

ESWATINI COTTON BOARD



**ANNUAL
REPORT
2020**

MANDATE | VISION | MISSION | VALUES



MANDATE

The Board has consent to carry out the following functions:

- To regulate the cotton industry
- To grow the Eswatini cotton industry
- To promote cotton production in Eswatini
- To provide market and marketing intelligence
- To provide technical advice to farmers



VISION

To be a competent cotton enterprise that adds sustainable value towards the country's economy and its stakeholders.



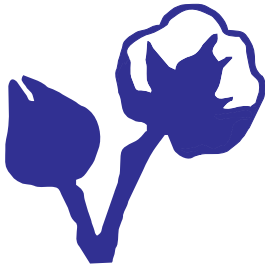
MISSION

- Conducting industry research;
- Influencing the enactment of enabling legislation and regulatory policies;
- Use of innovative technologies;
- Resource mobilisation;
- Robust marketing;
- Educating and capacitating Emaswati in cotton production; and
- Engaging in Public Private Partnerships.



OUR VALUES AND ETHICS

- **Integrity**- We will ensure honesty and transparency in our operations and will not accept bribes.
- **Professionalism**- We will ensure that our staff are well trained to deliver excellent services.
- **Accountability** - We will always remain accountable for all our actions
- **Dependability**- Stakeholders can rely on us and our staff to respond promptly and adequately to their interests.
- **Collaboration**- We will involve our stakeholders in the planning and execution of our work.
- **Innovation**- We will promote the use of latest technologies in all our dealings.
- **Environmental consciousness** - We endeavour to use cotton eco-friendly ways in our dealings.



Eswatini Cotton Board

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ESWATINI

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Honourable Jabulani Mabuza

Minister for Agriculture

P.O. Box 162

Mbabane

Dear Sir,

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31st March, 2020

The Board of Directors of Eswatini Cotton Board is pleased to submit the Annual Report and Accounts for the year ended 31st March, 2020 in terms of section 15 (6) of the Cotton Act No. 26 of 1967.

Yours Faithfully,

BARNABAS DLAMINI

(CHAIRMAN OF BOARD OF DIRECTORS)

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BOARD MEMBERS



Honourable Jabulani Mabuza
Minister of Agriculture



Mr. Barnabas Mhlongo
Chairman



Mr. Boy P. Matse
Vice-Chairman



Mr. Daniel M. Khumalo
Member



Mrs. Tokky Hou
Member



Mr. Similo Mavimbela
Member



Mr. Sigumuza Tfwala
Member



Mr. Malangeni Mhlabane
Member

CHAIRMAN'S MESSAGE



BARNABAS MHLONGO
Chairman

As a result of containment against the advance of corona virus, the global textile industry is almost at a standstill and cotton is no longer sold. Fibre prices are at their lowest level since the 2008 crisis. The textile industry is “wiped out” by the Corona virus, as the trading of cotton and other raw materials is at a standstill.

On behalf of the Board of Directors of the ESwatini Cotton Board (SCB) it is my honour and pleasure to present my report highlighting the Annual performance for the financial year ended 31st March, 2020.

1.1 ESWATINI ECONOMIC OUTLOOK

Macroeconomic performance and outlook

Real GDP growth was estimated at 1.4% in 2019, an appreciable decline from 2.4% in 2018. Economic activity was supported by growth in manufacturing and agriculture, which stabilised following a regional drought in 2015–16. Unabated fiscal challenges impeded domestic demand and generated large domestic arrears that constrained private sector activity linked to government, thus inhibiting economic growth. Construction has contracted since 2017, while services weakened due to poor performance by the wholesale, retail, and public administration subsectors.

The fiscal situation remained weak, with the budget deficit estimated at 7.8% of GDP in 2019, up from 6.5% in 2018, with low revenues outpaced by elevated expenditures, particularly transfers, the wage bill, and capital outlays. Deficits are financed by central bank advances, drawdown of reserves, and external and domestic borrowing. Public debt escalated to nearly 30% of GDP by mid-2019, raising sustainability concerns.

The current account surplus increased slightly to an estimated 2.4% of GDP in 2019 as exports recovered. Official reserves remained below the recommended three months of import cover, thereby threatening parity with the South African rand and weakening resistance to shocks. Inflation was estimated at 2.7% in 2019, down from 4.8% in 2018, as utility and food prices remained capped. Inflation is expected to remain tamed in the short term, dampened by a freeze on utility costs. Because of the falling prices, the central bank lowered the discount rate to 6.5% in July 2019 to support growth. The domestic

currency remained under pressure because of low investor confidence and protracted global trade tensions that have affected emerging market external positions.

Tailwinds and headwinds

Real GDP growth is projected at 2.5% in 2020, spurred by industrial growth and agricultural expansion, but is expected to slow to 1.2% in 2021. Accommodative monetary policy should boost domestic demand with increased private sector borrowing. And growth in South Africa, if sustained, will provide export receipts and Southern African Customs Union (SACU) receipts to ease fiscal constraints.

Revival of the African Growth and Opportunity Act and European Free Trade Association trade preference markets improve the outlook for textiles and meat processing. And new trade agreements will present fresh markets for eSwatini and provide an impetus to growth.

Implementing structural reforms articulated in the Strategic Roadmap for Economic Recovery and the National Development Plan (2019–22) should ease the regulatory environment, reduce business costs, support fiscal consolidation, clear domestic arrears, and eliminate structural rigidities. Infrastructure investments will sustain growth and employment. The development of agribusiness, agro processing, and commodity value chains will help build processing capacity.

Poverty, inequality, high unemployment (youth unemployment at 47.4%), and HIV/AIDS prevalence at 27.2% among adults ages 15–49 remain key challenges. The weak fiscal situation, exacerbated by uncertain SACU inflows against a backdrop of high spending, will aggravate macroeconomic imbalances. The continuing domestic arrears build up and escalating public debt heighten fiscal risks, raise debt sustainability concerns, and potentially undermine business confidence. The tight budget regime, particularly

toward growth-enhancing capital projects, will constrain domestic demand, curtail industrial activity, and thus impede faster growth. Construction, mainly government-financed road projects, remains the major casualty of the constrained fiscal environment. Slower than anticipated public finance management reforms, in particular expenditure rationalisation and wage bill containment, may impede fiscal stability.

1.2 AGRICULTURE

Share of economic sectors in the GDP in the Kingdom of Eswatini in 2019.

In 2019 the share of Agriculture in ESwatini gross domestic product was 8.77 percent, industry contributed approximately 33.8 percent and the services sector contributed about 53.15 percent.

1.3 COTTON OUTLOOK - THE NEGATIVE IMPACTS OF COVID-19 LEAD TO UNCERTAINTY IN TRADE, SUPPLY CHAINS AND FORECASTS

The full impacts and consequences of the corona virus pandemic on human well-being and the global economy remain to be seen, the situation continues to develop rapidly. As countries adopt severe containment measures to limit the spread of disease and protect human health, business activity and many other facets of life have come to a halt. The stringent containment measures to slow the spread of Covid-19 have and will continue to have important social and economic costs.

As many businesses have been required to slow down or close for the consideration of public health, manufacturing and supply chain activity in Asia and Southeast Asia have decelerated as orders have slowed or have been cancelled. Although the full impact is not yet known, the potential for a further slowdown in global economic growth can be expected and thus provide additional stress to the sector. Prices continue to fall under the pressure of the current environment. The ICAC's (International Cotton Advisory Committee) global production estimate for the 2019/20 season remains unchanged at 25.9

million tonnes as their consumption estimate has been revised downward to 24.6 million tonnes.

Consumption in Asian and Southeast Asian manufacturing countries has been revised down as demand has slowed dramatically from retailers in Europe, North America, and China. Consumption or mill-use of cotton lint in China had already been revised down for the 2019/20 season considering the trade dispute with the United States and slowing economic growth. For the current season, the consumption estimate for China is now 7.1 million tonnes, a 14% decrease from the previous season.

Government interventions for recovery and reinvestment due to the pandemic are needed as well as eventual trade resolutions for a broader economic recovery, including the cotton market. During this unprecedented global pandemic which emerged as global economic growth had already begun to slow, the uncertainty in markets has increased as countries struggle to manage the spread of Covid-19. ICAC estimates that the initial impacts on GDP (Gross Domestic Product) in many major economies to be significant in the short term. For the 2020/21 season, projections attempt to reflect this unprecedented environment including current developments in the Covid-19 pandemic that have already impacted the sector with further and full impact remaining unknown. Before the Covid-19 pandemic, the global cotton sector had already been under stress, lowering prices.

While the impacts are likely greater for consumption than production, the global production estimate for the 2020/21 season is at 25.6 million tonnes, a 1% decrease from the current season's estimate. Planting intentions are likely to remain under pressure from falling prices and possible competition for food crops in a crisis scenario. Containment measures in countries intended to slow the spread of Covid-19 may impact supply chains for seeds and inputs for the 2020/21 season as physical business slows or halts in many countries.

As a result of containment against the advance of corona virus, the global textile industry is almost at a standstill and cotton is no longer sold. Fibre prices are at their lowest level since the 2008 crisis. The textile industry is “wiped out” by the Corona virus, as the trading of cotton and other raw materials is at a standstill. Retailers refused to take up the delivery of cotton for the manufacturing thereof. A lot of cotton cannot be traded, and is still at the ports, meaning it loses value.

Global Demand and Supply			
Million Tonnes			
	2018/19	2019/20	2020/21
Beginning Stocks	18,74	18,37	19,68
Production	25.8	25.89	25,57
Consumption	26.02	24.59	24,59
Exports	9.23	9.29	8.62
Ending Stocks	18.37	19.68	20.65

Trading is caught between the hammer and the nail, between producing countries that need to ship their fibre and customers who do not want to take delivery of cotton. Some trading companies could disappear, as the economic impact is so strong in the futures market. In African countries that have not sold their entire crop, cotton companies should be forced to lower the price to the producer for the next season.

COTTON PRICE MOVEMENTS

The ICAC’s current price projection for the year-end 2019/20 average of the Cotlook A Index has been revised to 72.2 cents per pound this month. Their first price projection for the year-end 2020/21 average of the Cotlook A Index is 64 cents per pound this month. Fibre prices are at their lowest level since the 2008 crisis. The graph shows the correlation between the Cot look A Index and world cotton stock-to-consumption ratio, excluding China. The ICAC’s price predictions are mainly based on the world’s end stock-to-consumption ratio (excluding China);

the relationship between Chinese net imports to global imports as well as on the latest cotton price movements.

In the local scenario production is expected to decline to 900 metric tons down from 1493 tons, following the poor season with a mid-season drought set in November, December and January resulting in poor emergence reduced moisture during flowering and boll formation stage. This was despite the increase of irrigated lands to 400 hectares. The local cotton price is expected increase to E6.20/kg up from E6.15/kg of the previous season. This cotton price and the availability of genetically modified cotton have enticed local producers to engage in cotton production.

1.4 BOARD OF DIRECTORS

The Board of directors of the Board comprised of Mr. Barnabas Dlamini Chairperson, Mr. Boy P. Matse Vice Chairperson and other members included: Mr. Sigumuza Tfwala, Mr. Malangeni Mhlabane, Mrs. Tokky Hou, Mr. Similo Mavimbela and Daniel Khumalo who is Chief Executive Officer.

