

# **SWAZILAND DAIRY BOARD**

## **ANNUAL REPORT 2015**

## **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*

**The Honorable M. Vilakati**

Minister of Agriculture  
Ministry of Agriculture  
P.O. Box 162  
MBABANE, H100

Dear Sir,

**ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH 2015**

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 DLUDLU**  
**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.

## **CHAIRMAN'S REPORT**

Swaziland Dairy Board is presenting the annual report for the financial year 2014/2015 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 E21, 683,531 compared to E19, 027,526 in 2014. Which depicts a 14% increase.

The industry has continued to show signs of positive growth over the past few years. This has been a result of effective collaboration and coordination of all industry stakeholders in the value chain. The Board has also continued to concentrate much of its efforts in providing an enabling environment for all stakeholders to ensure continuous growth and long term sustainability in the industry. 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 has continued to place much emphasis on increased milk production in the industry. A number of initiatives implemented in the reporting year were aimed to stimulate milk production in the industry.

The Board continues to put in place all the necessary strategies and initiatives that promote productivity and competitiveness in the locally dairy sector. The Board on a regular basis conducts quarterly strategic reviews exercises to monitor progress and impact in the industry.

### **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 pursue its mandatory role of developing and regulating the dairy industry to ensure long term growth and sustainability of the sector. A number of dairy development initiatives were developed and implemented by the Board during the year under review. Various stakeholder meetings were conducted with all dairy stakeholders to explore better ways on improving service delivery outreach and efficiency in the industry. The Board continued to strategically position itself to best serve the interests of all dairy stakeholders.

During the reporting period one of the major undertakings was the development of the new 2014/2015 SDB Strategic Plan. Since the 2010/2013 strategic plan had elapsed, it was imperative that a review of the previous strategic plan be conducted to guide the process of producing a new strategic plan for the organization. A majority of the planned activities in the 2010 to 2013 strategic plan were achieved. A few activities were partly achieved which are likely going to be pursued in the next strategic period

Four strategic priorities were identified for the period running from 2014 to 2017 and strategic objectives for these were developed. In the next three years the Swaziland Dairy Board will focus on financial sustainability, human resource development, dairy production and processing and finally governance and policy development. A total of eleven strategic goals were identified and agreed by the Board to be pursued over a longer period of time, transcending beyond the strategic planning period. These include guaranteeing the financial sustainability of the organization. The Board will also continue to focus on promoting a culture of high productivity and retention of staff through adoption of appropriate policies and tools.

The Board intends to improve the production and marketing of dairy products through continued capacity building, mentorship and coaching programmes, improved animal health services, local breeding programme for dairy animals, continued fodder flow, execution of MoUs with partner financial institutions and value addition. Lastly, the Board will continue to focus on governance and legislative reforms to guide the development and improvement of the dairy industry.

In collaboration with partners, the Board has continued working towards attracting investment in the industry. During the reporting period, Old Mutual has committed a sum of 157 million Emalangeni in setting up a large scale dairy project in the industry. The Board has provided all the necessary support to ensure the project becomes a success. The project intends to milk about 3000 dairy cows and it envisaged that it will also create employment opportunities for the Swazi people. Swazi Milk is the name of the project and is currently located in Sidvokodvo under the Manzini region. It is envisaged that such a project will have a huge impact in the local dairy industry in terms of domestic milk production. The project was currently in the implementation phase and preparations were underway which include bush clearing.

The Board will continue to build the necessary capacity that will enable farmers to effectively manage their dairy enterprises under minimal supervision. The board will continue to place much emphasis on value addition in all levels of the dairy value chain. The Board will continue to facilitate and build capacity on value addition so to enable local farmers to produce a wide range of dairy products. The Board continues to engage with financial institutions and insurance companies in an aim to ease the process of access to affordable financial and insurance services to dairy enterprises. This is being done by the Board in partnership with financial institutions and insurance companies. The Board also provides services like 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 23% increase in revenue base. The total revenues for the financial year were E40, 023,668 compared to E32, 537,773 in the previous year. The sources of revenue for the Board continue to be import levies and rentals from the various properties owned.

## **OUTLOOK**

The 2015 economic outlook appears to have slow down when compared with the previous years. According to the African Economic Outlook (AEO), the country's economic performance slowed half of a percentage point from 3.0% in 2013 to 2.5% in 2014. The main decline was attributed to a deceleration of growth in the secondary sector from 4.2% in 2013 to 2.7% in 2014. The manufacturing sub-sector in particular which accounts for about one third of GDP was considerably affected by the shocks, with its growth performance decreasing to 1.3% from 2.5% in 2013. The decline in growth in the secondary sector was hindered to some extent by improved growth in the primary sector. The agriculture productivity grew by approximately 4.0%, indicating enhanced productivity which resulted from key interventions such as the Lower Usuthu Smallholder Irrigation project.

Regardless of the fact the country is classified as a low middle-income country, economic issues such as a weak business climate and low foreign direct investment (FDI) inflows continue to be a stumbling block. In spite of the unfriendly macroeconomic condition, the Board in collaboration with industry stakeholders continues to explore effective ways that will promote an enabling environment for all stakeholders. The Board seeks to improve the sector's contribution to the agriculture sector GDP and overall economy of the country. Provision of a sound entrepreneurial environment that will enable easy start and growth of dairy enterprises is a major priority of the sector.

The long term outlook of the dairy industry is to increase the contribution of the dairy sector is to increase the dairy sector's contribution to the overall agriculture sector GDP. This will be achieved through improved production and efficiency in the industry. The industry long term objective is to move towards self sufficiency that will reduce the heavy burden of relying on imports. The Board is working towards import substitution that would enable the industry to produce substantial amounts of milk for the local and export markets. Export promotion continues to be at the fore front of every development initiative as the industry has a comparative advantage in dairy farming. The board also targets to increase the number of locally produced dairy products through continuous support of value addition initiatives at all levels of the value chain. The board seeks to employ a transition strategy that will support growth and increase the number of large scale role players in the industry. It is believe that as smallholder transcend to large scale, benefit from economies of scale would be realized and the industry will be more competitive.

The Board strives for a highly competitive dairy industry through the adoption of high tech dairy principles and techniques. These would enable the industry to be highly efficient which will therefore translate to increase domestic milk production. Also the industry would be able to be self sufficient and positively contribute to food security. The country currently has an export potential and dairy production can make a significant improvement in the economy well being. The Board would continue to work towards introducing a local breeding programme and facilities that would ensure the availability of local breed dairy animals. It is in the Board's interest to increase the number of large scale dairy processors and the Board would continue to support all investment initiatives that would attract dairy processing investment in the sector.

The AEO further states that moving forward, economic growth in the country will remain at 2.5% in 2015, and slowing marginally to 2.4% in 2016.

### **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. DLUDLU**  
**CHAIRMAN OF THE BOARD OF DIRECTORS**

## **BOARD OF DIRECTORS**

### **Directors during the year were:**

Mr. Thulasizwe Dludlu	Chairperson;
Mr. Dean Adams	Vice Chairperson
Mr. Thembinkosi Ngubane	Member
Mr. Tony Sibandze	Member
Ms. Thulisile Nhlabatsi	Member
Ms Elizabeth Matsebula	Member
Dr. Velephi Okello	Member
Dr. Tony Dlamini	Chief Executive Officer

## **MANAGEMENT**

**Dr. Tony M. Dlamini**  
Chief Executive Officer

**Ms. Mfihlakalo Mamba**  
Acting Chief Financial Officer

**Mr. Elliot Zwane**  
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 E21, 683,531 compared to E19, 027,526 in 2014.

There is a steady increase in total revenue from 2011 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 E40, 023,668 compared to E32, 537,773 in the previous year representing a 23% increase in operating revenue.

