Report on the Audit of the Consolidated and Separate Financial Statements

Qualified Opinion

We have audited the consolidated and separate financial statements of TERRA Mauricia Ltd (the Group and the Company), which comprise the consolidated and separate statements of financial position at December 31, 2019 and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies, as set out on pages 114 to 243.

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of TERRA Mauricia Ltd at December 31, 2019 and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act and Financial Reporting Act.

Basis for Qualified Opinion

Consolidated financial statements

As disclosed in note 9 – Investment in Associates and note 39 – Associates, the Group has an associate, Sucrivoire S.A. ("the Associate"), whose operations are in Côte d'Ivoire. The Associate is accounted for using the equity method. For the year ended December 31, 2019, the share of the net assets of the Associate was MUR 560,554,484 (representing 19.2% of total Investment in Associates and 2.7% of Total Assets), and the share of loss from associate was MUR 129,002,325.

We were unable to obtain sufficient audit evidence regarding the financial information of the Associate as we did not receive group reporting from the component auditors within the timeframe for group reporting and it was impracticable to perform alternative audit procedures as the required financial information and underlying supporting documentation was not made available to us.

Additionally, we were unable to obtain sufficient audit evidence on the opening balances of the share of net assets of the Associate, for the same reasons set out above.

Separate financial statements

In the separate financial statements, investment in subsidiaries and associates are carried at fair value. As disclosed in note 8 – Investment in subsidiaries and note 38 – Subsidiaries, the investment in Ivoirel Limitée (a subsidiary having Sucrivoire S.A. as an associate), has a carrying value of MUR 581,513,522 (representing 4.5% of total Investment in Subsidiaries and 4.0% of total assets) recorded at fair value in the statement of financial position with a decrease in fair value of the investment of MUR 142,326,587 recorded in the statement of other comprehensive income.

The investment in Ivoirel Limitée has been classified as a level 3 investment in the fair value hierarchy, as management has used discounted cash flow techniques to arrive at the fair value of Ivoirel Limitée, which is based on unobservable inputs which include discount rates, management's cash flow forecasts and growth rates. Although the Company has prepared a discounted cash flow, we were unable to obtain sufficient and appropriate audit evidence over the reasonableness of the unobservable inputs in the discounted cash flow models used to determine the fair value. It was also impracticable to perform alternative audit procedures over the fair value as the required information was not made available to us.

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

Report on the Audit of the Consolidated and Separate Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries, associates and financial assets at fair value through other comprehensive income – Level 3 investments (applicable to the separate financial statements)

Refer to the significant accounting policies note 2.5, 2.6, 2.7 (b)(i), 2.23 and note 4.1(a)/(d), 8, 9, 10, 12, 38 and 39 to the financial statements.

THE KEY AUDIT MATTER

The accounting policy of the Company is to fair value its investments in subsidiaries, associates and financial assets at fair value through other comprehensive income.

At December 31, 2019, the Company had the following investments measured at fair value through other comprehensive income, categorised as Level 3 under the fair value hierarchy:

- investments in subsidiaries MUR'M 12,102
- investments in associates MUR'M 123
- financial assets at fair value through other comprehensive income MUR'M 253 M

The valuation of the investments held at fair value are based on different valuation methods, including:

- discounted cash flows (DCF) method,
- EBITDA multiple method, and
- Net Assets Value (NAV) where underlying assets are fair valued.

For DCF, the key unobservable inputs are discount rates and growth rates. For EBITDA multiple method, the key input is EBITDA multiple and discount based on comparable entities and normalised earnings.

Due to the significant level of judgement and estimation exercised in the valuation of investment in subsidiaries, associates and financial assets at fair value through other comprehensive income, we determined this to be a key audit matter in our audit of the separate financial statements.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

Our audit procedures in respect of this key audit matter included:

- Understanding how management determines the fair value of the investments and evaluating the design and implementation of the controls over the valuation process.
- Evaluating the key unobservable inputs for DCF such as discount rates and growth rates by benchmarking the parameters used against available market data and company metrics.
- Evaluating the EBITDA multiple applied to the normalised earnings and discount by benchmarking it against available market data.
- Assessing the normalised earnings for reasonability by comparing it to company earnings for the last 3 years and ensuring any "one-off" or "exceptional" items are excluded.
- Evaluating the valuation methodology and assumptions used in the forecast with the assistance of our corporate finance specialists by assessing the reasonableness of the forecasts and benchmarking the assumptions used against available market data.
- Assessing the mathematical accuracy of the underlying calculations used in the valuation models.
- Assessing the reliability of management's forecasts and growth rates used by comparing prior year forecasts against actual performance in the current year.
- Evaluating the reasonableness of the key inputs used in the valuation models by comparing the inputs used by management to available internal sources and ranges available from external sources.
- Evaluating the adequacy of the financial statement disclosures in accordance with IFRS 13 *Fair Value Measurement* (IFRS 13) and IFRS 9 *Financial Instruments* (IFRS 9).