1.5 BOARD COMMITTEES AND FUNCTIONS

The Board established committees through which it executes its governance processes and activities. The Audit and Finance committee met twice during the period to deliberate on the annual Budget and to review annual financials. The Audit and finance meetings were held on the 20th March, 2019 and 15th April, 2020. The Remuneration and Risk Management committees could not meet during the year under review.

1.6 BOARD MEETINGS

The Board successfully held all four statutory meetings. Typical agenda items for the Board meetings included review of operations, budget approvals, review of management accounts, budget approval and approval of external audited financials. The schedule of the ordinary quarterly meetings is outlined below:

CHAIRMAN'S MESSAGE - continued

QUARTER	DATE
First	10 th September 2019
Second	19 th November 2019
Third	5 th February 2020
Fourth	13 th May 2020

1.7 EXTERNAL AUDITOR

Kobla Quashie continued auditing the organisation for the period under review. The organisation's control environment was found to be satisfactory and adequate to safeguard the organisation's assets against misappropriation and other unauthorised disposition.

1.8 STRATEGY

Key strategic achievements realised in the last 3 years included Successful trials of Bt Cotton; Introduction of BT cotton (GMO Pest resistant cotton plant; Improved importation and distribution of cotton planting seed from 10 to 15 metric tonnes per season; sustainable and good management of the Cotton revolving fund; successful sale of ginnery products to Lesotho and the Republic of South Africa; Updating of Board governance and Human Resource Management policies; Training of farmers in cotton management and increasing local

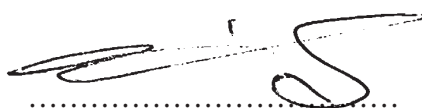
production from 87 tonnes in 2016 to 1493 tonnes in 2019.

The Board further developed a strategic plan from 2020 to 2023 to guide the operations of the entity.

1.9 APPRECIATIONS

Sincere gratitude is extended to our Line Ministry and Government officials for the support and guidance throughout the year. May I also thank the following stakeholders for their input to the successful operations of the past year:

- SWAZILAND AGRICULTURAL SUPPLIERS (PTY) LTD
- FARM CHEMICALS LTD
- SNAU
- BOARD AND STAFF
- WORLD VISION ESWATINI
- SEMBULELO SAKOTINI FARMERS ASSOCIATION



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BARNABAS MHLONGO
Chief Executive Officer

SWAZILAND COTTON BOARD SENIOR MANAGEMENT



Mr. Daniel M. Khumalo
Chief Executive Officer



Mr. Jeconiah Msibi
Technical Manager



Vacant
Operations Manager

THE CHIEF EXECUTIVE OFFICER'S REVIEW



DANIEL M. KHUMALO
Chief Executive Officer

The core mandate of promoting, regulating, growing, marketing and providing technical advice to the cotton industry was fully implemented. All small scale growers continue to produce cotton under rain fed conditions even though climate change is threatening the production.

The Board fulfilled its mandate; planned activities were implemented in line with the cotton Act of 1967 and Public Enterprise Act of 1989. Statutory and special Board meetings successfully seen through and resolution implemented under good corporate governance principles.

The core mandate of promoting, regulating, growing, marketing and providing technical advice to the cotton industry was fully implemented. All small scale growers continue to produce cotton under rain-fed conditions even though climate change is threatening the production. Rainfall commenced in October, promoting early planting of cotton. The rain was evenly distributed resulting in good seed cotton yield for the season.

The extension wing conducted training and demonstration to impart knowledge to the farmers. The Board continued with management of the cotton revolving fund, entailing; seed distribution, chemical sales, registration and approving of farmers loans in line with the cotton revolving fund.

Management saw through the cotton buying season with minimal challenges. Cotton buying price was E6.15 for top-grade cotton with below standard grade selling at E3.35. Due to effective training, the quality of seed cotton remained high.

The ginnery continued to produce quality lint and fuzzy seed. The Board maintained 18 employees

as permanent staff and an increase in seasonal workers to 87 was observed due to an increase in seed cotton.

The Board continued to promote genetically modified cotton under irrigation. A total of 240 ha were planted. The seed was sourced from India, the only supplier willing to supply.

Poverty, inequality, high unemployment (youth unemployment at 47.4%), and HIV/AIDS prevalence at 27.2% among adults ages 15–49 remain key challenges. The weak fiscal situation, exacerbated by uncertain SACU inflows against a backdrop of high spending, planting seed under the current regime.

The Board continued to advocate for the amendment of the biosafety ACT of 2019 in an effort to access the stacked gene of roundup ready and insect-resistant gene. The stacked gene is preferred due to reduced management cost.

This report entails Board performance and financial report for 2017/2018 financial year.
Kind regards.



DANIEL M. KHUMALO
Chief Executive Officer

1. HISTORICAL BACKGROUND

The cotton act (Act No. 26 of 1967) received Royal assent on the 20th February, 1968 and was brought into force by the Honourable Minister of Agriculture and Cooperatives on the 19th May, 1968.

The inaugural meeting was held in Manzini on the 17th May, 1968. Previously, cotton affairs were dealt with by the Cotton Advisory Committee, which was set up to advice the Director of Agriculture on matters affecting the Cotton Industry.

2. FUNCTIONS OF THE BOARD

In general terms, the important functions of the Board are:

- To advise the honourable Minister of Agriculture on all matters concerning the Cotton Industry.
- To be responsible for cotton improvement in Eswatini chiefly by controlling planting seed through the administration of the seed improvement scheme.
- To contribute towards the expenses of the Cotton Research Units at the Lowveld Experiment Station, Big Bend.
- To provide cotton extension service and marketing intelligence.

- To promote cotton growing and processing (ginning and processing) in the country.
- To attend to any other responsibilities relating to the development and the control of the Cotton Industry as stipulated in the Cotton Act.

3. HUMAN RESOURCES

Staff Compliment

The staff of Eswatini Cotton Board remained as it was in the previous reporting period.

Industrial Relations

The Board was able to pay the 3 percent cost of living adjustment as per the approval of PEU.

Staff Development

The Technical Manager and Ginner visited Koedoeskop Gin Thabazimbi in the Limpopo Province of the Republic of South Africa on the 11th to the 13th March, 2020. The objective of the tour was equip the officers with techniques of handling machine picked cotton. Secondly to establish the equipment required in handling and processing of machine picked cotton and establish additional equipment that we may require for our purposes here.



Technical Manager and Ginner at the Reception of Koedoeskop Gin and Equipment for handling Round Bales



The Team observing the operation of electrified Press



The machine picked round bales stacked at the Yard



The control room of all the ginning equipment



The Team again standing in front of ginning stand in operation

4. COTTON EXTENSION

Eswatini Cotton Board continued with its mandate of providing technical support to growers. Farm visits were done in the various farms providing solutions of field problems encountered by the farmers during the growing season. Strategic trainings were also undertaken that included crop establishment and pest management with the whole object

of equipping farmers with the necessary management skills that would help them to achieve better yields and better incomes from cotton production. A total of 540 and 287 farmers attended the trainings, respectively.

Details of trainings conducted are shown on the table below:

DATE	VENUE	PARTICIPANTS	DATE	PARTICIPANTS
08.10.2019	Sithobela	20	27.01.2020	22
08.10.2019	Phuzumoya	9	27.01.2020	4
09.10.2019	Nsubane	2	29.01.2020	0
09.10.2019	Ezindwendweni	47	29.01.2020	35
10.10.2019	Shaya	18	29.01.2020	11
10.10.2019	Khethabahle	13	29.01.2020	10
11.10.2019	Mpolonjeni	31	31.01.2020	14
11.10.2019	Lonhlupheko	23	31.01.2020	3
14.10.2019	Ndunayithini	41	03.02.2020	27
14.10.2019	Lulakeni	16	03.02.2020	4
15.10.2019	Mngayi	24	04.02.2020	14
15.10.2019	Mpakeni	8	04.02.2020	9
16.10.2019	Somntongo	0	30.01.2020	0
16.10.2019	Matsanjeni	22	30.01.2020	13
17.10.2019	Qomntaba	8	05.02.2020	6
17.10.2019	Makhava	22	18.10.2019	38
18.10.2019	Sikhuphe	38	06.02.2020	14
18.10.2019	Ntandweni	0	06.02.2020	0
21.10.2019	Njojane	3	07.02.2020	0
21.10.2019	Hlane	20	07.02.2020	12
22.10.2019	Khuphuka	0	11.02.2020	0
22.10.2019	Mantjonga	16	11.02.2020	3
23.10.2019	Mandlangempisi	15	12.02.2020	16
23.10.2019	Nyakatfo	11	12.02.2020	0
24.10.2019	Hlutse	5	13.02.2020	0
24.10.2019	Lesibovu	15	13.02.2020	5
25.10.2019	Lubuli	12	18.02.2020	10
25.10.2019	Mphosi	0	18.02.2020	0
28.10.2019	Tikhuba	3	20.02.2020	0
28.10.2019	Magwanyana	10	20.02.2020	0
29.10.2019	Tsambonkulu	49	24.02.2020	30
29.10.2019	29.10.2019	34	24.02.2020	23
30.10.2019	Malibeni	5	17.02.2020	2
	TOTAL	540		287



Extension Officer Giving Technical Advice to Farmer



Technical Manager advising farmer at Makhava after hail Damage



Technical Manager Training Farmers at Ezindwendweni



Technical Manager with Field Officer inspecting a crop



Field Officer Training Farmers at Ezindwendweni



Technical Manager Supervising the Evaluation of Farmers at Mpolonjeni

5. FINANCIAL REPORTS

Financial performance of the Board improved slightly from the previous reporting period, as result of improved seed cotton production. Production increased from 815 metric tonnes to 1493.5 metric tonnes of seed cotton. Weather conditions also improved from the previous drought resulting in a reasonable number of farmers engaging in cotton production. With the resultant increase in production revenue received from sales also increased substantially.

Total revenue for the year under review increased to E20 478 831 compared to E12 810 743 as a result of increased sales of ginning products. Total expenses for the year stood at E6 758 182 up from E6 408 042 in the previous year. The Board realised a net profit of

E1 440 716 compared to a net profit of E200 483 in 2019. The Cotton Board’s administrative arm was supported by government through a subvention of E1 500 000 but prospects are good that once we solve the problem of low production government will be relieved of making this subvention.

6. COTTON RESEARCH

During the year under review efficacy of different insecticides against sap sucking pests of cotton were undertaken and research revealed that Wonderland 200sp ((Mulan) and Dimethoate 400EC applied at commercial standards were equally effective in suppressing the cotton Aphid. The division further monitored the efficacy of bollworm control insecticides and all the chemicals tested showed very good control.



