Mauritius Sugar Syndicate

Report & Statement of Account

2009 / 2010

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 finds its origins 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 yields obtainable 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 an office in the European Union with an overseas based representative. 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 Mauritian Sugar Industry are properly addressed and that its interests are safeguarded on the international front. The industry's Overseas Representative 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 Food Security upon recommendation of planters' associations and the Mauritius Cooperative Agricultural Federation Ltd.

The President of the Syndicate is elected at the organisation's AGM held annually in September. 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 the 22,200 producers in Mauritius, some 11,100 are registered directly with the Syndicate to receive their sugar proceeds. Another 10,900 sugar producers receive their sugar proceeds through the 155 credit cooperative societies registered with the Syndicate. The remaining producers receive their proceeds through their appointed brokers or middlemen.

MAIN COMMITTEE

President
- Patrick de Labauve d'Arifat

Vice-President
- Gansham Boodram

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 Security
- Hubert Daruty de Grandpré
- Denis Pilot
- Brizmohun Ram
- Hansraj Ruhee

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

EXECUTIVE AND SELLING COMMITTEE

President
- Patrick de Labauve d'Arifat

Vice-President
- Gansham Boodram

- Jugdis Bundhoo (from 6 August 2009 till 20 May 2010)
- Vijay Koomar Bojeenauth (as from 21 May 2010)
- Jacques Marrier d'Unienville
- Hector Espitalier-Noël
- Jean Li Yuen Fong
- Cyril Mayer
- Brizmohum Ram
- Hansraj Ruhee
- Ananrow Sonoo, OBE
- 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 (up to 31 January 2010)
- Kamalam M. Perumal (as from 4 February 2010)
- 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

Secretary/Typist
- Belinda Dorza-Antoine (as from 1 July 2010)

SUPERVISING AND SAMPLING

BULK SUGAR TERMINAL
Supervisor in charge
- Patrick Henry

Supervisors
- Nazim Minotte
- Rajeswar Boodhoo
- Denis Pin

BAGGED SUGAR STORAGE & DISTRIBUTION CO. LTD
Supervisor in charge
- Gaëtan Tranquille

Supervisors
- Clifford Davy
- Darmen Mooneesamy
- Sailesh Kumar Seebaluck

LEGAL ADVISER

- Etude de Comarmond & Kœnig
- BLC Chambers

AUDITORS

Chartered Accountants
- Kemp Chatteris Deloitte

OVERSEAS REPRESENTATION

London Office (up to 31 December 2009)
Grosvenor Gardens House
35 - 37 Grosvenor Gardens
London SW1W OBS, United Kingdom

General Overseas Representative
- Mrinal Roy, OSK (up to 31 December 2009)

Brussels Office
1, Avenue du Vieux Moutier
1640, Rhode St Génèse
Brussels, Belgium

Representative in Brussels and Geneva
- Géo Govinden (Overseas Representative since 1 January 2010)



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The President's Report 2009/2010

Crop Year 2009/2010 will be remembered for being one of the most challenging periods in the history of the Mauritius sugar sector. Indeed, apart from being the year during which the 35-year old Sugar Protocol has been terminated and replaced by the new trading arrangements for sugar provided under the Economic Partnership Agreements between the European Union and African Caribbean and Pacific (ACP) regions, it has also been the one during which Mauritius has embarked on a new strategy for the marketing of its sugars in the EU and worldwide. With the start of the refining operations by Omnicane Milling Operations Ltd (OMOL) and FUEL Refinery Ltd (FRL) during the year, the Mauritius Sugar Syndicate has been in a position to start export of white refined sugar under the Long Term Partnership Agreement with the Suedzucker Group, its EU commercial partner. The transition from production and export of raw sugar for refining at destination to white refined sugar into lined 20-foot containers for direct delivery to customers in the EU has been a challenge on all counts and has caused a real sea change across the supply chain from cane fields in Mauritius to delivery to the Suedzucker customers at destination. The Syndicate has also pursued its efforts in view of increasing the tonnages of the high value direct consumption special sugars produced by the millers with notably a return to the US and world markets after two years of absence for reasons beyond its control. Mauritius has thus during the year under review taken a giant step on the journey which will transform it from being essentially an exporter of a low value commodity to a major supplier of high value added direct consumption products to the market.

In keeping with the principles and objectives of the Multi Annual Adaptation Strategy (MAAS) of Mauritius for sugar, the year under review has witnessed the acceleration, completion and implementation of major projects in the sugar industry in support of its future strategic production and commercial orientations. An important milestone has been passed with the setting up of the two back-end sugar refineries, at Savannah and FUEL, for the production of white refined sugar of EEC Grade 2 type from Plantation White sugar feedstock. This landmark development has caused significant changes to be undertaken across the industry's supply chain, upstream and downstream. At field level, efforts have been pursued for further progress to be achieved on the Field Operations Regrouping and Irrigation Project (FORIP) aiming at the modernisation and improved efficiency of the small planters sector.

The campaign for improving the cleanliness of canes delivered by planters at mills, critical for milling and refining efficiency, has been intensified while the Syndicate has worked in close collaboration with the Mauritius Sugar Industry Research Institute and sugar estates in view of proceeding with the gradual elimination of chemicals which are or will be in future prohibited in the EU. With the export of white refined sugar, an entirely new logistic and administrative framework has had to be established in collaboration with all the major local service providers, including the Cane Planters and Millers Arbitration Control Board, haulage companies, forwarders, shipping lines, container depots, port authorities and customs department. A dedicated IT tracking system has been established by the Syndicate in close collaboration with its commercial partner Suedzucker, with the expertise of an IT consultant, so as to enable the full traceability of all operations in Mauritius from supply of the empty food grade containers to the refineries to delivery, storage and loading of the sugar containers for shipment. Adoption of relevant Quality and Food Safety systems across the industry's supply chain has also become a priority and a recurrent feature in the projects underway. The sugar industry has thus had during the year to pursue massive investments into its restructuring and adaptation so as to remain competitive in the new commercial environment.

The trade arrangements for sugar provided under the EBA initiative in favour of the Least Developed Countries and the regional EPAs, which have succeeded to the Sugar Protocol as from October 2009, coupled with the reform measures introduced under the current EU Sugar Regime, are indeed turning the EU into a more open and competitive market. The dual guarantees of a fixed price underwritten by national intervention agencies and of an agreed market access tonnage for each individual supplier as provided under the defunct Sugar Protocol, have on 1 October 2009 been replaced by a transitional arrangement under the regional EPAs. Prices will until 2012 only, be established on the basis of the EU Reference Price and market access determined by a Regional Safeguard Threshold (RST) set at 632,850.9 tonnes for the Eastern & Southern African region as from 2012. A safeguard mechanism will henceforth limit ACP non-LDC supplies to this ceiling when total supplies from both LDCs and ACP non-LDCs will have reached 3.5 million tonnes. In other words, the future market access of Mauritius to the EU for sugar will become quite uncertain as from the time when such conditions materialise.



The President's Report 2009/2010 (cont'd)

Additionally, the EU Commission has also during the year pursued bilateral negotiations in the context of FTAs with two groups of Andean and Central Latin American countries respectively, whereby they are proposing to provide to such counties market access of 276,000 tonnes of sugar under Tariff Rate Quotas, with a risk of disruption in market balance and further price reduction to the detriment of the traditional suppliers. This development intervenes at a time when there is still much uncertainty regarding both the time frame and ability to address certain critical outstanding issues in the context of the ongoing WTO negotiations under the Doha Development Agenda. The agreement reached between a group of Latin American countries and the EU on Tropical Products and Preference Erosion Products, which provides sufficient comfort to the preferential sugar exports of Mauritius to the EU till year 2020, still has to be endorsed in the larger forum of the WTO Ministerial Committee and cannot be considered as adopted until everything is agreed at this level.

In the meantime, the EU is turning into an increasingly competitive market with supplies originating from different sources. The ability for Mauritius to remain in the group of sustainable and favourite suppliers to the market will henceforth depend essentially on improvement and consolidation of its competitiveness and capacity to comply with the increasingly stringent quality and food safety requirements of customers. In this regard, the Mauritius sugar industry has had during the year under review to face two major difficulties. Firstly, its inability to realise adequate returns on the massive investments undertaken so far; and secondly, the prevalence of areas of inefficiency due to unfinished business under the MAAS reform with namely the heavy cost burden of the service providing institutions. In this context, an issue of deep concern during the year has been the outbreak of the eurozone crisis resulting in a fast depreciation of the single currency and a corresponding appreciation of the Mauritian rupee. This situation, compounded by the final cut in the EU Reference Price, has resulted in a significant reduction in the ex-Syndicate price to the producer for the 2009/10 crop year with MUR 14,612 per tonne down from MUR 17,427 per tonne in the previous year. At time of writing, given the continued appreciation of the rupee against the euro, the ex-Syndicate price for the crop year 2010/2011 was estimated at MUR 12,700 per tonne, a price level found by all producers to be significantly below their cost of production and likely to cause severe injury to the industry should no adequate measures be urgently taken. The Syndicate has on different occasions during the year made representations to Government in view of sensitising relevant authorities on the difficulties faced by the industry and has invited them to consider a set of proposals to support the industry and in particular the more vulnerable groups of planters facing severe hardship. These proposals have focused mainly on the need to urgently address all the unfinished business under the MAAS, including inter alia the reform of service providing institutions funded through the Global Cess. It also included the need for a diligent review of the Sugar Insurance Fund so as to take into account the new realities of the sector as well as other measures to provide immediate cashflow relief to producers.

The measures announced by Government for the sugar sector in the context of the presentation of the MUR 12 billion Economic Restructuring and Competitiveness Programme (ERCP) by the Vice Prime Minister and Minister of Finance and Economic Development on 13 August 2010, could not be more opportune. The concessionary financing facilities offered in this context to producers through the Bank of Mauritius and the Sugar Insurance Fund Board are only meant to provide immediate cashflow relief to producers, in particular to the small and medium planters, so as to provide them some breathing space to meet their short term obligations, but will not bring about any lasting solution with respect to the profitability of their operations. It is therefore imperative that the two measures contained in the ERCP which are likely to enhance producer net revenue in the short term namely, firstly the reduction of Global Cess so that in 2012 and subsequent years it does not exceed 4 percent of the ex Syndicate price, and secondly the conduction of a major review of the SIFB by a consulting actuary, are diligently applied. Be it what it may, it is clear that the expected benefits to be derived from the application of these measures would be reduced in the absence of coherence between national economic and monetary policies.



2009 CROP

Production, Supplies and Revenue

Although the 2009 crop benefited from favourable weather conditions during the growth stage, with abundant rainfall during the months of November and December 2008, persistent humid conditions subsequently affected the ripening of the cane. Excessive rain towards the end of the campaign, namely during the months of October and November 2009, which was respectively 352% and 224% higher than that of the long term average, has reduced the crop average extraction rate to 10.02%, compared to the initial estimate of 10.50% at the start of the campaign and a mean of 10.44% achieved over the past five years. The cane yield, on the other hand, attained a comfortable level of 77.14 tons per hectare, which was the best performance achieved since the 2001 crop. The 2009 crop outturn thus reached 467,234 metric tons sugar produced from 4.666 million tons of cane harvested, compared with 452,062 metric tons sugar produced from 4.533 million tons of cane during the previous crop. The area harvested in 2009 was reduced to 60,503 ha, from 62,024 ha for the 2008 crop, a decline which was less significant than the preceding year-over-year loss of 3,235 ha. Milling operations, which were nevertheless affected by the lower quality of canes delivered to the factories, lasted over a period of 30 weeks, ending on 9 January 2010.

Total availability of sugar from the 2009 crop, including a carry-over stock of 13,381 metric tons bagged sugar from the preceding crop, amounted to 480,615 metric tons. Exports totaled 432,487 metric tons as detailed in Table 1 (2009 Crop Sales), compared with 450,366 metric tons for the preceding crop, and comprised 250,950 metric tons of bulk raw and plantation white sugars for refining and 91,868 metric tons of white refined sugar for the EU market, and a total of 89,669 metric tons of special sugars for the EU, US and world market destinations. Although the intention was to convert most of the plantation white sugars from the 2009 crop into refined sugar prior to export, the delayed start, for reasons of force majeure, and the prolonged commissioning of the new back-end refineries, compelled the Syndicate to export a larger tonnage of this sugar in bulk for refining in the EU. During the commissioning of the new local refineries, a tonnage of white refined sugar produced by them was made available for the local market and was supplemented with production from Belle Vue Milling. Hence total domestic sales of locally produced white refined sugar reached 9,453 metric tons and the balance of the local market requirements for the 2009/10 crop year was imported. On the other hand, some 3,037 metric tons of plantation white sugar have been accounted as loss during the refining process: this refining loss is unavoidable given the increase in polarization of the sugar and is in accordance with international standards. The crop year ended with a stock of 35,638 metric tons, comprising both plantation white sugar for refining and special sugars in bags.

