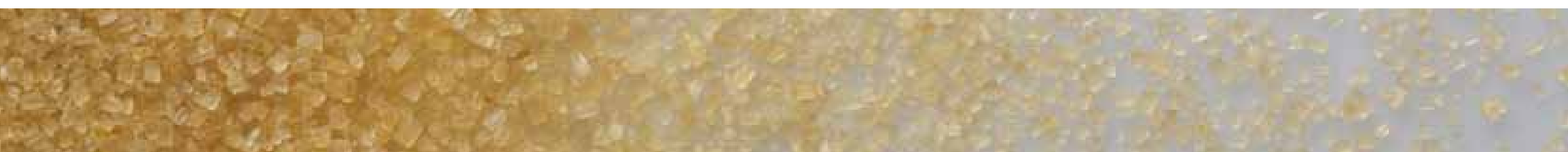
MAURITIUS SUGAR SYNDICATE

Report and Financial Statements

2018-2019



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Role and Status of the Mauritius Sugar Syndicate

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

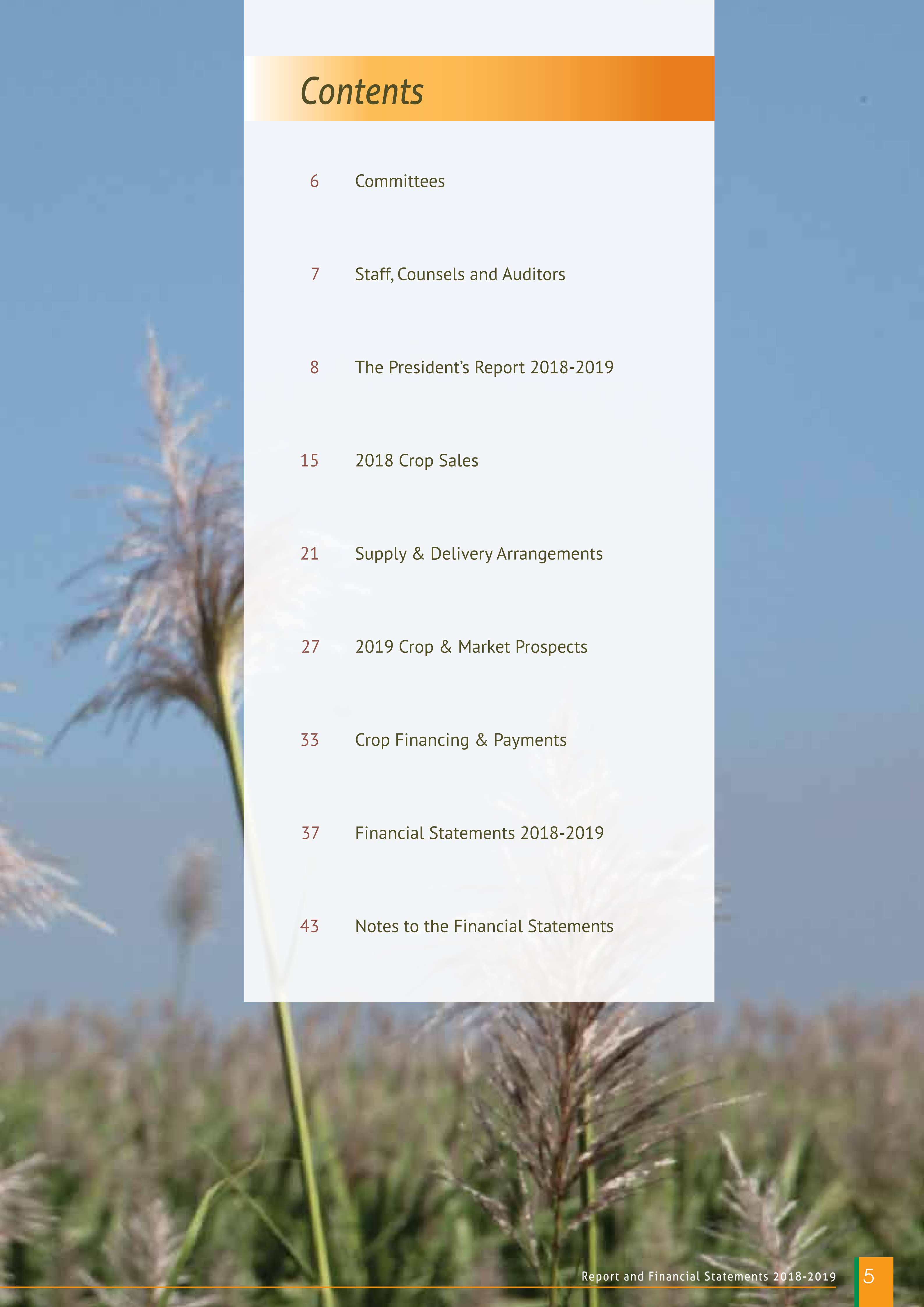
The Mauritius Sugar Syndicate is the sole organisation responsible for the marketing of sugar produced in Mauritius; it has for object the sale of all sugars received by it for the account of its members and the distribution of the proceeds of such sale after deduction of common expenses. All sugar producers are members of the Syndicate and they numbered 12,064 for the 2018 crop.

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

The Mauritius Sugar Syndicate is managed and administered, as provided by its Articles of Association (1967), by a statutory committee known as the "Committee" which comprises twenty-two members, fourteen being representatives of the corporate sector of the industry including corporate growers, and eight representatives of large and small cane planters. The representatives of the corporate sector are appointed by the relevant members while the planters' representatives are appointed by the Minister of Agro-Industry and Food Security upon recommendation of 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 rotates between a planter and a corporate representative. The AGM also approves the composition of the Committee and that of the Executive and Selling Committee (ESC), which comprises eleven members, including six representatives of the corporate sector, four planters' representatives, and the CEO of the Mauritius Cane Industry Authority (MCIA).

The ESC, which meets every 3 to 4 weeks, is the steering body of the Syndicate and 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. They are the Marketing Committee, the Forex Committee, and the Audit and Risk Management Committee. A Remuneration Committee is set up on an ad hoc basis to address issues relating to remuneration, promotion and recruitment within the organisation.



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MAIN COMMITTEE

President
- Heymant Rao Anand Sonoo

Vice-President
- Nicolas Maigrot

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

Large Planters' Representatives
Nominated by the Minister of Agro-Industry & Food Security
- Gunness Bhuruth
- Satidanand Pudaruth (resigned on 14 May 2019)
- Jugduth Seegobin

Small Planters' Representatives
Nominated by the Minister of Agro-Industry & Food Security
- Rambhajun Babooa, M.B.E.
- Keeshorlal Gungah
- Pramanund Newoor, M.S.K.
- Shrudanand Sheoraj, O.S.K.(resigned on 15 May 2019)

EXECUTIVE AND SELLING COMMITTEE

President
- Heymant Rao Anand Sonoo

Vice-President
- Nicolas Maigrot

Members
- Rambhajun Babooa, M.B.E
- Gunness Bhuruth
- André Bonieux
- Hector Espitalier Noël
- Keeshorlal Gungah
- Jean Li Yuen Fong
- Jacques Marrier d'Unienville, G.O.S.K.
- Jean Ribet

In attendance
- Jugdis Bundhoo (CEO of MCIA)
- Jacqueline Sauzier (General Secretary of Mauritius Chamber of Agriculture)

CHIEF EXECUTIVE OFFICER & SECRETARY

- Devesh Dukhira

Confidential Assistant
- Marie Claire Lo Fong

MARKETING & SALES DEPARTMENT

International Marketing Executive
- Laurent Courteille

Marketing & Sales Manager
- Stéphane Casse

Sales Coordinator
- Ian Samuel

Marketing Assistant
- Jesieka Baptiste-Rabot

SALES ADMINISTRATION & LOGISTICS

Senior Sales Administration & Logistics Officer
- Khemraj Jhurry

Sales Administration & Logistics Officers
- Glen Baniaux
- Ayesha Ramsurrun (as from 2 July 2018)

Logistics Officers
- Dany Jaune
- Mohamad Irshad Saydan (as from 15 October 2018)
- Manish Heerbhunjinsing (as from 1 April 2019)

Sales & Logistics Assistant
- Karine Ribet

FINANCE & ACCOUNTS DEPARTMENT

Chief Finance and Administrative Officer
- Jyoty Soomarooah (up to 31 May 2019)

Chief Finance Officer
- Balmick (Sanjay) Molaye (as from 1 April 2019)

Treasurer/ Accountant
- Indira Goboodun

Accountant
- Naraindu th Bhunjun (as from 1 October 2018)

Accounts Officers
- Yudhisthir Gopaul
- Khushboo Ramsaha (up to 19 July 2019)

Finance & Accounts Assistant
- Vijay Luxmi Sanuchur

Receptionist/Secretary
- Doretta Larose

PRODUCERS' SERVICE DEPARTMENT

Head of Department
- Chetanand Dookhony

First Assistant
- Purshotum Luchmun Roy

Second Assistant
- Varsha Boolakee

CENTRAL QUALITY DEPARTMENT

Chief Quality Assurance Officer
- Patrick Bussier

Assistant Chief Quality Assurance Officer
- Shivalingum Chengalaram

Quality Assurance Officers
- Faisal Earally
- Sanjaye Goboodun

Secretary
- Belinda Dorza

SUPERVISING AND SAMPLING

Supervisor in charge
- Patrick Henry

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

LEGAL COUNSELS
- BLC Robert & Associates Ltd

US TRADE COUNSEL
- Ryberg and Smith LLC

EXTERNAL AUDITORS
- BDO & CO

INTERNAL AUDITORS
- Ernst & Young Mauritius

FOREX CONSULTANT
- Stewardship Consulting (Pte) Ltd

The President's Report

1919-2019: 100 years since the Mauritius Sugar Syndicate was set up. This organisation has marked the history of the country, having for many years been the principal conduit for its national export revenue. The Syndicate is driven by the local sugar producers to meet their commercial objectives and, pursuant to the Mauritius Sugar Syndicate Act 1951, it also operates within an institutional framework, having been entrusted with the sugar production of all the cane sugar producers of the island, irrespective of their size and whether they are growers or millers.

100 years – an opportunity to reflect, and to refresh. The Syndicate has stood the test of time. Through sheer resilience, it has been adapting consistently to the changing market environment and likewise to the evolving sugar industry landscape, while ensuring an orderly marketing for the locally produced sugars. It has survived numerous challenges over these last 100 years, thanks to the focus and clear-sightedness of its members and continuous support from Government, and has played a key role in assuring the sustainability of this industry, which still remains highly oriented towards export. After erosion of the country's trade preferences, while the market environment becomes increasingly unpredictable, the cohesion of producers is today, more than ever, crucial to be able to face future challenges. In fact, along this bumpy road, the industry's net revenue has fallen below its viability price level for 5 out of the 10 years since the end of the Sugar Protocol, confirming how vulnerable their sugar proceeds can get.

The 2018 crop sales have been undertaken in one of these difficult years, in fact the most challenging one since abolition of guaranteed prices in 2009. After having suffered from the severe impact of subdued market prices in the preceding year, the industry faced another period of dim sales performance as the distorted market price levels triggered during the first quarter of 2017, persisted and fell to even lower values by mid-2018, when the bulk of sales contracts were being negotiated. Meanwhile certain unanticipated events, such as the continued loss of the Syndicate's local market share, or the rising protectionism measures adopted in certain export destinations, had a further impact on its net sales revenue. As a result, the ex-Syndicate price paid to producers decreased further to Rs 8,686 per ton sugar, compared with the Rs 10,717 achieved in the previous crop.

This net sugar proceeds price level, which was last seen some 25 years ago, was much lower than the production costs of even the most efficient growers and producers, which have meanwhile escalated considerably. Pending the long-awaited structural reform of the industry, the main players consequently made a plea to Government for urgent intervention so as to narrow the gap with their break-even price levels for the 2018 crop. The authorities responded positively with a series of measures, namely (i) a special financial assistance of Rs 1,250 per ton sugar from the Sugar Insurance Fund Board (SIFB) to all growers; (ii) the renewal of the Sugar Cane Sustainability Fund for an additional year with a further top-up of Rs 1,250 per ton sugar, thus allowing growers to earn under this scheme at least Rs 1,550 per ton sugar, while those producing up to 60 tons sugar have secured Rs 2,350 per ton sugar; and (iii) a special grant of Rs 257 per ton cane to small planters falling in the latter category. These were in addition to the suspension of Global Cess used for the financing of the Mauritius Cane Industry Authority (MCIA) and also waiver of 50% of the SIFB general premium for all producers, while the remaining contribution of the smaller planters was also financed by Government.

On its side, the Syndicate took a loan from commercial banks to round off its payment to producers to Rs 8,700 per ton sugar. Considering the regular proceeds from molasses, including distillers'/bottlers' contribution, and the bagasse transfer price, the total revenue secured by the large growers for the 2018 crop thus attained Rs 13,197 per ton sugar while those producing under 60 tons sugar reached Rs 17,287 per ton sugar. This compares with Rs 15,420 and Rs 16,220 respectively in the preceding year. The millers, who were not eligible to the above-mentioned support, obtained as proceeds only the Syndicate's disbursement of Rs 8,700 per ton sugar, thereby reporting heavy operational losses for 2018/19, despite the added revenue received for production of special sugars and white refined sugar from their respective facilities. Medine Sugar Milling, which had not embarked on the production of direct consumption sugars at the time of industrial reform some 10 years ago, had an even worse financial performance. After enduring recurrent losses over several years, they sought authorisation from the MCIA, which was subsequently granted, to cease operations as from the 2019 crop. The authorities, however, had to assure deviation of the 350,000 tons cane within its factory area to the three remaining sugar mills, while addressing the issue of the consequential transport cost increases.

While the above-named measures undoubtedly provided much relief, especially to the smaller growers, the disbursements were unfortunately not always made in a timely manner. The Syndicate intervened to secure bridging loans from commercial banks to provide such pay-outs faster but could only do so subject to its cashflow, and such facilities were therefore mainly focused on the smaller planters, namely through enhanced advances. Moreover, as these payments were announced only for the prevailing campaign, there was little visibility whether producers will remain viable over the longer term, given the cyclical nature of sugar prices in the absence of safety nets. A measure, probably with a multi annual impact was the introduction of a scheme in October 2018 for the supply of fertilizers to small planters, which should improve their yields in the following crop.