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

OPERATING STATEMENT	2011	2012	2013	2014	2015
<b>Revenue</b>					
Operating Revenue	14,854,844	23,229,071	25,691,240	31,067,705	37,943,574
Finance income	418,511	451,963	660,890	1,003,229	1,517,159
Other Income	375,146	407,125	396,362	466,839	562,935
<b>Total Income</b>	<b>15,648,501</b>	<b>24,088,159</b>	<b>26,748,492</b>	<b>32,537,773</b>	<b>40,023,668</b>
<b>Expenditure</b>					
Wages & Salaries	5,741,997	7,461,954	7,468,065	6,090,657	8,132,432
Finance cost	659,813	618,970	376,649	227,239	16,010
Other	6,237,122	6,157,569	6,520,349	7,192,351	10,191,695
<b>Total Expenditure</b>	<b>12,638,932</b>	<b>14,238,493</b>	<b>14,365,063</b>	<b>13,510,247</b>	<b>18,340,137</b>
<b>Profit/(loss) before tax</b>	<b>3,009,569</b>	<b>9,849,666</b>	<b>12,383,429</b>	<b>19,027,526</b>	<b>21,683,531</b>
<b>Taxation</b>	<b>1,214,591</b>	<b>3,268,855</b>	<b>3,881,972</b>	<b>5,377,304</b>	<b>6,078,140</b>
<b>Profit for the year</b>	<b>1,794,978</b>	<b>6,580,811</b>	<b>8,501,457</b>	<b>13,650,222</b>	<b>15,605,391</b>

**Table 2. Five (5) Statement of Financial Position**

	2011	2012	2013	2014	2015
<b>ASSETS</b>					
Property, Plant & Equipment	4,644,193	4,077,553	4,313,411	5,014,158	6,488,246
Investment Property	12,628,360	12,485,371	12,464,912	11,946,707	11,555,732
Financial Assets	865,599	865,599	865,599	865,599	904,547
Deferred Tax	200,133	796,927	708,359	441,107	517,462
	<b>18,338,285</b>	<b>18,225,450</b>	<b>18,352,281</b>	<b>18,267,571</b>	<b>19,465,987</b>
<b>Current Assets</b>					
Cash and cash equivalents	11,168,539	19,128,617	22,288,951	35,403,021	44,834,471
Trade and other receivables	1,258,844	874,025	652,457	720,729	3,432,448
Current tax prepaid	-	-	78,392	-	<b>2,029,345</b>
	<b>12,427,387</b>	<b>20,002,642</b>	<b>23,019,800</b>	<b>36,123,750</b>	<b>50,296,264</b>
<b>TOTAL ASSETS</b>	<b>30,765,668</b>	<b>38,228,092</b>	<b>41,372,081</b>	<b>54,391,321</b>	<b>69,762,251</b>
<b>EQUITY AND LIABILITIES</b>					
Retained Profit	12,792,959	19,373,770	35,841,247	49,491,469	65,096,860
Long Term Liabilities	6,312,624	4,889,646	769,929	914,490	887,403
Current Liabilities	11,660,085	13,964,676	4,760,905	3,985,362	3,777,988
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>30,765,668</b>	<b>38,228,092</b>	<b>41,372,081</b>	<b>54,391,321</b>	<b>69,762,251</b>

## PROFILE

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 Government's 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.

## ECONOMIC REVIEW

Global growth remains moderate, with uneven prospects across the main countries and regions. According to the International Monetary Fund's World Economic Outlook, global growth is forecast at 3.5 percent in 2015 and 3.8 percent in 2016, with uneven prospects across the main countries and regions of the world. Growth is projected to be stronger in 2015 relative to 2014 in advanced economies, but weaker in emerging markets, indicating more subdued prospects for some large emerging market economies and oil exporters. The country's economy mainly depends on exports as a result it is easily influenced by global trends, commodity prices and capital inflow.

Swaziland's economic performance remained moderate in 2014, with the real GDP growth estimated to have declined to 2.5% from 3.0% in 2013. The main decline was attributed to a deceleration of growth in the secondary sector from 4.2% in 2013 to 2.7% in 2014. The manufacturing sub-sector in particular which accounts for about one third of GDP was considerably affected by the shocks, with its growth performance decreasing to 1.3% from 2.5% in 2013. The decline in growth in the secondary sector was hindered to some extent by improved growth in the primary sector. The agriculture productivity grew by approximately 4.0%, indicating enhanced productivity which resulted from key interventions such as the Lower Usuthu Smallholder Irrigation project.

According to the Central Bank of Swaziland, provisional estimates for real GDP growth indicate that the economy grew by 2.7 percent in 2014, slightly higher than the initial projection of 2.5 percent but still lower than a revised provisional estimate of 2.9 percent (previously forecasted at 3.0 percent) in 2013. The secondary sector output rose by 4.3 percent in 2014 compared to 3.5 percent the previous year mainly benefiting from notable developments in the manufacturing and construction sub-sectors. The tertiary sector grew by a slower rate of 2.4 percent in 2014 compared to 3.0 percent in 2013. Almost all subsectors of the tertiary sector grew at a slower rate compared to the previous year.

The primary sector remained volatile and contracted by 2.1 percent in 2014 following an increase of 3.1 percent in 2013. Developments in the agriculture and forestry subsector were mixed. Subsistence agriculture output (on Swazi Nation Land) rose by 15.7 percent in 2014 following a significant jump in maize production which reached 101,041 tonnes in the 2013/14 harvest season from 81,934 the previous season. Commercial agriculture in the (Individual Tenure farms) contracted by 2.4 percent mainly due to a significant decline in citrus production. In addition, droughty conditions in 2014 affected livestock output as it fell by 11.3 percent in the period under review. On the other hand, forestry output maintained its momentum recording a 17 percent increase in 2014 compared to 13 percent the previous year.

The depreciation of the Lilangeni/Rand against major trading currencies such as the Euro and US Dollar resulted in better receipts from sales outside the SACU market and somewhat offset the negative impact of falling international commodity prices. The real output for financial services and insurance grew by slower rate of 4.1 percent in 2014 compared to 6.5 percent the previous year mainly reflecting a slowdown in credit extension which was in line with poor performance of some key sectors of the economy and increasing cost of raising liquidity.

## **CHIEF EXECUTIVE OFFICER'S STATEMENT**

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

Improved dairy sector productivity and performance has been one of the major strategic objectives the Board has been currently pursuing in the reporting strategic period. Stimulation in local production remains a dairy sector priority

The vision of the Swaziland dairy board is a developed and well regulated dairy industry in Swaziland. This will be achieved through creation of an enabling environment for all stakeholders through facilitation, development, promotion and regulation of the dairy industry in Swaziland. This will enable long term growth and sustainability of all stakeholders in the industry.

The local dairy industry has seen positive growth from the previous years in milk production regardless of the many challenges that were facing this sector. Climate change continues to be a major stumbling block in the entire agriculture industry. The ongoing dry periods have placed much pressure on the availability of fodder locally, thus calling for the industry to explore other sources for hay supply. The Board will remain committed to assist and provide immediate interventions to address the current challenges.

Positive growth has been noted in the industry as a result of the enormous joint efforts from all industry stakeholders. Improved production efficiency has also been noted in a number of dairy farmers which has resulted in the slight increase in milk production. This positive impact has been a result of improved capacity as a majority of farmers are well equipped with all the necessary skills and knowledge of effectively managing a dairy enterprise. However the increase in milk demand has put much pressure on the local production.

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 E21, 683,531 compared to E19, 027,526 in 2014. Which depicts a 14% 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 domestic consumption for milk and milk products significantly grew by 18.5 percent from 68.94 million litres of Liquid Milk Equivalent (LME) in 2014 to 81.67 million litres in 2015. Domestic production of raw milk increased by 13 percent from 10.64 million litres in 2014 to 12.02 million litres in 2015. With increasing domestic consumption of dairy products, the increase in local production was not enough to meet the significant increase in local dairy products consumption requirements. The domestically produced raw milk only covered 15 percent of the total liquid milk equivalent requirement. The huge short fall between domestic demand and local milk production was met through imports from South Africa. Imports of milk and other dairy products increased by 19.5 percent from 58.30 million litres in 2014 to 69.65 million litres in 2015. The most imported dairy products included; Ultra Heat Treatment (UHT) milk, raw milk, margarine, creamers and yoghurts.

There were around 508 dairy farmers during the year reported upon shows a 4.1% increase from the 488 farmers in 2013. A majority 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 E5.00 per litre in 2015 rising from E4.80 per litre that was offered in 2014. Local milk production continued to increase in the year 2015 when compared to subsequent years; this is inline with the country's objective to develop the local dairy industry.

