



ESWATINI
COTTON
BOARD

ANNUAL REPORT 2024



OUR MANDATE, VISION, MISSION, VALUES AND ETHICS

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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Honourable Mandla Tshawuka

Minister for Agriculture

P.O. Box 162

Mbabane

Dear Sir,

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31st March, 2024

The Board of Directors of Eswatini Cotton Board is pleased to submit the Annual Report and Accounts for the year ended 31st March, 2024 in terms of section 15 (6) of the Cotton Act No. 26 of 1967.

Yours Faithfully,

SAMSON M. MAVUSO

(CHAIRMAN OF BOARD OF DIRECTORS)

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*“The ginnery continued
to produce quality lint for both local
and international spinners”*





Minister of Agriculture
Honourable Mandla Tshawuka

Board of Directors



Mr. Samson Mavuso
Chairman



Mr. Sikelela Fakudze
Vice Chairman



Dr. Daniel M. Khumalo
Chief Executive Officer



Mr. Bhekie A. Nzima
Member



Mr. Victor Masilela
Member



Mrs. Tokky Hou
Member



Mr. Mbuso Mdzebele
Member



Mrs. Thab'sile Dlamini
Member



Mr. Vusie C. Khumalo
Member



Mr. Samson Mavuso
Chairman of the Board



Chairman's Message

In 2023 agriculture's contribution to Eswatini GDP was 8.1% down from 12.3% in 2000. The country's economy is more service oriented with the share of services in GDP increasing from 45.6% in 2000 to 53,5% in 2023.

1.1 ESWATINI ECONOMIC OUTLOOK

1.1.1 Recent Macro-economic and Financial Developments

Eswatini's economy grew from 0.5% in 2022 to an estimated 4.8% in 2023, driven by stronger performance of the services sector. Aggregate demand is driven largely by consumption, which constitutes 84% of GDP, and investment, at 13% of GDP. Inflation rose to 5% in 2023, and in the context of the currency peg, monetary authorities gradually raised the discount rate from 3.75% in March 2022 to 7.75% in July 2023 before adjusting it to 7.5% since August 2023. The rand/lilangeni depreciated in 2022 and 2023 amid weak investor sentiment about South Africa's economic prospects.

The fiscal deficit widened from 4.5% in 2022 to an estimated 6.3% of GDP in 2023 as revenues underperformed. The debt-to-GDP ratio marginally declined from 43% in December 2022 to an estimated 41% in December 2023, above the desired level. Domestic tax revenues increased slightly from 15.6% of GDP in 2022 to about 16.1% in 2023. The current account balance recovered from a deficit of 2.6% of GDP in 2022 to an estimated surplus of 3.9% in 2023, buoyed by an improved trade balance and secondary income inflows. Reserves improved slightly to 2.7 months of import cover in 2023, from 2.5 months in 2022. The financial sector was stable, although nonperforming loans remained elevated at around 7.2% of gross loans in 2023. Banks maintained a strong capital adequacy ratio, which averaged around 18% in 2022/23, above the statutory minimum requirement of 8%.

Poverty (58.9% in 2017), youth unemployment (56% in 2023), and inequality (0.55 Gini coefficient in 2016) remain high.

1.1.2 Outlook and Risks

The economic outlook is positive, although downside risks remain. Growth is projected at 4.9% for 2024, underpinned by improvements in industry and services, then tapering in 2025 due to slowing agricultural growth. The fiscal deficit is expected to narrow further in 2024 and 2025 on the back of high Southern Africa Customs Union receipts. The public debt-to-GDP ratio is

also poised to decline further because of positive growth prospects. The current account surplus is expected to rise to 4%, buoyed by improving trade balances and secondary income inflows. Inflation is projected to decline slightly to 4.8% in 2024 following global trends, but planned electricity tariff hikes, a weaker exchange rate, and high food prices could reverse the trend. Other downside risks stem from ongoing economic challenges in South Africa, especially energy supply, elevated prices, climate change impacts on agricultural output, and tighter credit conditions that may stymie new investments.

1.1.3 Reform of the Global Financial Architecture

Eswatini is slowly shifting its output and employment from agriculture to services. The share of services in GDP rose from 45.6% in 2000 to 53.5% in 2023, while the share of agriculture dropped from 12.3% to 8.1% and industry from 39.1% to 33%. Manufacturing (85% of industry) is highly concentrated in food and beverages. Over the same period, service jobs increased by 5.2%, while agricultural jobs declined by 4.3% and industrial jobs by 1.3%. Accelerating structural transformation requires boosting total factor productivity through economic governance reforms aimed at attracting private investment, diversifying productive capabilities, and expanding local and regional value chains.

Eswatini's financing gap to achieve structural transformation by 2030 is estimated at 9.5% of annual GDP. Its status as a lower-middle-income country presents challenges to unlocking adequate concessional finance to propel structural transformation. The global financial system ought to be reformed to consider the unique situations and diverse needs of middle-income countries in order to boost their access to financial resources and accelerate their structural transformation. These include increasing concessional resources from multilateral development banks and special project funds for middle-income countries. Moreover, strengthening the financial sector through legal and regulatory reforms will ensure financial sector stability and greater economic diversification.

1.2 AGRICULTURE

In 2023 agriculture's contribution to Eswatini GDP was 8.1% down from 12.3% in 2000. The country's economy is more service oriented with the share of services in GDP increasing from 45.6% in 2000 to 53,5% in 2023.

1.3 COTTON OUTLOOK

1.3.1 International Developments

Depending on when cotton is planted, it influences when lint stocks are available to trade. The ICAC reported this month on changes in handling the stocks of Brazil. Brazil is a Southern Hemisphere producer, and the cotton season (August to July) falls roughly in the middle of this cycle. This requires a decision to be made about which season the cotton lint production should be counted on the world cotton balance sheets. Both the ICAC and the USDA have historically counted the cotton produced in the season it was planted. This meant that the cotton that was available for trade on the open market was not available until the next season. The ICAC has now shifted records for "area" and "production" for the balance sheet in Brazil forward one season, starting in 2000/2001. Trade and Consumption remain unchanged on the balance sheets. Brazil plants in December every year. African countries that have a similar planting cycle include Kenya and South Africa, sowing in October and November, with Tanzania, Zimbabwe, and Zambia planting in November-December.

The current global cotton market outlook for 2023/2024, showed that the area planted under cotton is 31.979 million hectares with an average yield of 768,65 kg of lint per hectare. Global production is 24.581 million tonnes of cotton, while global consumption is 24.661 million tonnes. Beginning stocks are 21.447 million tonnes, while 9.572 million tonnes of lint is imported to various countries. About the same volume is exported as is imported, 9.571 million tonnes. Ending stocks available is 21.41 million tonnes, with a stocks-to-mill use ratio of 0,87 (ICAC dashboard, icac.shinyapps.io/ICAC_Open_Data_Dashboard/#).

1.3.2 Price Projections

The Secretariat's current price forecast of the season-average A index for 2023/24 ranges

from 90.00 US cents per pound to 102.00 cents, with a midpoint at 95.00 cents per pound. (ICAC). Cotton has been historically important for India, and it continues to be important to this day. The history of Indian cotton dates back to ancient times, surviving the Indus Valley Civilization, the medieval period, and the Mughal Empire. The British colonisation had a significant impact on the Indian cotton industry. The British introduced new technologies and machinery for spinning and weaving cotton, which led to the establishment of textile mills in India. However, the British also imposed various policies and practices that exploited Indian cotton farmers that led to the decline of the industry in certain regions.

After India gained independence in 1947, the government focused on developing the cotton industry as a means of promoting economic growth and self-sufficiency. India became one of the largest producers and exporters of cotton in the world and its production has been increasing steadily over the years.

In recent years, there have been several big developments in production, trade, and market dynamics. The Indian government has been implementing various policies to support cotton farmers and boost production. The Covid-19 pandemic disrupted global trade and reduced demand for cotton. In addition, there have been tensions with China, which is one of the biggest buyers of Indian cotton. However, there are also opportunities for Indian cotton in other markets, such as Bangladesh, Vietnam, and Pakistan. Indian cotton farmers are adopting new technologies and techniques to improve yields and reduce costs. Challenges for Indian farmers are weather fluctuations, pests and diseases, and global market dynamics.

The ICAC Secretariat's current price forecast of the season-average A-index for 2022/23 ranges from 96.10 US cents to 111.30 US cents, with a midpoint at 102.77 US cents per pound.

1.3.3 Local Outlook

The local outlook indicates a decline in production exacerbated by the poor rainfall distribution experienced during the season. The production is expected to decline from the 720 metric tons

to about 600 metric tons. The price on the other hand is expected to increase to E7.50 following improved world market prices and successful negotiations with our customers.

1.4 BOARD OF DIRECTORS

The Board of directors of the Board remained unchanged and comprised of Mr. Samson Mavuso Chairperson, Mr. Sikelela Fakudze Vice-Chairperson, Mr. Mbuso Mndzebele, Mrs. Thab'sile Dlamini, Mr. Bhekie Nzima, Mr. Vusie Khumalo, Mr. Victor Masilela, Mrs. Tokky Hou and Dr. Daniel Khumalo Chief Executive Officer.

1.5 BOARD COMMITTEES AND FUNCTIONS

The Board established committees through which it executes its governance processes and activities.

1.5.1 Audit and Finance Committee

The Audit and Finance committee has responsibility of Budget and overseeing the finances of the entity. During the year under review, the committee met 3 times and details are as shown on the table below:

Date	Details of Meeting
22 nd March, 2023	Annual Budget and Proposal to buy Cotton Picker
18 th July, 2023	Approval of Audited Financials

1.5.2 Risk Committee

The purpose of the Board of Directors' Risk Committee is to assist the Board in its oversight of management's responsibility to implement an effective global risk management framework reasonably designed to identify, assess and manage the firm's strategic credit and investment, market and operational risk. This committee comprise of Mr. Mbuso. Mndzebele, Mrs. Tokky Hou and Mr. Bhekie Nzima. At the time of compiling this report, the committee had not met as a stand-alone but participated in both the budget and the audit and Finance committee meetings where they advised of the management of risks.

1.5.3 Human Resources Commiittee

Members of the committee comprised of Mr. Sikelela Fakudze. Mrs. Thab'sile Dlamini and Mr. Bhekie Nzima. The role of the committee is to review and make recommendations to the Board

on: the appropriateness of any new or amended human resources policy, the employment terms and conditions as they relate to matters of policy or an issue of significance, compliance with relevant legislation relating to human resources. This committee did not meet during the period under review.

