MAURITIUS SUGAR SYNDICATE

Report and Statement of Account



2014-2015

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Propriety of Mauritius Sugar Syndicate

Role and Status of the Mauritius Sugar Syndicate

In 1951, following the recommendations of the Mauritius Economic Commission 1947-48, the Mauritius Sugar Syndicate (the "Syndicate"), which finds its origins in 1919, was legally constituted for an indefinite period in pursuance of the Mauritius Sugar Syndicate Act 1951.

The Mauritius Sugar Syndicate is the sole sugar marketing organisation in Mauritius; it has for object the sale of all sugars received by it for the account of its members and the distribution of the proceeds of such sale after deduction of common expenses. All sugar producers are members of the Syndicate.

In fulfilment of its role, the Syndicate's primary objective is to optimise producer revenue through adoption of commercial strategies likely to capture the highest yields obtainable from markets on a sustainable basis. Its operations are structured into specialised departments geared to provide support services of direct relevance to its core business, namely marketing, sales and logistics, finance and accounts, direct support to producers, and also quality and food safety for sugars produced by its members.

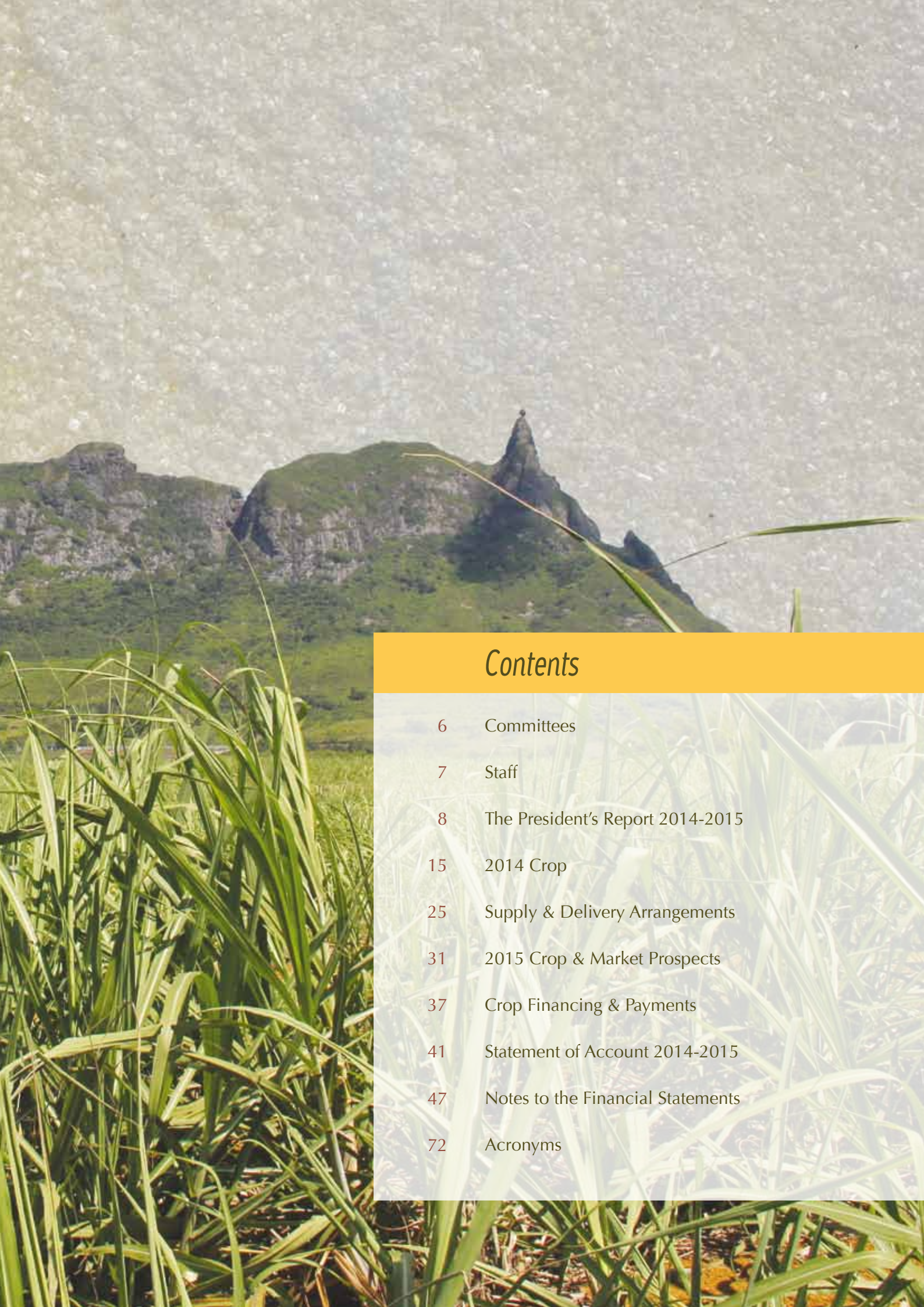
The Mauritius Sugar Syndicate is managed and administered, as provided by its Articles of Association (1967), by a statutory committee known as the "Committee" which comprises twenty-two members, fourteen being representatives of the corporate sector of the industry and eight representatives of large and small cane planters. The representatives of the corporate sector are appointed by the Mauritius Sugar Producers' Association (MSPA) while the planters' representatives are appointed by the Minister of Agro-Industry and Food Security upon recommendation of planters' associations.

The President of the Syndicate is elected at the organisation's Annual General Meeting (AGM) held in September. Since 1976, the President's chair rotates between a planter and a representative of the MSPA. The AGM also approves the composition of the Committee and that of the Executive and Selling Committee. The Executive and Selling Committee is composed of eleven members, including six representatives of the MSPA, four planters' representatives, as well as the CEO of the Mauritius Cane Industry Authority (MCIA).

The Executive and Selling Committee, which meets every 3 to 4 weeks, is the steering body of the Syndicate and its decisions are taken by consensus. The Committee meets at least twice a year to ratify the decisions of the Executive and Selling Committee. For improved governance, sub-committees comprising of members of the Executive and Selling Committee have been established to provide support to the Syndicate's management in specific areas. They are the Marketing Strategy Committee, the Forex Committee, and the Audit and Risk Management Committee. A Remuneration Committee is set up on an *ad hoc* basis to address issues relating to remuneration, promotion and recruitment within the organisation.

For the year under review, out of some 14,922 producers in Mauritius, 7,393 were registered to receive their sugar proceeds directly with the Syndicate while 7,223 obtained their sugar proceeds through the 150 credit cooperative societies registered with the Syndicate. The remaining producers were paid through their appointed brokers.





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MAIN COMMITTEE

President
- Nageshwar Gujadhur

Vice-President
- Hector Espitalier Noël

Corporate Sector Representatives
Nominated by the Mauritius Sugar Producers' Association
- Gérard Chasteau de Balyon
- Arnaud Dalais
- Patrick de Labauve d'Arifat
- Gilbert Espitalier Noël
- Henri Harel
- Vincent Labat
- Thierry Lagesse
- Sébastien Lavoipierre
- Jean Li Yuen Fong
- Jacques Marrier d'Unienville
- Cyril Mayer
- Thierry Merven
- Jean Ribet

Large Planters' Representatives
Nominated by the Minister of Agro-Industry & Food Security
- Jean François Camoin
- Amal Kumar Mohabeer Mungur
- Hansraj Ruhee

Small Planters' Representatives
Nominated by the Minister of Agro-Industry & Food Security
- Soobas Muniah
- Hurrydeo Soobhug
- Kreepalloo Sunghoon, M.S.K.
- Trilock Ujoodha

EXECUTIVE AND SELLING COMMITTEE

President
- Nageshwar Gujadhur

Vice-President
- Hector Espitalier Noël

- Patrick de Labauve d'Arifat
- Jean Li Yuen Fong
- Jacques Marrier d'Unienville
- Cyril Mayer
- Soobas Muniah
- Jean Ribet
- Hansraj Ruhee
- Raj Kamal Soniah
- Kreepalloo Sunghoon, M.S.K.

LEGAL COUNSELS

- ENSAfrica (Mauritius)

US TRADE COUNSEL

- Ryberg and Smith LLC

AUDITORS

Chartered Accountants
- BDO & CO

FOREX CONSULTANT

- Stewardship Consulting (Pte) Ltd

CHIEF EXECUTIVE OFFICER & SECRETARY

- Jean Noël Humbert (up to 31 December 2014)
- Devesh Dukhira (as from 1st January 2015)

Confidential Assistant
- Marie Claire Lo Fong

MARKETING & LOGISTICS

Chief Marketing Officer
- Pascal Lelong (up to 15 August 2015)
- Ashween K. Bunwaree (as from 1 September 2015)

Senior Sales Administration & Logistics Officer
- Khemraj Jhurry

Logistics Coordinator
- Paul Caboche (up to 30 November 2014)

Sales Administration & Logistics Officer
- Glen Baniaux (as from 5 November 2014)

Import/Export Officers
- Dany Jaune
- Yudhisthir Gopaul

Marketing Assistant
- Jesieka Baptiste

Sales & Logistics Assistant
- Karine Ribet

ACCOUNTS & FINANCE

Chief Finance and Administrative Officer
- Jyoty Soomarooah

Accountant
- Indira Goboodun
- Seewanandsing Goodcharan (as from 10 August 2015)

Accounts Officers
- Aruna Patten (up to 10 April 2015)
- Saviraj Pilly Potiah (as from 22 September 2014)
- Bhavna Kanhye (as from 13 April 2015)

Accounts & Finance Assistant
- Vijay Luxmi Sanuchur

PRODUCERS' SERVICE

Head of Department
- Chetanand Dookhony

First Assistant
- Purshotum Luchmun Roy

Second Assistant
- Varsha Boolakee

CENTRAL QUALITY

Chief Quality Assurance Officer
- Patrick Bussier

Assistant Chief Quality Assurance Officer
- Shivalingum Chengalaram

Quality Assurance Officers
- Faisal Earally
- Sanjaye Goboodun

Secretary
- Belinda Dorza

SUPERVISING AND SAMPLING

Supervisors in charge
- Gaëtan Tranquille
- Patrick Henry

Supervisors
- Clifford Davy
- Nazim Minnotte
- Rajeswar Boodhoo
- Denis Pin
- Darmen Mooneesamy
- Sailesh Kumar Seeballuck

OVERSEAS REPRESENTATIVE

- Géo Govinden (up to 31 December 2014)



The President's Report 2014-2015

2014 Crop has been one of the most challenging ones in the recent history of the sugar cane industry in Mauritius. Given the continuous fall in sugar prices in its main export destinations since the start of the harvest, with both the EU average price of white sugar and the world market price having decreased by some 20% by December 2014, sugar producers were not even able to secure a break-even price. The ex-Syndicate price thus plummeted to a disappointing MUR 12,694 per ton from MUR 15,830 per ton in the previous year, an unprecedented 20% year-on-year decrease. Such price level, which was last seen for the 2001 Crop, is a real shock to the industry, especially if assessed against an ongoing inflation which has since then cumulated to some 75%.

Owing to the market surplus in the EU, where the estimated stock-to-consumption ratio attained 12.3% by the beginning of the 2014-15 marketing year, deteriorating market conditions could be foreseen but, just like even the most prominent market players, the Syndicate was overtaken by the events which subsequently unfolded and exacerbated the industry's actual losses. Producers managed to obtain some breathing space through the one-off disbursement, with Government's support, from the Sugar Insurance Fund Board and also through a waiver of the general insurance premium for the 2014 Crop, which together helped curtail their operational costs.

The EU market, which has for long been the most remunerative destination for Mauritius sugar, even after abolition of the ACP/EU Sugar Protocol in October 2009, has suffered the most from these declining prices. The price fall triggered by the exceptional measures adopted by the EU Commission back in 2013 to introduce an additional 1.2 million tons sugar in the market, extended to the following marketing years. It was compounded by the joint decision taken by the EU Council and EU Parliament in June 2013 to abolish in September 2017 production quotas in the EU, which are limited to 13.3 million tons under the prevailing sugar regime. With this forthcoming significant change in market conditions, EU beet sugar producers have become more aggressive in their attempts to retain their respective market positions and even in increasing market share. It is, however, interesting to note that, with the disappearance of production quotas, the WTO limit of 1.35 million tons imposed on sugar exports from EU will then cease to apply. As a result, beet sugar producers will be encouraged to tap world market opportunities and the EU is likely to turn again into a net sugar exporter as under the preceding sugar regimes.

The closing stock for the 2013-14 EU marketing year exceeded once again the 2 million ton level, though revised to 1.9 million tons in March 2015, compared with 2.5 million tons in the previous year and only 1.6 million tons in 2011-12. Sugar buyers have obviously been privileged by such market surpluses and have taken advantage of this situation to push down prices. Hence, as beet sugar producers embarked into a price war to expand their market base, price levels at which contracts had been negotiated prior to the start of the 2014-15 delivery period were not sustained; industrial buyers were even not inclined to finalise purchase contracts, feeling comfortable with the large surplus availability. The average ex-works price of white sugar



in the EU, as per the monthly reporting of the Commission, which had attained € 536 per ton in July 2014, consequently fell to € 509 per ton at the start of the marketing year in October 2014, then to € 435 per ton in December 2014 to reach a trough of € 414 per ton in February 2015. The record 2014 beet sugar crop outturn of 19.30 million tons, compared with 16.73 million tons in the previous year, did not help alleviate the price pressure; on the contrary, in light of the present WTO export limits, beet producers were under pressure to sell their sugars in order to have lower carry-over stocks.

The financial performance of the beet sugar producers was consequently impacted by the ensuing price war and, notwithstanding the streamlining of their operations, several of them reported significant operating losses. On the other hand, those likely to benefit from the post October 2017 liberalised market environment have started to develop strategies to further increase their market presence across the EU continent. In this context, they are leaving no stone unturned to increase their efficiency either at production level or downstream along the supply chain. There has been in this respect numerous business deals over the year including the strategic investment of Cristal Union in the Brindisi sugar refinery in Italy in February 2015, Nordzucker's investment in March 2015 in Hamburg-based August Topfer, and the purchase of Napier Brown Sugar (sugar subsidiary of UK-based Real Good Food) by Tereos in May 2015.

Despite the EU Commission's forecast, in its report entitled "Prospects and Income for Agricultural Commodities in the EU", for a continuous price decrease reaching € 408 per ton in 2017, such price level has, according to market analysts, already been reached during the year under review. It is believed that the situation is unlikely to get worse since the current market conditions are already unsustainable for most producers: the average price paid to beet growers in France for the 2014 Crop was a mere € 24.5 per ton, which is already below their average production cost. While not undermining the foreseen increase in production yields in EU, whereby producers will further improve their cost competitiveness, it should also be recalled that after 2017, they would face no export limit and, subject to remunerative market outlets, EU sugar should find its way outside the continent. There is, however, a certainty: EU prices will get closer to world market prices, with a likely premium over the Liffe London No. 5 white sugar prices to reward reliability of supplies with respect to quality, traceability and timeliness of deliveries.

In future, with alignment of prices, the attractiveness of the EU market for sugar exporters will be increasingly subject to the Euro US Dollar exchange rate. The strengthening of the US Dollar since mid-2014, compounded with the market price reduction during the period under review, has in fact rendered the EU market less remunerative to numerous cane sugar suppliers, including those benefitting from preferential market access. Hence supplies from ACP/LDCs as at August 2015 attained only 1.91 million tons, some 200,000 tons behind last year's performance, and well below the 3.5 million tons safeguard threshold established under the Economic Partnership Agreements (EPAs) for this group of countries into the EU market. Likewise CXL supplies,



The President's Report 2014-2015 (cont'd)

largely from Brazil, have at the same time attained a mere 110,700 tons compared to the established quota of 676,925 tons while Central and Southern American countries have supplied only 120,357 tons out of the quota of 260,760 tons provided under the Free Trade Agreements (FTAs) they have signed with the EU. Such supply shortfalls will undoubtedly impact on the closing stock of the 2014-15 marketing year which is estimated at only 1 M tons at September 2015, some 50% less than in the previous year. Together with the reduction in acreage under beet for the 2015 EU Crop, estimated at 14% compared with the 2014 Crop, this development would increase pressure on buyers to finalise their purchase contracts for the following marketing year. As a result, a reversal in the price trend of the previous year has been observed during the second quarter of 2015 and, provided no further intervention of the EU Commission, market prices may be seen to improve in the following marketing year.

