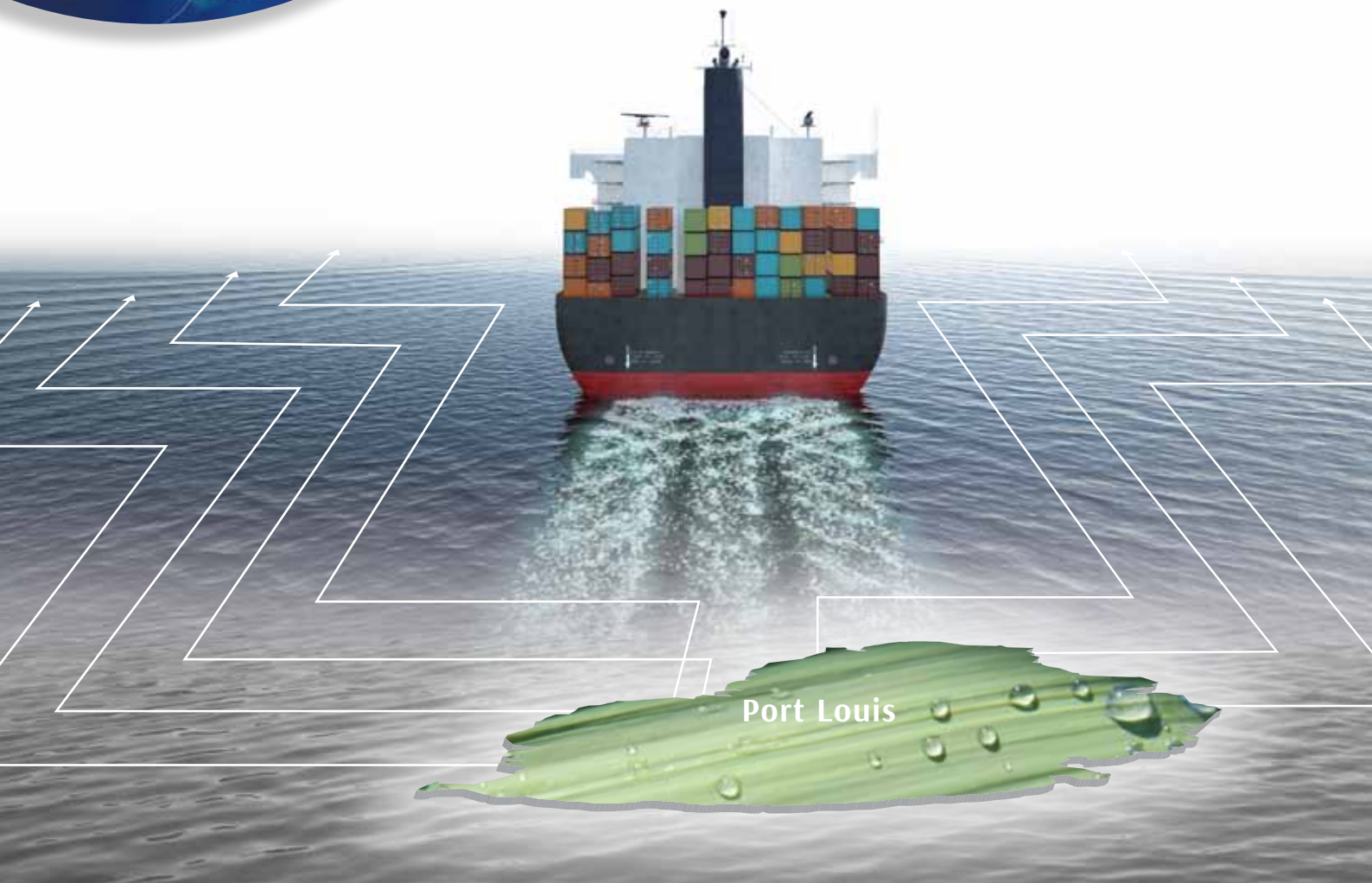




MAURITIUS
SUGAR
SYNDICATE



Report and Statement of Account

2016-2017



Report and Statement of Account

2016-2017



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Propriety of Mauritius Sugar Syndicate

Role and Status of the Mauritius Sugar Syndicate

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

The Mauritius Sugar Syndicate is the sole organisation responsible for the marketing of sugar produced in Mauritius; it has for object the sale of all sugars received by it for the account of its members and the distribution of the proceeds of such sale after deduction of common expenses. All sugar producers are members of the Syndicate and they numbered 13,729 for the 2016 crop.

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

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

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

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



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MAIN COMMITTEE

President

- Kreepaloo Sunghoon, M.S.K.

Vice-President

- Patrick de Labauve d'Arifat

Corporate Sector Representatives

- Gerard Chateau de Balyon
- Ramanand Sailesh Chunen
- Fabien de Marassé Enouf
- Hector Espitalier Noël
- Jean Raymond Hardy
- Henri Harel
- Sébastien Lavoipierre
- Jean Li Yuen Fong
- Nicolas Maigrot
- Christian Marot
- Jacques Marrier d'Unienville, G.O.S.K.
- Thierry Merven
- Jean Ribet

Large Planters' Representatives

Nominated by the Minister of Agro-Industry & Food Security

- Bhuruth Gunness
- Amal Kumar Mohabeer Mungur
- Hansraj Ruhee
- Heymant Rao Anand Sonoo

Small Planters' Representatives

Nominated by the Minister of Agro-Industry & Food Security

- Rambhajun Babooa, M.B.E.
- Shrudanand Sheoraj, O.S.K.
- Trilock Ujoodha

EXECUTIVE AND SELLING COMMITTEE

President

- Kreepaloo Sunghoon, M.S.K.

Vice-President

- Patrick de Labauve d'Arifat

Members

- Hector Espitalier Noël
- Jean Li Yuen Fong
- Nicolas Maigrot
- Jacques Marrier d'Unienville, G.O.S.K.
- Amal Kumar Mohabeer Mungur
- Jean Ribet
- Shrudanand Sheoraj, O.S.K.
- Heymant Rao Anand Sonoo
- Jugdis Bundhoo (CEO of MCIA)

LEGAL COUNSELS

- ENSAfrica (Mauritius)
- BLC Robert & Associates Ltd

US TRADE COUNSEL

- Ryberg and Smith LLC

EXTERNAL AUDITORS

- BDO & CO

INTERNAL AUDITORS

- Ernst & Young Mauritius

FOREX CONSULTANT

- Stewardship Consulting (Pte) Ltd

CHIEF EXECUTIVE OFFICER & SECRETARY

- Devesh Dukhira

Confidential Assistant

- Marie Claire Lo Fong

MARKETING, SALES & LOGISTICS

Chief Marketing Officer

- Ashween K. Bunwaree

Senior Sales Administration & Logistics Officer

- Khemraj Jhurry

Sales Administration & Logistics Officer

- Glen Baniaux

Import/Export Officers

- Dany Jaune
- Ian Samuel

Logistic Officer

- Ajagen Moothoosamy

Marketing Assistant

- Jesieka Baptiste

Sales & Logistics Assistant

- Karine Ribet

FINANCE & ACCOUNTS

Chief Finance and Administrative Officer

- Jyoty Soomarooah

Treasurer/ Accountant

- Indira Goboodun

Accountant

- Sabrina Sawmynaden (as from 27 February 2017)

Accounts Officers

- Saviraj Pilly Potiah
- Yudhisthir Gopaul
- Khushboo Ramsaha Mudhoo (as from 5 September 2016)

Accounts & Finance Assistant

- Vijay Luxmi Sanuchur

Receptionist/Secretary

- Doretta Larose

PRODUCERS' SERVICE

Head of Department

- Chetanand Dookhony

First Assistant

- Purshotum Luchmun Roy

Second Assistant

- Varsha Boolakee

CENTRAL QUALITY DEPARTMENT

Chief Quality Assurance Officer

- Patrick Bussier

Assistant Chief Quality Assurance Officer

- Shivalingum Chengalaram

Quality Assurance Officers

- Faisal Earally
- Sanjaye Goboodun

Secretary

- Belinda Dorza

SUPERVISING AND SAMPLING

Supervisors in charge

- Gaëtan Tranquille
- Patrick Henry

Supervisors

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

The President's Report



The 2016 crop has brought some financial relief to the sugar industry in Mauritius. After having suffered from low unviable market price levels over the two previous crops, the result of five consecutive years of global sugar surplus, the Syndicate could take advantage of improved market conditions as world production fell short of consumption: this overall sugar deficit, which started in 2015, persisted over a second consecutive year, attaining, according to August 2017 estimates of the International Sugar Organization (ISO), 4.96 M tons and 3.86 M tons respectively. The ex-Syndicate price paid to producers for the 2016 crop hence increased to Rs 15,571 per ton sugar, an 18.3% improvement over the payment of Rs 13,166 effected in the previous year.

The increase in world sugar prices, triggered as from the last quarter of 2015, persisted over the following year and the New York #11 futures price for raw sugar reached US 19 cts/lb by July 2016 when sales contracts were being finalised for the 2016 crop sugars, compared with around US 12 cts/lb a year earlier. Prices in the EU market followed the same trend and were further supported by the reduced EU beet sugar production in the previous campaign, attaining 14.9 M tons, compared with 19.5 M tons for the 2014 crop, as a result of a 16% decrease in acreage and also adverse weather conditions having impacted on the beet yields. The supply shortage in the EU was exacerbated during the 2016-17 campaign as exports from ACP/LDC producers were expected to dwindle to some 1.35 M tons, from 1.63 M tons in the previous year. This underperformance from these traditional suppliers resulted from firstly weather-related production constraints and secondly from the fact that their sugars found better sales opportunities in their regional markets, particularly with the weakening of the Euro during the first half of the marketing year. The Syndicate, the only supplier among the ACPs of exclusively direct consumption sugars, took advantage of the supply gap and diverted more white sugar to the

2016-2017

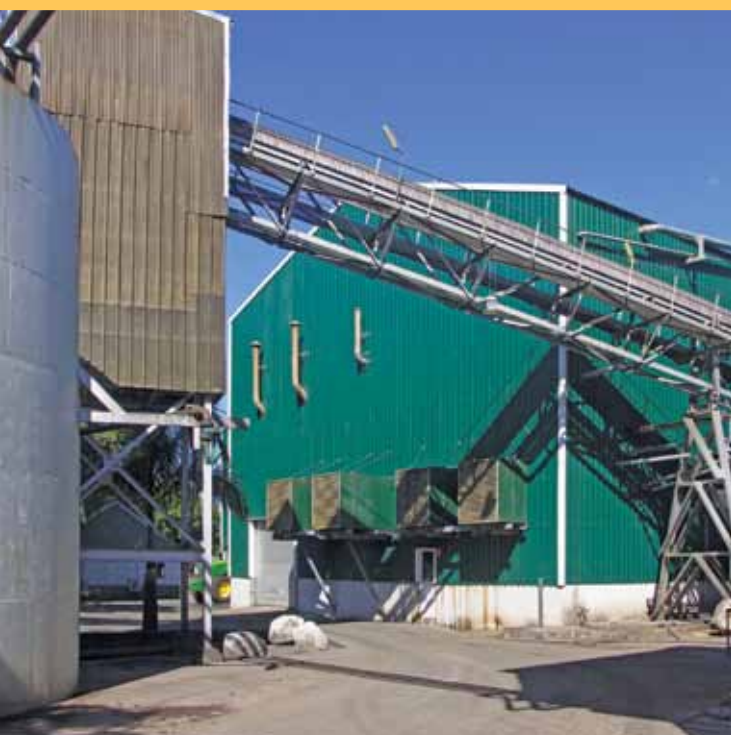
EU as spot prices in fact improved further during the course of the year.

As for the unrefined special sugars, given the strengthening competition in the EU, further market diversification was essential, and was supported during the year under review by the improvement in the New York #11 raw sugar futures. Total sales for the 2016 crop, which comprised 64,911 tons in the EU market, consequently attained 132,090 tons. Out of this tonnage, 5,706 tons were supplied locally, 29,756 tons were delivered to the regional market, especially within the COMESA, compared with 5,867 tons for the previous crop, and a further 31,717 tons, targeted at upmarket segments, to some 33 destinations further afar. These deliveries also included 13,569 tons for the US market, where Mauritius has a 1.2% share of its raw sugar tariff rate quota (TRQ) allocated in accordance with its WTO commitments. It should be underlined that, irrespective of the improvement in world market conditions, US sugar prices were boosted by the uncertainty over the Suspension Agreement which had been reached with Mexico in December 2014 to control imports under NAFTA. This sanction in fact resulted from an abuse of the Suspension Agreement by the Mexican suppliers as they had exported a higher proportion of high polarisation sugar as raw sugar for refining, but subsequently sold to US industrial users as replacement to white sugar. As a result, US refineries faced on one hand unfair competition from the high polarisation raw sugar, and on the other raw sugar feedstock shortages, thereby adding pressure to cane sugar prices. This outcome allowed the Syndicate to fulfill, through sales of special sugars, the minimum TRQ allocated by the US authorities to Mauritius and even take advantage of the additional TRQs granted in July 2017 after the TRQ increase and reallocation of shortfalls for the 2016-17 delivery period.

As regards the domestic market, the long-overdue prescription of quality standards for white sugar, henceforth incorporated

in the Sugar Industry Efficiency (Amendment) Act 2016 (SIE Amendment Act 2016), thereby ensuring competition on a level playing field, together with the introduction as from July 2016 of a tax of 15% on imported direct consumption sugars, have allowed the Syndicate to recover significantly its domestic market share, with sales attaining 33,127 tons during the period under review, compared with 17,741 tons in the previous year. This import duty is nonetheless considered insufficient, being largely below the average duty applicable among sugar producing countries worldwide where their respective industries can rely on their protected domestic markets to ascertain their profitability.

Though still short of the price levels obtained prior to abolition of the ACP/EU Sugar Protocol in 2009, and even those secured between 2011 and 2013, after world market prices had attained record high levels, the 2016 crop ex-Syndicate price can be considered as a realistic equilibrium price under prevailing market conditions bearing in mind the erosion of all traditional trade preferences and the increasingly competitive market environment. As for most commodities, sugar is subject to market volatility, prices being exposed to fluctuations in supply and demand, and currency risks, particularly among the larger exporters. While supply is itself influenced by weather, but also oil prices, considering the flexibility in Brazil to convert cane into ethanol for the running of motor vehicles, demand is affected by population growth, consumers' purchasing power, emergence of substitutes and more recently the "anti-sugar" campaign, more pronounced in mature markets, focusing on the presumably ill-effects of sugar on health. Against such unstable market conditions, the expansion of the revenue base, through revaluation of the cane by-products, is fundamental for producers in order to mitigate subsequent price drops. The amendment of the SIE Act in December 2016 sets the tone in this direction, namely through higher revenue for bagasse obtainable under the Sugar Cane



Sustainability Fund, though limited over a 3-years' period, and for molasses from contribution from distillers/bottlers of alcohol for domestic consumption. Already for the 2016 crop, these by-products represented 14% of planters' total revenue, compared with a mere 4% prior to abolition of the Sugar Protocol. With the announcement in the 2017 Government Budget Speech of a project to develop the utilisation of cane thrash for the production of electricity, such contribution should be called to increase further in future.

As for the 2017 crop, sugar sales will be influenced by more bearish market conditions as a global surplus looms ahead for the 2017-18 marketing year. According to the ISO estimates of August 2017, world production is expected to exceed consumption by some 4.6 M tons, prompted by significant increase in production in India, Thailand and the EU, to the tune of 10 M tons altogether over their previous campaigns. Global consumption on the other hand is forecasted to increase by 1.77% compared with an average 1.93% since the start of the decade on account of higher sugar prices over the last year and also due to the fact that several global food manufacturers are offering low or no sugar alternative products as a result of prevailing 'anti-sugar' campaigns. Such supply-demand forecast, coupled with the weakening of the Brazilian Real and the decrease in its domestic gasoline prices in late 2016, thereby further reducing the ethanol parity price, have lured away non-trade investment in the sugar futures market, which has consequently led to a rapid decline in the price since early 2017. The New York #11 raw sugar futures lost some 40% of its value over a period of 12 months, falling below US 13 cts/lb in June 2017 when the Syndicate was negotiating sales for the 2017 crop. Most sugar producers worldwide would be short of covering their production cost at this price level. However, as the stock-to-consumption ratio was estimated at only 50% by end 2016-17, much lower than the 58% attained in September 2015, when the world market price was at comparable levels,



market volatility is likely to persist, hence enticing producers to finalise sales contracts over shorter time periods.

