Mauritius Sugar Syndicate

Report &
Statement of Account

2008 / 2009

MAURITIUS
SUGAR
SYNDICATE



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Propriety of Mauritius Sugar Syndicate

Mauritius Sugar Syndicate

Role and Status

In 1951, following the recommendations made by the Mauritius Economic Commission 1947-48, the Mauritius Sugar Syndicate, which had been founded in 1919, was set up for an indefinite period in pursuance of Ordinance No. 87 of 1951.

The Mauritius Sugar Syndicate is the sole sugar marketing organization 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. All sugar producers are members of the Syndicate.

In fulfillment of its role, the Syndicate's primary objective is to optimize producer revenue through adoption of commercial strategies likely to capture the highest returns from markets on a sustainable basis. Its operations are structured into specialized departments geared to provide supporting services of direct relevance to its core business namely marketing, sales and logistics, finance and accounts, and quality and food safety. It also undertakes sales of sugar for the local market through a network of distributors and packers or directly to industrial users and, finally, is responsible for effecting payments to planters including advances to finance their growing and harvesting operations. To follow developments on the international scene likely to affect the commercial interests of Mauritius on sugar the Syndicate, jointly with the Mauritius Chamber of Agriculture, operates offices in London and Brussels with overseas based representatives. The Syndicate has likewise a representative in Washington to monitor developments in the US market. The role of these overseas representatives is to ensure that the concerns of the Mauritius sugar industry are properly addressed and that its interests are safeguarded on the international front. The industry's General Overseas Representative in London also represents Mauritius at the International Sugar Organisation.

The Mauritius Sugar Syndicate is managed and administered by a statutory committee known as the Main Committee which comprises twenty-two members, fourteen being representatives of the corporate sector of the industry and eight representatives of large and small 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 Fisheries upon recommendation of planters' associations and the Mauritius Cooperative Agriculture Federation Ltd.

The President of the Syndicate is elected at the organisation's AGM held annually in September and since 1976, the President's chair rotates between a planter and a representative of the MSPA on an annual basis. The AGM also approves the composition of the Main Committee and that of the Executive and Selling Committee. The Executive and Selling Committee comprises 10 members, with six representatives of the MSPA and four planters' representatives, as well as the Executive Director of the Mauritius Sugar Authority.

The Executive and Selling Committee, which meets every 3 to 4 weeks, is the policy making and steering body of the Syndicate. Its decisions are taken by consensus. The Main Committee meets at least twice a year to ratify the decisions of the Executive and Selling Committee. For improved governance sub-committees composed 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 Risk Management Committee, all chaired by the Syndicate's President. A Remuneration Committee is set up on an ad hoc basis to address issues relating to remuneration, promotion and recruitment of human resource.

Of the 23,000 producers in Mauritius, some 11,550 are registered directly with the Syndicate to receive their sugar proceeds. Another 12,000 sugar producers receive their sugar proceeds through the 159 credit cooperative societies registered with the Syndicate. The remaining producers receive their proceeds through their appointed brokers or middlemen.

MAIN COMMITTEE

President
- Hansraj Ruhee

Vice-President
- Patrick de Labauve d'Arifat

Corporate Sector Representatives
Nominated by the Mauritius Sugar Producers' Association
- Arnaud Dalais
- Jacques Marrier d'Unienville
- Gilbert Espitalier Noël
- Hector Espitalier Noël
- Christian Foo Kune
- Jacques Forget
- Thierry Lagesse
- Jean Li Yuen Fong
- Cyril Mayer
- Thierry Merven
- J. Frédéric Robert (Jnr)
- Jean Ribet
- Joseph Vaudin

Large Planters' Representatives
Nominated by the Ministry of Agro-Industry, Food Production & Security
- Gérard de Fontenay
- Denis Pilot
- Brizmohun Ram

Small Planters' Representatives
Nominated by the Ministry of Agro-Industry, Food Production & Security
- Nitish Benimadhu
- Gansham Boodram
- Ananrow Sonoo, OBE, EDI (Wash. DC)
- Kreepalloo Sunghoon

EXECUTIVE AND SELLING COMMITTEE

President
- Hansraj Ruhee

Vice-President
- Patrick de Labauve d'Arifat
- Gansham Boodram
- Jacques Marrier d'Unienville
- Hector Espitalier Noël
- Jean Li Yuen Fong
- Cyril Mayer
- Gowreeshankursing Rajpati (till 26 May 2009)
- Jugdish Bundhoo (from 06 August 2009)
- Ananrow Sonoo, OBE
- Kreepalloo Sunghoon
- Joseph Vaudin

STAFF

Chief Executive Officer
- Jean Noël Humbert

Chief Marketing Officer and Secretary
- Devesh Dukhira

Logistics Coordinator
- Paul Caboche

Senior Import/Export Logistics Officer
- Khemraj Jhurry

Import/Export Clerk
- Jean Dany Désiré Jaune

ACCOUNTANCY

Chief Finance and Administrative Officer
- Jyoty Soomarooah

Accountant
- Indira Goboodun

Senior Accounts Officer
- Abdoula Rashid Hosanee

PRODUCERS' ACCOUNTS & LOCAL SALES

Head of Department
- Chetanand Dookhony

First Assistant
- Purshotum Luchmun Roy

Second Assistant
- Varsha Boolakee

SECRETARIAT

Secretary to CEO and Officer in charge
- Rajmunee Hungsraz

Secretary/Typist
- Shalini Soobrayen
- Vijay Luxmi Sanuchur
- Karine Ribet

CENTRAL QUALITY DEPARTMENT

Chief Quality Assurance Officer
- Maurice Daruty

Deputy Chief Quality Assurance Officer
- Patrick Bussier

Senior Quality Assurance Officer
- Shivalingum Chengalaram

Quality Assurance Officer
- Faisal Earally
- Sanjaye Goboodun

SUPERVISING AND SAMPLING

BULK SUGAR TERMINAL
Supervisor in charge
- Gaëtan Tranquille

Supervisors
- Denis Pin
- Darmen Mooneesamy
- Sailesh Kumar Seeballuck

SUPERVISING AND SAMPLING (cont'd.)

BAGGED SUGAR STORAGE & DISTRIBUTION CO. LTD
Supervisor in charge
- Patrick Henry

Supervisors
- Clifford Davy
- Nazim Minotte
- Rajesh Boodhoo

LEGAL ADVISER

- Etude de Comarmond & Kœnig
- BLC Chambers

AUDITORS

Chartered Accountants
- Kemp Chatteris Deloitte

OVERSEAS REPRESENTATION

London Office
Grosvenor Gardens House
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General Overseas Representative
- Mrinal Roy, OSK

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Representative in Brussels and Geneva
- Géo Govinden

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The President's Report 2008-2009



During 2008-2009 crop year the Sugar Sector in Mauritius has intensified the work undertaken in different areas in anticipation of the dramatic changes scheduled to take place in the following year. Indeed, 2009-2010 will be one of the most challenging periods in the history of this major sector of our economy as it will witness the start of a totally overhauled framework at different levels, political, commercial and operational, putting to test its capacity of fending off the first real shockwave of change while affirming its future viability and sustainability in an increasingly competitive environment. The critical path followed by the industry during the year has thus led the Syndicate to address issues likely to become new milestones and eventually historical landmarks of its future development. Among them are the start of the new Arrangements for Sugar in the Economic Partnership Agreements (EPAs) between the EU and ACP in replacement of the Sugar Protocol in October 2009 in the wake of the EU sugar reform, the achievement of a shared position at the regional level, at both Eastern and Southern Africa (ESA) and Southern African Development Community (SADC) levels on the development of a future sugar market, and the intense preparatory works pursued for the implementation of the new Long Term Partnership Agreement (LTPA) with Südzucker in areas such as logistics, production and quality.

Year 2008-09 will be recalled as being the last year during which sugar production from a full crop year has enjoyed preferential market access to the EU market under the Sugar Protocol. After having provided the ACP suppliers for 34 years duty-free access to the EU market for agreed annual quantities of sugar, the Sugar Protocol will terminate on 30th September 2009 and will be replaced by a new arrangement under EPAs which, in spite of maintaining preferential market access for traditional suppliers like Mauritius, will make such access more precarious and uncertain through the elimination of the firm guarantee of a country-specific agreed quantity or quota and the introduction of a safeguard mechanism which, in given circumstances, would be triggered to cap non-LDC ACP supplies to defined regional quantities as established by Regional Safeguard Thresholds (RST). For the ESA region for example, of which Mauritius is party, it has been agreed that the RST will be 632,850.9 metric tonnes wse as from 2011-2012 out of the total of 1,600,000 metric tonnes wse ceiling granted to the non-LDC ACPs, thus limiting to that quantity the total duty-free access of the two main regional suppliers of sugar to the EU namely Mauritius and Zimbabwe, in a circumstance when the safeguard is triggered. The Syndicate has been particularly active at both the regional and all-ACP levels to ensure that the interests of the Mauritius sugar sector are adequately safeguarded with the coming into being of the successor arrangement of the Sugar Protocol in October 2009 and that sufficient precautions have been taken in its implementation to anticipate and prevent any development which could affect the interest of the traditional suppliers. A special mention has to be made in this respect to the active participation and constructive inputs of the Syndicate's overseas representations in London and Brussels in the discussions which have led to the establishment and subsequently the adoption of the new regulation for import of ACP and LDC sugars into the EU.

An encouraging development during the year has been the confirmation by the EU Commission of the significant progress made under the EU sugar restructuring scheme as evidenced by abandonment of some 5.8 M tonnes of quota sugar against the target of 6.0 M tonnes. The EU has thus turned from a surplus market and net sugar exporter prior to the reform in 2005 into a deficit market and net importer which will in future have to rely on imports to meet its domestic requirements. In this context, the EU Commission has earmarked a total tonnage of 3.5 M tonnes to be imported from the ACP non-LDC and LDC suppliers under the EPA



and EBA arrangements respectively, with however the above mentioned safeguard mechanism which would limit the non-LDC supplies to their respective RST levels when the 3.5 M tonnes would have been reached. In other words, the traditional non-LDC suppliers like Mauritius will also have under the new proposed framework to compete with LDC suppliers having duty-free quota-free access under the EBA initiative, with some of them likely to become major players in the future EU market environment. For Mauritius to remain a sustainable supplier in this new environment, it will have to ensure that all the elements of its sugar reform programme as defined in its Multi Annual Adaptation Strategy (MAAS) are effectively implemented in a timely manner and that no room is left for inefficiencies which could jeopardize its future competitiveness.

One of the cornerstones of the adaptation strategy of Mauritius for sugar is the protection and eventually enhancement of producer revenue against the backdrop of substantial price cuts in the EU market by a quantum shift towards exports of added value products such as white refined sugar and special sugars. In this context, the 2008-2009 crop year has been an extremely busy period for the Syndicate due to, on the one hand, the work undertaken at different levels in preparation of the implementation of the LTPA with Südzucker as from September 2009 and, on the other, the additional efforts undertaken to promote further development on the export of special sugars. As regards the LTPA, the Syndicate's actions during the year have focused essentially on the setting up of a critical logistics chain geared to enabling just-in-time deliveries to the Südzucker customers in the EU and also ensuring that all necessary measures were being taken at the technical and production levels to guarantee achievement of the market's quality and food safety requirements. The strong and continued support obtained by the Syndicate from its strategic partner Südzucker in this respect is a clear testimony of the latter's full commitment in the successful implementation and management of this project. The considerable ground covered by the promoters of the refinery projects, namely Omnicane and FUEL, over a short period of time to ensure that their installations would be up and ready during the next crop year also needs to be acknowledged. At time of writing it was clear that the sugar sector would, as from September 2009, be ready to start on a new development curve which would enable it to capture the new opportunities and additional values offered by a more open and competitive market environment.

The above-mentioned arrangements are superseding a long period of partnership with Tate & Lyle, which terminated on 30th June 2009, for refining of raw sugar from Mauritius at their UK and Portugal port refineries. It has to be recalled that as a long standing business partner of the Syndicate, Tate & Lyle had also been invited to submit a new partnership proposal in line with the MAAS but it did not corroborate with the industry's future marketing strategy. The Syndicate seizes this opportunity to express its sincere thanks to the other EU business operators who have expressed interest in developing a commercial collaboration for the sale of refined sugar from Mauritius in the EU market, and also its gratefulness to all stakeholders who have contributed to the smooth implementation of this project.

The above-mentioned issues are addressed in more detail in the chapters of this report which also provides an outlook of the new 2009-2010 crop year.



2008 CROP

The 2008 crop was affected by unfavourable weather conditions throughout the crop cycle. Dry spells in November and December 2007 and subsequently in April and May 2008 had an adverse effect on the cane growth while excessive rainfall in September 2008 impacted negatively on the extraction rate. Despite cane availability of 4.53 M tonnes, the total crop outturn was only 452,062 tonnes, owing to a poor extraction rate of 9.98% which, except for the drought stricken 1999 crop, was at the lowest level since 1960 when Mauritius was hit by cyclones Alix and Carol. Comparatively 435,972 tonnes sugar were produced from 4.23 M tonnes of cane in 2007. The average yield on the other hand was 7.29 tonnes of sugar per hectare compared with 6.68 tonnes per hectare in the previous year. The area harvested in 2008 reached 62,024 ha after a significant reduction of 3,235 ha from the preceding crop: this was the largest yearly reduction over the last decade and much higher than the annual average of 1,200 ha recorded over that period. As the number of mills was reduced from 8 to 6 in the 2008 crop, in line with the consolidation of the sugar industry under the Multi Annual Adaptation Strategic (MAAS) Plan, the campaign lasted over a longer period of 28 weeks ending on 30 December 2008.

Total sugar availability from the 2008 crop, including a carry-over stock of 11,685 tonnes bagged sugar from the preceding crop, amounted to 463,747 tonnes. The total export sales reached 450,366 tonnes as detailed in the 2008 Crop Sales table at page 14 (Table 1), and comprised 377,851 tonnes of bulk raw sugar for refining and 68,851 tonnes of special sugars in fulfillment of the 2008/09 Sugar Protocol delivery commitments of Mauritius as well as the balance of its 2007/08 supply obligations for which an extended delivery period was granted by the European Commission in accordance with Article 7 (1) of Protocol 3 on ACP Sugar. Exports to the EU also comprised 3,100 tonnes of white sugars which were exported in liner containers to the Südzucker Group in fulfillment of a trial exercise undertaken prior to implementation of the Long Term Partnership Agreement (LTPA) between the latter and the Syndicate as from 1 July 2009. Moreover, as a support to the only cube processing plant in Mauritius, the Syndicate exceptionally allowed the export of 564 tonnes of Demerara and white refined sugars in cubes to non-EU destinations, namely to US and Russia.

The total revenue from exports for 2008/09 stood at Rs 9.002 billion as compared to Rs 9.284 billion in 2007/08. This represents an overall decrease of only Rs 282 M over the previous crop sales revenue in spite of the cut of € 48 per tonne in the ACP guaranteed price of raw sugar as from 1 October 2008. The 2008/09 sales revenue was sustained by the increase in crop outturn compared with that of the previous year as well as the decrease in subsidy provided by producers on domestic sugar sales, which amounted to only Rs 81.8 M compared with Rs 250.4 M in the previous year. This element of subsidy is set to disappear completely as from next year as Government decided in December 2008, while establishing the 'Additional Stimulus Package' to enable local operators to face the world economic crisis, to liberalise the price of sugar on the local market. The net proceeds for the year, after deduction of all expenses, including the cost of imported sugars amounting to Rs 640 M, therefore reached Rs 7.927 billion compared with Rs 8.145 billion in 2007/08. Global Cess has been increased to Rs 650 M, from Rs 575 M in the previous year, mainly as a result of the salary increase granted to Government employees further to the recommendations of the Pay Research Bureau report in June 2008. Despite continuous representation made by sugar cane producers to Government for the reform of Cess-funded service providing institutions, the proportion of Cess to the price of sugar paid to producers has reached 8.20 %, from 7.06 % in the previous year. Moreover, a sum of Rs 718.7 M was disbursed on behalf of producers as premium to the Sugar Insurance Fund Board (SIFB) compared with Rs 837.7 M in 2008. The ex-Syndicate price for 2008/09, prior to disbursement of the SIFB premium, attained Rs 17,427.30 per tonne compared with Rs 18,620.15 per tonne for the previous crop.