1.6 BOARD MEETINGS

The Board successfully held four statutory and two special meetings. Typical agenda items for the Board ordinary 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:

Quarter	Date
Special	5 th April, 2023
First	26 th July, 2023
Second	15 th November, 2023
Third	24 th January, 2024
Special	1 st February, 2024
Fourth	24 th April, 2024

1.7 EXTERNAL AUDITOR

Kobla Quashie continued auditing the organization 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 STRATEGIC REVIEW

The strategic plan formulated in the previous three years end during the period under review, prompting the formulation of a new strategy. A 3-day workshop to develop a roadmap to set a direction of the entity was held at Sibane Sami Hotel from the 16th to the 18th July 2024. The lead consultant was REDI. The strategy was developed and later adopted by the board.

The strategic focus areas objectives and achievements of the strategy so far are indicated on the table below:

Focus Area	Strategic Objective	Activity	Status	Comments
1. Production	1.1 Facilitate the acquisition and use of GMO seed.	1.1.1 Liaise with suppliers for seed supply.	On-going	Visited Mkhuze to observe Demonstration of a new GM Variety for Dryland production
		1.1.2 Lobby technology owner to invest in Eswatini.	On-going	GMO Research results presented to technology Owner demonstrating the performance of the traits
	1.2 Increase seed cotton supply to ginnery.	1.2.1 Provide technical training to farmers.	Achieved	Trained 79 Growers on Pest Management
			Achieved	Trained 113 growers on crop establishment
		1.2.2 Provide technical training to Extension Officers.	Achieved	41 Extension officers were trained in cotton production skills
	1.3 Increase large scale production of cotton under irrigation.	1.2.3 Increase Ginnery throughput.	On-going	Production declined from 920 to 506 metric tons due to unfavorable weather and cotton price.
			1.3.2 Engage large scale producers with irrigation for cotton production.	On-going
2. Human Capital	2.1 Improve Efficiency in Service Delivery.	2.1.1 Conduct Staff Evaluation.	Achieved	Evaluation Report in place
		2.1.2 Recruit Competent and Qualified Staff.	Achieved	New Accountant recruited with the required qualifications.
3. Finance	3.1 Provide finance assistance to farmers.	3.1.1 Finance farmers for production inputs through the revolving fund.	Achieved	Financed a total of 482 farmers for inputs to the tune of E592, 000.
	3.2 Timely Recoveries of Debts.	3.2.1 Recover Seasonal Loans.	Achieved	Recovered E490,759 of Seasonal Loans.
	3.3 Improving Internal capacity.	3.3.1 Procure New Equipment	Achieved	Purchased a cotton Picker for operational efficiency.
4. Quality and Operational Efficiency	4.1 Improve quality of products.	4.1.2 Training in pest management.	On-going	Trained 79 farmers on Pest Management out of the targeted 212 Farmers Trained 113 growers on crop establishment.
5. Partnership and Decentralization	5.1 Create an enable environment between cotton board and technology suppliers.	5.1.1 Engage stakeholder/ supplier on annual basis.	On-going	Two meetings were held with Bayer in preparation for filing applications to place GMO products in the country.

Focus Area	Strategic Objective	Activity	Status	Comments
				GM cotton hybrids have been released to the environment and the Competent Authority have accepted the petition of a simplified procedure.
	5.2 Need to revive and revitalize the cotton farmers` association	5.2.2 Conduct need assessment for cotton association	On-going	Met the SESAFA Executive committee to plan on how the need assessment will be carried out.
		5.2.3 Train Farmers Associations on Business skills	On-going	Training plan developed. Identified 6 dealers to distribute inputs and MOUs being prepared.
		5.2.4 Revive local and regional Cotton associations	On-going	Meetings scheduled to revive cotton associations during the off-season.
	5.3 Establish distribution centre for inputs around cotton growing region	5.3.1 Engage service centre (Shops) to distribute inputs	On-going	6 service centres have been secured out of the 12 targeted and contracts are being processed.
6. Communication	6.1 Improve communication	6.1.1 Enhance online communication 6.1.2 SMS programme 6.1.3 Facebook page 6.1.4 Website 6.1.5 Radio Programmes 8.1.6 Road Shows	On-going	A communication regarding Pest Management and Harvesting technics were done on our face book page and SMS messages sent. Cotton Board services were also showcased on Road shows held at Siphofaneni and Ncabeni.
	6.2 Improve seed cotton prices	6.1.1 Engage farmers to understand their role in seed cotton pricing	On-going	SESAFA Executives and Local Association's Chairpersons were advised on their role in seed cotton pricing. Seed cotton price increased from E6.50 to 7500 to attract more farmers to grow cotton the future.



1.9 APPRECIATIONS

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

- SWAZILAND AGRICULTURAL SUPPLIERS (PTY) LTD
- FARM CHEMICALS (PTY) LTD
- ESNAU
- BOARD AND STAFF

- WORLD VISION SWAZILAND
- SEMBULELO SAKOTINI FARMERS ASSOCIATION
- STEFFUNATI STOCKS

SAMSON M. MAVUSO

Senior Management



Dr. Daniel M. Khumalo
Chief Executive Officer



Mr. Jeconiah M. Msibi
Technical Manager



Dr. Daniel M. Khumalo
Chief Executive Officer



The Chief Executive Officer's Review

The ginnery continued to produce quality lint for both local and international spinners. Fuzzy seed for animal feed and oil extraction was also one of the final products. The ginnery products were sold locally and internationally bringing in the most required foreign currency, thus contributing to the economic growth.



The Board fulfilled its mandate; planned activities were implemented in line with the Cotton Act of 1967 and the Public Enterprise Act of 1989. Statutory and special Board meetings are successfully seen through, and resolutions are 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. The cotton industry continued to depend on small-scale growers who formed 99 % of the cotton sector and produced cotton under rain-fed. Pronounced EL Niño impacted production resulting in reduced area under cotton and participating farmers.

The extension wing conducted successful training on cotton planting, thinning pest identification, sprayer calibration, and pre-harvesting training. Demonstrations were carried out successfully to impact the knowledge to farmers during the season. The Board continued with management of the cotton revolving fund, entailing, seed distribution, chemical sales, registration and approval of farmers' loans in line with the cotton revolving fund policy.


The board successfully bought cotton from farmers. Transportation of the crop to the ginnery was facilitated by the board in an effort to ease the burden for farmers. The

cotton buying price was E6.30 for top-grade cotton with below-standard grade selling at E3.45. Most farmers attained the best grade, this is attributed to continuous training by the extension department.

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The board maintained 18 employees as permanent staff during the period under review. During the ginning period, 82 casual labourers were engaged, thus contributing the most required employment as per the government requirement. Contractors to transport cotton from the four regions were offered contracts. This is one way the board assist in sustaining the livelihood of the community and companies around the ginnery.

This report entails the Board performance and financial report for the 2023/2024 financial year.


Kind Regards
Dr. Daniel M. Khumalo

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 advise 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

3.1 Staff Compliment

During the period under review the accountant resigned and was replaced. The officer was employed after following the company's procurement processes. Kobla Quashire conducted the interview and made the recommendation to the board. The company remained with 18 permanent employees and 81 casuals employed during the ginning period.

4. COTTON EXTENSION

The Technical Department of Eswatini Cotton Board has a mandate of providing technical support to growers. The Department continued

to provide technical Advice to both farmers and Extension officers.

4.1 Training of Extension Officers

The season was kick started with the training of trainers who are Extension officers in this case. The training entails training officers from all four regions of the country. The exercise took place in September and a total of 41 Field Officers were trained on cotton production. The aim of the exercise is to ascertain that production information given to cotton growers is the same and details are shown in the table below:

Date	Region	Venue	Participants
20.09.2023	Shiselweni	Hluti	8
21.09.2023	Lubombo	Siteki	16
25.09.2023	Manzini	Central RDA	11
27.09.2023	Hhohho	Mkhuzweni RDA	6
Total			41

4.2 Farmers of Training in Cotton Production

The Board continued to provide technical advice to growers as per its mandate. During the year under review training provided was on crop establishment and pest management.



Details are indicated in the table below:

Crop Establishment				Pest Management		
Date	Venue	Target	Participants	Date	Participants	Average
03.10.2023	Sithobela	48	19	12.02.2024	12	16
04.10.2023	Shaya	23	14	13.02.2024	23	19
06.10.2023	Mpolonjeni	35	19	14.02.2024	35	27
06.10.2023	Maphatsindvuku	16	12	14.02.2024	16	14
10.10.2023	Ndunayithini	16	12	15.02.2024	16	14
10.10.2023	Lulakeni	13	8	15.02.2024	13	11
12.10.2023	Ezindwendweni	7	6			6
12.10.2023	Matsanjeni	20	7			7
17.10.2023	Tikhuba	12	1			1
17.10.2023	Magwanyana	12	3	16.02.2024	7	5
18.10.2023	Khuphuka	10	3			3
18.10.2023	Mliba	7	2			2
19.10.2023	Mandlangempisi	9	7			7
	Mngayi	20		19.02.2024	11	11
	Mpakeni	12		19.02.2024	7	7
	Hlane	12		21.02.2024	7	7
	Lubuli	10		23.02.2024	5	9
	Total	282	113		79	



Extension Officer Training Farmers at Ncabeni



Technical Manager Training Farmers at Ntshanini





5. FINANCIAL REPORTS

The Board's financial stand declined when compared to the previous year due to the significant decrease in cotton yield. The decrease is attributed to EL Niño as pronounced by the meteorology department during the planting season. In the previous year 2024, the Board had received 506 tons compared to 902 tonnes received in 2023. Total Revenue decreased by 46.6% to E11,275,763 from E21,118,891 in 2023. Fixed assets increased by 14.6% to E3,646,449 (2023: E3,187,989). The increase is attributed to purchasing of the cotton picker.

5.1 Financial Overview

The Board closed the year under review with a **deficit of (E2.6 million)** compared to a **surplus of E1.1 million** realised in the 2023 financial year.

Some of the positive outcomes in the year under review were:

- ➊ An increase in fixed assets by 14.6% due to the purchase of a cotton picker that greatly assist with large scale farmers in the process of cotton picking. The picker will also serve as revenue stream to the Board.
- ➋ The Board achieved an unqualified audit opinion, as was the case in the previous financial year. We continue to strive towards clean administration and the highest standards of corporate governance.

5.2 Conclusion

The Board remains committed to strengthening the finances of the Board, to improve the capacity to invest in development of Eswatini Cotton Board.

6. COTTON VARIETIES

JKCH 1947 ab genetically modified hybrid imported from India continued to increase its share to 18 percent in 2023/24 compared to 14.02 percent in 2022/23 reducing Alba QM 301 to 82 percent.