On the global front, the cumulated sugar surplus over the last 5 years still weighs heavily on market prices. According to the International Sugar Organization (ISO), the world sugar surplus for the period Oct 2014-Sept 2015 is estimated at August 2015 at 3.368 million tons compared with 5.995 million tons attained during the preceding year, with a stock-to-consumption ratio still as high as 50.74% compared with 40.30% in 2009-10 which had prompted a sharp rise in prices on the New York No. 11 raw sugar futures market. In contrast with initial forecasts, production in the main producing countries attained satisfactory levels, namely 34.63 million tons in Brazil, 11.30 million tons in Thailand and a record 28.20 million tons in India, compared with 37.81million, 11.28 million and 24.40 million tons respectively in 2013-14, which consequently was not supportive of any price improvement during the year under review. On the other hand, the price decline was exacerbated by the currency depreciation amidst the world's leading exporters, especially with the Brazilian Real undergoing significant depreciation vis-à-vis *the US Dollar, from 2.25 in August 2014 to above 3.50 by August 2015. The weakening of the Real has in fact allowed Brazilian sugar producers to significantly increase their competitiveness in US Dollar terms. Since Brazil represents over 40% of the world's sugar exports, such change in its costing has consequently weighed heavily on global prices with the New York No. 11 raw sugar price falling from the US 17 cts/lb level to just over US 10 cts/lb over this period. While the market is expected to remain bearish in the near term, there is increasing reporting about an El Nino recurrence which could impact on weather conditions in major sugar cane regions of South East Asia and the Americas with a subsequent likely effect on price.*

The US market was for its part largely influenced during the period under review by developments pertaining to the Anti Dumping and Counter Vailing Duty (AD/CVD) cases lodged against sugar imports from Mexico by the US sugar industry. It is to be recalled that prior to the North American Free Trade Agreement (NAFTA), sugar imports from Mexico were limited to 7,258 metric tons raw value (mtrv), the minimum annual allocation under the US tariff rate quota (TRQ) on sugar. With the full implementation of NAFTA as from January 2009, sugar imports from Mexico increased dramatically, reaching 1.93 million mtrv in 2012-13. As a consequence,



the US sugar market had become seriously oversupplied, resulting in prices collapsing below the forfeiture level. Since the US sugar program was not considered sustainable with this level of imports from Mexico, the US sugar industry filed AD/CVD charges against sugar from Mexico on 28 March 2014. This led the International Trade Commission (ITC) to issue an affirmative preliminary injury finding on 9 May 2014, followed with affirmative preliminary findings by the US Department of Commerce (DOC) on 25 August 2014, that Mexican sugar was both being dumped and receiving illegal subsidies, which consequently subjected imports from Mexico to duties as high as 64%, pending final decisions by the ITC and DOC. Not surprisingly, the prospect of such high duties served as a major deterrent to imports from Mexico, which virtually disappeared in the ensuing months. The preliminary duties also motivated the parties to negotiate a settlement, concluded on 20 December 2014, under which sugar imports from Mexico would be subject to, firstly, a quota based on a formula that would allow Mexico to supply a volume equal to US consumption minus US production and imports under the TRQ and the various FTAs; and secondly, minimum prices to prevent dumping. These market developments had a direct impact on prices: after having reached a low US 25.50 cts/lb in August 2013, the wholesale price of white sugar increased to US 31.60 cts/lb in May 2014, right after the preliminary ruling of the ITC, and surged to US 37.50 cts/lb by September 2014. Unfortunately, sales of special sugars, which are targeted at niche market segments in US, were not influenced by this new market balance for white sugar, especially owing to the supply surplus from Central and South American countries. There was consequently no price improvement during the year under review. Likewise, in other non-EU market destinations, any price support has only been meagre as the world market price continued to fall during the year under review, thus explaining why the expansion of the export market base for special sugars has also been below the Syndicate's objective for the 2014 Crop.

The sugar industry in Mauritius has undoubtedly faced the brunt of market forces in its main export destinations. Marketing Year 2014-15 was the last under the Long Term Partnership Agreement (LTPA) between the Syndicate and Suedzucker AG, which comprised sales exclusivity for Mauritius white refined sugar in the EU market. Under this Agreement, the Syndicate obtained for its sugar a selling price that reflected the above mentioned market conditions, but net of distribution and finance costs and of its partner's profit share. As regards special sugars, despite increasing threat from competing suppliers, inclined to shift from production of raw sugar feedstock or white sugar to such high value-added sugars, the Syndicate has managed to retain its market share in Europe and in other world market destinations. To date, some 55 buyers in 21 different EU countries source their supplies of special sugars from Mauritius and the Syndicate's main challenge remains to stay ahead of competition. While the share of exports in non-EU destinations has not changed much compared to the previous crop, attaining 4,844 tons in the US and 14,480 tons in other world market destinations, the Syndicate has embarked during the 2014-15 marketing year onto a new market diversification strategy for its white refined sugar, made possible, despite the exclusivity agreement, with the import of raw sugar feedstock for further processing. With the further decline in market prices in Europe, the regional market, especially those countries with which Mauritius enjoys trade preferences, has represented equally if not more remunerative



The President's Report 2014-2015 (cont'd)

options for sugar supplies from Mauritius. Such opportunities have proved to be even more attractive with the strengthening of the US Dollar, the main currency utilised in sugar trade outside the EU. Hence, in addition to the 291,948 tons of refined sugar supplied in bulk to the EU market, the Syndicate has exported 30,000 tons of refined sugar in bags to different buyers in the Indian Ocean islands and in Eastern and Southern Africa.

With the termination of the LTPA in September 2015, and most importantly in anticipation of the liberalisation of production quotas in the EU two years after, the Syndicate had to review its export strategy for its white refined sugar supplies. While under the previous EU sugar regime, beet production quotas were limited to 13.3 million tons and imports from ACP/LDCs were essential to meet the annual EU consumption of some 16.3 million tons, this dovetailing of supplies will be less relevant in the future. The space reserved for preferential suppliers to the EU will thus disappear and they will consequently have to devise new strategies to retain market presence. On the other hand, as already described, EU prices will be more closely aligned with the world market price and subject to the cost of delivery and the Euro US Dollar exchange rate, the EU market might or might not be more attractive than other world market destinations.

Pursuant to a well-defined process adopted by its Committee, the Syndicate has accordingly explored different avenues for the future sales of its white refined sugar. In light of the foreseen market developments in the EU, the Syndicate has targeted potential partners that would not have any conflict of interest with the supplies from Mauritius and also that would be in a position to add more value to such supplies through product differentiation. In this regard, the Syndicate has finalised long term supply agreements with two major EU sugar producers and distributors, namely British Sugar and CristalCo, the trading arm of Cristal Union. Though deliveries will already start as from October 2015, the objective is to get prepared for sales of Mauritius white cane sugar in the post-2017 liberalised market environment. Besides, these new contracts provide the flexibility of deviating sugar to non-EU market destinations when they offer better opportunities in terms of sales revenue. In addition, in light of the diverse market network developed through sales of its special sugars, the Syndicate will henceforth also supply its white sugar directly to such selected market segments in both EU and non-EU destinations but while ensuring value maximization.

A sine qua non to survive in a free market environment, especially when supply exceeds demand, is competitiveness. The beet sugar yield improvement achieved by EU beet producers is noteworthy: from 9.6 tons per hectare (ha) in 2004-05, it has reached an average of 12.8 tons per ha for the 2014 Crop, with a target of 20 tons per ha set by certain producers for 2020. In light of supply constraints in Mauritius with respect to economies of scale and its geographical location, product differentiation is therefore increasingly important. While there can be no compromise on quality, traceability and food safety, the market is becoming increasingly sensitive on sustainability aspects of production. Numerous corporate industrial buyers have objectives and plans pertaining to the sustainable sourcing of their raw materials within a foreseeable future



and have already provided indication that by that time, suppliers should be able to fulfill their requirements to be eligible to work with them. Even retail chains are adopting the same strategy with respect to products on their shelves. In light of such developments, the Syndicate is ensuring implementation of such practices within the industry through a closer collaboration with producers: the Producers' Accounts department has consequently been restructured into a Producers' Service department. The Syndicate has thus been proactive in preparing cane growers to obtaining the Fairtrade certification; from 4,500 planters producing 21,925 tons sugar in 2014, they will be at least 6,000 planters with a total production of about 40,000 tons Fairtrade sugar as from the 2015 Crop. This initiative will not only ensure a larger proportion of the growing community adopting good agricultural practices, but will enable the Syndicate to meet market demand while bringing an additional revenue as Fairtrade premium to the certified cooperatives.

In order to remain ahead of competition in a more liberalised market environment, focus also has to be placed on after sales service. Given that the Syndicate already supplies special sugars to over 100 customers in almost 50 countries worldwide, and a further expansion of the customer base is anticipated with the sales of white sugar to buyers in both EU and non-EU markets, customer service is becoming more demanding. In this respect, the Logistics division within the Marketing and Logistics department has been provided with a wider scope to cover Sales Administration and has been strengthened accordingly.

Support has also been strengthened in the Accounts & Finance Department with the creation of a post of Treasury/Accountant. Given the volume of transactions undertaken, which, in addition to handling of sugar proceeds for payment to producers, include disbursement of bagasse proceeds, bottlers'/distillers' contribution, Fairtrade premium to certified cooperatives and, as from the 2014 Crop, even payment of molasses proceeds to planters, such reinforcement had become a priority. On the other hand, with the view to maximise producers' revenue, the Syndicate has been hedging the totality of its export revenue : it should be remarked that the Forex strategy adopted has enabled a contribution of MUR 1,855 per ton sugar to the ex-Syndicate price for the 2014 Crop.

In view of the numerous challenges ahead, the Syndicate is hence preparing itself to ensure the sugar industry remains sustainable in an ever-changing market environment. The key words are flexibility and adaptability which can only be achieved through a coherent and well-focused approach.



N. Gujadhur
President



2014 CROP

2014 CROP

Production, Supplies and Revenue

The 2014 crop outturn amounted to 400,173 tons tel quel of sugar produced from 4,044,721 tons of cane harvested over 50,693 hectares (ha) of land. Comparatively, for the preceding year, 404,713 tons tel quel sugar had been produced from 3,815,782 tons of cane reaped over 53,464 ha. The 1.1% shortfall in sugar production was due to a lower extraction rate of 9.91% compared with 10.62% for the previous crop but was also attributed to various factors, namely fire outbreak, strike and excessive rainfall in December 2014 - January 2015, thereby hindering mechanical harvesting of fields and

TABLE I

2014 Crop Sales (metric tons)

	MT	
2014 Crop Outturn	400,173	
Add carry-over stocks from 2013 crop		
Bagged special sugars	16,892	
Plantation white & refined sugar	14,771	
Imported sugar feedstock	18,210	
Add imported raw sugar feedstock	54,764	
TOTAL DISPOSABLE SUGAR		504,810
EXPORT SALES 2014-2015		
European Union (EU)		
White refined sugar	291,948	
Special sugars	76,906	
TOTAL EU EXPORTS		368,854
United States		
Special sugars		4,998
World Market		
Special sugars	14,480	
White refined sugar	30,000	
TOTAL WORLD MARKET SALES		44,480
LOCAL SALES		
White refined sugar and direct consumption raw sugar		12,520
TOTAL SALES		430,852
Less processing and storage losses		16,133
ESTIMATED SURPLUSES		
Bagged special sugars		25,865
Plantation white sugar		9,611
Imported sugar feedstock		22,349

further extending the campaign. By that time, sugar productivity had significantly decreased and cane cutting operations were consequently halted with a balance of 1,479 ha of fields remaining for harvest during the next campaign.

The island's average cane productivity for the 2014 crop stood at 79.8 tons of cane per ha (TCH), which was 9.3% above the mean of 73.0 TCH over the last three years and 11.8% higher than the 71.4 TCH attained for the 2013 crop. The high cane productivity compensated for the lower extraction rate, with a net increase of 4.4% in sugar productivity as compared with the previous year.

The weather conditions during the vegetative phase of the crop were favourable to cane growth, which resulted in a better elongation in all geographical areas compared to the previous harvest. The crop also benefited from the above-normal temperature differentials during this phase and cane height as at end June 2014 was close to normal, but higher than that attained at the same time in 2013. The cane ripening phase benefited from above normal solar radiation and temperature amplitude coupled with below normal rainfall, except for the months of July and August in the East and Centre regions. These favorable conditions were, however, mitigated by the marked deterioration in cane quality with the extension of the harvest until February 2015.

The crop outturn of 400,173 metric tons tel quel sugar was supplemented with the carry-over stock from the preceding crop of 14,771 metric tons plantation white sugar and 16,892 metric tons bagged special sugars, as well as 72,974 metric tons of Very High Polarisation (VHP) raw sugar imported for remelting and further processing by local refineries. Hence, total sugar feedstock available for the 2014-15 marketing year amounted to 504,810 metric tons, which were processed into both refined sugar and special sugars for delivery to the Syndicate's buyers locally and overseas as illustrated in the '2014 Crop Sales' table (Table I) at page 15.

The Syndicate's total exports attained 418,332 metric tons sugar, comprising 321,948 metric tons refined sugar and 96,384 metric tons of special sugars for dispatch till the end of the marketing year in September 2015. Most of the refined sugar was supplied to the EU market under the 2009-15 commercial partnership agreement with Suedzucker AG while special sugars were exported under annual contracts to over 100 customers in the EU, US and other world market destinations. In view of the Syndicate's strategy to further diversify its export market base and in light of the new market dynamics during the year under review, some 30,000 tons of its white refined sugar were also directed to the neighbouring countries in the Indian Ocean and Eastern & Southern Africa.

The EU market experienced an unprecedented price decline during the year under review owing firstly to the high overhang of stock, still influenced by the exceptional measures of the EU Commission to introduce 1.2 million tons sugar at reduced levies in 2013, and secondly to the EU decision to liberalise production quotas as from October 2017. As a result, selling prices negotiated with buyers continued to decline and the mean EU ex-works price of white sugar, compiled by the Commission, which stood at an average of € 587/ton during the 2013-14 marketing year, decreased continuously from € 536/ton in July 2014 to € 435 in December 2014 and reached a trough of € 414/ton in February 2015. Sales proceeds from the EU market were directly affected by the price reduction, which further justified the Syndicate's decision to tap other market opportunities for its sugar.

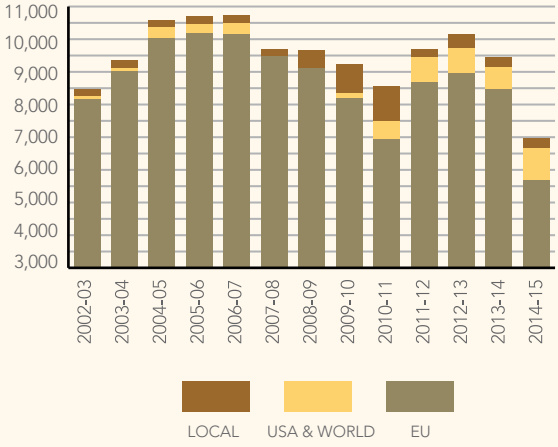
Total export revenue on FOB Port Louis basis for the 2014 Crop hence decreased to MUR 6,669 M compared with MUR 9,137 M for the previous year, as illustrated in Chart I on page 17. The net proceeds, including sales on the local market, but after deduction of all operational and statutory expenses of the Syndicate, amounted to MUR 5,123 M compared with MUR 6,461 M for the previous campaign. Global Cess, the main component of the statutory expenses, which is calculated on the basis of 4 percent of the ex-Syndicate price, amounted to MUR 205 M compared with MUR 258 M paid in the previous year. The ex-Syndicate price for the 2014 Crop, prior to disbursement of the Sugar Insurance Fund Board (SIFB) premium, was thus finalised



at MUR 12,694 per ton sugar, a reduction of 20 % compared with the MUR 15,830 per ton paid to sugar producers for the previous crop. Of a total insurance premium of MUR 192.4 M payable by producers, general premium amounting to MUR 185.2 M was, however, waived by the SIFB further to Government's approval of the recommendation of the actuarial review exercise undertaken in the previous year. Moreover, the ex-Syndicate price for the 2014 Crop was topped up by a special disbursement from the SIFB, in light of the actuaries' recommendation and Government's subsequent approval, to the tune of MUR 3,400 per ton for planters producing up to 60 metric tons sugar and MUR 2,000 per ton for other categories of producers.

CHART I

Sugar proceeds per destination (MUR M)



At the end of the crop year in June 2015, there was a closing stock of 9,611 metric tons plantation white sugar and 22,349 metric tons imported raw sugar feedstock, which would be further processed at the start of the 2015 Crop. There was also a stock of 25,865 metric tons special sugars in bags which would be carried over to meet buyers' delivery commitments in the following period.