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

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 continues to face a disparity between the supply and demand of milk due to the ever increasing consumption of milk and milk products. Swaziland is one of the African countries that have a higher consumption per capita of dairy products. According to industry statistics, the consumption of milk and milk products has increased over the previous five years. About 85% of the locally consumed milk and milk products come through as imports from the Republic of South Africa. It is within the Board's strategic plan to address such a shortfall and move towards self sufficiency in the industry in the long run.

## **Strategic Focus**

The Board developed a new 2014/2015 strategic plan that will guide the strategic direction and implementation of all development initiatives and plan. The Board within its mandate to develop and regulate the dairy industry has continued to intensify its efforts towards promoting dairy industry and enhancing its productivity. Improved industry productivity and performance is the major driving force for every initiative implemented by the Board. The Board seeks to improve production efficiency and increase industry competitiveness in all levels of the value chain.

The newly 2014/2017 SDB Strategic plan seeks to improve the industry productivity through creation of an enabling environment for all stakeholders through facilitation, development, promotion and regulation of the dairy industry in Swaziland. The strategic plan places much emphasis on financial sustainability, human resource development, dairy production and processing and finally governance and policy development.

The board is working towards improving the growth and competitiveness of the local dairy sector through supporting of large scale dairy farming and processing initiatives. The local dairy industry is mainly dominated by smallholder dairy farmers who face a number of challenges that constraint them to growth. To achieve significant growth in milk production and moving towards self sufficiency in the industry, it is imperative that the Board supports every initiative that will promote industry growth and productivity. It is in this regard that the Board seeks to support large scale dairy farms and processors in an aim to improve the industry performance and competitiveness. Moving forward, the board is working towards increasing the number of role players mainly in the production and processing sector of the industry. This will not only improve the dairy industry but it will go a long way to improve the entire agriculture sector and overall economy of the country.

Capacity building on all levels of the dairy value chain remains a priority in the sector. The board seeks to build a continued long term skill in the industry that will enable all dairy stakeholders to effectively manage their dairy enterprises and contribute toward the sector's goal of improved productivity and competitiveness. The will continue to intensify and strengthen the capacity building of dairy farmers through providing training both in dairy farming and processing.

Development initiatives focusing on improved breeding, production efficiency, access to dairy animals, research, capacity building, fodder production and both increased finance and market access are cleared articulated in the strategic implementation plan. With challenge of fodder as a result of the persistent dry period, the board will continue to assist local dairy farmers in sourcing of hay to feed their dairy animals. The Board has embarked on a baling programme in which farmers with good baling sites are assisted in hay making. This initiative is aimed to improve the access to local fodder flow in the industry.

**DR. T. M. DLAMINI**  
**CHIEF EXECUTIVE OFFICER**

## REVIEW OF OPERATIONS

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.

#### Artificial Insemination (AI) and Heat Synchronization

SDB has continued to render the AI service in an aim to improve the local dairy herd and breeding programme in all the regions in 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, 355 dairy cows/heifers were bred using artificial insemination in all regions of the country. Amongst the total number of cows/heifers bred, 82 were heat synchronized at cost in all the regions of the country.

#### Dairy Cattle Purchase

During this reporting period, a total number of 180 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.

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	2014/15	TOTAL
Manzini	64	80	89	71	33	95	337
Hhohho	16	5	0	2	10	28	33
Shiselweni	20	10	35	18	49	34	132
Lubombo	5	2	3	7	4	23	21
<b>TOTAL</b>	<b>105</b>	<b>97</b>	<b>127</b>	<b>98</b>	<b>96</b>	<b>180</b>	<b>523</b>

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

<b>Period</b>	<b>Amount (E)</b>
2009/10	753,469
2010/11	970,000
2011/12	1,400,490
2012/13	842,875
2013/14	1,152,000
2014/15	2,160,000

## **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, 691 farm visits were carried out covering the whole country to offer technical advices and dairy husbandry practical services.

### **(b) Workshops**

#### **(i) Farmer Technical Meetings/Workshops**

In this reporting period nineteen (19) day time workshops were conducted in all regions with a total attendance of 231farmers.

In addition 44 technical meetings were held in the four regions of the country with a total attendance of 598 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 69 farmers were trained in dairy cow's production and dairy goats' production. 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 aim to create an increased 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, six (6) 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 dairy farms visited were in Bethal and Comondale in the Mpumalanga Province.

## **The milking machine project**

To promote the use of technology and efficient production techniques in the industry, the board has continued to encourage farmers to utilize mobile milking machines. During the year under review, ten (10) one point mobile milking machines and one (1) two point mobile milking machine 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 endeavor 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 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.

However due to the persisting dry period, all milk collection centres remained operational closed as a result of low volumes of milk which could not justify the operation of a milking collection centre. It is envisaged that when the rains begins more famers will be in a better position to supply their milk in the collection centres as they have been well capacitated.

## **Goat Milk Promotion**

The Board continues to promote goat milk production and consumption in the industry. 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. During the year under review, potential reputable dairy goat supplier in Mooi River was identified. It is envisaged that the goats will be procured in the next reporting financial year according to an agreement with the supplier. 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**

Due to the scarcity of fodder flow during the dry season, the board has continued to produce hay bales for dairy farmers to ensure that feed is available throughout the winter season. During the reporting period, the board embarked on a balling programme in which suitable balling sites belonging to farmers were balled to produce hay bales. A total number of two thousand five hundred and seven (2507) large round hay bales (250 kg) were produced in Lavumisa, KaLanga, Sihhoye, and Mpofo. Dairy farmers were encouraged to produce or buy hay bales in preparation for the winter season.

## **Gege Government Dairy Farm**

In an endeavour to improve the production performance of Gege Dairy Farm, the Board has continued to effectively implement the resuscitation plan as the cropping season was approaching. Among the major activities undertaken in the reporting period included renovation of farm structures, irrigation system installation and ploughing of fields and planting of pastures and yellow maize. During the reporting period, about 15ha of the pastures were top dressed with LAN fertilizer to encourage re-growth and new pastures of about 10ha teff were planted. About 36 ha of land were planted with yellow maize of which a portion of 16 ha would be designated to silage making and the 20 ha remaining would be for dry grain. At the end of the reporting period, the total number of dairy cattle was 181 (all inclusive).

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.

## **Masundwini Dairy Farm**

The Board in line with its mandate of developing the dairy industry has been actively involved in the resuscitation of Masundwini Dairy Farm. Among the major activities undertaken by the Board was to full operationalize the farm through infrastructure rehabilitation, irrigation installation, bush clearing, pasture and yellow maize establishment.

During the reporting period, the Board assisted in the preparation of pastures and yellow maize. This included ploughing and planting of pastures and yellow maize.

The Board is expected to continue assisting the farm in all technical aspects to ensure it operates at full optimum production capacity.

### **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. Currently the project has ten (10) dairy animals which included six (6) cows, three (3) calves and one heifer. The Board has also conducted a training course on principles of dairy cattle farming and group management dynamics in collaboration with the Department of Cooperatives for the group.

#### **b) Sithobelweni Dairy Cattle Project**

The Board has continued to provide technical advice and support to the project. Currently the group was milking three cows and the total number of cows is eight (8). The Board in partnership with the project donors is looking into implementing a model that would ensure the project remains sustainable and does not rely on donor funding. During the reporting period, the Board was able to assist the group in dividing the pastures into camps and providing AI breeding services.

#### **c) Chubeka Zandondo**

To ensure the sustainability of the project, the board continued to offer technical support and advice to the group in addressing all the operational challenges. During the period under review, one cow gave birth to a female calf. Currently the project has six (6) dairy animals of which three (3) are cows, two (2) heifers, one bull and one female calf. The Board assisted the group with the procurement of a Bull to address the breeding challenges. The Board also assisted the group in the planting of pastures to improve fodder flow.

#### **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 period reported upon, the Board continued to provide both business and technical advice for the project in an aim to improve the project sustainability. The Board facilitated the procurement of 14 female goats and one breeding buck for the project. A total number of three goats gave birth to two female kids and one male kid. Currently the Project has a total number of 26 goats. The Board has continued to assist the project in preparation and planting of pastures.