The announcements made in the 2019 Budget Speech in June 2019 provided further encouragement, in particular the guaranteed payment of Rs 25,000 per ton sugar to all planters for their first 60 tons sugar. It must be highlighted that this is the highest revenue level which cane growers have ever realized. Although it was proclaimed only for the 2019 harvest, the declaration by Government of the long overdue National Biomass Framework for the use of sugar cane biomass, including cane trash, for electricity generation, provided hope that such revenue levels can be sustained in future. Government has meanwhile sought the assistance of the World Bank to provide

strategic policy options to assure the sustainability of the sugar industry, implying the likely implementation of the long-awaited structural reform. For the 2019 crop, Government also renewed the waiver of Global Cess, and payment of the general insurance premium payable to the SIFB by the smaller growers, while discounting by 50% the supply of fertilizers in 2018. On the other hand, Government announced the provision of funds under the Cane Replantation Programme, which should help towards improving producers' yields while encouraging the return of planters having abandoned cultivation, back to their lands.

The Syndicate, on its side, cognisant of its role to bring the highest value to its members for their sugar production, must leave no stone unturned and should continuously assess market opportunities with the view to ensure it derives the highest value for its sugars. In anticipation of the demise of the Sugar Protocol 10 years ago, it had already spearheaded a shift in production to exclusively direct consumption sugars, including white refined sugar for the EU market, which, under its prior production-restricted Sugar Regime, still provided privileged access for ACP/LDC produce. The Mauritian industry had taken advantage of this window of opportunity to embark on the refining of sugar locally to meet this specific gap of over 3.5 M tons in the EU market and has consequently reduced its dependence on destination refineries together with the flexibility of having a wider market coverage. However, with the advent of EU production quota liberalisation in 2017, the Syndicate's market base, especially for white refined sugar, had to be further diversified, the regional market having been the obvious choice in this regard.

As for special sugars, after having increased production and sales from 60,000 tons prior to 2009 to 120,000 tons, a target attained by 2011 through extensive market diversification, a new objective has been set to reach 180,000 tons over the next 5 years. In a world of fierce competition, where sugar prices often get distorted in the absence of rules-based trade, Mauritius has no other choice than to rely on its strength in the production of special sugars and supply these to niche market segments worldwide, which can assure it of sustained price levels. After having diversified to some 50 destinations, sales in the new markets are called to be consolidated, while the Syndicate attempts to retain its share in the traditional EU market, increasingly challenged by new suppliers from Central and Latin America, having secured preferential access under the recent free trade agreements signed with the EU Commission.

On the other hand, production of white refined sugar, which is more prone to price fluctuations, is set to decrease, especially that, with the decline in the island's cane production, less raw sugar would be available for refining after production of a larger quantity of special sugars, while market conditions would not always warrant the refining of imported raw sugar. In this regard, the Syndicate has embarked on an extensive consultation with the millers and refiners, under the guidance of a firm of consultants, to review the production mix so as firstly to adapt to its new marketing strategy and secondly to re-evaluate the remuneration payable for the value-addition processes, taking into consideration, on one hand, the reduced sugar proceeds and, on the other, the increasingly demanding and competitive market environment.

While the Syndicate should continuously adapt its marketing plan and consequently its product offering, the industry is bound to face every now and again the harsh market environment of the last 2 years. Although such sugar price levels are not sustainable for exporters worldwide, it is unfortunately likely to recur, given firstly the weather-related cyclical nature of global production excesses, and secondly the trade-distorting support measures extended to producers in a number of countries, which can also disrupt market equilibrium. This has been the case in India where, after a substantial increase in growers' guaranteed price levels, from IRs 1,450 per ton cane in 2011/12 to IRs 2,300 in 2015/16, and a surge to IRs 2,750 in 2018/19, sugar production hit a record of 32.5 M tons in 2017/18, renewed to 33.0 M tons in the following year, compared to its annual consumption of 26 M tons, which therefore represented the main chunk of the significant global excesses, hence further distorting market prices. It is estimated that, in the absence of such measures, sugar industries worldwide would have obtained an additional gain of some US$ 3 bn in each of these years. This has prompted Australia, Brazil and Guatemala, to request the WTO to set a panel against such trade-distorting measures in India, though this did not hinder the Indian government from announcing, in August 2019, export subsidies, to the tune of INR 10,448 per ton sugar, to facilitate export of some 6 M tons sugar. If these support measures were brought down to WTO-permissible limits, it is estimated that their domestic sugar prices should rise substantially, with a direct likely impact on world market prices.

It should be highlighted, on the other hand, that only a third of the total sugar production worldwide is available for export, some 58 M tons out of the 176 M tons estimated by the International Sugar Organization (ISO) to have been produced in 2018/19, while the balance is consumed locally. As a result of the low global prices, high tariff and non-tariff barriers would be imposed in sugar-producing countries to preserve remunerative price levels for their respective industries. They in turn further amplify the global price distortion as they can cross-subsidise exports of any remaining balance. Mauritius is doubly disadvantaged due to firstly its restricted domestic market, accounting for only 10% of its annual sugar production, and secondly its insufficient border controls which ease the import of subsidised sugars.

World market prices have therefore remained depressed during the 2018/19 campaign as a result of the significant carry-over stock from the preceding year, estimated by the ISO in August 2018 at 8.6 M tons, after a remarkable year-on-year increase of over 14 M tons sugar to attain a record global production estimated at 184 M tons in 2017/18 over that period. In addition to India, whose production had risen by over 12 M tons, Thailand and Europe had weighed in, to the tune of 4.4 M tons and 2.8 M tons respectively, to the excess supply.

World sugar production over 2018/19 was initially estimated by the ISO to be at a comparable level of 185.2 M tons, which would have entailed a global surplus of over 6 M tons, hence maintaining pressure on market prices, which fell even lower during the 3rd quarter of 2018 when the bulk of sales contracts for the Mauritius 2018 crop was being negotiated. The New York # 11 price for raw sugar in fact ranged between US 9.83 cts/lb and US 14.24 cts/lb during the crop year, but remained around US 12 cts/lb for most of the time. At such price levels, apart from those who are secured by regulatory frameworks, all sugar producers worldwide have been incurring losses. The increasing deviation of cane towards ethanol production in Brazil, with a sugar mix of only 35% in 2018 compared with 46% in the previous year, demonstrates the unattractiveness of sugar prices: as a result sugar production in this country attained only 31 M tons in 2017/18, compared with 39.4 M tons in the preceding year, while it is estimated at only 28.2 M tons in 2018/19. This measure, together with the fall in crop outturns in Europe, Russia, Ukraine and Pakistan, in turn led to a reduced global production in 2018/19, thus prompting the ISO to review its estimate in September 2019 to 176.1 M tons. The global surplus was consequently revised to a mere 1.8 M tons and the stock-to-consumption ratio declined from 55.1% to 54.6%, which was, however, still higher than the last 10 years' average of 50%. With further production decline foreseen in 2019/20, especially in Brazil, India and Thailand, it would fall short of global consumption, but this has not yet impacted, at time of writing, on the world market prices due to the high carry-over stocks.

An equivalent impact has been experienced in Europe, in fact even worse, as the stock-to-consumption ratio attained 13.5 % after the record 2017 crop production of 21.3 M tons, compared with 4.6% in the preceding year. While a second consecutive year of large surplus was foreseen in 2018, as the area under beet cultivation was barely reduced from 1.678 M to 1.649 M hectares, the price war triggered in 2017 persisted against a setback of depressed world market prices. In fact, owing to the high global stocks, prices were finalized at even lower levels. Hence the average EU ex-works price of white sugar fell from EUR 374 / ton in 2017/18 to EUR 317 / ton at time of writing for the year under review: this is some 35 % below the average price attained for the 2016 crop, the last year prior to liberalization of EU production quotas.

Although the EU 2018 harvest was subsequently affected by dry weather conditions in certain key beet regions, with the average yield falling to 10.7 tons sugar per hectare, compared with the last 5 years' average of 11.7 tons, the bulk of sales had been contracted before such impact was felt. With prices having been finalised even below those of the preceding crop, given the high stock levels and persisting low global prices, the beet sugar producers consequently incurred heavy losses for a second consecutive campaign, compelling them to take remedial actions to face future challenges more serenely: these include a decrease in area under beet cultivation for the 2019 crop and even closure or consolidation of inefficient production facilities. Such capacities retrenchment is a positive sign as regards the price levels sought by EU producers to remain sustainable, despite their productivity improvements in the interim and their flexibility to produce large excesses after quota liberalisation in October 2017. The fact that Mauritius continues to benefit from duty-free and quota-free access under the EU's Economic Partnership Agreements, this market therefore remains one of the prioritised destinations for its sugars. Depending on the outcome of UK's trade negotiations with the EU in case of a hard BREXIT, access to this particular destination could be even more remunerative given its annual prevailing deficit of over 1 M tons sugar, while Mauritius, through the Eastern and Southern African group, has already secured from the British authorities assurances that its exports will not be disrupted.

Already, with the significant reduction in the 2018 EU crop production estimates, from over 20 M tons initially to some 17.6 M tons at time of writing, there were growing concerns of sugar availability, especially in the deficit areas, which resulted in improved Spot prices during the first two quarters of 2019, up to 25% higher than the average contracted prices. Although the bulk of Mauritius sugar sales from the 2018 crop had been finalised when market prices were low, the enhanced Spot prices did justify deviation of certain sugars initially earmarked for the regional market to the EU, and also the import in March 2019 of a new cargo of raw sugar from Brazil for mixing with locally produced sugar prior to refining and export to the EU. Sugar exports to the EU, out of the total 2018 crop exports of 365,722 tons, thus attained 232,735 tons compared with 169,100 tons in the preceding year.

In light of the hot and dry weather conditions which have prevailed during its 2019 Summer, the EU 2019 crop would also be affected: at time of writing, sugar production was estimated at 17.7 M tons. Against a fear of reduced sugar availability, sales contract for the 2019/20 EU marketing year have thus been finalised at prices which are at least 20% higher than the average price of the previous year, though the price upswings are being restrained by the persistently low world market prices. The EU should accordingly remain the main export destination for Mauritius sugars for its 2019 crop.

As already highlighted over the recent years, the Syndicate now sells sugar in an open market environment, dominated by price volatility and distortion. While it has to continuously seek Government's support on policies to ensure that its exposure to such threats are minimised, which includes negotiation, or re-negotiation, of bilateral or regional trade agreements providing preferential access for its sugars, it remains focused on niche market segments for its sugar sales to assure lower exposure to such fluctuations. Alongside the forthcoming structural reform of the industry promised by the authorities, the industry can then be reassured of its future sustainability.

Heymant Rao Anand Sonoo
President

2018 CROP SALES

Production Supplies & Revenue

Sugar production for the 2018 crop was initially forecasted at 350,000 metric tons (mt) by the Crop Estimate Coordinating Committee chaired by the Mauritius Chamber of Agriculture. However, excessive rainfall registered during the first four months of the year, coupled with below normal solar radiation that prevailed during the same period, adversely impacted on cane elongation and productivity. Despite the more favourable weather conditions recorded during the ripening phase, which were conducive to sucrose accumulation and therefore resulted in an improved average extraction rate of 10.26%, compared with 9.57% for the preceding crop, the average sugar productivity of 6.78 tons per hectare (TSH) was inferior to the 7.11 TSH achieved in the previous year. Thus, in comparison with the 2017 crop, when 355,213 mt sugar tel quel had been produced from 3,713,331 tons of cane harvested over 51,477 hectares (Ha) of land, only 323,406 mt sugar were finally obtained during the 2018 campaign from 3,154,516 tons of cane reaped over 47,678 Ha. The crop outturn in fact fell to its lowest level since 1960 when the country had churned out 235,781 mt sugar after having been hit by tropical cyclone Carol.

With the 2018 crop sugar production having been supplemented with carry-over stocks of 15,634 mt special sugars and 3,803 mt plantation white sugar from the previous campaign, complemented with 27,680 mt of imported raw sugar, and subsequently with another 41,060 mt of raw sugar imported by the Syndicate during the first quarter of 2019 for refining purposes, total disposable sugar for the 2018-19 campaign amounted to 411,583 mt, compared with 421,529 mt for the previous year. This volume was processed into 236,017 mt white refined sugar, 100,068 mt special sugars, and another 33,431 mt direct consumption (DC) raw sugar, mostly for export sales, leaving an estimated surplus of 21,014 mt imported raw sugar and bagged special sugars at the end of the crop year, after allowing for storage and processing losses.

The campaign was characterised by continued depressed market conditions following the significant excess in global production over the preceding marketing year, coupled with the record beet sugar production in the EU after abolition of production quotas in October 2017. Following some price improvements as from the beginning of 2019 in the EU market, resulting from a slump in beet production in the preceding year due to adverse climatic conditions, the Syndicate managed to deviate a larger proportion of its white refined

Table 1

2018 Crop Sales (metric tons)	MT	
2018 Crop Outturn	323,406	
Add carry-over stocks from 2017 crop:		
Bagged special sugars	15,634	
Imported raw sugar feedstock	27,680	
Local plantation white sugar feedstock	3,803	
Add raw sugar feedstock imported during 2018 crop	41,060	
TOTAL DISPOSABLE SUGAR		411,583
EXPORT SALES 2018-2019		
European Union (EU)		
White refined sugar	160,653	
Special sugars	72,082	
		232,735
United States		
Special sugars		10,936
World Market		
White refined sugar	4,048	
Special sugars	16,637	
		20,685
Regional Market		
White refined sugar	58,676	
DC raw sugar	42,339	
Special sugars	351	
		101,366
TOTAL EXPORT SALES		365,722
LOCAL SALES		
White refined sugar	12,640	
Raw sugar for direct consumption	3,440	16,080
TOTAL SALES		381,802
Less processing and storage losses (theoretical)		8,767
Estimated surpluses		
Imported raw sugar and bagged special sugars		21,014

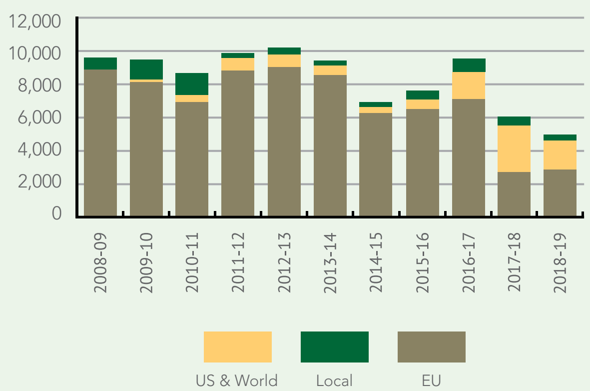
sugar exports to this destination while complementing same with the processing of imported raw sugar feedstock: with the shipment of 160,653 mt white refined sugar and 72,082 mt special sugars to this market, it therefore remained the Syndicate's main export destination for the 2018 crop.

Sales to other destinations attained 132,987 mt, comprising 58,676 mt white refined and 42,339 mt DC raw sugars shipped to the region, and 27,924 mt special sugars exported to the US and other market destinations.

