MAURITIUS SUGAR SYNDICATE

Report & Statement of Account



2012



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Propriety of Mauritius Sugar Syndicate

Mauritius Sugar Syndicate

Role and Status

In 1951, following the recommendations of the Mauritius Economic Commission 1947-48, the Mauritius Sugar Syndicate, which finds its origins in 1919, was set up for an indefinite period in pursuance of Ordinance No. 87 of 1951.

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

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

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 planters. The representatives of the corporate sector are appointed by the Mauritius Sugar Producers' Association (MSPA) while the planters' representatives are appointed by the Minister of Agro-Industry and Food Security upon recommendation of planters' associations.

The President of the Syndicate is elected at the organisation's Annual General Meeting held in September. Since 1976, the President's chair rotates between a planter and a representative of the MSPA. The AGM also approves the composition of the Committee and that of the Executive and Selling Committee. The Executive and Selling Committee comprises 11 members, including six representatives of the MSPA, four planters' representatives, as well as the CEO of the Mauritius Cane Industry Authority (MCIA).

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

Out of some 19,000 producers in Mauritius, 9,500 are registered directly with the Syndicate to receive their sugar proceeds. Another 9,324 sugar producers receive their sugar proceeds through the 156 credit cooperative societies registered with the Syndicate. The remaining producers receive their proceeds through their appointed brokers or middlemen.



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MAIN COMMITTEE

President
- Jacques Marrier d'Unienville

Vice-President
- Hansraj Ruhee

Corporate Sector Representatives
Nominated by the Mauritius Sugar Producers' Association
- Arnaud Dalais
- Patrick de Labauve d'Arifat
- Gilbert Espitalier Noël
- Hector Espitalier Noël
- Vincent Labat
- Henri Harel
- Thierry Lagesse
- Jean Li Yuen Fong
- Cyril Mayer
- Thierry Merven
- Gérard Chasteau de Balyon
- Jean Ribet
- Joseph Vaudin (up to 28 June 2012)

Large Planters' Representatives
Nominated by the Ministry of Agro-Industry & Food Security
- Hubert Daruty de Grandpré
- Robert Morel
- Brizmohun Ram, MSK

Small Planters' Representatives
Nominated by the Ministry of Agro-Industry & Food Security
- Anuradha Baichoo
- Gansam Boodram
- Yuganand Mandhub
- Soobas Muniah

EXECUTIVE AND SELLING COMMITTEE

President
- Jacques Marrier d'Unienville

Vice-President
- Hansraj Ruhee

- Anuradha Baichoo
- Vijay Kumar Bojeenauth
- Patrick de Labauve d'Arifat
- Hector Espitalier Noël
- Jean Li Yuen Fong
- Cyril Mayer
- Brizmohun Ram, MSK
- Gansam Boodram
- Joseph Vaudin (up to 28 June 2012)

LEGAL COUNSELS

- Etude de Comarmond & Kœnig
- BLC Chambers

AUDITORS

Chartered Accountants
- PricewaterhouseCoopers

CHIEF EXECUTIVE OFFICER

- Jean Noël Humbert

Confidential Secretary
- Marie Claire Lo Fong

MARKETING & LOGISTICS

Chief Marketing Officer and Secretary
- Devesh Dukhira

Logistics Coordinator
- Paul Caboche

Senior Import/Export Logistics Officer
- Khemraj Jhurry

Import/Export Officers
- Dany Jaune
- Yudhisthir Gopaul

Secretaries
- Peggy Marie (up to 31 october 2011)
- Jesieka Baptiste (as from 28 october 2011)
- Karine Ribet

ACCOUNTS & FINANCE

Chief Finance and Administrative Officer
- Jyoty Soomarooah

Accountant
- Indira Goboodun

Accounts Officers
- Dooshyant Leckraz (as from 17 october 2011)
- Kiran Sharma Goorah (as from 24 october 2011)

Secretary
- Vijay Luxmi Sanuchur

PRODUCERS' ACCOUNTS & LOCAL SALES

Head of Department
- Chetanand Dookhony

First Assistant
- Purshotum Luchmun Roy

Second Assistant
- Varsha Boolakee

CENTRAL QUALITY DEPARTMENT

Chief Quality Assurance Officer
- Maurice Daruty

Deputy Chief Quality Assurance Officer
- Patrick Bussier

Senior Quality Assurance Officer
- Shivalingum Chengalaram

Quality Assurance Officers
- Faisal Earally
- Sanjaye Goboodun

Secretary
- Belinda Dorza-Antoine

SUPERVISING AND SAMPLING

Supervisors in charge
- Gaëtan Tranquille
- Patrick Henry

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

OVERSEAS REPRESENTATIVE

- Geo Govinden





The President's Report 2011-2012

After three successive years of revenue decline pushing down the ex-Syndicate producer price to its lowest level since crop 2002, sugar producers in Mauritius have in 2011 been given new hopes to believe in their industry's future. Indeed, producer price, after collapsing to a decade low of MUR 13,535 per metric ton in the 2010-2011 crop year from an unprecedented MUR 18,620 in the 2007-2008 crop year, has experienced an appreciable increase to reach MUR 16,020 in the year under review. This trend reversal, against the backdrop of global economic downturn and severe crisis in our main preferential markets, is far from being fortuitous. It is the result of different factors which, together, have bolstered producer revenue and put the industry back on track to face its new challenges. Such factors include mainly a complete shift in local production and exports from low value raw sugar for refining to added-value direct consumption sugars, a larger proportion of special sugars in the export mix, sustained high world market prices, a tight market balance in the European Union (EU) pushing up sugar prices and finally, and not the least, a significant reduction in the Global Cess as a result of the reform of the industry's Service Providing Institutions. Additionally, despite the high volatility of the euro-dollar exchange rate and the continuous appreciation of the Mauritian rupee vis-à-vis major currencies, the Syndicate's hedging strategies have contributed to the better producer price obtained.

Crop Year (CY) 2011-2012 is a landmark in the modern history of our sugar sector. It will stay in memories as the first year in which 100 percent of the sugar produced in Mauritius was exported as value-added products. Indeed, out of a total production of 435,310 metric tons of sugar from the 2011 crop, 312,314 metric tons have been exported as white refined sugar under the Long Term Partnership Agreement (LTPA) with the German group Suedzucker AG while 119,769 metric tons were sold as unrefined special sugars to a wide portfolio of customers worldwide. Moreover, some 11,623 metric tons of locally refined sugar and 3,954 metric tons of raw sugar for direct consumption have been sold to the local market. The white refined sugar exported under the LTPA have been successfully delivered in lined food-grade 20-foot containers to a range of industrial customers. The sugar has been supplied from the Omnicane Ltd (OMOL) and FUEL Refinery Ltd (FRL) refineries, with which the Syndicate has separate multi-annual Sugar Refining Service Agreements. The OMOL refinery, which had to shut down its facilities during the first quarter of 2012 for undertaking new installation works, resumed operations in April 2012 and already reached near to full refining capacity which has since then been further enhanced.



As for the unrefined special sugars, exports by the Syndicate have increased by 10,081 metric tons in CY 2011-2012 from the previous year to reach a record tonnage of 119,769 metric tons delivered to some forty countries worldwide. This tonnage comprised 15 different varieties of sugar, which have been supplied from Belle Vue Milling Co Ltd (renamed Terra Milling Ltd since May 2012), Deep River Beau Champ Milling Co Ltd and FUEL Sugar Milling Co Ltd under the terms and conditions defined by a Framework Agreement for Special Sugars between the Syndicate and its suppliers of special sugars. The complete shift in our local sugar production to solely value added products has thus been one of the main factors contributing to a more favourable ex-Syndicate price in CY 2011-2012.

The lynchpin of the new marketing strategy for Mauritius remains the logistics adopted in support of the production and export of its value-added sugar production. As in previous years, all the sucrose contained in the cane had to be processed during the harvesting period extending over some 150 days from June to December 2011. While all the 126,024 metric tons special sugars were produced during the harvesting season with a significant proportion being stored at the facilities of the Bagged Sugar Storage and Distribution Co. Ltd (BSSD) in Port Louis for year round shipments to buyers, the excess plantation white sugar (PWS) feedstock for the refineries also had to be stored for off-season refining by the OMOL and FRL refineries. Like in the previous year, the industry had therefore to maintain important storage facilities to allow intercrop supplies both for its raw and finished products. In this context, despite termination of raw sugar exports from Mauritius, the facilities of the Bulk Sugar Terminal (BST) at Les Salines, continued to be of critical importance for storage of the sugar feedstock, mainly supplied from Medine Sugar Milling Co Ltd, for off-crop refining at OMOL, and also for the storage of special sugars in 1-ton bags. With these readily available facilities, the industry has thus avoided further costs that would have resulted from rental of additional storage space. The other important component of the Syndicate's logistics has been the increasing number of food grade 20-foot containers mobilised for the export of its white refined and special sugars. No less than 18,000 containers have thus been used for transportation of sugar, which has again offered the Syndicate the advantage of negotiating competitive rates from shipping lines and obtain a full and detailed disclosure of all logistics costs till delivery at destination. The selected containers were entered into a local tracking system offering full traceability from depot to refinery and from refinery to the Mauritius Container Terminal till shipment.





The President's Report 2011-2012 (cont'd)

In this context the Syndicate is concerned by the decrease in port efficiency noted during the CY 2011-2012, which if not properly addressed, will impact on the export competitiveness of Mauritius.

The ex-Syndicate price for the year under review has been heavily influenced by the market prices in the main export destinations for locally produced white refined and special sugars. In this context, the conditions that have prevailed in the world market have been generally supportive, directly or indirectly, of the prices contracted with buyers in the EU and United States (US) preferential markets. In spite of forecasts for a global sugar surplus for 2011-2012, the market has remained quite volatile, reacting to any news that could affect the supply-demand balance. Starting from a record USD 846 per mt on the LIFFE No 5 market for white sugar in July 2011, price has remained relatively firm during the first quarter of the Mauritius CY 2011-2012 (July-September) before seesawing between USD 600 and USD 667 during the two following quarters. After a further decline to USD 550 per metric ton in May 2012, the strong market fundamentals were seemingly insufficient to prevent price from bouncing to USD 650 in the following month on news of delayed supplies from Brazil and Australia, two major global suppliers, due to unfavourable weather condition, with the additional fear that deliveries from Brazil might possibly not catch up the delay. Price buoyancy during the year seems to indicate that the market is still suffering from hang overs from the 2008-2009 and 2009-2010 global deficits which, with their cumulative 17.6 million metric tons, have caused significant stock drawdown and have decreased the stock-to-consumption ratio to below the 35 percent level from a previous above 45 percent mark in 2007-2008. It would appear that the 2011-2012 surplus has not sufficed to rebuild global stock to a level comfortable enough to tranquilise the market. In the broader picture, one cannot ignore the profound and systemic change brought about in markets with the dominance of Brazil, the largest exporter, and India, the largest consumer, on the global scene. After decades of uninterrupted growth, expansion of sugar production in Brazil has, since 2009, come to a halt. The sugar giant is grappling with a number of production challenges, declining agricultural yields, adverse weather conditions and escalating production costs. On the other side of the globe, India remains a huge uncertainty given its notorious production cycle, driving the market successively through troughs and peaks thereby making forecast on export availability difficult.





The market conditions that have prevailed in the EU, the main preferential export market for Mauritius, have during the year under review been quite favourable to the Syndicate's sugar deliveries. In spite of the shadow of economic and financial crisis over the eurozone throughout the year, sugar consumers were prepared to pay significantly higher prices than in the previous year for their supplies or otherwise run the risk of being deprived of the essential sweetener. With the 5.8 million metric tons reduction in EU beet sugar supplies resulting from the 2006 sugar reform, the old continent has in just over three years shifted from being a net surplus to a net deficit market increasingly reliant on imports. Against a backdrop of high world market prices, the relatively reduced EU beet sugar production of 16.731 million metric tons recorded in the 2010-2011 marketing year compounded by the lower than expected supplies of 1.785 million metric tons from the African Carribean Pacific (ACP) countries under the Economic Partnership Agreement (EPA) and LDCs under the Everything But Arms (EBA) initiative, have exerted increased pressure on stocks leading to greater tightness in the market. This situation has translated into a steadily increasing market price across the EU during the period under review. Indeed, the monthly price reports issued by the EU Commission reveal that the average ex-works price for white refined sugar which was at Eur 485 per metric ton in October 2010 has increased to Eur 634 in October 2011 and surged to Eur 711 in May 2012. The sale contracts established by the Syndicate for its EU supplies from the 2011 crop for white refined sugar under the LTPA with Suedzucker AG and for its range of special sugars supplied to different buyers across the EU market under annual contracts, have thus been supported by high prices prevailing in the market. Similarly, prices in the USA, the second preferential market for Mauritius sugar exports, have also been higher than in the previous year. US imports from Mexico have been below forecast owing to a tight market situation during the last quarter of 2011 and the first half of 2012 due to the better options offered by domestic and other markets. Export prices obtained by the Syndicate for the year under review have thus been significantly higher in all its export markets, EU, USA and world alike and contributed to a large extent to the higher ex-Syndicate price of MUR 16,020 per metric ton obtained compared with the MUR 13,535 achieved in the previous year.

CY 2011-2012 has also been marked by the ramping up of discussions at the official level in both the EU and US on issues relating to the future framework to be adopted for agriculture including sugar.



The President's Report 2011-2012 (cont'd)

In the EU, a major development has intervened when in the context of the discussions on the future of the post-2013 Common Agricultural Policy (CAP), the EU Commission has issued on 12 October 2011 a proposal for a regulation of the European Parliament and of the EU Council establishing a new common organization of the markets in agricultural products. As regards sugar, the proposal provides for the end of the quota system in the EU in September 2015. Since then, different studies have been undertaken, including by the Commission itself, to assess the impact of the end of production quotas on the market in Europe. They all reveal that ending quotas will lead to increasing market instability and volatility, which could be damaging on both demand and supply sides. The end of quotas would make the current market balance instruments used by the Commission ineffective and even in certain cases useless. The main suppliers to the market, including beet and beet sugar organizations such as CIBE and CEFS, the traders' organization ASSUC and the EPA/ EBA suppliers of cane sugar, have consequently engaged in an intensive communication campaign near EU institutions and Member States to explain the negative impact that the Commission's proposal would have on the market and also on their future operations. While advocating that the reform measures introduced under the new sugar regime and the accompanying measures for ACP suppliers are still in infancy stage, they are unanimously proposing the extension of sugar quotas till 2020 so as to give some more time to their respective industries to adapt to the increasingly liberalised market environment. The Syndicate has, through its Brussels-based overseas representation, actively contributed in all the initiatives taken in this respect. Meanwhile, the rapporteur of the EU Parliament Committee for Agriculture and Rural Development Agricultural Committee, MEP Michel Dantin, has tabled a report for consideration by its members and subsequently by the EU Parliament, in which he recommends that the sugar quota system be extended till 2020 with, in the meantime, the reinforcement of the existing market balance instruments and also submission of a report by the Commission making recommendations on the route to be taken after 2020. Another issue of concern in the EU market is the free trade agreement (FTA) signed between the EU and Colombia and Peru, which is expected to come into force at the end of the year. Another FTA signed with Central America (Panama, Costa Rica, Guatemala, Nicaragua, Honduras and El Salvador) is expected to come into force next year. These FTAs provide for an additional 276,000 tons of Tariff Rate Quotas (TRQs), of which 246,000 tons will be raw sugar, in the EU market with a planned annual increase of 3% going forward. In the USA alike, with the expiry of





the 2008 Farm Bill in September 2012, Congress has striven during the year under review to develop the terms of the new 2012 Farm Bill which, as for the preceding bill, includes the Sugar Programme. The International Sugar Trade Coalition (ISTC), of which the Syndicate is a charter member, has participated actively in the debates and forcefully expressed its membership's position on the proposed amendments to the Sugar Programme. Senate has in June 2012 adopted its version of the 2012 Farm Bill with no change to the Sugar Programme except the preponement of the trigger date from 1 April to 1 February for increasing, when required, the raw TRQ above its World Trade Organisation (WTO) bound level. Although the House of Representatives' version of the 2012 Farm Bill is quite different from that of the Senate, both versions converge on the Sugar Programme indicating that the latter is likely to be adopted by the US Congress without substantive changes.

On the regional front, the Syndicate, as a member of the Mauritius delegation, has during the year actively participated in the deliberations of the Southern African Development Community (SADC) Technical Committee on Sugar (TCS) and other related meetings. One of the priorities of the TCS has been to find the required funding facilities near potential donors in order to finance the agreed studies and projects under the SADC Sugar Strategy Action Plan. Referral letters have been obtained from the SADC Secretariat for approaching potential donor organizations in this respect. Another important initiative has been the organization of a workshop in Durban in November 2011 to agree on a process for setting up common Best Management Practices (BMP) for SADC sugar producers. The services of a consultant has thus been contracted out by the TCS to document and compile regulations and standards applicable in different SADC sugar producing countries and organize them into a SADC BMP compendium inspired from the SUSFARMS standards model applied in South Africa. The purpose of developing regional BMP standards is to respond proactively to the new market trends and requirements for adoption of best practices in supplying countries while avoiding, as far as possible, to be imposed standards of no relevance to the regional industries. Discussions were also held within the TCS during the year on the merits of a review of Annex VII on the Sugar Agreement of the SADC Protocol on Trade, in view of assessing whether the appropriate conditions had materialized in global markets to enable sugar trade liberalization within SADC in 2012. While sugar producers shared the view that, due to a number of uncertainties in markets,






The President's Report 2011-2012 (cont'd)

time was not appropriate for a review of Annex VII, non-producers were for their part in favour of a review in 2012. Under the market access provisions of Annex VII, Mauritius is granted a minimum fixed quota of 2,342 metric tons per annum for access to the South African Customs Union (SACU) region. Although exports undertaken to SACU have been relatively modest during the year, the Syndicate believes that the region represents an interesting niche market for its special sugars.

CY 2011-2012 has witnessed the introduction of a new operation in Mauritius with the incorporation of non-originating sugar into the process leading to production of white refined sugar. A first cargo of 26,307 metric tons of raw sugar, unloaded at the BST in Port Louis in September 2011, has been transferred gradually to the Omnicane and FUEL refineries for incorporation into the local PWS feedstock for refining. This operation, undertaken by the Syndicate in strict observance of the rules of origin applicable under the Cotonou Agreement, has proved to be technically and economically feasible and has also contributed to the improved ex-Syndicate price obtained for the year. A second cargo of 26,919 metric tons was unloaded in Port Louis at the beginning of July 2012 for the same purpose. With this operation, Mauritius has a potential to export for the 2012-2013 crop year an additional tonnage of about 35,000 metric tons to the European Union and eventually a further 15,000 metric tons for local consumption.

