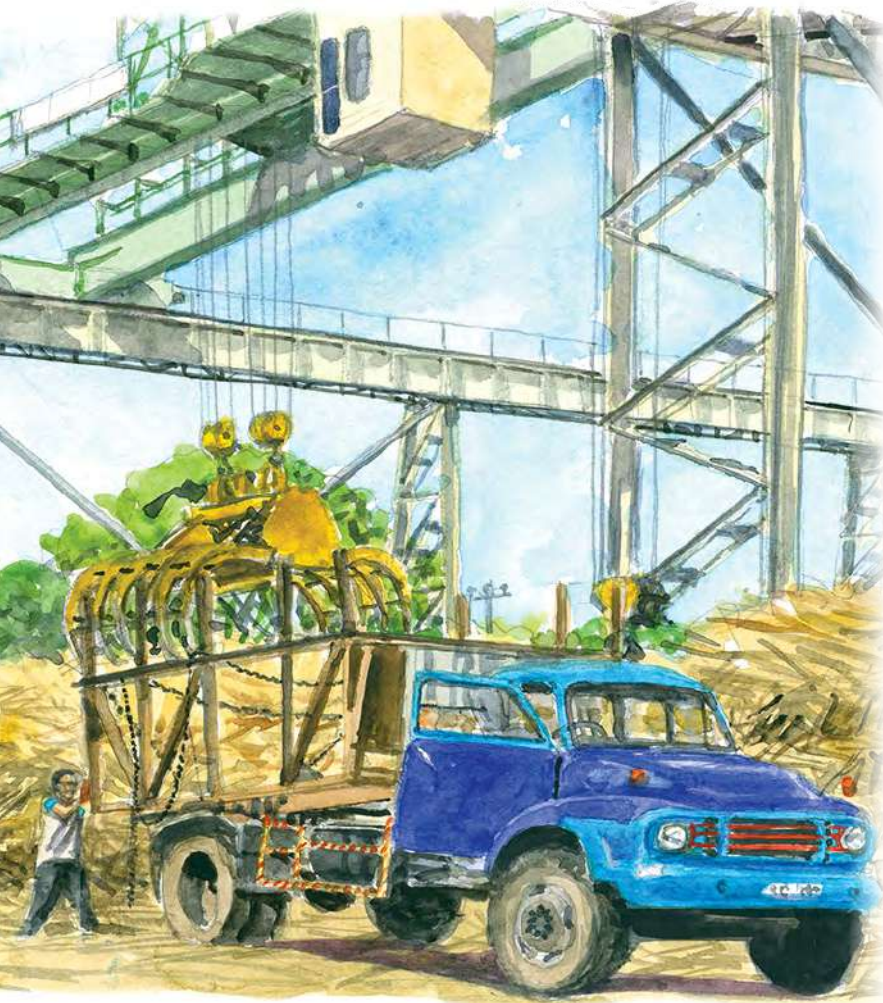




Operational

REVIEW



Terra has been growing sugar cane and producing sugar since 1838, when the Harel brothers acquired the Belle Vue sugar estate in the north of Mauritius. Today, we have around 6,000 hectares of agricultural land, and we operate one of the most modern sugar producing factories on the island with a processing capacity of 336 tonnes of cane per hour. In a typical year, the mill processes around 875,000 tonnes of sugar cane and produces 93,000 tonnes of sugar. We also jointly manage two sugar estates and factories in Côte d'Ivoire.

OUR PURPOSE

To be a global player in growing cane and manufacturing sugar, with a particular focus on specialty sugars

OUR BUSINESS MODEL

Our cane business is primarily a commodity business, shaped by supply and demand dynamics in the global sugar market. In addition to being a price-taker globally, our Mauritian operations are subject to pricing for the local sugar sector determined centrally by the Mauritius Sugar Syndicate (MSS). As a price-taker, our business model is determined largely by our ability to drive efficiency gains in our growing and milling activities, and by securing a price premium through our distinct offering of specialty sugars. We also benefit from our state-of-the-art technology and skills in the mechanisation of cane growing and harvesting.

In the context of the current low-price environment and continuing challenges in the global sugar market, we have adopted a predominantly defensive strategy aimed at driving operational efficiencies across our activities. Our most significant costs are related to labour, followed by repairs and maintenance, fuel and fertilisers. Informed by the recent activity-based costing exercises undertaken in our fields, mills and garage, we are further optimising our production. In addition to delivering enhanced efficiencies at our Belle Vue operation, we have been identifying ways to lower production costs at our Côte d'Ivoire operations. We are continuing to review possible growth opportunities internationally that harness our recognised technological and process skills.

CAPITAL

People



MATERIAL INPUTS (2018)

No. of employees:
Terra Milling: **159** permanent and **240** temporary
Terragri (Agriculture): **387** permanent and **171** temporary

MATERIAL OUTCOMES (2018)

Injury rate: **37.2 ▲ 28%**

Terra Milling: **48** accidents =
Terragri (Agriculture): **28** accidents ▼ **15%**

Natural



5,195 hectares of land under cane cultivation ▼ **5%**
6.2 million m³ of water consumed ▼ **34%**
751,121 tonnes of sugar cane milled ▼ **13%**
14,117 tonnes of organic fertilisers ▲ **34%**
1,569 tonnes of liquid mineral fertilisers ▲ **34%**
1,043 tonnes of solid fertilisers ▼ **9%**
688 m³ of diesel ▼ **1%**

356,494 tonnes of own cane harvested
80,480 tonnes of specialty sugars produced ▼ **8%**
4,395 tonnes of CO₂ (from diesel) ▼ **18%**
13.5 m³ of used oil ▼ **7%**
17.6 tonnes of used vehicle tyres ▼ **11%**

Social



Quality relationships with key stakeholders including: MCIA, MSS, Terragen, planters, employees and labour representatives, and service providers

Employee turnover rate: **4%**
Zero day lost to strike action
MUR 0.3 million of CSR contribution

Intellectual



Renewal of international certifications, including BRC, GMP, Halal and C-TPAT

Continuous improvement in manufacturing techniques

Financial



Cane cluster total equity (Jan 2018): **MUR 8,283.8 million**
Debt financing: **MUR 532.5 million**
Capital expenditure: **MUR 125.8 million**

Turnover: **MUR 835.7 million ▼ 23.3%**
Loss: **MUR 318.9 million ▲ 321.3%**
Cane cluster total equity (Dec 2018): **MUR 7,723.0 million**
Net cash and cash equivalents: **MUR 49.4 million**

MATERIAL ISSUE IMPACTING VALUE CREATION	OUR RESPONSE
Continuing volatility in global sugar prices – In 2018 we experienced a record low in sugar prices. This has had a profound negative impact on all global sugar producers outside tariff-protected countries. In Mauritius, the price of sugar was MUR 8,800 per tonne (2017: MUR 11,000; 2016: MUR 15,571), substantially below our break-even price.	With low sugar prices anticipated to continue at least for the short term, we have maintained a strong focus on enhancing efficiencies across our growing and milling operations. We are working to increase sugar yields and to optimise the production of our specialty sugars that command a price premium.
Challenging sugar trade dynamics – The global sugar market was profoundly affected by the European Union’s abolition of sugar quotas in October 2017, which contributed to a supply surplus and resulting lower sugar prices. The global sugar market is also impacted by strong protectionist measures in many sugar-producing countries, as well as increasing regulatory pressures (such as sugar taxes) and broader trade developments such as the current US/China trade dispute.	We are working actively with the MSS to assist them in strengthening the branding and marketing of Mauritian sugar, and to identify new market opportunities, particularly for our distinctive specialty sugars. We believe that the longer-term fundamentals for sugar remain strong, particularly given growing consumer demand in emerging markets.
Structural challenges in the Mauritian sugar sector – The Mauritian sugar sector has some unique features, including a highly-regulated labour environment and a centralised organisation responsible for the marketing and sale of all locally-produced sugar. Due in part to its regulations resulting from its historical legacy, the country’s sugar sector has comparatively high labour costs that negatively impacts its global competitiveness.	Given the challenging changing trade and price dynamics in the global sugar market, and the substantial contribution of sugar to the Mauritian economy, we are engaging with Government to encourage measures to enhance local competitiveness. Suggested measures include: reviewing the current regulatory context for labour; providing better reward for the sector’s renewable energy sources; and ensuring that millers receive fair return from the Sugar Insurance Fund Board (SIFB).
Sustaining supply from small-scale cane producers – The productivity of our mill and the production capacity of our specialty sugars, require a regular supply of cane from independent small-scale cane producers. Due to the current price challenges, some farmers are leaving the sector, and there is generally low interest from the younger generation to work in the fields. This year, the volume of cane secured from planters was 395,395 tonnes, down from 442,000 tonnes last year and 478,000 tonnes ten years ago.	To ensure a regular flow of cane to our mill, we are placing a strong focus on reviving the interest of existing and prospective independent cane planters. We are working with authorities to identify opportunities to appropriately motivate the next generation of planters.
Rainfall patterns and water availability – 60% of our fields are directly dependent on local rainfall, and thus susceptible to the uncertainties of changing weather and climate. In terms of irrigation for the remaining 40% of our fields, we face increasing competition from other users as the economy grows in the water-stressed north of Mauritius.	We have undertaken a detailed assessment of water-related risks and opportunities facing the business and we are implementing measures to optimise our water consumption and ensure better utilisation of effluents for irrigation.

OUR 2018 PERFORMANCE

In the context of record-low sugar prices, this has been a particularly difficult year for the business. The Cane cluster posted total losses of MUR 318.9 million, compared to losses of MUR 75.7 million in 2017. We incurred losses both in our Mauritian operations (MUR 325.7 million) and at our associate company in Côte d’Ivoire, Sucrivoire, in which Terra holds a 25.5% stake. The contribution of Sucrivoire to the cluster, including fees received for our management services, amounted only to MUR 6.8 million (MUR 64.4 million in 2017).