TABLE 1

2008 Crop Sales (tonnes tel quel)

2008 CROP OUTTURN		452,062
Plus 2007 Crop carry-over stocks (bagged sugar)		11,685
TOTAL DISPOSABLE SUGAR		463,747
EXPORT SALES		
Bulk raws		
European Union (Sugar Protocol Quota 2007/08 & 2008/09)	377,851	
Special Sugars in bags	68,851	
White sugar in liner containers	3100	
TOTAL EU EXPORTS		449,802
UNITED STATES & WORLD MARKETS		
Special Sugars in cubes		564
TOTAL EXPORT SALES		450,366
Estimated available stocks (bagged sugar)		13,381
		463,747

NOTE: The local requirements of raw sugar and refined sugar were met by imports

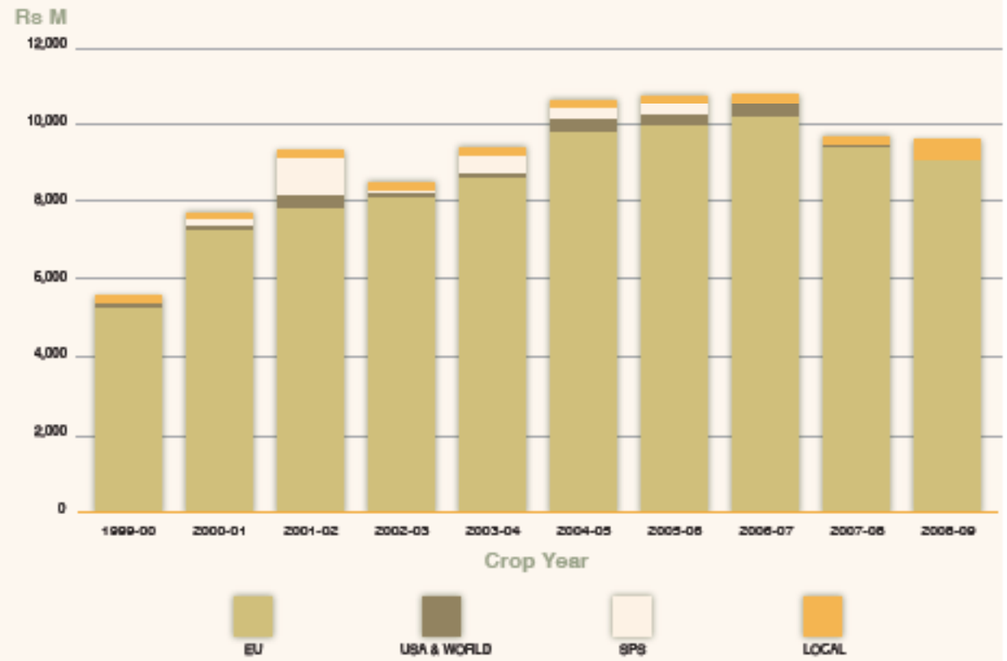
Exports to the European Union Under the Sugar Protocol

The annual quota allocated to Mauritius under the ACP/EU Sugar Protocol, due for export to the EU market during the 1st July – 30th June delivery period, amounts to 491,030.5 tonnes wse (equivalent to some 506,000 tonnes tel quel on a shipped weight basis). The major part of this quota, which covers principally bulk raw sugar for refining, as well as some Demerara and Special Raw sugars for direct consumption, is contracted for delivery to Tate & Lyle in London under the terms of the five-year rolling agreement in force since 1st July 2006. Furthermore, a parallel contract, signed bilaterally between the Syndicate and Tate & Lyle Açucares in Portugal, provides for the delivery, also under the Sugar Protocol, of a minimum cargo of 18,000 tonnes tel quel of bulk raw sugar for refining to Lisbon. The remainder of the Sugar Protocol quota is delivered as special sugars for direct consumption to a spectrum of buyers in various EU market destinations.

Exceptionally in 2009, further to EU Council decision 2007/627/EC to denounce, on behalf of the Community, the ACP Sugar Protocol with effect from 1 October 2009, the delivery period starting on 1 July 2009 would only last for 3 months till 30 September 2009. The quota allocated to Mauritius over that period, further to EC Regulation 1088/2008 of 5 November 2008, was set at 122,757.63 tonnes wse in proportion with the traditional share of Sugar Protocol quota holders. Consequently sales of special sugars for the 2008/09 marketing year were effected over an extended 15 months' delivery period, i.e from 1 July 2008 to 30 September 2009. The delivery periods would subsequently revert to 12 months' duration from 1 October to 30 September in line with the EU marketing year.

CHART I

Sugar Proceeds



On the other hand, further to a request submitted by Mauritius in May 2008, the EU Commission accepted to grant, in accordance with Article 7(1) of Protocol 3 on ACP Sugar, an extended delivery period till 30 June 2009 for its declared shortfall of 68,828 tonnes wse against its 2007/08 supply obligations. However, as the 2008 crop was also subnormal, with a total sugar availability of only 463,747 tonnes tel quel, and in view of the termination of the Sugar Protocol on 30 September 2009, suppliers under this Agreement were urged by the ACP Group to give early notification of any shortfall foreseen so that full use of the quota could be made in the final delivery periods. Consequently Mauritius declared an estimated shortfall of 74,055 tonnes wse, comprising the 68,828 tonnes wse for which an extended delivery period had been granted, for the period extending from July 2008 to September 2009. This tonnage was subsequently reallocated under Article 7(2) of the Sugar Protocol to other members having sugar available for export. Mauritius obviously could not participate in the reallocation of these shortfalls.

The supply obligation for Mauritius for the July 2008 – June 2009 delivery period was thus reduced to 456,811.21 tonnes wse. The Syndicate delivered from the 2008 crop 320,851 tonnes tel quel of bulk raw sugar to Tate & Lyle in London and 26,000 tonnes bulk raw sugar to Tate & Lyle Açucares in Portugal in fulfillment of the afore-mentioned quota. An additional quantity of 31,000 tonnes tel quel of raw sugar was shipped to Tate & Lyle London against the previous year's quota. The 2008 crop in fact witnessed the last bulk raw sugar shipments from Mauritius to Tate & Lyle refineries in Europe. This development is the consequence of the new marketing strategy of the Syndicate regarding the shift of production to value-added white refined sugar which in turn prompted the termination of the long term supply contract with Tate & Lyle by end June 2009. It should be recorded that the business relation between the

Syndicate and T&L has lasted for decades, prior to the implementation of the Commonwealth Sugar Agreement of 1951. With the introduction of the Sugar Protocol in 1975, Mauritius has affirmed its position as the largest supplier of bulk raw sugar to the refineries of T&L in the UK and Portugal. The Syndicate has exported during this period some 14.8 M tonnes of sugar for refining.

In addition to the supplies of bulk raw sugar for refining, 68,851 tonnes of special sugars were exported to a portfolio of buyers within EU over the extended July 2008 – September 2009 delivery period, and 3,100 tonnes of white sugars in liner containers were shipped to subsidiaries of the Südzucker Group resulting from the trial shipments in preparation of the bulk export of white refined sugar from Mauritius as from 2009 crop. Thus, the total deliveries from 2008 crop under the 2008/09 Sugar Protocol quota amounted to 449,802 tonnes tel quel. As for the quota over the 1 July – 30 September 2009 delivery period, it would be fulfilled by the supply of bulk raw sugar, to be produced from 2009 crop, to the Südzucker refining facilities in EU as well as to RAR refinery in Portugal in accordance with a one-off supply agreement established during this period.

Deliveries of Special Sugars to the European Union

A total of 68,851 tonnes of special sugars were sold to over forty buyers in sixteen countries across the EU during the 2008/09 and 2009/09 delivery periods, compared with 67,601 tonnes during the 2007/08 marketing year. These sugars were shipped principally in 50 kg polypropylene laminated bags or in one-tonne bags stuffed in 20-feet containers. Out of the total sales commitment of 68,851 tonnes, some 38,000 tonnes of the free-flowing sugars which represented about 55 % of Special sugar exports to the EU, were delivered in one-tonne bags. In accordance with the shipping programmes established with the respective buyers, the sugar consignments were delivered to twenty five different EU ports and destinations.

The ACP Guaranteed Price

The ACP/EU basic guaranteed price for raw sugar, which used to be negotiated annually between the EU and ACP States as per provisions of Article 5(4) of the Sugar Protocol, was established in June 2008 for the 2008/09 delivery period. The price was fixed at € 496.80 CIF EU port for the period from 1 July to 30 September 2008 and at € 448.80 per tonne CIF EU port for the subsequent period from 1 October 2008 to 30 June 2009, which was in each case equivalent to the EU Reference Price for raw sugar applicable during these respective periods. The ACP/EU guaranteed price for the July-September 2009 delivery period remained unchanged at € 448.80 per tonne CIF EU port. Invoices covering exports pertaining to these delivery periods were therefore established on the basis of the respective ACP guaranteed prices although with the foreseen price decrease of € 48 per tonne on 1 October 2008, limited delivery was requested by buyers on their 2008/09 contracts prior to that date. Proceeds relating to the export of bulk raw sugar to UK as well as that of special sugars to buyers in other EU countries were received in Euros while sales of special sugars to buyers in UK were settled in Pound Sterling. The basic EU reference price was accordingly converted for these consignments into Sterling on the basis of the European Central Bank (ECB) rate in force on the date of payment.

The sales proceeds for the industry and resulting ex-Syndicate price remain dependent on the Euro and Pound Sterling respective exchange rates against the Mauritian Rupee. During the first quarter of the financial year, the Rupee maintained an appreciating trend and reached a low of Rs 25.90 against the US Dollar in July 2008, and also a minimum of Rs 38.28 against the Euro by the start of October 2008. However, in the second quarter of the financial year, with the unfolding of the global liquidity crisis, triggered by the credit crunch in US and Europe, Mauritius started witnessing a gradual depreciation of its currency as the equity market suffered massive outflows of foreign investment. The Rupee consequently reached a high of Rs 45.90 to the Euro by the start of August 2009. As regards the Pound Sterling, the exchange rate reached a trough of Rs 44.85 on 31 December 2008, but steadily gained ground to attain a peak of Rs 54.00 at the beginning of August 2009.

Shipments of bulk raw sugar to Tate & Lyle in UK and in Portugal are effected on the basis of a commercial premium over and above the ACP basic guaranteed prices, as per the terms of the respective long term contracts. Similarly the sales of special sugars to EU buyers are contracted on the basis of commercial premia over the ACP basic guaranteed prices for raw sugar.

Complementary Quantity

Unlike in the two preceding years during which a complementary quantity of raw cane sugar for refining has been allocated to ACP member states signatory to the Sugar Protocol to meet the traditional refining needs in EU, the Commission was initially reluctant to open a Complementary Quantity for 2008/09 on account of the forecast of raw sugar supply under the different preferential agreements. An initial allocation of 127,547 tonnes wse for ACPs and 10,000 tonnes wse for India were nevertheless made in July 2009 for the 1 October 2008 – 30 September 2009 delivery period after a surge in imports of DC sugar was observed, but it was emphasized that the CQ would be subject to revision on the basis of the producers' ability to supply. Given the production shortfall from its successive 2007 and 2008 crops, Mauritius was not allocated any CQ.

Chartering and Shipping Arrangements

Thirteen vessels were chartered by the Syndicate through its Chartering Committee in London for the delivery from the 2008 crop of 351,851 tonnes of bulk raw sugar to Tate & Lyle Refinery in United Kingdom and a further 26,000 tonnes to Tate & Lyle Açucares in Portugal. The average freight rate for the cargoes shipped to London was £ 27.29 per tonne, compared with £ 44.03 per tonne during the preceding delivery period. The rate paid for the Portugal cargo was £ 48.30 per tonne. After rising to all time records during the 2007/08 season, the freight market started to soften in October / November 2008 as the Crude Oil Futures fell from US$ 140 in July 2008 to reach some US$ 40 in November/December 2008 while demand for cargo vessels fell as a result of the reduction in world trade due to the global economic recession.

Besides the Portugal cargo, the highest freight rate was paid for the first cargo shipped to London in July 2008 at £ 47 per tonne. The freight rate payable subsequently decreased gradually to reach a low of £ 16.50 per tonne by November 2008. The last vessel for the crop year was chartered in February 2009 at £ 18.50 per tonne. Six out of the fourteen vessels loaded cargoes not exceeding 26,000 tonnes while four vessels loaded cargoes above 30,000 tonnes, the largest cargo having been shipped with 33,700 tonnes. The vessels chartered were of diverse nationalities namely from Cyprus, Liberia, Malta, Panama, St Vincent, Thailand, Vietnam and UK. Under the terms of its Charter Party, the Syndicate earned an average of some £ 34,858 as despatch monies per vessel chartered. On the other hand, the percentage loss on weight outturn for the Thames refinery decreased to 0.098% in 2008/09 from 0.133% during the previous year.

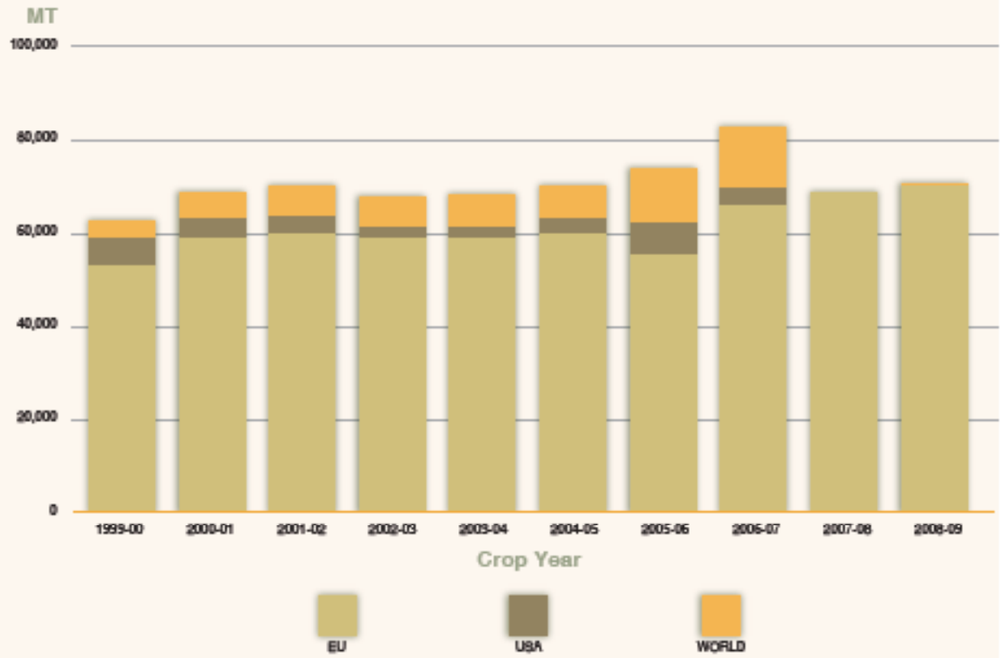
Total exports of special sugar consignments during the 2008/09 delivery period reached 69,415 tonnes, which were shipped in 20-feet containers booked through the local agents of the main shipping companies offering a line service to the required ports of delivery. The additional 3,100 tonnes of white sugars delivered to Südzucker facilities in EU were also exported through these shipping companies in 20-feet containers fitted with polyethylene liners.

The United States Market

Mauritius was allocated a quota of 12,636 metric tonnes raw value (12,076 mttq) on the basis of the 1.2% share of the US import tariff rate quota for raw sugar for the 2008/09 delivery period, which was set on 9 September 2008 at the minimum GATT bound level of 1,117,195 mtrv. However, owing to the 2008 crop shortfall, no sale of sugar was made to the US market, except for a mere 105 tonnes of Demerara and white refined sugars in cubes in support of the operations of the sole manufacturer of cubes on the island. The representation service offered to the Syndicate by Mr Paul Ryberg in Washington was scaled down accordingly pending future development.

CHART II

Export of special sugars



Sales of Special Sugars to the World Market

Despite the persistent demand for special sugars from Mauritius from a number of the Syndicate's regular buyers in the world market, no sale could be effected to these destinations as well owing to the 2008 crop shortfall, except for 459 tonnes of Demerara and white refined sugars in cubes for the Russian market also to support the industrial operations of the sole cube manufacturer in Mauritius.

Local Market Sales

In view of the shortfall against supply commitments under the ACP/EU Sugar Protocol, the domestic market requirements for the 2008/09 delivery period were met through imports pursuant to authorisation from the Ministry of Agro Industry and Fisheries. These imports comprised 36,751 tonnes of white refined sugar and 3,150 tonnes of raw sugar for direct consumption, for which customs duty remissions were granted by the Ministry of Finance and Economic Development.

Following the launching of an international tender in September 2008, the Syndicate purchased the 3,150 tonnes of raw sugar from Swaziland. As for the white refined sugar, different bidding exercises had to be made owing to the volatility of the world market price during the year under review. The London N° 5 October 09 future which was at US$ 370 in June 2008 increased to US$ 430 over the following months and receded to US$ 330 by end 2008. It has since increased steadily to attain the US$ 600's by end August 2009. In order to limit the cost of sugar imports, the Syndicate proceeded with utmost prudence throughout the period but, against all market forecast, the price continued to increase, partly due to physical shortage on the world market with the significant reduction in the crop outturn in India and also because of speculative buying during the global economic recession, investment in sugar being considered as a safe haven.

TABLE 2

Local Market Prices

	2007/08	23.07.08 – 28.01.09	29.01.09 – 02.07.09
	Rs per tonne	*Rs per tonne*	*Rs per tonne*
White Refined Sugar			
To wholesaler dealers & Packers	3,710	7,980	14,500
To Bottlers	8,300	12,250	16,500
To Other Industrial Users	8,300	12,250	16,500

	2007/08	23.07.08 – 28.01.09	29.01.09 – 02.07.09
	Rs per tonne	*Rs per tonne*	*Rs per tonne*
Raw Sugar			
To wholesaler dealers & Packers	2,210	6,580	14,350
To Industrial Users	8,300	10,950	14,350

A first tender was launched in July 2008 for the purchase of 17,501 tonnes of white refined sugar, followed by similar exercises for 7,000 tonnes (bottlers' grade sugar) in January 2009, 4,250 tonnes in March 2009 and 8,000 tonnes in April 2009. Altogether, 36,751 tonnes were thereby imported from Thailand. The consignments were loaded in 20-feet containers, and operations were closely surveyed by R. Markey & Sons Inc. Samples for both types of sugars were analyzed upon their arrivals at Port Louis by the Syndicate's Central Quality Department which consequently ensured conformity to the agreed specifications.

As regards sales on the local market, further to the Cabinet decision of 11 July 2008, prices to industrial users were immediately adjusted to fully reflect the cost of imports while for other domestic users, it was agreed that the prices would be gradually adjusted over a five years' period starting July 2008. In view of the persistent and unsustainable losses incurred by the industry on domestic sales and the risk of a severe economic downturn as a result of the global crisis, the Minister of Finance & Economic Development finally announced, in his budget speech of December 2008, the immediate liberalization of the local prices of sugar. This measure prompted in January 2009 a second price adjustment by the Syndicate which was strictly made on a cost recovery basis.

The revised prices of sugar sold on the local market were therefore as shown in Table 2.

The staged increase in the prices applicable to local market sales allowed the Syndicate to reduce its revenue loss to Rs 81.8 M during the 2008/09 delivery period compared with a loss of Rs 250.4 M in the previous year.