Sales

European Union market

Sugar has been exported from Mauritius to the EU under the market access arrangements between the EU Commission and ACP countries signatory to the Economic Partnership Agreements (EPAs), which have since October 2009 replaced the ACP/EU Sugar Protocol. These arrangements provide for duty-free market access, albeit at prevailing market prices, for ACP suppliers. While Least Developed Countries (LDCs) have benefitted from quota-free access, non LDCs like Mauritius have been subject to the application of a double trigger transitional safeguard mechanism, capping their exports at the agreed Regional Safeguard Threshold (RST) in case total ACP/LDC supplies exceed 3.5 M tons white sugar equivalent (wse). Mauritius is a member, within the EPA, of the Eastern and Southern African (ESA) region, for which the annual RST, established on the basis of the traditional supplies of the non-LDC suppliers from this region to the EU market, has been set at 632,851 tons wse since 2011-12.

The total ACP/LDC sugar supplies to the EU have been well below the overall ceiling of 3.5 M tons since implementation of the EPAs. From 2.193 M tons wse in the 2013-14 marketing year, they are expected to reach only some 2.0 M tons wse for the year under review; ACP/LDC supplies attained only 1.913 M tons wse as at end August 2015. As for exports from the ESA, import licences allocated as at August 2015 reached 0.556 M tons wse compared with 0.646 M tons wse attained during the previous year. The significant decrease in sugar supplies from these groups of countries is explained by deteriorating EU prices, exacerbated by the weakening of the Euro whereby ACP/LDC suppliers found more remunerative market opportunities outside the EU market.

Sugar exports from Mauritius to the EU during the 2014-15 marketing year, i.e. for arrival in EU till end September 2015, reached a total of 369,046 metric tons, including sugars sold under the previous year's contract. The product mix is as follows: 295,622 tons

white refined sugar and 73,424 tons special sugars. Most of the refined sugar, i.e. an equivalent of 289,871 tons, have been delivered in bulk containers and the balance was shipped in bags. As for special sugars, polypropylene bags have been the most common export format while retail packets or sugar cubes were also possible for customers who had made required arrangements with the relevant operators in Mauritius.

Refined sugar

Since 2009, refined sugar produced in Mauritius has been supplied to the EU market exclusively to the German firm Suedzucker AG. This multi-annual commercial partnership agreement terminates in September 2015 but well before that date, the Syndicate has had intensive discussion on the future exports of its refined sugar, largely influenced henceforth by the liberalisation of production quotas in EU as from October 2017. With the perceived increase in competition in the EU market, likely to result in reduced market prices, the Syndicate has had to intensify its market diversification strategy, thus deviating more sugar from this destination, which has so far been the most remunerative option for Mauritian exports. Likewise, with increasing uncertainty and volatility in the EU, the Syndicate is being compelled to consider different sales channels to reach the end customer in this market. Hence, pursuant to consultations with different market players, the Syndicate finalised long term supply agreements with France-based CristalCo, the trading arm of Cristal Union, and UK-based British Sugar, for annual supplies of up to 130,000 tons and 100,000 tons respectively of white refined sugar. The country's remaining production of white sugar will be supplied to individual buyers on annual contract or spot sales basis, but while maintaining the option of selling to the world market when prices become more attractive.

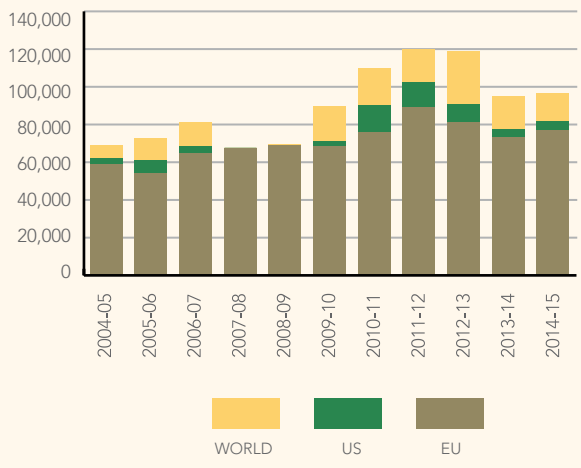
White sugar, which is of EEC Grade 2 quality, has been exported to Europe principally in liner containers of 25 tons: they are produced under the BRC (British Retail Consortium) food safety norms and also under a full traceability system to meet the needs of the most stringent industrial users in the different regions. Total shipment of refined sugar processed during the 2014 Crop campaign reached 291,948 metric tons as at 30 June 2015; these deliveries included 13,765 metric tons sugar with the Fairtrade label. Shipment has been organised with the 3 main shipping lines serving Port Louis, namely MSC, CMA CGM and Maersk, to 17 different ports across the EU prior to delivery to final customers.

Special sugars

As for sales of special sugars to the EU, they attained 76,806 metric tons during the 2014-15 delivery period compared with 73,311 metric tons in the preceding year (Chart II below). Despite increased competition from new entrants, who have intensified efforts to sell ordinary raw sugar, including VHP sugar meant for refining or coloured refined sugar, as special sugars, the Syndicate has managed to secure its market share by emphasizing the attributes of its sugars. Such initiative was critical to prevent further attempts towards the commoditisation of special sugars in the long run. The perception of special sugars from Mauritius as high quality products was at risk. While it took over 40 years of investment, development and know how, to achieve the current positioning of these sugars, the current market environment has made them vulnerable to competition from ordinary raw sugars at heavily discounted prices. Furthermore, the Syndicate has intensified its efforts on product development and differentiation and also on new market developments to maintain an edge over such unfair competition.

CHART II

Export of special sugars (MT)

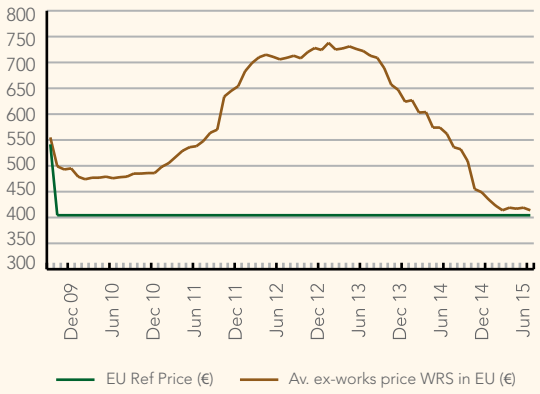




Special sugars have been exported mostly in polypropylene bags, of either 1050 kgs, 50 kgs or 25 kgs, and, as occasionally requested by buyers, in retail packets after packing by independent packers prior to shipment from Port Louis. Shipment has been organised with the 3 main shipping lines serving Port Louis, namely MSC, CMA CGM and Maersk, to 31 different ports across the EU.

CHART III

Evolution of EU ex-works price for white refined sugar from 2009-10 to 2014-15



EU prices

If market prices have historically been relatively stable in EU, they have been highly volatile since 2012 and have subsequently declined drastically as from the second half of 2013, pursuant to the EU exceptional measures to introduce an extra 1.2 M tons of sugar in the market. The price fall was accentuated after the EU decision in June 2013 to liberalise production quotas as from October 2017. The prices obtainable by the Syndicate for exports of its direct consumption sugars to EU were influenced accordingly, with a direct impact on the ex-Syndicate price. While refined sugar has attracted prices equivalent to those of EU beet sugar, special sugars have enjoyed an additional market premium to compensate for the value-addition. The average ex-works price of refined sugar (Chart III above), which is regularly monitored by the EU Commission through a reporting system involving all 28 Member States and posted on its website after a period of 1 month, serves as a reference for both sugar operators and the regulators.

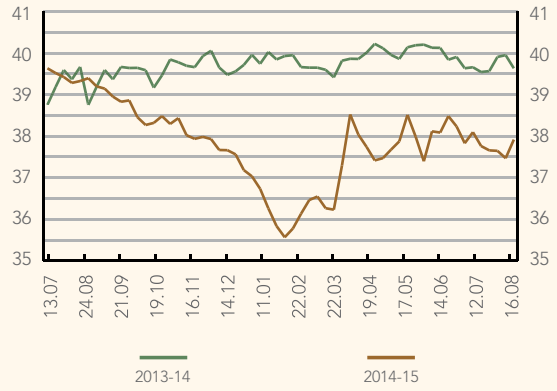
The exceptional measures adopted by the Commission in 2012-13 increased the stock levels to 2.5 M tons at the end of that period compared with 1.6 M tons in the preceding year. This resulted in deterioration of price levels during the 2013-14 marketing period, which persisted in the following year, with the average ex-works price for white sugar attaining € 455/ton in October 2014 compared with € 562/ton in June 2014. The price continued its decline and attained a low of € 414 in February 2015, 44% lower than the prevailing EU sugar regime peak of € 738/ton realised in January 2013.

The latest projected closing stock for the 2014-15 campaign has decreased to 1 M tons, compared with the ending stocks of 2 M tons and 2.5 M tons for 2013-14 and 2012-13 respectively. Unless the EU Commission takes exceptional measures, as in 2013, to allow further sugar at reduced tariffs in the market, price levels should not decrease further and are even expected to improve. This is explained by the fact that market price levels of 2014-15 have discouraged supplies from ACP/LDC and CXL countries while EU beet sugar producers, despite record production for the 2014 Crop, are still restricted by domestic sales quotas.

Proceeds relating to the export of sugar to the EU are predominantly received in Euros: the volatility of the currency since mid-2014, having depreciated against the US Dollar by 17% over a period of 12 months, had a direct impact on the export revenue. For the period under review, banks' buying rate remained between MUR 35.91 and MUR 40.62 to the Euro, compared with the MUR 39.10 – MUR 41.15 range during the previous year, as shown in Chart IV on page 20. Through its hedging operations, initiated as from January 2014 for the 2014 Crop, the Syndicate nevertheless managed to achieve an average exchange rate of MUR 42.15 to the Euro on the sales of its export proceeds, compared with MUR 42.31 to the Euro in the previous year. It has thus been able to partly mitigate the loss in revenue prompted by the reduced market prices.

CHART IV

Evolution of MUR/Euro buying rate from 2013-14 to 2014-15



EC Regulation and ACP/EU EPA Agreement

Further to the political agreement reached on 26 June 2013 between the EU Commission, the European Parliament and the Council on the reform of the EU Common Agricultural Policy (CAP), the Council of EU Agricultural Ministers formally adopted on 16 December 2013 the four basic regulations for the reformed CAP. The reform entails, inter alia, the abolition of beet and isoglucose quotas in the EU as from 1 October 2017. Out of the five sugar implementing regulations, three, namely 952/2006, 967/2006 and 951/2006, will consequently cease to apply as of 1st October 2017. Since Regulation 828/2009, which sets out detailed rules of application for the marketing years 2009-2010 to 2014-2015 for the import and refining of sugar products under the ACP/EU preferential agreement also expires, a new delegated act has been made to ensure proper continuation of the market management until 2017. While priority for allocation of import licences to full time refiners for the first three months of the marketing year remains in place, the revised implementing regulations would address a number of ACP concerns namely with respect to the issue of import licenses based on copy of export licenses and electronic documentation, and the flexibility of polarisation cut-off in import licences to cater for any fluctuation in the final polarisation of the sugar. Despite a proposal to eliminate import licences for sugar as from 1 October 2017, suppliers have been of the view that on balance and to minimise opportunities for fraud, they would prefer to retain these control procedures. Consultations are being pursued in this respect.

EPA signatories have also made a request to the Commission to allow co-mingling of sugar, which is already applicable to the SADC EPA. Although under the most favoured nation (MFN) principle, the co-mingling provision agreed under SADC EPA should have consequently been granted to the other ACP EPA States, the Commission is yet to confirm if other EPAs can also co-mingle within their EPAs and whether countries can co-mingle across EPAs, with the proviso that the last port of loading belongs to the territory of an ACP EPA state. It should be highlighted that, after signature of the Interim EPA in August 2009, the ESA is yet to finalise the full EPA. While Mauritius market access into EU is already secured under this interim agreement, the full EPA, which will encompass other areas such as trade in services, investment, sustainable development, will require reciprocal free trade between this group of countries and the EU. Proposals are to be finalised in this respect by September 2015.

With the disappearance on 30th September 2015 of the import threshold applied to non-LDC ACP sugar producers, which had been limiting supplies for each EPA region at the agreed regional safeguard ceilings under EC Regulation 828/2009, duty-free import access for such suppliers will be, as for LDCs, on a quota free basis as from 1st October 2015 subject to the general safeguard clause. Such safeguards, prompted by an 80% price differential year-on-year, can only apply when bi-lateral imports are in such increased quantities and under such conditions as to cause or threaten to cause (i) serious injury to the domestic industry producing like or directly competitive products in the territory of the importing parties, (ii) disturbances in a sector or industry of the economy, whether of an economic or social nature, or difficulties which could bring about serious deterioration in the economic situation of the importing parties, or (iii) disturbances in the markets of like agricultural or directly competitive products.



It is to be recalled that the 2006 EU Sugar Regime reform had already had severe consequences for ACP and LDC sugar suppliers benefiting from preferential access arrangements to the EU market. The ending of the Sugar Protocol by the EU pursuant to a WTO ruling had removed the guarantee of purchase with prices having been reduced by 36%. In mitigation of the planned drop in institutional prices, the EU Commission had agreed to provide EUR 40 million in 2006, and then EUR 1.244 billion between 2007 and 2013, to 18 Sugar Protocol countries, under the Accompanying Measures to Sugar Protocol countries (AMSP). The AMSP supported a wide variety of projects that ranged from improving competitiveness of the respective industries, if viable, in the new trading environment, to promoting diversification into other agricultural activities. In the course of implementation, the Commission was required to adjust the allocated amount, including de-commitments, with the net result of a reduction in the AMSP to EUR 1.12 billion as at March 2015.

Given that the CAP reform of 2013 has brought further changes to the legal and institutional measures affecting the EU sugar market, hence directly impacting on ACP/LDC sugar supplies, there has been an urgent need for a comprehensive review of the evolution in the regulatory and market conditions, in evaluating the effectiveness of the AMSP and in assessing their strategies to cope with the new EU trading environment. Further to ACP Ministers' request, the EU Commission has approved funding for a study which will focus on three main areas, namely (i) the evolution of the EU market after the EU sugar regime reforms; (ii) the AMSP support mechanism; and (iii) alternative markets for ACP sugar should the EU sugar market prove to become economically unviable. The Terms of Reference for the study were to be concluded by July 2015, with finalisation of the report expected before end 2015.

United States market

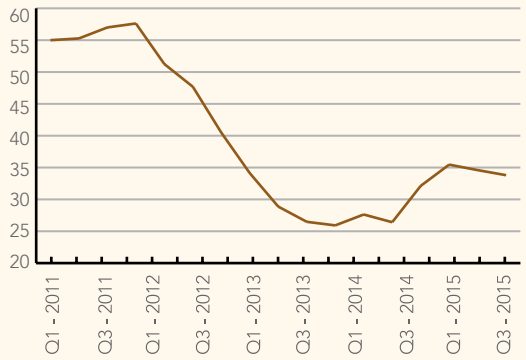
Mauritius was allocated on 9 September 2014, on basis of its historical shipments to the US, a share of 12,636 metric tons raw value (12,076 metric tons tel quel) sugar which it could export duty-free to the US market for Financial Year (FY) 2015 (October 2014-September 2015). As the quota is specifically for raw sugar, the Syndicate focused on the supply of its special sugars which should reach some 4,542 metric tons during this period, compared with 4,179 metric tons under FY 2014. This performance is, however, far from FY 2013 deliveries of 9,616 metric tons, partly explained by the aggressive sales of South American and Central American raw sugars marketed at very competitive prices given their freight advantages. Although sales of these high value-added sugars have been guided by a market premium, it is also being observed that certain suppliers are unfortunately selling their raw sugar for direct consumption at a discount with an attempt to 'commoditise' this category of sugars. Deliveries of special sugars from Mauritius were fulfilled on a CIF US port basis mainly in big bags of 1050 kgs, 55 lbs bags or in retail packets when prior arrangements had been made with packers in Mauritius. Shipments were effected on MSC and Maersk vessels.