Against the backdrop of such depressed global conditions, the EU sugar market is under even greater pressure as buyers anticipate surplus supplies with the abolition of production quotas in October 2017. While an alignment of EU sugar prices with those on the world market was unavoidable, especially as EU producers would then no longer face WTO restrictions as regards their exports, they have been stranded by the continuous decline in global prices prior to the start of their 2017 campaign. As at end August 2017, the export parity price of EU beet sugar was only some EUR 320/ton, compared with the average ex-works price of white sugar, based on the previous crop's contracts, at EUR 497/ton in May 2017. At this price level, most EU producers, unless with the help of Voluntary Couple Support in the peripheric areas, could be short of a reasonable remuneration despite efficiency gains meanwhile, both in the field with the average yield having exceeded 12 tons sugar per hectare, and at the mill through longer beet campaigns.

Beet sugar production for the 2017 EU campaign is estimated by the EU Commission at 20.1 M tons, a 19.3% increase over the previous year and 17.6% higher than the last 5 years' average. This significant growth in crop outturn was anticipated after an 18% year-on-year expansion in the area under beet cultivation, while the crop subsequently benefited from ambient climatic conditions favouring beet yields. As the 13.5 M tons domestic supply restriction disappears on 1 October 2017, EU market needs could be entirely filled with EU sugars except that the logistics cost to reach the sugar deficit areas will be a key consideration, hence leaving opportunities for preferential imports. It should be recalled that traditional ACP/LDC sugar suppliers like Mauritius will continue enjoying duty-free market access, compared with the EU MFN tariffs of EUR 419 per ton on white sugar, but fiercer competition is anticipated

from the EU sugar producers. On the other hand, increasing competition is expected in non-EU destinations as well, firstly owing to growing exports from the EU producers, and secondly from other ACP/LDC suppliers as they look for new homes for their sugars after the erosion of their preferential market access to the EU. The market uncertainty has been exacerbated by the BREXIT: although the UK now absorbs only some 15% of Mauritian sugar supplies, it is the largest sugar deficit market within the EU, accounting for 1 M tons out of the 1.5-2.0 M tons import anticipated after October 2017. Depending on the trade treaty to be finalised with the EU, and subsequently with the traditional preferential suppliers, the UK could in the best scenario provide for a secure and remunerative market outlet for Mauritius sugars, or at worst further erode its market preferences thereby increasing sales deviation away from the EU.

As anticipated, the sales and price predictability that Mauritius used to enjoy in the EU will no longer exist. It should be emphasised that the industry is now directly exposed to the vulnerable world market conditions and price volatility. While Sub Saharan Africa, accounting for an annual deficit exceeding 3 M tons sugar, should be an interesting market outlet, especially under the aegis of the regional trade blocs of COMESA and SADC, trade preferences are unfortunately often distorted. Firstly several member states have not yet signed or ratified the Free Trade Agreements or have porous borders, whereby any margin of preference for Mauritius sugars is nullified. Secondly a few of them have sought derogation under the respective trade treaties to limit market access for regional sugars: for the 2017-18 campaign, preferential access for Mauritius sugar in the SACU market is thus bound at 2,606 tons while that into Kenya is restricted at 35,687 tons. Furthermore, market access is often subject to arbitrary political decisions: exports to Kenya were thus prejudiced by the opening of its frontiers to sugars from all origins during the period from May to August 2017, thereby



spurring an influx of low priced sugars with an immediate impact on market prices.

The 2017 crop sugar sales will therefore be subject to the aforementioned unstable market conditions, and prices obtainable are likely to be skewed. Moreover, producers' reduced revenue is likely to be exacerbated by the exchange rate for the Mauritian rupee which, according to the Fitch's latest country risk report, is "at its most expensive in real effective exchange rate (REER) terms since 2012 and will trend above its 15 years' average in 2017". Through the risk management of its currencies, the Syndicate will endeavour to mitigate such exposure, bearing in mind it has managed to achieve a hedging surplus of Rs 451 M for the 2016 crop.



With the increasingly volatile market conditions, the Syndicate has been called upon to review its marketing strategy with the view to augment versatility and respond more promptly to changing market needs. This has called for a reinforcement of its marketing resources, including the recruitment, as from September 2017, of an EU-based Marketing Executive who will facilitate this proximity with buyers and allow the Syndicate to respond more agilely to market fluctuations. The increasing participation of local sugar producers in the marketing of the sugar is also a move in the right direction as it will allow them to be more market-oriented while better optimising their production tools, thereby helping to derive more value from sales.



In the same context, during the year under review, the refining service agreements between the Syndicate and the two local refineries, namely Alteo Refinery Limited and Omnicane Milling Operations Limited, were renewed, providing for an increase in the annual combined refining capacity to 370,000 tons white sugar. In addition to cost optimisation at production level, the Syndicate continuously reviews the sugar supply chain in order to ensure logistics costs are



also minimised: this calls for a constant re-examination of the facilities being used and their regular adaption to meet market needs. Competitiveness remains key.

Equally important is to assure the long term viability of the industry. In line with the UN's Millenium and Sustainable Development Goals, buyers in fact increasingly look for sugars which have been produced in a sustainable manner. They are required, as a commitment to their own customers, to track the environmental and social impacts of their supply chains and this is a recurring prerequisite in the buying decisions, whether for sales in retail or as ingredients in industrial usage. Being recognised as being sustainable is therefore a differentiating factor in a free-market environment. While the Fairtrade certification of small growers' cooperatives since 2008, with total annual production capacity of Fairtrade sugars having now reached 43,000 tons, has already paved the way in this direction, the industry is now called upon to demonstrate its conformance with sustainability standards on a larger scale. In this regard, in October 2016, Omnicane became a member of Bonsucro, the largest network of cane growers, processors and food manufacturers committed to sustainability; they have also started the process of certification, which is expected to be completed by end 2017. Following a dedicated workshop organised by the Syndicate in July 2017, in presence of a high level delegation from Bonsucro, other producers have also been encouraged to have their respective facilities certified: the ultimate objective is to have the whole country recognised as a sustainable source of sugar supply.

The Mauritian sugar industry, on account of its experience with respect to quality assurance, its reliability and flexibility, should therefore have no difficulty in operating in a free-market environment provided it remains cost-efficient and sustainable. However, the world market is unfortunately not always a level playing field and prices are often distorted by

external factors, including currency depreciation or export subsidies among the largest sugar producing countries, Brazilian ethanol prices, which are themselves subject to gasoline prices and taxes applied thereon, and non-trade investment in the sugar futures market. While other producers have large domestic markets which, subject to tariff protection, can be remunerative sales outlets, in the case of Mauritius it represents less than 10% of the Syndicate's annual sales. It is hence essential to secure certain preferential markets, at least for a meaningful quantity of exports, and Government's trade diplomacy support, through the Ministry of Foreign Affairs, International Trade and Regional Cooperation, is of utmost importance in this respect. Sugar is already included in a few ongoing bilateral trade negotiations between Mauritius and its trading partners, while existing agreements are closely monitored to ensure preferential market access for sugar is preserved.

The die is cast as regards the position being adopted by the industry, hence the Syndicate, to face the ongoing market challenges. Together with Government's support in providing an enabling environment favouring cost efficiency, or in securing remunerative market outlets through trade diplomacy, the sector, while riding through the intricacies of the volatile market environment, should remain viable in the long term. However, bearing in mind that guaranteed market preferences are now utopic, producers are being called upon to adapt to a new economic mode with fluctuating sugar prices, which can only be mitigated through cost-efficiency and a broadening of the revenue base.

Kreedpalloo Sunghoon, M.S.K.
President



2016 CROP



2016



CROP

Production Supplies & Revenue

The 2016, crop outturn attained 386,277 metric tons tel quel (mt) sugar produced from 3,795,619 tons of cane, having been harvested over 51,477 hectares (Ha) of land. Comparatively, 366,070 mt sugar were produced from 4,009,232 tons of cane in the preceding year. Although the initial crop estimate was established at 400,000 mt sugar, the shortfall was mainly caused by dry weather conditions during the last quarter of 2016, which had contributed to cane desiccation in low-lying rainfed fields. The maturation phase fortunately benefited from ambient temperature differentials and sufficient sunshine duration that favoured cane ripening, and the average extraction rate for the crop hence reached 10.18%, which was higher than the previous year's 9.14% and the last 5 years' average of 10.07%. As regards cane productivity, it attained an average of only 73.79 tons of cane per Ha (TCH), compared with 76.53 TCH for the previous campaign and the last 5 years' average of 74.98 TCH.

The crop production was supplemented with a carry-over stock of 9,894 mt special sugars from the previous campaign, 115,058 mt raw sugar imported by the Syndicate for refining purposes and a further 16,011 mt raw sugar feedstock purchased from freeport-based Omnicane Sugar Trading Limited. Total disposable sugar for the 2016-17 marketing year thus amounted to 527,240 mt, compared with 471,346 mt for the previous year. It was processed into 357,201 mt white refined sugar, 127,371 mt special sugars and 3,854 mt mill white sugar.

Total sugar exports for the year, delivered till the end of the marketing year in September 2017, attained 460,018 mt, comprising 333,634 mt white sugar and 126,384 mt special sugars. The EU, which provided the most remunerative price levels at the time sales were finalised, remained the Syndicate's main export destination, accounting for some 316,423 mt white refined sugar and 64,911 mt special sugars. The remaining 17,211 mt white sugar were exported to other markets. Export of special sugars to the US reached 13,569 mt, in fulfilment of Mauritius' enhanced share of the US raw sugar TRQ, and another 47,904 mt were sold in over 30 other destinations, including in the region.

Table I

2016 Crop Sales (metric tons)		
	MT	
2016 Crop Outturn	386,277	
Add carry-over stocks from 2015 crop:		
<i>Bagged special sugars</i>	9,894	
Add raw sugar feedstock imported during 2016 crop	115,058	
Add sugar purchased from Omnicane Sugar Trading Ltd	<u>16,011</u>	
TOTAL DISPOSABLE SUGAR		527,240
EXPORT SALES 2016-2017		
European Union (EU)		
<i>White refined sugar</i>	316,423	
<i>Special sugars</i>	<u>64,911</u>	381,334
United States		
<i>Special sugars</i>		13,569
World Market		
<i>White refined sugar</i>	175	
<i>Special sugars</i>	<u>18,148</u>	18,323
Regional Market		
<i>White refined sugar</i>	17,036	
<i>Special sugars</i>	<u>29,756</u>	<u>46,792</u>
TOTAL EXPORT SALES		460,018
LOCAL SALES		
<i>White refined sugar</i>	27,421	
<i>Raw sugar for direct consumption</i>	<u>5,706</u>	<u>33,127</u>
TOTAL SUGAR SALES		<u>493,145</u>
Less processing and storage losses		14,715
Estimated surpluses		
Bagged special sugars		5,178
Imported raw sugar feedstock		14,202

The 2016 crop sales performance, as detailed in Table I above, benefited from improvement in world market prices, triggered in October 2015 with the announcement of a new global sugar deficit cycle, boosted by weather-related deterioration in production levels among the world's major sugar producers. The prices continued to increase, with the New York #11 raw sugar futures reaching US 19 cts/lb by the start of the crop in July 2016, compared with only US 12 cts/lb one year before. The EU market followed the same trend, though slightly delayed

since most sugars have usually been supplied on basis of annual contracts starting either in October or in January. As a result, a significant portion of sales from traditional ACP/LDC suppliers had meanwhile been finalised to non-EU destinations, a decision also motivated by their willingness to get prepared for the post-October 2017 production quota liberalisation in the EU market. Together with the reduced EU crop outturn, resulting from a lower acreage under cultivation and adverse weather conditions which had impacted on the beet yield, this shortfall



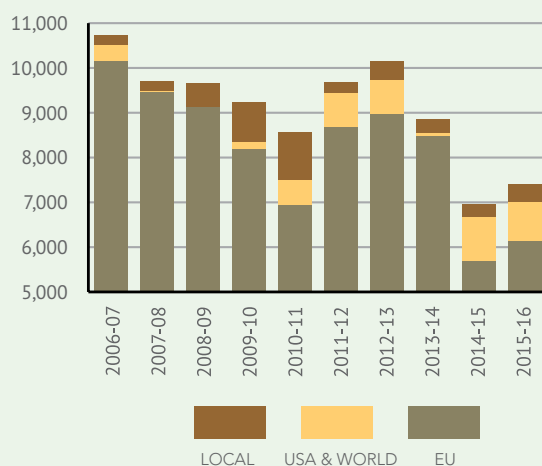
2016 CROP

in sugar supplies further increased spot price levels in the EU market during the 2016-17 marketing year.

As a consequence of the higher sales prices obtained, the Syndicate's total export revenue on an FOB Port Louis basis increased to MUR 9,075 M, from MUR 6,995 M in the preceding crop. Net proceeds, including from sales on the local market, but after deduction of all operational and statutory expenses incurred by the Syndicate, amounted to MUR 6,056 M, almost 25% higher than the previous year's performance. Global Cess, which represents 4% of the ex-Syndicate price, remained the main component of statutory expenses and amounted to MUR 242 M for the year under review. The ex-Syndicate price for the 2016 crop was consequently finalised at MUR 15,571 per ton sugar, an 18.3% increase over the previous price of MUR 13,166. The Sugar Insurance Fund Board (SIFB) premium, deducted from producers' proceeds at source, amounted to MUR 189 M, though small growers producing up to 60 mt sugar were reimbursed the general premium component by Government.

As at end June 2017, the closing stock comprised 14,202 mt imported raw sugar feedstock for refining and another 5,178 mt bagged special sugars, which will be carried over to the following campaign.

CHART I
Sugar proceeds per destination (MUR M)



Sales

European Union market

Mauritius is a member of the Eastern and Southern African trade bloc (ESA) and has signed, together with Madagascar, Seychelles and Zimbabwe, an interim Economic Partnership Agreement (IEPA) with the EU in 2009. It consequently

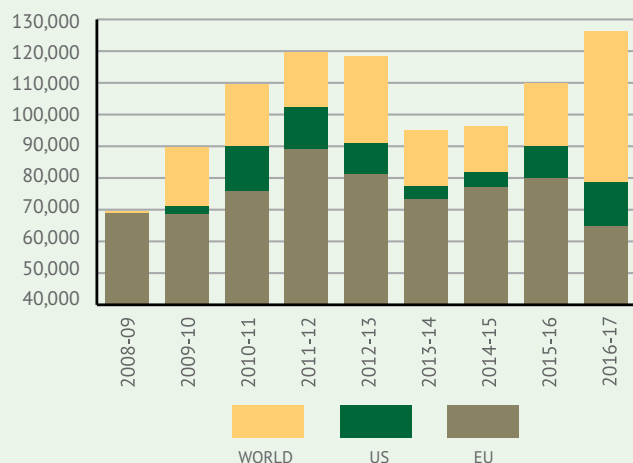
benefits from duty-free access for its originating sugars in the EU market, all quantitative restrictions having also been removed after the lapse in October 2015 of the automatic safeguard mechanism applicable to non-LDC ACP suppliers.

The October 2016 - September 2017 EU marketing year, during which the 2016 crop sugars were delivered, was influenced by the bullish world market conditions which saw an increase in prices as from the last quarter of 2015. Price pressure intensified during the course of the year as EU beet sugar production from the 2015 crop had fallen to 14.9 M mt, a 23.5% decrease over the previous year, as a result of a lower beet yield of 10.9%, compared with 12.1% for the prior crop, while the surface sown had already been reduced by 16%. Together with declining deliveries from ACP/LDC suppliers, which attained only 1.2 M mt by mid-August 2017, compared with almost 1.5 M tons at the same time in the previous year, such supply shortfall is likely to reduce the closing stock as at end September 2017 to merely 0.7 M mt sugar. In order to avoid any sugar shortage, the EU Commission were to allow delivery of 2017 crop sugars as from start September 2017, which consequently avoided the need for any exceptional measure earlier in the year.