Out of the total sales of 38,168 tonnes effected in the 2008/09 period, 13,759 tonnes of white refined sugar and 1,741 tonnes of raw sugar were delivered to industrial users. Comparatively total local sales during the previous year were of 40,390 tonnes, out of which 14,352 tonnes of white refined sugar and 1,553 tonnes of raw sugar were delivered to industrial users. The balance of sales was made to wholesalers and packers for domestic household consumption. In addition to the above, some 292 tonnes of locally produced special sugars were sold on the local market.

The Syndicate also issued Export Certificates to exporters of locally produced sugar-containing goods which covered export of 1,003 tonnes equivalent of sugars during the period under review compared with 1,176 tonnes in the preceding year.



2009 CROP & FUTURE MARKET PROSPECTS

The 2009 crop is expected to be rather satisfactory compared to the two preceding years owing to the favourable weather conditions that have prevailed, especially with abundant rainfall during the cane growing period. Despite a significant reduction of 3,235 ha in the area under cane cultivation in 2008 and a further estimated loss of 2,300 ha during the following crop, the cane output was forecasted to reach 4.6 M tonnes, compared to the 4.53 M tonnes harvested in the previous year, but with a higher projected yield of 9.60 tonnes of sugar per hectare compared to the previous 7.29 tonnes. On this basis, the Crop Estimate Coordinating Committee, chaired by the Mauritius Chamber of Agriculture, set the initial crop estimate in June 2009 at 480,000 tonnes of sugar. The official forecast was revised to 490,000 tonnes in August with the favourable weather conditions which continued to prevail, prompting a review of the estimated cane output to 4.7 M tonnes and the extraction rate to 10.5%. An improvement in the cane yield was also observed as a result of the campaign initiated during the 2009 crop to encourage delivery of 'clean' canes to the sugar mills. The final crop outturn will be subject to weather conditions during the maturing stage remaining favourable to sucrose accumulation.

The 2009 crop production will be supplemented with some 13,381 tonnes of bagged sugar stocks carried forward from the previous crop. The total disposable sugar, amounting to 503,381 tonnes, will be utilised to meet the Syndicate's export commitments in full for the July – September 2009 and partly for the October 2009 – September 2010 delivery periods. The traditional ACP July to June marketing year is indeed being adjusted as from 2009 crop to align with that applied in the EU, i.e October to September, while allowing for an exceptional three months' transition period from July to September 2009. As detailed in Table 3 (2009 Crop Sales), 156,000 tonnes of raw sugar in bulk are scheduled to be exported for refining in the EU during this transition period while for the first time in its history Mauritius will export some 250,000 tonnes of white refined sugar mostly in liner containers, under the new commercial Long Term Partnership Agreement (LTPA) signed between Südzucker and the Syndicate, directly to a range of customers across the EU. Moreover, some 85,000 tonnes special sugars in bags should be supplied to buyers in the EU, US and world market destinations.

On the other hand, after a long working relationship with Tate & Lyle for the supply of bulk raw sugar for refining, the five-year rolling agreement in force since 1st July 2006 was terminated on 30 June 2009. This development was driven by the Multi Annual Adaptation Strategy (MAAS) of Mauritius for its sugar sector whereby, in light of the reduction in market prices in the EU, the Syndicate had embarked on an in-depth review of its future marketing strategy which eventually led to the decision of shifting the industry's production from raw sugar for refining to value-added white refined sugar. Likewise the parallel contract signed between the Syndicate and Tate & Lyle Açucares in Portugal was also terminated on 30 June 2009. As a longstanding partner of the Syndicate, Tate & Lyle had been invited to submit a proposal which unfortunately did not corroborate with the industry's plan as regards its future marketing strategy.

2009/10 Exports to the European Union Market

With the termination of the ACP/EU Sugar Protocol on 30 September 2009, a new market access arrangement for sugar has been agreed as from that date between the EU Commission and ACP countries signatory to the Economic Partnership Agreements (EPAs). The new arrangement provides for duty-free quota-free access for LDCs and a duty-free market access quantity for the non-LDC ACP suppliers subject to the application of a double trigger transitional safeguard mechanism which would cap their supplies at the agreed Regional Safeguard Threshold (RST) quantities when the total ACP/LDC supplies would have exceeded 3.5 M tonnes. The RST quantities for the Eastern and Southern African (ESA) region, established on the basis of the traditional supplies of the non-LDC ACP suppliers to the EU market, has been set at 544,711.6 tonnes in 2009/10, 572,755.9 tonnes in 2010/11 and 632,850.9 tonnes thereafter, implying that Mauritius and Zimbabwe, the only non-LDCs within this region, can jointly export sugar to the EU up to these quantities with no risk of

TABLE 3

2009 Crop Sales (tonnes tel quel)

2009 Crop Estimate		490,000
add carry-over stocks (bagged sugar)		13,381
Total disposable sugar		503,381
Export Commitments 2009/10		
European Union		
Under Sugar Protocol and EPA		
Raw sugar for refining in EU	156,000	-
Special sugars	70,000	
White refined sugar	250,000	
Total EU Sales		476,000
United States TRQ		
Special sugars		2,000
World Market destinations		
Special sugars		9,000
Total Commitments		487,000
TOTAL SURPLUS		16,381

MFN duty applying even in a circumstance where the safeguard is triggered. As long as the ceiling of 3.5 M tonnes has not been reached, non-LDCs in a given region can therefore continue exporting sugar to the EU duty-free, even if their RST has already been reached or exceeded. However, once the 3.5 M tonnes ceiling has been reached, the Commission will stop issuing licences for imports from non-LDCs from any region having attained its RST but will continue issuing licences for the ones having not yet reached their RST. Given the production forecast after the reform of its sugar industry, Mauritius should be able to meet its export commitments into the EU market under the new EPA arrangements.

The export of some 80,000 tonnes tel quel raw sugar for refining from the 2009 crop, shipped during the 1 July – 30 September 2009 transition period, has been admitted against the Mauritius delivery obligations of 122,757.63 tonnes wse set by Commission Regulation (EC) No 1088/2008 of 5 November 2008. An additional 76,000 tonnes raw sugar for refining, the 2009/10 contractual obligations for special sugars, estimated at some 70,000 tonnes, as well as the balance of the 2009 crop production in the form of white refined sugar to be supplied to customers of Südzucker across EU will be admitted within the agreed quantity of the ESA RST for 2009/10.

The 2009 crop will also witness the worst reduction in the prices of sugar in the EU market, prompted by the reform of the EU Sugar Regime as from July 2006. The EU reference prices for both raw and white refined sugars are accordingly being reduced by 25.3 % on 1 October 2009.

Implementation of the new Partnership Agreement with Südzucker as from 1 July 2009

Following signature on 2 June 2008 of the Long Term Partnership Agreement (LTPA) between Südzucker and the Syndicate, export of sugar from Mauritius to their market network in EU has started as from the 2009 crop. Initially, pending the start of the refining operations in Mauritius, two cargoes of 25,000 tonnes each of locally produced raw sugar have been exported for refining during the 1 July – 30 September 2009 transition period to their subsidiary Saint Louis Sucre in Marseille. A third cargo of 25,000 tonnes will be delivered to Marseille in October 2009. While the commissioning of the two new back-end refineries, FUEL Refinery Ltd (FRL) and Omnicane Milling Operations Ltd (OMOL), is to be completed by mid September 2009, the first consignment of white refined sugar in liner containers would be exported by end of the month. The continuous flow of deliveries would be attained further to the completion of the required audits in Mauritius and after the quality of the sugar upon arrival in EU has been ascertained. With the assistance of Südzucker, the necessary logistics and quality system have been put in place in order to enable a smooth flow of these exports to their customers across EU.

Based on the production forecast of 490,000 tonnes sugar from the 2009 crop, and in light of the start of delivery from the new refineries in September 2009, some 250,000 tonnes of white refined sugar are scheduled to be exported to the EU market during the 2009/10 marketing year. These consignments will be exported mostly in liner containers directly to the customers of Südzucker at various destinations within the EU.

Export of Special Sugars

Sales of special sugars from the 2009 crop were undertaken under the prevailing reduction in the EU reference prices for sugar as from 1 October 2009. However, the market has recognized the intrinsic added-value attributable to these specialty products by settling at price levels which do not reflect in full the reduction in the EU reference prices. On the other hand, in its quest to expand its market base within the EU, the Syndicate has, with the support of the local manufacturers, further improved the quality of its special sugars and developed new varieties in order to be able to tap new market segments. Furthermore, given the persistent demand for Fairtrade sugars in the EU market, the Syndicate has encouraged small cane growers' cooperatives to apply for certification with the Fairtrade Labelling Organisation. An initial tonnage of Fairtrade special sugars will thus be available for export from the 2009 crop.

Sales contracts concluded with EU buyers against the October 2009 – September 2010 delivery period stood at 60,000 tonnes at the time of writing. Given the longer timeframe for forecasting their sales contracts, as orders have had to be finalised with the millers by the start of the crop in July 2009 for delivery till September 2010, a number of buyers have not been in a position to provide more accurate forecast. A number of options to be finalised by the middle of the 2009 crop have been declared by such customers.

With the decrease in the revenue margin for specialty sugars in the EU market, the Syndicate has reviewed its strategy towards the US and world market destinations. After its inability to supply its customers in these markets over the two preceding years owing to the supply shortfalls under the ACP/EU Sugar Protocol, the Syndicate managed to recoup a significant portion of its initial market share. Hence, sales contracts to these destinations for the 2009/10 delivery period have been established, at the time of writing, for some 11,000 tonnes of special sugars.

The special sugars will be produced by three factories, namely Belle Vue Milling, Deep River Beau Champ Milling and FUEL Milling which, like the warehouses of the Bagged Sugar Storage & Distribution Co. Ltd (BSSD), are all HACCP certified. Moreover, the former mill already operates a fully operational food safety management system on British Retail Consortium (BRC) standards while the two others are working towards the implementation of ISO 22000 and BRC standards respectively. Through a close collaboration with these factories, the Syndicate ensures that the production of special sugars is carried out under strict quality assurance and traceability systems in accordance with buyers' requirements. Each daily production batch is accompanied by a product release certificate which guarantees a positive release into the BSSD warehouses. 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, samples of each of the sugars are analysed by the CQD on basis of daily representative samples for Control Board purposes.

At the BSSD, the personnel ensures that all conditions are met to secure a safe food grade environment during the storage, handling and loading of the sugars. Furthermore, the Syndicate's team of supervisors attached to the BSSD warehouses strictly monitors the storage and handling of the sugars as well as the stuffing operations prior to export in order to ascertain compliance with the strict quality control requirements.

United States Market

At the time of writing, the United States Department of Agriculture (USDA) has not announced the US import quota of raw sugar for the 2009/10 delivery period but on the basis of the supply/demand situation at this time of the year it would most likely be set at the minimum GATT bound level of 1,231,497 short tons raw value (1,117,195 mtrv). Mauritius is also likely to obtain its 1.2% net share allocation of this quota. Although the Syndicate has not been able, over the two previous years, owing to the shortfall in its delivery obligations under theACP/EU Sugar Protocol, to export sugar to the US market, apart from a small quantity of sugar in cubes, it has reviewed its strategy towards this market especially in light of the decline in the revenue margin for sugars in the EU market as from 1 October 2009. At the time of writing, some 2,000 tons of special sugars have been contracted with its various US buyers. Given the shift of all the country's production into direct consumption sugars, the US market will henceforth be supplied only with specialty sugars.

World Market

The Syndicate has resumed sales of specialty sugars to world market destinations after two years absence. Some 9,000 tonnes of sugar have been contracted so far for delivery to buyers in thirteen different destinations worldwide, namely in Eastern Europe, the Middle East, the Far East and Canada.

The Syndicate remains geared to the development of new sales outlets in targeted existing and potential markets with the view to further expand its market base and thus retain its position as the world market leader of special sugars.

Local Market

Given the Syndicate's commitment to supply to Südzucker under the LTPA terms all the sugar production of Mauritius less the carve-out for specialty sugars, the totality of the 2009/10 local market requirements for both white refined sugar and raw sugar for direct consumption is likely to be imported. Despite the reduction in the EU market prices, this still remains a more remunerative option unless the world market price continues to soar and the US Dollar experiences a significant appreciation vis-à-vis the Euro. The 2009/10 market requirement, estimated at 36,500 tonnes of white refined sugar and 3,600 tonnes of raw sugar for direct consumption, will therefore be imported through international tenders for delivery as from October 2009.

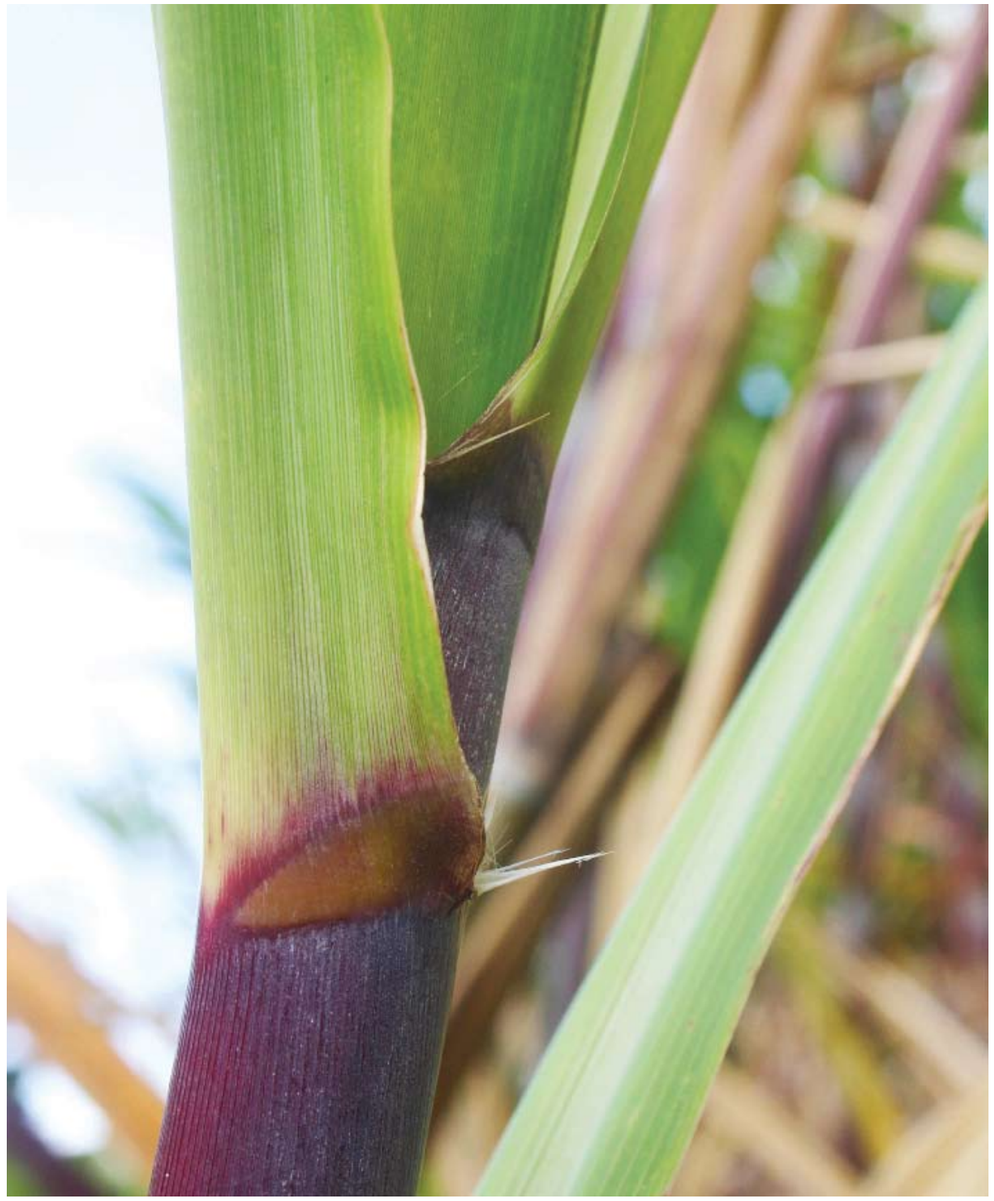
In line with the established procedures for pre-shipment surveying and analysis on arrival, the Syndicate ensures that the imported sugar meets all the necessary specifications and requirements. These imported sugars are then stored at the BSSD warehouses under the required food quality norms and standards, prior to ensuring delivery to the local market on a cost recovery basis.

Further to the liberalization of prices on the local market, the Syndicate has set up a pricing mechanism providing for bi-annual reviews. Thus the new ex-warehouse prices applicable as from 3 July 2009 are as shown in Table 4.

TABLE 4

Local Market Prices as from July 2009

• White refined sugar to wholesale dealer/packer	Rs 17,500 per tonne
• White refined sugar to industrial users (Others)	Rs 17,700 per tonne
• White refined sugar to Bottlers	Rs 17,900 per tonne
• Raw sugar to all categories	Rs 17,500 per tonne





LOCAL AND FINANCIAL TOPICS

Supply and Delivery Arrangements

Supply Agreement With Refiners

In light of the new commercial partnership agreement signed with Südzucker in June 2008 whereby the bulk of export from Mauritius will be in the form of white refined sugar, the Syndicate has established back-to-back long term agreements for the supply of these sugars with the new local full-time refiners, namely Omnicane Milling Operations Ltd (OMOL) and FUEL Refinery Ltd (FRL). A Memorandum of Understanding had already been signed with them at the time the LTPA was finalised with Südzucker and formal Sugar Refining Services Agreements were in process of being established between the parties at time of writing. The agreements, which extends till 30 September 2015 in line with the LTPA, entail the supply of plantation white sugar as raw sugar feedstock by the Syndicate to the refiners for processing, against a Refining Service Fee, into white refined sugar of EEC Grade 2 quality and conforming to the specifications contained in the LTPA. It is based on a minimum yearly production of 125,000 tonnes of white refined sugar per refinery for regular delivery over the year, except for shutdown periods, to the Syndicate for export to Südzucker customers across EU. The agreement covers all aspects of the chain from the quality of raw sugar feedstock consigned to the refiner to delivery of the white refined sugar in liner containers to the port terminal, and including the quality control procedures and compliance with EU Food Laws. It also provides for flexibility in meeting new market opportunities in the event a change in specifications is sought by the EU customers.