Total export revenue for the year as at 30 June 2010 consequently decreased to MUR 8.289 billion, from MUR 9.002 billion for the 2008 crop, mainly as a result of the sharp reduction of € 113.60 per metric ton in the EU reference price for raw sugar on 1 October 2009. Should the favourable Euro / Rupee exchange rate, which prevailed during the 2009 crop year, be maintained, the loss in export revenue resulting from the decrease in the EU reference price would be mitigated when the refiners reach optimal production levels. After deduction of all expenses, including cost of imported sugar for the domestic market, amounting to MUR 567 million, the net proceeds for the Syndicate during the 2009 crop attained MUR 6.874 billion compared with MUR 7.927 billion for the previous campaign. Despite some relief from the price liberalization of sugar on the domestic market as from January 2009, when sugar started being sold on a cost recovery basis, the Syndicate's total expenditure for the 2009 crop increased significantly as a result of the increased manufacturing premium paid for value-addition within the industry as the export mix evolves in favour of direct consumption sugars. In addition, with the export of white refined sugar, the terms of payment by buyers have changed significantly with the average buyer's credit period being extended in line with commercial practice in Europe, and the finance charges incurred by the Syndicate has consequently increased. Interest charges on overdrafts and loan facilities thus rose from MUR 88.2 million in the previous year to MUR 108.8 million for 2009 crop. The Syndicate also incurred an unrealised foreign exchange loss of MUR 66.9 million in 2009 crop compared to a gain of MUR 95.5 million for 2008 crop. The ex-Syndicate

TABLE 1

2009 Crop Sales (tonnes tel quel)

	MT		
2009 CROP OUTTURN			467,234
Plus 2008 Crop carry-over stocks (bagged sugar)			13,381
TOTAL DISPOSABLE SUGAR			480,615
EXPORT SALES			
European Union			
EPAs			
Raw and plantation white sugars for refining in EU	250,950		
Special sugars in bags	68,440		
White refined sugar	91,868		
Total EU Exports		411,258	
United States			
Special sugars in bags		2,826	
World Markets			
Special sugars in bags		18,403	
TOTAL EXPORT SALES			432,487
Total Sales of special sugars		89,669	
LOCAL MARKET SALES[1]			
White refined sugar			9,453
Refining loss[2]			3,037
Estimated available stocks			-
Plantation white sugar (as at 31.08.2010)			22,976
Bagged sugar (as at 30.09.2010)			12,662

NOTES:

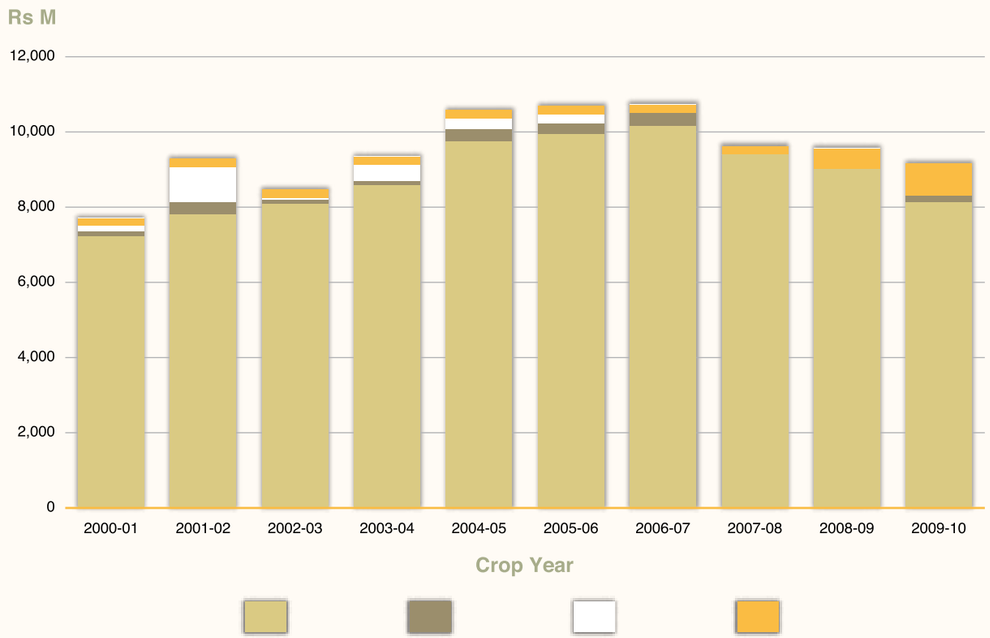
[1] *Local market sales supplemented by imports*

[2] *Given the increase in polarization through the refining process, a processing loss by the refineries is unavoidable. The Refining Service Agreement between the refineries and the Syndicate provides for an agreed refining loss in accordance with international standards.*

price for the 2009 crop, prior to disbursement of the SIFB premium, was therefore reduced to MUR 14,612.03 per metric ton, a decline of 16.15% compared with MUR 17,427.30 per metric ton paid to sugar producers for the previous crop. On the other hand, pursuant to the reallocation of the Global Cess, MUR 542.8 million was levied from producers' revenue to finance service providing institutions. With the decrease in export revenue in 2009/10, this contribution, which still represents 8 % of the ex-Syndicate price, has become ever more unsustainable for producers who are already struggling to cover their operational costs. It is noted that despite the decrease of 16% in the ex-Syndicate price, the reduction in the financing of the service providing institutions represents a mere 1% of that price. The relevant authorities have been alerted about the significant burden that cess represents on sugar producers' revenue with a call for an urgent reform of cess-funded service providing institutions. It is comforting to note that the Economic Restructuring

CHART I

Sugar Proceeds



and Competitiveness Program (ERCP) announced by Government on 13 August 2010 provides for a significant reduction in Global Cess so that in 2012 it does not exceed 4% of the ex-Syndicate Price. The service providing institutions will be restructured accordingly. A sum of MUR 586.6 million was also disbursed on behalf of producers as payment of premium to the Sugar Insurance Fund Board (SIFB) for the 2009 crop compared with MUR 718.6 million for the previous campaign.

Sales

European Union Market

The 2009 crop covered two delivery periods in the EU, namely the 1 July – 30 September 2009 transition period, bringing the ACP marketing year in line with that of the EU prior to the expiry of the ACP/EU Sugar Protocol on 30 September 2009, and October 2009 – September 2010. As from 1 October 2009, a new market access arrangement has been implemented 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 LDC and non-LDC ACP suppliers except for the application of a double trigger transitional safeguard mechanism which would cap the latter's supplies at an agreed Regional Safeguard Threshold (RST) when the total ACP/LDC supplies would have reached or exceeded 3.5 million metric tons white sugar equivalent (wse). The RST for Eastern and Southern Africa (ESA), established on the basis of the traditional supplies of the non-LDC ACP suppliers from this region to the EU market, has been set at 544,711.6 metric tons wse in 2009/10, 572,755.9 metric tons wse in 2010/11 and 632,850.9 metric tons wse thereafter, implying that Mauritius and Zimbabwe, the only non-LDCs within this region, can jointly export sugar duty free to the EU up to these quantities with no risk of being confronted with payment of customs duty. As long as the ceiling of 3.5 million metric tons for total ACP/LDC supplies has not been reached, non-LDCs can continue exporting sugar, even if their RSTs have been exceeded. However, once the 3.5 million metric tons ceiling has been attained,

the Commission will stop issuing licences for non-LDCs having reached their RST but will continue for the ones who have not yet reached their RSTs. It is interesting to note that as at 1 September 2010, the total import quotas allocated to ACP/LDC sugar amounted to 1,304,540 metric tons wse, of which 1,036,582 metric tons wse originated from non-LDCs compared to the ceiling of 1.380 million metric tons wse for this group of ACP countries. The total quantities allocated to ESA non-LDCs for 2009/10 reached 378,630 metric tons wse, out of the threshold of 544,711.6 metric tons wse established for this region. Actual supplies of ACP sugars to the EU market has been lower than forecast.

Mauritius shipped during the 1 July–30 September 2009 transition period 80,500 metric tons raw sugar for refining which have been admitted against the Mauritius delivery obligations of 122,757.63 tons wse under Commission Regulation (EC) No 1088/2008 of 5 November 2008. Given the drastic reduction in market prices on 1 October 2009, customers have been reluctant to buy raw sugar prior to that date on the basis of the July–September 2009 price of € 448.80 / metric ton unless there was real need for the sugar. In fact sales of special sugars for the 2008/09 delivery period had been concluded over an extended 15 months' period, that is from 1 July 2008 to 30 September 2009, in anticipation of the shift in delivery period to match the EU marketing year. Total export to EU from the 2009 crop reached 411,258 metric tons comprising 250,950 metric tons of bulk raw and plantation white sugars for refining, 91,868 metric tons of white refined sugar mostly in liner containers and 68,440 metric tons of special sugars in bags.

Implementation of new partnership agreement with Suedzucker as from 1 July 2009

The new commercial partnership agreement between the Suedzucker Group and the Syndicate, which had been signed on 2 June 2008, was implemented as from the 2009 crop. With the start up and commissioning of the refineries during the 2009 crop year, 2009/10 has been a transition period during which both white refined sugar and raw and plantation white sugars for refining have been exported. The first containers of white refined sugar produced by the two new back-end refineries, FUEL Refinery Ltd (FRL) and Omnicane Milling Operations Limited (OMOL), were successfully exported to EU in January 2010 and an official welcome ceremony for these first consignments was organised by Suedzucker at the port of Genoa on 25 March 2010. With Suedzucker's assistance, the necessary logistics and quality systems have been put in place in order to allow a smooth flow of these exports to their customers across the EU. It is to be noted that with the deliveries of white refined sugar effected till June 2010, Mauritius has been in a position to meet one of the key performance indicators of the EU General Budget Support Programme combining resources under the 10th European Development Fund and the Sugar Accompagnying Measures.

Special sugars

A total of 68,440 metric tons of special sugars, including a very small tonnage of refined sugar in cubes, were sold to a number of buyers in sixteen countries within the EU during the 2009/10 delivery period, compared with 68,851 metric tons during the previous delivery period which had, however, covered a 15 months' period. These sugars were shipped mostly in 50 kg woven polypropylene laminated or in 1-ton bags in 20-foot containers. Through regular visits or meetings with buyers during international trade exhibitions, the Syndicate has ensured a close watch of market developments in these countries in order to take advantage of all opportunities.

Fairtrade

The 2009 crop was also marked by the certification of the first five cooperatives of sugar cane growers by FLO Cert GmbH, and the Syndicate consequently disposed for export some 5,974 metric tons Fairtrade labelled sugars, which included production from both the 2009 and retroactively from the 2008 crops. Given the increasing demand for Fairtrade labelled sugars especially among its buyers of special sugars in EU, this certification has been long awaited. Most of these quantities represented additional sales over and above those of the Syndicate's trade in conventional sugars.

EU Prices

With the termination of the ACP/EU Sugar Protocol on 30 September 2009, the ACP/EU basic guaranteed price for raw sugar, which used to be negotiated annually between the EU and ACP States, no longer applied. Sales of raw sugar for refining in the EU were consequently effected on the basis of the new EU Reference Price for raw sugar at € 335.20 / metric ton CIF EU port, compared with € 448.80 / metric ton for the previous delivery period, while the direct consumption sugars were sold in relation to the new EU Reference Price of white refined sugar at € 404.40 / metric ton CIF EU port. Except for sales of special sugars in the UK which were settled in Pound Sterling, proceeds relating to the export of bulk raw sugar, white refined sugar, as well as that of special sugars to buyers in other EU countries were denominated in Euros.

The sales proceeds of the industry and resulting ex-Syndicate price are consequently highly dependent on the Euro and Pound Sterling parities against the Mauritian Rupee. During the first half of the crop year, the Syndicate benefited from a favourable Rupee/Euro exchange rate, the buying rate having reached MUR 44.41 on 1 July 2009, which enabled it to hedge a good proportion of its proceeds at a relatively high rate. However, towards the end of the year, the European currency became under pressure as the economic difficulties facing a few Eurozone members, namely Greece, Ireland, Portugal and Spain, became apparent and the Rupee/Euro exchange rate consequently started declining, reaching a low of MUR 38.44 on 17 May 2010. The initial target rate of MUR 46.00 set by the Syndicate for the hedging of its export proceeds for the 2009 crop consequently had to be reviewed with finally a weighted average exchange rate of MUR 44.50 to the Euro actually materialized over the period under review compared with MUR 43.07 for the preceding year. The Pound Sterling also suffered from a continuous depreciation against the Rupee during the crop year, being bought by commercial banks at an average of only MUR 47.50 at 30 June 2010 compared with MUR 52.07 on 1 July 2009.

United States Market

Mauritius was allocated a tariff rate quota of 12,636 metric tons raw value (12,076 metric tons tel quel) by the Office of the United States Trade Representative (USTR) on the basis of its 1.2% share of the US import quota for raw sugar for the 2009/10 delivery period, which was set on 25 September 2009 at the minimum WTO bound level of 1,117,195 metric tons raw value (mtrv). With the strategic decision by the Syndicate to resume sales in the US market, 2,826 metric tons special sugars, especially of Demerara type, have been sold from the 2009 crop. Although, upon request of the USTR, the balance of the unused TRQ had been relinquished, Mauritius was subsequently re-allocated an additional in-quota quantity of 2,185 mtrv when the US TRQ was increased by 181,437 mtrv on 23 April 2010. This additional allocation allowed the sales of a further 2,185 mtrv special sugars produced at the beginning of the 2010 crop but shipped during the 2009/10 delivery period. Likewise, Mauritius benefited from a second reallocation of 1,000 mtrv on 6 July 2010 after another 2009/10 quota shortfall reallocation exercise by USTR and the Syndicate subsequently sold an equivalent tonnage of Demerara sugar produced from the 2010 crop. Total exports to the US market for the 2009/10 TRQ delivery period has thus reached 6,688 metric tons.

World Market

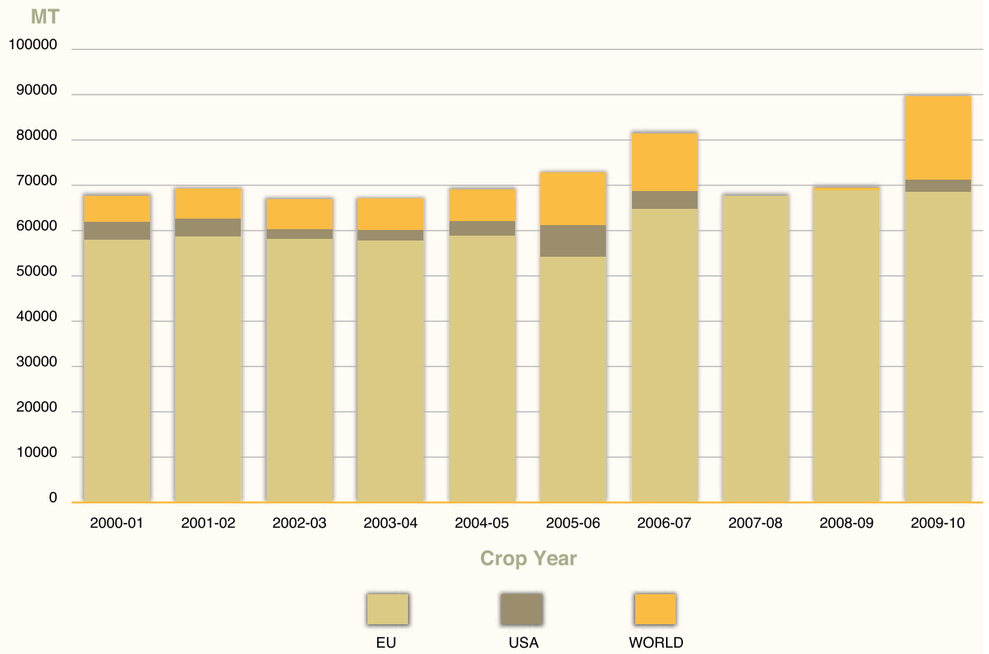
With the strategic decision by the Syndicate to resume sales to world market destinations as from 2009, 18,403 metric tons special sugars produced from the 2009 crop have been sold to some 20 different countries outside EU and US. The rapid recovery of sales volumes, after having had to withhold sales for two consecutive years, testifies customer satisfaction in respect of the quality of sugars produced in Mauritius and its competitiveness *vis à vis* other origins. Regular meetings with these buyers, either at international trade fairs, in Mauritius or in their respective countries have allowed the Syndicate to keep track of market developments worldwide and capitalise on sales opportunities.