On the cost side, one of the most important measures taken during the year under review in keeping with the objectives of the Multi Annual Adaptation Strategy 2006-2015, has been the long outstanding reform of the sugar sector service providing institutions and consequential reduction in the Global Cess. Government has thus undertaken to decrease Cess for CY 2011-2012 to MUR 287 million, from an amount of MUR 550 million in the previous year, and in subsequent years to a figure computed on the basis of 4 percent of the ex-Syndicate price. This significant reduction in cost has been achieved through the immediate dissolution of the six service providing institutions, namely the Mauritius Sugar Authority, the Planters and Cane Millers Arbitration and Control Board, the Farmers Service Corporation, the Sugar Planters Mechanical Pool Corporation, the Mauritius Sugar Terminal Corporation and the Mauritius Sugar Industry Research Institute, and their clustering under a single umbrella organization named the Mauritius Cane Industry Authority (MCIA). Existing laws have thus been repelled to be replaced by



the MCIA Act 2011, the new legal framework defining the supporting services offered to sugar producers in Mauritius. The Research Institute and Control Board, although under the administrative control of the MCIA, have retained their operational autonomy owing to the specificity of the services they offer. In a spirit of burden sharing, the industry will contribute to the social costs of the reform for an amount of up to MUR 400 M obtained from a soft term loan extended by government, refundable over a period of 6 years. Also as a result of the MCIA Act, a new regulation has been promulgated requiring all sugar importers to register near the MCIA and subsequently to pay a contribution on all their imports to be used exclusively for the financing of pensions of the Dock employees that were made redundant with the coming into operation of the Bulk Sugar Terminal in 1978. With this measure, the cost burden of the ex-Dockers pensions, previously borne by the Syndicate alone, is now equitably shared between all sugar importers including the Syndicate.

In concluding, we would like to express our gratitude and heartfelt thanks to all those who have during the year under review contributed in one way or another to the smooth running of the Syndicate's operations. We are particularly grateful to the Minister of Agro-Industry and Food Security, the Hon. S. Faugoo, for his support, both locally and on the international front, on issues of critical importance to the development of our sugar sector. Our thanks also extend to other Ministers of the Government and their dedicated staff for having spared no effort during the year in promoting the interests of sugar producers. We would also like to express to all our business partners in Mauritius and overseas our deep appreciation for their support and commitment in furthering our common objectives. Finally, a special word for the Syndicate's personnel to acknowledge the work pursued during the year and express to them our gratitude and thankfulness for their continued collaboration.

More information on the activities of the Syndicate can be obtained in the following chapters of this report or by consulting its website at www.mauritiussugar.mu

Jacques Marrier d'Unienville
President

2011 CROP

Production, Supplies and Revenue

The 2011 crop was severely affected during the growth stage of the cane by dry weather conditions which prevailed till January 2011. The average stalk height then reached only 64% of that attained at the same time in the previous year. However, as rainfall subsequently normalised, the cane gradually recovered and, by end May 2011, the average stalk height reached 98.9% of that obtained one year earlier. The cane maturing stage benefited from even more favourable weather conditions with bright sunshine and positive temperature amplitudes which encouraged sucrose accumulation. The official crop estimate, which had been set by the Crop Estimate Coordinating Committee of the Mauritius Chamber of Agriculture at 390,000 tons prior to the start of the harvest, was consequently reviewed as the campaign progressed: the final crop outturn reached metric 435,310 tons sugar which were produced from 4.23 million tons of cane harvested, compared with 452,473 metric tons sugar produced from 4.37 million tons of cane harvested during the 2010 crop. The average extraction rate of 10.30% achieved during the 2011 crop, though lower than the 10.37% attained in the previous year, was higher than the last 5 years' mean of 10.26%. Likewise, the average cane yield for the 2011 crop attained 74.65 tons of cane per hectare (tch), which was also higher than the previous year's yield of 74.39 tch as well as the last 5 years' mean of 72.37 tch. The cane output nevertheless suffered from a further reduction in the area harvested to 56,668 hectares, compared with 58,686 ha in the previous crop.

TABLE I

2011 Crop Sales (metric tons)

	MT	
2011 Crop Outturn	435,310	
Add carry-over stocks from 2010 crop (bagged sugar)	1,758	
Add imported sugar feedstock	26,307	
TOTAL DISPOSABLE SUGAR		463,375
EXPORT SALES 2011-2012		
European Union (EU)		
White refined sugar	254,926	
Special sugars	89,110	
Total EU Exports		344,036
United States		
Special sugars		13,230
World Market		
Special sugars		17,429
LOCAL SALES		
White refined sugar in bags	11,623	
Raw sugar for direct consumption	3,954	
		15,577
TOTAL SALES		390,272
Less Processing and Storage Losses		(7,197)
Estimated Surplus		
Bagged sugar		1,974
Plantation white sugar		63,932

This decrease of 2,018 ha was significantly higher than the 1,694 ha of land abandoned in the previous year.

Total availability of sugar from the 2011 crop, including the carry-over stock of 1,758 metric tons bagged special sugars from the preceding crop, amounted to 437,068 metric tons. The local production was supplemented with 26,307 metric tons raw sugar feedstock imported by the Syndicate, for the first time in its history, for local processing. This experience proved successful as it has not only enabled an optimization of the processing facilities in Mauritius, especially in a context of declining crop potential, but has also allowed an increase in sales of value-added sugars thereby increasing the revenue of sugar producers at large.

Out of a total availability of 463,375 metric tons sugar for the 2011-2012 campaign, the Syndicate exported in total 374,695 metric tons as detailed in Table I (2011 Crop Sales): this tonnage comprised 254,926 metric tons of white refined sugar exported as at end June 2012, and a total of 119,769 metric tons of special sugars. In conformity with the new marketing strategy of the Syndicate, implemented since the start of the present EU Sugar Regime in 2009, only high value-added direct consumption sugars were exported from Mauritius from the 2011 crop. The white refined sugar was supplied exclusively to the EU market under the commercial partnership agreement between the Syndicate and Suedzucker AG, while the special sugars were exported to over 100 customers in the EU, US and world market destinations. Thanks to its sustained marketing efforts for these high value-added special sugars, the Syndicate managed to strengthen total exports by some 9 % compared to the 2010 crop.

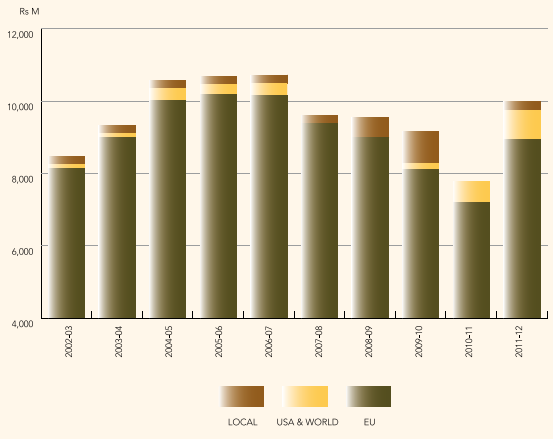
At the end of the crop year in June 2012, there was an ending stock of 63,932 metric tons of plantation white sugar feedstock which would be refined during the first few months of the 2012 crop campaign in order to meet delivery commitments in the EU during the 2011-2012 marketing year ending 30 September 2012. The larger than expected ending stock of 2011 crop is the result of, firstly the substantial increase in the actual crop outturn by the end of the harvest, compared to the initial estimate of 390,000 metric tons owing to favourable weather conditions during the latter part of the season, and secondly due to the reduced output by the refineries resulting from a longer shut-down period for setting up additional installations for further improvement of the quality of the sugar delivered to industrial customers in the EU.

After the successful implementation of the new marketing strategy of the Syndicate, whereby all sales from the 2011 crop were in the form of value-added sugars delivered at higher price levels in its export destinations, total gross export revenue for the year increased to MUR 10.087 billion, from MUR 8.023 billion for the previous crop. With the delivery of direct consumption sugars and through greater proximity to the market in the supply chain, the Syndicate has thus reaped directly the benefits from improved market conditions.

The net proceeds for the 2011 crop, after deduction of all expenses, amounted to MUR 7.030 billion, compared with MUR 6.084 billion for the previous campaign. The improved financial performance has therefore been the outcome of a general increase in the market prices of the value added sugars exported and also a reduction of the Global Cess to MUR 287 M from MUR 519.3 M in the previous year, further to the recommendation of the Government's Economic Restructuring and Competitiveness Programme (ERCP) of August 2010.

CHART I

Sugar Proceeds



As from 2012 Crop, the Global Cess is expected to be further reduced so that contribution by producers does not exceed 4 percent of the ex-Syndicate price. The ex-Syndicate price for the 2011 crop, prior to disbursement of the Sugar Insurance Fund Board (SIFB) premium, consequently increased to MUR 16,020 per metric ton, an improvement of 18.35% over the MUR 13,535 per metric ton paid to sugar producers for the previous crop. Pursuant to the August 2010 ERCP recommendation, a 70% discount was provided to sugar producers on the premium paid to the SIFB for the 2010 crop, a measure which was extended to the following crop. Consequently MUR 157.6 M and MUR 176.3 M were respectively deducted from the producers' accounts and remitted to the SIFB. However, in light of the actuarial review which was completed in October 2011, the SIFB premium payable by producers is expected to amount to some MUR 300 M as from 2012 Crop.

Sales

European Union Market

Sugar has been exported to the EU market under the new market access arrangements between the EU and ACP countries signatory to the EPAs which have been implemented since 1 October 2009 and have replaced the ACP/EU Sugar Protocol. The new arrangements provide for duty-free and quota-free access for Least Developed Countries (LDC), and a duty-free market access quantity for the non-LDC ACP suppliers subject to the application of a double trigger transitional safeguard mechanism which would cap their supplies at the agreed Regional Safeguard Threshold (RST) when the total ACP/LDC supplies exceed 3.5 million tons white sugar equivalent (wse). Mauritius is a member of the Eastern and Southern Africa (ESA) region for which the RST, which has been established on the basis of the traditional supplies of the non-LDC ACP suppliers from this region to the EU market, has been set at 632,851 tons wse in 2011-2012. This implies that Mauritius and Zimbabwe, the only non-LDCs within the region, can jointly export sugar to the EU up to these quantities with no risk of being confronted with payment of customs duty. Moreover, as long as the upper threshold of 3.5 million tons wse for total ACP/LDC supplies has not been reached, non-LDCs can continue exporting sugar, even if their RSTs have already been exceeded. However, once the 3.5 million tons wse ceiling has been attained, the EU Commission will stop issuing import licences for non-LDCs having reached their RSTs but will continue issuing for the ones who have not yet reached their RSTs.

Even though the RST for the ESA region set at 572,756 tons wse in 2010-2011 had been exceeded with exports of the non-LDCs cumulating to 577,664 tons wse, exports by Mauritius to the EU have not been affected as the overall ceiling of 3.5 million tons for total ACP/LDC supplies was far from being attained. As for 2011-2012, as at 4 September 2012, the total import quotas allocated to non-LDCs of the ESA reached 474,367 tons wse and exports are expected to reach 511,000 tons wse by the end of the quota year in September 2012, compared to the regional threshold of 632,851 tons wse. As at 4 September 2012, total ACP/LDC sugar supplies for 2011-2012 amounted to 1,695,557 tons wse, of which 1,193,927 tons wse originated from non-LDCs, and were expected to attain only some 2.055 million tons wse till 30 September 2012, which is again well below the overall 3.5 million tons wse threshold set for ACP/LDC supplies.

Taking into consideration the 2011 crop production including the carry-over stock of plantation white sugar as at end June 2012, total sales to EU has reached 401,424 metric tons, comprising 312,314 metric tons white refined sugar mostly in bulk and 89,110 metric tons of special sugars mostly in bags. This tonnage also comprised some 15,000 metric tons refined sugar made available through processing of imported raw sugar feedstock together with local plantation white sugar under the 15% value tolerance under ACP/EU EPA rules of origin.

White refined sugar

White refined sugar produced in Mauritius is supplied to the EU market exclusively under the commercial partnership agreement with Suedzucker AG,

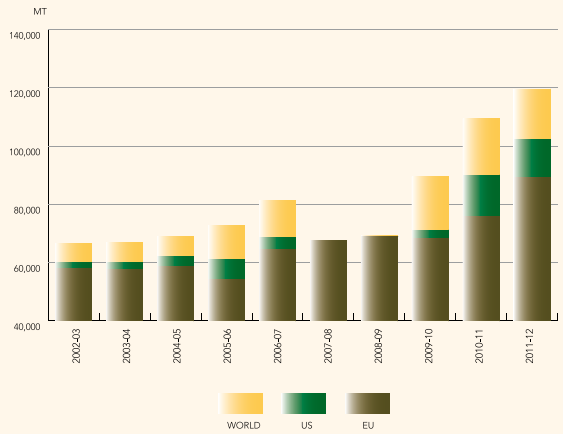
which has been implemented since the 2009 crop. The sugar, which is of EEC Grade 2 quality, hence replacing the shortfall in refined sugar production in the EU, is exported principally in lined containers of 25 metric tons each and is delivered just-in-time to a range of customers across the EU market. At the request of buyers, the sugar can also be exported in 1-ton bags stuffed in containers. Shipment of white refined sugar from the 2011 crop reached 254,926 metric tons as at 30 June 2012. However, considering the carry-over stock of plantation white sugar which was refined at the beginning of the 2012 crop, total export from the 2011 crop attained 312,314 metric tons, compared with 277,644 metric tons for the previous crop. This tonnage included the additional 15,000 metric tons refined sugar made available through incorporation of imported raw sugar feedstock into locally produced plantation white sugar as allowed under EPA rules of origin. The refined sugars have been delivered in containers to a range of end customers of Suedzucker AG, including mainly industrial users, in several countries comprising the EU.

Special Sugars

A total of 89,110 metric tons of special sugars, including some 221 metric tons refined sugar in cubes, were sold to a number of buyers in twenty different countries comprising the EU during the 2011-2012 delivery period, compared with 75,805 metric tons delivered during the previous marketing year and 68,440 metric tons in 2009-2010. This represented an increase of some 18 % of the Syndicate's market share in the EU over the last year, an achievement made possible, though under specific circumstances arising from production constraints in competing origins, owing to the reputation of the country as a reliable supplier of special sugars of consistent quality and meeting required food standards in the most stringent markets. The sales growth has also been supported by the increased availability and delivery of some 9,600 metric tons of Fairtrade certified special sugars to various EU destinations. The Syndicate has ensured a close watch on market developments in its export destinations and has nurtured over the years a strong relation with its customers thereby developing, with their support, new market opportunities in their respective markets. The special sugars were shipped, for arrival in the EU between October 2011 and October 2012, principally in 50 kg or 25 kg woven polypropylene laminated bags, or in big bags of 1.025 ton in 20-foot containers, as well as in retail packets for those customers having made prior arrangements with independent packing companies in Mauritius.

CHART II

Export of Special Sugars



EU Prices

The export price of direct consumption sugars from Mauritius is based on the EU Reference Price for white refined sugar which has been set, under the present Sugar Regime effective since the 2006 marketing year, at Euro 404.40 per metric ton Cost Insurance Freight (CIF) EU port basis. The actual sales price tracks the market price in Europe, and for special sugars an additional margin, corresponding to their value-addition, is applicable.

The market price of sugar in EU is regularly monitored by the European Commission through a reporting system established in all 27 member states. The ex-works price of white refined sugar posted on the Commission's website after a period of 3 months, a delay which has now been reduced to 1 month, serves as a reference to both sugar operators and regulators. Although the prices have been relatively stable since October 2009, ranging between Euro 475 and Euro 500 per metric ton over the following year, they showed significant improvement by the start of 2011 as market tightness in the EU became more noticeable.

Further to the increase in world market prices as from the last quarter of 2010, sugar exports from producers usually enjoying preferential access into the EU market were in fact deviated to more remunerative non-EU destinations, thereby triggering a shortfall in the EU sugar market. Consequently spot prices during the second half of the 2010-2011 EU marketing year reached record high levels and the bullish effect spilled over the following marketing year as supplies in the EU remained tight and unpredictable. The evolution of the average ex-works price is illustrated in Chart III. At the time of printing, the ex-works price for white sugar reported for the month of June 2012 reached Euro 706 per metric ton. This price was well above the reference price of Euro 404.40 per metric ton established by the Commission for white refined sugar for the present sugar regime.

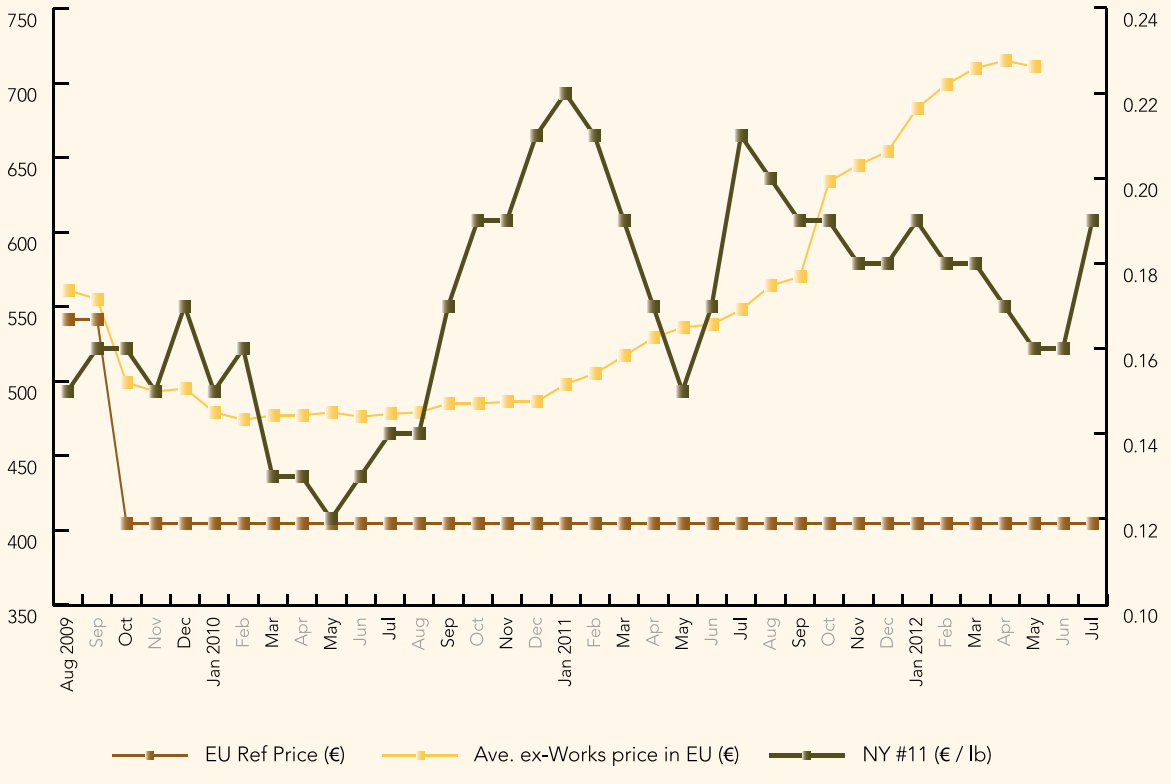
Proceeds relating to the export of white refined sugar as well as special sugars to buyers in EU countries were denominated in Euros. The sales proceeds of the industry and resulting ex-Syndicate price are consequently highly dependent on the Euro parity against the local currency. Despite the continued appreciation of the Mauritian Rupee during the year under review, combined with the substantial weakening of the Euro following the financial crisis experienced especially in Greece, Spain, Portugal and Italy, whereby the buying rate ranged between MUR 37.69 and 39.85 to the Euro, compared with the MUR 38.20-41.12 range during the previous year, as shown in Chart IV, the Syndicate, through its hedging strategies, managed to increase its weighted average exchange rate for the sales of its export proceeds from the 2011 crop to MUR 41.35 to the Euro, compared with MUR 40.88 in the previous year.

