# harel frères limited annual report

Dear Shareholder,

The Board of directors is pleased to present the Annual Report of Harel Frères Limited for the year ended December 31, 2006, the contents of which are listed below.

This report was approved by the Board of directors on May 16, 2007.

**Jean Hugues Maigrot**
Chairperson

**Cyril Mayer**
Managing Director

# contents

# 02 notice of meeting to shareholders

Notice is hereby given that the **Annual Meeting of Harel Frères Limited** will be held at the 7th floor, 18 Edith Cavell Street, Port Louis on **Wednesday June 27, 2007 at 9.30 a.m.** to transact the following business:

**1.** To consider the Annual Report for the year ended December 31, 2006.

**2.** To receive the report of the auditors of the company.

**3.** To consider and approve the audited financial statements of the company for the year ended December 31, 2006.
**Ordinary Resolution**
"Resolved that the audited financial statements of the company for the year ended December 31, 2006 be hereby approved."

**4.** To re-elect as director Mr Jean Hugues Maigrot under Section 138 (6) of the Companies Act 2001.
**Ordinary Resolution**
"Resolved that Mr Jean Hugues Maigrot be hereby re-elected as director of the company to hold office until the next Annual Meeting."

**5-16.** To re-elect the following persons as directors of the company to hold office until the next Annual Meeting (as separate resolutions):
**Ordinary Resolution**
"Resolved that the following persons be hereby elected/ re-elected as director of the company to hold office until the next Annual Meeting." (as separate resolutions)

5. Mr Jocelyn de Chasteauneuf
6. Mr Philippe de Chasteauneuf
7. Mr Jean Desmarais
8. Mr Jean de Fondaumière
9. Mr Jean Pierre Hardy
10. Mr Alexis Harel
11. Mr Henri Harel
12. Mr Joseph Marc Harel
13. Mr Cyril Mayer
14. Mr Jacques de Navacelle
15. Mr Guillaume Raffray
16. Mr Alain Vallet

**17.** To take note of the automatic reappointment of the auditors under Section 200 of the Companies Act 2001 and to authorise the Board to fix their remuneration.
**Ordinary Resolution**
"Resolved that the automatic reappointment of the auditors under Section 200 of the Companies Act 2001 be noted and that the Board be authorised to fix their remuneration."

**18.** To fix, for the period from July 01, 2007 to June 30, 2008, the fees of the directors at MUR 12,000 per month and MUR 10,000 per Board sitting and those of the Chairperson at MUR 30,000 per month and MUR 20,000 per Board sitting.
**Ordinary Resolution**
"Resolved that the fees for the period from July 01, 2007 to June 30, 2008 be hereby fixed for the directors at MUR 12,000 per month and MUR 10,000 per Board sitting and those of the Chairperson at MUR 30,000 per month and MUR 20,000 per Board sitting."

By order of the Board
**HF Administrative Services Ltd**
Secretary

May 16, 2007
18 Edith Cavell Street
Port-Louis

Notes:

a. A shareholder of the company entitled to attend and vote at this meeting may appoint a proxy (whether a shareholder or not) to attend and vote on his behalf, or may cast his vote by post.

b. The appointment of proxies must be made in writing on the attached form and the document should reach the registered office of the company not less than twenty-four (24) hours before the time of holding the meeting.

c. The notice for casting a postal vote must be made in writing on the attached form and sent to the attention of Mr Louis Denis Koenig, the person authorised by the Board to receive and count the postal votes at the Annual Meeting. The document should reach the registered office of the company not less than forty-eight (48) hours before the time of holding the meeting.

d. For the purpose of the above Annual Meeting, the directors have resolved, in compliance with Section 120 (3) of the Companies Act 2001, that the shareholders who are entitled to receive notice of the meeting and attend the meeting shall be those shareholders whose names are registered in the share register on June 4, 2007.

# 03 administration

**Registered office**
Level 1, Harel Mallac Building
18 Edith Cavell Street, P.O. Box 317
Port-Louis – Republic of Mauritius
Telephone : (230) 208 0808
Telefax : (230) 211 1836
e-mail : harelfreres@harelfreres.com

**Auditors**
BDO De Chazal Du Mée (Chartered Accountants)

**Bankers**
The Mauritius Commercial Bank Limited
The State Bank of Mauritius Limited
Barclays Bank, PLC

**Sugar estates**
Belle Vue - Mauricia S.E.
Mapou – Republic of Mauritius
Telephone : (230) 266 1531 – (230) 266 8485
Telefax : (230) 266 1985
e-mail : bellevue@harelfreres.com

Sucrivoire
01 BP 1289 Abidjan 01 – Côte d'Ivoire
Telephone : (225) 21 75 75 75
Telefax : (225) 21 25 45 65
e-mail : CONQUET@sifca.ci

**Power plant**
Compagnie Thermique de Belle Vue Limitée
Belle Vue - Mauricia
Mapou - Republic of Mauritius
Telephone : (230) 266 1226
Telefax : (230) 266 8013
e-mail : ctbv@ctbv.net

CTBV Management Co Ltd
18 Edith Cavell Street
Port-Louis – Republic of Mauritius
Telephone : (230) 208 0808
Telefax : (230) 211 1836
e-mail : ctbvm@ctbv.net

**Secretary**
H F Administrative Services Ltd
18 Edith Cavell Street, P.O. Box 317
Port-Louis – Republic of Mauritius
Telephone : (230) 208 0808
Telefax : (230) 211 1836
e-mail : harelfreres@harelfreres.com

**Commercial & manufacturing**
Grays Inc. Ltd
Beau Plan S.E., Pamplemousses
Republic of Mauritius
Telephone : (230) 209 3000
Telefax : (230) 243 3664
e-mail : grays@grays-co.com

**Distillery**
Grays Refinery Ltd
Beau Plan S.E., Pamplemousses
Republic of Mauritius
Telephone : (230) 243 3735
Telefax : (230) 243 3733
e-mail : graysrefinery@harelfreres.com

**Property management**
Sagiterre Ltée
1st Floor, Ken Lee Building
Edith Cavell Street,
Port-Louis - Republic of Mauritius
Telephone : (230) 211 0971
Telefax : (230) 211 0484
e-mail : sagiterre@sagiterre.com

**Stone crushing and block making**
Produits Basaltiques du Nord Ltée (PROBAN)
Royal Road, Fond du Sac
Republic of Mauritius
Telephone : (230) 266 1355
Telefax : (230) 266 9045
e-mail : proban@intnet.mu

# 04 group structure

## harel frères limited

### Sugar

**Growing**

| | |
|---|---|
| Beau Plateau Limited | 100.00%** |
| Compagnie Agricole de Belle Vue Limitée | 100.00%** |
| The Beau Plan S.E. Company Limited | 100.00% |
| La Nouvelle Industrie Limitée | 100.00%** |

**Milling**

| | |
|---|---|
| Belle Vue Milling Co. Ltd | 63.29% |
| Beau Plan Milling Co. Ltd | 63.29%*** |

**Cote D'ivoire**

| | |
|---|---|
| Ivoirel Limitée | 100.00%* |
| *Sucrivoire S.A.* | *25.50%* |

### Energy

**Power Generation**

| | |
|---|---|
| Sociéte HBM | 79.11%* |
| Compagnie Thermique de Belle Vue Limitée | 40.35% |

**Management and Services**

| | |
|---|---|
| *CTBV Management Co Ltd* | *22.15%* |

# 05 group structure (cont'd)

## Commercial and manufacturing

### Bottling And Distribution

| | |
|---|---|
| Grays & Co. Ltd | 100.00%* |
| Grays Inc. Ltd | 74.00% |
| Grays Export Ltd | 100.00% |
| Tresspass Ltd | 51.00% |
| Independent Cigarette Export Ltd | 100.00%*** |
| *Les Chais de l'Isle de France Limitée* | *50.00%* |
| *Les Domaines de Mauricia Limitée* | *50.00%* |
| *SARL VSV (20 / vins)* | *50.00%* |
| *Cosmebelle (Maurice) Limitée* | *50.00%* |
| *Anytime Investment Ltd* | *24.50%* |
| *New Fabulous Investment Ltd* | *24.50%* |
| *New Goodwill Co Ltd* | *33.33%* |
| *Rum Distributors Ltd* | *33.33%* |

### Distillery

| | |
|---|---|
| Grays Refinery Ltd | 66.67% |
| *Distillerie de Bois Rouge Ltd* | *33.33%** |
| *Sociéte de Distillation de St Antoine et Bois Rouge* | *33.33%**** |

## Property management and construction

### Property Managememt

| | |
|---|---|
| Sagiterre Ltée | 100.00% |
| Compagnie Industrielle de Solitude Limitée | 79.11% |

### Construction

| | |
|---|---|
| Sociéte Proban | 55.56%* |
| Produits Basaltiques du Nord Ltée | 30.00% |
| *Rehm Grinaker Construction Co Ltd* | *38.26%* |

## Other interests

### Administration

| | |
|---|---|
| Mauricia Limitée | 100.00% |
| HF Administrative Services Ltd | 100.00% |
| HF Investments Ltd | 100.00% |

### Financial Services

| | |
|---|---|
| *Intendance Holding Ltd* | *26.80%** |
| *Cie d'Investissements et de Gestion de Portefeuilles Ltée* | *40.00%* |

### Leisure

| | |
|---|---|
| *Sugarworld Holding Ltd* | *50.00%** |
| *Sugarworld Ltd* | *27.16%* |
| *Fondation Nemours Harel* | *50.00%* |

### Trading

| | |
|---|---|
| *Alcohol and Molasses Export Ltd* | *30.82%* |

### Property

| | |
|---|---|
| *Horus Ltée* | *50.00%* |

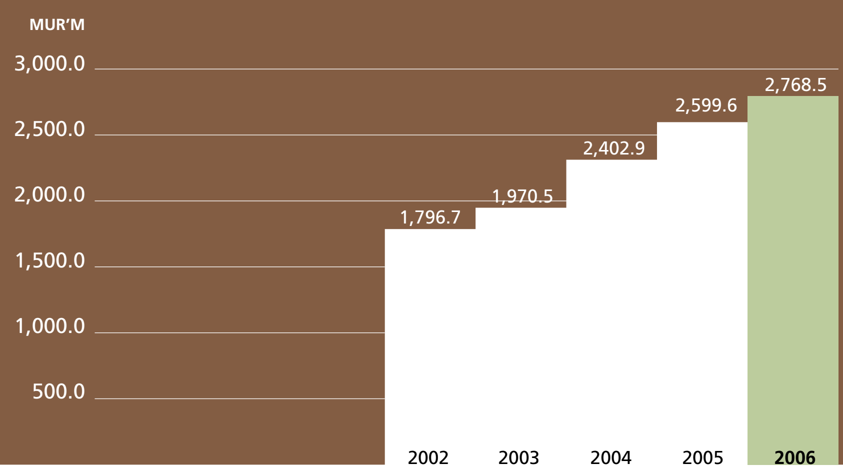
N.B.: Percentages indicated above are in respect of effective holding.

* : Holding company
** : Amalgamated with the Beau Plan S.E. Co Ltd on January 1st, 2007.
*** : Dormant company

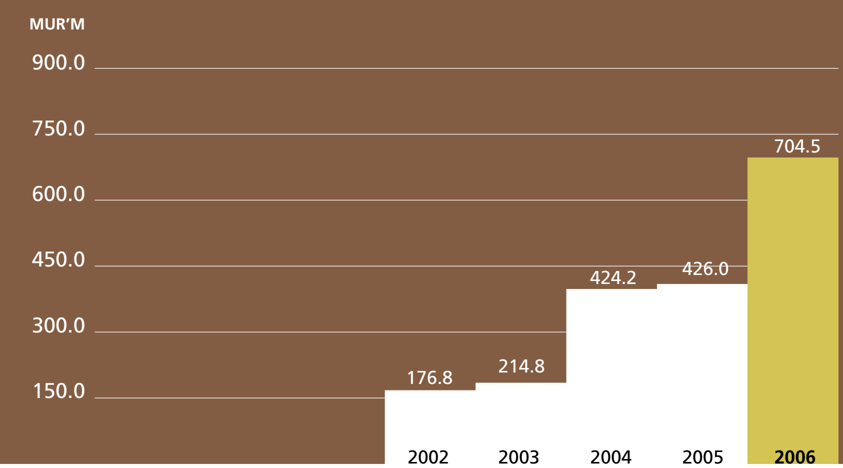
Subsidiaries ■
Associates ■

# 06 financial highlights

## turnover

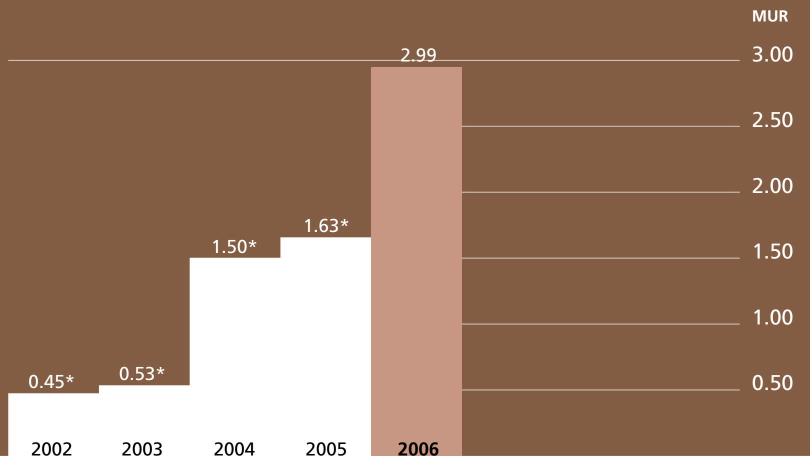



## profit after taxation

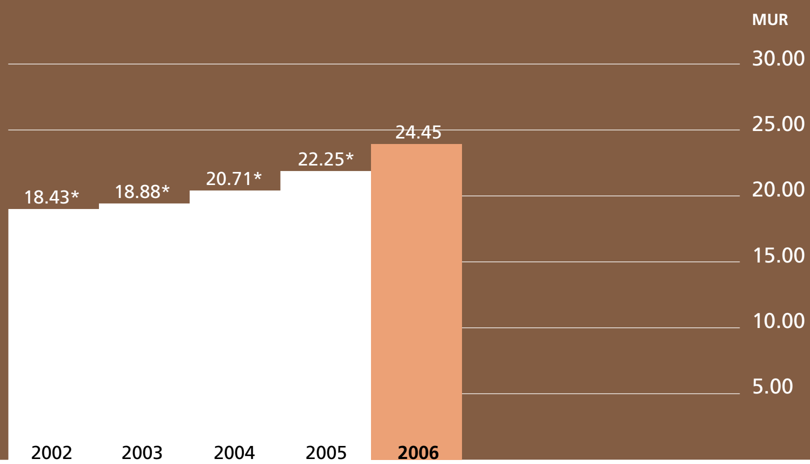


# 07 financial highlights (cont'd)

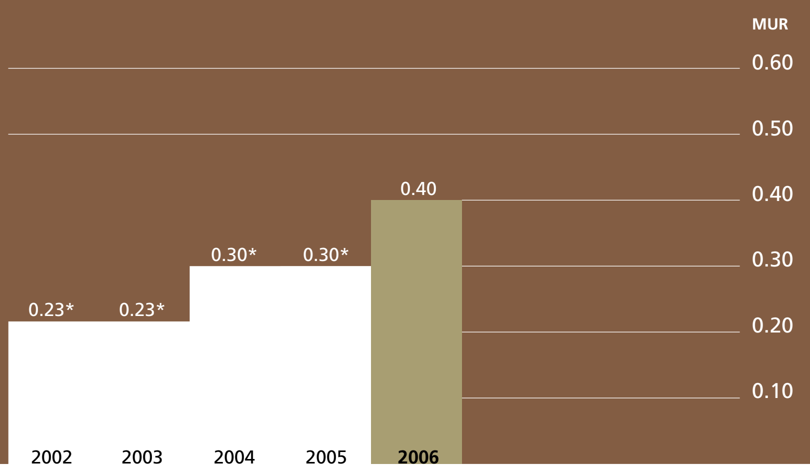
## earnings per share




## net assets per share




## dividend per share




* Adjusted for share split of 1 into 10 and bonus issue of 1 for every 3 split shares.

# 08 share analysis

### Distribution of Shareholders at December 31, 2006

| Range of shareholding | SHAREHOLDERS Number | % | SHARES HELD Number | % |
|---|---|---|---|---|
| 1 - 500 | 172 | 25.41 | 31,050 | 0.02 |
| 501 - 1,000 | 51 | 7.53 | 43,641 | 0.03 |
| 1,001 - 5,000 | 149 | 22.01 | 392,888 | 0.23 |
| 5,001 - 10,000 | 67 | 9.90 | 487,489 | 0.28 |
| 10,001 - 50,000 | 99 | 14.62 | 2,128,495 | 1.22 |
| 50,001 - 100,000 | 39 | 5.76 | 2,753,370 | 1.58 |
| 100,001 - 250,000 | 25 | 3.69 | 3,601,422 | 2.07 |
| 250,001 - 500,000 | 30 | 4.43 | 10,616,779 | 6.11 |
| 500,001 - 1,000,000 | 20 | 2.96 | 14,406,736 | 8.29 |
| Over 1,000,000 | 25 | 3.69 | 139,372,130 | 80.17 |
| | 677 | 100.00 | 173,834,000 | 100.00 |

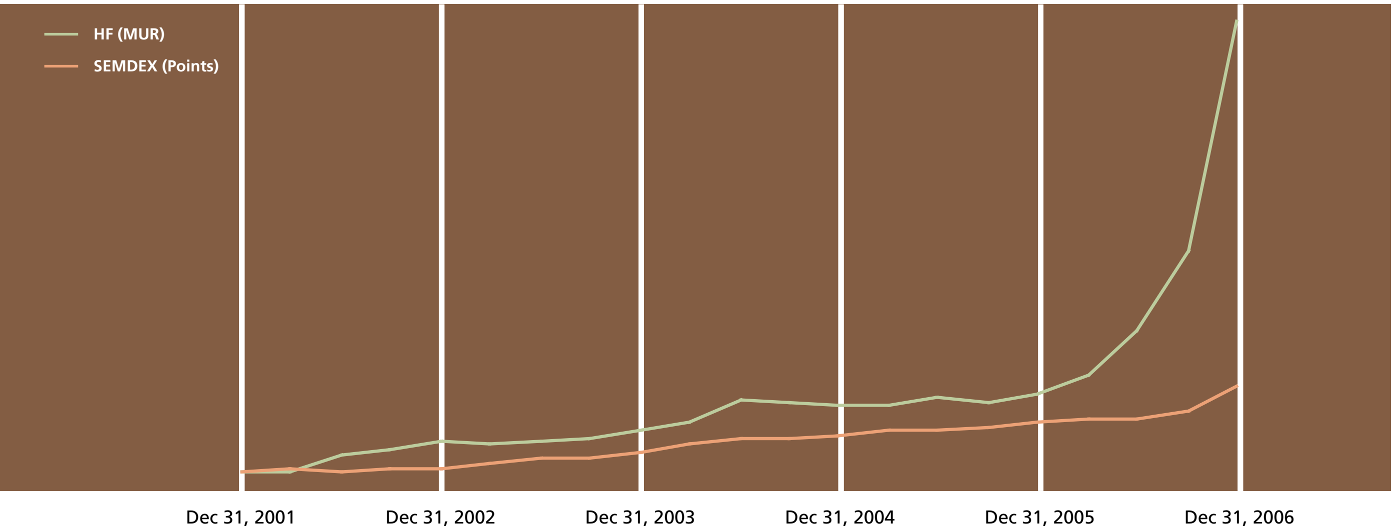
### Shareholders spread

To the best knowledge of the directors, the spread of shareholders at December 31, 2006 was as follows :

| | SHAREHOLDERS Number | % | SHARES HELD Number | % |
|---|---|---|---|---|
| Individuals | 573 | 84.64 | 40,230,238 | 23.14 |
| Insurance & assurance companies | 10 | 1.48 | 2,393,534 | 1.38 |
| Pension & provident funds | 14 | 2.07 | 3,157,765 | 1.82 |
| Investment & trust companies | 8 | 1.18 | 1,283,703 | 0.74 |
| Other corporate bodies | 72 | 10.63 | 126,768,760 | 72.92 |
| | 677 | 100.00 | 173,834,000 | 100.00 |

### Stock Exchange Performance

Relative quarterly movement of SEMEX and Harel Frères share price



### Stock Exchange Performance (cont'd)

| SEMDEX (points) | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|
| - Year End Closing | 399.26 | 549.58 | 710.77 | 804.03 | 1,204.46 |

| SHARE PRICE (MUR) | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|
| - Year End Closing Price | 2.89* | 3.83* | 4.43* | 5.18* | 22.00 |
| - High | 3.11* | 3.83* | 4.95* | 5.18* | 30.50* |
| - Low | 2.78* | 3.20* | 3.64* | 4.43* | 4.73* |

Note: The Harel Frères share price was MUR 22.00 on May 16, 2007.

| YIELDS ** | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|
| - Earnings Yield % | 15.70% | 13.90% | 33.98% | 31.80% | 13.59% |
| - Dividend Yield % | 7.80% | 5.90% | 6.78% | 5.80% | 1.82% |
| Price Earnings Ratio | 12.21** | 7.17** | 2.94** | 3.14** | 7.36 |

* : Adjusted for share split of 1 into 10 and bonus issue of 1 for every 3 split shares.
**: Historical data per published figures (not adjusted for restatement of figures and share split of 1 into 10 and bonus issue of 1 for every 3 split shares).

### Main Exchange Rates to the Rupee

Consolidated Average Indicative Selling Rates of Commercial Banks (Source: Bank of Mauritius on http://bom.intnet.mu)

| Currency | December 30, 2005 MUR | December 29, 2006 MUR |
|---|---|---|
| Euro | 36.6543 | 45.2014 |
| US Dollar | 30.7883 | 33.4246 |
| GB Pound | 53.2722 | 66.9476 |
| SA Rand | 4.9776 | 4.9689 |

### Shareholders' Calendar

| | |
|---|---|
| Financial year-end | December 31 |
| Publication of provisional condensed financial statements | Late March |
| Annual report issued | Mid June |
| Annual meeting of shareholders | Late June |
| Dividend - declaration | Late November |
| - payment | Late December |

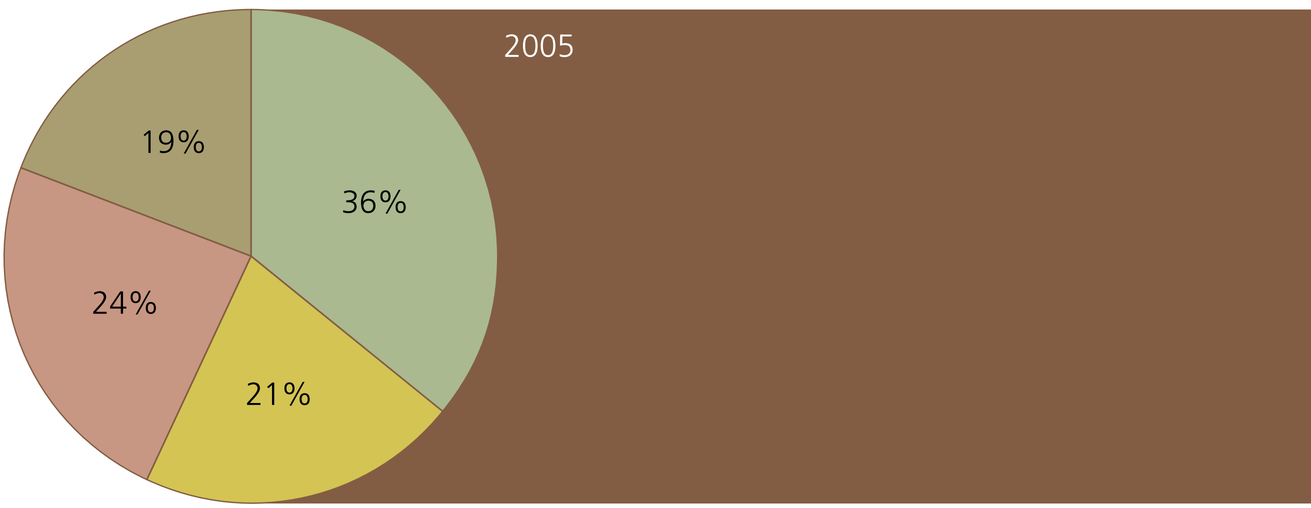
# 10 group value added statement
## year ended december 31, 2006

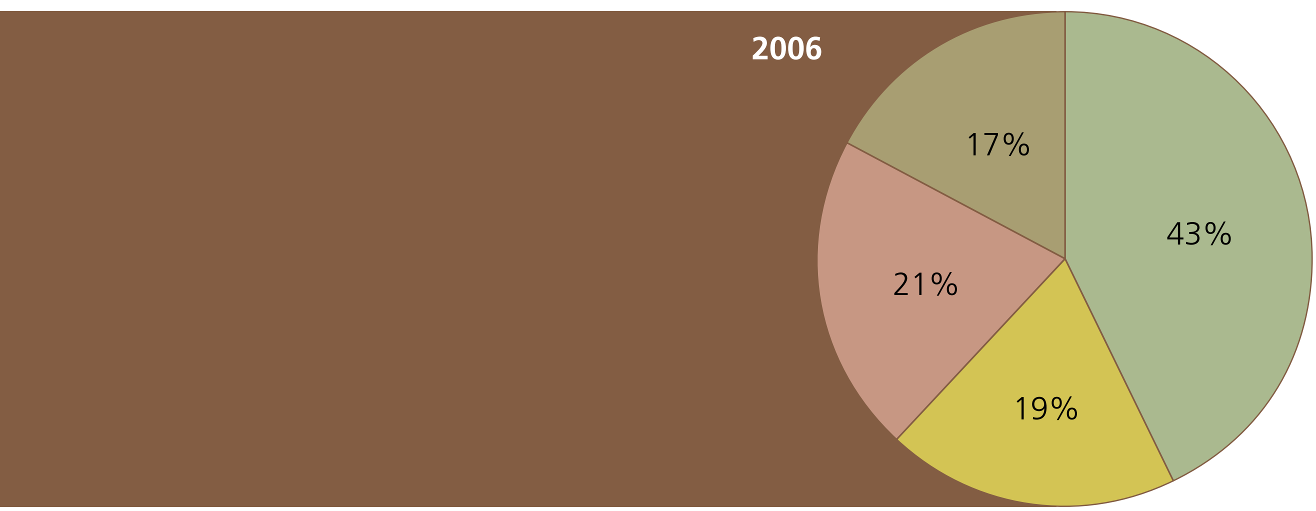
| **Amounts in MUR'M** | | **2006** | | 2005 |
|---|---|---|---|---|
| **TURNOVER** | | **2,768.5** | | 2,599.6 |
| Gains in fair value | | **(7.0)** | | 0.3 |
| Exceptionnal items | | **146.1** | | - |
| **OTHER INCOME** | | **135.6** | | 151.1 |
| | | **3,043.2** | | 2,751.0 |
| Less : Paid to suppliers | | **(1,174.9)** | | (1,194.7) |
| **TOTAL VALUE ADDED** | | **1,868.3** | | 1,556.3 |

| **WEALTH DISTRIBUTED** | % | | % | |
|---|---|---|---|---|
| **To employees for salaries, wages and other benefits** | 19% | **351.5** | 21% | 331.9 |
| **To Government** | 21% | **391.5** | 24% | 378.8 |
| Taxes | | **86.2** | | 78.2 |
| Custom and Excise duties | | **305.3** | | 300.6 |
| **To providers of capital** | 17% | **323.8** | 19% | 291.6 |
| Interest | | **142.8** | | 146.4 |
| Dividends to shareholders of Harel Frères Limited | | **65.5** | | 52.2 |
| Dividends to outside shareholders of subsidiaries | | **115.5** | | 93.0 |
| **Retained for the group's business** | 43% | **801.5** | 36% | 554.0 |
| Depreciation | | **198.0** | | 190.8 |
| Amortisation charge | | **83.4** | | 80.0 |
| Retained profits in holding and subsidiary companies | | **520.1** | | 283.2 |
| **TOTAL DISTRIBUTED AND RETAINED** | | **1,868.3** | | 1,556.3 |

# 11 group value added chart
## year ended december 31, 2006

| | | 2006 | 2005 |
|---|---|---|---|
| TO EMPLOYEES FOR SALARIES, WAGES AND OTHER BENEFITS | | **19%** | 21% |
| TO GOVERNMENT | | **21%** | 24% |
| TO PROVIDERS OF CAPITAL | | **17%** | 19% |
| RETAINED FOR THE GROUP'S BUSINESS | | **43%** | 36% |
| | | **100%** | 100% |



# board of directors

The company's Constitution provides that the Chairperson and other directors hold office for a period of one year. Consequently, a new Board is elected every year by ordinary resolution at the company's Annual Meeting.