Local market

With the Syndicate's strategic decision and commitment to supply all locally produced white refined sugar exclusively to the EU market, the local market has been supplied mostly with imported sugar. Despite the reduction in EU prices as from 1 October 2009 and the concomitant surge in world market prices during the last quarter of 2009,

CHART II

Export of special sugars



supplying local requirements from imports has remained the most remunerative option for the Syndicate. Notwithstanding the above, 9,453 metric tons white refined sugar were produced by OMOL and FRL during their start up, as well as by Belle Vue Milling, for delivery on the local market. The balance of the July 2009/June 2010 market requirements, that is 24,600 metric tons, was consequently contracted after launching international tenders in September 2009 and March/April 2010. The white refined sugar originated from Malaysia, Thailand and South Africa while 4,200 metric tons raw sugar for direct consumption were purchased during that period, pursuant to tender exercises conducted in September 2009 and April 2010, from Thailand and Brazil. Given the volatility of the commodity market during the 2009/10 delivery period, a number of these imported sugar consignments were contracted on the principle of Buyers' Executable Orders which allowed the Syndicate to take advantage of favourable futures to fix import prices. The consignments, which were loaded in 20-foot containers, were surveyed at the port of loading by R. Markey & Sons Inc. and samples of the sugar were analysed upon arrival at Port Louis by the Syndicate's Central Quality Department to ensure they conform to agreed specifications.

Out of the total sales of 36,303 metric tons effected during the 2009/10 period, 13,819 metric tons of white refined sugar and 1,667 metric tons of raw sugar were delivered to industrial users. Comparatively, total local sales during the previous year amounted to 38,168 metric tons, out of which 13,759 metric tons of white refined sugar and 1,741 metric tons 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 99 metric tons 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 1,142 metric tons equivalent of sugars during the period under review compared with 1,003 metric tons in the preceding year.



SUPPLY AND DELIVERY ARRANGEMENTS

Supply Agreements with Refiners

The refining of plantation white sugar feedstock into white refined sugar, of EEC Grade 2 quality and conforming to the specifications agreed between the Syndicate and Suedzucker in their long term partnership agreement (LTPA), has been entrusted to the two new back-end refineries, namely Omnicane Milling Operations Ltd (OMOL) and FUEL Refinery Ltd (FRL). Formal long term Sugar Refining Services agreements, extending till 30 September 2015, back–to-back with the LTPA, have been signed with both of them and are based on a minimum yearly production of 125,000 metric tons of refined sugar per facility for regular delivery over the year except during shutdown periods, to the Syndicate for export to the 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. The refineries are paid a Refining Service Fee for each ton of white refined sugar produced and delivered to Port Louis. Given a daily refining capacity of around half that of the on-site milling output, the OMOL and FRL refineries have respectively made provision for storage of 55,000 and 60,000 metric tons of plantation white sugar for off-crop refining. Sugar feedstock from other mills, namely Medine Sugar Milling and Compagnie Usinière de Mon Loisir Limitée, are, on the other hand, delivered and stored at the Bulk Sugar Terminal for recuperation by the refineries during the intercrop.

The first containers of white refined sugar in liner containers were delivered to Port Louis in December 2009 and were shipped at the start of January 2010. Some 88,853 metric tons refined sugars have been delivered by the new refineries for shipment during the 2009 crop as as at end June 2010. Total deliveries as at end August 2010 reached 129,575 metric tons.

Framework Agreement for Supply of Special sugars

After having finalised new framework agreements with producers during the previous marketing year for the supply of special sugars, production has increased significantly in the 2009 crop thereby allowing the Syndicate to meet its increasing delivery requirements especially as it resumed sales to US and other world market destinations. Production surged to 88,950 metric tons from 72,158 metric tons in the previous delivery period. The enhanced remuneration provided to manufacturers of special sugars under the framework agreement allowed them to undertake the necessary investments for the upgrading of their production facilities to meet customers' increasingly stringent quality and food safety requirements.

The special sugars are produced by three factories, namely Belle Vue Milling, Deep River Beau Champ (DRBC) and FUEL. Like the warehouses of the Bagged Sugar Storage & Distribution Co. Ltd (BSSD), they are all HACCP certified. Moreover, the former mill already operates a fully operational food safety management system on BRC standards while DRBC is ISO 22000 certified. Through a close collaboration with these factories, the Syndicate ensures that the production of special sugars is carried out under rigorous 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 Central Quality Department (CQD) of the Syndicate manages a surveillance program, as from acceptance of the sugar in the warehouses, to ensure that it is stored under suitable conditions for its intended use. As in previous years, each batch of sugar delivered is analysed by the CQD on the basis of daily representative samples for the Cane Planters and Millers Arbitration and Control Board purposes.

Supply of Fairtrade Sugars

Five sugarcane planters' cooperative societies, namely l'Amitié, l'Espérance, Médine Camp de Masque, Piton and Plaine des Roches Cooperative Credit Societies, obtained Fairtrade certification in October 2009 from FLO-Cert GmbH, thus enabling Mauritius to export for the first time some 3,099 metric tons of sugar under the Fairtrade label. Furthermore, upon the successful application of the Syndicate for retroactive certification, an additional 2,876 metric tons of sugar, representing the aforementioned cooperative

societies' sugar production for crop 2008, could be exported under the same label. This achievement is only Phase 1 of a project which the Syndicate proposes to extend to the whole small planters' community representing an annual production potential of some 90,000 metric tons of sugar. The project was officially announced at a Fairtrade Event co-sponsored by the Syndicate and the 5 certified cooperatives, held at the MSIRI on 12 November 2009 in the presence of the Minister of Agro Industry, Food Production and Security, Hon. Satish Faugoo, the Minister of Business, Enterprise and Cooperatives, Hon. Mahen Gowressoo and representatives of some 150 other cooperative societies. Both ministers, in their respective speeches, expressed their enthusiasm for the project and gave the assurance of their full support.

Fairtrade is an alternative approach to conventional trade and is based on a partnership between producers in developing countries and consumers in export markets. It is a market-based approach aiming at empowering these producers and promoting sustainability. The key objectives of the Fairtrade standards are to:

- Ensure that small-scale producers receive prices that cover their average costs of sustainable production;
- Provide an additional Fairtrade premium which can be invested in projects that enhance social, economic and environmental development;
- Enable pre-financing for producers, if necessary;
- Facilitate long-term trading partnerships and enable greater producer control over the trading process;
- Set clear minimum and progressive criteria to ensure that the conditions of production and trade of Fairtrade certified products are socially and economically fair and environmentally responsible.

The benefit of Fairtrade to certified local sugar producers is the guaranteed Fairtrade premium of US$ 60 per metric ton over and above the ex-Syndicate sugar price. As at 30 June 2010, MUR 8.3 M have been distributed by the Syndicate as premium to the five certified cooperatives for the sugar marketed on their behalf for 2008 and 2009 crops. The premium is meant for investment in social, environmental and/or economic development projects, adopted democratically by the producers within their respective farmers' organisation.

Pursuant to the Fairtrade Event in November 2009, the Syndicate successfully canvassed a group of 27 other cooperatives to enlist for Phase 2 of the Fairtrade project. In close collaboration with OIM (Mauritius) /Isolab, the project consultants appointed by the cooperatives, it consequently organised regular meetings with these cooperatives throughout the island. The objective of these meetings, which started in February 2010, is to ensure the cooperatives are adequately prepared in view of the forthcoming compliance audit to be undertaken by FLO-Cert GmbH. Upon completion of the audit and certification of the 27 cooperatives, an estimated 13,000 metric tons of sugar, in addition to the 3,000 metric tons to be produced by the five already certified cooperatives, will be available for export under the Fairtrade label for crop 2010.

As the exporter of Mauritian sugar under the Fairtrade label, the Syndicate has also been required to register as a certified Fairtrade Trader. It has been successfully audited with respect to its compliance with FLO Fairtrade Standards and Policies in April 2010.

Recognising the relevance and importance of the Fairtrade Project for small producers, Government set up a scheme in the 2010 Budget, to the tune of MUR 2.5 million, to financially assist cooperatives applying for Fairtrade accreditation. The funds were to be advanced as soft term loans to cover 75 % of the costs of consultancy and the application fees to FLO-Cert GmbH. Given the inadequacy of this amount to cover the funding requirements of the Phase 2 project, estimated at MUR 10 million, the Syndicate has pursued its efforts to obtain further support from Government. The latter has responded positively with its announcement in the context of the Economic Restructuring and Competitiveness Programme, that all expenses incurred by cooperative societies for their Fairtrade certification would be met by a grant.

Storage Facilities and Delivery Arrangements

The white refined sugars produced by OMOL and FRL are stuffed directly from the silos of the refineries into liner containers, and are delivered directly to the container terminal in Port Louis where a buffer stock is maintained in order to ensure regular shipments from Mauritius throughout the year. A working protocol has been established between the Syndicate and the Cargo Handling Corporation for the management and monitoring of the sugar containers at the terminal prior to their export from Mauritius.

When operating at their full capacity, the refineries would each deliver 24 container loads of sugar to the port terminal on a daily basis. In order to ensure a proper stock management and a steady flow of containers till shipment, a customised tracking system has been developed by the Syndicate. It allows monitoring of container movements from the depot, where the empty containers are delivered, to the refineries and back to the container terminal in Port Louis, thereby reducing the risk of any break or bottleneck along the supply chain.

Shipments are organised on the basis of a rolling plan with the three main shipping lines, namely Mediterranean Shipping Corporation, CGM-CMA and Maersk, offering a service from Port Louis to the European ports. Freight service agreements have been finalised with these companies in order to optimise on the cost of delivery to the final destinations in Europe. A second tracking system is triggered once the vessel sails so as to follow up on the transit of the containers till they reach the end customers.

In light of the capacity output of the refineries, half of the supply of plantation white sugar feedstock produced during the crop is stored in their respective sheds adjacent to their plants for off-crop refining. Moreover, PWS from other mills, namely Medine Sugar Milling and Compagnie Usinière de Mon Loisir Limitée, are delivered by them during the crop to the Bulk Sugar Terminal (BST) in Port Louis for recovery by the refineries for refining purposes during the intercrop season. One of the sheds at the BST has been adapted accordingly with the installation of the required equipment for collection of the sugar feedstock by the refineries.

During the first few months of the 2009 crop, the BST continued to receive bulk raw sugar pending the start of operations of the refineries. Moreover, as a result of their prolonged commissioning during the later part of the crop season, a surplus stock of PWS destined for refining was available for export. During the year under review the Syndicate thus received 174,952 metric tons of raw sugar and 83,148 metric tons of PWS, and exported 250,950 metric tons of these sugars in bulk to refineries in Europe. The balance was retained partly for export during the following marketing year and partly for refining locally prior to export.

Nine vessels were chartered by the Syndicate through its Chartering Committee in London for the delivery of the 250,950 tons of bulk raw and subsequently plantation white sugar from the 2009 crop to various refineries in EU. The average freight rate paid for these cargoes was US$ 40.75 per ton, compared with US$ 41.83 (£ 27.29) disbursed per ton during the preceding delivery period. While the freight rate was on average US$ 35 per ton during the first half of the delivery period, it increased significantly during the first few months of 2010, to reach an average of US$ 52.20 per metric ton, as a result of the rise in the Bunker Adjustment Factor as well as increase in demand for the handy size vessels especially in the Middle East region for exports to China.

As regards shipments of special sugars in bags, they were effected in 20-foot containers and delivered to customers on a Cost Insurance Freight (CIF) basis. Unlike white refined sugar, they were produced only during the crop and consequently had to be stored at the Bagged Sugar Storage Distribution Co Ltd (BSSD) warehouses in Port Louis for year-round shipments as per buyers' requirements. The special sugars were exported to EU, US and other world market destinations.

The BSSD 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 rigorously monitorthe 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.

In this respect, 88,950 tons of special sugars for direct consumption were delivered in bags to the warehouses of the BSSD from the 2009 crop, against 72,158 tons for the previous campaign. 89,669 tons

of these sugars, including a balance from the 2008 crop carry-over stock, were to be shipped by the end of the marketing year on 30 September 2010. Moreover, 8,565 metric tons of white refined sugar in 50 kg bags were received from Belle Vue Milling and 3,015 metric tons of these sugars were shipped to Eastern Europe on the basis of a one-off contract with a buyer. The remaining tonnage was delivered on the local market together with 3,903 metric tons of white refined sugar supplied by OMOL and FRL in 50 kg bags. The BSSD also received delivery of 24,313 tons of imported raw and white refined sugars during the period from 1 July 2009 to 30 June 2010.

In view of the increase in production of special sugars over the coming years, the second shed of the Bulk Sugar Terminal has been converted into a warehouse for storage of these direct consumption sugars mainly in 1 ton bags. The Syndicate is meanwhile examining different options for additional storage space for bagged sugar.

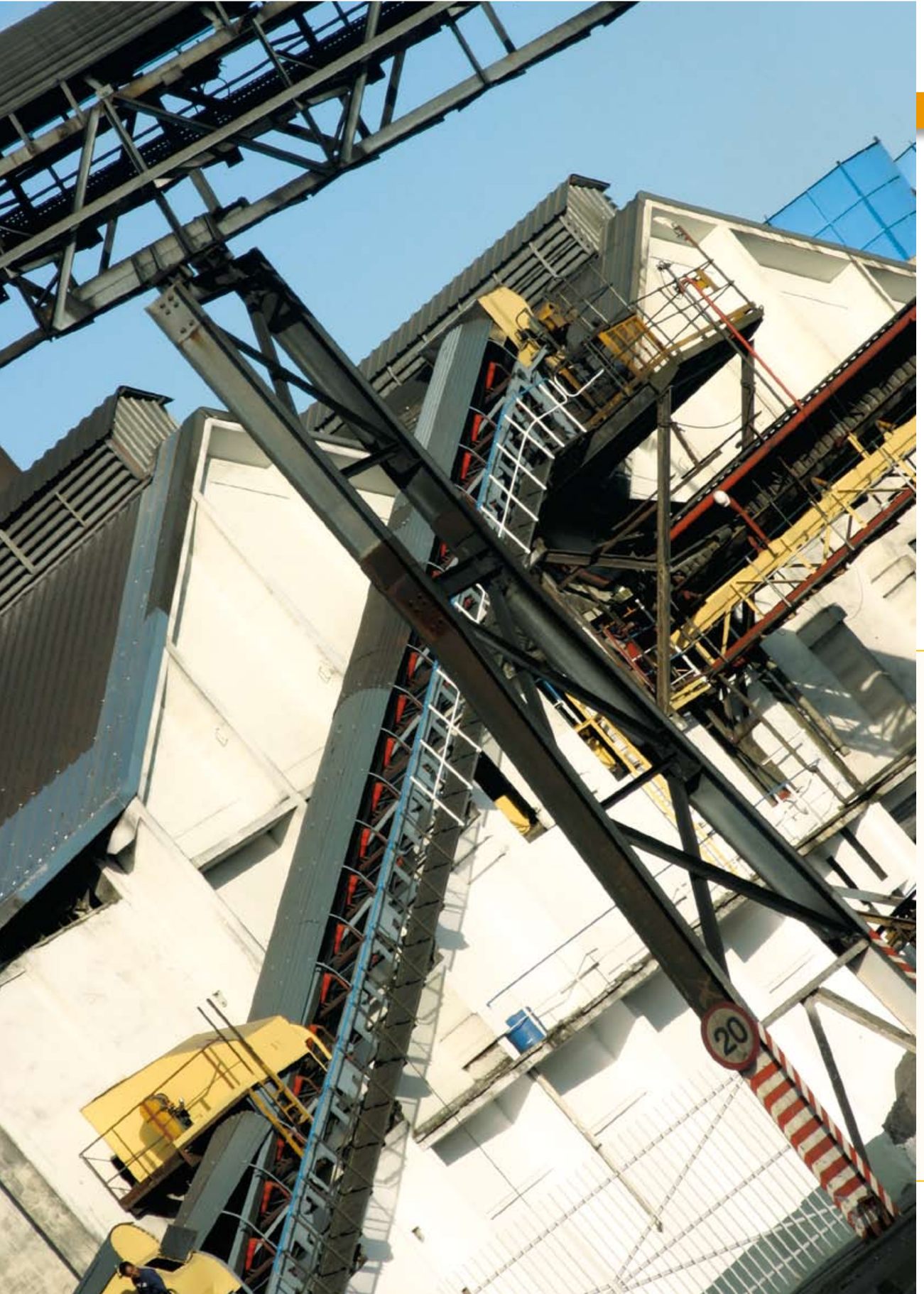
Quality and Food Safety

The exposure of the sugar industry to an increasingly competitive and demanding market has brought a paradigm shift in the quality culture across the supply chain. Quality systems, as determined by the Syndicate's buyers both of white refined and special sugars, have been established on all production and storage sites. Four factories altogether were submitted to a new certification scheme for their production, process and products leading to a food safety management system. The two refineries, FRL & OMOL as well as Belle Vue Milling, the producer of special sugars were certified with the Global Standard for food safety of the British Retail Consortium, while DRBC, another producer of special sugars, obtained certification for the international standard ISO 22000.