#### **e) Thulwane Epilepsy Dairy Project**

Thulwane Epilepsy dairy project is a dairy project owned by 13 epileptic members in Thulwane under the Manzini region. The objective of the project is to improve the livelihoods of the epileptic members through production and sale of milk. During the reporting period the Board continued to provide technical support and advice to the project. Currently the group has a total membership of thirteen (13) epileptic members. The project currently has four dairy (4) animals of which two are milking cows and two female calves. The Board is

also working closer with the project on possible ways of expanding the project so it remains sustainable.

#### **a) Moyamunye Ex-Miners Dairy Project**

Moyamunye ex-miners are a group of ex-miners who have jointly ventured into dairy farming in the Lubombo region. The project is located at Magwanyana. The group currently has 12 members. The Board continued to provide technical advice and support to the group. During the reporting period, the Board conducted a training workshop for all group members in Dairy Farming management. The board has also assisted the group in the procurement of dairy animals and fencing equipment. A resource assessment for the proposed site was conducted by the Board.

#### **b) Gedlingula Dairy Farmers Cooperative Society**

Gedlingula Dairy Cooperative is a centralized dairy project owned by a group of 10 farmers in Maphalaleni area under the Hhohho region. This group is supported by World Vision Swaziland and has since received a grant to purchase ten (10) dairy animals and a milking machine. During the reporting period, the Board in collaboration with World Vision trained the entire group member in dairy cattle farming. The group was currently in the process of being registered as a cooperative with the department of Cooperatives. Preparations to receive the cows were currently underway. The Board was assisting the group with the procurement of ten dairy animals and milking machine which is expected to delivered in the next reporting period.

### **Business Plan Preparation**

In an effort to assist farmers start and grow their businesses, the board has continued to assist dairy stakeholders in the development of bankable business plans for both planning and accessing financial services purposes.

During the reporting period thirty (30) business plans were developed for dairy farmers. All business plans developed were for both aspiring and practising dairy cattle farmers; nineteen (19) small scale, four (4) medium scale, six (6) large scale and one (1) dairy goats.

### **Information Sharing and Dissemination**

In an aim to increase information flow on critical issues affecting the dairy industry, the board has continued to disseminate all relevant industry information to all dairy stakeholders. This was in line with the organization's communication strategy to increase information flow in the industry through notification of stakeholders on current pressing issues emanating from the livestock sector by the use of various communications medium. During the reporting period, the board was able to increase awareness to all dairy stakeholders to vaccinate their animals against lumpy skin disease which was common in all regions through the use e-dairy sms communication platform. Farmers were also encouraged to follow their vaccinating programmes.

### **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.

During the period under review, a list of five groups that would benefit from the project was compiled from all the regions in the country. SADP undertook an exercise of visiting all selected benefiting group farmers to ensure that they were prepared to receive the dairy animals. SDB continued to assist some of the beneficiaries in ensuring their preparedness to receive the cows. SDB conducted training workshops coupled with refresher courses to all the five groups to ensure that they were technically prepared to receive the dairy animals. Benefiting groups were given their dairy cows in all the regions after having satisfied all the project requirements.

### **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 has continued to explore effective ways to implement the project. This included exploring and pilot testing artificial insemination kit that is proposed to be used in the project. The Board continues to engage with potential donors and project stakeholders on funding prospects of the project.

### **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. 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 cost effective methods to enable ease access to affordable financial services for dairy farmers. During the year under review, the Board continued to engage with partner institutions in an endeavor to ease the process of access to financial services for all dairy stakeholders.

### **School Milk Feeding Programme**

The School Milking Programme initiative has been one of the major programmes supported by the Board in an aim to promote a dairy consumption culture among the youth and stimulate local dairy consumption demand. The board in partnership with relevant stakeholders continued to work closer towards the development of School Milk Programmes that would be integrated in the current running school feeding programmes to enhance academic performance, school attendance and health eating habit among scholars.

During the reporting period, the project concept paper was developed in collaboration with stakeholders. The board met with the Ministry of Agriculture, NERCHA and Ministry of Education to examine effective ways of implementing the initiative. The project will be

implemented in conjunction with the Dairy School Projects. The Board supports these projects and provides technical advice to ensure they remain sustainable.

Currently schools with dairy projects include Mbalenhle Primary School, Emvimbeko High School and Lulakeni High School. During the reporting period, four schools have approached the board on their intention to start dairy projects. These schools include Dinane High School, Motshane High School, Malunge High School and Malanti Primary School. The board will continue to work closer with the schools to ensure they start their proposed dairy projects.

### **Swazi Milk Project**

In increasing local milk production, reducing imports, job creation, skills transfer, export promotion, food security and economic growth, Old Mutual has committed a sum of 157 million Emalangeni in setting up a large scale dairy project in the industry. The project in its entirety in Swaziland envisages to establish a commercial dairy farming unit of 3,500 milking cows under grazing with 950 ha of irrigated pasture and about 1000 ha of veld. The final plan is to process the raw milk into various products with the local and international markets set as targets. The Board assisted the project in its establishment during the year under review. This project not only improves the local dairy industry in terms of milk production and reducing imports but is also in-line with the Government plan of job creation, skills transfer, export promotion, food security and economic growth.

## 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**

<b>PRODUCTS</b>	<b>IMPORT LEVY (% of the Invoice Value)</b>
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 2014/2015 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. To strengthen the Board's mandate to regulate the dairy industry, the Board has partnered with stakeholders in the technological sector so to ease and improve the efficiency of the regulation exercise. 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 81.67 million litres per annum in terms of liquid milk equivalents (LME's) while commercial milk production from the national dairy herd is estimated at 12.02 million litres. The deficit of 69.65 million litres of LME's is met through imports of dairy products.

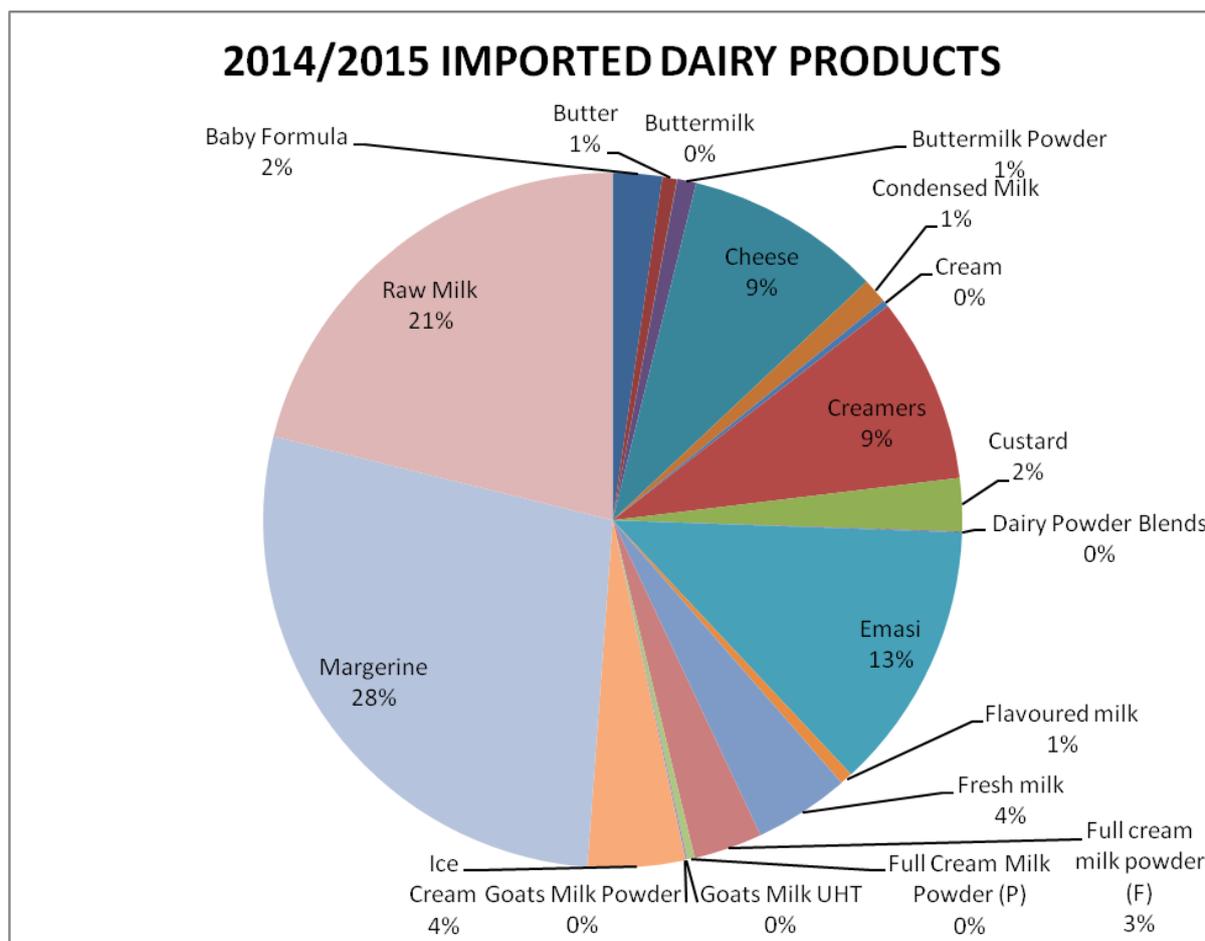
**Table 5. Consumption of milk in Swaziland (In Liquid Milk Equivalents – (LME))**

