MAURITIUS SUGAR SYNDICATE

Report and Statement of Account



2017-2018

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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 a total number of 13,348 were registered for the 2017 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
- Patrick de Labauve d'Arifat

Vice-President
- Heymant Rao Anand Sonoo (Large Planters' representative)

Corporate Sector Representatives
- Ramanand Sailesh Chunen
- Fabien de Marassé Enouf
- Hector Espitalier Noël
- Jean Raymond Hardy
- Henri Harel
- Peter Hough
- Sébastien Lavoipierre
- Jean Li Yuen Fong
- Nicolas Maigrot
- Arnaud Marrier d'Unienville
- Jacques Marrier d'Unienville, G.O.S.K.
- Thierry Merven
- Jean Ribet

Large Planters' Representatives
Nominated by the Minister of Agro-Industry & Food Security
- Gunness Bhuruth
- Sarahdith Gunesh (deceased in February 2018)
- Amal Kumar Mohabeer Mungur

Small Planters' Representatives
Nominated by the Minister of Agro-Industry & Food Security
- Rambhajun Babooa, M.B.E.
- Keeshorlal Gungah
- Shrudanand Sheoraj, O.S.K.
- Trilock Ujoodha

EXECUTIVE AND SELLING COMMITTEE

President
- Patrick de Labauve d'Arifat

Vice-President
- Heymant Rao Anand Sonoo

Members
- Rambhajun Babooa, M.B.E.
- Gunness Bhuruth
- Hector Espitalier Noël
- Jean Li Yuen Fong
- Nicolas Maigrot
- Jacques Marrier d'Unienville, G.O.S.K.
- Jean Ribet
- Shrudanand Sheoraj, O.S.K.
- Jugdis Bundhoo (CEO of MCIA)



CHIEF EXECUTIVE OFFICER & SECRETARY

- Devesh Dukhira

Confidential Assistant
- Marie Claire Lo Fong

MARKETING & SALES DEPARTMENT

International Marketing Executive
- Laurent Courteille (as from 1st September 2017)

Chief Marketing Officer
- Ashween K. Bunwaree (until 31st May 2018)

Marketing & Sales Manager
- Stéphane Casse (as from 1st June 2018)

Sales Coordinator
- Ian Samuel (as from 1st May 2018)

Marketing Assistant
- Jesieka Baptiste-Rabot

LOGISTICS DEPARTMENT

Senior Sales Administration & Logistics Officer
- Khemraj Jhurry

Sales Administration & Logistics Officer
- Glen Baniaux

Logistics Officers
- Dany Jaune
- Ajagen Moothoosamy

Sales Administration & Logistics Assistant
- Karine Ribet

FINANCE & ACCOUNTS DEPARTMENT

Chief Finance and Administrative Officer
- Jyoty Soomarooah

Treasurer/ Accountant
- Indira Goboodun

Accountant
- Sabrina Sawmynaden (until 30th September 2017)

Accounts Officers
- Saviraj Pilly Potiah (until 31st October 2017)
- Yudhisthir Gopaul
- Khushboo Ramsaha Mudhoo

Accounts & Finance Assistant
- Vijay Luxmi Sanuchur

Receptionist/Secretary
- Doretta Larose

PRODUCERS' SERVICE DEPARTMENT

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 (until 30th April 2018)
- Patrick Henry

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

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



The President's Report 2017 - 2018

The 2017 crop has probably been one of the worst for the Mauritian sugar industry as regards its sales performance: sales were impacted by the severe fall in the world market price of sugar, compounded with the liberalisation of EU production quotas on 1 October 2017, which completely eroded the traditional preferences that used to be extended to locally produced sugars. The ex-Syndicate producer price of MUR 10,717 per ton sugar achieved was in fact the lowest level reached since abolition in 2009 of guaranteed prices under the Sugar Protocol, even worse than the MUR 12,694 paid for the 2014 crop when the world market price, after having been on a continuous decline over the 4 earlier years, had also severely impacted on EU market prices. The last time the ex-Syndicate price stood below the MUR 11,000 level was for the 1994 crop, when it reached MUR 10,412 per ton sugar. Meanwhile inflation has cumulated to 122%, hence harshly squeezing producers between their net sugar proceeds and their ever-increasing operational costs.

Government, being sensitive to the exceptional financial hardship faced by the sugar sector, took two major decisions for the 2017 crop: firstly it requested the Sugar Insurance Fund Board (SIFB) to provide an assistance of MUR 1,250 per ton sugar to all producers, and secondly it waived the Global Cess payable to the Mauritius Cane Industry Authority (MCIA), which would have attained another MUR 429 per ton sugar. On its side, the Syndicate, considering the cyclical nature of the international sugar market, ventured to contract a 5-year term loan of MUR 304 M with the SIFB, for an equivalent of MUR 850 per ton sugar, to support producers. Besides, with the continuous decline during the year of selling prices, bringing down the ex-Syndicate price, estimated at MUR 13,500 per ton sugar in September 2017, to below the advance payments effected as at end October 2017 to planters cultivating less than 100 hectares land, the Syndicate had no other choice than to contract a short-term loan of MUR 215 M in order to top up its net sales revenue and avoid having to recoup these excess payments. This incident has been a wake-up call for a review of the Syndicate's price estimation at the start of the harvest and even the percentage advance that can be disbursed bearing in mind the risk of the forecasted price declining during the course of the year. The total payment, including the aforementioned financial support, received by producers for the 2017 crop in connection with their sugar production thus attained MUR 13,417 per ton sugar,

still significantly lower than the previous year's revenue of MUR 15,571, largely on account of the dire market conditions.

While an oversupplied EU sugar market for the 2017-18 marketing year had been anticipated since abolition of production quotas was announced 4 years earlier, re-confirmed as EU beet producers increased the acreage under cultivation by 17% for their 2017 crop, the steep decline in world sugar prices as from early 2017 had been underestimated. The global deficit cycle starting in 2015-16, with a sugar shortage cumulating to 8.7 M tons over two consecutive years, according to the International Sugar Organization (ISO), had not sufficiently mopped up the world stock, which had reached 56.7% of global consumption by September 2015, when a new surplus cycle was triggered. The crop outturn in a number of sugar producing countries in fact attained levels well beyond expectation in 2017-18, mainly on account of favourable weather conditions. Hence, in addition to the EU crop which, according to the ISO, reached 19.7 M tons, Thailand had a record crop of 14.4 M tons, and India 32.3 M tons, compared with 15.9 M tons, 9.9 M tons and 20.5 M tons respectively in their preceding campaigns. Hence a year-over-year increase of over 20 M tons in sugar output has been achieved by these 3 producers alone, representing 11% of the world's total consumption, while the latter had meanwhile grown by only 3.1 M tons. It is worth highlighting that despite the increase in the world population and rising purchasing power in developing countries, consumption growth has dwindled compared to the last decade, mainly on account of the 'anti-sugar' campaigns against obesity.

As the global sugar surplus for the 2017-18 campaign was confirmed by the last quarter of 2016, international raw sugar prices on the New York #11 futures market, which had reached US 22 cts/lb by then, started to recede, and as the production estimates kept increasing, they decreased further, in fact experiencing a free fall over the period from January to June 2017, when they fell to below US 13 cts/lb. Weak oil prices and the depreciating Real (BRL) of Brazil, which supplies over 40% of the global sugar trade, as it rose from BRL 3.20 to over BRL 3.80 to the USD over the same period, were not supportive of sugar prices. On the other hand, the trade support measures adopted by certain countries to ascertain stable revenue for their sugar producers under such difficult market conditions impacted further on the global sugar prices. As a result, non-trade investors, in anticipation of the market price evolution, went short on their positions, which exacerbated the price decline. There was further loss in interest in the commodity, especially among these non-traders, as a second year of significant global surplus was foreseen for 2018-19: according to preliminary figures of the ISO, it could attain 6.7 M tons, compared with the excess production of 8.6 M tons in the preceding year.

The EU market has been directly influenced by the world market price fall; the impact has in fact been worse given that EU buyers, cognisant of the significant increase in supplies after production quota liberalisation in October 2017, have been in no rush to finalise their purchase but have rather been continuously searching for lower prices. The production outturn estimated by ISO at some 19.7 M tons for the 2017 crop was in fact the highest level reached in the EU over the last 20 years.

While the beet producers' initial plan was to ensure market balance within the EU and export their surplus supplies to reduce price pressure, they were unfortunately caught short by the world market price freefall during the first half of 2017. As a result, less sugar was exported outside the EU compared with what had been foreseen, and suppliers consequently faced the challenge to dispose of their production given limited storage capacities. Against such pressure, they have been compelled to further reduce their prices during the course of the year and, as a result, a number of sales contracts were renegotiated, thereby bringing at some stage the net revenue obtainable in the EU even lower than what preferential sugar suppliers could attain in other destinations.

As regards the Syndicate's own sugar sales in the EU market, a significant decrease in white sugar supplies was to be anticipated with the advent of the noteworthy increase in EU production, and a number of its regular customers were indeed reluctant to commit to imports. Even those with whom contracts had been negotiated at the start of the campaign kept revising their price offers downwards.

As the prices forecasted fell further during the year, additional quantities in fact had to be deviated to other destinations, as per provisions under the long-term Supply Agreements



with the Syndicate's commercial partners and finally only 110,258 tons white refined sugar from the 2017 crop were delivered to the EU market, compared with 316,423 tons in the preceding crop. It should be noted that price levels at the start of the campaign were already 15% below the average price of the previous year and they dwindled further to some 28% by the end of the campaign.

As for sales of Special Sugars, there was already pressure in the EU at the start of the crop for a reduction in prices in anticipation of the decline in the price of white sugar. However, as competition intensified, especially from new suppliers of direct consumption raw sugars, including LDCs and those from the ACP group which, like Mauritius, have lost their margin of preference in the EU market, and more recently from EU refineries in search of improved revenue as sales of their core products were under threat, value was further eroded. With the appreciation of the Euro during the course of the year, EU prices, though significantly reduced, still remained more attractive for a number of foreign suppliers. Unfortunately, it is feared that such price trend could entail the 'commoditisation' of the products, especially as the quality norms are often not adhered to, thereby also putting pressure on traditional producers like Mauritius having invested in the development of these high value-added sugars over decades. The Syndicate had no other choice than to adjust its prices so as to maintain its market share. Moreover, it will have to review its marketing strategy in order to adapt to the changing trade environment, notwithstanding the fact that Mauritius Special Sugars are now present in over 50 countries worldwide.

The regional market is of growing importance for the Syndicate. The African continent overall, in light of its annual sugar deficit of over 8 M tons and in the wake of the Continental Africa Free Trade Agreement (CAFTA), could be the future home for the bulk of Mauritius sugars. Already for the 2017 crop, 138,363 tons direct consumption sugars have been delivered to the regional market and now that Mauritius has become known as a reliable source of supply in a number of these countries, these figures are expected to grow further. The regrouping of a number of Eastern and Southern African countries, under both the Common Market for Eastern and Southern Africa (COMESA) and South African Development Community (SADC), provides impetus for the fostering of intra-regional trade and these markets

should remain secure outlets if the respective free trade agreements are properly implemented.

Given the sensitive nature of sugar, especially among producing countries, they are nevertheless inclined to protect their domestic markets from imports, either through tariffs, despite provision under the respective agreements for duty-free trade, or non-tariff barriers. For instance, sugar supply into the South African Customs Union (SACU) is at present restricted under the Annex VII derogation of the SADC Trade Protocol to non-SACU SADC producers for only 45,444 tons. Likewise, Kenya was allocated till February 2019 a Sugar Safeguard under COMESA, whereby duty-free supplies from other members are restricted to 210,000 tons annually.

Other net sugar importers like Angola, Tanzania or Democratic Republic of Congo, irrespective of their meaningful deficits, simply have zero or negligible duty on their sugar imports, hence providing no margin of preference for regional suppliers compared with the world's largest producers. The Syndicate is collaborating closely with Government, especially at the level of the Ministry of Foreign Affairs, Regional Cooperation and International Trade, in its trade policies discussions with the view to ensure that the regional market provides a margin of preference for Mauritius sugars, hence remains remunerative in the long term. In the same vein, sugar is included in trade negotiations underway with other countries, particularly with emerging economies like India and China, in order to have secured market access with prices which would be safeguarded from the world price distortion.

It should be emphasised that the price predictability which the Syndicate used to have when the EU was its principal export destination is almost inexistent in the new market environment. In addition to the world price volatility, which can nevertheless be dampened over a short-term period through hedging operations, on which the Syndicate has already embarked, the attractiveness of target markets can also evolve in accordance with internal policies which can be modified arbitrarily. Hence, for the 2017-18 campaign, part of the sales contracts which had been finalised in Kenya could not be fulfilled because of a sudden and unforeseen fall in market prices as a result of the Kenyan government allowing import of sugar from all origins between May and September 2017, thereby eroding overnight the preferential access for COMESA suppliers like Mauritius. Some 980,000 tons sugar were thus imported during this period alone at world distorted prices, which entailed a reduction of over 30% in Kenya's domestic prices: these imports were equivalent to the country's annual consumption, hence leaving a huge surplus which would be absorbed over a period exceeding 1 year. To make things worse, the new market glut prompted the Kenyan authorities to subsequently exert tighter control over their sugar imports, including from COMESA origins.

The US is probably one of the rare markets which has preserved preferential prices for sugar in a volatile global environment. Supplies, both domestic and from imports, are controlled under the US Sugar Program and market balance is adequately monitored by the relevant institutions in order to ensure price levels remain viable. In response to the two-fold increase to 1.9 M tons sugar in Mexican supplies to the US from 2012 to 2013 as importers took advantage of free market access under NAFTA, the US sugar industry had filed antidumping and countervailing duty (AD/CVD) charges against Mexican sugar with the Department of Commerce (DOC), which subsequently confirmed both dumping and illegal subsidies. To avoid the imposition of prohibitively high AD/CVD duties, Mexico and the US negotiated, and then renegotiated, a Suspension Agreement, pursuant to which Mexican supplies to the US market are restrained under a formula based on market conditions that currently allows imports of only 1.2 M tons annually, comprising 360,000 tons white refined sugar (above 99.5 Z pol) and 840,000 tons raw sugar for refining (below 99.2 Z pol). In the meantime, while the Suspension Agreement was being renegotiated, a shortage of supply was growing in the US market for the October 2016 - September 2017 delivery period. In July 2017, immediately after the Suspension Agreement renegotiations were concluded, the US Department of Agriculture (USDA) increased the TRQ allocation for traditional suppliers of raw sugar by 244,690 tons and extended the quota year for two months to allow the additional quota supplies to enter, while the US Trade Representative (USTR) reallocated the unused TRQ among such suppliers. Mauritius hence secured an additional duty-free TRQ of 5,674 tons raw sugar into the US market, which it fulfilled through the export of its Special Sugars: total export for the 2017-18 delivery period hence attained 17,299 tons.

As anticipated, the Syndicate is now selling most of its sugars in an open market environment. While competitiveness







remains key, hence the necessity to increase efficiency along the whole supply chain, it should be emphasised that global sugar prices remain distorted, often falling below the average production cost, as has been the case over the period under review. Why does this occur? Firstly, only around 30% of the world sugar production, estimated at 185 M tons in 2017-18, is actually traded and the balance is consumed within the countries' own domestic markets. Secondly, given the highly sensitive nature of the sugar industry in terms of job creation, poverty alleviation, food security, environment protection, etc, governments tend to provide support measures to ensure the economic viability of the producers: these include protection of domestic prices through tariff and non-tariff barriers, provision of export subsidies, and even other assistance such as the ethanol framework in Brazil, the Voluntary Couple Support in EU or through currency exchange management.

