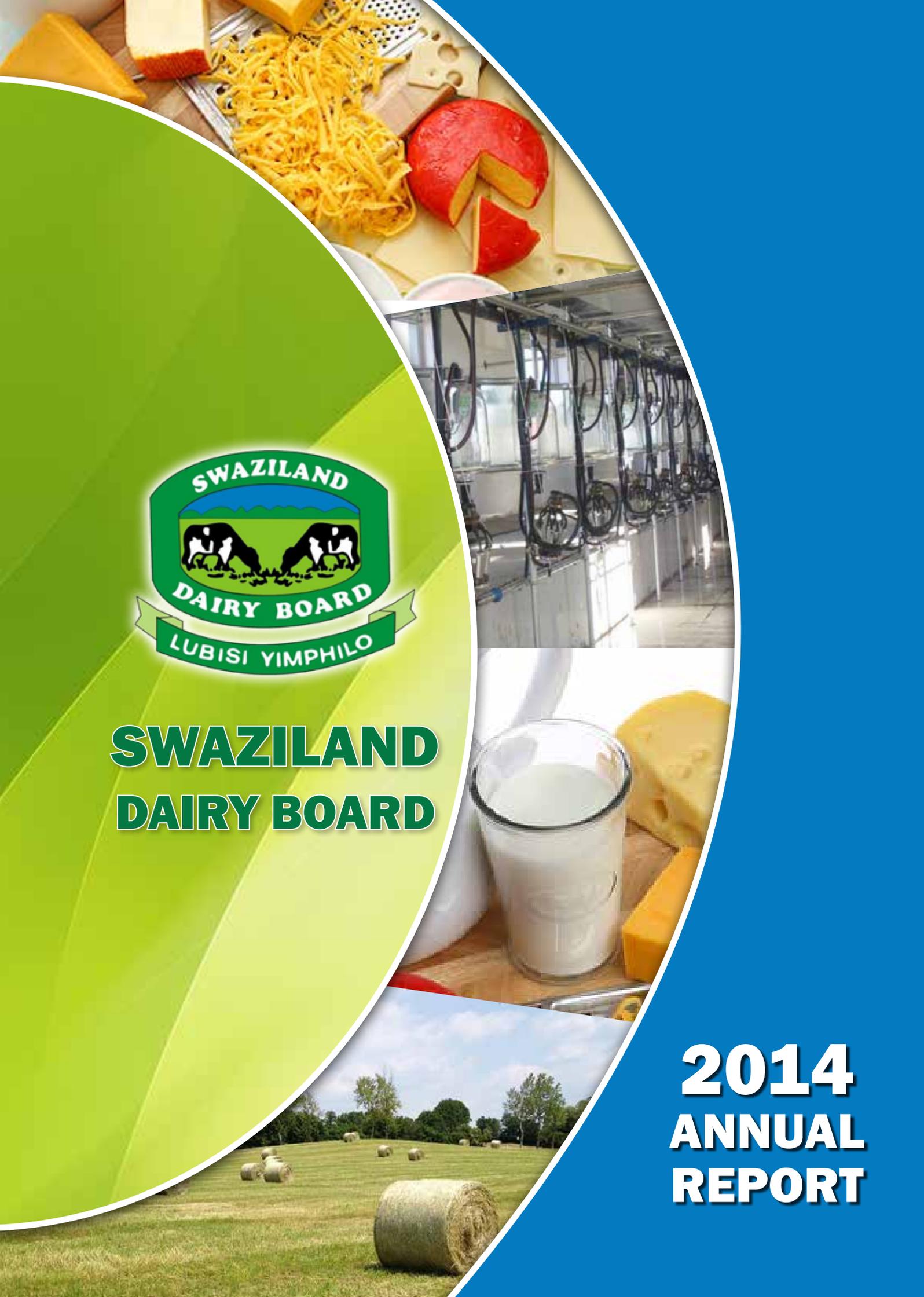




SWAZILAND DAIRY BOARD



2014 ANNUAL REPORT

VISION AND MISSION STATEMENT

VISION

We, the Swaziland Dairy Board perceive ourselves as a catalyst towards the total development and improvement of the dairy industry in Swaziland

MISSION STATEMENT

We, the Swaziland Dairy Board are in the business of developing and promoting the production and consumption of quality dairy products by coordinating and harmonizing all activities in the dairy industry through the application of appropriate skills and technology.

Our mission is set to be achieved through:

- ❖ Directing the development of the dairy industry in the Kingdom of Swaziland
- ❖ Facilitating the production and consumption of quality dairy products
- ❖ Ensuring the provision and sustainability of a technical capacity for the furtherance of the Board's mandate
- ❖ Advising and consulting the stakeholders on issues and matters which are related or incidental to the dairy industry



Swaziland Dairy Board

P.O. Box 2975
Manzini M200, Swaziland

Tel: (+268) 2505 8262/3/4
Fax: (+268) 2505 8260

The Honourable M. Vilakati
Minister for Agriculture
Ministry of Agriculture
P.O. Box 162
Mbabane, H100

Dear Sir,

ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31st MARCH 2014

The Board of Directors of Swaziland Dairy Board (SDB) is pleased to submit the Annual Report in accordance with the Provisions of Section 28(4) of the Dairy Act No.28 of 1968 and the Public Enterprise Act No. 8 of 1989 Section 17(1). We have the honor Sir, to submit the report in the following:

- ❖ Chairman's Report
- ❖ Chief Executive Officer's Statement
- ❖ Report on SDB's operations during the year
- ❖ A copy of the Audited Financial statements for the year under review.

Yours faithfully,

Mr. Thulasizwe Dlodlu
Chairman

Dr. Tony M. Dlamini
Chief Executive Officer



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SERVICE AGENTS

AUDITORS

KPMG



ATTORNEYS

H. M. MDLULI ATTORNEYS



BANKERS

**NEDBANK (SWAZILAND) LIMITED
SWAZILAND BUILDING SOCIETY**



INSURERS

TIBIYO INSURANCE BROKERS (PTY) LTD.



Swaziland Dairy Board is presenting the annual report for the financial year 2013/2014 in accordance with the provisions of Section 28(4) of the Dairy Act No.28 of 1968 and the Public Enterprise Act No.8 of 1989 Section 7(1).

The Board presents a financial report that shows profit before tax of E19,027,526 compared to E12,383,429 in 2013. Which depicts a 53.65 % increase.

Despite the sluggish economy growth experienced in the years, the Board has continued to strengthen economic activity within the dairy industry an aim to improve both the competitiveness and sustainability of the industry. The current situational analysis of the industry indicates a positive development and growth in the industry compared to the previous years. The positive results in operation have been achieved through the maintained high level of cooperation between management and the Board which was in line with good Corporate Governance principles.

On a positive note, the Board has also maintained its management of economical, social and environmental risks such that there were none that were major in the reporting period. The Board was able to closely monitor and review the performance of all organization strategic initiatives and provide remedial solution where gaps were identified. The Board made sure that all the strategic initiatives were in line with the National Development Strategy to ensure that the dairy industry makes a significant contribution in the economic wellbeing of the country.

Quarterly strategic reviews exercises were conducted to ensure that the organization was moving on the right strategic direction.

OPERATIONS

The Swaziland Dairy Board in line with its mandate to develop and regulate the local dairy industry focuses on the sustainable development and creation of an enabling environment for the local dairy industry through empowerment and the provision of extension services to the existing and potential stakeholders through the various levels of the value chain. The Board provides support through among others the collection, analysis and dissemination of information to the industry stakeholders and potential stakeholders with the aim to create an enabling environment for the growth, expansion and the establishment of dairy

and dairy related businesses. The availability of dairy and dairy related information will enable existing and potential stakeholders to make informed business decisions on the industry as a whole.

The Board has continued to place much of its efforts in improving the performance and competitiveness of the local dairy industry. These efforts are aimed at creating a vibrant enabling environment that would promote dairy businesses start ups and growth and attract both foreign and domestic investment in the sector. The board is also working towards increasing the number of role players and mutual cooperation across the value chain with much emphasises on value addition and feed production. With the increase in the number of role players and in the industry and cooperation across the value chain, the Board believes that the industry would be able to fulfill its long term objectives and goals.

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The Board has continued to place much of its efforts in improving the performance and competitiveness of the local dairy industry.

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To improve efficiency in the local dairy industry, the board continues to promote innovation and the use of technology. The use of technology would enable farmers to produce at the lowest possible cost and therefore maximize returns. The Board has developed and implemented various economic models that place much emphasises on cost leadership. This has resulted in increase in domestic production over the years. The increasing demand for dairy products in the industry calls for the development of dairy development initiatives that would promote milk production in the country. This has also informed the organization's strategic direction to focus on increasing milk production in the country. The Board has strategically positioned itself towards increasing

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The Board will continue to train more aspiring and existing producers and small scale processors on production, value addition and management, and, provide mentoring services to those in business.

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the local production in the industry. It is envisaged that in the future the industry would be able to produce surplus dairy products that can be exported to export markets.

In collaboration with partners, the Board has continued working towards attracting investment in the industry. This included working closer with government and stakeholders in the creation of an enabling environment that would support investment in the sector. Such investment opportunities would be able to create job opportunities and promote the overall performance of the industry.

The Board will continue to train more aspiring and existing producers and small scale processors on production, value addition and management, and, provide mentoring services to those in business. The Board is engaged with financial institutions and insurance companies in developing packages best suitable for dairy enterprises. This is being done by the Board on behalf the industry stakeholders in assistance towards accessing finance and insurance products tailored for the dairy enterprise. The services also provided include resource assessments for farmers wishing to start and/or expand a dairy business, training on production and management of dairy businesses, technical advice, estrus synchronization, artificial insemination services and project appraisal for those with additive business ideas.

RESULTS

The Board recorded a 21.64% increase in revenue base. The total revenues for the financial year were E32,537,773 compared to E26,748,492 in the previous year. The sources of revenue for the Board continue to be import levies and rentals from the various properties owned.

OUTLOOK

To promote and stimulate the local economy, the Central Bank of Swaziland has continued to explore other strategic initiatives that would encourage entrepreneurial activity of all players in the economy. The Bank's monetary policy stance has remained stable in 2013 allowing interest rates to be at historically low levels in an endeavor to stimulate economic growth. The board continues to support and promote dairy enterprise development initiatives in order to take advantage of the low interest rates. It is envisaged that local dairy producers would be able to stimulate the domestic production as they expand their businesses in order to respond to the local growing demand for dairy products.

Increased domestic milk production has been one of the major focus areas the Board has placed much emphasis on to ensure that dairy becomes a significant contributor to the agricultural sector GDP. The Board has realigned most of its strategic initiatives to ensure that the industry plays a major role in food security, export promotion, poverty alleviation and employment creation for the Swazi people.