**The following directors held office at December 31, 2006 :**

| **Directors** | | **Alternate directors** |
|---|---|---|
| Jean Hugues Maigrot (Chairperson) | Independent nonexecutive | Jocelyn de Chasteauneuf / Jacques de Navacelle ** |
| | | Jacques de Navacelle / Jocelyn de Chasteauneuf *** |
| Jocelyn de Chasteauneuf | Independent nonexecutive | Jean Hugues Maigrot *** |
| Philippe de Chasteauneuf | Nonexecutive | Armelle Mallac Sim / Jean de Fondaumière ** / *** |
| Jean Desmarais | Nonexecutive | |
| Jean de Fondaumière | Nonexecutive | Philippe de Chasteauneuf ** / *** |
| Dominique de Froberville | Nonexecutive | Jean Pierre Hardy *** |
| Alexis Harel | Executive | Joël Harel ** |
| Henri Harel | Executive | Patrick Guimbeau ** / *** |
| Joseph Marc Harel * | Nonexecutive | |
| Cyril Mayer (Managing Director) | Executive | Jean Hugues Maigrot ** / *** |
| Jacques de Navacelle | Independent nonexecutive | Jean Hugues Maigrot / Jocelyn de Chasteauneuf ** |
| | | Jean Hugues Maigrot *** |
| Guillaume Raffray | Nonexecutive | |
| Alain Vallet | Executive | |

* Appointed on September 15, 2006 in replacement of Charles Edouard Piat who resigned on June 19, 2006.
** Up to June 30, 2006
*** As from November 29, 2006

# board profile

**Jean Hugues Maigrot** (70 years old)
Notary Public
Independent nonexecutive Chairperson - *First appointed to the Board 2003*

Jean Hugues Maigrot was appointed Notary Public in 1971 and has been in practice ever since. He is legal adviser to a number of listed and large private companies and chairs the Corporate Governance Committee of Harel Frères.

Directorships of listed companies :

- Mon Trésor and Mon Désert Ltd
- United Docks Ltd (as from October 17, 2006 up to December 29, 2006)

**Jocelyn de Chasteauneuf** (69)
Independent nonexecutive director - *First appointed to the Board 2003*

Having joined the Mauritius Commercial Bank Ltd (MCB) in 1955, Jocelyn de Chasteauneuf trained as a banker at Lloyds Bank (London) in 1960-61 and 1971. He was appointed on the management team of MCB in 1972 and Assistant General Manager in 1986. He retired from the bank in 1995. He is the Chairperson of the Audit Committee of Harel Frères.

Directorship of listed companies :

- Fincorp Investment Ltd

**Philippe de Chasteauneuf** (62)
Fellow of the Association of International Accountants (London)
Nonexecutive director - *First appointed to the Board 1993*

Philippe de Chasteauneuf joined the company as Assistant Accountant in 1967, was appointed Group Accountant in 1971 and Company Secretary in 1990. He was a member of the Management Committee until his retirement as an executive on March 31, 2005 and is currently a member of the company's Audit Committee. He also holds Board positions on the Mauritius Chamber of Agriculture and the Mauritius Sugar Producers Association and is the nonexecutive Chairperson of The Mount S.E Co Ltd.

Directorship of listed companies :

- The Mount Sugar Estates Co Ltd (Nonexecutive chairperson)

**Jean Desmarais** (68)
Diploma in Mechanical & Electrical Engineering (South Africa)
Certificate of the Institute of Financial Management (London)
Nonexecutive director - *First appointed to the Board 2004*

Having started his career at Blyth Brothers & Co Ltd (Blyth) in 1961, Jean Desmarais was recruited the very next year to work as expatriate Shift Engineer during the setting up of a sugar factory on the African continent. He again joined Blyth on his return to Mauritius in 1964 and, for the next eleven years, headed the sales function of the company's engineering department. Having been promoted in 1975 to the Board of Management of IBL (of which Blyth then formed part), he served on the Board of various institutions such as the Mauritius Chamber of Commerce and Industry and the Central Water Authority. He retired from IBL in 1995 and has since been self-employed.

# board profile
(cont'd)

**Jean de Fondaumière** (53)
Chartered Accountant (Scotland)
Nonexecutive director - *First appointed to the Board 2002*

After serving in managerial positions in Australia, Jean de Fondaumière served as Group Chief Executive Officer of the Swan Group (Swan Insurance Co Ltd and The Anglo-Mauritius Assurance Society Limited) from 1997 until December 31, 2006. He acted as Chairperson of the Stock Exchange of Mauritius Ltd from 2002 to December 2006. He is a director of a number of companies involved in various economic activities such as tourism, finance, agriculture and commerce in Mauritius and the region. He is a member of the Corporate Governance Committee of the company.

Directorships of listed companies :
- Belle Mare Holding Limited (up to December 31, 2006)
- Ireland Blyth Limited
- Naïade Resorts Limited (up to December 31, 2006)
- Sun Resorts Limited
- Swan Insurance Co Ltd (up to December 31, 2006)
- The Mauritius Development Investment Trust Co Ltd (up to December 31, 2006)
- The Mount Sugar Estates Co Ltd (up to December 31, 2006)
- United Docks Limited (up to September 27, 2006)

**Dominique de Froberville** (47)
Maîtrise en Chimie Industrielle (France) ; MBA (England)
Nonexecutive director - *First appointed to the Board 2003*

Dominique de Froberville started his career as Production Manager in the paint and optical industries before being appointed to managerial positions in the operational divisions of two textile groups. He joined Mauritius Freeport Development Co Ltd in 2001 as Director of Operations and has since been promoted to the post of Chief Operating Officer. He served as a member of the company's Audit Committee between 2003 and 2005.

**Alexis Harel** (44)
BSc (Bus. Admin) (USA)
Executive director - *First appointed to the Board 1999*

Having started a career in auditing with De Chazal Du Mée (Chartered Accountants), Alexis Harel then occupied managerial positions in the industrial and IT sectors before joining Grays as Commercial Executive in 1992. He is a member of Harel Frères' Management Committee.

Directorships of listed companies :
- Naïade Resorts Limited
- United Docks Ltd (as from October 17, 2006)

**Henri Harel** (46)
ACIS (South Africa)
Executive director - *First appointed to the Board 1996*

Henri Harel first worked in South Africa as an auditor with De Ravel, Boulle, Saad & Wyman (Chartered Accountants). He then occupied the post of Internal Auditor with Toyota S.A. Manufacturing and that of Financial Accountant at Amalgamated Beverage Industries Ltd (Coca-Cola). Upon his return to Mauritius in 1991, he worked for Société de Gérance de Mon Loisir as financial controller until 1996, when he joined Harel Frères Limited in a similar capacity. He is at present the group's Chief Finance Officer and a Management Committee member. In addition, he is the Chairman of the Sugar Industry Pension Fund and of its Finance and Investment Committee.

Directorship of listed companies :
- Swan Insurance Co Ltd

# board profile
(cont'd)

**Joseph Marc Harel** (67)
Nonexecutive director - *First appointed to the Board 1991 to 2003 and reappointed in 2006*

Marc Harel worked between 1959 and 1962 in the audit and accounting departments of De Chazal Du Mée (Chartered Accountants) and as Assistant General Manager of Compagnie Sucrière de Mon Songe Ltée from 1962 to 1965. He then moved to South Africa where he acquired and managed a sugar cane farm. In 1983 he moved to France and has since run a wine farm in the Bordeaux region.

**Cyril Mayer** (55)
BCom, Chartered Accountant (South Africa)
Managing Director - *First appointed to the Board 1992.*

Cyril Mayer joined the group as a management executive in 1988. He served as Executive Chairperson from 1992 to 2003, when he stepped down and was appointed Group Managing Director. As such, he has overall responsibility for group activities and heads the Management Committee. He has served on most of the sugar sector institutions, the Mauritius Employers Federation and the Joint Economic Council. He is also a Board member of the Mauritius Sugar Authority and sits on the National Committee on Corporate Governance.

Directorships of listed companies :

- Mon Trésor and Mon Désert Ltd (Nonexecutive chairperson)
- Swan Insurance Co Ltd (Nonexecutive chairperson)
- United Docks Ltd (as from October 17, 2006)

**Jacques de Navacelle** (60)
Maîtrise en Philosophie (France)
Diplôme de l'Institut de Commerce International (Paris)
Independent nonexecutive director - *First appointed to the Board 2005*

In 1971, Jacques de Navacelle started a banking career in Paris and, in 1978, joined Barclays Bank with whom he worked for the next twenty years, occupying various managerial positions with increasing responsibilities within the bank in Europe. In 1998, he was appointed Managing Director of Barclays Bank PLC, Mauritius. For a year prior to his retirement from Barclays at the end of 2004, he assumed overall responsibility for the bank's activities in the Indian Ocean region. He is at present the Chief Executive Officer of Mauritius Union Assurance Co Ltd, a company listed on the Stock Exchange. He served as Chairperson of the Mauritius Bankers Association in 2004 and is currently the Chairman of Transparency Mauritius and the President of the Joint Economic Council. He is a member of the Audit and Corporate Governance Committees of the company.

Directorship of listed companies :

- Mon Trésor and Mon Désert Ltd (as from May 30, 2006)

**Guillaume Raffray** (49)
Nonexecutive director - *First appointed to the Board 2002*

Guillaume Raffray started his career in France in 1979, working for Société Loiret & Haentjens and was promoted Manager of its international sugar trading department. Upon his return to Mauritius in 1988 he headed Sugarex Ltd, a company trading in soft commodities, until 1992 when he was appointed Managing Director of Total Mauritius Ltd. He resigned his post in 2000 and has since been a director of a number of companies active in financial services, manufacturing and agriculture. He was first appointed alternate director of Harel Frères in 1998 and is currently a Board member of the American Chamber of Commerce Mauritius.

# board profile
(cont'd)

**Alain Vallet** (52)
Advanced Certificate in Business Studies (London)
Executive director - *First appointed to the Board 1992*

Alain Vallet joined the group in 1979 as marketing executive for wine and spirits. He actively participated in the re-engineering of the Grays cluster in the early eighties and was appointed Chief Executive Officer in 1989 and a Grays director in 1993. He is a member of Harel Frères' Management Committee. He has served on a number of private sector institutions, such as The Mauritius Chamber of Commerce and Industry, the Association of Mauritian Manufacturers and the Mauritius Employers' Federation.

Directorships of listed companies :
- Compagnie des Magasins Populaires Ltée
- United Docks Ltd (as from October 17, 2006)

**Louis Denis Koenig** (40)
Maîtrise es Sciences Economiques (Economie d'Entreprise)
Diplôme d'Etudes Supérieures Spécialisées (Finance) - (France)
Management and Administrative Executive

Louis Denis Koenig worked as a Statistician at The Anglo-Mauritius Assurance Society Limited before joining the group in 1990 as Assistant Secretary. He is at present a member of the company's Management Committee. He held a Dealers Representative licence from the Financial Services Commission and has acted in such capacity for Cavell Securities Ltd, since 1992 up to October 2006. He was also a director of The Stock Exchange of Mauritius Ltd and of The Central Depositary & Settlement Co Ltd and a member of the Index Management Committee (SEM 7) of the Stock Exchange until October 2006.

**New appointment**

Jean Pierre Hardy will be proposed for election at the forthcoming Annual Meeting in replacement of Dominique de Froberville who will not stand for re-election. A summary of Jean Pierre Hardy's curriculum vitae is included hereunder.

**Jean Pierre Hardy** (49)
Maîtrise de Gestion (France)
*First appointed to the Board 1988 to 2003*

After having completed his studies, Jean Pierre Hardy worked in Europe and Reunion until 1987, when he returned to Mauritius to run a sworn broker's office. He is self employed and has since launched a number of business ventures in textiles, information technology and finance. Besides being actively engaged in several NGO's and associations involved in the social and educational fields, he is a past member of the NPCC's Innovation Committee and of the Comité pour la Promotion de l'Unité Nationale. He was a director of Harel Frères Limited and of a number of subsidiaries between 1988 and 2003.

# management

**Head office :**

**Management committee**

Cyril Mayer
Alexis Harel
Henri Harel
Louis Denis Koenig *
Alain Vallet

* Also serves as Secretary to the Committee

Profiles of Management Committee members are set out on pages 14 to 16.

**Accounts**

| | |
|---|---|
| Steeve Lareine | Group Accountant |

**Sugar estates :**

| | |
|---|---|
| Mauritius | |
| Denis Pilot | General Manager |
| Reynolds Laguette | Factory Manager |
| Côte d'Ivoire | |
| Jean-Claude Conquet | General Manager |

**Power plant :**

| | |
|---|---|
| CTBV Management Co Ltd | Manager |
| Emmanuel Borel | Plant Manager up to November 30, 2006 |
| Geoffroy Mattlinger | Plant Manager as from December 1, 2006 |

**Commercial and manufacturing :**

**Bottling and distribution**

| | |
|---|---|
| Alain Vallet | Chief Executive Officer |
| Alexis Harel | Commercial Executive |

**Distillery**

| | |
|---|---|
| Patrice Gourel de St Pern | Plant Manager |

**Property management :**

| | |
|---|---|
| Bernard Desvaux de Marigny | Manager |

**Stonecrushing and block making :**

| | |
|---|---|
| The United Basalt Products Limited | Manager |

Profiles of Managers are set out on pages 18 and 19.

# management profile

**Jean-Claude Conquet** (58 years old)
Engineer (France)

Jean-Claude Conquet started his career as a Reseach and Developement Engineer in France in 1973. He then moved to Côte d'Ivoire in 1979 where he joined the Sifca Group. He has held several managerial positions within the group, mainly in the coffee and rice processing and distribution sectors. He replaced Mr Gervais Nicolin as General Manager of Sucrivoire upon the latter's departure in June 2005.

**Bernard Desvaux de Marigny** (50)
Member of the Mauritius Institute of Surveyors (MMIS)

After qualifying as a Land Surveyor in 1981 and being in practice until 1987, Bernard Desvaux de Marigny set up the partnership of "Desmarais-Desvaux, Arpenteurs" which he co-managed until 2001, when he joined the group as General Manager of Sagiterre Ltée.

**Patrice Gourel de St Pern** (48)
Certificate in Management Development (RASITC)

After working at the St Antoine distillery between 1979 and 1981, Patrice Gourel de St Pern joined the group in 1981 as Shift Supervisor at Grays Refinery Ltd. He was appointed Assistant Plant Manager in 1988 and Plant Manager in 1995. He is a member of the International Institute of Risk and Safety Managers and of the Association of Health and Safety Managers.

**Reynolds Laguette** (54)
Member of the Institute of Engineering and Technology (UK), MBA (England)

Reynolds Laguette joined the group in 1974 as Instrumentation Engineer at the Belle Vue sugar factory. He was appointed as Factory Assistant in 1983, Plant and Operations Manager in 1993, Deputy Factory Manager in 2004 and Factory Manager in 2006. He is a member of the Société de Technologie Agricole et Sucrière de Maurice and of the International Society of Sugar Cane Technologists.

# management profile
(cont'd)

**Steeve Lareine** (42)
Fellow of the Association of Chartered Certified Accountants (UK)

Steeve Lareine is a Fellow of the Association of Chartered Certified Accountants since 2004 and a member of the Mauritius Institute of Professional Accountants. He started his work career with De Chazal du Mée & Co, Chartered Accountants, in the Auditing and, subsequently, in the Consulting Department. Before joining the group, he was in employment as Divisional Accountant at Rey & Lenferna Ltd. Steeve Lareine is also the Finance Manager of Compagnie Thermique de Belle Vue Limitée.

**Geoffroy Mattlinger** (39)
Engineer (France)

Geoffroy Mattlinger started his career as a Technical Manager in a sugar terminal in Dunkerque, France. In 1996, he joined a paper factory and was appointed Factory Manager until he left in 2006 to join Séchilienne-SIDEC. In November 2006, he was seconded for duty to CTBV Management Co Ltd where he now serves as Plant Manager of the Belle Vue power station.

**Denis Pilot** (56)
BSc (Agronomy) USA

Denis Pilot started work, upon his return to Mauritius in 1975, as Agronomist at Mon Désert – Alma. He joined the group in 1988 as Estate Manager of Beau Plan and, in 1992, was appointed General Manager of the Belle Vue and Beau Plan sugar estates. He is a member of the International Society of Sugar Cane Technologists and a member of this society's council for Mauritius. He is also a director of the Sugar Insurance Funds Board and the Vice-Chairman of the Mount and Beau Plan Planters' Funds. He is a past President of the Société de Technologie Agricole et Sucrière de Maurice and is the current President of the Mauritius Chamber of Agriculture.

# chairperson's statement

**Dear Shareholder,**

In 2006, the Mauritian economy, in line with the very rapid expansion in developing countries, is expected to have expanded by 4.7% against a modest 2.3% growth in 2005. The high growth in the Mauritian economy reflects better outcomes in the EPZ sector buoyed by upbeat results in the seafood segment, and to a lower extent, in the trade sector and domestic oriented industry. As for the tourism sector, it recorded a disappointing performance in 2006 due to a large extent to the negative effects of the *chikungunya* epidemic. The SEMDEX achieved a spectacular growth rate of 49.8%, compared to 13.1% in 2005.

In order to curb the high inflationary pressures and restore the attractiveness of rupee-denominated assets, the Lombard rate, which started the year at 11.5%, was twice increased in 2006 to reach 13%. In December 2006, the Bank of Mauritius decided to replace the Lombard rate with the Repo rate, which was set at 8.5% p.a. The inflation rate however maintained an upward trend, reaching 8.9% in 2006 as compared to 4.9% in 2005.

Unemployment eased off marginally to 9.4% in 2006, down from 9.6% in 2005.

As regards currencies, the dollar generally weakened against other major currencies in 2006, the euro in particular. On the domestic market, the rupee continued to depreciate against major international currencies in line with large and widening external deficits, depreciating by 8.5%, 22.8% and 25.1% during 2006 against the dollar, the euro and the sterling respectively.

Generally speaking, 2006 was a good year for the group. Owing mainly to an above average crop and a better sugar price as a result of a strong euro, and, to a lesser extent, to the satisfactory performance of most other activities, the group performed well, with profits from operations increasing by 27.8% to MUR 644.6 M. Overall group performance was further boosted by exceptional items amounting to MUR 146.1 M arising from profit on disposal of investments. As for the company's results, they were enhanced by exceptional items of MUR 149.9 M, consisting of profits on disposal of the above mentioned investments and also of an exceptional dividend of MUR 101 M arising from the disposal to a strategic partner of 26% of our shareholding in Grays.

The combined effect of the above caused group earnings per share to increase by some 83.4% to MUR 2.99. As for dividends, they were increased by 33% to MUR 0.40 per share and were paid in December.

From a treasury point of view, net cash flow from operating activities amounted to MUR 634.4 M compared to MUR 526.3 M last year and was again applied mainly to reducing group indebtedness and increasing liquidity. The December 2006 group balance sheet has strengthened, with non current indebtedness down by MUR 167.4 M and net current assets improving by some MUR 225.5 M. Capital expenditure on fixed assets was kept to a minimum in 2006 and amounted to MUR 85.5 M.

As announced in the press in September 2006 and ratified by a Special Meeting of shareholders held on October 27, 2006, the share capital of the company was split in the ratio of one into ten shares and a bonus issue of one share for every three split shares held was made. The objective, which was to improve the tradability and liquidity of the shares on the Stock Exchange, was met as both trading volumes and market capitalisation have much improved since.

In November 2006, another public announcement was made to the effect that the group was restructuring its activities by :

- amalgamating its land owning and cane growing wholly owned subsidiaries with The Beau Plan S.E. Co Ltd as a first step, and with Harel Frères Limited at a later stage,
- acquiring the minority interests in Compagnie Industrielle de Solitude Ltée and amalgamating it with Harel Frères Limited, and
- transferring the group's non sugar investments to H F Investments Ltd, a wholly owned subsidiary.

The main objectives of the restructuring plan are to structurally simplify the group so as to render it more efficient and cost effective to run while, at the same time, giving sharper focus to its two main pillars, namely sugar and property on the one hand and commercial and

# chairperson's statement (cont'd)

industrial activities on the other. The market appears to have reacted positively to the proposed plan.

In late November 2006, the Board approved the undertaking of a valuation exercise by a professional valuer of the agricultural assets belonging to the group. The new values will be included in next year's financial statements.

This year again, there are no reportable developments regarding any of the Court actions instituted in 2003 - whether by certain Board members against colleagues, or by a member of the company's holding entity against its fellow members, or again by the company itself against some of its directors. However, efforts made by the company to promote best practices of corporate governance within its midst were recognized by the award to Harel Frères Limited of the prize for the Best Corporate Governance Disclosures at the 2006 PricewaterhouseCoopers Best Published Accounts competition.

Concerning prospects for 2007, although the different segments of the group are performing satisfactorily, the passage of cyclone Gamede and the dry spell which followed will affect the 2007 crop and have a negative bearing on the group's overall results. In April 2007, the Cabinet of Ministers granted, ahead of an imminent award of the Permanent Arbitration Tribunal, the forty hour week during the crop in the sugar industry. The modalities of application thereof could also have a significant bearing on the profitability of our sugar operations. In addition, and as more widely explained by the Managing Director in the review of operations which follows, the sugar reform presently being implemented in the EU will culminate in price cuts of 36% by 2009, while the intended treatment of sugar in the Economic Partnership Agreements (EPA) to be negotiated between the EU and ACP countries may well lead to the end of the Sugar Protocol in the medium term. Government has developed an all encompassing Multi Annual Adaptation Strategy (MAAS) in order to ensure that the sugar industry regains its competitiveness and thrives in future. The plan has been endorsed by the EU, who will also support it financially with Accompanying Measures.

However, at the time of writing this report, implementation of the MAAS is being delayed mainly as a result of a recent additional conditionality placed by Government on the closure in 2007 of three mills, namely that "*discussions being opened between the MSPA and Government to include the transfer of 1500 – 2000 arpents of land from the sugar sector to Government for the purpose of implementing a socially acceptable economic adaptation strategy*". MSPA is in disagreement with this further condition. This is a source of prime concern to us as the closure of three mills in 2007 together with the implementation of a Voluntary Retirement Scheme (VRS) for at least 1,500 workers constitute preconditions for the disbursement of the Accompanying Measures in the current year. It is indeed our belief that the reform which has to be undertaken locally in order to prepare the industry to face the impending drastic 36% cut cannot succeed unless the best possible economic use is made of EU funding under the Accompanying Measures.

In June 2006, Mr Charles Edouard Piat resigned from the Board after having served the company for nearly four years while Mr Dominique de Froberville has elected not to stand for re-election as a director at the forthcoming Annual Meeting. On behalf of the Board, I would like to thank them both for their contribution to the affairs of the company and wish them well for the future. The Board has replaced Mr Piat by Mr Joseph Marc Harel, whose appointment is to be ratified by the shareholders alongside that of Mr Jean Pierre Hardy, who is proposed in Mr de Froberville's stead.

Finally, I would like to congratulate management in particular and all employees in general for the commendable results which the group has achieved in 2006. I have no doubt that they did not happen by chance, but that they were the result of everybody's dedication and assiduous work. On behalf of shareholders, I take this opportunity to thank you all for the strenuous efforts which you put into your everyday work.

**Jean Hugues Maigrot**
Chairperson

May 16, 2007

# sugar

## Sugar

**The international front**

One of the milestones of the year under review has been the implementation in July 2006 of the new EU Sugar Regime, introducing measures likely to cause dramatic changes to the EU sugar production and commercial environment, with a significant collateral impact on the ACP sugar suppliers. This development has caused the Guaranteed Price received by Mauritius and its other ACP partners under the Sugar Protocol to be decreased by 5.1% – to Euro 496 per tonne from a previous longstanding Euro 523 – being the start of a programmed stepwise price cut which will cumulate at 36% in October 2009. Even more dramatic is the abolition by the EU of the Intervention Price, which, in the previous Sugar Regime, was a strong safety net offering a buyer of last resort for any sugar left unsold, and its replacement by a Reference Price, which only figures as a target rather than a guaranteed price.

Indeed, the main objective of the new Sugar Regime is to achieve substantial productivity and efficiency gains across the EU sugar sector, so as to make it more competitive in future and thus adapt it to the stark realities of a new international trading environment. This involves abandonment of production by the less efficient EU producers, restructuring and consolidation of the more efficient ones and finally supplementation of any resulting supply shortfall by imports.

The EU market is thus expected to become in a few years a major deficit area, supplied by both EU beet sugar producers and imports mainly from ACP and Least Developed Countries (LDC) suppliers, but where only the most competitive suppliers will find a place. If Mauritius is to remain one of them, it will have to ensure that all the measures it is proposing to adopt in the context of its industry's restructuring plan are urgently and fully implemented. The economic viability of the plan, as well as its social and environmental benefits, have been clearly demonstrated and translated into a Multi Annual Adaptation Strategy (MAAS) which has been approved by the EU in the context of its Action Plan on Accompanying Measures.

Although the quantum of accompanying measures initially proposed by the EU for Mauritius was largely insufficient to meet its investment requirements in full, lobbying efforts have enabled it to obtain an improvement which, at time of writing, provides it with more than Euro 300 M, including funding from uncommitted European Development Fund (EDF) support, out of a total funding requirement of Euro 675 M. However, the total quantum disbursed by the EU for any beneficiary country under the accompanying measures will depend on its capacity to absorb the funds that are put at its disposal and is subject to fulfillment of certain agreed conditions.

For year 2006, a total amount of Euro 11.1 M has been earmarked for Mauritius, including both accompanying measures and EDF funding. The disbursement of these funds will be subject to Mauritius being able to satisfy certain pre-agreed conditions, including the establishment of a coherent energy policy in the context of the sugar restructuring plan.

Another crucial issue which was also addressed during the year under review was the treatment of the Sugar Protocol in the context of the future Economic Partnership Agreements (EPA) between the EU and ACP. The main concern of the ACP sugar suppliers is to ensure that in any future arrangement, the benefits of the Sugar Protocol are adequately safeguarded. Given the difficulties of the ACP group to agree on a common position on the issue, it has, during 2006, commissioned a study to examine the different possible options regarding the future treatment of the Sugar Protocol and make recommendations accordingly. The ACP will have to be ready to start discussions with the EU on the issue during 2007 as this exercise will have to be completed before the end of the year.