Mauritius has a restricted domestic market representing only 10% of its production, and the decision taken by Government in June 2018 to increase import tariff on sugar to 80% will no doubt help secure a viable price level for at least these quantities. However, 90% of the production still remain exposed to the distorted global prices in the absence of adequate preferential market access. The added margin provided by Special Sugars, though on the decline owing to increasing competition from new suppliers, can dampen market losses but they remain concentrated in niche market segments, and export demand will not suffice to replace the industry's total production. Pending preferential export prices can be secured under the various trade agreements being negotiated by the Mauritian Government, or already in existence, it is essential that support measures be provided to assure producers of viable revenues and avoid further land abandonment. The acreage under cane cultivation, estimated at 48,380 hectares for the 2018 crop, is already at a critical level and it is feared that the industry's competitiveness can be further affected if it were to decline further. The joint Public-Private sector Technical Committee on Sugar set up by Government in August 2017 in the wake of declining sugar prices has deliberated lengthily on the challenges facing the industry in an open market environment and has come up with a series of recommendations to not only reduce production and other operational costs but also complement sugar revenue with a fair remuneration for the co-products of the cane, namely its intrinsic biomass value, with the view to enable producers reap the viability price of MUR 17,000 per ton sugar.

The contribution of the sugar cane industry in the Mauritian economy cannot be underestimated: it concerns not only the export of sugar, which still represents 16% of the country's export revenue, but also other sectors directly depending on this industry, such as power generation, distilleries, transport and other support services, and even those indirectly benefiting from its presence such as the tourist industry, through the lush-green scenery and blue lagoons protected from soil erosion. This also benefits the population at large.

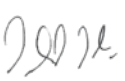
On its side, the Syndicate is leaving no stone unturned to be able to tap the best sales opportunities for its sugars. That includes a continuous review of its product mix to adapt to changing market needs, and also of its marketing strategy in light of the unpredictable world market conditions. The internal reform undertaken since 2016 namely with regards to a closer involvement of producers in its marketing decision and the reinforcement of its marketing and sales resources, is already well underway. After recruitment of an International Marketing Executive who is closer to the market, hence providing better proximity to buyers while enabling faster response to market demand, a new post of Sales Coordinator has been created to ensure better interaction with producers thereby also providing a more customer-focused approach with higher efficiency and flexibility.

In addition to the versatility required to operate in a fast changing market environment, the industry needs to adapt to increasing demand of buyers with respect to the quality of the sugars and their conformity with food safety standards. While the Mauritian industry already has a strong reputation in this regard, the priority is to stay ahead of the competition. A noteworthy increase in demand for Bio sugar, together with the attractive price levels that can be reaped at market destination, have renewed interest within the industry to work towards the certification of its sugars. Once achieved, the Bio certificate should help secure the market share of the Mauritius Special Sugars while bringing added revenue to the industry.

The market, moreover, requires suppliers to produce in a sustainable manner, in line with the UN's Millennium and Sustainable Development Goals. While a number of small growers' cooperatives have already been certified with the Fairtrade standards since 2008, with over 3,000 small planters presently involved in this certification, the industry at large has now embarked on a programme to demonstrate its conformance with sustainability standards. A steering committee comprising representatives of the 4 sugar mills and the Syndicate is examining all options before implementing the most suitable programme so that the whole industry can be recognised as sustainable in the near future. This will be an essential differentiating factor in a free market environment.

A judicious management of producers' sales proceeds is also essential especially when market conditions become less predictable. That includes not only a rigorous control of its operational expenses and its financial charges, bearing in mind the important advance payments made to planters as they start harvesting their cane, but also an adequate management of the forex proceeds in order to mitigate exchange rate fluctuations. While the objective has been the protection of the ex-Syndicate price, the forex management policy in place has generated over the 10 previous years some MUR 4 billion of additional revenue, which has been distributed to the producers for each relevant crop. However, the exchange rate trend over the period under review, both for the Euro and the Rupee vis à vis the US Dollar, has unfortunately not provided any hedging gain: against the forecast of financial analysts, the Euro has risen continually to attain US $ 1.25 by the first quarter of 2018 and the option of seeking refuge in the US Dollar as in the past did not yield the expected returns. The Syndicate's hedging strategy has been reviewed accordingly in order to further reduce its risk exposure in the future.

While the difficult market conditions prevailing cannot be undervalued, and considering the cyclical nature of world sugar prices, the concerted effort of all stakeholders is therefore essential to ensure the long term sustainability of the sector. This calls for an urgency to remain competitive at all levels even when global sugar prices are low. We are confident that, in consequence, the industry will yet again rise to the challenge as it has done in the past.



Patrick de Labauve d'Arifat

President





2017 CROP SALES



Production Supplies & Revenue

The 2017 crop was characterised by record low sugar production, cane crushing, and area harvested, with 355,213 metric tons tel quel (mt) sugar having been produced from 3,713,331 tons of cane harvested over 49,974 hectares (Ha) of land. Comparatively, in the preceding year, 3,795,619 tons of cane had been harvested over 51,477 Ha of land to produce 386,277 mt sugar. This represents an 8% reduction in sugar production while the harvested area, initially forecasted by the Crop Estimate Coordinating Committee to decrease by 861 Ha, finally dropped by an alarming 1,503 Ha.

Water stress conditions caused by insufficient rainfall during the initial cane growth period delayed stalk elongation to the extent that its height at end January 2017 was 15% below normal. Heavy downpours associated with cyclone Carlos in February 2017 nevertheless helped to reduce the soil moisture deficit which had prevailed until then, but high rainfall combined with below normal temperature amplitudes and solar radiation during the maturity phase favoured further stalk growth at the expense of sucrose accumulation. The average extraction rate for the crop attained 9.57%, which was almost 5% lower than the previous 5 years' average of 10.04%.

Average cane productivity stood at 74.31 tons per Ha (TCH), slightly lower than the last 5 years' average of 74.82 TCH, but higher than the 73.79 TCH achieved in the previous crop.

Sugar production from the 2017 crop was supplemented with a carry-over stock of 5,178 mt Special Sugars and 14,202 mt imported raw sugar feedstock from the previous campaign, and subsequently with 46,936 mt raw sugar imported by the Syndicate in September 2017 for refining purposes. Total disposable sugar for the 2017-18 marketing year thus amounted to 421,529 mt, compared with 527,240 mt for the previous year when 115,058 mt raw sugar had been imported. It was processed into 127,993 mt Special Sugars, 15,629 mt direct consumption raw sugar, and 235,135 mt white refined sugar, principally for export but also for domestic market consumption.

The 2017 crop year sales were influenced by the new EU sugar market regime following abolition of beet production quotas in October 2017, which paved the way for the EU to turn into a surplus sugar supplier after a 24 % rise in its year-on-year production. They were, moreover, affected by the rapid deterioration of world market prices as from early 2017 in light

Table 1

2017 Crop Sales (metric tons)	MT	
2017 Crop Outturn	355,213	
Add carry-over stocks from 2016 crop:		
Bagged Special Sugars	5,178	
Imported raw sugar feedstock	14,202	
Add imported raw sugar feedstock	46,936	
TOTAL DISPOSABLE SUGAR		421,529
EXPORT SALES 2017-2018		
European Union (EU)		
White refined sugar	110,258	
Special Sugars	58,737	
DC Raws	105	169,100
United States		
Special Sugars		17,299
Regional Market		
White refined sugar	106,565	
Special Sugars	20,922	
DC Raws	10,876	138,363
World Market		
White refined sugar	1,910	
Special Sugars	18,537	20,447
TOTAL EXPORT SALES		345,209
LOCAL SALES		
White refined sugar	14,423	
Raw sugar for direct consumption	3,580	18,003
TOTAL SUGAR SALES		363,212
Less processing and storage losses		11,200
Estimated surplus		
Bagged Special Sugars / Direct Consumption (DC) raw sugar		15,634
Imported raw sugar feedstock		27,680
Local plantation white sugar feedstock		3,803

of the prospects of a global sugar surplus production during the 2017-18 campaign, which worsened further as a second consecutive year of surplus became apparent.

In light of the unfavourable market conditions, the Syndicate, after consultation with the refineries, imported less raw sugar feedstock, thereby slowing down their production during the year. In addition to the processing of Special Sugars, most of the plantation white sugar from the mills was therefore refined, while the remaining throughput was

converted into a Direct Consumption (DC) raw sugar for sales especially in the regional market. As summarised in Table 1 on page 16, total sugar exports till the end of the marketing year in September 2018, would attain 345,209 mt, comprising 218,733 mt white refined sugar, 115,495 mt Special Sugars and 10,981 mt DC raw sugar. Although exports to the EU were considerably reduced compared with the previous years, it remained the Syndicate's main export destination, accounting for 110,258 mt white refined sugar and 58,737 mt Special Sugars, while shipment to other destinations comprised 108,475 mt white sugar, 10,876 mt DC raw sugar and 56,758 mt Special Sugars, of which 17,299 mt were destined to the US, 20,922 mt to the regional market and 18,537 mt to over 20 other market destinations.

All these sales were unfortunately finalised under price pressure as the world sugar futures had already subsided by the beginning of the crop harvest in June 2017. The New York #11 raw sugar price had fallen to some US 14 cts/lb by then, compared with US 20 cts/lb at the same time in the previous year, hence losing some 30% of its value. The world market price stayed within this range till February 2018 when, upon confirmation of an even larger global production surplus in 2017-18, likely to be replicated in the following year, coupled with the weakening of the Brazilian Real, it continued its downfall, declining even below US 12 cts/lb as from April 2018.

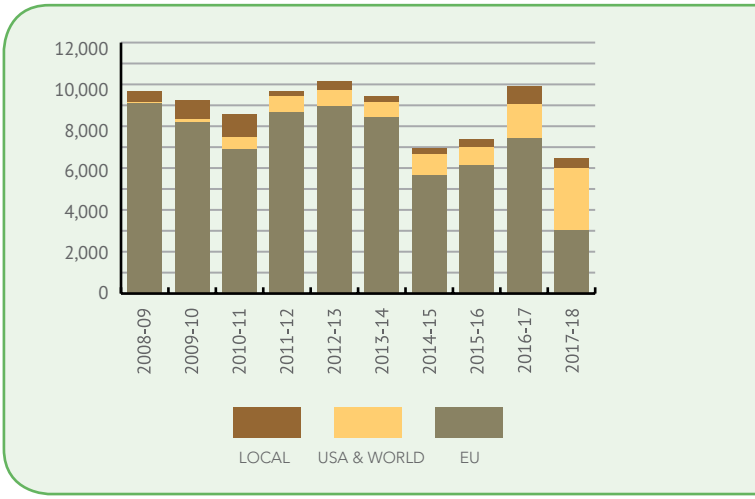
The EU market followed the same trend and, given the record level of beet sugar production in the wake of quotan liberalisation in October 2017, buyers felt no urge to finalise their purchases, which therefore added pressure on the producers. ACP/LDC sugar supplies to the EU, which had already been on a declining trend over the previous year, were consequently further squeezed, and were to drop from 1.3 M mt in 2016-17 to around 0.5 M mt, drastically lower than the above 2 M mt annual exports prior to 2015-16.

As a result of reduced selling prices, coupled with adverse currency movements, the Syndicate's total export revenue on an FOB Port Louis basis decreased from MUR 9,076 M for the 2016 crop to MUR 6,260 M. Net proceeds, after deduction of all operational and statutory expenses incurred by the Syndicate, amounted to MUR 3,833 M, compared with MUR 6,056 M for the previous campaign. The ex-Syndicate price for the 2017 crop was consequently finalised at MUR 10,716.63 per ton sugar, which was 31% lower than the MUR 15,571.50 paid in the past year. The Sugar Insurance Fund Board (SIFB) premium amounted to MUR 192 M, but the share for planters producing less than 60 tons sugar was provided for by Government.

The crop's closing stock, after fulfilling all delivery obligations, comprised 3,803 mt plantation white sugar and 27,680 mt imported raw sugar feedstock for refining, and 15,634 mt bagged DC raw and Special Sugars, which would be carried over to the 2018-19 marketing year.

CHART I

Sugar proceeds per destination (MUR M)



SALES

European Union Market

The abolition of production quotas and export restrictions on EU beet sugar and isoglucose, which had been provided for under the Common Agricultural Policy (CAP) reform of 2013, became effective as from 1 October 2017. Anticipating this sea-change in sugar governing policies, and with the view to increase their competitiveness and market share, EU sugar producers expanded their area under beet cultivation from 1.42 M Ha in 2016 to 1.66 M Ha. As their 2017 crop subsequently benefitted from favourable weather conditions, resulting in an increase in the average yield from 11.5 to 12.6 mt sugar per Ha, sugar production in the EU, according to the Commission's sources, rose to 20.9 M mt, a 24% growth over the previous year's crop outturn of 16.8 M mt.

Mauritius, as a member of the Eastern and Southern African (ESA) trade bloc, continued to benefit from duty-free access in the EU market under the provisions of the Interim Economic Partnership Agreement (iEPA) which it signed, together with three other ESA countries, with the EU in 2009. However, it had to face increased competition from EU beet sugar producers who no longer had sales restrictions under the new EU sugar regime, whether domestically or for export. The EU, previously a net importer of sugar with most of its imports

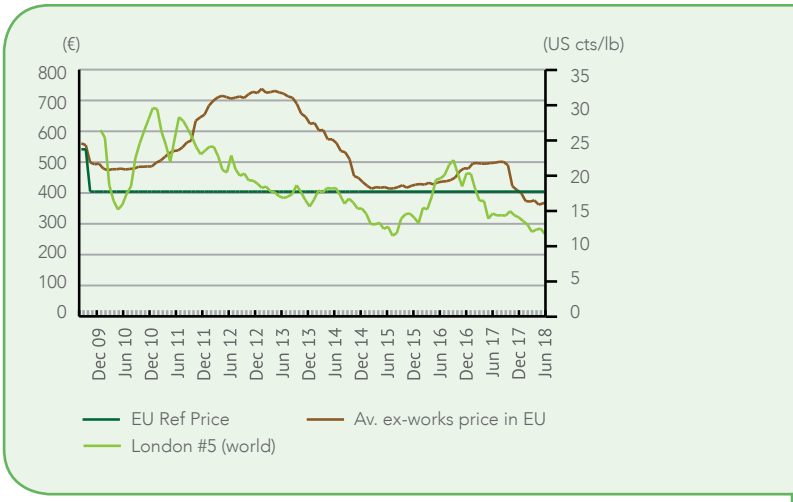
having originated from the ACP and LDCs, hence turned into a significant exporter for the first time for over a decade. Already some 3.03 M mt sugar have been exported by 21 August 2018, compared with 1.22 M mt at the same time in the previous year. The main destinations were Egypt (15%), Israel (11%), Syria (7%), Sri Lanka (6%) and Turkey (5%) followed by Lebanon, Mauritania, Lybia, Ghana and Georgia, amongst others. As the world market price nonetheless continued to decline during the period of sales, opportunities outside the EU market were getting less lucrative for these producers, which therefore resulted in a price war for increased market share within the continent. The stock situation was exacerbated as the EU Commission reclassified out-of-quota sugar for the equivalent of 0.70 M mt, thereby increasing the volume of carry-over stocks from the 2016 crop to 1.40 M mt. As a result, EU sugar imports declined significantly, attaining only 1.21 M mt, according to TAXUD Surveillance data, by 21 August 2018, compared with 2.22 M mt at the same time in the previous year. The origins were mostly ACP/LDCs (42%), followed by Central America / Peru / Columbia (22%), South Africa (17%), Brazil (6%), the Balkans (2%) and several smaller sugar suppliers cumulating to 11% of the EU's total imports. As at that date, total imports from ACP/LDCs had reached 0.51 M mt compared with 1.16 M mt at the same time in the previous year.