Year	Consumption in m. (lmes)	Import	% Import	Local	% Local
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
2015	81.67	69.65	85.28	12.02	14.72

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 (2010/2011 – 2014/2015)**

Product Name	Quantity (kg/L)				
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Baby Formula	122,824.93	217,237.08	225,728.01	351,715.12	271,150.82
Butter	30,617.10	37,348.17	39,010.56	40,657.54	80,943.55
Buttermilk	-	460.80	430.00	615.56	1,517.00
Buttermilk Powder	103,460.71	-	101,000.00	120,288.00	104,488.00
Cheese	504,858.55	535,108.38	691,552.27	641,876.34	1,085,912.36
Condensed Milk	10,164.93	21,026.87	14,961.79	6,707.42	139,728.71
Cream	35,586.31	33,125.47	33,425.79	27,184.09	37,007.08
Creamers	0.00	768,055.42	1,552,497.40	1,847,089.22	1,031,096.25
Custard	160,079.25	196,641.42	209,052.44	187,761.50	294 613.92
Dairy juices	406,744.55	2,955.42	-	-	-
Dairy Powder Blends	2,063.34	3,994.75	7,211.74	3,073.36	5,360.82
Emasi	859,241.22	655,049.60	772,474.10	918,778.22	1,493,536.44
Flavoured milk	18,929.75	35,268.89	27,481.50	49,436.87	69,428.21
Fresh milk	601,140.82	342,194.88	389,110.27	441,585.73	527,759.49
Full cream milk powder	321,965.94	360,216.24	408,758.67	396377.37	419,963.49
Goats' Milk	-	-	5,535.00	7,337.00	9,310.79
Goats' Milk Powder	-	-	-	-	1,072.59
Honey	-	2,642.44	13.50	-	-
Ice Cream	301,625.58	1,134,051.07	662,017.21	537,834.77	535, 147.32
Margarine	-	-	1,516,782.03	2,540,000.00	3,313,058.05
Raw Milk	-	-	-	-	2,520,000.00
Skim milk powder	38,531.40	15,000.00	12,359.48	8,922.88	12,350.69
UHT Milk	6,546,171.61	7,076,807.15	6,666,144.23	7,909,004.70	9,539,194.88
Whey powder	494,495.00	266,100.00	361,875.00	380,764.92	403,231.12
Yoghurt	1,495,596.34	1,892,398.20	1,618,268.17	1,694,106.65	2,182,016.73
<b>TOTAL</b>	<b>12,054,097.33</b>	<b>13,595,682.25</b>	<b>15,315,689.16</b>	<b>18,111,117.26</b>	<b>24,017,888.31</b>



**Figure 1. Dairy Products Imports, 2014/2015**

**Table 7. Quantities for Dairy Products Processed Locally (2011-2015)**

Product Name	Quantity (kg/L)				
	2011	2012	2013	2014	2015
Dairy Juice	941,991	762,550.00	623, 922.50	554,736	556,448
Emasi	3,795,163	3,607,716.00	4, 418, 696.00	4,615,777	4,752,122
Fresh Cream	-	1,334.00	3, 342.75	8,520	8,233
Fresh Milk	292,286	236,547.00	294, 234.00	176,209	180,471
Ice Cream	340,801	124,960.00	-	-	-
Yoghurt	233,860	218,676.00	376, 158.30	622,060	674,084
<b>TOTAL</b>	<b>5,604,101</b>	<b>4,951,783</b>	<b>5, 716, 353.55</b>	<b>5, 977, 302</b>	<b>6,171,358</b>

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 (2011-2015)**

Year	Total Production (Litres)	Formal sales (Litres)	Informal sales & other Uses (Litres)
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
2015	12,017,603	2,210,123	9,807,480

The local milk production shows a steady increase when comparing the figures from 2011. In the past two years the local milk produced increased at an increasing rate.

The focus for 2016 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 23% to E38, 506,509 (2014: E31, 534,544) whereas fixed assets increased by about 7%.

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 35 (thirty-five) and presented as follows:

**Table 9. Staff Complement**

DEPARTMENT	FEMALE	MALE	TOTAL
Dairy Development	5	10	15
Information	0	2	2
Quality Control	1	6	7
Finance and Administration	8	3	11
<b>Total</b>	<b>14</b>	<b>21</b>	<b>35</b>

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.

## **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 is used by Swaziland Dairy Board Shiselweni dairy development officers. 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.

### ***Moneni***

The board has a vacant plot in Moneni, Manzini.

**SWAZILAND DAIRY BOARD**

**FINANCIAL STATEMENTS**

*for the year ended 31 March 2015*

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## **SWAZILAND DAIRY BOARD**

### **STATEMENT OF DIRECTORS' RESPONSIBILITY**

*for the year ended 31 March 2015*

The directors are responsible for the preparation and fair presentation of the financial statements of Swaziland Dairy Board, comprising the statement of financial position at 31 March 2015, 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 were approved by the board of directors on 2015 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 2015, 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 2015, 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 37 and 38 does not form part of the 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

## **SWAZILAND DAIRY BOARD**

### **DIRECTORS' REPORT**

*for the year ended 31 March 2015*

The directors have pleasure in submitting their report which forms part of the financial statements of the Board for the year ended 31 March 2015.

#### **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 6 to 36.

#### **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. The current Board consists of:

##### ***Chairperson***

Mr. Thulasizwe Dlodlu

##### ***Vice Chairperson***

Ms Dorah Vilakati (Replaced by Mr. Thembinkosi Ngubane)

##### ***Chief Executive Officer/Board Secretary***

Dr Tony Dlamini

##### ***Recorder***

Mr. Bongani Simelane

##### ***Other directors***

Mr. Dean Adams

Mrs. Elizabeth Matsebula (Replaced Ms Nellie Dlamini)

Dr Velephi Okello

Mrs. Thulisile Nhlabatsi

Mr. Tony Sibandze

Mr. Thembinkosi Ngubane

#### **ADDRESS**

##### **Postal Address:**

P O Box 2975

Manzini

M200

**SWAZILAND DAIRY BOARD**

**DIRECTORS' REPORT** (continued)

*for the year ended 31 March 2015*

**Physical Address:**

3<sup>rd</sup> 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 reporting date and the date of the audit report which have a material impact on the financial statements.