Sugar exports from Mauritius to the EU would be attaining 381,334 mt by the end of the marketing year in September 2017, comprising 315,814 mt white refined sugar, 609 mt mill white sugar and 64,911 mt special sugars. 228,000 mt of the refined sugar have been sold through the long term supply agreements which the Syndicate has signed with CristalCo and British Sugar for 130,000 mt and 100,000 mt respectively. A large proportion of these consignments, mostly in bulk liner containers, was shipped to Italy but also to 7 other destinations across the EU. Considering that prices obtainable in the EU were more attractive than in other markets, the Syndicate concluded sales for another 80,000 mt white sugar directly to a number of European buyers having preference for cane white sugar and willing to pay the required price differential.

As for exports of special sugars to EU destinations, they reached 64,911 mt for the 2016 crop, compared with 79,775 mt in the previous year. This reduced performance was partly due to the fact that a few buyers had lower needs after having finalised multi-annual contracts with competing origins but more importantly owing to enhanced competition being faced from new origins, especially with VHP sugars meant for refining or coloured refined sugars which can be produced at much lower costs. Competition has intensified with the new Free Trade Agreements (FTAs) signed by certain cane sugar producing countries with the EU, which have allowed duty free access for their raw sugars for direct consumption. The reduced sales

CHART II
Export of special sugars (MT)

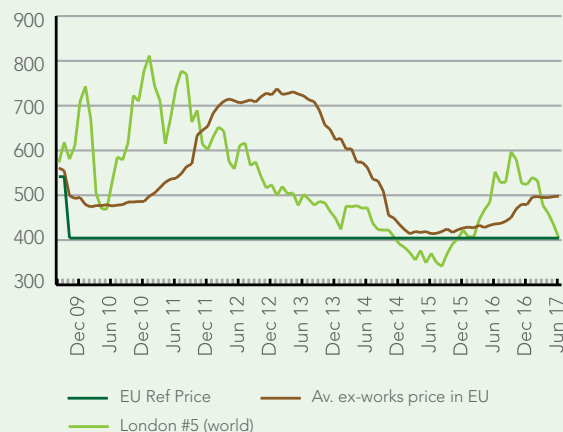


performance in the EU was fortunately compensated from sales to other destinations, as illustrated in Chart II above.

EU prices

The EU average ex-works price of white sugar is regularly monitored by the EU Commission through a reporting system involving all Member States and which serves as a reference for both sugar operators and regulators. The average price by the start of the crop year in July 2016 reached Euro 438/ton, some 5.5% higher than that applicable 12 months earlier. With the support of the bullish world market conditions, it rose continuously to attain Euro 479/ton in December 2016 and surged to Euro 498/ton in June 2017. The Syndicate took advantage of these higher price levels in the EU to conclude sales: hence the average price obtained for its white sugar increased by 20% over the previous year. Chart III on page 18 compares the evolution of the average ex-works price of white sugar in the EU market with that on the world market. The price reporting system was replaced in July 2017 by the EU Sugar Market Observatory, comprising Officials from the Commission of Agriculture and Rural Development and an Expert group including 14 organisations working in the sugar and sweetener supply chain. The Observatory, which aims at providing, in a timely manner, more transparency on the EU sugar market through dissemination of market data and short term analysis, will meet at least twice a year.

CHART III
Comparison of white sugar prices in EU with world market prices (€)



EC Regulation and ACP/EU EPA Agreement

The Common Agricultural Policy (CAP) reform of 2013 provided for the abolition of production quotas and export restrictions on EU beet sugar and isoglucose after 30 September 2017. EU sugar producers have accordingly embarked on an expansion plan in order to increase their competitiveness: the total area under beet cultivation increased to 1.66 M ha, compared with 1.41 M ha in the previous campaign, resulting in a longer campaign, thereby further absorbing fixed costs. As the EU consequently becomes a net sugar surplus supplier, prices are expected to be under growing pressure and also increasingly volatile as sales decisions will be subject to the comparative net revenue between the domestic market and other world market destinations.

The new sugar regime has also called for the abolition of the minimum price payable for beet, which will henceforth vary according to market prices. New payment formulae have consequently been negotiated between processors and millers, taking into consideration domestic and export prices of the sugar and also that of ethanol. Given competition for the land resources from alternate crops, a win-win formula is essential for stability of supplies.

On the other hand, further to discussions held with the EU Commission in October 2016 in the context of modernisation of the Rules of Origin under the ACP/EU Economic Partnership Agreements (EPAs), Mauritius, as a member of the Eastern and Southern Africa (ESA) bloc, sought additional flexibility as regards, amongst others, utilisation of non-originating sugar under the value-tolerance rule. A draft regulation with



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the proposed amendments to the Rules of Origin has already been circulated to the ESA members for comments, and a final decision from the Commission was awaited at time of writing.

Likewise, at the behest of EPA signatories, the EU Commission confirmed that cumulation of sugar, in line with provisions contained in the agreement, was possible among those having signed the joint undertaking on Administrative Cooperation. Madagascar, Seychelles, Kenya and Mauritius, which were already signatories of the undertaking, were joined by Zimbabwe, Cameroon and Namibia in March 2017. The Ministry of Foreign Affairs, International Trade and Regional Cooperation is sensitising other ACP countries of the relevance of signing this undertaking, which will enable Mauritius to import raw sugar from a larger number of suppliers prior to refining for duty-free access to the EU market.

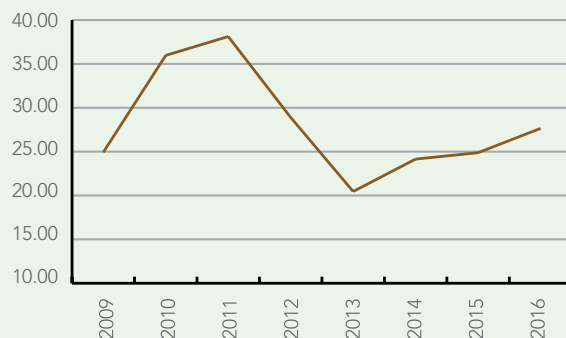
United States market

On 6 May 2016, in accordance with its obligations under the WTO, the United States Trade Representative (USTR) set the raw sugar TRQ for Financial Year (FY) 2017 at the minimum bound level of 1,117,195 metric tons raw value (mtrv). Mauritius was subsequently allocated its traditional share of 1.2% of this TRQ, thus amounting to 12,636 mtrv, for delivery in the US between 1 October 2016 and 30 September 2017. On 24 July 2017, the United States Department of Agriculture (USDA) announced an increase of the TRQ for FY 2017 by 244,690 mtrv, and Mauritius subsequently received a share equivalent to 4,347 mtrv. Moreover, on 31 July 2017, the USTR announced the reallocation of 86,495 mtrv of the original TRQ quantity from countries which had been unable to fill their allocated raw sugar quantities and Mauritius was thus granted a further 1,327 mtrv, bringing its total allocation for FY 2017 to 18,310 mtrv. Given the late announcement of this TRQ adjustment, the USDA also extended the delivery period till 31 October 2017 to allow suppliers to fulfill their commitments in a timely manner.

The Syndicate managed to take advantage of improved market conditions in the US, a result of the uncertainty over the renegotiation of the Suspension Agreement (SA) and the shift in demand away from beet sugar. Total sugar imports in the US during the October 2016-September 2017 period was in fact expected to reach 3.13 M short tons, i.e. 6.3% lower than over the same period in the previous year. The Syndicate consequently finalised sales for 13,569 mt special sugars from the 2016 crop, compared with 10,150 mt in the previous year, and the balance of the enhanced TRQ for FY 2017 was supplied from 2017 crop sugars as from August 2017.

CHART IV

Evolution of US raw sugar prices (US cts/lb)



US Sugar Policy

Antidumping and Countervailing Duty Cases (AD/CVD) against Mexico – Revision of the Suspension Agreements

As for the previous year, the US sugar market has been mostly influenced by the antidumping and countervailing duties (AD/CVD) cases filed since January 2014 against Mexican sugar supplies by the US sugar industry. These had been prompted by surging imports from Mexico between 2012 and 2014 after their sugars had been granted unlimited duty-free access to the US market following implementation of NAFTA in 2009. The US Department of Commerce (DOC) and the International Trade Commission (ITC) confirmed the dumping, subsidy and injury findings, respectively in September and October 2015, but facing the prospects of AD/CVD as high as 80%, which would have barred sugar imports from Mexico and caused disruption in the US market, Mexico and the US entered into a Suspension Agreement in December 2014 whereby sugar imports from Mexico were subject to (1) an access limit based on a formula allowing Mexico to supply a volume equal to US consumption minus its production, its TRQ supplies and imports under its various Free Trade Agreements (FTAs); (2) a provision requiring that not more than 53% of Mexico's exports can be white refined sugar to ensure adequate throughput to the US refineries and (3) minimum prices to prevent dumping.

However, soon after implementation of the SA, it became evident that Mexico was not complying with the spirit of its provisions as the US refineries were receiving significantly less than the 47% of sugar supplies earmarked, and instead, Mexican high polarisation Estandar was being sold at lower prices directly to end-users thereby competing directly with



the US refineries while concurrently depriving them of raw sugar feedstock. The situation in the US market was further complicated as a new consumer trend emerged against Genetically Modified Organism (GMO) sugars. As a result, sales of beet sugar, produced mostly under GMO, dwindled and its stocks as at end 2016 were estimated to be as high as 700,000 mt, thereby reducing refined sugar prices while on the other hand, shortage of supplies to the refineries increased pressure on raw cane sugar prices.

The US sugar industry consequently petitioned the DOC in October 2016 to terminate the SA. Their preliminary findings that Mexico was not complying with the SA prompted negotiations with the new Commerce Secretary Wilbur Ross threatening that the SA would be terminated and AD/CVD imposed unless an agreement was concluded by 5 June 2017. On 6 June 2017, a deal was announced, providing in principle adequate protection to the US Sugar Industry against dumping and unfair subsidisation from Mexico, as determined by the DOC investigation. It provided for (1) an increase of the minimum prices of raw and refined sugars from US 22.25 cts/lb to US 23 cts/lb, and from US 26 cts/lb to US 28 cts/lb respectively, to ensure that Mexican sugar imports do not undercut domestic price levels; (2) the revision of the raw sugar/refined sugar split from 47:53 to 70:30 to ascertain sufficient raw sugar throughput for the US refineries; (3) a reduction from 99.5 Z to 99.2 Z of the maximum polarisation of the raw sugar to reduce the risk of Estandar sugar being supplied directly to industrial users; (4) shipment of sugar to be made in bulk cargo vessels, rather than trucks and rail cars; (5) enhanced monitoring and enforcement provisions such as requirements for polarisation testing and stiff penalties in case of violation of the agreement.

On the downside, the agreement grants Mexico a right of first refusal to supply the totality of additional sugar needs identified by the USDA for the US market after 1 April of each year, while relaxing the refined sugar definition to 99.5 Z for such additional imports. Such measure would be detrimental to traditional TRQ holders such as Mauritius as in any year their supplies will consequently be limited to the WTO-bound minimum quotas unless Mexico is not in a position to supply the extra sugar required during the second half of the FY. The International Sugar Trade Coalition (ISTC), which represents the interest of the TRQ holders vis-à-vis US authorities, made representations to both the DOC and USDA on 7 June 2017 objecting to the "right of first refusal" provisions as a violation of the WTO rights of the TRQ suppliers but they were unfortunately not retained.

Trans-Atlantic Trade and Investment Partnership (TTIP)

The TTIP negotiations between the US and the EU, which were already progressing at a slow pace, were further delayed by the UK's decision to withdraw from the EU, before being definitely put on hold by the new US Administration. It has given mixed signals about the future of TTIP and given the US preference for bilateral Free Trade Agreements rather than multilateral agreements, the future of the TTIP is even more uncertain.

Regional and world markets

With regards to supply of special sugars to other world market destinations, despite growing competition from ordinary raw sugars from other origins at lower prices, the Syndicate managed to increase exports to 18,148 mt, compared with 14,226 mt in the previous year. These are now being sold in over 30 non-EU destinations altogether. In addition, in light of increasing demand for these sugars in the regional market, though being sold as direct consumption ordinary raw sugars, the Syndicate supplied a further 29,756 mt to such destinations during the period from September 2016 to June 2017.

As regards white refined sugar, since the Syndicate opted to sell the majority of its white refined sugar to the EU, given the higher market price levels, it supplied only 13,865 mt purchased from Omnicane Sugar Trading Ltd, after refining together with local plantation white sugar, to Kenya to fulfill demand from certain industrial users.

Regional Sugar Trade Policies

Sub-Saharan Africa is a sugar-deficit region, with an estimated shortage in excess of 3 M mt, while the whole continent has a total deficit exceeding 7 M mt p.a. This market therefore represents a serious alternative for export of sugar from Mauritius, especially in consideration of its proximity and also the preferential access granted under the Common Market for Eastern and Southern Africa (COMESA) trade treaty and the Southern African Development Community (SADC) Sugar Agreement.

Market access into COMESA is on a duty-free and quota free (DFQF) basis provided the product meets at least 35% of local value addition as per rules of origin criteria. However, in August 2016, the COMESA Council of Ministers granted a two-years' sugar safeguard to Kenya, after it had sought protection for its 'infant' industry from cheaper imports, thereby limiting DFQF access from other COMESA producers through Tariff Rate Quotas (TRQs). The allocation formula adopted by the Council is based on the country's sugar surplus and intra-COMESA trade, which provided for a quota of 35,687 mt to Mauritius for



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calendar year 2017. Although this derogation should only have applied to raw sugar, Kenyan authorities have been ambiguous whether it should also cover white sugar, where the margin of preference is already reduced for COMESA suppliers as industrial users are granted 90% duty restitution for imports from outside the region. At the behest of Mauritius, Kenya was urged by the COMESA Trade and Trade Facilitation Sub Committee, which met in Uganda in June 2017, to promptly disaggregate the HS codes in order to exclude white sugar from the derogation, especially due to the fact that it was not being produced in the country, hence needing no protection.

Preferential access within SADC is even more restrictive with a derogation to DFQF access under Annex VII of the SADC Trade Protocol whereby TRQs apply in the SACU market for other SADC sugar suppliers. Quotas are still allocated using a formula based on net surplus which is defined as production less domestic consumption and preferential exports, while the latter component is no longer valid after erosion of all trade preferences. In this regard, for the 2016-17 period, the Mauritius share of the TRQ, based a minimum threshold allocation, was only 2,576 mt compared with 2,343 mt in the previous year, an insignificant quantity to formalise any long term commercial agreement. It should be noted that, in view of the market access restriction for non-SACU SADC sugar producers, which had on their part liberalised their market for SACU suppliers, a number of them have introduced tariff and non-tariff barriers, to protect their own sugar industries even from other SADC suppliers. As a result the SADC Sugar Agreement has become barely operational. SADC Sugar Industries, including the Syndicate, which meet regularly under the SADC Sugar Producers Consultative Forum alongside the Technical Committee on Sugar (TCS), agreed on the need to review the Sugar Agreement and a document formulating a few proposals to facilitate sugar trade was circulated accordingly. The Ministry of Foreign Affairs, International Trade and Regional Cooperation likewise submitted a proposal at the Trade Negotiating Forum meeting held in Gaborone in May 2017 to seek liberalisation of sugar trade within the region. The question has been referred back to the TCS for further discussion.

With the view to further enlarge the market place for preferential trade, SADC, COMESA and EAC members have engaged in discussions for a Tripartite Free Trade Agreement (TFTA) which was launched in June 2015. However, sugar is considered as a sensitive product by a number of these countries, and they are consequently prioritising limited preferential access in the initial phase. Mauritius has to ensure that its acquis are preserved in this enhanced trade bloc in order to sustain regional trade.

Local market

Government acceded to the Syndicate's request to introduce a duty of 15% on import of direct consumption sugars in July 2016. This measure, which was aimed at safeguarding the interest of local producers, has allowed the Syndicate to recover its market share and total sales for the year under review attained 33,127 mt, compared with 17,741 mt for the 2015 crop. This increase was also reflected in the industrial segment, where 15,001 mt white refined sugar and 1,477 mt raw sugar were sold in 2016-17, compared with 11,581 mt and 1,144 mt respectively in the preceding year. The remaining 16,649 mt, including 213 mt special sugars, were sold to packers for distribution to the retail market. Prices applicable to local market sales, which were increased in June 2016 in line with world market prices, were maintained for the duration of the 2016-17 marketing year, despite further price hikes globally in the interim period.