As a result of the significantly reduced selling prices, the Syndicate's total export revenue, on an FOB Port Louis basis, attained a mere MUR 5,222 M for the 2018 crop, compared with MUR 6,260 M in the previous year. Net proceeds, after deduction of all operational and statutory expenses incurred by the Syndicate, amounted to MUR 2,831 compared with MUR 3,833 M for the preceding campaign. The ex-Syndicate price paid to sugar producers for the 2018 crop was consequently finalised at MUR 8,686 per ton sugar, i.e. 19% lower than the MUR 10,716 which was disbursed in the preceding season.

CHART I

Sugar proceeds per destination (MUR M)



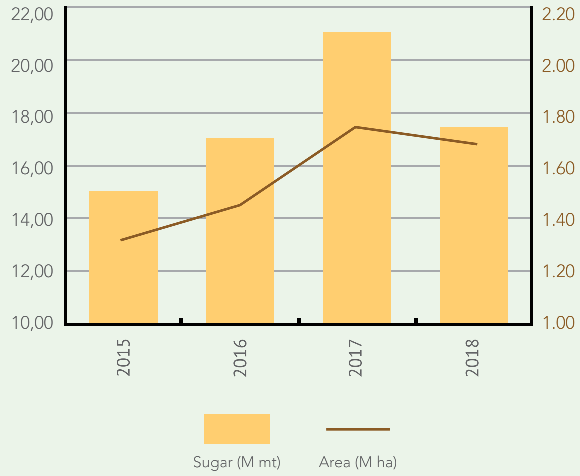
SALES

EU Market

Following liberalisation of production quotas in the EU market in October 2017, while the area under beet cultivation which had been significantly enhanced to 1.678 M ha for its 2017 crop, was reduced by a mere 1.7%, another large production surplus was foreseen at the beginning of the 2018 crop campaign, thus causing a further depression in prices during a period when the Syndicate was negotiating its sales contracts. However, market conditions started to improve towards the end of the harvest owing to the decline in crop productivity as a result of the hot and dry EU Summer: the average yield fell to 69.2 tons of beet per hectare, which was 8% lower than the last 5 years' average, resulting in a crop outturn of 17.6 M mt sugar, compared with the record production of 21.3 M mt from the previous harvest. The sugar-deficit countries of the EU continent, namely Spain, Italy and Greece, were the first to have been impacted, with spot prices rising up to 25% above the average price for the year.

CHART II

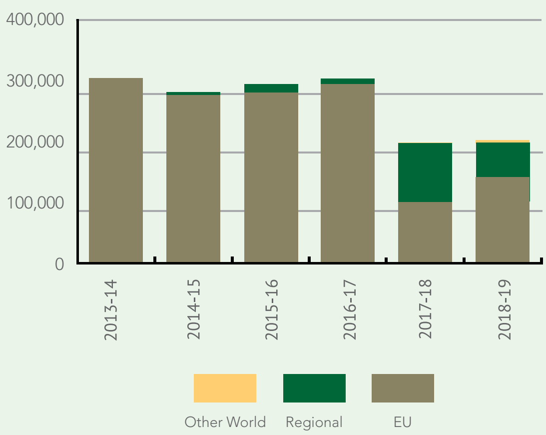
EU beet sugar production



As a member of the Eastern and Southern African (ESA) trade bloc, Mauritius continues to benefit from duty-free access for its originating sugars in the EU market under the provisions of the interim Economic Partnership Agreement which was ratified in 2012. This privileged market access, compared with the EU's import tariff of EUR 419 per mt applied to direct consumption sugars, therefore provides the flexibility to the Syndicate to deviate more sugar to this destination whenever market prices become more attractive. However, given that most of the sales contracts for its 2018 crop had already been finalised when prices were still low, fairly inconsequential residual volumes remained available for disposal at better rates except for those providing for the flexibility to shift from regional to EU destinations. The Syndicate nevertheless took opportunity of the pricing differential between the improved EU spot prices and the persisting low world market prices, to import a new consignment of raw sugar feedstock from Brazil in March 2019 and complement with local plantation white sugar prior to refining and export to the EU sugar deficit areas. Consequently, whereas it was initially forecasted that more white refined sugar would be exported to the regional market, a greater volume was ultimately shipped to Europe. Thus, the total white sugar exports from the 2018 crop to the EU, including 83,225 mt delivered under the long term commercial arrangements with CristalCo, amounted to 160,653 mt, compared with 110,258 mt for the preceding crop. As regards special sugars, following adjustments in its pricing strategy, the Syndicate recovered part of its market share, despite increasing competition from new suppliers of DC raw sugar, and exports attained 72,082 mt, compared with 58,737 mt over the preceding period.

CHART III

Export of white refined sugar (MT)



An upswing in the spot prices as from the first quarter of 2019 also entailed a surge in supply of raw sugar to EU refineries, especially from other ACP and LDC producers. Total imports for the 2018-19 marketing year are in fact expected to attain 1.0 M mt, compared with a mere 0.7 M mt delivered over the previous year. Improvement in market conditions would therefore be curtailed pending global prices also start increasing.

United States Market

Mauritius was allocated a duty-free raw sugar TRQ of 12,636 mt raw value (mtrv) on 18 July 2018 by the US Trade Representative (USTR) for the October 2018-September 2019 delivery period (FY 2019). This represented its historical share of 1.2% of the overall minimum bound TRQ of 1,117,195 mtrv set by the US Department of Agriculture (USDA) and allotted over this period to traditional quota incumbents under the WTO Uruguay Round Agreement. However, with a decline in US sugar stocks due to domestic production falling from 9.293 M short tonnes (ST) in 2017-18 to 8.947 M ST during the period under review, further imports became inevitable and on 25 June 2019, the USTR acceded to the TRQ shortfall reallocation demand of the International Sugar Trade Coalition (ISTC), of which Mauritius is a member, and announced the allotment of an additional 100,071 mt, 1,859 mt of which were assigned to Mauritius, thus increasing its total quota for FY 2019 to 14,495 mt. The enhanced TRQ was filled by September 2019 through supply of special sugars, produced from both 2018 and 2019 crops, to a range of customers in the US.

US Sugar Policy

The 2018 Farm Bill, which provides the legal framework for the US sugar program, was finally enacted in December 2018, following expiration of the 2014 Farm Bill on 30 September 2018. After an unusually long and difficult deliberation by the Conference Committee, the final version of the 2018 Farm Bill made one change to the US sugar program: increasing the sugar loan rate from US 18.75 cts to 19.75 cts per lb. This increase is mainly symbolic as the minimum price provisions in the Suspension Agreements (SA) in the antidumping and countervailing duty (AD/CVD) case against sugar from Mexico now de facto set the market clearing price at US 23 cts per lb for raw sugar and US 28 cts per lb for refined cane sugar.

Regional and World Markets

As a member of the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC), comprising 21 and 16 member states respectively, Mauritius has privileged market access to countries comprising these trade blocs, which have been liberalised over time.

While COMESA established a Free Trade Area in year 2000, 4 member states have till date not implemented these agreements. Among those having implemented same, a number of them already have zero or negligible tariff on sugar, thereby providing no margin of preference for Mauritius sugars, while those already producing sugar tend to impose non-tariff barriers with the view to safeguard their domestic industries. In light of its accessibility from Mauritius and its persistent sugar deficit in a relatively protected market environment, Kenya is a preferred export destination for the Syndicate and deliveries have increased substantially since the 2nd phase of market diversification was triggered when the liberalisation of sugar production in the EU had been announced.

As regards sugar trade with SADC, it is unfortunately influenced by Annex VII of the trade agreement which provides restrictive access into the market of the South African Customs Union (SACU), comprising South Africa, Eswatini, Lesotho, Botswana and Namibia: initially set at 40,000 mt annually, the overall sugar quota allocated to non-SACU producers of the SADC region was set at 45,944 mt for the April 2018 - March 2019 delivery period and the Mauritius share was a mere 2,794 mt, which the Syndicate duly fulfilled through the sales of white refined sugar and special sugars.

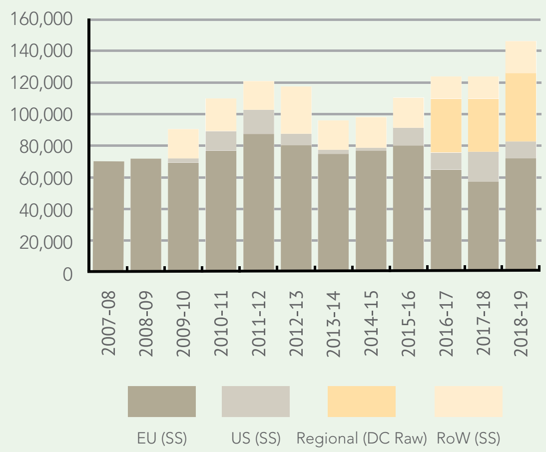
Such market access limitations into SACU, while its own sugar producers could freely export to other SADC markets, have encouraged non-SACU producers to introduce other non-tariff barriers at their own frontiers. These can take the form of restrictive import licences, minimum threshold import prices or other surcharges on sugar imports to protect their domestic industries. As a result, market development in these destinations has been limited.

Hence, out the Syndicate's total sugar export of 365,722 mt for the 2018 crop, 101,366 mt were sold in the region, out of which 82,339 mt were destined for Kenya, comprising 40,000 mt white refined sugar and 42,339 mt DC Raw sugar, compared with 90,000 mt and 30,040 mt respectively in the previous year. It should be remarked that a noteworthy sugar quantity initially earmarked for this market was deviated during the course of the year to the EU, where prices obtainable became more attractive with improved market conditions.

In addition to sales in the regional market, 16,637 mt special sugars were shipped to some 30 destinations in the Middle East, South East Asia, Far East, Eastern Europe and North America, where the Syndicate has gradually been consolidating its market position since its guaranteed access into the EU market was abolished.

CHART IV

Export of special and DC raw sugars (MT)



Local Market

The increase in import duty on direct consumption sugars from 15% to 80% in June 2018 should have allowed the Syndicate to recover its share of the domestic market, which is presently estimated at some 36,000 mt annually. However, persisting tariff-exempt imports from the COMESA and SADC suppliers, and even from non-preferential origins by certain industrial users who are exempt from payment of customs duty on their raw materials under the Customs Tariff Act, hampered the increase in sales of locally produced sugars. Compared with the 2017-18 marketing year, when 18,003 mt had been delivered, the Syndicate's sales on the local market for the period under review amounted to only 16,080 mt, comprising 12,640 mt white refined sugar and 3,440 mt DC raw sugar.

Supply & Delivery Arrangements

A well-honed and efficient supply chain is essential to sustain product quality, starting from production at the mills and refineries, until final delivery to the customer. The Syndicate consequently has the obligation to ensure the continuous streamlining of its supply-side operations to firstly gain competitive advantage in the marketplace and secondly maximise value, thereby securing the best possible returns for its members. Geared to synchronising production and deliveries with customer demand, the Syndicate's supply chain management system is therefore an integral and key part of the industry's ability to deliver value to both the producers and its clients.

The extensive range of direct consumption sugars produced, the variety of packaging formats and the diversity of its target markets, bear testament to the Syndicate's efforts to position the industry as a reliable and sustainable origin for quality sugars. The value-addition for the raw sugar for which the Syndicate is custodian, is subcontracted to Terra Milling Ltd and Alteo Milling Ltd in the case of special sugars and to Alteo Refining and Omnicane Refining Ltd for the white refined sugar. These operations are undertaken within framework agreements having been in place since the 2009 crop and since January 2016 respectively pursuant to recommendations made by independent consultants and subsequently approved by the Syndicate's committee. In light of the changing market conditions having necessitated a further review of the product mix, which now also comprises direct consumption (DC) raw sugar developed since 2016 for the regional market, new consultations have started in 2019 with the support and guidance of Ernst & Young Ltd., for a reform of these arrangements and consequently the remuneration payable to the respective producers.

For the 2018-19 crop campaign, the Syndicate arranged shipment for the 365,722 mt of direct consumption sugars it had at its disposal, including from the previous year's contracts, to some 50 destinations worldwide in formats ranging from 25/50 kg bags and big bags to 25 mt bulk liner containers. Local production was supplemented with 41,060 mt of Very High Polarisation (VHP) raw sugar imported from Brazil in March 2019 and a further 27,680 mt carried over from the previous campaign, for further processing locally prior to export, whilst adhering to the required rules of origin at destination. Given the decline in crop outturn over the last 10 years, the Syndicate occasionally resorts to the import of such non-originating sugars (NOS) firstly to increase sugar export potential while optimising the refineries' respective capacities, thereby increasing the industry's competitive edge. Such operations are nevertheless undertaken only when market conditions warrant that the venture is economically viable.

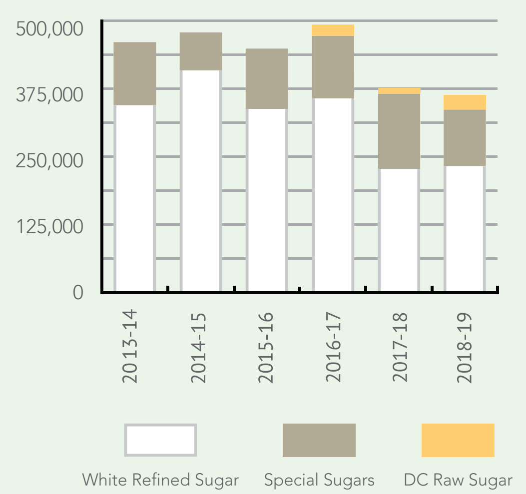
As for the high value-added special sugars that are produced by BRC certified and FSMA compliant mills, the production framework, which includes the processes, facilities and infrastructure, is continuously improved to meet increasingly stringent buyers' demands. For the year under study, these included: (1) the replacement of mild steel pipes with stainless steel and the installation of new basket filters to significantly reduce the incidence of foreign bodies; (2) the purchase of automatic conveyors for packing in big bags; (3) the purchase of automatic printing and sewing machines; (4) the automation of the sugar crystallization process; (5) the purchase of equipment for the rapid quality control of factory intermediate and final products ; and (6) the construction of a new storage area for packaging materials.

In addition to the above, DC raw sugar, mostly earmarked for the Kenyan market, has been produced at the mills of Alteo and Omnicane, while ensuring the quality requirements sought at destination are satisfied.

The production framework also takes into account social and environmental factors. To this end, the mills have registered membership on the Supplier Ethical Data Exchange (SEDEX) and, in the case of Terra Milling, the data was validated through a third-party onsite Sedex Members Ethical Trade Audit (SMETA).

CHART V

Production per type of sugar (MT)



Storage Facilities and Shipping Arrangements

Sugars delivered are either loaded directly in containers at the refineries or at the mills for prompt shipment or for storage in Port Louis prior to export, or stuffed in bags for storage in warehouses in Port Louis prior to shipment as per clients' requirements. Bagged sugar is presently stored in 5 different warehouses, namely at Les Salines and the BST warehouses of the MCIA, at the MFD and Velogic warehouses in Quay D and at Omnicane warehouse at La Baraque. At time of writing, consultations have been ongoing between the Syndicate and millers'/refineries' representatives and the MCIA, for either the optimisation of the existing infrastructure or expansion of the facilities after their relocation to alternate sites.