This year, 47,193 tonnes of sugar accrued to the Group (2017: 52,635 tonnes), comprising 29,718 tonnes attributable to growing operations (2017: 33,224 tonnes) and 17,475 tonnes to milling operations (2017: 19,411 tonnes). Terra Milling produced 80,480 tonnes of sugar *Tel Quel* (2017: 87,397 tonnes) and 81,907 tonnes of specialty sugars (2017: 87,974 tonnes). The extraction rate was better at 10.82% (2017: 10.17%), while the volumes of cane processed declined to 751,121 tonnes (2017: 867,643 tonnes). Our average yield was 7.95 tonnes of sugar per hectare (2017: 8.66 tonnes), with an average sucrose content of 12.02% (2017: 12.55%).

MAURITIUS: DELIVERING OPERATIONAL EFFICIENCIES

Given the low-price environment, our priority in 2018 has been to drive down the costs of production across our operations and activities, and as far as possible to reduce our break-even price. We made very pleasing progress this year in reducing costs, delivering fully and earlier than anticipated on our 2020 vision. We completed our substantial internal reorganisation, progressed with the introduction of Kaizen concepts across the business, delivered marked cost reductions by optimising our transport services and improving our stock management practices, and realised material efficiencies through improved labour productivity and reduced irrigation costs.

We invested MUR 69.9 million in enhancing the mill’s performance and improving operational efficiencies. This year, the mill crushed an average of 5,734 tonnes of cane per day (2017: 6,287 tonnes) and it operated on average 18.9 hours per day. The extraction rate of the mill stood at 97.20 (2017: 97.56), while the milling rate was 303.4 tonnes per hour (2017: 310.1 tonnes). Through our efficiency initiatives, we reduced the cost of production of milling by MUR 47.3 million (a reduction of 9% on 2017), and the cost of growing by MUR 37.4 million (a reduction of 5% on 2017). We anticipate valuable additional efficiency improvements over the next three years through the various measures that we have been introducing.

To drive efficiencies in our growing activities, we have been implementing more efficient harvesting and soil preparation measures, and introducing new technologies and field maintenance activities, including through the increased use of artificial intelligence, designated software and drones. Early in the year we introduced a new procurement strategy, which has already delivered significant savings, achieved by renegotiating prices and terms with existing suppliers, and through more efficient on-boarding of new suppliers.

We have also made valuable progress in further instilling a culture of health and safety in our operations, through a combination of investments in technical equipment and a continuing focus on internal communication and employee training. These activities contributed to reducing the accident occurrence to 28 at Terragri (Agriculture) (down 15%) while at Terra Milling, the number of occurrence was 48, similar to 2017.

CÔTE D’IVOIRE: A DISAPPOINTING YEAR

This has been a disappointing year for the two sugar estates and factories in Côte d’Ivoire that we manage jointly with SIFCA, our Ivoirian partner. *Sucrivoire* sold 109,777 tonnes of sugar (comprising 87,977 tonnes of own production and 21,800 tonnes imported), compared to 108,034 tonnes in 2017. This year, production from our factories in Borotou and Zuenoula, which collectively supply half of the sugar consumed in the country, amounted to 87,977 tonnes, compared to 82,064 tonnes in 2017. The revenue for 2018 was at par with 2017, despite a marginal increase in volume sold combined with a lower mean selling price, due to the sales mix. There were significant increases in depreciation and finance charges. No major exceptional item was recorded in 2018, as compared to 2017 when we received insurance compensation for the fire which occurred at our factory in Zuenoula in October 2015. The above explains the losses incurred in 2018.

Furthermore, in 2018 we noted a poor management of mosaic disease in some sugarcane fields (this will take around three years to recover), low cane purity in fields, poor extraction in mills, and an inadequate monitoring of the cost of production.

Given the Côte d’Ivoire’s encouraging GDP growth rate (7.70% in 2018), we believe that the country offers valuable growth potential. Our short-term objective is to grow sugar production from current levels to around 160,000 tonnes by 2023. To do so, however, we will need to substantially increase productivity and drive further efficiencies, reducing production costs to international norms. We will continue to be involved in the operation and will be actively exploring opportunities to drive the necessary improvements.

OUR STRATEGIC OUTLOOK

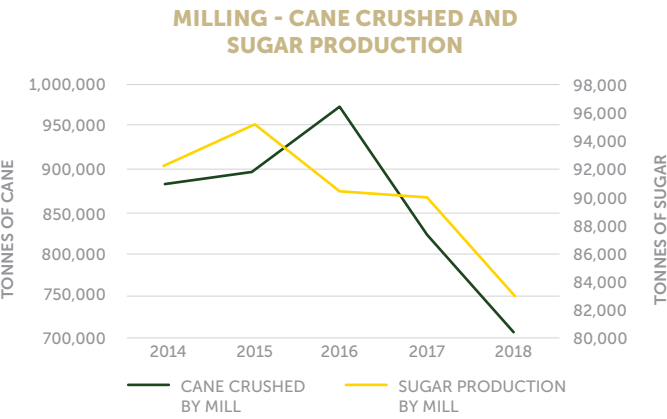
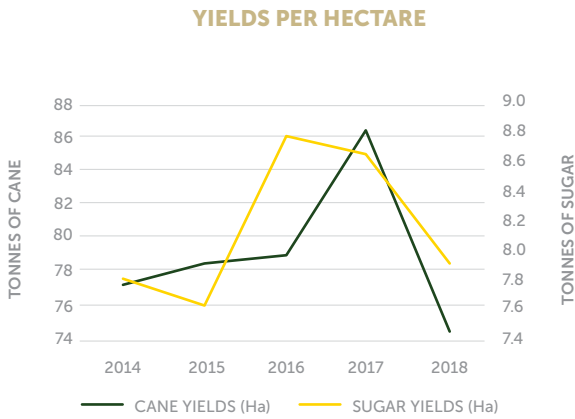
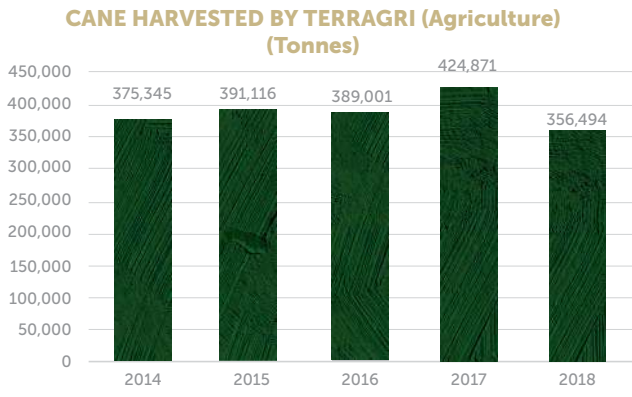
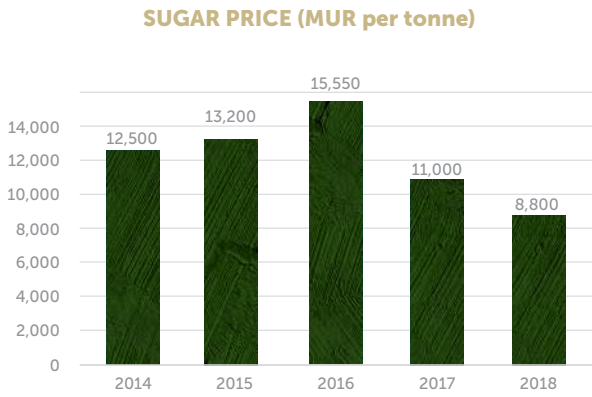
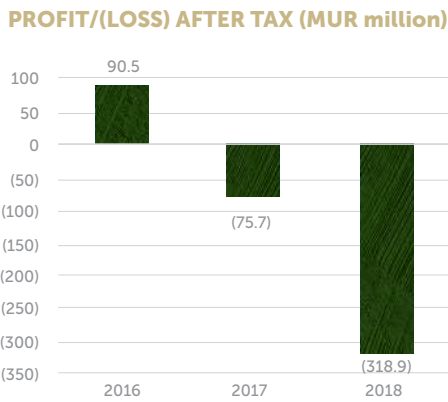
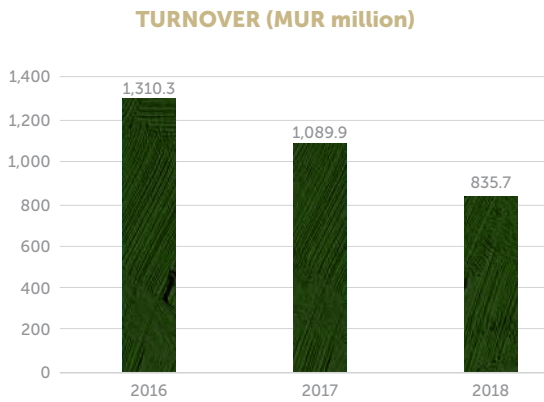
Our recently approved 2022 Vision for the cluster aims to ensure our continued resilience and growth in the current very challenging price environment. Our primary focus is on managing those activities where we are currently invested, improving efficiencies and further optimising production.

We have prioritised the following areas:

- Driving further efficiency and productivity gains across our operations and workforce, including through control and process automation, introducing leaner organisational structure at all levels, delivering enhanced productivity specifically in our bagging, workshop and laboratory areas, and improving stock management and transportation logistics;
- Maintaining a strong focus on embedding a change of culture across the operation;
- Ensuring continuous improvement in our manufacturing techniques;
- Optimising the production of our specialty sugars, and continuing to collaborate with MSS to enhance the global marketing, pricing and volumes of Mauritian specialty sugars;
- Partnering with others to identify and deliver solutions to motivate and retain small-scale farmers;
- Further improving our water consumption and ensuring better utilisation of effluents for irrigation.