United States Market

Mauritius was allocated, on basis of its historical shipments to the US, a tariff rate quota of 12,880 metric tons raw value (12,309 metric tons tel quel) by the Office of the United States Trade Representative (USTR) for

CHART III

Evolution of EU market price for white refined sugar from 2009-2010 to 2011-2012



fiscal year (FY) 2012 (October 2011 – September 2012), which was set on 1 August 2011 at the minimum WTO Uruguay Round Agreement bound level of 1,117,195 metric tons raw value (mtrv). Given the increased tightness in the US raw cane sugar market, raw sugar under the FY 2012 TRQ was exceptionally allowed to enter US Customs territory as from start September 2011, a month earlier than the usual first entry date of 1 October.

Mauritius was allocated an additional raw sugar TRQ of 2,000 mtrv on 18 April 2012 pursuant to the increase by USTR of the US in-quota quantity by 420,000 mtrv and to the reallocation of 70,000 mtrv of the original minimum TRQ from countries that have stated they would be unable to fill previously allocated FY 2012 raw sugar TRQ quantities. Total export to US under the FY 2012 TRQ attained 10,748 metric tons out of the total allocation of 14,880 metric tons, but total export to the US market from the 2011 crop, including special sugars shipped against the previous FY 2011 TRQ, amounted to 13,230 metric tons. These sales, which comprised some 1,500 metric tons Fairtrade sugars, were concluded on a CIF US ports basis at a premium compared to the market prices of white refined sugar, and deliveries were fulfilled mainly in 1-ton bags and 55 lbs bags or in retail packets when prior arrangements had been made with packing companies in Mauritius. The market price in US has been influenced during the period under review by short supplies, which has itself arisen from world market price volatility.

CHART IV

Evolution of MUR/Euro buying rate from July 2011 to August 2012



World Market

The Syndicate has further diversified its export market base and supplied special sugars to 23 different countries outside the EU and US for the 2011 crop. With the support of its buyers, it already enjoys a leadership position in a number of such markets despite fierce competition from new origins. However, total export of special sugars from the 2011 crop to world market destinations had to be restrained at 17,429 metric tons, compared with 19,689 metric tons supplied from the previous crop, owing to increased sales to the EU market while production throughput was limited by the capacity of the millers. These sales comprised some 550 metric tons Fairtrade sugars.

Local Market

With the start of operation of the new refineries in Mauritius as from January 2010, the local market requirements for the 2011-2012 delivery period have been supplied mostly from local sources, namely after processing raw sugar feedstock imported by the Syndicate. Hence 11,623 metric tons of white refined sugar and 3,954 metric tons of raw sugar for direct consumption were produced and delivered to the domestic market. Another 3,000 metric tons of white refined sugar, of bottler's grade quality, were imported from Thailand pursuant to an international tender launched in January 2012. The imported consignments, which were loaded in 20-foot containers, were surveyed at the respective ports of loading by R. Markey & Sons Inc. and samples of the sugar were also analysed upon arrival at Port Louis by the Syndicate's Central Quality Department (CQD) to ensure they conform to agreed specifications.

Sales

Pursuant to Government's recommendation in the 2009 Budget, in the wake of the severe global financial crisis, the price of sugar on the local market was liberalised such that sales would no longer be subsidised by the industry, and also with the intention that it would make good payment of pensions, amounting to some MUR 100 million per year, to the Dockers who had been made redundant when the Bulk Sugar Terminal started operation in 1980.

The prices were subsequently reviewed by the Syndicate so as to reflect the actual cost of import without any margin; a bi-annual review of the prices was undertaken. However, the liberalisation of prices encouraged independent distributors to start importing sugar for domestic needs. As they were not subject to any contribution towards payment of the ex-Dockers' pensions, they were in a position to offer lower prices than those of the Syndicate. New importers of sugar thus started mushrooming as from the last quarter of 2011, resulting in a substantial impact on the sales figures of the Syndicate, which consequently decreased to 29,136 metric tons for the period under review, compared to 36,166 metric tons delivered in the previous year. The brunt was more noticeable for the wholesale and packers market segments, where a year-on-year reduction of some 5,694 metric tons was registered. As regards industrial users, sales during the year under review amounted to 13,784 metric tons of white refined sugar and 1,676 metric tons of raw sugar for direct consumption, compared to 15,148 metric tons and 1,648 metric tons respectively in 2010-2011. Some 128 metric tons of special sugars were also sold to local distributors during the year under review.

The Syndicate issued Export Certificates to exporters of locally produced sugar-containing goods, which covered export of 1,562 metric tons equivalent sugars during the period under review compared to 1,945 metric tons in the preceding year.



SUPPLY & DELIVERY ARRANGEMENTS

Supply Agreements with Refiners

The Syndicate has established, back–to-back with the LTPA signed with Suedzucker AG for the supply of white refined sugar to the EU market, Sugar Refining Service Agreements with the two back-end refineries in Mauritius, namely OMOL and FRL. These long term formal supply agreements, which started during the 2009 crop, extend till 30 September 2015, together with the LTPA, and are based on a minimum yearly supply of 125,000 metric tons of white refined sugar of EEC Grade 2 quality for each refinery for regular delivery over the year, except for periods of shutdown for maintenance. The refineries are remunerated through a refining service fee for each ton of white refined sugar produced and delivered in containers to the Cargo Handling Corporation Ltd (CHCL) Terminal for export or in bags to the BSSD warehouses for export and for local market consumption.

Given the relatively long transit time for the sugar from loading at the refineries until it reaches final destination in the EU, especially as it travels under different climatic conditions, it has been deemed necessary to ensure that the sugar is well stabilised after processing so as to retain its free-flowing property. Consequently both refiners have invested in additional installations during the 2011 crop with the view to further improve the conditioning of the white refined sugar prior to loading in containers. OMOL capitalised on these modifications to further enhance its processing facilities; the combined daily capacity of both refineries has consequently reached 1,300 metric tons. The Syndicate has established a Supplemental Agreement with both refiners in order to enable them to finance investment in the new equipment for optimisation of their throughput. To assist in the fast implementation of the new installations, thereby increasing capacity without delay, a bridging loan, at no-cost to the Syndicate, was also arranged on their behalf. Only FRL has so far taken advantage of this facility which is to be reimbursed within a maximum period of two years or as soon as the company accedes to its own source of financing.

The additional installations led to a temporary stoppage of the refineries hence reducing their production during the year so that for the period from July 2011 to June 2012, only 250,845 metric tons of sugar were refined and delivered to the CHCL Terminal leaving behind a stock of 63,932 tons of PWS from the 2011 crop.

Coupled with the sourcing of PWS feedstock from their respective adjacent mills, FRL also secured supplies from Compagnie Usinière de Mon Loisir Limitée while OMOL obtained additional supplies from Medine Sugar Milling as established under formal supply agreements between these entities. The excess sugars, which could not be stored in their own raw sugar sheds, due to insufficient capacity, were delivered and stored at the Bulk Sugar Terminal (BST) for reclaim by the refineries during the intercrop. The refineries also availed themselves of raw sugar feedstock imported by the Syndicate and stored at the BST. A consignment of 26,307 metric tons of high polarisation sugar was thus imported from Brazil in September 2011 and the sugar was melted during the crop year together with locally produced plantation white sugar prior to refining for export to the EU market, as authorised under the EPA rules of origin, and also to meet local market requirements.

Total deliveries by the refineries from the 2011 crop, including sugar processed from the imported sugar feedstock, hence reached 312,314 metric tons of white refined sugar, including 11,623 metric tons which were supplied in 50 kg bags for domestic consumption. Comparatively, during the 2010 crop, 285,618 metric tons of refined sugar had been delivered by them.

Framework Agreement for supply of Special Sugars

Pursuant to the successful implementation of the framework agreement with producers of special sugars since 2009 crop, production capacity has increased continuously and the total outturn for the 2011 crop reached 126,024 metric tons, compared to 107,708 metric tons in the previous year. This production outturn could be achieved as a result of the improvement in the quality of canes delivered by

growers to the mills and also through the supply of additional feedstock from the consignment of high polarisation raw sugar imported by the Syndicate in September 2011. The increase in availability of special sugars allowed the Syndicate to pursue its plan to consolidate its market position in the EU while expanding sales in other export destinations. The increased remuneration provided under the framework agreement also allowed the producers to upgrade their production facilities so as to meet customers' increasingly stringent quality and food safety requirements.

The special sugars are produced by three factories, namely Terra Milling (previously Belle Vue Milling), Deep River Beau Champ (DRBC) and FUEL Sugar Milling Co. Ltd (FSMC) which are all HACCP certified. Moreover, the former mill already operates a fully operational food safety management system on BRC standards while DRBC is ISO 22000 certified. Through a close collaboration with these factories, the Syndicate ensures that the production of special sugars is carried out under strict quality assurance and traceability systems in accordance with buyers' requirements. Each daily production batch is accompanied by a product release certificate which guarantees a positive release into the BSSD warehouses. The MSS Central Quality Department (CQD) manages a surveillance program, as from acceptance of the sugar in the stores, to ensure that it is maintained in suitable conditions for its intended use. As in previous years, samples of each of the sugars are analysed by the CQD on basis of daily representative samples for control purposes by the MCIA.

Supply of Fairtrade Sugars

After certification of the first 5 cooperative societies of cane growers in Mauritius in 2009, which made available some 3,500 metric tons Fairtrade sugar annually, the Syndicate, with the assistance of the Ministry of Agro-Industry and the Ministry of Business, Enterprise and Cooperatives, further encouraged such organisations to become certified. Consequently, following their successful audit during the 2010 crop by the Bonn-based FLO Cert GmbH, 27 additional cooperative societies became certified, increasing total availability of Fairtrade sugars from Mauritius for the 2011 crop to 17,514 metric tons. Through a targeted marketing approach, with the view to reaching existing and new market segments, the Syndicate managed to secure commitments for 11,660 metric tons Fairtrade special sugars in some 12 countries worldwide and, with the support of Suedzucker AG, another 5,600 metric tons of Fairtrade white refined sugar within EU. This performance is expected to be repeated for the 2012 crop although, against the backdrop of economic crisis which has hit the main export destinations, growth in sales of Fairtrade sugars has been below expectation.

At the request of the Syndicate, FLO-Cert GmbH has agreed to review the availability of Fairtrade sugars produced by the certified cooperatives of cane growers. After consultation with the Control and Arbitration Department of the MCIA and the Mauritius Sugar Producers' Association (MSPA), the Cane Delivery Contracts have been amended so that the planters' sugar accruing to millers could be treated as planters' sugar for the purpose of calculation of the Fairtrade premium. Availability of Fairtrade sugars would therefore, as from the 2012 crop, increase by 22% thereby generating even higher revenue for the certified growers.

Harvest Services & Other Incentives to Planters

In accordance with the protocol established between the Syndicate and FSMC regarding the implementation of the Planters' Harvest Services by the latter, charges relating to these services were retained from sugar proceeds of the planters concerned and repaid to FSMC through the Syndicate. A total of 324 planters from these regions, producing some 35,000 tons of cane, were thus serviced by FSMC during the 2011 crop.

The initiative to propose harvest services was taken by FSMC in order to alleviate increasing labour and cane transport problems faced by the growers in the various regions supplying canes to its mill. Fully-mechanized, semi-mechanized as well as manual harvest options are thus offered to the small planters at competitive rates and FSMC's target for

the 2012 crop is to harvest some 50,000 tons of their canes. It should be recalled that the Planters' Harvest Scheme (PHS) was introduced by Government under the ERCP to enable enterprises specialized in harvesting and transporting sugarcane to obtain finance from leasing companies for the purchase of machinery and equipment.

Furthermore, various other schemes, incentives and facilities as outlined below were provided by Government to sugarcane planters in order to increase their competitiveness:

- The SIFB has for a second consecutive year granted a 70% discount to planters and metayers on general premium due for the 2011 crop, which has helped to reduce their cost by some MUR 3,000 per arpent. This measure was also extended to millers.
- An additional sum of MUR 310 M was committed to FORIP for the 2011-2012 period. By the end of the crop, some 5,000 hectares of land belonging to 4,300 planters have been derocked and replanted under this scheme.
- Small planters are now entitled to full VAT refund on agricultural machinery, equipment and tools purchased by them
- Tax exemption on the first 60 tonnes of sugar was reintroduced for small planters with less than 15 hectares of land and who rely solely on sugar income. These planters will furthermore not be required to submit tax returns
- The 15% income tax on the surplus generated from sugar operations by Co-operative Credit Societies was abolished.

Storage Facilities and Delivery Arrangements

The white refined sugars produced by OMOL and FRL are loaded directly from the silos of the refineries into food grade polyethylene lined containers which can hold 25 metric tons sugar each. They are delivered directly to the CHCL container terminal in Port Louis where a buffer stock is retained in order to ensure regular shipments from Mauritius throughout the year. A working protocol has been established between the Syndicate and the CHCL for the management and monitoring of these sugar containers at the terminal prior to their export.

When operating at full capacity, the refineries would both deliver over 50 containers of sugar to the port terminal on a daily basis. A customised tracking system allows monitoring of container movements from the depot, where they are delivered empty, to the refineries and back to the CHCL terminal in Port Louis. This ensures a proper stock management and a steady flow of containers till shipment, thereby reducing the risk of any bottleneck along the supply chain.

Shipments are organised on the basis of a rolling plan provided by the EU commercial partner, Suedzucker AG, with the main shipping lines offering a service from Port Louis to the European ports. Freight service agreements have been finalised with these companies in order to optimise on the cost of delivery to the final destinations in Europe and joint meetings are organised on a regular basis in order to review their performance and explore avenues for further improvements in the supply chain. A second tracking system is triggered once the vessel sails from Port Louis in order to follow up on the transit of the containers till they reach the end customers in Europe.

Only around half of the daily production outturn of PWS from the mills with back-end refineries is refined during the crop campaign while the balance is stored in the adjacent sheds for processing during the inter crop. As regards PWS from the other mills, namely Médine, Deep River Beau Champ, Compagnie Usinière de Mon Loisir Limitée and Terra Milling, they were delivered during the crop either directly to the refineries or to the BST in Port Louis for recovery by the former for refining purposes during the intercrop season. One of the sheds (Shed 1) at the BST has been adapted accordingly with installation of the required equipment for outloading of the sugar feedstock. During the 2011 crop the BST received a total of 43,926 metric tons PWS, which included 38,468 metric tons from the aforementioned mills and another 4,717 metric tons from OMOL itself. As at end June 2012, 15,936 metric tons of the PWS produced from the 2011 crop have been delivered from this stock to the refineries.

The consignment of 26,307 metric tons raw sugar feedstock imported by the Syndicate in September 2011

was also stored in a separate heap in Shed 1 of the BST, prior to transfer to the refineries for further processing.

As regards export of special sugars in bags, shipments were done in 20-foot containers and consignments were delivered to customers in both EU and non-EU markets on a CIF basis. Unlike white refined sugar, they were produced only during harvest season and consequently had to be stored at the BSSD warehouses in Port Louis for year-round shipments as per buyers' requirements. These warehouses are HACCP certified and the BSSD personnel ensures that all conditions are met to secure a safe food grade environment during the storage, handling and loading of the sugars. Furthermore, the Syndicate's team of supervisors attached to the warehouses rigorously monitors the storage and handling of the sugars as well as the stuffing operations prior to export in order to ascertain compliance with strict quality control requirements. The BSSD also ensures a First In First Out handling of the bagged sugars.

From the 2011 crop, 126,024 metric tons of special sugars for direct consumption were delivered in bags to the warehouses of the BSSD, against 107,708 metric tons for the previous campaign. Out of these deliveries, 119,769 metric tons, including the balance from the 2010 crop carry-over stock, would be shipped by the end of the marketing year in September 2012 to fulfill the Syndicate's contractual obligations for 2011-2012. During the period from July 2011 to June 2012, the BSSD also received delivery, for the domestic consumption, of 8,727 metric tons imported white refined sugar, 3,800 metric tons raw sugar for direct consumption, and another 11,623 metric tons white refined sugar in bags produced by the local refineries. Total deliveries on the local market during this period comprised 24,896 metric tons white refined sugar and 3,782 metric tons raw sugar for direct consumption.

Quality And Food Safety

Effective food control systems are essential to protect the health and safety of consumers and are therefore critical in global trade.. The new market environment puts considerable obligations on both importing and exporting countries to strengthen their food control systems and to implement and enforce risk-based food control strategies. Confidence in the safety and integrity of the food supply is an important requirement for customers.

The main objective of the Syndicate's CQD is therefore to ensure that Quality & Food Safety have been built into sugars meant for sales and that such products also fulfill legal requirements in market destinations. Such control by the CQD also extends to packaging materials which are assessed for compliance with regards to design, mechanical, permeability, handling and stacking properties as well as compliance to food safety requirements. Likewise, the CQD ensures that sugar imported for the domestic market fulfills the quality and food safety requirements.

Refined sugar

Refined sugar for export and local markets are manufactured by British Retail Consortium (BRC) certified refineries. The BRC Global Standards are widely used by suppliers and global retailers and as such facilitate the standardization of quality, food safety, operational criteria and manufacturers' fulfillment of legal obligations. They also help to provide protection to the consumer.

High quality and fit for purpose refined sugar is released by their refineries according to stringent procedures established by the Syndicate. Such procedures also include the dispatch in a timely manner of all quality information by the refineries to the Syndicate for approval and clearance for export and delivery on the local market. Compliance to requirements is thus ensured as from the start of the supply chain. The high quality and food safety standards embedded in refined sugar have been recognised by various customers in the course of audits conducted during the year.

As regards the importation of raw sugar feedstock for refining the CQD has each time verified the refining quality parameters in order to ensure that they comply with the specifications agreed with the refiners.

In the case of white refined sugar exports to Suedzucker AG, an efficient communication network

has been established to allow a regular information flow from refineries to MSS and from MSS to Suedzucker AG and vice versa.

Special sugars

Special sugars produced are released by the factories prior to storage at the BSSD warehouses according to stringent procedures established by the Syndicate in consultation with the factories. Through an efficient reporting system, parameters governing the quality and food safety status of each type of special sugars are readily available for their positive release for export and subsequent transmission to buyers. The CQD is also responsible for the delivery of certificates of analysis and food safety, as well as filling of customers' questionnaires and technical information. Additionally, during the period under review, various audits and visits carried out by buyers have confirmed that the quality and food safety system along the supply chain meets both customer and legal requirements.