Plantation white sugar feedstock will be delivered under bilateral offtake agreements to FRL from FUEL Sugar Milling Company Limited, Deep River Beau Champ Milling Company Limited and Compagnie Usinière de Mon Loisir Limitée, and to the OMOL Refinery from its own milling plant and Medine Sugar Milling Company Ltd. Given the daily refining capacity of both refineries have been set for year round operation, each refinery has made provision for storage of about 70,000 tonnes raw sugar feedstock for off-crop refining. Plantation white sugar from other mills will, on the other hand, be delivered and stored provisionally at the Bulk Sugar Terminal (BST) for delivery to the refineries after the crop campaign. The Syndicate will finance the installations which will be established at the BST for reloading the plantation white sugar onto trucks for its transfer to the refineries at an estimated cost of Rs 8.5 M.

New Framework Agreements for Supply of Special Sugars

As the Syndicate embarks on its new marketing strategy for the export of the total production from Mauritius as direct consumption sugars, which also calls for an increase in the supply of special sugars over the next few years, it has had to establish new framework agreements with the producers of special sugars as well. It has responded at the same time to the latter's request for a review of their manufacturing premium which, owing to the insufficient returns advocated, had been a deterrent to further quality improvement, innovation and investment. The objective of the agreement was to provide adequate incentives to the producers for the upgrade of their production facilities so as firstly to improve the quality of their existing products in an increasingly demanding market as regards food safety and quality norms, and secondly to enhance their capacities to produce larger volumes and new varieties of sugars as will be required by the market in the future. Being cognisant of their efforts to produce high value-added sugars for direct consumption, and thus their contribution over the years to enhance the sugar industry's revenue, the Syndicate acceded to their request for a sharing of the commercial premium on these sugars while taking into account the balance of interest among the different stakeholders. In so doing they will assume a more participative role in the sales development for special sugars in export markets.

Storage Facilities

During the year under review the Syndicate exported 377,851 tonnes of bulk raw sugar and 68,851 tonnes of special sugars for direct consumption in bags, against respective receipts from the 2008 crop of 377,872 tonnes and 72,158 tonnes at the Bulk Sugar Terminal (BST) and at the warehouses of the Bagged Sugar Storage and Distribution Co Ltd (BSSD). 3,100 tonnes of white sugar, including plantation white, were also shipped in liner containers but these sugars were delivered directly from the mills to the container terminal of the Cargo Handling Corporation. In addition, the BSSD warehouses took delivery of 2,616 tonnes of imported raw and 39,200 tonnes of white refined sugar for supply to the domestic market.

With the implementation of the LTPA with Südzucker as from July 2009, new shipping arrangements have been put in place to allow export of white refined sugar in liner containers. However, owing to the delay in the start of operation of the new refineries in Mauritius, the BST continued to receive bulk raw sugar at the beginning of the 2009 crop and 6 cargoes would consequently be shipped to EU for refining. Although export of bulk raw sugar would cease after these shipments, the sheds of the BST would still be used for storage of plantation white sugar feedstock from Medine Sugar Milling and Compagnie Usinière de Mon Loisir Limitée for refining by OMOL and FRL respectively during the intercrop seasons. As previously explained, light installations will have to be established on site to enable the reloading of that sugar onto trucks for its transfer to the refineries at a cost of Rs 8.5 M.

Otherwise, in light of the increase in the production of special sugars over the following years, one of the sheds of the BST has been converted into a warehouse for storage of these direct consumption sugars mainly in one-tonne bags. This remains the most cost effective solution for the sugar sector at a time when it is confronted with an unprecedented reduction of its revenue in the wake of the EU Sugar reform and has to suppress all costs.

Delivery Arrangements and Future Export Logistics

The white refined sugar to be produced by the OMOL and FRL refineries would not be stored prior to export. While the liner containers would be stuffed at the time of production at the refineries, after the white sugar have transited through the conditioning silos, they would be delivered directly to the container terminal of the Cargo Handling Corporation where a buffer stock will be maintained in order to ensure regular shipments from Mauritius. Such practice conforms to the underlying principles of the new marketing strategy of the Syndicate that comprises the reduction of costs at all levels across the supply chain. Taking into consideration the daily production of 600 tonnes of white refined sugar by each refinery over 24 hours, with a daily requirement of 48 food-grade containers, a detailed logistics plan has been established by the Syndicate to ascertain a continuous flow of the fit-for-export sugar to the container terminal and the elimination of any risk of bottleneck. A customised tracking system has also been set up in order to follow the movement of containers from the depot, where the empties are delivered to the refineries and back to the container terminal in Port Louis from where tracking is pursued online in conjunction with Südzucker.

In view of the large number of containerised consignments to be delivered just-in-time to the final EU customers, Carrier Service Contracts are being established with the main shipping lines operating from Port-Louis.

Crop Financing and Payments

Advances and Borrowings

The Syndicate ensures a regular inflow of its export revenue through a close monitoring of shipping programmes for the export of its sugars. Such regular inflows allow it to honour its financial obligations, namely advances to producers, remittances of the Global Cess to the Mauritius Sugar Authority for onward distribution to Cess-financed institutions, and payment of the SIFB premium on behalf of sugar producers. In order to alleviate the financial hardships of the sugar producers, the Syndicate also ensures that advances are regularly paid throughout the crop year. Additional sources of funding are sought in this regard through bank overdrafts, short term and medium term loans from commercial banks as well as from institutions within the sugar industry.

Some Rs 182 M was owed by the Syndicate to such institutions as at 30 June 2009. Details pertaining to the loans are set out in the note to the financial statements. In addition, a sum of Rs 718.6 M, representing the premium payable in December 2008 on behalf of producers to the SIFB, was borrowed from the latter during the financial year. It was refunded, together with the interest accruing thereof, in tranches and in accordance to a mutually agreed repayment schedule before the year end.

As per its established policy and practice, the Syndicate negotiated with financing institutions, including commercial banks, and ensured that it obtained the most favorable rates of interest prevailing on the market.

Payments of Sugar Proceeds to Producers

As regards advances paid to producers during the financial year, the Syndicate made an initial payment of Rs 7,000 per tonne of sugar on 26 June 2008. This advance was gradually increased to reach on 30 June 2009 the final remittance of Rs 17,427.30 per tonne of sugar produced.

As in the preceding years, the Syndicate followed the instructions provided by the producers with regards to their remittances. Payment was effected to some 23,000 planters during the 2008 crop: 11,550 producers received their proceeds directly from the Syndicate, whereas 269 planters were paid through their respective brokers. The remaining planters, registered with some 159 active cooperative societies, were paid through the accounts of their societies at the Development Bank of Mauritius Ltd and the Mauritius Post & Cooperative Bank Ltd.

Global Cess

In line with the legislative provision enacted through the Mauritius Sugar Authority Act No. 27 of 1984, a Global Cess of Rs 650 M was levied on the sugar proceeds in respect of 2008 crop. This contribution, which represented Rs 1,429 per tonne of sugar produced (98.5° pol basis) during the 2008 crop, remains an unsustainable burden to the planters' community. Further representations were made to Government by the Syndicate during the year in collaboration with other producer associations. In spite of the intention expressed by the former to address the issue in the context of the Additional Stimulus Package concrete measures are still being awaited.

Payment of Bagasse Proceeds

Bagasse proceeds of Rs 68.0 M were received from the Central Electricity Board in 2008/09, compared with Rs 65.8 M in the previous year. These were paid on 4 August 2009 to the different categories of producers in accordance with the provisions of the Sugar Industry Efficiency (Amendment of Schedule) Regulations of 1999.

Foreign Exchange Receipts

The Syndicate adopted a clearly defined risk management policy and procedures in order to address the financial risks associated with currency and interest rate fluctuations that could have an adverse impact on its financial performance.

Members of the Forex Committee were mandated to:

(i) develop and implement risk management strategies with respect to foreign currency dealings within the parameters set by the Executive and Selling Committee;
(ii) monitor performance on agreed criteria and recommend best practices and instruments to manage and improve forex transactions;
(iii) monitor developments in the forex markets and make appropriate recommendations.

TABLE 5

Ex-Syndicate Prices

Crop Year	Initial Price Estimate	Final Price
	Rs per tonne	*Rs per tonne*
2005	16,900.00	17,625.68
2006	16,600.00	17,891.24
2007	18,400.00	18,620.15
2008	15,700.00	17,427.30

The support of an independent expert in forex management, Stewardship Consulting Pte Ltd, facilitated the proper discharge of the above responsibilities as well as a close monitoring of the local and international unstable financial market conditions that prevailed during the 2008/09 financial year. As in previous years, an ex-Syndicate price in Rupee per tonne of sugar produced for the crop season was targeted and the risks arising from receipts of foreign currencies were managed accordingly. Various instruments, namely forward contracts, options, and swaps, were used to ensure a maximization of revenues from the exports proceeds, even in the most difficult circumstances. Reports were regularly submitted to the Executive and Selling Committee to assess and review the performance of the currency risk management policies adopted.

For the year under review, the Syndicate managed to achieve a Rupee revenue per tonne of Rs 17,427.30, which was significantly above the initial forecast. Table 5 above indicates the risk management results for the last three years as well as for the period under review.

The Central Quality Department

In view of the forthcoming developments in the commercialization of refined sugar of EEC Grade 2 quality, the Central Quality Department (CQD) has been closely involved in the setting up of the quality activities pertaining to production, packaging and delivery. To this end, the quality system as determined by the Syndicate's commercial partner has been under study and all related criteria have been examined so as to satisfy the delivery of products of consistent quality to meet customers' requirements.

In August 2008, the Chief Quality Assurance Officer participated in the technical delegation of the sugar industry to Germany and France in order to get acquainted with the requirements for imported white sugar by the Südzucker group. Visits and lectures were held and much information was gathered with focus on the high quality of sugar required in terms of flowability, consistency and colour. Moreover, during the visits at Zeitz in Germany and at Saint Louis Sucre in Marseille much emphasis was laid on the food safety practices and regulations governing direct consumption white sugar.

In April 2009, the Deputy Chief Quality Assurance Officer and the Senior Quality Assurance Officer together with technicians of refineries attended a training course at the Südzucker Offstein and Offenau refineries in Germany so as to gather information in various technical areas such as Good Manufacturing Practices and Food Safety rules, quality control planning through the physical, microbiological and chemical measurements leading to a full process validation pertaining to refined sugar production. Furthermore, in view of the transportation of a sensitive product in twenty feet containers (TEU), detailed study on the precautions to be taken and monitoring during the conditioning process at the finishing stages of production were thoroughly elaborated by the Central Department Research, Development and Technological Services of the Südzucker group.

In August 2009, Dr Maria Klemens and Mr Bernd Stecker of the Technical Support & Quality Management team at Südzucker visited the refineries in Mauritius and undertook a quality pre-audit during their start up period in view of the full Quality Audit in September 2009. To this end and in order to assist refineries in such exercises, the CQD prepared an exhaustive pre-audit checklist based on the criteria of Issue 5 of the Global Standard for Food Safety of the British Retail Consortium (BRC). The CQD participated actively in the audit activities in order to assure the quality of the refined sugar to be exported to Europe.

During the 2008 crop period, the CQD diligently carried out its responsibilities pertaining to sampling, analysis and inspection of raw sugars arriving at the Bulk Sugar Terminal. The Syndicate's supervisors ensured that defined procedures were duly followed for the collection of daily samples taken from bulk sugar lorries from each mill. The CQD officers ensured, through the application of a penalty system imposed on sub-standard sugar delivered by the factories that the keeping and refining qualities of raw sugars were within established quality standards. The factories were kept posted on the analytical results of their sugars through weekly reports communicated to them by the Syndicate. The quality of bulk sugar exports was similarly monitored through the analysis of representative samples taken at the time of loading. In agreement with the Syndicate's buyer, Tate & Lyle, a comprehensive certificate of analysis covering various keeping and refining parameters of the raw sugar loaded on each cargo was sent to them prior to arrival of the cargo at destination.

As regards special sugars, the CQD ensured that the new procedures pertaining to Quality Assurance related to the production of these sugars were being followed. This exercise was effected with the close collaboration of all sugar factories producing direct consumption sugars, through the introduction of a positive product release system for all sugars delivered to the BSSD stores. In the same vein, the CQD in collaboration with the BSSD monitored deliveries in order to supply positive stored product release certificates to buyers. As part of the new quality assurance procedures, a surveillance programme has been established on the special sugars stored, in collaboration with the BSSD stores, so that conformance with their respective agreed specifications at time of export be established by the CQD officers.

As a standing obligation towards the producers' community at the end of the crop, average polarization and moisture results recorded for the various types of sugars by all factories were communicated to the Cane Planters and Millers, Arbitration and Control Board. Every year, these data are used to determine the tonnage of sugar accruing to the respective millers and planters.

During the 2008 crop, the Syndicate's CQD also validated the keeping qualities of sugars stored at the Bulk Sugar Terminal through comparative analytical results at the time of production and export. The exchange of information between Tate & Lyle and the Syndicate via their "Raw Cane Sugar Processing Reports" on the refining characteristics of raw sugar exported to the U.K in respect of agreed analytical criteria such as Ash, Colour, Starch content and Filterability indicated that a fairly good average quality sugar was systematically received for refining during the 2008/09 delivery period.

As part of its standard activities, the CQD participated for the fourteenth consecutive year in the testing programme on laboratory methodology and equipment carried out by the Sugar Association of London for polarization and moisture determination. In the period July 2008- April 2009, polarization and moisture results recorded during four collaborative testing exercises were transmitted as required. This programme, which involves thirty-three laboratories from sixteen different countries, aims at assessing the performance and consistency of methodology of the individual laboratories regarding polarisation and moisture measurements. Comparative results from Tate & Lyle, Eynon & Lane and Salamon & Seaber laboratories regularly indicated that the difference in polarisation results were narrow and comparable to those obtained from the tests undergone by the same laboratories for the settlement of polarisation for each cargo. Nevertheless, as variation in results are still persistent throughout some tests, this exercise confirms the merits in monitoring standard sampling procedures and homogeneous sample preparation to ensure valid polarisation values pertaining to our exports in bulk.

Comparative data for polarisation, moisture and other parameters in respect of bulk sugar shipments continued to be monitored by the CQD. Compared to previous years, an average increase of 0.058°Z was noted in polarization values between loading and discharge as per representative samples taken from thirteen cargoes shipped to the United Kingdom during the 2008/09 marketing year.

As regards the production of special sugars, the CQD has strictly monitored the analytical specifications for each type of sugar produced by the three factories through the established sampling and analysis procedures. In the light of more stringent international food safety standards, the CQD has, through a comprehensive document, sensitized all the factories on the need to upgrade food safety procedures by producing evidence of regular test results to ensure compliance with the hygienic level required at all stages of production. The CQD ensured that due care and diligence was exercised at the critical control points identified by the factories producing special sugars as recommended in their respective HACCP programme. The Syndicate also ascertained that prescribed quality assurance measures were in place in order to safeguard the competitiveness and quality edge of the special sugars exported by Mauritius. The Chief Quality Assurance Officer and CQD personnel have worked in close collaboration with the factories to ensure that sugars were produced according to the best international quality benchmarks imposed by market requirements.

Furthermore, the Syndicate's team of supervisors responsible for monitoring quality assurance at storage has worked in close collaboration with the BSSD personnel to ensure that storage and handling of sugars have been properly carried out. The containers used to export special sugars were meticulously examined for cleanliness and fitness for export prior to loading in accordance with defined quality assurance procedures. A strict traceability system based on production date-codes completed the comprehensive quality system in place for special sugars. Similar quality control and validation procedures were exercised with respect to the imported raw and white sugar destined for the domestic consumption.

MSS Personnel

The management team of the Syndicate was pleased to welcome Mr. Paul Caboche as Logistics Coordinator, on 1 February 2009. Mr. Caboche is fully qualified in container logistics and has a vast experience in container surveying and maintenance. He has, in the past, occupied different posts of responsibility at management level in major organizations involved in container logistics both in Mauritius and in Australia. He has also been the Regional Manager of a leasing and shipping company for Australia and New Zealand.

With his wide experience, Mr. Caboche will assist the Syndicate in the implementation and monitoring of its new logistics framework established in the context of its Long Term Partnership Agreement with Südzucker for the export of white refined sugar in containers to the EU market.





MISSIONS, OVERSEAS REPRESENTATION AND INTERNATIONAL TOPICS

Missions

Marketing of Special Sugars

EU Market

The transition from marketing years 2008/09 to 2009/10 was one of uncertainty as regards the new price positioning for special sugars in the EU market given the disappearance of the ACP guaranteed price and the significant reduction in the EU reference prices of sugar as from 1 October 2009. In light of the anticipated decrease in the market price of white refined sugar as from October 2009, the prices of special sugars, which have traditionally been sold as value-added products compared to the former, were bound to be under pressure. In this context the Syndicate held preliminary consultations with its commercial partners and the Chief Marketing Officer & Secretary also visited a few buyers in EU in February 2009 in order to re-assess the market for specialty sugars. A delegation from the Syndicate comprising the President, Mr Hansraj Ruhee, the CEO, Mr Jean Noel Humbert, and Mr Dukhira then proceeded to Europe in May 2009 so as to meet and discuss sales prospects with the most important buyers of specialty sugars. They visited France, UK and Germany, and Mr Dukhira subsequently proceeded to Austria and Italy. It was also an opportunity to assess the difficulties and challenges in the increasingly competitive market environment. A report of the meetings and market issues was made to the Marketing Strategy Committee and subsequently to the Executive and Selling Committee of the Syndicate.