In light of such bearish market conditions, white sugar prices in the EU became under tremendous pressure and rapidly converged towards world market prices. According to the EU Commission reporting, the average ex-works price for the month of October 2017 fell to EUR 422/mt, a drop of EUR 70/mt from the average ex-works price realised during the 2016-17 campaign. The selling prices continued to decline, especially as contracts were renegotiated in light of the excess sugar availability, and reached EUR 361/mt in June 2018, i.e. 27% below the average price of the previous year. The downward trend in consumption, especially amid adverse publicity on health concerns, contributed to this price freefall: it was exacerbated in Great Britain where food and drink producers had to reformulate their products ahead of the introduction of a sugar tax as from April 2018. In addition, overall sugar sales in the EU decreased to the advantage of isoglucose, a starch-based sweetener competing with sugar in industrial applications and whose quota was also abolished in October 2017: production and sales are estimated to have increased in consequence from 0.73 M mt to 0.90 M mt.

Chart II below provides a comparison of the evolution of the average EU ex-works price of white sugar with that on the world market.

CHART II

Comparison of white sugar prices in EU (€) with world market prices (US cts/ lb)



By the end of the marketing year in September 2018, exports from Mauritius to the EU over the 12 months' period are expected to attain 169,100 mt, comprising 110,258 mt white refined sugar, 105 mt DC Raw sugar and 58,737 mt Special Sugars.

White refined sugar

Considering the significant price reduction in the EU market for the 2017-18 campaign, and the flexibility provided under its long-term supply agreements with Cristal Co and British Sugar, the Syndicate substantially reduced its allocation of white refined sugar for the EU. It was judicious to reassess its export mix while remaining focused on the most remunerative market destinations; hence only half of the local production of white sugar were delivered to the EU. Besides the 90,331 mt delivered to its commercial partner Cristal Co, 19,927 mt were sold directly to other European buyers. The sugars were shipped to 9 EU destinations altogether.

Special Sugars

Export of Special Sugars to the EU market would attain 58,737 mt for the 2017-18 delivery period, compared with 64,911 mt in the previous year. This reduction in sales is firstly due to fierce competition in the EU from sugars produced in new origins in Central and Latin America, in certain ACP/LDCs having started production of direct consumption raw sugars and even by EU refineries attempting at producing brown sugar in their existing processes. Secondly, the continuous reduction in white sugar prices over the year has put immense pressure on Special Sugar prices and, in light of the growing gap, certain customers, especially industrial users, have opted to revert to utilisation of white sugar. It must also be noted that during the course of the year, adverse social media campaigns targeting coloured brown sugars have incited buyers in certain destinations to categorise Special Sugars alike, thus slowing down their intakes.

CHART III

Export of Special Sugars (MT)

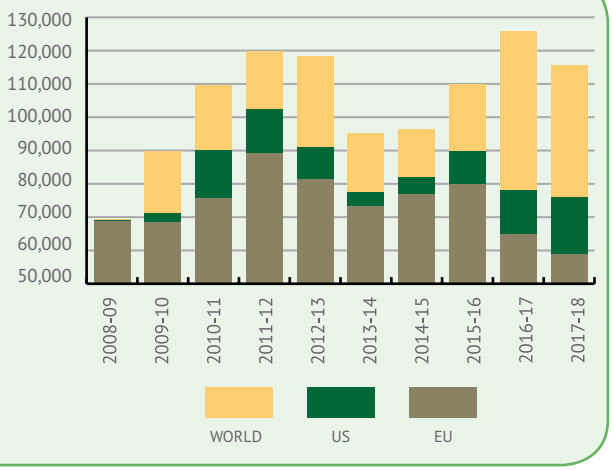


Chart III above illustrates the sales evolution for Special Sugars to the different market destinations.

United States market

The US raw sugar tariff rate quota (TRQ) allocated to traditional quota holders, as per its commitment under the WTO Uruguay Round Agreement, was set on 30 June 2017 by the US Department of Agriculture (USDA) at the minimum bound level of 1,117,195 metric tons raw value (mtrv) for Fiscal Year (FY) 2018. The US Trade Representative (USTR) subsequently allocated 12,636 mtrv to Mauritius, representing its historical share of 1.2% of this TRQ, and deliveries were to be completed within the October 2017 – September 2018 period. Due to the uncertainty over a successful renegotiation of the Suspension Agreements under NAFTA, sugar imports from Mexico midway through FY 2017 were, however, behind schedule compared with the previous year, and this prompted the International Sugar Trade Coalition (ISTC), of which Mauritius is a member, to request the USDA to firstly increase the TRQ and secondly reallocate any shortfall. The latter eventually announced on 17 July 2017 a TRQ increase of 244,690 mt while extending the delivery period for FY 2017 to 31 October 2017, whereas the USTR announced on 2 August 2017 a reallocation of 86,495 mt of the initial TRQ which had remained unutilised. The combination of these measures resulted in an increase of the Mauritius' TRQ by 5,674 mt for FY 2017. The Syndicate took this opportunity to increase sales of Special Sugars which subsequently reached 17,299 mt for the 2017 crop. Mauritius already fulfilled its FY 2018 TRQ allocation by mid August 2018.

FDA Label Requirements

The US Food and Drug Administration (FDA) announced on 20 May 2016 the implementation of new Nutrition Facts and Supplement Facts labels for packaged foods to enable consumers to take informed decisions when purchasing food items. In January 2017, the FDA issued a Draft Guidance on label disclosure requirements for added sugar that would have required retail packages of sugar to have a label disclosing that they contain 100% added sugar. The ISTC filed comments in response, arguing that sugar does not contain added sugar. The new Draft Guidance issued by the FDA on 1 March 2018 to remove what would have excluded "naturally occurring" sugar in honey from "added sugars" was also contested by the ISTC which urged that sugar be treated in the same manner since all sugars in sugar are naturally occurring.

On 29 September 2017, the FDA proposed to extend the compliance dates with this new regulation to 1 January 2020 for food manufacturers with US$ 10 M or more in annual sales, and to 1 January 2021 for the others, thus giving the industry more time to decrease related costs while minimising the transition period during which consumers would see both the old and new versions of the label in the market.

Regional and World market

In anticipation of the erosion of its trade preferences in its traditional markets, the Syndicate had already started to intensify its efforts towards market diversification. While Special Sugars have been delivered to a larger number of countries worldwide since the start of the decade, white refined sugar exports had so far been concentrated on the EU market thanks to its more remunerative price levels. However, with the subsequent alignment of EU prices with



world market prices, it has had to carefully weigh opportunities between EU and non-EU destinations, taking into consideration prevailing market prices, the EUR/US$ exchange rate and delivery costs, before finalising sales. In light of the market potential in Eastern and Southern Africa, the Syndicate consequently diverted almost half of its white sugar exports to this region and finalised sales for some 31,798 mt DC raw and Special Sugars, of which 30,040 mt were directed to Kenya. In addition, 18,537 mt Special Sugars have been exported to over 30 other world market destinations, namely in Eastern Europe, North America, Middle East, South East Asia and Far East.

Regional Sugar Trade Policies

Trade within the Common Market for Eastern and Southern Africa (COMESA) is undertaken on a duty-free quota-free basis, provided at least 35% value addition is attained locally in line with the rules of origin criteria. While Kenya accounts for one of the largest deficits within this trade bloc, the COMESA Council of Ministers nevertheless renewed in October 2016 its two-year sugar safeguard upon its sustained request to protect its sugarcane industry from cheaper preferential imports. A formula based on each country's sugar surplus and intra-COMESA trade performance was adopted by the Council to restrict imports from COMESA sugar producers to its annual deficit which was estimated at 170,000 mt in 2017 but revised to 210,000 mt in 2018. Mauritius was thus allocated a TRQ of 35,687 mt sugar for 2017 and 42,176 mt in 2018, though the latter quota limit was exceeded as a result of the prevailing market shortage.

On account of persisting drought which was likely to result in famine, Kenya, moreover, opened up its market to world imports by eliminating import duties on sugars from all origins during a window from May to August 2017. This led to massive imports of brown sugar, whose tariff is normally 100%, mainly from Brazil and Dubai and eventually some 981,000 mt sugar found their way into the market over that period. Sugar prices consequently dropped substantially to the detriment of local sugar producers and COMESA suppliers, whose deliveries to Kenya therefore slowed down considerably. Mauritius also suffered from such prejudice and a number of its sales contracts remained unfulfilled at the end of the year.

As regards sugar trade within the South African Development Community (SADC), it is governed by Annex VII of the SADC Trade Protocol which provides for a derogation on preferential access into the South African Customs Union (SACU) market for other SADC sugar producers, which was limited to 45,444 mt over the April 2017-March 2018 period. The Mauritius share of this SACU TRQ was only 2,763 mt, a meagre increase of 187 mt over the previous year, and it managed to ship 2,315 mt white refined and Special Sugars under this TRQ.

Local Market

Following the introduction of a 15% import duty on direct consumption sugars in July 2016, the Syndicate had managed to supply the quasi totality of the domestic demand during the 2016 crop year. However, with the sharp contraction of world market prices during the period under review, imports by its competitors have regained momentum and they have managed to recover over 50% of the local market share. Consequently, local sales by the Syndicate were affected in all segments, reaching 18,003 mt, compared with 33,127 mt in the previous year. Sales in the industrial segment amounted to 12,083 mt, comprising 10,634 mt white refined sugar and 1,449 mt raw sugar, a reduction of 4,367 mt and 28 mt respectively compared with the previous year. The packing and wholesale segment was the most affected, as the Syndicate's sales attained only 3,789 mt white refined sugar, 1,979 mt raw sugar and 152 mt Special Sugars, compared with a combined 16,649 mt in the previous year. At the Syndicate's behest, and in line with most sugar producing countries anxious to protect their domestic market, Government increased the import duty on direct consumption sugars to 80% in June 2018. It should be emphasised that such protection is not a sign of being uncompetitive but a protection against unfair competition given that import prices are highly distorted owing to domestic support and trade subsidies provided to a number of producers to allow them recover their costs. Such protectionist measures are becoming common among sugar producing countries worldwide and have even intensified as global prices have fallen well below average production cost levels.



Supply & Delivery Arrangements



To compete in an increasingly demanding and competitive market environment, it is essential to have a well-managed supply chain in order to ensure that the quality of the sugar is adequately upheld, and that customers' exigencies are met. Moreover, to ensure the highest net revenue for its members, the Syndicate must ensure full-optimisation of all costs along the supply chain. Fulfilling the needs of its customers is therefore an important component of the services offered by the Syndicate: it requires constant dialogue and sound arrangements with the producers to ensure that sugar is produced and delivered in the required varieties, grades, specifications and formats. Moreover, as the Syndicate must have recourse to external service providers for operations ranging from sugar value-addition to transport and storage, it must have a judicious management system in place to ascertain that all processes along the chain are fully optimised.

Service Agreements with Refiners

Following termination of the prior refining service agreements in September 2015, the Syndicate and the two back-end refiners, Omnicane Ltd and Alteo Ltd, jointly appointed PricewaterhouseCoopers (PwC) as consultant to firstly assess their performance over that contractual period and secondly recommend a new Refining Service Fee (RSF) payable to them, bearing in mind the provisos of the preceding agreement but also the increasing exposure of sugar sales to the world market price volatilities. The new RSF, which was validated by all parties, was paid as from January 2016 and that fee has been maintained during the year under review. However, given the unfavourable market conditions which prevailed and which rendered the processing of imported raw sugar unviable, hence entailing a slowdown in imports and consequently the production of white refined sugar, RSF payments were made on a total throughput of only 235,024 mt as at 30 June 2018. This was significantly lower than the 361,055 mt sugar refined in the previous year and, in light of the PwC recommendations, whereby the Syndicate had to fulfil these total capacities, the latter had to compensate them with regards to the fixed cost component for the unutilised volumes.

The Syndicate allocated to the two refineries, on the basis of an equal capacity saturation formula agreed among the parties concerned, the available local plantation white sugar feedstock estimated at some 230,000 mt for the crop under review, together with the raw sugar imported for further processing.

The Syndicate imported in September 2017 a consignment of 46,936 mt Very High Polarisation (VHP) raw sugar from Brazil for local processing prior to export or domestic sales. These sugars complemented local production thereby enabling the refineries to maximise their throughput but the mixing ratio has been carefully controlled to ensure conformance with the rules of origin criteria at destinations offering preferential market access to Mauritius. The sugar was discharged and stored at the Bulk Sugar Terminal (BST) of the Mauritius Cane Industry Authority (MCIA), prior to transfer to both refineries. As at 30 June 2018, 27,680 mt stored at the BST were to be carried forward for 2018-19 for subsequent processing.

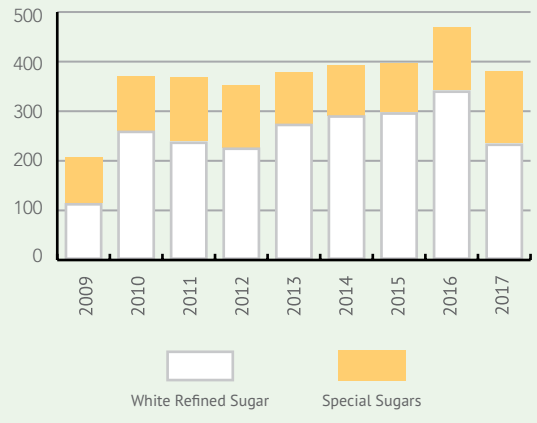
The quality of the imported raw sugar was closely monitored by the Syndicate, not only in terms of the technical specifications sought, but also in the supervision during loading and discharge operations, and subsequent delivery of the sugar to the refineries. Regular contact with suppliers ensured strict compliance to requirements. All relevant quality documents relating to the sugar feedstock were also made available to the refineries for them to meet specific clauses of the BRC standard.

In view of the continuous decrease in the global white sugar premium during the year under review, compounded with the unstable market conditions in the EU, imports of raw sugar feedstock were, however, lower than in the previous years, hence compelling the refineries to run below their optimal capacities.

Chart IV below illustrates the evolution of the production mix.

CHART IV

Production of white refined sugar and Special Sugars ('000 MT)



During the year under review, Alteo Refinery Ltd invested into a new bagging plant of daily capacity of 600 mt in a bid to supply the local and regional markets. Initially the bagging plant was designed for big bags but was extended to 50 kgs bags PolyPropylene (PP) bags as from June 2018. The bagging plant is fully automated and meets the required food safety standards. Since November 2017, Omnicane Refinery has also been operating a dedicated retail packing facility inside a high standard, food grade building. Production includes white refined and direct consumption raw sugars in 500 gms, 1 kg and 2 kgs packs and also 4 g sugar sticks. The retail lines, meeting the required food safety standards, offer the flexibility for the production of both block bottom and pillow packs for the local and export markets. Omnicane additionally launched in November 2017 its own 'Kara' brand, which would use sugar purchased from the Syndicate before distribution in its own retail packs. It has meanwhile also invested in the upgrading of its refinery installations resulting in an increase in annual capacity from 200,000 mt to 260,000 mt white refined sugar, with higher flexibility to produce sugar of EEC Grade 1 and Bottlers' Grade specifications. Both refineries, moreover, have the means to produce coarse and fine grain white refined sugar.

Framework agreement for supply of Special Sugars

Special Sugars are produced by Terra Milling and Alteo Milling under the provisions of a framework agreement established with the Syndicate in 2009. Sales of Special Sugars for the 2017 crop attained 119,075 mt, compared with production of 127,993 mt, and the balance would be exported in the following campaign. Comparatively, 127,371 mt Special Sugars had been produced from the preceding crop and 126,384 mt had been sold.

Compliance with customers' quality requirements is a must to ensure that the solid reputation of Special Sugars from Mauritius is maintained. In this context, the mills constantly upgrade their processes, facilities and infrastructure, which are regularly verified by the Syndicate with the view to keep its buyers updated. During the year under review, the mills have pursued the replacement of mild steel within their installation with stainless steel equipment and pipes.

