ANNUAL REPORT | 2021 - 22



Power in growing together

MAURITIUS
SUGAR
SYNDICATE

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01

Role and Status of the Mauritius Sugar Syndicate



In 1951, following the recommendations of the Mauritius Economic Commission 1947-48, the Mauritius Sugar Syndicate (the "Syndicate"), which originated in 1919, was legally constituted pursuant to the Mauritius Sugar Syndicate Act 1951.

The Mauritius Sugar Syndicate, as an authorised body under the Mauritius Cane Industry Authority Act 2011, is the sole organisation responsible for the marketing of sugar produced in Mauritius. It brings together all the sugar producers on the island, small and corporate growers and millers alike. The Syndicate's aim is the sale of all sugars it receives on behalf of these producers, and the distribution of the proceeds of such sales after the deduction of common expenses. The 2021 crop involved 9,712 producers. In fulfilling its role, the Syndicate's primary objective is to optimise producers' revenue through the adoption of commercial strategies likely to capture the highest yields obtainable from markets on a sustainable basis. The Syndicate's operations are structured into specialised departments geared to provide services of direct relevance to its core business - in marketing and sales, planning and delivery, finance and accounts, support services for producers, as well as ensuring quality and food safety for the sugars supplied.

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

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

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

Mauritius Sugar Syndicate

MAIN COMMITTEE

President
Marrier d'Unienville Jacques, G.O.S.K.

Vice-President
Baguant Roshan

Corporate Sector Representatives
Baissac Olivier
Bonieux André (until December 2021)
Boodnah Javesh (from March 2022)
De Marassé Enouf Fabien
Espitalier-Noël Hector
Harel Henri
Jaën Jérôme
Lavoipierre Sébastien
Li Yuen Fong Jean
Maigrot Nicolas
Marrier d'Unienville Arnaud
Merven Thierry
Ponnusamy Dhiren
Ribet Jean

Large Planters' Representatives
Nominated by the Minister of Agro-Industry & Food Security
Bhuruth Gunness
Seegobin Jugduth
Sonoo Heymant Rao Anand

Small Planters' Representatives
Nominated by the Minister of Agro-Industry & Food Security
Kutowaroo Dhananjaye
Newoor Pramanund, M.S.K.
Nursing Sardanund
Rampersad Jugdutt, O.S.K.

EXECUTIVE & SELLING COMMITTEE

President
Marrier d'Unienville Jacques, G.O.S.K.

Vice-President
Baguant Roshan

Members
De Marassé Enouf Fabien
Espitalier-Noël Hector
Li Yuen Fong Jean
Maigrot Nicolas
Newoor Pramanund, M.S.K.
Ponnusamy Dhiren
Rampersad Jugdutt, O.S.K.
Sonoo Heymant Rao Anand

In attendance
Purmessur Satish (CEO of MCIA)
Sauzier Jacqueline (Secretary General of the Mauritius Chamber of Agriculture)

CHIEF EXECUTIVE OFFICER & SECRETARY
Dukhira Devesh

MARKETING & SALES

Chief Marketing Officer
Giraud Sébastien

Other Staff Members
Baniaux Glen
Beesoon Kumar
Dawoodarry Lavinishtah
Doodee Nitish
Gowreesunker Naresh
Jaune Dany

FINANCE & ACCOUNTS

Chief Finance Officer
Seewooruthun Ansuya

Other Staff Members
Cartick Alison
Goboodun Indira
Groochurn Kerina
Koopla Chandni
Maghoo Naseera
Saminaden Joëlle
Thupsee Parweezia

SUPPLY CHAIN

Head of Supply Chain
Jhurry Khemraj

Other Staff Members
Cheekhoory Dakshayani
Gopaul Yudhisthir
Keblé Loic
Keblé Stephan
Mooneesamy Darmen
Ribet Karine
Samuel Ian
Seeballuck Sailesh Kumar

COMPLIANCE & PRODUCERS' SERVICE

Head of Compliance & Producers' Service
Dookhony Chetanand

Technical Executive
Bussier Patrick

Other Staff Members
Boolakee Varsha
Davy Fresley Cliford
Earally Faisal
Fokeerah Radhika
Goboodun Sanjaye
Luchmun Roy Purshotum

ADMIN STAFF
Baptiste-Rabot Jesieka
Noyan Gooroodeo
Punchaye Belinda

HR CONSULTANT
Ghurburrun Veena

LEGAL COUNSEL
ENSAfrica (Mauritius)

US TRADE COUNSEL
Ryberg and Smith LLC

EXTERNAL AUDITORS
Deloitte

INTERNAL AUDITORS
Ernst & Young (EY) Mauritius

Preparation

of the land performed by detail-oriented cultivators



President's Report

Cane growers and sugar producers in Mauritius saw a new dawn over the 2021 crop. Not only did their net sugar proceeds, converted to the ex-Syndicate price, return to a more viable level of Rs 16,765 per ton, but other revenue streams have also been significantly enhanced.

While overall earnings have for many years been derived primarily from sugar, with nominal supplements for molasses and bagasse, notwithstanding disbursements from the Sugar Cane Sustainability Fund over the 2015-2018 crops, these cane co-products will henceforth account for at least 20% of planters' net proceeds. The bold, but wise, measure taken in June 2021 by Government to remunerate bagasse at its true value is highly commended. The decision paves the way to a new biomass framework, under preparation at time of writing, which will be a cornerstone in reaching the objective of producing at least 60% of the country's electricity requirements from renewable sources by 2030. The price paid for bagasse has been set at Rs 3.50 per kWh of electricity, equivalent at that time to the payment for alternate energy sources, and it is hoped that the biomass framework will provide for a price indexation in this regard. This sea-change in bagasse payment will undeniably help to mitigate the impact of future sugar price fluctuations, thereby providing improved revenue predictability for local cane growers.

2021 crop sugar sales have benefited firstly from improved market conditions as the world market price has continued to rise, after an increase of some 18 % during the previous year. This escalation attained another 28% over this crop year, the New York #11 price for raw sugar having reached a peak of US 20.69 cts/lb by November 2021. Secondly, with a strengthened market positioning for Mauritius sugars, pursuant to the launching of the new Mauritius sugar label in June 2021, and the subsequent marketing efforts of its buyers, the Mauritius Sugar Syndicate managed to sell a larger quantity of high value-added special sugars, especially in the EU market. Thirdly, the proceeds of export sales have been supported by the contextual weakening of the Mauritian Rupee, to the tune of 5% against the US Dollar over the crop year.

As profitability is finally restored within the industry, with total proceeds from sugar and cane co-products even reaching a historically high level, notwithstanding the financial support extended by Government to specific categories of producers over previous years, it is time to bring to mind the efforts and determination of those who have contributed to bringing the sector to where it is today, in particular in assuring its adaptation to the post-Sugar Protocol era, and consequently, the sector's long term viability. Despite the perception, now proved erroneous, that the sector faced a slow and inevitable death after the termination of EU sales guarantees, it has proved its resilience thanks to the agility of producers and other relevant stakeholders. These start with the producer-members of the Syndicate, who in 2008/09 had collectively embarked on a shift of production from essentially raw sugar for refining to exclusively direct consumption sugars, with a growing mix towards higher value-added sugars, thereby driving the marketing strategy of the industry. The objective of doubling the production of special sugars and refining the balance of the country's crop outturn was attained by 2011, which subsequently provided the Syndicate with the flexibility to expand its market base to tap into the best export opportunities in pursuit of the highest value for its members.

"Growers and millers alike should take advantage of currently-recovered prices to intensify innovation and improvements in their existing cultural practices and production processes to be even more cost-efficient."

Jacques Marrier d'Unienville,
G.O.S.K - President



President's Report





Some 10,000 planters, irrespective of their acreage, have persevered, despite unprofitable revenue levels for over half of the crop years since abolition of the Sugar Protocol. Notwithstanding the financial distress, cane is still being grown on almost 42,000 hectares of land. These planters are supplemented by the thousands of manual workers who have assured continuity of cane supplies to the mills, though the number has decreased substantially over time due to the ageing population and labour mobility towards other sectors of the economy, but also to the expansion of field mechanisation. Likewise, the three sugar mills still in operation have left no stone unturned to adapt to the Syndicate's new market requirements, in respect of both the production process for the high value-added sugars and compliance with global food-safety and sustainability standards. In addition to the machine operators, quality managers and controllers, and other supervisory support teams who ensure compliance with buyers' stringent standards, these services are now also subcontracted to dedicated firms. In parallel, engineers, master distillers, and skilled operators working for the independent power producers and distilleries manage the handling and processing of the respective co-products, bagasse and molasses, thereby helping growers to derive maximum value from their canes. Further, in response to the growing labour scarcity, certain processes are increasingly outsourced, cane harvesting and loading in particular, but also haulage, bringing the canes from the fields to the mills and the sugar from the mills to the refinery or to the port and warehouses in Port Louis, where it is stored prior to shipment. Finally, given that most export sales are completed on a CIF basis, shipping companies prepare food-grade containers to be filled with the bagged sugars prior to sailing. The management of the supply chain, from the time the sugar is produced at the mill until its delivery to the final customer, is the responsibility of the Syndicate, which must therefore ensure a smooth product flow at the lowest possible cost.

The contribution of the cane industry to the Mauritian economy is therefore much higher than what it is often perceived to be. Disregarding the support services mentioned above, cane should presently account for over 2% of the national Gross Domestic Product, while direct and indirect employment remains significant. The socio-economic importance of the sector is supplemented by its role in enhancing the green landscape of the island and reducing soil erosion, which make Mauritius an attractive destination for tourists, and also by its contribution to improving the island's 'energy security' by replacing fossil fuels, thereby lessening overall carbon emissions.



Cane is still grown on almost

42,000

ha of land

On the other hand, this return to profitable levels reinforces growers' willingness to care more for their canes, hence increasing yields through improved working practices, including more regular cane replantation. It is, however, essential that the trend of declining acreage under cane cultivation be urgently reversed. Milling operations have already been consolidated over the years, with each factory now specialising in the production of specific direct consumption sugars, but unless the cane throughput haemorrhage is curtailed, mills could end up running at below break-even costs, resulting in further compression of their number, and reducing the industry's overall competitivity. Government has already expressed its commitment to recoup abandoned land for cane cultivation, but urgent decisions are now required.

Given the larger chunk of proceeds derived from cane co-products going forward, producers have been reassured that the investments they have undertaken, and will continue to undertake in cane cultivation, will remain constructive even if sugar prices recede in the future. It should indeed be remembered that current price improvements will not continue indefinitely. Like other agricultural commodities, global production will fluctuate subject to weather conditions, but also to oil prices in the case of sugar, considering the ability of Brazil, the world's largest producer, to convert cane juice into ethanol to replace gasoline in motor vehicles. In addition, given its contribution to rural development, which often involves thousands of farmers, sugar tends to be politically sensitive in most sugar producing countries, thereby attracting governmental support that regularly results in distorted price levels.

The priority of the Syndicate is to attract the highest value for its sugars, particularly by differentiating its products from the commodity in the marketplace, which will in turn mitigate the impact of future price drops. Coupled with the unrefined special sugars for which Mauritius has already achieved recognition as a pioneer, special white refined sugars are being produced and marketed. In addition to differentiation on the basis of quality, e.g., extra fine white cane sugar, these sugars can be characterised on the basis of their origin and the sustainable environment in which they are produced. With this in mind, the multi-annual contract between the Syndicate and Cristalco, dating from 2015, has been renewed for a further three years, with an emphasis on the sale of these added-value sugars, but also incorporating improved commercial terms for the Syndicate. The commitment and dedication of the Cristalco team to enhancing the value of Mauritius sugars in the EU market is widely recognised within the industry and has been heavily weighed in the assessment of different sales opportunities for white refined sugar.

However, increasing competition within these niche segments cannot be overlooked. In fact, as other producers are lured towards these high value-added sugars, it is essential that the Mauritian sugar industry retains its competitive edge, not only as regards production costs, but also in terms of the quality of the sugars and of meeting global sustainability standards.

To conclude, I would like, on behalf of the Committee, to thank all stakeholders for their contributions towards the industry's successful transformation and sustained adaptation. Growers and millers alike should take advantage of currently-recovered prices to intensify innovation and improvements in their existing cultural practices and production processes to be even more cost-efficient in the future. I also wish to express my gratitude to the Vice-President and other members of the Committee for their support over the year, and also to the CEO and his staff for their commitment in fulfilling the objectives of the Mauritius Sugar Syndicate.

> **"Whenever you see a successful business, someone once made a courageous decision."**
>
> Peter F. Drucker

CEO's Report



...the Syndicate's pursuit of maximised value, especially through sales of higher value-added sugars in the most remunerative market destinations, is bearing its fruits...

Devesh Dukhira - CEO

The ex-Syndicate price for the 2021 crop has been finalized at Rs 16,765 per ton of sugar - Rs 2,703 higher than for the preceding crop. This represents a notable increase of 93% above the Rs 8,686 obtained per ton of sugar from the 2018 crop, while the world market price and average EU price of white sugar have meanwhile increased by 50% and 37% respectively. Such a swing firstly demonstrates the high volatility of sugar prices, and secondly shows how the Mauritius Sugar Syndicate has fared better than average in terms of sales performance. While the weakening of the Rupee, to the tune of 24% over the last three years, and the continuous reduction in operating costs have helped, the Syndicate's pursuit of maximised value, especially through sales of higher value-added sugars in the most remunerative market destinations, is bearing its fruits. Notwithstanding fierce competition from an increasing number of producers, this achievement has been made possible thanks to the quality of Mauritius sugars, which comply with the most stringent buyers' requirements, and the marketing strength of the Syndicate as the sole distributor of locally produced sugars, with the agility to respond rapidly to the most promising opportunities within its wide market network.

As with most agricultural commodities, sugar price variations can be abrupt. It is worth recalling in this regard the disastrous ex-Syndicate price for the 2018 crop, the result of a 30% fall in global prices over the course of 2017, due to world sugar production rising to a record 180 M tons according to the International Sugar Organization (ISO). This was exacerbated by a 35% decline in the average price of white sugar in the EU after the October 2017 liberalisation of production quotas, which had prompted the sugar industry to increase acreage under beet by over 18%.