US Market

In light of the review of the Syndicate's strategy for the export of its special sugars, with emphasis on market expansion, the Chief Marketing Officer & Secretary travelled to Florida in US from 8 to 11 February 2009 to meet and discuss sales prospects with its traditional buyers. He was accompanied by the representative of the Syndicate in US, Mr Paul Ryberg. The mission coincided with the Colloquium organised by the Sweetener Users Association in Orlando. There was consequently an interest expressed by buyers in resuming imports from Mauritius despite their prior disappointment when supplies were interrupted in 2007 owing to the shortfall in its commitments under the ACP/EU Sugar Protocol. The consistency in quality was one of the strengths contributing towards customer preference for the specialty sugars from Mauritius. The buyers were reassured that, given the change in the ACP/EU Agreement governing trade in sugar, the Syndicate henceforth had more flexibility to supply the US market with specialty sugars on an uninterrupted basis. This visit also enabled an assessment of the market potential for specialty sugars in the US.

World Market

In July 2009, Mr Dukhira visited Hong Kong and Singapore where he held meetings with potential buyers to assess the demand for special sugars and discuss about sales prospects in the Far East and South East Asia. This mission was in line with the Syndicate's plan to restore and expand sales to world market destinations.

Participation in Food Fairs

The Syndicate participated, with the support of Enterprise Mauritius, in the SIAL Food Fair in Paris in October 2008. The Chief Marketing Officer & Secretary, who represented the organisation at this international exhibition, held discussions with existing and potential buyers on the sales prospects and market trends for direct consumption sugars in their respective countries. Such specialised food exhibitions are the most efficient channel for promoting specialty sugars especially for the diversification of the market base. The Syndicate also participated in the International Food Exhibition held in Mauritius from 13 to 15 August 2009.

SADC Technical Commitee on Sugar (TCS)

Consonant with its mandate, the SADC TCS has during the year held quarterly meetings during which issues relating to the management and development of the SADC regional market for sugar have been addressed.

Work was also pursued through the two main working groups established by the TCS, to address specific issues at the technical level prior to their consideration and adoption by the TCS. Meetings of the SADC Sugar Industries Consultative Forum (SICF), comprising representatives of the SADC sugar industries, were also held back to back with these meetings. The Syndicate has, in collaboration with the Mauritius Chamber of Agriculture, actively participated in all these meetings during the year.

These different fora have offered Mauritius the opportunity of pursuing its collaboration with other SADC suppliers, at both the industries and official levels, in the monitoring and management of the regional sugar market and participating directly and actively in initiatives aiming at its rationalisation and further development. At the same time, it has enabled Mauritius to better gauge the position of other regional suppliers as potential competitors in its preferential markets and to sensitise them on the need for a managed and coordinated approach at the regional level. In addition to the regular exchange of information required by the SADC Sugar Agreement to monitor and regulate regional trade in sugar, a special mention has to be made of certain specific issues of importance which were addressed at TCS level during the year under review:

(i) the establishment of a SADC Regional Sugar Strategy Action Plan aiming at improving the industries efficiencies and competitiveness, providing them with enhanced access to markets, rationalising the SADC sugar market itself, promoting the consumption of regional sugar within SADC and promoting alternative uses of sugarcane and sugar through diversification and value addition.
(ii) the elaboration of SADC Guidelines for Best Management Practices in sugarcane production so as to respond to new market requirements for products that foster sustainable development through adoption of environmentally friendly and socially acceptable practices;
(iii) the redefinition of the formula contained in the SADC Sugar Agreement (Annex VII to the SADC Trade Protocol) for determination of non-SACU suppliers' access to the SACU market taking into consideration the changes in preferential market access provisions to the EU with the regional EPA sugar agreements and the EBA initiative, and
(iv) drafting of a SADC Sugar Yearbook as an essential reference document as well as an effective communication tool for the safeguard and promotion of the group's interests.

The Syndicate has also in July 2009 participated in a sugar conference organised by the Federation of SADC Sugar Producers (FSSP) held in Swaziland from 29 to 31 July 2009 back to back with the TCS meetings.

ESA Industries Meetings

Given the agreement reached between the EU Commission and the ACP group regarding the application of the proposed safeguard mechanism on sugar in EPAs on a regional basis through adoption of Regional Safeguard Thresholds (RST) applicable to each region, the ESA industries concerned, comprising of Zimbabwe, Zambia, Malawi and Mauritius, have during the year intensified their consultations with a view to establishing an industries' proposal on a regional framework for submission and discussion at the official level. The Syndicate has participated actively in these consultations in collaboration with the Mauritius Chamber of Agriculture.

The industries proposal, based on the key principle endorsed at the highest political level that no single country should be worse off in consideration of its past supplies to the EU market, has aimed at providing ESA suppliers an equitable Minimum Market Access Quantity (MMAQ) for the region under circumstances of the EU safeguard being triggered. It has also recommended that, should an ESA LDC no longer be entitled to its EBA benefits due to its graduation as non-LDC, its market access would be safeguarded through an increase of the regional MMAQ to include its historical supply level to the EU. The industries also agreed that they would cooperate through a commercial working group, to ensure that each country would receive the effective benefit of its share of the regional MMAQ in years when the safeguard is triggered and that they will collectively ensure that the MMAQ is consistently supplied in full.

Following intensive discussions at industries' and subsequently at political level, it was agreed that the ESA region would as from the delivery period 2011/2012 be allocated a RST of 632,850.9 tonnes wse out of the total safeguard threshold of 1,600,000 tonnes wse applicable to the non-LDC ACP group.

In the meantime, discussions have been pursued between the ESA industries in view of establishing an Eastern & Southern African Sugar Producers Association (ESASPA) the main objective of which is to promote and safeguard the common interests of its members in relation to international and regional trade in sugar and all other activities depending on or connected therewith and to provide a forum for discussion amongst its members.

International Issues

EU Sugar Regime

During the year under review the EU Commission confirmed the assessment it had made in the previous year that the 4-year restructuring scheme of the EU sugar sector applied under the current Sugar Regime was on track and nearing successful completion.

Driven by the principle of achieving an overall improvement in the competitiveness of the EU sugar sector through restructuring and rationalisation of its operations, the key determinants of the scheme consisted of a significant 36 percent reduction in the minimum institutional reference price, from € 631.90 per tonne in 2006/07 to € 404.40 per tonne as from October 2009 for white refined sugar, and payment of compensation to farmers coupled with a Restructuring Fund to encourage the less competitive sugar producers across the EU to abandon production.

Figures issued by the EU Commission in March 2009 confirmed that some 5.8 M tonnes of quota production have already been abandoned by the EU sugar industry, a result close to the initial objective of 6.0 M tonnes, bringing total quota production to 14.0 M tonnes, of which 13.3 M tonnes sugar and 0.7 M tonnes isoglucose, compared with a total Community production of 18.27 M tonnes prior to the reform in 2006. Sugar production in the EU is now established in eighteen Member States as opposed to twenty-three before the reform, with 70 percent of such production being concentrated in the seven EU Member States having the most favourable agro-climatic conditions and the highest yields in the EU.

As far as evolution of prices in the market is concerned, official figures obtained through the EU Commission's Price Reporting System, have confirmed the general downward trend of the average ex-works prices for white sugar within the Community with a reported average price of € 567 per tonne in March 2009 compared with € 630 in July 2006 at the start of the reform. With the first reduction in the EU reference price to € 541.50 per tonne in October 2008, compared with the pre-reform guaranteed price of € 631.90, the average ex-works prices have crossed the € 600 line in September 2008.

Given these developments, the EU Commission has considered that the market fundamentals were healthy enough to avoid application of compulsory quota withdrawal for the marketing year 2008/2009. Application of any withdrawal in 2009/2010 will depend on the outcome of a review to be undertaken in October 2009 of estimates on beet and sugar production and imports. On the latter issue, producers in the EU have voiced their concern about the absolute need for preserving market balance in the Community through a more stringent management by the Commission of the future EBA/EPA import arrangements.

EPAs Between ACP and EU

The WTO acceptable Interim Agreements (IA) which had been initialed between the EU and most of the ACP regions or individual Member States have enabled the latter to continue benefiting from preferential access to the EU market in spite of the expiry in December 2007 of the non-reciprocal arrangements provided under the Cotonou Agreement. However, the undertaking contained

in the IAs to pursue the discussions with a view to concluding full Regional Economic Partnership Agreements (REPA) to replace the former before December 2008 were not achieved given the divergences prevailing on a number of issues, which could not be successfully addressed before the set deadline. Apart from the Caribbean grouping (CARIFORUM), which at time of writing was the only ACP region having so far signed a full-fledged EPA with the EU, negotiations with the other regions including Central Africa (CA), the Eastern African Community (EAC), Eastern and Southern Africa (ESA),Pacific, Southern African Development Community (SADC) and the Western African groupings including the Economic Community Of West African States (ECOWAS) and the Union Economique et Monétaire Ouest-Africaine (UEMOA), have been pursued during the year and have reached different stages of advancement, with in some cases signatures being announced for 2009 either as Interim or as full fledged EPAs with the EU. In this regard, the two West African regional organizations, ECOWAS and UEMOA, have announced their objective of concluding a full fledged EPA with the EU by October 2009.

As regards the ESA region, the Interim Agreement initialed at the end of 2007, comprises a market-access arrangement between the EU and Comoros, Madagascar, Mauritius, Seychelles, Zambia and Zimbabwe with duty-free quota-free access granted to all imports from ESA into the EU market as of 1st January 2008, with transition periods for rice and sugar. The agreement provides that the ESA will liberalise its market to EU imports in line with the six individual schedules annexed to the interim EPA, with varying levels of liberalization between 80 percent for Zambia and Zimbabwe and 96 percent for Mauritius. On the other hand, negotiations have been pursued during 2008 and 2009 between the EU and ESA on a number of outstanding topics including services, investment, agriculture, rules of origin, sanitary and phytosanitary provisions and technical barriers to trade, customs, trade facilitation and trade-related rules, with a view to signing a full-fledged EPA in 2009.

At the last ESA – EC ministerial meeting held in Lusaka, Zambia, in early November 2008, new impetus was given to the negotiations between the two groups with the strong will displayed by the new EC Trade Commissioner, Baroness Ashton, and her proposal to lump the contentious issues into baskets to distinguish clearly between those which can be easily resolved and those where work still remains to be accomplished. Although progress achieved so far in the above mentioned negotiations have not yet enabled the conclusion of a full fledged EPA, four ESA countries comprising Madagascar, Mauritius, Seychelles and Zimbabwe have signed an Interim EPA in Mauritius on 29th August 2009 so as to consolidate political understanding and to lock in the agreements already reached on some of the issues discussed to ensure that progress is not lost.

Sugar in EPAs

The year under review has witnessed the shaping up and implementation of various initiatives of critical importance in the management of the future EPA sugar arrangements due to replace the ACP-EU Sugar Protocol in October 2009. These include the all-ACP agreement on the Regional Safeguard Thresholds (RST), the new ACP institutional framework for monitoring supplies to the market and coordinating with the EU, the new EU rules for sugar imports under the EPA and EBA agreements and finally the ESA regional framework for managing and coordinating regional supplies to the market.

Following the ACP decision to accept the Commission's proposal on regionalisation of the 1.6 M tonnes non-LDC overall safeguard threshold through introduction of a Regional Safeguard Threshold (RST) applicable for each of the ACP regions, the ACP industries had to engage in negotiations, at intra- and inter-regional as well as at all-ACP levels, with a view to determining the RST levels which would meet general acceptance taking into consideration the interests of all parties concerned and the agreed principle that no country should be worse off. To achieve the above, negotiations had first to be undertaken at the ESA industries level between Mauritius and other regional players, to agree on an acceptable RST level taking into account the individual requirements of the main regional non-LDC suppliers, namely Zimbabwe and Mauritius, as well as the supply expectations of LDCs in the region.

TABLE 6

Regional Safeguard Threshold (RST) allocations

	2009/10	2010/11	2011/12 +
in wse			
CARIFORUM	454,356.6	477,749.0	527,875.6
CEMAC	10,186.1	10,186.1	10,186.1
ECOWAS	10,186.1	10,186.1	10,186.1
PACIFIC	181,570.5	190,918.6	210,950.3
ESA	544,711.6	572,755.9	632,850.9
EAC	12,907.9	13,572.4	14,996.5
SADC	166,081.2	174,631.9	192,954.5
Total	1,380,000.0	1,450,000.0	1,600,000.0

After agreement at the regional and all-ACP levels, the RST allocations for non-LDCs among the different regions as shown in Table 6 were finally proposed to the EU Commission and approved by the Commission's Sugar Management Committee (Mancom) on 6th August 2009. Based on these figures, market access for sugar by Mauritius in a situation when the safeguard is triggered will, as from October 2009, be determined by the RST for the ESA region which stands at 632,850.9 tonnes wse.

Prior to the adoption of the new import regulation, intensive consultations were held between the EU Commission and the ACP during which the latter were given the opportunity of submitting proposals on the implementation framework and modalities to be adopted in the context of the new import regulations, including in particular issues relating to the application of the transitional safeguard mechanism, management of Import Licences and the setting up of an alert system to anticipate and monitor triggering of safeguard. The key objective of the ACP was to ensure that the interests of all traditional suppliers would be adequately safeguarded in the future import regulation. In keeping with their objective of having these new import regulations adopted by September 2009, the Commission has in April 2009 tabled a Draft Working Document for discussion on the import and refining of sugar under the EPA and EBA Agreements, a revised copy of which was subsequently submitted to the Sugar Management Committee (Mancom). During its discussions with the Commission the ACP group had the possibility of tabling its concerns and views regarding certain provisions of the proposed Draft Working Document of importance for safeguarding its interests in the implementation of the future sugar arrangements. These included interalia the timetable for application and issuance of import licences, the security to be deposited by importers as a protection against fraud and abuse, the penalty applicable for submission of false information, the automatic imposition of the safeguard mechanism, the validity period of import licences and the exclusivity granted to full-time refiners during the first 3 months of the marketing year.

Given the issues at stake, the ACP was also vocal at the political level in different EU-ACP fora to recall that its choice in favour of the new EPA arrangements had been made on the understanding that no single ACP State should be discriminated against and be worse off. It echoed the fears expressed at the technical level that the proposed regime for import licences granting differential treatment between full time refiners and non refiners introduced an element of discrimination between sugars for refining and not for refining and was contrary to the principles agreed in EPAs. It recalled its rights to export any type of sugar within the agreed ceilings, without distinction between the different types of sugar, and exhorted

the EU to harmonize its sugar regulations so that it can comply with the new international obligations it has taken under the EPAs. This issue was particularly important for Mauritius given its new commercial orientation which as from next year will transform all its sugar exports into direct consumption sugars.

On 6 August 2009 the Commission's Sugar Management Committee (Mancom) approved the new proposed imports regulation, meeting to a large extent the expectations of the ACP in terms of the framework to be established for regulating their future market access to the EU. Mauritius will have to ensure that its commercial interests are adequately safeguarded in the application of this framework and in this regard, is comforted to note that the proposed regulation provides for production of a report by the Commission before March 2013 on the functioning of the transitional safeguard mechanism, and, if necessary, submission of proposals.

Finally, in view of the forthcoming developments in the context of the new EPA sugar arrangements and resulting change in future modes of operation, the ACP group has worked during the year on the establishment of a new institutional framework, at both industry and political levels, to match future EPA/EBA requirements. In this context, an EPA/EBA London Sugar Group (LSG) has been established at industry level to replace the previous ACP LSG. The core mission of the EPA/EBA LSG will be to provide specialist advice to the Brussels based Ambassadors and to liaise as requested with the EU Commission on administration of the new EU sugar market regime. The EPA/EBA LSG has made a significant contribution in the discussions leading to the adoption of the new import regulations for sugar.

The International Sugar Organisation

The London based International Sugar Organization (ISO) is an inter-governmental centre for discussions and exchange of views and information on sugar and sugar related matters. With a growing membership currently comprising 84 members, it is the largest member based international commodity organisation in the world. It, therefore, carries significant weight to promote and uphold the interests of sugar and its stakeholders having regard to the wider role of the sugar sector and its contribution to green energy production. The ISO collaborates on sugar issues with international organisations such as the Common Fund for Commodities and is the forum to discuss initiatives relating to the sugar sector.

It is also a central source of statistical data on sugar and acts as a clearing house for expert information on sugar, ethanol, sweeteners and sugar related issues through its institutions, seminars and comprehensive studies.

During the period under review the ISO held its Administrative Committee, Market Evaluation, Consumption and Statistics Committee (MECAS) and Council meetings in November 2008 and in May 2009 in conjunction with a seminar and an international workshop on topical themes. The November 2008 17th ISO seminar was entitled "Sugar and Ethanol – from Doom to Boom", whereas the theme of the May 2009 International Workshop agreed with the host country, Guatemala, was "Selected issues impacting on the sugar/ethanol economy". As per the work programme approved by the Administrative Committee, six in depth studies carried out by the ISO Secretariat on diverse subjects of key interest to its members were presented and discussed at the two MECAS meetings during the year.

Mauritius is a founding member of the ISO and participates actively in the ISO meetings through Mr Mrinal Roy OSK, General Overseas Representative of the Mauritius Sugar Syndicate and the Mauritius Chamber of Agriculture. As in previous years, he assured the election of Mauritius on the Administrative Committee for 2009 at the 34th Council meeting held in November 2008 and represents Mauritius on the Administrative Committee. He also represented Mauritius at the ISO meetings held in Antigua, Guatemala in May 2009. Mr. Faustino Jimenez from the Dominican Republic and Mrs Irina Medvedeva from the Russian Federation were respectively elected Chairman and Vice Chairperson of the Administrative Committee for 2009. The Administrative Committee also approved, after discussions, a new strategic direction for the ISO to reflect the changed circumstances of the sugar sector, encompassing its energy component and other sugar related issues.

WTO Issues

In spite of the strong political will expressed in different high level international meetings during the year and the different attempts made by the Director General of the WTO, Mr Pascal Lamy, to overcome the stalemate in the Doha Development Agenda negotiations, only minor technical work has been pursued during the year in Geneva with a result falling far short of what is required to give a new impetus to the negotiating process.