The Syndicate has closely monitored with the sugar factories improvements in process facilities and implementation of preventive measures. This continuous improvement has resulted in the gradual resolution of issues encountered in the past. This trend represents an encouraging step towards meeting the increasingly stringent quality and food safety requirements in export destinations.

Transport of sugar

Containers used for the transport of white refined and special sugars are released according to procedures established between the Syndicate and shipping lines following discussions and approval by buyers. Container depots were regularly audited by the CQD to ensure compliance to required procedures and absence of non conformities with regards to the selection, cleaning and dispatch of containers for the transport of sugar.

Reporting to the MCIA

As for each crop, the CQD diligently performed its obligations towards the producer's community by analyzing sugar samples on a daily basis for polarization and moisture content for all sugars produced during the crop. The results of such analysis are communicated to the Control and Arbitration Department of the MCIA at the end of the crop. Such data is used in determination of the tonnage of sugar accruing to the producers.



2012 CROP & MARKET PROSPECTS

Despite favourable weather conditions at the beginning of the crop which had, by December 2011, resulted in an average height of cane exceeding 22% of that recorded at the same time in the previous year, the growth stage was subsequently affected by insufficient rainfall during the first quarter of 2012, especially in the northern and western regions of the island. As at end March 2012, growth performance was reversed with stalk height lagging by an average of 8% behind that attained at the same time in 2011. Despite an improvement in rainfall as from April 2012, the cane could not recover: the average stalk height reached was only 177.5 cm by end June 2012, a performance which was 9.1% inferior to that of the previous crop and 6.9% lower than the average over the last five years. The cane maturing stage benefited from bright sunshine as well as favourable temperature amplitudes during the months of May and June, and the richesse of the cane consequently reached 11.9% by end June compared with 11.8% at the same time in 2011, but was still lagging behind the 12.6% attained in 2010.

In anticipation of a further reduction in the area under cane cultivation, the Crop Estimate Coordinating Committee, chaired by the Mauritius Chamber of Agriculture, set the initial crop estimate on 5 June 2012 at 410,000 metric tons of sugar on the basis of an estimated cane output of 4.00 M tons, compared with 435,310 metric tons sugar produced from 4.22 M tons cane harvested during the previous crop. This estimate was maintained by the Committee at its second meeting held on 8 August 2012.

The 2012 crop production will be supplemented with 63,932 metric tons of plantation white sugar,

TABLE II

2012 Crop Sales (metric tons)

	MT	
2012 Crop Estimate	410,000	
Add carry-over stocks from 2011 crop		
Plantation white sugar	63,932	
bagged sugar	1,974	
Add estimated import of sugar feedstock	54,000	
TOTAL ESTIMATED DISPOSABLE SUGAR		529,906
EXPORT SALES ESTIMATES 2012-2013		
European Union		
White refined sugar	375,000	
Special sugars	80,000	
Total EU		455,000
United States		
Special sugars		12,600
World Market		
Special sugars		25,000
LOCAL SALES		
Raw sugar for direct consumption		4,000
TOTAL SALES ESTIMATES		496,600
Less Processing and Storage Loss		(10,125)
Estimated Surplus/ (Deficit)*		23,181

** Surplus raw sugar feedstock to be refined for local market requirements*

available at end June 2012, and 1,974 metric tons of bagged sugar stocks carried forward from the previous crop, bringing total availability of locally produced sugar to some 475,906 metric tons. The Syndicate, moreover, plans to import 2 consignments of raw sugar feedstock in bulk to supplement local production with a view to increasing total exports of processed sugars from Mauritius and also to meet local market requirements in white refined sugar. Total availability of sugar for the 2012-2013 crop year would consequently increase to some 529,906 metric tons.

As the local refineries have already attained their full production capacity, with a combined daily output of around 1,300 metric tons white refined sugar, some 375,000 metric tons of the processed sugar are expected to be made available for shipment to the Südzucker AG customer base in the EU and a balance for sales on the local market. On this basis, the balance of plantation white sugar for the crop would be around 23,000 metric tons which would be refined to meet domestic consumption and also to facilitate the transition to the following crop. Furthermore, some 120,000 metric tons of special sugars are to be produced for export to the EU, US and world market destinations with a small tonnage also earmarked to meet local market requirements. The 2012 crop commitments are detailed in Table II.

European Union Market

As for the past 2 years, the bulk of the 2012 crop production will be exported as white refined sugar for delivery to the EU market under the long term partnership agreement with Suedzucker AG. These quantities will be produced throughout the delivery period, except for the refineries' shutdown for maintenance, and will be regularly shipped, mostly in bulk, directly to the Suedzucker AG customers across the EU. On the basis of a crop outturn of 410,000 metric tons sugar and taking into account import of 2 consignments of raw sugar feedstock during the year, some 375,000 metric tons of white refined sugar are thus to be produced for export to the EU market.

Furthermore the Syndicate has contracted sales of some 80,000 metric tons special sugars for shipment to a range of customers within the EU during the October 2012-September 2013 marketing year. These sugars will be shipped mostly in 1.05 ton and 25 kg/50 kg polypropylene bags in containers and occasionally, upon request of buyers, in retail packs, after subcontracting the packaging operations to local operators. These supplies also comprise Fairtrade certified special sugars.

The RST quantity for the ESA region has been set, under the ACP/EU EPA Sugar Agreement, at 632,850.9 tons wse for the 2012-2013 delivery period with the Upper Safeguard Threshold still at 3.5 million tons. Since the supply estimate of the non-LDC ACP suppliers of the ESA region, namely Mauritius and Zimbabwe, for this period is not expected to exceed the ESA RST, while total EPA/EBA supplies are unlikely to reach 3.5 million tons wse, there is no risk that the safeguard would be triggered during the year.

United States Market

On 10 September 2012, the United States Department of Agriculture (USDA) announced that the US import quota of raw sugar for the 2012-2013 delivery period has been set at the minimum WTO bound level of 1,231,497 short tons raw value (1,117,195 mtrv). Mauritius is likely to obtain its 1.2% net share allocation of this quota, amounting to 12,880 mtrv sugar, which will be fulfilled through export of special sugars to a range of buyers in the US. Supplies to US will also comprise Fairtrade certified special sugars.

World Market

The Syndicate has further expanded its export market base and will be supplying special sugars from the 2012 crop to buyers in some 20 different countries outside EU and US. Emphasis is placed on the regional and also emerging market destinations where niche market segments are being established for these value-added products. Through consolidation of its market position in a number of such export destinations, the Syndicate aims at achieving sales of 25,000 metric tons, compared with 17,429 metric tons finalised in the previous year.

Local Market

The local market requirements in white refined sugar will be met from the processing by the local refineries of raw sugar feedstock imported by the Syndicate. Such imports are sourced from the world market through international tenders: the New York #11 price evolution is closely monitored by the Syndicate in order to minimise the cost of purchase and consequently keep sales prices on the local market at the lowest level. A first cargo of 27,000 metric tons high polarisation sugar bought from Brazil was delivered in Port Louis in July 2012: this consignment would provide for production of some 10,000 metric tons of refined sugar for delivery on the local market. The purchase of an additional cargo of sugar feedstock envisaged during the year would allow the Syndicate to meet the balance of the domestic market requirement for white sugar which is now estimated at 32,000 metric tons per annum. The sugar delivered to the local market is of EEC Grade 2 quality and is equivalent to that being supplied to the customers of Suedzucker AG in the EU market. Likewise, the annual local requirement for raw sugar for direct consumption, which is now estimated at some 4,000 metric tons per annum, will be sourced from the local producers. Sugars destined for the local market are bagged in 50 kg polypropylene bags and are stored at the BSSD warehouses under the required quality and food safety norms and standards, prior to delivery to local customers.

Further to the liberalisation of sugar prices in Mauritius in 2009, independent distributors started prospecting imports for sales on the local market. Such imports, which started during the last quarter of 2011, highly influenced the Syndicate's domestic sales. However, this competition was considered as unfair given that payment of pensions to the ex-Dockers who had been made redundant with the setting up of the Bulk Sugar Terminal in 1980, which the Syndicate was committed to execute from its local sales proceeds when the prices had been liberalised in 2009, were not shared among the other importers. As a corrective measure, the MCIA introduced a regulation under the MCIA Act of 2011 to compel any importer of sugar for sale to the local market, including the Syndicate itself, to contribute to payment of pension to the ex-Dockers. It was also established under the same regulation that all importers should be registered with the MCIA with regular reporting on the tonnage and types of sugar sold and their supply estimates for each quarter. These new procedures were applied as from 1 July 2012.




15214
14254
13678
13191

Advance and Payment to Producers

The Syndicate is required to pay advances to its members as soon as plantation white sugar is produced from canes delivered by them at the factory weighbridge. Prior to 2010 Crop, the first advances paid by the Syndicate represented 40% to 45% of the estimated ex-Syndicate price per metric ton of sugar produced. However, further to Government decision in August 2010 to support small and medium planters in the context of the ERCP, Bank of Mauritius has made available to local commercial banks as from the 2010 crop, funds ranging between MUR 1 billion and MUR 1.5 billion at 3% interest per annum to allow payment of enhanced advances to the tune of 80% of the estimated ex-Syndicate price to small and medium cane growers. A sum of MUR 1.5 billion was thus earmarked under this Special Line of Credit for the 2011 Crop. A *Protocol d'Accord* was signed between the Bank of Mauritius and the Syndicate in this respect on 7 July 2011 and disbursements amounting to MUR 1,015 M were thus made by State Bank of Mauritius Ltd, the Mauritius Post and Cooperative Bank Ltd, and Bramer Banking Corporation as at 31 December 2011 with interest rate of 3.5 % per annum. Full repayment of the sum advanced was effected on 31 May 2012.

Hence, an initial advance of MUR 12,000 per metric ton of sugar produced was paid to small and medium planters as from June 2011. As regards other producers, an initial advance of MUR 10,000, representing 66% of the first estimated ex-Syndicate price, was paid as from the start of the harvest. The advances were gradually increased throughout the crop year to reach a final payment of MUR 16,020.16 per metric ton on 29 June 2012. Remittances to sugar producers were maintained on a weekly basis until 31 December 2011 and monthly during the inter-crop season until the final remittance in June 2012.

In line with the instructions obtained from the sugar producers, 9,500 of them received their proceeds directly from the Syndicate. Some 176 were paid through their brokers, and the remaining 9,324 planters received their proceeds through the 156 cooperative societies with which they were registered.

Borrowings

In order to honour its payment obligations, including advance payments to producers, payments of Global Cess, the SIFB premium, remittances to BSSD, as well as pension to ex-Dockers made redundant with the start of operations of the BST, the Syndicate resorted to overdraft facilities and short term loans from the different commercial banks of Mauritius at the most competitive interest rates available in the market. Availability of funds was hence ensured at all times, with the inflows as well as the outflows of funds being judiciously monitored. The Syndicate's funding requirements were supplemented by loans from institutions of the sugar sector, namely the SIFB and the MCIA. A capital sum of MUR 587.2 M, representing MUR 296 M due to the SIFB and MUR 291.2 M due to the MCIA, was still accounted as loan at 30 June 2012. Furthermore, a sum of MUR 176.3 M representing the SIFB premium payable by sugar producers on 31 December 2011 was contracted as loan by the Syndicate at an interest rate of 4.45 % per annum. The loan, capital and accrued interest, was repaid in full on 14 March 2012.

Bridge Term Facility to Refiners

In order to further improve the quality of their white refined sugar, the refiners had to make additional investments during the year to uplift their processing facilities. Given the urgency for such installations, it was agreed that the Syndicate would provide a bridging loan to the refiners, at no cost to the Syndicate, pending finalisation of their own sources of financing. The Syndicate has thus advanced a sum of EUR 2.5 M to FRL during the crop year for repayment within a maximum period of 2 years, that is, before 30 November 2013. The rate of interest claimed from the refiner represents the interest rate payable by the Syndicate to commercial banks, and is refundable monthly in arrear.

Contribution by Distillers/Bottlers for Absolute Alcohol

In line with the provisions of the Finance Act 2010, Government has introduced during the year a contribution of MUR 20 per litre of absolute alcohol

for home consumption payable by distillers/bottlers to sugar cane planters. In this context, various meetings were held at the MCIA with the relevant stakeholders, namely the Mauritius Revenue Authority (Customs & Excise department), the Ministry of Finance & Economic Development, and the distillers/bottlers to establish modalities for the collection of the contribution.

Contributions amounting to some MUR 84.5 M have thus been claimed by the Syndicate from the distillers/bottlers during the 2011 crop. A first tranche amounting to MUR 44.2 M was distributed to cane growers on 27 December 2011 and the final amount was paid on 16 July 2012. Hence, in addition to the ex-Syndicate price of MUR 16,020.16, cane growers obtained, through this contribution, an additional amount of MUR 246.58 per ton of sugar accruing to them during the crop year.

Payment to Service Providing Institutions

Pursuant to the provisions of ERCP of August 2010 for the reform of the Service Providing Institutions financed by Global Cess, the joint public/private sector Committee co-chaired by the Acting Permanent Secretary of the Ministry of Agro-Industry and Food Security and the General Secretary of the Mauritius Chamber of Agriculture, finally worked out the modalities of the restructuring exercise. They formulated a plan which entailed the merger of all SPIs with a reduction in workforce from 925 to 490. The Global Cess levied from the producers was thus reviewed to MUR 287 M for 2011 Crop. According to the ERCP recommendations, the Cess is, as from the 2012 Crop, set to an amount not exceeding 4% of the net producer price (ex-Syndicate price) per ton of sugar.

In a spirit of burden sharing, the sugar industry has been called upon to participate in the cost of the restructuring of the SPIs and to contribute towards the financial incentives for early retirement of some 435 employees. In this context, a Euro denominated loan facility equivalent to MUR 400 M will be advanced by the Ministry of Finance & Economic Development to the Syndicate refundable over a period of 6 years, at a preferential rate of interest of 3% per annum, reimbursible at six months' interval. The Accountant General is thus making a placement of this amount at the Mauritius Post and Cooperative Bank Ltd for onward lending to the Syndicate.

Payment of Bagasse Proceeds

In conformity to the provisions of the Sugar Industry Efficiency Act (Amendment to Schedule) Regulations of 1999, a sum of MUR 64.7 M was received with respect to bagasse used for production of electricity and for other usage. The sum thus received was paid to different categories of producers on 5 July 2012 as set out in the Statement of Distribution of Bagasse Proceeds in the Statement of Account section of the report.

Foreign Exchange Receipts

Sales proceeds from exports of locally produced sugar have been received mainly in Euros (90%), US dollars (9%), and Pound Sterling (1%). In order to honour its payment obligations, including advances to sugar producers, it has been the Syndicate's policy to ensure that returns from the foreign currencies are maximized. In view of the high volatility of the currency market, various hedging instruments, namely normal forward contracts, leveraged forward contracts, swaps and options, have been utilised to ensure that maximum returns from forex proceeds are obtained and that the targeted producer price is safeguarded.

A Forex Committee mandated by the Syndicate's Executive and Selling Committee, and comprising the President, the Vice-President, a representative of the MSPA and a planter's representative, as well as Executives of the organisation, ensured a close follow up of the occurrences of the currency market both at international and at local levels, in order to develop forex management strategies accordingly. Based on the evolution of the markets, financial instruments were recommended for use in currency dealings with different commercial banks in Mauritius and abroad. The hedging performances were closely monitored by members of the Forex Committee thereby ensuring that best practices were adopted and that parameters set by the Committee have been strictly observed in the conversion of the proceeds from exports into the local currency.

TABLE III

Crop	AVERAGE RATE ACHIEVED	AVERAGE MARKET SPOT RATE	HEDGING SURPLUS
	MUR/EUR	MUR/EUR	MUR/M
2007	43.91	41.72	398.40
2008	42.90	41.37	398.10
2009	44.50	42.78	367.00
2010	40.88	39.58	292.30
2011	41.35	37.69	304.30

The Consulting firm, Stewardship Consulting Pte. Ltd has provided regular support to the Forex management team in the discharge of its duties. The Consultant provided hands-on information regarding the evolution of markets and made recommendations on the course of action to follow so that foreign currency risks were managed effectively and efficiently during the year. Hedging performances were reported regularly to the Syndicate's Committee.

The hedging performances achieved by the Syndicate over the last five years are detailed in Table III.

Risk Management

Risk management is a critical discipline in the Syndicate's operations. The Risk Management Committee, comprising of the President, Vice-President, a representative of the MSPA, a representative of small planters, as well as the Executives of the Syndicate, is mandated by the Syndicate's Committee to formally identify the different risks inherent to its operations, to analyse and quantify them and, to finally assess their impact on the overall performance of the organisation. Scorecards were subsequently established and an action plan worked out. Recommendations aiming at reducing the risks identified and promoting operational efficiency were formulated for approval by the Syndicate's Committee.

In an endeavour to address health and safety risks inherent to the operations of the Syndicate, the services of Health & Safety Management Solutions Co. Ltd was solicited to review the current health and safety practices. The consultant submitted a risk assessment report, indicating the various weaknesses in the health and safety practices and finally made recommendations for addressing such issues. A policy statement was formulated, health and safety procedures were drafted and documented, and staff members were subsequently sensitized about the importance of health and safety at the workplace. Actions have also been initiated by the Syndicate to ensure that the employees' working environment meets the necessary standards.

Additionally, in view of curtailing the high risks noted with regards to the safekeeping of vital data and confidential information, the Syndicate signed, during the crop year, a service agreement with PricewaterhouseCoopers (PwC). The latter has undertaken to monitor and support the Information Technology (IT) infrastructure of the Syndicate, and has, amongst others, the duty to reinforce the IT environment such that confidential information is securely safeguarded, and that proper IT policies and procedures are set in place to ensure smooth running of the organisation. PwC is also responsible for regular monitoring of the IT risks, to advise management on the continuity of IT operations in case of disruptions, to propose a disaster recovery plan, to provide continuous support to users, and to assist management in optimizing its IT infrastructure investment.

EPA Negotiations

The negotiations between the ESA region and the EU, in the context of the ACP/EU EPA, were pursued during the year under review. The 16th ESA Council of Ministers, held in Lilongwe (Malawi) in October 2011, underscored that EPA negotiations had to be finalised on the basis of a reality check for conclusion in 2012 with the hope that the EU would reciprocate to the flexibility shown by the ESA Group.

A Joint EU-ESA technical negotiating session was held in Mauritius in November 2011 during which significant progress was achieved in different areas namely trade in goods, sanitary and phyto sanitary standards, technical barriers to trade, trade facilitation, capital movements, and general and specific security provisions. Contentious issues regarding most favoured nation treatment were finally agreed. Considerable progress was made on the chapter on services and an agreement was also reached on sectoral issues except for development support provisions which are still to be discussed alongside the development cooperation chapter. Outstanding issues comprised additionality of resources and linking trade liberalisation to development benchmarks, provisions on substantially all trade liberalisation, time frames for liberalisation, treatment of export taxes and agricultural safeguards and certain rules of origin provisions regarding cumulation.