On the back of these initiatives we are confident that we will become more competitive, hopefully also aided by Government policy changes that will assist the local sugar sector to be able to play on a more level playing field. With the recently announced closure of Medine sugar factory, we expect a volume of canes from Medine Factory Area to be rerouted to Terra Milling. We are looking to be more directly involved in our Côte d’Ivoire’s operations, which needs a significant investment in upgrading its skills-sets and equipment to sustain its future profitability. In addition to driving lean techniques across our existing operations, we will continue to explore opportunities for global diversification, harnessing our recognised technological and process skills in those regions that offer the right balance in terms of risk versus the potential return on investment.

PERFORMANCE GRAPHS





Terragen is a power producer that supplies electricity to the Central Electricity Board (CEB), as well as electricity and steam to Terra's sugar mill, through two 35 MW thermal units. Operating in a joint venture partnership with French company Albioma, we generate electricity and steam by burning bagasse and cane trash during the crop season (from July to December), and imported coal during the intercrop season.

OUR PURPOSE

To supply reliable and affordable electricity to the country, be available on the CEB grid and consolidate our position as a major player in the production of renewable energy

OUR BUSINESS MODEL

We deliver value by ensuring a regular and reliable supply of electricity to the CEB and to our partner, Terra's sugar mill. Our business model requires that our energy is available on demand; we strive to respond as quickly and efficiently as possible to calls for production from the CEB, and to continuously maintain a reliable supply by avoiding breakdown incidents and minimising disruption from any incidents that might occur. As our plant currently works close to its peak capacity, our opportunity for additional revenue generation derives primarily through optimising the efficiency of Terra's sugar mill, thereby reducing their share of energy usage and releasing further capacity for sale to the CEB network.

As part of our commitment to drive renewable energy in Mauritius and decarbonise our energy inputs, we are continually looking for opportunities to substitute coal with bagasse, cane trash and other biomass sources. We also maintain a strong focus on safety and health, and on continually identifying opportunities to improve our environmental management, particularly water consumption and dust emission.

CAPITAL	MATERIAL INPUTS (2018)	MATERIAL OUTCOMES (2018)
People 	48 employees with the appropriate technical skills and motivation	Zero accidents Injury rate: 0 Lost day rate: 0
Manufactured 	1 generation plant of 450 GWh capacity Two units of 35MW operating on three types of fuel: Coal, bagasse, trash	420.6 GWh produced, constituting around 15% of the national energy mix
Natural 	192,798 tonnes of coal ▲ 2% 252,940 tonnes of bagasse ▼ 14% 8,247 tonnes of sugarcane trash ▲ 13% 1,578,574 million m³ of water ▼ 7%	449,973 tonnes of CO ₂ (coal) ▲ 3% 213,816 tonnes of biogenic CO ₂ (bagasse) ▼ 14% 12,289 tonnes of biogenic CO ₂ (cane trash) ▲ 10% Zero environmental emergency situations
Social 	Our business model depends on maintaining quality relationships with key stakeholders including: CEB, Terra Milling, regulatory authorities, small-scale planters, suppliers and employees	Employee turnover rate: 10% MUR 33.1 million payment in taxes MUR 4.5 million of CSR contribution
Intellectual 	First Mauritian firm to be granted in 2014 an AFNOR certified integrated management system certificate based on ISO 9001, ISO 14001 and ILO OSH 2001	93.1% availability on CEB network Reliability: 5 plant trips Specific coal consumption: 604 g/kWh
Financial 	Terragen total equity (Jan 2018): MUR 828.3 million Total borrowings : Nil Capital expenditure: MUR 42.1 million	Turnover: MUR 1,450.6 million ▲ 8.3% Profit: MUR 199.1 million ▼ 5.9% Terragen total equity (Dec 2018): MUR 816.2 million Net cash and cash equivalents: MUR 73.0 million

MATERIAL ISSUE IMPACTING VALUE CREATION	OUR RESPONSE
Dependency on a primary client – Being heavily dependent on a single client, changes in the power purchase strategy of our client can impact the sustainability of our industrial model.	We continue to invest in maintaining our ability to provide a regular and reliable supply of energy. This has been another pleasing year, with exemplary availability levels and competitive pricing contributing to a sustained positive client relationship.
Potential regulatory changes – Changes in environmental regulation could require significant investment in new equipment and possible changes to current processes.	We engage regularly with authorities to keep abreast of potential regulatory changes and ensure that appropriate measures are taken. We are identifying opportunities to minimise our emissions and reduce the use of coal by increasing the use of cane trash and other biomass sources in the energy mix.
Unplanned disruption to generation or transmission activities – Unplanned outages, associated for example with a fire, mechanical breakdown, cyclone activity or disruption in the coal supply chain, could impact the ability to deliver energy.	We have a preventative maintenance programme and clear risk management processes and response measures in place. We have a safety bulk storage of coal onsite and have diversified to several coal suppliers. The power plant is designed to withstand cyclonic gusts of up to 260 km/h.

OUR 2018 PERFORMANCE

This year, we generated 420.6 GWh of electricity, at 93.1% availability, contributing to profitability of MUR 199.1 million, slightly down from MUR 214.9 million in 2017. We have invested, in partnership with Terra Milling to further enhance operational efficiencies in the sugar mill process, even if performance results were not fully achieved due to slow downs in the sugar mill operation during the crop season. Although our annual scheduled shut-down for maintenance was slightly longer than last year due to the nature of the required work, it was completed ahead of schedule.

DECARBONISING OUR ENERGY MIX

We have maintained a strong focus on delivering on our commitment to decarbonise our energy mix by shifting from coal to biomass, with particular emphasis this year on further increasing the use of cane trash. We continue to invest in our processes for managing this alternative raw material input and work collaboratively with Terragri’s field teams to increase the collection, compacting and transportation of cane trash. As a result, we have further improved our cane trash collection despite a lower quantity of sugarcane harvested in 2018. We generated 7.5 MW using 8,247 tonnes of cane trash, up from 7,526 tonnes collected in 2017.

We have also started exploring the viability of growing and burning eucalyptus as an additional source of biomass. Our drive to increase the use of *bagasse*, cane trash and other biomass provides a valuable opportunity to enhance the ‘greening’ of energy generation in Mauritius, and to reduce the island’s coal imports. The ability to do so is contingent, however, on ensuring a competitive cost and price structure, and on maintaining the sustainability of the cane industry.

We made further progress this year with our carbon burnout project, a joint-venture between Terragen and Omnicane that is aimed at collecting ash, a by-product of coal combustion, and passing this through a re-burning process that will transform this into raw material for the production of cement. This year, 23% of our coal fly ash (5,200 tonnes) was sent to the plant, substantially up from 6% in 2017. Through this process we can reduce the carbon content from around 20% to less than 5% and reuse the energy released to produce electricity.

PLEASING SAFETY AND HEALTH AND ENVIRONMENTAL PERFORMANCE

We had another very good year in terms of safety and health and environmental performance. We achieved a zero injury rate for Terragen employees, making it two successive years without any accident causing an injury to employees. This was slightly offset by several safety incidents among our service providers; we are consequently taking steps to drive improved safety performance of our contractors.

On the environmental front, once again there were no material environmental incidents, and we achieved 100% compliance in terms of regulated atmospheric emissions. There were three chemical spillages in the year, but these had no environmental impact due to the effective response of the Terragen teams. We pay particular attention to maintaining good communication with neighbouring residents regarding any potential environmental issues, and we have implemented effective measures to address the concerns expressed in previous years regarding dust and ash emissions.

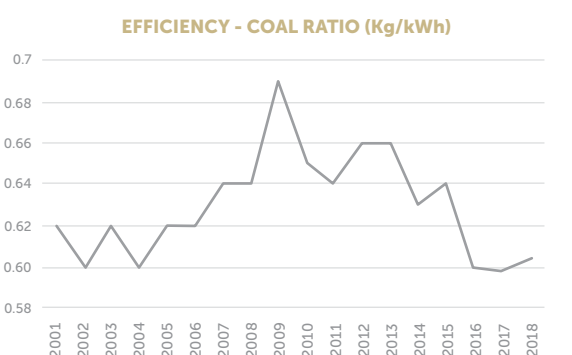
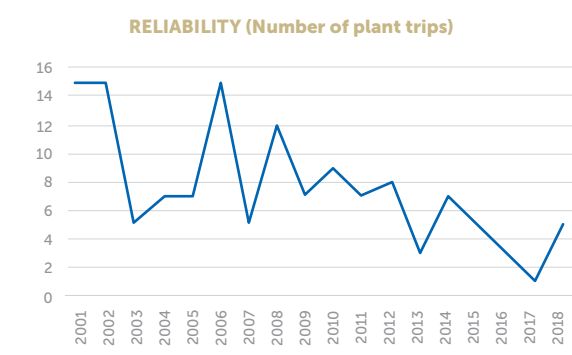
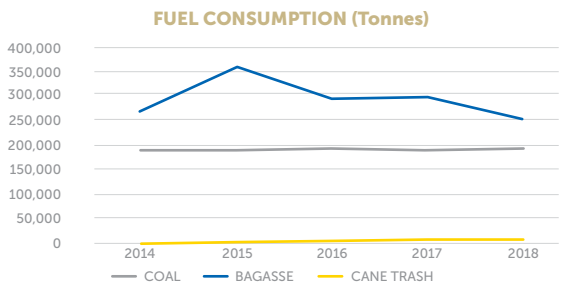
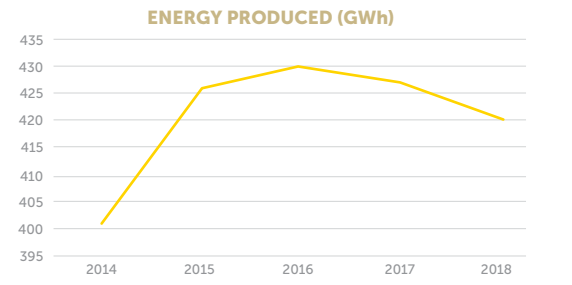
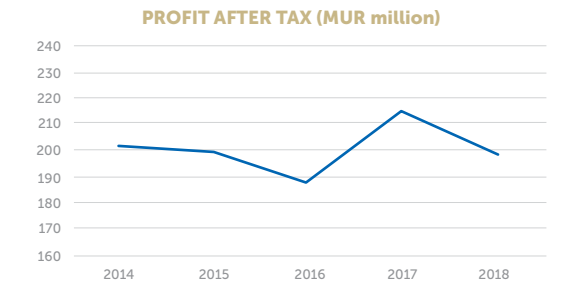
OUR STRATEGIC OUTLOOK