Figure 1: Eswatini Certified Seed Sales compares of GM seed JKCH 1947 and Alba QM 301 2022/23

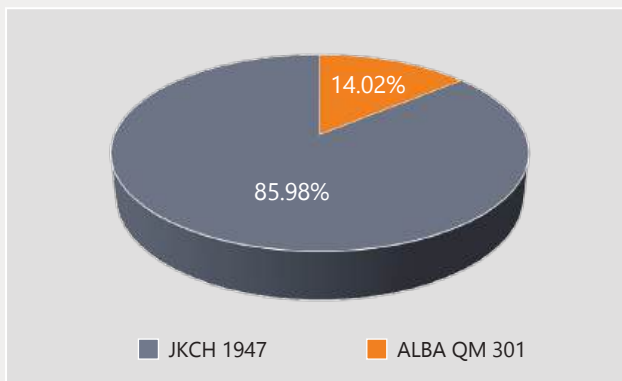
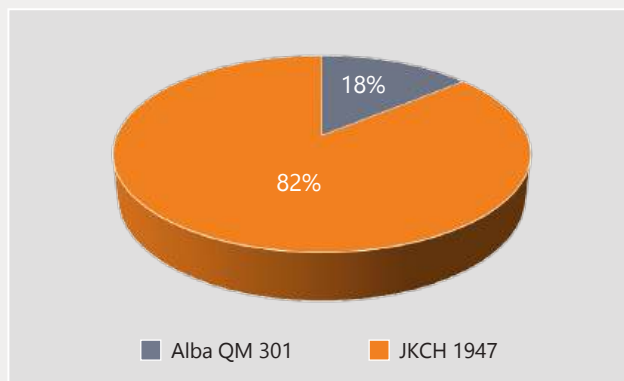


Figure 2: Eswatini Certified Seed Sales compares of GM seed JKCH 1947 and Alba QM 301 2023/2024 (Metric Tonnes)

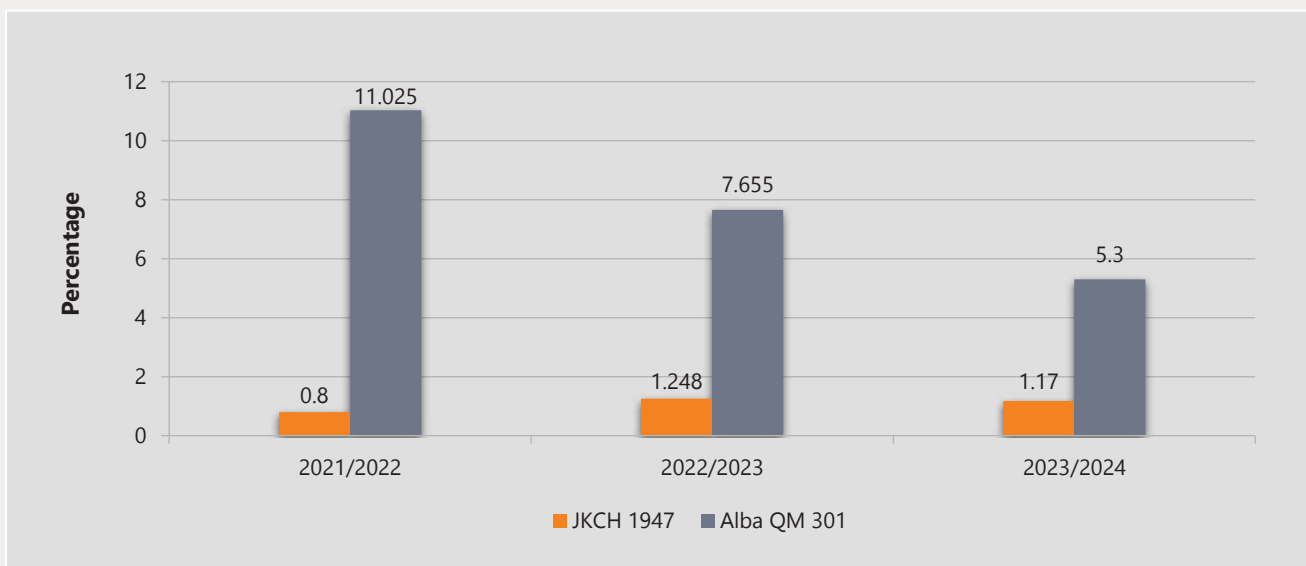


7. COTTON PLANTING SEED SALES

Seed sales for the period under review declined to 6.47 compared to 11.025 tonnes of the previous season. The reasons for the reduction were the continuous escalation of production cost and

the pronounced EL Niño during the begging of the season. The result was a decline in plantings from 547 hectares in 2022/23 to 482 hectares in 2023/24.

Figure 3: Eswatini Certified Seed Sales compares of GM seed JKCH 1947 and Alba QM 301 2020/21, 2021/22 and 2022/23 (Metric Tonnes)



8. THE COTTON SEASON 2023/24

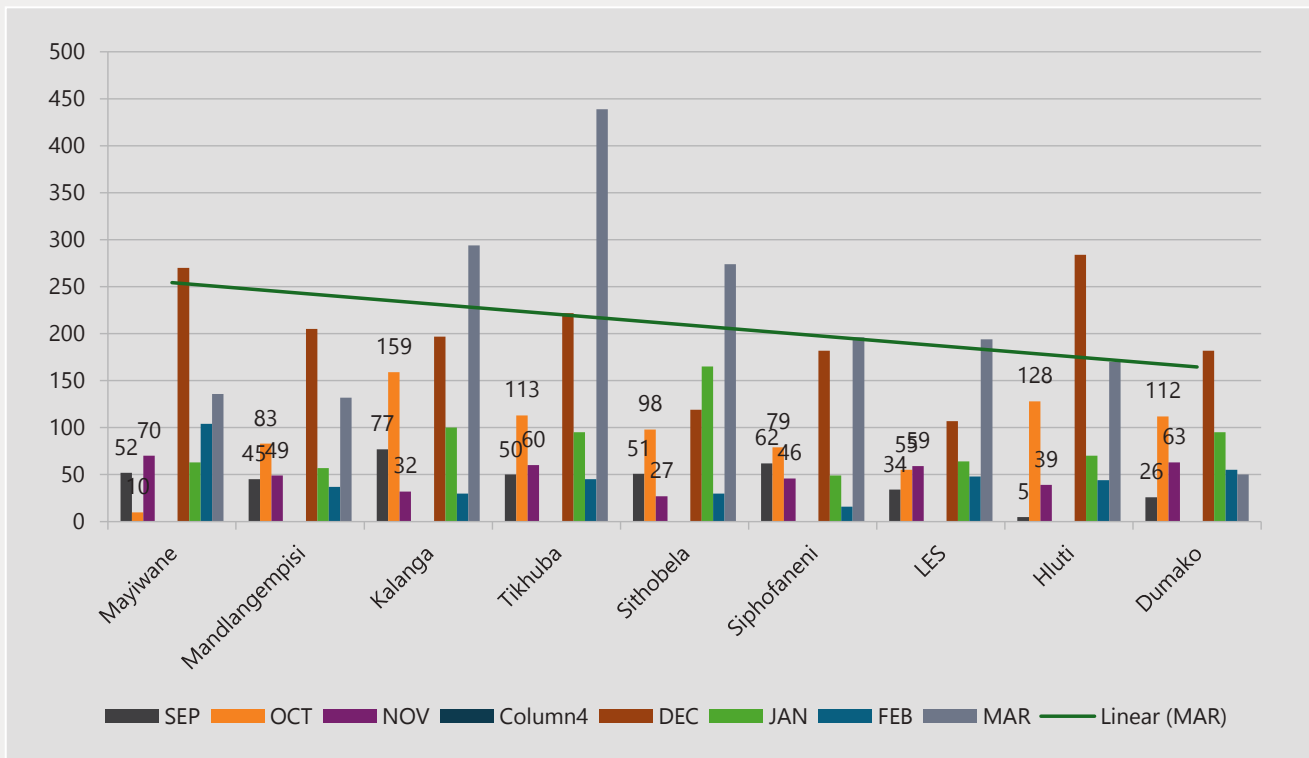
The season under review started was characterized by relatively good rains. Total rainfall for the various cotton growing areas ranged from a minimum of 561.2mm at Lowveld Experiment Station to 1023.6 at Tikhuba with the means averaging 102mm over the growing period. Temperatures on the other hand were extremely high, impacting positively to both emergence and fruiting. Despite the good rains received, farmers could not take advantage of the rains as a result of the pro-

nounced EL Niño. Efforts made by the Board to lure farmers into cotton production proved futile as farmers were scared to take a risk.

The result was a decline in the number of farmers engaged in cotton production from 432 to 299 with the area under production also decreasing from 547 to 482 hectares. Regional rainfall also followed the same pattern as indicated on the table and bar chart below:

Growing Region	Rainfall received during the period of Crop Growth (mm)								
Month	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total	Mean
Mayiwane	51.5	9.6	69.6	270.2	63.1	104.2	135.5	703.7	101
Mandlangempisi	45	83	49	204.5	56.5	37	132	607	87
Kalanga	76.5	158.5	31,5	196.5	100	29.5	294	886.5	127
Tikhuba	50	113	60	221,5	94.5	45.3	439.3	1023.6	146
Sithobela	51,1	98,1	26.5	119.1	165,1	29.5	274	763.8	109
Siphofaneni	62	78.5	46	182	49	15.5	196	629	90
LES (Big Bend)	34.1	55.2	59	107.1	63.5	48.3	194	561.2	80
Hluti	5	128.2	39.4	284.2	70	44.4	170.4	741.6	106
Dumako	25.5	111.5	63.3	181.6	94.5	54.5	49.5	580.4	83
TOTAL	400	835	444.3	1766.7	756.2	408.2	1884.7	6495.1	928

Figure 5: Rainfall Distribution from September 2023 to March 2024 the various growing regions



Crop emergence at Nisela Farms



Irrigated crop at commencement of Boll Formation



Engineer at Cotserve showing the cotton Team from Cotton Board the balancing of the Picker heads