The research team after planting the trials

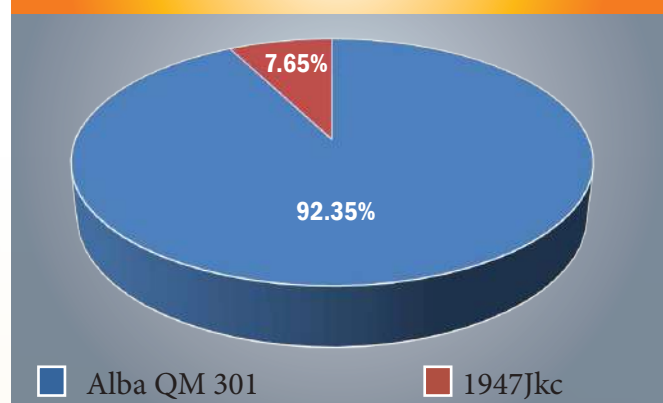


Trials growing at Lowveld Experiment Station

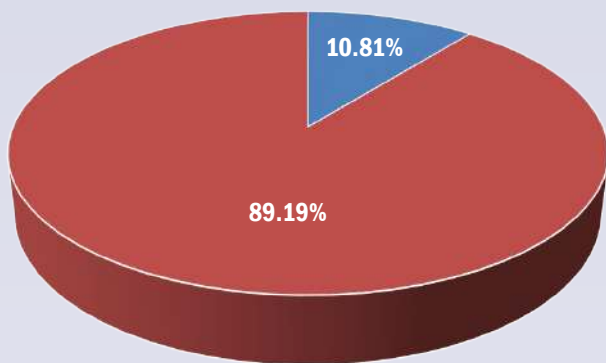
7. COTTON VARIETIES

Alba QM 301 continued to dominate plantings accounting for 89.2 % and JKC 1947 accounting for 10.8% of the total share. The JKC 1947 seed is genetically modified hybrid imported from India after getting a special import permit from Eswatini Environment Authority. This seed was planted under irrigation by Nisela, Swaziland Citrus Estate, Ingwavuma Sugar and Tongaat Hullets on 417.4 hectares.

Swaziland Certified Seed Sales compares of GM seed JKCH 1947 and Alba QM 301 2018/2019 (Metric Tonnes)

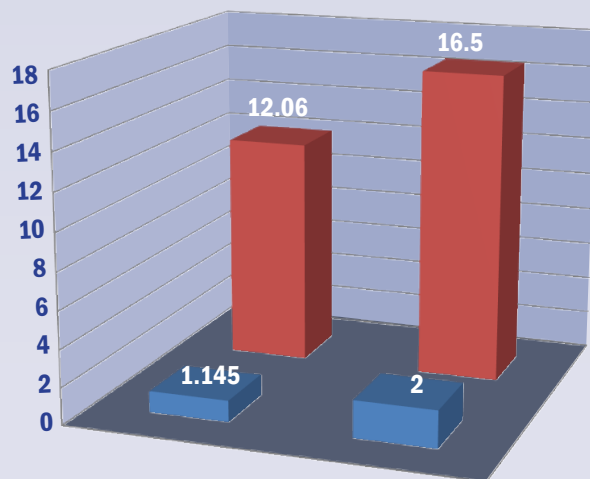


Eswatini Certified Seed Sales compares of GM seed JKCH 1947 and Alba QM 301 2019/2020 (Metric Tonnes)



■ JKCH 1947 ■ ALBA QM 301

Eswatini Certified Seed Sales compares of GM seed JKCH 1947 and Alba QM 301 2019/2020 (Metric Tonnes)



■ JKCH 1947 ■ ALBA QM 301



Packages of varieties grown by farmers during the period under review

8. COTTON PLANTING SEED SALES

Seed sales for the period under review increased to 18.5 tonnes compared to 14.969 tonnes of the previous season. The increase was as result of increased area under irrigation and favourable

cotton prices of the previous season. The large scale growers number increased with Tongaat Hullets planting about 9 hectares of cotton.

9. THE COTTON SEASON 2019/20

The season under review turned out to be the worst compared to the previous ones. Firstly, rainfall started very late. The Lowveld Experiment Station our yardstick station for the cotton growing areas received a total of 378.4mm compared to 543mm of previous

season. The distribution was erratic as it did not synchronise with crop water demand at both planting and fruiting. Temperatures were excessively high, impacting negatively to both emergence and fruiting.

The table below indicate Months and rainfall in (mm) recorded from the Lowveld experiment station for 2019/2020 seasons

MONTH	MONTH		
	2017/18	2018/19	2019/20
September	18.5	51	8.8
October	34	42.4	16.2
November	123.5	68.1	65.5
December	90.8	129	71.0
January	77.2	28.8	71.8
February	89	60.5	123.1
March	165.2	163.2	22.0
Total for the season	598.2	543	378.4

The late arrival of the rains had a negative on crop emergence as crops could not germinate properly due to insufficient soil moisture. Land preparation started in November and planting also was only done in December and January. The crops also suffered severely due to the drought as good rains were only received in January when it was already late.

Secondly the permit to import genetically modified seed from India was received very late hence the irrigated crops had missed the December, January rains. Nevertheless 2.6 tonnes of JKC 1947 seed was received in late December and planting was done early January. The three commercial growers planted 417.4 hectares under irrigation and are expected to deliver about 700 tons of seed cotton.

The number of farmers engaged increased from the 1115 of the previous season to 1237 with the area under production increasing to 1446 hectares compared to 1257 of the previous season. Production is expected to double from the 815 metric tons to about 1500 tonnes of seed cotton.

Obtaining the double genes of the genetically modified cotton will definitely change the whole ballpark as farmers want the GM cotton with the Bollgard and roundup ready gene which helps in reducing the costs of production specifically in controlling both the weeds and the bollworms. As a result there is still a need to review the Bio-safety act to enable Monsanto to make the application for introducing this kind of cotton in the country.



Technical Manager inspecting a commercial crop during the season



Technical Manager advising a farmer at Makhava after hail damage



The CEO briefing participants of the picker launch



Honourable Minister of Agriculture stressing a point to the CEO



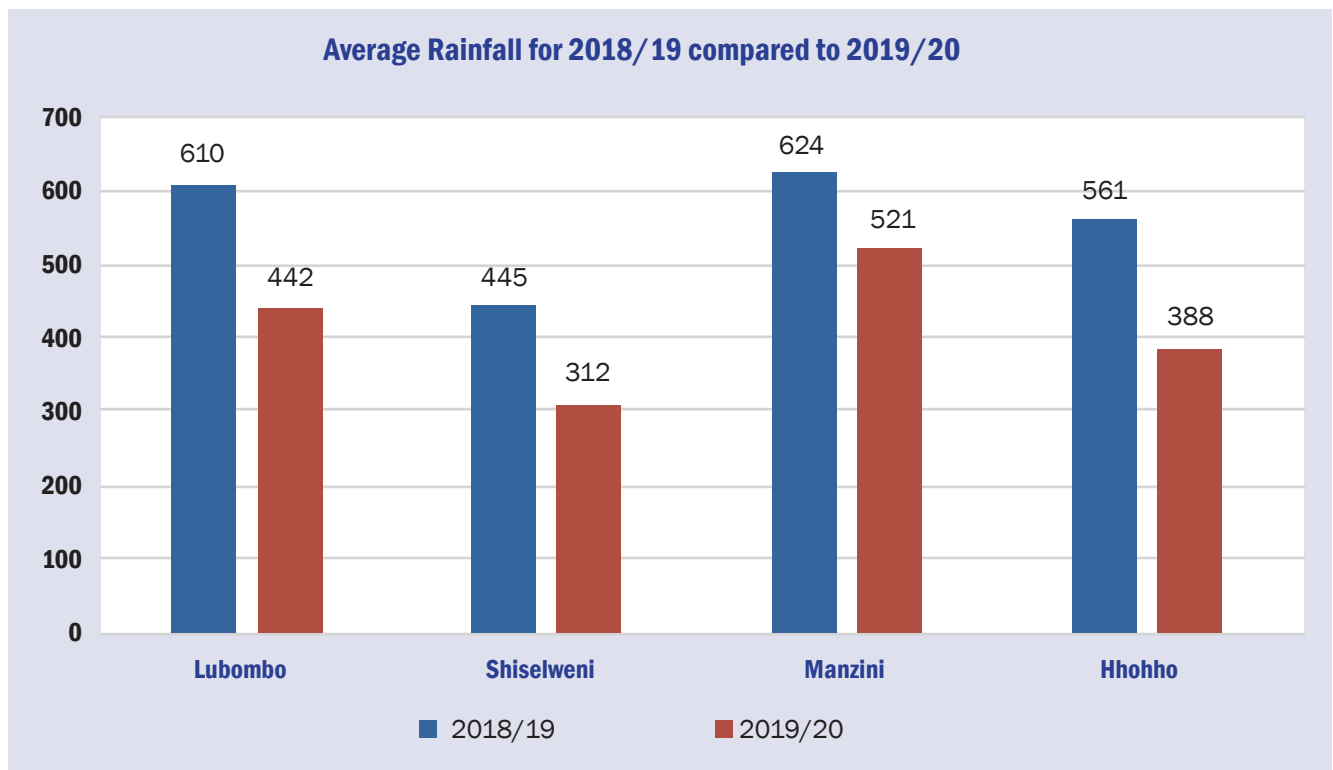
The Honourable Minister of Agriculture on the Picker



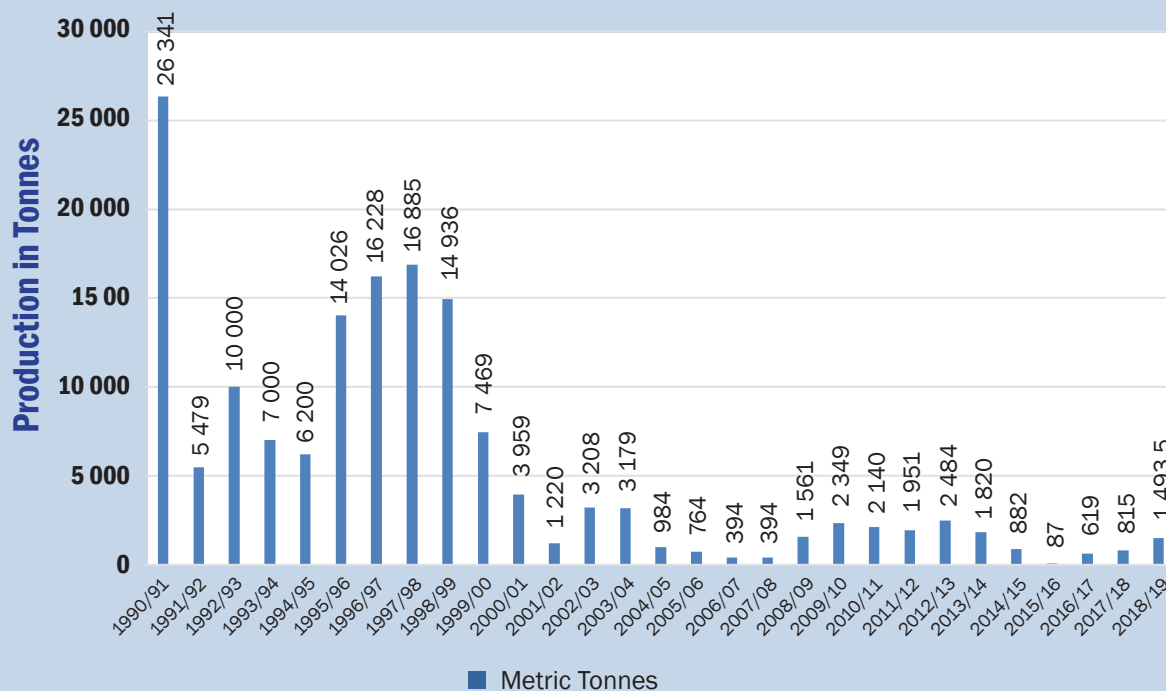
The delegation present during the launch of the Picker