**SWAZILAND DAIRY BOARD****STATEMENT OF COMPREHENSIVE INCOME***for the year ended 31 March 2015*

	Note	2015 E	2014 E
Revenue – import levies		34 621 294	27 995 439
Other income	4	3 846 267	3 539 105
Operating expenses		<u>(18 324 127)</u>	<u>(13 283 008)</u>
Operating profit	1	20 143 434	18 251 536
Finance income		1 517 159	1 003 229
Finance cost		<u>(16 010)</u>	<u>(227 239)</u>
Finance income – net	2	1 501 149	775 990
Financial Asset Fair value Adjustment		<u>38 948</u>	<u>-</u>
Profit before tax		21 683 531	19 027 526
Income tax expense	3	<u>(6 078 140)</u>	<u>(5 377 304)</u>
Profit for the year		15 605 391	13 650 222
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>15 605 391</u>	<u>13 650 222</u>

**SWAZILAND DAIRY BOARD****STATEMENT OF FINANCIAL POSITION***at 31 March 2015*

	Note	2015 E	2014 E
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	6 488 246	5 014 158
Investment property	6	11 555 732	11 946 707
Financial assets – available for sale	7	904 547	865 599
Deferred tax asset	15	517 462	441 107
		<hr/>	<hr/>
		19 465 987	18 267 571
		<hr/>	<hr/>
<b>Current assets</b>			
Trade and other receivables	8	3 432 448	720 729
Current tax prepaid	13	2 029 345	-
Cash and cash equivalents	9	44 834 471	35 403 021
		<hr/>	<hr/>
		50 296 264	36 123 750
		<hr/>	<hr/>
<b>Total assets</b>		<u>69 762 251</u>	<u>54 391 321</u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained earnings		57 130 840	41 525 449
Dairy development reserve		7 966 020	7 966 020
		<hr/>	<hr/>
		65 096 860	49 491 469
<b>Non-current liabilities</b>			
Severance and gratuity provision	12	887 403	914 490
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	11	3 182 906	1 718 721
Borrowings	10	-	23 258
Employee benefit liabilities	12	595 082	447 967
Current tax liabilities	13	-	1 795 416
		<hr/>	<hr/>
		3 777 988	3 985 362
		<hr/>	<hr/>
<b>Total liabilities</b>		<u>4 665 391</u>	<u>4 899 852</u>
		<hr/>	<hr/>
<b>Total reserves and liabilities</b>		<u>69 762 251</u>	<u>54 391 321</u>

**SWAZILAND DAIRY BOARD**

**STATEMENT OF CHANGES IN EQUITY**

*for the year ended 31 March 2015*

	<b>Retained Earnings E</b>	<b>Dairy Development Reserve E</b>	<b>Total E</b>
<b>Balance at 31 March 2014</b>	41 525 449	7 966 020	49 491 469
Total comprehensive income for the year	15 605 391	-	15 605 391
	<hr/>		
<b>Balance at 31 March 2015</b>	<b>57 130 840</b>	<b>7 966 020</b>	<b>65 096 860</b>
	<hr/>		
<b>Balance at 31 March 2013</b>	27 875 227	7 966 020	35 841 247
Total comprehensive income for the year	13 650 222	-	13 650 222
Transfer to reserves			
	<hr/>		
<b>Balance at 31 March 2014</b>	<b>41 525 449</b>	<b>7 966 020</b>	<b>49 491 469</b>
	<hr/>		



## **SWAZILAND DAIRY BOARD**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*for the year ended 31 March 2015*

#### **1. Reporting entity**

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. Basis of preparation**

##### **a) Statement of compliance**

The financial statements of the Swaziland Dairy Board have been prepared in accordance with International Financial Reporting Standards (IFRS).

##### **b) Basis of measurement**

They have been prepared under the historical cost basis except where stated otherwise.

The accounting policies are consistent with those adopted in the previous financial year and have been applied consistently by the Board.

The method used to measure fair values are discussed further in the accounting policies and notes to the financial statements.

##### **c) Functional and presentation currency**

These financial statements are presented in Emalangeni, which is the Board's functional currency. All financial information has been rounded to the nearest one Lilangeni.

##### **d) Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounts policies and reported amounts of assets, liabilities, income and expenses. Actual results amounts may differ from these estimates.

## SWAZILAND DAIRY BOARD

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2015

#### 2.1 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 2015, and have not been applied in preparing these financial statements.

These are:

Standard/Interpretation		Effective date Periods beginning on or after
IAS 10 and IAS 38	<i>Classification of acceptable methods of depreciation</i>	1 January 2016
IFRS 7 amendment	<i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2016
IFRS 15	<i>Revenue from contracts with customers</i>	1 January 2017
IAS 1 amended	<i>Disclosure initiative</i>	1 January 2016
IFRS 9	<i>Financial Instruments</i>	1 January 2018

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. 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.

## SWAZILAND DAIRY BOARD

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*for the year ended 31 March 2015*

#### 3. Summary of significant accounting policies (continued)

##### 3.1 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%
Motor vehicles	33 $\frac{1}{3}$ %
Computer equipment	33 $\frac{1}{3}$ %

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.

## SWAZILAND DAIRY BOARD

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*for the year ended 31 March 2015*

#### 3. Summary of significant accounting policies (continued)

##### 3.2. 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%
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.

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.

## SWAZILAND DAIRY BOARD

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2015

### 3. Summary of significant accounting policies (continued)

#### 3.3. 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 8 and 9).

(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.

## **SWAZILAND DAIRY BOARD**

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.

## SWAZILAND DAIRY BOARD

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2015

#### 3. Summary of significant accounting policies (continued)

##### (c) Available for sale financial assets (continued)

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 Board's right to receive payment is established.

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 3.5.

#### 3.4. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation 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 that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## **SWAZILAND DAIRY BOARD**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*for the year ended 31 March 2015*

#### **3. Summary of significant accounting policies (continued)**

##### **3.5. 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.

##### **3.6. Trade payables**

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

##### **3.7. 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.

## SWAZILAND DAIRY BOARD

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2015

#### 3. Summary of significant accounting policies (continued)

##### 3.8. 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.

##### 3.9. 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.

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.

##### 3.10. 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.

## SWAZILAND DAIRY BOARD

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued) *for the year ended 31 March 2015*

#### **3. Summary of significant accounting policies (continued)**

##### **3.10. Deferred taxes (continued)**

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.

##### **3.11. 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.

##### **3.12. 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.

## SWAZILAND DAIRY BOARD

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2015

#### 4.. Financial risk management

##### 4.1 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.

##### (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

**SWAZILAND DAIRY BOARD**

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.

## SWAZILAND DAIRY BOARD

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) for the year ended 31 March 2015

#### 4.1 Financial risk factors (continued)

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 2015 Balance	31 March 2014 Balance
African Alliance	3 261 110	3 076 063
Swaziland Building Society	1 068 875	1 026 492
Nedbank Swaziland	41 406 033	32 163 065
	<u>45 736 018</u>	<u>36 265 620</u>
Trade receivables	<u>293 430</u>	<u>213 967</u>
	<u>293 430</u>	<u>213 967</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.

#### (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.

## SWAZILAND DAIRY BOARD

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) for the year ended 31 March 2015

#### 4. Financial risk management (continued)

##### 4.1 Financial risk factors (continued)

###### (c) Liquidity risk (continued)

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 2015			
Borrowings	-	-	-
Trade and other payables	3 182 906	-	-
	<u>3 182 906</u>	<u>-</u>	<u>-</u>
At 31 March 2014			
Borrowings	23 258	-	-
Trade and other payables	1 718 721	-	-
	<u>1 741 979</u>	<u>-</u>	<u>-</u>

##### 4.2 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.

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.

## SWAZILAND DAIRY BOARD

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) for the year ended 31 March 2015

#### 4. Financial risk management (continued)

##### 4.2 Capital risk management (continued)

During 2015, the Board's strategy was to continue reducing its gearing ratio in order to improve its financial position. The gearing ratios at 31 March 2015 and 31 March 2014 were as follows:

	2015 E	2014 E
Total borrowings (note 10)	-	23 258
Cash and cash equivalents (note 9)	(44 834 471)	(35 403 021)
Net debt	(44 834 471)	35 379 763
Total reserves	65 116 597	49 491 469
Gearing ratio	(0%)	(0.4%)

The decrease in gearing ratio is a result of a settlement of finance leases half way through the year.