Cotserve Engineer flanked by the Technical Manager and Driver at Cotserve RSA



Cotton crop ready for picking

Figure 6: Number of Farmers engaged in Cotton Production in the past 19 years

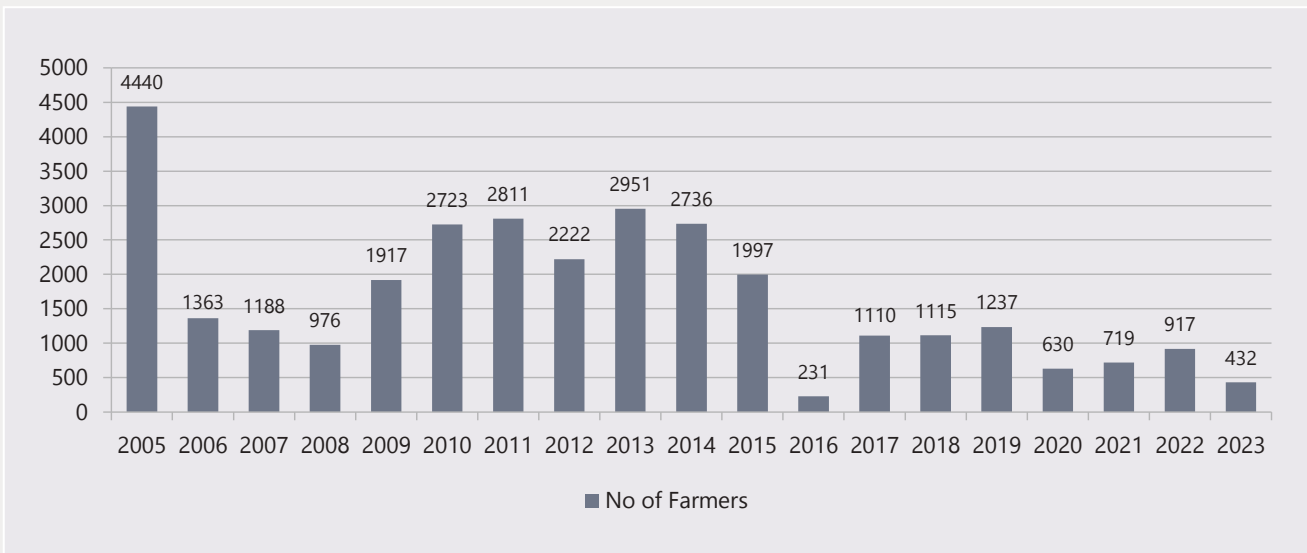


Figure 7: Area under production for the past 19 years

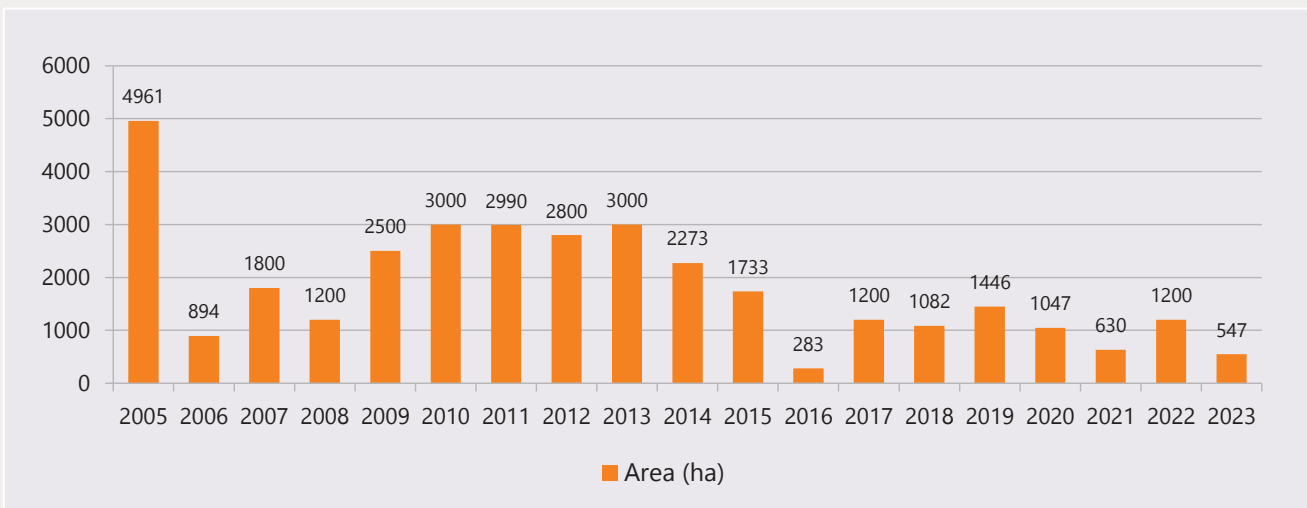


Figure 8: Seed Cotton Production trends for 19 years in Metric Tonnes

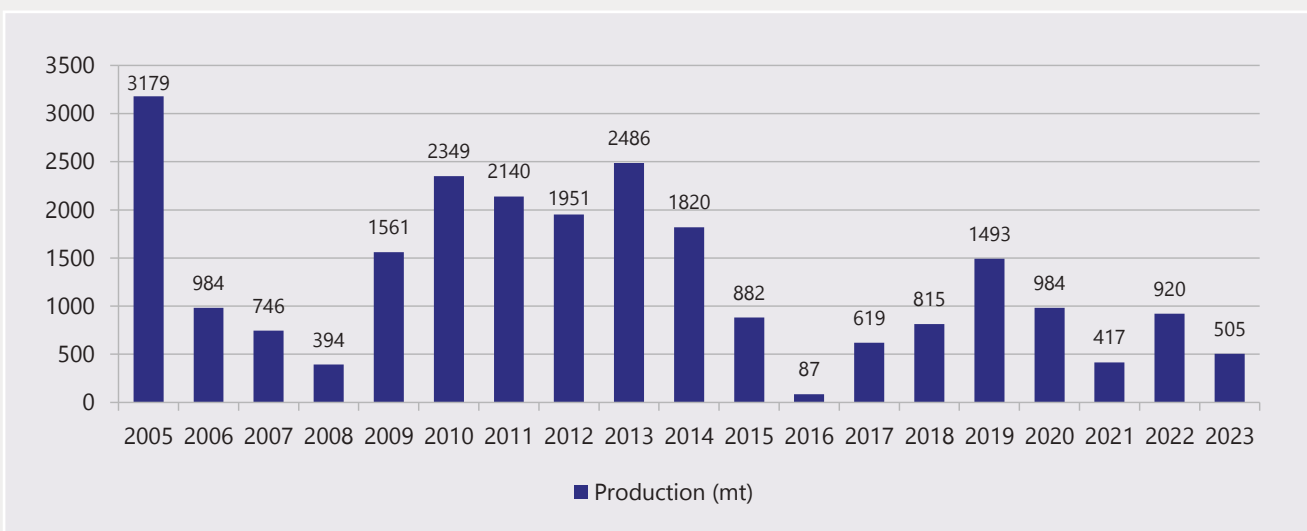
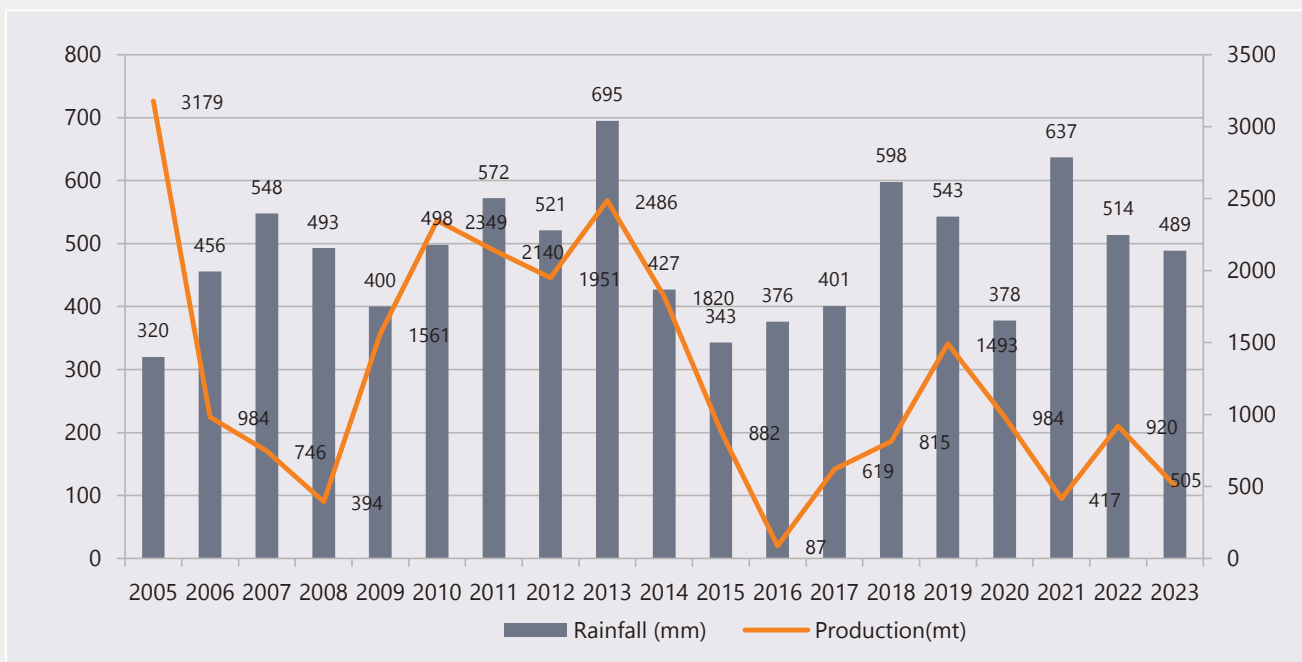


Figure 9: Seed Cotton Price Trends (Cents/Kg)



Figure 10: Seed Cotton Production Compared to Rainfall Patterns



9. REGIONAL PRODUCTION

Seed cotton production declined to 505 metric tons compared to 920 metric tons of the previous season. The Lubombo region continued to contribute the highest production contributing 83.17% of the national production, Shiselweni region on the other hand declined from the previous year 28.91%, to 15.45 % a really course for concern. Manzini 0.79 % and Hhohho with the lowest contribution of 0.59%. However, when considering the production per hectare Hhohho produced the highest yield of 1000 kg/ha followed by Shiselweni with 951 kg/ha followed

by Lubombo with 925 kg/ha and lastly Manzini with an average of 500 kg/ha.

The national average for the 2023 season stood at 923 increasing slightly from the 787 kg/ha of the previous season. The national average fell not far of the global average of 750 kg/ha. The Lubombo region continued to dominate the area under cotton production at 454 hectares down from 831 hectares of the previous season. This was followed by the Shiselweni at 78 and Hhohho and Manzini at 4 and 3 hectares respectively.

