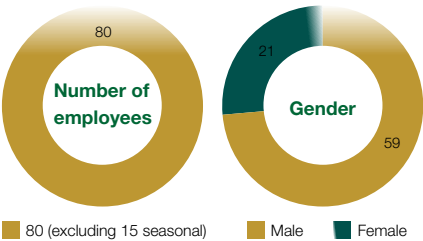
Health and safety

We successfully implemented our health and safety programme and wellness plan, which covered a range of topics such as financial wellness, diabetes, men’s and women’s health, and HIV and AIDS.

Employee turnover

ESA experienced an upswing in employee turnover during the year, as some employees reached retirement age while others sought other employment opportunities, mainly for growth.

The former Financial Director was appointed as CEO in December 2022. The former Regional Marketing Manager was appointed as Commercial Director in June 2022. A Marketing Manager and Financial Director were appointed during the year, together with an additional Marketing Specialist, following restructuring of the Commercial department.





Mill staff working on machinery

Our business structure	Our operations	Our performance	Managing risk	Sustainability	Corporate social responsibility	Our governance	Financial statements
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# Our performance

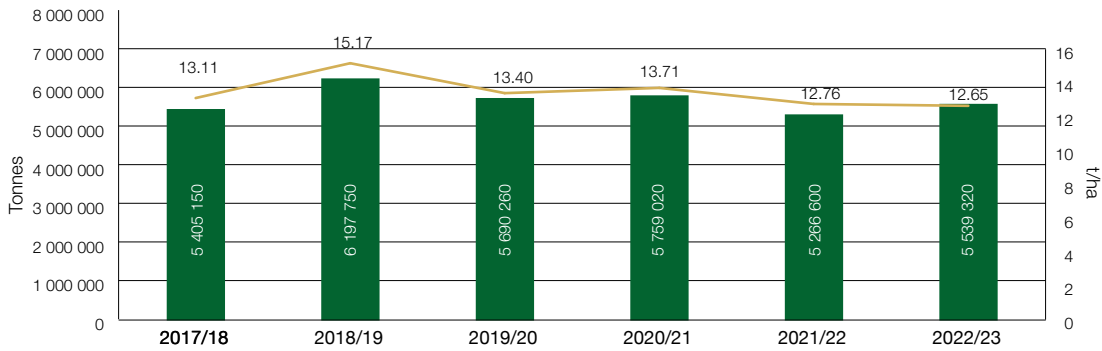
Summary of performance against strategic focus area

38



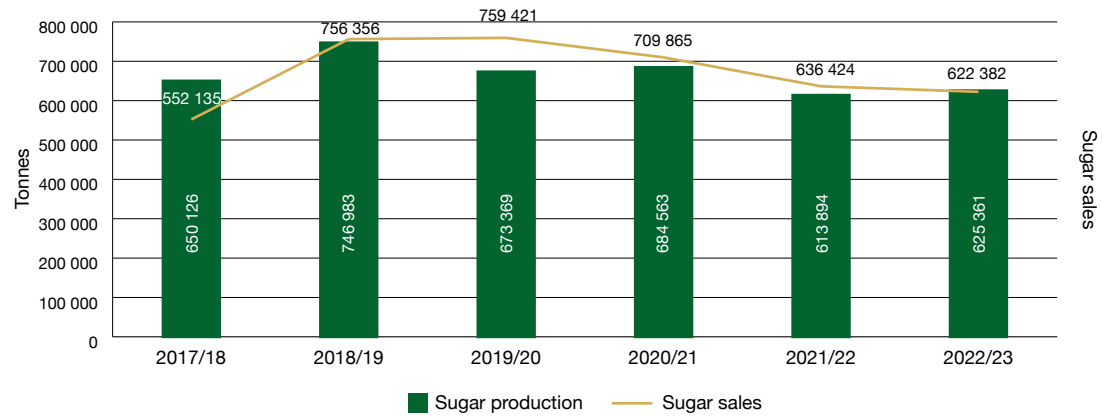
The implementation of the Corporate Strategy and Marketing Plan 2021–2026 is largely on track. The industry has managed to maintain relatively high cane and sucrose yields. While sugar production and sales have fluctuated over the years, Eswatini sugar remains competitive in the markets in which it is sold.

### Cane and Sucrose yields



Cane production increased by 5,2% from 5,266 million to 5,539 million with a slight recovery in yields as well.

### Production and sales



While sugar production increased marginally, concomitant production challenges resulted in a dip in sales volumes.



Bagasse extracted along the production line

## Summary of performance against strategic focus area

We are pleased to report a 96° pol sugar price that surpassed the budgeted amount by 9,3%.

Strategic focus area	Deliverable	Measurement	Outcome
Diversification	Diversification across new markets, products and supply chain segments	<ul style="list-style-type: none"> <li>Continue to engage directly with key stakeholder including the Eswatini government to advocate for the protection of the Eswatini share of sugar sales in the SA market as part of SACU, following the gazetting of RSA Sugarcane Value Chain Master Plan.</li> <li>Secure future export growth to regional markets by increasing volumes sold outside Kenya.</li> <li>Grow the volume of Nucane sold into the SACU and regional market and increase sales of specialty sugars such as Demerara.</li> <li>Identify suitable partners and value proposition for each new market (product-market-price mix).</li> </ul>	<ul style="list-style-type: none"> <li>Engaged with key stakeholders during the course of the year.</li> <li>53% of forecast regional sales sold outside Kenya. (2021: 31,7%).</li> <li>Sales of over 5 000 tonnes of Nucane were realised following launch of the product in March 2022.</li> <li>Demerara production remained a challenge, affecting sales volumes.</li> <li>Improved volumes of spot sales and identified suitable long-term partners to approach.</li> </ul>

Strategic focus area	Deliverable	Measurement	Outcome
<b>Sustainability</b>	<b>Land use, efficient resource management, certifications, and R&amp;D</b>	<ul style="list-style-type: none"> <li>Coordinate industry efforts to gain sustainability certification across the value chain.</li> <li>Promote solar as an alternative energy source for growers to reduce costs and achieve efficiencies.</li> <li>Represent industry in Government's initiative to build more storage dams to support the sector.</li> <li>Provide technical support to the University of Eswatini to ensure accreditation of the sugar testing laboratory.</li> <li>Increase tonnes of cane per hectare per annum (TCH/AN) and tonnes sucrose per hectare per annum (TSH/AN) of small-scale growers to at least 92% of large-scale growers, by financial year end.</li> </ul>	<ul style="list-style-type: none"> <li>Gap analysis was conducted by Bonsucro and ProTerra. Bonsucro and FSA were identified as the sustainability standards the industry would pursue.</li> <li>Implementation is being rolled out.</li> <li>10 seminars conducted for interested growers.</li> <li>Total power installed to-date is 6.1 MWp from 21 growers.</li> <li>Quarterly meetings held and progress updates shared with industry. Progress on the dams being constructed which would have benefits for the industry is satisfactory.</li> <li>Training of staff on analytical methods and the development of a database of results to be used during the accreditation process is ongoing.</li> <li>Tonnes cane per hectare per annum (TCH/AN) and tonnes sucrose per hectare per annum (TSH/AN) achieved were 93,1% and 94,5%, respectively.</li> </ul>
<b>Industry alignment</b>	<b>Alignment</b>	<ul style="list-style-type: none"> <li>Facilitate engagement between millers and growers to resolve pending IRC matters and other conflict areas.</li> </ul>	<ul style="list-style-type: none"> <li>This was delayed due to the vacancy in the CEO's office and rolled over to 2023/24.</li> </ul>
<b>Projects</b>	<b>Project implementation</b>	<ul style="list-style-type: none"> <li>Formulate an IT strategy to improve efficiencies at ESA.</li> </ul>	<ul style="list-style-type: none"> <li>Strategy was developed, presented to Council, and approved.</li> </ul>

(Read about our achievements against strategy under Our Operations on page 30.)



# Managing risk

Material matters

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# Material matters

We consider an issue to be material if it has the potential to significantly affect our ability to deliver on our strategy and create value over time.

ESA conducts a comprehensive materiality assessment each year in close consultation with stakeholders, to guide our overall risk management strategy. The process draws on a range of internal and external sources and encompasses in-depth discussions with senior executives and representatives of external stakeholders – including industry members, government, community, and environmental organisations.

The risks that are monitored are grouped according to seven categories – strategic, financial, markets, operational, human capital, regulatory & compliance and information technology – and ranked according to the likelihood of them occurring and the severity of the potential impact. (Read more about our strategy and how we create value on pages 26 and 14, respectively.) Overall, the items with a high strategic risk rating remained unchanged over the quarter.