##### 4.3 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.

#### 5. 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.

## SWAZILAND DAIRY BOARD

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015

#### 1. Operating profit

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

	2015 E	2014 E
Auditors' remuneration		
- Audit fees - prior year	<u>102 674</u>	<u>95 241</u>
Depreciation		
- Investment property	390 975	390 975
- Property, plant and equipment	<u>1 241 727</u>	<u>860 230</u>
	<u>1 632 702</u>	<u>1 251 205</u>
Management fees	<u>244 033</u>	<u>165 594</u>
Repairs and maintenance		
- General	1 040 756	846 847
- Administration	<u>-</u>	<u>41 360</u>
	<u>1 040 756</u>	<u>888 207</u>
Staff costs (Note 1.1)		
- Administration	<u>8 132 433</u>	<u>6 090 657</u>
Finance income – net (Note 2)	<u>1 501 149</u>	<u>775 990</u>
Directors' fees		
- For services as directors	<u>243 902</u>	<u>186 927</u>
<b>1.1 Staff Costs</b>		
Medical aid	655 130	579 412
Pension	490 279	524 772
Salaries and wages	6 580 051	5 252 619
Severance pay and gratuity	324 490	(325 866)
SNPF	<u>82 483</u>	<u>59 720</u>
	<u>8 132 433</u>	<u>6 090 657</u>

## SWAZILAND DAIRY BOARD

### NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2015

	2015 E	2014 E
<b>2. Finance income – net</b>		
Interest income:		
- Financial assets	43 640	40 846
- Interest income on short-term bank deposits	1 473 519	962 383
	<u>1 517 159</u>	<u>1 003 229</u>
Interest expense:		
- Bank borrowings	(16 010)	(227 239)
	<u>1 501 149</u>	<u>775 990</u>
<b>3. Income tax expense</b>		
Current tax (note 13)	6 154 495	(5 110 052)
Deferred tax (note 15)	(76 355)	(267 252)
Tax charge	<u>6 078 140</u>	<u>(5 377 304)</u>
The reconciliation of the effective tax charge is as follows:		
Profit before tax	21 683 531	19 027 526
Taxation at 27.5% (2014: 27.5%)	(5 962 971)	(5 232 569)
Non deductible expenses	(115 169)	(144 735)
Tax charge	<u>(6 078 140)</u>	<u>(5 377 304)</u>
<b>4. Other income</b>		
Artificial insemination	104 840	31 875
Commission received	449	823
Recoveries (utilities)	131 780	147 720
Rental income	3 178 043	3 039 568
Parking	39 450	39 150
Sundry income	391 705	279 969
	<u>3 846 267</u>	<u>3 539 105</u>

SWAZILAND DAIRY BOARD

NOTES TO THE FINANCIAL STATEMENTS (continued)

*for the year ended 31 March 2015*

5. Property, plant and equipment

	Computer Equipment E	Furniture and fittings E	Office equipment E	Motor vehicles E	Land and buildings E	Total E
<b>Year ended 31 March 2015</b>						
Opening net carrying amount	91 327	66 670	1 098 643	1 455 737	2 301 781	5 014 158
Additions	-	-	1 234 565	1 481 250	-	2 715 815
Depreciation charge	(57 411)	(57 105)	(214 285)	(827 853)	(85 073)	(1 241 727)
<b>Closing net carrying amount</b>	<b>33 916</b>	<b>9 565</b>	<b>2 118 923</b>	<b>2 109 134</b>	<b>2 216 708</b>	<b>6 488 246</b>
<b>At 31 March 2015</b>						
Cost	678 360	974 006	3 361 505	5 588 230	3 402 918	14 005 019
Accumulated depreciation	(644 444)	(964 441)	(1 242 582)	(3 479 096)	(1 186 210)	(7 516 773)
Net carrying amount	33 916	9 565	2 118 923	2 109 134	2 216 708	6 488 246

One motor vehicle was disposed during the year. This vehicle was fully depreciated.

**SWAZILAND DAIRY BOARD**

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

*for the year ended 31 March 2015*

**5. Property, plant and equipment**

	<b>Computer equipment E</b>	<b>Furniture and fittings E</b>	<b>Office equipment E</b>	<b>Motor vehicles E</b>	<b>Land and buildings E</b>	<b>Total E</b>
<b>Year ended 31 March 2014</b>						
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
<b>At 31 March 2014</b>						
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

**SWAZILAND DAIRY BOARD**

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

*for the year ended 31 March 2015*

**5. Property, plant and equipment (continued)**

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).

Capitalised motor vehicles with the carrying amount of E1 481 250 (2014: E1 210 948) have been acquired during the current year.

**SWAZILAND DAIRY BOARD**

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

*for the year ended 31 March 2015*

	<b>2015</b>	<b>2014</b>
	<b>E</b>	<b>E</b>
<b>5. Property, plant and equipment (continued)</b>		
Assets that are fully depreciated but still in use comprise:		
Computer equipment and software	504 389	501 861
Furniture and fittings	359 385	404 224
Office equipment	512 517	328 773
Motor vehicles	2 031 478	1 738 650
	<u>3 407 769</u>	<u>2 973 508</u>
	<b>Land</b>	<b>Buildings</b>
	<b>E</b>	<b>E</b>
		<b>Total</b>
		<b>E</b>
<b>6. Investment property</b>		
<b>Year ended 31 March 2015</b>		
Opening net carrying amount	1 054 095	10 892 612
Depreciation	-	(390 975)
<b>Closing net carrying amount</b>	<u>1 054 095</u>	<u>10 501 637</u>
<b>At 31 March 2015</b>		
Cost	1 054 095	16 037 791
Accumulated depreciation	-	(5 536 154)
<b>Net carrying amount</b>	<u>1 054 095</u>	<u>10 501 637</u>
	<b>Land</b>	<b>Buildings</b>
	<b>E</b>	<b>E</b>
		<b>Total</b>
		<b>E</b>
<b>Year ended 31 March 2014</b>		
Opening net carrying amount	1 054 095	11 410 817
Depreciation	-	(390 975)
<b>Closing net carrying amount</b>	<u>1 054 095</u>	<u>10 892 612</u>
<b>At 31 March 2014</b>		
Cost	1 054 095	16 037 791
Accumulated depreciation	-	(5 145 179)
<b>Net carrying amount</b>	<u>1 054 095</u>	<u>10 892 612</u>

**SWAZILAND DAIRY BOARD**

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

*for the year ended 31 March 2015*

**6. Investment property (continued)**

Investment property comprises of land and buildings;

1. Portion 19, 20, 23, 24 and 26 of Lot 34 situated at 4<sup>th</sup> 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.

The Investment Property was evaluated on the 31 August 2013 by Jeff Lowe Associates.

**SWAZILAND DAIRY BOARD****NOTES TO THE FINANCIAL STATEMENTS** (continued)*for the year ended 31 March 2015*

	<b>2015 E</b>	<b>2014 E</b>
<b>7. Financial assets – available for sale</b>		
Swaziland Building Society – Permanent shares	<u>904 547</u>	<u>865 599</u>
The carrying amount of the investment as at fair value. The shares will be redeemed at nominal value.		
<b>8. Trade and other receivables</b>		
Trade receivables	1 042 664	994 972
Less: provision for doubtful debts	<u>(534 555)</u>	<u>(437 447)</u>
	508 109	557 525
VAT recoverable	242 258	56 423
Accrued interest – Fixed deposit	226 667	-
Cattle procurement	-	20 162
Levies receivables	2 276 672	-
Prepayments/Deferred expenses	<u>178 742</u>	<u>86 619</u>
	<u>3 432 448</u>	<u>720 729</u>
A 100% allowance has been made for estimated irrecoverable amounts from the rental of property amounting to E534 555 (2014: E437 447). Irrecoverable amounts amounting to ENil (2014: ENil) were written off during the year.		
<b>9. Cash and cash equivalents</b>		
Cash on hand	3 000	3 000
Short term bank deposits	<u>44 831 471</u>	<u>35 400 021</u>
	<u>44 834 471</u>	<u>35 403 021</u>
<b>10. Borrowings</b>		
<b>Current</b>		
Mortgage loan	-	-
Finance lease liabilities	<u>-</u>	<u>23 258</u>
		<u>23 258</u>
<b>Non current</b>		
Mortgage loan	-	-
Finance lease liabilities	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

**SWAZILAND DAIRY BOARD**

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

*for the year ended 31 March 2015*

	<b>2015 E</b>	<b>2014 E</b>
<b>10. Borrowings (continued)</b>		
Borrowings –minimum future payments		
Not later than one year	-	23 258
Later than one year and not later than five years	-	-
Later than five years	-	-
	<hr/>	<hr/>
	-	23 258
Future finance charges on borrowings	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
	-	23 258

The present values of borrowings to maturity is as follows:

Not later than one year	-	23 258
Later than one year and not later than five years	-	-
Later than five years	<hr/>	<hr/>
	-	23 258

***Finance lease liabilities***

The leases in respect of capitalised leased motor vehicles had been fully paid and no new lease agreements were entered during the year 2014/15

***Mortgage loan***

Mortgage loan had been fully repaid and no new mortgage loan was acquired during the year.