The table below indicates region, area, production in MT and Average Yield in Kg/Ha

Region	Area (Ha)		Production (Metric Tonnes)		Average Yield (Kg/Ha)		% Contribution	
	2022	2023	2022	2023	2022	2023	2022	2023
Hhohho	9	3	7	3	778	1000	0.76	0.59
Manzini	13	8	11	4	846	500	1.20	0.79
Shiselweni	347	82	266	78	767	951	28.91	15.45
Lubombo	831	454	636	420	765	925	69.13	83.17
Total	1200	547	920	505	767	923	100	100



10. SEED COTTON BUYING

Seed cotton buying commenced on 1st April 2023 and continued to the end of September 2023. The bulk of the crop was received between June and August 2023. The seed cotton price paid to the farmers increased to E6.35 per kilogram up from E6.30 of the previous season. The crop was bought with the Overdraft facility extended by Eswatini Bank. The quality of the crop fell within the acceptable limits as no seed cotton that fell below the standard grades. This is because farmers were able to separate the clean cotton from the dirty cotton, which was as a result of the technical advice given to the farmers by the department. The price comparison for 2021/22 and 2022/23 is shown on the table below:

Table 5: Seed Cotton Price Breakdown for 2021/22 compared to 2022/23 Season

Grade	Seed Cotton Price Breakdown	
	Price/kg	
	2021/22	2022/23
A+	6.30	6.50
A	6.15	6.35
B	5.75	5.95
C	5.35	5.55
D	5.00	5.15
E	4.60	4.75
BSG	4.20	4.35

The table below indicates the quality profile for the 2023 compared to 2022 crop

Seed Cotton Production per Grade				
Grade	2023 Weight (kg)	%	2022 Weight (kg)	%
A++	287 900	56.87	204 821	22.25
A+	125 247	24.74	41 960	4.56
A	87 419	17.27	550 289	59.79
B	5 528	1.09	110 173	11.97
C	193	0.04	11 459	1.25
D	0	0	1 616	0.18
E	0	0	0	0
BSG	0	0	0	0
Total	506 278	100	920 318	100



Cotton Bales being transported to the Ginnery



Cotton Grading in preparation for buying

The value of the crop decreased to E3,735,111.75 compared to 5,990,073.75 of the previous seasons which was proportionate to the reduced yield from 920 metric tons to the 506 metric tons purchased in the current reporting period. Farmer’s income also dropped from E5,261,765.73 to E3,380,615.48. Transport for bringing the cotton to the ginnery was borne by the Board and stood at E103,138.90 with E72,740.00 paid to transport contractors and E30,398.90 paid to farmers who used their own transport to deliver the cotton to the ginnery. This scenario impacted positively to livelihoods of both the farmers and their families and transporters and the local businesses that depend on the crop for their survival.

11. GINNING AND MARKETING

Cotton Ginning commenced on the 11th July, 2023 to 14th August, 2023. A total of 503 496 kg of Seed Cotton was ginned producing 196 391 kg of lint and 270 400 kg of fuzzy seed resulting to a ginning out-turn of 39 and 54 percent respectively. The quality of the lint fell between Good Middling (GM), Strict Middling (SM) Middling (MIDD) and Strict Low Middling (SLM) accounting for 25%, 15.66%, 2.11%, 12.95% and 44.28% respectively. When considering the micronire values most of the lint fell between 3.5 and 4.8 indicating that it was within the acceptable range for proper utilization. Details of the Grading results are indicated on the charts below and compared over a 10-year period.



Cotton bales staked in reediness for ginning



Cotton sucked from blending rooms into the gins



Ginning Equipment



Customers who visited the gin



Figure 11: Lint Grade Performance in % compared for Season 2011 to 2023

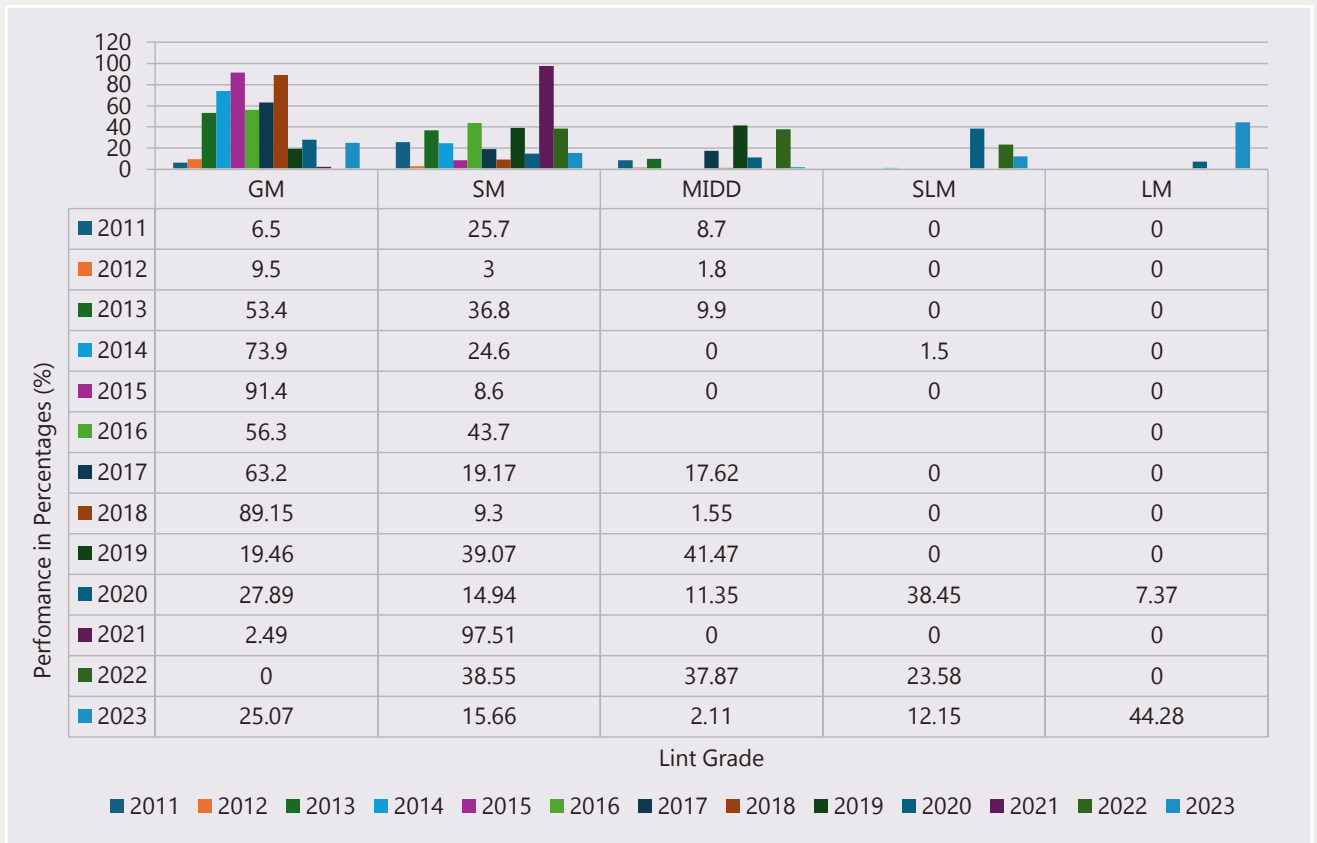


Figure 12: Staple Length Groupings in % from 2011 to 2023 (Inches)

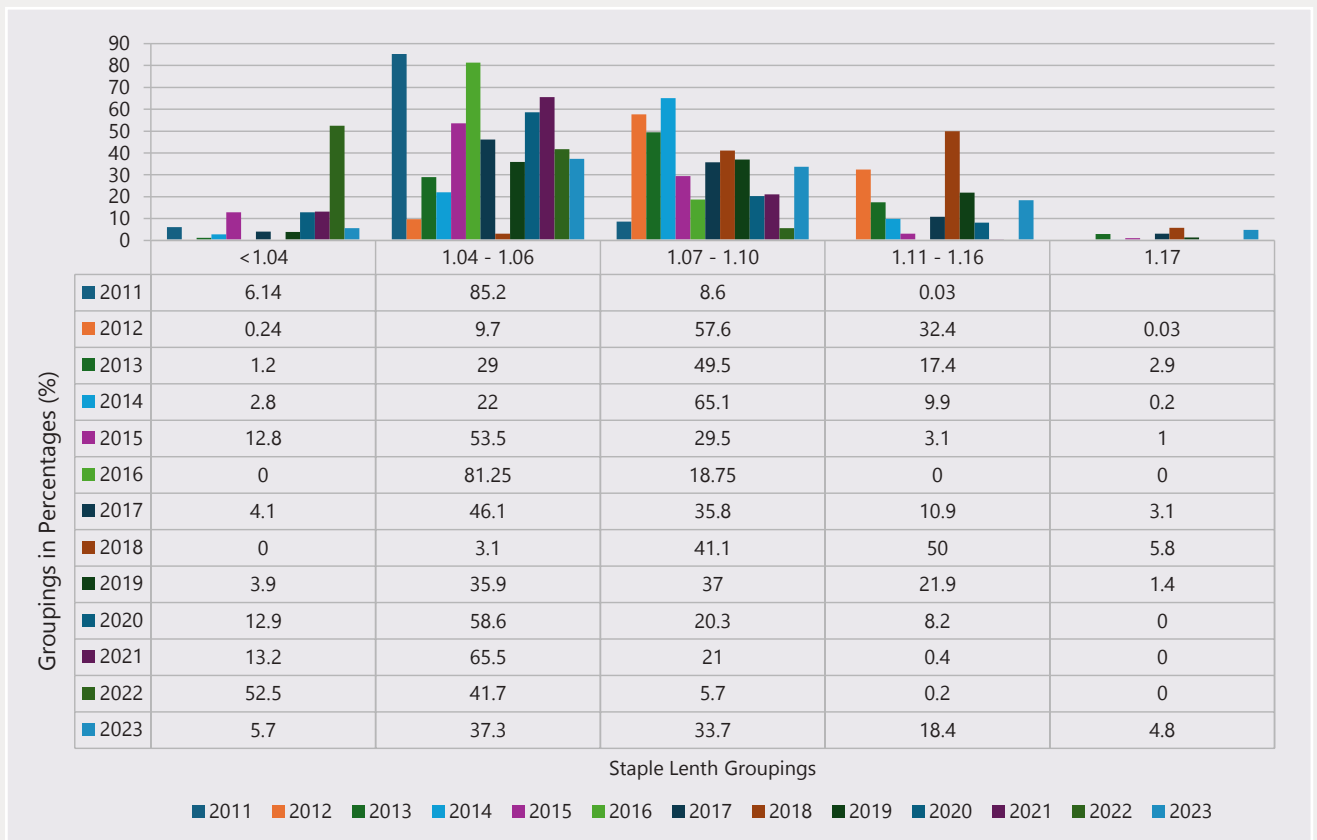


Figure 13: Fibre Strength Grouping in % from 2011 to 2023 (G/TEX)