US Sugar Policy

The main focus of attention in the US sugar policy during the year under review has been the Anti Dumping and Counter Vailing Duty (AD/CVD) case brought against sugar imports from Mexico by the US sugar industry. It should be recalled that while sugar imports from Mexico had historically been limited to the minimum allocation of 7,258 metric tons (MT) under the US tariff rate quota (TRQ) on sugar, they increased dramatically with the full implementation of the North American Free Trade Agreement (NAFTA) as from January 2009, reaching 1.93 M MT in 2012-13. As the market consequently became oversupplied, prices collapsed below the forfeiture level under the US sugar program, and domestic producers even had to forfeit sugar stocks to the US Department of Agriculture (USDA) in that year. Facing the prospect that the US sugar program was not sustainable with this level of imports, the US sugar industry filed on 28 March 2014 AD/CVD charges against sugar from Mexico. During proceedings before the US International Trade Commission (ITC), Mexico argued that its increased exports

CHART V

US refined sugar wholesale prices (US cts/lb)



to the US market merely filled a void which had been created by short supplies from the TRQ holders but this allegation was rebutted by the International Sugar Trade Coalition (ISTC) in a statement filed with the ITC on 23 April 2014, arguing that the low level of imports under the TRQ was (1) caused by surging imports from Mexico, and (2) in response to requests from the US Department of Agriculture (USDA) that quota holders should not ship their full allocations due to the oversupply from Mexico. The ITC issued an affirmative preliminary injury finding on 9 May 2014, followed by affirmative preliminary findings on 25 August 2014 by the US Department of Commerce (DOC), that Mexican sugar was being dumped with the help of illegal subsidies, which subsequently subjected imports from Mexico to duties as high as 64%, pending final decisions by the ITC and DOC. The prospect of such high duties consequently served as a major deterrent to imports from Mexico, which virtually disappeared in the ensuing months, and accordingly impacted on sugar prices in the US market, as illustrated in Chart V above.

The preliminary duties motivated the parties to negotiate a settlement, which was concluded on 20 December 2014: it provided for sugar imports from Mexico to be subject to (1) a formula-based quota allowing Mexico to supply a volume equal to US consumption minus US production and imports under the TRQ and the various free trade agreements (FTAs); and (2) minimum prices to prevent dumping. Due to uncertainty over the outcome of the AD/CVD cases against Mexico, their sugar exports to the US during FY 2015 have been well below the levels of the previous years. As a result, sugar supplies in the US market have been relatively tight and on 5 June 2015 the Office of the US Trade Representative (USTR) consequently reassigned shortfalls under the TRQ: the allocation assigned to Mauritius was, however, not modified given that sales commitments have not exceeded its share of TRQ.

World market

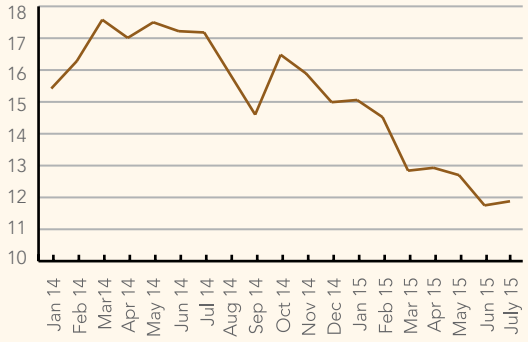
The trend of a consistently depressed world market price level experienced during the 2013-14 campaign persisted in the following year. This situation was exacerbated by an oversupplied market, the fifth global surplus in a row, resulting from optimum and even record production performance among major suppliers like Brazil, Thailand and India. Furthermore, the decrease in oil prices negatively impacted on the price level for ethanol, resulting in a lower incentive in ethanol production at the expense of sugar. See Chart VI showing evolution of the price of raw sugar on the New York No. 11 futures contract.

The market environment did not favour sales of special sugars in the world market as demand for high quality products was lower and the price positioning was under pressure. As in the EU market, special sugars have been increasingly challenged by ordinary raw sugar for direct consumption offered at lower prices. The Syndicate has subsequently reinforced its communication campaign, mainly based on the attributes of its special sugars compared to ordinary raw sugars.

In anticipation of the end of quotas for EU beet sugar producers in 2017, and considering the weakening of the Euro during the year under review, the Syndicate has been exploring new market opportunities for white refined sugar, previously exported exclusively to Europe. During the 2014-15 campaign, the Syndicate has successfully introduced white sugar from Mauritius to Eastern and Southern African countries like Kenya, Angola, Mozambique and Namibia while sales opportunities were also tapped in Indian Ocean islands like Madagascar,

CHART VI

Evolution of world market price for raw sugar (US cts/lb)



Comoros and Mayotte. Although several exports were undertaken on a trial basis, sales of some 30,000 tons of white sugar have been contracted in the region during the year under review.

The Syndicate has been able to capitalise on the country's preferential trade regimes as well as its proximity, to find niche market opportunities for its white refined sugar. Its market access into the Southern African Customs Union (SACU) is governed by the derogation of the Southern African Development Community (SADC) Sugar Agreement whereby access has been limited to 2,515 tons for the year under review. Given the limited tonnage, emphasis has been placed on the promotion of special sugars.

On the other hand, the duty-free quota-free access within the Common Market for Eastern and Southern Africa (COMESA) has been a noteworthy incentive to tap opportunities especially in the deficit Eastern African region. The Syndicate plays an important role in ensuring that the interests of the sugar industry in these trade blocs are preserved. With the recent request for derogation by Kenya to limit market access for other COMESA suppliers, the Syndicate has sought Government's support to ensure it can attain its sales objective. Likewise, the proposed integration of the three trade blocs in the region, namely Eastern African Community (EAC), COMESA and SADC, with the launching of the Tripartite Free Trade Agreement (TFTA) in Egypt in June 2015, is further opening doors towards intra-Africa trade, the continent representing an overall annual market deficit estimated at over 5 M tons of sugar.

Total exports to regional and world markets, of both special sugars and white refined sugar, reached 44,480 metric tons for the 2014-15 marketing year, compared with 17,600 metric tons in the preceding period. Deliveries were completed mainly in polypropylene bags of 1050 kgs, 50 kgs or 25 kgs and, as occasionally requested by buyers, they have also been packed by independent service providers prior to shipment from Port Louis. Shipment has been organised with 4 shipping lines serving Port Louis, namely MSC, CMA CGM, Maersk and Mitsui, to 22 different ports.

Local market

12,520 metric tons sugar were sold on the domestic market in 2014-15, compared with 14,348 tons in the previous year: they comprised sales to industrial users amounting to 5,001 tons white refined sugar and 1,323 tons raw sugar, in comparison with 3,707 tons and 1,473 tons respectively for 2013-14. The balance of 6,196 tons, including 197 tons of special sugars, was sold for direct consumption in the retail market segment.

Despite this backdrop of overall depressed domestic sales, the Syndicate remained the preferred source of sugar supply for industrial users committed to using quality ingredients that will not impair the distinctiveness of their end-products. Compared to the 2013-14 period, an 18% improvement in sales was thus observed in this segment. As regards sales to wholesalers and packers, the loss in market share can be attributed to the low prices of imported sugar consignments having benefited from export subsidies in the country of origin. As there is no import duty on sugar in Mauritius, contrary to the normal practice among sugar producing countries, local producers are facing the direct consequences of such unfair trade practices.



SUPPLY & DELIVERY ARRANGEMENTS

SUPPLY & DELIVERY ARRANGEMENTS

Service Agreements with Refiners

Production of white refined sugar from raw sugar feedstock is undertaken by the two local refineries, namely Omnicane Milling Operations Ltd (OMOL) and Alteo Refinery Ltd under the sugar refining service agreements signed with the Syndicate back-to-back with its commercial partnership agreements. Hence, in parallel with the 2009-15 commercial contract, they expire on 30 September 2015. At time of writing, negotiations were ongoing for renewal of the refining service agreements which will determine the remuneration of the refineries for the white sugar to be delivered by them. The combined annual throughput of both refineries is estimated at around 350,000 metric tons. In view of optimising their capacities against a reducing crop outturn, the Syndicate has imported, as in previous years, two consignments of Very High Polarisation (VHP) raw sugar feedstock of 26,225 tons and 28,539 tons delivered in November 2014 and May 2015 respectively. The sugar was stored at the Bulk Sugar Terminal (BST) of the Sugar Storage and Handling Unit of the Mauritius Cane Industry Authority (MCIA) in Port Louis for subsequent collection by each facility. The imported raw sugar was mixed with local plantation white sugar feedstock in conformity with the rules of origin under the ACP/EU Economic Partnership Agreements (EPA) and COMESA, which enabled the Syndicate to increase its exports of white refined sugar to the EU and the Eastern & Southern African countries respectively while maintaining supplies on the domestic market.

During the period July 2014 to June 2015, 362,597 metric tons of refined sugar were produced by the refineries, compared with 331,740 metric tons during the same period in the previous year. Of this outturn, 307,419 metric tons were delivered in bulk containers, and 55,178 metric tons in bags for exports and for the domestic market. In addition to supplies from their respective adjacent mills, the refineries secured additional sugar feedstock from Terra Milling and Medine Sugar Milling. The excess sugars, which could not be stored in their adjoining sheds, were delivered and stored at the BST in Port Louis for collection by the refineries during the intercrop.

Framework Agreement for Supply of Special Sugars

Likewise, the production of special sugars is subcontracted by the Syndicate under a framework agreement established since the 2009 crop to the relevant mills. After the closure of Deep River Beau Champ Milling in the previous crop and the subsequent transfer of its production capacity to Alteo Milling, only the latter factory and Terra Milling produced special sugars during the year under review. Though the combined production capacity exceeds 120,000 tons, they produced and delivered sugar according to the sales contracted by the Syndicate during the campaign: taking into consideration the carryover stock from the previous campaign, total production of special sugars from the 2014 Crop hence attained 101,185 metric tons, compared with 110,479 tons for the previous crop.

The positioning of special sugars as high quality products is only possible if all the quality benchmarks are met: millers have continually upgraded their facilities so as to meet the increasingly stringent quality and food safety requirements of the most sophisticated markets. The regular in situ audits undertaken by the Syndicate keep them abreast of new market requirements in this respect. With the know-how acquired over the years, producers of special sugars have also developed an expertise in production of new varieties of special sugars to meet customers' changing needs. The trend now is to go beyond the food safety and quality requirements, as responsible sourcing becomes critical to the customer's brand image. The Syndicate and its suppliers in Mauritius have started to put more emphasis on this aspect as the aim is to constantly demonstrate full compliance to social, ethical and environmental standards.

Both producers of special sugars operate a fully operational food safety management system on BRC standards. Through a close collaboration, the Syndicate ensures that the production of special sugars is carried out within the required quality assurance framework. Each daily production batch is accompanied by a Product Release Certificate which guarantees a positive release into the Bagged Sugar Storage Distribution (BSSD) warehouses of the MCIA, so that the sugar is consequently ready for export. The Syndicate's Central Quality Department (CQD) manages a surveillance program, as from acceptance of the sugar in the stores, to ensure that it is maintained in a suitable condition for its intended use. As in previous years, each production batch from the 2014 Crop was analysed by the CQD on basis of daily representative samples for the purpose of the Control & Arbitration Department of the MCIA.

Fairtrade Certified Sugars

The impact of progressive adoption of good agricultural practices, coupled with the addition of new members to the twenty seven Fairtrade certified co-operatives, allowed an increase in production of Fairtrade sugar from 20,731 metric tons in 2013 to 21,925 metric tons for the 2014 Crop. The productivity gain is in marked contrast with the yield decrease trend observed in smaller planters' overall sugar production over the recent years.

In keeping with Fairtrade standards and requirements, certified co-operatives have to undergo annual compliance audits by FLOCERT, the global certification and verification arm for Fairtrade. Thus, during the 2014 audit round, six co-operatives were subjected to unannounced audits and given their generally high level of preparedness and compliance, the certification status of five of these units was soon reconfirmed. Furthermore, for the first time since the establishment of Fairtrade in Mauritius, twelve of the twenty seven certified co-operatives were exceptionally exempted from the annual surveillance audit in consideration of their past performance.

To help sustain Fairtrade on the island, the Syndicate maintained a close collaboration with the Mauritius Fairtrade Co-operative Federation Ltd. (MFTCF) and provided concerned co-operatives with continuous monitoring, support and guidance. On the other hand, surging demand for Fairtrade sugars from Mauritius led the Syndicate to announce in June 2014, after consultations with MFTCF and also the Mauritius Co-operative Agricultural Federation Ltd, the launch of Phase 3 of the Mauritius Fairtrade Project. It must be underscored that interest in Fairtrade certified sugars from Mauritius has doubled over the past year compared with a sales growth of only about 20% globally. At the end of a national sensitisation campaign driven by the Syndicate, nineteen further cooperatives were enlisted for the project. Unlike in the last phase, when cooperatives had to hire the services of a consultant to prepare for compliance, they benefited from the concerted support, assistance and guidance of the Syndicate and the MFTCF to ensure their preparedness for the audit. The audit exercise spanned over the months of June and July 2015, and was conducted by certified FLOCERT auditors. It is expected that the concerned cooperatives will finally secure their Fairtrade certification well before the end of the 2015 harvest. This development, which is in line with the industry's strategy to promote production of Fairtrade sugar, will certify an additional 6,000 tons sugar. Besides, to encourage free planters to join certified cooperatives, and thus further increase availability of Fairtrade sugar of Mauritius origin, the Syndicate also initiated a campaign aimed at sensitising these planters about the essential requirements and benefits of Fairtrade. At time of writing, total availability of Fairtrade certified sugar from the 2015 Crop, including from the nineteen cooperatives audited in June and July, is expected to attain about 40,000 tons. The Syndicate is already prepared for disposal of these tonnages, which will allow an overall revenue as Fairtrade premium exceeding MUR 80 M.

Sustainability Aspects of Sugar Production

Growing awareness among consumers, especially in developed markets, of the social and environmental impact of their own consumption has led to increased demand for more ethically and sustainably sourced products. Sugar buyers are thus increasingly focusing on the sustainability aspect of our sugar industry.



With the Syndicate regularly receiving requests from its commercial partners for information on sustainability matters touching the sugar cane industry, the need is now felt to develop and promote such standards within the industry and ensure the required reporting to its range of buyers. In an endeavour to adapt to these new requirements in order to continue developing its market base, the Syndicate has assigned appropriate resources towards the accomplishment of this objective. Sustainability standards will increasingly become a competitive tool in the market place and it is felt that Mauritius has an edge in this respect to stay ahead of the competition. The benefits are multi-fold, not only in terms of operational efficiencies, safeguarding of the environment but also with respect to the reputation of the source of supply *vis-à-vis* buyers and hence new market opportunities.

Direct Support for Planters

Under the agreement between the Syndicate and Alteo Planters Services Ltd (APSL), a subsidiary of Alteo Milling Ltd, the Syndicate offered for the fourth consecutive year at-source harvest cost recouping services to planters of the latter mill cane supply base. Compared to 2013 when 50,887 tons of cane had been harvested, 56,838 tons of cane were reaped by APSL during the period under review: this tonnage belonged to 543 planters cultivating 838 hectares of land. This service, provided free-of-charge by the Syndicate, avoids the service-providing company the burden of having to collect payment from individual planters whilst ensuring diligent and full recovery of service costs. With increasing emphasis on the need to strengthen existing agreements between planters and millers, it may be expected that more millers will follow this trend and avail the Syndicate's platform for such services.

As for the Field Operations Regrouping and Irrigation Project (FORIP), it gained further ground during the 2014 Crop as an additional 1,458 ha of cane area were catered for, thus increasing the cumulative extent regrouped, derocked and planted under the scheme to 9,120 ha belonging to 9,258 planters. Launched in 2006, the project targets small and medium growers, allowing them to benefit from economies of scale and reduced production costs. For the period under review, a sum of MUR 400 million was budgeted by Government out of AMSP funds for the project, which is now over 75% complete.

To discourage land abandonment, improve planters' productivity and promote sustainable agriculture, Government furthermore maintained or introduced the following schemes and facilities for the period under review:

- As for the four previous years, the Bank of Mauritius provided a line of credit for MUR 1 billion to finance for the 2014 Crop the 80% advance scheme to planters cultivating less than 100 ha of land. As for the 2015 Crop, the additional funding for this purpose has been organised by the Syndicate.

- Payment by the SIFB of a one-off financial assistance of MUR 3,400 per ton sugar to planters producing up to 60 tons of sugar and MUR 2,000 per ton to other categories of producers.

- Planters with less than 15 ha of land and relying solely on sugar as income were exempted of income tax on their receipts for the first 60 tons of sugar.

- Agricultural equipment leasing facilities under the Planters' Harvest Scheme were maintained.

- Exemption of Land Conversion Tax for renewable energy projects such as agri-solar farms & biomass projects was extended to lessees of land on which such projects would be undertaken.

- Funds were provided to control and measure use of pesticides and other chemicals on agriculture.

Storage Facilities and Delivery Arrangements

Currently when operating at their full capacity, the refineries would together deliver over 50 containers of refined sugar to Port Louis on a daily basis. The Syndicate and its suppliers have a well-established procedure for shipment of the sugar to Europe. Containers are selected and prepared in accordance with a *cahier des charges* agreed between the

SUPPLY & DELIVERY ARRANGEMENTS

Syndicate and the shipping lines and, once filled at the refinery, they are delivered to the Cargo Handling Corporation Ltd (CHC) container terminal or at the Mauritius Freeport Development (MFD) depot in Port Louis for export; buffer stocks are sometimes retained to allow regular shipments from Mauritius through the year.