Finally, after the failure of the main WTO members to agree on certain critical issues in the context of the Doha Development Agenda, negotiations reached a stalemate during 2006, in spite of efforts undertaken by some key members to restart the process. Although this situation does give more time to certain developing countries such as Mauritius to complete their adaptation to the new commercial environment, it is also postponing the adoption of certain elements which could have brought additional security in markets, namely the recognition of long standing preferences and, more importantly, the concrete provisions to be adopted so as to make it operational.

# managing director's
## review of operations (cont'd)

**The group's sugar interests**

In Mauritius, Harel Frères and its subsidiaries own some 3,809 ha of cane land in the factory area of Belle Vue, situated in the North of the island. The harvested area in 2006 represented 3,284 ha, of which about 67% is fully mechanized and 56% is under irrigation. The balance of the harvested area consists of 6,655 ha belonging to some 4,322 independent planters, virtually all of whom cultivate plots of less than 10 ha in size. The estimated insurable sugar of the factory area amounts to 91,032 tonnes of sugar, of which roughly 50% normally accrues to the group.

The group also holds an effective 63% stake in Belle Vue Milling Co Ltd, which owns one of the largest and most modern sugar mills in the country. The mill is presently the largest producer of specialty sugars in Mauritius and imports its energy needs from the adjacent power plant of Compagnie Thermique de Belle Vue (CTBV), its sister company.

In Côte d'Ivoire, the Harel Frères group, through its wholly owned offshore subsidiary, Ivoirel Ltée, owns 25.5% of Sucrivoire S.A., which is one of the two sugar groups operating in Côte d'Ivoire. The other shareholders are SIFCA, an Ivorian group (29.5%) and the State of Côte d'Ivoire (45%). The company is managed jointly by SIFCA and Harel Frères Limited.
Owing to the pervasive political instability prevailing in this country in 2004 and the resulting poor performance of Sucrivoire, the directors deemed it prudent at that time to fully provide against this investment. However, as more amply described below, the company's financial situation has significantly improved since. Consequently, the directors have decided to conservatively value this investment at MUR 6.9 M, which is equivalent to our share of the 2006 operational profits.

**The 2006 crop**

The 2006 crop was an above average one for the Belle Vue factory area, with a sugar production representing a 9.6% increase on the previous year. Climatic conditions were generally favourable for our region, abundant rainfall being recorded during the vegetative period. This, combined with high temperatures and the absence of cyclonic winds, favoured cane growth which, at the start of the crop, was longer than the normal mean height. Conditions were however unfavourable for sucrose accumulation and resulted in extraction rates which were lower initially, but which fortunately improved subsequently.

The good crop was also a consequence of a further 1,000 hectares of cane land in our factory area being put under irrigation as a result of the coming into operation of the Midlands Dam, which provided enough water even during the dry season.

On the negative side, we had to deplore an increase in criminal fires of cane fields. It is estimated that in 2006, some 25% of the factory area was burnt compared to an average of 10%. This had a negative effect on the processing of the juice by the mill and also slowed down ratoon growth in non irrigated fields. It is also of concern to note that the area harvested in 2006 decreased by some 207 hectares on the previous year.

Overall, group companies harvested some 273,690 tonnes of cane, representing an 11% increase on last year. Mean yields recorded were 83.3 tonnes cane per hectare and 9.28 tonnes sugar per hectare, compared to 74.0 and 8.07 respectively last year.

Transport efficiency was greatly improved in 2006 with the use of larger capacity, self unloading trailers, and new tractors and lorries. Our four harvesters performed well, harvesting some 228,000 tonnes of cane, representing 69% of the total cane production managed by Harel Frères Limited. A marked reduction in cane loss during mechanical harvesting was noted and is attributable to closer monitoring of the harvesters' performance.

As for the mill, it crushed 771,281 tonnes of canes without any major problem. The crushing rate, at 309 TCH, was slightly lower than that of last year, and the crop period extended over 122 days.
Extraction rate was slightly higher than last year, reaching 10.83 for a sugar production of 83,505 tonnes @ 98.5 Pol, which was the highest recorded on the island for the third year in a row. Reduced Mill Extraction and Reduced Overall Recovery were both better than last year, with 98.0 and 86.77% respectively. Fibre % Cane was 17.7, slightly higher than last year.

## Sugar (cont'd)

Production of specialty sugars reached a record of 45,094 tonnes, a 19.1% increase on 2005, representing 55% of total sugar production. The quality of the 11 different types of sugars was excellent as usual, to the great satisfaction of the buyers. Sugar accruing to the group amounted to 42,131 tonnes, an increase of 4,352 tonnes compared to last year, and represented 98.6% of our Total Insurable Sugar.

**Personnel**

At December 2006, 81 staff and some 680 permanent workers were employed in the group’s sugar activities, of whom 351 were in the fields, 213 in the mill and 116 in the garage. A 1.7% reduction in the workforce was recorded during the year. Once again, field workers and job contractors were hired as and when needed during both crop and intercrop seasons.

In order to reduce their permanent work force, the group companies which are engaged in cane growing activities are considering the implementation of a Voluntary Retirement Scheme (VRS) in 2007, while the milling company envisages resorting to an Early Retirement Scheme (ERS).

**Capital expenditure**

Overall capital expenditure for 2006 amounted to MUR 56.8 M. Some MUR 28.4 M were spent on transport and agricultural machinery, while MUR 13.3 M were used to improve the irrigation network. The mill spent MUR 15.1 M on a new sugar dryer and the refurbishment of some centrifugals. The factory laboratory was also completely refurbished to international standards in compliance with HACCP norms.

**Closure of the Mon Loisir sugar mill**

In October 2006, Belle Vue Milling Co Ltd (BVM) was informed by FUEL that it had applied for permission to close down the Mon Loisir factory immediately after the 2006 crop on condition that the Mon Loisir estate canes (150,000 tonnes) be consigned to FUEL factory for milling and that, subject to a satisfactory commercial agreement, the outgrowers' canes (220,000 tonnes) be consigned to Belle Vue factory for milling.

No agreement was reached on the proposed arrangement as, besides being too onerous and unnecessarily differentiating between estate and planters canes, it failed to address the basic criteria of fully utilizing existing spare mill capacity and minimizing transport costs, while also falling short of BVM's minimum cane requirements in order to stay viable in future.
We were also informed in early April 2007 that Government had granted permission for the Mon Loisir mill to close down prior to the 2007 crop subject to a number of conditions, *inter alia* that of reaching agreement with BVM on the sharing of that factory area's canes. No agreement has so far been reached.

**Results**

Owing to the high fixed cost structure of sugar operations, particularly on the milling side, an above average crop and a sustained sugar price when expressed in rupee terms naturally translate into enhanced profitability. Thus, group profit after tax for 2006 in respect of sugar operations improved by MUR 121.6 M to reach MUR 178.1 M, with milling operations contributing MUR 28.1 M to this segment's bottom line.

**Prospects for 2007**

Cane growth was slow early in the season with rainfall deficits from early November 2006 to mid January 2007. Since then, abundant rainfall has been recorded resulting in good cane growth. However the passage of cyclone Gamede at the end of February 2007 followed by a dry period, has slowed down the elongation of the cane, total length lagging by 15% to date, compared to 2006. Thus a

650,000 tonne crop yielding some 71,500 tonnes of sugar is now expected for the Belle Vue factory area.

**Côte d'Ivoire**

Political situation

The Presidential elections did not take place in October 2006 as planned and were once again postponed. Then, in April 2007 and rather unexpectedly, a peace agreement was brokered between the Ivorian Government and the rebel forces by the President of neighbouring Burkina Faso, in terms of which the leader of the rebel forces was appointed as Prime Minister and new dates set for elections. A new government has been sworn in and French and UN troops have withdrawn from the "*zone de confiance*". This augurs well for the future and is giving rise to cautious optimism in the country. In the meantime, and although the Northern part of the country still remains under the rebel forces control, the situation is peaceful on the ground, with virtually normal trade exchanges between the two parts of the country.

Operations

With improved peace and order on the Ivorian territory, Sucrivoire managed to operate in a quasi-normal manner, achieving a sugar production of some 73,000 tonnes for the 2006 – 2007 crop, compared to 57,000 tonnes for the previous year. Some 2,840 hectares, representing 27% of area under cane, were replanted. The objective is to attain a production of at least 80,000 tonnes of sugar for the next crop. Rehabilitation of the mills and estates continued, and some FCFA 2.9 Billion (Euro 4.4 M) were invested in machinery and equipment during 2006.

Commercial

Sales also improved in 2006, with 64,355 tonnes of sugar being sold on the local market compared to 49,700 tonnes last year. Quotas to the EU and USA were not supplied on account of non remunerative prices. Overall turnover amounted to FCFA 24.2 Billion (Euro 36.9 M), up 18% on the previous year.

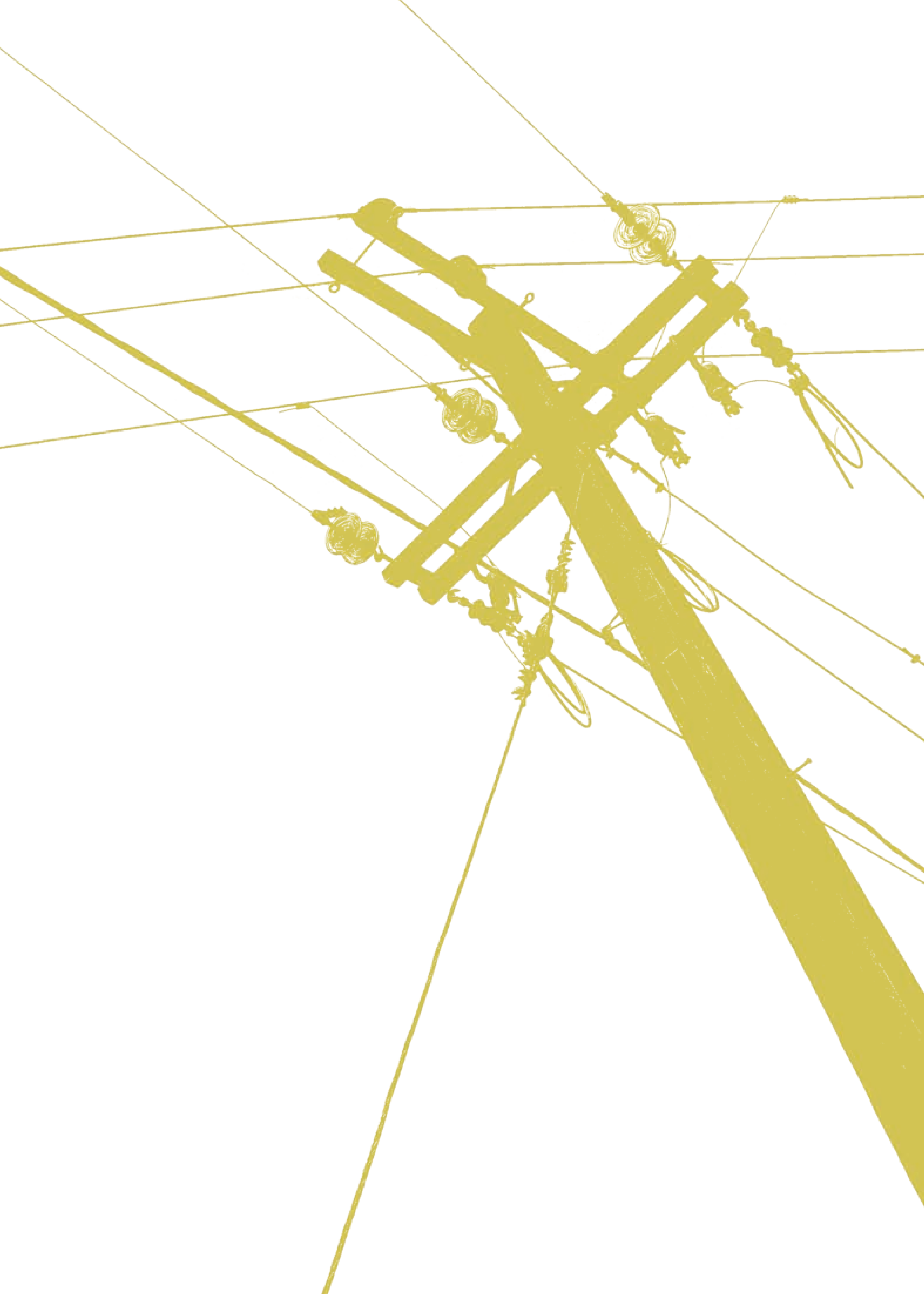
The official ban on sugar imports into Côte d'Ivoire expired in December 2006 but is in the process of being renewed for a further two years. However, thanks to the strenuous efforts of the Customs Department and the high world market prices presently ruling, fraudulent imports have largely been mitigated.

Results

Sucrivoire S.A. posted a modest operating profit of FCFA 408 M (Euro 0.6 M) for the year, compared to a loss of FCFA 1.0 Billion (Euro 1.5 M) in 2005.

In addition, the company recorded an exceptional profit of FCFA 9.7 Billion (Euro 14.8 M) as a result of the Ivorian state recognizing that the company had suffered a prejudice from the political events of the last few years and agreeing to compensate it therefor. Accordingly, an amount of FCFA 4.0 Billion (Euro 6.1 M) which was owed to the State has been annulled in the books of Sucrivoire at December 2006, Government bonds of FCFA 2.8 Billion (Euro 4.3 M) are being issued in favour of the company and a further FCFA 2.8 Billion (Euro 4.3 M) is recognized by the State as a debt, but with no fixed terms of repayment. These measures have brought about a significant improvement in the financial position of the company.

# energy



## Energy

The group, through its subsidiary Société HBM, has a 40.3% effective interest in Compagnie Thermique de Belle Vue Limitée (CTBV). The latter owns a 70 MW bagasse / coal fired power plant situated in Belle Vue. It is adjacent to the sugar mill which supplies it with bagasse in exchange for energy requirements. Other shareholders are our strategic partner Séchilienne-SIDEC (27%), the Sugar Investment Trust (14%) and the State Investment Corporation (8%).

CTBV has signed a long-term contract with the Central Electricity Board (CEB). Under these terms, it supplies electrical power to the grid throughout the year.

**Management**

The day-to-day operation of CTBV is entrusted to CTBV Management Co Ltd (CTBVM), which employs around 49 staff, comprising of one expatriate. CTBVM is controlled by Séchilienne-SIDEC, which holds a 67% interest. The other main shareholder is the Harel Group, with a 28% holding. Overall management of CTBV is jointly assumed by Séchilienne-SIDEC and Harel Frères Limited. The former is responsible for technical support, with a view to optimise plant efficiency, both in terms of operation and energy production, while Harel Frères Limited has an administrative responsibility.

With regard to the handling and stocking of coal, a separate entity, Coal Terminal (Management) Co Ltd (CTMC), runs these operations from the company's depot, situated in the port area. Coal is jointly imported by CTBV and other energy producers and stocked at the depot, from where it is dispatched to users. During the year, CTBV ceded part of its shareholding in CTMC to Compagnie Thermique de Savannah Limitée, thus diluting its stake in CTMC from 38.63% to 30.26%. The disposal of shares has given rise to proceeds of MUR 4.2 M.

**Performance and operations**

The power plant performed satisfactorily during the year, with an availability level of 99.1% which is well above minimum contractual obligations. Energy exported to the grid amounted to 358 GWh, which is roughly equivalent to last year's performance. However, owing to a better harvest, energy production from bagasse increased from 89 GWh in 2005 to reach 99 GWh in 2006. In fact, the plant consumed 262,145 tonnes of bagasse in 2006 as compared to 230,863 tonnes in 2005.

The company met its supply commitments to the CEB for the contractual year ended June 30, 2006 and, in addition, generated some 21,5 GWh at a reduced tariff, over and above the minimum take. CTBV is confident of fulfilling its

# managing director's
## review of operations (cont'd)

contractual obligations of 325 GWh for the year ending June 30, 2007. In fact, with a capacity of approximately 450 GWh and given current availability levels, the plant is in a position to supply an extra 125 GWh yearly to the CEB, at a reduced price.

During the year under review, the plant burnt 161,145 tonnes of coal, representing a consumption of 623 g per KWh, practically the same as in 2005. At December 31, 2006, CTBV had 26,849 tonnes of coal in storage, which represents about 46 production days during intercrop.

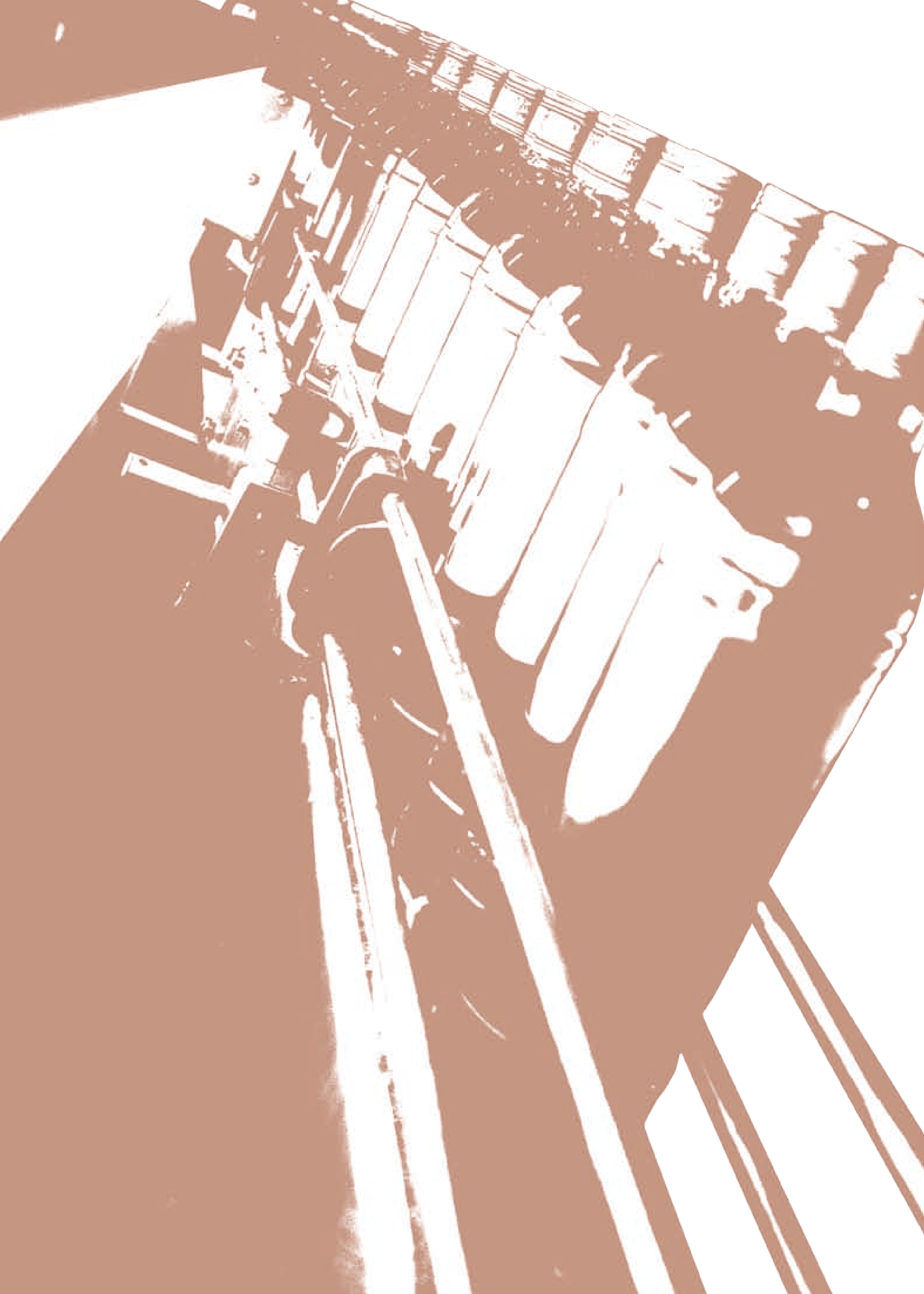
During the annual shutdown, our main undertaking consisted in the carrying out of exhaustive preventive maintenance. The main operations involved the replacing of the refractory concrete on the front side of one of the boilers. Other maintenance works have been carried out on one grate.

Health and safety issues have always been at the heart of our concerns. In its continuous endeavour for a safer working environment, CTBV has set up a Health and Safety Committee to look into aspects of safety at work and attempt to reduce work-related accidents – which have increased from 0.30% of overall work days in 2005 to 0.70% in 2006. To further improve work habits, personnel were given the opportunity to follow training sessions on ergonomics.

**Financial**

The energy segment posted a profit after tax of MUR 241.2 M for the year under review, compared to MUR 207.7 M in 2005. Operating activities benefited from a favourable bagasse / coal mix, while the appreciation of the Euro, towards the end of the year, gave rise to exchange gains on our foreign currency deposits, which substantially mitigated the exchange losses incurred on repayment of our loans. In fact, a net exchange loss of MUR 20.5 M was recorded during the year as compared to MUR 63.6 M in 2005. In addition, in the context of rising interest rates, interest income during the year improved from MUR 14.4 M to MUR 27.2 M.

Overall borrowings of CTBV, of which 71% is denominated in Euros, amounted to MUR 1,386 M at December 31, 2006, compared to MUR 1,404 M last year. The gearing ratio, which stood at 58.9%, is well within the contractual limit of 80% and the Debt Service Reserve Account, amounting to MUR 168.5 M, has been funded in accordance with loan covenants.



# commercial & manufacturing

## commercial and manufacturing

**Shareholding**

Distell Ltd, a leading distributor of wines and spirits in South Africa which had last year appointed Grays as its sole distributor for Mauritius, acquired a 26% stake in the operations of Grays, effective January 2006. Management is confident that this strategic partnership will bring added focus, impetus and expertise to the company.

In order to give effect to the transaction, a wholly owned subsidiary, Grays Inc. Ltd, was incorporated by Grays & Co Ltd to which it transferred its operating activities, save for certain fixed assets and investments. Distell then acquired 26% of Grays Inc.'s capital for a consideration of MUR 79.9 M.

Following the transfer of its commercial activities to Grays Inc. Ltd, Grays & Co Ltd retained certain buildings and motor vehicles which are rented to the former. It also still holds 66.6% of Grays Refinery Ltd, 100% of Grays Export Ltd, 51% of Tresspass Ltd, a 33.3% share in New Goodwill & Co Ltd and related companies and is a 50% partner in a number of joint ventures, namely "Les Chais de L'Isle de France Limitée", "Les Domaines de Mauricia Limitée", "SARL VSV", and "Cosmebelle (Mauritius) Limited".

### Commercial

The core business of Grays Inc. Ltd remains the production, marketing and distribution of wine and spirits. In addition to both "Grays" and "Distell" branded products, the portfolio includes a comprehensive range of international brands in the fields of personal care, hygiene & cosmetics, household and fast moving consumer goods.

**Administration**

Although the Enterprise Resource Planning (ERP) software has improved the availability of management information, it still shows some weaknesses in certain areas such as stock management, which the implementation team is treating as a priority. Stock reconciliations at year end have revealed numerous discrepancies which could be due to either misuse of the system or unexplained shortages. An appropriate provision has been made accordingly, pending the outcome of a thorough investigation which is currently underway. A management review of the application's software, its database configuration and system processes is also being undertaken.

A ''Logistics" manager was recruited in July 2006 in order to optimise efficiency along the supply chain and, ultimately, improve our distribution service to customers.

**Performance**

### Wine & spirits

The consolidation of the Distell portfolio has comforted Grays in its position as leader in quality wines and spirits, with turnover showing a 25% growth over the previous year. However, sales patterns in this sector were affected by changes during the year to customs and excise duties and tariffs, which caused a shift in consumer behaviour in a number of product categories.

### Local production

The upgrading of bottling facilities reported last year and the commissioning of new equipment for bulk wine bottling allowed us to cope with additional volumes of 35% in comparison to 2005. The need for additional equipment in order to handle further forecasted volume increases is being assessed.

### Personal care, hygiene and cosmetics

Following the take over of Gillette by Procter & Gamble reported last year, Grays was given notice of termination of its distribution agreement for September 2008. Alternative sources of supply are being sought and a distribution contract with "Revlon" from South Africa has recently been concluded.

The above mentioned joint venture, Cosmebelle (Mauritius) Ltd, which distributes locally a wide range of hygiene and cosmetics products, is managed by Grays Inc. Ltd in terms of a management contract. It is showing encouraging growth and has posted a profit of MUR 0.4 M after tax for the year.

### Household and consumer goods

New products were added to the range of consumer goods introduced last year. This department of Grays Inc. Ltd has performed well, resulting in healthy growth in its operating results. As for the household category, which represents 20% of the department activity, it has not been performing up to expectations. Management is taking corrective measures and is confident in this department's future prospects.

### "Vingt sur Vin" outlets (VSV)

The "boutique" type retail outlets owned by Grays Inc. Ltd fared well during the year and the VSV outlet situated in the Floréal shopping mall was revamped, offering as a result a wider range on an increased floor space. All four outlets have all shown interesting growth and the company intends to open new ones when adequate locations are identified in other regions.

## commercial and manufacturing (cont'd)

**Tobacco**

Grays Inc. Ltd has a distribution contract for cigarettes produced in Zimbabwe, a COMESA member. Amendments brought about to the excise duty structure for cigarettes since June 2005 have seriously eroded our market potential. For us to be competitive on the local market, we must have access to locally produced tobacco – which has so far not been made available to us. The company has instituted legal proceedings in an attempt to remedy the situation. The department also imports and distributes quality disposable cigarette lighters and matches from Sweden and a range of Cuban cigars.

**Regional**

Grays & Co Ltd has a joint venture in Reunion, VSV SARL, which distributes a range of wines mainly to the on-trade sector. The outburst of *chikungunya*, which severely hit the sister island in 2006, resulted in an overall 30% drop in the Hotel and Restaurant trade and caused the company to make further losses. Our share of such loss amounted to MUR 1.9 M. Management now questions our growth potential in Reunion and is presently reviewing future strategy in that market.

Grays Inc. Ltd also supplies goods to Madagascar through a local distributor. Political stability and improvement in the economic environment in that country have boosted overall consumption. Sales are showing constant growth and future prospects are encouraging. The net contribution from this activity amounted to MUR 0.5 M for the year.

**Results**

Despite a turnover drop in certain segments as reported above, the Grays commercial cluster recorded an overall 19.8% growth in turnover to reach MUR 880.5 M. This improvement in turnover did not however translate into higher profits, with this cluster's operations contributing only MUR 8.6 M to group profits after tax, down MUR 12.8 M on the previous year. This was on the one hand due to higher finance costs and, on the other, a MUR 15.2 M provision of an exceptional nature being made in respect of stock discrepancies.

Capital expenditure for 2006 amounted to MUR 18.5 M, for the acquisition of motor vehicles and computer equipment.

## Manufacturing

### Production of alcohol

The group holds a two third stake in Grays Refinery Limited, a company which owns and runs a distillery.

Production of alcohol in year 2006 reached 3.62 million litres at 100% volume over a distillation period of 160 days which spanned over both the crop and intercrop periods, compared to 2.45 million litres in 2005. Plant efficiency was satisfactory, with an average yield of 224.1 litres per tonne of molasses, a daily production rate of 22,531 litres at 100% volume and an efficiency of 83.37%. 64,517 tonnes of vinasse with a vinasse/alcohol ratio of 17.84 were left over after the distillation process and were spread in the group's sugar cane fields as bio-fertilizer.