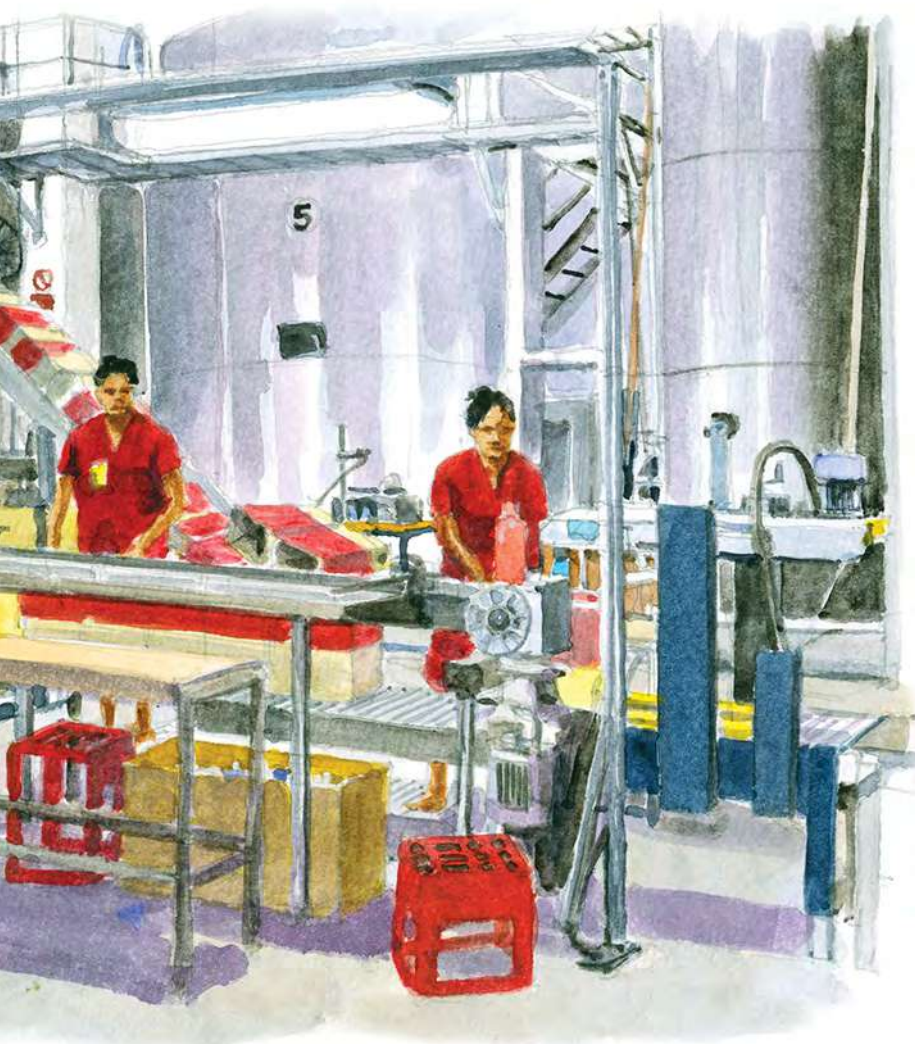
Our strategic focus is to maintain our high levels of availability and reliability, and to realise any opportunities to further improve efficiency. We will continue to explore opportunities to increase the consumption of cane trash and identify other potential sources of biomass that can be used as fuel. As part of long-term preventative maintenance measures, we will be conducting major maintenance works of one steam turbine and boiler grate and investing in a new air heater, replacing the roof of the machine room, and further improving our safety, health and environmental performance. Planned initiatives include: reinforcing

our safety culture at all levels with particular emphasis on external service providers; improving the effectiveness of fire prevention and protection measures; reducing water consumption and chemical use; improving the control of dust emissions; and ensuring the renewal of our QSE certification for another three-year period.

Ahead of the 20th anniversary of our Power Purchase Agreement with the CEB, in June 2020, discussions around the renewal of the contract should start in the near future.

PERFORMANCE GRAPHS





Terra Brands Ltd, the holding company of the Grays cluster, is one of the pioneers in the Mauritian distillation sector, the leading local producer of alcoholic drinks derived from sugar cane, and a top importer and distributor of quality spirits and wines. Established in 1931, we have diversified our activities to include the distribution and sale of personal care and cosmetics to the end consumer.

OUR PURPOSE

We build leading brands in our markets, and we market the spirit of our brands internationally

OUR BUSINESS MODEL

Our value proposition focuses on our strong brands and our ability to drive efficiencies through a structured route to market. Our core competencies lie in spirit production and distribution, brand building and premium retail. Through our efficient distribution activities, we bring synergy to the Group’s sugar operations by transforming by-products of the sugar production process into value-added spirits.

In addition to our own well-recognised brand offering in dark spirits (aged, spiced and flavoured rums and Scotch whisky) and white spirits (cane spirit, white rum, vodka, gin and others), we offer global third-party brands in wine, whisky, personal care products and snacks. We market our wines and spirits through our own 20/Vin outlets, as well as through selected retailers and hotels across Mauritius. As a vertically integrated company we manage all stages of production locally, from refining to bottling and packaging, ensuring guaranteed quality for the finished product. We have recently begun to export our expertise into other sugar-producing countries to deliver further value from this vertical integration.

Given the labour-intensive nature of our production and distribution activities, we place particular emphasis on nurturing strong relationships with our employees, and on maintaining our position as a recognised employer of choice in the north of Mauritius.

CAPITAL

People

MATERIAL INPUTS (2018)

633 employees
34 outside Mauritius (including above)

MATERIAL OUTCOMES (2018)

Injury rate: 21.0

Manufactured



6 million litres of alcohol at the distillery
6 existing stores
7,000 m³ of warehouse space
1,600 m³ of dedicated ageing cellars

1 new store in the year
1,500 m² of new warehouse space in the year

Natural



24,888 tonnes of molasses ▼ 1.7%
817 m³ of alcohol (100%) ▲ 7.8%
84,044 m³ water ▼ 6.6%

31.5 tonnes of glass bottles recycled ▼ 41%
9.0 tonnes of plastic waste recycled ▼ 18%

Social



Our business model depends on quality relationships in particular with: employees, MRA, Government, brand owners, suppliers and customers

23.9% employee turnover (2017: 24.4%)
Recognised as employer of choice
MUR 699.8 million payment in taxes (Mauritius)
MUR 2.5 million CSR contribution

Intellectual



24 own brands

5 new brands established
74 previous brands discontinued
Progress in securing QSE certification

Financial



Terra Brands total equity (Jan 2018): MUR 543.6 million
Total borrowings: MUR 679.7 million
Capital expenditure MUR 114.8 million out of which 60.0 million in distillery improvements

Turnover: MUR 2,410.9 billion ▲ 5.2%
Profit: MUR 83.7 million ▼ 17.3%
Terra Brands total equity (Dec 2018): MUR 549.7 million
Net cash and cash equivalents: MUR 151.8 million

MATERIAL ISSUE IMPACTING VALUE CREATION	OUR RESPONSE
Changing regulations and excise taxes – Increases in the already significant excise duty on alcoholic drinks reduce the affordability of products locally. Although there was no increase in excise duty this year, this remains a material issue. Stricter regulations on the consumption and advertising of alcohol can also impact demand.	To mitigate these risks, which affect the full local market for alcoholic beverages, we have diversified our product offerings to include both luxurious and more affordable alcoholic products, as well as expanding into foods and personal care products.
Increasing health consciousness and a greater online presence of consumers – The growing awareness of health-related issues among consumers, and an increasing shift to online shopping, presents both risks and opportunities for our business.	We continually monitor changing consumer tastes and behaviour and strive to refine our product portfolio accordingly. Through our diversification strategy we have identified new opportunities for revenue growth, including specifically in the healthy foods and personal care products sector.
Global mergers and acquisitions – Mergers and acquisitions among global producers of our branded products can potentially impact the availability of our existing offerings.	We have diversified our products to include locally developed brands, with eight of our twenty best performing brands now developed in-house or acquired. We have benefited by obtaining distribution opportunities for new brands following recent mergers and acquisitions.

OUR 2018 PERFORMANCE

We achieved further steady growth in turnover, with the year ending at MUR 2,410.9 million, up 5.2% on MUR 2,285.4 million revenue in 2017. Profit after tax was MUR 83.7 million, down on MUR 101.2 million in 2017. The decrease reflects continuing pressure driven by consumer sophistication, with an increasingly competitive market and rising labour-related costs constraining margins, coupled with the disposal of 70% of our subsidiary in Uganda and non-recurring expenditures. We also faced unexpected logistical challenges in the supply chain this year, negatively impacting costs.