The mills, which are BRC certified, strive to guarantee supply of food-safe sugars to end-users and consumers, hence complying with customers' stringent quality requirements and adhering to ethical norms and standards. In this context, both mills are members of the Supplier Ethical Data Exchange (SEDEX) as required by a number of buyers. Terra's data has, in addition, been validated through SEDEX Members Ethical Trade Audit (SMETA).



Storage facilities and Delivery arrangements

As in the previous years, the bulk of the white sugar earmarked for export was loaded directly into containers at the refineries. For the period under review 8,650 containers were thus loaded from the conditioning silos of the refineries. The filled containers were subsequently delivered by the refineries to the container terminal of the Cargo Handling Corporation Limited (CHCL) and the Mauritius Freeport Development (MFD) for export on a First In First Out (FIFO) basis to meet the Syndicate's contractual commitments. Out of these 8,650 containers, 3,086 were loaded with sugar in 50 kgs PP bags and 726 with sugar in big bags for shipment to the regional market, 4,358 containers with sugar in bulk liners and big bags for the EU market and a balance of 480 containers remained to be shipped as at end September 2018.

As regards Special Sugars, they were produced and stored during the crop campaign for export throughout the marketing year: 84,703 mt bagged sugar were thus delivered to the BSSD warehouses of the MCIA and another 30,849 mt were delivered to the MFD warehouses. Furthermore, 27,336 mt of direct consumption raw sugar earmarked for the Kenyan market were loaded in containers at Terra Milling and Alteo Milling under the surveillance of SGS and delivered directly to the port. Likewise another 3,803 mt of the same sugar produced by Omnicane Milling were stored at their adjacent warehouse at La Baraque prior to loading in containers for export.

It should be emphasised that with the return of the Albion Docks warehouse at Trou Fanfaron in December 2017, the Syndicate collaborated with the MCIA to find an alternative site for storage of bagged Special Sugars as from the 2017 crop campaign. After having explored the possibility of extending one of the existing warehouses of the BSSD, which was found too costly especially under prevailing unstable market conditions, the Syndicate opted for the rental of a warehouse from a private operator. After a tendering process, MFD was retained for a storage space capable to accommodate 25,000 mt bagged sugar but with the possibility of handling up to 35,000 mt over the crop year. For the year under review, 30,849 mt sugar were thus delivered to the MFD warehouse. A preliminary indication shows that the MFD, which provides an all-in logistics solution, including warehousing, transfer of containers to the terminal and customs clearing under the same roof, should allow a meaningful saving with respect to storage and fobbing costs while mitigating risks of short-shipments. The MFD warehouse also allows flexible opening hours during the harvest, hence facilitating delivery of bagged sugar from the mills. It is, moreover, equipped with an on-line inventory management system providing the Syndicate with regular reports for its stock management and valuation.

Given the urgency to optimise cost along the supply chain and to improve its service to customers, the Syndicate has explored the possibility of reviewing the storage and fobbing costs for all its sugar deliveries. Wherever possible, the sugars are loaded in containers at the mills or refineries for direct delivery to the port for subsequent export but when production cannot match customers' shipping plans, the sugars have to be stored in a warehouse. Proposals have been submitted to Government for a better control over such operations with the ultimate objective of increasing the competitive edge of the industry.

On the other hand, in line with the *cahier des charges* agreed with shipping lines, the empty 20-feet containers have been selected and prepared by the two depots namely MFD and Velogic Ltd in order to make them fit for the transport of sugar. Shipments were effected mainly with MSC and Maersk Line to some 30 destinations, comprising 23 in Europe and 7 in the regional market.

Quality & Food safety

Food quality and safety are core components in today's food economics and for customer satisfaction. They are linked to food choice and consumer demand, addressing questions of price perception. With increasing competition, new producers of direct consumption sugar have been entering the market arena while existing suppliers have been catching up on their competencies in efficient production and quality control. In such a situation, a more fragmented, heterogeneous and dynamic consumer demand creates opportunities for those producers and value chains that are willing to take the risk to differentiate their products and serve specific market segments. To support such objective, the Syndicate's Central Quality Department (CQD) has worked in close collaboration with all stakeholders involved in the supply chain, from producers to customers, and including suppliers of packaging materials and containers. All sugars produced by the industry are released for export or delivery on the local market after all quality and food safety information have been verified by the CQD.

As is the case prior to each harvest, producers have been provided with a guidance document highlighting the Syndicate's requirements in terms of product specifications, traceability, weight requirements as well as buyers' specific recommendations. Buyers' questionnaires have also been regularly reviewed with representatives of mills and refineries and the information contained therein have been

used to update their records thereby ensuring the Syndicate remains their approved sugar supplier. Interaction of the CQD representatives with producers also involved the scheduling of buyers' audit visits and follow up of corrective actions after these visits or pursuant to customer complaints. The CQD also organised with relevant certifying bodies the yearly audit of facilities for the Halal and Kosher certification of its sugars.

With regards to bagged sugar storage, a guidance document has been issued to service providers highlighting the Syndicate's requirements in terms of product quality, safety and security for the receipt, storage, export and delivery of bagged sugars. The Syndicate's quality supervisors posted at the warehouses ensured that the bags were received, stored and stuffed as required using appropriate checklists for that purpose. Their regular feedback enabled the identification of issues pertaining to warehousing activities and the timely implementation of corrective actions.

The quality and safety aspect of sugar also depends on the use of appropriate packaging materials. During storage, transport and distribution, sugar bags are exposed to a number of factors that are likely to affect the characteristics of the sugar received by the customer. The elaboration of appropriate packaging material specification is therefore essential to guarantee a fit-for-purpose product for the customer and also to reduce the amount of breakages due to handling and stacking. Packaging materials to be used by the producers, namely PolyPropylene (PP) bags and PolyEthylene (PE) liners, are released after verification by the CQD of all quality and food safety information provided to that effect: new suppliers were thus approved during the year under review. As was the case in previous years, all quality and food safety information relating to packaging materials, including their traceability, were forwarded to factories/refineries for them to meet the requirements of their BRC standard. As it stands, all suppliers of packaging materials have their facilities certified to a GFSI-recognised standard for food safety. With the help of factories and refineries, the CQD also worked on optimising the quantity of sugar loaded in big bags: hence, as from the 2017 crop, the Syndicate can deliver white refined sugar in 1.2 ton PP bags while trials are underway to also increase the load of Special Sugars in such big bags.

Last but not least, the delivery of quality and food-safe sugars to buyers cannot be guaranteed without the use of appropriate containers for their transport. The setting up of required procedures for the selection, cleaning and release of containers used for sugar transport, and their verification through regular audits conducted at the depot by the CQD, guaranteed the supply of fit-for-purpose containers to the industry. The CQD continually reviews these guidelines and updates the quality checklists. The CQD also diligently performed its standing obligation towards sugar producers by analysing daily 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 of the MCIA at the end of the crop. These data are used to determine the tonnage of sugar accruing to millers and planters.

With the view to assuring continuous capacity building, two Quality Assurance Officers attended the Food Safety Preventive Controls Alliance course conducted by SGS in October 2017, and were awarded an FSPCA Preventive Controls for Human Food certificate following their successful completion. Such training constitutes a requirement of the Food Safety Modernisation Act for compliance with United States FDA regulation.

Fairtrade labelled sugars

Chart V below shows evolution of the production and sales of fairtrade labelled sugars.

CHART V

Fairtrade labelled sugar production v/s sales (MT)



At time of writing, 29 sugar cane planters' cooperative societies, regrouping some 3,100 planters and having produced 21,700 mt sugar for the 2017 harvest were certified. In fact, out of the 10 cooperatives that were decertified in 2016, 5 were successfully relisted in 2017 after having undergone the required audits and 4 others are preparing for readmission. While compliance and certification issues reduced the availability of certified sugar, the gradual disengagement



of some major players from the Fairtrade value chain also negatively impacted on sales volumes. Thus, only 21,629 mt Fairtrade labelled sugars have been sold to date from the 2017 harvest, compared with 32,777 mt for the previous year. However, despite this downturn in sales, Mauritius again ranked among the best-selling Fairtrade origins in sugar.

As part of its monitoring, evaluation and learning programme, Fairtrade International has commissioned RMI, a consultancy firm with extensive experience in agriculture development in the Sub-Saharan region, to undertake an assessment of the outcomes and impact of Fairtrade certification on the economic, social and environmental sustainability of sugar production in 5 of the 19 Fairtrade-certified sugar exporting countries. After Fiji and Belize, the survey was undertaken in Mauritius as from July 2018 and key Fairtrade players and informants were interviewed, and baseline data collected. The findings of this research should constitute another tool to promote Mauritius as a sustainable sugar-producing origin.

On the other hand, in the context of a joint project entitled Maximising Impact through Collaboration of Sustainability Standards in the Sugar Cane Sector, Fairtrade International and Bonsucro are collaborating to understand how a coordinated approach of their standards could be used to create more value to small scale sugar cane growers. The ultimate goal of the project is to leverage the joint value of the two systems in a single market offering to improve sustainability and productivity in the supply chain in a manner that is more inclusive and provides better support to smallholders. Owing to the strong Fairtrade presence within the industry and also because various mills are already preparing for Bonsucro certification, Mauritius has been chosen to participate in this project.

Sustainable Sugar Production

In pursuance of its objective and strategy to promote adherence to global sustainability principles and practices throughout the industry with the view to fulfil the evolving consumer and market exigencies and expectations, the Syndicate set up a Sustainability Steering Committee with the mandate to drive, support and coordinate relevant schemes in this field. Comprising of representatives of the millers, the Mauritius Chamber of Agriculture and the Syndicate itself, this Committee will also broadly call on resources and competencies from across the industry to ensure mutually agreed targets, including certification to international standards, are met within required timeframes.

Accreditation to international benchmarks is essential to building credibility and recognition in the market. Thus, after initiating a Bonsucro certification project in 2016, Omnicane stepped up its preparations for endorsement during the first quarter of 2019. Alteo has meanwhile also joined the Bonsucro membership and has started gearing up for certification. The initial objective in both cases is to have the groups' mills and farms certified and thereafter gradually enlist outgrowers to participate in the project. As for the remaining two mills, Terra recently committed to aligning with the same paradigm and Medine is expected to follow suit in the near future. Moreover, to subsequently ensure the traceability of such labelled sugars from production to sales, the Syndicate will be required to be certified against the Bonsucro Chain of Custody (CoC) Standard. In compliance with the CoC requirements, appropriate protocols and systems will therefore have to be devised and integrated into the Syndicate's operational processes in due time.

On the other hand, under the five-year Partnership Agreement with Ctm Altromercato, the Syndicate shipped for the third consecutive year 4,000 mt of white refined sugar to Ferrero. This volume carries an additional incentive of EUR 40 per ton sugar which goes towards financing the Sustainable Development Programme involving 25 cooperatives regrouping about 800 small cane planters. In this regard, bio and chemical fertilisers were purchased for free distribution to the concerned planters in dosages recommended by the MSIRI for the first year of implementation of the programme, thereby resulting in an average increase of 11% in their sugar cane yield for the 2017 crop. As for the following season, only part of the fertiliser costs was subsidised but, in combination with the integrated nutrient management strategy, emphasis was this time placed on farmers' training to promote and encourage adoption of good agricultural practices.

Direct Support for Producers

After the Syndicate and Omnicane entered into an agreement for the payment, as from the 2016 crop, of the refund of cane transport costs and compensation for weighbridge closures to eligible planters, Alteo Milling and Terra Milling submitted similar requests as from the following season. As for Medine Sugar Milling, this free of charge support would be provided as from the 2018 crop. With the inclusion of the payment of these items in the array of services offered to producers, the Syndicate is now the industry's single desk for remittance of all statutory cane-derived revenue and compensation.

Supply & Delivery Arrangements

The Syndicate, moreover, continued its collaboration with Alteo Planters Services Ltd (APSL) whose objective is to provide support for harvest services to planters of the Centre-East region of the island, by offering at-source cost deduction and repayment facilities. In the implementation of its operations, APSL has had recourse to the services of about 30 SMEs and contractors. A downward trend was unfortunately observed with a decline in both the number of planters serviced and the cane area harvested, translating into a reduction in the canes reaped from 48,481 tons in 2016 to 41,883 tons in 2017.

At the same time, in the South of the island, Omnicane's portfolio of planters serviced under its Total Cane Management Scheme rose from 63 in 2016 to 102 in 2017, with the area under superintendence increasing from 125 to 148 Ha. The support consists of land preparation, cane cultivation, complete field maintenance, as well as cutting, loading and transport facilities and, for the second year running, under the terms of the agreement between the Syndicate and Omnicane, financial charges relating to these services were deducted at source from the sugar revenue of the concerned planters for remittance to Omnicane.

At national level, a further 350 Ha land belonging to 420 planters were catered for, during the 2017 crop, under the Small Planters Regrouping Project (SPRP), ex FORIP, bringing the total extent regrouped, de-rocked and planted under this scheme to 11,350 Ha, that is 95% of the initial objective of 12,000 Ha. To date, this project, which has benefited 11,935 small and medium cane planters, has costed MUR 3.77 billion paid out from the EU-funded Accompanying Measures for Sugar Protocol countries (AMSP). Given the recent increase in demand from planters to join this scheme, Government decided to extend it until 2019-20 and provision has been made for the allocation of appropriate funds.

Furthermore, in the 2017-18 Government Budget, provision was made for some MUR 50 M to be spent to bring back under cane cultivation at least 500 Ha of abandoned land. The Mauritius Cane Industry Authority (MCIA) consequently implemented a Cane Replantation Scheme whereby a cash grant of MUR 71,000 per Ha would be made available to planters wishing to replant their fields, including those having benefited from SPRP/FORIP. At time of writing, land owners holding some 575 Ha had entered into an agreement with the MCIA to benefit from this scheme, with an area of about 335 Ha having already been replanted.



2018 Crop & Market Prospects



The 2018 crop officially kicked off on 1 June 2018 with the start of crushing at Alteo Milling. The three remaining sugar mills, namely Terra, Omnicane and Medine, began operation during the first half of July, and according to the Mauritius Chamber of Agriculture, the harvest should last till the third week of December 2018.

Despite the influence of two cyclones at the beginning of the year, namely Ava and Berguitta, followed by 3 months of above-normal rainfall, the overall weather conditions that had prevailed since October 2017 had been favourable to the growth of the cane. By end April 2018, the stalk height was only 5% below normal, and preliminary analysis revealed a cane richesse slightly superior, by some 0.3°, to that of the 2017 crop, but 1.6° lower than the preceding one. The weather conditions over the cane maturation phase will be determining for sucrose accumulation, hence the 2018 crop sugar outturn.

According to the first estimate on 16 May 2018 of the Crop Estimate Coordinating Committee (CECC), chaired by the Mauritius Chamber of Agriculture, some 3.6 M tons cane would be harvested over 48,380 hectares (Ha) land for the 2018 crop. The average extraction rate was forecasted at 9.92 %, hence resulting in the production of some 350,000 mt sugar.

As at 1 September 2018, 135,921 mt sugar had been produced while the average extraction rate had reached 9.68%, higher than the 8.84% attained at the same time in the previous year.

The production estimate was, however, reviewed by the CECC at the beginning of September to 330,000 mt sugar mainly on account of the reduced cane productivity, probably caused by the excess rainfall during the cane growth stage. It has thus attained only 73.8 tons cane per hectare (TCH) by that time compared with 78.7 TCH at the same time in the previous year. This estimate was based on the harvest of 3.4 M tons cane at an average extraction rate of 9.99%.

2018 Crop estimated Sales

The 2018 crop sugars are being sold under significant price pressure resulting from an oversupplied market worldwide. According to the ISO, a global surplus of some 6.75 M mt is foreseen for the 2018-19 marketing year, after an excess of 8.60 M mt was registered in the preceding year, bringing the estimated stock to consumption ratio by September 2019 to some 55%. Likewise, with a significant 2018 EU crop forecast, coupled with the large stock from the previous campaign, market prices in the EU are expected to be even more depressed.