For the period under review, 9,058 containers of white refined sugar were loaded directly from the conditioning silos of the refineries and delivered to Port Louis for export on a first-in first-out (FIFO) basis to fulfil the Syndicate's contractual obligations. Of these containers, 6,500 were despatched to European destinations and 2,396 to the regional market, with the remaining 162 containers sent to other destinations. Out of the total deliveries, 4,321 containers were loaded in bulk liners, 2,987 in big bags and the balance in 25 kg or 50 kg PP bags.

Meanwhile, 100,068 mt special sugars, excluding the DC raw sugar, were produced and stored in the various warehouses for export in 20-feet containers throughout the year to both EU and non-EU destinations on a Cost, Insurance and Freight (CIF) basis. With the view to optimise delivery costs, the Syndicate increased the weight of sugar loaded in big bags from 1,050 kg to 1,100 kg. Except for a few customers who cannot handle 1,100 kg bags at their facilities, and the US market where such bags fall outside prescribed limits, this measure was well received by customers. As for the DC raw sugar, out of a total production of 33,431 mt from the 2018 crop, 29,809 mt produced for the Kenyan market were loaded directly into containers at the Alteo, Omnicane and Terra mills to optimise handling costs, and the balance was delivered to the various warehouses prior to loading for export. As part of the Kenyan Bureau of Standards (KEBS) requirements, the loading of these sugars into containers is subject to stringent quality control and is undertaken under the independent supervision of Société Générale de Surveillance (SGS). However, direct loading into containers had its drawbacks, especially with the strict import regulations in Kenya, which can hamper the flow of goods, thereby causing lengthy storage of stuffed containers prior to shipment or after arrival at destination port, resulting in prohibitive storage costs. To mitigate such adverse impacts, the Syndicate has been compelled to requisite additional warehousing space to accommodate bagged sugars prior to loading for export.

During the period under review, the Syndicate closely collaborated with its usual shipping partners, namely Mediterranean Shipping Company (MSC), Maersk and CMA CGM, and deliveries were organised to 35 ports in the EU, 5 in the US and 30 in the remaining destinations. The smooth functioning of the logistics supply chain was made possible through regular meetings and timely information exchanges between the Syndicate, the shipping lines, as well as the mills and the refineries to ensure production planning matched with customers' delivery schedules. However, the regular provisioning of empty 20-feet food-grade containers from the shipping lines' depots remained a challenge. To address this deficit, the Syndicate and MSC made a joint request to the port authorities to allow the import, at preferential rates, of empty containers meant for transhipment, which was granted in June 2019.

Quality and Food Safety

While food safety, as the most important component of food quality, means hazard-free product, food quality can be viewed as the sum of traits and criteria which characterize food as regards its physical and chemical characteristics, its nutritional value, sensory value as well as safety for the consumer's health. In addition to control measures, preventive actions are essential to ensure the implementation of the best practices throughout the entire food production and supply chain to maintain and assure food quality and safety to the satisfaction of customers. Ensuring the food is safe for consumption is a sine quanon. Thus, to meet customer and regulatory requirements, the Syndicate worked in close collaboration with all stakeholders involved in the supply chain, from producers to customers, including suppliers of packaging materials and containers, as well as storage facilities. All sugars are released for sale only after verification of all quality and food safety information by its Central Quality Department (CQD).

As for previous crops, the Syndicate has prepared, for the period under review, a guidance document for producers and warehousing institutions highlighting its requirements and buyers' specific recommendations. Interaction with producers and warehouses also involved the scheduling of buyers' audits or visits, including Halal / Kosher certification audits. Moreover, buyers' questionnaires were regularly reviewed with representatives of mills, refineries and warehousing facilities, and the information thus obtained was used to update their records to ensure the Syndicate remains their approved sugar supplier.

The CQD also participated in the implementation of corrective actions with the mills / refineries / warehouses following buyers' audits or complaints, and assured the follow through with buyers by providing them with regular updates.

During the year under review, the CQD organized meetings with representatives of mills, refineries, the MCIA and the MFD to discuss issues relating to product safety and quality. Such meetings enabled the Syndicate to remain informed about improvements made in relation to market requirements and to communicate same to buyers. Likewise, the Syndicate's Supervisors posted at the MCIA, MFD and Velogic warehouses ensured that sugar bags were received, stored and stuffed as needed using appropriate checklists issued for that purpose. Their regular feedback enabled the identification of issues pertaining to warehousing activities and the timely implementation of relevant corrective actions. As regards packaging materials supplied to the industry, the CQD personnel was involved in the release of Polypropylene (PP) bags and Polyethylene (PE) liners for use by the producers after verification of all related quality and food safety information. Fitness for purpose of these materials throughout their storage period was ensured through regular audits of the warehouses where they have been stored. As for the raw sugar feedstock imported by the Syndicate for further processing, the CQD ensured that appropriate quality control was in place during loading at origin, discharge at Port-Louis and delivery to the refineries. All relevant quality documents relating to the imported sugar were made available to refineries to meet specific clauses of the BRC Standard.

The delivery of quality and safe sugar to buyers cannot be guaranteed without the use of appropriate containers for its transport. The setting up of required procedures by the Syndicate for the selection, cleaning and release of containers coupled with regular announced and unannounced audits conducted at the depots guaranteed the supply of fit for purpose boxes to the industry. The guidelines and quality checklists are regularly reviewed and updated accordingly. The CQD was also involved in the preparation of insurance survey reports for damaged containers.

As part of its duties, the CQD supports the Syndicate's Marketing and Sales Department in the differentiation of sugars and in defending their market position. In this regard, it participated in the elaboration of a quality standard benchmark for special sugars delivered on the domestic market in collaboration with representatives of the Mauritius Sugarcane Industry Research Institute of the MCIA, the Mauritius Standards Bureau, the Ministry of Health and Quality of Life, the University of

Mauritius, the Ministry of Agro-Industry and Food Security and the sugar mills. The standard is meant to harmonise the quality of sugar sold on the local market as well as protecting consumers against the risks associated with consumption of sugars of inferior grade. The CQD also assists with the issuance of quality documents related to sugar deliveries. On the other hand, it diligently performed its standing obligation towards sugar producers by analysing plantation white and special sugars samples sent by mills for polarization and moisture content. At the end of the crop, the results of such analyses are averaged and communicated to the Control & Arbitration Department of the MCIA to determine the final tonnage of sugar accruing to millers and planters.

In August 2018, the Syndicate's Chief Quality Assurance Officer attended the 31st ICUMSA conference in South Africa where he participated in discussions leading to the approval of analytical methods and the elaboration of new methods for use by the sugar industry. Furthermore, to continue providing adequate support to the industry, the Syndicate needs to stay abreast of the latest developments in the food safety field: CQD staff thus attended a course on the latest version of the BRC auditing code in February 2019.

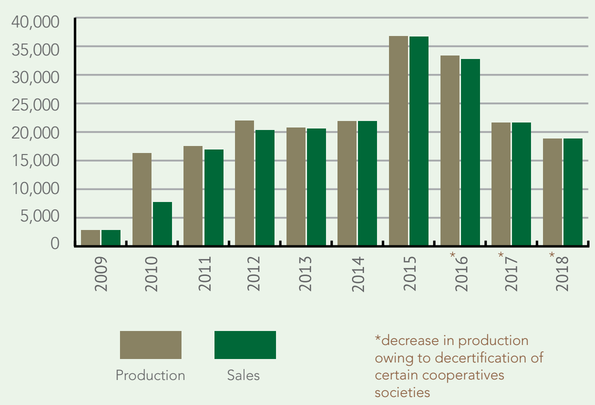
Fairtrade Labelled Sugars

After a period of contraction, global Fairtrade sugar sales again crossed the 200,000 mt threshold in 2017, thus registering a 30% growth over the previous year. However, despite demand for such certified sugars from Mauritius remaining as ever robust, persistent compliance issues amongst the relevant cooperatives unfortunately held back the Syndicate from fully capitalising on the potential of this market segment. Whereas a total of 21,242 mt supplied by 33 cooperatives was sold for the 2017 harvest, a reduced potential of only 18,630 mt from 27 certified groups was available for export on Fairtrade terms for the crop under review. With the decline in sugar price, the Fairtrade Premium is increasingly becoming the viability safeguard for small planters and the Syndicate has initiated appropriate steps to ensure a larger number of them embarks on this scheme, thereby restoring the certified sugar availability. Already, at time of writing, the estimated production of Fairtrade-labelled sugar for the 2019 crop has been increased to 21,500 tons.

At standards level, the collaboration between Fairtrade International and Bonsucro, in the context of the implementation of the Maximising Impact through Collaboration of Sustainability Standards in the Sugar Cane Sector project, reached a new milestone with the first of a series of three origin meetings having been held in Mauritius in October 2018. Together with industry partners, including planters, millers, service providing institutions and the Syndicate, diverse options for a more joined up approach between the two certification systems were explored during a three-day workshop. It will be recalled that the final goal of the project is to develop a recognition protocol and, if feasible, an audit protocol to leverage the joint value of the two Standards in a single market offering to improve sustainability and productivity in the supply chain in a manner that is more inclusive and provides improved support to smallholders.

CHART VI

Fairtrade labelled sugar production v/s sales (MT)



Sustainable Sugar Production

The Syndicate achieved accreditation to the Chain of Custody module of the VIVE Sustainable Supply Programme during the first quarter of 2019, after undergoing an on-site assessment in November 2018. This development was subsequent to an agreement between the Syndicate and Czarnikow for the supply, under mass balance principle, of 47,000 mt of VIVE Claim Level sugar to the African market from the cargo of VIVE raw sugar imported in September 2017. Jointly owned and operated by Czarnikow Group Ltd and AB Sustain, VIVE is a voluntary continuous improvement programme for sugar supply chains that enables sustainability performance to be measured and improvement objectives to be set and tracked. The Omnicane and Alteo refineries having also successfully participated in the programme, the Syndicate is thus now able to export VIVE-labelled sugars to buyers committed to sourcing from sustainable sources. Through this collaboration with

Czarnikow, Mauritius now has the opportunity to embed itself as the origin of choice amongst a host of large industrial buyers of sugar. Meanwhile, preparations for Bonsucro certification remain ongoing, with Omnicane and the Syndicate gearing up for certification by end 2019.

As regards the Ctm Altromercato / Ferrero Sustainable Development Programme, the overall performance of the co-operative societies engaged in this project was again creditable, with 12 of the 25 groups registering cane productivity results superior to the national average of 66.16 tons of cane per hectare. Furthermore, only a 2% reduction in sugar yield was observed in 2018 compared with the national 9% downturn. Building on this, and so as to more accurately gauge the impact on productivity of the various support measures implemented since the beginning of the programme, the concerned co-operatives will in future be encouraged to apply for separate sucrose tests. Pursuant to the 2016 – 2020 Partnership Agreement between the Syndicate and Ctm Altromercato, 4,477 mt white refined sugar carrying an additional incentive of EUR 40 per ton, which serves to finance the mutually agreed Sustainable Development Programme, were shipped to Ferrero during the year under review.

Direct Support for Producers

The Syndicate remained committed to collaborating with service providers of cane management and harvest services to planters, by offering at-source cost deduction and repayment facilities to the concerned planters. In the Alteo region, 31,195 tons sugar cane belonging to 405 planters were thus harvested over the 2018 crop with the support of 20 contractors, that is a decrease of 10,688 tons compared with the preceding year. The same downward trend was observed in the Omnicane factory area where a 10% reduction in cane production was registered as planters' land area under cane management declined from 148 ha to 129 ha during the same period.

Islandwide, 558 planters cultivating cane on 465 ha participated in the Small Planters Regrouping Project (ex-Field Operations Regrouping and Irrigation Project) in 2018-19, bringing the cumulative land extent regrouped, de-rocked and replanted to date to 11,815 ha, that is 98.5% of the 12,000 ha initially earmarked under this scheme. This project, which started in 2006, has catered for a total of 12,493 small and medium planters to date. Given the popularity of this initiative with planters, Government has decided to extend it until 2020-21 and provision has been made in the national budget for the allocation of relevant funds. Furthermore, as the result of the renewal in the 2018-19 budget of the provision for an amount of MUR 50 million to address the problem of cane land abandonment, the MCIA maintained the Cane Replantation Scheme for planters having previously benefited from FORIP/SPRP. Under this scheme, planters having completed a cane cycle of at least 6 years are eligible to a cash grant of MUR 71,000 per Ha, whereas those having completed 4 years are entitled to a reduced allowance of MUR 50,000 per Ha. To date, some 261 Ha have been catered for under this scheme out of a total extent of 550 Ha for which contracts have been established with the MCIA.

2019 Crop & Market Prospects

The 2019 harvest set off in the Alteo region, where cane crushing started on 3 June 2019. As a result of the closure request submitted by Medine Milling having been accepted by Government, canes will, as from this new crop, be milled at only three factories, namely Alteo, Omnicane and Terra, each of which will henceforth also receive a share of the canes reaped in the Medine area.

With above normal cumulative rainfall recorded during the growth phase, cane stalk height attained by end June 2019 was higher in all sectors, compared with the corresponding period in the previous year, by an island average of almost 9%, thus pointing to a possible improvement in cane productivity in the new crop if favourable weather conditions prevail until the end of the harvest. As regards sucrose accumulation, however, provisional results showed that the average cane richesse of 12.2% recorded by end July 2019 was trailing behind that at the same period in the preceding year by 0.3° but it exceeded that of 2017 by 1.1°. According to the first forecast on 20 May 2019 of the Crop Estimate Coordinating Committee, chaired by the Mauritius Chamber of Agriculture, some 3.3 M tons cane are expected to be harvested this year, which, at an average extraction rate of about 10 %, would result in sugar production of some 325,000 mt for the 2019 crop. This estimate remained unchanged at time of writing.

Table 2

2019 Crop Estimated Sales (metric tons)	MT	
2019 Crop Forecast	325,000	
Add carry-over stocks from 2018 crop:		
Imported raw sugar and bagged special sugars	21,014	
TOTAL DISPOSABLE SUGAR		346,014
EXPORT SALES FORECAST 2019-2020		
White refined sugar	180,000	
Special sugars	89,000	
DC raw sugar	53,000	
		322,000
LOCAL SALES ESTIMATES		
White refined sugar	13,500	
Raw sugar for direct consumption	3,500	
		17,000
TOTAL SALES FORECAST		339,000
Less processing and Storage losses		6,014
Estimated surplus		1,000

2019 Crop Estimated Sales

Surplus sugar production worldwide over the two preceding campaigns piled further pressure on market prices. While a global shortfall in sugar production is foreseen for 2019-20, in light of reduced production in Brazil, India and the EU, a swift price recovery nevertheless remains unlikely as this deficit will be offset by ample global stocks built in recent years. While, according to leading trade houses and analysts, prices could have picked up by the end of 2019, the decision taken by the Indian government by end August 2019 to provide export subsidies to the tune of INR 10,448 per ton on up to 6 M mt sugar, could further delay any improvement. Any adverse climatic condition or other factors such as currency exchange rates, oil prices or ethanol production in Brazil, can also influence the global prices meanwhile. However, because of the storage constraints in Mauritius, the facilities having not yet been adapted to cater for the enhanced delivery of sugar in bags, the Syndicate may not be able to fully capitalise on this potential price increase later in the campaign, and will need to sell its sugars as the harvest progresses.