BRANDS: PLEASING SALES IN A CHALLENGING OPERATING ENVIRONMENT

Despite the tough trading environment, we had another year of positive sales performance in our own and managed brands across the year. Spirit sales grew, boosted in particular by increased sales of Scotch whisky, reflecting changing consumer tastes. There was also solid growth in wine sales and personal care products, as well as significant growth in the export of our branded rum. To broaden our portfolio of premium aged rum, we have invested in a new subsidiary named ‘Beau Plan Cellars’, designed at ageing rum for third parties to promote the ‘Mauritius Origin’ and maximise value in this segment. The first phase started in 2018 and will be completed by the end of 2019. Introductory products, which were developed in our New Grove cellar, met great interests from potential buyers.

DISTRIBUTION: CONSOLIDATING RELATIONSHIPS

An important foundation for our strong performance is our ability to manage our value chain and engage directly with the end consumer through our distribution activities. The launch and expansion of our 20/Vin network of stores have supported this strategy in the wines and spirits market. This year we opened one new flagship 20/Vin store in Cascavelle; we now operate ten stores across the country.

PRODUCTION: INVESTMENT IN THE DISTILLERY DELIVERS RESULTS

This year, we made a substantial investment of MUR 60.0 million in a new boiler and molasses storage tank, as well as further investments in energy-saving equipment. The new boiler was commissioned early 2019, late but within budget, and will contribute to greater cost efficiency and reduced environmental impact. In 2018, our distillery produced 6 million litres of rum and spirit, equivalent year-on-year because of limited molasses supply. Due to improvements in our fermentation processes, we achieved yields of 240 litres of alcohol per tonne of molasses, up 2% on 2017; we anticipate further yield improvements in 2019. The shortage of molasses in Mauritius currently constrains the distillery from producing at full capacity. We are investigating the feasibility of installing a new fermentation plant, and we are continuing to work on securing QSE certification of our distillery and brand activities.

INTERNATIONAL OPERATIONS: POSITIVE OUTLOOK FOR SEYCHELLES

Despite a challenging year with our wine and spirits operation in the Seychelles, we believe that there is valuable growth potential in the retail business and luxury hospitality sector. We are confident of delivering positive growth under the leadership of our highly experienced new Managing Director, appointed late in 2018. Following the recent disappointing performance of our Uganda venture, which primarily distributes imported spirits and our own locally manufactured gin, we have divested from most of the business, and remain only as a minority shareholder.

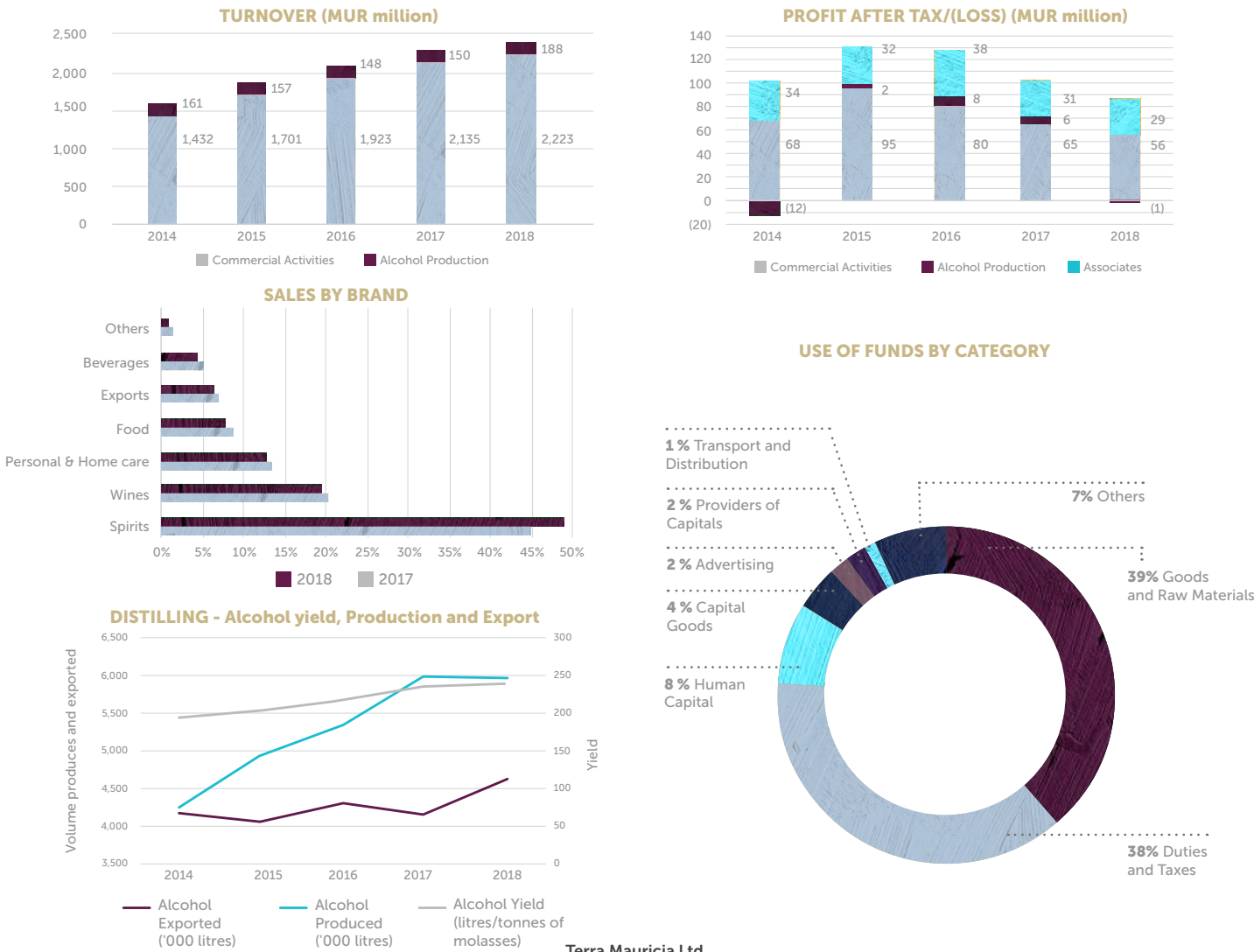
OUR STRATEGIC OUTLOOK

For the year ahead we will be further consolidating our brand offerings in wine and spirits, ensuring an optimised product mix that focuses on our high net-contribution activities, as well as

looking to realise additional growth opportunities in the food and snacks and personal care and cosmetics businesses. In addition to driving growth in Scotch whisky sales in the local market, we will be promoting the development of more specialised products, such as ‘pure cane’ rum (*‘rhum agricole’*) and specialised aged rums for export. Following the first phase of ‘Beau Plan Cellars’, we plan to continue with phase two and three over the next five years, investing up to MUR 250.0 million. Sales will only start in year three and reach sustainable levels in year five.

We will continue to identify opportunities to drive further efficiencies across our supply chain, lowering freight and handling costs, optimising store layout and enhancing stock management through demand-driven management resources planning. We will also be seeking to improve efficiencies in the recruitment and retention of committed sales and marketing personnel. For our international operations, our primary focus will be driving revenue growth in the Seychelles market.

PERFORMANCE GRAPHS





Established in January 2016, our Property and Leisure business (Novaterra) focuses on utilising Terra's land assets to establish an innovative property-development cluster in the north of Mauritius. The cornerstone of this development will be the Beau Plan Smart City and the Balaclava Golf and Lifestyle Estate, both of which aim to positively transform the region.

OUR PURPOSE

To increase and unlock the value of the Group's land holdings

OUR BUSINESS MODEL

Our Property and Leisure cluster seeks to deliver long-term value from the Group's existing land ownership in the North. We have identified two priority zones for development – the Beau Plan Smart City development and the neighbouring Balaclava Golf and Lifestyle Estate – the development of which will be supported by the targeted sale of 'non-strategic' land that will generate cash flow for investment and enhance the value of the broader property portfolio.

Our most immediate focus is on delivering value through the Beau Plan Smart City project. Occupying an area of 228 hectares in the Pamplemousses region, one of the most densely populated districts in the north of Mauritius, the proposed development benefits from easy access to major new roads and public transport services, in a site identified as a rural regeneration zone in the Government's National Development Strategy.

We strongly believe that the Smart City will become an important economic hub, creating thousands of employment opportunities, and providing an appealing commercial, residential, education and leisure environment. The site adjoining the villages of Pamplemousses and Bois Rouge is being developed in the vicinity of the existing historical botanical garden and around the sugar museum and business park, which – together with the recently established African Leadership College, Greencoast International School and other educational, commercial and recreational developments – is already drawing people to the area. The final development will include retail outlets, office parks, residential offerings and recreational areas, as well as medical and sports facilities, cultural activities and an enlarged university campus. The Smart City will be designed to integrate multiple digital connectivity solutions, encouraging the uptake of renewable energy sources and facilitating a healthier lifestyle through the provision of quality recreational spaces and non-motorised transport infrastructure.

Delivering broader societal value

The Beau Plan Smart City development is anticipated to create at least 8,400 new and direct jobs in the Smart City itself, with an additional 500 construction jobs during the construction phase, and another 5,000 indirect jobs for the suppliers of associated goods and services. We will be providing training to develop the skills of people in the region, including small business management, organic farming and ICT. In addition to boosting job creation opportunities, our development will have a positive impact on the value of Terra's existing land, as well as on the property of our neighbours, contributing positively to the general enhancement of the region.