According to the Sub-Saharan Africa Regional Economic Outlook indicates a continued sustained economy growth rate for the region's economy despite the rising uncertainties presented by the external financial cost, deceleration in key export markets and weaker commodity prices. Preliminary findings indicate that the economy of Swaziland performed relatively better compared to 2012. According to the Central Bank of Swaziland, recent estimates of the real economy of the country indicate an expansion of 2.8 percent in 2013 compared to the revised estimate of 1.9 percent in 2012. This increase is a result of the improvements in the secondary and tertiary sectors.

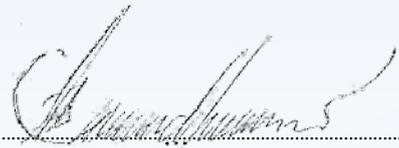
The Board targets to improve the competitiveness of the entire industry through increased collaboration with strategic partners and stakeholders, promotion of technology use and innovation, investment promotion, enterprise development, capacity building and increased technical support service outreach. It is envisaged that these would instill a commercialization culture among smallholder farmers which would increase domestic milk production. The increase in milk production would enable producers to diversify and produce a wide range of dairy products locally which can be sold either locally or in export markets.

APPRECIATION

On behalf of the Board, I would like to thank management and staff for their great and dedicated efforts and contributions to the excellent results achieved this year. It is through the demonstration of hard work and commitment that the Board has reached this high level of performance. My sincere appreciation

also goes to all the industry stakeholders and I assure them that Swaziland Dairy Board will remain more committed to the development and promotion of the production and consumption of quality dairy products as well as the regulation of the industry for a sustainable, thriving dairy sector. More importantly, I would also like to express my gratitude to the Ministry of Agriculture for their support during the year.

Finally, to the Board of Directors, the mere existence of the Board would not have been possible without your wise foresight, support and dedication, thus making my duties easier.



Mr. T. Dlodlu

CHAIRMAN OF THE BOARD OF DIRECTORS

BOARD OF DIRECTORS AND MANAGEMENT

DIRECTORS

Directors during the year were:

Mr. Thulasizwe Dlodlu
Chairperson

Ms. Dorah Vilakati
Vice Chairperson

Mr. Tony Sibandze
Member

Ms. Thulisile Nhlabatsi
Member

Mr. Dean Adams
Member

Ms. Nellie Dlamini
Member

Dr. Velephi Okello
Member

Dr. Tony Dlamini
Chief Executive Officer

MANAGEMENT

Dr. Tony M. Dlamini
Chief Executive Officer

Mrs. Mfihlakalo Mamba
Acting Chief Financial Officer

Mr. Boniface. M. Motsa
Acting Dairy Development Manager

Mr. Sonny Nxumalo
Quality Control Manager

FINANCIAL HIGHLIGHTS

The Board's major task is to develop and regulate the dairy industry through finances from levy and rental collections. During the year under review the Board realized profit before tax of E19,027,526 compared to E12,383,429 in 2013. There is a steady increase in total revenue from 2010 which is mainly

from levy collections and rental income. Imported quantities of dairy products have also been increasing over the 5 year period. Total revenue for the year under review is E32,537,773 compared to E26,748,492 in the previous year representing a 21.64% increase in operating revenue.

Table 1. Summarized Five (5) Year Financial Performance (E)

Operating Statement	2010	2011	2012	2013	2014
Revenue					
Operating Revenue	12,809,741	14,854,844	23,229,071	25,691,240	31,067,705
Finance Income	398,531	418,511	451,963	660,890	1,003,229
Other Income	323,839	375,146	407,125	396,362	466,839
Total Income	13,532,111	15,648,501	24,088,159	26,748,492	32,537,773
Expenditure					
Wages & Salaries	5,019,806	5,741,997	7,461,954	7,468,065	6,090,657
Finance Cost	999,669	659,813	618,970	376,649	227,239
Other	5,842,640	6,237,122	6,157,569	6,520,349	7,192,351
Total Expenditure	11,862,115	12,638,932	14,238,493	14,365,063	13,510,247
Profit/(loss) before tax	1,669,996	3,009,569	9,849,666	12,383,429	19,027,526
Taxation	1,051,921	1,214,591	3,268,855	3,881,972	5,377,304
Profit for the year	618,075	1,794,978	6,580,811	8,501,457	13,650,222

Table 2. Five (5) Statement of Financial Position

	2010	2011	2012	2013	2014
Assets					
Property, Plant & Equipment	12,984,002	4,644,193	4,077,553	4,313,411	5,014,158
Investment Property	4,334,690	12,628,360	12,485,371	12,464,912	11,946,707
Financial Assets	865,599	865,599	865,599	865,599	865,599
Deferred Tax	74,569	200,133	796,927	708,359	441,107
	18,258,860	18,338,285	18,225,450	18,352,281	18,267,571
Current Assets					
Cash and cash equivalents	4,056,187	11,168,539	19,128,617	22,288,951	35,403,021
Trade and other receivables	7,254,619	1,258,844	874,025	652,457	720,729
Current tax prepaid	-	-	-	78,392	-
	11,310,806	12,427,387	20,002,642	23,019,800	36,123,750
Total Assets	29,569,666	30,765,668	38,228,092	41,372,081	54,391,321
Equity and Liabilities					
Retained Profit	10,997,981	12,792,959	19,373,770	35,841,247	49,491,469
Long Term Liabilities	7,782,514	6,312,624	4,889,646	769,929	914,490
Current Liabilities	10,789,171	11,660,085	13,964,676	4,760,905	3,985,362
Total Equity and Liabilities	29,569,666	30,765,668	38,228,092	41,372,081	54,391,321



The Swaziland Dairy Board is a public enterprise established in 1971 in terms of the Dairy Act No. 28 of 1968. The Board's primary function as provided in the Act is to develop and regulate the dairy industry in Swaziland. It has been involved in commercial operations before its restructuring in 1999 to revert back to its original mandate. The Board's core business is to provide developmental and regulatory services to the dairy industry from a neutral position. The SDB undertakes its mandate in line with Governments goals of poverty reduction, food security, job creation, investment promotion and export promotion. In other words it complements Government's efforts through the provision of a supportive socio-economic environment for the development of the dairy industry.

Presently the Swaziland Dairy Board offices are located on the third floor of Enguleni House on Lot 287 Mahleka Street in Manzini City.

The development of the dairy industry is aimed at promoting local milk production, processing, distribution and consumption; investment in all phases of the industry; market access and the general improvement of the sub-sector's commercial climate for the benefit of producers and consumers. The Board encourages investments in

order to achieve a sustainable level in the supply of dairy products for self reliance, and fosters fair competition and easy market access by regulating the import and export of dairy products based on the principle of supply and demand.

The Board is expected to coordinate, harmonize and, where necessary, regulate the activities of all stakeholders in a cost-effective manner, and to ensure that they attain efficiency in production, processing and distribution of milk and its products in the local market. It also enforces the statutory activities of producers, processors and distributors. The

Board is also custodian to dairy statistics including its collection, analysis and dissemination to stakeholders. The overall objective is to achieve and maintain food security in dairy products. The Board also protects the interests of consumers by enforcing health and quality standards as well as ensuring that products are correctly labeled for accurate information. The Board also ensures that producers receive various support services such as technical advice, project appraisal, advice on appropriate infrastructural developments and more importantly training.



The global economy has continued to show positive signs of growth over the previous years adversely affected by the global financial crisis. But the growth was not evenly robust across the globe. Global growth of domestic gross product (GDP) is projected to strengthen from 3% in 2013 to 3.6% in 2014 and 3.9% in 2015. The country's economy also showed a notable increase in 2013, even though it slugged behind from the global growth due to Government's fiscal problem. The estimates by the Central Bank reflect that though the fiscal crisis persisted in 2013, the economy performed significantly better than the past two years. This performance was mainly a result of large inflows from the Southern Africa Customs Union (SACU) to the revenue pool. The spending of the SACU income means that no fiscal has been created to enhance the government's ability to respond to potentially reduced SACU receipts in the future. The main growth drivers in 2013 were the recovery in domestic and external demand buoyed by public expenditure and stronger global demand for exports. The inefficiency of the country in the EU, US and Southern African markets translated to a slower performance in domestic economy.

According to the Central Bank of Swaziland, preliminary estimates reflect the real economy expanded by 2.8 percent in 2013 compared to the revised estimate of 1.9 percent in 2012. The increase in 2013 benefited from improvements in the secondary and tertiary sectors. Major growth is mainly in the manufacturing and construction sectors. Manufacturing improved by 2.5 percent mainly driven by increased production of miscellaneous edibles and muted sugar and sugar products which are the leading export commodities.

Agriculture is the backbone of the country's economy. The main export goods are from agricultural production and agro-processing manufacturing. The country has continued to participate in all regionally and international economic arrangements where it has access to markets. The primary sector, which accounts

for 10.3 percent of the GDP, grew by 8 percent due to increased agricultural production that resulted from favorable weather conditions. However the sugar industry continues to be a major contributor in the agriculture sector due to the completion of the LUSIP and KDDP projects. Sugar production had a muted growth which suffered the effects of poor quality cane due to heavy rains during harvesting period.

Despite the challenges highlighted, the dairy industry has shown some positive growth in the overall domestic milk production. Swaziland is among the African countries with the highest consumption per



capita for dairy products and the continuous growth in demand for dairy products presents enormous investment opportunities in the sector. The industry has been able to play a major role in improving the standard of living for rural poor through creation of employment opportunities and improve household incomes. Dairy farming has been a major contributor for both the primary (production) and manufacturing sector (processing). The positive growth of the sector from the previous years shows that the industry has a huge potential to make a significant contribution in the overall agriculture sector performance and contribution to GDP.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Stimulation in local production has been one of the key priority areas the Board has placed much efforts.

The agricultural production and agro-processing manufacturing sectors continued to play a significant role in the country's economy. During the year under review the agricultural sector contributed an estimated to the country's economy. The dairy industry is one of the contributing factor. The Board is in line with its mandate to develop and regulate the local dairy industry has continued to focus on sustainable development and creation of an enabling environment for local dairy industry through empowerment and provision of extension services to existing and potential stakeholders through the various levels of the value chain. The Board has aligned its strategic initiatives with the agricultural sectorial strategies so to enable dairy to be a significant contributor to the overall agriculture GDP.

The Swaziland Dairy Board is a parastatal which is solitary owned by the Swaziland Government. It was established in 1971 under the Dairy Act No. 28 of 1968. As provided by the Act, the Board's primary function is to develop and regulate the Dairy Industry. The SDB complements the Government's efforts through the provision of a supportive socio-economic environment for development of the dairy industry aimed at achieving food security, poverty alleviation, investment promotion, job creation and export promotion.

The Board made profit before tax of E19,027,526 compared to E12,383,429 in 2013 which illustrates a 53.65% increase. The increase in revenue was through the cost leadership strategy the Board adopted in an aim to increase productivity and efficiency in its operations as it executes its mandate to develop and regulate the dairy industry in Swaziland without compromising the quality of service delivered.