<b>11. Trade and other payables</b>		
Trade payables	1 838 130	1 009 835
Accruals	1 314 644	682 265
Other payables	30 132	26 621
	<hr/>	<hr/>
	3 182 906	1 718 721

**SWAZILAND DAIRY BOARD**

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

*for the year ended 31 March 2015*

**12. Employee benefit liabilities**

	<b>Severance pay provision E</b>	<b>Leave pay accrual E</b>	<b>Total E</b>
At 31 March 2014	914 490	447 967	1 362 457
Additional liability raised	168 580	155 910	324 490
Utilised during the year	(195 667)	(8 795)	(204 462)
	<hr/>	<hr/>	<hr/>
At 31 March 2015	887 403	595 082	1 482 485
At 1 April 2013	1 858 938	645 167	2 504 105
Additional liability raised	-	201 515	201 515
Over – provision written back	(726 070)	-	(726 070)
Utilised during the year	(218 378)	(398 715)	(617 093)
	<hr/>	<hr/>	<hr/>
At 31 March 2014	914 490	447 967	1 362 457

**13. Current tax liabilities/(prepaid)**

	<b>2015 E</b>	<b>2014 E</b>
Current tax owing/(prepaid) at beginning of year	1 795 416	(78 392)
Current tax charged during the year (note 3)	6 154 495	5 110 052
Tax paid	(9 979 256)	(3 236 244)
	<hr/>	<hr/>
Current tax (prepaid)/owing at end of year	(2 029 345)	1 795 416

**SWAZILAND DAIRY BOARD**

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

*for the year ended 31 March 2015*

	<b>2015</b>	2014
	<b>E</b>	E
<b>14. Cash generated from operations</b>		
Profit before tax	21 683 531	19 027 526
Adjusted for:		
Depreciation	1 632 702	1 251 205
Employee benefit liabilities	120 028	(1 141 648)
Investment property written off	-	127 230
Profit on disposal of Motor Vehicle	(10 000)	-
SBS Financial Asset Fair value adjustment	(38 948)	-
Interest received	(1 517 159)	(1 003 229)
Interest paid	16 010	227 239
	<hr/>	<hr/>
Operating profit before working capital changes	21 886 164	18 488 323
Changes in working capital		
Increase in accounts receivable	(2 711 719)	(68 272)
Increase in accounts payable	1 464 185	818 971
	<hr/>	<hr/>
Cash generated from operations	<u>20 638 630</u>	<u>19 239 022</u>
<b>15. Deferred tax asset</b>		
Opening balance	441 107	708 359
Movement in statement of comprehensive income (note 3)	76 355	(267 252)
	<hr/>	<hr/>
Closing balance	<u>517 762</u>	<u>441 107</u>
Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using the Swaziland tax rate of 27.5 % (2014: 27.5%).		
Deferred tax arises from the following:		
Provision for doubtful debts	110 252	120 298
Severance pay provision	251 773	251 485
Leave pay accrual	155 910	123 191
SBS permanent shares fair value adjustment	10 711	-
Property, plant and equipment	20 268	(53 867)
Prepayments	(49 154)	-
Prior year adjustment	17 705	-
	<hr/>	<hr/>
	<u>517 462</u>	<u>441 107</u>

**SWAZILAND DAIRY BOARD**

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

*for the year ended 31 March 2015*

**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:

	<b>Loans and receivables E</b>	<b>Available for sale financial asset E</b>	<b>Total E</b>
<b>31 March 2015</b>			
<b><i>Assets as per statement of financial position</i></b>			
Trade and other receivables	3 432 448	-	3 432 448
Financial asset - available for sale	-	904 547	904 547
Cash and cash equivalents	44 834 471	-	44 834 471
<b>Total</b>	<b>48 266 919</b>	<b>904 547</b>	<b>49 171 466</b>
<b>31 March 2014</b>			
<b><i>Assets as per statement of financial position</i></b>			
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
<b>Total</b>	<b>36 123 750</b>	<b>865 599</b>	<b>36 989 349</b>
		<b>2015 E</b>	<b>2014 E</b>
<b><i>Liabilities as per statement of financial position</i></b>			
<i>Other financial liabilities</i>			
Borrowings		-	23 258

**SWAZILAND DAIRY BOARD**

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

*For the year ended 31 March 2015*

	<b>2015</b>	<b>2014</b>
	<b>E</b>	<b>E</b>
<b>16.2 Credit quality of financial assets</b>		
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.		
<i>Trade receivables</i>		
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	-	-
- General credit risk	185 085	49 802
- High risk	857 579	945 170
Total trade receivables	<u>1 042 664</u>	<u>994 972</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.		
<i>Cash and cash equivalents</i>		
African Alliance Swaziland	3 261 110	3 076 063
Swaziland Building Society	164 329	160 893
Nedbank Swaziland Limited	41 406 033	32 163 065
	<u>44 831 472</u>	<u>35 400 021</u>
<i>Financial assets – available for sale</i>		
Swaziland Building Society	<u>904 547</u>	<u>865 599</u>
The above financial institutions are high quality credit financial institutions.		

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

## **SWAZILAND DAIRY BOARD**

*for the year ended 31 March 2015*

### **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 2014 to November 2014) and was increased to E2, 613 from December 2014. (2014: E2, 123).

The Board has a rental agreement for office equipment with Profin (Pty) Ltd. The monthly rental is E1, 284 (2014: 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, 789 642 (2014:E1 342 604). Key management comprise the Chief Executive Officer and four senior managers (department heads). Post-employment benefits amounting to E 433, 912 (2014: E536 071) were provided for key management during the year.

**SWAZILAND DAIRY BOARD**

**DETAILED INCOME STATEMENT**  
for the year ended at 31 March 2015

	<b>2015</b>	<b>2014</b>
	<b>E</b>	<b>E</b>
<b>REVENUE</b>		
Import levies	34 621 294	27 995 439
<b>OTHER INCOME</b>		
Rental income	3 178 043	3 039 568
Artificial insemination	104 840	31 875
Commission received	449	823
Interest received	1 517 159	1 003 229
SBS Permanent Shares fair value adjustment	38 948	-
Government support	-	-
Sundry income	562 935	466 839
<b>TOTAL INCOME</b>	<b>40 023 668</b>	<b>32 537 773</b>
<b>EXPENDITURE</b>	<b>18 340 137</b>	<b>13 510 247</b>
Advertising	67 602	69 288
Artificial insemination	274 475	118 017
Audit fees	102 674	95 241
Bank charges	147 522	108 929
Cleaning	208 513	189 622
Commission	78 680	76 397
Computer expenses	7 985	31 135
Consulting fees	31 024	189 115
Dairy development expense	149 800	-
Depreciation – investment property	390 975	390 975
Depreciation – property, plant and equipment	1 241 727	860 230
Directors fees	243 902	186 927
Donations	9 296	1 269
Entertainment	3 663	9 621
Farmers training expenses	289 770	150 034
Gege farm expenses	792 192	189 490
General expenses	5 448	750
Interest expense	16 010	227 239
Insurance	350 559	330 707
Motor vehicle expenses	1 005 388	824 851
Lgal fees	27 819	-
PEU Management fees	244 033	165 594
Postage and telephone	381 362	353 942

## SWAZILAND DAIRY BOARD

### DETAILED INCOME STATEMENT *for the year ended at 31 March 2015*

	<b>2015</b>	<b>2014</b>
	<b>E</b>	<b>E</b>
Milk Farmers incentives	707 811	-
Printing and stationery	108 288	93 351
Provision for doubtful debts	97 107	134 607
Rates	611 713	599 760
Repairs and maintenance	1 040 756	888 207
Sales tax	10 977	16 996
Security	205 716	204 349
Staff costs	8 132 432	6 090 657
Staff training	5 692	7 824
Staff welfare	32 650	20 248
Subscriptions	15 242	17 472
Travel and subsistence	175 683	196 107
Uniforms	25 299	19 520
VAT irrecoverable	656 850	129 786
Veterinary drugs	49 109	25 448
Water and electricity	394 393	369 313
Write-offs – Balekane property	-	127 229
<b>PROFIT BEFORE TAXATION</b>	<b><u>21 683 531</u></b>	<b><u>19 027 526</u></b>

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

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