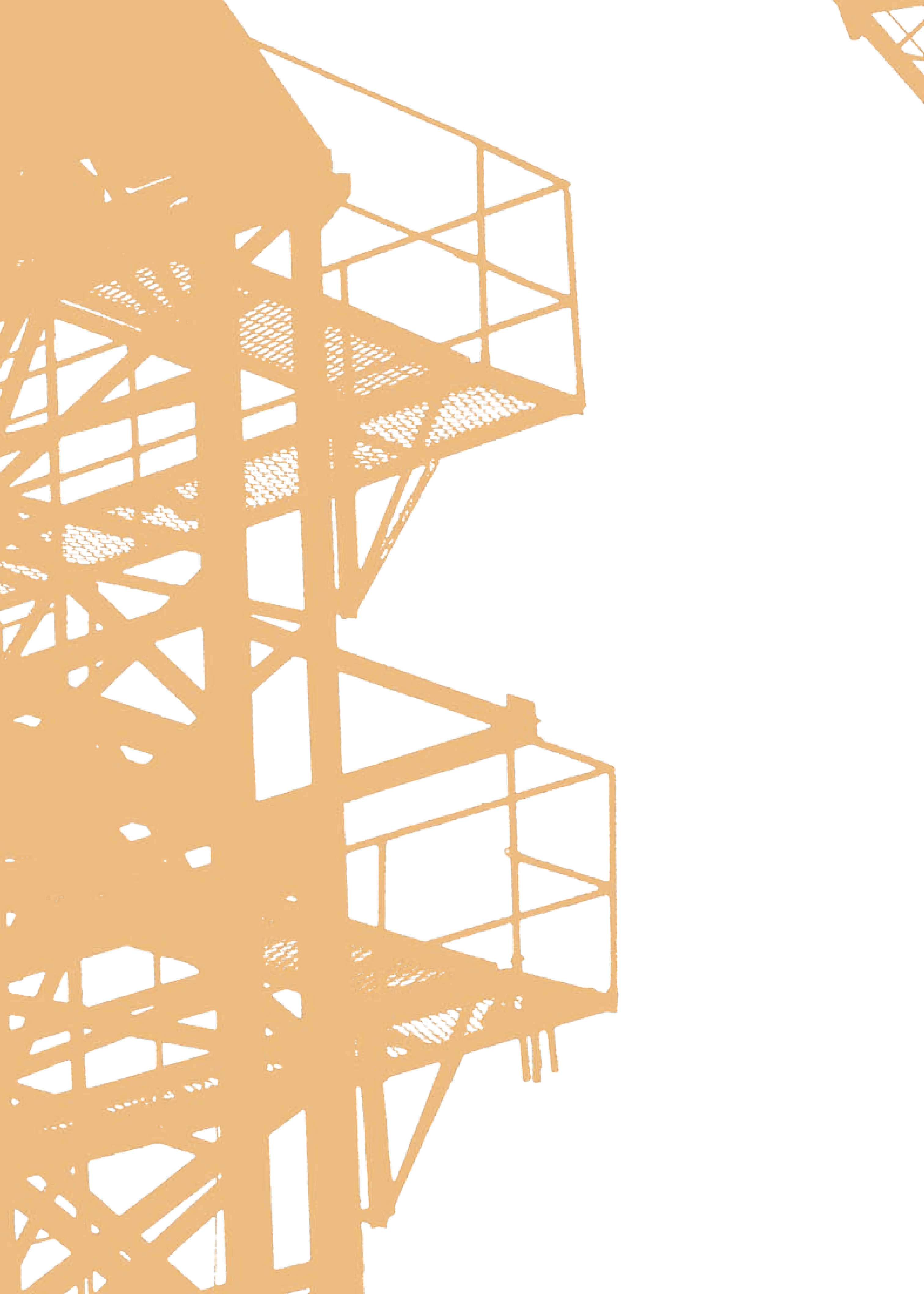
Some problems were encountered with the degassing column's trays and bubble cups during the distillation process. Furthermore, the handling of soaked coal during intercrop and the higher content of fine coal particles during the crop season resulted in stoppage for boiler cleaning. The fermentation and distillation process went well with excellent results.

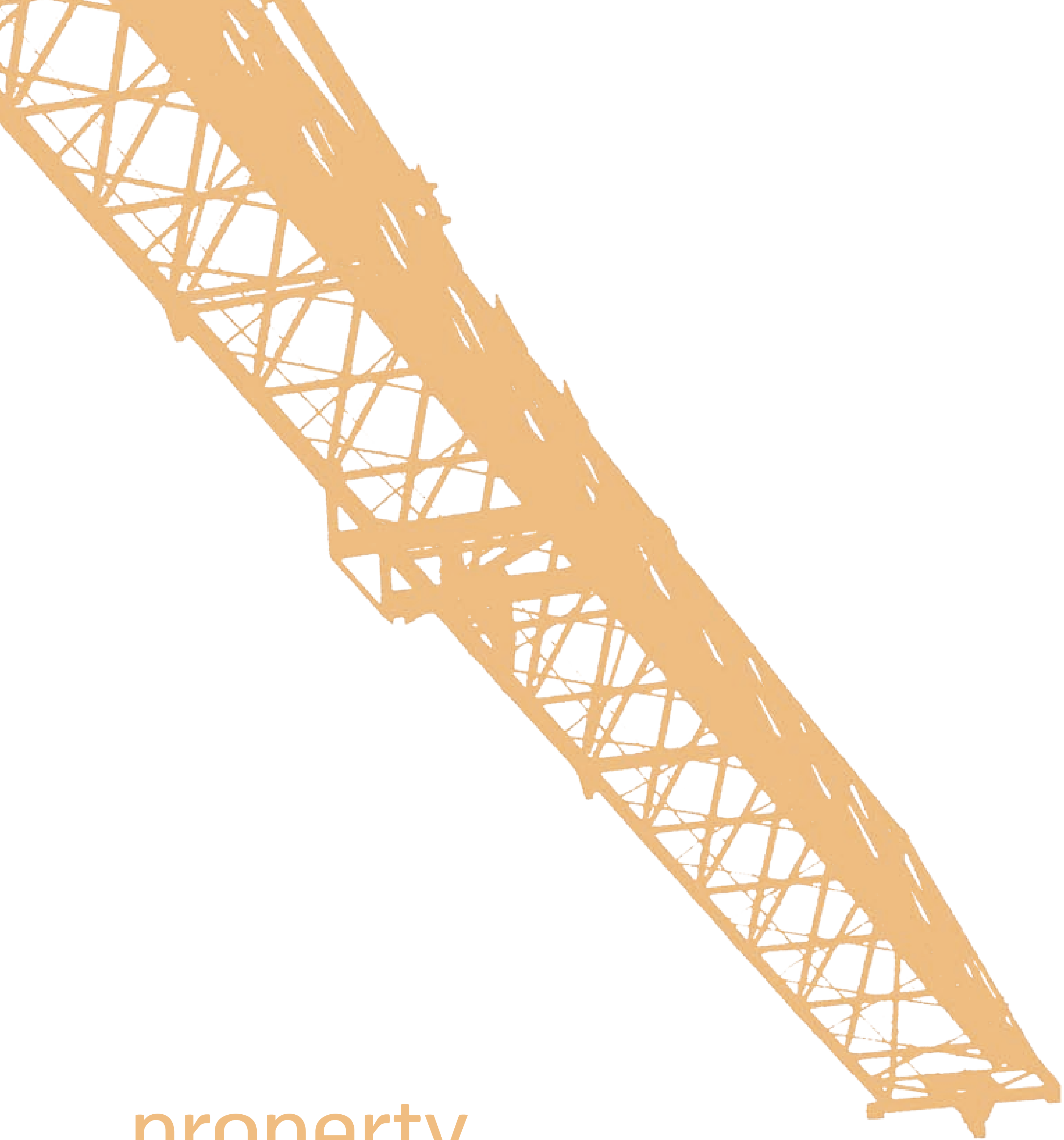
Total exports for the year amounted to 1,134,839 litres, including 800,000 litres through another distiller, compared to 691,364 litres in the previous year.
As a result mainly of a 47% increase in production over 2005, which enabled the company to better spread its overheads, and despite a 25% increase in the price of molasses as from July 2006, the company increased both sales volumes and profitability in 2006. Indeed, turnover increased by 27.8 % to MUR 90.7 M and profit after tax reached MUR 23.2 M, an increase of MUR 9.2 M over the previous year.

### Local rum

As mentioned above, Grays & Co Ltd holds a 33.3% share in New Goodwill & Co Ltd and related companies, which are involved in the bottling, wholesaling and distribution of local rum and compounded spirits.

Turnover amounted to MUR 610 M, an increase of 11% on the previous year. However, profit after tax decreased by MUR 11.0 M to MUR 15 M, due to changes in legislation. The price structure has since been revised and profitability should be restored.





# property management & construction

## property management & construction

**Property management**

Property management is a group activity which is carried out by Sagiterre Ltée, a wholly owned subsidiary providing services to the group as well to external clients.

Infrastructural works have been completed and *Morcellement* Permits obtained or about to be obtained for both *morcellement* projects initiated last year, namely Bois Mangues and "Domaine de Belle Vue". While sales of the up- market Belle Vue development exceeded expectations, those of Bois Mangues have been slower than anticipated.

Construction work has started on a new development at Balaclava, named "Les Vieux Banians", which consists of 101 up-market residential plots on a gross area of 7.37 hectares. Sales are progressing satisfactorily with 57 lots having been sold so far.

During the course of 2006, 169 plots of a net extent of 13.07 hectares in aggregate were sold on nine different *morcellement* sites belonging to the group. Instalments of MUR 147.2 M were received, on which a profit of MUR 30.9 M was recognized (2005 : MUR 33 M).

Profit on sale of land other than *morcellements* amounted to a further MUR 4.1 M.

As for Sagiterre, its fee and commission income for the year amounted to MUR 20.5 M, which represented an increase of some 39.4% on the previous year. After tax profit amounted to MUR 7.5 M, compared to MUR 4.9 M for the previous year.

Sagiterre is currently handling a number of land development projects on behalf of clients and prospects look good for 2007 in spite of stiff competition.

**Construction**

The group's interests in the construction industry are mainly vested in two companies, namely Produits Basaltiques du Nord Ltée (PROBAN), in which the group effectively holds a 29.2% interest, and Rehm Grinaker Construction Co Ltd (RGC) in which Harel Frères holds a 35.5% stake.

PROBAN, which was incorporated in 1990 to further our policy of field derocking, is involved in the manufacturing and sale of building materials, consisting mainly of hollow concrete blocks, aggregates and rocksand. The management of the operations is entrusted to The United Basalt Products Ltd. Turnover increased by 6.2% to MUR 75.2 M, while profit after tax increased by MUR 1.0 M to reach MUR 7.8 M. Prospects for 2007 look encouraging, based on first quarter results.

As for RGC, it is one of the leading multi-disciplinary construction companies in Mauritius and is managed by Grinaker-LTA South Africa in terms of a management contract. As could be expected, RGC had its fair share of the numerous development projects being undertaken presently in Mauritius and recorded very good results. Turnover for 2006 increased by 27% to MUR 1,280 M and profit after tax by 32% to MUR 44 M. Prospects for 2007 are very good.

# other interests

## other interests

**Financial services**

Harel Frères Ltd owns 26.8% of Intendance Holding Limited, the holding company of the Swan group which, in turn, mainly comprises Swan Insurance Co Ltd and The Anglo-Mauritius Assurance Society Limited.

In 2006, group profit after tax dropped by MUR 38.4 M to MUR 21.1 M, mainly due to the underwriting performance being adversely impacted by high claim levels. Besides, the restructuring of the equity portfolio which had led to an exceptional profit in 2005, was not repeated this year.

As mentioned in last year's Report, the group disposed of its 38% stake in Cavell Securities Ltd for MUR 2.5 M to CIM Stockbrokers Ltd, who also bought out all the other shareholders. The sale resulted in a profit of MUR 0.6 M for the group.

**Leisure**

The group has an effective 27.2% interest in Sugarworld Limited, which owns and promotes *l'Aventure du Sucre*, a museum and entertainment complex situated in the former Beau Plan sugar mill buildings.

As predicted, the outburst of *chikungunya* in early 2006 negatively affected the company's performance for the year. Although turnover increased by 7% to MUR 32 M, the company posted a loss of MUR 1.47 M for 2006. Cash flow was nevertheless positive.

*Chikungunya* has since been contained, *l'Aventure du Sucre* is being more and more recognized as forming an important source of knowledge about the Mauritian patrimony and the results of the first quarter of 2007 are encouraging.

**Commodity trading**

The group owns a 30.8% interest in Alcohol and Molasses Export Ltd, a company whose main activity is to trade in molasses.

The exceptional trading conditions which prevailed in 2005 did not continue in 2006 and, although turnover increased by 40% to MUR 173.7 M, trading margins thinned out and profit after tax decreased from MUR 22.1 M to MUR 4.5 M.

**Other**

The group has traditionally held small and non strategic investments in a large number of companies quoted for most on the SEM or DEM. The Board, having regard to the buoyancy of these markets, decided to sell the bulk of these investments during the course of the year. Proceeds amounted to MUR 89 M while a profit on disposal of MUR 83 M was realized.

In July 2006, Horus Ltée, a 50% newly incorporated associated company, acquired an 18.5% stake in United Docks Ltd (UDL) for MUR 203.8 M and became its largest shareholder. The main assets of UDL consist of some nine hectares of freehold land in the port area, an 11% stake in Société du Port Ltd, a corporation operating in the Freeport, an indirect holding of 13.41% in Harel Mallac & Co Ltd, which it co-controls with a partner, and a 20% stake in ACMS Holdings Ltd, a group involved in financial services. Although the price of the UDL share on the Stock Exchange has dropped by some 15% since acquisition, a number of synergies and development opportunities exist. The Board views this investment in the long term.

**Cyril Mayer**
Managing Director

May 16, 2007

### Statement of compliance

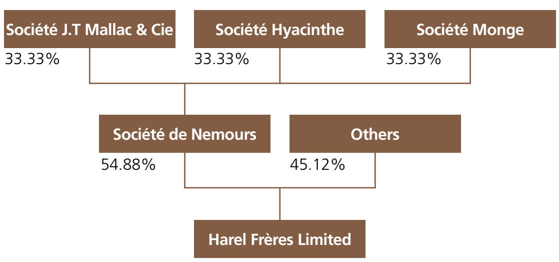
The Report on Corporate Governance for Mauritius, which was published in October 2003, provides that companies listed on the official list of the Stock Exchange of Mauritius, amongst others, shall comply with the provisions of the Code as from the reporting year ended June 30, 2005.

The Board of Harel Frères Limited recognizes that the Code is seen as best practice and this report gives detail of how the principles of the Code have been applied within the group.

The Board considers that the group has complied in all material respects with the provisions set out in the Code for the reporting year ended December 31, 2006.

### Holding structure

The holding structure of the company is set out hereunder :




### Common directors

A number of directors are common to the company and the above-mentioned holding entities, as follows:

| | Holding entities | | | |
|---|---|---|---|---|
| **Directors** | **Société de Nemours** | **Société J.T. Mallac** | **Société Hyacinthe** | **Société Monge** |
| Philippe de Chasteauneuf | x | x** | | |
| Jean Desmarais | x | | | x* |
| Jean de Fondaumière | x | | | |
| Dominique de Froberville | x | x | | |
| Alexis Harel | x | | x | |
| Henri Harel | x | | x | |
| Joseph Marc Harel | x | | | x |
| Guillaume Raffray | x** | | | x** |
| Alain Vallet | x | | x | |

*Alternate director **Chairperson

### Substantial shareholders

Other than the entities shown in the above holding structure and directors of the company, the following shareholders were directly or indirectly beneficially interested in 5% or more of Harel Frères' share capital at April 30, 2007.

| | Direct | Indirect |
|---|---|---|
| Compagnie Sucrière de Mon Songe Ltée | - | 11.39% |
| Moulin Cassé Ltée | - | 12.46% |
| Pershing LLC (foreign investor) | 7.37% | - |

Except for Pershing LLC which has no indirect interest, the two other substantial shareholders hold their indirect interest in Harel Frères Limited through one of the members of the controlling shareholder, Société de Nemours.

To date, no other entity or individual has reported an interest of 5% or more in the share capital of the company.

### Shareholders agreement

To the knowledge of the company, there is no shareholder agreement between its direct shareholders. However, the company is aware of the existence of a *Protocole d'Accord* between the three members of its controlling shareholder, which governs amongst these members the allocation of seats on the Harel Frères Board.

According to the provisions of the said *Protocole d'Accord*, nine of the thirteen seats on the Harel Frères Board are filled by the controlling shareholder, upon recommendation of the latter's members.

### Constitution

The company's Constitution is in conformity with the provisions of the Companies Act 2001 and those of the Listing Rules of The Stock Exchange of Mauritius.

Its salient features are :

- the company has wide objects and powers,
- there are no ownership restrictions or pre-emptive rights attached to the shares,
- the company may acquire and own its shares,
- shareholders may cast their votes by post,
- the Board consists of between three and thirteen directors elected every year, and
- the chairperson has a casting vote.

**Board of directors**

A unitary Board of thirteen directors is appointed in terms of the Constitution, amongst whom are presently three independent nonexecutive, six nonexecutive and four executive directors. The directors hold office for a one-year period but are eligible for reappointment.

The names and profiles of the Board members as well as the directorships held by them in listed companies appear on pages 12 to 15.

The directors' interests in the company's securities as at December 31, 2006 are as follows :

| | Ordinary shares | | | | | | | | Debentures * | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Direct | | | | Indirect | | | | Direct | Indirect |
| | Shares | % | Usufruct | % | Shares | % | Usufruct | % | Units | Units |
| **Directors** | | | | | | | | | | |
| MAYER Cyril | - | - | - | - | 1,216,772 | 0.70% | 574,320 | 0.33% | 1 | - |
| DE CHASTEAUNEUF Philippe | - | - | - | - | - | - | - | - | 1 | 1 |
| DESMARAIS Jean | - | - | - | - | 486,080 | 0.28% | 512,060 | 0.29% | - | - |
| DE FROBERVILLE Dominique | - | - | - | - | 266 | 0.00% | - | - | 1 | 1 |
| HAREL Alexis | 133 | 0.00% | - | - | 133 | 0.00% | - | - | 1 | 1 |
| HAREL Henri | 720 | 0.00% | - | - | - | - | - | - | 1 | 4 |
| HAREL J. Marc | 117,279 | 0.07% | 1,176,520 | 0.68% | - | - | - | - | - | - |
| RAFFRAY Guillaume | - | - | - | - | - | - | - | - | 1 | 3 |
| VALLET Alain | 133 | 0.00% | - | - | - | - | - | - | 1 | 2 |
| **Alternate Directors** | | | | | | | | | | |
| GUIMBEAU J M Patrick | 133 | 0.00% | - | - | 102,280 | 0.06% | - | - | 1 | 1 |
| HARDY Jean Pierre | 1,333 | 0.00% | - | - | - | - | - | - | 1 | 4 |
| MALLAC SIM Armelle | 1,000,060 | 0.58% | 1,375,960 | 0.79% | 3,178,598 | 1.83% | 4,127,880 | 2.37% | 1 | 1 |

TOTAL ISSUED SHARES : 173,834,000 no par value shares

*: Redeemed on January 28, 2007.

None of the directors hold any interest in subsidiaries.

The directors abide by the principles enunciated in the Model Code on Securities Transactions by Directors, as shown in Appendix 6 of the Mauritius Stock Exchange Listing Rules. During the year under review, no company securities were transacted by the directors during their tenure of office.

The Board as a whole is ultimately responsible and accountable for the affairs and overall performance of the group. It must ensure that proper systems and controls are in place to protect the group's assets and its good reputation. Having regard to recommendations made by management, the Board makes strategic choices and identifies key risk areas, monitors and evaluates the implementation of policies and business plans and approves the company's capital expenditure, investments and operating budgets.

Other specific responsibilities are delegated to Board Committees, notably the Audit and Corporate Governance Committees, which operate within clearly defined terms of reference, reporting regularly to the Board. Information on these Committees is given below.

Senior group executives below Board level are invited, when appropriate, to attend Board meetings and make presentations on the strategies and projects of their business units. Outside consultants are also invited to attend Board meetings when necessary.

The Board met eight times during the year and the individual attendance by directors is detailed on page 49.

**Group company secretary**

Directors have direct access to the advice and services of officials of the secretary company, HF Administrative Services Ltd, which are responsible for ensuring that Board procedures are followed. They also ensure that newly appointed directors are made aware of their fiduciary duties and responsibilities and prepares an induction programme in order for them to be immediately familiar with group's operations, business environment and senior management.

**Board Committees**

Audit Committee

Members :

| | |
|---|---|
| Jocelyn de Chasteauneuf | Chairperson |
| Philippe de Chasteauneuf | Member |
| Jacques de Navacelle | Member |

The three members of the Audit Committee are nonexecutive directors while the Chairperson is also an independent director.

The Committee operates under a formally appointed charter modelled closely on the Code provisions. It is primarily responsible for maintaining an appropriate relationship with the group's external auditors, reviewing internal financial controls and the audit process. Its main objective is to provide the directors with additional assurance regarding the quality and reliability of the financial information used by them and to assist them in properly discharging their duties. The Committee reviews the objectivity and independence of the external auditors and also considers the scope of their work and fees paid for audit and non audit work. External and internal auditors have unrestricted access to the Committee.

The Audit Committee met seven times and has satisfied its responsibilities for the year, in compliance with its terms of reference. Individual attendance by directors is set out on page 49.

Corporate Governance Committee

Members :

| | |
|---|---|
| Jean Hugues Maigrot | Chairperson |
| Jean de Fondaumière | Member |
| Jacques de Navacelle | Member |
| (Cyril Mayer) | (In attendance) |

The three members of this Committee are nonexecutive directors, and it is chaired by the company's Chairperson, who is an independent director.

The Committee's functions are threefold :

- In its role as Remuneration Committee, its terms of reference include *inter alia* the development of the group's general policy on executive and senior management remuneration as well as the determination of both specific remuneration packages and performance measurement criteria for executive directors. It also makes recommendations concerning the level of directors' fees.
- In its role as Nomination Committee, it regularly reviews Board structure, size and composition and makes recommendations to the Board on Board appointments.
- The Committee has the further responsibility of implementing the Code of Corporate Governance for Mauritius throughout the group and of ensuring that the reporting requirements on corporate governance are made in accordance with the principles enunciated in such Code.

The Corporate Governance Committee met four times during the year and the attendance of individual directors at these meetings is detailed in the table set out on page 49.

During the year, the Committee completed an evaluation process of the Board's performance as a whole. The results were reviewed by the Board and confirmed that, generally, the Board functioned well, with a satisfactory and effective contribution from directors.

Upon the recommendation of the Corporate Governance Committee, a Directors and Officers Liability insurance policy was contracted during the year.

**Board and Committee attendance**

The attendance of directors at Board and Committee meetings is set out below.

| | Board | Corporate Governance | Audit |
|---|---|---|---|
| **No. of meetings** | **8** | **4** | **7** |
| **Directors** | | | |
| Jocelyn de Chasteauneuf | 8/8 | - | 7/7 |
| Philippe de Chasteauneuf | 8/8 | - | 7/7 |
| Jean Desmarais | 8/8 | - | - |
| Jean de Fondaumière | 7/8 | 2/4 | - |
| Dominique de Froberville | 7/8 | - | - |
| Alexis Harel | 8/8 | - | - |
| Henri Harel | 7/8 | - | - |
| Joseph Marc Harel | 1/1 | - | - |
| Jean Hugues Maigrot | 8/8 | 4/4 | - |
| Cyril Mayer | 8/8 | 4/4 | - |
| Jacques de Navacelle | 8/8 | 4/4 | 6/7 |
| Charles Edouard Piat | 1/4 | - | - |
| Guillaume Raffray | 7/8 | - | - |
| Alain Vallet | 8/8 | - | - |

**Internal Audit**

Mission and scope of work

The mission of the internal audit is to provide independent, objective assurance services designed to add value and improve the company's operations.

The scope of the internal audit function is to assist the Board of directors and management to maintain and improve the process by which risks are identified and managed and to help the Board to discharge its responsibilities to maintain and strengthen the internal control framework.

The internal audit function is performed by Messrs Ernst & Young, Public Accountants.

Reporting

The internal auditors have a direct reporting line to the Audit Committee and maintain an open and constructive communication with executive management. They also have direct access to the chairpersons of the Committees and of the Board. This reporting structure allows the internal auditors to remain independent and report all items of significance to the Board and the Audit Committee.

Internal audit coverage

The internal audit plan, which is approved by the Audit Committee, is based on the principles of risk management to align coverage and effort with the degree of risk attributable to the areas audited.

The internal auditor performed six audit visits for the group during the financial year 2006. The visits were performed according to the audit plan which was approved by the Audit Committee in December 2005. Proposed recommendations in respect of issues identified were discussed with management and the final internal audit reports were submitted to the Audit Committee.

The audit team focused on the risks areas identified as significant during a risk self assessment exercise which was undertaken in October 2005. The risks identified are regrouped under the following headings:

Environment and Strategy Risks

These arise when there are environmental forces that could either put a company out of business or significantly change the fundamentals that drive its overall objectives and strategies.

The assessment of the environment and strategy risks also included :

*Regulatory risks :*

Changes in regulations and actions by the local regulators can result in increased competitive pressures and significantly affect a company's ability to efficiently conduct business.

*Industry risks :*

The industry may lose its attractiveness due to changes in :

- key factors for competitive success within the industry, including significant opportunities and threats;
- capabilities of existing and potential competitors; and
- group's strengths and weaknesses relative to present and future competitors.

*Operational risks :*

Operational risks are risks of loss resulting from inadequate or failed internal processes and procedures, human error or system failure. They also include legal risk.

Human resources risks

The personnel responsible for managing and controlling the organisation or a business process may not possess the requisite knowledge, skills and experience needed to ensure that critical business objectives are achieved and significant business risks are reduced to an acceptable level.

Financial risks

These may be defined as the risk that cash flows and financial assets are not managed cost-effectively to :
- maximize cash availability;
- reduce uncertainty of currency, interest rate, credit and other financial assets; and
- move cash funds quickly and without loss of value to wherever they are needed most.

Information technology risks

The information technologies used in the group's businesses may not be operating as intended, thereby compromising the integrity and reliability of data and information and exposing significant assets to potential loss or misuse, or exposing the group’s ability to sustain the operation of critical processes.

**Dividend policy**

No formal dividend policy has been determined by the Board.

However, having regard, inter alia, to group performance, capital expenditure and debt servicing requirements, investment needs as well as the uncertainties facing the group, the Board attempts to distribute a yearly dividend which, under normal circumstances, should remain sustainable in the medium to long-term.

**Remuneration policy**

All directors receive a Board remuneration consisting of a fixed fee, as well as an additional fee for each Board meeting attended by them. The Chairperson is remunerated in a similar manner, but at higher rates. Changes therein are submitted to the Annual Meeting for approval.

In addition, directors who are Board Committee members receive attendance fees for such meetings, while chairpersons are again remunerated at a higher rate. Committee fees are approved by the Board.

As regards executive directors, the remuneration policy aims to :
- align executive remuneration with the group's business objectives and shareholder value,
- attract, retain and motivate high calibre employees capable of achieving the group’s objectives,
- motivate executives to achieve ambitious performance levels, and
- recognize both corporate and individual performance.

The overall remuneration of executive directors comprises a base salary, pension and other benefits and a non-pensionable annual performance bonus, in addition to the Board remuneration described above. The proportion of variable pay to fixed pay has been increased over the past few years so as to better align interests of these directors with those of the group and to provide an added incentive to respond to the challenges facing the group.

The Corporate Governance Committee has retained outside consultants to provide independent market information and advice relating to executive remuneration.