However, as global sugar output subsided to under 170 M tons over the following years, mostly due to reduced production in Brazil and Thailand, sugar prices started increasing over the last quarter of 2019, after having remained subdued for almost 2 years. However, this escalation was cut short by the widespread COVID-19-related lockdown of February 2020, which had a negative impact on oil prices: consequently, sugar prices fell by some 40% within two months. Meanwhile, for the same reason, world consumption, which had grown by 1.5-2.0% annually in previous years, remained steady, resulting in a stock-to-consumption ratio exceeding 58% over these two years, compared with the previous ten years' average of 50%. Nonetheless, with the lifting of confinement orders from the second half of 2020 onwards, a normalization of consumption occurred; while there had been no significant improvement in global production in the meantime, sugar prices gradually recovered until the New York # 11 price of raw sugar attained a peak of 20.69 US cts/lb in August 2021. Since then, the sugar price has fluctuated between 19 and 20 US cts/lb, trapped between ethanol parity in Brazil and the Indian export parity, which influenced the selling price of Mauritius sugars for the 2021 crop.

CEO's Report

EU sugar prices had unfortunately not yet been aligned with global prices when the Mauritius 2021 crop sugars were being sold. This was a result of the production growth foreseen in the EU crop in the first instance, with production subsequently attaining 16.65 M tons, compared with 14.55 M tons in the previous year, and of suppressed consumption levels while the COVID-19 pandemic was still spreading. With the prices achievable for Mauritius white sugar having been less attractive, the Syndicate consequently diverted 45% of its sales, compared with 7% in the previous year, to non-EU market destinations. Nonetheless, given the low opening stock in the 2021 EU crop year, pursuant to poor production in the previous season while consumption started recovering, availability subsequently became tight, resulting in high spot prices from the third quarter of 2021. This price escalation persisted, especially as a decrease in acreage under beet was foreseen for the 2022 EU crop, and beet prices were consequently expected to be higher alongside alternative crops. It is unfortunate that sales could not be maximised despite such progress in market conditions as the 2021 Mauritius crop outturn fell to a mere 255,818 tons sugar, mainly due to the significant decline in cane productivity and sugar yields. They in fact attained 63.72 tons cane per hectare (tch) and 6.11 tons sugar per hectare (tsh) compared with the last 5 years' averages of 70.17 tch and 7.01 tsh respectively, mostly on account of climate change but also due to relaxation of good cultural practices as producers' revenue had been short of their viability levels. These new EU market price levels should be maintained over the 2022/23 marketing year, as they would equally be kept high by production cost increases, mostly due to the surge in energy prices triggered by the Russian invasion of Ukraine. Price increases estimated at time of writing at over 70% above the previous year therefore set the tone for the sales of the 2022 Mauritius crop sugars, when the ex-Syndicate price should reach record highs.

In anticipation of future market price fluctuations for conventional sugar, the Syndicate is meanwhile pursuing its strategy to strengthen sales of special sugars for as long as they deliver even better prices. The new Mauritius Sugar Label launched in July 2021, set to 'take Mauritius sugars to greater heights,' has been widely praised, and has already proved to be an efficient tool in consolidating the Syndicate's partnerships with its range of customers. Already, several buyers have followed suit, and their intensified promotion of Mauritius sugars in their respective markets has resulted in a 10% sales increase to the EU market. This is in addition to sales development in China further to the new China-Mauritius Free Trade Agreement, which provides as from 2021 a dedicated tariff-rate quota for Mauritius sugars. Preferential access into India under the Comprehensive Economic Cooperation and Partnership Agreement has also started to produce results, with a trial order of special sugars having been shipped over the past year.

Regrettably, the ongoing shipment delays resulting from irregular vessel sailings and persistent port congestions, triggered by the COVID-19-related lockdowns, have stifled further sales growth. For example, the Syndicate could not take advantage of the United States Department of Agriculture (USDA) TRQ reallocation to Mauritius in the course of the year: despite the extension of the delivery period, only 70% of the enhanced quota managed to reach the US border in a timely manner. To make things worse, shipping companies have imposed unprecedented freight rate increases over the crop year, which could not be passed on to customers in their entirety, with a consequent influence on the Syndicate's net revenue. Going forward, freight rate quotations will remain valid only for three months, while sales contracts for sugars are made on an annual basis, hence impacting on the level of visibility on producers' net revenue.

The quest for value enhancement has been extended to Mauritius white refined sugar, especially in the EU market, where it will be increasingly differentiated from the locally produced beet sugar with the support of the Syndicate's commercial partners and key customers. Thanks to the quality advantage achieved and its consistent marketing through a one-stop shop, i.e the Mauritius Sugar Syndicate, Mauritius white refined sugar can attract an additional premium above and beyond the standard commodity.

The Syndicate's value proposition in the marketplace is strengthened by a growing sustainability certification within the industry. During the year under review, Alteo has joined Omnicane to become Bonsucro-certified, with 37,515 tons of certified sugar already available for sale to industrial users insisting on such sustainability standards. Additionally, another Small scale Producer Organisation (SPO) has been recertified as Fairtrade, bringing the number of certified SPOs to 21 while the recently-registered the Syndicate Multipurpose Cooperative Society continues to recruit smaller free cane growers who aim to become Fairtrade-certified, which will complement Fairtrade labelled sugars from certified SPOs.

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The only outstanding reform remains the adequate protection of the domestic market. Despite the MFN import tariff of 100% on sugar, it is still being imported duty-free under preferential trade agreements or by industrial users who are exempted from such payments. Bearing in mind the distorted global price levels, on account of cross-subsidisation of exports or government support provided in several sugar producing countries, these sugars can land in Port Louis at prices which are below average global production costs, thereby creating unfair competition for local producers.

In all other regards, the future looks set for a viable cane sugar industry. While the recent increase in other revenue streams and the positioning of Mauritius sugars in niche market segments will undoubtedly mitigate future fluctuations in global sugar prices, production costs should also be continuously revisited to safeguard the highest net remuneration for growers and millers alike. In this context, the continued decline in production is a major concern as fixed costs are amortised over a shrinking volume of cane. It is hoped that, considering the new economic environment within which the sector is evolving, an urgent reversal of this tendency will transpire in the immediate future.

It should be highlighted that the reduction in sugar feedstock has necessitated tolling operations to fulfil refining capacity, as refining costs would otherwise have been higher. While the raw sugar for such operations is purchased by the Syndicate to maintain the centralisation of sugar sales, all related costs are borne by the refinery, so the Syndicate's membership does not incur any risk or expense associated with such operations. Consequently, the direct operating costs of the Syndicate stood at only 34% of sales revenue for the 2021 crop, compared with 28% in the previous year, a rise explained by the surge in sea freight charges over the year. The Syndicate' own administrative expenses accounted for only 1% of sales revenue, i.e. some Rs 360 per ton of sugar produced. This is probably one of the lowest rates of remuneration around for a sales organisation which has demonstrated, and is called upon to maintain, the agility to adapt to a continuously changing market environment.



10%

Special Sugars sales increase to the EU market



Manual and mechanical harvesting by skilled workers

03

Governance, Risk Management and Audit

GOVERNANCE

The Committee and the Executive & Selling Committee (ESC)

The Mauritius Sugar Syndicate is governed by a Committee as per the provisions of its Articles of Association (1967). This Committee comprises twenty-two members, of whom fourteen represent the corporate sector, four represent large planters and four represent small planters. Ten members of the Committee are selected to make up the Executive and Selling Committee (ESC), which meets every two months to maintain oversight of operations and other matters related to the running of the Syndicate, and to approve key decisions. The ESC met seven times during the year under review.

The ESC has delegated some of its supervision and responsibilities to three sub-committees, namely the Marketing Committee, the Forex Committee, and the Audit and Risk Management Committee (ARMC). These sub-committees operate within defined terms of reference and the outcomes of their meetings are presented to the ESC for approval.

Marketing Committee

The Marketing Committee acts as an advisory committee to the ESC and includes the CEOs of each milling company, a corporate grower, a planter's representative as well as the Chief Executive Officer and the Chief Marketing Officer of the Syndicate. The committee reviews the Syndicate's marketing strategy, sales and product mix, production plans, and supply chain arrangements, before submitting its recommendations to the ESC. The Marketing Committee met six times during the year under review.

FOREX Committee

The FOREX Committee is responsible for managing the foreign exchange risks of the Syndicate. Its terms of reference include defining its objectives in the area of foreign exchange risk management, reviewing and approving policies and procedures for managing foreign exchange risks, approving the use of hedging instruments and setting targeted exchange rates, with the objective of maximising the ex-Syndicate price.

The Committee comprises two members from the corporate sector, two planters' representatives, the Chief Executive Officer and the Chief Finance Officer of the Syndicate. The FOREX Committee met twice during the financial year.

Audit and Risk Management Committee (ARMC)

The ESC delegates the responsibility for internal controls and risk management to the Audit and Risk Management Committee (ARMC) which reviews the risk philosophy, strategy, and policies of the Syndicate.

The terms of reference of the Audit and Risk Management Committee are to carry out a continuous evaluation of the financial reporting process, to review the accuracy, integrity, and reliability of the financial statements of the Syndicate, to examine the adequacy and effectiveness of its Governance, Risk Management, and Internal Control Systems, to approve the annual plan and assess the report of the Internal Audit function, and to recommend the appointment of external auditors while attending to any matters raised by them prior, during, or after completion of the audit of the financial statements.

The ARMC comprises five members and met four times during the year under review.

Governance, Risk Management and Audit

RISK MANAGEMENT

At the Mauritius Sugar Syndicate, Risk Management focuses on identifying, assessing, mitigating, and monitoring the impact of inherent and emergent business risks. The Main Committee, through the ESC and the ARMC, ensures that a risk management programme is implemented through all operations of the Syndicate.

The Syndicate's Management is accountable to the ARMC and de facto to the ESC for the design, implementation and monitoring of processes and procedures to assess and mitigate operational and other risks.

During the financial year ended 30th June 2022, the ten most significant inherent risks in the business of the Syndicate were assessed to be as follows:

RISK CATEGORY	PRINCIPAL INHERENT RISKS	IMPACT	PROBABILITY	OVERALL RATING	RANK
	Risk of delays in meeting customer deadlines	H	M	H	2
	Risk of being short of containers for export	H	M	H	3
	Risk of the consequences of climate change on sugar production, compromising the sustainability of the industry	H	M	H	4
	Risk of having inaccurate stock reports leading to inaccurate production planning and wrong selling decisions	H	M	H	5
Operational	Risk of reliance on inaccurate information for decision making and/or communication of inaccurate information	H	M	H	7
	Credit risk with inability to recover sums due on a timely basis or granting credit to unworthy clients	H	M	H	8
	Risk that the existing IT systems are not used to their full potential	M	M	M	9
	Risk of disruptions in the supply chain resulting in market losses	M	M	M	10
Financial	Volatility in exchange rates, market prices and interest rates	H	M	H	1
Compliance	Risk that contracts with third parties are not complete and robust enough	H	M	H	6

H: High

M: Medium

L: Low

AUDITS

Internal Audit

Ernst and Young (EY) provides internal-audit services to the Syndicate as part of a contract covering the period from 1st August 2020 to 31st July 2023. Internal audit assignments are carried out in line with the internal audit plan approved by the ARMC. In the year ended 30th June 2022, the main tasks carried out by the internal auditors involved a review of the 'Marketing & Contracts Management Processes and Related Controls' and a risk assessment exercise. The findings and recommendations of these reports are currently being implemented by the Syndicate.

External Audit

Deloitte was re-appointed as External Auditors of the Syndicate for a third term to carry out the audit on its financial statements for the year ended 30th June 2022. The External Auditors had unrestricted access to all records, information, transactions, and other documents. Management assisted the External Auditors in providing access to the required information in a timely manner.



Supervised transportation

of the cane from the fields to the mill



Production & Sales Performance 2021 – 22

2021 Crop figures

41,897 ha
of land harvested

2,669,667 tons
of cane harvested

255,818 metric tons
sugar produced

9.59 %
average sucrose extraction rate

3
Sugar mills

1
Refinery



2021 Crop Production

Changing climate patterns once again impacted crop outturn in 2021. A relatively dry spell in several agro-climatic zones during the cane development phase, followed by above normal rainfall, reduced solar radiation and temperature amplitudes at maturation stage, resulted in an inferior richesse and a lower sucrose extraction rate. Thus, while cane productivity was at 63.72 tons per hectare (TCH), slightly higher than the 59.96 TCH registered for the 2020 crop (marked by even drier weather conditions during the cane growth period), sugar productivity fell to 6.11 tons sugar per hectare (TSH) compared with 6.20 TSH for the previous crop.

Compared with the record low harvest of 2.62 M tons of cane in the previous year over 43,711 Hectares (Ha), a slightly improved 2.67 M tons cane were reaped in 2021 over 41,897 Ha. However, at 9.59%, the average extraction rate was 7.3% lower than that of the preceding crop. Sugar production for the 2021 crop was thus finalized at 255,818 tons, a decrease of some 5.6% compared with the previous crop outturn of 270,875 tons.

The sales of these sugars have been finalised over the year, as described in the next section of this report.

9,712
cane-supplying planters

Payment to Producers

Besides their sugar proceeds, detailed in the Financial Review section of the report, producers receive remuneration from the cane co-products, namely bagasse and molasses. In this regard, Government introduced a flagship policy as from the 2021 crop with regard to a new remuneration for bagasse at the rate of Rs 3.50 per kWh, or Rs 3,300 per ton of sugar equivalent. Other noteworthy initiatives alleviating their operational expenses included:

- Waiver of general and fire insurance premiums for planters producing up to 60 tons of sugar accruing;
- Renewal of the 50% fertilizer subsidy scheme;
- 50% refund of costs related to sustainability certification;
- Acquisition of equipment to harvest small planters' sugar cane.

True to its commitment to support producer initiatives, the Mauritius Sugar Syndicate on its side continued its collaboration with providers of cane management and harvest services by recouping the service costs to planters in the Alteo and Omnicane enlarged factory areas at-source before reallocating such payments to them free-of-charge. The 2021 campaign was marked by improved performance in both regions, with Alteo Planters Services and Omnicane harvesting a total of 72,000 tons of cane on behalf of 405 planters, compared with 62,420 tons over the previous crop.

After Government renewed the Fertilizer Scheme for planters cultivating sugar cane on less than 100 Ha land for the 2021 crop, the Mauritius Cane Industry Authority (MCIA) again made use of the services of the Syndicate to recover 50% of the cost of these fertilizers from eligible planters' sugar proceeds. This mechanism enabled the free-of-charge recouping of Rs. 54 M for remittance to the MCIA. As has been the practice since the 2016 crop, millers also entrusted the Syndicate with the payment of cane transport costs refunds and compensation for weighbridge closures to eligible planters in accordance with the MCIA Act's provisions and agreements with milling companies. For the 2021 crop, a sum of Rs. 35.6 M was remitted under these terms to relevant planters from all factory areas via the Syndicate's centralised payment platform.