Overview

The demand for milk and milk products has increased significantly from the previous 68.94 million litres recorded in 2013. As of 2014, the domestic consumption grew significantly to around 81.67 million litres of milk and milk products. This indicates an 18.47% increase in domestic consumption. Also domestic production has showed positive growth from the previous years. Local milk produced in 2014 was around 10.64 million litres which depicts a 9.02% increase from the previous 9.76 million produced in 2013. This has been largely

attributed to the increase in both the number of farmers venturing into dairy farming and the increase in the number of dairy cows.

There were around 435 dairy farmers during the year reported upon shows an 11% decrease from the 488 farmers in 2013. About 88.1 percent of the dairy farmers practise on Swazi Nation Land while the remainder practises on Title Deed Land. A better price for the farmers' produce in the formal market was negotiated to around E4.80 per litre in 2013 rising from at around E4.50 per litre offered in 2012. Local milk production continued to increase in the year 2012 when compared to subsequent years; this is inline with the country's objective to develop the local dairy industry.

According to the 2014 livestock census, there were 4, 561 dairy cows as compared to 4, 787 in 2012. In 2014 there were 5, 121 dairy animals which indicate a positive increase in the number of the local dairy herd from the previous years.

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The objective is to have a competitive and efficient dairy industry where the production efficiencies are improved.

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The sources milk in the country consists of the traditional and commercial sectors. These are carried out on the Swazi Nation Land (SNL) and Title-Deed Land respectively. The traditional sector is derived from seasonal production of milk from the indigenous herd in particular the local Nguni based breed. The cows are milk during the summer months mainly when they have just calved and the grass is abundant and nutritious. The commercial sector is further subdivided into small-scale dairy farmers that keep 1 to 10 milking dairy cows; medium-scale (11-50 milking dairy cows) and large-scale (51 and above milking cows). Dairy animals are kept under intensive, semi-intensive or extensive systems. According to the Ministry of Agriculture, semi-intensive system predominated with



The Board is in line with its mandate to develop and regulate the local dairy industry has continued to focus on sustainable development and creation of an enabling environment for local dairy industry through empowerment and provision of extension services to existing and potential stakeholders through the various levels of the value chain.



the Friesian being the most popular breed. The semi-intensive system is practiced by both small-scale and medium-scale dairy farmers.

Cattle population in Swaziland is estimated to be 633, 954 and dairy cattle account for less than a percent. The dairy cattle population is estimated to be 4, 561. Dairy breeds in Swaziland include Friesian, Jersey and Ayrshire. There has been an addition of cross breeds of the traditional beef animals with the dairy exotic breeds. This is done so to provide farmers with dual purpose animals which may be used for dairy and also have good beef production potential.

Swaziland has disparity between the supply and demand of milk. According to CBS, the demand for milk and milk products increased by five percent from 65.68 million litres in 2012 to 68.94 million litres in 2013. Domestic production of raw milk increased by nine percent in the year 2013 to 10.64 million litres from 9.76 million litres produced in 2012. Domestic production continues to fall short of the raising demand for dairy products in the country, with imports constituting about 85 percent of milk and milk products in 2013. The sustained upward trend in imports is in line with shifting tastes for Ultra Heat Treatment milk, hard cheeses and retail brands currently sourced from South Africa.

Strategic Focus

The strategic plan placed much emphasis on increasing milk production in the country and promoting the efficient use of resources while improving industry performance and competitiveness. One of the major strategic focus areas was the building of capacity for all stakeholders in the industry which prioritized the

promotion of dairy enterprise development as well as increasing outreach of technical services to dairy stakeholders. The Board continued to work closer with industry stakeholders and partners in an aim to improve the service delivery of all organizational goals.

The overall objective was to improve the sector's performance and competitiveness. The main focus areas were to stimulate domestic production, improve the competitiveness of the industry, promote innovation and technology use and capacity building and improved service delivery and outreach to all dairy stakeholders.

The Board continued to intensify and strengthen the capacity building of dairy farmers through providing training both in dairy farming and processing. The board has also facilitated the training of farmers on small scale processing to increase the market channels of the dairy products. It continues to work with Government and partners to promote investment opportunities in the industry and attract both domestic and foreign direct investment. The Board continued to conduct research to avail information to all the dairy stakeholders and potential entrants into the industry.

The Board continues to realise its long term objective to increase domestic milk production in the country. Development initiatives focusing on improved breeding, production efficiency, capacity building, fodder production and both increased finance and market access have been implemented by the Board. The objective is to have a competitive and efficient dairy industry where the production efficiencies are improved. The board is currently exploring alternative local sources of dairy animals and continues to

CHIEF EXECUTIVE OFFICER'S STATEMENT

collaborate with Government in utilizing some of the farms in breeding both dairy cows and goats. The board is implementing strategic initiatives that ensure self-sufficiency in the industry and possibilities of exportation.

The country still experiences a shortage of dairy animals and the Board has continued to assist farmers with the procurement of animals, mainly from the Republic of South Africa. The Board promotes technical innovation and technology usage. These services provided include estrus synchronization, artificial insemination and technical services. Another setback faced by the dairy stakeholders is the access to finance and the Board

has engaged financial institutions with the aim of developing initiatives that enable farmers to access affordable financial services to start and/ expand their existing businesses.



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Dr. T. M. Dlamini

CHIEF EXECUTIVE OFFICER

The Board renders its services through its four (4) departments, namely the Dairy Development Services, Finance and Administration, Information and Economics Analysis as well as Quality Control. Each of these is headed by a manager who reports to the Chief Executive Officer who in turn reports to the Board of Directors.

DAIRY DEVELOPMENT SERVICES

The Swaziland Dairy Board (Board) provides support, training and advisory services to milk producers. Services to farmers include the following, resource assessment for starting dairy businesses, siting and construction of dairy structures, forage production and conservation, perennial and winter pasture establishment and management, procurement of dairy cattle, production of hay bales, artificial insemination coupled with heat detection, dairy cattle feeds and feeding, clean milk production and proper handling, calf rearing, record keeping, dairy herd health and its application, milk marketing, general farm management, formation of farmer groups; coordination of activities for farmer groups and management of communal milk collection centers.

The following is a trend of dairy cattle imports into the country:

Table 3: Number of dairy cattle imported

Region	2009/10	2010/11	2011/12	2012/13	2013/14	TOTAL
Manzini	64	80	89	71	33	337
Hhohho	16	5	0	2	10	33
Shiselweni	20	10	35	18	49	132
Lubombo	5	2	3	7	4	21
TOTAL	105	97	127	98	96	523

The estimated amount spent for purchasing the dairy cattle were as follows:

Period	Amount (E)
2009/10	753,469
2010/11	970,000
2011/12	1,400,490
2012/13	842,875
2013/14	1,152,000

Artificial Insemination (AI) and Heat Synchronization

SDB continued to provide artificial insemination (A.I.) services to dairy cattle for milk producers in all the regions of the country. The A.I. services included synchronisation of oestrus, breeding of cows/heifers and general dairy farm management to improve the overall performance of the dairy herd.

During this reporting period, 245 dairy cows/heifers were bred using artificial insemination in all regions of the country. Amongst the total number of cows/heifers bred, 112 were heat synchronized at cost in all the regions of the country.

Dairy Cattle Purchase

During this reporting period, a total number of 96 dairy cattle were imported from the RSA into the country for farmers in all the regions. Cattle are imported since they are not easily available in the country; the current demand of dairy cattle is imported mainly from the Republic of South Africa.

Training and Extension

(a) Farm Visits Technical Advice to farmers

Technical advices and dairy husbandry practical services were offered to dairy farmers during specific farm visits to address their farm problems, assess individual needs, motivate and equip them with certain skills required to improve the performance of their dairy farms including milk marketing and delivery to processing plants. A total of 1, 425 farm visits were carried out covering the whole country to offer technical advices and dairy husbandry practical services.

REVIEW OF OPERATIONS

(b) Workshops

(i) Farmer Technical Meetings/Workshops

In this reporting period thirteen (13) day time workshops were conducted in all regions with a total attendance of 204 farmers.

In addition 31 technical meetings were held in the four regions of the country with a total attendance of 537 farmers.

(ii) Intensive Dairy Course

In an aim to build capacity in the dairy sectors, the Board has continued facilitate training programmes for both aspiring and practising dairy farmers. In the year under review, a total number of 165 farmers were trained in dairy cow's production, dairy goats production and artificial insemination. The attendees for the trainings graduated in closing ceremonies that was graced by the presence of the Honourable Minister for Agriculture who also awarded them with course certificates.

Degree Programme in Animal Science (Dairy Option)

In an endeavour to create a pool of skilled and experienced dairy practitioners, the board has continued to collaborate with the University of Swaziland in the production of qualified dairy graduates. During the reporting year, five (5) Animal Science (Dairy Option) graduates from the University Of Swaziland were produced.

These students were attached to four large scale dairy commercial farms to acquire hands on experience and are given grades in all these places of attachment. These attachments are a compulsory part of the Dairy Option curriculum and the grades form part of their final year assessment at the University. The Board makes regular visits and consultations with the interns and their farm supervisors to discuss progress achieved and other emanating issues.

Educational Tours

To improve exposure to a number of effective and efficient production methods, the Board facilitates educational tours for local farmers to visits advanced dairy farms for the purposes of experiential learning. This initiative enables local farmers to learn from other advance dairy operators so they can acquire knowledge on other dairy production methods. During the

reporting year the Board facilitated two educational tours to the Republic of South Africa. The places visited included Clayton Jerseys in Dundee and Indezi Dairy Goats Project in Howick.

The Milking Machine Project

In an endeavor to promote innovation and technology use in the industry, the board continues to encourage and support dairy farmers to use milking machines. During the year under review, six (6) two point mobile milking machines were procured for dairy farmers. The milking machines were purchased for farmers in all the four (4) regions of the country.



Through this initiative, a majority of Dairy Farmers now recognize the value of using a milking machine as opposed to the traditional way of using hands. Positive results of this initiative included an improvement in clean milk production and handling, complete milking resulting in more milk and income per cow, short time milking period etc just to name a few.

Indigenous Cattle Dairying

Indigenous Cattle Milk Collection Centres

In an aim to stimulate local milk production and dairy farming at grass root level, the Board has continued to support the Indigenous dairying initiative to encourage farmers to venture into dairy farming as an enterprise. Milk cooling tanks belonging to SDB were distributed to community milk collection centres. Farmers milk their indigenous beef herd and take the milk to the collection centre for sale. The milk is then stored and sold in bulk to dairy processors. It is envisaged that this initiative will stimulate more milk production from the local beef and crossbred cows as farmers start reaping

the benefits in the form of increased income from milk sales.