Report on the Audit of the Consolidated and Separate Financial Statements (continued)

Key Audit Matters (continued)

Valuation of land and buildings (applicable to the consolidated financial statements)

Refer to the significant accounting policies note 2.2 and note 4.1(a) and 5 to the financial statements

THE KEY AUDIT MATTER

The Group owns land (MUR'M 8,508) and buildings (MUR'M 909), included under property, plant and equipment, with a combined carrying value of MUR'M 9,417 as at 31 December 2019, which represent 46% of the total assets of the Group.

Land and buildings which consist mainly of agricultural land are carried at fair value under the revaluation model in terms of IAS 16 *Property, plant and equipment* (IAS 16). The fair value of land and buildings is determined by an independent external valuer.

The determination of the fair value of land and buildings involves judgements and estimates that materially affect the carrying amounts of the revalued assets. The key inputs in determine the fair value include the price/hectare for land and price/square meters for buildings and bulk discount rate.

Due to the significance of land and buildings in the Group's financial statements and significant judgements involved in arriving at their fair values, we considered this to be a key audit matter

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

Our audit procedures in respect of this key audit matter included:

- Evaluating the design and implementation of the relevant controls relating to the valuation of land and buildings.
- Assessing the competence, independence and integrity of the third-party valuer by looking at the professional qualifications and performing the relevant background searches.
- Assessing the appropriateness of the valuation methods used by the external valuer in determining the fair values of land and buildings at December 31, 2019.
- Engaging with the external valuer and assessing the reasonableness of key inputs and assumptions used in the fair value determination through:
  - corroborating the price/square meter used in the valuation against recent sales transactions and;
  - challenging the underlying assumptions used in arriving at the bulk discount rate (i.e. growth rate in prices of land, time scale relating to disposal of agricultural land and discount rate) by discussing with the external valuer and comparing them to industry norms.
  - Involving our own valuation specialists to challenge and corroborate the unobservable inputs (price/hectare for land and price/square meters for buildings and discount rate).
  - Evaluating the adequacy of the financial statement disclosures in accordance with IFRS 13 *Fair Value Measurement* and IAS 16 *Property, Plant and Equipment.*

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF TERRA MAURICIA LTD

Report on the Audit of the Consolidated and Separate Financial Statements (continued)

Key Audit Matters (continued)

Impairment of cash generating units (CGU's) and non-financial assets (bearer plants and land conversion rights) (applicable to the consolidated financial statements)

Refer to the significant accounting policies note 2.17 and note 4.1(c), 5, 7 and 30 to the financial statements.

THE KEY AUDIT MATTER

The uncertain and challenging market conditions faced by the sugar industry have negatively impacted the local operators. The growing and milling operations of the Group were not spared with sustained losses over the past two financial years.

In terms of IAS 36 *Impairment of Assets* (IAS 36) an impairment assessment should be undertaken where internal and external factors indicate a potential impairment.

At December 31, 2019, indicators of impairment have been identified for the following:

Cash generating units (CGU's)

- Milling operations (Terra Milling Ltd)
- Growing operations (Agricultural cluster of Terragri Ltd)

Non-financial assets

- Bearer plants
- Land conversion rights (LCR's)

The impairment assessment requires comparison of the recoverable amount of the non-financial assets with their carrying amounts.

The recoverable amount is the higher of the value in use and fair value less costs to sell. The determination of the recoverable amounts involves a high level of judgement and estimates, particularly when Discount Cash Flow valuations are applied in estimating the recoverable amount.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

Our audit procedures in respect of this key audit matter included:

- Evaluating the design and implementation of the relevant controls relating to the impairment assessment of CGUs and non-financial assets.
- Evaluating management's impairment assessment to determine whether indicators of impairment exist based on our knowledge of the Group and current market information.
- Evaluating the adequacy of the financial statement disclosures in accordance with the requirements of IFRS 13 *Fair Value Measurement* and IAS 36 *Impairment of Assets.*

Report on the Audit of the Consolidated and Separate Financial Statements (continued)

Key Audit Matters (continued)

Impairment of cash generating units (CGU's) and non-financial assets (bearer plants and land conversion rights) (applicable to the consolidated financial statements)

Refer to the significant accounting policies note 2.17 and note 4.1(c), 5, 7 and 30 to the financial statements.

THE KEY AUDIT MATTER

An impairment is recognised should the recoverable amount of the asset or CGU be less than its carrying amount.

The impairment loss is recognised in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease in other comprehensive income.

Impairment losses arising on CGUs and non-financial assets totaling MUR'M 551 have been disclosed in Note 30 to the financial statements.