Directors' remuneration for the year ended December 31, 2006 is set out below.

| | Remuneration from the company MUR '000 | Remuneration from subsidiaries MUR '000 | Remuneration from companies on which director serves as representative of the company MUR '000 |
|---|---|---|---|
| Jocelyn de Chasteauneuf | 349 | - | - |
| Philippe de Chasteauneuf | 988 | 190 | - |
| Jean Desmarais | 179 | - | - |
| Jean de Fondaumière | 202 | - | - |
| Dominique de Froberville | 172 | 51 | - |
| Alexis Harel | 179 | 2,587 | 25 |
| Henri Harel | 3,862 | - | 327 |
| Joseph Marc Harel | 46 | - | - |
| Jean Hugues Maigrot | 505 | - | - |
| Cyril Mayer | 10,686 | - | 418 |
| Jacques de Navacelle | 342 | - | - |
| Charles Edouard Piat | 49 | - | - |
| Guillaume Raffray | 169 | - | - |
| Alain Vallet | 179 | 3,237 | 39 |

**Share information**

Information relating to the share distribution and its Stock Exchange performance is set out on pages 8 and 9. Dates of important events are also noted.

**Donations**

The aggregate amounts of political and other donations made during the year are shown on page 56.

**Related party transactions**

Related party transactions are disclosed in aggregate in Note 37 to the Financial Statements.

However, during the year, there were no material transactions between the company or any of its subsidiaries or associates and a director, chief executive, controlling shareholder or companies owned or controlled by a director, chief executive or controlling shareholder.

**Management agreements**

The main management agreements with third parties are disclosed in Note 37(iv) to the Financial Statements.

**Share option plan**

The group has no share option plan.

**Sustainability reporting**

The policies and practices of the group regarding ethics, health, safety and environmental issues as well as social responsibility are detailed on pages 52 and 53.

**HF Administrative Services Ltd**
Secretary

May 16, 2007

# corporate citizenship

The Harel Frères group is among the largest in the country and is responsible, *inter alia*, for some 15% of national sugar production and 18% of electricity consumption. The sustainable performance of a relatively large group such as ours is inextricably linked to the sustainability of the society within which it operates. Accordingly, the directors recognize that it is in the company's long-term economic interest to conduct itself as a responsible corporate citizen and to generally act in a manner which is non-exploitative, non-discriminatory and respectful of human rights.

**Ethics**

Following a Board decision for the company to adhere to the Model Code of Conduct proposed by the Joint Economic Council, a working committee consisting of Board members and staff representatives group-wide was set up to develop a Code of Ethics. The Committee submitted its report to the Board in December 2004 and obtained Board approval on March 30, 2005.

The Code was officially launched on July 15, 2005 and both the Board members and employees have been invited to sign their commitment to the Code. This process has been almost completed at staff level but is still ongoing for the sugar cluster workers. The Board has established an Ethics Committee, which is chaired by the Chairperson himself and consists of directors and employees' representatives. The Committee's mission is the implementation and monitoring of the Code of Ethics and ensuring legal and regulatory compliance throughout the group. No complaints were received by the Ethics Committee during the year under review.

**Product safety**

As group companies sell, both locally and overseas, direct consumption products such as specialty sugars, rum, beverages and foodstuffs, we recognize that consumer confidence in the quality and safety of our products is essential to the continued performance of our business.

In order to properly manage product safety risks, we ensure that our plants comply with all regulatory requirements for hygiene and food safety and that our product safety systems are regularly reviewed.

**Health and safety**

The directors are fully aware that, while they are ultimately answerable to shareholders, consideration must be given to the interests of other stakeholders such as employees, suppliers, customers and the Mauritian public at large when running operations.

Health and Safety officers employed throughout the group ensure that policy and practice comply with existing legislation and regulatory frameworks. Furthermore, two dispensaries situated on group premises and under the control of a medical practitioner, provide full-time health care and medical treatment to employees. Training (both in-house and outsourced) is provided regularly in order to retain a Health and Safety culture group-wide. We are happy to report that the accident rate has decreased significantly over the years.

Regular inspections of work places are carried out and weakness areas identified and remedied. One such inspection carried out by CTBV's insurance consultant during 2005 resulted in a report which, while recognizing management's initiatives for a healthier and safer working environment, proposed further improvement in certain areas. Such recommendations have been prioritized and their implementation, which is well underway, is expected to be completed within the next two years.

During the course of 2006, we continued our effort towards the containment of *chikungunya* in our region. As a coordinating agent of the Ministry of Health for the districts of Pamplemousses and Rivière du Rempart, we assisted the local authorities in cleaning up neighbouring villages and continued to make available a team of sprayers, who visited and treated some 16,000 houses with larvicides. Awareness talks and programmes related to the campaign were held on the work place and with the residents of our different housing units. Furthermore, in early 2007, we contributed an amount of MUR 250,000 towards the *chikungunya* eradication campaign promoted by the Mauritius Commercial Bank.

**Environment**

As our group's operations are mainly of an agricultural or industrial nature, adherence to strict environmental norms and the adoption of processes, which are at least compliant with local environment regulations, are essential to future growth. Thus, agricultural activities, especially fertilizer, herbicide and insecticide applications, follow the guidelines issued by the Mauritius Sugar Industry Research Institute. Similarly, cane burning is carried out in compliance with a recognized and industry-wide code of practice.

Effluents, whether from the sugar mill, power plant or distillery, are disposed of in an ecological manner. Gaseous emissions are limited by the use of low sulphur coal, while bagasse, a renewable and green source of fuel, is sulphur free. Regular stack sampling and ambient air monitoring are undertaken and results reported to the appropriate authorities.

Analysis of bagasse and coal ashes by the Mauritius Sugar Industry Research Institute from the cogeneration plant has revealed that the levels of heavy metals such as copper, nickel, zinc, lead, cadmium and mercury were well below the maximum limit allowed by the United States Environment Protection Agency (USEPA) and the norms prevailing in the European Union.

The above policies and practices demonstrate the group's commitment to contribute to sustainable development. Care for the environment is a prime concern of the company in its aspiration to protect people, the environment, assets and, not least, its reputation.

**Social responsibility**

A planters' service department offers ongoing guidance and support to growers within the factory area. The group is also in the process of phasing out its sugar camps by offering land for sale, very cheaply, to residents of these sugar camps, so that they may become home-owners.

Conscious of the ever-growing need for widespread education, several group companies take part in the Joint Economic Council's scheme of assistance to the *Zones d'Education Prioritaires* (ZEP). Thus, they contribute financially and are actively involved in the management of the Hurryparsad Ramnarain Government School in Terre Rouge.

The group, through one of its subsidiaries, keeps up its financial assistance towards the administration of Lizié dan La Main, an association caring for the rehabilitation of the blind through education, sports, mobility and handicraft.

Finally, we support a number of Non Governmental Organisations and other charitable bodies engaged in the care of orphans and the disabled, and in rehabilitation programmes.

# statement of directors' responsilities
## in respect of financial statements

Company law requires the directors to prepare financial statements for each financial year, which present fairly the financial position, financial performance and cash flow of the company. In preparing those financial statements, the directors are required to :

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financing Reporting Standards have been followed and complied with, subject to any material departures being disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2001. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The directors report that adequate accounting records and an effective system of internal controls and risk management have been maintained.

Signed on behalf of the Board of directors

**Jean Hugues Maigrot**
Chairperson

**Cyril Mayer**
Managing Director

May 16, 2007

# certificate by company secretary
## (pursuant to section 166(d) of the Companies Act 2001)

We certify that, to the best of our knowledge and belief, the company has filed with the Registrar of Companies all such returns as are required under the Companies Act 2001.

**HF Administrative Services Ltd**
Secretary

May 16, 2007

# statutory disclosures
## (pursuant to section 221 of the Companies Act 2001)

**Directors**

Names

The names of the directors of the company at December 31, 2006 are given on page 12 of this report. In addition, a list of directors of subsidiary companies at the same date appears on pages 102.

Service contracts

Four executive directors, namely Messrs Cyril Mayer, Alexis Harel, Henri Harel and Alain Vallet presently have service contracts without expiry dates with group companies. Other than for the above-mentioned executive directors, none of the directors proposed for election or re-election at the forthcoming Annual Meeting of shareholders have service contracts with the company.

**Remuneration and benefits :**

| | THE COMPANY | | SUBSIDIARIES | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR' M** | MUR' M | **MUR' M** | MUR' M |
| Emoluments paid by the company and its susidiaries to : | | | | |
| - Directors of Harel Frères Limited: | | | | |
| • Executive | | | | |
| full-time | **14.6** | 13.2 | **-** | - |
| part-time | **0.4** | 0.2 | **5.8** | 6.0 |
| • Nonexecutive | **3.0** | 10.2 | **0.2** | 0.1 |
| | **17.9** | 23.6 | **6.0** | 6.1 |

- Directors of subsidiary companies:

| | **2006** | 2005 |
|---|---|---|
| | **MUR' M** | MUR' M |
| • 6 Executive (6 in 2005) | | |
| full-time | **14.9** | 14.7 |
| part-time | **-** | - |
| • 21 Nonexecutive (17 in 2005) | **1.7** | 1.5 |
| | **16.6** | 16.2 |

# statutory disclosures
## (pursuant to section 221 of the Companies Act 2001) (cont'd)

**Contracts of significance**

During the year under review, there were no contracts of significance to which Harel Frères Limited, or one of its subsidiaries, was a party and in which a director of Harel Frères Limited was materially interested, either directly or indirectly.

**Auditors' remuneration**

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR' M** | MUR' M | **MUR' M** | MUR' M |
| Audit fees paid to : | | | | |
| • BDO De Chazal du Mée | **2.3** | 2.0 | **0.2** | 0.2 |
| • Other firms | **-** | - | **-** | - |
| Fees paid for other services provided by : | | | | |
| • BDO De Chazal du Mée | **0.4** | 0.4 | **0.1** | 0.1 |
| • Other firms | **-** | - | **-** | - |

**Donations**

Donations made during the year were as follows :

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR' M** | MUR' M | **MUR' M** | MUR' M |
| Political | **-** | - | **-** | - |
| Charitable - Number of recipients : 20 (2005 : 15) | **0.6** | 0.3 | **0.3** | 0.2 |

# independent auditors' report
## to the members

This report is made solely to the members of Harel Frères Limited (the “Company”), as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters 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.

**Report on the Financial Statements**

We have audited the financial statements of Harel Frères Limited and its subsidiaries (the “Group”) and the Company’s separate financial statements on pages 58 to 101 which comprise the balance sheets at December 31, 2006, the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors’ Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors’ Responsibility

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

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

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

Opinion

In our opinion, the financial statements on pages 58 to 101 give a true and fair view of the financial position of the Group and of the Company at December 31, 2006, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

**Report on Other Legal and Regulatory Requirements**

Companies Act 2001

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

We have obtained all 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 2004

The directors are responsible for preparing the Corporate Governance Report and making the disclosures required by Section 8.4 of the Code of Corporate Governance of Mauritius ("Code"). Our responsibility is to report on these disclosures.

In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.

**BDO DE CHAZAL DU MEE**
Chartered Accountants

Port Louis,
Mauritius.
May 16, 2007

# balance sheets
## december 31, 2006

| | Notes | THE GROUP 2006 MUR'M | THE GROUP 2005 MUR'M | THE COMPANY 2006 MUR'M | THE COMPANY 2005 MUR'M |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | **4,825.1** | 4,945.6 | **275.0** | 280.9 |
| Investment properties | 5 | **8.5** | 9.2 | **40.3** | - |
| Intangible assets | 6 | **214.5** | 216.5 | **0.8** | 8.3 |
| Investment in subsidiaries | 7 | **-** | - | **2,260.0** | 1,960.6 |
| Investment in associates | 8 | **304.9** | 176.9 | **128.8** | 107.6 |
| Investment in financial assets | 9 | **217.5** | 222.0 | **139.8** | 141.3 |
| Non-current receivables | 10 | **14.6** | 14.4 | **35.6** | 33.4 |
| Bearer biological assets | 11 | **142.4** | 118.6 | **20.2** | 17.8 |
| Land development expenditure | 12 | **48.2** | 49.1 | **34.4** | 37.1 |
| Deferred tax assets | 13 | **10.0** | - | **-** | - |
| | | **5,785.7** | 5,752.3 | **2,934.9** | 2,587.0 |
| **Current assets** | | | | | |
| Inventories | 14 | **407.4** | 378.2 | **-** | - |
| Consumable biological assets | 15 | **139.0** | 146.0 | **15.5** | 13.0 |
| Trade and other receivables | 16 | **783.5** | 598.3 | **449.7** | 428.8 |
| Held-to-maturity investments | 17 | **58.3** | - | **-** | - |
| Cash and cash equivalents | 32 | **710.0** | 636.9 | **2.2** | 16.0 |
| | | **2,098.2** | 1,759.4 | **467.4** | 457.8 |
| **Non-current assets classified as held for sale** | 18 | **148.4** | 68.3 | **10.8** | - |
| **Total assets** | | **8,032.3** | 7,580.0 | **3,413.1** | 3,044.8 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | | | | |
| Stated capital | 19 | **173.8** | 130.9 | **173.8** | 130.9 |
| Revaluation and other reserves | 20 | **2,632.0** | 2,733.1 | **1,515.1** | 1,338.9 |
| Retained earnings | | **1,444.3** | 1,003.7 | **1,128.1** | 955.3 |
| Equityholders' interest | | **4,250.1** | 3,867.7 | **2,817.0** | 2,425.1 |
| Minority interest | | **686.5** | 660.7 | **-** | - |
| **Total equity** | | **4,936.6** | 4,528.4 | **2,817.0** | 2,425.1 |
| **Non-current liabilities** | | | | | |
| Borrowings | 21 | **1,315.0** | 1,482.4 | **61.2** | 148.0 |
| Deferred tax liabilities | 13 | **215.5** | 148.8 | **0.4** | - |
| Retirement benefit obligations | 22 | **215.6** | 206.4 | **8.2** | 7.8 |
| | | **1,746.1** | 1,837.6 | **69.8** | 155.8 |
| **Current liabilities** | | | | | |
| Trade and other payables | 23 | **600.9** | 593.6 | **396.9** | 365.9 |
| Current tax liabilities | 24 | **49.0** | 30.6 | **1.4** | - |
| Borrowings | 21 | **655.7** | 568.1 | **116.9** | 98.0 |
| | | **1,305.6** | 1,192.3 | **515.2** | 463.9 |
| Liabilities directly associated with non-current assets classified as held for sale | 18(b) | **44.0** | 21.7 | **11.1** | - |
| **Total liabilities** | | **3,095.7** | 3,051.6 | **596.1** | 619.7 |
| **Total equity and liabilities** | | **8,032.3** | 7,580.0 | **3,413.1** | 3,044.8 |

The financial statements have been approved for issue by the Board of Directors on May 16, 2007.

Jean Hugues Maigrot )
Cyril Mayer ) DIRECTORS

The notes on pages 65 to 101 form an integral part of these financial statements.
Auditors' report on page 57.

# income statements
## year ended december 31, 2006

| | Notes | THE GROUP 2006 MUR'M | THE GROUP 2005 MUR'M | THE COMPANY 2006 MUR'M | THE COMPANY 2005 MUR'M |
|---|---|---|---|---|---|
| Turnover | 1 (q) | **2,768.5** | 2,599.6 | **73.7** | 59.9 |
| Compensation from the Sugar Insurance Fund Board | | **1.1** | 7.7 | **0.1** | 0.2 |
| (Losses)/gains arising from changes in fair value of consumable biological assets | 15 | **(7.0)** | 0.3 | **2.5** | (1.6) |
| | | **2,762.6** | 2,607.6 | **76.3** | 58.5 |
| Cost of sales | | **(1,746.7)** | (1,717.2) | **(39.8)** | (38.4) |
| Gross profit | | **1,015.9** | 890.4 | **36.5** | 20.1 |
| Other income | 25 | **135.6** | 151.1 | **100.4** | 112.7 |
| Administrative expenses | | **(179.9)** | (167.3) | **(10.3)** | (11.3) |
| Distribution costs | | **(52.3)** | (50.9) | **-** | - |
| Other expenses | | **(158.1)** | (151.4) | **(16.8)** | (14.4) |
| Profit before finance costs | 26 | **761.2** | 671.9 | **109.8** | 107.1 |
| Finance costs | 27 | **(162.8)** | (208.5) | **(11.0)** | (16.2) |
| Share of results of associates | 8 | **46.2** | 40.8 | **-** | - |
| Profit before exceptional items | | **644.6** | 504.2 | **98.8** | 90.9 |
| Exceptional items | 28 | **146.1** | - | **149.9** | - |
| Profit before taxation | | **790.7** | 504.2 | **248.7** | 90.9 |
| Taxation | 24 | **(86.2)** | (78.2) | **2.7** | - |
| Profit for the year | | **704.5** | 426.0 | **251.4** | 90.9 |
| | | | | | |
| Attributable to: | | | | | |
| Equityholders of the company | | **520.1** | 283.2 | **251.4** | 90.9 |
| Minority interest | | **184.4** | 142.8 | **-** | - |
| | | **704.5** | 426.0 | **251.4** | 90.9 |
| | | | | | |
| Earnings per share (MUR) | 29 | **2.99** | 1.63 | **1.45** | 0.52 |

The notes on pages 65 to 101 form an integral part of these financial statements.
Auditors' report on page 57.

# statement of changes in equity

## year ended december 31, 2006

| THE GROUP | Notes | Stated Capital MUR'M | Revaluation and Other Reserves MUR'M | Retained Earnings MUR'M | Total MUR'M | Minority Interest MUR'M | Total Equity MUR'M |
|---|---|---|---|---|---|---|---|
| | | Attributable to Equityholders of the Company | | | | | |
| **Balance at January 1, 2006** | | | | | | | |
| **As previously stated** | | **130.9** | **2,733.1** | **1,020.8** | **3,884.8** | **660.7** | **4,545.5** |
| **Prior year adjustment** | **30** | **-** | **-** | **(17.1)** | **(17.1)** | **-** | **(17.1)** |
| **As restated** | | **130.9** | **2,733.1** | **1,003.7** | **3,867.7** | **660.7** | **4,528.4** |
| **Bonus issue** | | **42.9** | **(42.9)** | **-** | **-** | **-** | **-** |
| **Part disposal of subsidiary** | | **-** | **-** | **-** | **-** | **42.8** | **42.8** |
| **Increase in fair value of available-for-sale financial assets** | **9** | **-** | **62.1** | **-** | **62.1** | **-** | **62.1** |
| **Release on disposal of available-for-sale financial assets** | | **-** | **(48.3)** | **(15.2)** | **(63.5)** | **-** | **(63.5)** |
| **Deferred tax on revalued assets** | | **-** | **(19.3)** | **-** | **(19.3)** | **(4.4)** | **(23.7)** |
| **Release of deferred tax on excess depreciation over historical cost depreciation** | | **-** | **1.9** | **-** | **1.9** | **1.8** | **3.7** |
| **Transfer to retained earnings on disposal of land** | | **-** | **(5.2)** | **5.2** | **-** | **-** | **-** |
| **Release to income statement on repayment of foreign currency loans** | | **-** | **17.3** | **-** | **17.3** | **25.5** | **42.8** |
| **Exchange differences on translation of foreign currency loans** | | **-** | **(73.6)** | **-** | **(73.6)** | **(108.8)** | **(182.4)** |
| **Movements on reserves** | | **-** | **6.9** | **-** | **6.9** | **-** | **6.9** |
| **Net income/(expense) recognised directly in equity** | | **42.9** | **(101.1)** | **(10.0)** | **(68.2)** | **(43.1)** | **(111.3)** |
| **Profit for the year** | | **-** | **-** | **520.1** | **520.1** | **184.4** | **704.5** |
| **Dividends** | | **-** | **-** | **(69.5)** | **(69.5)** | **(115.5)** | **(185.0)** |
| **Balance at December 31, 2006** | | **173.8** | **2,632.0** | **1,444.3** | **4,250.1** | **686.5** | **4,936.6** |

The notes on pages 65 to 101 form an integral part of these financial statements.
Auditors' report on page 57.

# statement of changes in equity
## year ended december 31, 2006 (cont'd)

| THE GROUP | Notes | Attributable to Equityholders of the Company<br>Stated Capital MUR'M | Revaluation and Other Reserves MUR'M | Retained Earnings MUR'M | Total MUR'M | Minority interest MUR'M | Total Equity MUR'M |
|---|---|---|---|---|---|---|---|
| Balance at January 1, 2005 | | | | | | | |
| As previously stated | | 130.9 | 2,693.9 | 776.2 | 3,601.0 | 548.3 | 4,149.3 |
| Prior year adjustment | 30 | - | - | (14.3) | (14.3) | - | (14.3) |
| As restated | | 130.9 | 2,693.9 | 761.9 | 3,586.7 | 548.3 | 4,135.0 |
| Increase in fair value of available-for-sale financial assets | 9 | - | 16.6 | - | 16.6 | - | 16.6 |
| Release on disposal of available-for-sale financial assets | | - | (5.3) | (8.1) | (13.4) | - | (13.4) |
| Impairment of property, plant and equipment | | - | (0.5) | - | (0.5) | (0.7) | (1.2) |
| Release of deferred tax on excess depreciation over historical cost depreciation | | - | 1.1 | - | 1.1 | 1.7 | 2.8 |
| Transfer to retained earnings on disposal of land | | - | (18.9) | 18.9 | - | - | - |
| Release to income statement on repayment of foreign currency loans | | - | 19.5 | - | 19.5 | 28.8 | 48.3 |
| Exchange differences on translation of foreign currency loans | | - | 22.1 | - | 22.1 | 32.8 | 54.9 |
| Movements on reserves | | - | 4.6 | - | 4.6 | - | 4.6 |
| Net income recognised directly in equity | | - | 39.2 | 10.8 | 50.0 | 62.6 | 112.6 |
| Profit for the year - restated | | - | - | 283.2 | 283.2 | 142.8 | 426.0 |
| Dividends | | - | - | (52.2) | (52.2) | (93.0) | (145.2) |
| Balance at December 31, 2005 | | 130.9 | 2,733.1 | 1,003.7 | 3,867.7 | 660.7 | 4,528.4 |

The notes on pages 65 to 101 form an integral part of these financial statements.
Auditors' report on page 57.

# statement of changes in equity
## year ended december 31, 2006 (cont'd)

| THE COMPANY | Notes | Stated Capital MUR'M | Revaluation and Other Reserves MUR'M | Retained Earnings MUR'M | Total MUR'M |
|---|---|---|---|---|---|
| **Balance at January 1, 2006** | | | | | |
| **As previously stated** | | **130.9** | **1,338.9** | **957.3** | **2,427.1** |
| **Prior year adjustment** | **30** | **-** | **-** | **(2.0)** | **(2.0)** |
| **As restated** | | **130.9** | **1,338.9** | **955.3** | **2,425.1** |
| **Bonus issue** | | **42.9** | **(42.9)** | **-** | **-** |
| **Transfer to retained earnings on disposal of land** | | **-** | **(0.8)** | **0.8** | **-** |
| **Increase in fair value of available-for-sale financial assets** | | **-** | **257.4** | **-** | **257.4** |
| **Deferred tax on revalued assets** | | **-** | **(5.2)** | **-** | **(5.2)** |
| **Release of deferred tax on excess depreciation over historical cost depreciation** | | **-** | **0.1** | **-** | **0.1** |
| **Release on disposal of available-for-sale financial assets** | | **-** | **(32.4)** | **(9.9)** | **(42.3)** |
| **Net income/(expense) recognised directly in equity** | | **42.9** | **176.2** | **(9.1)** | **210.0** |
| **Profit for the year** | | **-** | **-** | **251.4** | **251.4** |
| **Dividends** | **31** | **-** | **-** | **(69.5)** | **(69.5)** |
| **Balance at December 31, 2006** | | **173.8** | **1,515.1** | **1,128.1** | **2,817.0** |
| Balance at January 1, 2005 | | | | | |
| As previously stated | | 130.9 | 1,203.8 | 923.6 | 2,258.3 |
| Prior year adjustment | 30 | - | - | (1.7) | (1.7) |
| As restated | | 130.9 | 1,203.8 | 921.9 | 2,256.6 |
| Transfer to retained earnings on disposal of land | | - | (0.4) | 0.4 | - |
| Increase in fair value of available-for-sale financial assets | | - | 139.2 | - | 139.2 |
| Release on disposal of available-for-sale financial assets | | - | (3.7) | (5.7) | (9.4) |
| Net income/(expense) recognised directly in equity | | - | 135.1 | (5.3) | 129.8 |
| Profit for the year - restated | | - | - | 90.9 | 90.9 |
| Dividends | 31 | - | - | (52.2) | (52.2) |
| Balance at December 31, 2005 | | 130.9 | 1,338.9 | 955.3 | 2,425.1 |

The notes on pages 65 to 101 form an integral part of these financial statements.
Auditors' report on page 57.

# cash flow statements
## year ended december 31, 2006

| | Notes | THE GROUP 2006 MUR'M | THE GROUP 2005 MUR'M | THE COMPANY 2006 MUR'M | THE COMPANY 2005 MUR'M |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Profit before taxation | | **790.7** | 504.2 | **248.7** | 90.9 |
| Adjustments for : | | | | | |
| Depreciation | 4,5 | **198.0** | 190.8 | **7.1** | 5.3 |
| Profit on sale of property, plant and equipment/non current assets classified as held-for-sale | | **(42.8)** | (55.6) | **(6.8)** | (0.5) |
| Profit on part disposal of subsidiary | | **(58.3)** | - | **-** | - |
| Profit on sale of available-for-sale financial assets | | **(87.8)** | (20.6) | **(48.8)** | (11.4) |
| Retirement benefit obligations | | **9.2** | 13.3 | **0.5** | 0.9 |
| Amortisation of bearer biological assets | 11 | **34.2** | 29.9 | **4.9** | 4.3 |
| Amortisation of intangible assets | 6 | **49.2** | 50.1 | **7.5** | 5.1 |
| Impairment of investments in financial assets | 9 | **4.2** | - | **-** | - |
| Exchange differences | | **42.8** | 48.3 | **-** | - |
| Reversal of impairment loss | | **(6.9)** | - | **(6.9)** | - |
| Property, plant and equipment written off | | **-** | 5.8 | **-** | - |
| Investment income | | **(40.8)** | (28.8) | **(187.8)** | (100.8) |
| Interest expense | 27 | **142.8** | 146.4 | **11.0** | 16.2 |
| Share of results of associates | | **(46.2)** | (40.8) | **-** | - |
| Changes in working capital: | | | | | |
| - inventories | | **(29.2)** | (16.1) | **-** | - |
| - consumable biological assets | 15 | **7.0** | (0.3) | **(2.5)** | 1.6 |
| - trade and other receivables | | **(185.2)** | (30.0) | **(47.2)** | 40.1 |
| - trade and other payables | | **47.3** | (39.7) | **35.9** | 25.7 |
| | | **828.2** | 756.9 | **15.6** | 77.4 |
| VRS costs paid | | **(13.6)** | (48.1) | **(1.8)** | (5.2) |
| Interest paid | | **(149.1)** | (151.5) | **(17.6)** | (24.3) |
| Income tax paid | | **(31.1)** | (31.0) | **(0.6)** | - |
| Net cash from/(used in) operating activities | | **634.4** | 526.3 | **(4.4)** | 47.9 |

The notes on pages 65 to 101 form an integral part of these financial statements.
Auditors' report on page 57.