Table 2

2018 Crop Estimated Sales (metric tons)

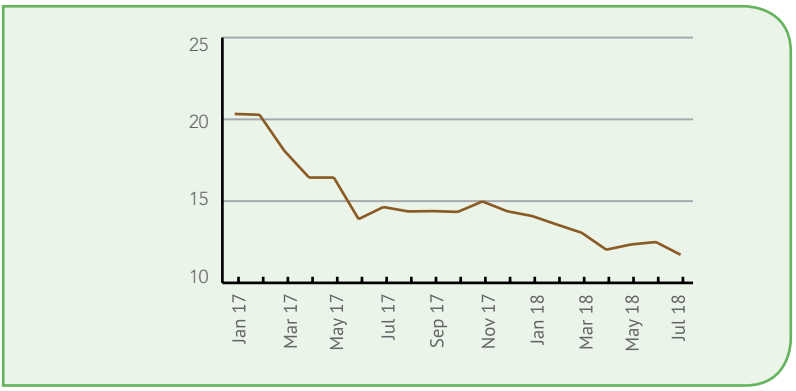
	MT	
2018 Crop Forecast	330,000	
Add carry-over stocks from 2017 crop:		
Bagged Special Sugars / DC raw sugar	15,634	
Imported raw sugar feedstock	27,680	
Local plantation white sugar feedstock	3,803	
TOTAL DISPOSABLE SUGAR		377,117
EXPORT SALES FORECAST 2018-2019		
European Union (EU)		
White refined sugar	50,000	
Special Sugars	68,000	118,000
United States		
Special Sugars	12,600	12,600
Regional Market		
White refined sugar	140,000	
Special Sugars / DC raw sugar	36,900	176,900
World Market		
White refined sugar	5,000	
Special Sugars	19,000	24,000
TOTAL EXPORT SALES FORECAST		331,500
LOCAL SALES FORECAST		
White refined sugar	28,000	
Raw sugar for direct consumption	3,500	31,500
TOTAL SALES FORECAST		363,000
Less processing and Storage losses		6,690
Estimated surplus		7,427

The Syndicate will therefore have to focus on sales opportunities outside the EU, in search for the most remunerative outlets especially for its white sugar. The regional market appears to be the most relevant destination in this regard. The fact that the white sugar premium, which is the difference between the futures price of white sugar and that of raw sugar, has been weak over the last 12 months, import of raw sugar for further processing locally has also remained unprofitable. Though there is no intention at time of writing to import additional raw sugar to feed the refineries, the Syndicate is closely monitoring the market situation so as to seize any opportunity which might arise subsequently. Delivery of white refined sugar to non-EU destinations are mostly required in PolyPropylene (PP) bags, either of 1.2 ton or 50 kgs net weight. As regards Special Sugars, most of them will be supplied in 1.1 ton and 50 kgs PP bags, with a smaller portion in 25 kgs PP bags. In order to be able to provide a wider range of delivery formats to its clients, the Syndicate is also exploring the possibility of subcontracting packaging services to local operators prior to export.



CHART VI

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



European Union Market

The EU-28 sugar stocks at the end of June 2018 stood at 7.3 M mt, equivalent to almost half of the annual EU consumption, and some 3.2 M mt higher than the stock reported at the same time in the previous year. Since this figure is nevertheless lower than the 9 M mt reported as stock in June 2015, there appears to be still room for further sugar storage should EU exports slow down whilst producers await higher sugar prices during the year.

At time of writing, taking into consideration that 1.65 M Ha land has been sown with beet and on basis of a three year average yield of 12 mt sugar per Ha, the 2018 EU crop outturn is estimated at 19.7 mt, i.e. only 1.2 M mt lower than the previous year's record. Such production level will certainly maintain high competition in the EU market, and sales prices for the 2018-19 marketing year are expected to decrease further, thereby resulting in even lower sugar imports.

Despite the duty free market access which the Syndicate will continue to enjoy in the EU under the Economic Partnership Arrangements, prices obtainable are therefore expected to remain far from a viable level. At time of writing, most of its sales in the EU would be oriented towards the sugar deficit region like Spain, Italy and Greece, with an increase in deliveries in big bags at the expense of container liners.

As regards the Special Sugars, given their superior quality and uniqueness through their wholesome characteristics, the Syndicate should preserve its historical share of the EU market. Competition is, however, strengthening with new suppliers from the ACP and LDC Group and those countries having finalised bilateral free trade agreements with the EU, as they convert their production into raw sugar for direct consumption after a reduction in demand for refined sugar. In the absence of better opportunities for their sugar supplies, such competition is likely to persist. Besides, EU refineries in search for better sales alternatives for their production outturn have started delivering processed brown sugars in the market, hence eating in the market share of traditional suppliers of Special Sugars.

EC Regulations

In November 2017, the European Commission proposed to bring changes to its Common Agricultural Policy (CAP) with the view to making it simpler and more cost-effective. The Commission hence proposed a more flexible approach with regards to implementation in 2020 of the new CAP and outlined priority areas it would have to address, namely (i) tackling climate change and preserving the environment, (ii) encouraging the use of modern technologies to support farmers in the fields and providing greater market transparency and certainty, (iii) encouraging the younger generation to take up farming, (iv) addressing citizens' concerns regarding sustainable agricultural production, including health, nutrition, food waste and animal welfare, (v) ensuring the CAP remains coherent with other EU policies, (vi) creating an EU-level platform on risk management to help farmers cope with climate uncertainty, market volatility and other risks.

Discussions also started for the renewal of the ACP-EU Partnership Agreement presently enshrined in the Cotonou Agreement of June 2000 and which is due to expire in February 2020. This agreement, which established a partnership based on development, political and economic & trade cooperation, was reviewed in 2010 to cater for new challenges such as climate change, food security, regional integration, state fragility and aid effectiveness. In 2016, a joint communication on a renewed partnership with ACP countries, submitted to the EU Parliament and the Council, laid out the foundation for such partnership built on (i) UN's 2030 agenda on Sustainable Development Goals, (ii) the Global Strategy of EU's Foreign and Security Policy and (iii) coherence with the European Consensus on Development. The Council confirmed in May 2018 its intention of finalising the negotiating directives before the launch of negotiations with ACP countries in August 2018 as provided for in the current agreement.

Brexit

Following Great Britain's vote in June 2016 to exit the European Union, the British Government invoked Article 50 of the EU Treaty in March 2017, thereby confirming its intention to leave within a period of 2 years. The UK and the EU have, however, reached consensus for an extension of the transition



period until end 2020. The rationale for the extension is to ensure a smooth exit of Britain from the EU and an effective implementation of the new arrangement. During this transition period, the prevailing EU trading arrangement will continue to apply to the UK, including the iEPA with the Eastern & Southern Africa (ESA) group, of which Mauritius is a member. This means that trade relations on the same terms and conditions as under the iEPA will be maintained till December 2020. Negotiations between the ESA and the UK are continuing with a view to transposing the iEPA into an ESA-UK agreement.

The Sugar Industry Group (previously known as the London Sugar Group), comprising as members ACP and LDC sugar producers, has lobbied in favour of the maintenance of the preferential value of their products in the UK market, albeit against a market management formula. It should be recalled that if Great Britain stays within the Customs Union of the EU, it will still be flooded with the surplus sugar production on the continent whereby, despite duty free access for ACP/LDC sugars, they will continue facing fierce competition from EU producers, thus making any price improvement unlikely.

United States Market

The US Department of Agriculture (USDA) announced on 29 June 2018 that the aggregate raw sugar tariff rate quota (TRQ) against its WTO commitment for fiscal year 2019, i.e for delivery between October 2018 and September 2019, would be set at the minimum bound level of 1,117,195 metric ton raw value (mtrv). Mauritius was granted on 18 July by the US Trade Representative (USTR) its 1.2% historical share of this TRQ, amounting to 12,636 mtrv. This TRQ will be fulfilled with the sales of Special Sugars, including delivery of a carry-over stock of 2,503 mt from the previous year's contract.

With US domestic sugar production on track to set a new record of approximately 9.2 million mt, there is little chance of an increase in the 2017-18 raw sugar TRQ. Moreover, the USDA has delayed any decision on reallocating TRQ shortfall due to apparently adequate market supplies.

The USTR officials have announced the possibility of establishing a Free Trade Agreement with a Sub-Saharan African nation, which will be the first of its sort on the continent. At time of writing, the country was yet to be chosen. This agreement should provide a prelude of the trading arrangement with African countries, which would replace the Africa Growth and Opportunity Act (AGOA), due to expire in 2025.

US Sugar Policy

The US Farm Bill which provides the legislative authority for the US sugar program is due to expire in September 2018. While the House and Senate Agriculture Committees had already begun work on this bill, opponents to the sugar program introduced the "Sugar Policy Modernization Act of 2017," which comprises a set of proposed amendments to the Farm Bill, namely: (i) reduction of the "loan rate" from US 18.75 cts/lb to US 18.00 cts/lb, entailing reduced revenues for US sugar producers and Caribbean sugar producers for their exports to the US; (ii) switching loans to US sugar processors from "non-recourse" to "recourse", thereby increasing sugar forfeitures and making the sugar program unmanageable for the USDA; (iii) termination of the Feedstock Flexibility Program, which would allow excess sugar stocks to be acquired by the USDA for use in ethanol production; (iv) termination of domestic marketing allotments which would be analogous to the EU's recent abolition of production quotas, and (v) setting the raw sugar TRQ to a level sufficient to ensure a stock-to-use ratio of 15.5%, and permitting TRQ holders to transfer unused quotas to other TRQ holders.

These amendments, which are opposed by the US sugar producers and refiners, as well as the CBI Sugar Group and the ISTC, were given authorisation by the House Rules Committee to be debated, but they were rejected by the House on 17 May 2018. After months of deliberation, the House of Representatives barely passed its version of the 2018 Farm Bill on 21 June 2018. The controversy resulting in the close vote concerned aspects of the Farm Bill other than the sugar program. Indeed, the House soundly rejected an amendment that would have made major reforms to the sugar program that would likely have set the US sugar program down a path similar to that of the EU sugar regime.

The Senate took up the Farm Bill the following week, and easily passed the measure on 28 June. As approved by both chambers of Congress, the 2018 Farm Bill would make no change to the current sugar program. However, because of numerous other differences between the two versions of the bill, a House-Senate conference committee will have to be convened to reconcile the differences. The conference process is expected to be difficult and a final result is unlikely before the expiry of the 2014 Farm Bill on 30 September. Nonetheless, because neither version of the bill made any change to the US sugar program, the final product will also renew the current sugar program without changes.



Trans-Pacific Partnership (TPP)

Negotiations on the TPP agreement, comprising the United States and a group of countries from Latin America, Asia and the Pacific, were finalised in October 2015. It granted Australia a quota of 65,000 mt in addition to its historical TRQ allocation of 89,087 mt raw sugar. However, upon assuming office in January 2017, President Trump officially withdrew the US from the TPP. While the other members of the TPP meanwhile concluded in February 2018 a Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), President Trump has expressed an interest in joining the CPTPP provided it is renegotiated to address his concerns, thus opening the door for the possible negotiation of a new TPP.

North American Free Trade Agreement (NAFTA)

After several rounds of discussion further to President Trump's electoral promise to renegotiate or cancel the NAFTA, a bilateral trade agreement was concluded with Mexico by end August 2018. It was unclear at time of writing whether Canada would also join this new Agreement and whether the new terms would bring any change to the sugar provisions of NAFTA.

Relations with Cuba

Upon assuming office, President Trump signed an executive order prohibiting US companies from doing business with entities affiliated with the Cuban military and limiting US tourist travel to Cuba. This move, which was a step back from President Obama's efforts to re-establish normal diplomatic relations with Cuba, rendered unlikely any resumption of sugar imports from Cuba.

Regional and World Market

The Syndicate has already been strengthening its marketing efforts in the region, especially in Eastern Africa which, in light of its sugar deficit and proximity to Mauritius, is the obvious alternative for its exports after erosion of its trade preferences in its traditional markets. Mauritius has the advantage of being party to two regional trade agreements, namely the Common Market for Eastern and Southern Africa (COMESA) and Southern African Development Community (SADC), which provide for duty free and quota free market access for virtually all products. Trade in sugar, being considered as highly sensitive, especially among the producing nations, nonetheless often face non-tariff barriers whereby market access becomes restricted. Hence the South African Customs Union (SACU) limits market access for non-SACU SADC suppliers under Annex VII derogation of the SADC Trade Protocol: for the 2018-19 marketing year, it will allow duty free market access for only 45,944 mt, of which Mauritius will have a meagre share of 2,794 mt.

This derogation was accepted by Member States at time of implementation of the Trade Protocol in year 2000 on the premises that most SADC suppliers had preferential market access for their sugars in the EU while the world market price was distorted. Eighteen years later, the market situation is completely different: the EU no longer provides a remunerative price level, let alone trade preferences, while WTO members have committed themselves at the WTO Ministerial Conference held in Nairobi in December 2015 to eliminate all forms of subsidies and trade support. Mauritius has been vocal in the relevant fora that sugar trade within SADC should be liberalised. At a meeting of the Committee of SADC Trade Ministers held in July 2018, the SADC Secretariat and Technical Committee on Sugar (TCS) have been mandated to make an assessment of the sugar trading arrangement to include, amongst others, a review of the derogation and also the treatment of extra-SADC sugar imports, with the view to propose parameters for a fair and equitable SADC sugar market for all member states thereby upholding their preferential market access.

Likewise, Kenya has requested at the COMESA Council of Ministers held in August 2018 a renewal for another 2 years, until February 2021, of its Sugar Safeguard to limit duty free access for other member states. While the overall Tariff Rate Quota was limited to 170,000 mt in 2017, it was increased to 210,000 mt in 2018 and at time of writing, Mauritius should have been granted a share of 42,176 mt sugar for this period on basis of its net sugar surplus production and intra-COMESA trade performance. Paradoxically, despite such restrictions with the view to protect its domestic sugar industry, which has remained focused on production of raw sugar, Kenya opened its market to all origins from May to September 2017, allowing cheap raw sugar imports, namely from Brazil and UAE, thereby bringing down price levels overnight to unsustainable levels. Although, the free stock in the market was estimated at just over 100,000 mt at time of writing, compared with the country's annual consumption of over 900,000 mt, market uncertainty has exacerbated when contraband sugar not fit for direct consumption was seized by the local authorities in June 2018, resulting in more stringent control of quality standards, hence in the issue of import licences. The Council of Ministers, upon granting the renewal of the Sugar Safeguard, proposed the setting up of a Sub-Committee to undertake the monitoring and assessment of the implementation of the safeguard. It will comprise the COMESA Secretariat, the sugar exporting member states and the Kenyan authorities. The terms of Reference of this Sub-Committee were discussed at the COMESA Trade & Customs Committee meeting held in Nairobi in August 2018.



Other COMESA and SADC members, notwithstanding their sugar deficits, unfortunately do not extend preferential intra-regional treatment whereby their importers then prioritise sourcing from outside the region at distorted price levels. Competing for a market share in such countries is extremely difficult especially when world market prices are low. The Syndicate will nevertheless strengthen its efforts to consolidate export to the regional market, bearing in mind its proximity, hence ease of access and reliability of supplies.

Tripartite Free Trade Agreement (TFTA)

Discussions for a TFTA, grouping SADC, COMESA and EAC member states, were launched in June 2015. This combined grouping constitutes a total market of some 650 M inhabitants. Mauritius is already a member of COMESA and SADC, hence benefitting from preferential access for its exports to these regions, but it has to ensure that its acquis under these trade regimes is preserved, and even improved upon, in the enlarged trade bloc. It is worth noting that there has been an initial attempt among members to consider sugar as a sensitive product, hence provide a special dispensation to trade liberalisation.