Beyond the difficulty for the major protagonists to overcome the outstanding divergences in the two main battlegrounds of the negotiations, namely Agriculture and NAMA, the real problem experienced by them for advancing the process stemmed mainly from the lack of engagement of the United States and its reluctance to enter in an end-game scenario owing to the economic uncertainties resulting from the global crisis compounded by political change with the coming into power of the Obama administration. The US had particular concerns about the fact that such an end game scenario would compel them at such a difficult moment for their economy to table concessions which in return would not be adequately compensated.

A new deadline has now been set following the Ministerial G8+5 Summit in l'Aquila to conclude the DDA negotiations by 2010. Two further ministerial meetings have been scheduled for September 2009, a mini-Ministerial meeting on 3 and 4 September in Delhi and a G20 Summit chaired by President Obama in Pittsburg on 24 and 25 September, which are expected to provide clearer operational guidelines for a compromise on the unresolved issues if the 2010 target is to be met. Given the positive developments obtained with the July package and December texts in respect of modalities of critical importance for its sugar sector, it is imperative for Mauritius to remain closely and actively engaged in the negotiating process so as to ensure that such potential benefits are not unraveled. It is to be recalled that such modalities include inter alia the exclusion of sugar from the list of Tropical Products, the staging of tariff cuts over a period of 10 years, keeping the Special Safeguard Clause unchanged until its elimination after a period of 7 years, and should sugar be designated as a sensitive product, introduction of an additional market access to the EU in the form of a maximum tariff rate quota of 600,000 tonnes to be phased in over a period of 10 years.

As coordinator of the ACP group in Geneva Mauritius has therefore to remain present and proactive in the different fora where these issues are to be addressed including the Ambassadorial and Ministerial Green Room meetings as well as the restricted Room E Chair-driven negotiating meetings in Agriculture and NAMA. Any relaxation of the position held by Mauritius on the frontline in opposition to the usual proponents of unbridled liberalization could well lead to severe and irreversible damage to our trade interests in sugar.

Overseas Representation of the Syndicate

London Office

During the past year, Mr. Mrinal Roy OSK, the General Overseas Representative of the Mauritius Sugar Syndicate and the Chamber of Agriculture has been actively involved in diverse initiatives to safeguard the interests of the sugar industry in relation to the new sugar arrangements under the Economic Partnership Agreements (EPAs) and other developments overseas.

He regularly kept the sugar industry abreast, through briefs, of developments in respect of key drivers, European Commission policies and legislative proposals shaping and impacting on the EU sugar market and in particular on the conditions of our preferential market access in the EU. He also provided regular updates and insights into the evolving shape of the EU sugar industry and the key

players emerging in the wake of its restructuring process and strategic alliances.

As Chairman of the ACP sugar industry London Sugar Group, he initiated various actions and prepared position papers and submissions in consultations with ACP sugar industries to uphold ACP sugar industry interests. As mandated by the Brussels ACP Sugar Consultative Group of Ambassadors, he drafted submissions and briefs to reflect the ACP sugar industry common stance on various matters and in particular the implementation issues relating to the sugar arrangements under EPAs. In this regard, he participated in a series of joint ACP-EC technical meetings to argue the ACP position in order to arrive at a legislative framework and modalities conducive to a sustainable future for ACP sugar exports under the EPA sugar arrangements.

The process of close collaboration between the ACP Sugar Consultative Group, Governments and the ACP sugar industries resulted during the period in inter alia the adoption of the Regional Safeguard Thresholds agreed among the ACP by the Commission as well as agreement on mechanisms and administrative systems in respect of ACP exports under EPA sugar arrangements. The joint technical discussions with the Commission have covered issues such as the mechanism for the management of the safeguard thresholds, the administration of import licences, the risk of fraud, a mechanism for ACP-EC exchange of information and monitoring of forecasted exports and the overall EU sugar balance sheet to enable ACP countries to manage their exports in accordance with the safeguard thresholds and assist in keeping the EU sugar market balance and price levels on track. These have been translated into draft legislative proposals. The Commission has consented to formalise the related procedures, mechanisms and modalities agreed in an exchange of letters between the ACP and the EC. At the political level, the ACP have requested the EU for consultations before finalisation of the sugar implementing regulations.

Mr Roy also had regular working sessions with relevant UK Government services to sensitise them and seek their support on ACP concerns especially as regards safeguarding the conditions of our preferential market access in the EU. DEFRA has been particularly sensitive to our concerns at the level of Mancom. Mr Roy also had regular exchange of views and analysis with UK sugar stakeholders as well as EU sugar stakeholders' associations.

In recognition of the new configuration of sugar exporting countries to the EU in the context of the new sugar arrangements, the EPA/EBA London Sugar Group comprising ACP and LDC sugar industries, has been set up this year. As mandated by the industry, Mauritius is an active member of its Executive Committee.

Mr Roy participated in the Ministerial Consultations on Sugar and the ACP Ministerial Council meetings in December 2008 as well as the 11th ACP Special Ministerial Conference on Sugar held in Georgetown Guyana in May 2009 as part of the Mauritian delegation. In this context, a range of cogent initiatives and decisions were taken by the ACP Ministers to secure with the EU adherence to the agreed principle that no country should be worse off in the context of the EPA sugar arrangements, to engage the EC in early discussions to secure preferential sugar market access after 2015, to obtain an extension of the accompanying measures support programme in the post 2013 EC Financial Perspectives as well as to obtain supplementary resources to cope with the global financial crisis and increased costs. Ministers also urged ACP sugar producing countries to use the forum of the Copenhagen Climate Conference in December 2009 to argue for better recognition of and credit to the ACP sugar producing states, for the significant carbon sequestering properties of sugar cane and its special role in the production of renewable green energy. The ACP also sought the support of the Commission to ensure that there is no re-opening of the July 2008 WTO convergence package in the context of the Doha Round negotiations. These decisions were subsequently approved by the ACP Council of Ministers in May 2009 and communicated to the Commission. The ACP have also expressed serious concerns at EC proposals for new tariff rate quotas in the context of ongoing FTA negotiations and requested formal consultations thereon in accordance with the Cotonou Agreement.

As in previous years, Mr Roy contributed an article for Agra Europe, which has a broad readership, entitled "Ensuring a sustainable future for ACP Sugar industries under EPAs". Mr Roy is also a member of the board of the Sugar Association of London, the body governing the rules and framework of international sugar trade.

Brussels Office

Over the past year, Mr Géo Govinden, in his capacity as representative of the Syndicate and of the Chamber of Agriculture in Brussels and Geneva, has closely monitored developments of relevance to our sugar industry. He has been actively engaged in various meetings and lobbying actions with a view to promoting the interests of the national sugar sector.

He has thus participated in all meetings of the Brussels working group and of the Ambassadorial Sugar Consultative group. He also took part in a series of joint technical encounters with officials of the Commission on the important issue of implementation rules which will govern ACP sugar imports on the EC market over the period 1.10.2009 to 30.9.2015 - i.e during the implementation of the Long Term Partnership Agreement with Südzucker. In that regard, Mr Govinden had regular working sessions with the Brussels based Südzucker team, including with Mr P.Loomans, their managing director, to ascertain that there is a shared understanding of issues at hand and to devise common strategies vis-à-vis the Commission.

Mr Govinden took part in the ACP Council of Ministers in Brussels in December 2008. He attended the ACP Ministerial Trade Committee as well as the Joint ACP-EC trade Ministerial early May 2009. The latter meeting was co-chaired by the new EC Trade Commissioner, Baroness Ashton. He travelled to Guyana mid-May to attend the ACP Sugar Ministerial Conference before flying back to Brussels to take part, as a Member of the Mauritius delegation, in the ACP and ACP-EC Council of Ministers end of May. Mr Govinden was closely involved in the drafting of technical briefs, statements, resolutions, action plans etc at all these meetings.

Mr Govinden participated in all major meetings linked to the Economic Partnership Agreement (EPA) ongoing negotiations. He attended the ESA-EC technical meetings held early November in Lusaka, Zambia. He also took part in ESA-EC senior officials meetings held in Brussels in April and July 2009. He played an active role in industry regional meetings held in Brussels, London and Johannesburg and contributed in reaching agreement on a mechanism as regards the definition and management of regional minimum access quantities and regional safeguards. This regional agreement is crucial to the smooth implementation of our LTPA with Südzucker.

Throughout the year, Mr Govinden kept close contact with Commission officials dealing with sugar issues. He also held regular working sessions with CEFS (Comité Européen des Fabricants de Sucre). He attended mid June the CIBE (Conféderation International des Betteraviers Européens) Congress in Copenhagen, Denmark as well as the ASSUC (European Association of Sugar traders) annual dinner in Brussels. These interactions were crucial in devising common positions to oppose total liberalization in the sugar sector.

On the multilateral front, pending the re-launch of full-fledged DDA (Doha Development Agenda) negotiations, Mr Govinden monitored the ongoing work in Geneva. In that regard, he maintained very close contact and exchanges with Ambassador Servansing and his staff at the Mauritius Geneva mission.

United States

After the Syndicate has scaled down its representation arrangements in the United States in January 2008, it has during the year focused on the general monitoring of developments affecting US Trade Policies relating to sugar, especially those likely to affect exports from Mauritius. The Syndicate remains in parallel a member of the International Sugar Trade Coalition (ISTC) which, under the Chairmanship of Mr Paul Ryberg, helps to safeguard the value of the market access of developing country quota holders in the US.

With the Syndicate's strategy of resuming sales in US as from 2009 crop, Mr Ryberg has also been instrumental in re-establishing contacts with the traditional buyers of special sugars.

Visitors

The Syndicate had the honor and privilege of associating its name with other sugar industry partners during the visit of Mrs Fisher Boel, EU Commissioner for Agriculture and Rural Development, to Mauritius in September 2008. During the visit organized at Omnicane, La Baraque, the CEO of the Syndicate was given the opportunity to brief Mrs Fisher Boel on the critical issues for the Mauritius sugar sector in the context of its on going reform.

The Syndicate had also the pleasure of welcoming at different times during the year, visitors from the Südzucker group in the context of the preparatory works being undertaken at various levels prior to the implementation of the LTPA. Messrs Friedrich Becker, Director Strategic Sales Development and Peter Felix, Head of Logistic came in October 2008 and in August 2009 accompanied by Ms Anne Marx, Manager Strategic Sales Development for discussions on the export logistics chain to be established to enable just-in-time deliveries to the customers in the EU. Mr Denis Bourée, Technical Director of Saint Louis Sucre of the Südzucker group visited Mauritius in December 2008 and later in June 2009 with Dr Stefan Frenzel, Head of Department General Process Technology of Südzucker to have specific discussions on the issue of sugar conditioning, while Südzucker's quality team consisting of Dr Maria Klemens and Mr Bernd Strecker of the Quality and Support team of Südzucker also came in October 2008 for an initial technical and quality assessment of the existing production facilities in Mauritius followed by a pre-audit visit of the refineries in August 2009. Dr Sonja Ehrhardt, Senior Manager Department Analytics was also in Mauritius in August 2009 for an audit of the laboratory facilities at the refineries.

The Syndicate was pleased to welcome other visitors during the year for discussions on supplies of special sugars to the EU market namely Mr Ray Merrick Director of the company Silver Spoon (UK), and Mr Miguel Geraldes, Managing Director and Ms Michelle Quintao, Commercial Director of the Portuguese group Refinarias De Acucar Reunidas S.A. (RAR).

Mr Patrick Felix , Director of Swicommodity and Mr Hugo Morgado of ED&F Man also visited the Syndicate for discussions on sugar supplies for the local market.

Finally, Mr Meirion Lewis, Director of the British company Linertech Limited visited the Syndicate on different occasions during the year for discussions on supplies of liner bags in the context of sugar exports in containers under the LTPA.



ACKNOWLEDGEMENTS

The Syndicate would like to express its gratefulness to Government and in particular to the Minister of Agro-Industry, Food Production and Security, Hon. Satish Faugoo, for his commitment and support in pursuit of the reform process initiated by Mauritius under the Multi Annual Adaptation Strategy (MAAS). The Syndicate is also grateful to the Deputy Prime Minister and Minister of Finance and Economic Development., Hon. Rama Sithanen, for his understanding of the issues at stake for the industry and his prompt and strong support with respect to measures to be adopted.

A special word of thanks goes to the Minister of Foreign Affairs, Regional Integration and International Trade, Hon. Arvin Boolell, who given his wide knowledge and experience of the sugar sector has been a very effective ambassador for Mauritius and for the ACP group in general, conveying the right messages in different high level fora where critical policies and strategies regarding the future development of sugar trade were being addressed. In this regard, Minister Boolell's interventions have been instrumental in safeguarding the policy space necessary to maintain market access into the EU based on the principle that no single country should be worse off in consideration of its traditional supplies.

Our deep appreciation goes to our Ambassador in Brussels, H.E. Mr S. Gunessee, for his relentless efforts to promote the interests of the Mauritius sugar sector on the international front and in particular near the EU Commission in Brussels where important decisions regarding the future the new sugar arrangements under the EPAs have been discussed during the year. We are also grateful to our Ambassador in Geneva, H.E. Mr N. Servansing for his continued and enlightened support in the context of the on going discussions on the Doha Development Agenda at the WTO and for his determination in defending the commercial interest of Mauritius for sugar.

We are also thankful to the Acting Permanent Secretary of the Ministry of Agro-Industry, Food Production and Security, Mr Vishnu Goondeea, and all other staff of the Ministry for their assistance during the year. We are extending our thanks to the officials of the Ministry of Foreign Affairs and International Trade, in particular Mr Asad Bhuglah, Director, Trade Policy Unit, Mr Sunil Boodhoo, Deputy Director, Trade Policy Unit and their colleagues of the Ministry for their commitment and support during the year.

We would like to record our deep appreciation and gratefulness to the ex- Executive Director of the Mauritius Sugar Authority, Dr G. Rajpati, and the MSA staff for their unflinching collaboration during the year. Beyond Dr Rajpati's significant input into the process adopted by the Syndicate in the establishment and implementation of its new commercial strategy, a special tribute has to be paid to him for his important contribution to the development of the Mauritius sugar sector at large through the effective translation of a compendium of policies into concrete operational frameworks and implementation rules and procedures. The name of Dr Rajpati has to be associated with the reform and diversification of our sugar sector.

I would like to convey my warmest thanks to the Vice-president of the Syndicate, Mr Patrick de Labauve d'Arifat, and to my colleagues of the Main Committee and of the Executive and Selling Committee for their support and guidance during my term of office as President. All my colleagues are joining me to commend the CEO and staff of the Syndicate as well as our overseas representatives, Messrs. M. Roy (OSK), G. Govinden and P.Ryberg for the work accomplished by them during the year.

Finally, our thanks also go to the commercial banks, the management and staff of the sugar factories, the Mauritius Chamber of Agriculture, the Mauritius Sugar Terminal Corporation, the Bagged Sugar Storage and Distribution Co Ltd, the Sugar Insurance Fund Board, the Cane Planters and Millers Arbitration and Control Board, the Mauritius Sugar Industry Research Institute and other organisations for their collaboration and support during the past year. We are specially grateful to the Mauritius Ports Authority, the Cargo Handling Corporation Ltd and the Mauritius Revenue Authority (Customs Department) for their continued support to the Syndicate in its efforts to establish a new framework and procedures for the export of sugar from Mauritius in the context of its partnership agreement with Südzucker.

Hansraj RUHEE
President





Independent Auditors' Report to the Members

This report is made solely to the members of the 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 auditor's 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 Mauritius Sugar Syndicate on pages 51 to 74 which comprise the statement of assets and liabilities as at 30 June 2009 and the revenue and expenditure statement and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Main Committee's Responsibilities for the Financial Statements

The Main Committee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements on pages 51 to 74 give a true and fair view of the financial position of the Syndicate as at 30 June 2009, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KEMP CHATTERIS DELOITTE
Chartered Accountants

Date:

Port Louis, Mauritius.

Statement of Assets and Liabilities
at 30 June 2009

	Note	2009	2008
		Rs'000	*Rs'000*
NON-CURRENT ASSETS			
Property, plant and equipment	3	17,685	18,051
Retirement benefit assets	10	13,991	-
		31,676	18,051
CURRENT ASSETS			
Inventories	4	15,365	14,627
Accounts receivable			
Exports proceeds	5 (a)	336,086	380,486
Local proceeds	5 (b)	194,786	77,357
Other receivables	5 (c)	65,577	41,717
Derivative financial instruments	19 (c) (iii)	72,923	7,518
Bank balances			
Rupee accounts	6	60,907	46,442
Foreign currency accounts	6	24,167	137,438
		769,811	705,585
TOTAL ASSETS		801,487	723,636
CURRENT LIABILITIES			
Bank overdrafts			
Rupee accounts	7	266,409	5,593
Foreign currency accounts	7	-	25,216
Loans	8	181,500	465,539
Accounts payables	9	353,578	217,199
		801,487	713,547
NON-CURRENT LIABILITIES			
Retirement benefit obligations	10	-	10,089
TOTAL LIABILITIES		801,487	723,636

Approved and authorised for issue on 28 September 2009.