The risk register is reviewed bi-annually to evaluate the effectiveness of our risk management strategy and is updated when necessary, taking any emerging risks into consideration. An assessment of our risk management process and mitigation measures was conducted during this reporting period, in line with ISO 9001: 2015 requirements, and showed a marked improvement in the management of the risks identified, with most mitigation actions having been implemented.

No emerging risks were identified for the period under review.

For the purposes of this report we identified three material risks that could have substantively impacted our ability to meet our strategic objectives and create value during the year under review.

## Our top three material matters were:

1	Climate change and extreme weather conditions
2	Biosecurity
3	Inability to meet sales targets

Probability (P)		
Probability level	Description (Frequency)	Frequency (years)
Rare	The event may occur only in exceptional circumstances.	Once in 20 years
Unlikely	The event hasn't happened before but could occur at some time.	Once in 10 years
Moderate	The event could happen and has happened before.	Once in 5 years
Likely	The event will probably occur in most circumstances.	Once in 2 years
Almost certain	The event is expected to occur in most circumstances.	Annually

## Impact vs Probability (Likelihood) Matrix

### Impact

Catastrophic	5	L	H	VH	VH	VH
Critical	4	L	H	H	VH	VH
Serious	3	L	M	H	H	VH
Significant	2	L	L	M	M	M
Minor/Insignificant	1	L	L	L	L	L
		1	2	3	4	5
		Rare	Unlikely	Moderate	Likely	Almost Certain

### Probability

VH	Very High Risk
H	High Risk
M	Medium Risk
L	Low Risk

Material matters (continued)

	Risk assessed	Exposure/effect	Probability	Risk rating
1	Climate change and extreme weather conditions	Decline in yields and reduction in area under sugarcane production	Likely	Very High
		Inability to support industry expansion	Moderate	High
2	Bio security (security of sugarcane crop)	Decline in yields	Moderate	High
3	Inability to meet sales targets due to reduced production and out-of-specification sugar	Reduced revenues due to sales being below budget or due to increased sales of bulk sugar.	Likely	Low
		Inability to maintain or improve access to preferential markets (TFTA, EU, US, etc.)	Moderate	Low



Effluent plant



Action

- Monitored and advised industry players on weather forecast updates. Crop yield forecasts are shared monthly. Appropriate technologies for crop modelling/yield forecasting are being explored.
  - Lobbying for the prioritisation of dams and allocation of resources for construction of the dams that will benefit the industry. Progress on those already underway is being monitored.
- 
- Pests and diseases’ surveillance is done continuously and industry players advised on status for effective management and preparedness in case of incursions.
  - Research proposal on stalk borers and natural enemies developed with the University of Eswatini to assist with responses to manage the prevalent pests and diseases
  - Participated in regional and international bio-security forums.
- 
- Due to the drops in production, some deliveries were delayed. Measures were taken to ensure balance of supply between performing and non-performing customers.
  - Exercised flexibility to move the types of sugar produced across the different markets, in pursuit of the best returns.
- 
- Proactively participated in leading discussions for an intra-Africa sugar trade plan.
  - Influenced Eswatini international trade policy to align with ESA marketing interests where necessary.
  - Monitored developments in the SA Sugarcane Masterplan which have implications for Eswatini sugar trade. There were no major developments in the period under review.
- 





# Sustainability



Projects

45



# Sustainability

We have made significant progress in our efforts to improve the sustainability of the Eswatini sugar industry.

## Sustainability focus areas

1	Environmental protection
2	Community development
3	Human capital development
4	Governance
5	Economic development

## Projects

### Environmental protection

#### Transitioning to green energy

The high cost of energy is concerning, and growers are exploring means to shift to more cost-effective green energy in pursuit of sustainable businesses.

At the time of compiling this report, 21 growers had transitioned to solar power generation while an additional three are constructing solar power plants. Once construction is complete the total output will be 6 143 kWp from 28 solar plants.



Sugarcane cutter

## Governance

### Sustainability certification vital

Sustainability certification is crucial for the Eswatini sugar industry as several major customers and their supply chains have stated their intention to only purchase sustainably-certified sugar from September 2024. Others are expected to follow suit soon.

The industry's sustainability strategy, certification requirements and expectations were workshoped to over 144 representatives of farmer organisations to prepare them for the certification journey.

Two global sustainability platforms, Bonsucro and ProTerra, were assessed in the previous reporting period to identify gaps in operations and determine the steps required to meet sustainability standards in the industry and accelerate the sustainable production of sugarcane and sugar.

### Stumbling blocks to certification

Bonsucro was selected as the preferred certification standard, and a gap assessment was conducted in the previous reporting period. Two major hurdles to Bonsucro certification identified were:

1. That the active ingredient in pesticides, herbicides and fungicides applied should be below a stipulated level.
2. That no areas of natural ecosystems defined internationally or nationally as legally protected may be converted to agriculture after 1 January 2008, nor may other areas of natural ecosystems have been converted to agriculture after 1 January 2021.

At this stage, the active ingredient applied in the industry per hectare per year is higher than the maximum allowed. New chemicals, pest and weed management strategies and testing are therefore needed and are currently being explored as a matter of priority to meet the Bonsucro certification targets. We estimate that certification will take 18–24 months.

Environmental impact assessments (EIAs) together with existing government authorisation will allow us to substantiate the conversion of natural ecosystems to sugarcane fields for land expansion after 2008.

# Projects *(continued)*

## Policy review and documentation of challenges

As part of our commitment to continuous improvement in our sustainability focus areas, we will also introduce a new suite of sustainability policies both for ourselves and the industry. This process is underway and scheduled for completion by 31 March 2024.

We also embarked on a project to review and document all challenges threatening industry sustainability across the value chain and, while some of these issues will be addressed through sustainability certification, the project will enable members to consolidate their mitigation efforts. This project will be complete by 31 March 2024.

## Community development projects

### Grower costs on the rise

The Grower Business Sector Analysis (GBSA) survey undertaken in September 2022 to assess the viability of small-scale growers flagged rising grower costs. Notably, small and medium-scale grower costs are significantly higher than those of large-scale growers, due to lower economies of scale. The three highest costs for small-scale growers were harvesting and haulage, electricity and labour and administration.

### Fairtrade certification

We are a certified trader of Fairtrade (FT) sugar, with six Fairtrade certified groups in the industry, comprising 27 small-scale farmer associations.

The EU market is our primary buyer of Fairtrade sugar and sales for the year amounted to 13 588 metric tonnes worth USD 815 277 (2021: 14 790 tonnes worth USD 887 418). This is 9% lower than last year's sales. Additional market opportunities for Fairtrade sugar are being sought, as currently these sales are purely demand driven.

Fairtrade premiums of E14 062 625 were distributed to Fairtrade growers for the year 2021/22 (14 790 tonnes of sugar) in June 2022.

As part of the Fairtrade requirements, premiums are allocated to a communal fund for workers and farmers to use as they deem fit to improve their social, economic, and environmental conditions. This can be through community projects, purchasing tractors, building offices and starting up alternative businesses, such as livestock feedlots.

### Carbon and water footprint study

A study was conducted to establish a baseline of key carbon and water footprint parameters for the sugar industry. The findings offer valuable insight into our carbon footprint status and how we measure up in comparison to other industries. The details of a project to address the findings and recommendations of this study are being finalised for implementation in the 2023/24 season.

### Progress with human rights and environmental policies

The adoption of human rights and environmental policies for the industry is progressing well. Workshops to improve insight into sustainability and encourage compliance have been successful and, at the request of growers, policies were translated into siSwati.



Solar power project at Madlangempisi

Highlights	About this report	Organisational overview	Our operating context	Our value-creating business model	Message from the CEO	Our strategy and resource allocation
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*Sugarcane field worker*

Our business structure	Our operations	Our performance	Managing risk	Sustainability	Corporate social responsibility	Our governance	Financial statements
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# Corporate social responsibility

Engaging our stakeholders

50



Corporate social responsibility forms part of our social and relationship and financial capitals and, as a leading contributor to economic development in the country, ESA is actively involved in the communities in which we operate, partnering with stakeholders with the technical expertise and implementation footprint in relevant areas.

This year our corporate social responsibility programmes contributed E770 000.00 to support healthcare, youth unemployment and environmental protection initiatives.