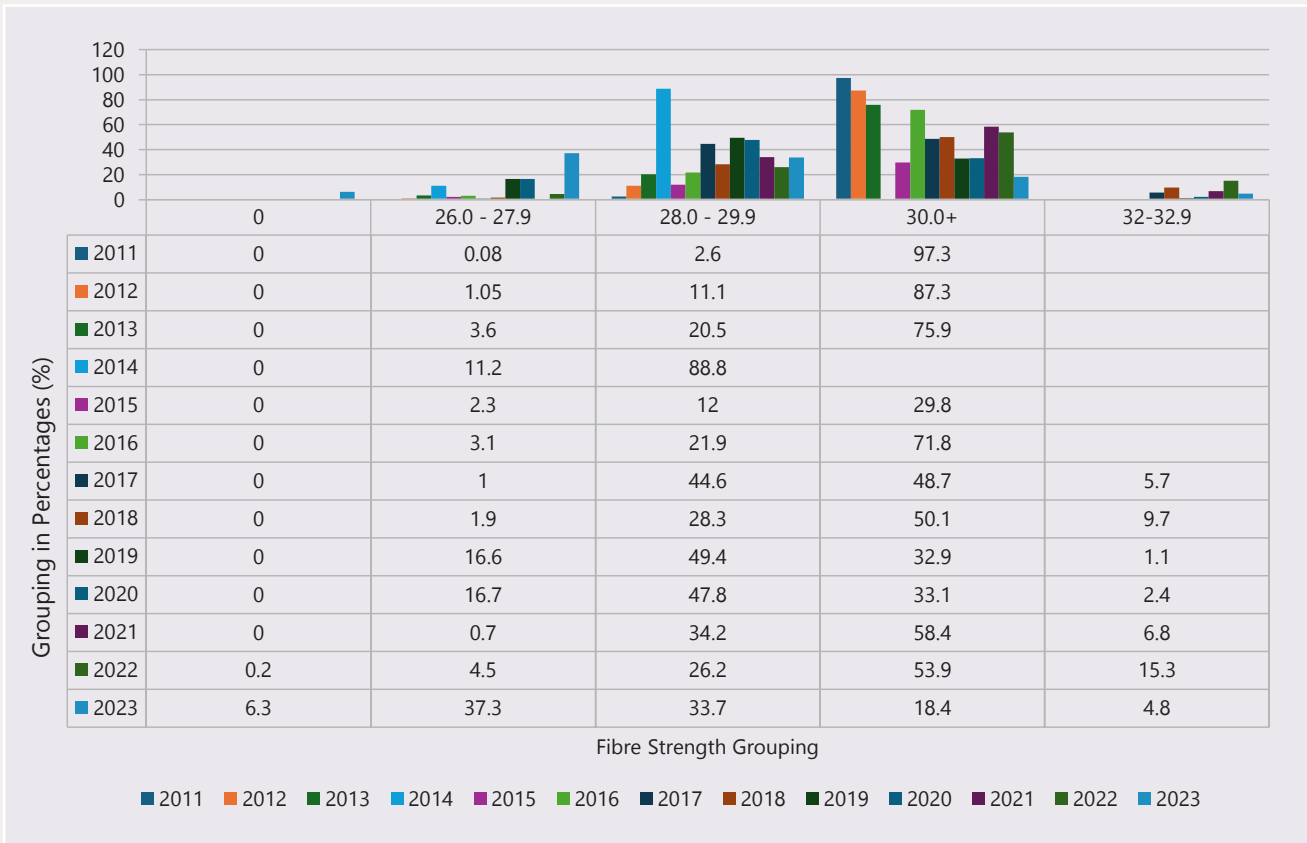
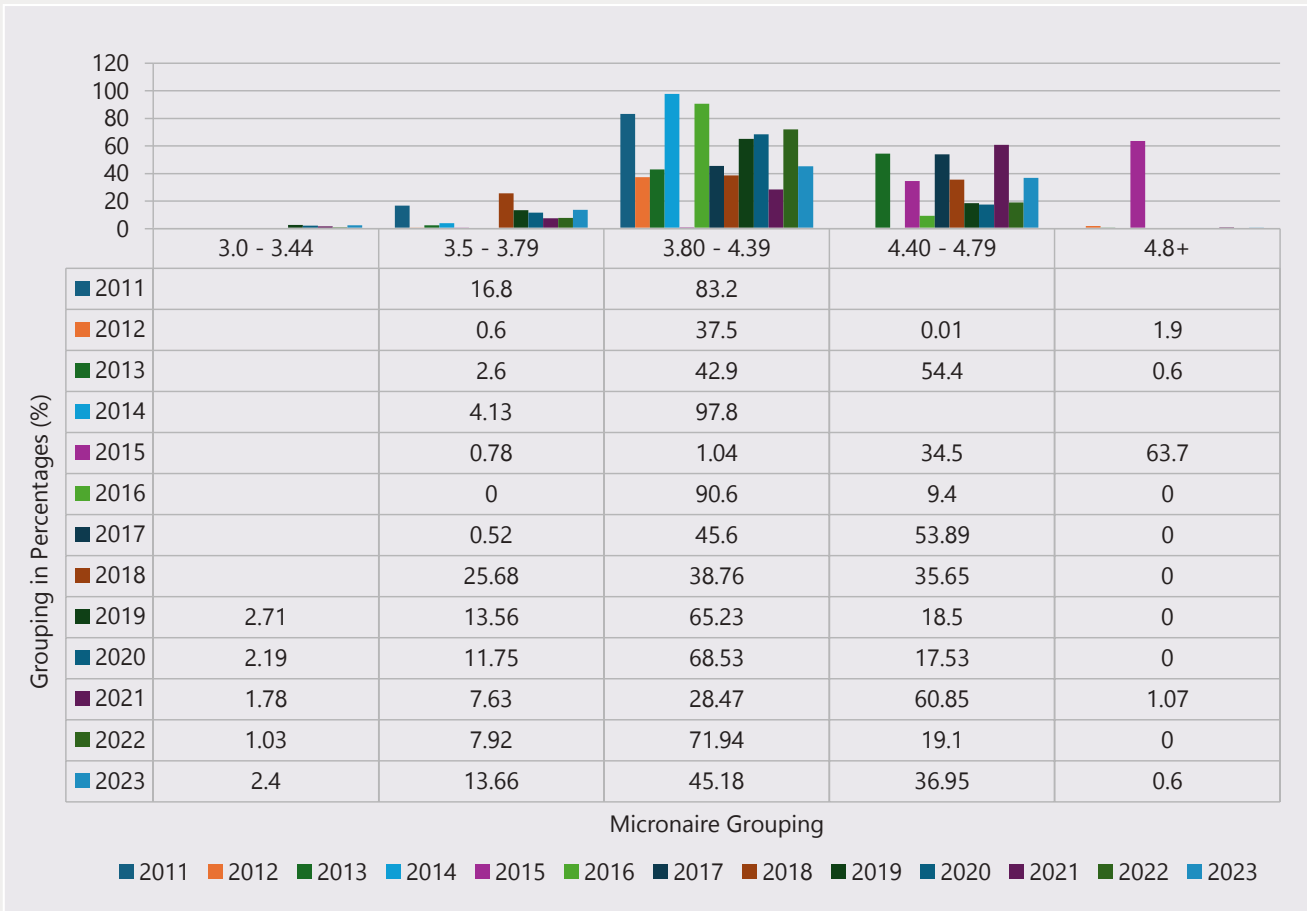


Figure 14: Micronaire Grouping in % compared from 2011 to 2023



The whole lint was exported to the Republic of South Africa to GWK who purchased the product on an average price of E34.68 per kg. The fuzzy



Fuzzy seed being packed on a stack

seed on the other hand was consumed by Bester Grains also based in South Africa at E5,800 per ton.



Lint packed in the warehouse and ready for Market

12. COTTON PESTS AND DISEASES

During the season under review the following pests were most prevalent: Jassids and aphids, Red Spider Mites, and Mealy Bugs at a lesser extent. The control of pests was relatively good with slight problems experienced in the control

of Aphids. The Board gazetted dates for the "Cotton closed season" (30th August, 2023 to the 15th October, 2023) This is the period where no cotton plants are allowed on farmers' fields to prevent the overwintering of cotton pests.



Drone filled with insecticide in control of Pests



Chemical application using a drone at Nisela

13. CHEMICALS USED BY THE INDUSTRY IN THE SEASON 2023/24

During the period under review the Board continued to track chemicals used by the cotton industry. Chemicals ranged from foliar feed, herbicides, insecticides and miticides for the control of the various pests in cotton. Rondo was used for post emergence weed control, Dimethoate was used for the control Mealy bugs,

Mulan used as used for the control of Jassids and aphids, Cypermethrin for the control of Bollworms and Cotton stainers and Biomectin for the control of red spider mites. Cotton feed a foliar fertilizer was also distributed to improve plant nutrition, which contains major nutrients in a composition of 3:2:1(19).

Details are indicated on the table below:

Chemical Name	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Cumulative Total
Rondo (1kg)	6	12	510	355	883
Rondo (10kg)	0	0	1	0	1
Cypermethrin (1L)	36	0	53	124	213
Mulan (50g)	118	17	283	618	1036
Biomectin (1L)	34	0	26	98	158
Hamba Aphids (200 ml)	0	0	0	89	89
Cotton Feed	0	7	35	55	97

14. GENETICALLY MODIFIED ORGANISMS (GMOs)

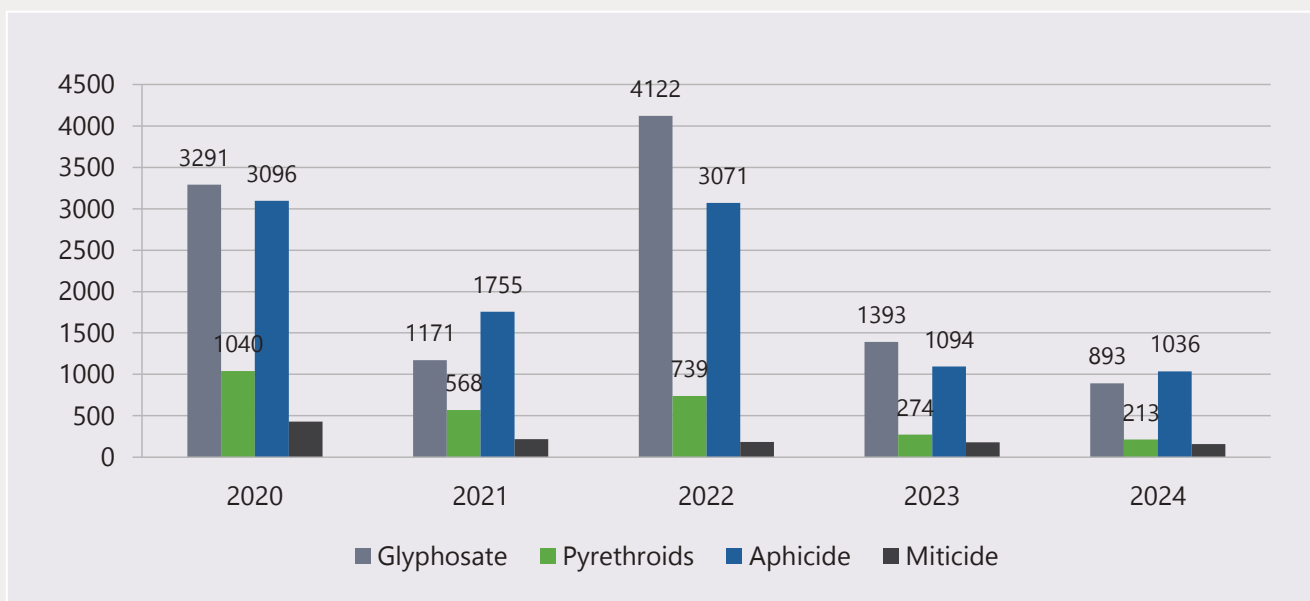
The Board continued to spearhead the introduction of genetically modified cotton in the country. The Board further petitioned the competent Authority to deregulate the planting of the Bt cotton that was used for several years following environmental release of this technology. The petition was allowed and authorised by the Competent Authority.