Production & Sales Performance 2021 – 22

MARKET ENVIRONMENT

World Market

After having fallen to an alarming level inferior to US 10 cts/lb in April 2020, mainly on the setback of the COVID 19 -related confinements globally, the New York # 11 raw sugar futures price gradually recovered thereafter, attaining by end 2020 the pre-COVID level of US 14-15 cts/lb. It increased by another 20-25% by the time the 2021 crop sugars were being sold and surged to the US 20s cts/lb the following September.

This increase was aligned with the price trend of the main agricultural commodities, but also of oil prices, pursuant to the gradual relaxation of global confinements, hence consumption recovery. World sugar prices were further supported by a decrease in the Brazilian 2021/22 crop outturn, that ended being at least 15% lower than in the preceding crop, due to firstly the impact of dry weather conditions and secondly an increasing shift towards production of ethanol.

The New York # 11 raw sugar price subsequently fluctuated within the US 18-20 cts/lb range, being bound mainly between the ethanol parity in Brazil and the India export parity, which are themselves subject to their respective exchange rates vis a vis the USD and the relevant government policies in place.

Likewise, the London # 5 futures price for white sugar, which had fallen to below US$ 350 after the COVID-19 breakout, attained some US$ 450 during the 2nd quarter of 2021, when the 2021 crop sugars were being sold, and rose further thereafter, exceeding USD 500 as from the following quarter.

Sugar prices have been supported by a tightening of world supplies as production has been on a continuous decline since the record level of 180 M tons reached in 2017/18: according to the International Sugar Organization (ISO) World Sugar Balance report of May 2022, it barely attained 169 M tons in 2020/21 while consumption had increased by almost 2 M tons over the preceding year. The stock-to-consumption ratio therefore reached 56.5% in that year, as opposed to 58.4% in the preceding period. Notwithstanding the reduction in the Brazilian crop, global sugar outturn in 2021/22 is estimated to have risen by some 5 M tons to 174 M tons, mostly on account of production recovery in Europe, Thailand, and India, where a record throughput of 35.5 M tons is estimated. Meanwhile, global consumption has increased by another 2.8 M tons, supported by the growing release of movement restrictions, to reach 173.8 M tons. Hence, after a deficit of some 2 M tons in the preceding year, the global sugar market in 2021/22 is expected to be more or less balanced.

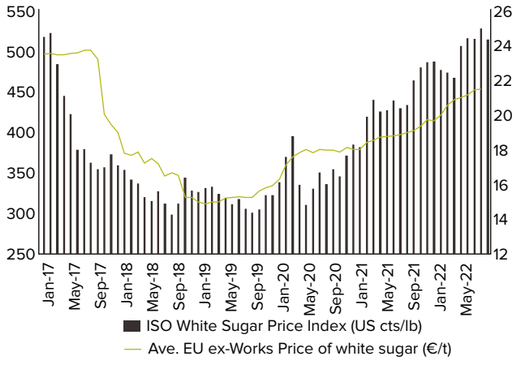
EU Market

After the drastic fall in the EU average price of white sugar, from € 501 per ton in August 2017, according to the EU Commission, reaching a record low level of € 312 in January 2019, a decline which had been triggered with the 27% surge in EU production for the 2017 crop in response to the liberalisation of production quotas, prices have been gradually improving up to € 396 in May 2021. At time of writing, the average price of white sugar had attained € 453 per ton on an ex-works basis for the month of June 2022. However, the price improvement as at that date, was a mere 11% over the 2020/21 marketing year, while global prices had meanwhile increased by 17%.

In fact, after a drought-stricken crop in 2020, EU-27 production having attained 14.55 M tons, a better crop outturn was expected for the 2021 crop. Together with the high stock levels since the record crop of 2017 - the ending stock of the 2019/20 marketing year in fact stood at 2.36 M tons (including UK) - while consumption had meanwhile decreased owing to the COVID-19 related confinements, buyers felt there was sufficient sugar available and were reluctant from accepting price increases in line with the world market.

According to the EU Commission, the 2021 EU-27 crop outturn was finalised at 16.65 M tons sugar. Though almost 15% higher than in the previous year, there was a significant stock drawdown during the year as consumption gradually recovered with the removal of travel restrictions. Sugar shortages started being felt, thereby putting pressure on spot prices, especially as from the 3rd quarter of 2021, but when most sugar sales had been contracted.

Evolution of World Market Prices and EU Prices



White Refined Sugar

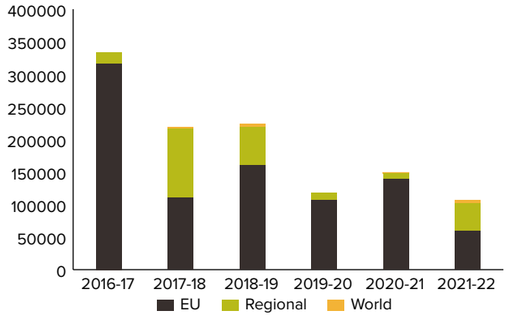
Considering its diversified market base, the Syndicate assessed the best sales opportunities for its white sugar prior to the start of the 2021 harvest, namely between its traditional EU destinations and the regional market where an attractive premium is obtainable over the London #5 white sugar futures.

The evaluation is based on the market prices obtainable, as well as the EUR/USD exchange rate and the sea freight rates to each of these destinations. Considering the above, a larger portion of the white refined sugar produced from locally grown cane was exported to the regional market, attaining 43,000 tons in 2021/22 compared with some 9,000 tons in the previous year. Export of white sugar from locally grown cane to the EU market consequently stood at only 59,000 tons, compared with 139,000 tons in the previous year. However, after incorporation of imported raw sugar feedstock, total export of white sugar to the regional market reached almost 108,000 tons, compared with 51,000 tons in the previous year. While seeking the highest prices, the average prices obtainable from either destination were almost similar, within a 5% difference, though sales proceeds from the EU were subsequently impacted over the delivery period by the mid-year surge in sea freight rates and the weakening of the EUR.

Besides, the Syndicate capitalized on the opportunities provided by the new Free Trade Agreement signed between Mauritius and China, to export 5,000 tons white refined sugar at reduced tariff to Mainland China.

From a TRQ Allocation of 2,856 tons for 20/21 duly fulfilled, 2,914 tons have been supplied to the SACU (South African Customs Union) market within the annual TRQ allocated to Mauritius for 21/22 under the provision of Annex VII of the SADC Trade Agreement.

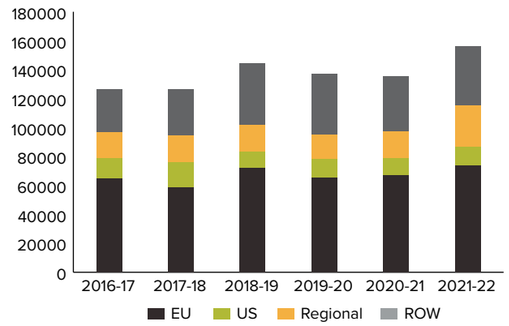
Export of white sugar (MT)



Special Sugars

With some 73,000 tons of sales, the EU represented 47% of the total export of Special Sugars for the 2021 crop. This represents a 10% sales growth in this key market destination over the previous year which had been achieved with a focus on marketing cooperation, new market development and new product launch over the year.

Export of Special Sugars (MT)



Despite the challenges caused by the volatility in sea freight over the year, the Syndicate is thankful to its loyal customers highly valuing the consistency, the reliability, the quality, and the wide range of the Mauritius Special Sugars as a point of differentiation compared with other origins.

After the EU, the Far East and Middle East regions are the most important market growth destinations, with exports sales having attained 29,000 tons in 2021/22, compared with 18,000 tons in the previous year.

On one hand, the existing partnerships with leading distributors in these destinations over several years have enabled a greater market penetration, namely in educating consumers to getting them accustomed to the Mauritius Special Sugars, thereby expanding their network of customers and geographic coverage

On the other hand, sales have been boosted by the new Free Trade Agreement signed between Mauritius and China, accounting for an additional 9,400 tons worth of growth. Together with the sales of 5,000 tons white sugar, the TRQ of 15,000 tons allocated to Mauritius in 2021 was thus fulfilled with the help of COFCO, who has been allocated by the Chinese authorities the entire quota dedicated for Mauritius.

The participation at different specific fairs in China such as Bakery, Food and Coffee exhibitions have enabled them to set up the distribution network towards the B2B segment. However, because of the Covid-19, the curfew situation still in force in some part of China and Hong Kong has drastically impacted sales to the B2C segment.

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As regards the FTA agreement with India under the Comprehensive Economic Partnership Cooperation Agreement, it was signed in April 2021 and offers access to the Mauritius Special Sugars against a reduced 10% tariff. After having conducted a desk survey to understand the Indian sugar market and to identify potential distributors, a trial order was shipped in July 2022. Some promising partnership foundation has been set to drive future sales on the Indian peninsula.

The third largest export destination, worth 17% of the total export for the 2021 crop, was Kenya, where 24,684 tons Brown Cane Sugar have been exported duty-free under the trade provisions of COMESA compared with 50,000 tons in the previous year. It is, however, a matter of concern that the quota allocated under the Kenya Sugar Safeguard, on account of its industry being in its infancy stage, is being continuously reduced as its deficit is declining. Hence from 48,000 tons in 2020/21, the quota allocated to Mauritius has fallen to 36,000 tons in 2021/22 and is likely to reduce further to 28,000 tons in 2022/23. Under the trading agreement under SADC (Southern African Development Community), comprising 16 members, the quota allocated to Mauritius has been increased to 2,953 tons in 2021/22, from 2,875 in 2020/21. This quota has further increased to 2,984 tons for the period 2022/23.

With regards to the US market, Mauritius was initially granted by the US Trade representative (USTR) its minimum annual duty-free raw sugar TRQ of 12,646 mt raw value (mtrv) for Financial Year (FY) 2021 but with the subsequent supply shortfalls in the US, it was reallocated an additional 3,077 tons in April 2022 a further 1,351 tons in July 2022, bringing the total allocation for Mauritius to 17,064 tons.

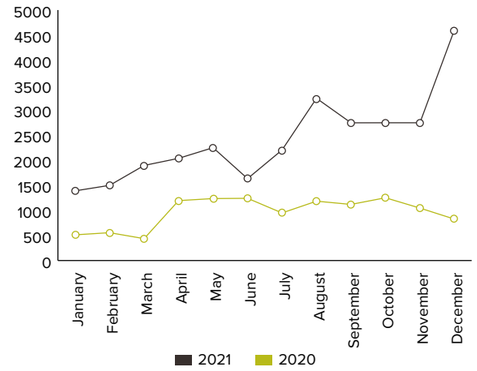
The TRQ period for customs clearance in the US which usually runs over the period 1st October to 30th September, been extended to 31st October 2022 on account of port congestion impacting the flow and transit time to the US.

This extension has enabled Mauritius to contract 16,000 altogether the period compared with 12,000 over the previous delivery period.

Local Market

Domestic sales over the 2020 crop year had been negatively impacted by the Covid 19 -related confinement, with a drastic decrease in consumption in the hotel and restaurant market segment. As travel restrictions were gradually removed over the period under review, consumption improved thereby entailing an increase in the Syndicate local sales. The sales recovery was supported by the rising cost of competing imports, especially due to the surge in import freight costs and the depreciation of the Rupee. The Syndicate sales over the 2021-22 period hence attained 28,546 tons white refined sugar and 6,646 tons raw sugar, representing increases of 63% and 83% respectively over the preceding period.

Evolution of the Syndicate's local sugar sales (MT)



Further to the promotional campaign undertaken by the Syndicate over the previous year, including new pricing structure and digital marketing campaign, sales of special sugars increased threefolds from 2020-21 to 2021-22. This is encouraging as it shows that the end-users have purchased more special sugars for their daily use and special occasions thus showing a return on investment for the marketing activities conducted.

Also, it is to be noted that the number of retail brands for special sugars available on the shelves has now reached 4, namely Kanasuk, Sweet Dodo, Sucre d'Or and more recently Dina Sugars, which have contributed to increase the product shelves space for special sugars across major supermarkets.

For the coming year, more emphasis will be put into enticing local consumers towards utilisation of the Mauritius Special Sugars. Focused communication campaign will be entertained using the following platforms:

- **Social Media to:**
  - Build up the brand of Mauritius Sugar
  - Educate Mauritians about the benefits of the special sugars
  - Inform about the brands and where the products are available
  - Communicate about the product usage and recipes
- **Local Ambassadors to**
  - Promote the usage of Special Sugars for specific occasions (Ramadan / Divali / Xmas / Easter)
- **B2B promotion**

A national "La Fete du Sucre" will be jointly organized with L'Aventure du Sucre, where consumers will be able to discover the sugars through culinary experience at the restaurant, and across different exhibits.

DELIVERIES

Storage Facilities and Shipping Arrangements

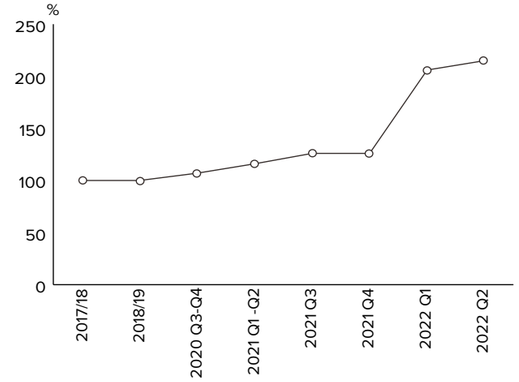
The global shipping challenges faced in the previous year unfortunately continued throughout the 2021 crop, thereby impacting the the Syndicate's export operations. These challenges have been marked by regular delays in berthing, vessels omission, space constraints on ships, longer transit times to port of discharge, and occasionally, insufficient availability of empty food-grade containers. These issues resulted in numerous customer complaints, and even compelled the local refinery to stop operations for two weeks in February 2022 as there was already an abnormally high buffer stock of filled containers sitting at the port.

This situation could have been worse had the shipping lines not imported empty containers from the region for export purposes in the first place, and if Mediterranean Shipping Company (MSC) had not optimised its pool of empty containers through its newly operational Medlog Ltd depot. The Syndicate quality assurance team has worked in close collaboration with the depots to ensure that containers are prepared as per the Syndicate's "cahier des charges", ensuring only food grade containers are utilized for the packing and export of sugars. Moreover, stock management of empty boxes has required close monitoring to ensure that warehouses and the refinery can operate with minimal stoppages.