A working protocol has been established with both service providers for the management and monitoring of the sugar containers prior to shipment. A customised tracking system at the Syndicate also allows monitoring of container movements from the depot, where the empties are delivered, to the refineries and back to Port Louis for loading onto vessels. This ensures a proper stock management and a steady flow of containers till shipment, thereby reducing the risk of any bottleneck along the supply chain. For the year under review, 12,157 containers have thus been loaded with refined sugar prior to export to 17 different ports within the EU. The Syndicate is now having to adjust its delivery system to adapt to the new mix of export formats for white refined sugar. As regards supplies to the regional market, where the required format is mostly 50 kgs polypropylene bags, they have either been loaded in containers directly at the refineries or stored at the BSSD warehouses for subsequent shipments.

Shipments are organised on the basis of a rolling plan, regularly updated by the Syndicate's commercial partners, with the main shipping lines offering a service from Port Louis to the targeted ports. Freight service agreements have been finalised with them for the required shipment planning during the year and with the view to optimise the cost of delivery to the final destination in Europe. Joint meetings are also regularly organised to review their performance and negotiate the different cost elements along the supply chain. In addition to the tracking of containers in Mauritius, a second tracking system is triggered once the vessel sails from Port Louis in order to follow up on their transit till they reach the end customers in Europe.

The Syndicate imported and received during the year under review two consignments of VHP raw sugar feedstock for refining, with a total discharge weight in Port Louis of 54,764 metric tons. These sugars were delivered in Port Louis in November 2014 and May 2015 and were subsequently stored in one of the sheds of the Bulk Sugar Terminal (BST) of the MCIA, in a separate heap for traceability purposes, prior to gradual transfer to the refineries for further processing. At end June 2015, the stock of imported sugar held at the BST and at the refineries stood at 22,349 metric tons.

As regards export of special sugars, as in previous years, shipments were effected in 20 ft containers and consignments were delivered to customers in both EU and non-EU markets on a Cost Insurance Freight (CIF) basis. Unlike refined sugar, they were produced only during the crop and consequently had to be stored at the BSSD warehouses of the MCIA in Port Louis for year-round shipments as per buyers' requirements. These warehouses are HACCP certified and the on-site personnel ensured that all conditions were met to secure a safe food-grade environment during the storage, handling and loading of the sugars. Furthermore, the storage, handling and stuffing of the bagged sugars in containers at time of export were closely monitored by the Syndicate's supervisors attached to the warehouses in order to ascertain compliance with strict quality control standards.

103,221 metric tons of special sugars for direct consumption were delivered in bags to the warehouses from the 2014 Crop, against 110,479 metric tons for the previous campaign. Out of these deliveries, 86,088 metric tons have been shipped in bags as at end June 2015 while another 9,605 tons have been delivered to packing companies for retail packaging prior to export. Total exports by the end of the marketing year in September 2015 is expected to attain 96,384 metric tons. During the period July 2014 to June 2015, the BSSD also received delivery, for domestic sales, of 11,473 metric tons of refined sugar produced by the refineries and some 3,000 metric tons of raw sugar for direct consumption. Total deliveries on the local market during this period, including from carry-over stocks, comprised 9,640 metric tons refined sugar, 2,670 metric tons raw sugar for direct consumption and 210 metric tons special sugars.



Quality and Food Safety

During the year under review, the different quality standards set up in line with buyers' stringent requirements, including those under the new commercial agreements, have brought new challenges for the Syndicate's Central Quality Department (CQD). The crop year was also marked by the transfer of Deep River Beau Champ (DRBC) production facilities to Alteo, where the CQD provided support to ensure minimum product variation so as to ensure consistency of deliveries. The CQD personnel otherwise worked in close collaboration with the mills and the refineries to ensure that sugars were produced according to the best international quality benchmarks. Through an efficient reporting system, parameters governing the quality and food safety status for each type of sugar were made available for the positive release of sugars for export or delivery on the local market. Likewise, at the start of the crop, the CQD provided guidance to the factories with respect to the Syndicate's requirements in terms of traceability, product specification and weight requirements, including prior recommendations made by buyers or any action needed to be undertaken by the factory. Once produced, these sugars were stored at the BSSD warehouses of the MCIA until they were cleared by the CQD for subsequent shipment. The CQD provided guidance as regards receipt, storage and delivery of the sugars and its supervisors posted at the warehouses ensured that appropriate measures were taken accordingly.

To ensure due diligence for sugars marketed by the Syndicate, the CQD adopted a holistic approach with regards to quality and food safety along the supply chain. It ensured that quality procedures were in place for container selection, cleaning and release, in compliance with new regulations and customer requirements: audits were carried out at the container depots to uphold these measures. In the same vein, rigorous criteria have been established for the tendering and purchase of appropriate packaging materials meeting the required food grade quality. External pre-shipment supervision carried out at the suppliers' end and subsequent verification by the CQD on arrival ensured that the packaging materials met all criteria before they were released for use by the industry. It should be recalled that packaging, while carrying important traceability information regarding its content, preserves the integrity, safety and quality of sugar during storage and transport, and thus helps maximise the shelf life of the product.

The quality of raw materials used is also crucial to ensure the safety and quality of the final product. Imported sugar feedstock meant for refining in Mauritius was thus supervised both qualitatively and quantitatively by the CQD during discharge operations as well as upon delivery to the refineries. The CQD has also been in regular contact with suppliers to ensure strict compliance with its requirements.

As a standing obligation towards sugar producers, the analysis of polarisation and moisture content of plantation white sugar and special sugars delivered by the mills were performed on a daily basis by the CQD and their average results were communicated to the Control and Arbitration Department of the MCIA at the end of the crop. These data are used to determine the tonnage of sugar accruing to the millers and planters.

Furthermore, the Syndicate, through its CQD, plays an active role in ICUMSA, the only international organisation concerned with analytical methods for the sugar industry, bringing together the activities of the National Committees for Sugar Analysis in over thirty member countries. In September 2014, the Syndicate's Chief Quality Assurance Officer attended the 29th ICUMSA conference at Ribeirao Preto in Brazil and in his capacity as Chairman of the Mauritius National Committee and Associate Referee for raw and speciality sugars, he had the opportunity to participate in discussions relating to sugar methods and make necessary proposals for the international recognition of the Syndicate's in-house methods.



2015 CROP & MARKET PROSPECTS

2015 CROP & MARKET PROSPECTS

The 2015 crop experienced suboptimal climatic conditions. Although cane growth has been favored by abundant rainfall between January and March, it was stifled by drier weather conditions in the following months. The average cane height at the start of the harvest was therefore below expectation and by the end of June, it reached only 217.5 cm, which was 6% below the long term mean. Given the heavy downpour in May, sunshine duration was also below normal and therefore not conducive to sucrose accumulation.

Average sucrose extraction rate stood at 8.18% in June 2015 compared with 8.95% at the same time last year: this is explained by the earlier start of the harvest and also the influence of canes brought

TABLE II

2015 Crop Estimated Sales (metric tons)

	MT	
2015 Crop Estimate	410,000	
Add carry-over stocks from 2014 crop		
Bagged special sugars	25,865	
Plantation white sugar	9,611	
Imported sugar feedstock	22,349	
Add imported raw sugar feedstock	52,000	
TOTAL DISPOSABLE SUGAR		519,825
EXPORT SALES ESTIMATES 2015-2016		
European Union		
White refined sugar	315,000	
Special sugars	75,000	
TOTAL EU EXPORTS		390,000
United States		
Special sugars		5,000
World Market		
Special sugars	15,000	
White refined sugar	35,000	
		50,000
LOCAL SALES		
White refined sugar and direct consumption raw sugar		20,000
TOTAL SALES ESTIMATES		465,000
Less processing and storage losses		11,100
ESTIMATED SURPLUS		43,725

forward from the previous crop. As at start August, the average extraction rate has reached 8.39 % while the cane richesse has attained 10.03%.

The Crop Estimate Coordinating Committee made an initial sugar production estimate in May 2015 of 410,000 metric tons for the 2015 Crop based on a cane production assumption of around 4 million tons and an average island extraction rate of 10.32%. At its second sitting in July 2015, the Committee revised its preliminary cane production estimate to 4.1 M tons, but the sugar production forecast of 410,000 metric tons was maintained till time of writing.

The 2015 Crop production will be supplemented with some 9,611 metric tons of plantation white sugar available as at end June 2015 and 25,865 metric tons of bagged sugar stocks carried forward from the previous crop, bringing total availability of locally produced sugar to some 445,476 metric tons.

The Syndicate, moreover, plans to import two consignments of raw sugar feedstock in bulk to top-up the carry over stock of 22,349 tons from the previous delivery period, and thus supplement local production to consequently meet local market requirements in white sugar and also increase total export of processed sugars but while being strictly compliant with the relevant rules of origin. Total availability of sugar for the 2015-16 marketing year would consequently attain 519,825 metric tons, compared with 504,723 metric tons for the previous period.

Out of the sugar feedstock availability, some 365,000 metric tons of white sugar would be processed by the refineries. Unlike for previous crops when most of the production was destined for export to a single customer base in the EU, the export destinations will henceforth be more widespread. White sugar will thus be delivered in diverse formats to different customers in EU and to world market destinations. On the basis of the production capacity of the local refineries, with a combined daily output in excess of 1,250 metric tons sugar, most of the plantation white sugar would have been consumed at the end of the crop.

Furthermore, in light of the stock of special sugars carried forward from the previous crop, some 90,000 - 100,000 metric tons special sugars are to be produced for export to the EU, US and world market destinations, and also to meet local market requirements for raw sugar for direct consumption. The 2015 Crop estimated sales are detailed in Table II on page 31.

European Union Market

Notwithstanding the reform of the EU Common Agricultural Policy, whereby beet and isoglucose production quotas will be abolished on 1st October 2017, duty free access for Mauritius sugar into the EU market will be sustained; moreover, they will not henceforth be subject to any quota restriction. However, in light of this major forthcoming development in the EU Sugar Regime, coupled with the supply surplus over the preceding years, price volatility is expected to persist and Mauritian white sugar exports will face fiercer competition. In light of the new export strategy finalised during the preceding year, there will consequently be no exclusivity arrangement for supply of white refined sugar to the EU as from the 2015 Crop: it has become necessary for the Syndicate to spread its risk by firstly deviating from any exclusivity agreement and secondly expanding exports beyond the EU horizons.

The Syndicate has finalised in this respect new long term supply agreements with two commercial partners, namely CristalCo from France for 130,000 tons and British Sugar from UK for 100,000 tons, while maintaining a certain quantity of 'free' sugar for sales to individual buyers on annual contract or spot basis within both the EU and non-EU markets. As in the past, white sugar will be produced throughout the year, except during the refineries' maintenance shutdowns, and will be shipped regularly for delivery in either bulk liner containers or in bags to the different destinations. Therefore, on the basis of a crop outturn of 410,000 metric tons sugar, in light of prevailing market conditions in both EU and non-EU destinations, at least some 315,000 metric tons white sugar could be exported to the EU market subject to market conditions remaining attractive.



As for special sugars, the Syndicate forecasts to contract sales of an equivalent quantity as in the previous year, i.e. some 75,000 metric tons, for shipment to a range of customers across the EU during the 2015-16 marketing year. Given the significant decrease in the price of white refined sugar over the last two years, whereby industrial customers in particular have been inclined to revert to utilisation of this type of sugar, further sales expansion for special sugars is becoming a challenge. With emphasis on product differentiation, highlighting the attributes of its special sugars, the Syndicate is determined to retain its customer base and furthermore projects at tapping increasingly demanding market segments.

United States Market

Despite the settlement reached with Mexico in December 2014 on the AD/CVD case, it was subsequently challenged by two US refiners, Imperial and AmCane, who had been relying on that origin for the sourcing of their raw sugar feedstock. Although the ITC upheld the settlement on 10 April 2015, the ruling was appealed in court and is still pending at time of writing. On the other hand, DOC agreed on 24 April 2015 to resume the underlying AD/CVD proceedings to issue final determinations, expected in August 2015, but the terms of the settlement continue to govern sugar imports from Mexico in the meantime. If the final DOC determinations are affirmative, the cases will return to the ITC for a final injury ruling and if the ITC issues affirmative final injury determinations, assuming the court challenge to the settlement is unsuccessful, the settlement will continue to govern.

On the other hand, if either the DOC or ITC issues negative final determinations or if the court challenge were to overturn the settlement, then Mexico would once again have unlimited access to the US market. Not surprisingly, this complex situation has spawned uncertainty and instability in the US market but meanwhile imports from Mexico remain low and sugar prices remain relatively high as both US importers and Mexican exporters await the final outcome of the AD/CVD cases.

On the other hand, President Obama announced in December 2014, the beginning of a historic effort to re-establish normal diplomatic relations between the United States and Cuba. This initiative has focused attention on the possibility of resuming trade between the two nations and the impact this might have on US sugar policy, the TRQ and the quota holders. Although the current initiative is limited to normalising diplomatic relations, only Congress can lift the embargo on US imports from Cuba, but is itself divided on this issue. Accordingly, any resumption of sugar imports from Cuba will be unlikely in the near future.

As regards FTA negotiations in which the US is currently engaged, namely for the Trans-Pacific Partnership (TPP) with a group of countries in South America, Asia and the Pacific, and the Trans-Atlantic Trade and Investment Partnership (TTIP) with the EU, the trade partners are seeking additional access to the US market for their sugar exports.

Although Australia, under the TPP, has made obtaining additional sugar access a priority, ISTC has made representations to the Australia's USTR opposing granting any additional sugar access; the request has been rejected by the USTR to date. The President's ability to conclude both the TPP and TTIP negotiations is dependent upon Congress renewing its Trade Promotion Authority (TPA). The Senate passed the TPA renewal bill on 22 May 2015, and the House of Representatives was expected to follow suit during the week of 8 June 2015.

On the other hand, the US Food and Drug Administration (FDA) proposed regulations issued in January 2013 regarding the implementation of the Food Safety Modernisation Act (FSMA), which had been enacted by Congress in 2011. The FSMA, inter alia, amends the 2002 Bio-Terrorism Act (BTA) to expand the food safety requirements applicable to imported food products and foreign food producers whose products are intended for export to the United States. Producers have been kept up-to-date on developments affecting these regulations, though not yet in final form, in order to circumvent any future trade barrier.

On 12 June 2015, the United States Department of Agriculture (USDA) announced the US import quota for raw sugar for FY 2016, i.e. for entry between October 2015 and September 2016, which has been set at the minimum WTO level of 1,117,195 metric tons raw value (mtrv). Mauritius obtained its usual 1.2% net share allocation of this quota, amounting to 12,636 mtrv, i.e. some 12,076 metric tons tel quel of sugar. As in previous years, the Syndicate plans to utilise its TRQ to explore sales opportunities for its special sugars.

World Market

With the increased erosion of its trade preferences in its traditional markets, the Syndicate plans to further diversify sales of its sugars from the 2015 crop. Although its special sugars are being increasingly challenged by ordinary raw sugar for direct consumption offered at lower prices, the Syndicate should manage to maintain reasonable sales level of some 15,000 tons in an environment that has not favoured sales of high quality products. The reinforcement of its communication campaign mainly based on the attributes of its special sugars compared to the ordinary raw sugars had an important impact in maintaining the sales levels.

The Syndicate has also been exploring opportunities outside EU for its white refined sugar and one of the highlights of the previous campaign has been the successful outcome of this new venture whereby 30,000 tons white sugar have been contracted in the regional market.

The Syndicate will be looking at further development in this direction as its products attract demand in some niche market segments that appear promising at this stage. Mauritian sugar sales in the world market for the 2015-16 campaign will, however, be influenced by the prevailing market prices, in comparison with the EU, and the Euro US Dollar exchange rate.

Given the volatility of the world market, exacerbated by the fact that certain key sugar producers receive subsidy and support from their respective governments, the Syndicate will be focusing on the regional SADC and COMESA markets where it can benefit from preferential access. It should, however, be underlined that trade within the region can be quite a challenge as certain markets are quite porous while others have introduced non-tariff trade barriers to further protect their market, including from suppliers within the same trading bloc. With the support of Government, the Syndicate is actively involved in discussions at regional level to ensure that its export interests are safeguarded.