On a different note, the quality standard MS 193 for white refined sugar was introduced by the Mauritius Standards Bureau (MSB) to define the quality of sugar to be sold on the local market. The Sugar Industry Efficiency Act which was amended in December 2016 henceforth requires any importer, as well as the Syndicate, to comply with the requirements of this standard.



SUPPLY &



SUPPLY & DELIVERY ARRANGEMENTS



DELIVERY

A well-managed supply chain, in respect of both storage and deliveries, is essential not only for cost efficiency but also to ensure the good keeping qualities of the sugars. The Syndicate therefore has to ascertain, with the view to bring the highest revenue to producers, that all costs along this chain are optimised: this starts from the mill till delivery of the direct consumption value-added sugars to its final customers. In order to fulfill its delivery commitments, the Syndicate also has to organise production of the sugars in the required grades, varieties, specifications and formats, and consequently supply arrangements are established with the relevant producers for the value-addition component. The subsequent stages of the supply chain, namely storage and transport, also have to be managed in the most judicious manner.

Service Agreements with Refiners

Further to the termination of the refining service agreements with Alteo Refining Ltd and Omnicane Milling Operations Ltd (OMOL) in September 2015, the Syndicate and the two back-end refineries jointly appointed an independent consultant to facilitate the discussion and determination of the new Refining Service Fee (RSF) payable, taking into consideration the new market environment and the financial objectives of the refineries. A new RSF has been agreed for payment until 30 September 2019, back-to-back with the long term supply agreements signed by the Syndicate with its commercial partners, and it ensures that the industry remains a competitive source of white refined sugar. In light of the flexibility of mixing imported raw sugar feedstock with local plantation white sugar prior to refining operations, as permitted by the rules of origin under Mauritius' respective preferential trade agreements, the combined annual refining capacity under the new contract has been enhanced to 370,000 mt sugar. While the new RSF has been paid to the refiners since January 2017, the Sugar Refining Service Agreement (SRSA) is being reviewed for signature between the Syndicate and the service providers, with a provision for further renewal upon its expiry in September 2019.

During the year under review, 361,055 mt white refined sugar were produced by the two refineries: they comprised 8,031 mt white sugar of EEC Grade I quality, 24,951 mt of bottler's grade quality, 3,854 of mill white sugar and the balance of 324,219 mt

of EEC Grade II quality. The sugar feedstock consisted of 263,761 mt local plantation white sugar sourced from the four sugar mills, and allocated between the refineries on basis of an equal capacity saturation but while optimising transport costs. The remaining raw sugar feedstock required to fulfill the refining capacities, amounting to 115,058 mt for the year under review, was imported by the Syndicate, a practice initiated since 2011. This measure has allowed the refineries to optimise their capacities, while increasing the total availability of white sugar for sales, thereby enhancing producers' revenue. At the behest of the Syndicate, through the Ministry of Foreign Affairs, International Trade & Regional Cooperation, the EU Commission has agreed, under the Economic Partnership Agreements signed with ACP suppliers, a principle of accounting segregation for the local and imported raw sugar feedstock, which should facilitate storage and the refining process.

While the local plantation white sugar is in priority transferred directly to the sheds adjacent to the refineries for storage, the imported raw sugar is stored in Shed 1 of the Bulk Sugar Terminal (BST) of the Mauritius Cane Industry Authority (MCIA) before being gradually transferred to the refineries for further processing. As at end June 2017, a stock of 14,202 mt imported raw sugar remained at the BST and at the refineries' sheds. As for the 2017 crop, considering the anticipated reduction in production outturn and the proposed increase in refining capacity at Omnicane, the MSS plans to import over 110,000 mt raw sugar for further processing.

Framework Agreement for Supply of Special Sugars

Production of special sugars is subcontracted by the Syndicate to Terra Milling and Alteo Milling under a framework agreement established in 2009 and they are remunerated on this basis. Sales of special sugars for the year under review amounted to 132,090 mt, compared with 111,404 mt in the previous year. Production of special sugars thus increased to 127,371 mt, from 93,763 mt in the previous crop, and was supplemented with a stock of 9,894 mt carried forward from the previous campaign.

Special sugars from Mauritius have acquired a solid reputation in the market place after having been produced over the last 40 years with a high degree of professional expertise.



The factories are BRC certified, a GFSI-benchmark food safety scheme which guarantees the standardisation of quality and operational criteria, and ensures that producers fulfill their legal obligations in providing food-safe sugars to the end users. The production framework also takes into consideration the environment and social factors in line with the buyers' ethical standards.

In order to ensure that customer requirements are effectively met, the Syndicate conducts regular visits and audits to the production sites. It also provides regular updates to the mills on new market requirements and client exigencies, and explores together with them opportunities for product development to consolidate sales and further expand the market base. To comply with the increasingly stringent quality requirements of buyers, the mills consistently upgrade their processes, facilities and infrastructure: during the year under review, they pursued with their replacement programme of mild steel with stainless equipments and pipes, the installation of additional control for foreign bodies and the implementation of measures to meet ethical standards. With regards to the latter, both mills have registered membership on the Supplier Ethical Data Exchange (SEDEX) while Terra Milling went a step further by having its data validated through a third party on-site SEDEX Members Ethical Trade Audit (SMETA).

CHART V

Production of white refined sugar and special sugars ('000 MT)



Storage Facilities and Shipping Arrangements

While special sugars, which are produced solely during the harvest, are stored in warehouses for year-round shipments, white refined sugar is delivered to the port by the refineries

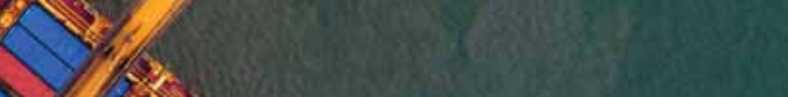
throughout the year for continuous shipments. Given the range of products, including the different types of packing to meet customers' demand, a close coordination is ascertained between the Syndicate and the mills and refineries.

Procedures have been established for the selection and preparation of empty containers according to a cahier des charges agreed between the Syndicate and the shipping lines: they ensure that they meet strict food grade standards. Containers destined for export of white sugar are collected continuously by the refineries from the depots located at Mer Rouge or Riche Terre, and once filled at their sites, they are dispatched to the Cargo Handling Corporation (CHC) or Mauritius Freeport Development (MFD) in Port Louis, where they are stored prior to shipment on a First In First Out (FIFO) basis. In order to ensure a proper stock management and efficiency in deliveries, the Syndicate is equipped with an in-house IT tracking tool.

For the year under review, 13,759 containers of white refined sugar were delivered to CHC and MFD. These were supplied mainly by the three major shipping lines, namely CMA-CGM, Maersk and MSC, with which shipments were organised on the basis of rolling forecasts, regularly updated by the Syndicate's commercial partners and major customers. Out of these consignments, 592 containers were exported to the regional market and the balance to European destinations. In terms of formats, they comprised 10,638 containers in bulk liners, 2,452 in big bags and the remaining 669 in 50 kgs polypropylene (PP) bags.

As regards special sugars, 122,432 mt have been delivered during the period under review to the BSSD warehouses of the MCIA for storage, prior to loading in 20-ft containers for shipment throughout the year. These comprised 1,216 containers shipped to Mombasa in Kenya, and unlike previous years, 206 of them were loaded at the mill and sent directly to the port for export. This change in operational process became necessary to satisfy Kenyan authorities requiring sugar to be shipped no later than 45 days after importers have been granted pre-shipment approval. Containers loaded at the mill were inspected by SGS as per conformance requirements of the Kenya Bureau of Standards.

While special sugars have traditionally been bagged in PP bags of 1,050 kgs, 50 kgs and 25 kgs, trials in paper bags were successfully undertaken at the end of the harvest: this should provide the Syndicate with further flexibility to meet specific customers' requirements.



Supply & Delivery Arrangements

As for the local market, 16,245 mt white refined sugar and 5,706 mt direct consumption raw sugars were delivered respectively by the refineries and the relevant mills in 50 kgs Polypropylene bags to the BSSD stores in Port Louis for sales on an ex-warehouse basis to a range of customers, comprising industrial users, wholesalers and packers. A further 11,176 mt white refined sugar, still in 50 kgs bags, were delivered directly to the local bottlers.

With the termination of the lease agreement in December 2017 for the Trou Fanfaron Albion Docks warehouse, which could accommodate up to 25,000 tons bagged sugar, the Syndicate together with the MCIA Sugar Handling and Storage Unit have been exploring alternative storage facilities with an equivalent capacity. The MCIA proposal to extend the Caudan warehouse to accommodate the sugar, which was to be financed by the industry, was found to be too costly and the Syndicate consequently launched a tender in March 2017 to look for the most cost efficient storage space from a private operator. In light of the offers received, the contract was awarded to the MFD which provided the possibility to store up to 35,000 mt bagged sugars over a crop year. The proposed warehouse is located adjacent to the port terminal, thus optimising containers transit time for export but also for bagged sugars delivered from the mills located North and East of Port Louis. As a specialist in warehousing activities and logistics solutions, the MFD should allow the Syndicate to avail of better storage conditions while meeting the flexibility sought by stakeholders. Hence, extended working hours would be provided during the harvest, thereby reducing the risk of any bottleneck at factory level. Moreover, the provision of transport and customs clearing procedures under one roof would bring more efficiency in the supply chain and avoid risks of short-shipments. The MFD is also equipped with an inventory management system tool which would be accessible to the Syndicate for better stock management and valuation.

Quality & Food safety

Confidence in the quality, safety and integrity of the sugar supply chain is a sine qua none condition for buyers and are often comprised in the regulatory requirements of importing countries. To achieve these objectives, the Syndicate's Central Quality Department (CQD) works in close collaboration with relevant stakeholders, starting from the sugar producers until the final buyers, and including the service providing institutions and suppliers of packaging materials and containers.

As per established practice, producers were provided, prior to the harvest, with a guidance document highlighting the

Syndicate's requirements in terms of traceability, product specification and weight tolerance, or any action needed to be undertaken at the mill or refinery to satisfy buyers' growing demand. The CQD also plays an active role in reviewing and responding to buyers' questionnaires with the relevant producers' support: these information, often required by their own customers, enable the Syndicate to remain on their approved suppliers' database. The CQD representatives have likewise been interacting with the producers for the planning of buyers' audit visits and for the follow up of corrective actions following these verifications or customer complaints. Through regular visits to the factories and refineries, the CQD has been kept informed of all improvements in their processes and such information was accordingly relayed to buyers as a proof of the industry's strive for continuous improvement. The CQD likewise organises and facilitates annual audits by the relevant certifying bodies for the Halal and Kosher certifications of the locally produced sugars, which are essential to access specific market segments.

Likewise, the CQD issued a guidance document to the MCIA Sugar Storage and Handling Unit highlighting the Syndicate's requirements in terms of product quality, safety and security for the receipt, storage, and delivery of bagged sugars. The quality supervisors posted at these warehouses ensured that sugar bags were received, stored and stuffed as planned and using appropriate checklists issued by the CQD for that purpose. Regular feedback from these supervisors ensured the identification of issues pertaining to warehousing activities and the timely implementation of corrective actions. The CQD also played an active role in reviewing buyers' questionnaires together with the MCIA representatives to ensure records are always up-to-date.

The CQD, moreover, provides direct technical support in the marketing of the sugar. Hence, in addition to the issuance of documents relating to export consignments, bearing in mind that sugars are released for sale only after verification of all quality and food safety information, the CQD provides assistance in differentiating the sugars, namely by highlighting their intrinsic values, in order to defend their market position. In the same vein, to capitalise on the health benefits of special sugars, the assistance of the National Research Chair in Applied Biochemistry, based at the Biopharmaceutical Unit of the Centre for Biomedical and Materials Research, was sought to assess the antioxidative potency of the sugars produced in Mauritius. The tests conducted showed that the sugars have antioxidative properties and bring health benefits to consumers when used as a natural sweetener or as a food ingredient.



The quality and safety aspects of sugar are also dependent on the use of appropriate packaging materials. During storage, transport and distribution, the product is exposed to various conditions that are likely to affect the characteristics of the sugar upon delivery, hence the need for appropriate bag specifications to guarantee a fit-for-purpose sugar till it reaches the final customer. Packaging materials used by the mills and the refineries are released by the CQD after verification of all quality and food safety information.

As was the case in previous years, all quality and food safety information relating to packaging materials, including their traceability, were forwarded to the factories and the refineries to verify if they meet the requirements of their BRC standards. As it stands, all suppliers of packaging materials have facilities which are certified to a GFSI-recognised standard for food safety, which adds value to the materials delivered to the customers. The Syndicate's CQD constantly updates its database of suppliers to ensure it obtains the best value for the right product at all times.

Likewise, the CQD ensures that appropriate containers are used for transport of the sugar. The setting up of appropriate procedures for the selection, cleaning and release of the containers, and their verification through regular audits conducted at the depot, guaranteed the supply of fit-for-purpose boxes. The guidelines and quality checklists are regularly reviewed and updated accordingly.

The CQD is also involved in the supervision during unloading & discharge operations of imported raw sugar feedstock as well as their delivery to the refineries. Regular contact with suppliers ensures strict compliance with market requirements. All relevant quality documents relating to the imported sugar are made available to the refineries for them to meet specific clauses of the BRC standard.

The CQD also diligently performed its standing obligation towards sugar producers by analysing daily plantation white sugar and special sugar samples sent by the mills for polarisation and moisture content. The results of such analysis are averaged and communicated to the Control & Arbitration Department (CAD) of the MCIA at the end of the crop. These data are used to determine the tonnage of sugar accruing to the millers and planters.

Fairtrade labelled sugars

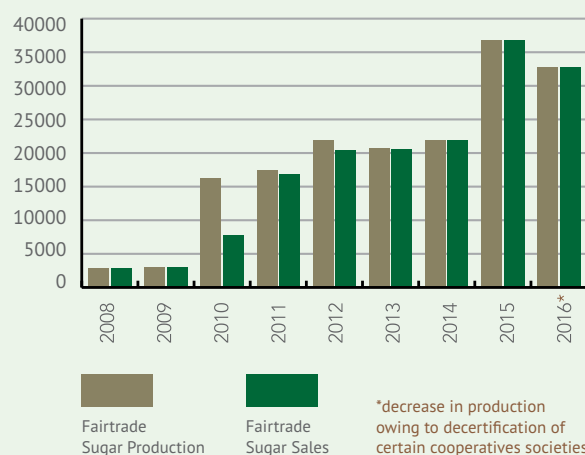
Of the 19 Fairtrade sugar exporting countries worldwide, Mauritius was the only one to increase its certified sugar

sales in 2016. The Syndicate's efforts to substantially increase certified sugar sales for a third year in a row was, however, dampened by the decertification of 10 cooperatives during the year under review. To overcome this shortcoming, the concerned cooperatives were enjoined to swiftly reapply for certification and address their non compliances. The readmission of 3 of them within one year of decertification enabled the Syndicate to retro certify their 2016 crop volumes, and 32,777 mt sugar from the 2016 crop were consequently sold with the Fairtrade certificate, compared with 36,723 mt in the previous year.

In May 2017, a delegation comprising, amongst others, the Global Product Manager for Sugar at Fairtrade International and the Head of Southern Africa Region at Fairtrade Africa, visited Mauritius to further engage with local Fairtrade certified cooperatives and growers and also to announce the evaluative and baseline research study commissioned by Fairtrade International to assess the extent to which Fairtrade certification of sugar producer organisations is delivering positive change for their members and their communities. Whilst there has been a growth in the number of certified sugar producers over the past five years, there has been no formal evaluation that looks at the achievements of Fairtrade certification of sugar production across multiple countries. Mauritius, together with Belize, Fiji, India and Swaziland, have been selected to participate in this study, whose key objective is to assess the effectiveness of Fairtrade as a system to support improvements in the economic, social and environmental sustainability of sugar production.

CHART VI

Fairtrade labelled sugar production v/s sales (MT)



Sustainable Sugar Production

In line with their efforts to adhere to global sustainability principles and practices, Omnicane embarked on a Bonsucro certification project during the second half of 2016. The objective is to first get the group's mill and farms certified by the end of 2017 and then, as a second step, prepare for certification of other corporate farms supplying cane to the Omnicane mill. With about 25% of land globally under cane in its membership and some 3 M mt of sugar carrying its certification, Bonsucro is the leading corporate standard for sustainable sugar cane. This standard is viewed as the ideal complement of the more smallholder-focused Fairtrade system which already has a strong presence in Mauritius. In consideration of the increasing number of large global industrial users being committed to source sugar only from sustainable origins by 2020, the Syndicate will pursue its efforts to ensure the preparedness of its stakeholders before this deadline. In this regard, a team from Bonsucro was invited to Mauritius by the start of the 2017 harvest in order to assess the readiness of the industry to become certified and provide guidance to attaining this goal.