Youth empowerment	With the increasing rate of youth unemployment, we partnered with World Vision Eswatini in the delivery of a community-based goat farming initiative for young people in the Sithobela and Somntongo areas.	<p>Provided seed capital to benefit 150 youth through the farming of 450 goats as well as capacity building in the implementation of the project.</p> <p>By the end of the project, the goats had birthed 150 kids.</p>	E450 000
Health	Partnered with Diabetes Eswatini on a diabetes and hypertension community outreach programme to educate communities about sugar and diabetes and raise awareness of the importance of screening.	<p>The programme was rolled out in all four regions of the country in the following communities: Mpaka, Matsetsa, ka-Langa, Buka, Methula, Siphofaneni, Luve, Siphocosini, Bhunya and Zombodze.</p> <p>A total of 474 community members were screened, 119 of whom tested positive for diabetes and were initiated into treatment.</p>	E100 000
	Rotary Club of Mbabane	Contributed to a programme to provide dental services to communities in the remote Maphiveni area in the Lubombo region.	E30 000
	Rotary Club of Mbuluzi	<p>Contributed to the Rotary Foundation's annual fundraising initiative by participating in the Sibebe Survivor Challenge. The fundraiser channels resources to health areas such as distribution of wheelchairs and support to public hospitals.</p> <p>By participating in the Challenge, we further seek to promote employee wellness through participation.</p>	E30 000
Environmental	Yibutse Green Action	Disposable personal protection equipment (PPE) has increased the extent of non-degradable litter and we provided material for a clean-up campaign in urban, densely populated townships	E10 000
Small-scale sugarcane growers' (SSG) competition	Industry-wide competition	The competition, in partnership with the public and private sector, aims to capacitate and motivate small-scale sugarcane growers to invest in and apply good practices to their business in order to achieve optimum yields.	E150 000
Total	E770 000		

## Corporate social responsibility *(continued)*

Other contributions to the SSG competition	The following partners further contributed to the competition:	E300 000
	<ul style="list-style-type: none"><li>• Standard Bank Eswatini</li><li>• Brisan Pumps</li><li>• Buy Cash Hardware</li><li>• Eswatini Bank</li><li>• Eswatini Railways</li><li>• Eswatini Royal Insurance Corporation (ESRIC)</li><li>• Eswatini Water and Agricultural Development Enterprise (ESWADE)</li><li>• FINCORP</li><li>• FNB Eswatini</li><li>• Liberty Life Swaziland</li><li>• Mlobi Investments</li><li>• NEDBANK Eswatini</li><li>• Royal Eswatini Sugar Corporation</li><li>• Swaziland Agricultural Supplies</li><li>• Swaziland Building Society</li><li>• Times of Eswatini</li><li>• Ubombo Sugar</li></ul>	

## Engaging our stakeholders

Stakeholder engagement forms a key part of our social and relationship capital.

We are committed to optimising the quality of our stakeholder relationships through regular engagements that seek to understand and respond to the needs and expectations of all our stakeholder groups, with a view to fostering stronger and more productive long-term partnerships.

### Stakeholder overview

The stakeholder groups listed are those that we believe are material to ESA achieving its strategic objectives and that impact our ability to create value.

Stakeholder		Level of engagement	Their material issues	Our response
<b>Employees</b>	➤	They are key in the execution of ESA's vision, strategy and business objectives.	<ul style="list-style-type: none"> <li>• Healthy working environment.</li> <li>• Conducive working conditions.</li> </ul>	<ul style="list-style-type: none"> <li>• Adequate skills development and training.</li> <li>• Adequate resources to facilitate execution of duties.</li> </ul>
<b>Sugarcane growers and millers (both as principals and service recipients)</b>	➤	Facilitate continuous improvement and optimum service delivery on an ongoing basis.	<ul style="list-style-type: none"> <li>• Identification of needs.</li> <li>• Presentation of opportunities and solutions.</li> </ul>	<ul style="list-style-type: none"> <li>• Optimum service delivery.</li> <li>• Maximum returns.</li> </ul>
<b>Government</b>	➤	Raise awareness of industry matters.	<ul style="list-style-type: none"> <li>• Viability and growth of the industry for economic development.</li> </ul>	<ul style="list-style-type: none"> <li>• Build political support for the industry.</li> <li>• Lobby for policy development aligned with industry needs.</li> </ul>
<b>Customers and potential customers</b>	➤	Understand changing and varying customer environments and requirements to enhance service delivery and improve relations.	<ul style="list-style-type: none"> <li>• Varying requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance service delivery.</li> <li>• Meet customer requirements and standards.</li> </ul>
<b>Financiers</b>	➤	Ensure availability of financial capital.	<ul style="list-style-type: none"> <li>• Availability of financial capital.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial prudence.</li> </ul>
<b>Service providers</b>	➤	Provision of goods and services to enable us to meet our obligations.	<ul style="list-style-type: none"> <li>• Efficient delivery of good and services.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure value for money.</li> <li>• Meet service obligations.</li> </ul>
<b>General public</b>	➤	Share information.	<ul style="list-style-type: none"> <li>• Lack or poor understanding of ESA, the industry, and its operations.</li> </ul>	<ul style="list-style-type: none"> <li>• Keep the public informed on ESA, the industry and its operations, and the benefits derived from them.</li> </ul>
<b>Media</b>	➤	Maintain healthy media relations and interest.	<ul style="list-style-type: none"> <li>• Keep the public informed.</li> </ul>	<ul style="list-style-type: none"> <li>• Create interest in and share industry stories.</li> </ul>
<b>Organised business</b>	➤	Nurture relations with the business community.	<ul style="list-style-type: none"> <li>• Collaborate and lobby for national business agenda.</li> </ul>	<ul style="list-style-type: none"> <li>• Nurture relationships.</li> <li>• Contribute to national strategies and policies.</li> </ul>





# Our governance

<b>Our leadership</b>	<b>53</b>
<b>Executive Committee</b>	<b>55</b>
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**Our commitment to the highest standards of ethical and effective corporate governance, strong risk management and a transparent culture is our north star. Effective corporate governance enables us to maximise value creation for all our stakeholders, while managing key risks.**

We promote strong principles of integrity, which contribute to the entrenchment of sustained excellence in every aspect of the business, yielding positive business performance over the short, medium and long term. (For more on performance, see page 36.)

This commitment is evident across all our structures, including Council and its subcommittees, management structures and our employees. By extension, we also promote working 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 (King IV) 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 that requires an in-depth understanding and interpretation of its principles within context.

## Our leadership



**Mr Meshack Kunene (63)**  
**Chairman**

Mr Meshack Kunene holds a Bachelor's Degree in Engineering (Electrical and Electronics) with vast experience in power and energy sector. He is the former Managing Director of the Eswatini Electricity Company (EEC). He held a number of positions during his over 40-year career at EEC, including technician, planning engineer, distribution manager, and general manager. He was nominated as Chairman of Council at an annual general meeting held on 21 September 2022.



**Mr Muzi Siyaya (50)**  
**President**

Muzi Siyaya holds an MBA (Wits) and MSc in Finance (Kings College London). He was appointed President of ESA on 1 April 2023, having been nominated by the Eswatini Sugar Millers Association (ESMA). Mr Siyaya is currently the Managing Director of the Ubombo Sugar Limited (USL) and a Group Executive member of Illovo Sugar Africa. Mr Siyaya has 28 years' work experience and is a seasoned business leader with a strong balance between operational experience, strategy and finance gained in private and JSE-listed companies across a wide range of industries in Eswatini and abroad. Mr Siyaya is a Board member of Eswatini Water & Agricultural Development Enterprise (ESWADE). He joined Council on 1 August 2022.



**Mr Stuart Geldenhuys (66)**  
**Vice President**

Stuart Geldenhuys holds a Diploma in Agriculture. He was appointed Vice President of ESA from 1 April 2023, having been nominated by the Eswatini Cane Growers Association (ECGA). Mr Geldenhuys has over 30 years' experience in the sugarcane and citrus growing business and is currently Estate Manager at Tambuti Estates. He has been a member of Council for 14 years.

# Our leadership *(continued)*

## Council members

### Eswatini Sugar Millers Association (ESMA)

Council members nominated by ESMA include senior executive managers from both RES and Ubombo Sugar. Their skills span from sugar milling operations, finance, legal, commercial and agricultural operations, with an average experience of 15 years in the industry. Their average tenure as Council members is nine years.

### Eswatini Cane Growers Association (ECGA)

Council members nominated by ECGA include senior executive managers from large sugar estates, 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. On average, they have 23 years' experience in the industry and around 11 years tenure as Council members.

### Chairman of Council

The Chairman of Council is nominated and appointed at the Annual General Meeting (AGM). This person 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 may cast 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.



Haulage truck delivering sugarcane to the mill

## Breakdown of Council membership service (years)





Membership and meeting attendance

The minimum quorum of six members was met for all Council meetings. Growers and millers have one vote each.