During the year under review, the board has continued to work closer with Veterinary Assistants in sensitizing farmers about the value of this initiative. Meetings were conducted in the regions to brief the Animal Health Staff, Dip Tank Assistants, Dip Tank Committees, livestock owners on the project as well as farmers who had already started to sell milk through the established milk collection centres. The total number of meetings held in the regions was 12 with a total attendance of 375.

The Board continued to facilitate training workshops to capacitate farmers on all dairy technical and animal husbandry practices. Farmers were encouraged to milk indigenous beef herd for commercial purposes. Preparations include selection of the animals, body condition scoring and training. The collection centres include the following; Gwayimane, Ntandweni, Khuphuka, Phonjwane, Mbalenhle and Ka-Langa all in the Lubombo region. Consultative meetings were held in the other regions to open the centres countrywide.

More milk collection centers will be established in future to expand the programme to other suitable areas with adequate milk.

Goat Milk Promotion

The Board continues to promote goat milk production and consumption in the industry. The Board has continued facilitating training programmes on dairy goat production. With the scarcity supply of dairy goats both local and in neighbouring countries, the Board continued to embark in a scouting programme to identify reliable potential suppliers of dairy goats in the Republic of South Africa. At the moment there are about 9 smallholder dairy goat and two medium scale (Tisuka TakaNgwane and Mgambeni Dairy Goat Project) milk producers in the country. All these dairy goat milk producers are assisted by the Swaziland Dairy Board to manage their dairy goats farming to produce goat milk in the country.

Promotion of Cross Breeding Indigenous with Exotic Breeds

The Board is actively promoting the cross breeding of our local indigenous breeds with the exotic breeds through artificial insemination. The board continued

to work closer with Ministry of Agriculture Veterinary Assistants to promote this initiative at grass root level.

Hay Production

To address the challenge of shortage of feed during dry seasons, the board continued to produce hay bales for winter feeding. During the reporting year a total number of large round hay bales (250 kg) produced was 960. Most of them were sold to farmers in all the regions. The hay making process will be continued in the next financial year since farmers continue to place more orders for hay in preparation of the winter or dry season where livestock feed become scarce and in high demand.



Gege Government Dairy Farm

In an aim to improve the economic well being and production efficiency of the farm, the Board continued to provide day to day management services for running and operating the farm to full production capacity. As at the end of March 2014 the total number of dairy cattle was 136.

The dairy cattle consist of Jerseys, Holstein/Frisian and Crosses. The Board is expected to continue assisting the Ministry of Agriculture to improve the performance of the dairy farm in the next financial year.

REVIEW OF OPERATIONS

Group Dairy Project (Central Pastures).

To support group formation and resource sharing in the industry, the Board has continued to encourage and support Centralized Dairy Projects. The Board values the role played by Centralized projects in improving production efficiency in the industry. The Board has continued working closer with stakeholders to support this initiative.

(a) Ngudzeni Multipurpose Cooperative

The Board continues to provide technical support to the group to ensure that it grows and remain sustainable. During the reporting period the group held a number of meetings in an aim to explore possible ways to improve the project. A farm manager was hired by the project to oversee all the day to day operations. There were ten (10) dairy animals in the reporting period of three (3) are milking, two (2) dry and five heifers.

(b) Sithobelweni Dairy Cattle Project

During the quarter reported upon, the group, Imphumelelo Yemntfwana Livestock Project, continued to make preparations for receiving the cows. Preparations included stakeholder project planning meetings, setting up the infrastructure, scouting and procurement of animals. The group was assisted to procure two (2) cows with funding from World Vision Swaziland. The group intends to expand and commercialise its operation as part of their future expansion plans. .

(c) Chubeka Zandondo

This group is supported financially by Hand-in-Hand International, a non-governmental organization which is part of the Hand in Hand network, whose shared vision is to fight poverty through job and business creation. Currently the group has two milking jersey cows and two heifers. During then reporting period the Board provided technical support services including artificial insemination for the cows.

(d) Mgambeni Dairy Goats Project

Mgambeni is a dairy project funded by a number of donor agencies including Advocate for Africa's Child, LUSIP-GEF and World Vision. The primary objective of the project is to improve the livelihoods of disadvantaged children through provision of milk. During the reporting period, the board was actively involved in all the stakeholder consultative meetings with partners on effective ways to implement the project.

Preparations included stakeholder project planning meetings, setting up the infrastructure, scouting and procurement of animals. The Board also facilitated the procurement of the dairy goats and the group was able to receive 14 female goats and a breeding buck.

Business Plan Preparation

There were 34 dairy business plans prepared during the year under review. Twenty four (24) were for small-scale, three (3) medium-scale and four (4) large-scale business. All the proposed business ventures were to start/ expand existing dairy cattle enterprises.

Initiatives

Establishment of a revolving smallholder heifer/ cow supply scheme (Pass on the Gift)

In an endeavor to improve the livelihoods of the rural poor and food security state of the country, the Board in collaboration with the Ministry of Agriculture under the Swaziland Agricultural Development Programme (SADP) is implementing a revolving smallholder heifer supply scheme project. The aim of this project is to improve the livelihoods of the rural poor by enabling them to venture into dairy production through the provision of dairy animals to smallholder farmers who are resource challenged to own a dairy cow. Farmers are given one pregnant heifer which they will re-pay by passing on the first female offspring to another farmer, a passing on of the gift concept.

Under the reporting period, SDB in collaboration with SADP developed a project concept paper that would guide the implementation of the project. Officers from the Board were sent to Heifer International's South Africa offices at Polokwane where they learnt about the implementation of the entire Project. Beneficiaries of the project were identified and capacitated by the Board so they can be ready to receive the cows. A total number of 50 dairy animals were purchased by SADP and are yet to be distributed to the farmers.

Community Based Artificial Inseminators

In an aim to improve the breeding service in the industry, the board has developed a community based artificial insemination initiative that would enable increased outreach of AI services to farmers through the use of community based artificial inseminators. During the reporting year the Board was examining possible ways to implement the project. Discussions

with potential partners were made on possible areas of collaboration. The Board also identified cost effective prospective suppliers of the AI equipment.

Dairy Processing

In an endeavor to diversify and produce a wide range of dairy products, the Board has continued to promote value addition. In collaboration with the College of Cedara in the Republic of South Africa, the Board is facilitating value addition training for local dairy farmers to attend a Dairy Processing course at Cedara. This is part of the Board's initiative to promote small scale processing in the industry. During the reporting year, a total number of 16 local farmers were trained in dairy processing. The training programme is practically oriented and provides participants with hands on skills on dairy processing.

Partners for Collaboration

The Board continues to engage in discussion with relevant organizations on the possibilities of forging partnerships for the development of the dairy industry. The Board has developed a number of dairy development initiatives and is looking for possible collaboration with partners for effective implementation.

MoU with Financiers

The Board continued to engage with partner financial institutions to examine possible methods to ease access to affordable financial services for dairy farmers. During the year under review sections of the MoUs were amended with partners to enable smooth implementation of joint implementation plans as articulated in the MoUs.



QUALITY CONTROL

The Quality Control department carries out the regulatory function of the Board. This is done through working with processors, retailers, distributors and producers of milk and dairy products.

The Department also regulates the import and export of dairy products. The table below shows the charges according to the legal notice number 27 of 2011.

Table 4: Swaziland Dairy Board levy on Milk and Dairy Products Regulations, 2011 Schedule

	Products	Import Levy (% Of The Invoice Value)
1.	Full Cream Milk UHT/Flavoured Milk	10
2.	Low Fat UHT	10
3.	Fresh Full Cream Milk, Low Fat or Skim Milk	12
4.	Fermented Milk/Emasi/Butter Milk	12
5.	Fresh/Sour Cream or UHT	10
6.	Yoghurt/Sip	10
7.	Margarine	10
8.	Honey	10
9.	Condensed Milk	10
10.	Dessert/Ice cream/mixtures	10
11.	Baby Formulas	10
12.	Milk Substitutes (e.g. Cremora etc)	10
13.	Full Cream Milk Powder	10
14.	Skim Milk Powder/Dairy Powder Blends	10
15.	Whey/Buttermilk Powder	10
16.	Cheese (Cheddar, Gouda or other)	10
17.	Butter	10
18.	Edible Products of animal origin not elsewhere specified or included in the Tariff Book	10

The year 2013/2014 saw the Board implement its intensified drive in assisting stakeholders to produce, sell and buy quality dairy products as it was planned in the previous year. During the year reported upon, improvements in the industry value chain were noted which could be supported by the increase in consumed high quality products. In the upcoming year, the Board will continue with the regulation of the imported dairy goods in order to protect the industry. The Board works closely with relevant partners in an exercise to build capacity of its officers and adopt international standards which will benefit the industry.

INFORMATION AND ECONOMIC ANALYSIS

The Information and Economic Analysis is involved in the monitoring of the performance of the dairy industry both locally and internationally thereby acting as a reference point for the industry. The unit collects data and processes into information, undertakes economic

analysis and project appraisal for the benefit of dairy entrepreneurs (aspiring and active dairy entrepreneurs) who require financing. The department works with a number of stakeholders including financial service providers and insurers in an aim to improve access to affordable financial and insurance services.

The department works closely with the other departments in its function of collecting, collating and analysing data. The department also provides training services on business planning and management, and, the actual generation of business plans. This is in line with the Board's objectives of being highly focused on the industry as a whole in advising and consulting with stakeholders on issues and matters which are related or incidental to the dairy industry. The unit also provides business advisory services to aspiring dairy farmers on how to start and run a dairy enterprise.

Dairy Statistics

The consumption for dairy products in the country is estimated at 68.94 million litres per annum in terms of liquid milk equivalents (LME's) while commercial milk

production from the national dairy herd is estimated at 10.64 million litres. The deficit of 58.30 million litres of LME's is met through imports of dairy products.

Table 5: Consumption of milk in Swaziland (In Liquid Milk Equivalents - (LME))

Year	Consumption in m. (lmes)	Import	% Import	Local	% Local
2010	51.79	44.27	85.50	7.52	14.50
2011	53.53	45.82	85.60	7.71	14.40
2012	57.31	48.65	85.00	8.66	15.00
2013	60.24	50.48	84.00	9.76	16.00
2014	68.94	58.30	84.54	10.64	14.70

Importers continue to play a significant role in meeting the deficit. The table below shows imports of dairy products in the country.