On 30 September 2011, the European Commission adopted a proposal 'to amend the Market Access Regulation 1528/2007', which provides transitional duty-free access to ACP countries whose governments have initialled an Interim EPA (IEPA). This proposal calls on the EU Council and the European Parliament to empower the European Commission to 'amend the list of countries that benefit from the preferences (Annex I of Council Regulation (EC) No 1528/2007) by removing those which have still not taken the necessary steps towards ratification of an EPA'. According to an EC information note, '18 countries comprising 14 in the Caribbean region as well as Madagascar, Mauritius, Seychelles and Papua New Guinea, had taken the necessary steps towards ratification of initialled agreements, and would continue to use the facility, while 18 other countries 'had not even signed their agreement or were still not applying it'.

The implication of the repeal of this regulation is that non-LDC ACP countries that have not ratified or notified provisional application of their interim EPA by 1 January 2011 would no longer benefit from this regime. LDCs would neverlerless still have quota free and duty free access into the EU market under the EBA initiative.

Mauritius, Seychelles, Zimbabwe and Madagascar, an LDC, have already ratified and notified provisional application of the IEPA which entered into force on 14 May 2012 and are currently working on implementation issues. The IEPA, the first to be ratified and implemented in the African region, is considered by the ESA and the EU as a major achievement in their trade and economic relations. ESA countries will now benefit from WTO compatible, stable and predictable rules for their trade with the EU. The countries will enjoy quota free and duty free access to the EU on almost all goods. With regards to sugar, general safeguards will be applied by the EU only in case of market disturbance. More flexible rules of origin allowing imports from countries outside the ESA region will also be applicable. Tariffs on EU imports will be reduced over a period of 12 to 15 years but sensitive products will be excluded from such liberalization.

The ESA and the EU will soon set up a joint EPA Implementation Committee to follow up on their partnership agreement in the most efficient and productive manner.

CAP reform

On 12 October 2011, the EU Commission submitted a "Proposal for a Regulation of the EU Parliament and of the EU Council of Ministers establishing a common organisation of the markets in agricultural products". The Commission's proposal includes, inter alia, the abolition of EU sugar and isoglucose quotas in 2015 which, if adopted in its current form, would have a dramatic impact on the EU sugar market and in turn on the preferential supplies by the ACP countries

including Mauritius. Should this proposal be adopted by the EU Parliament and the EU Council (through a co-decision process established by the Treaty of Nice), it would turn the EU into a liberalised market with a significant increase in competition among the different market players.

According to an Impact Assessment study undertaken by the EU Commission, the proposal, if accepted, would have dire consequences on the market. Firstly it would cause a dramatic slump in EU market prices down to Eur 389 per metric ton for white sugar compared to the current Reference Price of Eur 404.40 per metric ton and to the average market price of Eur 711 per metric ton reported by the EU Commission in July 2012. It would also lead to an increase in beet production in the EU accompanied by a fall in the average price of sugar beet, and finally, it would result in an increase in production of isoglucose which is the main substitute for sugar and represents no less than 40 percent of sweetener consumption in some developed country markets such as the US. A study conducted by LMC for ODI/DFID in February 2012 concluded that assuming historical world price levels, such measures would represent a total revenue loss for the ACP sugar suppliers, of Euro 106 M per year or Euro 850 M over the period till 2019-20.

Soon after the release of the Commission's proposals, Hon. Minister S. Faugoo, Chairman of the ACP Sugar Ministerial Committee wrote to major EU decision makers, including the President of the Commission, the President of the EU Parliament and the President of the European Council, to solicit their support for the retention of EU sugar and isoglucose quotas at least up to September 2020.

In a press statement, the ACP sugar suppliers reiterated that the elimination of EU sugar and isoglucose quotas as from 2015 disregarded the EU market reality, the development commitment of the EU towards the ACP countries as well as the key CAP objective of food security. Indeed these proposals, if applied, would seriously jeopardize the EC market balance and the future of the sugar industries of the ACP. The statement underlined that the removal of quotas at this time would be premature, unnecessary and almost certainly counterproductive. The Commission's proposals also ignored the June 2011 Resolution of the European Parliament and the strong opposition expressed by the EU beet sector on the abolition of quotas. The statement also highlighted that the proposals constituted a deterrent to ACP industries' investments in increased efficiency, a development which the EC itself has supported with an allocation of Euro 1.2 billion of Accompanying Measures for the period 2007-2013.

Since the publication of the EC legislative proposals on CAP reform, the ACP group has stepped up its lobbying actions in accordance with various Ministerial mandates. In this context, a representation was made to the UK DEFRA Minister, Hon. Jim Paice, on 13 October 2011. The Subcommittee Bureau also met on 24 October Mr. Jerzy Plewa, Deputy Director General of DG AGRI, and the Danish Representation as Denmark prepared to assume on 1 January 2012 the EU Presidency.

The ACP also approached the Commonwealth Secretariat to undertake an update of the study on "the impact of the EU tariff rate quota offers, CAP reform proposals and WTO based trade liberalization on ACP sugar export countries" which had been finalised late 2010. The updated report submitted in early March 2012 contained various observations and insights which have been immensely useful in the preparation of an *Aide Memoire* used in various representations to advance the ACP case. Based on the recommendations of the study, Hon Minister S. Faugoo, the Chairman of the ACP Ministerial Committee on sugar, wrote to the Director General of DG Agriculture providing the necessary justification for the maintenance of the EU sugar quotas until at least 2020.

The Lisbon Treaty has extended to the CAP the co-decision legislative procedure that previously applied in several other areas of EU policy. This procedure, now renamed the "ordinary legislative procedure", provides an enhanced power to the European Parliament in the decision making process. There is no past experience of the use of this procedure for CAP matters. The co-decision procedure used in other policy areas shows that Council and Parliament try to reach agreement before having recourse to the conciliation procedure.

The Bureau of the Subcommittee on Sugar made representations to the two key parliamentary committees, namely the one covering agricultural matters (COMAGRI), along that responsible for 'policy coherence for development' matters (DEVCO). On 21st March 2012, the Bureau met with some members of the Committee on Development (DEVCO) and in May 2012 also had discussions with MEP Capoulas Santos, Rapporteur on Direct Payments for COMAGRI, and with MEP Michel Dantin, Rapporteur for the Single Common Market Organisation for COMAGRI, in two separate meetings.

The COMAGRI rapporteurs submitted their draft reports in June 2012. MEP M. Dantin calls for the maintenance of EU sugar quotas until 2020. COMAGRI plans to vote on the various resolutions before end 2012 and the European Parliament thereafter in plenary. However, these votes will only take place after EU Ministers have taken a decision on the multi annual Financial Framework 2014-2020 which includes the agricultural budget. MEP Dantin has recognized in various statements that the decision regarding CAP reform will in all likelihood be delayed by at least one year until 2014. On their part, the EU Member States have also held a series of meetings on the Commission's proposals. In early June 2012, before handing over the EU presidency to Cyprus for 1st July, the Danish President issued a progress report stating that a majority of delegations opposed the end of the quota regime in 2015 and would like it extended, while some supported the expiry as proposed by the Commission.

Present indications are that there are several Member States and many MEPs who see the ending of quotas in 2014-2015 as premature. It would therefore greatly strengthen the position of those Member States in the Council who take this view if Parliament were to call for quotas to be prolonged.

The current EU Sugar Regime has established the ideal conditions for the LTPA between the Syndicate and Suedzucker AG to materialise. With a restructuring scheme to encourage abandonment of production by the less efficient sugar beet producers and a system of quotas for the remaining ones, it has set the right conditions for a balanced and stable market as well as remunerative prices. The end of beet and isoglucose quotas would dramatically upset the balance, creating the conditions for fierce competiton within the market.

SADC

Technical Committee on Sugar (TCS)

Following a decision taken by the SADC Council of Ministers in August 2011 to undertake further cuts in the budgeted expenses of the SADC institutions, the SADC Secretariat informed the TCS that they would not be in a position to fund a second TCS meeting within the financial year ending 31st March 2012. The next round of TCS meetings, including the Working Group II (WG II) and Sugar Producers Consultative Forum (SPCF) meetings usually held alongside the TCS meeting, initially scheduled for the first quarter of 2012, has now been postponed to 3-5 October 2012 in Tanzania, nearly 15 months after the previous meeting held in Durban in July 2011. This wide gap between the two meetings has not helped in maintaining the tempo required to meet the ambitious objectives set by the TCS; and one can only hope that the SADC Secretariat will in future provide the required funds so as to enable at least two meetings during the year. However, the TCS Secretariat pursued its work on the basis of the mandate previously received from members. In this regard, the main issues addressed by the Secretariat during the year under review have included inter alia the fixed quota system newly established under Annex VII of the SADC Trade Protocol, Best Management Practices (BMP) Guidelines for Sugar Production in the SADC region, the TCS Sugar Strategy Action Plan, and the Review of Annex VII. The TCS Secretariat had also to ensure that members were submitting relevant information for completion of various databases required to facilitate information exchange within the region. Such databases include value addition and diversification, matrix of sugar producers' products, status on employment in the different sugar industries, and general statistics on production, export and import.

On the project of developing BMP Guidelines for Sugar Production in the region, it had been agreed at the July 2011 TCS meeting in Durban that the issue had to be addressed in priority given

the threat that BMPs, if imposed by the market, would become a barrier to trade that would eventually affect SADC exports. It was then agreed that the South African SUSFARMS model would be used as a basis for establishing regional BMP guidelines and that the consultant who had worked on SUSFARMS, namely Dr John Scotcher of the firm ForestLore, would be approached by the TCS Secretariat to present a proposal on the development of a SADC BMP guidelines for discussion at a workshop to be held during the year. The workshop was held on 18 November 2011 at Kwa-Shukela, Mount Edgecombe, Durban, back to back with a meeting of Working Group I (WG I). The Syndicate was represented at the workshop and subsequent WGI meeting by Mr Gopal Pillay, Research Manager at the Field Experimentation Department of the Mauritius Sugar Industry Research Institute, who submitted a comprehensive report on the meetings. The workshop recommendations on the process to be adopted and the input expected from the consultant, after discussion at WG I level, were circulated to TCS sugar producing members for comments and approval. Given the high cost involved in the project, it was agreed that the TCS Secretariat and Sugar Producers Consultative Forum (SPCF) would approach potential donor organisations for financial support.

Two sets of amendments to Annex VII of the SADC Protocol on Trade were implemented during the year under review; the first one relating to the establishment of fixed quotas for non-SACU sugar supplies to the SACU region and the second to accommodate the concerns of the SADC non-sugar producing countries on regional supplies to their markets. With the introduction of the fixed quota system, Mauritius has benefited from a base quota in light of the average of the annual quota allocated over the period 2001-2002 to 2007-2008, of 2,342 metric tons for the SADC marketing year ending 31 March 2012. Under the new provisions of Annex VII the tonnage granted to non-SACU SADC suppliers will, as from the 2012-2013 marketing year starting on 1 April 2012, be increased by an annual growth factor determined by the percentage growth obtained in the SACU market during the 2011-2012 marketing year with a minimum total quota of 500 metric tons applying and distributed pro-rata among the beneficiaries on basis of their relative base quota allocations. The percentage increase is to apply to the tonnage of non-SACU supplies above 20,000 metric tons. As for the concerns expressed by the SADC non-sugar producing countries regarding their difficulty in tapping sugar supplies from the region, the Committee of Ministers of Trade have in November 2011 approved an amendment to Article 1 of Annex VII regarding the definition of the Technical Committee on Sugar to encompass "government accredited bodies" thus creating more space for a broader representation of both sugar and non-sugar producing countries on the TCS.

Annex VII to the SADC Protocol on Trade provides under its Article 3.1 that the long term objective of the Annex was to establish full liberalisation of trade in sugar in the SADC region after the year 2012 and that such liberalisation would depend on a positive review of the conditions prevailing in the world market five years after its entry into force. In line with these provisions, the SADC Secretariat had, at the July 2011 TCS meetings in Durban, proposed that a review be undertaken during the year so as to determine whether the conditions were appropriate for liberalisation. Following an assessment undertaken at SPCF level, the industries had found that time was not opportune for a review given the numerous uncertainties looming ahead with namely the stalemate in the WTO DDA negotiations making any agreement unlikely before 2012, the discussions on the reform of the EU Common Agricultural Policy including the Sugar Regime, the high volatility of the world market price, and the discussions on the renewal of the US Farm Bill including the Sugar Programme. It was therefore recommended that the review of Annex VII, as provided under its Article 3.1, would not be undertaken at this stage but that the issue would be included as a standing agenda item of all future TCS meetings. However, this has not prevented the SADC Secretariat to commission a review of Annex VII in the context of the 2012 Audit of the Implementation of the SADC Protocol on Trade. The draft report of the latter review was circulated to TCS members for comments. The SADC Secretariat emphasised that the latter review had been undertaken in the context of the SADC Trade Protocol annual audits not under Article 3.1 of the Annex VII.

Given the cost implications of the numerous projects earmarked under the TCS Sugar Strategy Action Plan, a decision had been taken in July 2011 in Durban that the TCS and SPCF would approach potential donor organisations for the financing of such projects. Referral letters have subsequently been received from the SADC Secretariat during the year outlining the importance of the sugar industries in regional development, providing information about the TCS and its achievements, and also expressing its support to the projects proposed under the Sugar Strategy Action Plan. It is now essential for the TCS and SPCF to actively engage into discussions with potential donors in view of raising sufficient funds for the financing of some important projects for the promotion of the regional sugar industries.

TFTA

Tripartite Free Trade Area (TFTA)

The decision to establish a Tripartite Free Trade Area (TFTA) among the three main eastern and southern African regional blocs, namely the Common Market for Eastern & Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC), dates back to the First Tripartite Summit held on 22 October 2008 in Kampala, Uganda. The TFTA negotiations were subsequently launched in June 2011 with the adoption of a roadmap defining the time table and approach to be adopted and principles to be observed in the conduction of the negotiations. It was then agreed that the first phase of the negotiations, which would last till June 2012, would be used for exchange of information, development of terms of reference including rules of procedure, development of a negotiations schedule and establishment of monitoring and evaluating mechanisms. In acknowledgement of the fact that countries would be negotiating the TFTA individually rather than through the three regional groupings, it was understood that this first phase would also be used for the formulation of national positions on what was termed "core FTA items". This period would be followed by proper negotiations on substantive issues including inter alia tariff liberalisation, rules of origin, dispute resolution, customs procedures and simplification of customs documentation, transit procedures, non-tariff barriers, trade remedies, technical barriers to trade and sanitary and phyto-sanitary measures.

As regards sugar, a proposal is being discussed within and among industries of the three regional groupings, regarding the merits of treating sugar trade in the region under a special dispensation instead of under the general TFTA market access framework. Sugar is generally recognised in the southern and eastern African regions as a strategic product playing a critical role in the socio-economic fabric of the countries, providing a livelihood to thousands of people and also contributing to rural development as well as protection of the environment in remote and difficult areas. Given the high sensitivity of the product and also the unstable and volatile conditions prevailing in export markets, industries in the region are prepared to support near their respective governments, a case for a special dispensation for sugar in the TFTA negotiations. In this context, in subsequent meetings held during the year between the TFTA sugar industries, a paper was prepared by the TFTA coordinator making a case for special dispensation for sugar. The paper is to be used by the regional industries as a common hymn sheet for explaining to their respective governments the rationale and merits of a special dispensation for sugar in the context of the forthcoming TFTA negotiations. In the discussion leading to the finalisation of the paper, the Mauritius sugar industry has, through the voices of the Syndicate and the Chamber of Agriculture, argued that it can agree on a special dispensation for sugar only if there is agreement among all parties on the substantive issues which still have to be discussed. It has stressed that, in the absence of an agreement being reached on the substantive issues, the negotiations regarding sugar would be referred to government officials for their pursuance within the general TFTA market access negotiations framework.

2012 Farm Bill

The legal authority for the US. sugar program is contained in the 2008 Farm Bill, which will expire on 30 September 2012. Congress has been working for the past year to develop the terms of the 2012 Farm Bill. Both the Senate and House of Representatives Committees on Agriculture have held numerous

hearings on all aspects of the Farm Bill over the past several months.The central issue in Congress during 2011-2012 has been the ongoing efforts to reduce the federal budget deficit. This has also been the focal point in the development of the 2012 Farm Bill.

The International Sugar Trade Coalition (ISTC), of which the Syndicate is a Charter Member and which represents roughly half of the quota holders under the US raw sugar TRQ, participated actively in Congress' deliberations over the Farm Bill during 2011-2012. ISTC made numerous representations to Congress on various issues affecting renewal of the sugar program in the 2012 Farm Bill. In addition, during 21-23 May and 4-6 June 2012, two delegations of ISTC members met with key Members of Congress and their staffs to explain the importance of access to the US sugar market for ISTC's developing country members. ISTC's basic position was that the current sugar program should be renewed without changes.

The Senate acted first on the 2012 Farm Bill. The Senate Agriculture Committee reported out its draft of the Farm Bill on 26 April, proposing status quo to the sugar program. Although a number of amendments was offered during the Agriculture Committee's deliberations that would have abolished or significantly reformed the sugar program, none was adopted. The Senate Farm Bill proposed a US $ 23 billion cut to the farm program spending. Because the US sugar program operates at no net cost to the federal budget, it was spared the cost-cutting that was imposed on most other US agriculture programs.

The 2012 Farm Bill was deliberated before the full Senate over a period of two weeks, ending 21 June. Several amendments affecting the sugar program were proposed during the floor debate but most of them had previously been defeated before the Senate Agriculture Committee. All sugar amendments were therefore defeated before the full Senate except one provision to prepone the trigger date for increasing raw sugar TRQ above the WTO bound minimum level from 1 April to 1 February. The floor votes on the other sugar hostile amendments were closer than what most observers had expected. The Congressional supporters of the domestic US sugar industry agreed to accept the amendment to the TRQ trigger date in exchange for votes to defeat other amendments that would have made more drastic changes to the US sugar program. On 21 June 2012, the full Senate approved the 2012 Farm Bill by a vote of 64 to 35.

The House of Representatives Agriculture Committee released its draft of the 2012 Farm Bill on 5 July 2012. The House Agriculture Committee marked up its version of the Farm Bill on 11 July 2012. The House version of the US Farm Bill differs from that approved by the Senate in many respects, as it proposes a cut in farm program spending by US $ 35 billion, compared to US $ 23 billion cut in the Senate bill. The House bill's treatment of the sugar program is, however, the same as that contained in the Senate bill, that is, with no change to the current sugar program, except that the House bill does not contain the Senate revision to the TRQ trigger date. A number of amendments affecting the sugar program, were offered both during Agriculture Committee markup but were all rejected by the Committee.

The full House has not yet scheduled its floor vote on the 2012 Farm Bill. The House Farm Bill faces serious opposition on two fronts: (i) House Democrats oppose what they perceive to be too drastic cuts in nutrition programs for the poor, and (ii) Tea Party Republicans oppose what they perceive to be inadequate cuts in farm commodity programs. Neither side is likely to compromise on these issues in an election year, which has prompted speculation that floor voting by the full House may be postponed until after the election in November 2012. Such a manoeuvre, however, would require a short-term extension of current farm programs, which otherwise would expire on 30 September 2012.