CAPITAL

People



MATERIAL INPUTS (2018)

118 employees

MATERIAL OUTCOMES (2018)

Consolidation of development and sales team
Injury rate: **9.07**

Manufactured



Available space for rent:

- Industrial: **35,076 m²**
- Office: **12,110 m²**
- Residential: **24,022 m²**

Occupancy rate: **96.9% ▲ 0.8%**

Natural



573 hectares of land approved for development

Waste segregation
Optimising energy use
Recycling waste water

Social



Our business model depends on **maintaining quality relationships with key stakeholders** including: Government, tenants, project developers, financiers, neighbouring communities and the media

7.6% employee turnover rate
MUR 2.2 million payment in taxes
MUR 0.4 million of CSR contribution
112,000 persons visited *L'Aventure du Sucre*

Financial



Property and Leisure total equity (Jan 2018): **MUR 2,469.4 million**
Total borrowings: **MUR 1.5 million**
Capital expenditure: **MUR 4.7 million**

Turnover: **MUR 179.0 million ▲ 4.2%**
Profit (including profits on land sales): **MUR 180.7 million ▲ 72.8%**
Property and Leisure total equity (Dec 2018): **MUR 2,958.5 million**
Net cash and cash equivalents : **MUR 25.3 million**

MATERIAL ISSUE IMPACTING VALUE CREATION	OUR RESPONSE
Regulatory and policy framework – Changes in Government policy and regulation relating to property development, as well as any delays in obtaining approvals and other government permits, could impact on the nature, cost and timing of proposed developments.	We keep a very close watch on current and proposed regulatory and policy developments, and we place a high priority on building and maintaining strong relations with Government and regulatory authorities. We have developed diversified service offerings to minimise any negative impact resulting from changes in Government strategy. We have efficient land management tools in place enabling us to adapt quickly to the continuously changing legislative environment.
The changing competitive and business environment – A potential oversupply of properties on the market, and other changing market dynamics, could result in low occupancy rates, a loss of revenue and reduced return on investment.	We are ensuring the timely implementation of a mix of facilities, to provide a compelling proposition for entrepreneurs to develop or relocate their business. We have established a strong marketing and communications team and we have already secured the commitment of some key anchor tenants in the retail and boutique leisure sectors.
Non-delivery by service providers – The failure of any service provider to complete their commitments on time and within budget reduces our ability to deliver the full potential of our developments in a timely and cost-efficient manner.	Our experienced team conducts rigorous screening prior to contracting third party service providers, with provision for appropriate contractual remedies should the service provider underperform. We undertake regular quality controls during the construction phase to track delivery against the approved programme of works, and we ensure service providers are properly insured.

OUR 2018 PERFORMANCE

This has been a very satisfactory second full year in operation. We met our budget for the year, delivering profit after tax of MUR 180.7 million (up from MUR 104.6 million in 2017), and achieving MUR 88.7 million in rental income for the period, a 9.5% increase on last year. We obtained the certificate for the Beau Plan Smart City, met most milestones for the year’s projects and sales targets, and made valuable progress in obtaining additional land conversions for priority areas.

PLEASING PROGRESS IN IMPLEMENTING OUR STRATEGY

The first step in delivering on our strategic goal of realising the value of the Group’s land holdings was to recruit and appoint a talented multidisciplinary leadership team, structured to provide services across five departments: project development and finance; land management; property and assets; marketing and sales; and project management. The appointment of our team of property development and management professionals was successfully completed in 2017.

This year our main focus has been on providing momentum to the Beau Plan Smart City development. We have made very encouraging progress, delivering the successful completion, among others, of the African Leadership Campus, the first phase of the Greencoast International School, the La Louisa Equestrian Centre and the Patrick Mavros jewellery atelier. The planning and design processes is well under way for our retail and office developments, boosted by the commitment we have secured from some important local and foreign partners and anchor tenants. In driving these developments, we have placed a strong emphasis on rationalising costs and improving efficiency at all levels across our activities. To ensure efficient land management, we have invested in GIS systems and recently completed a cadastral plan detailing land use per region and business activity.

One of Terra’s subsidiaries within the Property and Leisure cluster is Sugarworld Ltd. Operating under the brand name *L’Aventure du Sucre*, which runs a museum showcasing the history of sugar operations in Mauritius. This year it posted a turnover of MUR 99.8 million, up 7% from 2017.

OUR STRATEGIC OUTLOOK

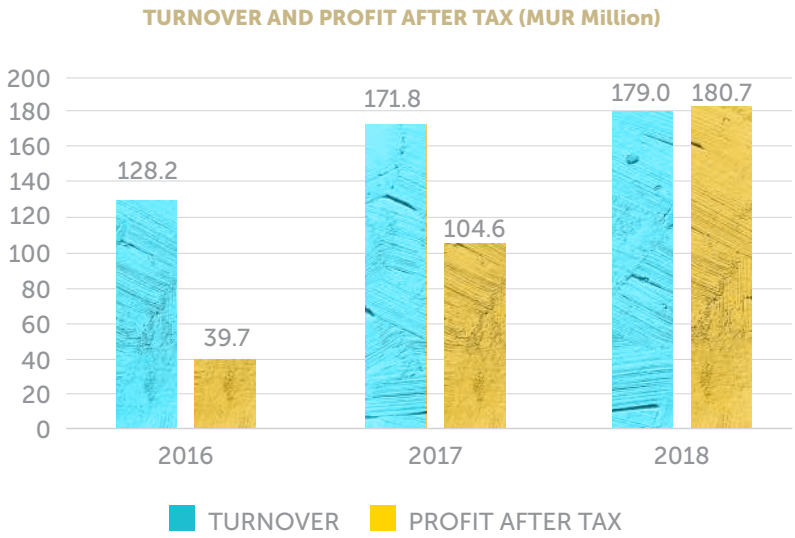
Our main focus for the year ahead will be to build on our momentum for the Beau Plan Smart City. We will be finalising deeds of sale with key partners, securing new agreements with development partners, and looking to obtain regulatory approval for the Balaclava Golf and Lifestyle Estate.

A significant milestone next year will be to start the development of our planned retail and office parks, our apartment and duplex projects, and a boutique hotel. We will maintain a strong focus on reducing the development costs of our projects, targeting efficiency opportunities at all different stages, from inception to operation.

We will also be developing and rolling out our comprehensive marketing and communication strategy, aimed at building Novaterra’s reputation locally and internationally, in view to attracting the full range of anticipated tenants.

Over the longer-term, we plan to develop the 200-hectare golf and lifestyle estate on the neighbouring ‘Balaclava’ coast, with the proposed 18-hole golf course and villas with beach access fully complementing our Smart City offering at Beau Plan and linked with a dedicated green corridor.

PERFORMANCE GRAPH



INVESTMENTS

in Associates

Investments in Associates (cont'd)

FINANCE

SWAN General Ltd is the leading insurance general and life assurance company and financial solutions provider in Mauritius. It provides a range of insurance and financial solutions, from short-term and long-term insurance and retirement plans, to wealth management and stockbroking; for corporate clients and individual customers.

Terra Finance Ltd offers advice and assistance to Terra's subsidiaries on cash management, and on the negotiation of short and long-term funding. The company is authorised to invest liquidities among various subsidiaries, and to manage their foreign currencies and exposure to currency and interest rate risks by using hedging tools.

Inside Capital Partners Ltd is an independent private equity manager seeking to invest through equity in strong potential opportunities in selected Southeast African countries. It is a limited company domiciled in Mauritius and also has an office in Lusaka, Zambia.

Payment Express Ltd is growing into a key payment processor for the African market. The company is certified by both VISA and MasterCard, and offers a full suite of payment processing solutions to banks, retailers and other clients.

Terrarock Ltd, incorporated in 1990 further to Terra's policy of field de-rocking, is involved in the manufacturing and sale of hollow concrete blocks, aggregates and rock sand. Management of operations is entrusted to The United Basalt Products Ltd, the strategic partner of Terrarock.

REHM Grinaker Construction Co. Ltd is a construction company set up in partnership with Aveng Grinaker-LTA, one of the largest construction companies in South Africa. REHM Grinaker is among the leading construction companies in Mauritius, involved in industrial, commercial, high-end hospitality and leisure projects, as well as in civil and infrastructure works. The company has gained recognition for quality-on-time on a wide range of projects in building and civil engineering, conventional contracts and design-build.

	Revenue MUR'M		Profit/(Loss) MUR'M		% Effective- holding
	1,642	▲	327.6	▲	34.03
	18.5	▼	1.4	▼	100
	28.2	▲	(8.7)	▲	24.50
	149.3	▲	11.6	▲	27.80
	189.1	▲	27.4	▼	45.00
	950.5	▼	11.0	▲	35.49

OTHER INVESTMENTS

Harel Mallac & Co Ltd (HMC) is a publicly quoted conglomerate, mainly involved in the following business segments: chemicals, technology, engineering, distribution, services, and property. Terra holds directly and through holding entities over 26.1% of HMC's capital, but is not represented on HMC's Board and does not exercise significant influence on the company.

Horus Ltée has an 18% stake in United Docks Ltd, a company listed on the Stock Exchange of Mauritius and holding property in the Port Louis harbour zone.

Terravest Ltd is active in development in East Africa, selling plastic equipment such as water tanks, mobile toilets, bio-digesters, septic tanks, HDPE pipe, gutters and other related plastic products using different technologies including Roto, Blow and Injection moulding.

Commada Ltd is a management company that, in March 2010, acquired an effective stake of 5% in Orange Madagascar whose controlling shareholder is France Telecom. This acquisition was made in partnership with a local private equity fund with a total stake of 10%.