The table below indicates Cotton production for the last Twelve

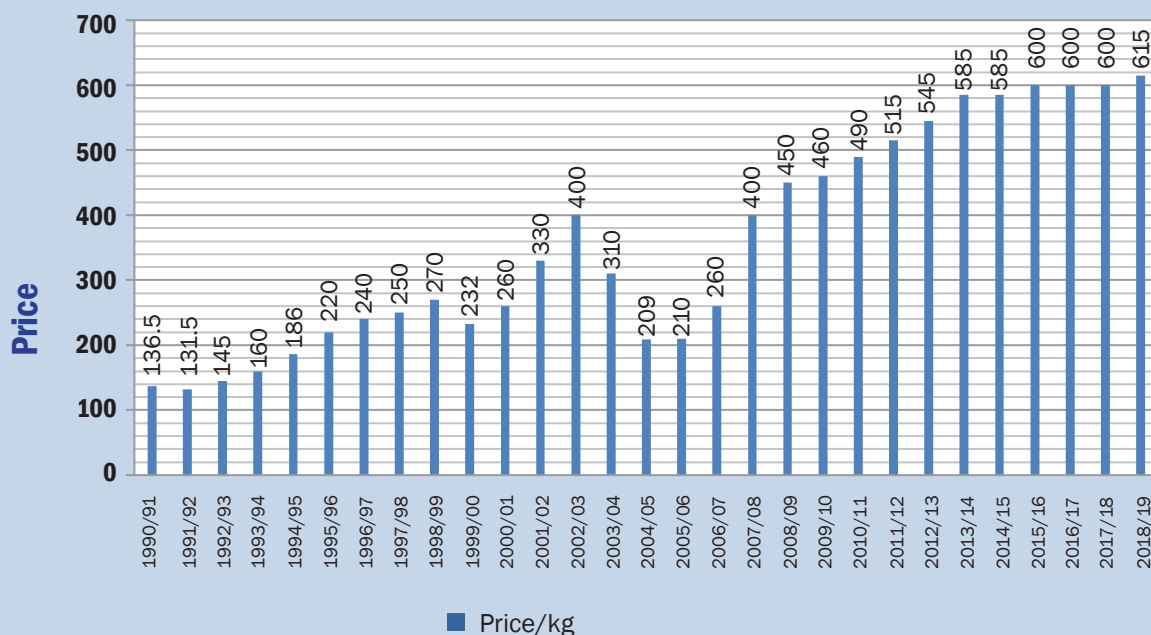
YEAR	AREA (HA)	NO OF FARMERS	LARGE SCALE	%	SMALL SCALE	%	PRODUCTION (METRIC TONNES)	AVERAGE YIELD (KG/HA)
2008	1200	976	4	1	390	99	394	329
2009	2500	1917	110	7	1451	93	1561	624
2010	3000	2723	119	5	2230	95	2349	783
2011	2990	2811	0	0	2140	100	2140	716
2012	2800	2222	78	4	1873	96	1951	697
2013	3000	2921	25	1	2461	99	2486	829
2014	2273	2736	56	3	1764	97	1820	800
2015	1733	1997	103	12	779	88	882	509
2016	283	231	0	0	231	100	87	307
2017	774	1110	62	3	557	97	619	516
2018	1257	1115	51	6	764	94	815	648
2019	1446	1237	666.1	44.5	827.4	55.4	1493.5	1033



COTTON PRODUCTION TRENDS IN SWAZILAND FOR THE LAST 25 YEARS



SEED COTTON PRICE TRENDS SINCE 1990



10. REGIONAL PRODUCTION

Seed cotton production increased to 1494 metric tonnes compared to 815 metric tonnes of the previous season. The Lubombo region continued to contribute the highest production contributing 74.8% of the national production, Shiselweni 20.8%, Manzini 2.3 % and Hhohho with the lowest contribution of 2%. However, when considering the production per hectare Shiselweni produced the highest yield of 1073 followed by Lubombo

with 1030, Manzini of 921 followed by and Hhohho with 882.4kg/ha. The national average for the 2019 season stood at 977 increasing from 648 kg per hectare of the previous season. This was as a result of the good rains received throughout the country. The Lubombo region continued to dominate the area under cotton production at 1085 hectares followed by the Shiselweni at 289 and Hhohho and Manzini at 34 and 38 hectares, respectively.

REGION	AREA (HA)		PRODUCTION (METRIC TONNES)		AVERAGE YIELD (KG/HA)		% CONTRIBUTION	
	2018	2019	2018	2019	2018	2019	2018	2019
Hhohho	72	34	47	30	653	882	6	2
Manzini	56	38	36	35	643	921	4	2.3
Shiselweni	334	289	216	310	647	1 073	27	20.8
Lubombo	795	1 085	516	1 118	649	1 030	63	74.9
Total	1 257	1 446	815	1 493	648	977	100	100

11. SEED COTTON BUYING

Seed cotton buying commenced on the 1st April, 2019 and continued till the end of March, 2020. The bulk of the crop was received between June and July, 2019. The seed cotton price paid to the farmers increased to E6.15 per kilogram as a result

of good prices offered by the World prices and successful negotiations with Lint Buyers. The crop was purchased with the Overdraft facility extended by Eswatini Bank. The price comparison for 2018 and 2019 is shown on the table below:

Seed Cotton Price Breakdown for 2017/18 compared to 2018/19 season

GRADE	Seed Cotton Price Breakdown	
	Price/kg	
	2017/18	2018/19
A+	6.00	6.15
A	5.85	6.00
B	5.45	5.60
C	5.05	5.20
D	4.70	4.80
E	4.30	4.40
BSG	3.90	4.00

Seed Cotton Production per Grade				
GRADE	2019 Weight (kg)	%	2018 Weight (kg)	%
A+	666 094	44.6	135	0.02
A	770 149	51.6	742 949	93.63
B	54 255	3.63	44 411	5.45
C	2 642	0.18	3 999	0.49
D	123	0.01	1 259	0.15
E	123	0.01	851	0.10
BSG	62	0.00	1 287	0.16
Total	1 493 528	100	814 891	100



Cotton Round Bales at the weighing Point



Cotton Bales being offloaded at the Ginnery



Bales Staked at the Yard



The Honourable Minister flanked by Portfolio Committee Members at Nisela



Officers from Swazi Bank inspecting cotton crops in preparation for releasing the overdraft for cotton buying



CEO and SwaziBank Manager Observing Cotton Picking at Sikhuphe



Cotton picking at Nisela Farms



A truck delivering seed cotton at the Ginnery



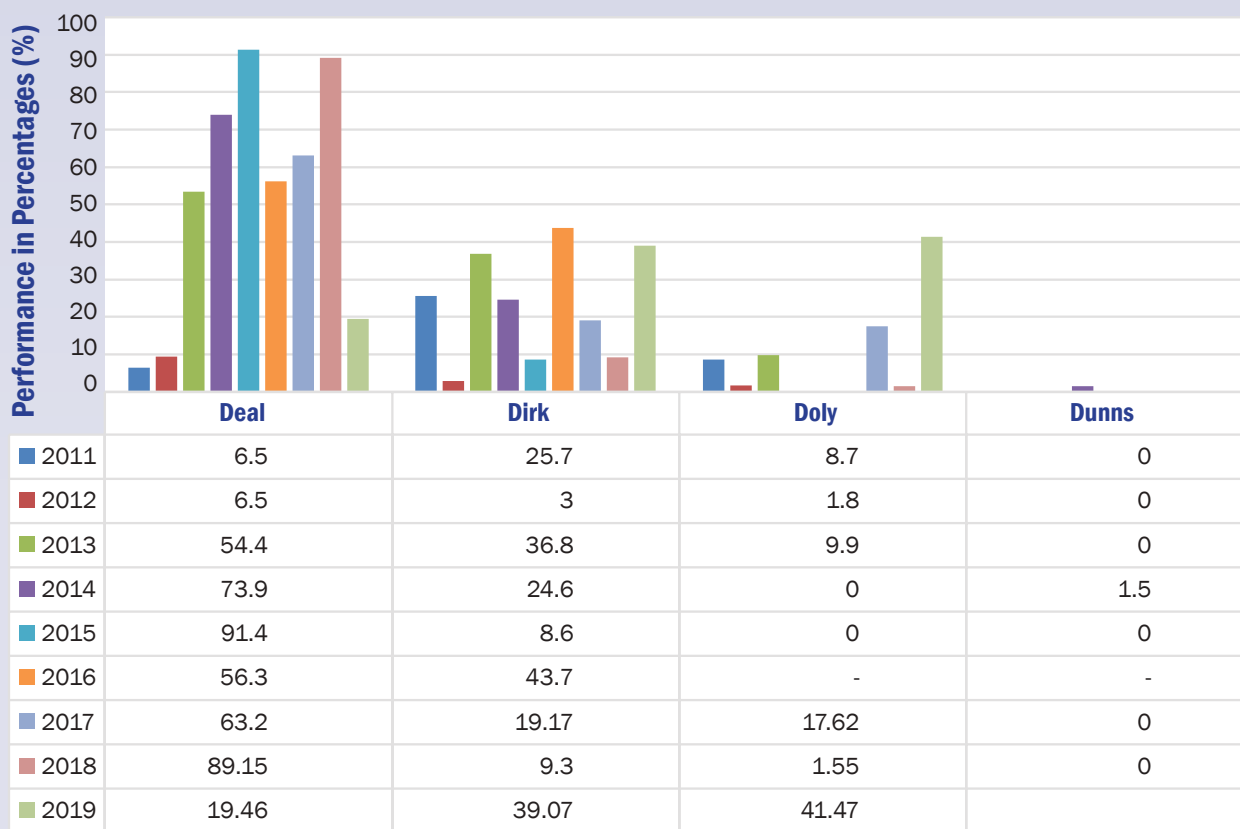
Cotton bales packed at the ginnery after purchase

The value of the crop increased to E9 041 414.88 compared to E4 740 892.45 in 2019. Farmer’s income also increased to E 8 686 531.05 compared to E4 043 463.61 in 2019. Transport for bringing the cotton to the ginnery was borne by the Board and stood at E356 013.55 with E242 064.00 paid to transport contractors and E113 949.55 paid to farmers who used their own transport to deliver the cotton to the ginnery. This kind of scenario impacted positively to livelihoods of both the farmers and their families and also transporters and the local businesses that depend on the crop for their survival.