Table 6: Quantities of Imported Dairy Products (2009/2010 – 2013/2014)

Product Name	Quantity (kg/L)				
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Baby Formula	131,835.62	122,824.93	217,237.08	225,728.01	351,715.12
Butter	53,197.59	30,617.10	37,348.17	39,010.56	40,657.54
Buttermilk	-	-	460.80	430.00	615.56
Buttermilk Powder	119,885.00	103,460.71	-	101,000.00	120,288.00
Cheese	398,283.41	504,858.55	535,108.38	691,552.27	641,876.34
Condensed Milk	8,830.74	10,164.93	21,026.87	14,961.79	6,707.42
Cream	61,657.41	35,586.31	33,125.47	33,425.79	27,184.09
Creamers	0.00	0.00	768,055.42	1,552,497.40	1,847,089.22
Custard	71,401.80	160,079.25	196,641.42	209,052.44	187,761.50
Dairy juices	502,544.38	406,744.55	2,955.42		
Dairy Powder Blends	3,590.28	2,063.34	3,994.75	7,211.74	3,073.36
Emasi	270,954.11	859,241.22	655,049.60	772,474.10	918,778.22
Flavoured Milk	16,957.72	18,929.75	35,268.89	27,481.50	49,436.87
Fresh Milk	321,644.80	601,140.82	342,194.88	389,110.27	441,585.73
Full Cream Milk Powder	273,159.04	321,965.94	360,216.24	408,758.67	396,377.37
Goats' Milk				5,535.00	7,337.00
Honey			2,642.44	13.50	-
Ice Cream	178,969.87	301,625.58	1,134,051.07	662,017.21	537,834.77
Margarine				1,516,782.03	2,540,000.00
Skim Milk Powder	8,032.00	38,531.40	15,000.00	12,359.48	8,922.88
UHT Milk	5,431,205.31	6,546,171.61	7,076,807.15	6,666,144.23	7,909,004.70
Whey Powder	579,930.00	494,495.00	266,100.00	361,875.00	380,764.92
Yoghurt	972,245.36	1,495,596.34	1,892,398.20	1,618,268.17	1,694,106.65
Total	9,404,241.44	12,054,097.33	13,595,682.25	15,315,689.16	18,111,117.26

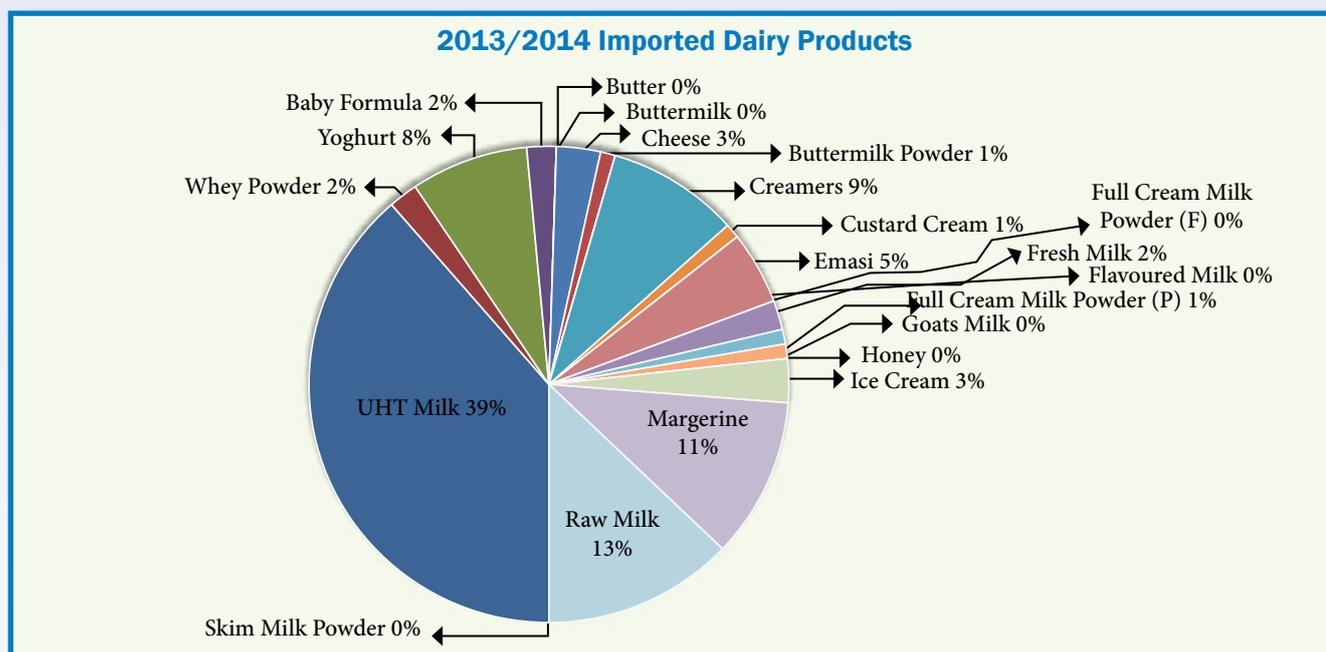


Table 7: Quantities for Dairy Products Processed Locally (2010-2014)

Product Name	Quantity (kg/L)				
	2010	2011	2012	2013	2014
Dairy Juice	936,251	941,991	762,550.00	623, 922.50	554,736
Emasi	4,056,094	3,795,163	3,607,716.00	4, 418, 696.00	4,615,777
Fresh Cream	-	-	1,334.00	3, 342.75	8,520
Fresh Milk	898,917	292,286	236,547.00	294, 234.00	176,209
Ice Cream	337,472	340,801	124,960.00	-	-
Yoghurt	206,536	233,860	218,676.00	376, 158.30	622,060
Total	6,435,270	5,604,101	4,951,783	5, 716, 353.55	5, 977, 302

Table above indicates that the quantity of locally produced dairy products is increasing annually which is a good indication of their competitiveness in the market.

Table 8: Local Milk Production (2009-2014)

Year	Total Production (Litres)	Formal Sales (Litres)	Informal Sales & Other Uses (Litres)
2010	7,523,512	2,429,256	5,094,256
2011	7,714,850	2,377,509	5,337,341
2012	8,658,807	2,535,821	6,122,986
2013	9,755,428	2,414,400	7,341,028
2014	10,640,903	2,588,406	8,052,497

The local milk production shows a steady increase when comparing the figures from 2009.

The focus for 2015 will mainly be the efficient collection, collation, strategic analysis and dissemination of statistical information on the dairy industry's performance. The unit will also periodically publish reports in addition to the quarterly and annual reports

produced on the activities of Swaziland Dairy Board as well as the performance of the industry. The unit will continue to promote the consumption of quality dairy products through media publications and personal sensitizations.

FINANCE AND ADMINISTRATION

Finance

The Board's financial stand improved when compared to the previous year. Total Revenue increased by 10.4% to E26, 087, 602 (2012: E23, 636, 196) whereas fixed assets increased by about 8.2%.

The Board's strong performance during the financial year was a result of improved operations in all departments.

Staffing

The staff complement during the year under review was twenty seven and presented as follows:

Table 9: Staff Complement

Department	Female	Male	Turnover	Recruits	Total
Dairy Development	4	10	0	4	14
Information	0	2	1	1	2
Quality Control	1	5	0	0	6
Finance and Administration	7	3	0	0	10
Total	12	20	1	5	32

The people in any organization are an important resource and therefore, business strategies cannot be implemented without considering them. If the focus of the Board's overall strategy is to bring about significant improvement to the dairy industry in Swaziland, the focus of human resource strategy is based according to the Board's objectives. It is to maximize the contribution of human resource towards achievement of goals, thereby creating value for stakeholders.

With the best available talent, the Board is able to perform in this competitive industry and is working towards improving its human resource strategy.

The Board continued to enforce its human resource development policy by providing in-service training to its employees in their various disciplines to provide them with the necessary skills in order to accomplish the mission and objectives of the organization. This was meant to ensure that the organization was staffed with competent, highly motivated and a result-driven workforce to improve its performance in providing efficient services to the local dairy industry. In an effort to enhance the dairy development department, four extension officers were recruited. The Business analyst terminated services with the Board but was immediately replaced so to maintain the smooth operations of the Board.

One of the Board's strategic focuses is to have the best people in the industry and it is worth pointing out that

the Board would not achieve its objectives if the needs of employees are not properly addressed. It is essential that a healthy and productive work environment is established.

This will be enabled by focusing on the following areas:

- ❖ The Board will continue to develop its people to achieve its goals. Through adherence to values, we will establish a sense of respect and reliance.
- ❖ The Board will embark on a recruitment exercise against a structured human resources plan that aligns tightly to its overall strategy. Recruiting in such a manner will reduce employee training and development costs. The retention of high quality staff is of priority since they are the ones who ensure smooth operations in the organization as well as high morale, innovation, sound leadership and knowledge.
- ❖ The Board recognizes the seriousness of HIV/AIDS and the concomitant impact on the workplace, social and economic life of employees. As a result the Board is determined to address HIV related issues in a positive, supportive and nondiscriminatory manner. The Board accepts that education, training and counseling of employees is the most effective way of preventing the spread of the HIV/AIDS virus and dealing with its effect in the workplace.

FINANCE AND ADMINISTRATION

Boards Properties

Matsapha Flats & Coates Valley house

The Board continued to manage and carry out the necessary repairs and maintenance on both properties. Occupancy was 100% during the quarter under review.

Enguleni House

The occupancy at the building has remained around 95%.

Nhlangano Depot

The depot has been temporarily given to the Shiselweni veterinary department to safeguard the premises whilst the Board is in the process of renovating the structures.

Lot 447/R

The Board's factory at Matsapha is currently being leased to Parmalat Swaziland whose rentals are being collected on a timely basis.

Lot 447/1 - Matsapha

The board has a vacant plot adjacent to Lot 447/R.

Balekane Farm

The running of the farm has been taken over by the Royal Swaziland Sugar Corporation from Hhohho Cotton Growers Association for sugarcane farming.

Moneni

The board has a vacant plot in Moneni, Manzini.



SWAZILAND DAIRY BOARD

Annual Financial Statements

For the year ended 31 March 2014

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ANNUAL FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITY

for the year ended 31 March 2014

The directors are responsible for the preparation and fair presentation of the annual financial statements of Swaziland Dairy Board, comprising the statement of financial position at 31 March 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards, and in the manner required by the Dairy Act of 1968.

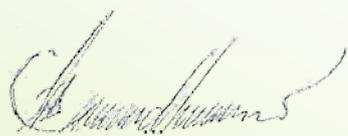
The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors' have made an assessment of the ability of the Swaziland Dairy Board to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of annual financial statements

The annual financial statements of the Swaziland Dairy Board, as identified in the first paragraph and set out on pages 26 to 60, were approved by the board of directors on 25th September 2014 and are signed on its behalf by:



.....
Mr. Thulasizwe Dlodlu
Director



.....
Dr. Tony Dlamini
Chief Executive Officer

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SWAZILAND DAIRY BOARD

Report on the Financial Statements

We have audited the financial statements of Swaziland Dairy Board, which comprise the statement of financial position at 31 March 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the directors' report.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Dairy Act of 1968, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 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, these financial statements present fairly, in all material respects, the financial position of Swaziland Dairy Board at 31 March 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Dairy Act of 1968.