Topterra Ltd is a 50:50 joint venture with Island Renewable Fertilisers Ltd, a company that produces a liquid fertiliser known as Concentrated Molasses Stillage (CMS) from vinasse, itself a residue of distillation.

Alcohol & Molasses Export Ltd (AMCO) specialises in procurement and logistics for the sugar industry. In addition to the traditional storage and distribution of molasses, AMCO also manages the Coal Terminal (Management) Co Ltd, whose responsibilities include the procurement, transport, storage and distribution of coal for the power plants of the sugar industry and the needs of the country. As from the beginning of 2018, AMCO is also driving an aggressive procurement strategy to support its shareholders in their quest to lower the cost of inputs in sugar production.

United Investments Ltd (UIL) is a holding company with investments in various sectors of the Mauritian economy. In late December 2013, Terra acquired 29% of UIL's capital, in line with the Group's then policy of diversifying its activities outside its core competencies.

	Revenue MUR'M		Profit/(Loss) MUR'M		% Effective- holding
	4,265.4	▲	67.8	▼	26.10
	-		4.0	▼	50.00
	419.0	▼	31.3	▲	26.67
	-		0.1	▲	50.00
	17.8	=	(3.6)	▼	33.33
	71.5	▲	42.7	▲	41.87
	30.3	▼	63.9	▲	29.03

GROUP-LEVEL Functions

Although each of Terra's clusters is completely autonomous in its decision-making processes, budgeting and reporting – and each leadership team is individually accountable for their cluster's respective performance – there are some areas where strategic guidance and support services are provided at a Group level. This section briefly reviews the material performance and outlook of the Group-level activities relating to Terra's management of employees, the environment and the community.



Having the right technical and leadership skills, the diversity of experience and perspective, and a strong performance-oriented culture, is fundamental to Terra's ability to generate value. Terra's Corporate Human Resources (HR) Department, supported by the HR teams at Grays and Terragri, provides the Group's strategic guidance on HR issues, as well as various value-added services, such as customised training and development programmes, HR efficiency matrices, and remuneration and benefit policies. Although training is managed by conducting training needs analysis in each cluster and then formulating an annual training plan, we achieve economies of scale by running some Group learning programmes for all clusters with similar requirements.

DEVELOPING A PERFORMANCE-BASED CULTURE

The recent organisational restructuring has provided an opportunity to run comprehensive discussions with management to identify appropriate key performance indicators (KPIs) for each team and for each role within that team, to ensure that the HR strategy is aligned with business objectives. After agreeing key result areas and KPIs at the executive level, we have begun discussions with other senior managers with the aim of fostering a strong performance-driven culture. We have also recently reviewed the existing structure of executive pay packages to support the longer-term competitiveness of Terra's business units.

ENGAGING OUR EMPLOYEES

We run engagement surveys every two years with our employees to assess the levels of employee engagement. No survey was undertaken in 2018. Basing the Group on the results from the 2017 survey, a 62% engagement level was recorded. We held focus groups at a Group level in 2018 to work on the key engagement drivers with the aim of fostering a high-performance culture across clusters. In 2019 we will be using a new tool that measures both engagement and enablement. We also assist the management to maintain a good employment relationship (employer and employee).

LEARNING AND DEVELOPMENT

Investing in the learning and development of our employees remains a key strategic initiative. This year, we continued our efforts in building a strong leadership bench strength by providing executive and leadership development coaching programmes. We have been working in collaboration with the African Leadership College (ALC) on co-creating a Leadership Programme that focuses on 'intrapreneurship' and innovation. This will be launched in February 2020. As part of our continued focus on becoming more efficient, we initiated certain 'lean management' principles in collaboration with the National Productivity and Competitiveness Council (NPCC) for our agriculture cluster. We have launched a productivity improvement programme, which is already starting to reap benefits. We are looking forward to pursuing the next steps in the KAIZEN process and disseminating it to our other clusters.

HEALTH AND SAFETY

The Group has a continual improvement approach to providing a healthy and safe working environment for all its employees, sub-contractors and visitors. During 2018, we placed particular emphasis on risk prevention and on enhancing the safety and health culture across the Group, with specific objectives set in each cluster to realise established goals. Following is a summary of the key health and safety initiatives undertaken this year at each cluster:

Cane: At Terra Milling Ltd and Terragri Ltd (Agriculture), training and awareness have been the driving tools towards accident prevention. Various workshops were held throughout the year to sensitise employees on understanding high risk activities and fostering a strong safety and health culture. In addition to weekly toolbox talks aimed at raising general awareness, more technical training was provided specifically on fire prevention and fire fighting, working at heights, electrical safety and authorisation of work and chemical safety. To mitigate the risk of fire, we have established emergency response teams, provided the teams with training by professional fire fighters, and undertaken fire drills across all departments in the cluster. Terra Milling aims to achieve ISO 45001:2018 (Health and Safety) certification in 2019.

Power: Terragen recorded zero accidents at work with no lost work days since February 2017, which is an excellent result. This pleasing performance is attributed to the active engagement with workers, the sensitisation and training that have been provided, and the level of maturity of the workforce. Despite this encouraging performance, we recognise the need to improve the safety culture and performance of sub-contractors working at the premises. To address this, from 2019 we will be reinforcing health and safety communication, consultation and participation of sub-contractors.

Brands: At Grays Inc. and Grays Distilling Ltd, we have re-enforced the risk prevention strategy through increased employee awareness initiatives. Sign boards have been posted in relevant areas to sensitise workers on the area-specific risks, relevant precautionary measures and wearing of personal protective equipment. During the year, an evaluation of the whole electrical installation of the premises was undertaken to improve electrical safety. We strengthened the emergency response team and conducted fire drills. Following the installation of the new boiler at the distilling operation, we will be providing the required training for the boiler operators. In 2019, Grays will be aiming to achieve certification of an integrated Quality, Environment, Safety and health (QSE) management system.

Property and Leisure: At Novaterra, employees have been trained on fire fighting with practical training on use of fire fighting equipment such as fire extinguishers, hose reels, water hydrants and nozzles. Regular toolbox talks were conducted on work at height and general maintenance work. At *L'Aventure du Sucre*, we have enhanced fire safety training. Following the upgrading of the restaurant we have received a new fire certificate. Additional fire fighting equipment has been purchased and installed, and we will be redesigning the fire evacuation plan for the museum. This year, employees were provided with risk prevention training for high risk activities, such as working at height and manual handling. In October 2018, one of the tour operators conducted a safety and health performance audit of the facility and identified some valuable areas for improvement. A steering committee has been established to develop and implement an action plan to ensure that the required improvements are implemented in 2019.

At Group level, a Health, Safety and Welfare Week was organised in May 2018 to commemorate the World Day for Safety and Health at Work. Employees were able to participate in several health check-ups such as eyes screenings, foot screenings, HIV screenings and breast echography. Various awareness sessions were organised with the collaboration of authorities and NGOs, including on road safety and defensive driving, drugs and substance abuse, breast cancer, and dermatologic issues. Sports activities were also organised during the week, providing employees with the opportunity to engage in Pilates, an exercise 'boot camp' and a self-defence course. An additional 52 first aiders were nominated throughout the clusters after an intensive training this year.

	CANE		POWER		BRANDS		PROPERTY AND LEISURE	
	2018	2017	2018	2017	2018	2017	2018	2017
Fatalities	0	1	0	0	0	0	0	0
Number of injuries with lost day > 24h	72	77	0	1	32	29	3	2
Injury rate	37.2	29.0	0.0	9.6	21.0	21.1	9.1	6.0
Lost day rate	0.31	0.29	0.00	0.38	0.13	0.16	0.03	0.02



Further details on our safety and health performance are provided in our [online Sustainability Report](#).

GROUP-LEVEL Functions

PROTECTING LABOUR RIGHTS

In addition to striving for full compliance with relevant labour legislation, Terra seeks to ensure that all Terra employees are adequately remunerated and provided with a respectful working environment free from inappropriate or unprofessional behaviour, including any form of harassment or discrimination. We recognise the right of every employee to freedom of association. In the Cane cluster, 96% of workers are unionised with six different unions; sector workers are also regulated by sugar industry remuneration orders that set the minimum wages and conditions of employment for various categories of workers. The collective bargaining process has commenced for both our staff and labour force, and we hope that a satisfactory outcome will be reached during 2019.

OUTLOOK

In 2019, we will be focusing on the following priority areas:

- In the Cane cluster, particular emphasis will be placed on the ongoing negotiations with the Unions; we will also retain a strong focus on controlling labour costs and maximising productivity.
- We will be working closely with the Brands cluster to identify opportunities to optimise their manpower structures and processes in order to further improve cost efficiencies.
- We will continue with the strengthening of the Novaterra team, and will be looking to foster a ‘Winning Culture’ formula across the cluster’s new and growing teams.
- We have implemented a detailed dashboard that will allow us to track the Group’s performance of key human resource parameters; we will further improve this in 2019 to make it an essential tool for our senior managers and executives to make informed decisions on human capital.
- Key amendments will be made to the executive remuneration schemes across the Group, ensuring that the right metrics and short-term and long-term incentives are in place to accurately assess and reward performance.