As an exporter of these sugars, the Syndicate as certains that all production is compliant with the relevant legal standards with regards to the general principles and requirements of food laws, and the general obligations with regards to hygiene of foodstuffs. It also ensures that all relevant sites have established, implemented and maintained permanent procedures based on the 'HACCP' principles as laid down in the Codex Alimentarius. Moreover, the Syndicate through a certificate obtained from the Mauritius Sugar Industry Research Institute, stipulates that the sugars produced are not derived from genetically modified canes and does not contain any genetically modified organisms or their derivatives.

A common Corporate Social Responsibility statement issued by the Syndicate confirms that the sugar industry is fully committed to its social responsibilities and adopts policies regarding health and safety, a salary rate no less than the minimum prescribed by the prevailing laws in Mauritius. It also entertains through its organizational framework constructive dialogue among its social partners and other industry stakeholders and adopts best cultural practices for cultivation and processing of the sugarcane crop with minimal impact on the environment.





2010 CROP & MARKET PROSPECTS

The 2010 crop benefited from favourable weather conditions during both the growth and ripening phases. Average sucrose content of the cane as at end June 2010 reached 12.6% countrywide, compared with 11.8% at the same time for the previous campaign. The total cane height has, however, been lagging behind by about 3.5% from the normal mostly due to the late ending of the preceding crop harvest. A normal crop was thus expected for 2010 subject to no adverse weather conditions being experienced during the remaining part of the campaign. However, with an anticipated reduction in the area under cane cultivation, a lesser tonnage of cane, to the tune of 4.4 million tons, compared with 4.67 million tons for the previous crop, is expected to be available for milling. On this basis, the Crop Estimate Coordinating Committee, chaired by the Mauritius Chamber of Agriculture, set the initial crop estimate in June 2010 at 450,000 metric tons of sugar. The official forecast was maintained in August 2010 despite a decreasing tendency of the extraction rate as a result of the high level of rainfall recorded in July 2010.

The 2010 crop production will be supplemented with some 12,662 tons of bagged sugar stocks as well as 22,976 metric tons plantation white sugar for refining carried forward from the previous crop. The latter tonnage, coupled with the estimated 30,000 metric tons plantation white sugar which will remain from the 2010 crop as a result of the prolonged commissioning of the local refineries, are scheduled to be exported partly in bulk for refining in the EU and partly retained for local refining during the following campaign. A total of 310,000 tons white refined sugar is expected to be made available for export in liner containers to the EU market. Moreover, some 110,000 tons special sugars are scheduled to be exported to the EU, US and world market destinations during the 2010/11 crop campaign. The 2010 crop commitments are detailed in Table 2 below.

TABLE 2

2010 Crop Sales Estimates (tonnes tel quel)

	MT	
2010 Crop Estimate	450,000	
Add carry-over stocks from 2009 Crop bagged sugar (as at 30.09.2010)	12,662	
Plantation white sugar (as at 31.08.2010)	22,976	
TOTAL DISPOSABLE SUGAR		485,638
EXPORT COMMITMENTS 2010/11		
European Union		
EPAs		
Plantation white sugar for refining in EU	30,000	
Special sugars	70,000	
White refined sugar in liner containers from FRL & OMOL	310,000	
Total EU Sales		410,000
United States TRQ		
Special sugars (2009/10 TRQ)	3,924	
Special sugars (2010/11 TRQ)	12,076	
		16,000
World Market destinations		
Special sugars		24,000
TOTAL COMMITMENTS		450,000
TOTAL SURPLUS		35,638
Of which bagged sugar estimated at	10,000	
Plantation white sugar	25,638	

European Union Market

The bulk of the 2010 crop production will be exported to the EU market as white refined sugar in liner containers. These quantities will be shipped on a continuous basis till June 2011, pending resumption of the 2011 crop. Moreover, some 30,000 metric tons plantation white sugar to be produced from the 2010 crop will be available for export to the EU for refining during the 2010/11 delivery period.

Furthermore the Syndicate has contracted sales for some 70,000 metric tons of special sugars for shipment to a range of EU customers during the October 2010 / September 2011 marketing year. These sugars will be shipped mostly in 1 ton and 50 kg polypropylene bags in containers and occasionally, upon request of buyers, in retail packing, after subcontracting the packaging operations to local operators. The EU sales commitments for the 2010 crop also comprise Fairtrade special sugars being supplied to a dozen of specialised buyers within the market.

Under the new EPA Sugar Agreement, the Regional Safeguard Threshold (RST) quantity for the Eastern and Southern African (ESA) region has been set at 572,755.9 metric tons wse for the 2010/11 delivery period. Given its sales commitment in the EU market, and assuming production of Zimbabwe, the other non-LDC ACP supplier of the ESA region remaining in line with its traditional supplies, the risk of this ceiling being exceeded is quite remote.

United States Market

On 31 July 2010, the United States Department of Agriculture (USDA) announced that the US import quota for raw sugar for the 2010/11 delivery period has been set at the bound minimum WTO level of 1,231,497 short tons raw value (1,117,195 mtrv). Mauritius obtained its 1.2% net share allocation of this quota amounting to 12,636 mtrv sugar. Since resuming exports to the US market as from the 2009 crop, after the two preceding years' restriction, the Syndicate will for the first time be in a position to fulfill its total raw sugar TRQ allocation with the sales of direct consumption special sugars to a range of buyers. Furthermore, after two TRQ shortfall reallocations by the USTR to Mauritius during the 2009/10 delivery period, respectively 2,185 mtrv on 23 April 2010 and 1,000 mtrv on 6 July 2010, the Syndicate concluded additional sales of special sugars to its US buyers for delivery prior to end September 2010 but with supplies from the 2010 crop. Total sales to the US market from the 2010 crop would therefore attain 16,000 tons.

World Market

In the same spirit, after resuming sales of special sugars to world market destinations as from the 2009 crop, the Syndicate will be reinforcing its market position in these countries with the support of its respective buyers. In add ition, with the view to further expanding its export market base, the Syndicate remains geared to the development of new sales outlets in targeted potential markets. Sales of special sugars from the 2010 crop to the world market are thus expected to reach 24,000 tons.

Local Market

Given the Syndicate's supply commitment under its LTPA with Suedzucker, the totality of the estimated 38,000 metric tons of white refined and raw sugars required for the local market for 2010/11 is likely to be imported. Such imports are to be undertaken through international tenders for delivery in Port Louis as from November 2010. In this context, purchase of 18,600 metric tons of white refined sugar has been finalised in August 2010.

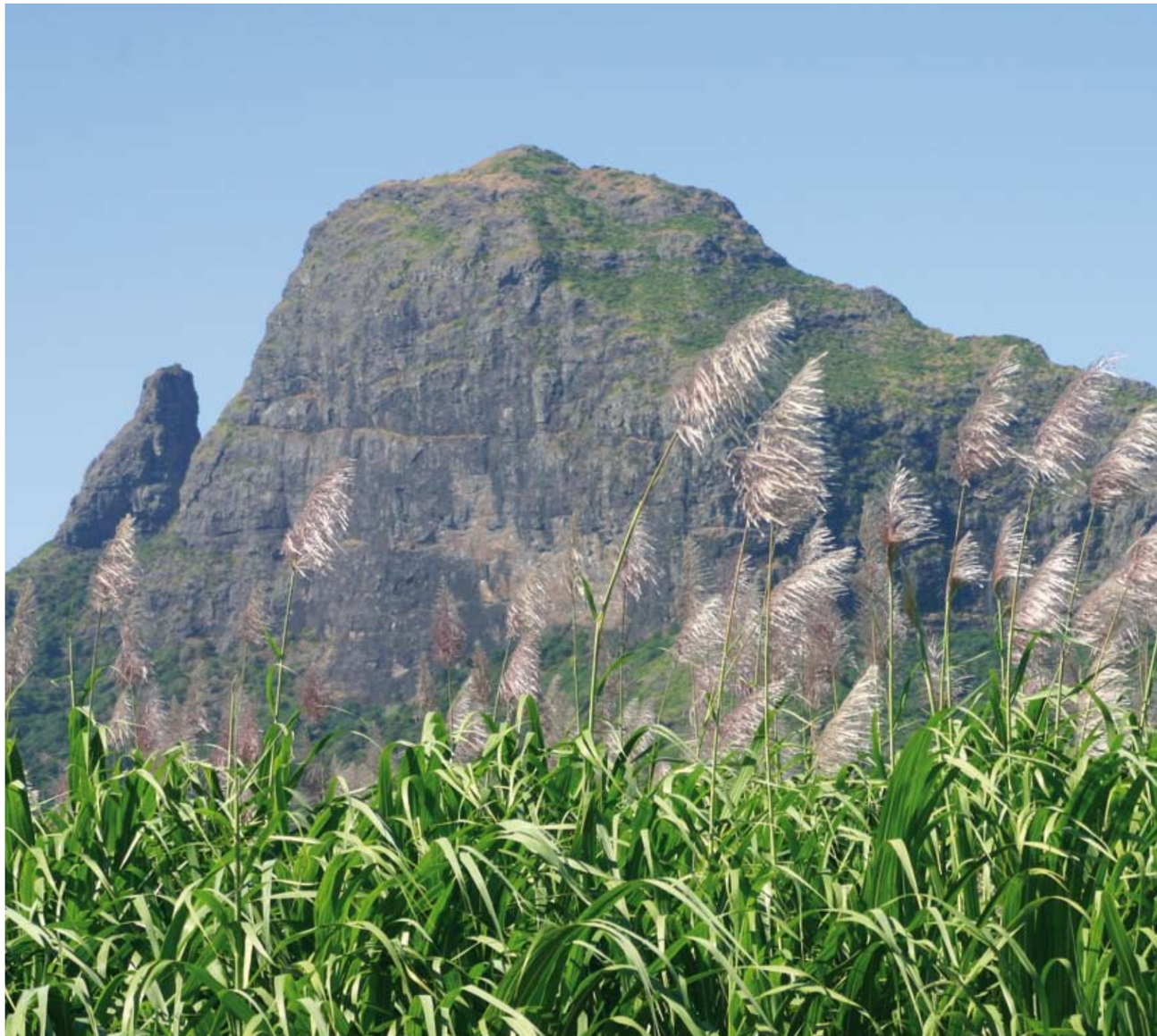
In line with the established procedures for pre-shipment surveying and analysis on arrival, the Syndicate ensures that the imported sugar meets all the necessary specifications and requirements. These imported sugars are then stored at the BSSD warehouses under the required quality and food safety norms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

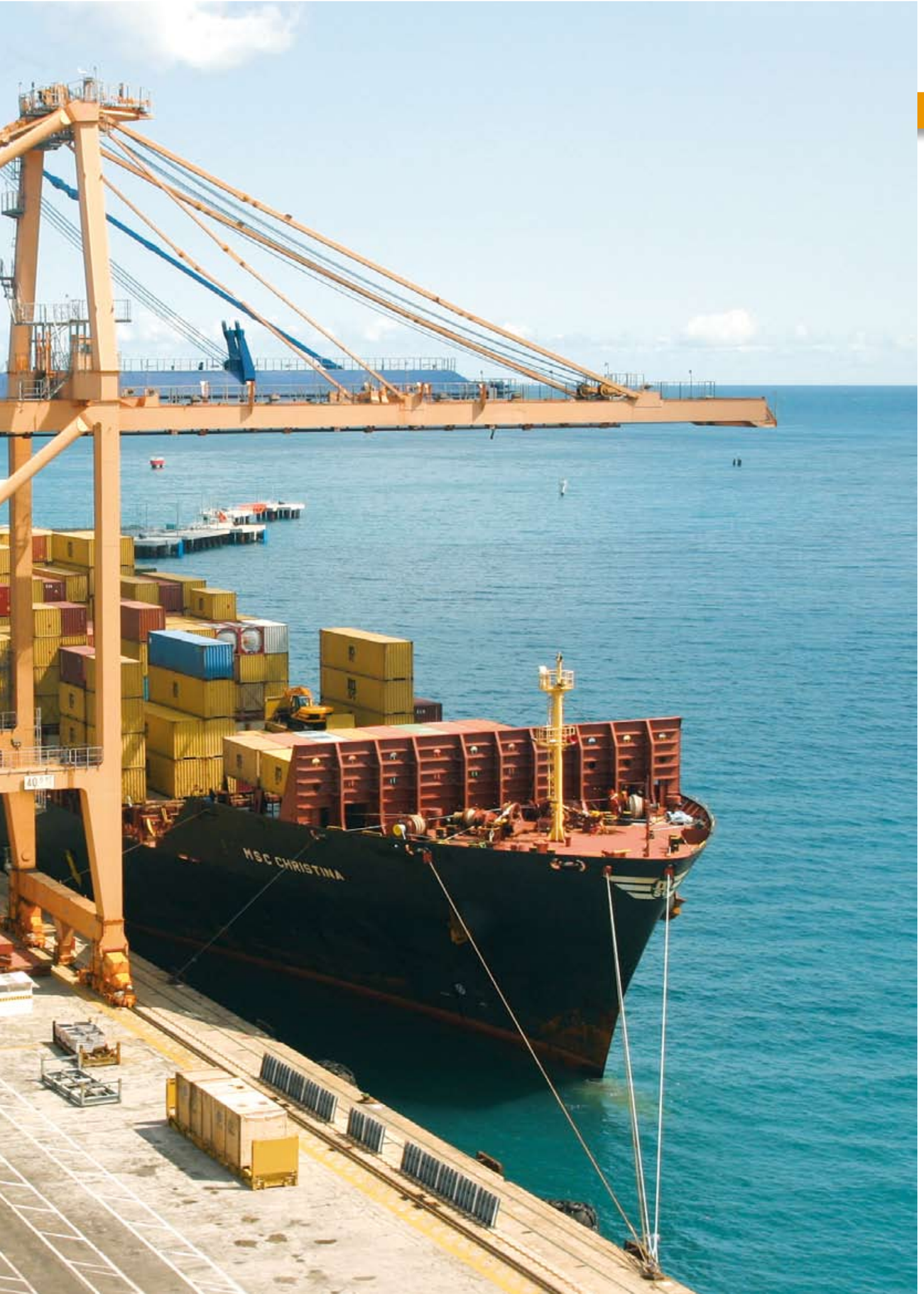
Further to the liberalization of prices on the local market, the Syndicate has set up a pricing mechanism providing for bi-annual reviews. The ex-warehouse prices applicable as from January 2010 were maintained in July 2010, given that cost of imports had remained unchanged. These prices are as follows:

TABLE 3

Local Market Prices as from July 2010

• White refined sugar to wholesale dealer/packer	Rs 22,500 per tonne
• White refined sugar to industrial users (Others)	Rs 22,700 per tonne
• White refined sugar to Bottlers	Rs 22,900 per tonne
• Raw sugar to all categories	Rs 22,500 per tonne





CROP FINANCING AND PAYMENTS

Advances and Borrowings

In order to meet its financial obligations, namely regular advances to sugar producers, remittances through the Mauritius Sugar Authority to service providing institutions (under Global Cess), payments to redundant workers of the Mauritius Sugar Terminal Corporation as well as payment of the Sugar Insurance Fund Board (SIFB) premium on behalf of the producers, the Syndicate has to ensure an appropriate cash management system which takes into consideration the inflow of funds from its export proceeds. In this context, it also contracts short and medium term loans at the lowest possible interest rates from commercial banks and various institutions in the sugar sector to supplement funding requirements. Such an initiative enables producers to benefit from a cheaper source of financing compared to what would have otherwise been available individually. As at 30 June 2010, MUR 291 M was thus still outstanding as loans at the Syndicate, details of which are set out in the Notes to the Accounts. Furthermore, a sum of MUR 586.7 million, representing insurance premium payable by the producers, was contracted as loan from the Sugar Insurance Fund Board during the year at mutually agreed terms and conditions and repayment of the capital and interest accrued thereon was effected in different tranches.

Payments to Producers

Advance payments are made to producers on the basis of the tonnages of cane which they deliver to the factory weighbridge and the sugar produced therefrom. A first advance representing some 40 to 45% of the estimated ex-Syndicate price for the crop year is effected at the start of the campaign. In this regard, on 25 June 2009, the Syndicate made an initial payment to producers of MUR 6,500 per metric ton of sugar produced from their canes. This advance was gradually increased till the final ex-Syndicate producer price of MUR 14,612.03 per ton was paid on 30 June 2010. Remittances were made weekly during the harvest and monthly in the inter-crop. The Syndicate adhered to the specific payment instructions provided by the producers themselves: out of the 22,200 planters who were paid during the crop year, some 11,100 received their proceeds directly while 260 producers were paid through their respective brokers and the remaining planters, registered with some 155 cooperative societies, received payment through their accounts at the Development Bank of Mauritius Ltd and the Mauritius Post & Cooperative Bank Ltd. At time of writing, in line with the recommendations made by Government in the ERCP, the Syndicate has been in a position to effect an enhanced payment to small and medium planters, equivalent to 80% of the estimated ex-Syndicate price for the 2010 crop. This has been made possible through a special line of credit granted to the Syndicate by the Bank of Mauritius.

Payment to Service Proving Institutions (Global Cess)

Pursuant to the legislative provision through the Mauritius Sugar Authority Act No. 27 of 1984, a sum of MUR 542.8 M was levied on the sugar proceeds of producers for the 2009 crop and was paid to the Mauritius Sugar Authority for financing of service providing institutions. A further sum of MUR 99.8 million was disbursed to the Mauritius Sugar Authority for onward remittance to the Mauritius Sugar Terminal Corporation for payment of pensions due to dock workers who became redundant when the Bulk Sugar Terminal was established. The payment to service providing institutions which represents some MUR 1,154 per metric ton of sugar (98.5° pol basis) remains an unsustainable burden to the producers' community. Numerous representations were made to the government for cess reduction.

In its budget speech of November 2009, Government announced that, in order to mitigate the impact of the 36% reduction in the European Commission sugar reference price on small planters cultivating 12 arpents or less, a partial relief on cess would be provided to such planters for 2009/10 and 2010/11 crops. The Syndicate thus received from the Mauritius Sugar Authority a sum of MUR 18.4 M which, on 4 May 2010, was remitted to the producers concerned at the rate of MUR 231.08 per metric ton

of sugar produced for 2009 crop. At time of writing, Governement had, in the ERCP presented on 13 August 2010, submitted a proposal for a significant reduction of Global Cess so that it does not exceed 4% of the ex-Syndicate price in 2012.

Payment of Bagasse

Bagasse proceeds amounting to MUR 68.4 M were received during the financial year, and remittances were made on 7 July 2010 to different categories of producers, in accordance with the provisions of the Sugar Industry Efficiency Act (Amendment to Schedule) Regulations of 1999. Details pertaining to the payments are set out in the Statement of Distribution of Bagasse Proceeds.

Foreign Exchange Receipts

Management of foreign exchange receipts with a view to securing the revenue of producers remains a very important aspect of the Syndicate's operations. The Forex Committee, as mandated by the Executive and Selling Committee, ensures that the financial risks associated with currency and interest rates fluctuations are managed effectively and efficiently.

Members of the Forex Committee are mandated to:
(a) develop and implement risk management strategies with respect to foreign currency dealings;
(b) monitor performance on agreed criteria and recommend best practices and instruments to manage and improve foreign currency transactions;
(c) keep abreast of developments in the currency markets and recommend appropriate measures;

The support of Stewardship Consulting Pte Ltd., an independent expert in foreign currency management, remained during the year under review a valuable input in the currency management operations of the Syndicate.

Various hedging instruments, namely forward contracts, options and swaps, were used to maximize revenue from the export proceeds, against the backdrop of global economic downturn and the sovereign financial crisis in the eurozone. The performance achieved was submitted to the Syndicate's Executive and Selling Committee on a regular basis for evaluation.

Risk Management

The transition from export of raw sugar in the previous years to the sale of direct consumption sugars, urged the Syndicate to exercise an even higher level of control on risk management as a key element for improved performance and good corporate governance. In this regard, the Executive and Selling Committee reviewed the terms of reference of the Audit Committee which were enlarged to encompass all major risk areas. The latter committee was renamed to become a Risk Management Committee with a defined framework. The Risk Management Committee met several times during the year and identified the various risks areas which, if not properly monitored, would adversely impact on the performance of the organization. The risks thereby identified were categorized into high, moderate and low risks. Scorecards were prepared and priority risk areas were spelt out. The committee then proposed remedial actions for certain areas that required immediate attention. The process is on-going and necessary corrective measures are being implemented in order to mitigate the effects of such risks on the Syndicate's performance.





INSTITUTIONAL MATTERS & OVERSEAS REPRESENTATION

Institutional Matters

EU Sugar Regime

The ACP-EU Sugar Protocol came to an end on 30 September 2009. This model trade instrument which had supported socio economic development in the beneficiary countries was annexed to the first Lomé Convention in 1975 and subsequent Lomé Conventions and in year 2000 to the Cotonou Agreement. The EC used the provision of Art 10 of the Protocol for its denunciation on 30 September 2007. The Protocol was implemented within the EU Common Market Organisation for Sugar, commonly known as the EU sugar regime.

The full price reduction of 36% introduced in the EU Sugar Regime reform which started on 1 July 2006 has been fully implemented with effect from 1 October 2009.

EPAs and Sugar in EPAs

As of 1 October 2009, ACP exports to the EU are governed by two specific regimes (i) Economic Partnership Agreements (EPAs) for signatory countries or (ii) the "Everything but Arms Initiative" for the Least Developed Countries. During the period 1 October 2009 and 30 September 2015, there will be duty-free access of ACP sugar into EU market, subject to an automatic volume safeguard clause applicable to ACP non-LDCs when two conditions are met, namely that total imports from ACP countries (LDCs and non-LDCs) known as the Upper Regional Threshold (URT) reach 3.5 million metric tons wse; and imports from ACP non-LDCs reach 1.38 million metric tons wse, the Lower Regional Threshold (LRT), in marketing year 2009/2010. The figure of 1.38 million metric tons wse shall increase to 1.45 million metric tons in marketing year 2010/2011, and 1.6 million metric tons in the following four marketing years to the end of the current regime in 2015.

The LRT has been subdivided into seven Regional Safeguard Thresholds (RST). The safeguard will apply in each region in the case where the overall trigger (3.5 million metric tons) and the regional trigger for non-LDCs are reached simultaneously.

Furthermore, a special surveillance mechanism is in place from 1 January 2008 to 30 September 2015 for import of some processed goods into the EU with high sugar content and the Commission will take safeguard measures if imports of those products were to increase by 20% in volume during a period of 12 consecutive months.

From 1 October 2015, the regular EPA safeguard will apply in particular where the Community sugar market price falls during two consecutive months below 80% of the Community market price prevailing during the previous marketing year.

Until 30 September 2012, importers are required to purchase ACP sugar at a minimum price no lower than 90% of the EU reference price.

At the Commercial/Industry level, an EPA/EBA Sugar group has been set up in London with the agreement of 29 industries supplying the EU market. The EPA-EBA London Sugar Group coordinates the suppliers' commercial interests and provides support to the political/diplomatic representation in Brussels. Efforts are being undertaken on the basis of a resolution adopted by the 90th ACP Council of Ministers to establish a single ACP Subcommittee on Sugar, at both Ministerial and Ambassadorial levels to take into account the new market access conditions to the EU. Its membership would be open to all ACP Sugar Supplying States.

A series of meetings were held in the course of 2009, both at technical and at Ambassadorial level with the Commission services regarding the crafting of the Commission's implementation regulation applicable until end September 2015.

Regular "information exchange" meetings have been held since October 2009 on the export performance of the ACP. The ACP have also regularly informed the Commission of its export forecasts to assist the latter regarding the management of the market, to ascertain that there is no market imbalance and to take appropriate measures, if need be.

CAP reform

The EU is preparing for a further round of reforms of its common agricultural policy (CAP) beyond 2013. The Commission intends to present a communication in November 2010 and to make legislative proposals in the summer of 2011. In that context, the Commission launched a public consultation on the future of the CAP and requested input from all stakeholders on the following four strategic questions:

(i) Why does Europe need a European common agricultural policy?
(ii) What do European citizens expect from agriculture?
(iii) Why reform the CAP?
(iv) What tools are needed for the CAP of tomorrow?

While the CAP was primarily a domestic EU policy it had important implications for the ACP sugar supplying states. It was also felt that, though the current Sugar Regime would only expire in September 2015, the underlying philosophy which would be retained by the EU as regards its agricultural policy post 2013 would impact significantly on the market access conditions for sugar post 2015.

In order to develop an adequate response to the Commission's four questions, the ACP organized a dedicated workshop from May 25 to May 28 in Brussels with the support of the ACP-EU TradeCom Facility. The Workshop adopted an ACP position on the reform of the CAP which was posted on the Commission website.

Furthermore, a formal written submission was forwarded to the EU Commission highlighting the following key primary objectives for ACP/LDC sugar suppliers in the context of the Post 2013 reform of the CAP:

(i) EU market prices which are fair, stable and reasonably remunerative to producers
(ii) Guaranteed priority of access.
(iii) Long term predictability with continued preference assured by tariff barriers and robust mechanisms for market management.
(iv) Stable and balanced market.

Indeed it was felt that predictable market access conditions, stable prices, adequate and effective border measures were important for investment because of the return of the crop given a seven-year production cycle. It is clear that without these basic guarantees, the EPA agreements which many sugar supplying states had entered into with the EU would have little developmental role. The ACP would have to monitor very closely this issue which could have a significant impact on its trade to the EU in the mid to long term.

Second 5-year Review of the Cotonou Agreement

The second 5 year review of the Cotonou Agreement was initiated in May 2009 and was completed in March 2010. The formal signing ceremony took place in Burkina Faso on 22th of June 2010.

Many features concerning the Millenium Development goals were introduced in the revised Agreement. As regards the trade aspects, both sides agreed to the deletion of those commodity protocols that had legally ceased to exist. These were Protocol 3 on sugar, already denounced by the EC, Protocol 4 on beef and veal as well as Declaration XXVI. Protocol 5 (2nd banana protocol) as well as declaration XXIV (rice) and Declaration XXV (rum),

Both sides further agreed that the development aspects previously embedded in the commodity protocols should be retained. Support would be provided to ACP States that were dependent on commodities or a few products with a view to reducing this dependency and promoting diversification of ACP economies.

Certain articles were introduced which required the EC to notify and consult with the ACP Group, on any measure that the EC might wish to adopt concerning trade that affected ACP interests. It was agreed that the EC should inform the ACP of any such measures in advance and that these measures were also to be addressed by the Joint ACP-EC Ministerial Trade Committee.

The revised Cotonou Agreement also contains specific provisions calling the EU to endeavour pursuing measures to overcome possible negative impacts of liberalisation, with a view to maintaining significant preferential access within the multilateral trading system for ACP States for as long as is feasible and to ensure that any unavoidable reduction in preference was phased in over as long a period as possible. Moreover, the EU would devise and implement development and specific adaptation strategies to address the impact of preference erosion including any supportive measures.

EU FTAs

The ACP noted with grave concern the conclusion in May 2010 of FTAs between the EU and certain Andean and Central Latin American countries which comprised the granting of TRQs for sugar. Indeed the award of 276,000 metric tons of new import quota by the EU to Colombia, Peru and Guatemala with the inbuilt provision for a 3% annual increase could destabilize the EU market and undermine ACP preferential status. EPA/EBA preferences could be further diluted with other upcoming FTA negotiations (Mercosur, Ukraine and India). The ACP complained that the EU had not respected certain provisions under the Cotonou Partnership Agreement and Economic Partnership Agreements (EPAs), in particular on the need for prior consultations in order to take into account the potentially disastrous consequences this may have on our sugar industries.