Due to the significant level of judgement and level of estimation exercised by management in the impairment assessment process, we considered this to be a key audit matter.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

Milling operations (Terra Milling Ltd) and bearer plants

- Inspecting management's cash flow forecasts and evaluating the appropriateness of the key assumptions used (price of raw/special sugar, discount rates and growth rates) in order to evaluate the reasonableness of forecasts where Discounted Cash Flow valuations have been applied to calculate the recoverable amount. This involved:
  - benchmarking assumptions with available market data by engaging corporate finance specialists; and
  - engaging in discussions with the Mauritius Sugar Syndicate to arrive at an independent estimate of the sugar prices taking into consideration the macro-economic climate relating to the sugar prices worldwide.

Growing operations (Terragri Ltd) and LCRs

- Assessing the recoverable amount of the agricultural cluster within Terragri Ltd and Land Conversion Rights with reference to the fair value of the land determined by the external valuer under the 'fair value less costs to sell' approach as per IAS 36 *Impairment of Assets*. The procedures in respect of evaluating the fair value are listed in the Key Audit Matter in respect of the Valuation of land and buildings above.
- Evaluating the competence and independence of the external valuer and the appropriateness of the valuation methodology used.
- Assessing the expected costs to be incurred in realising the assets with reference to the benchmark transaction costs associated with selling such a class of assets.

Report on the Audit of the Consolidated and Separate Financial Statements (continued)

Key Audit Matters (continued)

Prior Year Adjustments (applicable to the consolidated and separate financial statements)

Refer to note 47 to the financial statements.

THE KEY AUDIT MATTER

Following our appointment as auditors of the group and company for the year ended December 31, 2019, we were required to perform audit procedures on the opening balances of the statement of financial position and on the consistent application of the accounting policies.

A number of prior period errors were identified requiring restatement of certain elements of the consolidated and separate financial statements.

This required significant audit effort, including the time of senior members of our audit team, in assessing the impact of these restatements and is therefore considered a key audit matter.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

Our audit procedures in respect of this key audit matter included:

- Comparing the prior year's closing balances to the current year's opening balances (or restated opening balances where applicable) in the consolidated and separate financial statements.
- Reviewing the predecessor auditor's working papers to obtain evidence regarding the opening balances and to assess whether the opening balances reflect the application of appropriate accounting policies.

With the assistance of our technical accounting specialists:

- Evaluating the correct accounting treatment of the prior period errors identified based on our understanding of the transactions and audit evidence obtained.
- Evaluating the adequacy of the financial statement disclosures in accordance with the requirements of IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Report on the Audit of the Consolidated and Separate Financial Statements (continued)

Other Matter relating to comparative information

The consolidated and the separate financial statements of TERRA Mauricia Ltd as at and for the years ended December 31, 2018 and December 31, 2017 (from which the statement of financial position at as at the beginning of the preceding period, January 1, 2018 has been derived), excluding the adjustments described in Note 47 to the consolidated and separate financial statements, were audited by another firm of auditors who expressed an unmodified opinion on those statements on March 28, 2019.

As part of our audit of the consolidated and separate financial statements as at and for the year ended December 31, 2019, we audited the adjustments described in Note 47 that were applied to restate the comparative information presented as at and for the year ended December 31, 2018 and the statement of financial position as at January 1, 2018. We were not engaged to audit, review, or apply any procedures to the consolidated and separate financial statements for the years ended December 31, 2018 or December 31, 2017 (not presented herein) or to the consolidated and separate statement of financial position as at the beginning of the preceding period January 1, 2018, other than with respect to the adjustments described in Note 47 to the consolidated and separate financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 47 are appropriate and have been properly applied.

This report is made solely to the Company's members, as a body, in accordance with Section 205 of the Mauritius Companies Act. Our audit work has been undertaken so that we might state to the Company's members, as a body, those matters that we are required to state to them in an auditors' 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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Other Information

The directors are responsible for the other information. The other information comprises all of the information contained in the Annual Report. We obtained the Corporate Governance Report, Statement of Compliance, Secretary's Certificate, Statement of Directors' Responsibilities in respect of Financial Statements and Statutory Disclosures prior to the date of this report, and the other information included in the Annual Report is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act and Financial Reporting Act, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company'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 directors either intend to liquidate the Group and/or Company or to cease operations, or have no realistic alternative but to do so.

Report on the Audit of the Consolidated and Separate Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the 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 Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF TERRA MAURICIA LTD

Report on the Audit of the Consolidated and Separate Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act

We have no relationship with or interests in the Group and the Company other than in our capacity as auditors, tax advisors and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

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

Financial Reporting Act

Our responsibility under the Financial Reporting Act is to report on the compliance with the Code of Corporate Governance (the "Code") disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Company has, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.

KPMG
Ebène, Mauritius

Désiré LAN CHEONG WAH, FCA
Licensed by FRC

Date: 29 July 2020