Regardless of when the final House voting occurs, the House Farm Bill will not be identical to that passed by the Senate. Accordingly, a House-Senate conference committee will need to be convened to reconcile the two bills. Even if the full House votes on the Farm Bill before the election, there seems to be little chance that the conference committee could also complete its work before November, especially considering that Congress typically recesses in early October in an election year. Accordingly, a short-term extension

of the 2008 Farm Bill seems likely regardless of when the House votes. Although much remains to be resolved, at this point it seems likely that the US sugar program will be renewed for another five years without any significant change.

WTO

The Doha Development Agenda (DDA) negotiations have made no significant progress over the period under review. The 8th Ministerial Conference (MC8), held in Geneva in December 2011, concluded that the round was in an impasse, and that it was unlikely that all elements of the DDA could be concluded simultaneously in the near future. The Ministers agreed that there was need to better explore different negotiating approaches while respecting the principles of transparency and inclusiveness and inter alia continue work based on the progress already made.In this context, discussions have been on-going since January 2012 to operationalize the MC8 work programme.

ACP Sugar Ministers have consistently emphasized that the December 2009 package on preferential treatment for sugar/tropical products/bananas be safeguarded and "multilateralised" or locked-in, while ensuring that sugar remains well protected.

ISO

As regards the International Sugar Organisation (ISO), Mr Govinden, in his capacity as Vice chair person of the Administrative Committee presided over the deliberations of the 57th session of the Administrative Committee held early October in the absence of the substantive chairman, the representative of the EU Commission. He also attended the November meetings of the ISO in London (the 20th international seminar "Competitive edge in sugar – the road to 2020") which registered a record participation of 434 delegates from 70 countries. He took part in the 38th Market Evaluation Consumption and Statistics Committee (MECAS) meeting, the 58th Administrative Committee as well as the 40th session of the ISO Council. Mr Govinden intervened at the seminar to challenge the representative of the EC Commission regarding their proposal to abolish EU sugar quotas in 2015.

In May 2012, Mr. Govinden attended the 41st ISO Council in India. He was elected President of the Administrative Committee during the 59th Administrative Committee session thus succeeding the EU Commission representative. He also took part in the 39th MECAS meeting.

Mr. Govinden has submitted regular reports, briefs and analyses and has constantly advised on what he felt should be the best strategy for the Syndicate and its members.

Overseas Representation

EU Representation

Over the past year, Mr. Géo Govinden, the Syndicate's Overseas Representative, has actively promoted the interests of the sugar industry in Brussels, London and Geneva. As member of the EBA/EPA London Sugar Group, he participated in a series of meetings to counter the Commission proposals on the CAP reform aiming at abolishing EU sugar quotas in 2015, a measure which would seriously imperil ACP industries and jeopardize their efforts to build an efficient and competitive sugar sector. He thus played an active role within the Brussels Sugar Working Group and the Ambassadorial Sugar Consultative group. In this context, he participated in the consultations with EU Ministers, Members of the European Parliament and officials of the EU Commission. He was also involved in joint technical meetings with the Commission on the implementation of Regulation 828/2009 governing ACP sugar exports to the EU.

The Overseas Representative took part in the ESA-EU Technical Working Group meeting held in Brussels from 28 June to 1 July 2011. He also attended the meeting of the ACP Trade Ministerial Committee as well as that of the Joint Ministerial Trade Committee held in December 2011 in Brussels. He participated actively in the 94th session of the ACP Council of Ministers in Brussels which included the Ministerial consultations on Sugar and was involved as member of the Mauritius delegation, in the 95th session of the ACP Council of Ministers held in Port Vila, Vanuatu, in June 2012 as well as in the Ministerial Consultations on Sugar preceding the Council plenary session.

During the year, the Overseas Representative held regular working sessions with the Comité Européen des Fabricants de Sucre (CEFS) and the Confédération Internationale des Betteraviers Européens (CIBE) to exchange information on issues pertaining to the coordination between the ACP Sugar group and these two important EU sugar sector organisations.

Mr. Govinden collaborated very closely with Mr. David Roberts, former Deputy Director of DG Agri who was hired by the Commonwealth Secretariat to update the study undertaken in the previous year on "the impact of the EU tariff rate quota offers, CAP reform proposals and WTO based trade liberalization on ACP sugar export countries". The updated report, submitted in March 2012, was a reference document which contained most valuable analyses and recommendations and served as a basis for the formulation of an ACP Aide Mémoire on sugar in the CAP reform. This document has been widely circulated by the EPA/EBA Sugar Commercial Group to officials of the Member States, to the EU Commission, and to a number of the EU Parliament Members, to the press and to like minded socio professional organisations.

Mr. Govinden has also participated in monthly meetings of the EBA/EPA Sugar Commercial group in London. He collaborated closely with key members of the group in drafting various documents for the Sugar Ambassadorial Group in Brussels.

The Overseas Representative also participated in the French beet growers' AGM in Paris in December 2011, in the Kingsmann "European Sugar" seminar held in Geneva in March 2012, in the General Assembly meeting of ASSUC (European Association of Sugar traders) in Brussels in May 2012 and in the Belgian beet growers association AGM in July 2012.

Washington Representation

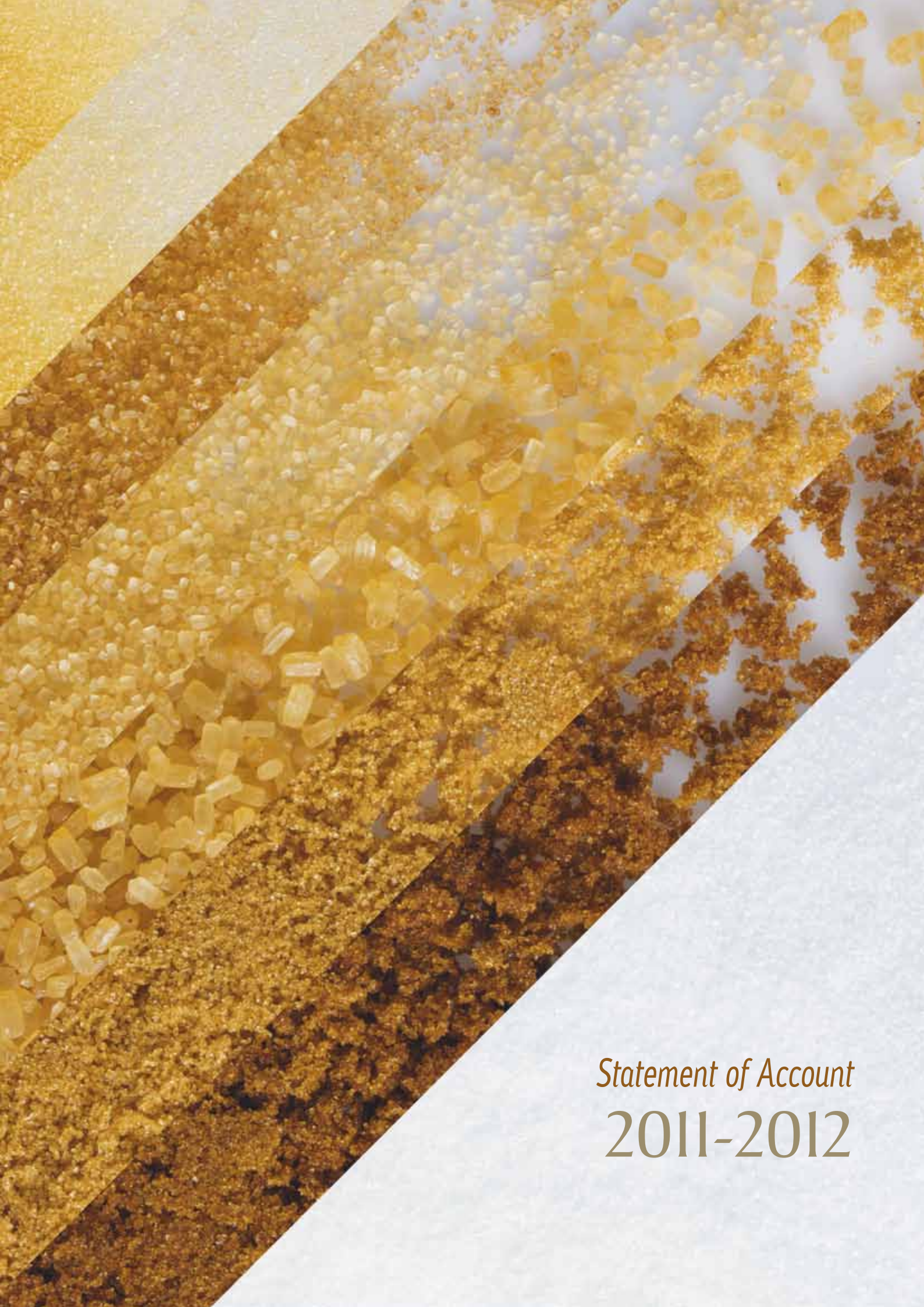
Mr. Paul Ryberg of the Washington, D.C. law firm of Ryberg and Smith, L.L.C. has been the Syndicate's legal representative and lobbyist in the United States since 1982.

During 2011-2012, Mr. Ryberg regularly liaised on the Syndicate's behalf with the US Department of Agriculture (USDA), USTR, US Customs and Border Protection, and other administrative agencies involved in setting and administering US sugar policy.

In 2006 Mr. Ryberg organized the ISTC, whose members represent about half of the quota holders under the US TRQ. Mauritius is a Charter Member of ISTC, whose President is Mr. Ryberg. Working via ISTC, Mr. Ryberg made representations during the Year 2011-2012 to US Congress, USDA and USTR on various issues affecting sugar imports and the US sugar program, including inter alia renewal of the sugar program in the 2012 Farm Bill, the need for increases in the TRQ and the allocation of such TRQ increases among the quota holders.

Mr. Ryberg has kept the Syndicate regularly informed of all developments affecting the US sugar program and the sugar market, including weekly monitoring of sugar imports. Mr. Ryberg has also provided support to the Syndicate's customers in the United States as and when required. Moreover, being the registered agent for all Mauritian sugar processing facilities under the US Food and Drug Administration's Bio-Terrorism Act (FDA BTA), Mr. Ryberg has kept the Syndicate informed of all developments affecting compliance with the FDA BTA.

During the year 2011-2012, Mr. Ryberg participated in various conferences relating to US sugar policy, and was a featured speaker at the 2011 International Sweetener Symposium, which was held in Stowe, Vermont in August 2011.



Statement of Account

2011-2012

Independent Auditors' Report

To the Members of the Mauritius Sugar Syndicate

Report on the Financial Statements

We have audited the financial statements of Mauritius Sugar Syndicate (the "Syndicate") on pages 49 to 77 which comprise the statement of financial position at 30 June 2012 and the statements of comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of the Syndicate in accordance with the accounting policies described in note 2 to the financial statements, as required by the financial reporting provision of the Syndicate.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the accounting policies described in note 2 to the financial statements, for determining that the basis of preparation is acceptable in the circumstances, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements of Mauritius Sugar Syndicate for the year ended 30 June 2012 are prepared, in all material respects, in accordance with the accounting policies described in note 2 to the financial statements.

Basis of accounting and restriction of use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The accounting policies used and disclosures made are not intended to, and do not, comply with all the requirements of International Financial Reporting Standards ('IFRS'). The financial statements are prepared to comply with the financial reporting provision of the Syndicate. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the members of the Syndicate and should not be used by parties other than the members of the Syndicate.

PricewaterhouseCoopers Gilles Beesoo,
licensed by FRC

Date: 24 September 2012

Statement of Financial Position
at 30 June 2012

	Notes	2012	RESTATED 2011
		Rs'000	*Rs'000*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	7,838	9,003
Retirement benefit assets	10	-	7,878
		7,838	16,881
CURRENT ASSETS			
Inventories	5	111,115	36,407
Trade and other receivables	6	3,403,476	2,516,614
Cash and cash equivalents (excluding bank overdrafts)	7	258,588	146,132
Derivative financial instruments	22	34,622	153,040
		3,807,801	2,852,193
TOTAL ASSETS		3,815,639	2,869,074
LIABILITIES			
NON CURRENT LIABILITIES			
Retirement benefit obligations	10	639	-
CURRENT LIABILITIES			
Bank overdrafts	7	462,268	957,179
Borrowings	8	2,487,200	1,182,200
Trade and other payables	9	865,532	729,695
		3,815,000	2,869,074
TOTAL LIABILITIES		3,815,639	2,869,074

The notes set out on pages 53 to 77 are an integral part of these financial statements.

Approved and authorised by the Committee for issue on 24 September 2012.

Jean Noël Humbert
Chief Executive Officer

Jyoty Soomarooah
Chief Finance and Administrative Officer

Statement of Comprehensive Income
for the year ended 30 June 2012

	Notes	2011-2012 Crop			RESTATED 2010-2011 Crop		
		Rs'000	*Rs per tonne*	*%*	*Rs'000*	*Rs per tonne*	*%*
REVENUE							
Sales Proceeds	11	10,326,161	23,531	100.00	9,112,261	19,954	99.42
Other Income	12	581	1	0.00	53,504	117	0.58
		10,326,742	23,532	100.00	9,165,765	20,071	100.00
EXPENDITURE							
Direct Operating Costs	13	(2,901,064)	(6,610)	(28.09)	(2,656,417)	(5,817)	(28.98)
Storage Charges	14	(93,427)	(213)	(0.91)	(76,290)	(167)	(0.83)
Administrative and other charges	15	(72,685)	(166)	(0.71)	(70,942)	(155)	(0.77)
Service Providing Institutions and Docker's Pension	17	(383,884)	(875)	(3.72)	(612,652)	(1,342)	(6.69)
Sugar Industry Reserve Fund		(435)	(1)	(0.00)	(456)	(1)	(0.00)
TOTAL EXPENDITURE		(3,451,495)	(7,865)	(33.43)	(3,416,757)	(7,482)	(37.27)
		6,875,247	15,667	66.57	5,749,008	12,589	62.73
FINANCE INCOME - NET							
Finance income - net	16	154,928	353	1.50	335,119	734	3.66
NET REVENUE BEFORE CONTRIBUTIONS AND DEDUCTIONS		7,030,175	16,020	68.07	6,084,127	13,323	66.39
Bagasse Transfer Price Fund	18	64,703			65,282		
Contribution by distillers/bottlers	19	84,477			-		
Sugar Insurance Fund Board Premium	20	(176,282)			(157,638)		
NET AMOUNT DISTRIBUTED TO PRODUCERS		7,003,073			5,991,771		

The notes set out on pages 53 to 77 are an integral part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2012

	Notes	2012	RESTATED 2011
		Rs'000	*Rs'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Net revenue distributed to producers		7,003,073	5,991,771
Adjustments for:			
Gain on sale of property, plant and equipment		(581)	(53,504)
Interest costs	16	151,542	111,133
Interest income	16	(2,744)	(951)
Depreciation of property, plant and equipment	4	3,120	3,358
Impairment of other receivables	6	97,129	-
Unrealised foreign exchange gains		(45,421)	(67,063)
Retirement benefit assets		8,517	796
Operating surplus before working capital changes		7,214,635	5,985,540
Increase in inventories		(74,708)	(3,834)
(Increase)/decrease in trade and other receivables		(1,001,791)	924,567
Increase/(decrease) in trade and other payables		135,837	(288,147)
Decrease/(increase) in derivative financial instruments		118,418	(52,425)
Cash generated from operations		6,392,391	6,565,701
Payment made to producers		(7,003,073)	(5,991,771)
Interest paid		(151,542)	(111,133)
Net cash (used in)/from operating activities		(762,224)	462,797
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment		(1,974)	(3,513)
Proceeds from disposal of property, plant and equipment		600	63,893
Interest received		2,744	951
Net cash from investing activities		1,370	61,331
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received		1,305,000	900,000
Loans repaid		-	(8,600)
Net cash from financing activities		1,305,000	891,400
Net increase in cash and cash equivalents		544,146	1,415,528
Cash and cash equivalents at beginning of year		(811,047)	(2,286,578)
Effects of foreign exchange on cash and cash equivalents		63,221	60,003
Cash and cash equivalents at end of the period	7	(203,680)	(811,047)

The notes set out on pages 53 to 77 are an integral part of these financial statements.

1. General Information

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

The Mauritius Sugar Syndicate ('the Syndicate') is the sole sugar marketing organisation in Mauritius and it has for object the sale of all sugars received by it for the account of its members and the distribution of the proceeds of such sale.

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

These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of the members of the Syndicate.

2. Summary of Significant Accounting Policies

The principal accounting policies applied 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.

Basis of preparation

The Committee is responsible for the preparation and fair presentation of these financial statements in accordance with the Mauritius Sugar Syndicate Accounting Policies. The financial statements are not intended to present the financial position and the statement of comprehensive income and cash flows of the Syndicate in conformity with International Financial Reporting Standards ('IFRS').

In view of the mismatch between the Syndicate's financial year, which extends from July to June, and the buyers' marketing year, extending from October to September, the Syndicate is required to hold, on behalf of its buyers, an increasing tonnage of special and white refined sugar which is shipped after the end of its financial year. Revenue for such tonnage is recognised as sales in the preparation of the financial statements and disclosures pertaining to assumptions made are set out in this Note, under the heading "Trade and other receivables".

The financial statements are prepared in thousand Mauritian Rupees (Rs'000) except where otherwise indicated.

The preparation of financial statements in conformity with the Mauritius Sugar Syndicate Accounting Policies requires the use of certain critical accounting estimates. It also requires the Committee to exercise its judgement in the process of applying the Syndicate's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Freehold land is not depreciated. 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

2. Summary of Significant Accounting Policies (cont'd)

Property, plant and equipment (cont'd)

Depreciation is calculated on a straight line basis at annual rates estimated to write off the cost of the assets less their estimated residual values over their expected useful lives. The annual rates used are:

	%
Annual rates used	
Freehold buildings	2
Computer equipment	20
Furniture and equipment	10-20
Motor vehicles	20

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'Other income' in the statement of comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average price basis. The cost of finished goods comprises all costs of purchase and other costs incurred in bringing such stocks in its present location and condition, but excludes borrowing costs.

For cost of inventories of white refined sugar that will be sold on the local market, cost is determined as being the net realisable value to the Syndicate. Net realisable value is based on estimated selling price in the ordinary course of business less applicable variable selling expenses.

Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income within finance income/(costs) - net.

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 assets. 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 receivables is established when there is objective evidence that the Syndicate will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. 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 original effective interest rate. The amount of the provision is recognised in the statement of comprehensive income within direct operating costs. Bad debts are written off in the year in which they are identified. When a trade receivable is uncollectible, it is written off against the allowance of trade receivables. Subsequent recoveries of amounts previously written off are credited against direct operating costs in the statement of comprehensive income.

For other receivables, a provision for impairment is established when there is objective evidence that the Syndicate will not be able to collect all amounts due.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown as a separate line item within current liabilities on the statement of financial position.