12. GINNING AND MARKETING

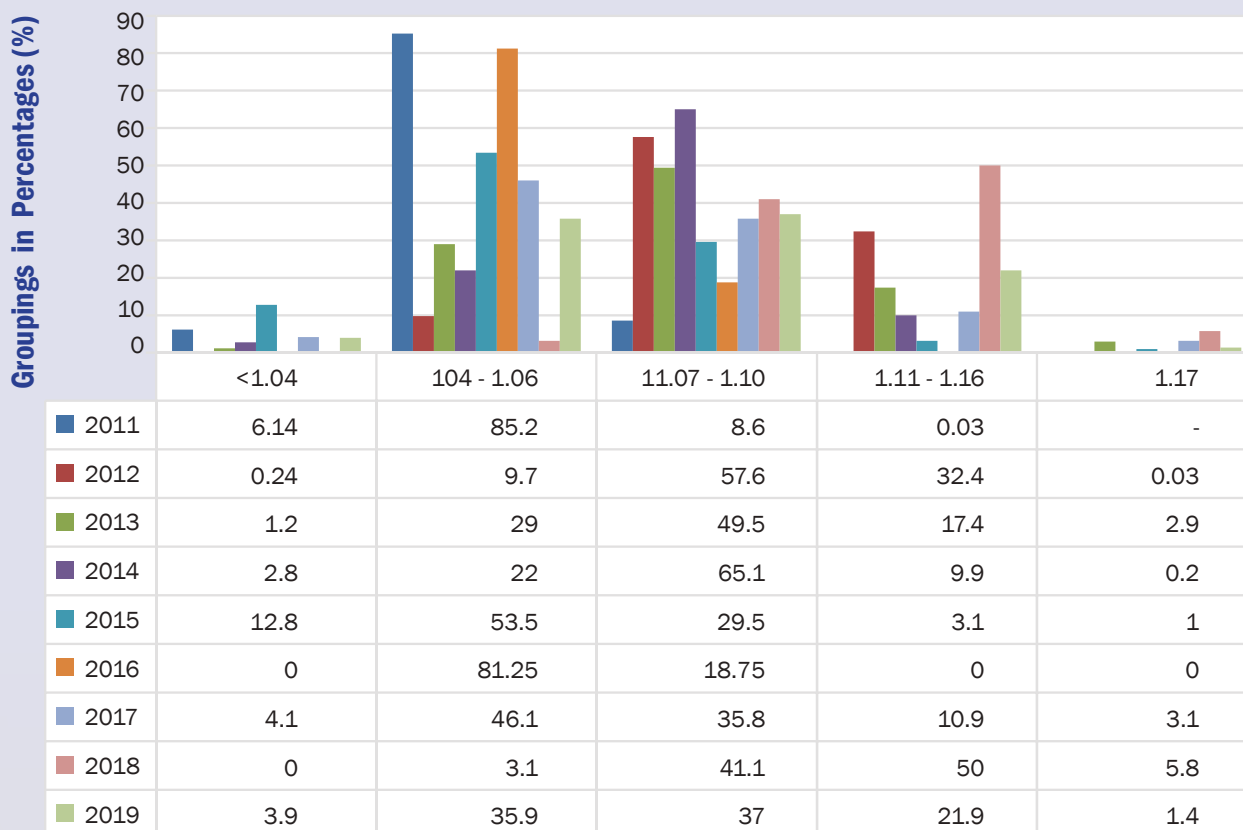
Cotton ginning commenced on the 31st May, 2019 to the 27th August, 2019. A total of 1 518 065 kg were ginned producing 600 483 kg of lint and 876 250 kg of fuzzy seed, resulting to a ginning out-turn percentage of 39.56 and 57.72 respectively. The quality of the lint declined with 19.46% falling on deal compared to the 95% of the previous year. The rest was shared between Dirk and Doly. The decline was as result of poor growing conditions and general management of the crop. Details of the Grading results are indicated on the charts below and compared over a 9 year period.

LINT GRADE PERFORMANCE IN % COMPARED FOR SEASON 2011 TO 2019



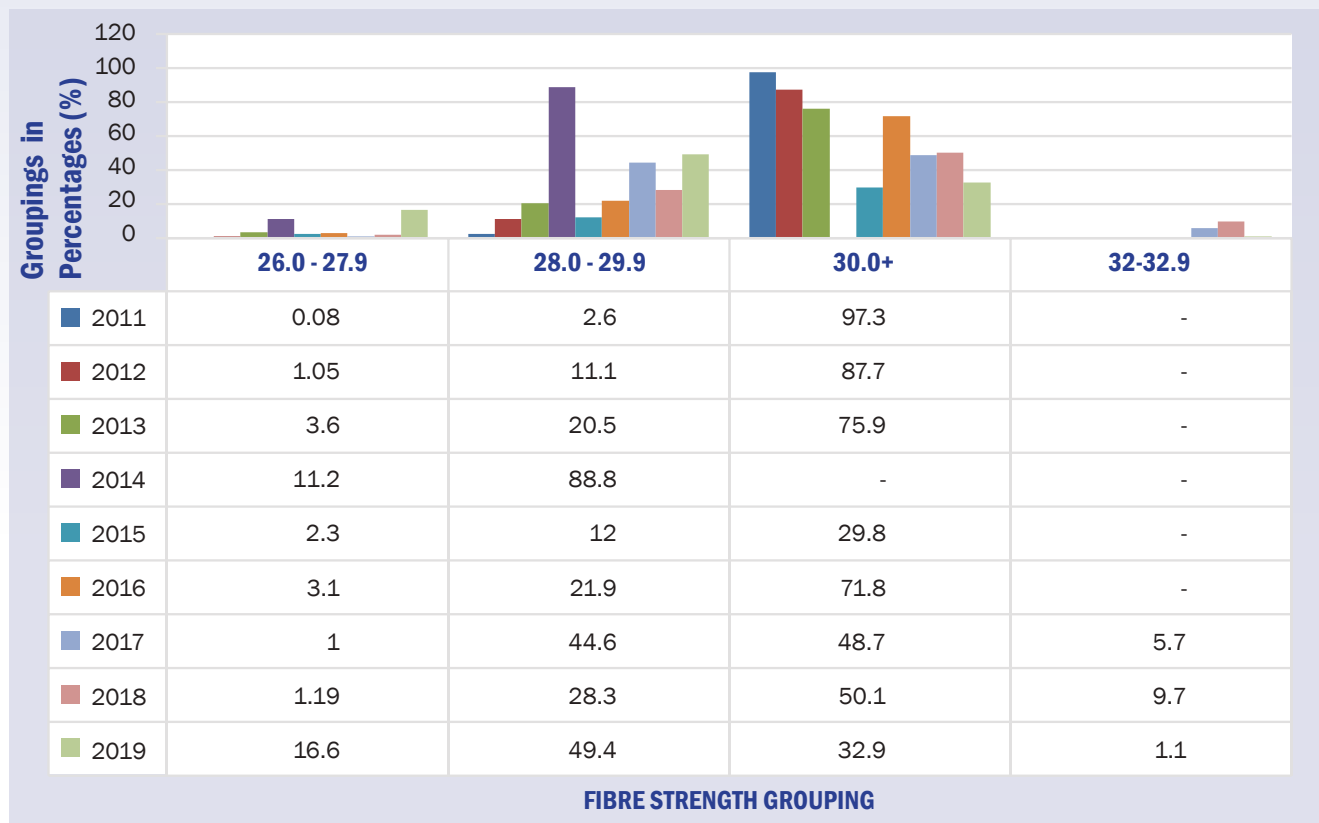
LINT GRADE

STAPLE LENGTH GROUPINGS IN % FROM 2011 TO 2019 (INCHES)

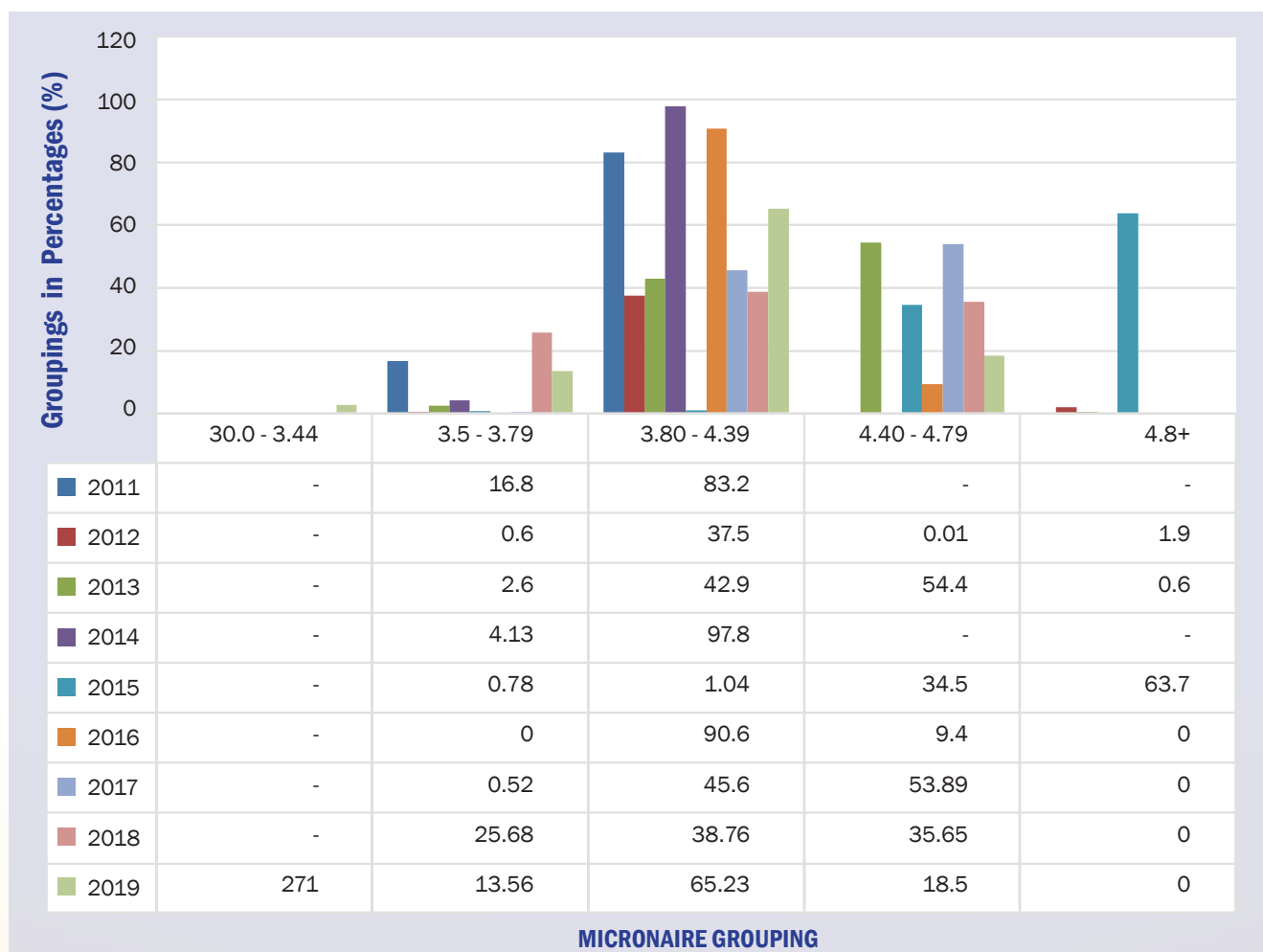


STAPLE LENGTH GROUPINGS

STAPLE LENGTH GROUPINGS IN % FROM 2011 TO 2019 (INCHES)



MICRONAIRE GROUPING IN % COMPARED FROM 2011 TO 2019



The whole lint was exported to the Republic of South Africa to GWK who purchased the product on an average price of E24 per kg. The fuzzy seed

on the other hand was consumed by Grains for Africa also based in South Africa at E2600 per tonne.



CEO and Technical Manager Explaining a point to Portfolio Committee Members and Honourable Minister



Seed cotton being sucked into the gin

Cotton Lint being loaded in preparation for shipping to GWK



Cotton fuzzy seed staked at the warehouse

Cotton Round Bales in readiness of Ginning

13. COTTON PESTS AND DISEASES

The full pest spectrum was evident during the season under review. Bollworms, Aphids, Jassids, Mealy bugs were most prevalent with Red Spider mites at a lesser extent. The control of pests was relatively good.