The 2021 crop was also marked by a surge in global freight rates, with a direct impact on net export revenue. While shipping contracts used to be finalised over the July-June crop year, one of the main service providers raised its sea freight rates to unprecedented levels in January 2022, followed by a further increase over the next quarter.

Though difficult to accept, the freight rate increase borne by the Syndicate remains lower than on other trade routes, where rates have risen by up to 600%. Having raised this concern with the relevant authorities, and with the support of other export operators, the COMESA Competition Commission initiated an investigation into the excessive freight rate increases by shipping lines operating in the COMESA markets. The Syndicate submitted its input through the International Trade Division of the Ministry of Foreign Affairs; an outcome is yet to be published.

Freight rate evolution (twenty equivalent units)



While 80% of the Syndicate's buyers of special sugars have agreed to share these exceptional freight increases, the same was not possible for white sugar sales contracts due to the limited margins applicable. The Syndicate has meanwhile explored new possibilities with other shipping lines in order to minimise the impact of the freight increases.

For the 2021 crop, the Syndicate used the three major shipping lines servicing Port Louis, namely the Mediterranean Shipping Company (MSC), MAERSK Line and CMA-CGM, to export 14,520 sugar-filled containers to 87 ports across the globe - 37 in the EU, 6 in the USA, and the balance in the regional and other world market destinations. White refined sugar is primarily loaded in containers at Omnicane Refinery in La Baraque before being transferred to Port Louis prior to export. The whole logistics process from container release at the depots through the shipping and order management process to delivery to customers has been facilitated by an inhouse IT platform designed with the objective, amongst others, of monitoring the storage and demurrage time of containers prior to shipment. Likewise, the Syndicate ensures that customers' orders and production planning are closely monitored and matched to ensure the lowest number of days in storage for the filled containers.

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Furthermore, with the space constraints and increased storage costs incurred at the Cargo Handling Corporation Ltd (CHCL) terminal, as a result of the irregular vessel dockings, the Syndicate has had to enlist the services of Velogic Ltd in establishing a new dedicated storage zone in Mer Rouge to accommodate 700 sugar-filled containers at a time.

During the period under review, 5,623 twenty equivalent units (TEUs) were loaded with white refined sugar at the Omnicane refinery in La Baraque, of which 2,274 TEUs were destined for the EU, while 3,349 TEUs were bound for the regional market and other destinations on a First-In First-Out (FIFO) basis. The packaging mix comprised:

109 TEUs with polyethylene liners; 2,971 TEUs in polypropylene (PP) big bags (1.000T/ 1.050T/ 1.150T/1200T), 2,504 in 50kg and 39 in 25kg PP bags. While the 50kg bags are mostly earmarked for the regional market, there has been a substantial replacement over the 2021 crop year of container liners with PP big bags.

As special sugars are produced only during the harvest, these are stored in warehouses located in Port Louis prior to export. The Syndicate presently utilises 49,000 square metres of storage space, with an approximate capacity of 130,000 tons bagged sugar. These are split across six storage sites: three warehouses managed by the MCIA in Caudan and at the Bulk Sugar Terminal (Sheds 1 & 2), two managed by MFD in Mer Rouge and Jin Fei and one run by Velogic in Mer Rouge. In light of the increasing need for storage space for bagged sugar, the Mauritian government decided in 2021 to invest in a new state-of-the-art warehouse facility in Jin Fei, with a total capacity of 150,000 tons bagged sugar. At the time of writing, the MCIA has appointed a consultant who will be responsible for the conceptual design, specifications, and the launching of a tender process for construction.

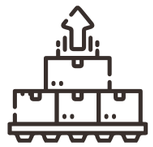
150,561 tons of special sugars were produced from the 2021 crop and delivered as follows: 109,230 tons to the MICA warehouses, 10,413 tons to the Velogic warehouse in Mer Rouge, 30,311 tons to the MFD warehouses located at Mer Rouge and Jin Fei and the balance directly to a distributor for domestic sales. These quantities comprised 33,555 tons of direct consumption raw sugar produced at Alteo and Omnicane mills, mostly exported to Kenya after inspection by an independent surveillance company (the Société Générale de Surveillance (SGS)), in line with the Kenyan Bureau of Standards' requirements.

Total exports - July 2021 to June 2022 delivery period



No of TEUs (Special Sugars):

5,946



No of TEUs (White refined Sugar):

5,623

Production from 2021 Crop:



Special sugars:

150,561 tons

138,923 tons
(crop 2020)



White refined sugar:

186,370 tons

including 112,105 tons from locally grown cane





Grinding process

monitored by specialists

The marketing of Mauritius Sugars

Enhancing the Mauritius Sugar Attributes

In defining Mauritius Sugar as a label, we needed to establish promises which Mauritius Sugars, as a mark of origin, could make and deliver on. These promises form the foundation of our brand, so **what makes up Mauritius Sugar's DNA?**



1) Wholesomeness

We are committed to the production of pure natural products.



2) Taste

We take pride in the natural aroma and flavour of our Special Sugars, which is why we place a strong emphasis on purity to ensure the authentic taste of the product.



3) Healthy Benefits

Prioritising customers' health concerns has been a primary goal for Mauritius Sugar. Our Special Sugars are conceived as healthier options packed with numerous health benefits.



4) Traceability

Our food safety management system is recognised by Global Food Safety Institutions, and has earned international accreditation.



5) Sustainability

The Mauritius Sugar Syndicate prides itself in its caring for its terroir and consciously working to nurture it in collaboration with its partners within the industry, from the farms till delivery of the sugar to its customers.



6) Easy & Convenient Sourcing

The Mauritius Sugar Syndicate acts as a one-stop shop, easing the process of doing business for buyers seeking quality sugars.

The Marketing of Mauritius Sugars

The journey of creating brand value with our partners

The Mauritius Sugar Syndicate has taken numerous initiatives in strengthening its value proposition for its clientele over the 2021-22 marketing campaign.

From commodity sales to niche brand development through B2B and B2C engagements

The sugar market has evolved significantly over the recent decades. In addition to sales through enhanced distribution channels, new sugars - in terms of both quality and format - have been developed, thereby adding value to the basic product:

- Extending the product range:
  - Introduction of new products within the Demerara, Golden, and Muscovado sugar range, bringing new tastes to consumers, creating new possibilities for product usage, and adapting to evolving consumer habits.
  - Launch of products with specific characteristics such as Icing sugar, White Caster and other specialised white sugars.
  - Introduction of flavoured sugars, e.g., Cinnamon.
- New formats to match customers' needs:
  - Retail packets, sachets, sticks and cubes.
- Targeting different market segments:
  - End-consumers, industrial users and food service providers
- Expanding product application:
  - Beverage industry, confectionery, baking, cooking, sauces or use as toppings
- Pledging production within a sustainable environment:
  - Fairtrade label
  - Bonsucro
  - Organic
  - Eco-friendly paper packaging
- Branding
  - Making a difference to the product, but also the ancillary service making the Mauritius Sugar's DNA
- Marketing
  - Social media campaign: sharing recipes and building a community of users

The competitive market environment and diversification of sugar product offerings are clearly putting market players on their mettle to meet the challenge of "Product Differentiation". As a result, simply having a name on a packet no longer suffices to ensure consumer loyalty. Today, an effective brand needs to be recognised by a community of end-users sharing a set of intrinsic values that the brand communicates, engages with, and fulfils.

This means that, while consumption and profitability are pivotal themes for market players, every brand needs to be open to change, ensuring it has the agility to capitalise on new trends whether these involve the behaviour of consumers, who increasingly care about what they buy, where it comes from, and whether it is good for them, or product availability across emerging distribution channels such as specialised health food stores. The recent success of 'Master programmes' has also revealed a growing interest in culinary and food-centric television, with such shows being followed by millions of viewers – each being a potential end-user.

On the same theme, more and more chefs of all specialisms are achieving public prominence, and their influence contributes to positioning different sugar products within the fine gastronomy and cuisine sectors.

As in the domains of coffee and chocolate, where product differentiation has set new standards, best practices in terms of taste, origin, aroma, also make their presence felt in the Special Sugars.

It is therefore essential that a brand builds up an identity, delivers a promise, educates consumers about its attributes, product usage options and the value added brought, both for the present and for the future as consumer habits evolve. This is a journey, a commitment, a mindset – and a business strategy - which the Mauritius Sugar Syndicate offers to its valued partners and their own sugar brands.



Elevating Product Adaptation & Market Connections

The first step involved bringing Mauritius millers closer to the market to enhance their understanding of the market needs and evolution.

Courtesy of the long-standing partnership with brands such as Billington's and Daddy, the Mauritius Sugar Syndicate and its constituent milling factories were privileged to attend market presentations by their partners. The market-driven approach has been very valuable in understanding the respective markets in terms of demand, product segmentation, customer behaviours and the marketing response of specific brands.

Sharing market knowledge has contributed to the development of new products to cater to new demands and trends.

New product development has also enabled Mauritius Sugars to position themselves within the health product market segment, for example, by meeting the specific needs of diabetics through the Low GI Sugar.

- **Extra Fine Demerara**

  These sparkling, fine-powdered and free-flowing sugar crystals deliver a unique caramel taste with a distinct character. Because it dissolves easily, Extra Fine Demerara offers an efficient alternative to extra fine white sugar or Icing sugar for industrial usage, while it can also be used in the making of buttercream, frosting, and macarons.

- **Demerara XL**

  Offering delicate caramel notes and a delicious crunch, these brown extra-large (XL) sugar crystals infuse their characteristic molasses flavour as they sweeten coffee. A favourite with baristas and coffee lovers, Demerara XL also makes an ideal topping for cakes, biscuits, ice cream and crumble dishes.

- **Low G.I Sugar Cubes**

  Cut into rough cubes of brown cane sugar, DINA LIFE Low G.I Sugar is rich in natural antioxidants extracted from sugar cane. These dark brown sugar crystals have a glycaemic index of only 51 while still retaining the natural aroma of cane sugar ; the best alternative for diabetics or other health-conscious end-users.

- **Antioxidant Sugar Cubes**

  DINA LIFE Antioxidant Sugar Cubes allow consumers to reap the benefits of antioxidants every day. This speciality sugar offers them a path to better health and a strengthened immune system through the renowned sweetness of unrefined cane sugar.

- **Extra Fine White Refined Sugar**
- **Icumsa 30**

Developing Marketing Cooperation and Synergies with privileged customers

Acknowledging that we only know what we know, as our sugars' market space is challenged by products from new origins, it has become important to reassess our range of products, their position in the marketplace and accordingly review our marketing strategy.

As a point of differentiation, the core of this marketing cooperation consisted of:

Product knowledge and its application

It was important to think outside the box in order to define the commercialisation of Mauritius Special Sugars. This could not be limited to a standard trade transaction but focused on adding value to our partnership with customers, enhancing their understanding of these specialised products, providing support to their sales force to understand this product differentiation, and supporting their brands through marketing initiatives.

The Mauritius Sugar Syndicate invited its customers to attend a live webinar: "From pioneer to international recognition, what makes Mauritius Special Sugars so different".

Product-focused e-training has been offered to customers, designed specifically for their sales and commercial teams, to strengthen their knowledge about Mauritius Sugars.

Storytelling and best marketing practices

We have created a marketing tool kit; this gives our customers access to a database of visuals, contents and best marketing practices from which they can take inspiration in marketing their own brands.

The Mauritius Sugar Syndicate has also committed to support its customers in promoting their brands using Mauritius sugars. This marketing support, in collaboration with its commercial partners, has helped to achieve:

- Use of the 'Mauritius Sugar' label to enhance the sugar's market positioning and activate product listings into new points of sales and/or markets
- TV advertising
- Sponsorship of culinary events
- Social media campaign using influencers
- Marketing campaigns for specific occasions (Christmas / Easter / Summer)

The sharing of how they market and promote special sugars in their respective markets has enabled a cross fertilization of the best marketing practices that have helped to enhance product differentiation.

The Marketing of Mauritius Sugars

Enriching local brand awareness and recognition

In July 2021, the Mauritius Sugar Syndicate launched the Mauritius Sugar branding onto social media platforms such as Facebook, Instagram and Linked-In.

The primary objective of the 2021 Social Media Campaign (July to December) involved positioning of the Mauritius Sugars brand on the local market, with the following goals:

 # Facebook

- Educate and inform consumers about the Special Sugars: what they are, what to do with them...
- Increase awareness of the brand and product range.

 # Instagram

- Create engagement and interaction with a target audience,
- Inspire this target audience through recipes.

 # Linked-In

- Present and promote the culture of the Mauritius Sugar Syndicate,
- Develop a network of professionals,
- Start a dialogue.

Examples of Communication Axes:

- Product Focus,
- A story of mankind and earth + Photos,
- Recipes,
- Games.

For the year 2022 (January to June), the objectives have been extended with a focus on:

(1) Creating customer awareness of Mauritius Sugars and their various usages:
- Recipes,
- Partnership with local brands,
- Product range and availability in shops.

(2) Inspiring customers to use Mauritius Special Sugars - because they offer great taste - as a substitute for white sugar, or for increased aroma, naturalness and nutritional benefits:
- The natural benefits of unrefined sugar,
- Versatility of usage,
- Low G.I and Antioxidants.

(3) Proudly supported by influencers (food specialists):
- Influencers shown using Mauritius Special Sugars on special occasions,
- B2B Sponsorship using Special Sugars.

Over the last 12 months since Mauritius Sugar's launch on social media, the impact and performance of this approach can be seen in:
- almost 9,000 followers on Facebook,
- Some 500 followers on Instagram,
- Some 600 followers on Linked-In.



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Timeline of Mauritius Sugar Events

July 21



Webinar "What makes Mauritius Special Sugar so different"

August 21

'Master Chef' within the Syndicate Team with Chef Nizam Peero and Cheffe Sandy Scioli as panel judges

Our MasterChef competition involved five amazing teams, and took place at the premises of Mauritius Sugar Syndicate. The main objective was to create a specific dish using the Mauritius Special Sugar range. A massive thank to all the participants, and of course to the two talented chefs who formed the jury, Chef Nizam Peeroo from @LabourdonnaisWaterfrontHotel and Sandy Scioli from @Sunresorts.



Our Chefs shared their impressions of this unique event with us:

Chef Nizam Peeroo told us that "It's always a pleasure to promote and transmit our culinary passion to people", and Cheffe Sandy Scioli added: "I was really impressed by the Syndicate Teams' dedication and motivation in the competition - I could feel the passion for their work".