The ACP felt that these concessions would negatively impact on the economic development value of the EPAs and would alter the rights and obligations of the Parties as enshrined in these agreements. It was considered that such an approach was unacceptable and put into question the coherence of the EU policy.

The ACP have signified to the Commission that in the event of the EU granting additional access to third parties to its sugar market, following meaningful consultations with ACP suppliers as per Article 12 of the Cotonou Partnership Agreement, the ACP suppliers would expect to receive dedicated and appropriate support measures to take account of preference erosion.

The ACP have also requested the Commonwealth Secretariat to undertake a study to demonstrate, on the basis of strong analytical examination, the negative consequences of unbridled liberalisation on ACP economies.

SADC issues

SADC Technical Committee on Sugar (TCS)

The work undertaken by the TCS and its two main working groups has been pursued during the year with meetings being held every quarter on the basis of a set agenda. The Syndicate has participated actively in these meetings which are of critical importance in the management and monitoring of two major and highly interrelated considerations in the SADC Trade Protocol: on the one hand the main objective of the Trade Protocol itself which is nothing less than fostering regional economic integration through the creation of a single market with increased harmonization of policies, liberalization of tariffs and removal of non tariff barriers, and on the other hand, the specificity of sugar which, given the special market conditions pertaining to the product globally, require a special dispensation within the framework of the SADC Trade Protocol so that its main objective be attained with minimal injury being suffered by any of its sugar industries.

In this regard, the TCS meetings held during the year have addressed certain issues of critical importance for the SADC sugar industries. This has included information exchange relating to market access within the SADC region with namely the updated sugar supplies from the non SACU SADC countries for the 2009/10 and 2010/11 marketing years as well as the quota estimates for the 2010/11 marketing year. Certain projects initiated in the previous year have been pursued with namely the establishment of a SADC Sugar Yearbook which will constitute a useful data bank for the region and its other trade partners, and also the elaboration of SADC Guidelines for Best Management Practices in Sugarcane and Sugar Production, which will enable industries in the region to have a common and coordinated approach on the issue.

The most ambitious task undertaken by the TCS during the year under review has however remained the monitoring of the Action Plan established for implementation of a SADC Regional Sugar Strategy. The latter project has been fuelled by inputs from regional industries through the SADC Sugar Producers Consultative Forum, of which the Syndicate is a member, with the organization of a workshop facilitated by a regional expert to establish the priority strategies and

actions for an effective and coherent implementation of the SADC Regional Sugar Strategy. The TCS has also been an important forum for addressing specific areas where a consensus has yet to be achieved within SADC namely the issue of scanning fees charged on all sugar exports from Mozambique and the adoption of the amendments to Annex VII to the SADC Trade Protocol regarding trade in sugar.

Federation of SADC Sugar Producers (FSSP)

The FSSP Annual Conference, co-hosted by the Mauritius Sugar Syndicate and the Mauritius Chamber of Agriculture, was held on the 3 of August 2010 at Balaclava, Mauritius, and attended by some 120 delegates from SADC Member States. The SADC sugar producers present at the conference came from Malawi, Mauritius, Mozambique, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. Also in attendance were representatives from the SADC Secretariat, Botswana, and Lesotho. The theme for this year's conference was "Paving the Way to a Sustainable and Coherent SADC Sugar Industry".

After the official opening of the Conference by the Honourable Satish Faugoo, Minister of Agro Industry and Food Security of Mauritius, presentations were made by sugar industry experts in the fields of policy, trade, economy, finance, production and energy. The objectives of these presentations were to offer to delegates an overview of new policy and regulatory frameworks and market developments at both the regional and the international levels. Delegates were also briefed on the vertical integration of the Mauritian sugarcane industry and its diversification strategies. The other presentations sensitised delegates not only on ways and means of responding together, in a coherent and sustainable manner, to the challenges the industry is currently facing, but also, to new opportunities which will emerge in the coming years.

Based on the proceedings of the Conference, a Communiqué was issued by the conference secretariat through which members agreed to:

- Monitor closely the EU CAP reform and the EU FTA negotiations which could have a significant impact on access conditions to the EU market.
- Monitor the WTO negotiations, and where possible mitigate any adverse impact on market access conditions; and support a position that preference-giving countries provide specific adaptation support, should trade liberalisation lead to significant preference erosion.
- Maximise export sales to the deficit regions in Africa where possible through agreements to be negotiated under the aegis of SADC. In that respect, the support of the SADC Member States and the SADC Secretariat should be secured for policy harmonisation and the creation of a positive investment environment.
- Pledge its full support to the development of a coherent regional agricultural policy as well as a regional biofuels policy both currently promoted by the SADC Secretariat.
- Build on the availability of land and favourable agronomics conducive to high yields and large scale operations.
- Explore all avenues related to access to finance and examine ways and means of addressing, with government support, infrastructural and other supply-side constraints (e.g. water, energy, skilled manpower, roads, railways and ports).
- Obtain government support which is crucial for the commercial viability of energy projects like power co-generation, bioethanol and renewables.
- Secure government assistance to address the significant threats posed by exchange rate volatility.
- Enlist the support of government to improve the regulatory environment, and obtain adequate tariff protection, fiscal and other support measures.
- Call for better communication and collaboration between the SADC Secretariat and the various stakeholders on trade and agricultural policy, training, research and development and other issues of common interest.

It was further agreed that the Communiqué would be circulated to all stakeholders, including SADC Governments, the SADC Secretariat and other interested parties.

World Trade Organisation (WTO)

The DDA negotiations have hardly progressed over the past year. However, after staunch negotiations, an agreement was reached on 15 December 2009 between 8 Latin American countries, the EU and the ACP on the treatment of tropical and preference erosion products. Sugar would be treated by the US and the EU as a preference erosion product with two possible options:

- Either a normal tariff cut of 70% over 8 years with a moratorium for the first two years.
- Or sugar designated as "sensitive product" with out-of-quota tariff reduction and Tariff Rate Quota creation over 7 years.

This agreement has now to be endorsed in due course by the full WTO Membership.

It is also generally agreed that the special safeguard clause could be applicable to 1% of tariff lines.

The ACP group is yet to determine which of these two options it should favour bearing in mind that the treatment of sugar as a "sensitive product" would result in a smaller tariff cut but would require the introduction of an additional MFN Tariff Rate Quotas.

International Sugar Organisation (ISO)

As customary, the ISO held a series of meetings in London in November 2009, namely:

- The 18th ISO seminar, under the theme "Crunch Time for Sugar and Ethanol", took place on 24 and 25 November 2009 with 408 participants from 66 countries.
- The 52nd Administrative Committee which noted the positive development achieved by the ISO with a membership likely to reach 100 member countries in the near future.
- The 36th Session of the International Sugar Council on 27 November which inter alia elected Mauritius as a Member of the Administrative Committee for 2010 and bid official farewell to Mr Roy (GOR) who had been actively involved with the ISO for a number of years. The ISO Executive Director, Mr P.Baron, said that he had always held Mr Roy in very high esteem, not only as a colleague but also in that he had provided constructive criticism
- Which the organization had taken on board and which had helped to improve its performance He had also served as a trustee for the organization.

Mr Peter Baron also reiterated the thanks that he had already expressed in Guatemala after his reappointment, with an overwhelming vote of confidence, as Executive Director of the ISO.

The meetings were attended by the Mr J.N Humbert (CEO), Mr M. Roy (General Overseas Representative) and Mr G.Govinden (Brussels and Geneva Representative).

The ISO held a workshop on the theme "The African Sugar Economy: Stock Taking & Potential for Development" on 1 June in Marrakech, Morocco. This was followed on 2 June by the 35th meeting of « The Market Evaluation Consumption and Statistics Committee » (Mecas). Issues discussed were *inter alia*, « GM Beet and Cane-Prospects in a New Market Environment », « World Trade of Raw and White Sugar—Recent Trends and Prospects » and « Central American/Caribbean Sugar and Ethanol Prospects ».

The 37th session of the International Council was held on 3 June under the chairmanship of Mr Mohammed Fikrat of Morocco. Mr Géo Govinden (Overseas Representative of the Mauritius Chamber of Agriculture and of the Mauritius Sugar Syndicate) was in attendance and had the opportunity to make a presentation on the national sugar policies of Mauritius.

Overseas Representation

London

Consonant with the measures taken by the Mauritius sugar industry to reduce costs and improve efficiency at all levels in the context of its Multi Annual Adaptation Strategy and resulting Action Plan, the Syndicate has proceeded with the rationalization of its representations overseas. This has led in December 2009, to the closure of the Syndicate's and Chamber's office in London, also coinciding with the retirement of the General Overseas Representative, Mr Mrinal Roy, OSK. The industry's representative in Brussels and Geneva, Mr. Géo Govinden, has thus been appointed as Overseas Representative and has been entrusted with the overall responsibility of

representation of the Syndicate and of the Chamber of Agriculture overseas.

The significant contribution made by Mr Roy in the promotion of ACP sugar industries interests and in particular, those of the Mauritius sugar industry, during his long career with the Syndicate is widely acknowledged.

Since September last, in the handing over context, Mr. Govinden has participated actively in the monthly meetings of the EBA/EPA London Sugar Commercial group which represents the ACP and LDC supplying industries to the EU. He was actively involved, with some other Members of the EBA/EPA London Commercial group, in the drafting of the ACP position on the Post 2013 Reform of the EU's Common Agricultural Policy.

Brussels and Geneva

Over the past year, Mr. G. Govinden has continually endeavoured to safeguard the interest of the Mauritian sugar community primarily in Europe, vis à vis the European institutions in Brussels and at the WTO in Geneva.

In Brussels, he has actively taken part in all meetings and tasks of the Brussels Sugar working group and of the Ambassadorial Sugar Consultative group. He has also participated in a series of joint technical meetings with officials of the Commission on the important issue of the new implementation rules governing ACP sugar imports into the EC market over the period October 2009 to September 2015, which coincides with the implementation of the Long Term Partnership Agreement with Suedzucker.

The Syndicate's Overseas Representative took part in the 90th session of the ACP Council of Ministers in Brussels in November 2009 including the Ministerial consultations on Sugar held at the beginning of the session. He attended the 67th ACP-EU Sub-Committee on Trade Cooperation mid April 2010 in Brussels.

Mr. Govinden also participated as a member of the Mauritius delegation in the 91st session of the ACP Council of Ministers and the 35th ACP-EC Council of Ministers held in Burkina Faso mid June. As is customary, Ministerial Consultations on Sugar were held at the start of the session on issues of importance to Mauritius. The Overseas Representative was closely involved in the drafting of technical briefs, statements, resolutions, and documents of similar nature at these meetings.

Mr. Govinden also attended in Burkina Faso the official signing ceremony of the second revised Cotonou Agreement which was held on the last day of the meeting. Official negotiations for this revision exercise were launched at the 34th Joint ACP-EC session of the Council of Ministers in May 2009 in Brussels. In that context, the Overseas Representative took part in a series of negotiations which were held between June 2009 and February 2010. He participated in the Special session of the ACP Council of Ministers on the Revision of the Cotonou Agreement which was held mid March 2010 at ACP House (Brussels).

As usual, Mr. Govinden interacted regularly with the EU Commission officials (primarily DG Agriculture and DG Trade) dealing with sugar issues. He maintained close contacts with CEFS (Comité Européen des Fabricants de Sucre) and CIBE (Confédération Internationale des Betteraviers Européens). He was instrumental in facilitating meetings between the London EBA/EPA Commercial group and these two European Sugar Organisations. His privileged relationship with CEFS and CIBE ensured that there was a regular exchange of information with the ACP Sugar group and that common strategies were developed on core issues such as the upcoming reform of the CAP. Mr Govinden travelled to Paris in December to participate in the CGB (French beet growers) annual general meeting. He also attended the general Assembly as well as the annual dinner of ASSUC (European Association of Sugar traders) in Brussels in June.

The Syndicate's Overseas Representative has during the year under review initiated contacts with CEJA, the EC young farmers' association as it is felt that common strategies could be devised in a bid to canvass the multifunctional role of agriculture. Indeed, rural development, environment protection (including the issue of climate change) and food security (especially in the wake of the food crisis witnessed worldwide) were areas where common understanding could be reached with the young farming community in Europe. All these initiatives were conducted so as to resist total liberalization in the sugar sector.

The Overseas Representative contributed to the workshop which the ACP organized end May with a view to submitting responses to the public consultations organized by the Commission on the issue of CAP reform. He also posted a specific response for the sugar industry on the Commission website in response to four specific questions which the Commission had raised on the Common Agricultural Policy.

On the multilateral front, Mr. Govinden took part in the December 2009 meetings in Geneva. As a member of the Mauritius delegation, he was actively involved with the Mauritius Geneva mission, in the final negotiations which led to a deal between the EC, the US, 8 Latin American countries and the ACP, on the treatment of preference erosion and tropical products. Had sugar been treated as a tropical product, the preference which Mauritius enjoys for its sugar exports to the EU and to the US would have been abruptly and totally eroded.

The Syndicate's and Chamber's Overseas Representative has submitted regular reports, briefs and analyses on all his activities abroad and has constantly advised on what he felt should be the strategy of the Syndicate on all these crucial developments.



ACKNOWLEDGEMENTS

In concluding this report, the Syndicate would like to express its gratefulness to Government and in particular to the Minister of Agro-Industry and Food Security, the Hon. Satish Faugoo, for his support in the context of the different programmes and projects undertaken by the sugar industry during the year. The Syndicate is also grateful to the ex-Vice Prime Minister and Minister of Finance and Economic Development., Mr Rama Sithanen, and to the Vice Prime Minister and Minister of Finance and Economic Development in office, the Hon. Pravind Jugnauth, for the special attention given by both of them to the issues at stake for the industry and their resolve in finding appropriate solutions for the benefit of stakeholders. The Syndicate is particularly grateful to the Hon Pravind Jugnauth for the measures included in the Economic Restructuring and Competitiveness Programme which, if effectively implemented, will bring relief at a moment when the industry is severely hit by the compounded effects of the final cut in the EU reference price and the depreciation of the Euro.

We are also extending our thanks to the Minister of Foreign Affairs, Regional Integration and International Trade, the Hon. Arvin Boolell, who has during the year pursued relentless efforts in different fora to safeguard the policy space necessary for Mauritius and its ACP partners to maintain the value of preferential access to the EU market in particular. The Hon. A. Boolell, who has in the past occupied the function of Minister of Agro Industry, has remained alive and sensitive to the interests of the local sugar producing community and has been a very effective ambassador in defending their cause in various regional and international meetings where policies and strategies of critical importance for the future development of sugar trade were being addressed.