14. CHEMICALS USED BY THE INDUSTRY

The Rules and Regulations of the Cotton Act stipulate that the Board need to keep record of

chemicals used in the industry. During the period under review the industry used various chemicals ranging from herbicides, insecticides and miticides for the control of the various pests. Dimethoate was used to control Mealy bugs, Kalach and Roundup for post emergence weed control, Allice and Mulan for the control of Jassids and aphids, Cypermethrin and Lambda for the control of Bollworms and Cotton stainers and Biomectin for red spider mites. Details are indicated on the table below:

CHEMICAL NAME	1st QUARTER	2nd QUARTER	3rd QUARTER	4th QUARTER	CUMULATIVE TOTAL
Dimethoate 500ml	19	2	102	501	624
Dimethoate 250ml	-	-	-	256	256
Kalach (1kg)	75	26	1 748	1 435	3 284
Round up	7	0	0	0	7
Allice (50g)	12	0	0	0	12
Mulan (50g)	91	79	750	2 162	3 082
Cypermethrin (1L)	143	13	9	189	354
Lambda (1L)	0	0	130	556	686
Biomectin (1L)	42	2	73	314	431

15. GENETICALLY MODIFIED ORGANISMS (GMOs)

During the period under review the area under genetically modified cotton increased to 417 hectares following an issuance of a permit by the Competent Authority to import 2600 kg from India. The permit was received late and hence the seed only arrived in Eswatini in January, 2020 where plantings began. The seed was purchased and grown by Nisela Farms, Swaziland Citrus Estate and Tongaat Hullets. The potential yield

from these crops were estimated at 800 metric tonnes.

Parliament continued to work on the review of the bio- Safety act of 2012 to allow use of roundup ready cotton a variety preferred by our local farmers as it provide easy weed control and resistance to bollworms. At the time of compiling the report both Houses of parliament had passed the amendment. The amendment was only waiting for gazetting by the attorney general’s office.



CEO Making a presentation at GM field day at Nisela Farms



Portfolio committee of the Ministry of Agriculture at Nisela



GM Team at Nisela with the Technical Manager



Cotton crop ready for picking at Nisela

16. ESWATINI COTTON GINNERY

The Eswatini Cotton Ginnery is under the management of the Eswatini Cotton Board. It has become the major source of income for both the regulatory and Developmental function of the Board. The Board has been running the ginnery for the last Eleven years now with success. It is however, still struggling to operate to its full potential due to insufficient through put. Operation has been consistently under 10 percent

capacity and efforts are being made to improve operational capacity.

Genetically Modified cotton remains one major factor that can contribute to the turnaround strategy of the cotton industry in Eswatini. Couple with this technology is embarking on irrigated cotton. This will mitigate the challenges posed by climate change on small scale growers producing cotton under rain fed conditions.



Lint Product loaded to be delivered to Customer



Cotton Ginnery Office in Big Bend



Ginnery Plant at Big Bend

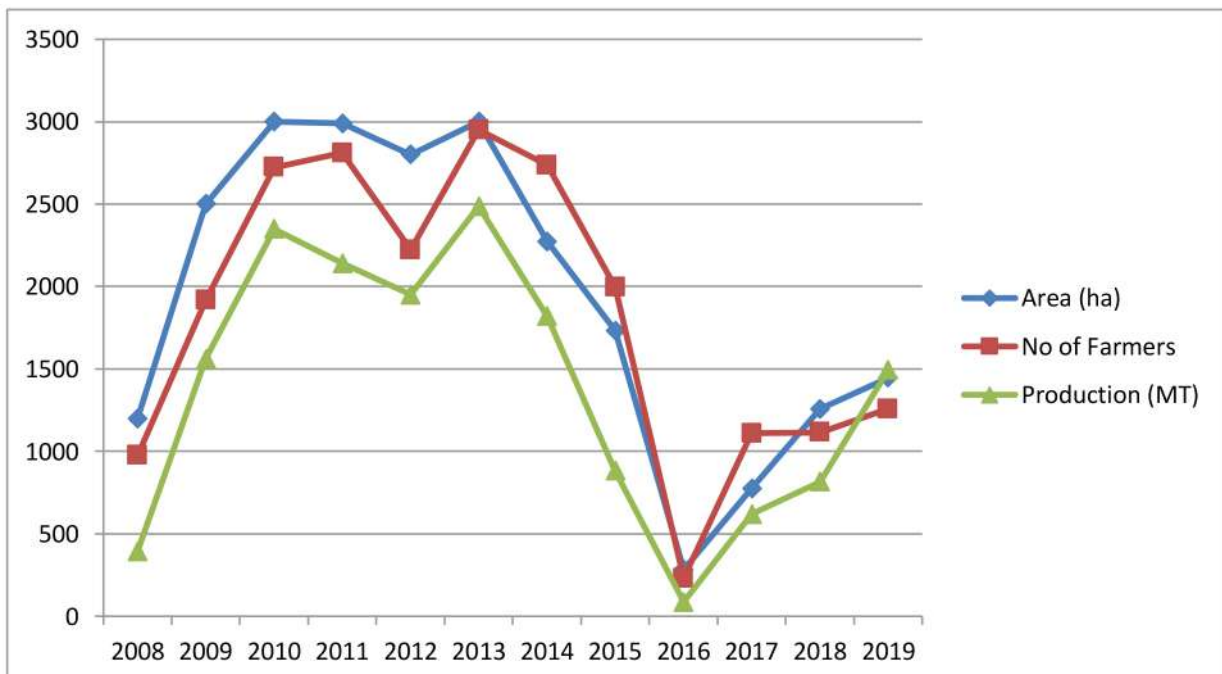


CEO Making a presentation to Portfolio Committee at the Ginnery

17. GINNERY PERFORMANCE SINCE 2008 – 2019

YEAR	AREA (HA)	NUMBER OF FARMERS	PRODUCTION (METRIC TONNES)	PRODUCTION VALUE (SZL)	LINT PRODUCED (MT)	LINT VALUE (SZL)	FUZZY SEED (MT)	FUZZY SEED VALUE (SZL)	TURN-OVER (SZL)
2008	1 200	976	394	1 567 432	138	1 518 000	212	423 720	1 941 720
2009	2 500	1 917	1 561	6 639 351	590	6 486 898	774	1 392 480	7 879 378
2010	3 000	2 723	2 349	10 207 532	794	7 691 562	1329	2 093 648	9 785 209
2011	2 990	2 811	2 140	9 834 163	866	12 334 401	1193	1 998 610	14 333 011
2012	2 800	2 222	1 951	9 680 928	786	11 195 285	1079	2 158 000	13 353 285
2013	3 000	2 921	2 486	13 058 999	952	16 060 105	1355	3 116 638	19 176 743
2014	2 273	2 736	1 820	10 264 873	790	13 797 738	992	2 677 496	16 475 234
2015	1 733	1 997	882	4 401 581	359	6 213 265	484	1 501 020	7 714 285
2016	283	231	87	504 066	31	764 869	49	168 084	932 953
2017	774	1 110	619	3 535 077	268	5 905 909	328	979 236	6 885 145
2018	1 257	1 115	815	4 599 307	306	7 338 696	425	1 148 135	8 486 831
2019	1 446	1 258	1494	8 360 800	601	14 411 592	876	2 278 250	16 689 842

PRODUCTION TRENDS AS COMPARED TO AREA AND NUMBER OF FARMERS



18. CONCLUSION

The 2019/20 season proved to be one of the favourable seasons. A reasonable number of farmers engaged in cotton production following the good rains received. Even though climate change is proving to be a challenge, farmers are still striving under rain fed condition, subjecting the crop to erratic rain fall patterns.

Source of fund for agriculture inputs remains a challenge in the cotton industry. Most financial institutions are shying away from funding agriculture under rain fed conditions. The cotton

revolving fund remains as the only source of fund to support growers.

Cotton is one of the many agricultural crops with ready available market in Eswatini. The market is located in the heart of the cotton growing region in Big Bend.

The Board continued to provide extension service with assistance from government and other sectors like Non-Governmental Organisation. Crop management was enhanced by continuous training in all cotton producing areas.



Annual Financial Statements

for the year ended 31 March 2020

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General Information

Country of incorporation and domicile	Eswatini
Nature of business and principal activities	Managing Cotton Industry in Eswatini
Directors	<p><i>Chairperson:</i> Mr. Barnabas Dlamini - Re-appointed on 06 June 2019</p> <p><i>Vice Chairperson:</i> Mr. Boy P. Matse - Re-appointed on 06 June 2019</p> <p>Members: Mr. Sigumuza Thwala - Appointed 06 June 2019 Mr. Malangeni Mhlabane - Re-appointed on 06 June 2019 Mr. Similo Mavimbela - Re-appointed on 06 June 2019 Ms Tokky Hou - Appointed 06 June 2019 Mr. Matheus Matsebula - Term ended on 06 June 2019 Dr. Pinkie Zwane - Term ended on 06 June 2019</p>
Chief Executive Officer	Mr. Daniel M Khumalo
Postal Address	Eswatini Cotton Board P. O. Box 230 Manzini M200
Business Address	Eswatini Cotton Ginnery P. O. Box 118 Matata L312
Bankers	Eswatini Development and Savings Bank Standard Bank Swaziland Limited Swaziland Building Society
Auditors	Kobla Quashie and Associates Chartered Accountants (Eswatini) Manzini

Directors' Responsibilities and Approval

The directors are required in terms of the Eswatini Cotton Act of 1967 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Organisation as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the directors and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the organisation and all employees are required to maintain the highest ethical standards in ensuring the organisation's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the organisation is on identifying, assessing, managing and monitoring all known forms of risk across the organisation. While operating risk cannot be fully eliminated, the organisation endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the organisation's cash flow forecast for the year to 31 March 2021 and, in the light of this review and the current financial position, they are satisfied that the organisation has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the organisation's annual financial statements. The annual financial statements have been examined by the organisation's external auditors and their report is presented on pages 35 to 36.

The annual financial statements set out on pages 37 to 62, which have been prepared on the going concern basis, were approved by the board of directors on 13 August 2020 and were signed on its behalf by:

.....
Director

.....
Director

Independent Auditors' Report

KOBLA QUASHI AND ASSOCIATES



CHARTERED ACCOUNTANTS

Partners: Kobla Quashie, Daniel Bedlako

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P.O. Box 710, Manzini M200,
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Fax: +268 2505-4540
E-mail: infr@kq.co.sz
Website: www.koblaquashie.com

To the members of Eswatini Cotton Board

We have audited the annual financial statements of Eswatini Cotton Board, which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 37 to 62.

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Eswatini Cotton Board as at 31 March 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Eswatini Cotton Act of 1967.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the institution in accordance with International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements in Eswatini and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Directors' Responsibility for the Annual Financial Statements

The board's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Eswatini Cotton Act of 1967. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

Independent Auditors' Report

- continued

Auditors Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud and error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override on internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Kobla Quashie and Associates
Chartered Accountants (Eswatini)
Manzini
Per: Daniel Bediako

17 August 2020

Directors' Report

The directors submit their report for the year ended 31 March 2020.