September 21

Culinary Sugar Festival at the Labourdonnais Hotel

The first edition of the Quinzaine du Sucre took place at the Labourdonnais Waterfront. This event gave us the opportunity to introduce Mauritians to our wide variety of special sugars, sold locally under the Dina Sugar, Kanasuk, Sweet Dodo or Sucre d'Or brands. Sugar has been, and remains one of the greatest riches of our land, from its role in Mauritius' history to its contribution to local cuisine.

We had the opportunity to conduct three sessions of 'A table' with Finlay Salesse, participation of Dr Jean Claude Autrey (Secretary General of the International Society of Sugar Cane Technologists) and Devesh Dukhira (Chief Executive Officer of the Mauritius Sugar Syndicate). This conference aimed at highlighting our sugar heritage, its history, its career, its evolution and innovation, and its future! This event combined history, the chance to be a gourmand, and shared experiences under one roof.





Master Class on Mauritius Special Sugars with Chef Nizam Peeroo

A fantastic masterclass session dedicated to special sugars with Chef Nizam. Peeroo of the Labourdonnais Waterfront Hotel. Learning and sharing were on the menu for this colourful day, both on the plate and in this unique experience for participants! !

Mauritius Sugar Syndicate Annual General Meeting

The Annual General Meeting (AGM) of the Mauritius Sugar Syndicate was held on Thursday 30th September 2021, at the Labourdonnais Waterfront Hotel, Caudan, Port-Louis.



The outgoing President, Mr. Keeshorlal Gungah, and the CEO, Mr. Devesh Dukhira, delivered speeches on the state of the sugar industry and markets. Mr. Medha Gunputh, Senior Chief Executive at the Ministry of Agro Industry and Food Security and Chairperson of the MCIA, also addressed members on this occasion on behalf of Hon Maneesh Gobin, Attorney General and Minister of Agro-Industry and Food Security.

Mr. Jacques Marrier d'Unienville GOSK, CEO of Omnicane, was elected as the new President for the crop year 2021-22 and Mr. Roshan Baguant, a representative of large growers, was elected Vice-President.

November 21

Sponsor of the International Sugar Organisation Seminar (London)

The Mauritius Sugar was a sponsor of the International Sugar Organisation seminar which was held in November 2021. The ISO aims at ensuring enhanced international cooperation on world sugar and related issues, to provide a forum for intergovernmental consultations on sugar, and on ways to improve the global sugar economy. Our CEO, Mr Devesh Dukhira, had the opportunity to give a presentation on Mauritius Sugars to seminar attendees."





March 22

Mauritius at Dubai Expo 2020

Mauritius Sugar was displayed in the Mauritius pavilion at the Dubai Expo 2020. The Syndicate had the support of its key UAE buyer, Al Shami Packaging, who promoted their MAJESTIC brand, the 100% natural cane sugar from Mauritius.

April 22

Sponsor with "Institut Escoffier" for the Pre-selection of Mauritian Chefs for the World Cup Pastry Competition

Mauritius enters the Pastry World Cup!

The Mauritius Sugar Syndicate is proud to have been among the sponsors of the pre-selection rounds of this culinary adventure! A great opportunity to discover not only the talents of local chefs, but also 'Made in Moris' sugars.



Our thanks to an exceptional jury - Sandy Scioli, Yves Dumont, Christian Onno, and Mayeven Coopen - and a big "Congratulations!" to the three winners. Stephane Labastide, Clifford Ponnusamy and Shivam Marooday, who will represent Mauritius in Morocco in September, with the aim of reaching the grand final in Lyon in 2023.

June 22

Team Building within the Syndicate

On June 4th, the Syndicate hosted a team-building activity to strengthen the bonds among employees as we work together towards our shared objectives. The session included collaborative team-building exercises to increase team spirit and help in setting goals for the rest of the year and beyond.



July 22

Sponsor of the Master Class of Luxury Pastry

The Mauritius Sugar Syndicate has been a partner in the "Master Class of Luxury Pastry" organized by the Escoffier Institute and led by the Meilleur Ouvrier de France Pâtissier (MOF), Patrice Ibarboure.

Between July 5th and 7th, this event invited us on an exceptional culinary adventure through the world of pastry. Creating contemporary desserts and examining trends in modern desserts and pies, chef Patrice Ibarboure equipped himself with the best special sugars from Mauritius to take our taste buds on a delicious journey!



A strong emphasis

on the quality of the finished product



Sustainability



Sustainable Sugar Production

In a context of mounting global calls for climate-neutral and resource-efficient production models, the Mauritius cane sugar industry remains committed to completing a fundamental shift towards a circular economy. It is worth highlighting that 96% of the canes supplied to the mills were harvested green, not only minimising greenhouse gas emissions but also reducing disruption to neighbouring communities. In the mills, various initiatives focusing on eliminating waste, optimising chemical usage, and creating value from the co-products of sugar have been put in place. There is unanimous agreement among stakeholders that the pursuit of relevant projects that will bring further sustainable change to the sector is *sine qua non* to the long-term competitiveness of the industry.

The Covid-19 sanitary restrictions that prevailed over the year unfortunately prevented certain co-operatives that have been aspiring to Fairtrade certification, including the MSS Multi-purpose Cooperative Society Ltd, from holding their Annual General Meetings. This delayed the audit and certification process, and consequently hindered the Syndicate from taking full advantage of sales opportunities in the Fairtrade segment. On the other hand, the 21 certified groups produced only 15,275 tons of sugar from the 2021 crop, in comparison with 17,273 tons of Fairtrade certified sugars in the previous year.

Following Fairtrade International's commissioning of a study assessing the contribution of Fairtrade in driving positive change in the Mauritian sugar cane sector, Agricane Consulting Ltd, an agricultural engineering and development company operating mainly in Africa, delivered a comprehensive report in August 2022. This report showed that adoption of the Fairtrade standard has led to improved governance of small-scale producer organisations, implementation of better agricultural practices, and greater environmental awareness among farmers. The study confirms that the Fairtrade premium has positively influenced the economic resilience of certified cooperatives and supported the ongoing supply of sugar cane to the mills despite difficult market conditions. In addition, improvements in labour conditions on small planters' farms have been noted, with workers also benefiting from the premium through the provision of personal protective equipment (PPE). While Fairtrade is seen as an essential vehicle for Mauritius sugars to penetrate niche segments in mature markets, the report also highlights the key role of the Syndicate in establishing Mauritius as a preferred origin of Fairtrade-produced sugar for many buyers.

With the successful Bonsucro Production Standard certification of the Alteo sugar mill and part of its farms in November 2021, the availability of sugar certified to this standard increased to 37,515 tons compared with 19,364 tons for the preceding season, when only the Omnicane mill and farms were certified. To support the production of sustainable sugar cane, Bonsucro operates an online trading platform on which certified producers can sell credits (one credit being equivalent to one ton of sugar) to interested buyers against a premium. Omnicane thus sold 10,700 Bonsucro credits carrying a sustainability premium in 2021.

Quality and Food Safety

The extended food supply chain, as well as the extended transit times triggered by Covid-19-related lockdowns, increase risks to sugar quality. The complexity engendered by the many different stakeholders involved in the supply chain - from the cane fields to the end consumer – makes maintaining the quality of sugar as it moves along the supply chain a real challenge. Diligent monitoring is required, meaning full oversight of food safety from sugar production, through bagging, storage, and transport until it is delivered to the final customer.

With the heightened awareness stemming from recent high profile food recalls, consumers are increasingly demanding improvements in food safety standards throughout the supply chain. Independent third-party food safety certification provides assurance that a food-handling business has fully met the requirements of a recognised best practice approach. Furthering its strategy to embed and improve food safety management principles and practices from production to consumption, while remaining responsive to customers' continuously evolving needs, the Syndicate encourages its producers to adopt all certification systems that meet these strategic requirements. The sugar mills thus hold a variety of international accreditations, including BRCGS (British Retail Consortium Global Standards), SMETA (Sedex Members Ethical Trade Audit), Kosher, and Halal. Recently, at the initiative of the Syndicate, they have also started gearing up for BeVeg certification, the world's only internationally-accredited trademark for a vegan-specific certification standard.

As in every annual cycle, the Syndicate has engaged in broad consultations with producers and buyers alike to discuss and review key issues such as product specifications, production guidelines and analytical methods, as well as product enhancements and process improvements. Regular audits have been conducted at production sites to ensure strict adherence to guidelines. Following transfer to warehouses, storage conditions and the quality of the sugar are continuously monitored, enabling the Syndicate to proactively address any potential issue prior to delivery to buyers.

Additionally, product release certificates issued by the mills following production and bagging are reviewed by the Syndicate prior to these sugars being released for delivery and export. Information contained in these documents is used to prepare certificates of analysis and other quality-related documents. Quality and food safety questionnaires and customer complaints passed on by buyers are also reviewed together with representatives of mills, refineries and warehousing facilities, and appropriate corrective measures are taken accordingly.

In addition to auditing producers and warehouses, the Syndicate's Compliance Department has conducted both unannounced and announced audits at depots to ensure that only fit-for-purpose containers are used for sugar transport. The department has also been involved in the preparation of insurance survey reports for damaged boxes.

To optimise the capacity of the local refinery, the Syndicate imported high polarisation and low colour sugars for further processing prior to delivery. As part of its responsibilities, it ensured that appropriate quality controls were in place during vessel loading, discharge and delivery of these raw materials to the refinery. The quality documents for this raw sugar feedstock were made available to the refiner to facilitate the meeting of specific clauses in the BRC standard.

Finally, the Syndicate has been diligent in meeting its standing obligation to sugar producers by analysing daily sugar samples sent by the mills for Polarization and moisture content. The results of such analyses, which are key to determining millers' and planters' sugar entitlements, were averaged and passed on to the Control and Arbitration department of the MCIA at the end of the crop.



The bagging process, a meticulous operation

Financial Review

2021-22 Highlights

Total Sales Revenue

Rs 9,465 M

2021* : Rs. 7,645 m

Sugar sales revenue from locally grown cane

Rs 6,677 M

Total Net Revenue to producers

Rs 4,311 M

2021* : Rs. 3,830 m

Net Revenue to producers of locally grown cane

Rs 4,106 M

Sales Volume

(including from imported raw sugar feedstock)

369,113 MT

2021* : 336,114 MT

Borrowings

Rs 2,489 M

2021* : Rs. 2,447 m

Ex-Syndicate Price (per ton sugar)

Rs 16,765

2021* : Rs. 14,062

Increase in Ex-Syndicate Price

+ 19 %

2021* : +24 %

*including production from imported raw sugar feedstock

PERFORMANCE

STATEMENT OF PROFIT & LOSS (Determination of Ex-Syndicate Price)

	CROP 2021 Rs. M	CROP 2020 Rs. M
REVENUE	**9,465**	7,645
EXPENDITURE		
Consumption of Imported Raw Sugar Feedstock	**2,180**	1,200
Sugar Processing & Bagging Fees	**1,341**	1,140
Costs of Bags, Liners & Steel Bars	**230**	139
Freight & other export charges	**840**	510
Other Direct Operating costs	**133**	150
Total Direct Operating Costs	**4,724**	3,140
Storage Charges	**230**	246
Administrative and Other Charges	**94**	56
Levy and Contribution to Sugar industry Reserve Fund	**110**	56
	5,158	3,497
NET REVENUE BEFORE FINANCE COSTS	**4,307**	4,148
Finance costs	**79**	-113
Reimbursement of prior financial support	**-75**	-205
NET REVENUE TO PRODUCER	**4,311**	3,830
RAW SUGAR PRODUCTION - POL BASIS - MT	**257,155**	272,347
EX-SYNDICATE PRICE - Rs. / MT	**16,765**	14,062

Total Revenue generated from Crop 2021 was Rs9,465 M compared with Rs7,645 M for Crop 2020 i.e, an increase of 23.8%.

Direct operating expenses were higher by Rs1,584 M, which can be attributed to the higher volume of imported raw sugar feedstock during crop year 2021 (106,000 tons) compared with the preceeding crop year (81,000 tons). Sugar processing fees were higher by 17.6% due to an increase in the FOB (free on board) price of sugar and the costs associated with the closing of the Alteo refinery as per the Master Agreement signed in August 2020. The Syndicate has also seen its costs for bags and bagging go up by 65% as a result of increased prices from suppliers.

The Covid-related restrictions on marine travel in 2021 and 2022 resulted in surging freight rates with increases that ranged between 80% and 122%. Freight charges for Crop 2021 were therefore higher by Rs 330 M. The Syndicate managed to transmit part of these freight surcharges to its clients.

Administrative and other charges show an increase due to a credit which had been extended to retirement benefits obligations for Crop 2020. Net Finance Income rose by 170% due to improved treasury management.

Financial Review

	Sugar from locally grown cane (OS)	White Sugar from imported raws (NOS)	TOTAL
2021-22	Rs. M	Rs. M	**Rs. M**
REVENUE	6,677	2,788	**9,465**
EXPENDITURE			
Consumption of Imported Raw Sugar Feedstock	-	2,180	**2,180**
Sugar Processing & Bagging Fees	1,164	177	**1,341**
Costs of Bags, Liners & Steel Bars	178	53	**230**
Freight & other export charges	817	22	**839**
Other direct operating costs	101	32	**133**
Total Direct Operating Costs	2,260	2,463	**4,724**
Storage Charges	213	17	**230**
Levy and Contribution to SIR Fund	13	97	**110**
Administrative and Other Charges	94	-	**94**
	2,581	2,578	**5,158**
NET REVENUE BEFORE FINANCE COSTS	4,097	210	**4,307**
Finance costs	84	-5	**79**
Reimbursement of financial support	-75	-	**-75**
NET REVENUE TO PRODUCERS	4,106	205	**4,311**
EX-SYNDICATE PRICE - Rs. / MT	15,969	796	**16,765**

The Syndicate pursued the import of raw sugar feedstock (described as 'NOS'), mixing it with sugar from locally grown cane prior to refining and exporting to the markets that offered the best remuneration. NOS operations contributed Rs 796 per ton sugar to the ex-Syndicate price.

DISBURSEMENTS TO SUGAR PRODUCERS

The table below summarises the disbursements, net of the SIFB premium, made by the Syndicate to sugar producers for Crop 2021:

	Planters			Millers
Revenue Stream (per ton of sugar)	Up to 60 MT	Above 60 MT	Miller - Planters	
	Rs/MT	Rs/MT	Rs/MT	Rs/MT
Sugar Proceeds	16,765	16,765	16,765	16,765
Bagasse Remuneration	3,300	3,300	3,300	3,300
Molasses and distillers/bottlers	1,823	1,823	1,823	-
SIFB Premium	-	(1,489)	(1,489)	(1,489)
Government Financial Support	1038		-	-
TOTAL	**22,926**	**20,399**	**20,399**	**18,576**

Sugar Accruing

The Syndicate made a first conservative estimate of the ex-Syndicate price for Crop 2021 in July 2021 at Rs. 14,750 per ton sugar. This estimate was subsequently increased to Rs.15,000 per ton in September 2021.