Meanwhile, in the first year of implementation of the Ferrero-funded Sustainable Development Programme involving about 800 small cane farmers regrouped in 25 cooperatives, both bio and chemical fertilisers, as recommended by the Mauritius Sugar Cane Industry Research Institute (MSIRI) after appropriate soil tests had been undertaken, were put at the disposal of the concerned planters free of charge. It is recalled that this programme was started after the Syndicate had signed a Partnership Agreement in 2016 with Ctm Altromercato, acting on behalf of Ferrero. Thus, for a second consecutive year under this Agreement, 4,000 mt white refined sugar carrying an additional incentive of EUR 40 per ton, were shipped to Ferrero through Ctm Altromercato.

Direct Support for Planters

For the sixth consecutive year, the Syndicate extended its at-source harvest cost-recouping services through Alteo Planters Services (APS) to outgrowers of the Centre-East region of the island supplying cane to the Alteo mill. A slight decrease in the harvest, due to below-average productivity, was registered in 2016, with 48,481 tons cane reaped, compared with 55,782 tons in 2015. These were cultivated over 875 hectares (ha) of land owned by 483 planters.

Meanwhile, Omnicane, through its recently established Planters' Advisory Department, started offering Total Management Services to cane farmers of its factory area in an endeavour

to curb the growing labour and logistical constraints faced by them. These services range from land preparation, cane cultivation and complete field maintenance to support services during the harvest. 63 planters cultivating 125 ha of land, including 30 ha of new plantations, had subscribed to this scheme for the first year. By virtue of an agreement between the Syndicate and Omnicane, charges relating to these services were deducted at source from the sugar proceeds of concerned planters for transfer to Omnicane. The Syndicate and Omnicane also entered into an agreement for the payment to eligible planters of the refund of cane transport costs and compensation effected by the latter further to closure of certain weighbridges.

650 ha land belonging to 780 planters were serviced in 2016 by the Small Planters Regrouping Project (ex Field Operations Regrouping and Irrigation Project), bringing the total extent catered for under this scheme, launched in 2006, to 10,900 ha, that is 91% of the initial target of 12,000 ha. To date, MUR 3.45 billion have been disbursed altogether out of the EU-funded Accompanying Measures for Sugar Protocol countries (AMSP) for this project and it has benefited 11,400 small and medium planters.

Furthermore, amendments made by Government to the Sugar Industry Efficiency (SIE) Act in December 2016 contained various cane farmer-friendly measures such as the setting up of a Sugar Cane Sustainability Fund for the purpose of fostering cane and bagasse production, a revisited molasses price determination mechanism to enhance planters' revenue from molasses, and exemption from payment for Crop 2016 of General Insurance premium for planters producing up to 60 mt sugar. Earlier during the year, provision was made in the National Budget for the setting up of an Agricultural Land Management System to bring back planters' abandoned lands into cane cultivation.



2017 CROP



2017 CROP & MARKET PROSPECTS



& MARKET



The 2017 crop suffered from poor rainfall during the initial growth phase which delayed cane elongation, although cyclone Carlos in February 2017 subsequently helped replenish reserves. The average island-wide cane height at end June 2017 reached 227.1 cms which was comparable to the long term mean of 228.6 cms. While the high rainfall recorded during the month of May 2017 helped further stalk growth, the combined effect of above-normal rainfall and below normal temperature amplitude and solar radiation during the following month were detrimental to sucrose accumulation. Consequently, the average extraction rate reached 8.84% by start September 2017, compared with 9.56% at the same time in the previous year. As regards the cane richness, it reached 10.40% at the same period compared with 11.11% by start September 2016.

The Crop Estimate Coordinating Committee (CECC), chaired by the Mauritius Chamber of Agriculture (MCA), announced in its initial forecast of May 2017 a crop outturn of 360,000 mt sugar to be produced from around 3.7 M tons cane. The surface area under cane cultivation was expected to decline by a further 861 ha to 50,616 ha. Although the extraction rate was in progression, it was estimated at time of writing at 9.44% on average, compared with the initial estimate of 9.82%. The CECC consequently revised the official estimate to 350,000 tons sugar.

The 2017 crop production will be supplemented with 5,178 mt bagged sugar and 14,202 mt imported raw sugar feedstock carried over from the previous crop, and with a further 110,000 mt raw sugar to be purchased by the Syndicate during the course of the year to allow the mills and refineries to fulfill their respective production capacities and meet its sales commitments. Total availability of sugar for the 2017-18 marketing year would consequently attain 479,380 mt, compared with 527,240 mt for the previous year. The 2017 crop sales forecast is detailed in Table II on page 30.

2017 Crop estimated sales

In light of the projected reduction in the crop outturn, export of white sugar earmarked under the Syndicate's long term supply agreements with CristalCo and British Sugar have been reviewed below 200,000 mt. The remaining white refined sugar to be produced will be exported, after accounting

Table II

2017 Crop Estimated Sales (metric tons)		
	MT	
2017 Crop Forecast	350,000	
Add carry-over stocks from 2016 crop:		
<i>Bagged special sugars</i>	5,178	
<i>Imported raw sugar feedstock</i>	14,202	
Add raw sugar feedstock imported during 2017 crop	<u>110,000</u>	
TOTAL DISPOSABLE SUGAR		479,380
EXPORT SALES ESTIMATES 2017-2018		
European Union (EU)		
<i>White refined sugar</i>	215,000	
<i>Special sugars</i>	<u>60,000</u>	275,000
United States		
<i>Special sugars</i>		15,300
World Market		
<i>Special sugars</i>		20,000
Regional Market		
<i>White refined sugar</i>	90,000	
<i>Special sugars</i>	<u>30,000</u>	<u>120,000</u>
TOTAL EXPORT SALES ESTIMATES		430,300
LOCAL SALES FORECAST		
<i>White refined sugar</i>	30,000	
<i>Raw sugar for direct consumption</i>	<u>4,000</u>	34,000
TOTAL SUGAR SALES		<u>464,300</u>
Less processing and storage losses		10,050
Estimated surpluses		
Bagged special sugars		<u>5,030</u>

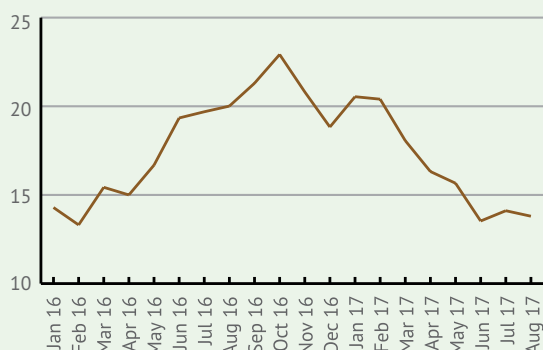
for domestic sales, to individual buyers either in the EU or in non-EU destinations, depending on the price levels obtainable. However, being cognisant of the surplus sugar availability in the EU after liberalisation of production quotas in October 2017, sugar users have felt no urge to finalise their purchase while seeking even lower prices: contrary to preceding years, contracts have consequently been established on shorter term or even spot basis. At time of writing, there was still little visibility on these EU prices which rendered the Syndicate's sales decision

difficult, bearing in mind it will be guided by the arbitrage in net revenue obtainable between EU and non-EU market destinations, which will itself be influenced, in addition to prevailing domestic prices, by the sea freight rate from Port Louis and the EUR/US\$ exchange rate.

Prices obtainable are expected to be increasingly volatile, as illustrated in Chart VII on page 31: in addition to the effect of climatic conditions among the largest producers like Brazil, Thailand and India, they will be impacted by fluctuations

CHART VII

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



of their currencies, and also the evolution of oil prices and consequently the sugar/ethanol parity price.

On a different note, global sugar consumption, which has grown by an average of 1.8% per annum since the start of the decade, driven mainly by an increase in population and improvement in purchasing power especially in developing countries, increased by only 1.2% last year. This relapse can be explained, in addition to economic instability among a few major consuming nations, by the persistent campaign to reduce consumption of sugar globally to fight obesity. In this respect, several countries, including Mauritius, have introduced duties on sugary drinks while others intend to follow suit. The Syndicate will monitor the impact of these measures among its customers and will associate itself with the International Sugar Organization (ISO) in its crusade arguing that sugar is not the only cause of obesity but is, on the other hand, required as an essential nutrient.

The white sugar will be delivered mostly in bulk liner containers but also in Polypropylene (PP) bags of 1.15 mt and 50 kgs, the bagging capacity at both refineries having been enhanced to cater for the needs of the new market segments tapped by the Syndicate.

As regards special sugars, they will be delivered in PP bags of 25 Kgs, 50 Kgs or 1,050 Kgs, and, as required by certain buyers, in retail packets, after having subcontracted the packaging operations in Mauritius. The Syndicate will also explore possibilities to introduce other bagging options to help meet customer requirements and increase market coverage.

European Union market

Irrespective of EU production quota liberalisation on 1 October 2017, Mauritius sugar will continue benefiting from duty free access into the EU market under the Interim Economic Partnership Agreement (IEPA) signed between the EU and the Eastern and Southern African (ESA) regional trade bloc, which includes Mauritius as a member. However, as the EU producers sell their sugars freely under the new EU Sugar Regime, including for export, competition is set to intensify. They have indeed expanded their throughput, thereby increasing their competitive edge through a longer campaign while average beet yield has doubled over the last 35 years. From a net importer of sugar over the prevailing regime, when most imports have been originating from ACP and Least Developed Countries, the EU will then become a net surplus producer, looking to tap sales opportunities worldwide.

It is forecasted that with an increase in land under beet cultivation to 1.66 M ha for the 2017 crop, from 1.41 M ha in the previous year, EU production of white sugar could reach, according to the EU Commission, 20.1 M mt, representing a year-on-year growth of almost 20%. With such a rise in supplies, industrial users have been expecting significant price reduction, while feeling no urge to finalise long term purchase contracts. Moreover, competition is further intensified with the abolition of production quotas for isoglucose, a starch-based sweetener competing with sugar in industrial applications. The Syndicate will consequently be called upon to be more agile in finding the most remunerative market destinations for its sugars, having to constantly compare EU with non-EU destinations.

On a different note, with Great Britain's vote in June 2016 to exit the European Union, Article 50 of the Treaty of the European Union was officially invoked by the British Government in March 2017, signifying its intention to leave the EU within the next 2 years. Depending on the trade modalities to be agreed between Britain and the EU, and subsequently its other trading partners, the Syndicate may have to review the way it trades sugar in this market, presently its main destination for special sugars. Despite the assurance provided by the British Government that there will be no disruption of trade especially with developing countries, the Syndicate will have to closely monitor its trade policy negotiations in order to avoid further erosion of preferences and even tap on any market opportunity which may arise.

At time of writing, total export of white refined sugar to the EU was still uncertain in view of the blurred market conditions in anticipation of production quota liberalisation in October 2017.

As in previous years, most shipments are expected to be in liner containers, but also increasingly in big bags, and the bulk of exports will consist of EEC Grade II quality sugar, while the Syndicate also has the possibility of supplying bottler's grade and EEC Grade I quality sugars.

As regards special sugars, the Syndicate aims at maintaining its market share and will therefore strive to maintain its existing customer base while developing sales in other segments. It should be highlighted that competition has intensified with supplies from new origins such as from Central and Latin American countries having finalised Free Trade Agreements with the EU Commission, or from other ACP/LDCs which are upgrading their production of raw into direct consumption sugars, or even from EU refineries attempting to produce such sugars in their process. Although these sugars often contain colour additives, they have adopted an aggressive market penetration strategy to the detriment of traditional suppliers, which could entail the commoditisation, hence value destruction, for special sugars in the market.

United States market

The USDA announced on 30 June 2017 that the aggregate raw sugar tariff rate quota (TRQ) for Fiscal Year (FY) 2018 would be set at the bound minimum level of 1,117,195 mtrv. Based on these estimates, the USTR allocated to Mauritius on 14 July 2017 a raw sugar TRQ, on basis of its historical supplies, of 12,636 mtrv for arrival in the US by end September 2018. The Syndicate plans to fulfill this quota with supply of special sugars to its network of customers.

Pursuant to the enhanced TRQ announced by USDA for FY 2017 and the reallocation by USTR of TRQs from traditional suppliers having been unable to fulfill their quotas, Mauritius was granted an additional raw sugar TRQ of 5,674 mtrv for FY 2017 on 2 August 2017. As the delivery period was extended till end October 2017, the Syndicate managed to finalise sales of some 2,700 mt special sugars to be produced from the 2017 crop in fulfilment of this additional TRQ.

On the political front, despite announcement in December 2014 by former President Obama to re-establish normal diplomatic relations with Cuba, the new US Administration signed an executive order on 16 June 2017 that, while leaving diplomatic relations in place, prohibits US companies from doing business with entities affiliated with the Cuban military and limits US tourist travel to Cuba. Under these circumstances, any resumption of sugar supplies from Cuba to US seems unlikely.

As regards the Trans-Pacific Partnership (TPP) agreement finalised in October 2015 by the US together with a group of countries from Latin America, Asia and the Pacific, including Australia, the new US administration opted in January 2017 to terminate US participation in this agreement. It should be recalled that the TPP had granted Australia a quota of 65,000 mt in addition to its historical allocation of 89,087 mt raw sugar TRQ.

During the presidential campaign, President Trump, moreover, promised to renegotiate the North American Free Trade Agreement (NAFTA) which had granted Mexico unlimited duty free access for its sugar supplies to the US. While the revised Suspension Agreement (SA) announced on 6 June 2017 provides for measures preventing dumping of Mexican sugar in the US market, it also grants Mexico a "right of first refusal" to supply additional US sugar needs that may arise in the course of the year. In connection with the revised agreement, the USTR solicited public comments and held a hearing on goals to be pursued in the NAFTA renegotiations. On 12 June 2017, the International Sugar Trade Coalition (ISTC) submitted comments urging that Mexico's "right of first refusal" under the amended SA should be eliminated as part of the NAFTA renegotiations. Having just concluded the SA renegotiations, it seems unlikely that the new Administration would reopen the sugar aspects of NAFTA, especially when such action would address concerns expressed by TRQ holders who are not parties to NAFTA.

Although the current US sugar program was renewed for five years in the 2014 Farm Bill, it remains under indirect attack especially following the release of the terms of the SA amendments. The House and Senate Agriculture Committees have begun work on the 2018 Farm Bill: while its reform amendments could be presented by opponents to the sugar program, it will probably be renewed without major changes, provided the amended SA succeeds in stabilising the US sugar market.

Regional and world market

To mitigate the impact of the erosion of its trade preferences in its traditional markets, the Syndicate has adopted, since abolition of the Sugar Protocol in 2009, a market diversification strategy. The uncertainty prevailing with liberalisation of production quotas in EU, the increased competition resulting from the EU's new Free Trade Agreements (FTAs) and the doubts over the outcome of Brexit negotiations, have all compelled the Syndicate to intensify its efforts in looking for sales opportunities outside the EU.

Like in the EU, the Syndicate faces growing competition in other destinations, with ordinary raw sugars for direct consumption from new origins being offered at lower prices in direct competition with special sugars. Product differentiation and the attributes of the Mauritius special sugars will be put forward by the Syndicate to help maintain market share and even secure new sales opportunities. The Syndicate will otherwise contribute actively, alongside the Ministry of Foreign Affairs & International Trade, in bilateral trade negotiations with new emerging markets with the view to further expand the market base for special sugars.

The Eastern and Southern African countries present good market potential for supply of white refined sugar, especially given its limited availability in the region. However, the tendency of certain countries to introduce non-tariff barriers or to request restrictive derogations is a real obstacle to foster regional trade. As such, Kenya opened its market completely in May 2017 by suspending import duties on sugar from all origins until end August 2017, on account of drought and famine, thus eroding trade preferences granted to COMESA

countries. Moreover, the disaggregation of HS Codes between white and brown sugars under the Kenya Sugar Safeguard is yet to be finalised, thus maintaining uncertainty on the total quantity of sugar that can be supplied from Mauritius. On the other hand, as discussions progress for a Tripartite Free Trade Agreement (TFTA) among SADC, COMESA and EAC member states with a view to enlarge market opportunities for their members, sugar is in priority being considered as a sensitive product in several of these countries. Mauritius will therefore have to fight hard to ensure that its *acquis* are preserved in order to sustain exports to the region.