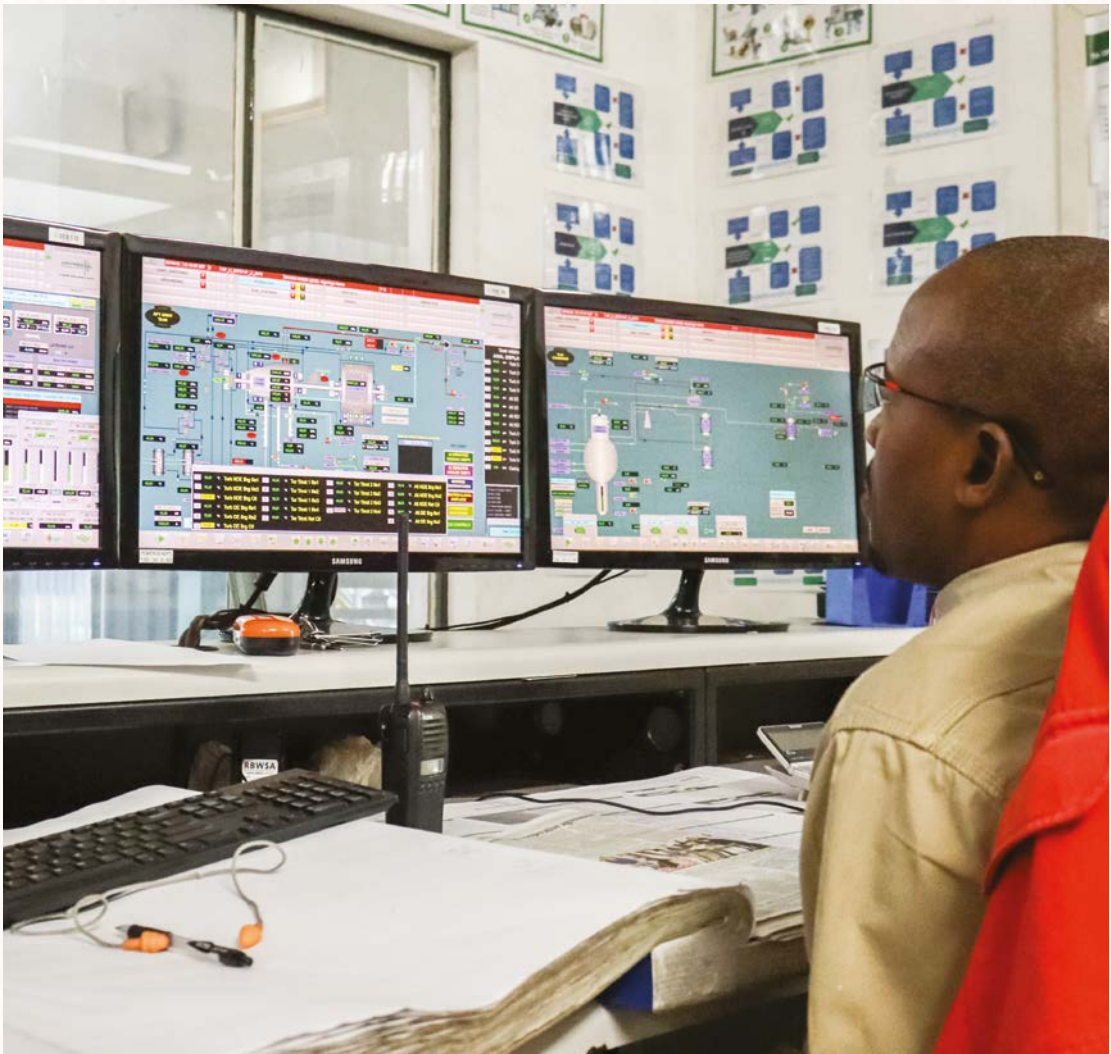
Company Secretary

The role of the Company Secretary (Secretary) is performed 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. The Secretary plays a key role in providing guidance to Council members on the execution of their duties. Since the Secretary's duties are defined by statute, Council is satisfied that there is no conflict between her secretariat and executive roles.

Executive Committee

The CEO is responsible for the day-to-day running of ESA, assisted by an Executive Committee (EXCO) comprising six members. EXCO meets at least once a month to review operations and track implementation of ESA's key strategic objectives.

Following an intensive recruitment process facilitated by external recruitment consultants, Mr Banele Nyamane was appointed CEO with effect from 1 December 2022.



Steam boilers control in progress to generate electricity and heat for crystallisation



Executive committee (continued)



**Mr Banele Nyamane (44)**  
**CEO**  
**CA (SA)**

Mr Nyamane served as ESA's Financial Director for eight years, prior to his appointment as Chief Executive Officer in December 2022. He is responsible for promoting the sugar industry's interests through the observance of the Sugar Act, Sugar Industry Agreement, and for the effective and efficient execution of ESA's corporate strategy. He plays a strategic and pivotal role in advocating for the sugar industry through his interactions with policymakers and other national and international stakeholders.

Mr Nyamane is an accomplished and results-driven professional with strong financial and strategic skills and a proven track record in implementing strategic initiatives with a strong focus on cost management. He is an Independent Non-Executive Director of Standard Bank Eswatini, and Director of Sociedade Terminal De Acucar De Maputo, Limitada (Representing Eswatini Sugar Association).



**Ms Andrea Mendes (34)**  
**Financial Director and**  
**Company Secretary**  
**CA (SA)**

Ms Mendes maintains control over all financial activities including annual budgeting, sourcing working capital, accounting and auditing. She is responsible for implementing finance policies to ensure optimum use of organisational assets while safeguarding against any financial loss, in addition to overseeing the IT systems. She also assumes and executes the functions of Company Secretary. She joined ESA on 1 March 2023, from Ubombo Sugar Limited where she was Finance Manager. She previously worked for Standard Bank Eswatini and PricewaterhouseCoopers. She is a Board member of the Eswatini Competition Commission.



**Mr Walter Matsebula (45)**  
**Commercial Director**  
**MSc (Economics and**  
**International Economics)**

In his role as Commercial Director, Mr Matsebula is responsible for the overall development and execution of ESA's marketing strategy, including identifying new niche products and markets for the industry. The role encompasses effective liaison between the logistics and marketing functions within the organisation to ensure efficient storage, movement and delivery of the product to customers. Good stakeholder relations form an important aspect of the role.

He was appointed into the role effective 1 June 2022, after having served ESA for 16 years as Regional Marketing Manager, Marketing Manager and Economist prior. He has served on a number of Boards of national enterprises, including: the Competition Commission, National Maize Corporation, Housing Board and Financial Services Regulatory Authority.



**Mr Siphso Dlamini (58)**  
**Head: Cane Testing and Quality**  
 BSC, CDE, PBL

Mr Dlamini oversees the industry's sugar laboratory infrastructure which measures sucrose to facilitate the payment of sugarcane growers. This infrastructure includes the three cane testing 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.

In his role as Head of Cane Testing and Quality, Mr Dlamini also supports the establishment of an independent and accredited sugar testing laboratory, drives the industry sustainability agenda and certification, and is responsible for the ISO 9001 system and certification, in addition to chairing tender committee processes. He is a member of South African Sugar Technologists Association (SASTA).



**Ms Nontobeko Mabuza (42)**  
**Head: Advocacy and Stakeholder Engagement**  
 Master of Development Finance (MDF), BA (Honours) Economics

Ms Mabuza is an economist and trade specialist with six years' experience working on sugar market access and trade policy. She is responsible for advocacy and lobbying for ESA, through national, regional, and international engagement with stakeholders on matters of interest to the industry. She further works with government to lobby for preferential market access for Eswatini sugar in different markets of interest to the sugar industry. Ms Mabuza also coordinates public relations and corporate social investment initiatives to ensure appropriate and aligned messaging. She is a Board member of the Eswatini Competition Commission as a representative of the Economics Association.



**Mr Noah Dlamini (57)**  
**Head: Extension and Technical Services**  
 M.Sc. Agricultural Engineering, EDP

Mr Dlamini manages and oversees ESA's technical and extension services and advises on all aspects of sugarcane growing. His role encompasses the coordination of industry crop production research, water resource management, pest and disease control, extension provision, and seed cane production, to encourage the adoption of improved agricultural practices by stakeholders for profitable and sustainable sugarcane production.



**Ms Lungile Motsa (48)**  
**Head: Human Capital and Administration**  
 MBL

Ms Motsa is entrusted with human capital attraction, development and retention as well as looking after employee relations and general employee welfare to support the overall delivery of ESA's strategic objectives. Her portfolio is also entrusted with employee safety, health and wellness, and with promoting and advocating for harmonious labour relations in the sugar industry.