Advances to producers on sugar accruing were paid on this basis. Growers cultivating under 100 Ha land received a first advance of Rs 11,800 per ton sugar in July 2021. After the Government renewed its commitment to a guaranteed payment of Rs 25,000 per ton to planters producing up to 60 tons sugar accruing and recommended a total initial advance of Rs. 20,000 , that included its own financial support of Rs.2,000 per ton for this category of producers, the Syndicate raised its first advances to these planters to Rs. 15,000 per ton sugar as of 18th November 2021.

The table below shows the advances paid to other producers during the financial year ended 30th June 2022:

Period	Increase in Advance	Cumulated Advances	% of Final ex-Syndicate price
	Rs/MT	Rs/MT	Rs/MT
July to September 2021	8,850	8,850	53 %
October 2021 to February 2022	1,650	10,500	63 %
March to April 2022	1,500	12,000	72 %
May 2022	2,500	14,500	86 %

The Syndicate required funds amounting to Rs 3.75 billion to service these advance payments during the financial year. The ex-Syndicate price for Crop 2021 was finalized at Rs 16,765 per ton of sugar on 8th July 2022, requiring in a final disbursement of Rs 561 M on 13th July 2022.

Molasses and contribution by Distillers/Bottlers

The Control and Arbitration Department (CAD) of the MCIA determines the final price payable for molasses. This price includes the contribution made by distillers/bottlers of absolute alcohol retrieved for domestic consumption. For the 2021 Crop, the disbursement in this respect was finalised by the CAD at Rs 4,096.34 per ton molasses, equivalent to Rs. 1,823.21 per ton of equivalent sugar. A first advance of Rs. 1,300 per ton molasses was paid to eligible producers on 16th March 2022, representing Rs. 600 per ton sugar, with a settlement of Rs. 2,796.34 made to all planters in August 2022 after receipt from the different distilleries of final dues.

The contribution from distillers/bottlers, amounting to Rs 121 M, was collected by the Mauritius Revenue Authority and remitted to the Syndicate through the Ministry of Agro-Industry and Food Security during the financial year. The balance was invoiced on 16th August 2022 according to the tonnage of molasses purchased or used by them during the year.

Bagasse Proceeds

The Government's June 2021 decision to set up a new Biomass Framework, including a reviewed flat bagasse remuneration equivalent to Rs. 3,300 per ton of sugar for all producers, including millers, replaced the previous Bagasse Transfer Price mechanism. Corresponding disbursements totalling Rs. 848.7 M were consequently made to producers in several instalments, with the final settlement effected on 6th July 2022.

Government Financial Support

During the crop year 2021, planters producing up to 60 tons sugar accruing remained entitled to a guaranteed price of Rs 25,000 per ton. Government Financial Support (GFS) therefore topped up the payments made to eligible producers, related to the ex-Syndicate price for sugar accruing, proceeds from molasses (including the contribution made by distillers/bottlers), bagasse proceeds, the CESS component which would have been payable and the deemed SIFB premium for growers producing up to 60 tons sugar accruing.

The Syndicate received an amount of Rs. 236 M from the MCIA for Crop 2021 under the GFS. Total disbursements made by the Syndicate amounted to Rs 82 M during year ended 30th June 2022.

Based on the final computed amount attributable to eligible producers, GFS for Crop 2021 represents an amount of Rs 1,038 per ton sugar accruing.

SIFB Premium

The final premium declared and payable to the Sugar Insurance Fund Board (SIFB) for Crop 2021 by producers with an output of more than 60 tons sugar accruing amounted to Rs 321.7 M, i.e, an average of Rs. 1,489 per sugar ton. This premium was retained by the Syndicate out of sugar disbursements made in May 2022, as follows:

Millers' share: Rs 79.9 M; and

Planters' share: Rs 241.8 M.

An amount of Rs 57.4 M was subsidised by Government for growers producing up to 60 tons sugar accruing and was included in the GFS, topping up their proceeds to Rs 25,000 per ton sugar.

Financial Review

2021-22

SIFB Compensation

Crop 2021 was a normal year for the SIFB, as a result of which only Fire and Transport Compensation amounting to Rs. 5.7 M was paid to eligible insured individuals for the period under review.

Fairtrade-Certified Cooperative Societies

For Crop 2021, 15,275 tons Fairtrade sugar were supplied by 21 certified Co-operative Societies. As of 30th June 2022, Rs 40 M had been generated as Fairtrade premium after sales of the certified sugars. This revenue was distributed to the co-operatives as and when the Syndicate was paid by its customers.

Payments on behalf of millers

During the financial year ended 30th June 2022, Rs. 35.6 M were received from the Terra, Alteo, and OMOL milling companies, representing the refund of extra transport costs and the payment of compensation in respect of weighbridge closures accruing to planters. These sums were subsequently remitted by the Syndicate to the relevant planters' bank accounts or through their respective co-operative societies.

CROP FINANCING

Treasury Management and Borrowings

During the year ended 30th June 2022, the Syndicate disbursed Rs 3.75 billion as advances to producers for Crop 2021. It has developed a strong relationship with its banking partners over the years, allowing it to secure competitive rates on its Money Market Line facilities in order to finance the advances made to producers during the year. On 30th June 2022, these facilities amounted to Rs 2,489 M, compared with Rs 2,447 M at the end of the previous financial year.

The Syndicate also financed the purchase of two consignments of raw sugar imported from Brazil, for USD 40 M. Competitive rates were secured on its Money Market Lines to enable the financing of these imports.

During the year ended 30th June 2022, the Syndicate has continued its efforts to optimise its borrowing costs through its treasury management functions. It continued to monitor its cash flows to establish its funding needs and to make informed financing decisions.

After being awarded a MAU A1+ rating by CARE EDGE AFRICA PVT LTD, the Syndicate issued two Money Market Instruments over during the financial year:

i. Rs 1.5 billion for a one-year tenor
   Issued in August 2021 at a rate of 1.80% and refunded in August 2022.

ii. Rs 1.2 billion for a 6-months tenor
   Issued in October 2021 at a rate of 1.60% and refunded in April 2022.

The Syndicate will continue to explore financing options to benefit from the most competitive interest rates.

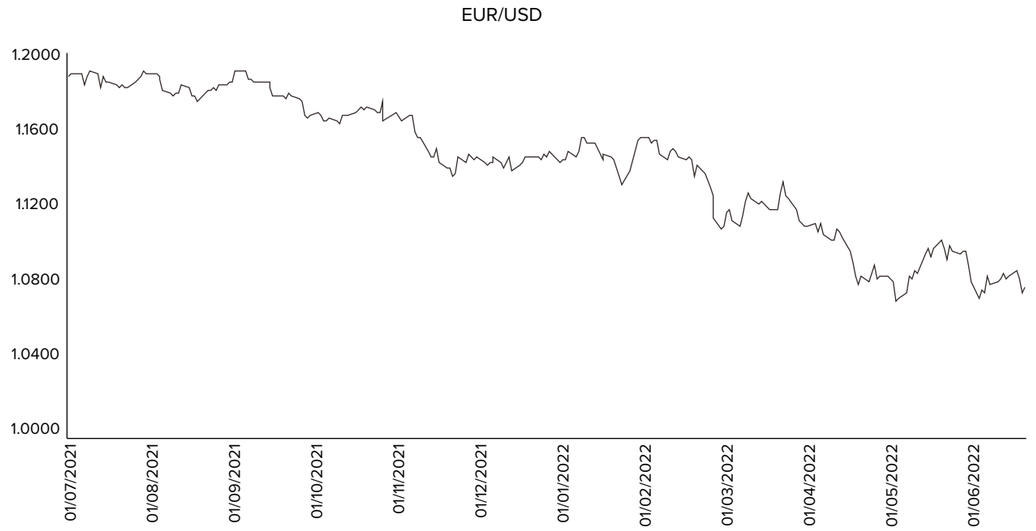
Foreign Exchange Receipts and Hedging Performance

The total revenue from sales of sugar for Crop 2021 amounted to Rs 9.465 billion, of which Rs 978 M represented sales to the local market and the balance of Rs 8.487 billion (89%) represented proceeds from exports.

Export proceeds were denominated in USD (55%), EUR (38%) and GBP (7%). The Syndicate, guided by its FOREX Committee and policy, followed its established practice of hedging its foreign currency receipts to mitigate the risks and volatility inherent in the currency market. The Syndicate started hedging the proceeds of Crop 2021 in August 2021 when the EUR/USD pair was trading at around 1.18 and the EUR/MUR and USD/MUR spots were at Rs 49.61 and 42.00 respectively.

On the international front, world economies experienced inflationary pressure due to food and energy prices and disruptions to supply chains resulting from the Covid 19 pandemic. Unfortunately, the conflict between Russia and Ukraine has exacerbated this inflationary pressure, creating tensions worldwide. The proximity of EU to the conflicting countries and their dependence on Russian energy sent the EUR/USD pair plunging from 1.1800 in July 2021 to 1.04 in June 2022.

The evolution of the EUR / USD pair during the year ended 30th June 2022 is depicted in the following graph:

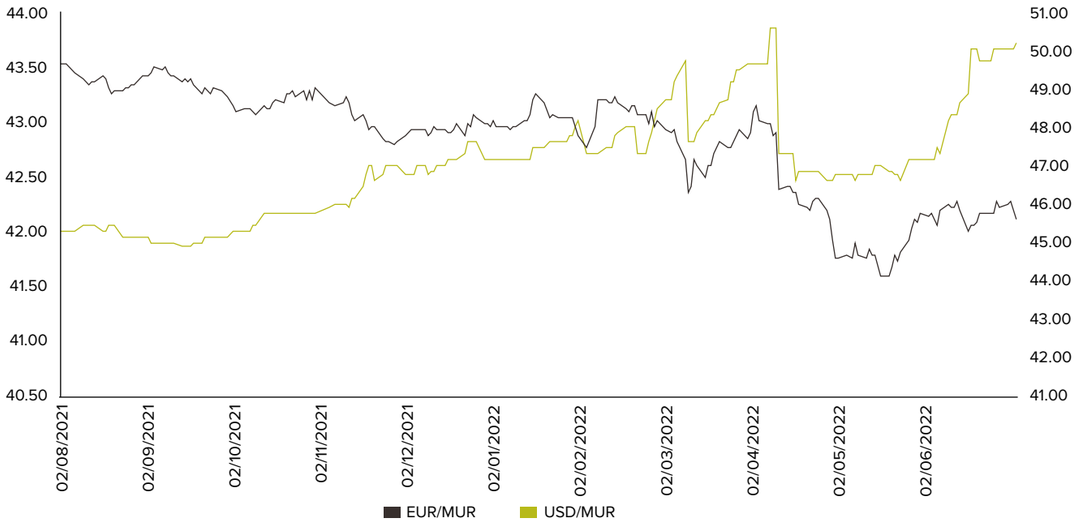


EVOLUTION OF EUR/USD PAIR

On the domestic market, the MUR depreciated by approximately 5% against the USD whilst appreciating *vis a vis* the EUR. The MUR/EUR pair oscillated between Rs 44.13 and Rs 49.86 whist the MUR/USD pair ranged between Rs 41.85 and Rs 43.85.

For the crop year 2021, the Syndicate achieved an average rate of Rs 48.95 against the EUR, Rs 44.22 against the USD, and Rs 56.62 against the GBP, thus generating a hedging profit of Rs 135 M.

The evolution of the MUR against the EUR and USD during the year ended 30th June 2022 is depicted in the following graph:



Processing of the by-products of sugar cane



Independent auditors' report to the Committee of the Mauritius Sugar Syndicate

Report on the audit of financial statements

Opinion

We have audited the financial statements of the Mauritius Sugar Syndicate ("the Syndicate") set out on pages 60 to 82, which comprise the statement of financial position as at 30 June 2022, and the statement of profit or loss, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, the financial position of the Syndicate as at 30 June 2022, the financial performance and the cash flows for the year then ended have been prepared, in all material respects, in accordance with, and comply with the accounting policies of the Syndicate.

Basis for opinion

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

Emphasis of Matter- Basis of preparation

We draw your attention to Note 2(a) of the financial statements in respect of the Basis of Preparation which states that the financial statements have been prepared, in all material respects, in accordance with and comply with the accounting policies of the Syndicate. Our opinion is not modified in respect of this matter.

Other information

The Main Committee is responsible for the other information which comprises the Role and Status of the Mauritius Sugar Syndicate, Committee Members and Staff, President's Report, CEO's Report, Governance, Risk Management and Audit, Production & Sales Performance 2021 – 22, The Marketing of Mauritius Sugars, Timeline of Mauritius Sugar Events, Sustainability and the Financial Review but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Committee for the financial statements

The Main Committee is responsible for the preparation and fair presentation of the financial statements in accordance with and in compliance with the accounting policies of the Syndicate and is also responsible for such internal control as the Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Main Committee is responsible for overseeing the Syndicate's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Independent auditors' report to the Committee of the Mauritius Sugar Syndicate

Auditors' responsibilities for the audit of the financial statements (Cont'd)

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

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Syndicate's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

• Conclude on the appropriateness of the Committee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Syndicate's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Syndicate to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on the contractual requirements

In accordance with the engagement letter dated 22nd March 2022, we report as follows:

• we have no relationship with, or interest in, the Syndicate other than in our capacities as auditors;

• we have obtained all information and explanations that we have required; and

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

Use of this report

This report is made solely to the Syndicate's members, as a body, in accordance with the engagement letter dated 22nd March 2022. Our audit work has been undertaken so that we might state to the Syndicate's members those matters we are required to state to them in an auditors' report and for no other purpose. We do not accept or assume responsibility to anyone other than the Syndicate and the Syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte
Chartered Accountants

LLK Ah Hee, FCCA
Licensed by FRC

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	Notes	2022 Rs'000	2021 Rs'000
ASSETS			
NON-CURRENT ASSETS			
Equipment	4	**37,183**	41,235
Intangible assets	5	**1,227**	576
Investment in subsidiary	7	**-**	-
		38,410	41,811
CURRENT ASSETS			
Current receivables	6	**70,000**	145,000
Inventories	8	**624,576**	619,690
Trade and other receivables	9	**3,342,728**	2,654,315
Cash and cash equivalents	10	**709,697**	279,924
		4,747,001	3,698,929
TOTAL ASSETS		**4,785,411**	3,740,740
LIABILITIES			
NON-CURRENT LIABILITIES			
Retirement benefit obligations	11	**22,063**	35,907
		22,063	35,907
CURRENT LIABILITIES			
Bank overdraft	12	**1,473**	-
Borrowings	12	**2,489,200**	2,447,032
Trade and other payables	13	**2,272,675**	1,257,801
		4,763,348	3,704,833
TOTAL LIABILITIES		**4,785,411**	3,740,740
TOTAL RESERVE AND LIABILITIES		**4,785,411**	3,740,740

These financial statements have been approved by the Committee for issue on 26th September 2022

Devesh Dukhira
Chief Executive Officer

Ansuya Seewooruthun
Chief Finance Officer

The notes on pages 63 to 82 form an integral part of these financial statements.
Independent auditor's report on pages 58 to 59.