Other Matters

The supplementary schedule set out on pages 59 and 60 does not form part of the annual financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion on it.

Auditors

KPMG
P.O. Box 331
Mbabane
Swaziland

ANNUAL FINANCIAL STATEMENTS

DIRECTORS' REPORT

for the year ended 31 March 2014

The directors have pleasure in submitting their report which forms part of the financial statements of the Board for the year ended 31 March 2014.

NATURE OF BUSINESS

The principal activities of the Board are the regulation and development of the dairy industry in Swaziland.

FINANCIAL RESULTS

Full details of the financial results are set out on pages 30 to 58.

DIRECTORS

The directors who were in office at the date of approval of the financial statements were all appointed on 1 April 2014. The tenure of the previous Board ended on 31 October 2013. Certain Board members who served in the previous Board continue to serve on the current Board consisting of:

Chairperson

Mr. Thulasizwe Dlodlu

Vice Chairperson

Ms. Dorah Vilakati

Chief Executive Officer/Board Secretary

Dr. Tony Dlamini

Recorder

Mr. Bongani Simelane

Other directors

Mr. Dean Adams

Ms. Nellie Dlamini

Dr. Velaphi Okello

Ms. Thulisile Nhlabatsi

Mr. Tony Sibandze

ADDRESS

Postal Address:

P O Box 2975

Manzini

M200

DIRECTORS' REPORT

for the year ended 31 March 2014

Physical Address:

3rd Floor
Enguleni House
Lot 287
Mahleka Street
Manzini
Swaziland

AUDITORS

KPMG
P. O. Box 331
Mbabane
Swaziland

BANKERS

Nedbank (Swaziland) Limited
P. O. Box 11
Manzini
Swaziland

ATTORNEYS

M H Mdluli and Company Attorneys
P. O. Box 5592
Manzini
Swaziland

SUBSEQUENT EVENTS

There are no events which have occurred between the accounting date and the date of the report which have a material impact on the financial statements.

ANNUAL FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2014

	Note	2014 E	2013 E
Revenue – import levies		27 995 439	22 201 879
Other income	4	3 539 105	3 885 723
Operating expenses		<u>(13 283 008)</u>	<u>(13 988 414)</u>
Operating profit	1	18 251 536	12 099 188
Finance income		<u>1 003 229</u>	<u>660 890</u>
Finance cost		<u>(227 239)</u>	<u>(376 649)</u>
Finance income – net	2	<u>775 990</u>	<u>284 241</u>
Profit before tax		19 027 526	12 383 429
Income tax expense	3	<u>(5 377 304)</u>	<u>(3 881 972)</u>
Profit for the year		13 650 222	8 501 457
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>13 650 222</u></u>	<u><u>8 501 457</u></u>

ANNUAL FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

	Note	2014 E	2013 E
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	5 014 158	4 313 411
Investment property	6	11 946 707	12 464 912
Financial assets – available for sale	7	865 599	865 599
Deferred tax asset	15	441 107	708 359
		<u>18 267 571</u>	<u>18 352 281</u>
Current Assets			
Trade and other receivables	8	720 729	652 457
Current tax prepaid	13	-	78 392
Cash and cash equivalents	9	35 403 021	22 288 951
		<u>36 123 750</u>	<u>23 019 800</u>
Total Assets		<u>54 391 321</u>	<u>41 372 081</u>
RESERVES AND LIABILITIES			
Reserves			
Retained earnings		41 525 449	27 875 227
Dairy development reserve		7 966 020	7 966 020
		<u>49 491 469</u>	<u>35 841 247</u>
Non-Current Liabilities			
Borrowings	10	-	769 929
Current Liabilities			
Trade and other payables	11	1 718 721	899 750
Borrowings	10	23 258	1 357 050
Employee benefit liabilities	12	1 362 457	2 504 105
Current tax liabilities	13	1 795 416	-
		<u>4 899 852</u>	<u>4 760 905</u>
Total liabilities		4 899 852	5 530 834
Total reserves and liabilities		<u>54 391 321</u>	<u>41 372 081</u>

ANNUAL FINANCIAL STATEMENTS

STATEMENT OF CHANGES OF EQUITY

as at 31 March 2014

	Dairy Retained Earnings E	Development Reserve E	Total E
Balance at 31 March 2013	27 875 227	7 966 020	35 841 247
Total comprehensive income for the year	13 650 222	-	13 650 222
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2014	<u>41 525 449</u>	<u>7 966 020</u>	<u>49 491 469</u>
Balance at 31 March 2012	19 373 770	-	19 373 770
Total comprehensive income for the year	8 501 457	-	8 501 457
Transfer to reserves	-	7 966 020	7 966 020
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2013	<u>27 875 227</u>	<u>7 966 020</u>	<u>35 841 247</u>

ANNUAL FINANCIAL STATEMENTS

STATEMENT OF CASHFLOWS

for the year ended 31 March 2014

	Note	2014 E	2013 E
Cash Flows from Operating Activities			
Cash generated from operations	14	19 239 022	14 259 294
Interest received		1 003 229	660 890
Interest paid		(227 239)	(376 649)
Income tax paid	13	<u>(3 236 244)</u>	<u>(6 413 345)</u>
Net cash generated from operating activities		<u>16 778 768</u>	<u>8 130 190</u>
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	5	(1 560 977)	(929 526)
Additions to investment property	6	<u>-</u>	<u>(381 121)</u>
Net cash utilised in investing activities		<u>(1 560 977)</u>	<u>(1 310 647)</u>
Cash Flows from Financing Activities			
Repayment of borrowings		<u>(2 103 721)</u>	<u>(3 659 209)</u>
Net cash utilised in financing activities		<u>(2 103 721)</u>	<u>(3 659 209)</u>
Net increase in cash and cash equivalents		13 114 070	3 160 334
Cash and cash equivalents at beginning of year		<u>22 288 951</u>	<u>19 128 617</u>
Cash and cash equivalents at end of year	9	<u>35 403 021</u>	<u>22 288 951</u>

SUMMARY OF SIGNIFICATION ACCOUNTING POLICIES

for the year ended 31 March 2014

1. General information

The Board is an agency for the Swaziland Government providing basic services to the general public to improve the socio economic development through the monitoring, regulation and development of the dairy industry in Swaziland. The Swaziland Dairy Board was established as a parastatal organisation by an Act of Parliament in 1968 (Dairy Act of 1968).

The Board is in the business of developing and promoting the production and consumption of quality dairy products by coordinating and harmonising all activities in the dairy industry through the application of appropriate skills and technology.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Swaziland Dairy Board have been prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Board's accounting policies. There are no areas in the financial statements involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements. Where estimates are involved, these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

SUMMARY OF SIGNIFICATION ACCOUNTING POLICIES

for the year ended 31 March 2014

2.1.1 Changes in accounting policies and disclosures

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2014, and have not been applied in preparing these financial statements.

These are:

Standard/Interpretation		Date issued by IASB	Effective date Periods beginning on or after
<i>IFRS 1 amendment</i>	<i>Government Loans</i>	<i>March 2013</i>	<i>1 January 2014</i>
<i>IFRS 7 amendment</i>	<i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	<i>December 2011</i>	<i>1 January 2014</i>
<i>IAS 32</i>	<i>Offsetting Financial Assets and Financial Liabilities</i>	<i>December 2011</i>	<i>1 January 2014</i>
<i>IFRS 9 (2009)</i>	<i>Financial Instruments</i>	<i>November 2009</i>	<i>1 January 2015</i>
<i>IFRS 9 (2010)</i>	<i>Financial Instruments</i>	<i>October 2010</i>	<i>1 January 2015</i>

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

Except for additional disclosures these standards will not have an impact on the future financial statements of the Board.

3. Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only 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. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.5%
Equipment	10%
Furniture and fittings	10%

SUMMARY OF SIGNIFICATION ACCOUNTING POLICIES

for the year ended 31 March 2014

3. Property, plant and equipment (continued)

Land is not depreciated.

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in profit or loss.

4. Investment property

Investment property, principally comprising freehold and leasehold land and buildings, is held for long-term rental yields and is not occupied by the Board. Investment property is carried at historical cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only 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. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.5%
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Land is not depreciated.

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount.

SUMMARY OF SIGNIFICATION ACCOUNTING POLICIES

for the year ended 31 March 2014

4. Investment property (continued)

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes of subsequent recording. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property. If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the statement of comprehensive income.

5. Financial assets

The Board classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

(a) *Financial assets at fair value through profit and loss*

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. The Board currently does not have assets in this category.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Board's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (accounting policies 7 and 10).

SUMMARY OF SIGNIFICATION ACCOUNTING POLICIES

for the year ended 31 March 2014

5. Financial assets (continued)

(c) *Available for sale financial assets*

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Board commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Board has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category is presented in profit or loss. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the Board's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Company's right to receive payment is established.

SUMMARY OF SIGNIFICATION ACCOUNTING POLICIES

for the year ended 31 March 2014

5. Financial Assets (Continued)

(c) Available for sale financial assets (continued)

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 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.

The Board assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in profit or loss on equity instruments are reversed through the statement of comprehensive income. Impairment testing of trade receivables is described in accounting policy 7.

6. Impairment of Non Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non financial assets and goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

7. Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Board will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

8. Trade Payables

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

SUMMARY OF SIGNIFICATION ACCOUNTING POLICIES

for the year ended 31 March 2014

9. Provisions

Provisions are recognised when the Board has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to one item included in the class may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

10. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the statement of financial position.

11. Revenue recognition

The Board recognises revenue when the amount of revenue can be reliably measured, is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the groups activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the transaction have been resolved. Revenue is recognised as follows:

a) *Levies*

Levies are charged on all dairy products imported into the country and such revenue is recognised on an accrual basis.

b) *Rental income*

The rental revenue from the properties owned by the Board are recognised on an accrual basis.

SUMMARY OF SIGNIFICATION ACCOUNTING POLICIES

for the year ended 31 March 2014

11. Revenue recognition (continued)

c) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest rate method. When a receivable is impaired, the Board reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

12. Deferred taxes

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

However, if the deferred taxes arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The principal temporary differences arise from depreciation on property, plant and equipment and provisions.

Deferred taxation assets relating to the carry forward of unused tax losses and tax credits are recognised to the extent that it is probable that future taxable profits will be available in the foreseeable future against which the unused tax losses and tax credits can be utilised.

13. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current unless the Board has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

SUMMARY OF SIGNIFICATION ACCOUNTING POLICIES

for the year ended 31 March 2014

14. Employee Benefits

(a) Short Term Employee Benefits

The cost of short term employee benefits (those payable within 12 months after the service is rendered, such as leave pay, sick leave, bonuses, and other non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

(b) Statutory benefits

Provision is made for retirement benefits, payable to employees on retirement or retrenchment, on the basis of an estimate of the liability attributed to service to date which is likely to arise in the event of current employees continuing in employment until retirement.