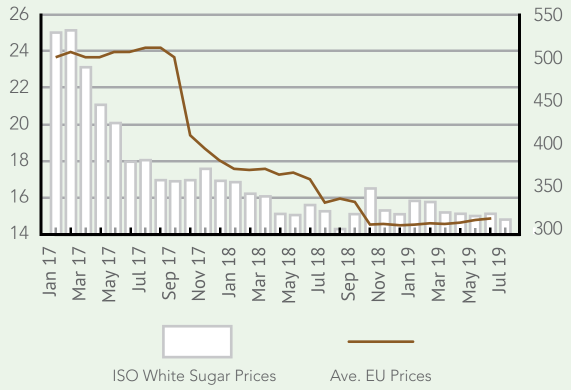
EU Market

As a result of the weaker sugar output from the 2018 EU crop, caused by drought in Northern and Western Europe, market prices have started to slowly recover from their record lows, especially in the deficit regions like Spain, Italy or Greece. In light of the duty free access which continues to prevail for Mauritius sugars under the interim Economic Partnership Agreement (iEPA), the EU market has therefore become more attractive, pending improvement in the world market conditions.

While the 2019 EU crop production was initially forecasted at 18.7 M mt white sugar, after a 6% decline in acreage under beet cultivation to 1.541 M Ha, it subsequently suffered from the impact of a dry and hot Summer especially in the beet belt. At time of writing, the yield was expected, according to the EU Commission, to attain a mere 11.7 tons sugar per hectare (TSH), compared with 10.7 TSH in the previous year, while sugar production was estimated at 17.7 M mt, which would therefore represent a decline of some 17% over the record 2017 crop.

CHART VII

Monthly average prices of white sugar (global v/s EU)



The increase in spot prices triggered at the start of the year, subsequent to an equally drought-affected 2018 crop, when production had fallen to 17.6 M mt, therefore persisted and new contracts for the 2019-20 campaign have been finalised at equivalent price levels, likely to exceed EUR 400 per mt white sugar on an ex-works basis, compared with an average of EUR 317 recorded over the October 2018 - June 2019 period. A rally in market prices would nevertheless be dampened by the surge in import by EU refineries of raw sugar for refining, especially from preferential origins, which had already experienced some 40% year-on-year increase in 2018-19 to attain 1 M mt.

In quest for more remunerative price levels obtainable in the EU, while the world market price remained depressed at the start of the harvest, most of the domestic production, including for white refined sugar, would therefore be deviated to this destination. At time of writing, contracts for over 100,000 mt white refined sugar, including quantities supplied under the long-term commercial arrangement with CristalCo, have been finalised. The differential between EU domestic prices and the world market price also justifies the purchase of raw sugar from the world market for further processing locally for export to the EU while adhering to the rules of origin under the iEPA. As has been the case during the previous campaign, the Syndicate would closely monitor the market situation and seize any such opportunity that may arise.

As for its special sugars, Mauritius is increasingly facing stiff competition, mainly from Central and Latin American countries enjoying Free Trade Agreements with the EU, but also from other ACP/LDCs. While the global raw sugar prices remain low, producers are encouraged to process brown sugars for direct consumption which they can sell at more remunerative prices, and they are therefore optimising on their preferential access to the EU by targeting segments which have so far been supplied with special sugars. After recovering its market share in the EU in the preceding campaign, the Syndicate will therefore have to further intensify its efforts to safeguard, and even increase, its sales volume for the 2019 crop. It meanwhile remains committed to stepping its efforts to further improve its logistics efficiency and strive, wherever possible, to increase the load per container to 25 mt for both 50 kg and 25 kg bags.

By the end of the marketing year, total exports from Mauritius to the EU over the 12 months' period are expected to exceed 200,000 mt, excluding any sugar to be processed from imported raw sugar feedstock.

Brexit

Under the terms laid out by the UK government in the event of a no-deal or hard Brexit, the import duty on direct consumption sugars would be reduced to EUR 150 per mt, compared with EUR 419 per mt presently applicable in the EU. The import tariff on raw sugar for refining would be maintained at EUR 339 per mt, but a new zero-duty TRQ of 260,000 mt would be made available to all origins, while LDCs would continue to benefit from duty-free and quota free access. As for the non-LDC ACP suppliers, preferential access will be provided on the basis of the EPA-type agreements signed between the UK authorities and the relevant regional groups: the Eastern and Southern Africa (ESA) group, which comprises Mauritius as a member, has already finalised a deal in September 2018, ensuring that their producers will continue exporting to the UK market on the same terms as under the EPA, having even been reassured that there will be 'no disruption of trade'. A hard Brexit should consequently increase the attractiveness of Mauritius sugars in the UK, if European white sugar supplies, which amounted to 420,000 mt in 2017-18, are subject to the above-mentioned tariff.

The Market Transparency Initiative

The Market Transparency Initiative was mooted in 2018 in response to requests by EU Member States and stakeholders to better understand the food supply chain and agri-food prices for key products at processing and retail stages. The Commission's position is that market transparency will help EU farmers achieve higher prices at the farmgate for their produce, and that greater clarity as to how prices are formed as agri-food products move along the supply chain is desirable. In brief, the Commission aims at improving fairness in the food supply chain by introducing improved transparency in the way prices are reported at all stages, thus leading to more rational decision-making and hence a better functioning of the markets.

Whilst welcoming the Commission's initiative, all stakeholders, including associations of sugar beet growers, cane sugar refiners, sugar beet processors and sugar users, expressed grave concerns with regard to sectoral specificities they believed had been overlooked. Farmers, on the one hand, urged the Commission to go further with this initiative by gathering and publishing more information, including prices for isoglucose and bioethanol, while downstream processors, traders and industrial food manufacturers, on the other hand, argued that there is enough market transparency already and that there is no need for additional government instruments, but that the current data collection mechanism for sugar producers should be refined, in particular by reducing reporting time lags. It was also claimed that excessive price transparency could further restrict competition in the sector.

US Market

On 25 June 2019, following consultations with quota holders, the US Trade Representative (USTR) reallocated 100,071 mtrv of the original TRQ of holders having declared their inability to fulfil their supply obligations for the raw cane sugar quantities allocated to them for FY 2019. Consequent to this decision, Mauritius was granted a shortfall reallocation of 1,859 mtrv for delivery before end September 2019.

The US Department of Agriculture (USDA) subsequently announced that the aggregate raw sugar TRQ for FY 2020, i.e. for delivery between October 2019 and September 2020, would be set at the minimum WTO bound level of 1,117,195 mtrv. Mauritius was accordingly granted its traditional share of 12,636 mtrv. The Syndicate plans to fulfil both allocations through the supply of special sugars from the 2019 crop to its regular US customers.

NAFTA Renegotiation

While President Trump had promised to renegotiate or cancel NAFTA during the 2016 election campaign, a new agreement, the "US, Mexico, Canada Agreement" (USMCA), was reached on 30 September 2018, without any change brought to the basic sugar provisions of the original NAFTA. While Mexico's access remains unlimited in theory, USMCA provides a small increase in Canada's access to the US sugar market. Mexico has already approved the USMCA which, however, stands to be approved by the US Congress as well as the Government of Canada. In the meantime, the original terms of NAFTA remain in effect, subject to the terms of the Suspension Agreement (SA) on Mexican sugar.

Normalization of Relations with Cuba

Whereas former US President Obama began a historic effort to normalize diplomatic relations between the United States and Cuba, President Trump has been dialling back this *rapprochement*, beginning with an executive order on 16 June 2017, that leaves diplomatic relations in place but prohibits US companies from doing business with entities affiliated with the Cuban military and limits US tourist travel to Cuba. This was followed by the announcement on 16 April 2019 that the waiver prohibiting US citizens from suing Cuba and third parties over expropriated property in Cuba would not be renewed. The Trump Administration's action is part of a campaign to increase pressure on Venezuela, with Cuba seen as its main supporter. These actions signal that no trade liberalization with Cuba is likely during the Trump presidency, and certainly any resumption of sugar imports from Cuba is pushed back even further into the future.

Regional and World Markets

Mauritius forms part of 2 important regional trade blocs, namely COMESA (Common Market for Eastern and Southern Africa) and SADC (Southern African Development Community). In its aspiration to position itself as a major player in the region, the Syndicate will intensify its efforts, while targeting the most attractive destinations, to strengthen its market presence in countries encompassed by these groups.

The specific derogation under Annex VII of the SADC Trade Protocol for the supply of sugar into SACU (Southern African Customs Union), however, limits access into countries comprising this Customs Union. For the April 2019-March 2020 delivery period, access has been limited for non-SACU SADC suppliers into the SACU at 46,446 mt, of which Mauritius has been granted a share of only 2,825 mt.

Discussions have been ongoing for a number of years for a review of the provisions of Annex VII given that market conditions have changed drastically since the Agreement was implemented almost 20 years ago, while its objective at that time was to establish full liberalisation of trade in the sugar sector after the year 2012. After having been mandated by the Committee of SADC Trade Ministers in July 2018 to review the trade provisions on sugar, the SADC Secretariat and Technical Committee on Sugar (TCS) managed to reach consensus on a number of principles, namely (i) preferential access should be established for SADC surplus sugar producing countries to markets of deficit SADC sugar producing and non-sugar producing countries; (ii) all preferential trade in SADC should be managed by way of tariff-rate quotas that are established annually, to safeguard and foster investment and production in deficit sugar producing countries; (iii) sugar markets can be disaggregated between direct consumption raw and refined sugar, to provide for optimal access to deficits in each of these market segments; (iv) there is a need for a transparent and effective mechanism to ensure that non-sugar producers have priority access to SADC surplus sugar in a fair and equitable manner; (v) elements necessary for assessing whether the global and regional sugar market has normalised to allow for further liberalisation of intra-SADC sugar trade should be determined within one year (an assessment of the global and regional sugar market against those elements should be conducted every 3 years but not later than 5 years); (vi) an assessment of the prevalence of tariff and non-tariff barriers (NTBs) for SADC sugar trade must be undertaken to ensure that the above framework is not impeded or compromised by the use of such NTBs that impede trade; and (vii) recognition must be given to the need to rationalise sugar trade across regions given the multiple membership of member states, so that SADC suppliers are not disadvantaged under the proposed regime in favour of suppliers from other regions.

However, no consensus has been reached at time of writing on three principles with regard to: (i) the overarching principle; i.e. there should be no harm to any of the SADC sugar industries (including definition of sugar industry) and that trade in sugar be conducted in a fair and equitable manner; (ii) some level of preferential trade should exist between surplus sugar producing countries to demonstrate commitment to ultimate comprehensive trade liberalisation in sugar; and (iii) there must be protection from third country sugar imports into SADC and there must be progressive movement towards a harmonised effective common tariff on sugar. Discussions will pursue over the year at the TCS level for recommendation to SADC Trade Ministers.

As for COMESA, Kenya is the most attractive market for Mauritius sugars but access remains restricted due to the decision taken by the COMESA Council of Ministers in August 2018 to renew their special safeguard till February 2021, thereby limiting duty free access for other COMESA suppliers to its actual sugar shortage. The Ministers also proposed the setting up of a Sub Committee to monitor and assess the implementation of the safeguard. Comprising the COMESA Secretariat, the sugar exporting member states and the Kenyan authorities, this Sub Committee first met in Lusaka in November 2018, and at a subsequent meeting held in Nairobi in July 2019, the latter declared that the sugar deficit for the 2019 calendar year would reach 250,000 mt, thus allowing for a duty free TRQ of 55,000 mt for Mauritius. They, however, also reported that they have not yet been able to disaggregate this TRQ between raw sugar and white refined sugar despite the persistent request by Mauritius that the quota restriction should not apply to white refined sugar since it is not produced in Kenya and therefore did not require any special safeguard. In the meantime, sugar importers in Kenya faced several challenges namely with delays in securing import licenses or for the customs clearance of their consignments upon arrival. These constraints were ventilated during the visit of the Kenyan President to Mauritius in April 2019 and it was agreed that the Kenya Sugar Directorate and the Syndicate should have a bilateral arrangement to ensure smooth trade flows for sugar between the two countries.Total sugar supplies from Mauritius to Kenya for the 2019 crop should remain within the quota limit imposed under the agreed special safeguard.

The African Continental Free Trade Area (AfCFTA) aimed at fostering continent-wide economic integration through trade promotion, was adopted in 2017. Mauritius, together with 53 other countries, signed the Agreement, and 27 members have ratified it by the time the operational phase was launched in Niger on 7 July 2019. The AfCFTA will be one of the largest free trade area since formation of the WTO, given Africa's current population of 1.2 billion people, which is expected to grow to 2.5 billion by 2050.

Local Market

The local market accounts for annual sales of some 36,000 mt sugar, comprising 32,000 mt white refined sugar and the balance as direct consumption raw sugar. Unfortunately, despite the increase in import tariff in June 2018 from 15 to 80 %, the Syndicate has continued to face competition from duty free supplies from COMESA and SADC and also from imports by industrial users, who are exempted from payment of the import duty on their raw materials. In this regard, Government intends to introduce measures to safeguard the domestic market for local producers, which is already the case in most sugar producing countries.

To reinforce its commercial relationship with its larger customers, the Syndicate, in collaboration with the refineries, has meanwhile started delivering sugar directly to their premises, which will save them the transport cost to and from Port Louis.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Crop Financing & Payments

Advance payment to producers

Conformant to its normal practice, the Syndicate has been pro-active in the determination of its cash needs and has managed its funds flow in an effective and efficient manner so as to make timely advance payments to producers on their sugar proceeds. Determination of an ex-Syndicate price at the start of the harvest, as had previously been the practice, has nonetheless become more challenging, especially after liberalization of production quotas in the EU in October 2017, which has increased its exposure to global price fluctuations. Thus, for the 2018 crop, the Syndicate reviewed its pricing mechanism and initially estimated that the price payable to producers could range between MUR 7,780 and MUR 10,660 per metric ton (mt) sugar based on various sales scenarios. The most likely sales hypothesis provided for an ex-Syndicate price of MUR 9,760, on the basis of which it started effecting advance payments to producers, traditionally disbursed after production of the raw sugar, as from 5 July 2018. In fact, despite the poor visibility at the start of the harvest on sugar prices obtainable and the sales mix to the various market segments, the Syndicate, in an endeavor to assist producers in their cashflow, agreed to the authorities' request to pay 80% of this preliminary estimated ex-Syndicate price to planters cultivating less than 100 hectares(Ha) of land. The other planters/producers received a first advance of MUR 4,500 per mt sugar produced. This sum was progressively increased till the end of the crop year when the ex-Syndicate price was finalized at MUR 8,686 per mt sugar. As per normal practice, advances on sugars produced were paid weekly during the harvest, and monthly thereafter, till final settlement on 22 July 2019.