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2022

		2021 - 22 Crop			2020 - 21 Crop		
MT OF SUGAR ACCRUING			**257,155**			272,347	
	Notes	**Rs'000**	**Rs per MT**	**%**	Rs'000	Rs per MT	%
REVENUE							
Sales proceeds	14	**9,420,793**	**36,635**	**99.53%**	7,584,118	27,847	99.20
Other income	15	**44,463**	**171**	**0.47%**	61,214	225	0.80
		9,465,256	**36,806**	**100%**	7,645,332	28,072	100.00
EXPENDITURE							
Direct operating costs	16	**(4,723,617)**	**(18,369)**	**-49.90%**	(3,139,637)	(11,528)	(41.07)
Storage charges	17	**(230,188)**	**(895)**	**-2.43%**	(245,770)	(902)	(3.21)
Administrative and other charges	18	**(94,747)**	**(367)**	**-1.00%**	(56,382)	(208)	(0.74)
Service Providing Institutions and MCIA Levy	19	**(109,830)**	**(427)**	**-1.16%**	(55,333)	(203)	(0.72)
Sugar Insurance Reserve Fund		**(255)**	**(1)**	**-0.00%**	(362)	(1)	(0.00)
TOTAL EXPENDITURE		**(5,158,637)**	**(20,059)**	**-54.50%**	(3,497,484)	(12,842)	(45.74)
Finance income/(cost) - net	20	**4,607**	**18**	**0.05%**	(318,039)	(1,168)	(4.16)
NET REVENUE DISTRIBUTED TO ALL PRODUCERS AS EX-SYNDICATE PRICE		**4,311,226**	**16,765**	**45.55%**	3,829,809	14,062	50.10

The notes on pages 63 to 82 form an integral part of these financial statements.
Independent auditor's report on pages 58 to 59.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 Rs'000	2021 Rs'000
Cash flows from operating activities			
Net revenue distributed to all producers as Ex-Syndicate price		**4,311,226**	3,829,809
Adjustments for:			
Profit on disposal of equipment	15	**(375)**	(217)
Loss on disposal of intangible assets	15	**-**	148
Loss on winding up of subsidiary	7	**-**	459
Amount receivable from subsidiary written off	18	**-**	98
Interest payable	20	**139,718**	266,792
Interest income	20	**(682)**	(62)
Depreciation of equipment	4	**17,511**	7,542
Amortisation of intangible assets	5	**438**	1,231
Retirement benefit obligations	11(vi)	**5,396**	(32,283)
Operating profit before working capital changes		**4,473,232**	4,073,517
Increase in inventories	8	**(4,886)**	(536,216)
(Increase)/decrease in trade and other receivables		**(613,413)**	1,002,052
Increase/(decrease) in trade and other payables		**995,634**	(525,152)
		377,335	(59,316)
Cash generated from operations		**4,850,567**	4,014,201
Advance payment made to producers/planters		**(4,311,226)**	(3,829,809)
Interest paid		**(139,718)**	(266,792)
Net cash generated from/ (used in) operating activities		**399,623**	(82,400)
Investing activities			
Purchase of equipment	4	**(13,459)**	(36,904)
Purchase of intangible assets	5	**(1,089)**	-
Proceeds from disposal of equipment		**375**	929
Interest received		**682**	62
Net cash used in investing activities		**(13,491)**	(35,913)
Financing activities			
Loan repaid	12	**(7,636,919)**	(4,226,438)
Loans received	12	**7,674,907**	4,170,909
Net cash generated from/ (used in) financing activities		**37,988**	(55,529)
Net increase/ (decrease) in cash and cash equivalents		**424,120**	(173,842)
Movement in cash and cash equivalents			
At July 01, 2021		**279,924**	282,611
Net increase/ (decrease) in cash and cash equivalents		**424,120**	(173,842)
Effects of foreign exchange	12	**4,180**	171,155
At June 30, 2022	10	**708,224**	279,924

The notes on pages 63 to 82 form an integral part of these financial statements.

Independent auditor's report on pages 58 to 59.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

1 GENERAL INFORMATION

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

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

The Syndicate had a wholly owned subsidiary, SUCOM, which was incorporated in France and its main business activity was the marketing of sugar. The company provided its marketing services to the Mauritius Sugar Syndicate in Europe. The subsidiary was wound up during the year ended 30 June 2021.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements have been prepared, in all material respects, in accordance with, and comply with the accounting policies of the Syndicate as stated in the financial statements.

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

The financial statements are prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received on sale of an asset or on transfer of a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Syndicate takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

(b) Equipment

Equipment is stated at cost less accumulated depreciation and impairment loss. Depreciation is recognised so as to amortise the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

	%
Computer equipment	25
Furniture and equipment	10
Motor vehicles	20
Offsite equipment	33.3

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis. Equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an equipment is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Intangible Assets

Acquired computer software licences with finite useful lives are capitalised on the basis of costs incurred to acquire and bring to use the specific software (carried at cost) less accumulated amortisation and impairment losses.

Amortisation is recognised on a straight-line basis over their useful economic lives which generally range from 3 to 5 years and assessed for impairment whenever there is an indication that the asset may be impaired. The estimated useful lives and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(d) Trade and Other Receivables

Trade receivables are amounts due from customers for sugars sold in the ordinary course of business. Also included in trade receivables are the sales of sugars relating to the crop year under review, that may not yet have been shipped to the customers at the end of the reporting period. If collection is expected within one year or less (or in the normal operating cycle of the business if longer), they are classified as current asset. If not, they are presented as non current asset.

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

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

(e) Borrowings

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

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

At the end of the reporting date, borrowings denominated in foreign currencies are stated at their carrying amount at the time of disbursement. Exchange differences arising on the repayment of loan are recognised in statement of profit or loss at the time of repayment.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and demand deposits. Bank overdrafts are included in borrowings within current liabilities on the statement of financial position. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(g) 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 relates 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.

(h) Inventories

Inventories comprise of bags, steel bars, liners, other consumables and non originating sugar, which are stated at the lower of cost and net realisable value using the weighted average cost method. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(i) Retirement Benefits Obligations

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.

Defined Contribution Plan

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

Defined Benefit Plan

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

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

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in profit or loss in the period in which they occur.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Retirement Benefits Obligations (cont'd)

Defined Benefit Plan (cont'd)

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

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

Termination benefits

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

(j) Foreign Currencies

Functional and presentation currency

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

Transactions and balances

In preparing the financial statements of the Syndicate, transactions in currencies other than the Mauritian Rupees are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities, with the exception of borrowings (see note 12) that are denominated in foreign currencies are retranslated at the rates prevailing at that date or to a date which is very near to the reporting date and gives a good approximation of the re-translated amount in Rupees. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

(k) Revenue recognition

Revenue consists of gross sugar export proceeds derived from:

- Shipped sugar exports
- Unshipped sugars
- Sales of sugar on the local market

Revenue is measured based on the consideration to which the Syndicate expects to be entitled in a contract with a customer. The Syndicate recognises revenue on a crop basis, that is, for 'shipped' sugar exports at the time when the sugar is shipped for export and for 'unshipped' sugars which pertain to unsold stock quantities available for sale for the current crop year. Revenue is shown net of returns, rebates and discounts.

'Shipped' Sugar exports

The Syndicate sells white refined sugar and special sugars to the European Union (EU), United States of America (USA), Regional Market (Africa) and the World Market. Revenue is recognised when control of the goods has transferred to the customer, that is, at the time the sugar is loaded on the ship. A receivable is recognised by the Syndicate when the goods have been shipped to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

'Unshipped' sugar

Unshipped sugar at the reporting date is recognised from customers based on the remaining quantities of firm orders for exports which will be shipped after the reporting date. The amount of revenue is measured at the latest contract price agreed between the customer and the Syndicate or the best prudent estimate by Management where contract is not yet secured.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Revenue recognition (cont'd)

Sales of Sugar on the local market

The Syndicate sells white refined sugar and special sugars to customers on the local market. Revenue is recognised when control of the goods is transferred to the customer, generally on delivery and acceptance by the customer.

(l) Expenses

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

(m) Non-Current Receivables

Non current receivables represent amounts advanced to producers through various Government financial support schemes from previous crops. They are re-imbursed by producers over the next three to five years and are included within the finance costs of the Syndicate.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Syndicate's accounting policies, which are described in note 2, the Main Committee is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Syndicate's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Main Committee has made in the process of applying the Syndicate's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Discount rate used to determine the carrying amount of the Syndicate's defined benefit obligation

The determination of the Syndicate's defined benefit obligation depends on certain assumptions, which include the selection of the discount rate. The discount rate is set by reference to market yields at the end of the reporting period on government bonds yields. Significant assumptions are required to be made when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Syndicate's financial statements within the next year. Further information on the carrying amounts of the Syndicate's defined benefit obligation and the sensitivity of those amounts to changes in discount rate are provided in note 11. Any change in these amounts will impact the amount for retirement gratuities.

Revenue recognition

At the end of the reporting period, the Syndicate recognises the 'unshipped' sugars that relate to the crop year under review as revenue and the valuation of the 'Unshipped Sales' is described in note 2(k).

Depreciation

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

4. EQUIPMENT

	Offsite Equipment	Computer Equipment	Furniture and Equipment	Motor Vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST					
At July 01, 2020	-	4,964	15,309	12,190	32,463
Additions	35,561	570	773	-	36,904
Disposal	-	(2,018)	-	(3,262)	(5,280)
At June 30, 2021	**35,561**	**3,516**	**16,082**	**8,928**	**64,087**
At July 01, 2021	35,561	3,516	16,082	8,928	64,087
Additions	12,734	441	284	-	13,459
Disposal	-	-	-	(1,760)	(1,760)
At June 30, 2022	**48,295**	**3,957**	**16,366**	**7,168**	**75,786**
DEPRECIATION					
At July 01, 2020	-	4,017	8,695	7,166	19,878
Charge for the year	3,679	573	1,304	1,986	7,542
Disposal	-	(1,982)	-	(2,586)	(4,568)
At June 30, 2021	**3,679**	**2,608**	**9,999**	**6,566**	**22,852**
At July 01, 2021	3,679	2,608	9,999	6,566	22,852
Charge for the year	14,330	444	1,355	1,382	17,511
Disposal	-	-	-	(1,760)	(1,760)
At June 30, 2022	**18,009**	**3,052**	**11,354**	**6,188**	**38,603**
NET BOOK VALUE					
At June 30, 2022	**30,286**	**905**	**5,012**	**980**	**37,183**
At June 30, 2021	31,882	908	6,083	2,362	41,235

Depreciation expense of Rs 3,181,038 (2021: Rs 3,863,781) has been charged to administrative and other charges and depreciation of Rs 14,329,494 (2021: Rs 3,678,524) on Offsite equipment has been charged to direct operating costs.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

5. INTANGIBLE ASSETS

	Computer software
	Rs'000
COST	
At July 01, 2020	5,261
Disposal	(245)
At June 30, 2021	**5,016**
At July 01, 2021	5,016
Additions	1,089
At June 30, 2022	**6,105**
AMORTISATION	
At July 01, 2020	3,306
Charge for the year	1,231
Disposal	(97)
At June 30, 2021	**4,440**
At July 01, 2021	**4,440**
Charge for the year	438
At June 30, 2022	**4,878**
NET BOOK VALUE	
At June 30, 2022	**1,227**
At June 30, 2021	576

Amortisation charge of Rs 438,060 (2021: Rs 1,231,591) has been charged to administrative and other charges.

6. CURRENT RECEIVABLES

	2022	2021
	Rs'000	Rs'000
Support Scheme to producers (less than 1year)	**70,000**	145,000
Total current receivables	**70,000**	145,000

A financial support of Rs 850 per ton sugar had been distributed to sugar producers for the 2017 Crop through a loan contracted from the Sugar Insurance Fund Board. The repayment period was 5 years after a moratorium period of 2 years starting from 2017 Crop. The rate of interest from the Sugar Insurance Fund Board was 4.50% per annum and has been subsequently revised to 2.85%. An additional support of Rs.600 per ton had been distributed to producers for Crop 2017. An amount of Rs 218,836,377 has been fully amortised against Crops 2018, 2019, 2020 and 2021.

During the year, Rs 75M was charged against the Ex Syndicate price for Crop 2021 and the final balance of Rs 70 M will be charged against the Ex Syndicate price for Crop 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

7. INVESTMENT IN SUBSIDIARY

		2022 Rs'000	2021 Rs'000
(a)	At July 01,	-	459
	Loss on winding up	-	(459)
	At June 30,	-	-

(b) Details of the subsidiary is as follows:

Name of the Company	Country of Incorporation	Class of shares held	Nominal value of investments	% Holding	Main Business	Financial Period ended
			Euro			
2022						
SUCOM	**France**	**Ordinary**	**-**	**-**	**Marketing Agency**	**30 June**
2021						
SUCOM	France	Ordinary	-	-	Marketing Agency	30 June

(c) Investment in subsidiary company is denominated in Euro. During the financial year 2021, the subsidiary, SUCOM, had been wound up. The gain or loss on winding up of the subsidiary had been recognised in the profit or loss.

The Syndicate had incurred a brokerage fee of Rs 971,848 in the process of winding up the subsidiary which had been recognised in other direct operating costs in the profit or loss in financial year 2021.