Continental Africa Free Trade Agreement (CAFTA)

African Trade Ministers decided in December 2010 to establish a continent-wide free trade agreement by eliminating tariffs and quotas on goods and services. At the 10th Extraordinary Meeting of the Heads of State of the African Union held on 21 March 2018 in Rwanda, Mauritius and 43 other African countries signed the Agreement establishing the African Continental Free Trade Agreement which includes a protocol on Trade in Goods. While the African Ministers of Trade agreed the principle of a 90% tariff liberalisation for trade in goods, the general and specific rules of origin for products to be liberalised still have to be determined by Member States. The African continent accounts for a sugar deficit, presently estimated at over 9 M mt annually, but imports have so far originated mostly from outside the region. With the implementation of appropriate border controls, while ensuring a margin of preference for member-states, it should represent a safe haven for sugars produced in the region.

Bilateral Free Trade Agreements

Discussions on separate bilateral free trade agreements with India and China started in Mauritius in January and April 2018 respectively. The Mauritian offer comprised a request for duty free and quota free access for its sugars in these markets, but in light of the sensitive nature of the product in both countries, discussion has been arduous. Negotiations are expected to be finalised by the end of 2018.

Local Market

The local market accounts for 36,000 mt of sugar sales, comprising some 32,000 mt white refined sugar and the balance as direct consumption raw sugar. After the increase in import tariff on direct consumption sugars from 15% to 80% in June 2018, the Syndicate expects to recover most of its local market share, hence bringing additional revenue to producers even while maintaining the price levels which have been applicable since June 2016.

In this regard, the Syndicate plans to strengthen its marketing efforts on the local market, hence consolidating its commercial relationship so as to keep its clients loyal.



Crop Financing & Payments



Advance payment to producers

Since the 2010 crop, at the behest of Government, and thanks to a line of credit made available to the Syndicate by the Bank of Mauritius through local commercial banks, 80% of the estimated ex-Syndicate price has been paid in advance to growers cultivating up to 100 hectares of land when their canes are sent to the mills and sugar produced therefrom. As from the 2015 crop, however, at Government's request, the Syndicate has had recourse to its own funding facilities with commercial banks and other service providing institutions in the sugar sector to allow such advances. In this regard, for the 2017 crop, an initial advance of MUR 10,800 per mt sugar accruing was paid to eligible planters as they started harvest in June 2017. This sum was subsequently increased to reach MUR 11,300 per mt on 26 October 2017 and remained at that level till final settlement on 13 July 2018. As for the remaining producers, an initial sum of MUR 8,100 was paid and payments were raised during the course of the year to reach MUR 11,300 per ton sugar on 17 May 2018. Advance payments were made weekly during the harvest till December 2017, and thereafter on a monthly basis till the end of the crop year.

Payments were made to some 5,721 producers through direct credit into their respective bank accounts while 8 producers were paid through their appointed brokers. Additionally, 6,919 planters received their remittances through 137 cooperative credit societies with which they have been duly registered.

In light of the unpredictability of selling prices as most sugar sales are henceforth undertaken in an open market environment, forecasting an ex-Syndicate price at the start of the campaign becomes increasingly challenging. Bearing in mind that any liability from a crop year cannot be carried over to the next, while any excess payment recovery from planters would be extremely complex, a new formula needs to be defined firstly for the estimation of the ex-Syndicate price when market conditions are hazy, and secondly on the percentage of payment to be effected in advance in order to ensure no excess payment would have been effected after the ex-Syndicate price has been finalised. Already for the 2017 crop, advance payment effected on basis of the first ex-Syndicate price estimate of MUR 13,500, had reached MUR 11,300 by October 2017 while it subsequently decreased as a result of the continuous drop of sugar market prices, which entailed the renegotiation of sales contracts, compounded with the continued appreciation of the MUR

against the USD over the period from July 17 to March 18. The estimated price of MUR 13,500 was consequently reviewed to MUR 11,000 in February 2018 and finalised at MUR 10,716.63 per ton sugar. In order to make up the shortfall, the Syndicate had to borrow some MUR 215 M for refund in the following crops.

Financial Assistance from the SIFB

Government announced on 8 September 2017 a special financial assistance of MUR 1,250 per mt sugar to all categories of producers for the 2017 crop to be drawn from the Sugar Insurance Fund. Considering the cash flow constraints faced by the community at the end of their harvest, namely to allow fertilisation of their fields, the Syndicate disbursed through short-term loans, a sum of MUR 372.9 M in December 2017 and a balance of MUR 73.9 M in May 2018, pending the total sum of MUR 446.8 M was recouped from the SIFB in May 2018.

Additionally, with the view to alleviating the financial hardships faced by sugar producers with the steep fall in their revenue for the 2017 crop, the Syndicate contracted a long term loan with the SIFB of MUR 304 M at an annual interest rate of 4.5%, to be refunded over a period of five years following a moratorium of two years. This measure enabled an increase in producers' income for the 2017 crop by MUR 850 per ton sugar. Though this liability is carried over to future crops, it is justified on the premises that sales revenue is bound to improve as the prevailing market prices are not sustainable for most producers worldwide.

The measures taken by Government and the Syndicate enabled producers to finally reap a net revenue of MUR 13,417 per mt sugar for the crop year. Details pertaining to such receipt are summarised in Table 3 below:

Table 3

	Revenue per mt of sugar accruing
	(MUR/mt)
Ex-Syndicate price	10,717
Producers' support scheme (Loan of MUR 215 M)	600
Long Term loan from SIFB	850
Exceptional Financial Assistance by SIFB	1,250
Net Receipts from Sugar Accruing	13,417

Borrowings

In order to meet its financial obligations, comprising the Syndicate's operational and administrative expenses as well as advance payments to sugar producers, it usually avails itself of overdraft and short term loan facilities put at its disposal by local commercial banks and other institutions in the sugar sector. For the 2017 crop, loans were contracted in MUR, EUR or USD, following a comparative analysis of the interest rates proposed for each currency: hence the rates borne for MUR loans ranged between 2.4% and 4.10 % per annum, while those in Euros had an average bearing of 0.55%. At year end, the Syndicate was still indebted to commercial banks for a total sum of MUR 3.23 billion, compared with MUR 2.57 billion as at 30 June 2017. Loans on a call basis bearing interest rate to the tune of 2.5% p.a. were also contracted during the year from the SIFB and the MCIA, and on 30 June 2018, a sum of MUR 413 M was still due to them.

Other payments to Producers

Payment of bagasse proceeds

In line with Section 13 of the Sugar Industry Efficiency (SIE) Act 2001 , a sum of MUR 62.4 M was received and distributed to different categories of producers on 29 June 2018. A sum of MUR 7.5 M was paid to the first group of producers, consisting of planters who are also millers, or who, directly or indirectly, control or are controlled by millers. The planters falling under this group as per the SIE Act 2001 are Alteo Ltd, Terragri Ltd, Medine Ltd and Omnicane Ltd. The second group, comprising of all other planters, received a sum of MUR 23.7 M, and finally, power suppliers received MUR 31.2 M. Details pertaining to this payment are provided in the Statement of Distribution of Bagasse Proceeds in the Statement of Account section of the report.

Payment of molasses proceeds

The Control and Arbitration Department (CAD) of the MCIA determined for the 2017 crop a final price of MUR 2,390.88 per ton of molasses, equivalent to some MUR 800/- per ton sugar. In this connection, the Syndicate received, for remittance to the cane growers, a sum of MUR 290.8 M split as follows:

Table 4

	Ton of molasses	Sum Received
	@86° Brix	(MUR M)
Medine Ltd	13,978.62	40.3
Alcohol & Molasses Ltd	39,312.92	104.4
Omnicane	68,075.49	146.1
TOTAL	121,367.03	290.8

Advance payments amounting to MUR 1,500 per ton molasses were made until 8 June 2018 and the final remittance amounting to MUR 890.88 per ton molasses was paid on 10 August 2018.

Contribution by Distillers/Bottlers of Absolute Alcohol

As per the MCIA Act 2011, local distillers/bottlers as well as importers of potable alcohol derived from cane and cane products and destined for domestic sales, are required to contribute MUR 40 per litre of such products to cane growers. While an interim payment of MUR 40.7 M was effected on 29 December 2017, the balance of MUR 99.1 M received through the Ministry of Agro-Industry & Food Security for the period January 2018 to June 2018 was paid on 27 July 2018, cumulating to MUR 1,152.32 per ton molasses, equivalent to MUR 500 per mt sugar.

Further to a request from the Ministry of Agro-Industry and Food Security in June 2017, the MCIA Act 2011 was amended through the Finance (Miscellaneous) Act 2017 to authorise the Customs Department of the Mauritius Revenue Authority (MRA) to collect the contributions from these distillers/bottlers and importers. This measure was implemented on 3 January 2018.

Transport refund and Weighbridge Closure Compensation

As applicable since the 2016 crop, millers have made use of the payment platform of the Syndicate to refund the transport costs accruing to planters in their respective factory areas following closure of their weighbridges. The Syndicate thus received from Terra, Omnicane and Alteo Ltd, a total sum of MUR 36.1 M which were subsequently distributed to planters during the year, either by crediting their respective bank accounts or through their cooperative credit societies.

Foreign Exchange receipts and hedging performance

As per standard practice, the Syndicate managed the exposures of its foreign currencies, mainly received in Euros and US Dollars, according to the policy defined and approved by the Executive & Selling Committee. Defining and implementing the appropriate strategy have, however, been challenging during the year under review, especially owing to a highly volatile market environment, characterised by policy and geopolitical uncertainties. Financial market conditions became even more uncertain after the Brexit vote on 23 June 2016, and the election of Mr. Donald Trump as US President in November 2016. Additionally, a wave of populism was threatening to spread across the Eurozone, giving rise to concerns regarding the future value of the Euro against the US dollar. Faced with such difficult conditions, the Syndicate hedged its Euro receipts for the 2017 Crop using certain financial hedging instruments to protect its estimated ex-Syndicate price. With hindsight, the election of Mr. Emmanuel Macron in March 2017 as President of France was a turning point for the Euro which, after having declined against the US dollar since 2014, started to gain ground as from January 2017, when the Syndicate started to hedge its sugar proceeds, increasing from US $ 1.06 to reach a peak of US $ 1.25/Eur in February 2018. It stabilised by the end of the 2017 crop at around US $ 1.16, which was much higher than what had been anticipated. Thus, contrary to what had initially been estimated, the market moved away from the target rate set by the Syndicate and it could unfortunately not derive full benefit of a subsequent appreciation of the Euro. Under current accounting standards, the Syndicate, contrary to the series of hedging gains amounting to MUR 4.1 billion over the previous 10 years, had to recognise in its records a shortfall on its hedged position for the financial year. A five-year Forex Hedging Policy has consequently been established as from the 2018 crop and a judicious monitoring of the road map, as approved by the relevant Committees, will be required to ensure the least revenue shortfall.

Proceeds from sugar sales have been received almost equally in Euros and US dollars. As the MUR continued to appreciate against both currencies over the period from May 17 to March 18 when sales of currencies were undertaken, the Syndicate could unfortunately not meet its initial target rates which therefore had to be revised downward in order to finalise sales. Compared with the objective of MUR 35 against the US Dollar and MUR 41 against the Euro, the Syndicate finally managed to secure a weighted average rate of MUR 33.30 and MUR 40.36 respectively for the financial year. The evolution of both currencies against the MUR is illustrated on Chart VII.

CHART VII

Evolution of Euro and US Dollar v/s MUR



Audit and Risk Management

The Syndicate's approach to Risk Management has continued to evolve especially in an era where change is the only constant. In addition to implementing an integrated Enterprise Resource Planning (ERP) system within the organisation, it has set to monitor closely the potential risks inherent in its operations, bearing in mind the change in its business model as well as in the commercial and financial environment in which it evolves. Beyond a simple update of risks and risk registers, the Audit & Risk Management Committee, a sub-Committee of the Syndicate's Executive & Selling Committee, has been called upon, with the assistance of Management, to review its focus with an increased monitoring of emerging risks, including sales and market risks, foreign currency risks, forecasted cash flows and loan facilities from commercial banks and other institutions in the sugar sector. The early identification of such risks should enable the Syndicate to take advantage of opportunities which may arise and curtail negative financial and non-financial impacts on the organisation.

While evolving towards a more mature risk management framework, the Syndicate has, however, maintained its existing core risk processes and activities including risk identification, tracking and monitoring of such risks, risk forecasting, scenario analysis and internal auditing. The latter was contracted to the firm Ernst & Young (EY) which undertook an in-depth review of the Producers' Payment System in November 2017. Risks identified were of moderate nature and shortcomings were subsequently addressed.

Additionally, in its endeavour to ensure business continuity, the Syndicate has pursued investments, during the year under review, in its IT infrastructure, including purchase of firewalls, servers and computerisation of those processes which were initially not part of the integrated ERP system being implemented. The objective has been to provide further assurance to stakeholders that processes are in place to deal with unexpected and unanticipated disruptive events in the best possible manner while ensuring a reasonable level of business continuity, safeguarding of assets and information of the Syndicate.

The ERP system chosen, following a tender exercise under the guidance of EY as Project Manager, was the SAGE Pastel Evolution platform supplied by Software Concepts Ltd. A Steering Committee, comprising representatives of the Syndicate, Software Concepts and EY, was set up to overlook its implementation. At time of writing, many functionalities of the ERP were fully operational while some development was still in progress with the view to adapt certain modules to meet the stringent operational requirements of the Syndicate.



Statement of Account

Mauritius Sugar Syndicate and its Subsidiary

2017-2018



Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of The Mauritius Sugar Syndicate and its subsidiary ("the Group") and the Syndicate's separate financial statements on pages 40 to 66 which comprise the statement of financial position as at June 30, 2018, 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 of The Mauritius Sugar Syndicate and its subsidiary ("the Group") and the Syndicate's separate financial statements on pages 40 to 66 give a true and fair view of the financial position of the Syndicate and its Group as at June 30, 2018, and of their financial performance and their 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, 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.

Other Matter

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

BDO & CO
Chartered Accountants
Port Louis, Mauritius

Shabnam Peerbocus, FCA
Licensed by FRC

Date: 24 September 2018

Statement of Financial Position
at 30 June 2018

	Notes	THE GROUP 2018	THE SYNDICATE 2018	THE SYNDICATE 2017
		Rs'000	*Rs'000*	*Rs'000*
ASSETS				
Non-current assets				
Property, plant and equipment	5	19,048	19,048	18,518
Intangible assets	6	2,942	2,942	3,931
Non current receivables	7	303,983	303,983	-
Investment in subsidiary	8	-	389	-
		325,973	326,362	22,449
Current assets				
Inventories	9	425,713	425,713	463,616
Trade and other receivables	10	3,434,742	3,433,788	3,883,312
Cash and cash equivalents	11	116,927	114,843	246,870
Derivative financial instruments	12	-	-	50,399
		3,977,382	3,974,344	4,644,197
TOTAL ASSETS		4,303,355	4,300,706	4,666,646
RESERVE				
Non distributable reserve	13	(132,687)	(132,687)	50,399
LIABILITIES				
Non-current liabilities				
Retirement benefit obligations	14	56,851	56,851	53,860
Borrowings	15	200,000	200,000	-
		256,851	256,851	53,860
Current liabilities				
Bank overdrafts	15	2,376	2,376	2,866
Borrowings	15	3,760,249	3,760,249	3,765,095
Trade and other payables	16	338,271	335,622	794,426
Derivative financial instruments	12	78,295	78,295	-
		4,179,191	4,176,542	4,562,387
TOTAL LIABILITIES		4,436,042	4,433,393	4,616,247
TOTAL RESERVE & LIABILITIES		4,303,355	4,300,706	4,666,646

The notes on pages 43 to 66 form an integral part of these financial statements.
Independent Auditors' report on pages 38 to 39.