# cash flow statements
## year ended december 31, 2006 (cont'd)

| | Notes | THE GROUP 2006 MUR'M | THE GROUP 2005 MUR'M | THE COMPANY 2006 MUR'M | THE COMPANY 2005 MUR'M |
|---|---|---|---|---|---|
| **Investing activities** | | | | | |
| Purchase of property, plant and equipment / investment properties | 4,5 | **(85.5)** | (77.0) | (44.8) | (3.4) |
| Intangible assets acquired | 6 | **(47.2)** | (5.2) | - | - |
| Replantation costs | 11 | **(58.0)** | (35.8) | (7.3) | (4.4) |
| Purchase of held-to-maturity investments | | **(58.3)** | - | **-** | - |
| Land development expenditure/ non-current asset classified as held for sale | | **(154.5)** | (11.3) | (4.3) | (0.3) |
| Purchase of investment in | | | | | |
| - subsidiaries | | **-** | - | **(100.0)** | - |
| - associates | 8 | **(103.4)** | (0.5) | **-** | - |
| - financial assets | 9 | **(0.2)** | - | **(0.2)** | - |
| Proceeds on sale of property, plant and equipment/non-current assets classified as held for sale | | **152.9** | 137.3 | **20.9** | 0.9 |
| Proceeds on part disposal of subsidiary | | **101.1** | - | **-** | - |
| Proceeds on sale of investment in | | | | | |
| - associates | | **6.6** | - | **1.2** | - |
| - financial assets | | **89.0** | 25.2 | **50.7** | 14.7 |
| Non-current receivables | | **(0.2)** | 1.7 | **(2.2)** | (33.2) |
| Interest received | | **30.2** | 16.3 | **9.5** | 6.7 |
| Dividend received | | **37.3** | 41.6 | **204.6** | 68.8 |
| Net cash (used in) / from investing activities | | **(90.2)** | 92.3 | **128.1** | 49.8 |
| **Financing activities** | | | | | |
| Proceeds from long term borrowings | | **75.2** | 39.1 | **30.0** | 39.2 |
| Repayment of loans and debentures | | **(388.5)** | (335.7) | **(99.1)** | (85.0) |
| Finance lease payments | | **-** | (0.2) | **-** | - |
| Dividends paid to shareholders of Harel Frères Limited | 31 | **(69.5)** | (52.2) | **(69.5)** | (52.2) |
| Dividends paid to outside shareholders of subsidiaries | | **(139.4)** | (93.0) | **-** | - |
| Net cash used in financing activities | | **(522.2)** | (442.0) | **(138.6)** | (98.0) |
| **Increase/(decrease) in cash and cash equivalents** | | **22.0** | 176.6 | **(14.9)** | (0.3) |
| **Movement in cash and cash equivalents** | | | | | |
| At January 1, | | **439.9** | 263.3 | **15.7** | 16.0 |
| Increase/(decrease) | | **22.0** | 176.6 | **(14.9)** | (0.3) |
| **At December 31,** | 32 | **461.9** | 439.9 | **0.8** | 15.7 |

The notes on pages 65 to 101 form an integral part of these financial statements.
Auditors' report on page 57.

**1. SIGNIFICANT ACCOUNTING POLICIES**

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

(a) **Basis of preparation**

The financial statements of Harel Frères Limited comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). Where necessary, comparative figures have been amended to conform with changes in presentation in the current year.

The financial statements are prepared under the historical cost convention, except that:

(i) land, buildings, power plant, building and civil works and certain factory equipment are carried at revalued amounts;
(ii) available-for-sale financial assets are stated at their fair value;
(iii) consumable biological assets are stated at their fair value.

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

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

There were no major estimates and assumptions made during the year that have a significant risk of causing material adjustment to the carrying amounts of company's assets and liabilities within the next financial year.

**Amendments to published standards, Standards and Interpretations issued but not yet effective**

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2007 or later periods but which the Group has not adopted early.

Except for IFRS 7, Financial Instruments: Disclosures, the amendments to IAS 1, Presentation of Financial Statements - Capital Disclosures (effective January 1, 2007) and IFRS 8, Operating segments (effective January 1, 2009), these standards, amendments and interpretations are not relevant to the Group's operations.

IFRS 7, IFRS 8 and the Amendment to IAS 1 are disclosure requirements only and will not, when adopted, affect the results of the Group.

(b) **Property, plant and equipment**

All property, plant and equipment is initially recorded at cost. Land and buildings are subsequently shown at their existing use value based on valuations of external independent valuers, less subsequent depreciation. Building and Civil works and Power Plant are shown at their existing use value based on Depreciated Replacement cost less subsequent depreciation. All other property, plant and equipment is stated at historical cost less depreciation. Milling assets were revalued annually until 2002 on the basis of the indices submitted by the Mauritius Sugar Authority.

Increases in the carrying amount arising on revaluation are credited to "Revaluation and Other Reserves" in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the income statement.

Depreciation is calculated on the straight line method to write off the cost of each asset, or the revalued amount, to its residual value over its estimated useful life.

The principal annual rates are as follows:-

| | |
|---|---|
| Buildings on leasehold land | 2 - 6% |
| Buildings | 2 - 9% |
| Power plant | 4% |
| Building and Civil works | 4 - 10% |
| Factory equipment | 2 - 10% |
| Agricultural equipment | 2 - 20% |
| Motor vehicles | 4 - 20% |
| Furniture and office equipment | 4 - 35% |

Land is not depreciated.

**1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(b) **Property, plant and equipment (cont'd)**

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

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the income statement. On disposal of revalued assets, amounts in "Revaluation and Other Reserves" relating to these assets are transferred to retained earnings.

Interest costs on borrowings to finance the construction of qualifying assets during the construction period are capitalised.

(c) **Investment properties**

Investment properties, which are properties held to earn rentals, are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on the straight line method to write off the cost of the investment properties to their residual value over the estimated useful life.

The principal annual rates are as follows:

| | |
|---|---|
| Buildings | 2 - 8% |

(d) **Intangible assets**

Intangible assets consist of Land Conversion Rights (Closure costs and VRS costs), brands, goodwill, computer software and legal fees in respect of commercial contracts.

(i) **Closure costs**
Closure costs represent land conversion rights. These are expected to be recovered from the profit on sale of freehold land and tested annually for impairment (note 4 (g)).

(ii) **VRS costs**

VRS costs (net of pension obligations previously provided for) are amortised and the balance is deferred to the extent that it is expected that they will be matched with profit on disposal of land. Amortisation is completed within 5 years from the implementation of the scheme. The yearly amortisation charge is the higher of the amortisation amount or an amount equivalent to the surplus on disposal of land during the year. The amortisation charge is reviewed and reassessed yearly based on available information to ascertain the adequacy of the yearly charge (see note 6(e)).

(iii) **Brands**
Brands are shown at cost and tested annually for impairment.

(iv) **Goodwill**
Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the net identifiable assets of the acquired subsidiary, associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Any net excess of the Group's interest in the net fair value of acquiree's net identifiable assets over cost is recognised in the income statement. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the gains and losses on disposal.

(v) **Computer software**
Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised over their estimated useful lives (5 years).

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software controlled by the Group and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

(vi) **Legal fees**
Legal fees incurred in respect of the commercial contracts are capitalised on the basis that future economic benefits are expected to be derived from these contracts and can be reliably measured (10 years).

(e) **Investment in subsidiaries**

Separate financial statements of the investor
Investment in subsidiaries are carried at fair value. The carrying amount is reduced to recognise any impairment in the value of individual investments.

**Consolidated financial statements**
The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to December 31, each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activites. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of their acquisition or up to the effective date of their disposal.

The consolidated financial statements have been prepared in accordance with the purchase method. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement in the year of acquisition.

All significant intercompany transactions, balances and unrealised gains on transactions between group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, appropriate adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those adopted by the Group.

(f) **Investment in associates**

**Separate financial statements of the investor**
Investment in associates are carried at fair value. The carrying amount is reduced to recognise any impairment in the value of individual investments.

**Consolidated financial statements**
An associate is an entity over which the Group has significant influence but not control, or joint control. Investment in associates are accounted for by the equity method. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. Investment in associates are initially recognised at cost as adjusted by post acquisition changes in the Group's share of the net assets of the associate less any impairment in the value of individual investments.

When the group's share of losses exceeds its interest in an associate, the Group discontinues recognising further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, appropriate adjustments are made to the financial statements of associates to bring the accounting policies used in line with those adopted by the Group.

(g) **Financial instruments**

IAS 39 has introduced a comprehensive framework for accounting for financial instruments.

The Group's accounting policies in respect of the main financial instruments are set out below:

(i) **Investment in financial assets**

**Initial measurement**
Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially measured at fair value plus transaction costs for all financial assets.

**Derecognition**
Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

**Subsequent measurement**
Available-for-sale financial assets are subsequently carried at their fair values.

Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in equity. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses on financial assets.

**1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(g) **Financial instruments (cont'd)**

(i) **Investment in financial assets (cont'd)**

Subsequent measurement (cont'd)
The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flows analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Impairment of financial assets
The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

(ii) **Long term receivables**
Long term receivables without fixed maturity terms are measured at cost. If there is objective evidence that an impairment loss has been incurred, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated cash flows discounted at the current market rate of return of similar financial assets.

(iii) **Trade receivables**
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the income statement.

(iv) **Bank borrowings**
Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(v) **Trade payables**
Trade payables are stated at their nominal value.

(vi) **Hedging activities**
Cash flow hedge
A subsidiary has its loans denominated in Euro and has its price indexed to the fluctuations of Euro. The subsidiary has recognised a cash flow hedge on the following basis:

- the hedge is highly effective; and
- the foreign exchange exposure arising from translation of the loans is hedged against the revenue stream.

The difference in exchange arising upon translation of loans at year end is taken to "Translation Reserve" in shareholders' equity. Amounts deferred in equity are transferred to the income statement and classified as expense or revenue upon repayment of loans in the same periods during which the hedged firm commitment or forecasted transaction affects the income statement.

Expiry or sale of a hedging instrument or criteria for hedge accounting no longer met
When the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time is recognised in the income statement.

(h) **Bearer biological assets**

Cane replantation costs are capitalised and amortised over a period of 8 years.

(i) **Deferred income taxes**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted by the balance sheet date and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise mainly from depreciation on property, plant and equipment, revaluation of certain non-current assets, tax losses carried forward, bearer biological assets, retirement benefit obligations, VRS costs and other provisions.

No deferred tax liabilities have been provided on timing differences on bearer biological assets as they are unlikely to crystalize in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

(j) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

(k) **Consumable biological assets**

Standing canes are measured at their fair value. The fair value of standing canes is the present value of expected net cash flows from the standing canes discounted at the relevant market determined pre-tax rate.

(l) **Alternative Minimum Tax (AMT)**

Alternative Minimum Tax (AMT) is provided for, where the company which has a tax liability of less than 7.5% of its book profit pays a dividend. AMT is calculated as the lower of 10% of the dividend paid and 7.5% of book profit.

(m) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) **Retirement benefit obligations**

Defined benefit plans
The company and its subsidiaries contribute to a defined benefit plan for certain employees. The cost of providing benefits is determined using the projected unit credit method so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries. Actuarial gains and losses arise from experience adjustments, changes in actuarial assumptions and amendments to pension plans. Such actuarial gains and losses which exceed 10% of the greater of the present value of the pension contributions and fair value of plan assets are charged or credited to income over the average remaining service lives of the related employees.

Defined contribution plans
The contributions to the group's and company's other schemes, which are treated as defined contribution schemes, are charged to the income statement in the period in which they are incurred.

Unfunded plans
For employees who are not covered (or who are insufficiently covered by the above pension plans), the net present value of severance allowances payable under the Labour Act is calculated by qualified actuaries and provided for. The obligations arising under this item are not funded.

**1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(o) **Foreign currencies**

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using Mauritian rupees, the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Mauritian rupees, which is the company's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies
The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(b) income and expenses for each income statement are translated at average exchange rates; and
(c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(p) **Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(q) **Revenue recognition**

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group.

Sales of goods are recognised when goods are delivered and title has passed. Sales of services are recognised in the accounting year in which the services are rendered.

Sugar and molasses proceeds are recognised on total production of the crop year. Bagasse proceeds are accounted on a cash basis. Sugar and molasses prices are based on prices recommended by the Mauritius Chamber of Agriculture for the crop year.

Other revenues earned by the company and the group are recognised on the following bases:

- Interest income - as it accrues (taking into account the effective yield on the asset) unless collectibility is in doubt.
- Dividend income - when the shareholder's right to receive payment is established.

(r) **Non-current assets classified as held for sale**

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. This condition is regarded as met only, when the sale is highly probable and the asset is available for immediate sale in its present condition.

(s) **Provisions**

Provisions are recognised when the Group has a present or constructive obligation as a result of past events which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

## 2. FINANCIAL RISK MANAGEMENT

### 2.1 Financial risk factors

**THE GROUP**

The Group's activities expose it to a variety of financial risks, including:

- Credit risk; and
- Changes in debt and equity market prices, foreign currency exchange rates and interest rates

A description of the significant risk factors is given below together with the risk management policies applicable.

Foreign exchange risk
A subsidiary company is exposed to foreign exchange risk arising from currency exposures primarily in respect to the Euro. It has a cash flow hedge whereby it minimises its exposure to foreign currency risk in the local reporting currency.

The Group has investments in foreign entities, whose net assets are exposed to currency translation risk.

Credit risk
The Group's credit risk is primarily attributable to its trade receivables. The amounts, presented in the balance sheet, are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and to limit the amount of credit exposure to any one financial position.

**THE GROUP AND THE COMPANY**

Interest rate risk
As the Group and the Company have no significant interest-bearing assets, the Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Group's and the Company's interest-rate risk arise from long-term borrowings. Borrowings issued at variable rates expose the Group and the Company to cash flow interest-rate risk.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group and the Company aim at maintaining flexibility in funding by keeping committed credit lines available.

Price risk
The Group and the Company are exposed to equity securities price risk because of investments held by the Group and the Company and classified on the balance sheet as available-for-sale.

### 2.2 Accounting for hedging activities

Cash flow hedge
The effective portion of the gain or loss on the hedging instrument is recognised immediately in the income statement.

Amounts deferred in equity are recognised in the income statement in the periods when the hedged item will affect profit or loss.

### 2.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group and the Company use a variety of methods and make assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cashflows at the current market interest rate that is available to the Group and the Company for similar financial instruments.

**2. FINANCIAL RISK MANAGEMENT (CONT'D)**

**2.4 Biological assets**

The Group and the Company are exposed to fluctuations in the price of sugar and the incidence of exchange rate. This risk affects both the crop proceeds and the fair value of biological assets. The risk is not hedged.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

**3.1 Critical accounting estimates and assumptions**

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

(a) **Estimated impairment of intangible assets**

The Group tests annually whether intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 1(d). These calculations require the use of estimates.

(b) **Investment in growing and milling entities**

The reduction in the price of sugar of 36% will negatively impact on the sugar proceeds of the industry in its present condition. Harel Frères Limited which has investments in both sugar growing, sugar milling and other related entities, may suffer from the effect of this shortfall over the coming financial year.

The Government of Mauritius has submitted a Multi-Annual Adaptation Strategy (2006-2015) to the European Union in view of negotiations for the accompanying measures. The aim of the Adaptation Strategy is to re-engineer the Sugar Industry so as to reduce production costs and enable Mauritius to retain a competitive sugar sector after the price reduction which will become fully effective as from 2009.

In assessing the fair value of its investment in sugar growing and milling entities, the directors have taken into account of the above factors.

(c) **Impairment of available-for-sale financial assets**

The Group and the Company follow the guidance of IAS 39 on determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Group and the Company evaluate, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(d) **Biological assets**

(i) Bearer biological assets
Bearer biological assets have been estimated based on the cost of land preparation and planting of bearer canes.

(ii) Consumable biological assets - Standing Canes
The fair value of consumable biological assets has been arrived at by discounting the present value (PV) of expected net cash flows from standing canes discounted at the relevant market determined pre-tax rate.

The expected cash flows have been computed by estimating the expected crop and the sugar extraction rate and the forecasts of sugar prices which will prevail in the coming year. The harvesting costs and other direct expenses are based on the yearly budgets.

## 4. PROPERTY, PLANT AND EQUIPMENT

| (a) THE GROUP | Land MUR'M | Buildings on Leasehold Land MUR'M | Buildings MUR'M | Power Plant MUR'M | Building and Civil Works MUR'M | Factory Equipment MUR'M | Agricultural Equipment MUR'M | Motor Vehicles MUR'M | Furniture and Office Equipment MUR'M | Total MUR'M |
|---|---|---|---|---|---|---|---|---|---|---|
| **COST AND VALUATION** | | | | | | | | | | |
| At January 1, 2006 | | | | | | | | | | |
| - Cost | 7.4 | 81.0 | 5.9 | 34.1 | 3.9 | 96.2 | 96.2 | 225.7 | 111.0 | 661.4 |
| - Valuation | 2,139.4 | - | 351.8 | 2,145.4 | 370.3 | 1,343.8 | - | - | - | 6,350.7 |
| | 2,146.8 | 81.0 | 357.7 | 2,179.5 | 374.2 | 1,440.0 | 96.2 | 225.7 | 111.0 | 7,012.1 |
| Transfer to non-current assets classified as held for sale (note 18) | (5.2) | - | - | - | - | - | - | - | - | (5.2) |
| Additions | - | 5.2 | 3.5 | - | - | 15.4 | 13.4 | 44.0 | 4.0 | 85.5 |
| Disposals/Scrappings | (1.8) | - | - | - | - | (0.1) | - | (15.6) | - | (17.5) |
| **At December 31, 2006** | | | | | | | | | | |
| **- Cost** | **7.4** | **86.2** | **9.4** | **34.1** | **3.9** | **111.6** | **109.6** | **269.7** | **115.0** | **746.9** |
| **- Valuation** | **2,132.4** | **-** | **351.8** | **2,145.4** | **370.3** | **1,343.7** | **-** | **(15.6)** | **-** | **6,328.0** |
| | **2,139.8** | **86.2** | **361.2** | **2,179.5** | **374.2** | **1,455.3** | **109.6** | **254.1** | **115.0** | **7,074.9** |
| **DEPRECIATION** | | | | | | | | | | |
| At January 1, 2006 | - | 25.2 | 226.3 | 479.2 | 82.9 | 961.6 | 59.9 | 155.7 | 75.7 | 2,066.5 |
| Charge for the year | - | 2.7 | 7.4 | 88.6 | 15.2 | 31.2 | 5.1 | 33.4 | 13.7 | 197.3 |
| Disposals/Scrappings | - | - | - | - | - | - | - | (14.0) | - | (14.0) |
| **At December 31, 2006** | **-** | **27.9** | **233.7** | **567.8** | **98.1** | **992.8** | **65.0** | **175.1** | **89.4** | **2,249.8** |
| **NET BOOK VALUE** | | | | | | | | | | |
| **At December 31, 2006** | **2,139.8** | **58.3** | **127.5** | **1,611.7** | **276.1** | **462.5** | **44.6** | **79.0** | **25.6** | **4,825.1** |
| **COST AND VALUATION** | | | | | | | | | | |
| At January 1, 2005 | | | | | | | | | | |
| - Cost | 7.4 | 81.0 | 5.9 | 34.1 | 3.9 | 96.2 | 87.6 | 206.2 | 102.2 | 624.5 |
| - Valuation | 2,157.8 | - | 363.2 | 2,145.0 | 370.3 | 1,337.7 | - | - | - | 6,374.0 |
| | 2,165.2 | 81.0 | 369.1 | 2,179.1 | 374.2 | 1,433.9 | 87.6 | 206.2 | 102.2 | 6,998.5 |
| Transfer to non-current assets held for sale (note 18) | (16.3) | - | - | - | - | - | - | - | - | (16.3) |
| Additions | - | - | - | 9.0 | - | 6.1 | 8.6 | 32.9 | 20.4 | 77.0 |
| Disposals/Scrappings | (2.1) | - | (11.4) | (8.6) | - | - | - | (13.4) | (11.6) | (47.1) |
| **At December 31, 2005** | | | | | | | | | | |
| **- Cost** | **7.4** | **81.0** | **5.9** | **34.1** | **3.9** | **96.2** | **96.2** | **225.7** | **111.0** | **661.4** |
| **- Valuation** | **2,139.4** | **-** | **351.8** | **2,145.4** | **370.3** | **1,343.8** | **-** | **-** | **-** | **6,350.7** |
| | **2,146.8** | **81.0** | **357.7** | **2,179.5** | **374.2** | **1,440.0** | **96.2** | **225.7** | **111.0** | **7,012.1** |
| **DEPRECIATION** | | | | | | | | | | |
| At January 1, 2005 | - | 22.7 | 228.0 | 392.2 | 67.8 | 931.1 | 55.6 | 140.7 | 73.7 | 1,911.8 |
| Charge for the year | - | 2.5 | 7.3 | 88.5 | 15.1 | 30.5 | 4.3 | 28.1 | 13.6 | 189.9 |
| Disposals/Scrappings | - | - | (9.0) | (1.5) | - | - | - | (13.1) | (11.6) | (35.2) |
| **At December 31, 2005** | **-** | **25.2** | **226.3** | **479.2** | **82.9** | **961.6** | **59.9** | **155.7** | **75.7** | **2,066.5** |
| **NET BOOK VALUE** | | | | | | | | | | |
| **At December 31, 2005** | **2,146.8** | **55.8** | **131.4** | **1,700.3** | **291.3** | **478.4** | **36.3** | **70.0** | **35.3** | **4,945.6** |

**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

(b) **THE COMPANY**

| | Land MUR'M | Buildings MUR'M | Agricultural Equipment MUR'M | Motor Vehicles MUR'M | Furniture and Office Equipment MUR'M | Total MUR'M |
|---|---|---|---|---|---|---|
| **COST AND VALUATION** | | | | | | |
| At January 1, 2006 | | | | | | |
| - Cost | - | - | 17.4 | 29.4 | 21.7 | 68.5 |
| - Valuation | 235.6 | 87.0 | - | - | - | 322.6 |
| | 235.6 | 87.0 | 17.4 | 29.4 | 21.7 | 391.1 |
| Transfer to non-current assets held for sale (note 18) | (2.8) | - | - | - | - | (2.8) |
| Additions | - | 0.1 | 0.2 | 2.7 | 0.2 | 3.2 |
| Disposals | (0.5) | - | - | - | - | (0.5) |
| **At December 31, 2006** | | | | | | |
| **- Cost** | **-** | **0.1** | **17.6** | **32.1** | **21.9** | **71.7** |
| **- Valuation** | **232.3** | **87.0** | **-** | **-** | **-** | **319.3** |
| | **232.3** | **87.1** | **17.6** | **32.1** | **21.9** | **391.0** |
| **DEPRECIATION** | | | | | | |
| At January 1, 2006 | - | 59.2 | 14.5 | 25.7 | 10.8 | 110.2 |
| Charge for the year | - | 1.7 | 0.4 | 2.1 | 1.6 | 5.8 |
| **At December 31, 2006** | **-** | **60.9** | **14.9** | **27.8** | **12.4** | **116.0** |
| **NET BOOK VALUE** | | | | | | |
| **At December 31, 2006** | **232.3** | **26.2** | **2.7** | **4.3** | **9.5** | **275.0** |
| **COST AND VALUATION** | | | | | | |
| At January 1, 2005 | | | | | | |
| - Cost | - | - | 17.4 | 29.8 | 20.6 | 67.8 |
| - Valuation | 236.0 | 87.0 | - | - | - | 323.0 |
| | 236.0 | 87.0 | 17.4 | 29.8 | 20.6 | 390.8 |
| Additions | - | - | - | 2.3 | 1.1 | 3.4 |
| Disposals | (0.4) | - | - | (2.7) | - | (3.1) |
| **At December 31, 2005** | | | | | | |
| **- Cost** | **-** | **-** | **17.4** | **29.4** | **21.7** | **68.5** |
| **- Valuation** | **235.6** | **87.0** | **-** | **-** | **-** | **322.6** |
| | **235.6** | **87.0** | **17.4** | **29.4** | **21.7** | **391.1** |
| **DEPRECIATION** | | | | | | |
| At January 1, 2005 | - | 57.5 | 14.1 | 26.9 | 9.1 | 107.6 |
| Charge for the year | - | 1.7 | 0.4 | 1.5 | 1.7 | 5.3 |
| Disposal adjustments | - | - | - | (2.7) | - | (2.7) |
| **At December 31, 2005** | **-** | **59.2** | **14.5** | **25.7** | **10.8** | **110.2** |
| **NET BOOK VALUE** | | | | | | |
| **At December 31, 2005** | **235.6** | **27.8** | **2.9** | **3.7** | **10.9** | **280.9** |

**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

(c) **Land and buildings**

(i) The land and buildings were revalued in 1999, by Mr A. T. Tinkler, Chartered Surveyor. Valuations were made on the basis of the existing use value of assets. Building and Civil works and Power Plant have been revalued in 2004, by Atkins, the Lender's Independent Engineer. The revaluation has been carried out on the basis of the Depreciated Replacement Cost. The book values of the properties were adjusted to the revalued amounts and the resulting surplus net of deferred income taxes was credited to "Revaluation and other reserves" in shareholders' equity.

The factory buildings and equipment were revalued annually until 2002 on the basis of the indices provided by the Mauritius Sugar Authority.

(ii) The leases are on a long term basis.

(d) **Financing of VRS costs and land compensation to workers**

The Group has earmarked 119 hectares (Company: 55 hectares) of land to finance the VRS costs and as land compensation to workers who took advantage of the scheme, out of which 23.4 hectares have been disposed.

(e) **Land conversion under "1200A" scheme Section 11(3) of SIE Act 2001.**

The Group has earmarked 100 hectares (Company: 43 hectares) for land conversion under "1200A" scheme as per Section 11(3) of SIE Act 2001, out of which 39.0 hectares have been disposed.

(f) **Land conversion under "800 A" scheme Section 11(3) of SIE Act 2001.**

The Group has earmarked 29.81 hectares for land conversion under "800A" scheme as per Section 11(3) of SIE Act 2001.

(g) **Financing of compensation payments following closure of Beau Plan Sugar Factory**

The Group will recoup the closure costs through the disposal of 137 hectares of freehold land for which application has been submitted to the Ministry of Agriculture, Food, Technology and Natural Resources.

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| (h) **Depreciation charge** | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| Cost of sales | **129.6** | 154.3 | **-** | - |
| Other expenses | **67.7** | 35.6 | **5.8** | 5.3 |
| | **197.3** | 189.9 | **5.8** | 5.3 |

**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

(i) If property, plant and equipment were stated on the historical cost basis, the amounts would be as follows :

| | Land MUR'M | Buildings MUR'M | Factory Equipment MUR'M | Power Plant MUR'M | Building and Civil Works MUR'M |
|---|---|---|---|---|---|
| **THE GROUP** | | | | | |
| **2006** | | | | | |
| **Cost** | **131.0** | **82.0** | **462.5** | **1,801.8** | **316.0** |
| **Accumulated depreciation** | **-** | **(30.5)** | **(153.5)** | **(469.7)** | **(82.7)** |
| **Net book value** | **131.0** | **51.5** | **309.0** | **1,332.1** | **233.3** |
| 2005 | | | | | |
| Cost | 132.1 | 78.5 | 448.4 | 1,801.8 | 316.0 |
| Accumulated depreciation | - | (28.8) | (133.9) | (396.2) | (70.0) |
| Net book value | 132.1 | 49.7 | 314.5 | 1,405.6 | 246.0 |
| **THE COMPANY** | | | | | |
| **2006** | | | | | |
| **Cost** | **17.5** | **6.8** | | | |
| **Accumulated depreciation** | **-** | **(4.3)** | | | |
| **Net book value** | **17.5** | **2.5** | | | |
| 2005 | | | | | |
| Cost | 17.7 | 6.8 | | | |
| Accumulated depreciation | - | (4.1) | | | |
| Net book value | 17.7 | 2.7 | | | |

(j) Bank borrowings are secured by fixed and floating charges on the assets of the borrowing entities including property, plant and equipment (note 21(e)).