1. Review of activities

General review

The Eswatini Cotton Board was launched on the 19th April 1968 in terms of the Eswatini Cotton Act of 1967 promulgated on the 20th February 1968. The main business of the organisation is to manage the cotton industry in Eswatini. The operating results and state of affairs of the organisation are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Directors

The directors of Eswatini Cotton Board during the year and to the date of this report are as follows:

Name	Date of Appointment
Mr. Barnabas Dlamini: <i>Chairman</i>	Re-appointed on 06 June 2019
Mr. Boy P Matse: <i>Vice Chairman</i>	Re-appointed on 06 June 2019
Mr. Sigumuza Thwala: <i>Member</i>	Appointed on 06 June 2019
Mr. Malangeni Mhlabane: <i>Member</i>	Re-appointed on 06 June 2019
Ms Tokky Hou: <i>Member</i>	Appointed on 06 June 2019
Mr. Similo Mavimbela: <i>Member</i>	Re-appointed on 06 June 2019
Mr. Daniel M Khumalo: <i>CEO/Board Secretary</i>	
Mr. Matheus Matsebula	Term ended on 06 June 2019
Dr Pinkie Zwane	Term ended on 06 June 2019

3. Auditors

Kobla Quashie and Associates Chartered Accountants (Eswatini) Mallya House, Lot 137, Esser Street, Manzini.

Statement of Financial Position

Figures in Emalangeni	Note(s)	2020	2019
Assets			
Non-Current Assets			
Property, plant and equipment	2	2,188,345	2,217,358
Investment in Associate entity	3	523,726	780,710
		2,712,071	2,998,068
Current Assets			
Inventories	4	2,340,516	1,313,058
Trade and other receivables	5	3,561,257	3,021,132
Cash and cash equivalents	6	2,109,996	2,210,545
		8,011,769	6,544,735
Total Assets		10,723,840	9,542,803
Equity and Liabilities			
Equity			
Credit revolving fund	7	2,914,305	2,914,305
General reserves		2,794,439	1,353,723
Revaluation reserves	8	1,303,874	1,303,874
		7,012,618	5,571,902
Liabilities			
Current Liabilities			
Provisions	9	891,568	971,004
Trade and other payables	10	976,015	939,135
Bank overdraft	6	1,843,639	2,060,762
		3,711,222	3,970,901
Total Equity and Liabilities		10,723,840	9,542,803

Statement of Comprehensive Income

Figures in Emalangeni	Note(s)	2020	2019
Revenue		20,478,831	12,810,743
Cost of sales		(12,460,414)	(6,368,309)
Gross profit		8,018,417	6,442,434
Other income		180,481	166,091
Operating expenses		(6,758,182)	(6,408,042)
Operating profit/ loss		1,440,716	200,483
Profit/ loss for the year		1,440,716	200,483
Other comprehensive income		-	-
Total comprehensive income/ loss		1,440,716	200,483

Statement of Changes in Equity

Figures in Emalangenzi	Credit revolving fund	Revaluation reserves	General reserves	Total
Balance at 01 April 2018	2,926,169	1,303,874	1,186,166	5,416,209
Changes in equity				
Total comprehensive income for the year			200,483	200,483
Bad debts written off	(63,795)			(63,795)
Bad debts recovered	51,931			51,931
SRA credit transfer from VAT			(32,926)	(32,926)
Total changes	(11,864)		167,557	155,693
Balance at 01 April 2019	2,914,305	1,303,874	1,353,723	5,571,902
Changes in equity				
Total comprehensive income for the year			1,440,716	1,440,716
Total changes			1,440,716	1,440,716
Balance at 31 March 2020	2,914,305	1,303,874	2,794,439	7,012,618

Statement of Cash Flows

Figures in Emalangeni	Note(s)	2020	2019
Cash flows from operating activities			
Cash used in operations	11	(25,505)	(572,013)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(114,904)	(37,999)
Cash flows from financing activities			
Bad debts written off	7	-	(11,864)
Net movements in loans with related party		256,984	119,881
Net cash from financing activities		256,984	108,017
Total cash movement for the year		116,575	(501,995)
Cash at the beginning of the year		149,783	651,778
Total cash at end of the year	6	266,358	149,783

Summary of Significant Accounting Policies

1. Presentation of Annual Financial Statements

Eswatini Cotton Board is a Government parastatal established in terms of the Eswatini Cotton Act of 1967. It is a corporate body with perpetual succession capable of suing and being sued, subject to the provisions of the Act. The addresses of the office and principal place of business are disclosed in the introduction of the annual report on page 1. The following are the principal accounting policies adopted in the preparation of these financial statements as set out below.

1.1 Basis of Preparation

a) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

c) Functional and presentation currency

These financial statements are presented in Emalangeni, which is the organisation's functional currency. All financial information presented in the Emalangeni have been rounded to the nearest figure.

d) Significant Judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Amendments mandatory effective for the year ended 31 March 2019

The following is a summary of the new and revised IFRSs that are mandatory effective for the annual periods beginning on or after 1 January 2018.

- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 1: Annual Improvements to IFRS 2014 - 2016 cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The organisation has adopted IFRS 15 Revenue from Contracts with Customers from January 1, 2018 which resulted in changes in accounting policies. The new accounting policies are set out in note 1.10. In accordance with the transition provisions in IFRS 15, the organisation has not restated comparatives for the 2017 financial year. Management made an impact assessment and concluded that no adjustment was required. Refer to note 14 for more detailed explanation.

1.2 Changes in accounting policies and disclosures

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations and licensing) and provide some transition relief for modified contracts and completed contracts. The IASB concluded that it was not necessary to amend IFRS 15 with respect to collectibility or measuring non-cash considerations.

Amendments to IFRS 1: Annual Improvements to IFRS 2014 - 2016 cycle

The amendment deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant. The amendments have no impact on the organisation's financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 Foreign Currency Transactions and Advance Consideration. The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. The amendment has no impact on the organisation's financial statements.

IFRS 9 Financial Instruments

The organisation has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The organisation did not early adopt IFRS 9 in previous periods.

Classification and measurement

The IFRS 9 standard includes changes in the classification and measurement bases of the organisation's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Amounts owing by related parties, trade and other receivables, other financial assets and cash and cash equivalents are measured at amortised cost. There is therefore no change to classification of these assets.

IFRS 9 requires financial assets to be classified on the basis of two criteria:

- The business model within which financial assets are managed, and
- Their contractual cash flow characteristics (whether the cash flows represent solely payments of principal and interest).

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest.

Summary of Significant Accounting Policies

- continued

1.2 Changes in accounting policies and disclosures (continued)

Other financial assets are required to be measured at fair value through profit and loss if they are held for the purposes of trading, if their contractual cash flows do not meet the 'solely payments of principal and interest criterion, or if they are managed on a fair value basis and the organisation maximises cash flows through sale. IFRS 9 allows an entity to irrevocably designate a financial asset as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (that is, an accounting mismatch).

Impairment calculation

The impairment model has been changed from an "incurred loss" model from IAS 39 to a forward-looking "expected credit loss" (ECL) model under IFRS 9.

IFRS 9 outlines a "three stage" model for impairment based on credit quality since initial recognition, as summarised below: A financial asset / loan issued that is not credit impaired on recognition and has not undergone significant deterioration in credit risk (SICR) since initial recognition is classified in "Stage 1". If a significant increase in credit risk since initial recognition has been identified, the financial asset is classified in "Stage 2" but is not yet deemed to be credit impaired. If the financial asset is credit impaired then it is classified in Stage 3.

Within the organisation the following definitions exist for the classification of financial assets and identification of SICR:

- Any financial asset which is performing and up to 30 days in arrears is considered Stage 1
- Any financial asset with a maximum arrears level of between 31 and 90 days is considered Stage 2
- Any financial assets with a maximum arrears level of greater than 90 days is considered credit impaired and stage 3

Once the portfolio has been classified into the three given stages, IFRS 9 loss allowances are measured on either of the following bases:

- Stage 1 : 12-month expected loss – A 12-month ECL implies the loss expected in the 12 months following reporting date
- Stage 2 and Stage 3 : Lifetime ECLs – that is, the loss expected over the lifetime of loans falling within this category.

ECL Methodology

The methodology adopted by the organisation to calculate Expected Credit Losses relies on historical cash flow data across all jurisdictions. This data allows for an accurate estimation of historical losses, given certain levels of arrears reached. This data takes into account any recoveries made from accounts which rectify from arrears, as well as written off amounts from accounts which failed to rectify. The historical data is distilled into Expected Credit Loss rates which are applied to individual accounts, based on the level of arrears for that account.

In addition to the historical cash flow modelling, Expected Credit Losses are subjected to forward looking adjustments based on "upside" and "downside" scenarios. That is, the final ECL value is a weighted

average of the current impairment number (given current portfolio dynamics), a projected value based on favourable conditions and a projected value based on unfavourable conditions. This is based on the IFRS 9 requirement that ECL estimates are based on multiple future scenarios encompassing with favourable and unfavourable economic conditions. Refer to note 14 for more detailed explanation.

Amendments not mandatory effective for the year ended 31 March 2019

The organisation has not yet adopted the following standards and interpretations, which have been published and are mandatory for accounting periods beginning on or after 1 January 2019:

- Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015-2017 cycle;
- Amendments to IAS 23 Borrowing costs: Annual Improvements to IFRS 2015-2017 cycle;
- IFRIC 23 Uncertainty over Income Tax Treatments, and
- IFRS 16 Leases.

Amendments to IAS 12 Income Taxes

These amendments clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits. The amendments are not expected to have a significant impact on the organisation's financial statements. They apply for annual periods beginning on or after 1 January 2019.

Amendments to IAS 23 Borrowing costs

These amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any nonqualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

The amendments are not expected to have a significant impact on the organisation's financial statements. They apply for annual periods beginning on or after 1 January 2019.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made;
- assumptions and other estimates used, and
- the potential impact of uncertainties that are not reflected.

The standards and interpretations are not expected to have a significant impact on the organisation's financial statements.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

Summary of Significant Accounting Policies

- continued

1.2 Changes in accounting policies and disclosures (continued)

IFRS 16 Leases IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

The organisation has begun assessing the potential impact of IFRS 16 on the financial statements.

The organisation enters into operating leases of relatively short duration (not more than 3 years) and with the overall lease expenditure not amounting to more than 5% of the operating expenditure. Operating lease expenditure will have a similar accounting treatment as finance lease. The right to use an asset is recognised by the lessee and a lease liability representing its obligation to make lease payments. The standard is not expected to have a significant impact on the results of the organisation.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15.

Trade receivables

The board assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the board makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Revenue

Revenue comprises of sales from cotton seeds, picking bags, cotton lints, fuzzy seed and wool packs and also cotton levies, rental and interest income.

Revenue is recognised when significant risks and rewards of ownership are transferred to the customer recovery of consideration is probable, and revenue can be measured reliably.

Investments

Investments are shown at cost. Provision is made against investments where, in the opinion of the organisation, there is a permanent diminution in value.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the organisation; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the diminishing balance method over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	2%
Ginnery Equipment	10%
Furniture and equipment	10%
Motor vehicles	20%
Computer equipment	33.33%

Summary of Significant Accounting Policies

- continued

1.3 Property, plant and equipment

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the organisation holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Financial instruments

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the organisation establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Loans to (from) related party

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to related party are classified as loans and receivables.

Loans from related party are classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the board's accounting policy for borrowing costs.