CROP FINANCING & PAYMENTS

CROP FINANCING & PAYMENTS

Advance and Payment to Producers

In line with its existing policy, advance payments have been made by the Syndicate to producers upon receipt of sugar produced from the canes they have delivered to the mills. Small and medium planters, defined as those having cultivated up to 100 hectares of land, were assisted through enhanced advances following renewal of the special line of credit by Government to the tune of MUR 1 billion. Further to the *Protocole d'Accord* signed with the Syndicate on 3 July 2014, the Bank of Mauritius disbursed a sum of MUR 814 M during the year under review to various commercial banks, namely HSBC, Mauritius Post & Cooperative Bank Ltd and Bank of Baroda, at a preferential interest rate of 3.0 % per annum. The funds were subsequently lent to the Syndicate at a weighted average interest rate of 3.25% per annum for refund by 31 May 2015. The concerned planters were thus paid advances of MUR 11,000 per metric ton sugar as from June 2014. As regards other producers, the Syndicate has had recourse to its overdraft and loan facilities from various commercial banks and concurrently paid a first advance of MUR 8,000 per metric ton sugar. Advances for both categories of producers were progressively increased until final settlement of the ex-Syndicate price of MUR 12,694 per ton sugar on 10 July 2015.

Weekly payments were made to sugar producers during the harvest but they were levelled out to monthly remittances as from January 2015. While some 7,393 planters were paid directly by the Syndicate by crediting their respective bank accounts held with different commercial banks, some 306 planters were paid through their respective brokers. Remittances for the remaining 7,223 planters were made through 150 cooperative credit societies with which they were registered.

Borrowings

In order to honour its financial commitments, the Syndicate negotiated short term loans at preferential rates with local commercial banks. These obligations included its direct operational costs, the Global Cess, advances to sugar producers and the SIFB premium which was nevertheless subsequently refunded in August 2015 further to Government's approval of the actuarial recommendations. Funding requirements were supplemented by short term loans on a call basis from the MCIA and the SIFB at negotiated rates.

Contribution by Distillers/Bottlers for Absolute Alcohol

In accordance with the provisions of Section 47 of the MCIA Act (Amended) 2011, all local distillers/ bottlers are required to remit to the Syndicate, for the account of sugarcane planters, a contribution of MUR 20 per litre of absolute alcohol delivered by them for the retail market. This contribution is converted into a revenue per ton of sugar accruing to planters and is paid in two tranches during the crop year. Hence for the 2014 Crop, out of MUR 87.7 M received from the distillers/bottlers, a first tranche of MUR 156.48 per ton sugar was paid to cane growers on 30 December 2014 and the balance was paid on 17 July 2015. This measure, which was initially introduced under the Finance Act 2010 and Finance (Miscellaneous) Act 2013, provided sugar planters with an additional revenue of MUR 277.69 per ton sugar produced during the year.

Payment of Bagasse Proceeds

The Syndicate received a sum of MUR 65.3 M, representing proceeds from the sale of surplus bagasse for the 2014 Crop. Remittances were accordingly made to sugar producers on 6 July 2015. In conformity with the Sugar Industry Efficiency Act (Amendment to Schedule) Regulations 1999,

the first category of producers represented by Alteo Ltd, Societé GML, Terra Ltd and Medine Ltd, received MUR 67.67 per ton sugar accruing while the second category, representing all other planters, obtained MUR 124.17 per ton. Those producers involved in power supply obtained MUR 0.09 per kWh accruing to them.

Payment for Molasses

As from the 2014 Crop, the Syndicate is called upon by the MCIA to effect payment of proceeds received from molasses to planters. A first advance payment of MUR 200 was thus made on 3 October 2014 with subsequent remittances as requested by the MCIA to reach a final payment of MUR 2,316.51 per ton of molasses on 10 August 2015.

Foreign Exchange Receipts and Hedging Performance

Out of the Syndicate's total sales receipts of MUR 7,189 M for the crop year, MUR 4,625 M represented proceeds from sales of white refined sugar while MUR 2,564 M were received from sales of special sugars. As regards local market sales, the Syndicate received MUR 285 M for 12,520 tons of raw and white refined sugars sold. 90% of the Syndicate's export sales for the 2014-15 crop year were received in Euros and the balance in US Dollars.

In order to efficiently manage its foreign exchange risk exposure and mitigate any impact of exchange rate volatility, the Syndicate has, as in previous years, hedged its foreign currency receipts. After having defined its exposure and under guidance of its Forex Committee, the Syndicate has devised appropriate strategies that would firstly preserve an efficient cash flow and treasury management, and secondly ensure maximisation of its returns in Mauritian rupees. It thus worked in close collaboration with commercial banks by making use of both off-the-shelf and customised hedging instruments. The Syndicate endeavoured to adopt the most efficient hedging strategies with the least risk and its Consultant, Stewardship Consulting (Pte) Ltd, continued providing support in this respect while ensuring that the recommended hedging strategies were being applied and that best principles were being adhered to.

Against the backdrop of a volatile euro zone with a highly unstable Euro US Dollar exchange rate during the period under review, as illustrated in Chart VII below, the Syndicate managed to convert its Euro proceeds at a weighted average exchange rate of US $ 1.3283 to the Euro compared to the average spot rate of US $ 1.2008 during the year.

CHART VII

Evolution of Euro US Dollar rate



The exchange rate for the Mauritian Rupee has also been highly volatile during the year under review, moving within the range of MUR 35.91 – MUR 40.62 against the Euro and MUR 29.76 – MUR 35.79 against the US Dollar. The Syndicate has managed to use the appropriate hedging instruments to improve its forex management and has consequently attained an average exchange rate of MUR 42.15 to the Euro for the 2014 Crop.

Conformant to normal practices, the Syndicate started hedging its estimated sugar proceeds for the 2014 Crop as from January 2014. Some 40% of the estimated foreign currency receipts had been sold by the start of the harvest in June 2014 while it completed the conversion of Euros 145 M by end December 2014. The hedging policies and strategies adopted by the Syndicate permitted a surplus of MUR 749 M for the industry for the crop year, thus an additional revenue in the ex-Syndicate price of MUR 1,855 per ton.



TABLE III

Crop

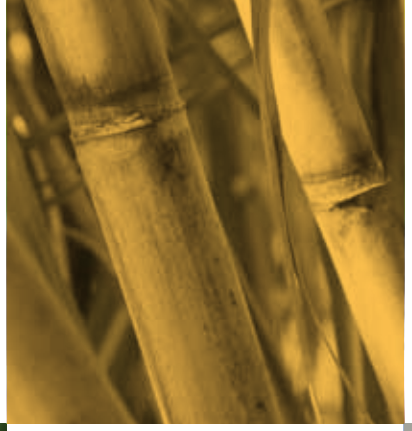
	WEIGHTED AVERAGE RATE ACHIEVED	AVERAGE MARKET SPOT RATE	HEDGING SURPLUS
	MUR/EUR	MUR/EUR	MUR (M)
2010	40.88	39.58	292.30
2011	41.35	37.69	304.30
2012	40.62	38.85	560.66
2013	42.31	40.44	304.16
2014	42.15	38.64	748.65

Table III above illustrates the hedging performance of the Syndicate over the past five years.

The Syndicate also made use of hedging instruments like swaps and trade financing to effectively manage its transaction risks. This practice enabled a reduction in the cost of financing of its payment obligations during the period under review from MUR 166.5 M to MUR 98.1 M in FY 2014-15.

Risk Management

Risk management has been a continuous, proactive and systematic process which has enabled the identification and management of current and potential risks in the Syndicate's general operating activities. During the year under review, some risk areas were identified in the Accounts and Finance department; in order to mitigate their adverse consequences, the services of an independent consultant were sought. The weakness areas were reported to the Risk Management Committee, and their recommendations for improvements were subsequently made to the Syndicate's Executive & Selling Committee. A new post of Accountant was consequently introduced and was filled in August 2015. Likewise the Risk Management Committee was revamped as the Audit & Risk Management Commitee with a review of its responsibility while laying more emphasis on the internal control system of the Syndicate. The IT infrastructure of the Syndicate is also being reviewed and emphasis is being laid on the possibility of implementing an integrated IT management system to improve interaction and control among different departments.









Statement of Account

2014-2015





Independent Auditors' Report to the Members

This report is made solely to the members of Mauritius Sugar Syndicate (the "Syndicate"), as a body. Our audit work has been undertaken so that we might state to the Syndicate's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Syndicate and the Syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of The Mauritius Sugar Syndicate on pages 43 to 66 which comprise the statement of financial position at 30 June 2015, the statement of profit or loss and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Committee Responsibility for the Financial Statements

The Committee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of the 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 auditors' 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 auditors consider internal control relevant to the Syndicate'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 Syndicate's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Committee, 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, the financial statements on pages 43 to 66 give a true and fair view of the financial position of the Syndicate as at 30 June 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO & CO
Chartered Accountants
Port Louis, Mauritius

Shabnam Peerbocus, FCA
Licensed by FRC

Date: 23 September 2015

	Notes	2015	2014
		Rs'000	Rs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	18,347	18,570
CURRENT ASSETS			
Inventories	6	430,564	209,741
Trade and other receivables	7	3,328,903	4,486,069
Cash and cash equivalents	8	70,278	163,987
Derivative financial instruments	9	195,426	61,661
		4,025,171	4,921,458
TOTAL ASSETS		4,043,518	4,940,028
LIABILITIES			
NON-CURRENT LIABILITY			
Retirement benefit obligations	10	35,213	23,605
CURRENT LIABILITIES			
Bank overdrafts	8	1,543,922	1,248,076
Borrowings	11	1,493,378	2,609,802
Trade and other payables	12	971,005	1,058,545
		4,008,305	4,916,423
TOTAL LIABILITIES		4,043,518	4,940,028

The notes on pages 47 to 66 form an integral part of these financial statements.
Independent Auditors' report on page 42.

These financial statements have been approved by the Committee for issue on 23 September 2015.

Devesh Dukhira
Chief Executive Officer

Jyoty Soomarooah
Chief Finance and Administrative Officer

	Notes	2014-2015 Crop			2013-2014 Crop		
		Rs'000	Rs per MT	%	Rs'000	Rs per MT	%
REVENUE							
Sales proceeds	13	7,474,228	18,519	100.00	9,774,208	23,949	100.00
Other income	14	267	-	-	144	-	-
		7,474,495	18,519	100.00	9,774,352	23,949	100.00
EXPENDITURE							
Direct operating costs	15	(2,531,695)	(6,273)	(33.87)	(2,958,150)	(7,261)	(30.32)
Storage charges	16	(128,604)	(318)	(1.72)	(128,575)	(297)	(1.24)
Administrative and other charges	17	(84,287)	(209)	(1.13)	(85,519)	(210)	(0.87)
Payment to MCIA-Global Cess & Levy	19	(257,203)	(637)	(3.44)	(280,134)	(686)	(2.87)
Sugar Industry Reserve Fund		(403)	(1)	(0.01)	(405)	(1)	-
TOTAL EXPENDITURE		(3,002,192)	(7,438)	(40.17)	(3,452,783)	(8,455)	(35.30)
		4,472,303	11,081	59.83	6,321,569	15,494	64.70
FINANCE INCOmE - NET							
Finance income - net	18	650,829	1,613	8.71	138,998	336	1.40
NET REVENUE							
Distributed to all producers as ex-Syndicate price before contributions and deductions		5,123,132	12,694	68.54	6,460,567	15,830	66.10
Bagasse Transfer Price Fund	20	65,302			62,869		
Molasses Remittance	21	197,905			-		
Contribution by distillers/bottlers	22	87,652			85,919		
Sugar Insurance Fund Board Premium	23	(192,367)			(271,309)		
NET AmOUNT DISTRIBUTED TO PRODUCERS		5,281,624			6,338,046		

The notes on pages 47 to 66 form an integral part of these financial statements.
Independent Auditors' report on page 42.

	Note	2015	2014
		Rs'000	Rs'000
CASh FLOw S FROm OPERATING ACTIVITIES			
Net revenue distributed to producers		5,281,624	6,338,046
Adjustments for:			
Loss/(profit) on disposal of property, plant and equipment		626	(561)
Interest paid		98,104	166,481
Interest income		(280)	(1,320)
Depreciation		4,043	4,152
Exchange gains		(4,292)	(44,105)
Effect of IAS 19 restatement to 2013 figures		-	14,483
Retirement benefit obligations		11,608	4,758
Operating profit before working capital changes		5,391,433	6,481,934
(Increase)/decrease in inventories		(220,823)	10,160
Decrease/(increase) in trade and other receivables		1,157,166	(232,779)
(Decrease)/Increase in trade and other payables		(87,540)	6,804
Increase in derivative financial instruments		(133,765)	(66,579)
		715,038	(282,394)
Cash generated from operations		6,106,471	6,199,540
Payment made to producers		(5,281,624)	(6,338,046)
Interest paid		(98,104)	(166,481)
Contribution paid on defined pension plan		-	(4,728)
Net cash from/(used) in operating activities		726,743	(309,715)
Investing activities			
Purchase of plant and equipment		(5,481)	(14,374)
Proceeds from disposal of plant and equipment		1,035	955
Interest received		280	1,320
Cash used in investing activities		(4,166)	(12,099)
Financing activities			
Loans received		5,395,247	6,599,243
Loans repaid		(6,482,714)	(6,751,079)
Cash used in financing activities		(1,087,467)	(151,836)
Net decrease in cash and cash equivalents		(364,890)	(473,650)
Cash and cash equivalents at beginning of year		(1,084,089)	(647,603)
Net decrease in cash and cash equivalents		(364,890)	(473,650)
Effects of foreign exchange on cash and cash equivalents		(24,665)	37,164
CASh AND CASh Eq UIVALENTS AT END OF Th E YEAR	8	(1,473,644)	(1,084,089)

The notes on pages 47 to 66 form an integral part of these financial statements.
Independent Auditors' report on page 42.



1. General Information

In 1951, following the recommendations made by the Mauritius Economic Commission 1947-48, the Mauritius Sugar Syndicate ("the Syndicate"), which had been founded in 1919, was set up for an indefinite period in pursuance of the Mauritius Sugar Syndicate Act of 1951.

The Syndicate is the sole sugar marketing organisation in Mauritius and its objective is the sale of all sugars received by it for the account of its members, all of whom are sugar producers comprising corporate and independent sugarcane growers, as well as millers and the distribution of the proceeds of such sale to its members.

All local sugar producers are members of the Syndicate. The Syndicate's registered office and principal place of business is Plantation House, Place d'Armes, Port Louis, Mauritius.

These financial statements are submitted for consideration and approval at the Annual General Meeting of the members of the Syndicate.

2. Significant Accounting Policies

The principal accounting policies adopted 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.

(a) Basis of preparation

The financial statements of The Mauritius Sugar Syndicate have been prepared in accordance with International Financial Reporting Standards (IFRS). Where necessary, comparative figures have been amended to conform with change in presentation in the current year. The financial statements are prepared under the historical cost convention.

The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs'000), except when otherwise stated.

Amendments to published Standards and Interpretations effective in the reporting period

Amendments to IAS 32, 'Offsetting Financial Assets and Financial Liabilities', clarify the requirements relating to the offset of financial assets and financial liabilities. The amendment is not expected to have any impact on the Syndicate's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27, 'Investment Entities', define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. As the Syndicate is not an investment entity, the standard has no impact on the Syndicate's financial statements.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what obligating event that gives rise to pay a levy and when should a liability be recognised. The Syndicate is not subject to levies so the interpretation has no impact on the Syndicate's financial statements.

Amendments to IAS 36, 'Recoverable Amount Disclosures for Non-financial Assets', remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated. The amendment has no impact on the Syndicate's financial statements.

2. Significant Accounting Policies (cont'd)

(a) Basis of preparation (cont'd)

Amendments to published Standards and Interpretations effective in the reporting period (cont'd)

Amendments to IAS 39, 'Novation of Derivatives and Continuation of Hedge Accounting', provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendment has no impact on the Syndicate's financial statements.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary.

Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives. The amendment has no impact on the Syndicate's financial statements.

Annual Improvements 2010-2012 Cycle

IFRS 2, 'Share based payments' amendment are to clarify the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. The amendment has no impact on the Syndicate's financial statements.

IFRS 3, 'Business combinations' is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation'. It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognised in profit and loss. The amendment has no impact on the Syndicate's financial statements.

IFRS 8, 'Operating segments' is amended to require disclosure of the judgements made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. The amendment has no impact on the Syndicate's financial statements.

IFRS 13 (Amendment), 'Fair Value Measurement' clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has no impact on the Syndicate's financial statements.

IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The amendment has no impact on the Syndicate's financial statements.

IAS 24, 'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required. The amendment has no impact on the Syndicate's financial statements.

Annual Improvements 2011-2013 Cycle

IFRS 1, 'First-time Adoption of International Financial Reporting Standards' is amended to clarify in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. The amendment has no impact on the Syndicate's financial statements, since the Syndicate is an existing IFRS preparer.