The Board is earnestly following up with the full introduction of the genetically modified cotton to allow farmers full benefits of the products of modern biotechnology. However, a full benefit will be realised if the technology came with both the BT and the round genes with a potential of

reducing the cotton production costs. The Board has had several meetings with the technology owner to find ways and means of facilitating the introduction.

Meanwhile the country increased the area under BT cotton from 93 hectares in 2022 to 172 hectares in 2023. The crop was planted by Nise-la Farms and has projected yield of 480 metric tonnes of seed cotton. The benefits of the introduction of Genetically modified cotton were an increased area of 172 hectares and increased yield contribution to 480 mt. Other benefit included the reduction of chemical usage in cotton. Trends are indicated in the figure below:

Figure 15: Chemical Usage Trends





Google Map of the fields where the GM crop in 2022 and 2023 was planted

15. ESWATINI COTTON GINNERY

The Eswatini Cotton Board manages the Eswatini Cotton Ginny. The Ginny has become the major source of income for both the regulatory and Developmental function of the Board. The Board has been running the ginny for Sixteen years now with success. It is however, still struggling to operate to its full capacity due to insufficient through put. Operation has been consistently under 10 percent capacity and great

effort is exerted to improve operational capacity. Genetically Modified cotton remains one major factor that can contribute to the turnaround strategy of the cotton industry in Eswatini. Coupled 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.



Table 8: Ginnery Performance Since 2008 – 2023

Year	Area (HA)	No. of Farmers	Production (MT)	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	48.72	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	1493.5	8 360 800	600.5	14 411 592	876.3	2 278 250	16 689 842
2020	1047	959	984	6 023 617	399	8 803 225	604	2 174 400	10 977 625
2021	630	719	417	2 426 693	167	5 406 968	225	1 015 743	6 422 710
2022	1200	917	920	5 979 822	361	14 570 057	468	2 248 223	16 818 280
2023	547	482	506	3 697 970	199	6 662 365	270	1 568 320	8 230 684

16. INTERNATIONAL TRADE FAIR

The company participated in the 2023 International Trade fair under the Theme: "Endless Possibilities for business". The exhibition started on the 31st August, 2023 and ended on the 10th September, 2023. Products and services of Eswatini Cotton Board were displayed and marketed. A reasonable number of people who visited our stand were surprised of the existence of cotton board. Among those who visited our stand was

His Majesty The King, and Emakhosikati, Her Royal Highness Princess Sikhanyiso, The Honourable Minister of Agriculture, the Honourable Minister of Finance and other Senior Government Officials. We had a lot of other people who visited our stand where we had a chance of recruiting them to engage in cotton production. As part of a competition that was run by the show, we were awarded a certificate.





17. CONCLUSION

The Board continued to formulate related strategies to grow the cotton industry in Eswatini. Statutory and special meetings were held in line with the PEU ACT of 1989. Board committees facilitated the smooth operation of the board in keeping up-to-date scrutiny of both risk possibilities and finance while maintaining company policies.

The season saw a decrease in cotton production. The reduction was attributed to the El Niño warnings pronounced at the beginning of the season. This saw a significant decline in the number of farmers culminating in a reduced area under cotton. The reduced area contributed to the reduced cotton yield from 920 tons to 506 tons. Climate change remains a major threat to the industry. Irrigated cotton remains the future of the cotton industry failing which small-

scale production will never meet the ginnery throughput.

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

The cotton revolving fund continued to be the pillar of strength under the escalating production cost. Farmers continued to depend on the fund with less than 5% using their own source of income to finance production. Funds recovery experienced challenge to drought experienced during the season. Financial institutions continued to shy away from financing the cotton industry sighting that it was a high risk.



KOBLA QUASHIE AND ASSOCIATES

ESWATINI COTTON BOARD

**Annual Financial
Statements**

for the year ended 31 March 2024



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GENERAL INFORMATION

Country of incorporation and domicile	Eswatini
Nature of business and principal activities	Managing Cotton Industry in Eswatini
Directors	Chairperson: Mr. Samson Mavuso Vice Chairperson: Sikelela Fakudze
Members	Mr. Mbuso Mndzebele Mrs. Thabsile Dlamini Mr. Bheki Nzima Mr. Vusie Khumalo Mr. Victor Masilela Mrs. Tokky Hou
Chief Executive Officer	Dr. 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 Eswatini 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 board 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 for Small and Medium-sized Entities (IFRS for SMEs) 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 for Small and Medium-sized Entities (IFRS for SMEs) 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 board and all employees are required to maintain the highest ethical standards in ensuring the board's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the board is on identifying, assessing, managing and monitoring all known forms of risk across the board. While operating risk cannot be fully eliminated, the board 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 board's cash flow forecast for the year to 31 March 2025 and, in the light of this review and the current financial position, they are satisfied that the board 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 board's annual financial statements. The annual financial statements have been examined by the board's external auditors and their report is presented on pages 38 to 39.

The annual financial statements set out on pages 52 to 56, which have been prepared on the going concern basis, were approved by the board of directors on 31 July 2024 and were signed on its behalf by:

Director

Director



INDEPENDENT AUDITORS' REPORT

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 2024, 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 52 to 54.

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 for Small and Medium-sized Entities, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

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

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 2024, 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.



AUDITORS RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Emphasis of Matter

Without qualifying our opinion, we draw attention to the fact that the Board incurred a loss of E4,218,789 and that it relies on supplies from cotton farmers to determine its continued existence. Financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be available to finance future operations. The ability of the Board to continue as a going concern is dependent on existing and future cotton farmers continuing to supply seed cotton for the ongoing operation of the Board as noted in note 15.

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

31 July 2024



DIRECTOR'S REPORT

The directors submit their report for the year ended 31 March 2024.

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 board is to manage the cotton industry in Eswatini.

The operating results and state of affairs of the board 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:

Mr. Samson Mavuso: Chairman
Mr. Sikelela Fakudze: Vice Chairman
Mr. Mbuso Mndzebele: Member
Mrs. Thabsile Dlamini: Member
Mr. Bheki Nzima: Member
Mr. Vusie Khumalo: Member
Mrs. Tokky Hou: Member
Mr. Victor Masilela: Member
Mr. Daniel M Khumalo: CEO/Board Secretary

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)	2024	2023
Assets			
Non-Current Assets			
Property, plant and equipment	2	3,646,449	3,187,989
Current Assets			
Inventories	3	1,074,995	855,314
Trade and other receivables	4	5,150,441	3,331,732
Cash and cash equivalents	5	2,805,156	3,684,867
		9,030,592	7,871,913
Total Assets		12,677,041	11,059,902
Equity and Liabilities			
Equity			
Credit revolving fund	6	2,914,305	2,914,305
General reserves		134,009	1,130,357
Revaluation reserves	7	2,121,928	2,121,928
		5,170,242	6,166,590
Liabilities			
Current Liabilities			
Finance lease obligation	8	200,598	265,283
Provisions	9	1,244,962	1,310,484
Trade and other payables	10	1,416,842	2,062,446
Bank overdraft	5	4,644,397	1,255,099
		7,506,799	4,893,312
Total Equity and Liabilities		12,677,041	11,059,902



STATEMENT OF COMPREHENSIVE INCOME

Figures in Emalangeni	Note(s)	2024	2023
Revenue		11,275,763	21,118,891
Cost of sales		(4,812,929)	(10,887,464)
Gross profit		6,462,834	10,231,427
Other income		242,855	236,374
Operating expenses		(8,553,841)	(9,233,590)
Operating profit/ loss		(1,848,152)	1,234,211
Finance costs		(835,375)	(45,597)
Profit/ loss for the year		(2,683,527)	1,188,614
Other comprehensive income		-	-
Total comprehensive income/ loss		(2,683,527)	1,188,614
Total Comprehensive income/ loss		(2,683,527)	1,188,614



STATEMENT OF CHANGES IN EQUITY

Figures in Emalangeni	Credit Revolving Fund	Revaluation Reserves	General Reserves	Total
Balance at 01 April 2022	2,914,305	2,121,928	(58,257)	4,977,976
Changes in equity				
Total comprehensive income for the year			1,188,614	1,188,614
Total changes			1,188,614	1,188,614
Balance at 01 April 2023	2,914,305	2,121,928	1,130,357	6,166,590
Changes in equity				
Total comprehensive income for the year			(2,683,527)	(2,683,527)
Prior year adjustment			1,687,179	1,687,179
Total changes			(996,348)	(996,348)
Balance at 31 March 2024	2,914,305	2,121,928	134,009	5,170,242



STATEMENT OF CASH FLOWS

Figures in Emalangeni	Note(s)	2024	2023
Cash flows from operating activities			
Cash used in operations	11	(2,591,307)	3,245,663
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(777,642)	(27,795)
Cash flows from financing activities			
Finance lease payments		(900,060)	(290,771)
Total cash movement for the year		(4,269,009)	2,927,097
Cash at the beginning of the year		2,429,768	(497,329)
Total cash at end of the year	5	(1,839,241)	2,429,768

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 36.

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 for Small and Medium-sized entities (IFRS for SMEs).

(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 organization's functional currency. All financial information presented in the Emalangeni has been rounded to the nearest Lilangeni.