We wish to express our appreciation and gratefulness 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 consultations regarding the management of the new sugar arrangements under the EPAs, the opening of new Tariff Rate Quotas for third country suppliers, and the future of the EU Common Agricultural Policy have been discussed during the year. The Syndicate is also grateful to Ambassador Servansing and the Geneva mission for their support and in particular the possibility offered to our Overseas Representative, Mr Govinden, to participate actively in certain restricted meetings in the WTO, where issues of critical importance for the treatment of sugar were being discussed.

We are also thankful to the ex-Acting Permanent Secretary of the Ministry of Agro-Indusrtry, Mr Vishnu Goondeea, to the Permanent Secretary in office, Mrs Vijay Lutchmee Ramsamy, 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 usual commitment and support.

A special thank you also to the officials of the Ministry of Finance and Economic Development, and those of the Ministry of Cooperatives for their contribution and unflinching support in the context of the project undertaken by the Syndicate to promote production of Fairtrade sugar by sugarcane cooperative societies. We wish to express also our deep appreciation to the Executive Director and staff of the Mauritius Sugar Authority who have spared no efforts to support the Syndicate in its projects and to work in close collaboration with it throughout the year. We are also thankful to other organisations in Mauritius which have facilitated the implementation of the Syndicate's new export activities namely the Mauritius Ports Authority, the Cargo Handling Corporation Ltd, and the Mauritius Revenue Authority.

I would like to convey my warmest thanks to the Vice-President of the Syndicate, Mr Gunsham Boodram, 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. I wish to have a special word of thanks for Mr Mrinal Roy (OSK), our ex-General Overseas Representative, who has retired from office with the closure of our London office in December 2009, and to record the Syndicate's appreciation and recognition for the invaluable contribution he has made in promoting the interests of the sugar industry during his term of office. We are also grateful to Mrs Romilly Lepeer, the ex-Confidential Secretary at our London office, who has also retired at closure of the office, for her loyalty and dedication during the many years she has served our industry.

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 of the sugar industry for their collaboration and support during the past year.

Patrick de Labauve d'Arifat
President



Statement of Account

2009 / 2010







Independent Auditors' Report to the Members of the Mauritius Sugar Syndicate

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 47 to 70 which comprise the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of distribution to producers and statement of cash flows 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 47 to 70 give a true and fair view of the financial position of the Syndicate as at 30 June 2010, 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: 30 September 2010

Port Louis, Mauritius.

Statement of Financial Position
at 30 June 2010

	Note	2010	2009
		Rs'000	*Rs'000*
NON-CURRENT ASSETS			
Property, plant and equipment	3	19,237	17,685
Retirement benefit assets	10	8,674	13,991
		27,911	31,676
CURRENT ASSETS			
Inventories	4	32,573	15,365
Accounts receivable			
Trade receivables	5 (a)	3,363,643	530,872
Other receivables	5 (b)	70,478	65,577
Derivative financial instruments	20 (c) (iii)	100,615	72,923
Bank balances			
Rupee accounts	6	84,085	60,907
Foreign currency accounts	6	8,254	24,167
		3,659,648	769,811
TOTAL ASSETS		3,687,559	801,487
CURRENT LIABILITIES			
Bank overdrafts			
Rupee accounts	7	451,017	266,409
Foreign currency accounts	7	1,927,900	-
Loans	8	290,800	181,500
Other payables	9	1,017,842	353,578
TOTAL LIABILITIES		3,687,559	801,487

Approved and authorised for issue on 30 September 2010.

Jean Noël Humbert
Chief Executive Officer

Jyoty Soomarooah
Chief Finance and Administrative Officer

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	2009/2010 Crop			2008/2009 Crop		
		Rs'000	*Rs per tonne*	*%*	*Rs'000*	*Rs per tonne*	*%*
REVENUE							
Sales Proceeds	11	9,165,657		99.28	9,559,869		98.86
Other Income	12	66,352		0.72	110,477		1.14
		9,232,009	19,623.07	100.00	9,670,346	21,259.95	100.00
EXPENDITURE							
Direct Operating Costs	13	1,390,877	2,956.37	15.07	855,416	1,880.61	8.84
Storage Charges	14	69,400	147.51	0.75	68,263	150.07	0.71
Finance charges	15	175,693	373.44	1.90	88,238	193.99	0.91
		1,635,970	3,477.32	17.72	1,011,917	2,224.67	10.46
Statutory							
Service Providing Institutions & Redundant Workers	16	642,636	1,365.96	6.96	650,000	1,429.00	6.72
Sugar Industry Reserve Fund		467	0.99	0.00	454	1.00	0.00
		643,103	1,366.95	6.96	650,454	1,430.00	6.72
Administrative							
Administrative & Other Charges	17	78,460	166.77	0.85	80,956	177.98	0.84
TOTAL EXPENDITURE		2,357,533	5,011.04	25.53	1,743,327	3,832.65	18.02
NET REVENUE BEFORE DEDUCTION OF SIFB PREMIUM		6,874,476	14,612.03	74.47	7,927,019	17,427.30	81.98

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 2010

	2009/2010 Crop	2008/2009 Crop
	Rs'000	*Rs'000*
Net revenue from Statement of Comprehensive Income	6,874,476	7,927,019
Add Bagasse Transfer Price Fund	68,434	68,036
Deduct Sugar Insurance Fund Board Premium	(586,625)	(718,614)
NET AMOUNT DISTRIBUTED TO PRODUCERS	6,356,285	7,276,441

Statement of Cash Flows
for the year ended 30 June 2010

	Note	2010	2009
		Rs'000	*Rs'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Sugar and Bagasse Transfer Price Fund		9,234,091	9,627,905
Other Income		66,352	110,477
Expenses (statutory, direct and administration)		(2,357,533)	(1,743,327)
Sugar Insurance Fund Board Premium		(586,625)	(718,614)
		6,356,285	7,276,441
Net amount to producers		(6,356,285)	(7,276,441)
Retained revenue		-	-
Adjustments for:			
(Gain)/Loss on sale of property, plant and equipment		(492)	54
Loss on assets written off		9	35
Finance costs		104,803	85,617
Interest income		(6,959)	(14,943)
Depreciation		3,395	2,912
Retirement benefits asset		5,317	(24,080)
Operating surplus before working capital changes		106,073	49,595
Increase in accounts receivable		(2,837,672)	(96,889)
Increase in inventories		(17,208)	(738)
Increase in accounts payable		664,264	136,379
Increase in derivatives financial instruments		(27,692)	(65,405)
		(2,218,308)	(26,653)
Cash (used in)/generated from operating activities		(2,112,235)	22,942
Interest paid		(104,803)	(85,617)
Net cash used in operating activities		(2,217,038)	(62,675)
INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(5,195)	(2,928)
Proceeds from sale of Property, Plant and Equipment		731	293
Interest received		6,959	14,943
Net cash generated from investing activities		2,495	12,308
FINANCING ACTIVITIES			
Loans received		109,300	-
Loans paid		-	(284,039)
Net cash generated from/(used in) financing activities		109,300	(284,039)
Net decrease in cash and cash equivalents		(2,105,243)	(334,406)
Cash and cash equivalents at beginning of year		(181,335)	153,071
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	(2,286,578)	(181,335)



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).

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

In the current year, the Syndicate has adopted all of 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 2009.

2.1 Standards and Interpretations affecting Presentation and Disclosure reported in the current period

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the presentation and disclosure of these financial statements. Details of other Standards and Interpretations adopted in these financial statements but have had no impact on the amounts reported are set out in section 2.2.

2. Significant Accounting Policies (cont'd.)

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

Standards affecting presentation and disclosure

IAS 1 (as revised In 2007) Presentation of Financial Statements	IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.

Standards and Interpretations affecting the reported results or financial position

The adoption of the Standards and Interpretations has not affected the reported results or the financial position of the Syndicate.

2.2 Standards and Interpretations adopted with no effect on financial statements

The following relevant new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements.

IAS 1 Presentation of Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs

IAS 16 Property, Plant and Equipment - Amendments resulting from May 2008 Annual Improvements to IFRSs

IAS 19 Employee Benefits - Amendments resulting from May 2008 Annual Improvements to IFRSs

IAS 36 Impairment of Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs

IAS 39 Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items

IAS 39 Financial Instruments: Recognition and Measurement - Amendments resulting from May 2008 Annual Improvements to IFRSs

2.3 Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but effective on annual periods beginning on or after the respective dates as indicated:

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 36 Impairment of Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)

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

IFRS 9 Financial Instruments - Classification and measurement (effective 1 January 2013)

IFRIC 14 IAS 19 - The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (November 2009 amendment with respect to voluntary prepaid contributions effective 1 January 2011)

The management anticipates that these amendments will be adopted in the Syndicate's financial statements for the period beginning 1July 2010.
The management has not yet had an opportunity to consider the potential impact of the adoption of these amendments.

(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.

2. Significant Accounting Policies (cont'd.)

(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.

Depreciation of 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

No depreciation is provided on freehold property.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the reporting 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 Statement of Comprehensive Income.

(e) Financial instruments

Financial assets and liabilities are recognised in the Statement of financial position when the Syndicate becomes party to the contractual provisions of the financial instruments.

(i) Accounts receivable

Accounts receivable are recognised at amortised cost 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.

(ii) Accounts payable

Accounts payable are stated at their amortised cost.

(iii) Borrowings

Borrowings are recognised at amortised cost 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 the reporting date.

(iv) Cash and cash equivalents

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

(f) 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.

(g) Inventories

Inventories are stated at the lower of cost and net realisable 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 in its present location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business less selling expenses.

(h) Retirements benefits

(i) Defined benefit pension plan

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

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

A portion of the actuarial gains and losses is recognised as income or expense if the net cumulative unrecognised 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 statement of comprehensive income in the period they fall due.

2. Significant Accounting Policies (cont'd.)

(i) Provisions

Provisions are recognised 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 reporting date. Provisions are adjusted to reflect the current best estimate.

(j) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using Mauritian rupees, the currency of the primary economic environment in which the 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 differences resulting from the settlement of such transactions and from the translation at the end of reporting date exchange rates of outstanding monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

(k) Impairment of assets

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

(l) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

Sales of sugar

Sales proceeds include revenues from sugar exports as well as local sales.
Revenues from sugar exports are recognized upon transfer to the buyer of the significant risks and rewards of ownership, and are stated on a crop basis at the FOB and Stowed price.

Revenues from Local sales are recognised upon delivery and acceptance by the local customers.

Interest Income

Interest income is accrued on a time basis using the effective interest rate method.

(m) Borrowing costs

Borrowing costs are recognised in statement of comprehensive income in the year in which they are incurred.

(n) Cash and cash equivalent

Cash comprises of cash at bank and bank overdrafts.

3. Property, Plant and 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 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
At 1 July 2009	10,389	-	3,974	4,346	10,341	29,050
Additions	-	-	982	713	3,500	5,195
Disposals	-	-	-	-	(1,784)	(1,784)
Written off	-	-	(124)	(2)	-	(126)
At 30 June 2010	10,389	-	4,832	5,057	12,057	32,335
DEPRECIATION						
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
At 01 July 2009	-	-	2,751	3,500	5,114	11,365
Charge for the year	-	-	747	218	2,430	3,395
Disposals	-		-	-	(1,545)	(1,545)
Written off	-	-	(116)	(1)	-	(117)
At 30 June 2010	-	-	3,382	3,717	5,999	13,098
NET BOOK VALUE						
At 30 June 2010	10,389	-	1,450	1,340	6,058	19,237
At 30 June 2009	10,389	-	1,223	846	5,227	17,685

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

4. Inventories

With the export of white refined sugar as from 2009 crop, the Syndicate also purchases polyethylene liners and steel bars.

	2010	2009
	Rs'000	*Rs'000*
At Cost		
Bags, steel bars and liners	32,573	15,365

5. Accounts Receivable

	2010	2009
	Rs'000	*Rs'000*
(a) Trade Receivables		
Exports proceeds	3,014,912	336,086
Local proceeds	348,731	194,786
	3,363,643	530,872

Sale Proceeds

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.

In order to be able to operate on a purely commercial basis, the average credit period for white refined sugar has been extended to 90 days (2009 : 60 days) from the date of invoice.
No interest is charged on the sum receivable as most customers pay within the prescribed period.

Of the trade receivable from sugar exports at year end, Rs1,478 M (2009: Rs77.4 M) is due from the Syndicate's largest customer.

Ageing of past due but not impaired

(i) Export proceeds	2010	2009
	Rs'000	*Rs'000*
Export proceeds receivable above 60 days but before 90 days	-	18,679
Export proceeds receivable above 90 days	147,445	-
	147,445	18,679

(ii) Local Proceeds

The average credit period for local sales is less than 15 days.

There are no past due or impaired debts .

The Syndicate believes there is no requirement for provision for doubtful debts as the local and export proceeds receivable are fully recoverable.

5. Accounts Receivable (cont'd)

(b) 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. 52 M has been disbursed in June 2010 (Rs. 55.9 M in June 2009). This sum will be accounted as "Amount distributed to producers" in the forthcoming crop year.

		2010	2009
		Rs'000	*Rs'000*
Components of Other Receivables			
Advances to Producers		51,737	55,949
Other trade prepayments		14,044	2,757
Staff loans	(i)	4,291	5,168
Others		406	1,703
		70,478	65,577

(i) Staff loans comprise of car loans, advances on salary and housing loans to employees.
All car loans advanced bear interest at the rate of 6% per annum (2009 : 6%).
Advances on salary are interest free. As regards to housing loans, they are advanced to certain categories of employees and bear interest at 5% per annum (2009 : 5%).

6. Bank Balances

The bank balances include the Bagasse Transfer Price Fund of Rs 68.4 M received on 30 June 2010 and not yet paid at year end (Rs. 68.04 M on 30 June 2009).

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 4.75% to 8.5% p.a. in Rupees accounts (2009: 7.0% to 10.5% p.a.) and Libor + 1.5% p.a. in Euros and USD accounts respectively (2009: Libor + 2.5%).

8. Loans

	2010	2009
	Rs'000	*Rs'000*
Unsecured loans	290,800	181,500

The loans denominated in Rupees bear interest from 5% to 7% per annum (2009 : 7.0% - 9.5%), and are repayable on call.

9. Other payables

	2010	2009
	Rs'000	*Rs'000*
Interests accrued	10,521	8,724
Payable to producers under the Bagasse Transfer Price Fund	68,434	68,009
Other Accruals	838,272	203,922
Deferred income on account of cash flow hedges	100,615	72,923
	1,017,842	353,578

The Bagasse Transfer Price fund was paid to the beneficiaries on 7 July 2010.
The Syndicate has set out defined policies to ensure that all payables are paid within the credit timeframe.

10. Retirement Benefit (Assets)/Obligations

(a) 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 then carried out. The valuation of plan assets were reviewed as per IAS 19 in the financial year.