**5. INVESTMENT PROPERTIES**

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| **COST** | | | | |
| At January 1, | **51.0** | 51.0 | **-** | - |
| Additions | **-** | - | **41.6** | - |
| **At December 31,** | **51.0** | 51.0 | **41.6** | - |
| **DEPRECIATION** | | | | |
| At January 1, | **41.8** | 40.9 | **-** | - |
| Charge for the year | **0.7** | 0.9 | **1.3** | - |
| **At December 31,** | **42.5** | 41.8 | **1.3** | - |
| **NET BOOK VALUE** | | | | |
| **At December 31,** | **8.5** | 9.2 | **40.3** | - |
| **Fair Value** | **42.8** | 11.9 | **40.3** | - |

(a) The following amounts have been recognised in the income statement:

| | | | | |
|---|---|---|---|---|
| Rental income | **6.7** | 6.7 | **-** | - |
| Direct operating expenses from investment properties that generate rental income | **5.2** | 4.9 | **-** | - |

(b) Bank borrowings are secured by fixed and floating charges on the assets of the borrowing entities including investment properties (note 21(e)).

(c) Fair value is based on market value and directors' valuation.

**6. INTANGIBLE ASSETS**

| THE GROUP | Land Conversion Rights Closure Costs MUR'M | Land Conversion Rights VRS Costs MUR'M | Brands MUR'M | Goodwill MUR'M | Computer Software MUR'M | Legal Fees MUR'M | Total MUR'M |
|---|---|---|---|---|---|---|---|
| (a) **COST** | | | | | | | |
| At January 1, 2006 | 131.7 | 195.1 | - | 3.6 | 9.7 | 42.8 | 382.9 |
| Additions | - | - | 46.1 | - | 1.1 | - | 47.2 |
| **At December 31, 2006** | **131.7** | **195.1** | **46.1** | **3.6** | **10.8** | **42.8** | **430.1** |
| **AMORTISATION** | | | | | | | |
| At January 1, 2006 | - | 137.8 | - | 0.7 | 4.3 | 23.6 | 166.4 |
| Charge for the year | - | 42.5 | - | - | 2.4 | 4.3 | 49.2 |
| **At December 31, 2006** | **-** | **180.3** | **-** | **0.7** | **6.7** | **27.9** | **215.6** |
| **NET BOOK VALUE** | | | | | | | |
| **At December 31, 2006** | **131.7** | **14.8** | **46.1** | **2.9** | **4.1** | **14.9** | **214.5** |
| **COST** | | | | | | | |
| At January 1, 2005 | 131.7 | 195.1 | - | 3.6 | 4.5 | 42.8 | 377.7 |
| Additions | - | - | - | - | 5.2 | - | 5.2 |
| **At December 31, 2005** | **131.7** | **195.1** | **-** | **3.6** | **9.7** | **42.8** | **382.9** |
| **AMORTISATION** | | | | | | | |
| At January 1, 2005 | - | 94.3 | - | 0.7 | 2.0 | 19.3 | 116.3 |
| Charge for the year | - | 43.5 | - | - | 2.3 | 4.3 | 50.1 |
| **At December 31, 2005** | **-** | **137.8** | **-** | **0.7** | **4.3** | **23.6** | **166.4** |
| **NET BOOK VALUE** | | | | | | | |
| **At December 31, 2005** | **131.7** | **57.3** | **-** | **2.9** | **5.4** | **19.2** | **216.5** |

| THE COMPANY | Land Conversion Rights VRS Costs MUR'M | Computer Software MUR'M | Total MUR'M |
|---|---|---|---|
| (b) **COST** | | | |
| At January 1, and at December 31, 2006 | 25.7 | 0.1 | **25.8** |
| **AMORTISATION** | | | |
| At January 1, 2006 | 17.5 | - | **17.5** |
| Charge for the year | 7.4 | 0.1 | **7.5** |
| **At December 31, 2006** | 24.9 | 0.1 | **25.0** |
| **NET BOOK VALUE** | | | |
| **At December 31, 2006** | **0.8** | **-** | **0.8** |
| **COST** | | | |
| At January 1, and at December 31, 2005 | 25.7 | 0.1 | 25.8 |
| **AMORTISATION** | | | |
| At January 1, 2005 | 12.4 | - | 12.4 |
| Charge for the year | 5.1 | - | 5.1 |
| **At December 31, 2005** | 17.5 | - | 17.5 |
| **NET BOOK VALUE** | | | |
| **At December 31, 2005** | **8.2** | **0.1** | **8.3** |

**6. INTANGIBLE ASSETS (CONT'D)**

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| (c) **Amortisation charge** | | | | |
| Cost of sales | **4.3** | 4.3 | **-** | - |
| Other expenses | **44.9** | 45.8 | **7.5** | 5.1 |
| | **49.2** | 50.1 | **7.5** | 5.1 |

(d) **Closure costs**

Closure costs relate to provisions made in accordance with the Blue Print on Centralisation of Sugar Milling operations in Mauritius issued in May 1997 and conditions laid down by the Minister of Agriculture in respect of the closure of the Beau Plan Sugar Factory. Belle Vue Milling Co Ltd, one of the Company's subsidiaries, in accordance with the provisions of the "Blue Print", acquired the right to purchase land at agricultural value and to convert the same land for development purposes and be exempted from land conversion tax, land transfer tax, morcellement tax and capital gains tax.

(e) **VRS costs**

On July 11, 2002, the Group obtained approval from the Ministry of Agriculture, Food Technology and Natural Resources for the implementation of the Voluntary Retirement Scheme (VRS). 515 employees (Company: 67) have taken advantage of the Scheme.

In accordance with The Sugar Sector Strategic Plan 2005, the Group and the Company acquired the right to sell land on which no land conversion tax is payable.

**7. INVESTMENT IN SUBSIDIARIES**

| | **2006** | 2005 |
|---|---|---|
| | **MUR'M** | MUR'M |
| **THE COMPANY** | | |
| At January 1, | **1,960.6** | 1,848.3 |
| Additions | **100.0** | - |
| Reversal of impairment | **6.9** | - |
| Increase in fair value | **192.5** | 112.3 |
| **At December 31,** | **2,260.0** | 1,960.6 |

Details of subsidiaries are set out in note 33.

## 8. INVESTMENT IN ASSOCIATES

| | | 2006 MUR'M | 2005 MUR'M |
|---|---|---|---|
| (a) | **THE GROUP** | | |
| (i) | Group's share of net assets | **304.9** | 176.9 |
| | Details of associates are set out in note 34. | | |
| (ii) | At January 1, | **176.9** | 160.1 |
| | Additions | **103.4** | 0.5 |
| | Share of profit after tax and minority interest | **46.2** | 40.8 |
| | Dividends paid | **(26.7)** | (29.1) |
| | Reversal of impairment | **6.9** | - |
| | Transfer to investment in financial assets (note 9) | **(6.9)** | - |
| | Disposals | **(1.8)** | - |
| | Movement on reserves | **6.9** | 4.6 |
| | **At December 31,** | **304.9** | 176.9 |
| (b) | **THE COMPANY** | | |
| | At January 1, | **107.6** | 91.8 |
| | Disposals | **(0.9)** | - |
| | Increase in fair value | **22.1** | 15.8 |
| | **At December 31,** | **128.8** | 107.6 |

## 9. INVESTMENT IN FINANCIAL ASSETS

| | | Available-for-sale | | | |
|---|---|---|---|---|---|
| | | Listed on the Stock Exchange MUR'M | Quoted on the OTC/ DEM MUR'M | Unquoted MUR'M | Total MUR'M |
| | **THE GROUP** | | | | |
| (a) | **At January 1, 2006** | **165.3** | **17.6** | **39.1** | **222.0** |
| | **Additions** | **-** | **-** | **0.2** | **0.2** |
| | **Transfer from investment in associates (note 8)** | **-** | **-** | **6.9** | **6.9** |
| | **Reclassification** | **-** | **7.5** | **(7.5)** | **-** |
| | **Disposals** | **(68.1)** | **(1.4)** | **-** | **(69.5)** |
| | **Impairment** | **-** | **-** | **(4.2)** | **(4.2)** |
| | **Increase in fair value** | **24.0** | **25.8** | **12.3** | **62.1** |
| | **At December 31, 2006** | **121.2** | **49.5** | **46.8** | **217.5** |
| (b) | At January 1, 2005 | 170.4 | 14.5 | 38.5 | 223.4 |
| | Disposals | (17.8) | - | (0.2) | (18.0) |
| | Increase in fair value | 12.7 | 3.1 | 0.8 | 16.6 |
| | At December 31, 2005 | 165.3 | 17.6 | 39.1 | 222.0 |

## 9. INVESTMENT IN FINANCIAL ASSETS (CONT'D)

| | | Available-for-sale | | | |
|---|---|---|---|---|---|
| | | Listed on the Stock Exchange MUR'M | Quoted on the OTC/ DEM MUR'M | Unquoted MUR'M | Total MUR'M |
| | **THE COMPANY** | | | | |
| (c) | **At January 1, 2006** | **105.7** | **12.0** | **23.6** | **141.3** |
| | **Additions** | **-** | **-** | **0.2** | **0.2** |
| | **Reclassification** | **-** | **5.4** | **(5.4)** | **-** |
| | **Disposals** | **(43.2)** | **(1.3)** | **-** | **(44.5)** |
| | **Increase in fair value** | **16.4** | **18.5** | **7.9** | **42.8** |
| | **At December 31, 2006** | **78.9** | **34.6** | **26.3** | **139.8** |
| (d) | At January 1, 2005 | 109.9 | 9.8 | 23.2 | 142.9 |
| | Disposals | (12.5) | - | (0.2) | (12.7) |
| | Increase in fair value | 8.3 | 2.2 | 0.6 | 11.1 |
| | At December 31, 2005 | 105.7 | 12.0 | 23.6 | 141.3 |

## 10. NON-CURRENT RECEIVABLES

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006 MUR'M** | 2005 MUR'M | **2006 MUR'M** | 2005 MUR'M |
| Loans granted to subsidiaries | **-** | - | **35.4** | 33.2 |
| Loans granted to related parties | **14.3** | 13.9 | **-** | - |
| Others loans | **0.3** | 0.5 | **0.2** | 0.2 |
| | **14.6** | 14.4 | **35.6** | 33.4 |

## 11. BEARER BIOLOGICAL ASSETS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006 MUR'M** | 2005 MUR'M | **2006 MUR'M** | 2005 MUR'M |
| **COST** | | | | |
| At January 1, | **215.9** | 203.2 | **31.7** | 29.7 |
| Additions | **58.0** | 35.8 | **7.3** | 4.4 |
| Assets fully amortised | **(19.4)** | (23.1) | **(2.8)** | (2.4) |
| **At December 31,** | **254.5** | 215.9 | **36.2** | 31.7 |
| **AMORTISATION** | | | | |
| At January 1, | **97.3** | 90.5 | **13.9** | 12.0 |
| Charge for the year | **34.2** | 29.9 | **4.9** | 4.3 |
| Assets fully amortised | **(19.4)** | (23.1) | **(2.8)** | (2.4) |
| **At December 31,** | **112.1** | 97.3 | **16.0** | 13.9 |
| **NET BOOK VALUE** | **142.4** | 118.6 | **20.2** | 17.8 |

Bearer biological assets relate to the cost of land preparation and planting of virgin canes that have an expected life cycle of 8 years as they would normally generate 8 years of crop harvest.

**12. LAND DEVELOPMENT EXPENDITURE**

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| At January 1, | **49.1** | 48.1 | **37.1** | 34.0 |
| Additions | **5.3** | 7.5 | **3.5** | 3.1 |
| Transfer to non-current assets classified as held for sale (note 18) | **(6.2)** | (6.5) | **(6.2)** | - |
| **At December 31,** | **48.2** | 49.1 | **34.4** | 37.1 |

**13. DEFERRED INCOME TAXES**

Deferred income taxes are calculated on all temporary differences under the liability method at 15%-20%.

Deferred income tax assets and liabilities are offset when the income taxes relate to the same entity and the same fiscal authority. The following amounts are shown in the balance sheet:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| Deferred tax assets | **(10.0)** | - | **-** | - |
| Deferred tax liabilities | **215.5** | 148.8 | **0.4** | - |
| | **205.5** | 148.8 | **0.4** | - |
| Unused tax losses available for offset against future taxable profits | **490.5** | 766.2 | **38.2** | 40.4 |
| Deferred tax assets not recognised due to unpredictability of future profit streams | **8.7** | 23.1 | **-** | 4.1 |

The movement on the deferred income tax account is as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| At January 1, | **148.8** | 103.7 | **-** | - |
| Charge to income statement (note 24) | **36.7** | 47.9 | **(4.7)** | - |
| Tax charge / (credit) to equity | **20.0** | (2.8) | **5.1** | - |
| **At December 31,** | **205.5** | 148.8 | **0.4** | - |

**13. DEFERRED INCOME TAXES (CONT'D)**

Deferred tax assets and liabilities, deferred tax movement in the income statement and equity are attributable to the following items:

| | At January 1, 2006 MUR'M | Income Statement MUR'M | Revaluation Reserve MUR'M | At December 31, 2006 MUR'M |
|---|---|---|---|---|
| **THE GROUP** | | | | |
| **Deferred income tax liabilities** | | | | |
| Accelerated tax depreciation | 262.8 | (25.2) | - | 237.6 |
| Asset revaluations | 63.9 | - | 7.2 | 71.1 |
| VRS costs | 10.4 | (8.0) | - | 2.4 |
| | 337.1 | (33.2) | 7.2 | 311.1 |
| **Deferred income tax assets** | | | | |
| Tax losses carried forward | 170.3 | (93.4) | - | 76.9 |
| Provisions | 8.2 | (2.9) | - | 5.3 |
| Retirement benefit obligations | 32.9 | (0.8) | - | 32.1 |
| Deferred income tax assets not recognised | (23.1) | 27.2 | (12.8) | (8.7) |
| | 188.3 | (69.9) | (12.8) | 105.6 |
| **Net deferred income tax liabilities** | **148.8** | **36.7** | **20.0** | **205.5** |
| **THE COMPANY** | | | | |
| **Deferred income tax liabilities** | | | | |
| Accelerated tax depreciation | 1.3 | (1.3) | - | - |
| Asset revaluations | 6.5 | - | (1.4) | 5.1 |
| VRS costs | 2.0 | (1.9) | - | 0.1 |
| | 9.8 | (3.2) | (1.4) | 5.2 |
| **Deferred income tax assets** | | | | |
| Tax losses carried forward | 9.8 | (7.6) | - | 2.2 |
| Provisions | 1.9 | (0.7) | - | 1.2 |
| Retirement benefit obligations | 2.2 | (0.8) | - | 1.4 |
| Deferred income tax assets not recognised | (4.1) | 10.6 | (6.5) | - |
| | 9.8 | 1.5 | (6.5) | 4.8 |
| **Net deferred income tax liability** | **-** | **(4.7)** | **5.1** | **0.4** |

### 14. INVENTORIES

| | | 2006 MUR'M | 2005 MUR'M |
|---|---|---|---|
| | **THE GROUP** | | |
| (a) | Raw materials | **105.7** | 106.1 |
| | Finished goods | **156.8** | 147.7 |
| | Spare parts and consumables | **144.9** | 124.4 |
| | | **407.4** | 378.2 |

(b) Bank borrowings are secured by fixed and floating charges on the assets of the borrowing entities including inventories (see note 21(e)).

(c) The cost of inventories recognised as expense and included in cost of sales are as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006 MUR'M** | 2005 MUR'M | **2006 MUR'M** | 2005 MUR'M |
| Cost of inventories consumed | **1,041.0** | 1,035.8 | **3.9** | 7.4 |

### 15. CONSUMABLE BIOLOGICAL ASSETS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006 MUR'M** | 2005 MUR'M | **2006 MUR'M** | 2005 MUR'M |
| At January 1, | **146.0** | 145.7 | **13.0** | 14.6 |
| (Losses)/gains from changes in fair value | **(7.0)** | 0.3 | **2.5** | (1.6) |
| **At December 31,** | **139.0** | 146.0 | **15.5** | 13.0 |

### 16. TRADE AND OTHER RECEIVABLES

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006 MUR'M** | 2005 MUR'M | **2006 MUR'M** | 2005 MUR'M |
| Trade receivables | **493.9** | 364.2 | **-** | - |
| Less: provision for impairment | **(15.0)** | (10.6) | **-** | - |
| Trade receivables - net | **478.9** | 353.6 | **-** | - |
| Sugar proceeds receivable | **190.8** | 147.0 | **15.7** | 9.8 |
| Amounts receivable from the Sugar Insurance Fund Board (SIFB) | **-** | 7.2 | **-** | - |
| Receivable from subsidiaries | **-** | - | **421.4** | 407.9 |
| Receivable from related parties | **1.4** | 1.1 | **-** | - |
| Other receivables | **112.4** | 89.4 | **12.6** | 11.1 |
| | **783.5** | 598.3 | **449.7** | 428.8 |

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

**17. HELD-TO-MATURITY INVESTMENTS**

| | THE GROUP | |
|---|---|---|
| | **2006** | 2005 |
| | **MUR'M** | MUR'M |
| Investment in Treasury Bills | **58.3** | - |

The Treasury Bills bear interest at 11.55 - 11.7% p.a.

**18. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE**

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| At January 1, | **68.3** | 97.0 | **-** | - |
| Expenditure during the year | **153.0** | 6.7 | **4.3** | - |
| Land transferred from property, plant and equipment (note 4) | **5.2** | 16.3 | **2.8** | - |
| Transfer from land development expenditure (note 12) | **6.2** | 6.5 | **6.2** | - |
| Release to income statement on disposal | **(84.3)** | (58.2) | **(2.5)** | - |
| **At December 31,** | **148.4** | 68.3 | **10.8** | - |

Non-current assets held for sale consist of plots of land and their related development costs, available for sale under the "1200 A" scheme and VRS financing scheme for residential purpose.

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| (a) Disposal proceeds | **137.4** | 116.8 | **20.5** | 116.8 |
| (b) Liabilities directly associated with non-current assets held-for-sale | | | | |
| Accruals and provisions | **44.0** | 21.7 | **11.1** | - |

**19. STATED CAPITAL**

| | **2006** | 2005 |
|---|---|---|
| | **MUR'M** | MUR'M |
| Nominal paid up value of shares | | |
| At January 1, | **130.9** | 130.9 |
| Bonus issue (see note) | **42.9** | - |
| **At December 31,** | **173.8** | 130.9 |

Note : During the year, there has been a share split of 1 into 10 and a bonus issue of 1 for every 3 split shares.

**20. REVALUATION AND OTHER RESERVES**

| | Associates Reserves MUR'M | Revaluation and Other Capital Reserves MUR'M | Translation Reserve MUR'M | Fair Value Reserve MUR'M | Total MUR'M |
|---|---|---|---|---|---|
| (a) **THE GROUP** | | | | | |
| (i) At January 1, 2006 | 40.2 | 2,636.7 | (66.7) | 122.9 | 2,733.1 |
| Bonus issue | - | (42.9) | - | - | (42.9) |
| Increase in fair value of available-for-sale financial assets | - | - | - | 62.1 | 62.1 |
| Deferred tax on revaluation of assets | - | (19.3) | - | - | (19.3) |
| Release of deferred tax on excess depreciation | | | | | - |
| over historical cost depreciation | - | 1.9 | - | - | 1.9 |
| Transfer to retained earnings on disposal of land | - | (5.2) | - | - | (5.2) |
| Release on disposal of available-for-sale financial assets | - | - | - | (48.3) | (48.3) |
| Release to income statement on repayment of foreign currency loans | - | - | 17.3 | - | 17.3 |
| Exchange differences on translation of foreign currency loans | - | - | (73.6) | - | (73.6) |
| Movements on reserves of associates (note 8) | 6.9 | - | - | - | 6.9 |
| **At December 31, 2006** | **47.1** | **2,571.2** | **(123.0)** | **136.7** | **2,632.0** |
| (ii) At January 1, 2005 | 35.6 | 2,655.0 | (108.3) | 111.6 | 2,693.9 |
| Increase in fair value of available-for-sale financial assets | - | - | - | 16.6 | 16.6 |
| Impairment of property, plant and equipment | - | (0.5) | - | - | (0.5) |
| Release of deferred tax on excess depreciation over historical cost depreciation | - | 1.1 | - | - | 1.1 |
| Transfer to retained earnings on disposal of land | - | (18.9) | - | - | (18.9) |
| Release on disposal of available-for-sale financial assets | - | - | - | (5.3) | (5.3) |
| Release to income statement on repayment of foreign currency loans | - | - | 19.5 | - | 19.5 |
| Exchange differences on translation of foreign currency loans | - | - | 22.1 | - | 22.1 |
| Movements on reserves of associates (note 8) | 4.6 | - | - | - | 4.6 |
| **At December 31, 2005** | **40.2** | **2,636.7** | **(66.7)** | **122.9** | **2,733.1** |

## 20. REVALUATION AND OTHER RESERVES (CONT'D)

| | | Fair Value Reserve MUR'M | Capital Reserve MUR'M | Total MUR'M |
|---|---|---|---|---|
| (b) | **THE COMPANY** | | | |
| (i) | At January 1, 2006 | 896.9 | 442.0 | 1,338.9 |
| | Bonus issue | - | (42.9) | (42.9) |
| | Increase in fair value of available-for-sale financial assets | 257.4 | - | 257.4 |
| | Deferred tax on revaluation of assets | - | (5.2) | (5.2) |
| | Release of deferred tax on excess depreciation over historical cost depreciation | - | 0.1 | 0.1 |
| | Release on disposal of available-for-sale financial assets | (32.4) | - | (32.4) |
| | Transfer to retained earnings on disposal of land | - | (0.8) | (0.8) |
| | **At December 31, 2006** | **1,121.9** | **393.2** | **1,515.1** |
| (ii) | At January 1, 2005 | 761.4 | 442.4 | 1,203.8 |
| | Increase in fair value of available-for-sale financial assets | 139.2 | - | 139.2 |
| | Release on disposal of available-for-sale financial assets | (3.7) | - | (3.7) |
| | Transfer to retained earnings on disposal of land | - | (0.4) | (0.4) |
| | **At December 31, 2005** | **896.9** | **442.0** | **1,338.9** |

## 21. BORROWINGS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006 MUR'M** | 2005 MUR'M | **2006 MUR'M** | 2005 MUR'M |
| **Non-current** | | | | |
| Public debentures | | | | |
| - others | **-** | 65.5 | **-** | 65.5 |
| - group | **-** | - | **-** | 0.4 |
| Debentures | **365.9** | 459.1 | **15.6** | 31.5 |
| Loans | **949.1** | 957.8 | **44.7** | 49.8 |
| | **1,315.0** | 1,482.4 | **60.3** | 147.2 |
| Group loan - subsidiary | **-** | - | **0.9** | 0.8 |
| | **1,315.0** | 1,482.4 | **61.2** | 148.0 |
| **Current** | | | | |
| Bank overdrafts | **248.1** | 197.0 | **1.4** | 0.3 |
| Public debentures | **66.0** | 66.2 | **66.2** | 66.2 |
| Debentures | **93.0** | 111.5 | **15.6** | 26.6 |
| Loans | **248.6** | 193.4 | **33.7** | 4.9 |
| | **407.6** | 371.1 | **115.5** | 97.7 |
| | **655.7** | 568.1 | **116.9** | 98.0 |
| **Total borrowings** | **1,970.7** | 2,050.5 | **178.1** | 246.0 |

**21. BORROWINGS (CONT'D)**

| | | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| | Last repayment date | **2006 MUR'M** | 2005 MUR'M | **2006 MUR'M** | 2005 MUR'M |
| (a) Breakdown of loans and debentures | | | | | |
| Loan capital can be analysed as follows: | | | | | |
| Loan at call | - | **30.0** | - | **30.0** | - |
| Debentures repayable yearly in June | 2006 | **-** | 0.6 | **-** | - |
| Debentures repayable yearly in July | 2006 | **-** | 1.1 | **-** | 0.2 |
| Loan at 3% repayable yearly in December | 2006 | **-** | 3.2 | **-** | - |
| Loan at 10.50% repayable monthly | 2006 | **-** | 0.6 | **-** | 0.6 |
| Public debentures repayable yearly in January | 2007 | **66.0** | 131.7 | **66.2** | 132.1 |
| Debentures repayable yearly in October | 2007 | **0.1** | 0.1 | **-** | - |
| Debentures repayable yearly in December | 2007 | **8.2** | 24.7 | **-** | - |
| Debentures repayable yearly in May | 2008 | **14.3** | 21.5 | **-** | - |
| VRS loan at 6% repayable quarterly | 2008 | **39.1** | 39.1 | **39.1** | 39.1 |
| VRS loan at 7.50% repayable quarterly | 2008 | **66.4** | 87.9 | **9.2** | 12.9 |
| VRS loan at 10.50% payable monthly | 2008 | **-** | 34.4 | **-** | 2.2 |
| Debentures repayable yearly in December | 2008 | **41.2** | 76.3 | **31.3** | 57.8 |
| Loans in EUR repayable yearly in February and August | 2010 | **291.2** | 297.9 | **-** | - |
| Debentures repayable yearly in February and August | 2012 | **395.0** | 446.3 | **-** | - |
| Loan in EUR repayable yearly in February and August | 2012 | **700.4** | 660.0 | **-** | - |
| Loans at 10% repayable monthly | 2013 | **13.8** | 28.1 | **-** | - |
| Loans at 12% repayable monthly | 2013 | **11.9** | - | **-** | - |
| Loans at 12% repayable monthly | 2014 | **45.0** | - | **-** | - |
| | | **1,722.6** | 1,853.5 | **175.8** | 244.9 |
| Less: Repayable within one year | | **(407.6)** | (371.1) | **(115.5)** | (97.7) |
| Repayable after one year | | **1,315.0** | 1,482.4 | **60.3** | 147.2 |

(b) The maturity of non-current borrowings is as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006 MUR'M** | 2005 MUR'M | **2006 MUR'M** | 2005 MUR'M |
| - after one year and before two years | **329.6** | 356.3 | **24.2** | 86.8 |
| - after two years and before five years | **835.0** | 816.6 | **31.2** | 60.4 |
| - after five years | **150.4** | 309.5 | **4.9** | - |
| | **1,315.0** | 1,482.4 | **60.3** | 147.2 |

## 21. BORROWINGS (CONT'D)

(c) The carrying amounts of non-current borrowings are not materially different from the fair value.

Non-current borrowings can be analysed as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| - After one year and before two years | | | | |
| Bank borrowings | **239.0** | 197.6 | **8.6** | 5.0 |
| Debentures | **90.6** | 93.2 | **15.6** | 15.9 |
| Public debentures | **-** | 65.5 | **-** | 65.9 |
| | **329.6** | 356.3 | **24.2** | 86.8 |
| - After two years and before five years | | | | |
| Bank borrowings | **604.2** | 579.9 | **31.2** | 44.8 |
| Debentures | **230.8** | 236.7 | **-** | 15.6 |
| | **835.0** | 816.6 | **31.2** | 60.4 |
| - After five years | | | | |
| Bank borrowings | **105.9** | 180.3 | **4.9** | - |
| Debentures | **44.5** | 129.2 | **-** | - |
| | **150.4** | 309.5 | **4.9** | - |
| Total | **1,315.0** | 1,482.4 | **60.3** | 147.2 |

(d) The rates of interest on MUR loans and debentures vary between 3% to 10.5% annually and on foreign currency loans - EUR between 3% to 5.5% annually.