IFRS 3, 'Business combinations' is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint venture under IFRS 11. The amendment has no impact on the Syndicate's financial statements.

IFRS 13, 'Fair value measurement' is amended to clarify that the portfolio exception in IFRS 13 applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. The amendment has no impact on the Syndicate's financial statements.

IAS 40, 'Investment property' is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists users to distinguish between investment property and owner-occupied property. Preparers also need to consider the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The amendment has no impact on the Syndicate's financial statements.

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2015 or later periods, but which the Syndicate has not early-adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 9 Financial Instruments
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
IFRS 14 Regulatory Deferral Accounts
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
IFRS 15 Revenue from Contract with Customers
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
Equity Method in Separate Financial Statements (Amendments to IAS 27)
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

Annual Improvements to IFRSs 2012-2014 Cycle

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

Disclosure Initiative (Amendments to IAS 1)

Where relevant, the Syndicate is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

2. Significant Accounting Policies (cont'd)

(b) *Property, plant and equipment*

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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 Syndicate and the cost of the item can be measured reliably.

Depreciation is calculated on the straight-line method to write off their cost to their residual values over their estimated useful lives. The annual rates used are:

	%
Annual rates used	
Computer equipment	20
Furniture and equipment	10-20
Motor vehicles	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals of plant and equipment are determined by comparing proceeds with carrying amount and are included in the profit and loss.

(c) *Impairment of non-financial assets*

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset 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).

(d) *Derivative financial instruments and hedging activities*

(a) Derivatives at fair value through profit or loss

Certain derivative instruments do not qualify for hedging accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss within 'other gains/(losses) - net'.

(e) *Trade and other receivables*

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Included in trade receivables are the sale of sugars relating to the current harvest period and which are in production process and not yet shipped to the customers at the end of the reporting period. If collection is expected within one year or less (or in the normal operating cycle of the business if longer), they are classified as current asset. If not, they are presented as non-current assets.

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 and other receivables is established when there is objective evidence that the Syndicate will not be able to collect all amounts due.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in profit or loss.

(f) Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that is probable that some or all the facilities will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facilities to which they relate.

(g) Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks (cash at bank) and bank overdrafts. Bank overdrafts are shown as a separate line within current liabilities on the "statement of financial position".

(h) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilites if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non current liabilities. Included in trade and other payables are direct operating costs accrued at year end with respect to the unshipped portion of sugars that relate to the current crop year.

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

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average price basis for bags, steel bars and liners. The cost of finished goods comprises all costs of purchase and other costs incurred in bringing such stocks in its present location and condition, but excludes borrowing costs. Cost of inventories of white refined sugars for sale on the local market is determined as being the net realisable value as the latter represents the cost to the Syndicate of sugars produced locally. Cost of inventories of white refined sugar imported is valued as cost of purchase and other costs incurred in bringing such stocks in its present location and condition, but excludes borrowing costs. Net realisable value is based on estimated selling price in the ordinary course of business less applicable variable selling expenses.

(j) Retirement benefits

Defined contribution plan

The Syndicate has both defined benefit and defined contribution plans. The Syndicate and all its employees also contribute to the appropriate National Pension Scheme, which are defined contribution schemes. A defined contribution plan is a pension plan under which the Syndicate pays fixed contributions to a separate entity.

2. Significant Accounting Policies (cont'd)

(j) *Retirement benefits (cont'd)*

The Syndicate has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior year periods. Payments to defined contribution plans are recognised as an expense included in profit or loss within employee benefit expenses when employees have rendered service that entitles them to the contributions.

Defined benefit plans

A defined benefit plan is a retirement benefit plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans in the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

The Syndicate determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

Gratuity on retirement

For employees who are not covered, the net present value of gratuity on retirement payable under the Employment Rights Act 2008 is calculated by an actuary and provided for. The obligation arising under this item is not funded.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts redundancy in exchange for these benefits. The Syndicate recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(k) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using Mauritian Rupees (MUR), the currency of the primary economic environment in which the Syndicate operates ("functional currency"). The financial statements are presented in MUR, which is the Syndicate's functional and presentational currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within ''finance income or cost". All other foreign exchange gains and losses are presented in profit or loss within other (losses)/gains - net.

(l) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Syndicate's activities and revenue for unsold stock for the current crop year. Revenue is shown net of returns, rebates, discounts and other similar allowances.

The Syndicate recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Syndicate and when specific criteria have been met for each of the Syndicate's activities as described below. The Syndicate bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

- Sales of goods are recognised in the period in which the Syndicate has delivered products to the customer. The customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Revenue is recognised at the point in time when the goods are shipped.

- The Syndicate also recognises the unshipped portion of sugars that relate to the current crop year as revenue at the end of the reporting period. The revenue is determined based on the unsold sugars at the end of the reporting period and the current market price at which the buyer has undertaken to purchase the goods as per the Long Term Partnership Agreement and the contracts with buyers of special sugars.

- Profit sharing is recognised on an accrual basis in accordance with the substance of the relevant agreements for all sugar processed which are recognised as revenue and which relates to the current crop year.

- Interest income is recognised on a time-proportion basis using the effective interest method.

(m) Expenses

Expenses are accounted for on the accrual basis and charged to profit or loss. Included in expenses are the direct operating costs accrued at year end with respect to the unshipped portion of sugars that relate to the current crop year.

3. Financial Risk Management

The Syndicate's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and pricing risk), credit risk and liquidity risk. The Syndicate's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on its financial performance. The Syndicate uses derivative financial instruments to hedge certain risk exposure.

Risk management is carried out under policies approved by the Marketing Strategy Committee, Risk Management Committee and the Forex Management Committee.

(a) Market risk

(i) Currency risk

The Syndicate operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily in respect of the Euro and US Dollar. Foreign exchange risk arises on future commercial transactions, recognised assets and liabilities in a currency that is not the Syndicate's functional currency.

The Forex Management Committee manages foreign exchange risk by monitoring the concentration and timing of trade receivables by type of currencies. To manage its foreign exchange risk arising from future commercial transactions, and recognised assets and liabilities, the Syndicate uses foreign exchange forward contracts and has foreign currency bank accounts which are transacted with commercial banks.

Currency profile

The currency profile of the Syndicate's financial assets and liabilities is summarised below:

	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
	2015	2014	2015	2014
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Mauritian Rupees	2,419,159	357,034	2,346,402	3,069,569
US Dollar	154,799	61,972	376,345	686
Euro	825,027	4,228,710	1,281,634	1,846,168
GBP	196	2,340	3,924	-
	3,399,181	4,650,056	4,008,305	4,916,423

Sensitivity analysis

At the end of reporting period, if the rupee had weakened/strengthened by 5% against the following currencies with all variables remaining constant, the impact for the year on net revenue before distribution to producers are shown in the table, below:

	NET REVENUE BEFORE DISTRIBUTION TO PRODUCERS	
	2015	2014
	Rs'000	*Rs'000*
	+/-	*+/-*
US Dollar	11,077	3,064
Euro	22,830	119,127
GBP	186	117
	34,093	122,308

(ii) Interest rate risk

The Syndicate is exposed to interest rate risk as it borrows funds at both fixed and floating rates. The risk is managed by the Forex Management Committee through negotiating the best interest rate available with commercial banks and institutions of the sugar industry.

At 30 June 2015, if interest rate on rupee-denominated borrowings has been 50 basis points higher or lower with all other variables held constant, the net amount distributed to producers would have been Rs 2,640,812 (2014: Rs 3,169,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or other financial asset.

A liquidity risk arises on advances to planters made on a weekly basis. To meet its cash outflow, overdraft and loan facilities have been obtained with banks and institutions in the sugar sector to supplement its regular inflow of sugar proceeds to settle its debts as they become due.

All borrowings, derivatives, bank overdraft and other payables are due for settlement within 12 months of the date of the statement of financial position and have therefore been classified under current liablilites.

The Syndicate manages liquidity risk by maintaining the adequate level of cash and overdraft facilities to settle its debts as they become due.

(c) Credit risk

Credit risk is the risk of financial loss to the Syndicate if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from cash and cash equivalents as well as credit exposures to customers, including receivables. Such risks are managed by the Marketing Strategy Committee.

The Marketing Strategy Committee assesses the credit worthiness of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Local sales to retail customers are settled by cheques or bank transfer.

For banks and financial institutions, credit risk can be assessed by the historical information about the financial strengths of the financial institutions the Syndicate is dealing with. In the opinion of management, there is no associated risk as these are reputable institutions in the industry.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or historical information about counterparty default rates. Refer to note 7 for an analysis of trade receivables which are past due and impaired. For the year under review trade receivables were not impaired.

The carrying amount of financial assets in the financial statements, which is net of impairment losses, represents the Syndicate's maximum exposure to credit risk without taking account the value of any collateral obtained. The Syndicate's main debtors are its overseas buyers on account of sugar sold to them.

4. Critical Accounting Estimates and Judgement

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Syndicate makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the pension obligations.

The actuary determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the actuary considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 10.

(b) Revenue recognition

At the end of the reporting period, the Syndicate recognises the unshipped portion of sugars that relate to the current crop year as revenue. The Syndicate values any balance of plantation white sugar held at year end at the latest invoice price at which the customer has purchased the last consignment. For white refined sugar, the Syndicate determines the sales as being the unshipped quantity of sugars at the period end referenced to the latest EU reference price and adjusted for the profit share as per the LTPA agreement.

Determination to the profit share is based on the latest selling price of white refined sugar on the European Market adjusted for (i) the EU price and (ii) logistic and finance charges. For special sugars, the Syndicate determines the sales as being the total quantity of sugars committed for sale at the period end and which is referenced to an average price at which customers have agreed to acquire the special sugars.

(c) Depreciation policies

Property, plant and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Syndicate would currently obtain from disposal of the asset, if the asset were already of the age in condition expected at the end of its useful life.

5. Property, Plant and Equipment

	Computer Equipment	Furniture and Equipment	Motor Vehicles	TOTAL
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
(a) COST				
At 1 July 2013	5,098	4,743	14,875	24,716
Additions	304	9,878	4,192	14,374
Disposal	-	(851)	(4,320)	(5,171)
At 30 June 2014	5,402	13,770	14,747	33,919
At 1 July 2014	5,402	13,770	14,747	33,919
Additions	517	371	4,593	5,481
Disposals	-	-	(6,295)	(6,295)
At 30 June 2015	5,919	14,141	13,045	33,105
DEPRECIATION				
At 1 July 2013	4,182	3,471	8,321	15,974
Charge for the year	581	1,077	2,494	4,152
Disposals adjustments	-	(457)	(4,320)	(4,777)
At 30 June 2014	4,763	4,091	6,495	15,349
At 1 July 2014	4,763	4,091	6,495	15,349
Charge for the year	352	1,126	2,565	4,043
Disposals adjustments	-	-	(4,634)	(4,634)
At 30 June 2015	5,115	5,217	4,426	14,758
NET BOOK VALUES				
At 30 June 2014	639	9,679	8,252	18,570
At 30 June 2015	804	8,924	8,619	18,347

(b) Depreciation expenses of Rs 4,043,000 (2014: Rs 4,152,000) have been charged in administrative and other charges.

(c) Bank borrowings are secured by the preferential lien over the stock of sugar as conferred under Mauritius Sugar Syndicate Act No. 87 of 1951.

6. Inventories

	2015	2014
	Rs'000	*Rs'000*
At Cost		
Bags, steel bars and liners	81,241	67,771
At Net Realisable Value		
Raw and white refined sugar	349,323	141,970
	430,564	209,741

7. Trade and Other Receivables

	2015	2014
	Rs'000	*Rs'000*
Trade Receivables		
Export proceeds	1,049,065	1,656,469
Export proceeds – Unshipped sugars	2,102,869	2,618,663
	3,151,934	4,275,132
Staff loans	2,700	3,225
Other Receivables	174,269	207,712
	3,328,903	4,486,069

The carrying amounts of trade and other receivables approximate their fair values and no impairment was required.

As of 30 June 2015, trade receivables of Rs 25,712,000 (2014: Rs 478,039,000) were past due but not impaired.

	2015	2014
	Rs'000	*Rs'000*
3 to 6 months	5,301	451,125
Over 6 months	20,411	26,914
	25,712	478,039

The carrying amounts of trade and other receivables are denominated in the following currencies:

	2015	2014
	Rs'000	*Rs'000*
Mauritian Rupee	2,358,063	233,156
US Dollar	149,043	36,187
Euro	821,797	4,216,726
	3,328,903	4,486,069

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Syndicate does not hold any collateral as security.

8. Cash and Cash Equivalents

	2015	2014
	Rs'000	*Rs'000*
Cash at bank	70,278	163,987
Bank overdrafts	(1,543,922)	(1,248,076)
	(1,473,644)	(1,084,089)

(i) Bank overdrafts are secured by the preferential lien over all sugars as conferred by Mauritius Sugar Syndicate Act No. 87 of 1951. They are utilised to enable advances to be made to producers pending receipt of export proceeds.

(ii) The interest rates per annum vary from 3.3% to 7.0% on Rupees accounts (2014: 4.15% to 8.00%) and Libor 1 month + 1.5% on Euros, GBP and USD accounts respectively (2014: Libor 1 Month + 1.5%).

(iii) The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2015	2014
	Rs'000	*Rs'000*
Cash at bank		
Mauritian Rupee	61,096	123,878
US Dollar	5,756	25,785
Euro	3,230	11,984
GBP	196	2,340
	70,278	163,987
Bank overdrafts		
Mauritian Rupee	(216,976)	(6,271)
US Dollar	(376,345)	(687)
Euro	(946,677)	(1,241,118)
GBP	(3,924)	-
	(1,543,922)	(1,248,076)
Cash and cash equivalents	(1,473,644)	(1,084,089)

9. Derivative Financial Instruments

The Syndicate ensures that its sugar proceeds which are received in foreign currencies are hedged against the high volatility inherent in its receipts.

The Syndicate entered into foreign exchange forward contracts, foreign exchange leverage contracts, swaps and options with different commercial banks of Mauritius for terms not exceeding 12 months at any point in time. At 30 June 2015, the surplus on foreign exchange forward contracts, foreign exchange leverage contracts, swaps and options undertaken for 2014 crop was Rs 195,426,000 compared to a surplus of Rs 61,661,000 for 2013 crop. It is anticipated that once the contracts will mature the surplus will then be realised and will impact on the amount distributed to producers in 2015 crop.

	NOTIONAL AMOUNT	FAIR VALUE	SURPLUS
	Rs'000	*Rs'000*	*Rs'000*
At 30 June 2015			
Normal Forward	72,450	69,460	2,990
Leverage Forward	3,365,522	3,173,086	192,436
	3,437,972	3,242,546	195,426
At 30 June 2014			
Normal Forward	276,355	270,495	5,860
Chooser Forward	1,920,940	1,879,354	41,586
Leverage Forward	700,330	686,115	14,215
	2,897,625	2,835,964	61,661

10. Retirement Benefit Obligations

	Notes	2015	2014
		Rs'000	*Rs'000*
Amounts recognised in the statements of financial position:			
Defined pension benefits	10 (ii)	35,213	23,605
Analysed as follows:			
Non-current liabilities		35,213	23,605
Amount charged to profit or loss:			
Defined pension benefits	10 (v)	11,608	14,513

(i) The Syndicate operates a defined benefit pension plan. The plan is a final salary plan which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salaries in the final years leading up to retirement.