These financial statements have been approved by the Committee for issue on 24 September 2018.

Devesh Dukhira
Chief Executive Officer

Jyoty Soomarooah
Chief Finance and Administrative Officer

Statement of Profit or Loss
for the year ended 30 June 2018

	Notes	THE GROUP & THE SYNDICATE 2017-2018 Crop			THE SYNDICATE 2016-2017 Crop		
		Rs'000	*Rs per MT*	*%*	*Rs'000*	*Rs per MT*	*%*
REVENUE							
Sales proceeds	17	7,178,777	20,069	100.00	10,661,963	27,413	100.00
Other income	18	3,616	10	-	1,786	5	-
		7,182,393	20,079	100.00	10,663,749	27,418	100.00
EXPENDITURE							
Direct operating costs	19	(2,652,934)	(7,416)	(36.94)	(4,345,110)	(11,172)	(40.74)
Storage charges	20	(212,708)	(595)	(2.96)	(181,158)	(466)	(1.70)
Administrative and other charges	21	(89,111)	(249)	(1.24)	(76,199)	(196)	(0.71)
Service Providing Institutions and MCIA Levy	22	(69,273)	(194)	(0.96)	(357,720)	(920)	(3.35)
TOTAL EXPENDITURE		(3,024,026)	(8,454)	(42.10)	(4,960,187)	(12,753)	(46.50)
		4,158,367	11,625	57.90	5,703,562	14,665	53.49
Finance (cost)/ income - net	23	(457,687)	(1,279)	(6.37)	403,121	1,036	3.78
Transfer to non distributable reserve	13	132,687	371	1.85	(50,399)	(129)	(0.47)
NET REVENUE Distributed to all producers as ex-Syndicate price before contributions and deductions		3,833,367	10,717	53.38	6,056,284	15,572	56.80
Bagasse Transfer Price Fund	24	62,488			64,409		
Sugar Cane Sustainability Fund	25	131,495			137,043		
Molasses Remittance and distiller/bottler contribution	26	430,677			415,207		
Sugar Insurance Fund Board Premium	27	(153,532)			(189,419)		
NET AMOUNT DISTRIBUTED TO PRODUCERS		4,304,495			6,483,524		

The notes on pages 43 to 66 form an integral part of these financial statements.
Independent Auditors' report on pages 38 to 39.

	Note	THE GROUP 2018	THE SYNDICATE 2018	THE SYNDICATE 2017
		Rs'000	Rs'000	Rs'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net revenue distributed to producers		4,304,495	4,304,495	6,483,524
Adjustments for:				
Profit on disposal of property, plant and equipment		(453)	(453)	(621)
Interest paid		127,936	127,936	98,364
Interest income		(11,717)	(11,717)	(77)
Depreciation		4,711	4,711	4,368
Amortisation		989	989	22
Retirement benefit obligations		2,991	2,991	7,899
Operating profit before working capital changes		4,428,952	4,428,952	6,593,479
Decrease/(increase) in inventories		37,903	37,903	(395,971)
Decrease/(increase) in trade and other receivable		448,570	449,524	(769,778)
(Decrease)/increase in trade and other payables		(456,155)	(458,804)	87,656
(Decrease)/increase in derivative financial instruments		(50,399)	(50,399)	197,094
		(20,081)	(21,776)	(880,999)
Cash generated from operations		4,408,871	4,407,176	5,712,480
Payment made to producers		(4,304,495)	(4,304,495)	(6,483,524)
Advances made to producers		(303,983)	(303,983)	-
Interest paid		(127,936)	(127,936)	(98,364)
Net cash used in operating activities		(327,543)	(329,238)	(869,408)
Investing activities				
Purchase of plant and equipment		(4,699)	(5,318)	(12,511)
Purchase of intangible assets		-	-	(3,953)
Proceeds from disposal of plant and equipment		530	530	6,497
Acquisition of new subsidiary		-	(389)	-
Interest received		11,717	11,717	77
Net cash from/(used) in investing activities		7,548	6,540	(9,890)
Financing activities				
Loans received		12,191,728	12,191,728	6,885,931
Loans repaid		(11,996,574)	(11,996,574)	(5,552,184)
Net cash from financing activities		195,154	195,154	1,333,747
Net (decrease)/increase in cash and cash equivalents		(124,841)	(127,544)	454,449
Movement in cash and cash equivalents				
At July 01, 2017		244,004	244,004	(209,147)
Net (decrease)/increase in cash and cash equivalents		(124,841)	(127,544)	454,449
Effects of foreign exchange on cash and cash equivalents		(4,612)	(3,993)	(1,298)
AT JUNE 30, 2018	11	114,551	112,467	244,004

The notes on pages 43 to 66 form an integral part of these financial statements.
Independent Auditors' report on pages 38 to 39.

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 7th Floor, Medine Mews Building, La Chaussée Street, Port Louis.

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

2. Significant Accounting Policies

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

(a) Basis of preparation

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

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

Amendments to published Standards effective in the reporting period

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12). The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendment has no impact on the Syndicate's financial statements.

Disclosure Initiative (Amendments to IAS 7). The amendments require the entity to explain changes in its liabilities arising from financing activities. These include changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. A reconciliation of the opening and closing carrying amounts for each item for which cash flows have been or would be classified as financial activities is presented in Note 11 (iv).

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 12 Disclosure of Interests in Other Entities. The amendments clarify that entities are not exempt from all of the disclosure requirements in IFRS 12 when entities have been classified as held for sale or as discontinued operations. The amendment have 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 January 1, 2018 or later periods, but which the Syndicate has not early adopted.

2. Significant Accounting Policies (cont'd)

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 Contracts 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
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
Prepayment Features with negative compensation (Amendments to IFRS 9)
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
Annual Improvements to IFRSs 2015-2017 Cycle
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

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

(b) Investment in subsidiary company

Separate financial statements of the investor

In the separate financial statements of the investor, investments in subsidiary companies are carried at cost. The carrying amount is reduced to recognise any impairment in the value of the individual investments.

Consolidated financial statements

The subsidiary is all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The subsidiary is fully consolidated from the date on which control is transferred to the Group. It is de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree (if any) over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss as a bargain purchase gain.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) 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 costs to the residual values over their estimated useful lives. The annual rates used are:

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

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

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

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

(d) 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 (3-5 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 that 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 3 years).

2. Significant Accounting Policies (cont'd)

(e) Derivative financial instruments and hedging activities

Derivatives at fair value through profit or loss

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

(f) 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.

(g) 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 facilities will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the 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.

(h) Cash and cash equivalents

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

(i) Trade and other payables

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

(j) Inventories

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

(k) Retirement benefit obligation

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 contibution 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 service in the current and prior year periods. Payments to defined contribution plans are recognised as an expense included in profit or loss within employee benefit expenses when employees have rendered service that entitle them to the contributions.

Defined benefit plans

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

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

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

The Syndicate determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any 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 profit or loss.

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

Gratuity on retirement

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

2. Significant Accounting Policies (cont'd)

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.

(l) 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 profit or loss.

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

(m) 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 has 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:

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

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

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

(n) Expenses

Expenses are accounted for on the accrual basis and charged to profit or loss. Included in expenses are the direct operating costs accrued at year end with respect to the unshipped portion of sugars that relates 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 Committee, Audit and Risk Management Committee and the Forex Management Committee.

(a) Market risk

(i) Currency risk

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

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

Currency profile

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

	THE GROUP	
	FINANCIAL ASSETS	FINANCIAL LIABILITIES
	2018	2018
	Rs'000	*Rs'000*
Mauritian Rupees	2,623,394	2,814,330
US Dollar	183,972	-
Euro	740,244	1,286,345
GBP	4,059	221
	3,551,669	4,100,896

3. Financial Risk Management (cont'd)

	THE SYNDICATE			
	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
	2018	2017	2018	2017
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Mauritian Rupees	2,623,394	2,159,504	2,814,330	2,984,632
US Dollar	183,972	171,030	-	707,600
Euro	737,206	1,797,401	1,283,696	870,155
GBP	4,059	2,247	221	-
	3,548,631	4,130,182	4,098,247	4,562,387

Sensitivity analysis

At the end of reporting period, if the Mauritian 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:

	THE GROUP	
	FINANCIAL ASSETS	FINANCIAL LIABILITIES
Impact on net revenue before distribution to producers:	2018	2018
	Rs'000	*Rs'000*
US Dollar	9,199	-
Euro	37,012	525
GBP	203	11
	46,414	536

Impact on net revenue before distribution to producers:	THE SYNDICATE			
	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
	2018	2017	2018	2017
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
US Dollar	9,199	8,552	-	35,380
Euro	36,860	89,870	393	43,508
GBP	203	112	11	-
	46,262	98,534	404	78,888

(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 through negotiating the best interest rate available with commercial banks and institutions of the sugar industry.

At June 30, 2018, if interest rate on rupee-demominated 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 6,397,000 (2017: Rs 3,028,142) 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 to planters made on a weekly basis. To meet its cash outflow, overdraft and loan facilities have been obtained with banks and institutions in the sugar sector to supplement its regular inflow of sugar proceeds to settle its debts as they become due.

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

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

(c) Credit risk

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

Credit risk arises from cash and cash equivalents as well as credit exposure to retail customers, including receivables.

The Syndicate assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Local sales to retail 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 iinformation 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 assesssed by reference to external credit ratings if available or historical information about counterparty default rates. Refer to Note 10 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 into account the value of any collateral obtained. The Syndicate main debtors are its overseas buyers on account of sugar sold to them.

4. Critical Accounting Estimates and Judgement

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

4.1 Critical accounting estimates and assumptions

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

(a) Pension benefits

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 14.

(b) Revenue recognition

At the end of the reporting period, the Syndicate recognises the unshipped portion of sugars that relates to the current crop year as revenue. The Syndicate values any balance of plantation white sugar held at year end at the latest invoice price at which the customer has purchased the last consignment. For white sugar, the Syndicate determines the sales as being the unshipped quantity of sugars at the period end referenced to the latest price adjusted for logistic and other charges. For Special Sugars, the Syndicate determines the sale as being the total quantiy of sugars committed for sale at the period end and which is referenced to an average price at which customers have agreed to acquire them.

(c) Depreciation policies

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

5. Property, Plant and Equipment

	THE GROUP & THE SYNDICATE			
	Computer Equipment	Furniture and Equipment	Motor Vehicles	TOTAL
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
(a) COST				
At July 01, 2016	6,417	14,367	13,079	33,863
Additions	889	7,862	3,760	12,511
Disposals	(3,593)	(7,418)	(3,085)	(14,096)
At June 30, 2017	3,713	14,811	13,754	32,278
At July 01, 2017	3,713	14,811	13,754	32,278
Additions	603	16	4,699	5,318
Disposals	-	-	(2,300)	(2,300)
At June 30, 2018	4,316	14,827	16,153	35,296
DEPRECIATION				
At July 01, 2016	5,496	6,413	7,001	18,910
Charge for the year	386	1,333	2,649	4,368
Disposal adjustment	(3,593)	(2,907)	(3,018)	(9,518)
At June 30, 2017	2,289	4,839	6,632	13,760
At July 01, 2017	2,289	4,839	6,632	13,760
Charge for the year	601	1,330	2,780	4,711
Disposal adjustments	-	-	(2,223)	(2,223)
At June 30, 2018	2,890	6,169	7,189	16,248
NET BOOK VALUES				
At June 30, 2017	1,424	9,972	7,122	18,518
At June 30, 2018	1,426	8,658	8,964	19,048

(b) Depreciation expense of Rs 4,711,000 (2017: Rs 4,368,000) has been charged in administrative and other charges.

6. Intangible Assets

	THE GROUP & THE SYNDICATE Computer Software Rs'000
(a) COST	
At July 01, 2016	-
Additions	3,953
At June 30, 2017	3,953
At July 01, 2017	3,953
Addition	-
At June 30, 2018	3,953
AMORTISATION	
At July 01, 2016	-
Charge for the year	22
At June 30, 2017	22
At July 01, 2017	22
Charge for the year	989
At June 30, 2018	1,011
NET BOOK VALUES	
At June 30, 2017	3,931
At June 30, 2018	2,942

(b) Amortisation charge of Rs 989,000 (2017: Rs 22,000) has been charged in administrative and other charges.

7. Non Current Receivables

	THE GROUP & THE SYNDICATE 2018 Rs'000
Support Scheme to planters	303,983

A financial support of Rs 850/MT of sugar has been distributed to sugar producers through a loan contracted from the Sugar Insurance Fund Board. The repayment period will be 5 years following a moratorium period of 2 years starting from 2017 Crop.

Rate of interest agreed with the Sugar Insurance Fund Board at 4.50% per annum is payable as from the date of the loan. The capital repayment is due as from 2019 crop and a sum of Rs 60 M will impact the ex Syndicate price for crops 2019 to 2024.

8. Investment in Subsidiary Company

	2018 Rs'000
(a) At July 01, 2017	-
Addition	389
At June 30, 2018	389

(b) Details of the subsidiaries are as follows:

Name of the Company	Country of Incorporation	Class of shares held	Nominal value of investment (€)	% Holding	Main Business	Financial Period ended
2018 SUCOM	France	Ordinary	10,000	100	Marketing Agency	June 30

(c) Investment in subsidiary company is denominated in Euro.

9. Inventories

	Note	THE GROUP 2018	THE SYNDICATE 2018	THE SYNDICATE 2017
		Rs'000	*Rs'000*	*Rs'000*
At Cost				
Bags, steel bars and liners		66,500	66,500	86,074
At Net Realisable Value (NRV)				
Raw and white refined sugar - Cost		413,605	413,605	377,542
Less: Impairment of stock	19	(54,392)	(54,392)	-
Raw and white refined sugar - NRV		359,213	359,213	377,542
		425,713	425,713	463,616

In view of fall in the price of raw sugar at year end, the Syndicate reviewed its valuation of stock at lower of cost and net realisable value. The impaired amount of Rs 54,392,000 has been transferred to non-distributable reserve.

10. Trade and other receivables

	THE GROUP 2018	THE SYNDICATE 2018	THE SYNDICATE 2017
	Rs'000	*Rs'000*	*Rs'000*
Trade Receivables			
Export proceeds	979,096	979,096	1,740,223
Export proceeds-Unshipped sugars	2,293,319	2,293,319	1,965,472
	3,272,415	3,272,415	3,705,695
Staff loans	1,616	1,616	2,340
Advances to planters	120,306	120,306	-
Other Receivables	40,405	39,451	175,277
	3,434,742	3,433,788	3,883,312

The carrying amounts of trade and other receivables approximate their fair values and no impairment was required.
As of June 30, 2018, trade receivables of Rs 96,660,000 for the Group and the Syndicate (2017: Rs 82,506,000) were past due but not impaired.

	THE GROUP 2018	THE SYNDICATE 2018	THE SYNDICATE 2017
	Rs'000	*Rs'000*	*Rs'000*
1 to 3 months	96,660	96,660	82,506

10. Trade and other receivables (cont'd)

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

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	*Rs'000*	*Rs'000*
Mauritian Rupee	2,558,971	2,558,971	2,155,858
US Dollar	161,020	161,020	103,590
Euro	713,961	713,007	1,623,864
GBP	790	790	-
	3,434,742	3,433,788	3,883,312

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.

11. Cash and Cash Equivalents

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	*Rs'000*	*Rs'000*
Bank and cash balance	116,927	114,843	246,870
Bank overdraft	(2,376)	(2,376)	(2,866)
	114,551	112,467	244,004

(i) Short term loans & money market lines are secured by the preferential lien over all sugars as conferred by Government Ordinance No.87 of 1951. They are utilised to enable advances to be made to producers pending receipt of export proceeds.