# Management team

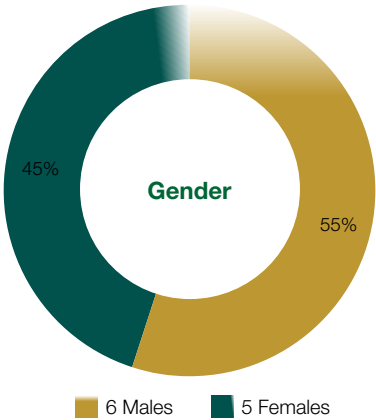
## Management experience at ESA

### Diversity and tenure

EXCO is supported by four managers who comprise the Management Team, and together, they have an average of 13 years' experience in the organisation.

### Years of service

Years of service	Number	Gender
0–5	3	2 female; 1 male
6–10	2	1 female; 1 male
11–15	1	1 male
16 and above	5	2 female; 3 male



### Expertise

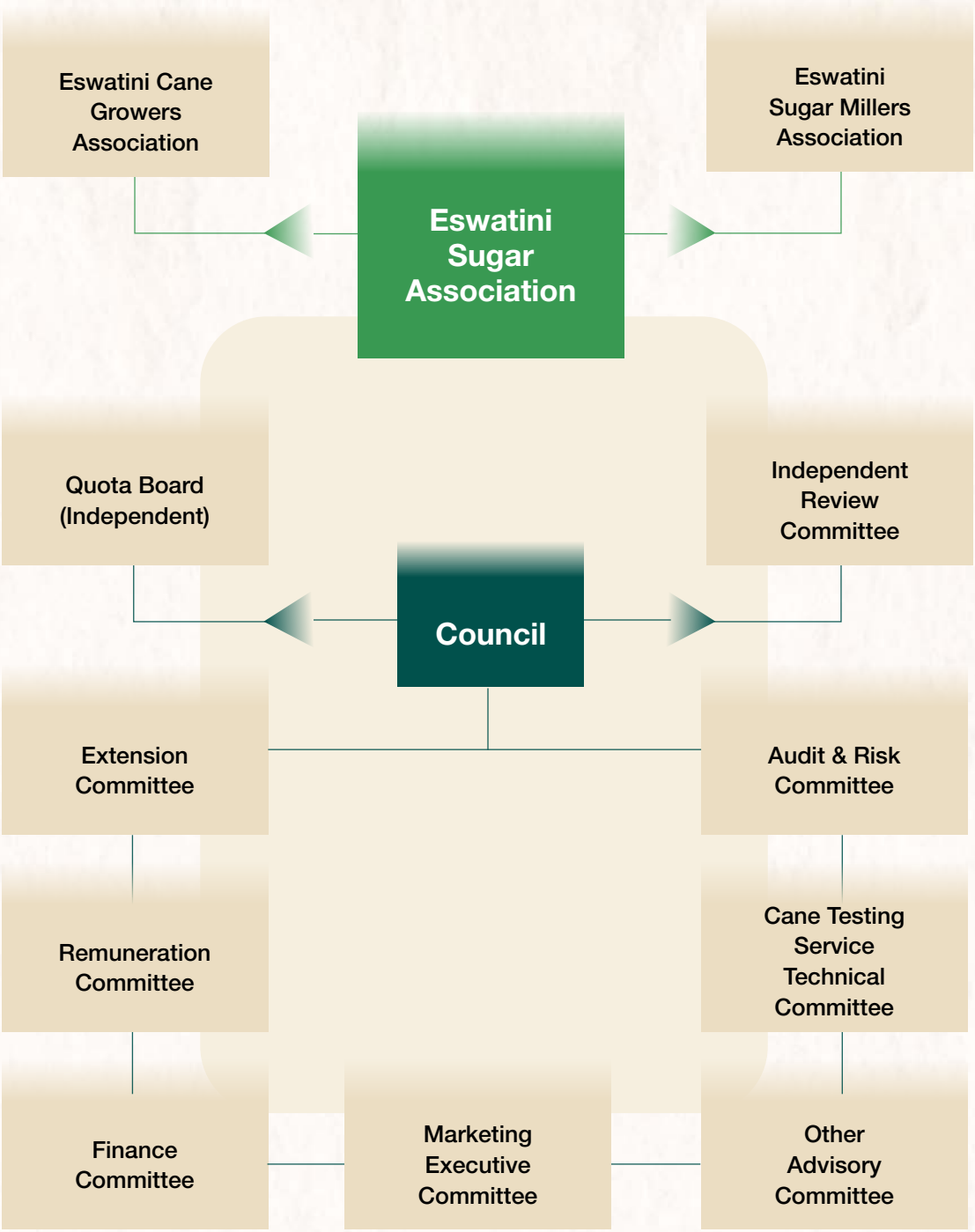
Strategy	Audit	QMS
Finance	Human capital	IT
Sales and marketing	Economics	Trade
Logistics	Communications	Irrigation engineering/Water resource management
Sugar technology/Chemistry	Risk management	

**Governance forms a central pillar of our financial, intellectual and human capitals.**

## Governance framework

ESA is committed to good corporate governance even though our business structure differs from that of a normal corporate entity. Our members comprise the Eswatini Sugar Millers Association (ESMA) and the Eswatini Cane Growers Association (ECGA), and 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, all decisions taken are expected to be in the interests of the overall sugar industry. Derived benefits or losses are shared among members in a predetermined manner.

# Our governance structure





## Our governance structure *(continued)*

Council conducts and manages all the business affairs of the Association and exercises all powers that may be conferred on the Association or the Council or any of its committees. The Council is equally represented by millers and growers.

In line with ESA's Constitution, members of Council and other committees are nominated and appointed at the AGM held annually in September.

All current members of Council have sufficient experience in our operations, complemented by extensive experience in the Eswatini sugar industry. The skills of Council members include leadership, sugarcane farming, processing/manufacturing plants, commercial, legal and finance.

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

- Determines strategies.
- Approves major policies and plans.
- Monitors risk management.
- Provides oversight as well as monitoring to help ensure accountability.

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

Our Council has an obligation to ensure that the ESA has a sustainable future, it must exercise the necessary care and oversight in ensuring that the organisation is well managed, that regulatory provisions are adhered to, that the principles of good corporate governance are applied, and that the organisation does not face any avoidable or unnecessary risks.

Council is satisfied that it has fulfilled its responsibilities in the year under review, in accordance with ESA'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, the terms of reference of each committee as well as the ESA Code of Conduct.

### 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 appointments to the subcommittees, these bodies assess the relevant expertise and experience of the candidates. 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 Constitution of the Association, and it primarily involves strategic leadership and guidance, ultimate oversight, accountability, and responsibility.

Council has established subcommittees through which it executes its governance processes and activities by delegation. Membership to these structures is equal between millers and growers, and decisions 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 separate codes of conduct for ESA employees and suppliers of goods and services.

### Internal controls

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

Our 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 40 and 62, respectively.)

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## Council discussions

Council has developed and maintains a standard agenda which sets the framework for its meetings 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.

Each meeting receives reports on organisational activities and performance with respect to:

- Financial performance, including sugar and sucrose price estimates
- Cane testing
- Extension services
- Marketing
- Human capital and industrial relations
- Sustainability
- International trade issues
- Information technology

## Council Members and Meeting Attendance 2022/23

*Council met four times during the year under review.*

In addition to the regular agenda items, a number of other issues were discussed, including:

- The adoption of Bonsucro as the Sustainability standard to be pursued by the industry for certification to address the mounting pressure from customers and their respective supply chains;
- The approval for ESA to procure an enterprise resource planning system (ERP) for ESA operations;
- Mr Meshack Kunene was recommended to be appointed as the Chairman of Council at the Annual General Meeting; and
- Mr Banele Nyamane was appointed as the CEO with effect from 1 December 2022.

## Council focus areas for FY2023

In the coming year, Council will focus on the following key initiatives:

- Resolving long-standing issues between the millers and growers.

## Council subcommittees

### Audit and Risk Committee

*The committee met four times in FY2022/23.*

#### Mandate

The Audit and Risk Committee is governed by a formal audit charter which sets out guidelines 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 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 Audit and Risk Committee assists Council in fulfilling its oversight responsibilities and in evaluating the adequacy and efficiency of accounting policies, internal financial controls, accuracy of the estimate process, external financial reporting process and compliance with all applicable laws, regulations and policies. The committee ensures 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.

### Opinion on internal financial controls

Based on the review of internal control systems conducted by the Internal Auditor, as well as on information and explanations given by management, together with discussions held with the external auditors on the results of the audit, the committee believes that our 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 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 Chairman of the committee has regular and direct access to management at any time to discuss pertinent issues. Together with the Internal Auditor, the committee also has closed meetings with the external auditors without the presence of management, on matters that are relevant in fulfilling their functions.