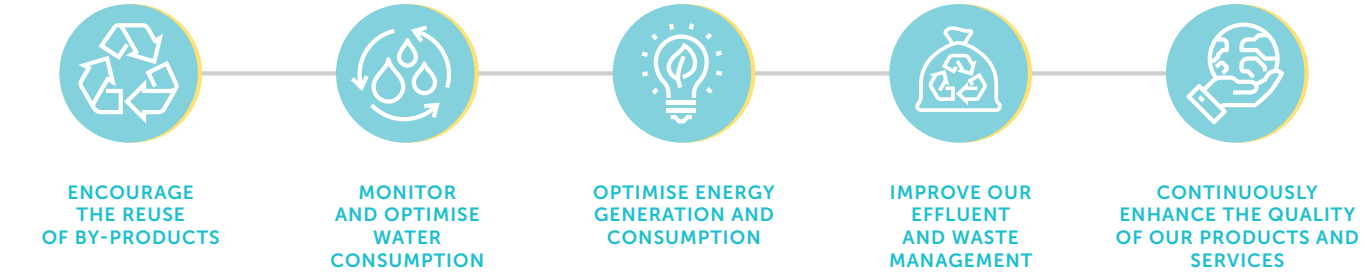
Many of our business activities depend on the use of natural resources, such as water, energy, serviceable land and sugarcane. Given this dependency, we recognise the strategic importance of ensuring responsible environmental stewardship.

As outlined on page 10, the Group’s business model reflects the principles of a closed-loop circular economy, with many of the by-products of one of our operations serving as a raw material input to another’s.



To enhance the environmental performance of each of our entities, we have set up a structured Health, Safety, Environmental and Quality (HSEQ) management platform. During 2018, one champion from each of the business units was appointed to assist in driving the implementation of the HSEQ framework across each of the clusters over the next five years (from 2019-2023). Through this framework, we will be sharing best industry practices with the aim of further improving the environmental and social performance of our operations, as well as identifying practical opportunities across our broader value chain.

Our primary environmental management objectives are to:



Our most material environmental impacts are:

Water consumption – especially at Terragri Ltd (Agriculture) and Terragen Ltd. Given the water-stressed nature of Mauritius, we have ongoing measures in place across our operations to reduce or optimise our water consumption. Terragri Ltd, the highest consumer of water in the Group, has been implementing measures to ensure better utilisation of effluents for the irrigation of sugarcane fields. In 2018 around 850,000 m³ of effluent from Terragen and Terra Milling was used for irrigation.

Energy consumption – particularly of steam and electricity at Terragen and Terra Milling. Terragen, which supplies energy to Terra Milling and sells electricity to CEB (the national grid), strives to reduce its electrical consumption and is adding more renewable energy sources to its fuel mix. This year it increased the use of sugar cane trash to 15%. We continue to monitor coal consumption per kWh, and we are striving to further decrease the volume of coal consumed per kWh, as this delivers both environmental and financial benefits. Terra Milling is continuing to reap energy efficiency gain following the investments in mill’s machinery in 2016.

Waste management – across the Group. The major wastes generated at Terra by type are plastic, glass bottles, paper and scrap metal. There are also certain hazardous wastes, such as used oil and chemical wastes, that are directed to registered waste disposal companies for their safe disposal. We are continuing to identify opportunities to reuse by-products as inputs in other Group process, to direct non-reusable wastes to appropriate disposal facilities, and to improve effluent management.

Scope 1 greenhouse gases emissions – generated mostly by Terragen Ltd. We are seeking to minimise these emissions and reduce the use of coal by increasing the use of sugar cane trash in the energy mix; 33% of Terragen’s emissions are accounted as biogenic, which means that the gases are absorbed by the sugar cane plants in the closed carbon cycle.

During 2018, there were no cases of non-compliance within the Group on legal matters regarding the environment. Our commitment to managing our environmental impacts is reflected by the fact that Terra has been listed on the Stock Exchange of Mauritius’ Sustainability Index (SEMSI) since 2015. We continue to work with industry associations and government authorities to assist us in managing our environmental impacts.

OUTLOOK

During 2019 our focus will be on:

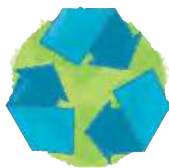
- Developing an HSEQ policy at Group level, with the objective of sharing and transferring good practices across the clusters;
- Further improving our waste management practices;
- Securing QSE certification of Grays Inc. and Grays Distilling, which will have a direct impact on their environmental performance;
- Ensuring effective integration of environmental measures during the conception phase of the Smart City development; and
- Continuing to identify and implement measures aimed at enhancing the environmental and social impacts of our operations across all business units.



More detailed information on the environmental performance of our various entities is provided in Terra’s separate **online Sustainability Report 2018**.

OUR 2018 ENVIRONMENTAL PERFORMANCE

Direct Renewable
Materials



TERRAGRI LTD (AGRICULTURE):

14,117 TONNES
Organic fertilisers (CMS)

4,346 TONNES
Filtered mudcake (scum)

TERRA MILLING LTD

751,122 TONNES
Sugar cane

TERRAGEN LTD

252,940 TONNES
Bagasse

8,247 TONNES
sugar cane trash

TOPTERRA LTD

62,153 m³
Vinasse

GRAYS INC. LTD

817 m³
Alcohol (100%)

479 m³
Bulk wines and spirits

GRAYS DISTILLING LTD

24,888 TONNES
Molasses



Direct Non-Renewable
Materials

TERRAGRI LTD (AGRICULTURE):

1,569 TONNES
Liquid mineral fertilisers

1,043 TONNES
Solid fertilisers

1,688 m³
Diesel

TERRAGEN LTD

192,768 TONNES
Coal

TERRAROCK LTD

350,729 TONNES
Boulders



Water
Consumption

TERRAGRI LTD (AGRICULTURE):

5,807,518 m³

TERRAGEN LTD

1,578,574 m³

TERRA MILLING LTD

392,482 m³



Direct GHG Emissions
(Scope 1)

TERRAGEN LTD

Bagasse: 213,816 TONNES
of biogenic CO₂

Sugar cane trash: 12,289 TONNES
of biogenic CO₂

Coal: 449,973 TONNES
of CO₂

TERRAGRI LTD (AGRICULTURE):

Diesel: 4,395 TONNES
of CO₂



Renewable Energy
Consumption

Bagasse and sugar cane trash:

TERRAGEN LTD

43,294 GJ

TERRA MILLING LTD

568,035 GJ



Waste
Generation

GRAYS INC. LTD

Recycled non-hazardous waste:

31.5 TONNES
Glass bottles

9 TONNES
Plastic waste



TERRAGRI LTD (AGRICULTURE):

Recycled hazardous waste:

13.5 m³
Used oil

17.6 TONNES
Used tyres (vehicles)

Non-Renewable Energy
Consumption

Coal

TERRAGEN LTD

151,420 GJ

TERRA MILLING LTD

322,686 GJ



GROUP-LEVEL Functions

Terra Foundation: Supporting neighbouring communities

In addition to the significant social value-added that is created through the Group's core business activities, Terra seeks also to support neighbouring communities through its Corporate Social Responsibility (CSR) programme. To enhance the coordination and sustainability of the Group's CSR initiatives, we established the Terra Foundation in December 2009. Led by the Group CSR Manager under the stewardship of the CSR committee, and in line with government's CSR guidelines and the foundation's own terms of reference, the foundation seeks to promote community development at both a regional and national level. The foundation's primary focus is to ensure effective allocation of the legislated 2% of book profits to support approved projects set up in the geographical areas around Terra's Beau Plan and Belle Vue operations. An important aim of our support is to assist the local communities to fully tap the potential benefits associated with the opportunities that should arise from the development of our Smart City in Beau Plan.

OUR 2018 PERFORMANCE

This year, Terra Foundation's budget was significantly affected by the announced changes in the CSR legislation, which resulted in a 50% reduction of funds. The other 50% was provided to the Mauritius Revenue Authority (MRA) and retransferred to the National CSR Foundation that has been established to redistribute funds to projects that are in line with the Government's national priorities. This reduction in funds had a profound impact on the foundation's commitments towards its partners.

In this context, the foundation's sponsorships have focused mainly on supporting the development of local communities around the Group's operation in the North. An increased share was allocated to this region, with a total of MUR 2.6 million granted to this region, representing 96% of the total funds disbursed in the year, and 28 out of the total of 33 projects supported by the foundation.

This year, the foundation's sponsorship budget of MUR 2.7 million (net of administrative expenses) was invested in supporting 1,719 beneficiaries in the following intervention areas:

Education and training – including: sponsoring the completion and inauguration of two remedial classes and the remedial programme for a school in a priority education zone; continuing our support for an NGO caring for autistic students; sponsoring two schools in the North with the aim of developing the children's skills to cope with their emotions, difficult situations and violence.

Poverty alleviation – initiatives included: supporting the work of an NGO's empowerment and monitoring programme to protect vulnerable children in a high-poverty area; providing daily meal support for vulnerable students; supplying emergency assistance to victims of floods and food baskets to six vulnerable families; and maintaining our sponsorship for the Cycling Academy and sports coach that engages vulnerable children in a pocket of poverty.

Health care – assisting vulnerable children and adults suffering from type 1 diabetes in accessing quality health services and sponsoring the development of medical materials and therapy camps enabling them to improve the daily management of their disease.

Environment – sponsoring initiatives to support the infrastructure for a training project promoting pesticide-free planting.

Sports – providing transport costs for beneficiaries attending training sessions of their football school.

Heritage and Culture – sponsoring the participation of children and adults in a cultural and musical festival, and in various workshops and visits to *L'Aventure du Sucre*, Terra's sugar museum.

OUTLOOK

In his 2018 budget speech, the Minister of Finance confirmed that companies will be required to increase their contribution from 50% to 75% to be remitted to the MRA for transfer to the National CSR Foundation for redistribution to projects. As a result, companies will only have 25% of their funds to carry on their social projects. A facility has, however, been granted to those companies that have already committed themselves to long-term projects started before 2019, to apply for the approval of these projects at the National CSR Foundation. If approved, companies will be able to allocate to these projects up to a maximum of 25% of their budget out of the 75% to be remitted to the MRA.

SPONSORSHIP BY AREAS OF INTERVENTION