(b) Amounts recognised in the Statement of Financial Position are :	2010 *Rs'000*	2009 *Rs'000*
Present value of funded obligations	39,632	56,103
Fair value of plan assets	(39,569)	(56,000)
	63	103
Unrecognised Actuarial loss	(8,737)	(14,094)
	(8,674)	(13,991)

(c) Amounts recognised in the Statement of Comprehensive Income are :	2010 *Rs'000*	2009 *Rs'000*
Current Service Cost	3,449	3,979
Interest cost	4,545	4,729
Expected return on plan assets	(4,777)	(4,665)
Past service cost	566	-
Curtailment or settlement loss	5,734	-
Total included in employee benefit expense	9,517	4,043

(d) Movement in liability recognised in Statement of Financial Position	2010 *Rs'000*	2009 *Rs'000*
At 1 July	(13,991)	10,089
Recognised in the Statement of Comprehensive Income	9,517	4,043
Contributions paid	(4,200)	(28,123)
At 30 June	(8,674)	(13,991)
Actual return of plan assets	5,126	(2,940)

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

(e) The principal actuarial assumptions used for accounting purposes were:	2010 %	2009 %
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

(f) Reconciliation of the present value of defined benefit obligation	2010 *Rs'000*	2009 *Rs'000*
Present value of obligation at start of period	56,103	45,462
Current service cost	3,449	3,979
Employee Contributions	532	543
Interest cost	4,545	4,729
Past service cost	-	-
Benefits paid	(26,289)	(860)
Liability loss	1,292	2,250
Present value of obligation at end of period	39,632	56,103

(g) Reconciliation of fair value of plan assets	2010 *Rs'000*	2009 *Rs'000*
Fair value of plan assets at start of period	56,000	31,134
Expected return on plan assets	4,777	4,665
Employers contributions	4,200	28,123
Employee contributions	532	543
Benefits paid	(26,289)	(860)
Asset gain/(loss)	349	(7,605)
Fair value of plan assets at end of period	39,569	56,000

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

(h) Distribution of plan assets at end of period	2010 %	2009 %
Percentage of assets at end of year		
Equities overseas	18	54
Local equities	29	37
Fixed interest securities - Overseas	5	-
Fixed interest securities - Local	1	9
Property	25	-
Loans & fixed deposits	20	-
Cash & Other	2	-
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	2010 Rs'000	2009 Rs'000	2008 Rs'000	2007 Rs'000	2006 Rs'000
Present/Fair value of plan assets	39,569	56,000	31,134	20,401	15,924
Present value of defined/funded obligations	(39,632)	(56,103)	(45,462)	(26,214)	(19,272)
Deficit	(63)	(103)	(14,328)	(5,813)	(3,348)
Asset experience gain/(loss) during the period	349	(7,605)	(413)	(2250)	557
Liability Experience loss during the period	(1,292)	(2,250)	(1,576)		

	2010 Rs'000	2009 Rs'000
Expected employer contributions	3,121	2,252

Retirement benefit obligations have been based on the report of Hewitt L Y Ltd dated 2 June 2010 for the year 2010.

11. Sales proceeds

	2010 Rs'000	2009 Rs'000
Sales proceeds were arrived as follows:		
Gross Exports Proceeds	8,463,285	9,300,597
Bulk freight deducted at source	(335,002)	(496,543)
Container freight paid locally	(272,827)	(104,506)
Foreign exchange differential	433,992	302,616
	8,289,448	9,002,164
Proceeds from Local sales	876,209	557,705
Total Sales Proceeds	9,165,657	9,559,869

12. Other Income

Other Income comprises of the following elements:	2010 Rs'000	2009 Rs'000
Miscellaneous Income	59,393	-
Gain on exchange	-	95,534
Interest received	6,959	14,943
	66,352	110,477

13. Direct Operating Costs

		2010 Rs'000	2009 Rs'000
These costs include:			
Overseas brokerage		-	2,907
Manufacturing premium - white refined & special sugars	(i)	722,387	143,397
Export fee		13,818	5,877
Insurance & survey fees for exported sugar		185	352
Bags and other related charges		56,525	45,281
Liners, Steel bars and other related costs		30,526	18,100
Sale commission		-	42
Cost of imports for local market	(ii)	567,436	639,460
		1,390,877	855,416

(i) White refined sugar production started as from the financial year 2009/10, and Refiners' Service Fees were paid accordingly in the year.

(ii) Cost of imports

Costs of imports for the local market is calculated on a landed basis for 24,600 MT (2009: 36,751 MT) of refined sugar and 4,200 MT (2009: 3,150 MT) of raw sugar.

14. Storage Charges

	2010 Rs'000	2009 Rs'000
BSSD - Recurrent expenditure	58,400	57,100
MSTC - Rental & repair and maintenance costs of shed	11,000	11,163
	69,400	68,263

15. Finance charges

		2010	2009
		Rs'000	*Rs'000*
Interest Payable:			
Foreign Currency Bank overdrafts		12,000	11,179
Interest charges on Rupee loans		92,803	74,438
Bank charges & Commissions		3,946	2,621
Unrealised Foreign Exchange loss	(i)	66,944	-
		175,693	88,238

(i) Unrealised Foreign Exchange loss

This difference arose as a result of an appreciation of the Mauritian Rupee during the crop year.

16. Payments to service providing institutions and redundant workers

	2010	2009
	Rs'000	*Rs'000*
Payment to service providing institutions (Global Cess), and Redundant workers, as determined by the Mauritius Sugar Authority, comprises financing of the following :		
Cane Planters and Millers Arbitration and Control Board	88,410	83,888
Farmers Service Corporation	47,491	51,827
Mauritius Sugar Authority	32,645	34,683
Mauritius Sugar Industry Research Institute	169,595	176,520
Mauritius Sugar Terminal Corporation	82,379	84,706
Sugar Planters Mechanical Pool Corporation	122,316	128,376
	542,836	560,000
Payment to redundant workers - Dockers' Pension	99,800	90,000
	642,636	650,000

17. Administrative and Office charges

		2010	2009
		Rs'000	*Rs'000*
These are arrived at after charging:			
Depreciation on plant & equipment		3,395	2,912
Loss/(Gain) on sale of motor vehicle		(492)	54
Loss on assets written off		9	35
Employee benefit expenses	(i)	42,348	32,647

	2010	2009
	Rs'000	*Rs'000*
(i) Employee Benefit Expenses		
Wages and salaries, including termination benefits	32,282	23,565
Social Security Costs	1,048	701
Pension Costs - defined benefit plans	9,018	8,381
	42,348	32,647

18. Cash and cash equivalents

	2010	2009
	Rs'000	*Rs'000*
Bank balances		
Rupee accounts	84,085	60,907
Foreign currency accounts	8,254	24,167
Bank overdrafts		
Rupee accounts	(451,017)	(266,409)
Foreign currency accounts	(1,927,900)	-
	(2,286,578)	(181,335)

19. Taxation

The Syndicate being an exempt body of person, its income is not subject to income tax.

20. Financial Instruments

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Fair value

The fair values for both financial and non-financial assets and liabilities approximate their carrying amounts shown in the statement of financial position due to their short term nature.

	2010	2009
(a) Categories of Financial Instruments	*Rs'000*	*Rs'000*
Financial Assets		
Accounts Receivable	3,420,077	593,692
Bank Balances	92,339	85,074
	3,512,416	678,766
Financial Liabilities		
Bank overdrafts	2,378,917	266,409
Loans	290,800	181,500
Other payables	917,227	280,655
	3,586,944	728,564

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 of the Syndicate, monitors the activities and then recommends action to the Executive and Selling Committee of the Syndicate.

20. Financial Instruments (cont'd)

(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.

(i) Currency Profile

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

	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
	2010	2009	2010	2009
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
United States Dollar	3,180	17,203	74,224	-
Euro	3,015,084	340,275	1,853,676	-
Pound Sterling	4,902	2,775	-	-
Mauritian Rupee	489,250	318,513	1,659,044	728,564
	3,512,416	678,766	3,586,944	728,564

(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%.

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.

	2010	2009
	Rs'000	*Rs'000*
	US DOLLAR IMPACT	
Increase/(decrease) in amount distributed to producers	(3,552)	860
	GBP IMPACT	
Increase in amount distributed to producers	245	139
	EURO IMPACT	
Increase in amount distributed to producers	58,070	209

The above sensitivity analysis takes into acccount the effect of forward contracts.

(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 table below details the forward foreign currency contracts entered into as at 30 June.

	FWD TRANSACTIONS				CONTRACT VALUE				FAIR VALUE			
	EUR FWD		USD FWD		EUR FWD		USD FWD		EUR FWD		USD FWD	
Outstanding Contracts Cash Flow Hedges	*2010*	*2009*	*2010*	*2009*	*2010*	*2009*	*2010*	*2009*	*2010*	*2009*	*2010*	*2009*
Average exchange rate (Rs)	42.817	45.673	32.37	-	42.817	45.673	32.37	-	38.51	44.58	31.51	-
Maturity less than 3 months (Rs'000)	-	19,000	23,287	-	-	863,280	753,830	-	-	847,020	733,758	-
Maturity above 3 months (Rs'000)	14,085	47,700	23,070	-	603,072	2,183,129	746,795	-	542,413	2,126,466	726,911	-
TOTAL (Rs'000)	14,085	66,700	46,357	-	603,072	3046,409	1,500,625	-	542,413	2,973,485	1,460,669	-
Unrealised surplus at 30 June (Rs'000)	100,615	72,923										

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 2010, the surplus on forward exchange transactions undertaken for crop 2010 was Rs. 100.6 M (for the Euro and the US Dollar) as compared to Rs. 72.9 M (for the Euro) for crop 2009.

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.

20. 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 2010 was:

	2010	2009
	% p.a.	% p.a.
Financial Assets		
Cash resources - Mauritian rupees	4.00 to 5.00	4.00 to 6.00
Cash resources - foreign currencies	0.05 to 1.00	0.05 to 3.50
Financial Liabilties		
Loans - Mauritian rupees	5.25 to 7.00	7.00 to 9.50
Bank overdraft - Mauritian rupees	5.25 to 6.95	7.00 to 10.50
Loans - foreign currencies	-	-
Bank overdraft - foreign currencies	2.00 to 3.50	3.75 to 6.00

(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 reporting 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 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:

	2010	2009
	Rs'000	Rs'000
Decrease in amount distributed to producers	(128,869)	(18,142)

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
2010				
Loans in Mauritian Rupees	5.25	290,800	-	290,800
Bank overdraft in Mauritian Rupees	4.70	451,017	-	451,017
Bank overdraft in foreign currencies	2.20	1,927,900	-	1,927,900
Non-Interest bearing	-	917,227	-	917,227
		3,586,944	-	3,586,944

	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

21. 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.

	2010	2009
	Rs'000	*Rs'000*
Retirement Benefit Assets	(8,674)	(13,991)
Compensation of key management personnel (including directors) short-term benefits	9,969	8,278

22. 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 (2009: Rs 476,353).

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 considers that no liability will arise as the probability for default in respect of the guarantee is remote.

	2009/2010 CROP			2008/2009 CROP		
	White Sugar	Raw Sugar	TOTAL	White Sugar	Raw Sugar	TOTAL
	Tonnes	*Tonnes*	*Tonnes*	*Tonnes*	*Tonnes*	*Tonnes*
Net landed weight	191,557	262,535	454,092	3,109	448,052	451,161
Loss in weight	-	282	282	-	389	389
Net shipped weight	191,557	262,817	454,374	3,109	448,441	451,550
Local market sales & stock	9,405	131	9,536	-	290	290
Reprocessed sugar	-	(146)	(146)	-	(193)	(193)
	200,962	262,802	463,764	3,109	448,538	451,647
Storage Loss			433			415
Normal processing loss			3,037			-
Production TTQ			467,234			452,062
Adjustment at 98.5° Polarisation by Arbitration & Control Board			470,467			454,862

N.B: 24600 tonnes of refined sugar and 4200 tonnes of Special Raw sugar have been imported for the local market.

Computation of ex-Syndicate Revenue and Price

	2009/2010 Crop	2008/2009 Crop
	Rs'000	*Rs'000*
Ex-Syndicate Revenue		
Net amount b/f from Statement of Account including receipt from Bagasse Transfer Price Fund	6,356,285	7,276,441
Add back:		
Sugar Insurance Fund Board Premium	586,625	718,614
Deduct:		
Receipt from Bagasse Transfer Price Fund	(68,434)	(68,036)
	6,874,476	7,927,019

	2009/2010 Crop Per Tonne	2008/2009 Crop Per Tonne
	Rs	*Rs*
Ex-Syndicate price before deduction of SIFB premium	14,612.03	17,427.30

Sale Proceeds

	2009/2010 Crop	2008/2009 Crop
	Rs M	*Rs M*
European Union		
Raw and plantation white sugar	4,322.75	7,160.16
White refined sugar	1,860.00	-
Special sugar	1,932.50	1,840.46
Total - European Union	8,115.25	9,000.62
USA	48.90	0.23
World	125.30	1.31
	8,289.45	9,002.16
Local Sales	876.21	557.71
TOTAL	9,165.66	9,559.87

Average Price (FOBS) Per Tonne

	2009/2010 Crop	2008/2009 Crop
	Rs per tonne	*Rs per tonne*
European Union		
Raw and plantation white sugar	16,650	18,841
White refined sugar	17,004	-
Special sugar	23,355	24,851
USA	19,323	13,713
World	19,189	27,619
Average Export Price	17,989	19,822

Average Local Market Price Per Tonne

	2009/2010 Crop	2008/2009 Crop
	Rs per tonne	*Rs per tonne*
Local Market	22,669	13,977

Statement of Distribution of Bagasse Proceeds

	2009/2010 Crop	2008/2009 Crop
	Rs	*Rs*
Bagasse Transfer Price Fund	68,434,065	65,793,745
Paid out to:		
Planters of the first group according to the Second Schedule of SIE (Amendment) Act 1993	8,212,088	8,164,291
Planters of the second group according to the Second Schedule of SIE (Amendment) Act 1993	26,004,944	25,853,588
Millers or producers of electricity according to the Second Schedule of SIE (Amendment) Act 1993	34,217,032	34,017,878

Amount Per Tonne of Sugar Accruing

	2009/2010 Crop	2008/2009 Crop
	Rs	*Rs*
Planters of the first group according to the Second Schedule of SIE (Amendment) Act 1993	79.35	82.45
Planters of the second group according to the Second Schedule of SIE (Amendment) Act 1993	98.53	100.89

Amount Per KWH of Firm or Continuous Electricity

	2009/2010 Crop	2008/2009 Crop
	Rs	*Rs*
Millers or producers of electricity according to the Second Schedule of SIE (Amendment) Act 1993	0.096	0.093

The Bagasse Transfer Price Fund in respect of 2009/10 crop was distributed as from 7 July 2010 in accordance with the Sugar Industry Efficiency (Amendment of Schedule) Regulations 1999.

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 2009-2010		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		
2009 - 10 *		14,612.03		

* *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 2009-2010	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
2009 - 2010	8,355,800	876,209	9,232,009

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

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