Trade and other payables

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

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

Provisions

Provisions are recognised when: the Syndicate has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. Summary of Significant Accounting Policies (cont'd)

Employee benefits

The Syndicate has both defined benefit and defined contribution plans. The Syndicate and all its employees also contribute to the appropriate National Pension Scheme, which are defined contribution schemes. A defined contribution plan is a pension plan under which the Syndicate pays fixed contributions into 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 employee service in the current and prior periods. A defined benefit plan is a retirement benefit plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Syndicate pays contributions to administered plans on a mandatory and voluntary basis. The Syndicate has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

Borrowings

Borrowings are recognised initially at fair value, 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 profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown 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.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Expenses

Expenses are accounted for on an accrual basis. All expenses are charged to the statement of comprehensive income. Included in expenses are the direct operating costs accrued at year end with respect to the unshipped portion of sugars that relate to the current crop year.

Financial assets

Classification

The Syndicate classifies its financial assets in the following category: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The Committee determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Syndicate's loans and receivables comprise 'trade and other receivables', and 'cash and cash equivalents' in the statement of financial position.

Recognition and measurement

Derivatives, which comprise solely foreign exchange forward contracts, are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. The derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives are recognised immediately in profit or loss. These derivatives are trading derivatives and are classified as a current asset or liability.

Changes in fair values of derivatives are included in the statement of comprehensive income within finance income/(costs).

Loans and receivables are carried at amortised cost using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Syndicate assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

2. Summary of Significant Accounting Policies (cont'd)

Impairment of financial assets (cont'd)

As a practical expedient, the Syndicate may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Financial instruments

Financial instruments carried on the statement of financial position include trade and other receivables, cash and cash equivalents, derivative financial instruments, bank overdrafts, borrowings and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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 and discounts.

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

Revenue is recognised as follows:

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

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

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

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

3. Critical Accounting Estimates and Judgements

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

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 addressed below.

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of 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 government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

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

Revenue recognition

At the end of the reporting period, the Syndicate recognises the unshipped portion of sugars that relate to the current crop year as revenue.

The Syndicate values any balance of plantation white sugar held at year end at the latest invoice price at which the customer has purchased the last consignment.

For white refined sugar, the Syndicate determines the sales as being the unshipped quantity of sugars at the period end referenced to the latest EU reference price and adjusted for the profit share as per the LTPA agreement. Determination of the profit share is based on the latest selling price of white refined sugar on the European Market adjusted for: (i) the EU reference price and; (ii) logistics and finance charges.

For special sugars, the Syndicate determines the sales as being the total quantity of sugars committed for sale at the period end and which is referenced to an average price at which customers have agreed to acquire the special sugars.

4. Property, Plant and Equipment

	Land and Buildings*	Computer Equipment	Furniture and Equipment	Motor Vehicles	TOTAL
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*	*Rs'000*
COST					
At 1 July 2010	10,389	4,832	5,057	12,057	32,335
Additions	-	757	384	2,372	3,513
Disposals	(10,389)	-	-	(2,740)	(13,129)
Written off	-	(829)	(653)	-	(1,482)
At 1 July 2011	-	4,760	4,788	11,689	21,237
Additions	-	100	176	1,698	1,974
Disposals	-	(22)	(392)	(1,310)	(1,724)
At 30 June 2012	-	4,838	4,572	12,077	21,487
ACCUMULATED DEPRECIATION					
At 1 July 2010	-	3,382	3,717	5,999	13,098
Charge for the year	-	654	267	2,437	3,358
Disposals	-	-	-	(2,740)	(2,740)
Written off	-	(829)	(653)	-	(1,482)
At 1 July 2011	-	3,207	3,331	5,696	12,234
Charge for the year	-	503	262	2,355	3,120
Disposals	-	(8)	(387)	(1,310)	(1,705)
At 30 June 2012	-	3,702	3,206	6,741	13,649
NET BOOK VALUE					
At 30 June 2011	-	1,553	1,457	5,993	9,003
At 30 June 2012	-	1,136	1,366	5,336	7,838

** Freehold*

5. Inventories

	2012	2011
	Rs'000	*Rs'000*
At Cost		
Bags, steel bars and liners	44,290	36,407
At Net Realisable Value		
White refined sugar: Bottlers' grade	66,825	-
	111,115	36,407

6. Trade and Other Receivables

	2012	RESTATED 2011
	Rs'000	*Rs'000*
Trade Receivables		
Exports proceeds	798,843	988,407
Export proceeds – Unshipped sugars	2,498,444	757,402
Local proceeds	-	520,913
	3,297,287	2,266,722
Advance to producers	-	107,972
Loan to refiner	93,300	3,985
Staff loans	4,135	3,944
Other receivables	105,883	133,991
Provision for impairment of other receivables	(97,129)	-
Total trade and other receivables	3,403,476	2,516,614

The carrying amount of trade and other receivables approximate their fair value.

At 30 June 2012, trade receivables of Rs 3,297,287,000 (2011: Rs 2,266,722,000) were fully performing.

It is the Syndicate's policy to assess the creditworthiness of customers prior to signing a sale agreement with the customer.

In order to be able to operate on a commercial basis, the Syndicate is required to provide credit facilities to its customers and partners. The credit period is 90 days from the date of issue of invoices for white refined sugar. For special sugar, the credit period is 30 days (2011: 30 days).

6. Trade and Other Receivables (cont'd)

As of 30 June 2012, trade receivables of Rs 243,850,000 (2011: Rs 300,497,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2012	2011
	Rs'000	*Rs'000*
Trade Receivables		
Above 30 days but before 90 days	243,672	284,320
Above 90 days	178	16,177
	243,850	300,497

At 30 June 2012, other receivables amounting to Rs 97,129,000 have been fully impaired. These receivables represent overpayments made to planters last year in light of the prior year audit adjustments that were identified and booked in the financial statements. The prior year audit adjustments are disclosed in Note 24. Other receivables amounting to Rs 8,704,000 (2010 : Rs 133,991,000) were fully performing.

All car loans advanced bear interest at the rate of 6% per annum (2011: 6%). Advances on salary are interest free. As regards to housing loans, they are advanced to certain categories of employees, and bear interest at 5% per annum (2011: 5%). Car Loans and Housing Loans are secured by a lien and repayable on a monthly basis. All other items within trade and other receivables are not secured by any collateral.

The Syndicate has advanced a bridge term loan facility to one refiner for the sum of EUR 2.5 M (Rs 93.30 M) (2010: Rs 3.99 M) which is repayable before 30 November 2013. Interest of EURIBOR Six Months + 1.5% is payable to the Syndicate monthly in arrears.

At 30 June 2012, the loan to refiner and staff loans were fully performing.

The carrying amount of the Syndicate's trade and other receivables is denominated in the following currencies:

	2012	2011
	Rs'000	*Rs'000*
Euro	3,337,447	1,745,761
US Dollars	44,521	48
Mauritian Rupees	21,508	770,805
	3,403,476	2,516,614

7. Cash and Cash Equivalents

	2012	2011
	Rs'000	*Rs'000*
Cash and cash equivalents	258,588	146,132
Bank overdrafts	(462,268)	(957,179)
	(203,680)	(811,047)

The foreign bank balances and overdraft are as follows:

	2012	2011
	Rs'000	*Rs'000*
Cash at bank		
Euro	132,957	385
UK pound	2,752	23,466
US dollars	8,520	60,440
	144,229	84,291
Bank overdrafts		
Euro	-	769,630
US dollars	449,720	-
	449,720	769,630

The fair value of bank overdrafts equals their carrying amounts, as the impact of discounting is not significant. Bank overdrafts are secured by the preferential lien over all sugars as conferred by Ordinance No. 87 of 1951. The interest rates vary from 4.8% to 8.0% on Rupees accounts (2011: 3.5% to 7.5%) and Libor + 1.5% p.a on Euros and USD accounts respectively (2011: Libor +1.5%).

The Syndicate has the following undrawn bank overdraft facilities at the end of the reporting period:

	UNDRAWN
	2011
	Rs'000
Expiring beyond one year	379,576

8. Borrowings

	2012	RESTATED 2011
	Rs'000	*Rs'000*
Unsecured loans	2,487,200	1,182,200

The loans denominated in Rupees bear interest from 3.50% to 8.25% per annum (2011: 4.75% to 5.25%).
Unsecured loans are repayable on demand.

9. Trade and Other Payables

	2012	RESTATED 2011
	Rs'000	*Rs'000*
Payable to producers under the Bagasse Transfer Price Fund	64,788	65,369
Manufacturing premium – white refined & special sugars	212,569	385,066
Refiner service fee (Energy & Chemicals)	148,321	-
Freight	205,183	54,210
Other accruals	234,671	225,050
	865,532	729,695

The Bagasse Transfer Price Fund was paid to the beneficiaries on 5 July 2012.
The Syndicate has policies in place to ensure that all payables are settled within the credit time frame.

10. Retirement Benefit (Assets)/Obligations

	2012	2011
	Rs'000	*Rs'000*
(a) Amounts recognised in the Statements of Financial Position are		
Present value of funded obligations	59,616	58,277
Fair value of plan assets	(46,512)	(46,066)
	13,104	12,211
Unrecognised Actuarial loss	(12,465)	(20,089)
Liabilities/(Assets) recognised in the statement of financial position	639	(7,878)

	Note	2012	2011
		Rs'000	*Rs'000*
(b) Amounts recognised in the Statements of Comprehensive Income are			
Current Service Cost		3,704	3,273
Interest Cost		5,635	4,118
Expected return on plan assets		(4,594)	(4,265)
Past service cost		7,000	318
Total included in employee benefit expense	15(a)	11,745	3,444

	2012	2011
	Rs'000	*Rs'000*
(c) Movement in liability recognised in Statement of Financial Position		
At 1 July	(7,878)	(8,674)
Recognised in the statement of comprehensive income	11,745	3,444
Contributions paid	(3,228)	(2,648)
At 30 June	639	(7,878)
Actual return of plan assets	699	4,339

	2012	2011
	%	%
(d) The Principal actuarial assumptions used for accounting purposes were		
Discount rate	10.0	10.0
Expected rate of return on plan assets	10.0	10.0
Future salary increases	7.0	7.0
Future pension increases	3.0	3.0

	2012	2011
	Rs'000	*Rs'000*
(e) Reconciliation of the Present Value of defined benefit obligation		
Present value of obligations at start of period year	58,277	39,632
Current service cost	3,704	3,273
Employee Contributions	460	349
Interest cost	5,635	4,118
Benefit paid	(3,941)	(839)
Liability (gain)/loss	(4,519)	11,744
Present value of obligation at end of year	59,616	58,277

	2012	2011
	Rs'000	*Rs'000*
(f) Reconciliation of fair value of plan assets		
Fair value of plan assets at start of year	46,066	39,569
Expected return on plan assets	4,594	4,265
Employers contributions	3,228	2,648
Employee contributions	460	349
Benefits paid	(3,941)	(839)
Asset (loss)/gain	(3,895)	74
Fair value of plan assets at end of year	46,512	46,066

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

	2012	2011
	%	%
(g) Distribution of plan assets at end of year		
Percentage of assets at end of year		
Equities overseas	14	18
Local equities	34	30
Fixed interest securities – Overseas	7	9
Fixed interest securities – Local	20	7
Property	23	22
Loans & fixed deposits	-	14
Cash & other	2	-
Total	100	100

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

	2012	2011	2010	2009	2008
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*	*Rs'000*
(h) History of obligations, assets and experience adjustments					
Fair value of plan assets	46,512	46,066	39,569	56,000	31,134
Present value of defined benefit obligations	(59,616)	(58,277)	(39,632)	(56,103)	(45,462)
Deficit	(13,104)	(12,211)	(63)	(103)	(14,328)
Asset experience (loss)/gain during the year	(3,895)	74	349	(7,605)	(413)
Liability Experience loss during the year	4,519	(11,744)	(1,292)	(2,250)	(1,576)
Expected employer contributions	3,454				

Retirement benefit obligations are based on the report of Aon Hewitt Ltd.

11. Sales Proceeds

	2012	RESTATED 2011
	Rs'000	*Rs'000*
Sales proceeds were arrived as follows		
Gross Exports Proceeds: Shipped	7,588,419	7,265,644
Gross Exports Proceeds : Unshipped	2,498,444	757,402
	10,086,863	8,023,046
Proceeds from local sales	239,298	1,089,215
Total Sales Proceeds	10,326,161	9,112,261

12. Other Income

	2012	RESTATED 2011
	Rs'000	*Rs'000*
Other Income comprises of the following elements		
Gain on disposal of London property	-	52,899
Gain on disposal of motor vehicle	581	605
	581	53,504

13. Direct Operating Costs

	2012	RESTATED 2011
	Rs'000	*Rs'000*
Manufacturing premium – white refined & special sugars	1,387,114	1,036,572
Export fee	29,028	20,764
Freight charges	638,606	527,476
Bags and other related charges for special sugars	56,008	46,056
Liners, steel bar and other related costs for white refined sugar	132,543	118,543
Cost of imports for local market and re-export	556,154	900,301
Other costs	4,482	6,705
Provision for impairment of other receivables	97,129	-
	2,901,064	2,656,417

(i) Cost of imports

Costs of imports for the local market and re-export is calculated on a landed basis for 29,307 MT (2011: 25,660 MT) of white refined sugar and raw sugar feedstock.

14. Storage Charges

	2012	RESTATED 2011
	Rs'000	*Rs'000*
BSSD – Recurrent expenditure	50,800	61,300
MCIA (Ex-MSTC) – Rental, repair and maintenance costs of shed	7,042	8,900
CHC storage charges	35,585	6,090
	93,427	76,290

15. Administrative and Other Charges

	2012	RESTATED 2011
	Rs'000	*Rs'000*
These are arrived at after charging:		
Depreciation on plant & equipment	3,120	3,358
Gain on sale of property, plant & equipment	581	(53,504)
Employee benefit expenses	44,266	36,258
(a) Employee benefit expenses		
Wages and salaries, including termination benefits	31,448	31,879
Social security costs	1,073	935
Pension costs (Note 10(b))	11,745	3,444
	44,266	36,258

16. Finance Income – Net

	2012	RESTATED 2011
	Rs'000	*Rs'000*
Finance Income		
Interest Income	2,744	951
Gain on foreign exchange forward contracts (unrealised)	34,622	153,040
Exchange gain - net	269,104	292,261
	306,470	446,252
Finance costs		
Interest Payable:		
Foreign currency accounts	8,448	24,847
MUR balances	143,094	86,286
	151,542	111,133
Finance Income – Net	154,928	335,119

17. Service Providing Institutions and Dockers' Pension

	2012	2011
	Rs'000	*Rs'000*
Payments to service providing institutions (Global Cess), and Dockers Pension as determined by MCIA (Ex-Mauritius Sugar Authority), comprises financing of the following		
MCIA		
Ex - Cane Planters and Millers Arbitration and Control Board	37,690	79,117
Ex - Farmers Service Corporation	22,289	47,388
Ex - Mauritius Sugar Authority	13,236	32,078
Ex - Mauritius Sugar Industry Research Institute	79,231	173,414
Ex - Mauritius Sugar Terminal Corporation	38,522	68,389
Ex - Sugar Planters Mechanical Pool Corporation	54,312	118,938
Mauritius Cane Industry Authority	41,720	-
Payment of pension to redundant Dockers	96,884	93,328
	383,884	612,652

18. Bagasse Transfer Price

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

19. Contribution by Distillers/Bottlers

In line with Finance Act 2010, the sum received as contribution from Distillers/Bottlers has been paid during the crop year in two tranches: on 24 December 2011 and 16 July 2012 respectively.

20. Sugar Insurance Fund Board Premium

The premium is deducted from the sugar proceeds of the producers and remitted to the Sugar Insurance Fund Board on their behalf as per Section 24 of the Sugar Insurance Fund Act 1974.

21. Taxation

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

22. Financial Risk Management

	AT AMORTISED COST	LOANS AND RECEIVABLES	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
	2012	2012	2012	2012
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
(a) Categories of Financial Instruments				
Financial Assets				
Trade and other receivables		3,390,587	-	3,390,587
Cash at bank		258,588	-	258,588
Foreign exchange forward contracts		-	34,622	34,622
		3,649,175	34,622	3,683,797
Financial Liabilities				
Bank overdraft	462,268		-	462,268
Borrowings	2,487,200		-	2,487,200
Other payables	865,532		-	865,532
	3,815,000		-	3,815,000

	AT AMORTISED COST	LOANS AND RECEIVABLES	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
	RESTATED	RESTATED	RESTATED	RESTATED
	2011	2011	2011	2011
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Financial Assets				
Trade and other receivables		2,382,623	-	2,382,623
Cash at bank		146,132	-	146,132
Foreign exchange forward contracts		-	153,040	153,040
		2,528,755	153,040	2,681,795
Financial Liabilities				
Bank overdraft	1,857,179		-	1,857,179
Loans	282,200		-	282,200
Other payables	729,695		-	729,695
	2,869,074		-	2,869,074

The Syndicate's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate 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 effects on the Syndicate's financial performance. The Syndicate uses derivative financial instruments to hedge certain risk exposures.

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

The Marketing Strategy Committee monitors all the marketing strategies, product pricing policies and credit risks of the Syndicate and recommends action to the Executive and Selling Committee of the Syndicate with respect to interest rate risk, credit risk and liquidity risk.

The Risk Management Committee is responsible for the overall risk management of the Syndicate. It addresses all other risks not falling under the purview of the Marketing Strategy Committee and the Forex Management Committee.
The Forex Management Committee manages foreign exchange risk through monitoring of the concentration and timing of trade receivables by type of currencies. The Committee also monitors the trends in forex to enable it to devise the appropriate strategy when it comes to planning for entering into foreign exchange forward contracts.
The Forex Management Committee is also responsible for the management of interest rate risk and liquidity risk.