While most planters had their accounts held with various local commercial banks credited directly, a relatively small number of planters received their proceeds through their respective brokers. Remittances for the remaining planters were made through cooperative credit societies with which they were registered for the 2018 crop.

Borrowings

In order to ensure availability of funds for disbursement to sugar producers and to meet its other financial obligations, the Syndicate resorted to short term loans and overdraft facilities with local commercial banks at preferential interest rates. Funding requirements were supplemented by short term arrangements with the Sugar Insurance Fund Board (SIFB) and the Mauritius Cane Industry Authority (MCIA) at negotiated interest rates. Debts amounting to MUR 3,150 M were still outstanding on 30 June 2019, as compared to MUR 3,230 M at the end of the previous financial year. Whereas the SIFB has meanwhile amended its regulations to continue providing loan facilities to the Syndicate while staying conformant with the local financial regulations, the MCIA, following a policy decision, had to withdraw all its funds held with the Syndicate during the course of the year.

Other payments to sugar producers

Molasses Payment including Contribution by Distillers/Bottlers for Absolute Alcohol

The responsibility for determination of the price payable for molasses which, as from the 2018 crop, includes the contribution made by Distillers/Bottlers for the absolute alcohol retrieved for domestic consumption, rests with the Control and Arbitration Department of the MCIA. The final price determined for the year was MUR 3,840 per ton molasses inclusive of distillers/bottlers contribution, or an equivalent of MUR 1,536 per ton sugar. A total amount of MUR 392 M was thus receivable from various stakeholders for Crop 2018: out of this amount, a sum of MUR 149 M, representing the contribution collected by the Mauritius Revenue Authority, was remitted to the Syndicate through the Ministry of Agro Industry and Food Security. The balance of MUR 343 M was invoiced to distillers according to the tonnage of molasses purchased/ utilised by them. Advance payments amounting for MUR 3,180 per ton molasses were disbursed on 21 September 2018 and the final settlement was made on 20 August 2019.

Payment of Bagasse Proceeds

Conformant to Section 13 of the Sugar Industry Efficiency (SIE) Act 2001, MUR 15 M and MUR 38 M were received by the Syndicate from the CEB on 3 May and 14 June 2019 respectively and remitted to different categories of producers by 4 July 2019. Details pertaining to such payments are provided in the Statement of Distribution of Bagasse Proceeds table in the Statement of Account section of this report.

Sugarcane Sustainability Fund and Cash Compensation

In addition to the above, owing to the shortfall in planters' revenue as a result of the decline in prices in market destinations, Government decided on 21 September 2018 to extend for an additional year payments under the Sugar Cane Sustainability Fund (SCSF) with a further top-up of MUR 1,250 per mt sugar to all planters.

In this context, the MCIA remitted to the Syndicate a total sum of MUR 436.3 M on 29 August 2019 for prompt payment to the planters. In order to alleviate the cash flow of the more vulnerable planters, the Syndicate had meanwhile, at the behest of Government, contracted a loan in October 2018 for disbursement of 80% advances on these amounts to growers cultivating less than 100 Ha land .

Financial Assistance from the SIFB

In order to further alleviate the financial hardships of the sugar producers, Government requested the SIFB on 21 September 2018 to provide a special financial assistance of MUR 1,250 per mt sugar. This was, however, extended only to the cane growers, not to millers, although they also contribute to the insurance premium. A sum of MUR 318.4 M was accordingly remitted to the Syndicate for payment to growers on 16 November and 21 December 2018, with the final settlement effected on 6 August 2019.

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Remittances to small sugarcane planters

Following a request from small cane planters, Government authorized the MCIA on 7 December 2018 to use its short

Table 3

Revenue Streams (converted to per ton sugar)	PLANTERS < 60 mt	PLANTERS > 60 mt (including Corporate)	PLANTERS Miller PLANTERS	MILLERS
	MUR/MT	MUR/MT	MUR/MT	MUR/MT
Sugar proceeds (ex Syndicate Price)	8,686	8,686	8,686	8,686
Special advance by MSS	14	14	14	14
Bagasse Transfer Price Fund (BTPF)	161	161	53	
Sugar Cane Sustainability Fund (SCSF)	1,100	300	300	
Additional Remuneration from Bagasse	1,250	1,250	1,250	
Cash Compensation from SIFB	1,250	1,250	1,250	
Molasses and Distillers (Combined)	1,536	1,536	1,536	
Government Additional Financial Support	3,290			
Gross Revenue	17,287	13,197	13,089	8,700

term deposit of MUR 159.7 M held with the Syndicate, to effect an additional remittance of MUR 257 per ton of cane for the 2018 crop to planters producing less than 60 mt sugar. Disbursements were accordingly made on 27 December 2018.

Payments on behalf of millers

Millers undertook, as from the 2016 crop, the refund of extra transport costs accruing to planters following the closure of their respective weighbridges. During the 2018 crop, a total amount of MUR 31.2 M was received by the Syndicate from the mills of Terra, Alteo and Omnicane, for remittances to the relevant planters' accounts or through their respective cooperative credit societies with which they were registered.

SIFB compensation

Further to submission of the first part of its report on 13 March 2019, the Fact Finding Committee set up by Government to review certain shortcomings at the level of the SIFB, declared the 2017 crop to be an "Event Year" for growers located in Alteo, Medine and Omnicane factory areas. A sum of MUR 466.6 M was thus received as insurance compensation from the SIFB for onward remittances to the affected producers on 12 and 19 April 2019.

As crop 2018 was also declared an "Event year" in the same factory areas, the SIFB remitted to the Syndicate a further amount of MUR 298.1M on 16 May 2019 for insurance compensation payment to the affected planters and millers.

Foreign Exchange Receipts and Hedging Performance

The Syndicate's turnover from the sales of sugars relating to the 2018 crop amounted to MUR 6.1 billion out of which MUR 5.7 billion were received from exports and MUR 435 M from sales on the local market. As export proceeds were denominated mostly in EUR and USD, the Syndicate resorted, as in previous years, to its established currency management policies to ensure that producers' revenue in Rupees is maximized. Conformant to its usual practice, currency-related risks resulting from the exchange of the foreign currencies into the Mauritian Rupee, were diligently followed by its Forex Committee and the Executive & Selling Committee (ESC).

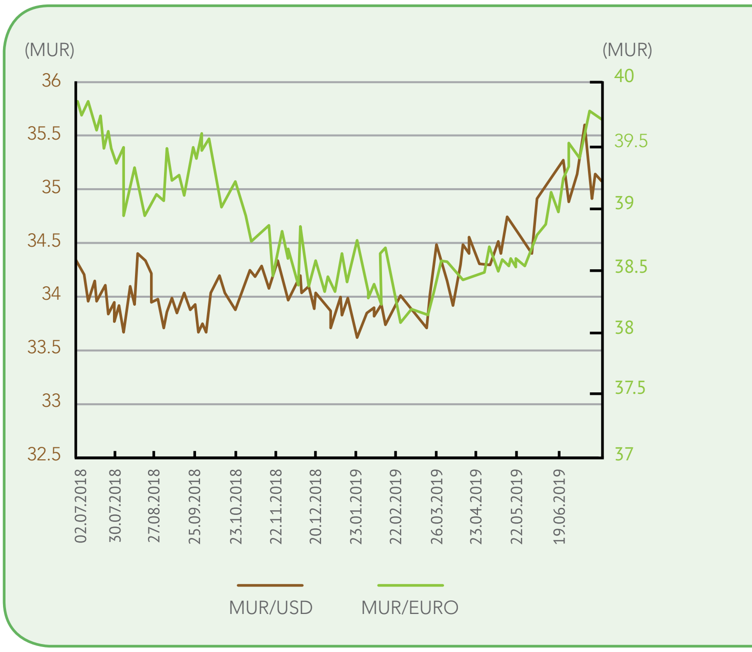
The Forex Committee, which comprises the President, the Vice President, two other members, each representing the corporate sector and planters, as well as the management team of the Syndicate, met regularly during the year to define the different risk management exposures, including those pertaining to interests and exchange rates, and developed strategies to meet those objectives. Under the guidance of the Syndicate's Forex Consultant, Stewardship Consulting Pte. Ltd, the Forex Committee also set the target exchange rates, which were reviewed during the course of the year, and closely monitored the financial and economic developments on the international scene as well as on the local market, while ensuring that their incidence on hedging practices were adequately managed.

Given the volatility prevailing in the currency market leading to uncertainties and high risks, the Syndicate had to re-assess and review on various occasions the instruments utilized for its hedging transactions. It consequently had recourse to plain Vanilla Options, Normal Forward and Chooser Forward contracts for the conversion of its sales proceeds into Mauritian Rupee. Relevant hedging performance reports were regularly submitted to the Forex Committee and the ESC for monitoring and evaluation.

Developments in both the international and local markets impacted heavily on the exchange rates target established by the Syndicate for the sale of its currencies during the 2018 crop year. The eurozone economy has been in an economic downturn since mid-2018, compared with the US economy which experienced an accelerated growth in 2018, though more moderated during the first half of 2019. The overall impact has been a gradual weakening of the Euro,

CHART VIII

Evolution of Euro and US Dollar v/s MUR



falling from a high of US$1.17 in July 2018 to a low of US $1.11 in May 2019.

As regards the local market, excess liquidity in the banking system was contained during the year under review through the issue of securities and sterilisation of proceeds by the Bank of Mauritius. This move has helped to stabilize the Mauritian Rupee especially against the Euro and US Dollar. The buying rates during the year thus ranged between MUR 38.12 and MUR 39.89 against the Euro, and between MUR 33.70 and MUR 35.90 against the US Dollar. Given that the Syndicate started to hedge its estimated sales proceeds for the 2018 crop in January 2018, it managed, despite all challenges, to obtain weighted averages of MUR 34.86/USD and MUR 40.05/Euro for the crop year.

Audit and Risk Management

Risk management calls for adequate monitoring of core operations where high risk areas can be identified, for required corrective measures. The Syndicate therefore has to ensure that its various departments address all risk exposures effectively and sustainably.

During the crop year, stocks of sugars and raw materials held at different warehouses, where little direct control has been exercised to date, were considered as high-risk areas. The Syndicate's Internal Auditors, Ernst & Young (EY), were thus asked to review the inventory management processes for sugars, bags, steel bars and liners, and submit an action plan to implement mitigating measures. Following consultations with the relevant stakeholders of the sugar industry, EY recommended (a) the setting up of a sound management system which would take on board all parties concerned, (b) finalization of the inventory management module developed under the current Sage Pastel Evolution ERP system and (c) establishing an internal control framework around inventory management and logistics operations. Subsequent to meetings with the responsible parties from the different warehouses, the Syndicate managed to develop an integrated inventory management process whereby a standard reporting process has been set up. Implementation of the recommendations of EY is under way and due to be finalized shortly. Additionally, Software Concepts Ltd, the service provider of the Sage Pastel Evolution system is developing an Inventory Management module which is expected to address the shortcomings highlighted in the EY report and ensure a sound inventory management system at the Syndicate.

Given that the Sales Order module developed by Software Concepts during the implementation of the ERP system did not fully meet the requirements of the Syndicate, the service provider has been requested to carry out further software developments for the implementation of a Contract Management Module as well as a reviewed Purchase Order/ Sales Order module. These two customized programs, which are expected to provide the Syndicate with a more efficient use of its IT system, are expected to be operational within the 2019 crop year.

Additionally, the Syndicate is considering various medium term and long term measures to have adequate warehousing capacities to cater for the enhanced delivery of sugar in bags. A committee comprising representatives of the millers/ refineries, the MCIA and the Syndicate, is considering all possible scenarios and will take a decision based on the best cost-benefit for the industry.

The Audit and Risk Management Committee, a sub-committee of the Syndicate's ESC, met on several occasions during the year to (i) review the effectiveness of the risk management system including risk assessment reports, (ii) approve risk mitigation actions for specific items of risk and (iii) identify areas for system improvements and monitoring. The Committee also assisted Management in monitoring emerging risks, including in the sales, along the supply chain and in the forecasted cash flows, which would enable the Syndicate to take advantage of opportunities which may arise.

Financial Statements

Mauritius Sugar Syndicate and its Subsidiary

2018-2019

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of the Mauritius Sugar Syndicate and its subsidiary ("the "Group") and the Syndicate's separate financial statements on pages 40 to 66 which comprise the statement of financial position as at June 30, 2019 and the statement of profit or loss and statement of cash flow for the year then ended, and including a summary of significant accounting policies.

In our opinion, the financial statements of the Mauritius Sugar Syndicate and its subsidiary ("the "Group") and the Syndicate's separate financial statements on pages 40 to 66 give a true and fair view of the financial position of the Syndicate and its group as at June 30, 2019, and of their financial performance and their cash flows for the year then ended in accordance with Generally Acceptable Accounting Principles (GAAP).

Basis for Opinion

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

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

The committee is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Companies Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the committee.

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

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

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

Report on Other Legal and Regulatory Requirements

We have obtained all information and explanations we have required.

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

Other Matter

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

BDO & CO
Chartered Accountants

Port Louis, Mauritius

Shabnam Peerbocus, FCA
Licensed by FRC

Date: 30 September 2019

	Notes	THE GROUP 2019	THE GROUP 2018	THE SYNDICATE 2019	THE SYNDICATE 2018
		Rs'000	Rs'000	Rs'000	Rs'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	16,120	19,048	16,120	19,048
Intangible assets	6	2,517	2,942	2,517	2,942
Non current receivables	7	368,836	258,983	368,836	258,983
Investment in subsidiary	8	-	-	459	389
		387,473	280,973	387,932	281,362
Current assets					
Inventories	9	218,641	425,713	218,641	425,713
Trade and other receivables	10	3,049,828	3,434,742	3,046,285	3,433,788
Other receivables - Producers Support	7	105,000	45,000	105,000	45,000
Cash and cash equivalents	11	257,946	116,927	255,387	114,843
Derivative financial instruments	12	12,165	-	12,165	-
		3,643,580	4,022,382	3,637,478	4,019,344
TOTAL ASSETS		4,031,053	4,303,355	4,025,410	4,300,706
RESERVE					
Non distributable reserve	13	12,165	(132,687)	12,165	(132,687)
LIABILITIES					
Non-current liabilities					
Retirement benefit obligations	14	53,398	56,851	53,398	56,851
Borrowings	15	240,000	200,000	240,000	200,000
		293,398	256,851	293,398	256,851
Current liabilities					
Borrowings	15	2,910,458	3,762,625	2,910,458	3,762,625
Trade and other payables	16	815,032	338,271	809,389	335,622
Derivative financial instruments	12	-	78,295	-	78,295
		3,725,490	4,179,191	3,719,847	4,176,542
TOTAL LIABILITIES		4,018,888	4,436,042	4,013,245	4,433,393
TOTAL RESERVE & LIABILITIES		4,031,053	4,303,355	4,025,410	4,300,706

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

These financial statements have been approved by the Committee for issue on 30 September 2019.