15. Financial Risk Management

15.1 Financial Risk Factors

The Board's activities expose it to a variety of financial risks, the most significant being: credit risk, liquidity risk and cash flow interest rate risk.

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

Risk management is carried out under policies approved by the directors of the Board. The finance department identifies, evaluates and, if necessary, hedges financial risks in co-operation with the Board's senior management. The Board provides policies 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.

(a) Market Risk

(i) Price risk

The Board is not exposed to price risk.

(ii) Cash flow and fair value interest rate risk

The Board's income and operating cash flows are affected, but not to a significant extent, by changes in market interest rates. The Board's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Board to cash flow interest rate risk. Borrowings issued at fixed rates expose the Board to fair value interest rate risk.

The Board's borrowings are mainly variable interest rate borrowings and as such they expose the Board to cash flow risk.

SUMMARY OF SIGNIFICATION ACCOUNTING POLICIES

for the year ended 31 March 2014

15.1 Financial Risk Factors (continued)

(b) Credit Risk

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

The Board's cash equivalents and short-term deposits are placed with high credit quality financial institutions. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Board's customer base and their dispersion across different industries.

Accordingly the Board has no significant concentration of credit risk.

The carrying amounts of financial assets included in the Statement of financial position represent the Board's maximum exposure to credit risk in relation to these assets.

The table below shows the balances of the most significant counterparties at the reporting date.

Counterparty	31 March 2014 Balance	31 March 2013 Balance
African Alliance	3 076 063	2 922 483
Swaziland Building Society	1 026 492	1 019 737
Nedbank Swaziland	32 163 065	19 209 330
	<u>36 265 620</u>	<u>23 151 550</u>
Trade receivables	8 349 609	196 775
	<u>213 967</u>	<u>196 775</u>

Management does not expect losses from non-performance by these counterparties in addition to what have been provided for as disclosed in note 8

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SUMMARY OF SIGNIFICATION ACCOUNTING POLICIES

for the year ended 31 March 2014

15. Financial Risk Management (continued)

15.1 Financial Risk Factors (continued)

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding from 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 borrowing facilities will be sufficient to meet its funding requirements.

Management monitors rolling forecasts of the Board's liquidity reserves (which comprises of undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flow.

The table below analyses the Board's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year E	Between 2 and 5 years E	Over 5 years E
At 31 March 2014			
Borrowings	23 258	-	-
Trade and other payables	1 718 721	-	-
	<u>1 741 979</u>	<u>-</u>	<u>-</u>
At 31 March 2013			
Borrowings	1 357 050	769 929	-
Trade and other payables	899 750	-	-
	<u>2 256 800</u>	<u>769 929</u>	<u>-</u>

15.2 Capital Risk Management

The Board's objectives when managing capital are to safeguard the Board's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Board may adjust the amount of dividends paid to shareholders, issue shares or sell assets to reduce debt.

SUMMARY OF SIGNIFICATION ACCOUNTING POLICIES

for the year ended 31 March 2014

15.2 Capital Risk Management (continued)

Consistent with others in the industry, the Board monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

During 2014, the Board's strategy was to continue reducing its gearing ratio in order to improve its financial position. The gearing ratios at 31 March 2014 and 31 March 2013 were as follows:

	2014 E	2013 E
Total Borrowings (Note 10)	23 258	2 126 979
Cash and Cash Equivalents (Note 9)	(35 403 021)	(22 288 951)
Net Debt	(35 379 763)	(20 161 972)
Total Reserves	49 491 469	35 841 247
Total Capital	14 111 706	15 679 275
Gearing Ratio	(251%)	(129%)

The increase in gearing ratio is a result of a settlement of the mortgage loan half way through the year, thus resulting in an increase in cash resources.

15.3 Fair Value Estimation

The nominal value less impairment provision of trade receivables and trade payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Board for similar financial instruments.

16. Critical accounting estimates and assumptions

The Board makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

There were no critical accounting estimates that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

1. Operating Profit

The following items have been charge/credited in arriving at operating profit:

	2014 E	2013 E
Auditors' remuneration		
- Audit fees - prior year	<u>95 241</u>	<u>101 063</u>
Depreciation		
- Investment property	390 975	401 580
- Property, plant and equipment	<u>860 230</u>	<u>693 668</u>
	<u>1 251 205</u>	<u>1 095 248</u>
Management fees	<u>165 594</u>	<u>-</u>
Repairs and maintenance		
- General	846 847	878 418
- Administration	<u>41 360</u>	<u>17 887</u>
	<u>888 207</u>	<u>896 305</u>
Staff costs (Note 1.1)		
- Administration	<u>6 090 657</u>	<u>7 468 065</u>
Finance income – net (Note 2)	<u>(948 093)</u>	<u>(284 241)</u>
Directors' fees		
- For services as directors	<u>186 927</u>	<u>249 560</u>
1.1 Staff Costs		
Medical aid	579 412	578 145
Pension	524 772	423 316
Salaries and wages	5 252 619	5 662 922
Severance pay and gratuity	(325 866)	746 442
SNPF	<u>59 720</u>	<u>57 240</u>
	<u>6 090 657</u>	<u>7 468 065</u>

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

	2014 E	2013 E
2. Finance Income – Net		
Interest income:		
- Financial assets	40 846	41 554
- Interest income on short-term bank deposits	962 383	619 336
	<u>1 003 229</u>	<u>660 890</u>
Interest expense:		
- Bank borrowings	(227 239)	(376 649)
	<u>775 990</u>	<u>284 241</u>
3. Income Tax Expense		
Current tax (note 13)	(5 110 052)	(3 793 404)
Deferred tax (note 15)	(267 252)	(88 568)
Tax charge	<u>(5 377 304)</u>	<u>(3 881 972)</u>
The reconciliation of the effective tax charge is as follows:		
Profit before tax	<u>19 027 526</u>	<u>12 383 429</u>
Taxation at 27.5% (2013: 30%)	(5 232 569)	(3 715 029)
Effect of change in tax rate	-	64 396
Non deductible expenses	<u>(144 735)</u>	<u>(231 339)</u>
Tax charge	<u>(5 377 304)</u>	<u>(3 881 972)</u>
4. Other Income		
Artificial insemination	31 875	29 860
Commission received	823	1 037
Government support	-	277 592
Recoveries (utilities)	147 720	176 848
Rental income	3 039 568	3 180 872
Parking	39 150	46 800
Sundry income	279 969	172 714
	<u>3 539 105</u>	<u>3 885 723</u>

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

5. Property, Plant and Equipment

Year ended 31 March 2014

	Computer Equipment E	Furniture and Fittings E	Office Equipment E	Motor Vehicles E	Land and Buildings E	Total E
Opening net carrying amount	84 173	129 878	958 952	753 554	2 386 854	4 313 411
Additions	53 700	-	296 329	1 210 948	-	1 560 977
Depreciation charge	(46 546)	(63 208)	(156 638)	(508 765)	(85 073)	(860 230)
Closing net carrying amount	91 327	66 670	1 098 643	1 455 737	2 301 781	5 014 158

At 31 March 2014

Cost	678 360	974 006	2 126 939	4 163 164	3 402 918	11 345 387
Accumulated depreciation	(587 033)	(907 336)	(1 028 296)	(2 707 427)	(1 101 137)	(6 331 229)
Net carrying amount	91 327	66 670	1 098 643	1 455 737	2 301 781	5 014 158

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

5. Property, Plant and Equipment

	Computer Equipment E	Furniture and Fittings E	Office Equipment E	Motor Vehicles E	Land and Buildings E	Total E
Year ended 31 March 2013						
Opening net carrying amount	45 868	183 690	797 884	578 184	2 471 927	4 077 553
Additions	82 421	11 169	289 274	546 662	-	929 526
Depreciation charge	(44 116)	(64 981)	(128 206)	(371 292)	(85 073)	(693 668)
Closing net carrying amount	84 173	129 878	958 952	753 554	2 386 854	4 313 411

At 31 March 2013

Cost	624 660	974 006	1 830 610	2 952 216	3 402 918	9 784 410
Accumulated depreciation	(540 487)	(844 128)	(871 658)	(2 198 662)	(1 016 064)	(5 470 999)
Net carrying amount	84 173	129 878	958 952	753 554	2 386 854	4 313 411

Land and building comprise:

Lot 287 situated at Mahleka Street in Manzini Township, Manzini district. A portion of this property has been transferred to Investment Properties representing the portion of the Building the Board uses for rental income purposes (refer to note 6).

Land and buildings are subject to a first mortgage bond in favour of Swaziland Building Society which had been fully paid during the current year (refer to note 10).

Capitalised motor vehicles with the carrying amount of E1 210 948(2013: E546 662) have been acquired during the current year.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

		2014 E	2013 E
5. Property, plant and equipment (continued)			
Assets that are fully depreciated but still in use comprise:		501 861	469 183
Computer equipment and software		404 224	316 004
Furniture and fittings		328 773	323 867
Office equipment		1 738 650	1 132 006
Motor vehicles		2 973 508	2 241 060
	Land E	Buildings E	Total E
6. Investment property			
Year ended 31 March 2014			
Opening net carrying amount	1 054 095	11 410 817	12 464 912
Additions	-	-	-
Write-offs : Balekane Property	-	(127 230)	(127 230)
Depreciation	-	(390 975)	(390 975)
Closing net carrying amount	1 054 095	10 892 612	11 946 707
At 31 March 2014			
Cost	1 054 095	16 037 791	17 091 886
Accumulated depreciation	-	(5 145 179)	(5 145 179)
Net Carrying Amount	1 054 095	10 892 612	11 946 707
	Land E	Buildings E	Total E
Year ended 31 March 2013			
Opening net carrying amount	1 054 095	11 431 276	12 485 371
Additions	-	381 121	381 121
Depreciation	-	(401 580)	(401 580)
Closing net carrying amount	1 054 095	11 410 817	12 464 912
At 31 March 2013			
Cost	1 054 095	16 327 135	17 381 230
Accumulated depreciation	-	(4 916 318)	(4 916 318)
Net Carrying Amount	1 054 095	11 410 817	12 464 912

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

6. Investment Property (continued)

Investment property comprises of land and buildings;

1. Portion 19,20,23, 24 and 26 of Lot 34 situated at 4th Avenue in Matsapha Township, Manzini District; valued at E4 000 000.
2. Lot 447 situated in Matsapha Industrial Site, Manzini District; valued at E19 950 000.
3. Lot 463 situated at Fuscia Street in Coates Valley Township, Manzini District; valued at E1 450 000.
4. Portion 66 (a portion of portion 11), Farm Pebbles Block (North) No. 9, Manzini District; valued at E1 350 000, and
5. Lot 287 situated at Mahleka Street in Manzini Township, Manzini district. The portion of this property that is used for rental purposes was transferred from Property, Plant and Equipment to Investment property in the prior year (refer to note 5) valued at E30 000 000.