Local market

With the sharp contraction of world market prices during the first half of 2017, and the likely price volatility going forward, the 15% duty imposed in 2016 on import of direct consumption sugars has become insignificant. Through a more aggressive pricing policy, the Syndicate nevertheless aims at maintaining its market share, which exceeded 90% in the previous year.



FINANCIN

CROP FINANCING & PAYMENTS



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Advance payment to Producers

In conformance with Article 22 of its Articles of Association, the Syndicate effects advance payments from its sales proceeds to sugar cane producers. The amount payable is calculated after deduction of statutory costs and operating and administrative expenses borne in the marketing and sales of such sugars. Such advance payments are essential to enable producers meet their own operational expenses, especially during the cane harvest. In this regard, when harvest starts, 80% of the estimated ex-Syndicate price would be advanced to small growers cultivating up to 60 hectares (ha) of land, and 60% to other categories of producers. The planters are consequently in a better position to prepare their fields for the upcoming crop. These enhanced advances are made possible through additional funding sought by the Syndicate from commercial banks and other service providing institutions in the sugar sector.

For the 2016 crop, an initial sum of MUR 8,000 per mt sugar was advanced to growers as they started harvest in June 2016. When the ex-Syndicate price was first estimated at MUR 15,000 per mt sugar on 17 June 2016, the advances were raised to MUR 12,000 for planters cultivating up to 60 ha land and MUR 9,000 for the remaining producers. These disbursements were gradually increased during the year to reach a final ex-Syndicate price of MUR 15,571 per mt sugar, with the final remission having been effected on 5 July 2017. The payments were effected on a weekly basis during the harvest and then monthly till the end of the crop year.

As regards the mode of remittance, following instructions received from the sugar producers, 6,329 of them received their proceeds directly from the Syndicate, 7,392 planters were paid through the accounts of their respective cooperative societies while the remaining ones had requested payment through their appointed brokers.

Borrowings

In order to meet its financial commitments, including advance payments to producers, its own operational and administrative expenses, and statutory payments to relevant service providing institutions, the Syndicate has recourse during the financial

year to local commercial banks for credit facilities, short term loans and money market lines. For the 2016 crop, these funds were supplied mostly in MUR at preferential rates ranging between 2.60% and 3.10% per annum, compared with 2.90 % to 3.75 % during the preceding year. A few of these financing institutions have also structured their funding facilities, in cognizance of the Syndicate's needs, by providing a leeway in the repayment schedules, thereby enabling it to undertake a more efficient financial planning for the year. Loans in USD and Euros were also contracted with commercial banks at interest rates ranging from 0.90% to 1.10%, and from 0.30% to 0.50% respectively. The Syndicate's funding obligations were supplemented with loans from the Sugar Insurance Fund Board (SIFB) and the Mauritius Cane Industry Authority (MCIA) at reduced interest rates and as at 30 June 2017, a sum of MUR 168 M was still due to the former while a loan of MUR 369 M held on a call basis was yet to be refunded to the MCIA.

Total finance costs borne by the Syndicate for the 2016 crop to service its debts amounted to MUR 98 M, compared with MUR 78 M incurred in the previous year, on account of higher sales proceeds.

Other payments to Producers

Contribution by Distillers /Bottlers of Absolute Alcohol

In accordance with the SIE (Amendment) Act 2016, the contribution paid to sugar cane planters by Distillers/ Bottlers was increased to MUR 40 per litre of absolute alcohol sold for domestic consumption. Consequently, a total sum of MUR 151.5 M was received by the Syndicate from such operators during the period under review, compared with MUR 92.5 M for the previous crop. As per regular practice, an interim payment of MUR 66.8 M was effected on 30 December 2016 while the balance was disbursed on 25 July 2017, thus providing an additional remuneration of MUR 499 per ton sugar accruing to the growers, which was equivalent to MUR 1,292 per ton molasses.

In order to ensure a level playing field among suppliers of alcohol for domestic consumption, Government brought further amendments in the SIE (Amendment) Act 2016 to extend such contributions to importers of alcoholic drinks derived from cane or cane products. This measure should in parallel bring in additional revenue for cane growers. Furthermore, following the amendment of the MCIA Act 2011, the Customs Department of the Mauritius Revenue Authority (MRA) has been mandated to collect the contributions from the relevant operators at source, for onward remittance to the Syndicate on a monthly basis. The new process will be in force on 1 January 2018.

Sugar Cane Sustainability Fund

The Sugar Cane Sustainability Fund (SCSF), set up by Government in 2015, is managed by the MCIA in line with the recommendations of LMC in its report entitled "The Economic, Social & Environmental Impact on Mauritius of Abolition of Internal Quotas of Sugar in EU Market". A total sum of MUR 670 M was earmarked over a 3-years' period and the CEB was instructed to inject therein a sum of MUR 411 M to be disbursed in three yearly tranches of MUR 137 M each, starting from the 2015 Crop. For the period under review, a further sum of MUR 137 M was transferred to the Syndicate for onward remittance to sugar cane planters for their bagasse utilised in the production of electricity for the Central Electricity Board (CEB). Payment was effected to cane growers in two stages, namely in February and April 2017, at the following rates as determined by the MCIA:

- (i) MUR 1,079 per mt sugar for the first 60 mt of sugar accruing, and
- (ii) MUR 275 per mt sugar produced in excess of 60 mt.

Payment of Bagasse Proceeds

Sugar producers received a further revenue of MUR 64.4 M from the Central Electricity Board and millers, compared with MUR 66.6 M in the previous year, as bagasse transfer price from the revenue generated from utilisation of bagasse. This sum was remitted on 10 July 2017 to different categories of producers in accordance with Section 13 of the SIE Act 2001. Details pertaining to such payments are set out at page 66 of the report.

Payment of Molasses proceeds

In line with its standard practice, the Control & Arbitration Department (CAD) of the MCIA determined the final price of molasses for the 2016 Crop. It amounted to MUR 2,242.89 per ton molasses, and payments were effected through the Syndicate to cane growers on an advance basis till final settlement on 11 August 2017. In order to proceed with these payments, the Syndicate, upon approval of the CAD, claimed the relevant amounts from Medine Sugar Estate and Alcohol & Molasses Co Ltd (AMCO) for the account of local breeders, and from Omnicane for the molasses utilised in the production of ethanol.

Total revenue accruing to producers is summarised in Table III on page 37.

Table III

CROP 2016				
Proceeds	PLANTERS (MUR/MT sugar)			
	Production Up to 60 Tons	% of Total	Production Above 60 Tons	% of Total
Ex Syndicate Price	15,571.50	82%	15,571.50	90%
Bagasse	149.83		149.83	
Distillers	498.70		498.70	
Molasses	875.00		875.00	
SCSF	1,079.00		275.00	
Premium Waived	770.00		-	
	3,372.53	18%	1,798.53	10%
TOTAL	18,944.03		17,370.03	

Payments on behalf of Millers

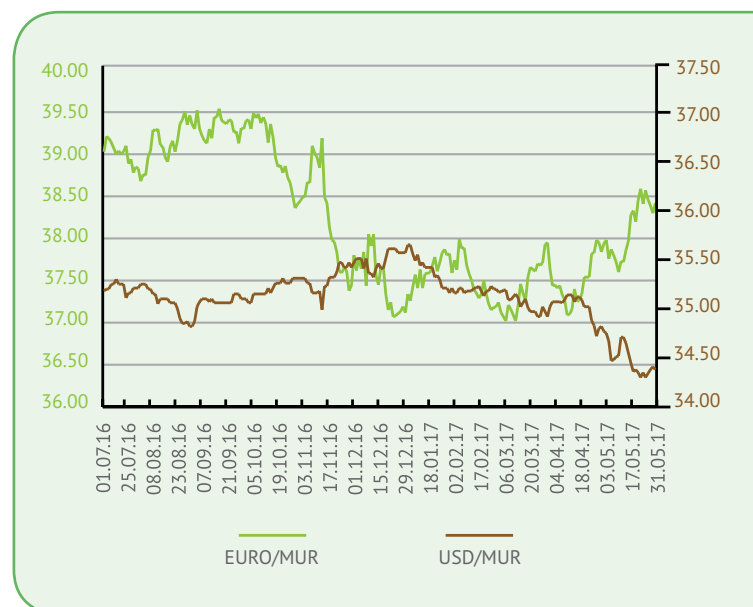
Given that the Syndicate already hosts a producers' payment platform, it has been requested as from the 2016 crop to facilitate, on behalf of millers, payment of transport costs to planters having been affected by closure of weighbridges. In this context, OMOL remitted to the Syndicate a sum of MUR 8.1 M in February 2017 for onward distribution to some 2,000 relevant planters, either through their respective cooperative societies or directly into their bank accounts.

Foreign Exchange Receipts and Hedging Performance

The Syndicate's turnover from the sale of sugar for the 2016 crop amounted to MUR 10.7 billion, out of which MUR 9.8 billion were received from exports. As export proceeds were denominated in Euros and US dollars, the Syndicate resorted, as in previous years, to its established currency risk management principles to ensure that its revenue in MUR is maximised. The Forex Committee, as mandated by the Syndicate's Executive & Selling Committee, ensured that established policies and procedures were duly applied. Following regular meetings with the Management of the Syndicate, the Committee ensured that all risks pertaining to hedging instruments utilised have been mitigated. The support of an independent consultant in forex management, Mr Maurice Lam of Stewardship Consulting Pte. Ltd, was sought in this respect; he kept the Committee and Management abreast of market developments and also helped in the decision making process.

During the year under review, political and economic developments in the Euro zone and the United States (US) impacted heavily on the EUR/USD exchange rate and indirectly on the exchange rate for the Mauritian Rupee. While the Euro zone showed slight signs of recovery, the Federal Reserve Bank (FED) in the US raised its benchmark interest rate for the third consecutive quarter in June 2017, thereby announcing its plan to start reducing its securities holdings by end 2017, a sign of confidence in the strength of the economy. The EUR exchange rate remained within the range US\$ 1.04 -1.12 for most of the period from 1 January 2016, when the Syndicate started hedging its proceeds for the 2016 crop, until end May 2017. Further to the release of economic data resulting in a positive outlook of the euro zone economy, the Euro nevertheless rose to US\$ 1.14 by the end of June 2017. The Euro remained within the range of MUR 37.07 to 40.04, the USD moved between MUR 34.05 and 35.69 respectively till 30 June 2017. The initial weakening of the Euro encouraged the Syndicate to first convert its Euro proceeds into USD before selling to Mauritian Rupees. Chart VIII below shows the evolution of the MUR against the two major currencies which directly impacted the financial performance of the Syndicate.

CHART VIII
Evolution of Euro and US Dollar exchange rates v/s MUR



The currency management and hedging transactions undertaken during the crop year enabled the Syndicate to achieve a weighted average rate of MUR 41.48 against the Euro compared with the average spot rate of MUR 38.24. The hedging surplus of MUR 451 M thus generated brought to sugar producers an additional MUR 1,160 per ton sugar

which was paid through the ex-Syndicate price of MUR 15,571 finalised in June 2017. Table IV below illustrates the hedging performance of the Syndicate over the last five years.

Table IV

Crop	WEIGHTED AVERAGE RATE ACHIEVED	AVERAGE MARKET SPOT RATE	HEDGING SURPLUS
	MUR/EUR	MUR/EUR	MUR (M)
2012	40.62	38.85	360.66
2013	42.31	40.44	304.16
2014	42.15	38.64	748.65
2015	41.96	39.07	496.68
2016	41.48	38.24	451.00

Audit and Risk Management

The Audit and Risk Management Committee, a sub-committee of the Syndicate's Executive & Selling Committee, ensures that the risk management and internal control systems in place are effective and conform to universal governance principles. It has during the period under review monitored the adequacy, extent and effectiveness of the internal control process set by the Syndicate and recommended appropriate measures for further improvements.

In order to mitigate the risks identified, the Syndicate's Internal Auditor Ernst & Young was requested to conduct

investigations on areas which required special attention and to report thereon. The Audit and Risk Management Committee, which met on several occasions during the year, ensured that the Ernst & Young recommendations were duly implemented. In line with its mandate, the Committee, moreover, reviewed the Syndicate's financial statements with the External Auditors, and finally examined the management accounts, including its administrative budget, prior to submission to the Syndicate's Committee for approval.

Implementation of an Enterprise Resource Planning (ERP) System

Following a tender exercise, the firm Ernst & Young (EY) was selected as Project Manager, to provide support and guidance to the setting up of an Enterprise Resource Planning (ERP) System at the Syndicate. Management, in collaboration with the Project Manager consequently formulated "Functional System Requirements" which detailed the processes to be applied in the prospective IT infrastructure. This document was made available while inviting service providers to bid and selection was undertaken on this basis. Software Concepts Ltd, which met all requirements in terms of specifications and pricing, was selected to implement the Sage Pastel Evolution platform within the organisation. Development of the project is monitored through regular meetings of the Steering Committee, which comprises representatives of the service provider, the Project Manager and Management of the Syndicate. The new ERP system should be fully operational at the Syndicate by end September 2017.



Statement of Account 2016-2017



Independent Auditors' Report

To the Members of Mauritius Sugar Syndicate

This report is made solely to the members of Mauritius Sugar Syndicate (the "Syndicate"), as a body. Our audit work has been undertaken so that we might state to the Syndicate's members those matters we are required to state to them in an 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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Mauritius Sugar Syndicate, on pages 42 to 64 which comprise the statement of financial position as at June 30, 2017, and the statement of profit or loss and statement of cash flow for the year then ended, and including a summary of significant accounting policies.

In our opinion, the financial statements on pages 42 to 64 give a true and fair view of the financial position of the Syndicate as at June 30, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Syndicate in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Mauritius, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Committee and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, the management is responsible for assessing the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to liquidate the Syndicate or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Syndicate's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the committee.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Syndicate's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Syndicate to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Syndicate as far as it appears from our examination of those records.

BDO & CO
Chartered Accountants
Port Louis, Mauritius

Shabnam Peerbocus, FCA
Licensed by FRC

Date: 25 September 2017

Statement of Financial Position

at 30 June 2017

	Notes	2017	2016
		Rs'000	Rs'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	18,518	14,953
Intangible assets	6	3,931	-
		<u>22,449</u>	<u>14,953</u>
Current assets			
Inventories	7	463,616	67,645
Trade and other receivables	8	3,883,312	3,032,206
Cash and cash equivalents	9	246,870	106,311
Derivative financial instruments	10	50,399	173,144
		<u>4,644,197</u>	<u>3,379,306</u>
TOTAL ASSETS		<u>4,666,646</u>	<u>3,394,259</u>
RESERVES			
Non distributable reserves	11	50,399	-
LIABILITIES			
Non-current liability			
Retirement benefit obligations	12	53,860	45,961
Current liabilities			
Bank overdrafts	9	2,866	315,458
Borrowings	13	3,765,095	2,431,348
Trade and other payables	14	794,426	601,492
		<u>4,562,387</u>	<u>3,348,298</u>
TOTAL LIABILITIES		<u>4,616,247</u>	<u>3,394,259</u>
TOTAL RESERVES & LIABILITIES		<u>4,666,646</u>	<u>3,394,259</u>

The notes on pages 45 to 64 form an integral part of these financial statements.
Independent Auditors' report on pages 40 to 41.

These financial statements have been approved by the Committee for issue on 25 September 2017.