Devesh Dukhira
Chief Executive Officer

Balmick Molaye
Chief Finance Officer

	Notes	THE GROUP & THE SYNDICATE 2018-2019 Crop Rs'000	Rs per MT	%	THE GROUP & THE SYNDICATE 2017-2018 Crop Rs'000	Rs per MT	%
REVENUE							
Sales proceeds	17	6,140,505	18,837	100.00	7,178,777	20,069	100.00
Other income	18	31,109	95	-	3,616	10	-
		6,171,614	18,932	100.00	7,182,393	20,079	100.00
EXPENDITURE							
Direct operating costs	19	(2,769,987)	(8,496)	(44.88)	(2,670,224)	(7,465)	(37.18)
Storage charges	20	(309,364)	(950)	(5.01)	(212,708)	(595)	(2.96)
Administrative and other charges	21	(69,219)	(212)	(1.12)	(71,533)	(200)	(1.01)
Service Providing Institutions and MCIA Levy	22	(63,394)	(195)	(1.03)	(69,273)	(193)	(0.96)
Sugar Insurance Reserve Fund		(332)	(1)	(0.01)	(288)	(1)	(0.00)
TOTAL EXPENDITURE		(3,212,296)	(9,854)	(52.05)	(3,024,026)	(8,454)	(42.10)
		2,959,318	9,078	47.95	4,158,367	11,625	57.90
Finance cost - net	23	(115,798)	(355)	(1.88)	(457,687)	(1,279)	(6.37)
Transfer to non distributable reserve	13	(12,165)	(37)	(0.19)	132,687	371	1.85
NET REVENUE							
Distributed to all producers as ex-Syndicate price before contributions and deductions		2,831,355	8,686	45.88	3,833,367	10,717	53.38
Bagasse Transfer Price Fund	24	54,991			62,488		
Sugar Cane Sustainability Fund	25	70,352			131,495		
Molasses Remittance and distiller/bottler contribution	26	324,993			430,677		
Sugar Insurance Fund Board Premium	27	(103,784)			(153,532)		
NET AMOUNT DISTRIBUTED TO PRODUCERS		3,177,907			4,304,495		

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

	Note	THE GROUP 2019 Rs'000	THE GROUP 2018 Rs'000	THE SYNDICATE 2019 Rs'000	THE SYNDICATE 2018 Rs'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Net revenue distributed to producers		3,177,907	4,304,495	3,177,907	4,304,495
Adjustments for:					
Profit on disposal of property, plant and equipment		(162)	(453)	(162)	(453)
Interest paid		181,607	127,936	181,607	127,936
Interest income		(31)	(11,717)	(31)	(11,717)
Depreciation		5,053	4,711	5,053	4,711
Amortisation		1,086	989	1,086	989
Retirement benefit obligations		(3,453)	2,991	(3,453)	2,991
Operating profit before working capital changes		3,362,007	4,428,952	3,362,007	4,428,952
Decrease in inventories		261,464	37,903	261,464	37,903
Decrease in trade and other receivable		384,914	448,570	387,503	449,524
Increase/(decrease) in trade and other payables		476,761	(456,155)	473,697	(458,804)
Increase/(decrease) in derivative financial instruments		78,295	(50,399)	78,295	(50,399)
		1,201,434	(20,081)	1,200,959	(21,776)
Cash generated from operations		4,563,441	4,408,871	4,562,966	4,407,176
Payment made to producers		(3,177,907)	(4,304,495)	(3,177,907)	(4,304,495)
Advances made to producers		(169,853)	(303,983)	(169,853)	(303,983)
Interest paid		(181,607)	(127,936)	(181,607)	(127,936)
Net cash from / (used in) operating activities		1,034,074	(327,543)	1,033,599	(329,238)
Investing activities					
Purchase of plant and equipment		(2,674)	(4,699)	(2,674)	(5,318)
Purchase of intangible assets		(661)	-	(661)	-
Proceeds from disposal of plant and equipment		711	530	711	530
Acquisition of new subsidiary		-	-	-	(389)
Interest received		31	11,717	31	11,717
Net cash (used in)/from investing activities		(2,593)	7,548	(2,593)	6,540
Financing activities					
Loans received		5,121,502	12,191,728	5,121,502	12,191,728
Loans repaid		(5,919,198)	(11,996,574)	(5,919,198)	(11,996,574)
Net cash (used in)/from financing activities		(797,696)	195,154	(797,696)	195,154
Net (increase)/decrease in cash and cash equivalents		233,785	(124,841)	233,310	(127,544)
Movement in cash and cash equivalents					
At July 01, 2018		114,551	244,004	112,467	244,004
Net increase/(decrease) in cash and cash equivalents		233,785	(124,841)	233,310	(127,544)
Effects of foreign exchange		(90,390)	(4,612)	(90,390)	(3,993)
AT JUNE 30, 2019	11	257,946	114,551	255,387	112,467

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

1. General Information

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

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

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

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

2. Significant Accounting Policies

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

(a) *Basis of preparation*

The financial statements of the Mauritius Sugar Syndicate comply with the Companies Act 2001 and have been prepared in accordance with generally accepted accounting policies.

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 except that derivative financial instruments are carried at fair value.

(b) *Investment in subsidiary company*

Separate financial statements of the investor

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

Consolidated financial statements

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

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

2. Significant Accounting Policies (cont'd)

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

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

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

Transactions with non-controlling interests

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

(c) Property, plant and equipment

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

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

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

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

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

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

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

(d) Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised using the straight line method over their estimated useful lives (3-5 years).

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

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding 3 years).

(e) Derivative financial instruments and hedging activities

Derivatives at fair value through profit or loss

Certain derivative instruments do not qualify for hedging accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss within finance cost - net.

(f) Trade and other receivables

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

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

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

(g) Borrowings

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

2. Significant Accounting Policies (cont'd)

Fees paid on the establishment of loan facilities are recognised as transaction costs for the loan to the extent that 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 draw down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(h) Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks (cash at bank) and bank overdrafts. Bank overdrafts are included in borrowings within current liabilities on the statement of financial position.

(i) Trade and other payables

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

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

(j) Inventories

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

(k) Retirement benefit obligation

Defined Contribution plan

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

Defined benefit plans

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

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

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

The Syndicate determine 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.

Gratuity on retirement

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

Termination benefits

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

(l) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

All foreign exchange gains and losses are presented in profit or loss within finance cost - net.

2. Significant Accounting Policies (cont'd)

(m) Revenue recognition

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

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

Revenue is recognised as follows:

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

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

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

(n) Expenses

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

(o) Non current receivables

Non current receivables represent amounts advanced to planters through several support schemes. They will be expensed out over the next three to five years.

3. Financial Risk Management

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

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

(a) *Market risk*

(i) Currency risk

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

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

Currency profile

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

	THE GROUP			
	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
	2019	2018	2019	2018
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Mauritian Rupees	2,452,733	2,668,394	3,069,336	3,092,625
US Dollar	252,917	183,972	432,240	-
Euro	715,227	740,244	463,914	1,286,345
GBP	4,062	4,059	-	221
	3,424,939	3,596,669	3,965,490	4,379,191

	THE SYNDICATE			
	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
	2019	2018	2019	2018
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Mauritian Rupees	2,452,733	2,668,394	3,069,336	3,092,625
US Dollar	252,917	183,972	432,240	-
Euro	709,125	737,206	458,271	1,283,696
GBP	4,062	4,059	-	221
	3,418,837	3,593,631	3,959,847	4,376,542

3. Financial Risk Management (cont'd)

Sensitivity analysis

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

Impact on net revenue before distribution to producers:	THE GROUP			
	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
US Dollar	12,646	9,199	21,612	-
Euro	35,761	37,012	23,196	64,317
GBP	203	203	-	11
	48,610	46,414	44,808	64,328

Impact on net revenue before distribution to producers:	THE SYNDICATE			
	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
US Dollar	12,646	9,199	21,612	-
Euro	35,456	36,860	22,914	64,185
GBP	203	203	-	11
	48,305	46,262	44,526	64,196

(ii) Interest rate risk

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

At June 30, 2019, if interest rate on rupee-demominated borrowings had been 50 basis points higher or lower with all other variables held constant, the net amount distributed to producers would have been Rs 533,000 (2018: Rs 589,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Liquidity risk

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

A liquidity risk arises on advances to planters made on a weekly basis. To meet its cash outflow, the Syndicate has obtained 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, derivatives, bank overdraft 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 liablilites.

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

(c) Credit risk

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

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

The Syndicate assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Local sales to retail customers are settled by cheques or bank transfer. 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. Refer to note 10 for an analysis of trade receivables which are past due and impaired. For the year under review trade receivables were not impaired.

The carrying amount of 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 account of the value of any collateral obtained. The Syndicate main debtors are its overseas buyers on account of sugar sold to them.

4. Critical Accounting Estimates And Judgement

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

4.1 Critical accounting estimates and assumptions

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

(a) Pension benefits

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

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

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

(b) Revenue recognition

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

(c) Depreciation policies

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

5. Property, Plant and Equipment

	THE GROUP & THE SYNDICATE			
	Computer Equipment	Furniture and Equipment	Motor Vehicles	TOTAL
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
(a) COST				
At July 01, 2017	3,713	14,811	13,754	32,278
Additions	603	16	4,699	5,318
Disposals	-	-	(2,300)	(2,300)
At June 30, 2018	4,316	14,827	16,153	35,296
At July 01, 2018	4,316	14,827	16,153	35,296
Additions	263	321	2,090	2,674
Reclassification	(84)	(138)	(3)	(225)
Disposals	-	-	(4,935)	(4,935)
At June 30, 2019	4,495	15,010	13,305	32,810
DEPRECIATION				
At July 01, 2017	2,289	4,839	6,632	13,760
Charge for the year	601	1,330	2,780	4,711
Disposal adjustment	-	-	(2,223)	(2,223)
At June 30, 2018	2,890	6,169	7,189	16,248
At July 01, 2018	2,890	6,169	7,189	16,248
Charge for the year	707	1,336	3,040	5,053
Reclassification	(130)	(94)	(1)	(225)
Disposal adjustments	-	-	(4,386)	(4,386)
At June 30, 2019	3,467	7,381	5,842	16,690
NET BOOK VALUES				
At June 30, 2018	1,426	8,658	8,964	19,048
At June 30, 2019	1,028	7,629	7,463	16,120

(b) Depreciation expense of Rs.5,053,000 (2018: Rs.4,711,000) has been charged to administrative and other charges.

6. Intangible Assets

	THE GROUP & THE SYNDICATE
	Computer Software
	Rs'000
(a) COST	
At July 01, 2017, and at June 30, 2018	3,953
At July 01, 2018	3,953
Additions	661
At June 30, 2019	4,614
AMORTISATION	
At July 01, 2017	22
Charge for the year	989
At June 30, 2018	1,011
At July 01, 2018	1,011
Charge for the year	1,086
At June 30, 2019	2,097
NET BOOK VALUES	
At June 30, 2018	2,942
At June 30, 2019	2,517

(b) Amortisation charge of Rs.1,086,000 (2018: Rs.989,000) has been charged to administrative and other charges.

7. Non Current Receivables

	THE GROUP & THE SYNDICATE	
	2019	2018
	Rs'000	Rs'000
Support Scheme to producers (more than 1 year)	368,836	258,983
Support Scheme to producers (less than 1 year)	105,000	45,000
Total receivables	473,836	303,983

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

Rate of interest agreed with the Sugar Insurance Fund Board at 4.50% per annum is payable as from the date of the loan. The capital repayment is due as from 2019 crop and a sum of Rs 60M will impact the Ex Syndicate price for crops 2019 to 2023.

An additional support of Rs.600/MT had been distributed to producers for Crop 2017. A sum of Rs 45M will impact the ex Syndicate price for crops 2018 to 2022.

8. Investment In Subsidiary Company

	THE SYNDICATE
	2019
	Rs'000
(a) At July 01, 2018	389
Share of profit	70
At June 30, 2019	459

(b) Details of the subsidiaries are as follows:

Name of the Company	Country of Incorporation	Class of shares held	Nominal value of investment (€)	% Holding	Main Business	Financial Period ended
2019 SUCOM	France	Ordinary	10,000	100	Marketing Agency	June 30
2018 SUCOM	France	Ordinary	10,000	100	Marketing Agency	June 30

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

9. Inventories

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
At Cost				
Bags, steel bars and liners	49,056	66,500	49,056	66,500
At Net Realisable Value (NRV)				
Raw and non-originating sugar - Cost (note 19)	169,585	413,605	169,585	413,605
Less: Impairment of stock	-	(54,392)	-	(54,392)
Raw and non-originating sugar - NRV	169,585	359,213	169,585	359,213
	218,641	425,713	218,641	425,713

10. Trade and other receivables

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Trade Receivables				
Export proceeds	892,138	979,096	892,138	979,096
Export proceeds-Unshipped sugars	2,027,243	2,293,319	2,027,243	2,293,319
	2,919,381	3,272,415	2,919,381	3,272,415
Staff loans	2,086	1,616	2,086	1,616
Advances to planters	71,861	120,306	71,861	120,306
Other receivables	56,500	40,405	52,957	39,451
	3,049,828	3,434,742	3,046,285	3,433,788

The carrying amounts of trade and other receivables approximate their fair values and no impairment was required.
As of June 30, 2019, trade receivables of Rs.18,195,000 for the Group and the Syndicate (2018: Rs.96,660,000) were past due but not impaired.

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
1 to 3 months	18,195	96,660	18,195	96,660

10. Trade and other receivables (cont'd)

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

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Mauritian Rupee	2,203,223	2,558,971	2,203,223	2,558,971
US Dollar	203,114	161,020	203,114	161,020
Euro	642,940	713,961	639,397	713,007
GBP	551	790	551	790
	3,049,828	3,434,742	3,046,285	3,433,788

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

11. Cash and Cash Equivalents

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Bank and cash balances	257,946	116,927	255,387	114,843
Bank overdraft	-	(2,376)	-	(2,376)
	257,946	114,551	255,387	112,467

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

(ii) The interest rates per annum vary from 2.40% to 4.00% on Rupees accounts (2018: 2.40% to 4.10%) and 2.50% to 3.60% on USD (2018: 2% to 3%) while interests on loans in Euros were in the range of 0.50% to 0.60% per annum (2018: 0.30% to 0.50%).