Jean Noël Humbert
Chief Executive Officer

Jyoty Soomarooah
Chief Finance and Administrative Officer

Revenue and Expenditure Statement
for the year ended 30 June 2009

	Note	2008/2009 Crop			2007/2008 Crop		
		Rs'000	*Rs per tonne*	*%*	*Rs'000*	*Rs per tonne*	*%*
REVENUE							
Export proceeds-FOB & Stowed value	11	9,002,164		93.09	9,284,135		95.74
Local sales		557,705		5.77	227,254		2.34
Other Income	12	110,477		1.14	186,495		1.92
		9,670,346	21,259.95	100.00	9,697,884	22,169.22	100.00
EXPENDITURE							
Direct							
Overseas brokerage		2,907	6.39	0.03	15,886	36.32	0.16
Manufacturing premium - special sugars		143,397	315.25	1.48	116,647	266.65	1.20
Export fee - Marine Authority		5,877	12.92	0.06	5,110	11.68	0.05
Insurance & survey fees for bulk sugar		352	0.77	0.00	448	1.02	0.00
BSSD-Warehousing, weighing & insurance charges	13	68,263	150.07	0.71	87,425	199.85	0.90
Bagged sugar charges (export and local market)		45,281	99.56	0.47	42,351	96.81	0.44
Liners, Steel bars and other related costs		18,100	39.80	0.19	3,240	7.41	0.03
Shippers' commission		42	0.09	0.00	6,251	14.30	0.06
Finance charges	14	88,238	193.99	0.91	93,911	214.68	0.97
Cost of imports	15	639,460	1,405.83	6.61	477,650	1,091.90	4.93
		1,011,917	2,224.67	10.46	848,919	1,940.62	8.74
Statutory							
Global Cess		650,000	1,429.00	6.72	575,000	1,314.44	5.93
Sugar Industry Reserve Fund	16	454	1.00	0.00	437	1.00	0.00
		650,454	1,430.00	6.72	575,437	1,315.44	5.93
Other (Administration)							
Administrative & Office charges	17	58,860	129.40	0.61	106,880	244.33	1.10
Overseas representation - London,Brussels & USA		22,096	48.58	0.23	21,299	48.68	0.22
		80,956	177.98	0.84	128,179	293.01	1.32
TOTAL EXPENDITURE		1,743,327	3,832.65	18.02	1,552,535	3,549.07	15.99
NET REVENUE BEFORE DEDUCTION OF SIFB PREMIUM		7,927,019	17,427.30	81.98	8,145,349	18,620.15	84.01

The "Rs per tonne" column represents expenditure of the relevant item divided by total sugar production.

Statement of Distribution to Producers
for the year ended 30 June 2009

	2008/2009 Crop	2007/2008 Crop
	Rs'000	*Rs'000*
Net revenue from Income and Expenditure Statement	7,927,019	8,145,349
Add Bagasse Transfer Price Fund	68,036	65,794
Deduct Sugar Insurance Fund Board Premium	(718,614)	(837,711)
NET AMOUNT DISTRIBUTED TO PRODUCERS	7,276,441	7,373,432

Cash Flow Statement
for the year ended 30 June 2009

	Note	2009	2008
		Rs'000	*Rs'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Sugar and Bagasse Transfer Price Fund		9,627,905	9,577,183
Other Income		110,477	186,495
Expenses (statutory, direct and administration)		(1,743,327)	(1,552,535)
Sugar Insurance Fund Board Premium		(718,614)	(837,711)
		7,276,441	7,373,432
Net amount to producers		(7,276,441)	(7,373,432)
Retained revenue		-	-
Adjustments for:			
Loss on sale of property, plant and equipment		54	1,112
Loss on assets written off		35	25
Finance costs		85,617	92,204
Interest income		(14,943)	(59,077)
Depreciation		2,912	2,831
Retirement benefits obligations		(24,080)	6,526
Operating profit before working capital changes		49,595	43,621
Increase in accounts receivable		(96,889)	(59,524)
Increase in inventories		(738)	(2,136)
Increase/(decrease) in accounts payable		136,379	(263,970)
(Increase)/decrease in derivatives financial instruments		(65,405)	354,753
		(26,653)	29,123
Cash generated from operating activities		22,942	72,744
Interest paid		(85,617)	(92,204)
Net cash used in operating activities		(62,675)	(19,460)
INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(2,928)	(2,537)
Proceeds from sale of Property, Plant and Equipment		293	465
Interest received		14,943	59,077
Cash generated from investing activities		12,308	57,005
FINANCING ACTIVITIES			
Net loans (paid)/received		(284,039)	25,766
Net (decrease)/increase in cash and cash equivalents		(334,406)	63,311
Cash and cash equivalents at beginning of year		153,071	89,760
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	(181,335)	153,071



1. Status and Activities

In 1951, following the recommendations made by the Mauritius Economic Commission 1947-48, the Mauritius Sugar Syndicate, which had been founded in 1919, was set up for an indefinite period in pursuance of Ordinance No. 87 of 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. All sugar producers are 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 under the historical cost convention and in accordance with International Financial Reporting Standards (IFRSs). Where necessary, comparative figures have been amended to conform to change in presentation in the current year.

(b) Adoption of new and revised International Financial Reporting Standards (IFRSs)

The Syndicate has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2008. The adoption of these new standards and interpretations has resulted in no change to the Syndicate's accounting policies that would affect the amount reported for the current year or prior years.

2. Significant Accounting Policies (cont'd.)

(b) Adoption of new and revised International Financial Reporting Standards (IFRSs) (contd.)

At the date of authorization of these financial statements, the following standards and interpretations were in issue but effective on annual periods beginning on or after the respective dates.

IAS 1 Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income (effective 1 January 2009)

IAS 1 Presentation of Financial Statements – Amendments relating to disclosure of puttable instruments and obligations arising on liquidation (effective 1 January 2009)

IAS 1 Presentation of Financial Statements – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)

IAS 1 Presentation of Financial Statements – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)

IAS 7 Statement of Cash Flows – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)

IAS 16 Property, Plant and Equipment – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)

IAS 17 Leases – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)

IAS 19 Employee Benefits – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)

IAS 20 Government Grants and Disclosure of Government Assistance – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)

IAS 23 Borrowing costs – Comprehensive revision to prohibit immediate expensing (effective 1 January 2009)

IAS 23 Borrowing costs – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)

IAS 27 Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3 (effective 1 July 2009)

IAS 27 Consolidated and Separate Financial Statements – Amendment relating to cost of an investment on first time adoption (effective 1 January 2009)

IAS 27 Consolidated and Separate Financial Statements – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)

IAS 28 Investments in Associates – Consequential amendments arising from amendments to IFRS 3 (effective 1 July 2009)

IAS 28 Investments in Associates – Amendments resulting from May 2008 Annual improvements to IFRSs (effective 1 January 2009)

IAS 29 Financing Reporting in Hyperinflationary Economics – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)

IAS 31 Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3 (effective 1 July 2009)

IAS 31 Interests in Joint Ventures – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)

IAS 32 Financial instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation (effective 1 January 2009)

IAS 36 Impairment of Assets – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)

IAS 36 Impairments of Assets – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)

IAS 38 Intangible Assets – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)

IAS 38 Intangible Assets – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 July 2009)

IAS 39 Financial Instruments: Recognition and Measurement – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)

IAS 39 Financial Instruments: Recognition and Measurement – Amendments for eligible hedges items (effective 1 July 2009)

IAS 39 Financial Instruments: Recognition and Measurement – Amendments for embedded derivatives when reclassifying financial instruments (effective 30 June 2009)

IAS 39 Financial Instruments: Recognition and Measurement – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)

IFRS 1 First-time Adoption of International Financial Reporting Standards – Amendment relating to cost of an investment on first-time adoption (effective 1 January 2009)

IFRS 2 Share-Based Payment – Amendment relating to vesting conditions and cancellations (effective 1 January 2009)

IFRS 2 Share-based Payment – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 July 2009)

IFRS 2 Share-based Payment – Amendments resulting to group cash-settled share-based payment transactions (effective 1 January 2010)

IFRS 3 Business Combinations – Comprehensive revision on applying the acquisition method (effective 1 July 2009)

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 July 2009)

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)

IFRS 7 Financial Instruments: Disclosures – Amendments enhancing disclosures about fair value and liquidity risk (effective 1 January 2009)

IFRS 8 Operating Segments (effective 1 January 2009)

IFRS 8 Operating segments – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)

IFRIC 15 Agreements for the construction of Real Estate (effective 1 January 2009)

IFRIC 16 Hedges of a Net Investment in a Foreign Operations (effective 1 October 2009)

IFRIC 17 Distributions of Non-Cash Assets to Owners (effective 1 July 2009)

IFRIC 18 Transfers of Assets from Customers (effective 1July 2009)

The management anticipates that the adoption of these standards and interpretations on the above effective dates in future periods will have no material impact on the financial statements of the Syndicate.

2. Significant Accounting Policies (cont'd.)

(c) Accounting Judgements and Key sources of Estimation Uncertainty

The preparation of financial statements in accordance with IFRS requires management to exercise judgment in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgments and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgment that have a significant effect on the amounts recognized in the financial statements, or estimation 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.

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequently costs are included in the assets carrying amount or recognized 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.

No depreciation is provided on freehold land and building.

Depreciation on other assets is calculated on the straight-line method to write off their cost to their estimated residual values over their estimated useful lives.

	%
Annual rates used	
Leasehold building	2
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 each balance sheet date.

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 property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the Revenue and Expenditure Statement.

(e) Financial instruments

Financial assets and liabilities are recognized on the balance sheet when the Syndicate becomes party to the contractual provisions of the financial instruments.

(i) Accounts receivable

Accounts receivable are recognized at fair value less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Syndicate will not be able to collect all amounts due according to the original terms of receivables.

The amount of provision is recognized in the Revenue and Expenditure Statement

(ii) Accounts payable

Accounts payable are stated at their amortised cost.

(iii) Borrowings

Borrowings are recognized at fair value being their issue proceeds net of transaction costs incurred.

Borrowings are classified as current liabilities unless the Syndicate has an unconditional right to defer settlement of the liability for at least twelve months after balance sheet date.

(iv) Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

(f) Derivative financial instruments

The company enters into foreign exchange forward contracts to manage its exposure to foreign exchange risk. Further details of derivative financial instruments are disclosed in note 19.

(g) Related Parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

(h) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average price basis. Cost of stocks comprises all costs of purchase and other costs incurred in bringing such stocks to their present condition. Net realisable value is the estimate of the selling price in the ordinary course of business less selling expenses.

2. Significant Accounting Policies (cont'd.)

(i) Retirements benefits

(i) Defined benefit pension plan

The present value of funded obligations is recognized in the statement of assets and liabilities as non-current liability after adjusting the fair value of plan assets, any unrecognized actuarial gains and losses and any unrecognized past service cost. The valuation of the funded obligations is carried out annually by a firm of actuaries.

The current service cost and any recognized past service cost are included as expenses together with the associated interest cost, net of expected return on plan assets.

A portion of the actuarial gains and losses is recognized as income or expense if the net cumulative unrecognized actuarial gains and losses at the end of the previous accounting period exceed the greater of:

- 10% of the present value of the defined benefit obligation at that date; and
- 10% of the fair value of the plan assets at that date.

(ii) State plan and defined contribution pension plan

Contributions to the National Pension Scheme and defined contribution pension plan are expensed to the revenue and expenditure statements in the period they fall due.

(j) Provisions

Provisions are recognized when the Syndicate has a legal or constructive obligation resulting from past events which will result in an outflow of economic benefits that can reasonably be estimated. They are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(k) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using Mauritian rupees, the currency of the primary economy environment in which entity operates ("functional currency"). The financial statements are presented in Mauritian rupees, which is the Syndicate's functional and presentation 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 31 May exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Revenue and Expenditure Statement.

(l) Impairment of assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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.

(m) Revenue Recognition

(i) Export proceeds

Export proceeds receivable include inventories earmarked for exports and valued at net realisable value. Revenues from sugar exports are stated on a crop basis at the FOB and Stowed price.

Where sugar production exceeds sugar exports in any crop year, sugar proceeds realizable from available inventories are accounted for based on the Syndicate's estimates, taking into consideration exports under quotas to different countries and the relative sugar prices prevailing.

The difference between the estimated proceeds from the inventories and their actual proceeds is reflected in the financial year it is realized.

(ii) Local proceeds receivable

Local proceeds receivables include inventories held for the local market and valued at net realizable value.

(n) Borrowing costs

Borrowing costs are recognized in revenue and expenditure statement in the year in which they are incurred.

3. Property, Plant & Equipment

	Land and Building		Computer	Furniture and	Motor	
	Freehold	Leasehold	Equipment	Equipment	Vehicles	TOTAL
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*	*Rs'000*	*Rs'000*
COST						
At 1 July 2007	10,389	66	5,397	7,230	9,693	32,775
Additions	-	-	231	236	2,070	2,537
Disposals	-	-	-	-	(2,777)	(2,777)
Written off	-	-	(2,028)	(2,874)	-	(4,902)
At 30 June 2008	10,389	66	3,600	4,592	8,986	27,633
At 1 July 2008	10,389	66	3,600	4,592	8,986	27,633
Additions	-	-	374	304	2,250	2,928
Disposals	-	-	-	(550)	(895)	(1,445)
Written off	-	(66)	-	-	-	(66)
At 30 June 2009	10,389	-	3,974	4,346	10,341	29,050
DEPRECIATION						
At 01 July 2007	-	29	3,811	6,344	2,644	12,828
Charge for the year	-	1	414	277	2,139	2,831
Disposals	-	-	-	-	(1,200)	(1,200)
Written off	-	-	(2,013)	(2,864)	-	(4,877)
At 30 June 2008	-	30	2,212	3,757	3,583	9,582
At 01 July 2008	-	30	2,212	3,757	3,583	9,582
Charge for the year	-	1	539	259	2,113	2,912
Disposals	-		-	(516)	(582)	(1,098)
Written off	-	(31)	-	-	-	(31)
At 30 June 2009	-	-	2,751	3,500	5,114	11,365
NET BOOK VALUE						
At 30 June 2009	10,389	-	1,223	846	5,227	17,685
At 30 June 2008	10,389	36	1,388	835	5,403	18,051

The freehold land and building consists of a residential property in London occupied by the General Overseas Representative.

4. Inventories

	2009	2008
	Rs'000	*Rs'000*
At Cost		
Bags	15,365	13,684
Chemical Products	-	943
	15,365	14,627

5. Accounts Receivable

a) Export Proceeds

Trade receivables consist of export proceeds receivable at 30 June 2009, and amounted to Rs 336.09 M (2008: Rs 380.49 M).

The average credit period is 60 days from the date of invoice. No interest is charged on the receivable as most customers pay within the prescribed period. Reminders are sent whenever any delay occurs. Historical experience denotes that all export proceeds are actually received by the Syndicate.

Before accepting any new customer, management of the Syndicate assesses the creditworthiness of the customer and a sale agreement is signed between the Syndicate and the customer.

Of the export proceeds balance receivable at year end, Rs 77.4 M (2008: Rs 200.26 M) is due from the Syndicate's largest customer. The Syndicate believes that there is no need for provision for allowance for doubtful debts.

	2009	2008
Ageing of past due but not impaired	*Rs'000*	*Rs'000*
Export proceeds receivable above 60 days	18,679	577

	2009	2008
b) Local Proceeds	*Rs'000*	*Rs'000*
	194,786	77,357

Local proceeds represent stock at 30 June and earmarked for sale during the year.

c) Other Receivables

It is the normal practice of the Syndicate to effect advances to producers to the range of 40% - 45% of the estimated sugar price for the forthcoming crop year. Some Rs 55.9 M has been disbursed in June 2009 (Rs 34.6 M in June 2008). This sum will be accounted as "Amount distributed to producers" in the forthcoming crop year.

5. Accounts Receivable

Components of Other Receivables	2009 Rs'000	2008 Rs'000
Advances to Producers	55,949	34,595
Sundries		
Staff loans and other receivables	6,153	4,676
VAT	463	999
ISO	255	295
USA Representations	-	322
Other trade prepayments	2,757	830
	65,577	41,717

6. Bank Balances

The bank balances include the Bagasse Transfer Price Fund of Rs 68.04 M received on 30 June 2009 and not yet paid (Rs 65.8 M on 30 June 2008).

7. Bank Overdrafts

Bank overdrafts are secured by the preferential lien over all sugars as conferred by Government Ordinance No. 87 of 1951. The interest rates vary from 7.0% to 10.5% p.a. in Rupees accounts (2008: 7.0% to 11% p.a) and Libor + 2.5% p.a. in Euros and USD accounts respectively (2008: Libor + 0.5%).

8. Loans

	2009 Rs'000	2008 Rs'000
Rupees (unsecured loans)	181,500	199,993
EURO (unsecured loan)	-	265,546
	181,500	465,539

The loans denominated in Rupees bear interest from 7% to 9.5% per annum (2008: 7.5% - 9.5%p.a), and the Euro loans bore interest at the rate of Libor + 0.20% per annum.

9. Accounts payables

	2009 Rs'000	2008 Rs'000
Interests accrued	8,724	9,670
Payable to producers under the Bagasse Transfer Price Fund	68,009	63,763
Other Accruals	203,922	136,248
Deferred income on account of cash flow hedges	72,923	7,518
	353,578	217,199

The Bagasse Transfer Price fund was paid to the beneficiaries on 4 August 2009.
The Syndicate has policies in place to ensure that all payables are paid within the credit timeframe.

10. Retirement Benefits (Assets)/Obligations

(a) In view of rationalising its pension fund, the Syndicate reviewed its existing pension plan. All the assets held with Anglo Mauritius Assurance Society Ltd have been transferred to the Sugar Industry Pension Fund as from 1 July 2008. An actuarial valuation of the fund was carried in the financial year. Necessary disbursements were made to cover the deficits in the fund.