(b) *Foreign Exchange Risk*

The Syndicate operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily in respect to the Euro, US Dollars and Pound Sterling. Foreign exchange risk arises on future commercial transactions, recognised assets and liabilities. The Forex Management Committee has set up a monitoring process whereby it ensures that the Syndicate manages its foreign exchange risk against its functional currency. To manage their foreign exchange risk arising from future commercial transactions, and recognised assets and liabilities, the Syndicate uses foreign exchange forward contracts which are transacted with commercial banks. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Syndicate's functional currency.
The currency profile of the financial assets and liabilities of the Syndicate is summarised below:

	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
		RESTATED		RESTATED
	2012	2011	2012	2011
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
United States Dollar	55,947	130,415	664,111	56,924
Euro	3,372,330	1,829,259	410,180	1,278,379
UK Pound	2,752	23,466	-	-
Mauritian Rupee	252,768	698,655	2,740,709	1,533,771
	3,683,797	2,681,795	3,815,000	2,869,074

At 30 June 2012, if the Mauritian rupee had weakened/strengthened by 5% against the US Dollar with all other variables held constant, the net revenue before distribution to producers would have been Rs 30,408,200 lower/higher (2011: Rs 3,672,150 higher/lower).
At 30 June 2012, if the Mauritian rupee had weakened/strengthened by 5% against the EURO with all other variables held constant, the net revenue before distribution to producers would have been Rs 148,107,500 (2011: Rs 53,791,300) higher/lower.
At 30 June 2012, if the Mauritian rupee had weakened/strengthened by 5% against the UK Pound with all other variables held constant, the net revenue before distribution to producers would have been Rs 137,600 (2011: Rs 1,173,300) higher/lower.
5% is the sensitivity rate used when reporting foreign currency internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

(c) *Foreign exchange forward contract*

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

Foreign exchange forward contract (cont'd)

Outstanding Contracts

	CONVERSION EUR-USD				FWD TRANSACTIONS		CONTRACT VALUE		FAIR VALUE	
	TRANSACTION	CONTRACT	FORWARD	GAIN	EUR FWD	USD FWD	EUR FWD	USD FWD	EUR FWD	USD FWD
	Euro	*Rate*	*Rate*	*Rs*						
	2012	*2012*	*2012*	*2012*	*2012*	*2012*	*2012*	*2012*	*2012*	*2012*
Average exchange rate (Rs)	-	-	-	-	-	29.94	-	29.94	-	30.89
	Eur	*$/Eur rate*	*$/Eur rate*	*Rs*	*EUR*	*USD*	*Rs*	*Rs*	*Rs*	*Rs*
	000			*000*	*000*	*000*		*000*	*000*	*000*
Maturity less than 3 months	42,500	1.35	1.27	102,261	-	87,200	-	2,599,055	-	2,611,877
Maturity above 3 months	43,650	1.35	1.31	54,132	-	73,212	-	2,202,882	-	2,311,831
TOTAL	86,150			156,393	-	160,412	-	4,801,937	-	4,923,708
Unrealised surplus at 30 June (Rs'000)				34,622						

Outstanding Contracts

	CONVERSION EUR-USD				FWD TRANSACTIONS		CONTRACT VALUE		FAIR VALUE	
	TRANSACTION	CONTRACT	FORWARD	GAIN	EUR FWD	USD FWD	EUR FWD	USD FWD	EUR FWD	USD FWD
	Euro	*Rate*	*Rate*	*Rs*	*2011*	*2011*	*2011*	*2011*	*2011*	*2011*
Average exchange rate (Rs)	-	-	-	-	41.85	29.27	41.85	29.27	39.85	27.47
					EUR	*USD*	*Rs*	*Rs*	*Rs*	*Rs*
					000	*000*	*000*	*000*	*000*	*000*
Maturity less than 3 months	-	-	-	-	4,500	-	184,820	-	179,325	-
Maturity above 3 months	-	-	-	-	37,950	38,850	1,589,878	1,137,185	1,512,308	1,067,210
TOTAL	-			-	42,450	38,850	1,774,698	1,137,185	1,691,633	1,067,210
Unrealised surplus at 30 June (Rs'000)				153,040						

The Syndicate entered into forward contracts with different commercial banks of Mauritius for terms not exceeding 12 months at any point in time.
At 30 June 2012, the surplus on forward exchange transactions undertaken for crop 2011 was Rs 34,622,000 as compared to Rs 153,040,000 for crop 2010.
It is anticipated that once the contracts will mature the surplus/shortfall will then be realised and will impact on the amount distributed to producers in crop 2012.

22. Financial Risk Management (cont'd)

(d) Interest Rate Risk

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

The interest rate risk profile of the financial assets and liabilities at 30 June 2012 was:

	2012	2011
	% p.a.	*% p.a.*
Financial Assets		
Cash resources – Mauritian rupees	3.50 to 4.50	3.50 to 4.50
Cash resources – foreign currencies	0.05 to 0.50	0.05 to 0.75
Financial Liabilities		
Loans – Mauritian rupees	3.25 to 8.25	4.75 to 5.25
Bank overdraft – Mauritian rupees	4.80 to 8.00	3.50 to 5.50
Loans – foreign currencies	-	-
Bank overdraft – foreign currencies	1.60 to 2.80	2.00 to 3.50

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

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

For floating rate liabilities/assets, the analysis is prepared assuming the amount of liability at the reporting date was outstanding for the whole year. If interest rate had been 50 basis points higher and that all other variables were held constant, the Syndicate's results would have been affected as follows:

		RESTATED
	2012	2011
	Rs'000	*Rs'000*
Decrease in amount distributed to producers	(1,018)	(4,055)

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

(e) Credit risk

Credit risk is managed on by the Marketing Strategy Committee. Credit risk arises from cash and cash equivalents as well as credit exposures to retail customers, including receivables.

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

22. Financial Risk Management (cont'd)

(e) Credit risk (cont'd)

The Marketing Strategy Committee 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 transfer.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or historical information about counterparty default rates. Refer to Note 6 for an analysis of trade receivables which are past due and impaired and past due and not impaired. For the year under review, trade receivables were not impaired.

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

(f) Liquidity risk

A liquidity risk is faced on making advances to planters on a weekly basis during the crop season and on a monthly basis in the inter-crop season. Overdraft and loan facilities have been obtained with banks and institutions in the sugar sector to supplement its regular inflow of sugar proceeds. All borrowings, bank overdrafts and other payables are due for settlement within 12 months of the date of the statement of financial position and have therefore been classified under current liabilities.

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

23. Related Party Transactions

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

	2012	2011
	Rs'000	*Rs'000*
Compensation of key management personnel	11,874	10,222

24. Prior Year Restatement

The statement of comprehensive income and the statement of financial position has been restated in respect of prior year adjustments and reclassifications which are detailed as follows:

(a) The Syndicate recognised a gain on revaluation on foreign exchange forward contracts at 30 June 2011 of Rs 153,040,000. The gain on exchange was not accounted through the statement of comprehensive income and was instead accounted for in the statement financial position under derivative financial instruments and the corresponding entry accounted under trade and other payables. The 2011 financial statements has been restated to reflect the gain on foreign exchange forward contracts on the statement of comprehensive income under finance income – net.

(b) The Syndicate received a claim of Rs 282,055,000 from its main buyer in 2012. The claim relates to the 2011 financial statements and the financial statements have been restated to account for that claim, for which the Syndicate was not aware of in 2011.
Imported refined sugars amounting to Rs 31,885,000 was accounted for as direct operating costs in the 2011 financial statements. These sugars were not received at 30 June 2011 and the Syndicate has made a prior year restatement to reverse this amount.

(c) The net effect of the prior year restatement ((a) and (b) above) resulted in an overpayment of Rs 97,129,000 to producers and the 2011 financial statements have been restated to reflect this.

(d) Foreign exchange gains of Rs 292,261,000 were being accounted for as part of revenue in 2011 and the 2011 financial statements have been restated to reclassify the foreign exchange gain to finance income – net.

(e) Freight charges of Rs 525,081,000 were being accounted for as part of revenue in 2011 and the 2011 financial statements have been restated to reclassify the freight charges to direct operating costs.

(f) Storage charges of Rs 6,090,000 were being accounted for as part of direct operating costs in 2011 and the 2011 financial statements have been restated to reclassify the amount to storage charges.

(g) Interest income of Rs 951,000 were being accounted for as part of other income in 2011 and the 2011 financial statements have been restated to reclassify the interest income to finance income - net.

(h) One loan of Rs 900,000,000 was being accounted for as part of bank overdraft in 2011 and the 2011 financial statements have been restated to reclassify the loan to borrowings.

24. Prior Year Restatement (cont'd)

	2011 Rs'000
Other Payables	
Other payables, as previously stated	632,566
Gain on foreign exchange forward contracts *(a)*	(153,040)
Direct operating costs *(b)*	250,169
Other payables, as restated	729,695
Trade and Other Receivables	
Trade and other receivables, as previously stated	2,419,485
Amount receivable from producers *(c)*	97,129
Trade and other receivables, as restated	2,516,614
Sales Proceeds	
Sales proceeds, as previously stated	8,879,441
Foreign exchange gain *(d)*	(292,261)
Freight charges *(e)*	525,081
Sales proceeds, as restated	9,112,261
Direct operating costs	
Direct operating costs, as previously stated	1,887,257
Other payables *(b)*	250,169
Freight charges *(e)*	525,081
Storage charges *(f)*	(6,090)
Direct operating costs, as restated	2,656,417
Finance income/(costs) – net	
Finance costs, as previously stated	(111,133)
Gain on foreign exchange forward contracts *(a)*	153,040
Foreign exchange gain *(d)*	292,261
Other income *(g)*	951
Finance income, as restated	335,119
Other income	
Other income, as previously stated	54,455
Interest income *(g)*	(951)
Other income, as restated	53,504
Storage Charges	
Storage charges, as previously stated	70,200
Direct operating costs *(f)*	6,090
Storage charges, as restated	76,290

	2011
	Rs'000
Bank Overdrafts	
Bank overdraft, as previously stated	1,857,179
Borrowings *(h)*	(900,000)
Bank overdraft, as restated	957,179
Borrowings	
Loan, as previously stated	282,200
Additional loan *(h)*	900,000
Loan, as restated	1,182,200

	2011
	Rs per tonne
Reconciliation statement	
Ex-Syndicate price : Crop 2010	
Ex-syndicate price, as previously stated	13,535.72
Effect of prior year adjustment	(212.69)
Ex-syndicate price, as restated	13,323.03

25. Contingent Liabilities

The Syndicate has contracted bank guarantees in favour of Mauritius Revenue Authority amounting to Rs 456,353 (2011: Rs 476,353). It is the normal practice of the Syndicate to apply for duty and VAT exemptions with respect to items/equipment imported and held for eventual re-exports (admission temporaire). The Syndicate is therefore required to provide bank guarantees to the Mauritius Revenue Authority, evidencing that such imports are not meant for sales on the local market. Once the items/equipments are re-exported, the bank guarantees are thereby cancelled.

Crop Statement

	2011-2012 CROP				2010-2011 CROP			
	Plantation White Sugar	White Sugar	Special Sugar	TOTAL	Plantation White Sugar	White Sugar	Special Sugar	TOTAL
	MT	*MT*	*MT*	*MT*	*MT*	*MT*	*MT*	*MT*
Net landed weight of sugar shipped	-	213,992	92,631	306,623	74,608	200,450	87,410	362,468
Loss in weight	-	-	-	-	97	-	-	97
Tonnage of sugar shipped (net of loss)	-	213,992	92,631	306,623	74,705	200,450	87,410	362,565
Tonnage of sugar held at year end	85,528	19,554	33,324	138,406	31,374	19,473	19,037	69,884
Reprocessed sugar	-	-	39	39	-	-	34	34
	85,528	233,546	125,994	445,068	106,079	219,923	106,481	432,483
Local Market sales	-	5,153	3,067	8,220	-	10,051	2,019	12,070
Net tonnage of sugar sold & held for sale	85,528	238,699	129,061	453,288	106,079	229,974	108,500	444,553
Normal processing loss in the production of white refined sugar				8,329				7,920
Gross tonnage available during the crop year				461,617				452,473
Non-Originating sugar imported for processing and re-export				(26,307)				-
Total local production (tel quel)				435,310				452,473
Adjustment at 98.5° Polarisation by Control and Arbitration Department (MCIA)				438,833				456,662

Sales Proceeds (FOBS)

	2011-2012 Crop	2010-2011 Crop
	Rs'000	*Rs'000*
European Union		
Raw and plantation white sugar	-	960,348
White refined sugar	6,177,524	4,149,601
Special sugar	2,488,681	1,812,157
Total - European Union	8,666,205	6,922,106
United States of America (USA)	313,787	255,932
World Market	466,025	309,167
	9,446,017	7,487,205
Local Sales	239,298	1,087,539
TOTAL	9,685,315	8,574,744

Average Price (FOBS) Per Metric Ton

	2011-2012 Crop	2010-2011 Crop
	Rs per MT	*Rs per MT*
European Union		
Raw and plantation white sugar	-	12,737
White refined sugar	19,376	16,323
Special sugar	26,585	23,660
United States of America (USA)	23,764	18,850
World	23,142	18,505
Average Export Price	21,190	17,153

Average Local Market Price Per Metric Ton

	2011-2012 Crop	2010-2011 Crop
	Rs per MT	*Rs per MT*
Local Market	26,200	28,761

Statement of Distribution of Bagasse Proceeds

	2011-2012 Crop	2010-2011 Crop
	Rs'000	*Rs'000*
Bagasse Transfer Price Fund	64,703	65,282
Paid out to:		
Planters of the first group according to the Second Schedule of SIE (Amendment) Act 1993	7,765	7,835
Planters of the second group according to the Second Schedule of SIE (Amendment) Act 1993	24,587	24,807
Millers or producers of electricity according to the Second Schedule of SIE (Amendment) Act 1993	32,351	32,640

Amount Per Tonne of Sugar Accruing

	2011-2012 Crop	2010-2011 Crop
	Rs	*Rs*
Planters of the first group according to the Second Schedule of SIE (Amendment) Act 1993	62.17	66.39
Planters of the second group according to the Second Schedule of SIE (Amendment) Act 1993	112.94	103.85

Amount Per KWH of Firm or Continuous Electricity

	2011-2012 Crop	2010-2011 Crop
	Rs	*Rs*
Millers or producers of electricity according to the Second Schedule of SIE (Amendment) Act 1993	0.092	0.096

The Bagasse Transfer Price Fund for 2011-2012 crop was distributed as from 5 July 2012 in accordance with the Sugar Industry Efficiency (Amendment of Schedule) Regulations 1999.

Ex-Syndicate Price Per Tonne

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

Crops 1986-87 to 2011-12		On first 1,000 tonnes exported	On next 2,000 tonnes exported	On the remainder
Crop		*Rs*	*Rs*	*Rs*
1986 - 87	Millers	5,314.87	4,517.51	4,118.83
	Planters	5,348.13	4,550.77	4,152.09
1987 - 88	Millers	6,064.69	5,141.20	4,679.46
	Planters	6,101.79	5,178.31	4,716.56
1988 - 89	Millers	6,817.57	5,809.62	5,305.65
	Planters	6,855.48	5,847.53	5,343.56
		On whole production (As per provision of SIE Amendment ACT No. 1, 1993)	On first 3,000 tonnes exported	On the remainder
1989 - 90	Millers	-	7,812.06	6,448.62
	Planters	-	7,845.82	6,482.38
1990 - 91	Millers	-	8,000.98	6,603.66
	Planters	-	8,029.85	6,632.53
1991 - 92	Millers	-	8,204.61	6,789.51
	Planters	-	8,242.80	6,827.70
1992 - 93 *	Millers	7,736.33	-	-
	Planters	-	8,472.01	7,000.66
1993 - 94 *	Millers	8,722.74	-	-
	Planters	-	9,551.06	7,894.42
		On Whole Production		
1995 - 96 *		11,462.80		
1996 - 97 *		12,318.64		
1997 - 98 *		11,907.41		
1998 - 99 *		13,230.19		
1999 - 00 *		12,373.77		
2000 - 01 *		11,570.14		
2001 - 02 *		12,834.68		
2002 - 03 *		14,046.86		
2003 - 04 *		15,216.29		
2004 - 05 *		16,150.36		
2005 - 06 *		17,625.68		
2006 - 07 *		17,891.24		
2007 - 08 *		18,620.15		
2008 - 09 *		17,427.30		
2009 - 10 *		14,612.03		
2010 - 11 *		13,535.72		
2011 - 12 *		16,020.16		

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

Sugar Revenue

Crops 1979-1980 to 2011-2012	Exports (FOB Basis) & Other Receipts	Local Sales	Total Receipts
Crop	*Rs'000*	*Rs'000*	*Rs'000*
1979 - 1980	2,005,157	28,905	2,044,041*
1980 - 1981	1,581,466	59,840	1,639,734*
1981 - 1982	2,188,345	77,810	2,266,155
1982 - 1983	2,713,524	87,538	2,801,062
1983 - 1984	2,579,829	85,641	2,665,470
1984 - 1985	2,755,683	102,771	2,858,454
1985 - 1986	3,361,210	97,715	3,458,925
1986 - 1987	3,982,671	115,882	4,098,553
1987 - 1988	4,489,649	89,238	4,578,887
1988 - 1989	4,550,341	94,342	4,646,013*
1989 - 1990	4,727,704	99,124	4,826,828
1990 - 1991	5,339,427	105,534	5,444,961
1991 - 1992	5,410,500	121,569	5,532,069
1992 - 1993	5,900,080	166,752	6,066,832
1993 - 1994	5,841,078	149,743	5,990,821
1994 - 1995	5,674,723	120,015	5,794,738
1995 - 1996	6,937,252	205,963	7,143,215
1996 - 1997	8,010,272	207,257	8,217,529
1997 - 1998	8,229,017	188,593	8,417,610
1998 - 1999	9,211,231	206,834	9,418,065
1999 - 2000	5,336,766	205,706	5,542,472
2000 - 2001	7,500,668	205,972	7,706,640
2001 - 2002	9,057,055	233,255	9,290,310
2002 - 2003	8,246,710	224,090	8,470,800
2003 - 2004	9,118,411	224,063	9,342,474
2004 - 2005	10,351,658	224,304	10,575,962
2005 - 2006	10,464,376	226,825	10,691,201
2006 - 2007	10,495,475	231,772	10,727,247
2007 - 2008	9,470,630	227,254	9,697,884
2008 - 2009	9,112,641	557,705	9,670,346
2009 - 2010	8,355,800	876,209	9,232,009
2010 - 2011 (Restated)	7,487,205	1,087,539	8,574,744
2011 - 2012	9,446,017	239,298	9,685,315

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

Acronyms

ACP	African Carribean and Pacific
BSSD	Bagged Sugar Storage and Distribution Co. Ltd.
BMP	Best Management Practices
BRC	British Retail Consortium
BST	Bulk Sugar Terminal
CHCL	Cargo Handling Corporation Limited
CQD	Central Quality Department
CEFS	Comité Européen des Fabricants de Sucre
CAP	Common Agricultural Policy
CIBE	Conféderation Internationale des Betteraviers Européens
DDA	Doha Development Agenda
ESA	Eastern and Southern Africa
EPA	Economic Partnership Agreement
ERCP	Economic Restructuring and Competitiveness Programme
ASSUC	European Association of Sugar traders
EEC	European Economic Community
EBA	Everything But Arms
FY	Fiscal Year
FDA BTA	Food and Drug Administration's Bio-Terrorism Act
FSMC	FUEL Sugar Milling Co. Ltd
FRL	FUEL Refinery Ltd
IEPA	Interim EPA
ISO	International Sugar Organisation
ISTC	International Sugar Trade Coalition
LDC	Least Developped Countries
LTPA	Long Term Partnership Agreement
MECAS	Market Evaluation Consumption and Statistics Committee
MCIA	Mauritius Cane Industry Authority
Mtrv	Metric tons raw value
OMOL	Omnicane Operations Ltd
PWS	Plantation White Sugar
RST	Regional Safeguard Threshold
SACU	South African Customs Union
SADC	Southern African Development Community
SIFB	Sugar Insurance Fund Board
SPCF	Sugar Producers Consultative Forum
TRQ	Tariff Rate Quotas
TCS	Technical Committee on Sugar
TFTA	Tripartite Free Trade Area
USDA	US Department of Agriculture
USTR	United States Trade Representative
WSE	White Sugar Equivalent
WG	Working Group
WTO	World Trade Organisation

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