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

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Bank and cash balances				
Mauritian Rupee	131,793	64,423	131,793	64,423
US Dollar	49,804	22,952	49,804	22,952
Euro	72,287	26,283	69,728	24,199
GBP	4,062	3,269	4,062	3,269
	257,946	116,927	255,387	114,843
Bank overdraft				
Mauritian Rupee	-	(2,376)	-	(2,376)
Cash and cash equivalents	257,946	114,551	255,387	112,467

(iv) Reconciliation of liabilities arising from financing activities

	THE GROUP & THE SYNDICATE				
	At July 01, 2018	Additions	Repayments	Foreign exchange movement	At June 30, 2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*	*Rs'000*
Overdraft	2,376	-	(2,376)	-	-
Long-term borrowings	200,000	40,000	-	-	240,000
Short-term borrowings	3,760,249	5,081,502	(5,919,198)	(12,095)	2,910,458
	3,962,625	5,121,502	(5,921,574)	(12,095)	3,150,458

12. Derivative Financial Instruments

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

The Syndicate entered into foreign exchange forward contracts, foreign exchange leverage contracts, swaps and options with different commercial banks of Mauritius for terms not exceeding 12 months at any point in time. At June 30, 2019, the unrealised surplus on foreign exchange forward contracts, foreign exchange leverage contracts, swaps and options under taken for crop 2019 was Rs.12,165,000 compared to a deficit of Rs.78,295,000 for crop 2018. It is anticipated that once the contracts will mature the surplus will then be realised and will impact on the amount distributed to producers in 2019 crop.

	THE GROUP & THE SYNDICATE		
	NOTIONAL AMOUNT	FAIR VALUE	SURPLUS
	Rs'000	*Rs'000*	*Rs'000*
At June 30, 2019			
Normal Forward	2,549,545	2,539,640	9,905
Leverage Forward	81,200	78,940	2,260
	2,630,745	2,618,580	12,165

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

13. Non Distributable Reserve

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Unrealised profit/(loss) on normal and leverage forward deals	12,165	(78,295)	12,165	(78,295)
Impairment of stock of sugar	-	(54,392)	-	(54,392)
Surplus/(deficit)	12,165	(132,687)	12,165	(132,687)

13. Non Distributable Reserve (cont'd)

Pursuant to its Committee dated July 15, 2016, the Syndicate resolved to account for unrealised gains/(losses) relating to proceeds that the Syndicate expects to receive for the future crop year in a non distributable reserve.

14. Retirement Benefit Obligations

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Amounts recognised in the statement of financial position:				
Defined pension benefits (note 14(ii))	53,398	56,851	53,398	56,851
Analysed as follows:				
Non-current liabilities	53,398	56,851	53,398	56,851
Amount charged to profit or loss:				
Defined pension benefits (note 14(v))	(3,453)	2,991	(3,453)	2,991

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

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

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligtions were carried out at June 30, 2019 by AON Hewitt. The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Present value of funded obligations	178,087	177,999	178,087	177,999
Fair value of plan assets	(124,689)	(121,148)	(124,689)	(121,148)
	53,398	56,851	53,398	56,851
Unrecognised actuarial loss	-	-	-	-
Liabilities recognised in the statement of financial position	53,398	56,851	53,398	56,851

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

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
At July 01,	56,851	53,860	56,851	53,860
Recognised in the statement of profit or loss	2,219	7,738	2,219	7,738
Contributions paid	(5,672)	(4,747)	(5,672)	(4,747)
At June 30,	53,398	56,851	53,398	56,851

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

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
At July 01,	177,999	162,829	177,999	162,829
Current service cost	5,881	5,360	5,881	5,360
Employee Contributions	722	614	722	614
Interest costs	10,162	10,395	10,162	10,395
Benefit paid	(5,664)	(5,915)	(5,664)	(5,915)
Liability experience gain	(6,443)	(5,932)	(6,443)	(5,932)
Liabilty loss due to change in financial assumptions	(4,570)	10,648	(4,570)	10,648
At June 30,	178,087	177,999	178,087	177,999

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

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
At July 01,	121,148	108,969	121,148	108,969
Interest income	7,047	7,065	7,047	7,065
Employer contribution	5,672	4,747	5,672	4,747
Employee contributions	722	614	722	614
Benefit paid	(5,664)	(5,915)	(5,664)	(5,915)
Return on plan assets excluding interest income	(4,236)	5,668	(4,236)	5,668
At June 30,	124,689	121,148	124,689	121,148

14. Retirement Benefit Obligations (cont'd)

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

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Current service cost	5,881	5,360	5,881	5,360
Net interest on net defined benefit liability	3,115	3,330	3,115	3,330
Movement in other compehensive income	(6,777)	(952)	(6,777)	(952)
Employee contribution	(5,672)	(4,747)	(5,672)	(4,747)
Total included in employee benefit expense	(3,453)	2,991	(3,453)	2,991

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

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Included in				
Administrative and other charges	(3,453)	2,991	(3,453)	2,991
Actual return on plan assets	2,811	12,733	2,811	12,733

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

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	%	*%*	*%*	*%*
Discount rate	6.00	5.80	6.00	5.80
Future salary increases	5.00	5.00	5.00	5.00

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

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Increase due to 1% decrease in discount rate	24,906	26,625	24,906	26,625
Decrease due to 1% increase in discount rate	20,270	21,514	20,270	21,514

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

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

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

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

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

(ix) The Syndicate expects to pay Rs 5.9m in contributions to its post-employment benefit plans for the year ending June 30, 2020.

(x) The weighted average duration of the defined benefit obligation is 13 years at the end of the reporting period.

15. Borrowings

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Non-Current				
SIFB loan	240,000	200,000	240,000	200,000
Current				
Bank loans	2,774,430	3,346,840	2,774,430	3,346,840
Other loans	136,028	413,409	136,028	413,409
Bank overdrafts	-	2,376	-	2,376
	2,910,458	3,762,625	2,910,458	3,762,625
Total borrowings	3,150,458	3,962,625	3,150,458	3,962,625

(a) The loan from SIFB is on a repayment period of 5 years following a moratorium period of 2 years starting from 2017 Crop. The loan from SIFB bears interest at 4.5% per annum (2018: 4.5%).

(b) The short term borrowings include a sum of Rs 170M remitted to sugar producers at June 30, 2019 representing a payment of an enhancement of their net revenue for Crop 2017.

(c) Bank loans and other loans bear interest at the rate of 2.40 % to 4.00% per annum (2018: 2.40% to 4.10%). Bank overdrafts bear interest at 6% per annum (2018: 6%).

15. Borrowings (cont'd)

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

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Within 1 year	2,910,458	3,762,625	2,910,458	3,762,625
1 to 5 years	240,000	200,000	240,000	200,000
	3,150,458	3,962,625	3,150,458	3,962,625

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

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Mauritian Rupee	2,350,028	2,686,785	2,350,028	2,686,785
Euro	368,190	1,275,840	368,190	1,275,840
US Dollar	432,240	-	432,240	-
	3,150,458	3,962,625	3,150,458	3,962,625

16. Trade and Other Payables

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Amount payable to producers	213,304	88,166	213,304	88,166
Trade payables and accrued expenses	588,899	245,101	588,899	245,101
Provisions and other payables	12,829	5,004	7,186	2,355
	815,032	338,271	809,389	335,622

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

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

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

	THE GROUP		THE SYNDICATE	
	2019	2018	2019	2018
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Mauritian Rupee	719,308	327,546	719,308	327,546
Euro	95,724	10,504	90,081	7,855
GBP	-	221	-	221
	815,032	338,271	809,389	335,622

17. Sales Proceeds

	THE GROUP & THE SYNDICATE	
	2019	2018
	Rs'000	*Rs'000*
Sales proceeds were arrived as follows:		
Gross Export Proceeds - Shipped	3,678,153	4,396,050
Gross Export Proceeds - Unshipped	2,027,243	2,293,319
	5,705,396	6,689,369
Proceeds from local sales	435,109	489,408
Total sales proceeds	6,140,505	7,178,777

18. Other Income

	THE GROUP & THE SYNDICATE	
	2019	2018
	Rs'000	*Rs'000*
Share of profit	18,339	-
Sundry income	12,770	3,616
	31,109	3,616

19. Direct Operating Costs

	THE GROUP & THE SYNDICATE	
	2019	2018
	Rs'000	*Rs'000*
Sugar processing fees and packing cost	1,364,464	1,305,730
Freight & Export Charges	482,991	539,862
Bags and other related charges	97,760	88,532
Liners, steel bars and other related costs for white refined sugar	36,049	44,005
Costs of imports for local market and re-export	717,793	564,443
Impairment of stock of sugar	-	54,392
Other costs	70,930	73,260
	2,769,987	2,670,224

(a) Cost of imports

Costs of imports for local market and re-export are calculated on a landed basis for 58,247 MT (2018: 42,616 MT) of raw sugar feedstock.

20. Storage Charges

	THE GROUP & THE SYNDICATE	
	2019	2018
	Rs'000	Rs'000
MCIA (Ex-BSSD & BST) - Recurrent expenditure	81,010	98,169
CHC and MFD storage charges	228,354	114,539
	309,364	212,708

21. Administrative and Other Charges

	THE GROUP& THE SYNDICATE	
	2019	2018
	Rs'000	Rs'000
Depreciation on plant and equipment	5,053	4,711
Amortisation of intangible assets	1,086	989
Rental of office	3,034	2,648
Employee benefit expense	41,319	41,511
Overseas representation and mission expenses	4,511	3,907
Professional fees including subscriptions	6,038	9,871
Others	8,178	7,896
	69,219	71,533

(a) Employee Benefit Expense

	THE GROUP & THE SYNDICATE	
	2019	2018
	Rs'000	Rs'000
Wages and salaries, including termination benefits	42,701	37,085
Social Security costs	2,071	1,435
Pension costs - Defined benefit plans	(3,453)	2,991
	41,319	41,511

22. Service Providing Institutions and MCIA Levy

	THE GROUP & THE SYNDICATE	
	2019	2018
	Rs'000	Rs'000
Levy on Local Sales	63,394	69,273

23. Finance Cost - Net

	THE GROUP & THE SYNDICATE	
	2019	2018
	Rs'000	Rs'000
Finance income		
Interest income	31	11,717
Gain on Forward exchange contracts (unrealised)	12,165	-
Exchange gain - net	53,613	-
	65,809	11,717
Finance costs		
Interest payable:		
Exchange loss - net	-	263,173
Loss on forward exchange contracts (unrealised)	-	78,295
Foreign currency accounts	28,806	10,372
Mauritian balances	107,801	117,564
Producers Support (Crop 2017)	45,000	-
	181,607	469,404
Finance cost - Net	(115,798)	(457,687)

24. Bagasse Transfer Price Fund

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

25. Sugar Cane Sustainability Fund

The MCIA transferred to the Syndicate for the third consecutive year a sum of Rs 70 M to be distributed to cane growers for their bagasse utilised in the production of electricity.

26. Molasses Remittance & Distiller/Bottler Contribution

(i) The final price of molasses inclusive of Distillers/Bottlers contribution determined by the MCIA amounts to Rs 3,840 per tonne of molasse.

(ii) Contribution received from Distillers/Bottlers during the Crop year amounted to Rs.149 M.

27. Sugar Insurance Fund Board Premium

The general and fire insurance premium amounted to Rs 104M for crop 2018 and remitted to the Sugar Insurance Fund Board on their behalf as per Section 24 of the Sugar Insurance Fund Act 1974. A sum of Rs 17M representing general premium for planters producing less than 60 tonnes of sugar was subsidised by the government.

28. Related Party Transactions

	THE GROUP & THE SYNDICATE	
	2019	2018
	Rs'000	*Rs'000*
Key mananagement personnel remuneration	12,463	11,394

29. Contingent Liabilities

(i) The Syndicate has no contracted bank guarantees at June 30, 2019 (2018: Rs.Nil).

(ii) The Syndicate has entered into certain leveraged forward contracts with commercial banks at year end and which will materialize after June 30, 2019. Pursuant to the conditions of these contracts, the Syndicate may be obliged to deliver more than the nominal amount at the maturity dates. At June 30, 2019, the Syndicate is uncertain of such outcome.

	2018-2019 Crop					2017-2018 Crop				
	Plantation White Sugar	Raw Non-Originating Sugar	White Sugars	Special Sugars	TOTAL	Plantation White Sugar	Raw Non-Originating Sugar	White Sugars	Special Sugars	TOTAL
	MT	*MT*	*MT*	*MT*	*MT*	*MT*	*MT*	*MT*	*MT*	*MT*
Sales - Export	-	-	169,683	72,533	242,216	-	-	170,828	74,953	245,781
Stock of sugar	47,408	30,891	15,950	35,775	130,024	2,203	32,330	43,383	66,452	144,368
Total sugar for Export	47,408	30,891	185,633	108,308	372,240	2,203	32,330	214,211	141,405	390,149
Sales - Local market	-	-	12,349	3,440	15,789	-	-	14,646	3,598	18,244
Total	47,408	30,891	197,982	111,748	388,029	2,203	32,330	228,857	145,003	408,393
Processing & Storage Loss					8,767					11,696
Total Sugar MTTQ					396,796					420,089
Less non-originating sugar for re-export					73,390					64,876
Total production of Sugar MTTQ					323,406					355,213
Adjustment at 98.5° Polarisation by MCIA (Control & Arbitration Department)					325,983					357,702

Statement of Distribution of Bagasse Proceeds

	2018-2019 Crop	2017-2018 Crop
	Rs'000	*Rs'000*
Bagasse Transfer Price Fund	54,991	62,488
Paid out to:		
Planters of the first group	6,599	7,499
Planters of the second group	20,897	23,745
Millers or producers of electricity	27,495	31,244

Amount Per Metric Ton of Sugar Accruing	2018-2019 Crop	2017-2018 Crop
	Rs	*Rs*
Planters of the first group	52.79	55.43
Planters of the second group	161.05	164.81

Amount Per kWh of Firm or Continuous Electricity	2018-2019 Crop	2017-2018 Crop
	Rs	*Rs*
Millers or producers of electricity	0.092	0.092

The Bagasse Transfer Price Fund for 2018-2019 crop was distributed as from July 5, 2019 in accordance with the Section 13 of SIE Act 2001.

Ex-Syndicate Price Per Metric Ton

	On Whole Production
	Rs
2007 - 08	18,620.15
2008 - 09	17,427.30
2009 - 10	14,612.03
2010 - 11	13,535.72
2011 - 12	16,020.16
2012 - 13	17,573.32
2013 - 14	15,829.86
2014 - 15	12,693.50
2015 - 16	13,166.37
2016 - 17	15,571.50
2017 - 18	10,716.64
2018 - 19	8,685.60