The assets of the plan are held independently and administered by the Sugar Industry Pension Fund.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at 30 June 2015 by Aon Hewitt. The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

	2015	2014
	Rs'000	*Rs'000*
(ii) The amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	89,857	68,587
Fair value of plan assets	(54,644)	(44,982)
	35,213	23,605
Unrecognised actuarial loss	-	-
Liabilities recognised in the statement of financial position	35,213	23,605

	2015	2014
	Rs'000	*Rs'000*
The reconciliation of the opening balances to the closing balances for the net defined benefit liability is as follows:		
At 1 July,	23,605	9,092
Recognised in the statement of profit or loss	16,776	19,241
Contributions paid	(5,168)	(4,728)
At 30 June	35,213	23,605

	2015	2014
	Rs'000	*Rs'000*
(iii) The movement in the defined benefit obligations over the year is as follows:		
At 1 July,	68,587	59,832
Current service cost	5,090	3,810
Employee contributions	737	577
Interest costs	9,450	4,787
Benefit paid	(3,480)	-
Liability loss/(gain)	9,473	(419)
At 30 June	89,857	68,587

	2015	2014
	Rs'000	*Rs'000*
(iv) The movement in fair value of plan assets of the year is as follows:		
At 1 July,	44,982	36,257
Interest income	6,946	3,109
Employer contribution	5,168	4,728
Employee contributions	737	577
Benefit paid	(3,480)	-
Return on plan assets excluding interest income	291	311
At 30 June	54,644	44,982

	2015	2014
	Rs'000	*Rs'000*
(v) Amounts recognised in the statement of profit or loss		
Current service cost	5,090	3,810
Net interest on net defined benefit liability	(2,664)	1,678
Effect of restatement to 2013 figures	9,182	9,025
Total included in employee benefit expense	11,608	14,513

	2015	2014
	Rs'000	*Rs'000*
Total included in employee benefit expense can be analysed as follows:		
Included in:		
Administrative and other charges	11,608	14,513
Actual return on plan assets	7,237	3,420

10. Retirement Benefit Obligations (cont'd)

	2015	2014
	%	%
(vi) The principal actuarial assumptions used for accounting purposes were:		
Discount rate	7.0	8.0
Future salary increases	5.0	7.0
Future pension increases	-	1.0

	2015	2014
	Rs'000	*Rs'000*
(vii) Sensitivity analysis on defined benefit obligations at end of the reporting date:		
Increase due to 1% decrease in discount rate	10,713	8,732
Decrease due to 1% increase in discount rate	9,097	7,799

An increase/decrease of 1% in other principal actuarial assumptions would not have a material impact on defined benefit obligations at the end of the reporting period.

The sensitivity above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occuring at the end of the reporting period. The present value of the defined benefit obligation has been calculated using the project unit credit method.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

(viii) The defined benefit pension plan exposes the Syndicate to actuarial risks, such as longevity risk, currency risk, interest rate risk and market risk.

(ix) The Syndicate expects to pay Rs 5.55 M in contributions to its post-employment benefit plans for the year ending 30 June 2016.

(x) The weighted average duration of the defined benefit obligation is 12 years at the end of the reporting period.

11. Borrowings

	2015	2014
	Rs'000	*Rs'000*
Unsecured loans	1,493,378	2,609,802

(a) The loans bear interest at the rate of 3.20% to 4.50% per annum and libor 1 month + 0.70 - Libor 1 month + 1% (2014: 3.35% to 5.50% and Libor 1 month + 1%).

(b) The carrying amounts of the Syndicate's borrowings are denominated in the following currencies:

	2015	2014
	Rs'000	*Rs'000*
Mauritian Rupee	1,158,421	2,004,752
Euro	334,957	605,050
	1,493,378	2,609,802

12. Trade and Other Payables

	2015	2014
	Rs'000	*Rs'000*
Payable to producers under the Bagasse Transfer Price Fund	65,142	62,963
Manufacturing premium - white refined & special sugars	222,311	259,662
Refiner service fee	133,560	142,571
Freight	142,540	186,899
Other accruals	407,452	406,450
	971,005	1,058,545

(a) The carrying amounts of trade and other payables approximate their value.

(b) The Bagasse Transfer Price Fund was paid to the beneficiaries on 6 July 2015.

(c) The Syndicate has policies in place to ensure that all payables are settled within the credit time frame.

13. Sales Proceeds

	2015	2014
	Rs'000	*Rs'000*
Sales proceeds were arrived as follows:		
Gross Export Proceeds - Shipped	4,513,635	6,244,944
Gross Export Proceeds - Unshipped	2,675,318	3,207,282
	7,188,953	9,452,226
Proceeds from local sales	285,275	321,982
Total sales proceeds	7,474,228	9,774,208

14. Other Income

	2015	2014
	Rs'000	*Rs'000*
Sundry income	267	144

15. Direct Operating Costs

	2015	2014
	Rs'000	*Rs'000*
Manufacturing premium - white refined & special sugars	1,259,795	1,434,289
Export fee	65,817	81,645
Freight charges	490,742	549,222
Bags and other related charges	75,681	61,748
Liners, steel bars and other related costs for white refined sugar	71,543	86,254
Cost of imports for local market and re-export	515,517	700,074
Other costs	52,600	44,918
	2,531,695	2,958,150

(a) *Cost of imports*

Costs of imports for local market and re-export are calculated on a landed basis for 54,764 MT (2014: 52,785 MT) raw sugar feedstock.

16. Storage Charges

	2015	2014
	Rs'000	*Rs'000*
BSSD - Recurrent expenditure	84,530	78,900
MCIA (Ex-MSTC) rental, repair and maintenance costs of shed	5,082	7,560
CHC and MFD storage charges	38,992	42,115
	128,604	128,575

17. Administrative and Other Charges

	Note	2015	2014
		Rs'000	*Rs'000*
These are arrived at after charging:			
Depreciation on plant and equipment		4,043	4,152
Rental of office		2,710	2,733
Brussels representation		3,926	9,235
Employee benefit expense	17 (a)	47,334	46,146

(a) *Employee benefit expenses*

Wages and salaries, including termination benefits		34,085	30,442
Social security costs		1,641	1,191
Pension costs		11,608	14,513
		47,334	46,146

18. Finance Income - Net

	2015	2014
	Rs'000	*Rs'000*
Finance Income		
Interest income	280	1,320
Gain on forward exchange contracts (unrealised)	195,426	61,661
Exchange gain - net	553,227	242,498
	748,933	305,479
Finance costs		
Interest payable:		
Foreign currency accounts	20,560	24,862
Mauritian balances	77,544	141,619
	98,104	166,481
Finance Income - Net	650,829	138,998

19. Service Providing Institutions and Levy Payments

	2015	2014
	Rs'000	*Rs'000*
Payment to Service Providing Institutions and Levy as determined by MCIA (Ex Mauritius Sugar Authority), comprises financing of the following:		
MCIA - Global Cess	204,926	258,040
Levy for payment of pension to redundant Dockers	52,277	22,094
	257,203	280,134

The Sugar Industry was called upon to contribute to the social cost of the reform of the Service Providing Institutions (SPIs). In September 2012, Government advanced a soft loan of Rs 400 M at 3% interest rate per annum for onward grant to the MCIA. The Syndicate has paid the MCIA the full amount of Rs 400 M in September 2012 for the restructuring of the SPI's. The soft loan contracted with the Mauritius Post & Cooperative Bank Ltd was repaid in May 2015.

20. Bagasse Transfer Price

Bagasse Transfer Price Fund represents the sum received by sugar producers with respect to bagasse used for the production of electricity by the Central Electricity Board and for other usage. Remittance to sugar producers is effected in accordance with the Sugar Industry Efficiency (Amendment of Schedule) Regulation 1999.

21. Molasses Remittance

The Syndicate has been called upon by the MCIA to effect payment of proceeds received from molasses to planters. A sum of Rs 197.91 M thus received was distributed for the 2014 Crop.

22. Contribution By Distillers/Bottlers

In line with Finance Act 2010, the sum received as contribution from Distillers/Bottlers during the Crop year has been paid in 2 tranches: on 30 December 2014 and 17 July 2015 respectively.

23. Sugar Insurance Fund Board Premium

The premium of Rs 192,367,000 (2014: Rs 271,309,000) is deducted from the sugar proceeds of the producers and remitted to the Sugar Insurance Fund Board (SIFB) on their behalf as per Section 24 of the Sugar Insurance Fund Act 1974.

Following amendment to the First Schedule of the Act, a sum of Rs 185,233,442 representing waiver of SIFB General Premium for 2014 Crop, has been repaid to sugar producers on Friday 21 August 2015.

24. Related Party Transactions

	2015	2014
	Rs'000	*Rs'000*
Compensation of key management personnel	12,481	12,407

25. Contingent Liabilities

The Syndicate has contracted two bank guarantees in favour of the Mauritius Revenue Authority for the sum of Rs 20,000 (2014: Rs 456,353).

26. Change in Main Customer

With the termination of the long term partnership agreement with Suedzucker AG in September 2015 and the liberalisation of production quotas in the EU two years after, the Syndicate has explored different strategies for the future sales of its white refined sugar. In this context and in order to add more value to its supplies, the Syndicate has finalised long term supply agreements with two EU sugar producers and distributors, namely British Sugar and CristalCo, the trading arm of Cristal Union. Deliveries are expected to start as from October 2015.

	2014-2015 Crop					2013-2014 Crop				
	Plantation White Sugar	Non-Originating Sugar	White Refined Sugar	Special Sugar	TOTAL	Plantation White Sugar	Non-Originating Sugar	White Refined Sugar	Special Sugar	TOTAL
	MT	*MT*	*MT*	*MT*	*MT*	*MT*	*MT*	*MT*	*MT*	*MT*
Net landed weight	-	-	243,972	36,683	280,655	-	-	239,717	50,524	290,241
Stock of sugar	42,020	26,953	16,702	61,638	147,313	53,860	11,281	29,250	49,982	144,373
Total sugar for export	42,020	26,953	260,674	98,321	427,968	53,860	11,281	268,967	100,506	434,614
Local market sales	-	-	9,210	2,944	12,154	-	-	6,473	3,715	10,188
Total	42,020	26,953	269,884	101,265	440,122	53,860	11,281	275,440	104,221	444,802
Processing & storage loss					14,815					12,696
Production MTTQ					454,937					457,498
Less non-originating sugar for re-export					(54,764)					(52,785)
Total Production of Sugar mTTq					400,173					404,713
Adjustment at 98.5° Polarisation by mCIA (Control & Arbitration Department)					403,603					408,125

Sales Proceeds (FOBS BASIS)

	2014-2015 Crop	2013-2014 Crop
	Rs 000's	*Rs 000's*
White refined sugar	4,262,682	5,974,368
Special sugar		
European Union	1,939,924	2,487,130
United States of America (USA)	104,908	120,388
World Market	361,305	554,946
Total	6,668,819	9,136,832
Local sales	285,274	321,983
Total Receipts	6,954,093	9,458,815

Average Price (FOBS) Per Metric Ton

	2014-2015 Crop	2013-2014 Crop
	Rs/MT	*Rs/MT*
White refined sugar	13,642	18,415
Special sugar		
European Union	24,986	30,865
United States of America (USA)	20,743	23,896
World	22,633	25,238
Average Export Price	16,221	21,136

Average Local Market Price Per Metric Ton

	2014-2015 Crop	2013-2014 Crop
	Rs/MT	*Rs/MT*
Local Market	22,122	21,620

Statement of Distribution of Bagasse Proceeds

	2014-2015 Crop	2013-2014 Crop
	Rs'000	*Rs'000*
Bagasse Transfer Price Fund	65,302	62,869
Paid out to:		
Planters of the first group according to the Second Schedule of SIE (Amendment) Act 1993	7,836	7,544
Planters of the second group according to the Second Schedule of SIE (Amendment) Act 1993	24,815	23,890
Millers or producers of electricity according to the Second Schedule of SIE (Amendment) Act 1993	32,651	31,435

Amount Per Metric Ton of Sugar Accruing

	2014-2015 Crop	2013-2014 Crop
	Rs	*Rs*
Planters of the first group according to the Second Schedule of SIE (Amendment) Act 1993	67.67	62.98
Planters of the second group according to the Second Schedule of SIE (Amendment) Act 1993	124.17	119.48

Amount Per kWh of Firm or Continuous Electricity

	2014-2015 Crop	2013-2014 Crop
	Rs	*Rs*
Millers or producers of electricity according to the Second Schedule of SIE (Amendment) Act 1993	0.090	0.090

The Bagasse Transfer Price Fund for 2014-2015 crop was distributed as from 6 July 2015 in accordance with the Sugar Industry Efficiency (Amendment of Schedule Regulations 1999).

Statement of Distillers/Bottlers Contribution

	2014-2015 Crop	2013-2014 Crop
	Rs 000's	*Rs 000's*
Contribution received from Distillers/Bottlers	87,652	85,918

	2014-2015 Crop	2013-2014 Crop
	Rs	*Rs*
Amount paid to planters per metric ton of sugar accruing	277.69	268.71

Ex-Syndicate Price Per Metric Ton

Basis 98.5° polarisation per category of producer before deduction of SUGAR INSURANCE FUND BOARD PREMIUM

		On whole production (As per provision of SIE Amendment ACT No. 1, 1993)	On first 3,000 tonnes exported	On the remainder
1989 - 90	Millers	-	7,812.06	6,448.62
	Planters	-	7,845.82	6,482.38
1990 - 91	Millers	-	8,000.98	6,603.66
	Planters	-	8,029.85	6,632.53
1991 - 92	Millers	-	8,204.61	6,789.51
	Planters	-	8,242.80	6,827.70
1992 - 93 *	Millers	7,736.33	-	-
	Planters	-	8,472.01	7,000.66
1993 - 94 *	Millers	8,722.74	-	-
	Planters	-	9,551.06	7,894.42

	On Whole Production
1994 - 95 *	10,412.78
1995 - 96 *	11,462.80
1996 - 97 *	12,318.64
1997 - 98 *	11,907.41
1998 - 99 *	13,230.19
1999 - 00 *	12,373.77
2000 - 01 *	11,570.14
2001 - 02 *	12,834.68
2002 - 03 *	14,046.86
2003 - 04 *	15,216.29
2004 - 05 *	16,150.36
2005 - 06 *	17,625.68
2006 - 07 *	17,891.24
2007 - 08 *	18,620.15
2008 - 09 *	17,427.30
2009 - 10 *	14,612.03
2010 - 11 *	13,535.72
2011 - 12 *	16,020.16
2012 - 13 *	17,573.32
2013 - 14 *	15,829.86
2014 - 15 *	12,693.50

* *With effect from 1992-1993 Crop, the price of bagasse is no longer included in the final price of sugar (see Statement of Distribution of Bagasse Proceeds).*

Crops 1989-1990 to 2014-2015	Exports (FOB Basis) & Other Receipts	Local Sales	Total Receipts
Crop	*Rs'000*	*Rs'000*	*Rs'000*
1989 - 1990	4,727,704	99,124	4,826,828
1990 - 1991	5,339,427	105,534	5,444,961
1991 - 1992	5,410,500	121,569	5,532,069
1992 - 1993	5,900,080	166,752	6,066,832
1993 - 1994	5,841,078	149,743	5,990,821
1994 - 1995	5,674,723	120,015	5,794,738
1995 - 1996	6,937,252	205,963	7,143,215
1996 - 1997	8,010,272	207,257	8,217,529
1997 - 1998	8,229,017	188,593	8,417,610
1998 - 1999	9,211,231	206,834	9,418,065
1999 - 2000	5,336,766	205,706	5,542,472
2000 - 2001	7,500,668	205,972	7,706,640
2001 - 2002	9,057,055	233,255	9,290,310
2002 - 2003	8,246,710	224,090	8,470,800
2003 - 2004	9,118,411	224,063	9,342,474
2004 - 2005	10,351,658	224,304	10,575,962
2005 - 2006	10,464,376	226,825	10,691,201
2006 - 2007	10,495,475	231,772	10,727,247
2007 - 2008	9,470,630	227,254	9,697,884
2008 - 2009	9,112,641	557,705	9,670,346
2009 - 2010	8,355,800	876,209	9,232,009
2010 - 2011 (Restated)	7,487,205	1,087,539	8,574,744
2011 - 2012	9,446,017	239,298	9,685,315
2012 - 2013	9,724,343	424,918	10,149,261
2013 - 2014	9,136,832	321,983	9,458,815
2014 - 2015	6,668,819	285,274	6,954,093

ACP	African Carribean and Pacific
BSSD	Bagged Sugar Storage and Distribution Co. Ltd.
BRC	British Retail Consortium
BST	Bulk Sugar Terminal
CHCL	Cargo Handling Corporation Limited
CQD	Central Quality Department
CEFS	Comité Européen des Fabricants de Sucre
CAP	Common Agricultural Policy
CIBE	Confédération Internationale des Betteraviers Européens
ESA	Eastern and Southern Africa
EPA	Economic Partnership Agreement
EBA	Everything But Arms
FY	Fiscal Year
IEPA	Interim EPA
ISO	International Sugar Organization
ISTC	International Sugar Trade Coalition
LDC	Least Developped Countries
LTPA	Long Term Partnership Agreement
MCIA	Mauritius Cane Industry Authority
MTTQ	Metric tons tel quel
Mtrv	Metric tons raw value
OMOL	Omnicane Operations Ltd
PWS	Plantation White Sugar
RST	Regional Safeguard Threshold
SACU	South African Customs Union
SADC	Southern African Development Community
SIFB	Sugar Insurance Fund Board
TRQ	Tariff Rate Quotas
TCS	Technical Committee on Sugar
TFTA	Tripartite Free Trade Area
USDA	US Department of Agriculture
USTR	United States Trade Representative
WSE	White Sugar Equivalent
WTO	World Trade Organization