Devesh Dukhira
Chief Executive Officer

Jyoty Soomarooah
Chief Finance and Administrative Officer

Statement of Profit or Loss
for the year ended 30 June 2017

	Notes	2016-2017 Crop			2015-2016 Crop		
		Rs'000	Rs per MT	%	Rs'000	Rs per MT	%
REVENUE							
Sales proceeds	15	10,661,963	27,413	100.00	8,132,135	22,034	100.00
Other income	16	1,786	5	-	1,914	5	-
		<u>10,663,749</u>	<u>27,418</u>	<u>100.00</u>	<u>8,134,049</u>	<u>22,039</u>	<u>100.00</u>
EXPENDITURE							
Direct operating costs	17	(4,344,721)	(11,171)	(40.74)	(3,197,179)	(8,663)	(39.31)
Storage charges	18	(181,158)	(466)	(1.70)	(154,384)	(418)	(1.90)
Administrative and other charges	19	(76,199)	(195)	(0.71)	(77,283)	(209)	(0.95)
Service Providing Institutions and Docker's Pension	20	(357,720)	(920)	(3.35)	(264,134)	(716)	(3.25)
Sugar Industry Reserve Fund		(389)	(1)	-	(369)	(1)	-
TOTAL EXPENDITURE		<u>(4,960,187)</u>	<u>(12,753)</u>	<u>(46.51)</u>	<u>(3,693,349)</u>	<u>(10,007)</u>	<u>(45.41)</u>
		<u>5,703,562</u>	<u>14,665</u>	<u>53.49</u>	<u>4,440,700</u>	<u>12,032</u>	<u>54.59</u>
FINANCE INCOME - NET	21	403,121	1,036	3.78	418,636	1,134	5.15
Less transfer to non distributable reserve	11	(50,399)	(129)	(0.47)	-	-	-
NET REVENUE							
Distributed to all producers as ex-Syndicate price before contributions and deductions		<u>6,056,284</u>	<u>15,572</u>	<u>56.80</u>	<u>4,859,336</u>	<u>13,166</u>	<u>59.74</u>
Bagasse Transfer Price Fund	22	64,409			66,643		
Sugar Cane Sustainability Fund	23	137,043			137,000		
Molasses Remittance	24	263,701			271,670		
Contribution by distillers/bottlers	25	151,506			92,496		
Sugar Insurance Fund Board Premium	26	(189,419)			(7)		
NET AMOUNT DISTRIBUTED TO PRODUCERS		<u>6,483,524</u>			<u>5,427,138</u>		

The notes on pages 45 to 64 form an integral part of these financial statements.
Independent Auditors' report on pages 40 to 41.

Statement of Cash Flows
for the year ended 30 June 2017

	Note	2017	2016
		Rs'000	Rs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net revenue distributed to producers		6,483,524	5,427,138
Adjustments for:			
Profit on disposal of property, plant and equipment		(621)	-
Interest paid		98,364	78,197
Interest income		(77)	(155)
Depreciation		4,368	4,152
Amortisation		22	-
Exchange gains		-	3,774
Retirement benefit obligations		7,899	10,748
Operating profit before working capital changes		<u>6,593,479</u>	<u>5,523,854</u>
(Increase)/decrease in inventories		(395,971)	362,919
(Increase)/decrease in trade and other receivable		(769,778)	288,530
Increase/(decrease) in trade and other payables		87,656	(369,513)
Increase in derivative financial instruments		197,094	22,282
		<u>(880,999)</u>	<u>304,218</u>
Cash generated from operations		5,712,480	5,828,072
Payment made to producers		(6,483,524)	(5,427,138)
Interest paid		(98,364)	(78,197)
Net cash from operating activities		<u>(869,408)</u>	<u>322,737</u>
Investing activities			
Purchase of plant and equipment		(12,511)	(758)
Purchase of intangible assets		(3,953)	-
Proceeds from disposal of plant and equipment		6,497	-
Interest received		77	155
Cash used in investing activities		<u>(9,890)</u>	<u>(603)</u>
Financing activities			
Loans received		6,885,931	4,885,119
Loans repaid		(5,552,184)	(3,947,149)
Cash from financing activities		<u>1,333,747</u>	<u>937,970</u>
Net increase in cash and cash equivalents		<u>454,449</u>	<u>1,260,104</u>
Cash and cash equivalents at beginning of year		(209,147)	(1,473,644)
Net increase in cash and cash equivalents		454,449	1,260,104
Effects of foreign exchange on cash and cash equivalents		(1,298)	4,393
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	9	<u>244,004</u>	<u>(209,147)</u>

The notes on pages 45 to 64 form an integral part of these financial statements.
Independent Auditors' report on pages 40 to 41.

1. General Information

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

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

All local sugar producers are members of the Syndicate. The Syndicate's registered office and principal place of business is Level 7, Medine Mews, Chaussée, Port Louis, Mauritius.

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

2. Significant Accounting Policies

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

(a) Basis of preparation

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

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

Standards, Amendments to published Standards and Interpretations effective in the reporting period

IFRS 14 Regulatory Deferral Accounts provides relief for first-adopters of IFRS in relation to accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). IFRS 14 permits these entities to apply their previous accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. The standard is not expected to have any impact on the Syndicate's financial statements.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed. The amendment has no impact on the Syndicate's financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38). The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. Amendments clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38 now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome under specific conditions. The amendment has no impact on the Syndicate's financial statements.

2. Significant Accounting Policies (cont'd)

Equity method in separate financial statements (Amendments to IAS 27). The amendments allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or at fair value in their separate financial statements. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively. The amendment has no impact on the Syndicate's financial statements.

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41). IAS 41 now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property, plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses. The amendment has no impact on the Syndicate's financial statements.

Annual Improvements to IFRSs 2012-2014 cycle

- IFRS 5 is amended to clarify that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such. The amendment has no impact on the Syndicate's financial statements.
- IFRS 7 amendment provides specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. The amendment has no impact on the Syndicate's financial statements.
- IFRS 7 is amended to clarify that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34. The amendment has no impact on the Syndicate's financial statements.
- IAS 19 amendment clarifies that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated which is important and not the country where they arise. The amendment has no impact on the Syndicate's financial statements.
- IAS 34 amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information. The amendment has no impact on the Syndicate's financial statements.

Disclosure Initiative (Amendments to IAS 1). The amendments to IAS 1 provide clarifications on a number of issues. An entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. Line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals that the notes do not need to be presented in a particular order. The share of other comprehensive income (OCI) arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

Investment entities: Applying the consolidation exception (Amendments to IFRS 10, IFRS 12 and IAS 28). The amendments clarify that the exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities. An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activity. Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity

have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement. The amendment has no impact on the Syndicate's financial statements.

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2017 or later periods, but which the Syndicate has not early adopted.

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

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contract with Customers

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

IFRS 16 Leases

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

Amendments to IAS 7 Statement of Cash Flows

Clarifications to IFRS 15 Revenue from Contracts with Customers

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

Annual Improvements to IFRSs 2014-2016 Cycle

IFRIC 22 Foreign Currency Transactions and Advance Consideration

Transfers of Investment Property (Amendments to IAS 40)

IFRS 17 Insurance Contracts

IFRIC 23 Uncertainty over Income Tax Treatments

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

(b) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Syndicate and the cost of the item can be measured reliably.

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

	%
Computer equipment	25
Furniture and equipment	10-20
Motor vehicles	20

2. Significant Accounting Policies (cont'd)

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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

(c) Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised using the straight line method over their estimated useful lives (5 years).

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software controlled by the Syndicate and which will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding 5 years).

(d) Derivative financial instruments and hedging activities

Derivatives at fair value through profit or loss

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

(e) Trade and other receivables

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

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Syndicate will not be able to collect all amounts due.

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

(f) Borrowings

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

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

(g) Cash and cash equivalents

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

(h) Trade and other payables

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

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

(i) Inventories

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

(j) Retirement benefits

Defined Contribution plan

The Syndicate has both defined benefit and defined contribution plans. The Syndicate and all its employees also contribute to the appropriate National Pension Scheme, which are defined contribution schemes. A defined contribution plan is a pension plan under which the Syndicate pays fixed contributions to a separate entity. The Syndicate has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to their services in the current and prior year periods. Payments to defined contribution plans are recognised as an expense included in profit or loss within employee benefit expenses when employees have rendered services that entitle them to such contributions.

2. Significant Accounting Policies (cont'd)

Defined benefit plans

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

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

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

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

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

Gratuity on retirement

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

Termination benefits

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

(k) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(l) Revenue recognition

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

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

Revenue is recognised as follows:

- Sales of goods are recognised in the period in which the Syndicate has delivered products to the customer. The customer has full discretion over the channel, price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Revenue is recognised at the point in time when the goods are shipped.
- The Syndicate also recognises the unshipped portion of sugars that relate to the current crop year as revenue at the end of the reporting period based on contracted prices between the Syndicate and the buyers.
- Interest income is recognised on a time-proportion basis using the effective interest method.

(m) Expenses

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

3. Financial Risk Management

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

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

3. Financial Risk Management (cont'd)

(a) Market risk

(i) Currency risk

The Syndicate operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily in respect of the Euro and US Dollar.

Foreign exchange risk arises on future commercial transactions, recognised assets and liabilities in a currency that is not the Syndicate's functional currency.

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

Currency profile

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

	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
	2017	2016	2017	2016
	<i>Rs'000</i>	<i>Rs'000</i>	<i>Rs'000</i>	<i>Rs'000</i>
Mauritian Rupees	2,159,504	1,588,995	2,984,632	3,035,299
US Dollar	171,030	120,148	707,600	308,487
Euro	1,797,401	1,429,205	870,155	3,976
GBP	2,247	169	-	536
	<u>4,130,182</u>	<u>3,138,517</u>	<u>4,562,387</u>	<u>3,348,298</u>

Sensitivity analysis

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

	NET REVENUE BEFORE DISTRIBUTION TO PRODUCERS	
	2017	2016
	<i>Rs'000</i>	<i>Rs'000</i>
	<i>+/-</i>	<i>+/-</i>
US Dollar	26,829	9,417
Euro	(46,362)	(71,261)
GBP	(112)	18
	<u>(19,645)</u>	<u>(61,826)</u>

(ii) *Interest rate risk*

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

At 30 June 2017, if interest rate on rupee-denominated borrowings had been 50 basis points higher or lower with all other variables held constant, the net amount distributed to producers would have been Rs 3,028,142 (2016: Rs 2,645,070) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) *Liquidity risk*

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

A liquidity risk arises on advances made to planters on a weekly basis during the harvest period and monthly in the intercrop. To meet its financial obligations, overdraft and loan facilities have been obtained with banks and institutions in the sugar sector thus supplementing its regular inflow of sugar proceeds to settle its debts as they become due.

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

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

(c) *Credit risk*

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

The Syndicate assesses the credit worthiness of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Local sales to customers are settled by cheques or bank transfers. Similarly proceeds from exports are received through transfers to the Syndicate's bank accounts held with reputable local commercial banks.

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

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or historical information about counterparty default rates. Refer to note 8 for an analysis of trade receivables which are past due and impaired. For the year under review trade receivables were not impaired.

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

4. Critical Accounting Estimates and Judgements

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

4.1 Critical accounting estimates and assumptions

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

(a) Pension benefits

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 12.

(b) Revenue recognition

At the end of the reporting period, the Syndicate recognises the unshipped portion of sugars that relate to the current crop year as revenue. The Syndicate values any balance of locally produced plantation white sugar held at year end at the contracted price at which any value added sugar is produced therefrom. As regards white sugar and special sugars held at year end, the Syndicate determines the sales value as being the contracted prices between the Syndicate and the customers concerned. Such sale proceeds are adjusted for logistics and other export charges in the statement of profit or loss.

(c) Depreciation policies

Property, plant and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Syndicate would currently have obtained from its disposal based on the age and condition of the asset at the end of its useful life.

5. Property, Plant and Equipment

	Computer Equipment	Furniture and Equipment	Motor Vehicles	TOTAL
	Rs'000	Rs'000	Rs'000	Rs'000
(a) COST				
At 1 July 2015	5,919	14,141	13,045	33,105
Additions	498	226	34	758
At 30 June 2016	6,417	14,367	13,079	33,863
At 1 July 2016	6,417	14,367	13,079	33,863
Additions	889	7,862	3,760	12,511
Disposal	(3,593)	(7,418)	(3,085)	(14,096)
At 30 June 2017	3,713	14,811	13,754	32,278
DEPRECIATION				
At 1 July 2015	5,115	5,217	4,426	14,758
Charge for the year	381	1,196	2,575	4,152
At 30 June 2016	5,496	6,413	7,001	18,910
At 1 July 2016	5,496	6,413	7,001	18,910
Charge for the year	386	1,333	2,649	4,368
Disposal adjustments	(3,593)	(2,907)	(3,018)	(9,518)
At 30 June 2017	2,289	4,839	6,632	13,760
NET BOOK VALUES				
At 30 June 2016	921	7,954	6,078	14,953
At 30 June 2017	1,424	9,972	7,122	18,518

(b) Depreciation expense of Rs 4,368,000 (2016: Rs 4,152,000) has been charged in administrative and other charges.

6. Intangible Assets

	Computer Software
	Rs'000
(a) COST	
At 1 July 2016	-
Additions	3,953
At 30 June 2017	3,953
AMORTISATION	
At 1 July 2016	-
Charge for the year	22
At 30 June 2017	22
NET BOOK VALUES	
At 30 June 2016	-
At 30 June 2017	3,931

(b) Amortisation charge of Rs 22,000 (2016: Rs nil) has been charged in administrative and other charges.

7. Inventories

	2017	2016
	Rs'000	Rs'000
At Cost		
Bags, steel bars and liners	86,074	67,645
At Net Realisable Value		
Raw sugar	377,542	-
	<u>463,616</u>	<u>67,645</u>

8. Trade and other receivables

	2017	2016
	Rs'000	Rs'000
Trade Receivables		
Export proceeds	1,740,223	1,607,441
Export proceeds-Unshipped sugars	1,965,472	1,311,214
	3,705,695	2,918,655
Staff loans	2,340	2,526
Other Receivables	175,277	111,025
	<u>3,883,312</u>	<u>3,032,206</u>

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

As of 30 June 2017, trade receivables of Rs 6,999,510 (2016: Rs 90,707,000) were past due but not impaired.

	2017	2016
	Rs'000	Rs'000
1 to 3 months	<u>6,999</u>	<u>90,707</u>

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

	2017	2016
	Rs'000	Rs'000
Mauritian Rupee	2,155,858	1,517,414
US Dollar	103,590	1,430,066
Euro	1,623,864	84,726
	<u>3,883,312</u>	<u>3,032,206</u>

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

9. Cash and Cash Equivalents

	2017	2016
	<i>Rs'000</i>	<i>Rs'000</i>
Cash at bank	246,870	106,311
Bank overdrafts	(2,866)	(315,458)
	<u>244,004</u>	<u>(209,147)</u>

- (a) Short Term loans and Money Market lines are secured by the preferential lien over all sugars as conferred by the Mauritius Sugar Syndicate Act 1951 (Government Ordinance No. 87 of 1951). They are utilised to enable advances to be made to producers pending receipt of export proceeds.
- (b) The interest rates per annum vary from 2.60% to 3.10% on Rupee accounts (2016: 2.90% to 3.75%) and 0.90% to 1.10% on USD while interest on loans in Euros were in the range of 0.30% to 0.50% per annum (2016: Libor 1 month + 1.5%).
- (c) The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2017	2016
	<i>Rs'000</i>	<i>Rs'000</i>
Cash at bank		
Mauritian Rupee	3,646	99,332
US Dollar	67,440	2,206
Euro	173,537	4,604
GBP	2,247	169
	<u>246,870</u>	<u>106,311</u>
Bank overdrafts		
Mauritian Rupee	(2,866)	(2,459)
US Dollar	-	(308,487)
Euro	-	(3,976)
GBP	-	(536)
	<u>(2,866)</u>	<u>(315,458)</u>
Cash and cash equivalents	<u>244,004</u>	<u>(209,147)</u>

10. Derivative Financial Instruments

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

The Syndicate entered into foreign exchange forward contracts, foreign exchange leverage contracts, swaps and options with different commercial banks of Mauritius for terms not exceeding 12 months at any point in time. At 20 June 2017, the surplus on foreign exchange forward contracts, foreign exchange leverage contracts, swaps and options undertaken for crop 2017 was Rs 50,399,000 compared to a surplus of Rs 173,144,000 for crop 2016. It is anticipated that once the contracts will mature the surplus will then be realised and will impact on the amount distributed to producers.

10. Derivative Financial Instruments (cont'd)

	NOTIONAL AMOUNT	FAIR VALUE	SURPLUS
	Rs'000	Rs'000	Rs'000
At 30 June 2017			
Normal Forward	472,900	446,810	26,090
Leverage Forward	3,391,335	3,367,026	24,309
	<u>3,864,235</u>	<u>3,813,836</u>	<u>50,399</u>
At 30 June 2016			
Normal Forward	-	-	-
Leverage Forward	3,931,205	3,758,061	173,144
	<u>3,931,205</u>	<u>3,758,061</u>	<u>173,144</u>

11. Non Distributable Reserve

Further to the approval of the Syndicate's Committee on 29 September 2016, the Syndicate accounts for unrealised gains/(losses) relating to proceeds for future crops as non-distributable reserve in its statement of financial position.