(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.

1.2 Property, Plant and Equipment

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 board; and
- The cost of the item can be measured reliably.

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

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.2 Property, Plant and Equipment (continued)

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 are 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%

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 organization 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.

1.3 Financial Instruments Fair Value Determination

The fair values of quoted investments are based on current bid prices. If the market for financial assets is not active (and for unlisted securities), the board 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.3 Financial instruments (continued)

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.

1.4 Inventories

Inventories are measured at the lower 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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.4 Inventories (continued)

When inventories are sold, the carrying amount of those inventories are 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 number of inventories recognised as an expense in the period in which the reversal occurs.

1.5 Impairment of Assets

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

Irrespective of whether there is any indication of impairment, the board 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.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets 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 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 is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.6 Equity

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

1.7 Provisions

Provisions are recognised when:

- The board 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.

1.8 Government Grants

Government grants are recognised when there is reasonable assurance that:

- The board 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 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 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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.9 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 board has transferred to the buyer the significant risks and rewards of ownership of the goods.
- the board 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 board; 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 board;
 - 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. The 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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less than any temporary investment of those borrowings.
- Weighed the average borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- Expenditures for the asset have occurred;
- Borrowing costs have been incurred, and
- Activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. Property, Plant and Equipment

Figures in Emalangeni	2024			2023		
	Cost / Valuation	Accumulated Depreciation	Carrying Value	Cost / Valuation	Accumulated Depreciation	Carrying Value
Land and Buildings	1,720,000	-	1,720,000	1,720,000	-	1,720,000
Ginnery Equipment	2,376,979	(1,841,403)	535,576	2,376,979	(1,781,894)	595,085
Machinery	624,000	(62,400)	561,600	-	-	-
Furniture and Equipment	482,262	(299,582)	182,680	477,654	(279,711)	197,943
Motor Vehicles and Trailers	1,963,825	(1,440,330)	523,495	1,963,825	(1,309,456)	654,369
Computer Equipment	271,219	(148,121)	123,098	122,184	(101,592)	20,592
Total	7,438,285	(3,791,836)	3,646,449	6,660,642	(3,472,653)	3,187,989

Reconciliation of property, plant and equipment - 2024

	Opening Balance	Additions	Depreciation	Total
Land and Buildings	1,720,000	-	-	1,720,000
Ginnery Equipment	595,085	-	(59,509)	535,576
Machinery	-	624,000	(62,400)	561,600
Furniture and Equipment	197,943	4,607	(19,870)	182,680
Motor Vehicles and Trailers	654,369	-	(130,874)	523,495
Computer Equipment	20,592	149,035	(46,529)	123,098
	3,187,989	777,642	(319,182)	3,646,449

Reconciliation of property, plant and equipment - 2023

	Opening Balance	Additions	Depreciation	Total
Land	1,720,000	-	-	1,720,000
Ginnery Equipment	661,205	-	(66,120)	595,085
Furniture and Equipment	189,766	27,795	(19,618)	197,943
Motor Vehicles and Trailers	817,962	-	(163,593)	654,369
Computer Equipment	33,795	-	(13,203)	20,592
	3,422,728	27,795	(262,534)	3,187,989

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 carried out by Mabuza Masina Property Consultants on the 31 March 2022.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Figures in Emalangeni	2024	2023
3. Inventories		
Stock in hand	1,074,995	855,314
Stock on hand is detailed as below		
Factory materials	655,235	244,352
Ginnery stock	128,202	142,505
Cotton seeds	55,000	58,000
Chemicals	166,620	353,462
Production stock	69,938	54,568
Canteen	-	2,427
	1,074,995	855,314

Inventories are measured at lower cost and net realisable value.

4. Trade and Other Receivables

Farm Debtors	3,862,664	2,583,923
VAT	1,287,777	747,809
	5,150,441	3,331,732

Funds are made available out of the Credit Revolving Fund for the purpose of lending to the farmers.

Farm debtors are detailed as below

Farm debtors	4,407,371	2,898,864
Provision for farm debtors	(544,707)	(314,941)
	3,862,664	2,583,923

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Cash on hand	1,612	570
Bank balances	2,803,544	3,684,297
Bank overdraft	(4,644,397)	(1,255,099)
	(1,839,241)	2,429,768
Current assets	2,805,156	3,684,867
Current liabilities	(4,644,397)	(1,255,099)
	(1,839,241)	2,429,768



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Emalangeni	2024	2023
5. Cash and Cash Equivalents (continued)		
Bank balances are detailed as below		
Eswatini Development and Savings Bank - Call Account	1,127,477	1,084,201
Eswatini Development and Savings Bank - Current Account	(4,644,397)	(1,255,099)
Eswatini Development and Savings Bank - Cotton Levy Account	90,574	908,738
Stanlib - Money Market Fund	522,410	480,216
Standard Bank Eswatini Limited - Current Account	5,000	5,000
Standard Bank Eswatini Limited - Call Account	405,562	614,084
African Alliance	499,419	457,615
Swaziland Building Society	140,224	134,415
MTN Momo Pay	12,878	28
	(1,840,853)	2,429,198

Required Security

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:

1. Public Enterprise Guarantee for the loan amounting to E1,625,000.00
2. Government subvention of E1,500,000.00

6. Credit Revolving Funds

Revolving Fund	2,914,305	2,914,305
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The Credit Revolving Fund is utilised for the purpose of providing Crop finance to the cotton farmers. The fund was established in 2003 through a government grant. The capitalization grant was E6 million.

7. Revaluation Reserves

Valuation of Land and Buildings	1,720,000	1,720,000
Motor vehicles, trailers and other equipment's	401,928	401,928
	2,121,928	2,121,928

The property is situated on Lot No. 410, Jacaranda Avenue, Coates Valley, Manzini. Motor Vehicles, trailers and other equipment's are located in Potion 2, Farm 1080 Big Bend, Eswatini.

The valuation was carried out by Mabuza Masina Property Consultants on the 31 March 2022.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Emalangeni	2024	2023
8. Finance Lease Obligation		
Minimum lease payments due		
- within one year	70,228	98,552
- in second to fifth year inclusive	130,370	145,517
Present value of minimum lease payments	200,598	244,069

Eswatini Bank Loan Facility

The loan bear interest at a rate equal to prime lending rate plus 3.5% per annum, compounded monthly. The prime lending rate is currently 11% so the current applicable rate is 14.5%.

Interest is calculated on a daily balance of the amount of the loan, plus any interest thereon outstanding from time to time.

Required Security

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:

1. Public Enterprise Guarantee for the loan amounting to E1,625,000.00.
2. Government subvention E1,500,000.00

9. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Total
Gratuity and severance pay	1,310,484	304,458	(369,980)	1,244,962

Reconciliation of provisions - 2023

Gratuity and severance pay	950,291	784,123	(423,930)	1,310,484
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10. Trade and Other Payables

Accruals	336,246	1,046,574
Eswatini Government Ministry of Agriculture	983,796	927,872
Audit Fees	96,800	88,000
	1,416,842	2,062,446



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Emalangeni	2024	2023
11. Cash used in operations		
Loss before taxation	(2,683,527)	1,188,614
Adjustments for:		
Depreciation and amortisation	62,400	-
Finance costs	835,375	45,597
Impairment loss	256,782	262,534
Movements in provisions	(65,522)	360,193
Prior year adjustment	1,687,179	-
Changes in working capital:		
Inventories		
(219,681)		
306,717		
Trade and other receivables	(1,818,709)	114,874
Trade and other payables	(645,604)	967,134
	(2,591,307)	3,245,663

12. Risk Management

Financial Risk Management

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

The board's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the board'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 board's operating units. The board 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 board was not exposed to significant currency risk at the reporting date.

(ii) Interest Rate Risk

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

12. Risk Management (continued)

(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 board 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.

(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 argueded by management and executive review of control accounts and systems, electronic and manual checks and controls, back-up facilities and contingency planning.



DETAILED STATEMENT OF FINANCIAL PERFORMANCE

Figures in Emalangeni	2024	2023
Income		
Revenue	9,710,293	19,502,159
Government subvention	1,500,000	1,500,000
Levies	65,470	116,732
	11,275,763	21,118,891
Cost of Sales		
Opening stock	(855,314)	(1,162,031)
Purchases	(5,032,610)	(10,580,747)
Closing stock	1,074,995	855,314
	(4,812,929)	(10,887,464)
Gross Profit	6,462,834	10,231,427
Other Income		
Canteen Income	21,640	62,094
Rental received	72,725	77,834
Sundry Income	148,490	96,446
	242,855	236,374
Operating Expenses		
Accounting fees	42,880	5,955
Advertising	60,193	106,714
Auditors remuneration	98,800	90,000
Bad debts	-	314,941
Bank charges	50,973	486,735
Canteen expenses	31,435	49,332
Cleaning expenses	80,878	81,246
Commission paid	-	5,109
Computer expenses	107,025	29,229
Consulting expenses	239,890	19,204
Depreciation	319,182	262,534
Donations	12,088	4,524
Electricity and Water	692,049	1,155,162
Employee costs	4,290,552	4,726,504
Insurances	289,647	244,533
Motor vehicle expenses	576,765	550,639
PEU Management fees	76,464	106,879



DETAILED STATEMENT OF FINANCIAL PERFORMANCE

Figures in Emalangeni	2024	2023
Printing and stationery	148,289	171,655
Protective clothing	11,217	32,041
Rates paid	6,726	6,483
Repairs and maintenance	769,088	466,017
Retainer fees	174,016	113,748
Marketing and distribution expenses	275,805	66,914
Staff training and welfare	12,044	2,658
Subscriptions	71,007	51,306
Telephone and fax	69,708	45,149
Travelling expenses	47,120	38,379
	8,553,841	9,233,590
Operating (loss) profit	(1,848,152)	1,234,211
Finance costs	(835,375)	(45,597)
(Loss) profit for the year	(2,683,527)	1,188,614



TAX COMPUTATION

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Net loss per income statement	(2,683,527)
Add Backs:	
Donations	12,088
Assessed loss for 2024 - carried forward	(2,671,439)
Assessed loss brought forward	(10,589,357)
Tax loss carried forward	(13,260,796)
Tax thereon @ 27.5%	-
Tax liability	

The following supplementary information does not form part of the financial statements and is unaudited:



SUPPLEMENTARY INFORMATION

1. Cotton Improvement Fund

Levies	65,470
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2. Auditor's Remuneration

Kobla Quashie and Associates	96,800
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3. Rates Paid

Manzini City Council	6,726
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4. Repairs and Maintenance

Various spares for the Ginnery plant	769,088
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ESWATINI COTTON BOARD

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