The committee held four meetings during the year under review and all of them had the standard agenda items.

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# Our governance structure *(continued)*

## 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 our 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 40.)

## Internal audit

The internal audit function provides assurance to ESA, through the committee, on the adequacy and effectiveness of its internal control and risk management practices, as well as on the integrity of its financial reporting systems. Internal audit further assists management by making recommendations on 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 level of compliance with relevant policies, plans, procedures, and applicable laws and regulations.

Specific focus is placed on 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 the 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 2022/23 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

The Remuneration Committee is chaired by the President and consists of four other members. The current members are leaders in their own organisations and possess the necessary skills and experience to discharge their duties. This committee meets as required, based on whether there are issues that require its approval.

During the year under review, the committee, in addition to its standard agenda items managed the recruitment of the CEO. The successful candidate, Mr Banele Nyamane, previously the Financial Director, was appointed following a rigorous recruitment process.

## Remuneration of employees

Our remuneration philosophy is aimed at attracting and retaining appropriately skilled employees at all levels, to positively influence the achievement of ESA’s strategic objectives. This philosophy also ensures that ESA remains competitive in the labour market.

## Remuneration of non-independent and independent members

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

Remuneration of the independent chairpersons is reviewed by the Remuneration Committee on an annual basis, taking into account market information.

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## Marketing Executive Committee

*The committee met five times in FY2022/23.*

The Marketing Executive Committee is vested with all powers of the Association pertaining to the purchase, marketing, sale and disposal of Eswatini sugar and the purchase, marketing, sale and disposal of the by-products of sugar manufactured in Eswatini.

This Committee is made up of six members appointed equally by ECGA and ESMA and is chaired by the Chairman of Council. Members of this Committee may also sit at Council. During the year under review, the Committee:

- Oversaw the implementation of the marketing and sales strategy for sugar and molasses during the year, as guided by the Policy provided by Council. The Committee made inputs into the Policy as well.
- Ensured that the strategy to diversify the sugar markets and customer base was implemented and delivered the necessary outcomes.
- Monitored the developments around the South African Sugarcane Value Chain Master Plan and its possible impact on the industry. The necessary mitigation strategy, already put in place in the prior year, was continually reviewed to respond to the changing dynamics in the South African sugar market.
- Provided guidance on strategies to ensure Eswatini and, where possible, expanded its preferential markets for sugar.
- Reviewed the price hedging strategy, under the Price Risk Management Policy, to facilitate securing higher prices of sugar for future years when the market shows significant upsidess.

## Finance Committee

*The committee met five times in FY2022/23.*

The Finance Committee advises Council on all industry-related 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 six members with equal representation of millers and growers and is chaired by the CEO.

## Extension Committee

*The committee met four times in FY2022/23.*

The Extension Committee advises Council on the overall direction of all technical services other than cane testing. It focuses on crop production research, pest and disease control, extension services, and any ancillary matters. The committee has six members with equal representation by both millers and growers. It is alternately chaired by a representative of either millers or growers.

## Cane Testing Committee

*The committee met four times in FY2022/23.*

The Cane Testing Committee is responsible for the supervision of the cane-testing service at the mills and advises ESA on all matters relating to the testing of cane in Eswatini. The committee consists of six members and has an equal representation of millers and growers. It is alternately chaired by a representative of either millers or growers.

## Quota Board

The board meets once a year. The Quota Board is responsible for the issuing of rights to grow sugarcane to manufacture sugar. It has an independent member appointed by the Minister of Commerce, Industry & Trade.

## Independent Review Committee

*The committee met ten times in FY2022/23.*

The committee deals with technical matters referred to it by Council. The committee consists of a chairperson and two other members, and is appointed by ESA. Members have expertise in sugar processing, finance and legal matters. The committee is currently tasked with determining allowances paid to millers for producing refined and VHP sugars, and for establishing the beneficial use of bagasse.

## Whistle-blowing hotline and follow-up

ESA operates a whistle-blowing hotline. This service, monitored 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. We do not tolerate retaliation against whistle-blowers. Follow-up on all reported matters is coordinated by the Internal Auditor and reported to the Audit and Risk Committee.

Our business structure	Our operations	Our performance	Managing risk	Sustainability	Corporate social responsibility	Our governance	Financial statements
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# Financial statements

*for the year ended 31 March 2023*

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# Council members' responsibility statement

for the year ended 31 March 2023

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

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

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

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

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

## Approval of consolidated and separate financial statements

The consolidated financial statements prepared in accordance with IFRS which appear on pages 71 to 78 were approved by the council members on 29 June 2023 and signed on its behalf by:



M. Kunene  
Chairman



B. Nyamane  
Chief Executive Officer

# Independent auditor's report

*to the Members of Eswatini Sugar Association*

## Our opinion

These Summarised Financial Statements should be read in conjunction with the complete set of Financial Statements for the year ended 31 March 2023, which have been audited by PricewaterhouseCoopers. An unqualified audit opinion has been issued and the Auditor's Report on the complete set of Financial Statements is available for inspection at the Association's registered office.

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**PricewaterhouseCoopers**  
**Partner: Makhosazana Mhlanga**  
**Registered Auditor**  
**P.O. Box 569**  
**Mbabane**  
**Date: 02 August 2023**

Highlights	About this report	Organisational overview	Our operating context	Our value-creating business model	Message from the CEO	Our strategy and resource allocation
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*Delivery of sugarcane on one of the mill's hilo tables*



# Council members' report

for the year ended 31 March 2023

Council has pleasure in submitting their report together with the consolidated and separate financial statements of the Association for the financial year ended 31 March 2023.

## Business activities

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

## General review of business operations and results

The state of affairs of the Association at 31 March 2023 and the results of its operations for the year then ended, are fully set out in these financial statements.

## Results of operations

The Group recorded revenue of E6,44 billion (2022: E5,76 billion). The increase in revenue is mainly attributable to an increase in the selling prices compared to the previous year. The cost of sales increased from E5,66 billion to E6,10 billion in line with an increase in distributable proceeds. Profits that are made by the Association are distributed in full to the millers and growers and form part of the cost of sales. Distribution costs incurred during the year were E24,67 million (2022: E17,24 million), increasing mainly because of an increase in freight rates from the previous year.

Foreign exchange losses of E84,98 million were realised compared to a gain of E64,14 million in the previous year. Interest paid increased from E75,31 million to E121,35 million mainly due to the increase in interest rates compared with the previous year. Total overheads increased from E90,56 million to E105,95 million mainly driven by an increase in donations made, an increase in contractual rates and other administrative related expenses.

Inventories increased from E105,68 million to E345,24 million due to higher closing stock quantities when compared to the previous which is in line with our stock policy. Trade receivables increased by E646,42 million which emanates from a late shipment where the funds were received after year end. Trade payables increased by E208,93 million mainly because of higher proceeds due to members at year end. Bank overdraft increase of E702,7 million is a direct result of the increase in debtors.

## Going concern

The war between Russia and Ukraine is increasingly affecting economic and global markets, and exacerbating ongoing economic challenges, including a rise in inflation, interest rates and global supply chain disruptions. Exchange rates, in particular the Euro and USD traded at stronger levels towards the end of the financial year. This in turn impacted positively on revenue for the Association and resultantly the overall distribution to Millers and Growers.