Land and buildings included in Investment Property are subject to a first mortgage bond in favour of Swaziland Building Society which had been fully paid during the current year. The Investment Property was evaluated on the 31 August 2013 by Jeffrey Lowe Associates.

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

	2014 E	2013 E
7. Financial assets – available for sale		
Swaziland Building Society – Permanent shares	865 599	865 599
<p>The carrying amount of the investment approximates fair value. The shares will be redeemed at nominal value.</p>		
8. Trade and other receivables		
Trade receivables	994 972	868 678
Less: provision for doubtful debts	(437 447)	(302 840)
	557 525	565 838
VAT recoverable	56 423	-
Cattle procurement	20 162	-
Prepayments/Deferred expenses	86 619	86 619
	720 729	652 457
<p>A 100% allowance has been made for estimated irrecoverable amounts from the rental of property amounting to E437 447(2013: E302 840). Irrecoverable amounts amounting to ENil (2013: E1 199 687) were written off during the year.</p>		
9. Cash and cash equivalents		
Cash on hand	3 000	3 000
Short term bank deposits	35 400 021	22 285 951
	35 403 021	22 288 951
10. Borrowings		
Current		
Mortgage loan	-	1 263 396
Finance lease liabilities	23 258	93 654
	23 258	1 357 050
Non-current		
Mortgage loan	-	749 463
Finance lease liabilities	-	20 466
	-	769 929

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

	2014 E	2013 E
10. Borrowings (continued)		
Borrowings –minimum future payments		
Not later than one year	23 258	2 165 042
Later than one year and not later than five years	-	170 958
Later than five years	-	-
	<u>23 258</u>	<u>2 336 000</u>
Future finance charges on borrowings	-	(209 021)
	<u>23 258</u>	<u>2 126 979</u>

The present values of borrowings to maturity is as follows:

Not later than one year	23 258	1 357 050
Later than one year and not later than five years	-	769 929
Later than five years	-	-
	<u>23 258</u>	<u>2 126 979</u>

Finance Lease Liabilities

The leases bear interest at prime and are repayable in monthly instalments which differ for each lease. The leases are in respect of capitalised leased motor vehicles with original lease periods between two and five years. The liability is secured by title to motor vehicles leased (refer to note 5).

Mortgage Loan

The loan bore interest at prime and was repayable in monthly instalments of E172 103. This loan was secured by mortgages over land and buildings and was fully repaid during the year (refer to notes 5 and 6).

11. Trade and other payables

Trade payables	1 009 835	657 514
Accruals	682 265	224 125
Other payables	26 621	18 111
	<u>1 718 721</u>	<u>899 750</u>

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

12. Employee Benefit Liabilities

	Severance Pay Provision E	Leave Pay Accrual E	Total E
At 31 March 2013	1 858 938	645 167	2 504 105
Additional liability raised	-	201 515	201 515
Over-provision	(726 070)	-	(726 070)
Utilised during the year	(218 378)	(398 715)	(617 093)
At 31 March 2014	<u>914 490</u>	<u>447 967</u>	<u>1 362 457</u>
At 1 April 2012	1 554 649	525 464	2 080 113
Additional liability raised	618 421	245 017	863 438
Utilised during the year	(314 132)	(125 314)	(439 446)
At 31 March 2013	<u>1 858 938</u>	<u>645 167</u>	<u>2 504 105</u>

13. Current Tax Liabilities/(Prepaid)

	2014 E	2013 E
Current tax (prepaid)/owing at beginning of year	(78 392)	2 541 549
Current tax charged during the year (note 3)	5 110 052	3 793 404
Tax paid	<u>(3 236 244)</u>	<u>(6 413 345)</u>
Current tax owing/(prepaid) at end of year	<u>1 795 416</u>	<u>(78 392)</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

	2014 E	2013 E
14. Cash generated from operations		
Profit before tax	19 027 526	12 383 429
Adjusted for:		
Depreciation	1 251 205	1 095 248
Employee benefit liabilities	(1 141 648)	423 992
Investment property written off	127 230	-
Interest received	(1 003 229)	(660 890)
Interest paid	227 239	376 649
	<hr/>	<hr/>
Operating profit before working capital changes	18 488 323	13 618 428
Changes in working capital		
(Increase)/decrease in accounts receivable	(68 272)	221 568
Dairy Development Fund transfer to reserves	-	7 966 020
Increase/(decrease) in accounts payable	818 971	(7 546 722)
	<hr/>	<hr/>
Cash generated from operations	<u>19 239 022</u>	<u>14 259 294</u>

15. Deferred Tax Asset

Opening balance	708 359	796 927
Movement in statement of comprehensive income (note 3)	(267 252)	(88 568)
	<hr/>	<hr/>
Closing balance	<u>441 107</u>	<u>708 359</u>

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using the Swaziland tax rate of 27.5% (2013: 27.5%).

Deferred tax arises from the following:

Provision for doubtful debts	120 298	83 281
Severance pay provision	251 485	511 208
Leave Pay Accrual	123 191	177 421
Property, plant and equipment	(53 867)	(63 5510)
	<hr/>	<hr/>
	<u>441 107</u>	<u>708 359</u>

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

16.1 Financial instruments by category

The carrying amounts and fair value of each category of financial asset and liability as defined in IAS 39, and their fair values are as follows:

	Loans and receivables E	Available for sale financial asset E	Total E
31 March 2014			
Assets as per statement of financial position			
Trade and other receivables	720 729	-	720 729
Financial asset - available for sale	-	865 599	865 599
Cash and cash equivalents	35 403 021	-	35 403 021
Total	<u>36 123 750</u>	<u>865 599</u>	<u>36 989 349</u>

31 March 2013

Assets as per statement of financial position

Trade and other receivables	652 457	-	652 457
Financial asset - available for sale	-	865 599	865 599
Cash and cash equivalents	22 288 951	-	22 288 951
Total	<u>22 941 408</u>	<u>865 599</u>	<u>23 807 007</u>

Liabilities as per statement of financial position

	2014 E	2013 E
Other financial liabilities		
Borrowings	<u>23 258</u>	<u>2 126 979</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

2014
E

2013
E

16.2 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to the external credit rating (if available) or historical information about counterparty default rates.

Trade receivables

The entity's debtors do not have external credit ratings. To manage its credit risk, the entity categorises its debtors into the following risk categories:

- Low Risk	-	498 529
- General Credit Risk	49 802	150 465
- High Risk	945 170	219 684
Total Trade Receivables	<u>994 972</u>	<u>868 678</u>

The grouping of trade receivables is based on the following:

Low risk – This category is utilised for current and below 30 days debts.

General risk – This category is for debts that are aged between 31 days and 90 days.

High risk – This category is for all debts that are in excess of 90 days.

Cash and cash equivalents

African Alliance Swaziland	3 076 063	2 922 483
Swaziland Building Society	160 893	154 138
Nedbank Swaziland Limited	32 163 065	19 209 330
	<u>35 400 021</u>	<u>22 285 951</u>

Financial assets – available for sale

Swaziland Building Society	<u>865 599</u>	<u>865 599</u>
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The above financial institutions are high quality credit financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

17. Commitments

Capital Commitments

The Board had no capital commitments at the end of the year.

Other Commitments

The Board has a maintenance agreement with Schindler Lifts for maintenance of the lift. The monthly commitment is E2 431(April 2013 to November 2013) and was increased to E2 613 from December 2013. (for financial year 2013: E2 123).

The Board has a rental agreement for office equipment with Profin (Pty) Ltd. The monthly rental is E1 284 (2013: E1 284).

18. Related Parties

18.1 Identification Of Related Parties

The Board is controlled by the Government of Swaziland and transacts with other Government controlled entities in the normal course of business.

18.2 Directors and Key Management

Details of remuneration paid to the Board's directors are set out in note 1.

Short term employment costs paid to key management during the year amounted to E1 342 604(2013:E1 773 711). Key management comprise the Chief Executive Officer and four senior managers (department heads). Post employment benefits amounting to E(2013: E689 905) were provided for key management during the year.

ANNUAL FINANCIAL STATEMENTS

DETAILED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2014

	2014 E	2013 E
REVENUE		
Import levies	27 995 439	22 201 879
OTHER INCOME		
Rental income	3 039 568	3 180 872
Artificial insemination	31 875	29 860
Commission received	823	1 037
Interest received	1 003 229	660 890
Government support	-	277 592
Sundry income	466 839	396 362
TOTAL INCOME	32 537 773	26 748 492
EXPENDITURE	13 510 247	14 365 063
Advertising	69 288	59 035
Artificial insemination	118 017	167 551
Audit fees	95 241	101 063
Bank charges	108 929	108 781
Cleaning	189 622	186 609
Commission	76 397	98 074
Computer expenses	31 135	32 563
Consulting fees	189 115	107 176
Dairy development expense	-	250 000
Depreciation – investment property	390 975	401 580
Depreciation – property, plant and equipment	860 230	693 668
Directors fees	186 927	249 560
Donations	1 269	1 000
Entertainment	9 621	-
Farmers training expenses	150 034	124 908
Gege farm expenses	189 490	110 660
General expenses	750	
Interest expense	227 239	376 649
Insurance	330 707	290 484
Motor vehicle expenses	824 851	843 302
PEU Management fees	165 594	-
Postage and telephone	353 942	124 351

ANNUAL FINANCIAL STATEMENTS

DETAILED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2014

	2014 E	2013 E
Printing and stationery	93 351	80 116
Provision for doubtful debts	134 607	282 418
Rates	599 760	550 969
Repairs and maintenance	888 207	896 305
Sales tax	16 996	12 874
Security	204 349	140 631
Staff costs	6 090 657	7 468 065
Staff training	7 824	40 510
Staff welfare	20 248	20 797
Subscriptions	17 472	20 864
Travel and subsistence	196 107	119 001
Uniforms	19 520	4 456
VAT irrecoverable	129 786	-
Veterinary drugs	25 448	10 090
Water and electricity	369 313	390 953
Write-offs – Balekane property	127 229	-
PROFIT BEFORE TAXATION	19 027 526	12 383 429

This schedule does not form part of the financial statements and is unaudited.



SWAZILAND DAIRY BOARD

CONTACT ADDRESS

MANZINI

POSTAL ADDRESS:

P.O. Box 2975
Manzini M200

TELEPHONE:

(+268) 2505 8262/ 2505 8263/ 2505 8264

FACSIMILE:

(+268) 2505 8260

WEBSITE:

www.dairyboard.co.sz

E-MAIL:

tmdlamini@dairyboard.co.sz

PHYSICAL ADDRESS:

3rd Floor Enguleni House,
287 Mahleka Street
Manzini M200