(ii) The interest rates per annum vary from 2.40% to 4.10% on Mauritian Rupees accounts (2017: 2.60% to 3.10%) and 0.90% to 1.10% on USD (2017: 0.90% to 1.10%) while interests on loans in Euros were in the range of 0.50% to 0.60% per annum (2017: 0.30% to 0.50%).

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

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	*Rs'000*	*Rs'000*
Bank and cash balance			
Mauritian Rupee	64,423	64,423	3,646
US Dollar	22,952	22,952	67,440
Euro	26,283	24,199	173,537
GBP	3,269	3,269	2,247
	116,927	114,843	246,870
Bank overdraft			
Mauritian Rupee	(2,376)	(2,376)	(2,866)
Cash and cash equivalents	114,551	112,467	244,004

(iv) Reconciliation of liabilities arising from financing activities

	THE GROUP & THE SYNDICATE			
	At July 01, 2017	Additions	Repayments	At June 30, 2018
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Long-term borrowings	-	200,000	-	200,000
Short-term borrowings	3,765,095	11,991,728	(11,996,574)	3,760,249
	3,765,095	12,191,728	(11,996,574)	3,960,249

12. 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 June 30, 2018, the unrealised deficit on foreign exchange forward contracts, foreign exchange leverage contracts, swaps and options undertaken for 2018 crop was Rs 78,295,000 compared to a surplus of Rs 50,399,000 for 2017 crop. It is anticipated that once the contracts will mature the surplus/(deficit) will then be realised and will impact on the amount distributed to producers in 2018 crop.

	THE GROUP & THE SYNDICATE		
	NOTIONAL AMOUNT	FAIR VALUE	SURPLUS
	Rs'000	*Rs'000*	*Rs'000*
At June 30, 2018			
Normal Forward	1,060,000	1,044,966	15,034
Leverage Forward	3,913,326	4,006,655	(93,329)
	4,973,326	5,051,621	(78,295)

	THE SYNDICATE		
	NOTIONAL AMOUNT	FAIR VALUE	SURPLUS
	Rs'000	*Rs'000*	*Rs'000*
At June 30, 2017			
Normal Forward	472,900	446,810	26,090
Leverage Forward	3,391,335	3,367,026	24,309
	3,864,235	3,813,836	50,399

13. Non Distributable Reserve

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	*Rs'000*	*Rs'000*
Unrealised (loss)/surplus on normal and leverage forward deals	(78,295)	(78,295)	50,399
Impairment of stock of raw sugar	(54,392)	(54,392)	-
	(132,687)	(132,687)	50,399

13. Non Distributable Reserve (cont'd)

The Syndicate resolved on July 15, 2016 to account for unrealised gains/(losses) relating to proceeds that the Syndicate expects to receive for the future crop year in a non distributable reserve. Additionally, in view of fall in the price of raw sugar at year end, the Syndicate reviewed its valuation of stock at lower of cost and net realisable value. The impaired amount of Rs 54,392,000 has been transferred to non-distributable reserve.

14. Retirement Benefit Obligations

	Notes	THE GROUP 2018	THE SYNDICATE 2018	THE SYNDICATE 2017
		Rs'000	*Rs'000*	*Rs'000*
Amounts recognised in the statement of financial position:				
Defined pension benefits	14 (ii)	56,851	56,851	53,860
Analysed as follows:				
Non-current liabilities		56,851	56,851	53,860
Amount charged to profit or loss:				
Defined pension benefits	14 (v)	2,991	2,991	7,899

(i) The Syndicate operates a defined benefit pension and a contributory pension scheme. The level of benefits provided depends on members' length of service and their salary in their respective final year leading up to retirement.

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

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligtions were carried out at June 30, 2018 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.

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

	THE GROUP 2018	THE SYNDICATE 2018	THE SYNDICATE 2017
	Rs'000	*Rs'000*	*Rs'000*
Present value of funded obligations	177,999	177,999	162,829
Fair value of plan assets	(121,148)	(121,148)	(108,969)
	56,851	56,851	53,860
Unrecognised actuarial loss	-	-	-
Liabilities recognised in the statement of financial position	56,851	56,851	53,860

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

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	*Rs'000*	*Rs'000*
At July 01,	53,860	53,860	45,961
Recognised in the statement of profit or loss	7,738	7,738	12,658
Contributions paid	(4,747)	(4,747)	(4,759)
At June 30,	56,851	56,851	53,860

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

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	*Rs'000*	*Rs'000*
At July 01,	162,829	162,829	149,779
Current service cost	5,360	5,360	4,956
Employee Contributions	614	614	620
Interest costs	10,395	10,395	11,021
Benefit paid	(5,915)	(5,915)	(5,764)
Liability experience gain	(5,932)	(5,932)	(6,104)
Liabilty loss due to change in financial assumptions	10,648	10,648	8,321
At June 30,	177,999	177,999	162,829

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

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	*Rs'000*	*Rs'000*
At July 01,	108,969	108,969	103,818
Interest income	7,065	7,065	7,772
Employer contribution	4,747	4,747	4,759
Employee contributions	614	614	620
Benefit paid	(5,915)	(5,915)	(5,764)
Return on plan assets excluding interest income	5,668	5,668	(2,236)
At June 30,	121,148	121,148	108,969

14. Retirement Benefit Obligations (cont'd)

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

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	Rs'000	Rs'000
Current service cost	5,360	5,360	4,956
Net interest on net defined benefit liability	3,330	3,330	3,249
Movement in other compehensive income	(952)	(952)	4,453
Employee contribution	(4,747)	(4,747)	(4,759)
Total included in employee benefit expense	2,991	2,991	7,899

Total included in employee benefit expense can be analysed as follows:

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	Rs'000	Rs'000
Included in Administrative and other charges	2,991	2,991	7,899
Actual return on plan assets	12,733	12,733	5,536

(vi) The principal actuarial assumptions used for accounting purposes are:

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	%	%	%
Discount rate	5.80	5.80	6.50
Future salary increases	5.00	5.00	5.00

(vii) Sensitivity analysis on defned benefit obligations at end of the reporting date:

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	Rs'000	Rs'000
Increase due to 1% decrease in discount rate	26,625	26,625	16,034
Decrease due to 1% increase in discount rate	21,514	21,514	13,775

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

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

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

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

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

(ix) The Syndicate expects to pay Rs 5 M in contributions to its post-employment benefit plans for the year ending June 30, 2019.

(x) The weighted average duration of the defined benefit obligation is 14 years at the end of the reporting period.

15. Borrowings

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	*Rs'000*	*Rs'000*
Non-Current			
Other loans	200,000	200,000	-
Current			
Bank loans	3,346,840	3,346,840	3,227,754
Other loans	413,409	413,409	537,341
Bank overdrafts	2,376	2,376	2,866
	3,762,625	3,762,625	3,767,961
Total borrowings	3,962,625	3,962,625	3,767,961

(a) The long term loan from SIFB is on a repayment period of 5 years following a moratorium period of 2 years starting from 2017 crop. The loan from SIFB bears interest at 4.5% per annum (2017: Nil).

(b) The short term borrowings include a sum of Rs 120 M remitted to sugar producers at June 30, 2018 representing a part payment of an enhancement of their net revenue.

(c) Loans bear interest at the rate of 2.40 % to 4.10% per annum (2017: 2.60% to 3.10%).

(d) The exposure of the Syndicate's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	*Rs'000*	*Rs'000*
Within 1 year	3,762,625	3,762,625	3,767,961
1 to 5 years	200,000	200,000	-
	3,962,625	3,962,625	3,767,961

15. Borrowings (cont'd)

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

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	*Rs'000*	*Rs'000*
Mauritian Rupee	2,686,785	2,686,785	2,190,206
Euro	1,275,840	1,275,840	870,155
US Dollar	-	-	707,600
	3,962,625	3,962,625	3,767,961

16. Trade and Other Payables

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	*Rs'000*	*Rs'000*
Payable to producers under the Bagasse Transfer Price Fund	53	53	64,311
Refiner service fee	60,043	60,043	207,689
Freight	176,702	176,702	215,549
Other accruals	101,473	98,824	306,877
	338,271	335,622	794,426

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

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

(c) The carrying amounts of trade and other payables are denominated in the following currencies:

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	*Rs'000*	*Rs'000*
Mauritian Rupee	327,546	327,546	586,737
US Dollar	-	-	-
Euro	10,504	7,855	207,689
GBP	221	221	-
	338,271	335,622	794,426

17. Sales Proceeds

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	*Rs'000*	*Rs'000*
Sales proceeds were arrived as follows:			
Gross Export Proceeds - Shipped	4,396,050	4,396,050	7,841,944
Gross Export Proceeds - Unshipped	2,293,319	2,293,319	1,965,472
	6,689,369	6,689,369	9,807,416
Proceeds from local sales	489,408	489,408	854,547
Total sales proceeds	7,178,777	7,178,777	10,661,963

18. Other Income

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	*Rs'000*	*Rs'000*
Sundry income	3,616	3,616	1,786

19. Direct Operating Costs

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	*Rs'000*	*Rs'000*
Manufacturing premium - white refined & Special Sugar	1,305,730	1,305,730	1,320,021
Freight and export charges	539,862	539,862	838,017
Local purchase-OMOL Sugar	-	-	347,526
Bags and other related charges	88,532	88,532	94,160
Liners, steel bars and other related costs for white refined sugar	44,005	44,005	55,968
Costs of imports for local market and re-export	564,443	564,443	1,629,608
Impairment of stock of sugar	54,392	54,392	-
Other costs	55,970	55,970	59,810
	2,652,934	2,652,934	4,345,110

(a) Cost of imports

Cost of imports for local market and re-export are calculated on a landed basis for 42,616 MT (2017: 100,866 MT) of white refined sugar and raw sugar feedstock.

20. Storage Charges

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	*Rs'000*	*Rs'000*
MCIA (Ex-BSSD & BST) - Recurrent expenditure	98,169	98,169	101,801
CHC and MFD storage charges	114,539	114,539	79,357
	212,708	212,708	181,158

21. Administrative and Other Charges

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	*Rs'000*	*Rs'000*
Depreciation on plant and equipment	4,711	4,711	4,368
Amortisation of intangible assets	989	989	22
Rental of office	2,648	2,648	2,789
Employee benefit expense	41,511	41,511	48,128
Overseas representation	21,485	21,485	4,979
Professional fees including Subscriptions	9,871	9,871	9,409
Others	7,896	7,896	6504
	89,111	89,111	76,199

These are arrived at after charging:	Note	THE GROUP 2018	THE SYNDICATE 2018	2017
		Rs'000	*Rs'000*	*Rs'000*
Depreciation on plant and equipment		4,711	4,711	4,368
Amortisation of intangible assets		989	989	22
Rental of office		2,648	2,648	2,789
Employee benefit expense	21 (a)	41,511	41,511	48,128

(a) *Employee Benefit Expense*

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	*Rs'000*	*Rs'000*
Wages and salaries, including termination benefits	37,085	37,085	38,904
Social Security costs	1,435	1,435	1,325
Pension costs - Defined contribution plans	2,991	2,991	7,899
	41,511	41,511	48,128

22. Service Providing Institutions and Dockers' Pension

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	*Rs'000*	*Rs'000*
Global Cess	-	-	242,248
Levy on Local Sales	69,273	69,273	115,472
	69,273	69,273	357,720

23. Finance Income - Net

	THE GROUP	THE SYNDICATE	
	2018	2018	2017
	Rs'000	*Rs'000*	*Rs'000*
Finance Income			
Interest income	11,717	11,717	77
Gain on forward exchange contracts (unrealised)	-	-	50,399
Exchange gain - net	-	-	451,009
	11,717	11,717	501,485
Finance costs			
Interest payable:			
Exchange loss - net	263,173	263,173	-
Loss on forward exchange contracts (unrealised)	78,295	78,295	-
Foreign currency accounts	10,372	10,372	8,990
Mauritian balances	117,564	117,564	89,374
	469,404	469,404	98,364
Finance Income - Net	(457,687)	(457,687)	403,121

24. 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).

25. Sugar Cane Sustainability Fund

The MCIA transferred to the Syndicate for the third consecutive year a sum of Rs 131 M to be distributed to cane growers for their bagasse utilised in the production of electricity.

26. Molasses Remittance & Distiller/Bottler Contribution

(i) The final price of molasses determined by the MCIA amounted to Rs 2,390.88 per tonne of molasses or equivalent to Rs 800 per ton of sugar.

(ii) Contribution received from Distiller/Bottler during the crop year amounted to Rs 140 M and was paid in 2 tranches: on 29 December 2017 and 27 July 2018 respectively.

27. Sugar Insurance Fund Board Premium

The general and fire insurance premium amounted to Rs 192 M for crop 2017 out of which Rs 153 M was deducted from sugar proceeds of producers harvesting above 60 tonnes of sugar and remitted to the Sugar Insurance Fund Board on their behalf as per Section 24 of the Sugar Insurance Fund Act 1974. The balance of Rs 38 M representing share of planters producing less than 60 tonnes of sugar was subsidised by the government.

28. Related Party Transactions

	2018	2017
	Rs'000	*Rs'000*
Renumeration to key management personnel	11,394	11,429

29. Contingent Liabilities

(i) Contingent liability

The Syndicate has not contracted bank guarantees in favour of the Mauritius Revenue Authority (2017: Rs Nil).

(ii) The Syndicate has entered into certain leveraged forward contracts with commercial banks at year end and which will materialize after June 30, 2018. Pursuant to the conditions of these contracts, the Syndicate may be obliged to deliver more than the nominal amount at the maturity dates. At June 30, 2018, the Syndicate is uncertain of the outcome.

	2017-2018 Crop					2016-2017 Crop					
	Plantation White Sugar	Raw Non-Originating Sugar	White Sugar	Special Sugars	TOTAL	Plantation White Sugar	Raw Non-Originating Sugar	White Sugar	Special Sugars	White Sugar Non MSS	TOTAL
	T	*T*	*T*	*T*	*T*	*T*	*T*	*T*	*T*	*T*	*T*
Net landed weight	-	-	170,828	74,953	245,781	-	-	276,544	94,891	8,220	379,655
Stock of sugar	2,203	32,330	43,383	66,452	144,368	3,303	14,201	45,569	26,775	-	89,848
Total sugar for export	2,203	32,330	214,211	141,405	390,149	3,303	14,201	322,113	121,666	8,220	469,503
Local market sales	-	-	14,646	3,598	18,244	-	-	19,631	5,706	7,791	33,128
Total	2,203	32,330	228,857	145,003	408,393	3,303	14,201	341,744	127,372	16,011	502,631
Processing & storage loss					11,696						14,715
Total Sugar MTTQ					420,089						517,346
Less non-originating sugar for re-export					(64,876)						(115,058)
Less Non MSS Sugar- OMOL					-						(16,011)
Total Production of Sugar MTTQ					355,213						386,277
Adjustment at 98.5° Polarisation by MCIA (Control & Arbitration Department)					357,702						388,934

Statement of Distribution of Bagasse Proceeds

	2017-2018 Crop	2016-2017 Crop
	Rs'000	*Rs'000*
Bagasse Transfer Price Fund	62,488	64,409
Paid out to:		
Planters of the first group	7,499	7,729
Planters of the second group	23,745	24,475
Millers or producers of electricity	31,244	32,205

Amount Per Metric Ton of Sugar Accruing	2017-2018 Crop	2016-2017 Crop
	Rs	*Rs*
Planters of the first group	55.43	55.03
Planters of the second group	164.81	149.83

Amount Per kWh of Firm or Continuous Electricity	2017-2018 Crop	2016-2017 Crop
	Rs	*Rs*
Millers or producers of electricity	0.09	0.09

The Bagasse Transfer Price Fund for 2017-2018 crop was distributed as from June 8, 2018 in accordance with the Section 13 of SIE Act 2001.

Ex-Syndicate Price Per Metric Ton

	On Whole Production
	Rs
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
2017 - 18	10,716.64

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