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

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

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

## Subsidiaries and jointly controlled company

The Association has the following subsidiary companies:

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

The Association has interest in the following jointly controlled company:

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

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

### Council

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

Mr S Geldenhuys	President
Mr N Jackson	Vice President
Mr M Kunene	Chairman
Dr AT Dlamini	
Mr B James	
Mr M Siyaya	
Mr L Ndzimandze	
Mr D Dhlwayo	
Mr M Maziya	
Ms T Sifundza	
Mr P Myeni	
Mr P Malandvula	
Mr M Mabuza	
Mr T Nkambule	
Mr M Hlatshwayo	
Ms S Magagula	
Mr M Jele	
Mr C Shabangu	
Ms P Mweli	

### Marketing Executive Committee

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

Mr M Kunene	Chairman
Mr M Hlatshwayo	
Mr P Malandvula	
Dr A T Dlamini	
Mr S Geldenhuys	
Mr N Jackson	
Mr M Maziya	
Mr L Ndzimandze	
Mr B James	
Mr M Siyaya	
Mr C Shabangu	
Mr D Dhlwayo	
Ms S Magagula	
Mr T Nkambule	
Mr M Mabuza	

# Council members' report

for the year ended 31 March 2023 (continued)

## Finance Committee

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

- Mr B Nyamane
- Chairman
- Mr D Dhliwayo
- Mr L Ndzimandze
- Ms Z Dlamini
- Ms S Magagula

## Audit and Risk Committee

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

- Ms D Ngwenya
- Chairman
- Mr D Dhliwayo
- Mr L Ndzimandze
- Mr A Ngcobo
- Ms Z Dlamini

## Secretary

- Ms A Mendes

## Business address

- Nkotfotjeni Building
- Cnr Msakato & Dzeliwe Street
- Mbabane

## Postal address

- P O Box 445
- Mbabane

## Auditors

- PricewaterhouseCoopers Eswatini
- P O Box 564
- Mbabane
- Mbabane

Highlights	About this report	Organisational overview	Our operating context	Our value-creating business model	Message from the CEO	Our strategy and resource allocation
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# Consolidated and separate statements of comprehensive income

for the year ended 31 March 2023

	Notes	Group		Association	
		2023 E'000	2022 E'000	2023 E'000	2022 E'000
<b>Revenue</b>	2	<b>6 435 692</b>	5 764 660	<b>6 435 692</b>	5 764 660
Cost of sales	4	<b>(6 101 812)</b>	(5 646 716)	<b>(6 133 888)</b>	(5 663 514)
<b>Gross profit</b>		<b>333 880</b>	117 944	<b>301 804</b>	101 146
Other income		<b>3 040</b>	805	<b>3 040</b>	805
Distribution costs		<b>(24 742)</b>	(17 242)	<b>(24 671)</b>	(17 186)
Administrative expenses	3	<b>(105 945)</b>	(90 560)	<b>(97 321)</b>	(88 495)
Foreign exchange (losses)/gains	4	<b>(84 979)</b>	64 136	<b>(84 979)</b>	64 136
<b>Operating profit before financing costs</b>		<b>121 254</b>	75 083	<b>97 873</b>	60 406
Finance income		<b>–</b>	–	<b>23 646</b>	15 060
Finance expense		<b>(121 351)</b>	(75 310)	<b>(121 351)</b>	(75 310)
<b>Net financing costs</b>	4	<b>(121 351)</b>	(75 310)	<b>(97 705)</b>	(60 250)
Share of profit of jointly controlled entity (net of tax)		<b>265</b>	383	<b>–</b>	–
<b>Profit before tax</b>		<b>168</b>	156	<b>168</b>	156
Income tax expense		<b>(168)</b>	(156)	<b>(168)</b>	(156)
Profit for the year		<b>–</b>	–	<b>–</b>	–
<b>Transfer to distributable reserves</b>		<b>–</b>	–	<b>–</b>	–
		<b>–</b>	–	<b>–</b>	–
<b>Other comprehensive income</b>					
<i>Items that are or may be reclassified to profit or loss</i>					
Unrealised cash flow hedges		<b>3 726</b>	–	<b>3 726</b>	–
<b>Total comprehensive income for the year</b>		<b>3 726</b>	–	<b>3 726</b>	–

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

Total comprehensive income of the group is attributable to the members of the Association.



# Consolidated and separate statement of financial position

at 31 March 2023

		Group		Association	
		2023 E'000	2022 E'000	2023 E'000	2022 E'000
Notes					
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	277 570	254 275	10 408	9 270
Investment in subsidiaries		–	–	–	–
Jointly controlled entity		44 583	35 925	39 362	39 362
<b>Total non-current assets</b>		<b>322 153</b>	290 200	<b>49 770</b>	48 632
<b>Current assets</b>					
Loans to subsidiaries		–	–	266 864	244 708
Inventories		345 234	105 681	345 234	105 681
Trade and other receivables		957 144	310 724	957 144	310 724
Derivative Asset		3 726	–	3 726	–
Financial Investment as amortisation cost		–	120 000	–	120 000
Cash and cash equivalents		206 846	44 152	206 846	44 152
<b>Total current assets</b>		<b>1 512 950</b>	580 557	<b>1 779 814</b>	825 265
<b>Total assets</b>		<b>1 835 103</b>	870 757	<b>1 829 584</b>	873 897
<b>Reserves and liabilities</b>					
Non-distributable reserve		3 934	3 934	3 934	3 934
Cash flow hedge reserve		3 726	–	3 726	–
<b>Total reserves</b>		<b>7 660</b>	3 934	<b>7 660</b>	3 934
<b>Non-current liabilities</b>					
Long term borrowings	6	61 138	233 662	61 138	233 662
<b>Current liabilities</b>					
Bank overdraft		702 726	–	702 726	–
Current tax Liability		79	88	79	88
Short term borrowings		456 511	235 011	456 511	235 011
Trade and other payables		606 989	398 062	601 470	401 202
<b>Total current liabilities</b>		<b>1 766 305</b>	633 161	<b>1 760 786</b>	636 301
<b>Total liabilities</b>		<b>1 827 443</b>	866 823	<b>1 821 924</b>	869 963
<b>Total reserves and liabilities</b>		<b>1 835 103</b>	870 757	<b>1 829 584</b>	873 897

# Consolidated and separate statement of cash flows

for the year ended 31 March 2023

Notes	Group		Association	
	2023 E'000	2022 E'000	2023 E'000	2022 E'000
<b>Cash flows from operating activities</b>				
Cash (utilised)/generated from operations	(548 689)	388 302	(584 417)	336 570
Interest paid on borrowings and overdraft	(96 355)	(75 310)	(96 355)	(78 840)
Taxation paid	(177)	(113)	(177)	(113)
<i>Net cash (outflow)/inflows from operating activities</i>	<b>(645 221)</b>	312 879	<b>(680 949)</b>	257 617
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(38 943)	(57 593)	(3 215)	(2 331)
Proceeds from financial investments liquidation	120 000	–	120 000	–
Acquisition of financial investments	–	(120 000)	–	(120 000)
Proceeds from the sale of property, plant and equipment	152	432	152	432
<i>Net cash inflow/(outflows) from investing activities</i>	<b>81 209</b>	(177 161)	<b>116 937</b>	(121 899)
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	40 000	100 000	40 000	100 000
Principal repayments – borrowings	(16 020)	(78 305)	(16 020)	(78 305)
Proceeds from bank overdraft	702 726	–	702 726	–
Repayment – bank overdraft	–	(138 429)	–	(138 429)
<i>Net cash inflow/(outflow) from financing activities</i>	<b>726 706</b>	(116 734)	<b>726 706</b>	(116 734)
<b>Nets increase in cash and cash equivalents</b>	<b>162 694</b>	18 984	<b>162 694</b>	18 984
Cash and cash equivalents at the beginning of the year	44 152	25 168	44 152	25 168
<b>Cash and cash equivalents at the end of the year</b>	<b>206 846</b>	44 152	<b>206 846</b>	44 152

# Consolidated and separate statement of changes in reserves

for the year ended 31 March 2023

	Non-distributable reserve E'000	Other reserve E'000	Total Equity E'000
<b>Group and Association 2023</b>			
Balance at beginning of year	3 934	–	3 934
Total comprehensive income for the year:	–	3 726	3 726
Profit for the year	–	–	–
Changes in fair value of cash flow hedges	–	3 726	3 726
<b>Balance at end of year</b>	<b>3 934</b>	<b>3 726</b>	<b>7 660</b>
<b>Group and Association 2022</b>			
Balance at beginning of year	3 934	70 578	74 512
Total comprehensive income for the year:	–	(70 578)	(70 578)
Profit for the year	–	–	–
Cash flow hedges realised and reclassified to profit and loss	–	(70 578)	(70 578)
Balance at end of year	3 934	–	3 934

# Notes to the summarised audited financial statements

for the year ended 31 March 2023

## 1. Significant accounting policies

### 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 the amounts distributable to the growers and millers in accordance with the final estimate. The final estimate which represents the amounts to be paid by the Association to growers and millers is considered to be the lower of cost and net realisable value and, is determined as the estimated selling price in the ordinary course of business, less estimated volume rebates, discounts, and point of sale costs.

Management's determination of the final estimate is based on the most reliable evidence available at reporting date.

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

### 1.3 Revenue

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 transferred, when the sugar or molasses is delivered to the customer. For the local market delivery is generally when the sugar or molasses is released from the warehouse to the customer, while for the export market, depending on the terms of the sale, if free-on-board, the sale is 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 obligation that can affect customer's acceptance of sugar or molasses.