8. INVENTORIES

	2022 Rs'000	2021 Rs'000
At Cost		
Bags, steel bars and liners	**74,045**	61,166
At Net Realisable Value (NRV)		
Non Originating Sugar	**550,531**	558,524
	624,576	619,690

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

9. TRADE AND OTHER RECEIVABLES

	2022 Rs'000	2021 Rs'000
Trade Receivables		
Shipped sugar exports	**1,358,733**	1,256,362
Unshipped sugars exports- Contracted	**1,634,770**	1,098,830
Unshipped sugars exports- Uncontracted	**306,038**	272,008
	3,299,541	2,627,200
Staff loans	**2,662**	3,062
Advances to producers/ planters	**3,521**	473
Other receivables	**37,004**	23,580
	3,342,728	2,654,315

The average credit period on sales of sugars is between 30 and 60 days. No interest is charged on trade receivables. The Syndicate does not hold any collateral over any past due trade debtors balances. Allowances for doubtful debtors are recognised against trade receivables which are past due on a case to case basis. Out of the trade receivables, the Syndicate has recovered over 77% in value of its shipped sugar exports at the date of approval of these financial statements.

Before accepting any new customer, the Syndicate assesses the credit quality of the customer and defines the terms and credit limits accordingly.

The carrying amounts of trade and other receivables approximate their fair values.

The Committee is of opinion that the trade receivables are fully recoverable.

As of June 30, 2022, trade receivables of Rs 69,839,550 (2021: Rs 63,248,417) were past due but not impaired. Out of this amount, the Syndicate has recovered 93% at the date of approval of these financial statements.

	2022 Rs'000	2021 Rs'000
61 - 90 days	**64,800**	55,293
91-120 days	**1,076**	7,260
more than 120 days	**3,963**	695
	69,839	63,248

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

	2022 Rs'000	2021 Rs'000
Mauritian Rupee	**249,093**	72,854
US Dollar	**1,562,105**	848,558
Euro	**1,224,984**	1,730,934
GBP	**306,546**	1,969
	3,342,728	2,654,315

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

10. CASH AND CASH EQUIVALENTS

	2022	2021
	Rs'000	Rs'000
Bank and cash balances	**709,697**	279,924
Bank overdraft	**(1,473)**	-
	708,224	279,924

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

	2022	2021
	Rs'000	Rs'000
Bank and cash balances (excluding bank overdraft)		
Mauritian Rupee	**265,350**	75,013
US Dollar	**148,617**	114,563
Euro	**260,147**	85,694
GBP	**35,583**	4,654
	709,697	279,924

11. RETIREMENT BENEFIT OBLIGATIONS

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

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

(ii) The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligtions were carried out at June 30, 2022 by AON Hewitt. The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

	2022	2021
	Rs'000	Rs'000
Present value of funded obligations	**170,848**	168,459
Fair value of plan assets	**(148,785)**	(132,552)
	22,063	35,907
Unrecognised actuarial loss	**-**	-
Liabilities recognised in the statement of financial position	**22,063**	35,907

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

11. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	2022	2021
	Rs'000	Rs'000
At July 1,	**35,907**	68,190
Recognised in the statement of profit or loss	**(9,942)**	(27,505)
Employer contributions paid	**(3,902)**	(4,778)
At June 30,	**22,063**	35,907

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

	2022	2021
	Rs'000	Rs'000
At July 1,	**168,459**	190,273
Current service cost	**3,741**	4,239
Past service cost	**-**	(5,902)
Employee Contributions	**441**	524
Interest costs	**8,085**	7,316
Benefit paid	**(7,012)**	(6,999)
Liability experience gain	**(1,078)**	(1,150)
Liabilty gain due to change in financial assumptions	**(1,788)**	(19,842)
At June 30,	**170,848**	168,459

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

	2022	2021
	Rs'000	Rs'000
At July 1,	**132,552**	122,083
Interest income	**6,430**	4,850
Employer contribution	**3,902**	4,778
Employee contributions	**441**	524
Benefit paid	**(7,012)**	(6,999)
Return on plan assets excluding interest income	**12,472**	7,316
At June 30,	**148,785**	132,552

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

11. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(vi) Amounts recognised in the statement of profit or loss:

	2022	2021
	Rs'000	Rs'000
Current service cost	**3,741**	4,239
Past service cost	**-**	(5,902)
Net interest on net defined benefit liability	**1,655**	2,466
Acturial gain	**-**	(28,308)
Employer contribution	**-**	(4,778)
Total included in employee benefit expense	**5,396**	(32,283)

Amounts included in accruals:	**2022**	2021
	Rs'000	Rs'000
Acturial gain	**(15,338)**	-
Employer contribution	**(3,902)**	-
Total included in accruals treated as non-cash items	**(19,240)**	-

	2022	2021
	Rs'000	Rs'000
Actual return on plan assets	**18,902**	12,166

(vii) The principal actuarial assumptions used for accounting purposes were:

	2022	2021
	%	%
Discount rate	**5.00**	4.90
Future salary increases	**3.20**	3.00

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

	2022	2021
	Rs'000	Rs'000
Increase due to 1% decrease in discount rate	**21,471**	22,285
Decrease due to 1% increase in discount rate	**17,781**	18,544

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

11. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

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

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

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

(x) The Syndicate expects to pay Rs 3.9 M in contributions to its post-employment benefit plans for the year ended June 30, 2023.

(xi) The weighted average duration of the defined benefit obligation is 11 years at the end of the reporting period.

12. BORROWINGS

	2022	2021
	Rs'000	Rs'000
Current		
SIFB loan	**-**	215,142
Bank loans	**2,489,200**	2,231,890
Bank overdrafts	**1,473**	-
	2,490,673	2,447,032
Total borrowings	**2,490,673**	2,447,032

Reconciliation of liabilities arising from financing activities

	At July 1, 2021	**Additions**	**Repayments**	**Effects of foreign exchange**	**At June 30, 2022**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Short-term borrowings	**2,447,032**	**7,674,907**	**(7,636,919)**	**4,180**	**2,489,200**
Overdraft	**-**	**1,473**	**-**	-	**1,473**
	2,447,032	**7,676,380**	**(7,636,919)**	**4,180**	**2,490,673**

	At July 1, 2020	Additions	Repayments	Effects of foreign exchange	At June 30, 2021
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Short-term borrowings	2,331,405	4,170,909	(4,226,437)	171,155	2,447,032
Overdraft	1	-	(1)	-	-
	2,331,406	4,170,909	(4,226,438)	171,155	2,447,032

(a) The loan from SIFB was repayable in 5 years following a moratorium period of 2 years starting from 2017 Crop and which bore interest at 2.85% per annum, has fully been repaid during the year ended 30 June 2022 (2021: 2.85%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

12. BORROWINGS (CONT'D)

(b) The interest rates on bank loans and other loans are secured and varied from 1.60 % to 2.50 % per annum on Rupees accounts (2021: 1.75 % to 2.85 %) and from 0.8 % to 1.10% per annum on USD accounts (2021: 0.90 % to 1.10 %) while interest on loans in Euros was 0.85% per annum (2021: 0.80% to 0.90%).

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

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

	2022	2021
	Rs'000	Rs'000
Mauritian Rupee	**2,401,473**	1,625,142
Euro	**-**	564,190
US Dollar	**89,200**	257,700
	2,490,673	2,447,032

13. TRADE AND OTHER PAYABLES

	2022	2021
	Rs'000	Rs'000
Amount payable to producers	**1,019,946**	707,926
Trade payables and accrued expenses	**1,205,825**	487,930
Provisions and other payables	**46,904**	61,945
	2,272,675	1,257,801

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

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

13. TRADE AND OTHER PAYABLES (CONT'D)

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

	2022	2021
	Rs'000	Rs'000
Mauritian Rupee	**2,061,945**	979,847
US Dollar	**90,371**	40,419
Euro	**120,359**	237,499
GBP	**-**	36
	2,272,675	1,257,801

14. SALES PROCEEDS

	2022	2021
	Rs'000	Rs'000
'Shipped' Sugar exports	**5,720,747**	5,105,855
'Unshipped' Sugar exports	**2,722,160**	2,079,427
	8,442,907	7,185,282
Sales of Sugar on local market	**977,886**	398,836
Total sales proceeds	**9,420,793**	7,584,118

15. OTHER INCOME

	2022	2021
	Rs'000	Rs'000
Insurance claim received and miscellaneous income	**44,088**	61,145
Profit on disposal of equipment	**375**	217
Loss on disposal of Intangible assets	**-**	(148)
	44,463	61,214

16. DIRECT OPERATING COSTS

	2022	2021
	Rs'000	Rs'000
Sugar processing fees and packing cost	**1,341,290**	1,140,196
Freight and export charges	**839,053**	510,468
Bags and other related charges	**206,515**	108,690
Liners, steel bars and other related costs for white refined sugar	**23,818**	30,672
Cost of imports for local market and re-export	**2,180,064**	1,199,626
Loss on winding up subsidiary	**-**	459
Depreciation of Offsite equipment (note 4)	**14,330**	3,679
Other costs	**118,547**	145,847
	4,723,617	3,139,637

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

16. DIRECT OPERATING COSTS (CONT'D)

(a) **Cost of imports**

Costs of imports for the local market and re-export are calculated on a landed basis for 105,752MT (2021: 80,750 MT) of white refined sugar and raw sugar feedstock.

17. STORAGE CHARGES

	2022 Rs'000	2021 Rs'000
MCIA (Ex-BSSD)	**99,250**	103,110
CHC and MFD	**130,938**	142,660
	230,188	245,770

18. ADMINISTRATIVE AND OTHER CHARGES

	2022 Rs'000	2021 Rs'000
Depreciation on equipment (note 4)	**3,181**	3,863
Amortisation of intangible assets (note 5)	**438**	1,231
Rental of office	**3,935**	3,853
Employee benefit expense (note 18(a))	**58,133**	20,676
Overseas representation and mission expenses	**4,246**	1,885
Professional fees including subscriptions	**9,131**	10,183
Committee members fees	**430**	556
Amount receivable from subsidiary written off	**-**	98
Others	**15,253**	14,037
	94,747	56,382

(a) EMPLOYEE BENEFIT EXPENSE

	2022 Rs'000	2021 Rs'000
Wages and salaries, including termination benefits	**50,590**	51,205
Social Security costs	**2,147**	1,754
Pension costs - Defined benefit plans (note 11(vi))	**5,396**	(32,283)
	58,133	20,676

19. SERVICE PROVIDING INSTITUTIONS AND MCIA LEVY

	2022 Rs'000	2021 Rs'000
Levy on local sugar sales	**109,830**	55,333

This relates to contribution made by the Syndicate for dockers' pension fund.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

20. FINANCE INCOME/(COST) - NET

	2022 Rs'000	2021 Rs'000
Finance income		
Interest income	**682**	62
Finance costs		
Interest payable on :		
- Foreign currency loans	**(5,303)**	(13,481)
- Money Market Instruments	**(42,073)**	-
- Mauritian rupee loans	**(17,342)**	(48,311)
Reimbursement of financial support extended to producers for Crop 2017	**(75,000)**	(205,000)
Net foreign exchange gain/(loss)	**143,643**	(51,309)
	3,925	(318,101)
Finance income/(cost) - Net	**4,607**	(318,039)

21 RELATED PARTY TRANSACTIONS

	2022 Rs'000	2021 Rs'000
Key management personnel remuneration	**16,839**	16,336

22. FINANCIAL INSTRUMENTS

Financial Risk Management

The Syndicate's activities expose them to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Syndicate's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on its financial performance. The Syndicate seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The Syndicate does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Risk management is carried out under policies approved by the Marketing Committee, Risk Management Committee and the Forex Management Committee. These committees are independent bodies that monitor risks and policies implemented to mitigate risk exposures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

22. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management (cont'd)

Market risk

Currency risk

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

The Forex Committee manages foreign exchange risks by monitoring the concentration and timing of trade receivables by type of currencies. To manage its foreign exchange risks, the Syndicate uses foreign exchange forward contracts and has foreign currency bank accounts which are transacted with commercial banks.

Currency profile

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

	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
	2022	2021	**2022**	2021
	Rs'000	Rs'000	**Rs'000**	Rs'000
Mauritian Rupees	**568,632**	282,617	**4,447,402**	2,604,419
US Dollar	**1,710,722**	963,121	**179,571**	298,119
Euro	**1,465,555**	1,809,754	**120,359**	801,689
GBP	**342,129**	6,623	**-**	36
	4,087,038	3,062,115	**4,747,332**	3,704,263

Foreign currency sensitivity analysis

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

22. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management (cont'd)

Market risk (cont'd)

Foreign currency sensitivity analysis (Cont'd)

	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
	2022	2021	**2022**	2021
	Rs'000	Rs'000	**Rs'000**	Rs'000
Impact on net revenue before distribution to producers:				
US Dollar	**85,536**	48,156	**8,979**	14,906
Euro	**73,278**	90,488	**6,018**	40,084
GBP	**17,106**	331	**-**	2
	175,920	138,975	**14,997**	54,992

Interest rate risk

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

At June 30, 2022, if interest rate on rupee-denominated borrowings had been 50 basis points higher or lower with all other variables held constant, the net amount distributed to producers would have been Rs 86,665 (2021: Rs 240,655) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Liquidity risk

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

A liquidity risk arises on advances to planters made on a weekly basis. To meet its cash outflows, the Syndicate uses overdraft and loan facilities with banks and institutions in the sugar sector to supplement its regular inflow of sugar proceeds to settle its debts as they become due.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

22. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management (cont'd)

Credit risk

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

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

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

The credit quality of trade and other receivables 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. For the year under review trade receivables were not impaired.

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

23. TAXATION

The Syndicate is a non-profit making organisation and is exempt from taxation.

24. CONTINGENT LIABILITIES

The Syndicate has no contracted bank guarantee at June 30, 2022 and 2021.

25. COVID-19 IMPACT

The global outbreak of the coronavirus ("COVID-19") has caused significant volatility within the economic markets, for which the duration and spread of the outbreak and the resultant economic impact is uncertain and cannot be predicted. The effect of the impact of COVID-19 has been reflected in these financial statements and the impact on the future results of the Syndicate is not likely to be material considering that there has not been any impact on its customer base and demand for sugars.

26. UKRAINE/RUSSIA WAR IMPACT

On 24 February 2022, Russian Federation launched a full-scale invasion into Ukraine sovereign state. The potential impact from the emerging Ukraine and Russian conflict remain uncertain, including, but not limited to, global economic conditions, asset valuations, interest rate expectations and exchange rates. The extent of these impacts on the Company are unclear at this stage.

27. SUBSEQUENT EVENTS

The Syndicate received its licence as issuer of money market instrument on 30 August 2022 and has launched a bid for a Rs2 billion bond issue for a one-year tenor. The Syndicate has been rated CARE MAU A1+ by CARE Ratings on this MMI.





Close attention **given to the preservation of the stored product**

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