(b) Amounts recognised in the Statement of Assets and Liabilities are:	2009 Rs'000	2008 Rs'000
Present value of funded obligations	56,103	45,462
Fair value of plan assets	(56,000)	(31,134)
	103	14,328
Unrecognised Actuarial loss	(14,094)	(4,239)
	(13,991)	10,089

(c) Amounts recognised in the Revenue and Expenditure statement are:	2009 Rs'000	2008 Rs'000
Current Service Cost	3,979	3,553
Interest cost	4,729	3,301
Expected return on plan assets	(4,665)	(2,769)
Past service cost	-	7,700
Total included in employee benefit expense	4,043	11,785

(d) Movement in liability recognised in Statement of Assets and Liabilities	2009 Rs'000	2008 Rs'000
At 1 July	10,089	3,563
Recognised in the Revenue and Expenditure Statement	4,043	11,785
Contributions paid	(28,123)	(5,259)
At 30 June	(13,991)	10,089
Actual return of plan assets	(2,940)	2,356

(e) The principal actuarial assumptions used for accounting purposes were:	2009 %	2008 %
Discount rate	10.5	10.5
Expected rate of return on plan assets	10.5	10.5
Future salary increases	7.0	7.0
Future pension increases	4.0	4.0

10. Retirement Benefit (Assets)/ Obligations (cont'd)

(f) Reconciliation of the present value of defined benefit obligation	2009 Rs'000	2008 Rs'000
Present value of obligation at start of period	45,462	26,214
Current service cost	3,979	3,553
Employee Contributions	543	451
Interest cost	4,729	3,301
Past service cost	-	7,700
Benefits paid	(860)	2,667
Liability loss	2,250	1,576
Present value of obligation at end of period	56,103	45,462

(g) Reconciliation of fair value of plan assets	2009 Rs'000	2008 Rs'000
Fair value of plan assets at start of period	31,134	20,401
Expected return on plan assets	4,665	2,769
Employers' contributions	28,123	5,259
Employees' contributions	543	451
Benefits paid	(860)	2,667
Asset loss	(7,605)	(413)
Fair value of plan assets at end of period	56,000	31,134

(h) Distribution of plan assets at end of period	2009 %	2008 %
Percentage of assets at end of year		
Local equities	37	50
Local bonds	9	3
Overseas bonds and equities	54	47
Total	100	100

Where the plan is funded, the overall expected rate of return of plan assets is determined by reference to market yields on bonds and expected yield differences on other types of assets held.

(i) History of obligations, assets and experience adjustments	2009 Rs'000	2008 Rs'000	2007 Rs'000	2006 Rs'000	2005 Rs'000
Present/Fair value of plan assets	56,000	31,134	20,401	15,924	12,766
Present value of defined/funded obligations	(56,103)	(45,462)	(26,214)	(19,272)	(21,855)
Deficit	(103)	(14,328)	(5,813)	(3,348)	(9,089)
Asset experience loss during the period	(7,605)	(413)	(2,250)	557	(2,153)
Liability Experience loss during the period	(2,250)	(1,576)			

	2010 Rs'000
Expected employer contributions	2,252

Retirement benefit obligations have been based on the report of Hewitt L Y Ltd dated 6 May 2009 for the year 2009.

11. Export proceeds

	2009 Rs'000	2008 Rs'000
FOB and Stowed value export proceeds are arrived at:		
Gross proceeds	9,300,597	10,039,130
Bulk freight deducted at source	(496,543)	(928,540)
Container freight paid locally	(104,506)	(97,453)
Differential on exchange rates	302,616	270,998
	9,002,164	9,284,135

12. Other Income

	2009 Rs'000	2008 Rs'000
Gain on exchange	95,534	127,418
Interest received	14,943	59,077
	110,477	186,495

13. BSSD - Warehousing, weighing and insurance charges

	2009 Rs'000	2008 Rs'000
BSSD - Recurrent expenditure	57,100	61,025
BSSD - Cost of equipment	-	20,900
MSTC - Rental & repair and maintenance costs of shed	11,163	5,500
	68,263	87,425

14. Finance charges

	2009	2008
	Rs'000	Rs'000
Interest Payable:		
Foreign Currency Bank overdrafts	11,179	19,785
Interest charges on Rupee loans	74,438	72,419
Bank charges & Commissions	2,621	1,707
	88,238	93,911

15. Cost of imports

Cost of imports for the local market is calculated on a landed basis for 36,751 MT (2008: 37,995 MT) of refined sugar and 3,150 MT (2008: 3,485 MT) of raw sugar.

16. Global Cess

Global Cess, as determined by the Mauritius Sugar Authority, comprises financing of the following organisations:

Cane Planters and Millers Arbitration and Control Board
Farmers Service Corporation
Mauritius Sugar Authority
Mauritius Sugar Industry Research Institute
Mauritius Sugar Terminal Corporation
Sugar Planters Mechanical Pool Corporation
Sugar Industry Labour Welfare Fund

17. Administrative and Office charges

	2009	2008
	Rs'000	Rs'000
These are arrived at after charging:		
Depreciation on plant & equipment	2,912	2,831
Loss on sale of motor vehicle	54	1,112
Loss on assets written off	35	25
Employee benefit expenses (a)	32,647	30,113

	2009	2008
(a) Employee Benefit Expenses	Rs'000	Rs'000
Wages and salaries, including termination benefit	23,565	23,681
Social Security Costs	701	776
Pension Costs - defined benefits plans	8,381	5,656
	32,647	30,113

18. Cash and cash equivalents

	2009	2008
	Rs'000	Rs'000
Bank balances		
Rupee accounts	60,907	46,442
Foreign currency accounts	24,167	137,438
Bank overdrafts		
Rupee accounts	(266,409)	(5,593)
Foreign currency accounts	-	(25,216)
	(181,335)	153,071

19. Financial Instruments

	2009	2008
(a) Categories of Financial Instruments	Rs'000	Rs'000
Financial Assets		
Accounts Receivable	593,692	498,730
Bank Balances	85,074	183,880
	678,766	682,610
Financial Liabilities		
Bank overdrafts	266,409	30,809
Loans	181,500	465,539
Other payables	280,655	209,681
	728,564	706,029

Financial assets exclude prepayments and financial liabilities exclude deferred income on account of cash flow hedges.

(b) Market Risk

Market risk is managed by the Marketing Strategy Committee that monitors all the marketing strategies and activities of the Syndicate and makes recommendations to the Executive and Selling Committee of the Syndicate.

(c) Foreign Currency Risk Management

Management of foreign currency risk is done through the Forex Management Committee which monitors closely the sugar proceeds receivable in foreign currencies and recommends the strategies to be used in the currency risk management.

19. Financial Instruments (cont'd)

(c) Foreign Currency Risk Management (cont'd)

(i) Currency Profile

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

	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
	2009	2008	2009	2008
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
United States Dollar	17,203	560	-	25,216
Euro	4,189	289,666	-	265,546
Pound Sterling	2,775	171,486	-	-
Mauritian Rupee	654,599	220,898	728,564	415,267
	678,766	682,610	728,564	706,029

(ii) Foreign Currency Sensitivity Analysis

The Syndicate is mainly exposed to the Euro, USD and Pound Sterling currencies.

The table below details the Syndicate's sensitivity to a 5% increase (depreciation) in Mauritian Rupee against the Euro, Pound Sterling and the United States dollar. 5% is the sensitivity rate used when reporting foreign currency internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The positive number below indicates an increase in amount distributed to producers where the Mauritian Rupee depreciates by 5% against the relevant currencies disclosed as financial assets and liabilities.

For a 5% strengthening of the Mauritian Rupee vis-à-vis the relevant currencies, there would be an equal opposite impact on the amount distributed to producers, and the balances below would have been negative.

	2009	2008
	Rs'000	*Rs'000*
	US DOLLAR IMPACT	
Increase/(decrease) in amount distributed to producers	860	(1,233)
	GBP IMPACT	
Increase in amount distributed to producers	139	8,574
	EURO IMPACT	
Increase in amount distributed to producers	209	1,206

(iii) Forward foreign exchange contract

In order to secure a price to the producers' community, it is the policy of the Syndicate to enter into forward contracts, swaps and options on a regular basis. The Syndicate ensures that its sugar proceeds which are received in foreign currencies are fully hedged against the high volatility inherent in its receipts.

The Syndicate ensures that all its receipts are hedged by the end of the crop year. To this effect, sale of foreign currencies on a forward basis for crop 2009 started in January 2009.

The tables below detail the forward foreign currency contracts entered into as at 30 June.

	FWD TRANSACTIONS				CONTRACT VALUE				FAIR VALUE			
	EUR FWD		GBP FWD		EUR FWD		GBP FWD		EUR FWD		GBP FWD	
Outstanding Contracts Cash Flow Hedges	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Average exchange rate	45.673	42.032	-	53.975	44.58	41.958	52.56	53.057				
Maturity less than 3 mths	19,000	30,500	-	1,600	847,020	1,279,719	-	84,891				
Maturity above 3 mths	47,700	51,250	-	-	2,126,466	2,150,348	-	-				
	66,700	81,750	-	1,600	2,973,486	3,430,067	-	84,891				
Unrealised surplus at 30 June					72,923	6,049	-	1,469				

The Syndicate entered into forward contracts with different commercial banks of Mauritius for terms not exceeding 12 months at any point in time.

At 30 June 2009, the surplus on forward exchange transactions undertaken for crop 2009 was Rs 72.9 M (for the Euro) as compared to Rs 6.1 M (for the Euro) and Rs 1.5 M (for the GBP) for crop 2008.

It is anticipated that once the contracts will mature, the surplus/shortfall will then be realised and will impact on the amount distributed to producers in crop 2009.

19. Financial Instruments (cont'd)

(d) Interest rate risk management

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

The interest rate risk profile of the financial assets and liabilities at 30 June 2009 was:

	2009	2008
	% P.a	% P.a
Financial Assets		
Cash resources - Mauritian rupees	4.00 to 6.00	5.00 to 8.25
Cash resources - foreign currencies	0.05 to 3.50	2.00 to 5.75
Financial Liabilties		
Loans - Mauritian rupees	7.00 to 9.50	7.50 to 9.50
Bank overdraft - Mauritian rupees	7.00 to10.50	7.00 to11.00
Loans - foreign currencies	-	2.90 to 6.00
Bank overdraft - foreign currencies	3.75 to 6.00	3.25 to 6.01

(e) Interest rate sensitivity analysis

The sensitivity analysis below has been determined on the exposure to interest rates for non-derivative financial instruments at the balance sheet date.

A 50 basis points of increase or decrease represents management's assessment of the reasonably possible changes in interest rates.

For floating rate liabilities/assets, the analysis is prepared assuming the amount of liability at the balance sheet date was outstanding for the whole year.

If interest rate had been 50 basis points higher and that all other variables were held constant, the company's results would have been affected as follows:

	2009	2008
	Rs'000	Rs'000
Decrease in amount distributed to producers	(18,142)	(15,623)

Had the interest rates been 50 basis points lower and all other variables were held constant,there would have been an equal and opposite impact on the amount distributed to producers.

(f) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Syndicate.

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 of the value of any collateral obtained.

The Syndicate's main debtors are its overseas' buyers on account of sugar sold to them. The Syndicate ensures that payments are received on due time by requesting for advance payments or payments against submission of documents.

In rare cases, letters of credit are opened with different commercial banks.

(g) Liquidity risk management

A liquidity risk is faced on making advances to planters on a weekly basis during the crop season and on a monthly basis in the inter-crop season. Overdraft and loan facilities have been obtained with banks and institutions in the sugar sector to supplement its regular inflow of sugar proceeds.

(i) Interest risk and liquidity risk tables

The following tables detail the remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Syndicate can be required to pay.

	Weighted average effective interest rate	At Call	Less than 1 year	Total
	%	Rs'000	Rs'000	Rs'000
2009				
Loans in Mauritian Rupees	7.00	181,500	-	181,500
Bank overdraft in Mauritian Rupees	8.00	266,409	-	266,409
Non-Interest bearing	-	-	280,655	280,655
		447,909	280,655	728,564

	Weighted average effective interest rate	At Call	Less than 1 year	Total
	%	Rs'000	Rs'000	Rs'000
2008				
Loans in Euros	4.20	265,546	-	265,546
Loans in Mauritian Rupees	8.25	199,993	-	199,993
Bank overdraft in USD	2.90	25,216	-	25,216
Bank overdraft in Mauritian Rupees	10.00	5,593	-	5,593
Non-Interest bearing	-	-	209,681	209,681
		496,348	209,681	706,029

20. Related Party Transactions

The Syndicate is making the following disclosures in respect of the year under review in accordance with IAS 24 – Related Party Transactions.

	2009	2008
	Rs'000	*Rs'000*
Retirement Benefit Obligations	(13,991)	10,089
Compensation of key management personnel (including directors) - short-term benefits	8,278	7,761

21. Contingent Liabilities

No provision has been made in the financial statements in respect of bank guarantees to the Mauritius Revenue Authority amounting to Rs 476,353 (2008: Rs 2,994,242).

It is the normal practice of the Syndicate to apply for duty and VAT exemptions with respect to items/equipment imported and held for eventual re-exports (admission temporaire). The Syndicate is therefore required to provide bank guarantees to the Mauritius Revenue Authority which evidence that such imports are not meant for sales on the local market.

Once the items/equipment are re-exported, the bank guarantees are thereby cancelled.

The Syndicate consider that no liabilities will arise as the probability for default in respect of the guarantees is remote.

Crop Statement

	2008/2009 CROP			2007/2008 CROP		
	White Sugar	Raw Sugar	TOTAL	White Sugar	Raw Sugar	TOTAL
	Tonnes	*Tonnes*	*Tonnes*	*Tonnes*	*Tonnes*	*Tonnes*
Net landed weight	3,109	448,052	451,161	0	434,924	434,924
Loss in weight	-	389	389	0	483	483
Net shipped weight	3,109	448,441	451,550	0	435,407	435,407
Local market sales & stock		290	290	0	234	234
Reprocessed sugar		(193)	(193)		(180)	(180)
	3,109	448,538	451,647		435,461	435,461
Storage Loss			415			511
Production TTQ			452,062			435,972
Adjustment at 98.5° Polarisation by Arbitration & Control Board			454,862			437,448

N.B: 36,751 tonnes of refined sugar and 3,150 tonnes of Special Raw sugar have been imported for the local market

Computation of EX-Syndicate Revenue and Price

	2008/2009 Crop	2007/2008 Crop
	Rs'000	*Rs'000*
Ex-Syndicate Revenue		
Net amount b/f from Statement of Account including receipt from Bagasse Transfer Price Fund	7,276,441	7,373,432
Add back:		
Sugar Insurance Fund Board Premium (a)	718,614	837,711
Deduct:		
Receipt from Bagasse Transfer Price Fund (b)	(68,036)	(65,794)
	7,927,019	8,145,349

	2008/2009 Crop Per Tonne	2007/2008 Crop Per Tonne
	Rs'000	*Rs'000*
Ex-Syndicate price before deduction of SIFB premium	17,427.30	18,620.15

Sales Proceeds

	2008/2009 Crop	2007/2008 Crop
	Rs M	*Rs M*
European Union		
Sugar Protocol	9,000.62	9,277.76
Special Preferential Sugar	-	-
Total - European Union	9,000.62	9,277.76
US	0.23	1.50
World	1.31	4.87
	9,002.16	9,284.13
Local Sales	557.71	227.25
TOTAL	9,559.87	9,511.38

Average Price (FOBS) Per Tonne

	2008/2009 Crop	2007/2008 Crop
	Rs per tonne	*Rs per tonne*
European Union		
Sugar Protocol	19,821	21,265
Special Preferential Sugar	-	-
US	13,713	17,855
World	27,619	15,024
Average Export Price	19,822	21,260
Local Market	13,977	5,479
Average Price (Export & Local)	**19,350**	**19,892**

Statement of Distribution of Bagasse Proceeds

	2008/2009 Crop	2007/2008 Crop
	Rs	*Rs*
Bagasse Transfer Price Fund	68,035,756.84	65,793,745
Paid out to:		
Planters of the first group according to the Second Schedule of SIE (Amendment) Act 1993	8,164,290.82	7,895,249
Planters of the second group according to the Second Schedule of SIE (Amendment) Act 1993	25,853,587.60	25,001,623
Millers or producers of electricity according to the Second Schedule of SIE (Amendment) Act 1993	34,017,878.42	32,896,873

Amount Per Tonne of Sugar Accruing

	2008/2009 Crop	2007/2008 Crop
	Rs	*Rs*
Planters of the first group according to the Second Schedule of SIE (Amendment) Act 1993	82.45	88.51
Planters of the second group according to the Second Schedule of SIE (Amendment) Act 1993	100.89	100.03

Amount Per KWH of Firm or Continuous Electricity

	2008/2009 Crop	2007/2008 Crop
	Rs	*Rs*
Millers or producers of electricity according to the Second Schedule of SIE (Amendment) Act 1993	0.093	0.096

The Bagasse Transfer Price Fund in respect of 2008/09 crop was distributed as from 4 August 2009 in accordance with the Sugar Industry Efficiency (Amendment of Schedule) Regulations 1999.

Jean Noël Humbert
Chief Executive Officer

Jyoty Soomarooah
Chief Finance and Administrative Officer

Ex-Syndicate Price Per Tonne

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

Crops 1986-87 to 2008-2009		On first 1,000 tonnes exported	On next 2,000 tonnes exported	On the remainder
Crop		*Rs*	*Rs*	*Rs*
1986 - 87	Millers	5,314.87	4,517.51	4,118.83
	Planters	5,348.13	4,550.77	4,152.09
1987 - 88	Millers	6,064.69	5,141.20	4,679.46
	Planters	6,101.79	5,178.31	4,716.56
1988 - 89	Millers	6,817.57	5,809.62	5,305.65
	Planters	6,855.48	5,847.53	5,343.56
		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		

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

Sugar Revenue

Crops 1979-80 to 2008-2009	Exports (FOB Basis) & other Receipts	Local Sales	Total Receipts
Crop	*Rs '000*	*Rs '000*	*Rs '000*
1979 - 1980	2,005,157	28,905	2,044,041*
1980 - 1981	1,581,466	59,840	1,639,734*
1981 - 1982	2,188,345	77,810	2,266,155
1982 - 1983	2,713,524	87,538	2,801,062
1983 - 1984	2,579,829	85,641	2,665,470
1984 - 1985	2,755,683	102,771	2,858,454
1985 - 1986	3,361,210	97,715	3,458,925
1986 - 1987	3,982,671	115,882	4,098,553
1987 - 1988	4,489,649	89,238	4,578,887
1988 - 1989	4,550,341	94,342	4,646,013*
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

* *Adjustment by Insurance compensation for sugar lost in cyclones.*

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