12. Retirement Benefit Obligations

	Notes	2017	2016
		Rs'000	Rs'000
Amounts recognised in the statement of financial position:			
Defined pension benefits	12 (ii)	<u>53,860</u>	<u>45,961</u>
Analysed as follows:			
Non-current liabilities		<u>53,860</u>	<u>45,961</u>
Amount charged to profit or loss:			
Defined pension benefits	12 (v)	<u>7,899</u>	<u>10,748</u>

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

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

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out on 30 June 2017 by AON Hewitt. The present value of the defined benefit obligations and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

- (b) The amounts recognised in the statement of financial position are as follows:

	2017	2016
	Rs'000	Rs'000
Present value of funded obligations	162,829	149,779
Fair value of plan assets	<u>(108,969)</u>	<u>(103,818)</u>
	53,860	45,961
Unrecognised actuarial loss	-	-
Liabilities recognised in the statement of financial position	<u>53,860</u>	<u>45,961</u>

The reconciliation of the opening balances to the closing balances for the net defined benefit liability is as follows:

	2017	2016
	Rs'000	Rs'000
At 1 July	45,961	35,213
Recognised in the statement of profit or loss	12,658	14,790
Contributions paid	(4,759)	(4,042)
At 30 June	53,860	45,961

(c) The movement in the defined benefit obligations over the year is as follows:

	2017	2016
	Rs'000	Rs'000
At 1 July	149,779	136,707
Current service cost	4,956	5,166
Employee Contributions	620	547
Interest costs	11,021	9,403
Benefit paid	(5,764)	(4,842)
Liability experience (gain)/loss	(6,104)	2,303
Liability loss due to change in financial assumptions	8,321	495
At 30 June	162,829	149,779

(d) The movement in fair value of plan assets of the year is as follows:

	2017	2016
	Rs'000	Rs'000
At 1 July	103,818	101,494
Interest income	7,772	7,095
Employer contribution	4,759	4,042
Employee contributions	620	547
Benefit paid	(5,764)	(4,842)
Return on plan assets excluding interest income	(2,236)	(4,518)
At 30 June	108,969	103,818

(e) Amounts recognised in the statement of profit or loss

	2017	2016
	Rs'000	Rs'000
Current service cost	4,956	5,166
Net interest on net defined benefit liability	3,249	2,308
Movement in OCI	4,453	7,316
Employee contributions	(4,759)	(4,042)
Total included in employee benefit expense	7,899	10,748

12. Retirement Benefit Obligations (cont'd)

Total included in employee benefit expense can be analysed as follows:	2017	2016
	Rs'000	Rs'000
Included in:		
Administrative and other charges	<u>7,899</u>	<u>10,748</u>
Actual return on plan assets	<u>5,536</u>	<u>2,577</u>

(f) The principal actuarial assumptions used for accounting purposes were:	2017	2016
	%	%
Discount rate	6.50	7.50
Future salary increases	5.00	5.50
Future pension increases	<u>-</u>	<u>0.50</u>

(g) Sensitivity analysis on defined benefit obligations at end of the reporting date:	2017	2016
	Rs'000	Rs'000
Increase due to 1% decrease in discount rate	<u>16,034</u>	<u>15,119</u>
Decrease due to 1% increase in discount rate	<u>13,775</u>	<u>12,983</u>

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

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

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

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

- (h) The defined benefit pension plan exposes the Syndicate to actuarial risks, such as longevity risk, currency risk, interest rate risk and market risk.
- (i) The Syndicate expects to pay Rs 5 M in contributions to its post-employment benefit plans for the year ending 30 June 2017.
- (j) The weighted average duration of the defined benefit obligation is 9 years at the end of the reporting period.

13. Borrowings

	2017	2016
	Rs'000	Rs'000
Unsecured loans	<u>3,765,095</u>	<u>2,431,348</u>

(a) The loans bear interest at the rate of 2.60 % to 3.30% per annum (2016: 2.90% to 3.75%).

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

	2017	2016
	Rs'000	Rs'000
Mauritian Rupee	2,187,340	2,431,348
Euro	870,155	-
US Dollar	<u>707,600</u>	<u>-</u>
	<u>3,765,095</u>	<u>2,431,348</u>

14. Trade and Other Payables

	2017	2016
	Rs'000	Rs'000
Payable to producers under the Bagasse Transfer Price Fund	64,311	66,643
Refiner service fee	207,689	202,749
Freight	215,549	136,687
Other accruals	<u>306,877</u>	<u>195,413</u>
	<u>794,426</u>	<u>601,492</u>

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

(b) The Bagasse Transfer Price Fund was paid to the beneficiaries on 10 July 2017.

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

15. Sales Proceeds

	2017	2016
	Rs'000	Rs'000
Sales proceeds were arrived as follows:		
Gross Export Proceeds - Shipped	7,841,944	6,413,884
Gross Export Proceeds - Unshipped	<u>1,965,472</u>	<u>1,312,037</u>
	9,807,416	7,725,921
Proceeds from local sales	<u>854,547</u>	<u>406,214</u>
Total sales proceeds	<u>10,661,963</u>	<u>8,132,135</u>

16. Other Income

	2017	2016
	Rs'000	Rs'000
Sundry income	<u>1,786</u>	<u>1,914</u>

17. Direct Operating Costs

	2017	2016
	Rs'000	Rs'000
Manufacturing premium - white refined & special sugar	1,320,021	1,177,757
Freight and export charges	838,017	824,941
Local purchase-OMOL Sugar	347,526	82,716
Bags and other related charges	94,160	119,874
Liners, steel bars and other related costs for white refined sugar	55,968	66,544
Costs of imports for local market and re-export	1,629,608	860,784
Other costs	59,421	64,563
	<u>4,344,721</u>	<u>3,197,179</u>

(a) Costs of imports

Costs of imports for local market and re-export are calculated on a landed basis for 100,866 MT (2016: 69,404 MT) of raw sugar feedstock.

(b) Local Purchase-OMOL Sugar

The Syndicate purchased during the financial year 16,011 MT (2016: 5,013 MT) of sugar from freeport based OMOL SUGAR TRADING LTD (OSTL) Company for mixing with locally produced plantation white sugar in order to produce value added sugars intended for sale on the local market and for exports.

18. Storage Charges

	2017	2016
	Rs'000	Rs'000
MCIA (Ex-BSSD) - Recurrent expenditure	95,700	92,400
MCIA (Ex-MSTC) rental, repair and maintenance cost of shed	6,101	6,341
CHC and MFD storage charges	79,357	55,643
	<u>181,158</u>	<u>154,384</u>

19. Administrative and Other Charges

Note	2017	2016
	Rs'000	Rs'000
These are arrived at after charging:		
Depreciation on plant and equipment	4,368	4,152
Amortisation of intangible assets	22	-
Rental of office	2,789	2,710
Employee benefit expense	<u>42,386</u>	<u>46,109</u>
(a) Employee Benefit Expense		
Wages and salaries, including termination benefits	33,162	33,367
Social Security costs	1,325	1,274
Pensions costs	7,899	11,468
	<u>42,386</u>	<u>46,109</u>

20. Service Providing Institutions and Dockers' Pension

	2017	2016
	Rs'000	Rs'000
Global Cess	242,248	194,368
Levy on Local Sales	115,472	69,766
	<u>357,720</u>	<u>264,134</u>

21. Finance Income - Net

	2017	2016
	Rs'000	Rs'000
Finance Income		
Interest income	77	155
Gain on forward exchange contracts (unrealised) 2017	50,399	173,144
Exchange gain - net	<u>451,009</u>	<u>323,534</u>
	<u>501,485</u>	<u>496,833</u>
Finance costs		
Interest payable:		
Foreign currency accounts	8,990	6,181
Mauritian balances	<u>89,374</u>	<u>72,016</u>
	<u>98,364</u>	<u>78,197</u>
Finance Income - Net	<u>403,121</u>	<u>418,636</u>

22. Bagasse Transfer Price Fund

Bagasse Transfer Price Fund represents the sum received by sugar producers in respect of bagasse used for the production of electricity by the Central Electricity Board and for other usage. Remittance to sugar producers is effected in accordance with the Sugar Industry Efficiency Act 2001 (Section 13).

23. Sugar Cane Sustainability Fund

Government created in the financial year, a Sugar Cane Sustainability Fund operated and managed by the Mauritius Cane Industry Authority (MCIA), for providing added remuneration to growers for their bagasse utilised for the production of electricity. The Central Electricity Board injected during the year a sum of Rs 137 M (Rs 137 M: crop 2015) which was transferred to the Syndicate for onward remittance to planters as per the rates recommended by the MCIA.

24. Molasses Remittance

A total sum of Rs 181 M was received from Alcohol & Molasses Co.Ltd (AMCO), while Omnicane remitted a sum of Rs 78 M and Medine remitted Rs 5 M to the Syndicate during the year. Subsequent to the determination of the final price of Rs 2,242.89 per mt of molasses by the MCIA, a final remittance of Rs 742.89 per mt of molasses was made on 11 August 2017.

25. Contribution by Distillers/Bottlers

Contribution received from Distillers/Bottlers during the Crop year amounted to Rs 152 M and was paid in 2 tranches on 30 December 2016 and 25 July 2017 respectively.

26. Sugar Insurance Fund Board Premium

The general and fire insurance premium payment of Rs 189 M was deducted from sugar proceeds of producers and remitted to the Sugar Insurance Fund Board on their behalf as per Section 24 of the Sugar Insurance Fund Act 1974.

27. Related Party Transactions

	2017	2016
	Rs'000	Rs'000
Remuneration to key management personnel	11,429	11,367

28. Contingent Liabilities

(a) Contingent liability

The Syndicate has no contracted bank guarantees in favour of the Mauritius Revenue Authority (2016: Rs Nil).

(b) Court case

Medine Sugar Milling Company Ltd (Medine) has during the year entered a court case against the Syndicate arguing that it is undergoing a first stage in the refining process to produce a high polarization raw sugar, which is subsequently used by the refineries in the production of refined sugar. It consequently sought a compensation equivalent to what has been paid since 2009 under a supply agreement between themselves and Omnicane refinery, which terminated on 30 September 2015. According to international sugar trade rules, sugar of higher polarization for refining purposes can attract a polarization premium, but is far less than the amount claimed. The MCIA, in collaboration with the Syndicate and Medine have contracted the services of a consultant to undertake a study which is aimed at coming up with a long term solution with regard to Medine's sugar milling operations, including premium payable by the Syndicate and any other related issues. In the meantime, the Syndicate has during the year, undertaken a provisional premium payment of Rs 35 M which will be adjusted following completion of the study and its recommendations thereon.

Crop Statement

	2016-2017 Crop						2015-2016 Crop					
	Plantation White Sugar	Raw Non- Originating Sugar	White Sugar	Special Sugars	White Sugar Non MSS	TOTAL	Plantation White Sugar	Raw Non- Originating Sugar	White Sugar	Special Sugars	TOTAL	
	MT	MT	MT	MT	MT	MT	MT	MT	MT	MT	MT	
Net landed weight			276,544	94,891	8,220	379,655	-	-	265,439	59,987	325,426	
Stock of sugar	3,303	14,201	45,569	26,775	-	89,848	-	-	23,575	35,215	58,790	
Total sugar for export	3,303	14,201	322,113	121,666	8,220	469,503	-	-	289,014	95,202	384,216	
Local market sales			19,631	5,706	7,791	33,128	-	-	8,769	2,408	11,177	
Total	3,303	14,201	341,744	127,372	16,011	502,631	-	-	297,783	97,610	395,393	
Processing & storage loss						14,715					13,128	
Total Sugar MTTQ						517,346					408,521	
Less non-originating sugar for re-export						(115,058)					(42,451)	
Less Non MSS Sugar - OMOL						(16,011)					-	
Total Production of Sugar MTTQ						386,277					366,070	
Adjustment at 98.5° Polarisation by MCIA (Control & Arbitration Department)						388,934					369,072	

Statement of Distribution of Bagasse Proceeds

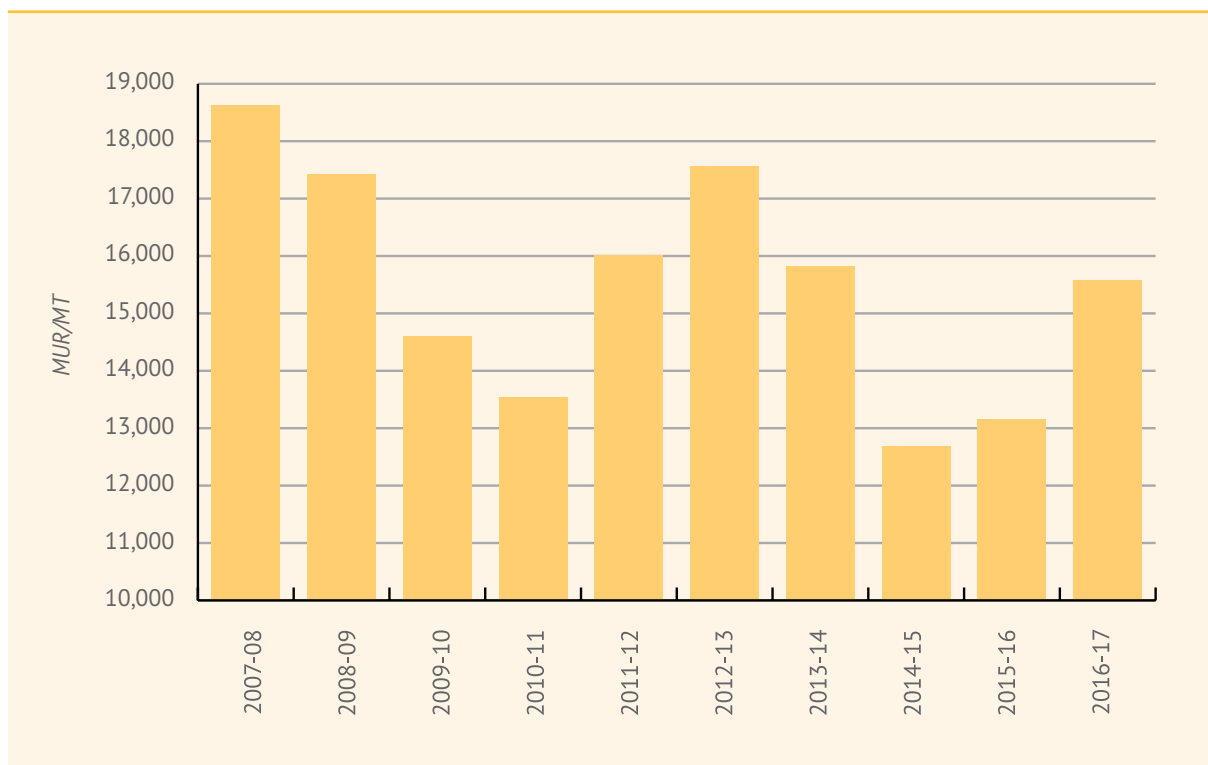
	2016-2017 Crop	2015-2016 Crop
	Rs'000	Rs'000
Bagasse Transfer Price Fund	64,409	66,643
Paid out to:		
Planters of the first group	7,729	7,997
Planters of the second group	24,475	25,324
Millers or producers of electricity	32,205	33,321

Amount Per Metric Ton of Sugar Accruing	2016-2017 Crop	2015-2016 Crop
	Rs	Rs
Planters of the first group	55.03	60.34
Planters of the second group	149.83	162.29

Amount Per kWh of Firm or Continuous Electricity	2016-2017 Crop	2015-2016 Crop
	Rs	Rs
Millers or producers of electricity	0.09	0.09

The Bagasse Transfer Price Fund for 2016-2017 crop was distributed as from 10 July 2017 in accordance with the Section 13 of SIE Act 2001.

On Whole Production	
	MT
2007 - 08	18,620.15
2008 - 09	17,427.30
2009 - 10	14,612.03
2010 - 11	13,535.72
2011 - 12	16,020.16
2012 - 13	17,573.32
2013 - 14	15,829.86
2014 - 15	12,693.50
2015 - 16	13,166.37
2016 - 17	15,571.50





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