1.5 Inventories

Inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Summary of Significant Accounting Policies

- continued

1.6 Impairment of assets

The organisation assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the organisation estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the organisation also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.7 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.8 Provisions

Provisions are recognised when:

- the organisation has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

1.9 Government grants

Government grants are recognised when there is reasonable assurance that:

- the organisation will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or loss already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the profit or loss (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

Notes to the Annual Financial Statements

1.10 Revenue

Revenue from the sale of Cotton lint, Fuzzey seeds, Motes, Insecticides, Wool packs and Levies is recognised when all the following conditions have been satisfied:

- the organisation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the organisation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the organisation; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the organisation;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.11 Related Parties

There were transactions which were entered into by the organisation during the year with the related parties.

Figures in Emalangeni	2020			2019		
	Cost Valuation	Accumulated depreciation	Carrying value	Cost valuation	Accumulated depreciation	Carrying value
Land and Buildings	1,550,000	(275,814)	1,274,186	1,550,000	(249,256)	1,300,744
Furniture and equipment	402,457	(237,064)	165,393	314,148	(229,536)	84,612
Ginnery equipment	2,205,960	(1,594,444)	611,516	2,198,651	(1,527,689)	670,962
Motor vehicles and trailers	1,100,635	(984,314)	116,321	1,100,635	(945,796)	154,839
Computer equipment	84,203	(63,274)	20,929	64,916	(58,715)	6,201
Total	5,343,255	(3,154,910)	2,188,345	5,228,350	(3,010,992)	2,217,358

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	depreciation	Total
Land and Buildings	1,300,744	-	(26,558)	1,274,186
Ginnery equipment	670,962	7,309	(66,755)	611,516
Furniture and equipment	84,612	88,309	(7,528)	165,393
Motor vehicles and trailers	154,839	-	(38,518)	116,321
Computer equipment	6,201	19,286	(4,558)	20,929
	2,217,358	114,904	(143,917)	2,188,345

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	depreciation	Total
Land and Buildings	1,327,290	-	(26,546)	1,300,744
Ginnery equipment	745,513	-	(74,551)	670,962
Furniture and equipment	89,718	3,999	(9,105)	84,612
Motor vehicles and trailers	134,750	34,000	(13,911)	154,839
Computer equipment	9,300	-	(3,099)	6,201
	2,306,571	37,999	(127,212)	2,217,358

Land and Building is reflected at market value and it consists of freehold land with a residential building erected thereon. The property is described as Lot No. 410, situated in Jacaranda Avenue, Coates Valley, Manzini. The valuation was done by Consortium Projects (Proprietary) Limited on the 31 January 2014.

3. Loans to (from) related associates

Associates

Buseleni farm	523,726	780,710
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The loan is in respect of advances made to Buseleni Farm. The loan is unsecured, interest free and has no fixed.

Notes to the Annual Financial Statements

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Figures in Emalangeni	2020	2019
4. Inventories		
Inventories	2,340,516	1,313,058
Breakdown		
Factory materials	175,339	321,415
Ginnery stock	1,168,443	415,149
Cotton seeds	872,500	488,447
Chemicals	93,591	55,723
Production stock	30,643	32,324
	2,340,516	1,313,058
Inventories are measured at lower of cost and net realisable value.		
5. Trade and other receivables		
Farm debtors	3,416,678	2,993,656
Staff loans	1,999	5,333
VAT	142,490	22,143
Rent receivable	90	-
	3,561,257	3,021,132
Funds are made available out of the Credit Revolving Fund for the purpose of lending to the farmers.		
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	16,231	23,367
Swaziland Development and Savings Bank	1,114,377	1,098,119
Swaziland Building Society	128,482	124,232
African Alliance Swaziland - Lilangeni fund	387,481	359,545
Standard Bank Swaziland Limited	463,425	605,282
Swaziland Development and Savings Bank - Current account	(1,843,639)	(2,060,762)
	266,357	149,783
Current assets	2,109,996	2,210,545
Current liabilities	(1,843,639)	(2,060,762)
	266,357	149,783

Figures in Emalangeneni	2020	2019
6. Cash and cash equivalents (continued)		
Total bank balances	632,760	217,669
Bank balances		
Swaziland Development and Savings Bank - call account	1,034,778	1,043,027
Swaziland Development and Savings Bank - current account	(1,843,639)	(2,060,762)
Swaziland Development and Savings Bank - Cotton levies	79,600	55,093
Standard Bank - call account	47,115	23,914
Standard Bank - current account	4,985	198,900
Stanlib - money market fund	411,326	382,468
Swaziland Building Society - Gold account	128,482	124,232
African Alliance - Lilangeni fund	387,481	359,545
	250,128	126,417
<p>The overdraft with Eswatini Development and Savings Bank facility is valid until 30th September 2020, and the interest is linked to prime as determined from time to time by the bank subject to the initial interest rate of prime plus 1% (11.5%) per annum. The repayment shall be half lump sum, by instalments, or by combination of both, payable on or before the 30th September 2020.</p> <p>Required Security</p> <p>As part of the requirement of the Finance Facility Agreement, the borrower hereby offers the following items as the Bank's security for the overdraft facility:</p> <ol style="list-style-type: none"> 1. Public Enterprise Guarantee for the loan amounting to E1 625 000.00. 2. Proceeds from the sale of cotton. 3. Cession of call account with a minimum balance of E1 000 000.00 (Emalangeneni One Million only). 		
7. Credit revolving fund		
Revolving fund	2,914,305	2,914,305
<p>The Credit Revolving Fund is utilised for the purpose of providing Crop finance to the cotton farmers.</p>		
8. Revaluation Reserves		
Valuation of Land and Buildings	1,303,874	1,303,874

The property is described as Lot No. 410, situated in Jacaranda Avenue, Coates Valley, Manzini. The valuation was done by Consortium Projects (Proprietary) Limited on the 31 January 2014.

Notes to the Annual Financial Statements

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Figures in Emalangeni	Opening balance	Additions reserves	Utilised during reserves	Total
9. Provisions				
Reconciliation of provisions - 2020				
Gratuity and severance pay	846,547	116,716	(196,152)	767,111
Provision for salary bonus	124,457	-	-	124,457
	971,004	116,716	(196,152)	891,568
Reconciliation of provisions - 2019				
Gratuity and severance pay	677,365	341,504	(172,322)	846,547
Provision for salary bonus	124,457	-	-	124,457
	801,822	341,504	(172,322)	971,004
			2020	2019
10. Trade and other payables				
Accruals			258,965	239,785
Auditors remuneration			88,000	80,000
Ministry of Agriculture			629,050	619,350
			976,015	939,135
11. Cash used in operations				
Profit before taxation			1,440,716	200,483
Adjustments for:				
Depreciation and amortisation			143,918	127,213
Movements in provisions			(79,436)	169,182
SRA credit transfer from VAT to PAYE			-	(32,927)
Changes in working capital:				
Inventories			(1,027,458)	(296,064)
Trade and other receivables			(540,125)	(807,557)
Trade and other payables			36,880	67,657
			(25,505)	(572,013)

12. Risk management

Financial risk management

The organisation's activities expose it to a variety of financial risks: credit risk, liquidity risk and cash flow interest risk.

The organisation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the organisation's financial performance.

Risk management is carried out under policies approved by the directors. The finance department identifies, evaluates and hedges financial risks in operation with the organisation's operating units. The organisation provides written principles for overall risk management, as well as for specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments, and investing excess liquidity.

Market risk

Market risk includes currency risk, interest rate risk and equity price risk. From time to time derivative financial instruments are entered into to reduce this exposure to market risk.

(i) Currency risk

The organisation was not exposed to significant currency risk at the reporting date.

(ii) Interest rate risk

The organisation's income and operating cashflows are substantially independent of changes in market interest rates and the organisation primarily borrows and lends at variable rates, and its exposure to interest rate risk is reflected under the respective borrowings.

(iii) Legal risk

Legal risk is the risk that the board will be exposed to contractual obligations which have not been provided for.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The organisation remains confident that the available cash resources and overdraft facilities will be sufficient to meet its funding requirements.

(v) Credit risk

Credit risk arises from cash and cash equivalents, deposits with bank and financial institutions, as well as credit exposures to corporate, government and individual customers, including outstanding receivables and committed transactions.

Notes to the Annual Financial Statements

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(vi) Operational risk

Operational risk is the risk of direct or indirect loss resulting from adequate or failed internal processes, people and systems or from external events. The initiation of all transactions and their administration is conducted on the foundation of segregation of duties that has been designed to ensure materially the completeness, accuracy and validity of all transactions. These controls are argued by management and executive review of control accounts and systems, electronic and manual checks and controls, back-up facilities and contingency planning.

Figures in Emalangeni		2020	2019
13. Related parties			
Relationships			
Subsidiaries	Refer to note 3		
Associates	Buseleni Farm		
Related party balances			
Loan accounts - Owing (to) by related parties			
Buseleni Farm		523,726	780,710

Detailed Statement of Financial Performance

Figures in Emalangeni	2020	2019
Sales		
Revenue	18,799,501	11,221,326
Government subvention	1,500,000	1,500,000
Levies	179,330	89,417
	20,478,831	12,810,743
Cost of sales		
Opening stock	(1,313,058)	(1,016,994)
Purchases	(13,487,872)	(6,664,373)
Closing stock	2,340,516	1,313,058
	(12,460,414)	(6,368,309)
Gross profit	8,018,417	6,442,434
Other income		
Rental received	76,800	71,314
Sundry income	103,681	94,777
	180,481	166,091
Operating expenses		
Accounting fees	44,561	16,800
Advertising	28,427	25,055
Auditors remuneration	88,000	80,000
Bank charges	529,284	461,016
Cleaning expenses	105,084	52,132
Commission paid	6,352	6,042
Computer expenses	15,906	20,989
Consulting expenses	36,500	5,795
Cotton research expenses	5,405	14,598
Depreciation	143,918	127,213
Donations	2,690	1,078
Electricity and Water	1,346,745	599,166
Employee costs	3,216,853	3,484,633
Insurances	91,895	94,661
Motor vehicle expenses	392,610	496,905
PEU Management fees	83,252	7,072
Printing and stationery	103,176	69,902
Protective clothing	23,148	10,173
Rates	6,053	6,053
Repairs and maintenance	218,405	455,545
Retainer fees	123,904	200,298
Staff training	15,360	15,425
Staff uniform	38,634	22,570
Staff welfare	70	1,455
Subscriptions	10,349	28,972
Telephone and fax	39,251	73,031
Travelling expenses	42,350	31,463
	6,758,182	6,408,042
Profit for the year	1,440,716	200,483

The supplementary information presented does not form part of the annual financial statements and is unaudited

Tax Computation

	E
Net income per income statement	1,440,716
Add Backs:	
Government of Swaziland Subvention	(1,500,000)
Donations	2,690
	<u>(1,497,310)</u>
Assessed loss for 2020 - carried forward	(56,594)
Assessed loss brought forward	(8,053,640)
Tax loss carried forward	<u>(8,110,234)</u>
Tax thereon @ 27.5%	<u>-</u>
Tax liability	-

Supplementary Information

		E
1.	Cotton Improvement fund	
	Levies	179,330
2.	Auditor's remuneration	
	Kobla Quashie and Associates	88,000
3.	Rates paid	
	Manzini City Council	6,053
4.	Repairs and maintenance	
	Various spares for the Ginnery plant	218,405
5.	Commission paid	
	Lomahasha Multi Purpose	1,360
	VJR	4,992
		6,352



ESWATINI COTTON BOARD

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