# Notes to the summarised audited financial statements

for the year ended 31 March 2023 (continued)

Revenue from the sale of sugar and molasses is recognised in profit or loss when significant risks and rewards of ownership have been transferred to the buyer. Revenue is measured at the fair value of the consideration received or receivable, net of strategic rebates, export rebates and discounts. The Group recognises revenue when the amount of revenue can be reliably measured. It is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described above. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

### (ii) Export sales

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

## 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.

	Group		Association	
	2023 E'000	2022 E'000	2023 E'000	2022 E'000
<b>Revenue by product type comprises:</b>				
– Sugar sales	6 234 854	5 588 095	6 234 854	5 588 095
– Molasses sales	200 838	176 565	200 838	176 565
	6 435 692	5 764 660	6 435 692	5 764 660
<b>Revenue by channel comprises:</b>				
SACU market	4 317 622	4 317 568	4 317 622	4 317 568
Regional market	448 328	396 356	448 328	396 356
International market	1 669 742	1 050 736	1 669 742	1 050 736
	6 435 692	5 764 660	6 435 692	5 764 660

Sugar is sold into the Southern African Customs Union ("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	
	2023 E'000	2022 E'000	2023 E'000	2022 E'000
<b>Income:</b>				
Final distribution adjustment	385	805	385	805
<b>Administration Expenses:</b>				
Auditors remuneration	884	713	884	713
Depreciation	15 560	12 191	1 989	1 713
Lease expenses	1 485	1 381	1 485	1 381
Management fees				
Computer related	2 231	2 406	2 231	1 313
Payroll costs	43 974	37 218	43 974	37 218
Vehicle expenses	3 834	4 488	3 834	4 488
Cartage expenses	1 376	1 941	1 376	1 941
Spares and consumables	1 067	1 543	1 067	1 543
Travel costs	358	726	358	726
Computer costs	2 337	1 313	2 337	1 313
Contract management fees	9 278	14 765	9 278	14 765
Other expenses	23 561	11 875	28 508	21 381
	105 945	90 560	97 321	88 495

### 4. Net financing costs

	Group		Association	
	2023 E'000	2022 E'000	2023 E'000	2022 E'000
<b>4.1 Interest expense from Short-term and Long-term borrowings</b>				
Measured at amortised cost	(121 351)	(75 310)	(121 351)	(75 310)
Interest income on loans originated by the Association	–	–	23 646	15 060
Finance expenses	(121 351)	(75 310)	(97 705)	(60 250)
<b>4.2 Finance income on financial assets</b>				
Foreign exchange gain	84 979	64 136	84 979	64 136
Finance income	84 979	64 136	84 979	64 136

# Notes to the summarised audited financial statements

for the year ended 31 March 2023 (continued)

	Group		Association	
	2023 E'000	2022 E'000	2023 E'000	2022 E'000
<b>4.3 Cost of Sales</b>				
<i>Cost incurred in operation of income</i>	<b>6 101 812</b>	5 646 716	<b>6 133 888</b>	5 663 514
	<b>6 101 812</b>	5 646 716	<b>6 133 888</b>	5 663 514

## 5. Property, plant and equipment

### Allocation of depreciation

	Group		Association	
	2023 E'000	2022 E'000	2023 E'000	2022 E'000
Direct cost of sales	<b>597</b>	630	<b>597</b>	630
Direct analysis of cane	<b>166</b>	201	<b>166</b>	201
Extension services	<b>461</b>	347	<b>461</b>	347
Administration	<b>765</b>	535	<b>765</b>	535
Operating expense	<b>13 571</b>	10 478	<b>–</b>	–
<b>Total</b>	<b>15 560</b>	12 191	<b>1 989</b>	1 713

### Reconciliation of the opening and closing carrying amounts – 2023

	Association					
	Opening Carrying Amount	Additions	Disposals	Transfer	Depreciation	Closing Carrying amount
	E'000	E'000	E'000	E'000	E'000	E'000
<b>Freehold land and buildings</b>	<b>1 426</b>	<b>595</b>	<b>–</b>	<b>–</b>	<b>(183)</b>	<b>1 838</b>
<b>Leasehold land and buildings</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1</b>
<b>Plant and equipment</b>	<b>4 133</b>	<b>1 298</b>	<b>(49)</b>	<b>–</b>	<b>(988)</b>	<b>4 394</b>
<b>Furniture and fittings</b>	<b>609</b>	<b>30</b>	<b>(1)</b>	<b>–</b>	<b>(61)</b>	<b>577</b>
<b>Motor vehicles</b>	<b>3 101</b>	<b>1 183</b>	<b>(38)</b>	<b>–</b>	<b>(757)</b>	<b>3 489</b>
<b>Capital work in progress</b>	<b>–</b>	<b>109</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>109</b>
	<b>9 270</b>	<b>3 215</b>	<b>(88)</b>	<b>–</b>	<b>(1 989)</b>	<b>10 408</b>

	Group					
	Opening Carrying Amount	Additions	Disposals	Transfer	Depreciation	Closing Carrying amount
	E'000	E'000	E'000	E'000	E'000	E'000
Freehold land and buildings	1 426	595	–	–	(183)	1 838
Leasehold land and buildings	1	–	–	–	–	1
Plant and equipment	4 133	1 298	(49)	–	(988)	4 394
Furniture and fittings	609	30	(1)	–	(61)	577
Motor vehicles	4 469	1 183	(38)	–	(847)	4 767
Conditioning silo buildings	30 903	–	–	–	(1 581)	29 322
Sugar store buildings	100 774	–	–	–	(3 719)	97 055
Conditioning silo equipment	8 076	–	–	–	(979)	7 097
Sugar store equipment	96 930	31 471	–	–	(6 736)	121 665
Molasses storage equipment	6 953	–	–	–	(466)	6 487
Capital work in progress	1	4 366	–	–	–	4 367
	254 275	38 943	(88)	–	(15 560)	277 570

## 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. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 22.

	Group		Association	
	2023 E'000	2022 E'000	2023 E'000	2022 E'000
Fixed term loan from:				
– Public Service Pensions Fund	–	150 000	–	150 000
– Eswatini Bank	61 138	83 662	61 138	83 662

The loan from PSPF will be repaid in full on 31 July 2023 hence transferred to current Interest is negotiated on renewal and is linked to the prime lending rate.

The Bank loan is a mortgage loan repayable over 60 months. Interest rate is equal to the prime lending rate.

These loans are secured by a negative pledge over inventory and the trade receivable and a mortgage bond over sub-lease on portion 7 of farm No.161 in Lubombo, Eswatini.

<b>Total non-current portion</b>	<b>61 138</b>	233 662	<b>61 138</b>	233 662
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# Abbreviations

<b>AfCFTA</b>	Africa Continental Free Trade Area
<b>AGM</b>	Annual General Meeting
<b>COMESA</b>	Common Market for Eastern and Southern Africa
<b>EAC</b>	East African Community
<b>ECGA</b>	Eswatini Cane Growers Association
<b>EEC</b>	Eswatini Electricity Company
<b>EPA</b>	Economic Partnership Agreement
<b>ESA</b>	Eswatini Sugar Association
<b>ESMA</b>	Eswatini Sugar Millers Association
<b>ESWADE</b>	Eswatini Water and Agricultural Development Enterprise
<b>EU</b>	European Union
<b>EXCO</b>	Executive Committee
<b>FSSC</b>	Food Safety System Certification
<b>FT</b>	Fairtrade
<b>FTA</b>	Free Trade Agreement
<b>GI</b>	Glycaemic Index
<b>IFRS</b>	International Financial Reporting Standards
<b>IPCC</b>	International Panel on Climate Change
<b>IRC</b>	Independent Review Committee
<b>ISO</b>	International Sugar Organisation
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>QMS</b>	Quality Management System
<b>REMCO</b>	Remuneration Committee
<b>SACU</b>	Southern African Customs Union (consists of Botswana, Eswatini, Lesotho, Namibia and South Africa)
<b>SADC</b>	Southern African Development Community
<b>SLA</b>	Service Level Agreement
<b>TCH</b>	Tonnes Cane Per Hectare
<b>TFTA</b>	Tripartite Free Trade Area
<b>TRQ</b>	Tariff Rate Quota
<b>TSH</b>	Tonnes Of Sucrose Per Hectare
<b>UK</b>	United Kingdom
<b>USA</b>	United States of America
<b>VHP</b>	Very High Polarity (sugar)

*Photo acknowledgements – Royal Eswatini Sugar Corporation and Ubombo Sugar Limited*

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

## **OUR VISION**

To develop the Eswatini sugar industry into an innovative, competitive and sustainable sugarcane entity promoting long-term stakeholder well-being.

## **OUR MISSION**

To evolve ESA into an industry catalyst promoting innovation, industry development and revenue optimisation while delivering world-class services to its members and stakeholders in a 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.



[www.esa.co.sz](http://www.esa.co.sz)