The rate of interest on debentures is 0.25% above that granted on medium term to the agricultural sector, net of the rate applicable to financial institutions listed on the Stock Exchange of Mauritius.

The public debentures bear interest at a floating rate of 0.75% below average prime lending rate.

(e) Borrowings amounting to MUR 25.2M are secured by fixed and floating charges and by cross guarantees from group companies. The remaining borrowings are secured by fixed and floating charges on the assets of the borrowing entities. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

## 22. RETIREMENT BENEFIT OBLIGATIONS

Retirement benefit obligations comprise of the Group's and Company's pension schemes and of other post-retirement benefits. The pension schemes are defined benefit plans and the assets of the plans are invested with the Sugar Insurance Pension Fund (SIPF).

Other post-retirement benefits relate mainly to gratuities on death and on retirement that are based on length of service and salary at date of death or retirement.

**22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)**

(a) The amounts recognised in the Balance Sheets are as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| Present value of funded obligations | **292.6** | 270.4 | **12.8** | 12.4 |
| Fair value of plan assets | **(119.3)** | (97.2) | **(3.7)** | (3.0) |
| | **173.3** | 173.2 | **9.1** | 9.4 |
| Present value of unfunded obligations | **73.4** | 65.2 | **3.4** | 3.0 |
| Unrecognised actuarial losses | **(31.1)** | (32.0) | **(4.3)** | (4.6) |
| Liability in the balance sheet | **215.6** | 206.4 | **8.2** | 7.8 |

(b) The amounts recognised in the Income Statements are as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| Current service cost | **9.9** | 10.7 | **0.3** | 0.3 |
| Scheme expenses | **0.4** | - | **-** | - |
| Interest cost | **33.9** | 29.9 | **1.5** | 1.5 |
| Cost of insuring risk | **0.4** | - | **-** | - |
| Actuarial loss | **0.9** | 1.9 | **0.2** | 0.3 |
| Expected return on plan assets | **(10.3)** | (7.6) | **(0.3)** | (0.3) |
| | **35.2** | 34.9 | **1.7** | 1.8 |
| Actual return on plan assets | **10.3** | 16.5 | **0.3** | 0.8 |

(c) Movement in the liability recognised in the Balance Sheets:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| At January 1, | **206.4** | 193.1 | **7.8** | 8.4 |
| Total expenses as above | **35.2** | 34.9 | **1.7** | 1.8 |
| Other contributions and direct benefits paid | **(26.0)** | (21.6) | **(1.3)** | (2.4) |
| **At December 31,** | **215.6** | 206.4 | **8.2** | 7.8 |

## 22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(d) Principal actuarial assumptions at end of year :

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2006** | 2005 |
| Discount rate | **10.00%** | 10.00% |
| Expected rate of return on plan assets | **10.00%** | 10.00% |
| Future salary increases | **7.00%** | 7.00% |
| Future pension increases | **3.00%** | 3.00% |

Note: Retirement benefit obligations have been provided for based on reports from The Anglo Mauritius Assurance Society Limited.

## 23. TRADE AND OTHER PAYABLES

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| Trade creditors | **289.4** | 169.9 | **-** | - |
| Provision for compensation payments for centralisation in accordance with the Blue Print provisions | **9.0** | 9.0 | **-** | - |
| Provision for VRS costs | **31.8** | 45.4 | **5.8** | 7.6 |
| Amounts due to subsidiaries | **-** | - | **381.2** | 341.7 |
| Amounts due to related parties | **55.9** | 73.2 | **-** | - |
| Other payables and accruals | **155.2** | 212.6 | **9.9** | 16.6 |
| Dividend payable to minority shareholders | **59.6** | 83.5 | **-** | - |
| | **600.9** | 593.6 | **396.9** | 365.9 |

## 24. TAXATION

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| (a) **Liability in the balance sheets** | | | | |
| Current tax on the adjusted profits for the year (15-22.5%) (2005 : 15-25%) | **30.1** | 17.0 | **-** | - |
| Adjustment for Alternative Minimum Tax (AMT) | **18.9** | 13.6 | **1.4** | - |
| | **49.0** | 30.6 | **1.4** | - |

## 24. TAXATION (CONT'D)

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| **(b) Charge in the Income Statements** | | | | |
| Current tax on the adjusted profits for the year (15-22.5%) (2005 : 15-25%) | **30.1** | 17.0 | **-** | - |
| Adjustment for Alternative Minimum Tax (AMT) | **18.9** | 13.6 | **1.4** | - |
| Revised assessment for prior years | **-** | 0.1 | **-** | - |
| Under/(over) provision in previous years | **0.5** | (0.4) | **0.6** | - |
| Deferred taxation (note 13) | **36.7** | 47.9 | **(4.7)** | - |
| Charge/(credit) for the year | **86.2** | 78.2 | **(2.7)** | - |

The tax on the profit before taxation differs from the theoretical amount that would arise using the basic tax rate as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| Profit before taxation and associates' results | **744.5** | 463.4 | **248.7** | 90.9 |
| Tax calculated at a rate of 15 - 22.5% (2005:15-25%) | **122.5** | 80.9 | **56.0** | 22.7 |
| Income not subject to tax | **(46.6)** | (27.3) | **(55.2)** | (27.3) |
| Expenses not deductible for tax purposes | **13.7** | 15.5 | **2.9** | 7.8 |
| Investment allowance | **-** | (2.5) | **-** | - |
| Tax losses carried forward / (utilised) | **1.4** | (1.7) | **-** | (3.2) |
| Effect of change in tax rate | **3.0** | - | **2.2** | - |
| Adjustment for AMT | **18.9** | 13.6 | **1.4** | - |
| Deferred tax assets not previously recognised | **(27.2)** | - | **(10.6)** | - |
| Revised assessment for prior years | **-** | 0.1 | **-** | - |
| Under/(over) provision in previous years | **0.5** | (0.4) | **0.6** | - |
| | **86.2** | 78.2 | **(2.7)** | - |

## 25. OTHER INCOME

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| Interest income | **30.2** | 16.3 | **9.5** | 6.7 |
| Dividend income | **10.6** | 12.5 | **77.2** | 94.1 |
| Investment income | **40.8** | 28.8 | **86.7** | 100.8 |
| Profit on disposal of property, plant and equipment/ non-current assets held for sale | **42.8** | 55.6 | **6.8** | 0.5 |
| Profit on disposal of investments | **-** | 20.6 | **-** | 11.4 |
| Others | **52.0** | 46.1 | **6.9** | - |
| | **135.6** | 151.1 | **100.4** | 112.7 |

## 26. PROFIT BEFORE FINANCE COSTS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| The profit before finance costs is arrived at after: | | | | |
| **Crediting :** | | | | |
| Rental of land and buildings | **-** | - | **6.9** | 6.9 |
| Profit on sale of property, plant and equipment | **42.8** | 55.6 | **6.8** | 0.5 |
| Profit on sale of available for sale financial assets | **-** | 20.6 | **-** | 11.4 |
| **and charging:** | | | | |
| Depreciation on property, plant and equipment | | | | |
| -owned assets | **197.3** | 189.9 | **5.8** | 5.3 |
| Depreciation on investment properties | **0.7** | 0.9 | **1.3** | - |
| Operating lease rentals - motor vehicles | **-** | 0.2 | **-** | - |
| Amortisation of bearer biological assets | **34.2** | 29.9 | **4.9** | 4.3 |
| Amortisation of intangible assets | **6.7** | 6.6 | **0.1** | - |
| Amortisation of VRS costs | **42.5** | 43.5 | **7.4** | 5.1 |
| Employee benefit expense (note 26(a)) | **351.5** | 331.9 | **12.2** | 11.4 |

(a) Employee benefit expense

| | | | | |
|---|---|---|---|---|
| Wages, salaries and other social costs | **316.3** | 297.0 | **10.5** | 9.6 |
| Pension costs | **35.2** | 34.9 | **1.7** | 1.8 |
| | **351.5** | 331.9 | **12.2** | 11.4 |

## 27. FINANCE COSTS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| Net foreign exchange losses | **20.0** | 62.1 | **-** | - |
| Interest expense: | | | | |
| Bank overdrafts | **18.9** | 14.4 | **-** | 0.5 |
| Loans repayable by instalments | **63.6** | 66.8 | **3.3** | 2.5 |
| Debentures | **52.0** | 55.0 | **10.0** | 14.6 |
| Other loans not repayable by instalments | **12.1** | 13.1 | **1.2** | 1.4 |
| | **146.6** | 149.3 | **14.5** | 19.0 |
| Less: interest capitalised | **(3.8)** | (2.9) | **(3.5)** | (2.8) |
| | **142.8** | 146.4 | **11.0** | 16.2 |
| | **162.8** | 208.5 | **11.0** | 16.2 |

## 28. EXCEPTIONAL ITEMS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| Exceptional dividend income | **-** | - | **101.1** | - |
| Profit on disposal of investment in financial assets | **87.8** | - | **48.8** | - |
| Profit on part disposal of subsidiary | **58.3** | - | **-** | - |
| | **146.1** | - | **149.9** | - |

## 29. EARNINGS PER SHARE

The earnings per share is calculated as follows:

In the case of the Group, by dividing the profit attributable to the shareholders of Harel Frères Limited amounting to MUR 520.1 M (2005 - MUR 283.2 M) by 173,834,000 ordinary shares, issued and fully paid and ranking for dividends.

In the case of the Company, by dividing the profit after taxation amounting to MUR 251.4 M (2005 - MUR 90.9 M) by 173,834,000 ordinary shares, issued and fully paid and ranking for dividends.

## 30. PRIOR YEARS ADJUSTMENT

The prior years adjustment relates to interest in respect of previous years now claimed by a related party. Comparative figures have been amended accordingly.

## 31. DIVIDENDS

| | **2006** | 2005 |
|---|---|---|
| | **MUR'M** | MUR'M |
| Final ordinary paid - 40% (2005 - 30%)* | **69.5** | 52.2 |

* Adjusted for share split of 1 into 10 and a bonus issue of 1 for every 3 split shares.

## 32. CASH AND CASH EQUIVALENTS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| Cash in hand and at bank | **710.0** | 636.9 | **2.2** | 16.0 |
| Bank overdrafts | **(248.1)** | (197.0) | **(1.4)** | (0.3) |
| | **461.9** | 439.9 | **0.8** | 15.7 |

**33. SUBSIDIARIES**

The financial statements of the following subsidiaries have been included in the consolidated financial statements.

| | Type of shares held | **2006** % holding | **2006** % held by other group companies | 2005 % holding | 2005 % held by other group companies | Activity |
|---|---|---|---|---|---|---|
| Beau Plateau Limited* | Ordinary | **100.00** | **-** | 100.00 | - | Sugar |
| Beau Plateau Limited* | Preference | **100.00** | **-** | 100.00 | - | Sugar |
| Beau Plan Milling Co Ltd | Ordinary | **48.00** | **15.29** | 48.00 | 15.29 | Dormant |
| Belle Vue Milling Co Ltd | Ordinary | **48.00** | **15.29** | 48.00 | 15.29 | Sugar |
| Compagnie Agricole de Belle Vue Limitée* | Ordinary | **99.99** | **0.01** | 99.99 | 0.01 | Sugar |
| Compagnie Industrielle de Solitude Limitée | Ordinary | **60.00** | **19.11** | 60.00 | 19.11 | Lessor of land and buildings |
| Compagnie Thermique de Belle Vue Limitée | Ordinary | **-** | **51.00** | - | 51.00 | Energy |
| Cosmebelle (Maurice) Limitée | Ordinary | **-** | **50.00** | - | 50.00 | Retailing |
| Grays & Co. Ltd | Ordinary | **99.99** | **0.01** | 99.99 | 0.01 | Investment |
| Grays Export Ltd | Ordinary | **-** | **100.00** | - | 100.00 | Commercial |
| Grays Inc Ltd ** | Ordinary | **-** | **74.00** | - | - | Commercial |
| Grays Refinery Ltd | Ordinary | **0.01** | **66.66** | 0.01 | 66.66 | Manufacturing |
| HF Administrative Services Ltd | Ordinary | **100.00** | **-** | 100.00 | - | Secretarial |
| HF Investments Limited** | Ordinary | **100.00** | **-** | 100.00 | - | Investment |
| Independent Cigarette Export Ltd | Ordinary | **-** | **100.00** | - | 100.00 | Cigarette |
| Ivoirel Limitée | Ordinary | **100.00** | **-** | 100.00 | - | Investment |
| La Nouvelle Industrie Limitée* | Ordinary | **61.00** | **39.00** | 61.00 | 39.00 | Sugar |
| Mauricia Limitée | Ordinary | **100.00** | **-** | 100.00 | - | Treasury |
| Produits Basaltiques Du Nord Limitée | Ordinary | **-** | **54.00** | - | 54.00 | Manufacturing |
| Sagiterre Ltée | Ordinary | **99.96** | **0.04** | 99.96 | 0.04 | Property management |
| Société HBM | Parts | **60.00** | **19.11** | 60.00 | 19.11 | Investment |
| Société Proban | Parts | **27.78** | **27.78** | 27.78 | 27.78 | Investment |
| The Beau Plan Sugar Estates Company Limited | Ordinary | **100.00** | **-** | 100.00 | - | Sugar |
| The Beau Plan Sugar Estates Company Limited | Preference | **100.00** | **-** | 100.00 | - | Sugar |
| Tresspass Ltée | Ordinary | **-** | **51.00** | - | 51.00 | Retailing |

These subsidiaries are incorporated in Mauritius. They also operate in Mauritius except for Ivoirel Limitée which is a GBL 1 company.

* The following companies will be amalgamated with The Beau Plan Sugar Estates Company Limited effective as from January 1, 2007.

** Subsidiaries not consolidated in 2005. These subsidiaries have been incorporated in 2006.

## 34. ASSOCIATES

The results of the following associates have been included in the consolidated financial statements.

| | **2006 % holding** | 2005 % holding | Financial period ended |
|---|---|---|---|
| Alcohol & Molasses Export Ltd | **30.81** | 30.81 | December 31, 2006 |
| Anytime Investment Ltd | **24.50** | 24.50 | December 31, 2006 |
| Coal Terminal (Management) Co Ltd | **12.21** | 15.59 | December 31, 2006 |
| Compagnie d'Investissements et de Gestion de Portefeuilles Limitée | **40.00** | 40.00 | December 31, 2006 |
| SARL VSV (20/Vins) | **50.00** | 50.00 | December 31, 2006 |
| CTBV (Management) Co Ltd | **22.15** | 22.15 | December 31, 2006 |
| Distillerie de Bois Rouge Ltd | **33.33** | 33.33 | September 30, 2006 |
| Fondation Nemours Harel | **50.00** | 50.00 | December 31, 2006 |
| Horus Ltée | **50.00** | - | December 31, 2006 |
| Intendance Holding Ltd | **26.80** | 26.80 | December 31, 2006 |
| Les Chais de L'Isle de France Ltée | **50.00** | 50.00 | December 31, 2006 |
| Les Domaines de Mauricia Limitée | **50.00** | 50.00 | December 31, 2006 |
| New Fabulous Investment Ltd | **24.50** | 24.50 | December 31, 2006 |
| New Goodwill Co. Ltd | **33.33** | 33.33 | December 31, 2006 |
| Rehm Grinaker Construction Co. Ltd | **35.49** | 35.49 | December 31, 2006 |
| Sugarworld Limited | **27.37** | 27.37 | December 31, 2006 |

All the associates are incorporated in Mauritius, with the exception of SARL VSV, incorporated in Reunion Island.

## 35. CAPITAL COMMITMENTS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006 MUR'M** | 2005 MUR'M | **2006 MUR'M** | 2005 MUR'M |
| Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows : | | | | |
| Property, plant and equipment | **28.1** | 6.5 | **-** | - |

## 36. ULTIMATE HOLDING ENTITY

The Board of Directors considers Société de Nemours, constituted in Mauritius, as the ultimate holding entity of Harel Frères Limited.

## 37. RELATED PARTY TRANSACTIONS

(i) **THE GROUP**

| | Remuneration MUR'M | Purchases of services MUR'M | Sales of services and others MUR'M | Management fees payable MUR'M | Throughput and storage fees payable MUR'M | Amount receivable MUR'M | Amount payable MUR'M | Interest payable (net) MUR'M |
|---|---|---|---|---|---|---|---|---|
| **2006** | | | | | | | | |
| **Associates** | **-** | **45.2** | **5.5** | **15.7** | **7.2** | **4.0** | **25.5** | **1.0** |
| **Key management personnel** | **34.7** | **-** | **7.7** | **-** | **-** | **-** | **-** | **-** |
| **Enterprises with common directors** | **-** | **99.7** | **68.0** | **-** | **-** | **-** | **59.3** | **8.2** |
| 2005 | | | | | | | | |
| Associates | - | 20.9 | 6.5 | 16.0 | 9.7 | 13.9 | 27.4 | 0.1 |
| Key management personnel | 40.0 | - | 3.5 | - | - | - | - | - |
| Enterprises with common directors | - | 86.5 | 49.9 | - | - | 1.1 | 77.6 | 10.8 |

(ii) THE COMPANY

| | Remuneration MUR'M | Purchases of services MUR'M | Sales of services and others MUR'M | Amount receivable MUR'M | Amount payable MUR'M | Interest payable (net) MUR'M |
|---|---|---|---|---|---|---|
| **2006** | | | | | | |
| **Associates** | **-** | **-** | **-** | **-** | **30.0** | **1.0** |
| **Key management personnel** | **26.7** | **-** | **-** | **-** | **-** | **-** |
| **Enterprises with common directors** | **-** | **-** | **-** | **-** | **8.0** | **0.4** |
| **Fellow subsidiaries** | **-** | **8.9** | **-** | **456.8** | **382.1** | **(8.5)** |
| 2005 | | | | | | |
| Associates | - | - | - | - | - | 1.2 |
| Key management personnel | 32.2 | - | - | - | - | - |
| Enterprises with common directors | - | 0.9 | 0.7 | - | 16.0 | 1.2 |
| Fellow subsidiaries | - | 32.0 | 2.1 | 439.1 | 342.5 | (5.6) |

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2006 MUR'M** | 2005 MUR'M | **2006 MUR'M** | 2005 MUR'M |
| (iii) **Key management personnel compensation** | | | | |
| Salaries and short term employee benefits | **32.8** | 35.2 | **25.3** | 27.9 |
| Other post-employment benefits | **1.9** | 1.8 | **1.4** | 1.3 |
| Other retirement benefits | **-** | 3.0 | **-** | 3.0 |
| | **34.7** | 40.0 | **26.7** | 32.2 |

## 37. RELATED PARTY TRANSACTIONS (CONT'D)

(iv) Management contracts

Harel Frères Limited received MUR 0.4 M (2005 : MUR 0.4 M) of management fees from Compagnie Sucrière de Mont Choisy Limitée. Harel Frères Limited received from CTBV Management Co. Ltd mangemnet fees of MUR 3.2 M in 2006 and 2005. CTBV Mangement Co. Ltd claimed management fees to Compagnie Thermique de Belle Vue Limitée for MUR 15.7 M (2005 : MUR 16 M).

## 38. CONTINGENT LIABILITIES

(a) **Court cases**

(i) Previous distillers

An action has been entered in Court by previous distillers claiming damages from a subsidiary for purported breach of contract. The directors believe that the claim entered into against the subsidiary is contrary to the Fair Trading Act and therefore no provision is warranted for the time being.

(ii) Ex-employees of Beau Plan Sugar Factory

There is currently a claim for damages from ex-employees of Beau Plan Sugar Factory for MUR 130.0 M in respect of breach of contract. The court case is still ongoing and the outcome is uncertain.

(iii) Hotel Le Victoria

There is currently a claim from Albatross Insurance company for an amount of MUR 172.0 M relating to the fire which took place at "Hotel Le Victoria" in September 2002. The outcome is uncertain.

(iv) Domaine de Bon Espoir

Pending the outcome of the Assessment Review Committee, Compagnie Agricole de Belle Vue Limitée might be liable for additional land transfer tax amounting to MUR 18.0 M in respect of land parcelling at Domaine de Bon Espoir. The case has been rescheduled for hearing on May 29, 2007.

(b) **Bank guarantees**

In the ordinary course of business, the Group had contingent liabilities in respect of bank guarantees amounting to MUR 80.7 M (2005: MUR 171.9 M).

## 39. SEGMENT INFORMATION

| | Sugar MUR'M | Energy MUR'M | Commercial & Manufacturing MUR'M | Others MUR'M | Eliminations MUR'M | Total MUR'M |
|---|---|---|---|---|---|---|
| (a) **Primary reporting format - business segments** | | | | | | |
| **Year ended December 31, 2006** | | | | | | |
| **External sales** | **870.6** | **949.6** | **926.8** | **21.5** | **-** | **2,768.5** |
| **Intersegment sales** | **1.3** | **6.1** | **-** | **7.1** | **(14.5)** | **-** |
| **Total revenue** | **871.9** | **955.7** | **926.8** | **28.6** | **(14.5)** | **2,768.5** |
| **Segment results** | **164.0** | **397.1** | **64.9** | **(0.4)** | **-** | **625.6** |
| **Other income** | **47.8** | **30.8** | **12.0** | **55.1** | **(10.1)** | **135.6** |
| **Exceptional items** | **-** | **-** | **58.3** | **87.8** | **-** | **146.1** |
| **Share of results of associates** | **-** | **-** | **5.5** | **40.7** | **-** | **46.2** |
| **Finance costs** | **(30.6)** | **(119.9)** | **(22.2)** | **(0.2)** | **10.1** | **(162.8)** |
| **Profit before taxation** | **181.2** | **308.0** | **118.5** | **183.0** | **-** | **790.7** |
| **Taxation** | **(3.1)** | **(66.8)** | **(15.1)** | **(1.2)** | | **(86.2)** |
| **Profit after taxation** | **178.1** | **241.2** | **103.4** | **181.8** | | **704.5** |
| **Minority interest** | | | | | | **(184.4)** |
| **Profit attributable to equityholders of the Company** | | | | | | **520.1** |

### 39. SEGMENT INFORMATION (CONT'D)

| | Sugar MUR'M | Energy MUR'M | Commercial & Manufacturing MUR'M | Others MUR'M | Eliminations MUR'M | Group MUR'M |
|---|---|---|---|---|---|---|
| **(a) Primary reporting format - business segments** | | | | | | |
| **Year ended December 31, 2006 (cont'd)** | | | | | | |
| **Segment assets** | **3,763.6** | **2,865.4** | **757.8** | **87.0** | **(170.5)** | **7,303.3** |
| **Associates** | **-** | **-** | **9.9** | **295.0** | **-** | **304.9** |
| **Other assets** | **-** | **-** | **-** | **424.1** | **-** | **424.1** |
| | | | | | | **8,032.3** |
| **Segment liabilities** | **493.6** | **337.6** | **192.1** | **7.7** | **(170.5)** | **860.5** |
| **Borrowings** | **301.1** | **1,386.5** | **283.1** | **-** | **-** | **1,970.6** |
| **Other liabilities** | **36.7** | **205.1** | **19.7** | **3.0** | **-** | **264.5** |
| | | | | | | **3,095.7** |
| **Capital expenditure** | **115.1** | **2.7** | **69.9** | **3.0** | | **190.7** |
| **Depreciation and amortisation** | **143.5** | **111.4** | **25.6** | **0.9** | | **281.4** |
| **Other non-cash expense** | **-** | **-** | **4.4** | **-** | | **4.4** |

| | Sugar MUR'M | Energy MUR'M | Commercial & Manufacturing MUR'M | Others MUR'M | Eliminations MUR'M | Total MUR'M |
|---|---|---|---|---|---|---|
| (b) Primary reporting format - business segments | | | | | | |
| Year ended December 31, 2005 | | | | | | |
| External sales | 737.7 | 998.1 | 843.7 | 20.1 | - | 2,599.6 |
| Intersegment sales | 1.3 | - | - | - | (1.3) | - |
| Total revenue | 739.0 | 998.1 | 843.7 | 20.1 | (1.3) | 2,599.6 |
| Segment results | 53.2 | 406.3 | 55.8 | 5.5 | - | 520.8 |
| Other income | 36.4 | 19.9 | 9.8 | 91.0 | (6.0) | 151.1 |
| Share of results of associates | - | - | 13.3 | 27.5 | - | 40.8 |
| Finance costs | (43.1) | (159.3) | (11.6) | (0.5) | 6.0 | (208.5) |
| Profit before taxation | 46.5 | 266.9 | 67.3 | 123.5 | - | 504.2 |
| Taxation | (5.3) | (59.2) | (11.8) | (1.9) | - | (78.2) |
| Profit after taxation | 41.2 | 207.7 | 55.5 | 121.6 | - | 426.0 |
| Minority interest | | | | | | (142.8) |
| Profit attributable to equityholders of the Company | | | | | | 283.2 |

| | Sugar MUR'M | Energy MUR'M | Commercial & Manufacturing MUR'M | Others MUR'M | Eliminations MUR'M | Group MUR'M |
|---|---|---|---|---|---|---|
| Segment assets | 3,614.8 | 2,928.8 | 562.9 | 15.2 | (58.0) | 7,063.7 |
| Associates | - | - | 12.1 | 164.8 | - | 176.9 |
| Other assets | - | - | - | 339.4 | - | 339.4 |
| | | | | | | 7,580.0 |
| Segment liabilities | 467.7 | 279.1 | 89.7 | 14.2 | (29.0) | 821.7 |
| Borrowings | 467.8 | 1,404.3 | 178.4 | - | - | 2,050.5 |
| Other liabilities | 5.4 | 154.7 | 15.9 | 3.4 | - | 179.4 |
| | | | | | | 3,051.6 |
| Capital expenditure | 76.4 | 13.3 | 28.3 | - | | 118.0 |
| Depreciation and amortisation | 135.0 | 111.1 | 24.0 | 0.7 | | 270.8 |
| Other non-cash expense | - | - | 2.6 | - | | 2.6 |

## 39. SEGMENT INFORMATION (CONT'D)

The Group is organised into the following main business segments :

| | |
|---|---|
| Sugar | - Cane growing and milling activities |
| Commercial and Manufacturing | - Bottling and retailing of alcohol products, sale of consumable goods and building materials |
| Energy | - Production and sale of electricity from coal and bagasse |

Other operations of the Group mainly comprise of rental of properties, property development services, neither of which constitute a separately reportable segment.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, cash and cash equivalents and receivables and exclude investments in associates and others.

Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment and intangible assets.

(b) **Secondary reporting format - geographical segments**

Although the Group's three business segments are managed locally, they operate in the following main geographical areas:

| | Sales | | Total assets | | Capital expenditure | |
|---|---|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 |
| | **MUR'M** | MUR'M | **MUR'M** | MUR'M | **MUR'M** | MUR'M |
| Mauritius | **2,768.5** | 2,599.6 | **8,025.4** | 7,580.0 | **190.7** | 118.0 |
| Côte d'Ivoire | **-** | - | **6.9** | - | **-** | - |
| | **2,768.5** | 2,599.6 | **8,032.3** | 7,580.0 | **190.7** | 118.0 |

Sales revenue is based on the country in which the customer is located. Total assets and capital expenditure are shown by the geographical area in which the assets are located.

(c) **Analysis of sales**

| | **2006** | 2005 |
|---|---|---|
| | **MUR'M** | MUR'M |
| Sale of sugar, molasses and bagasse | **870.6** | 737.7 |
| Sale of electricity | **949.6** | 998.1 |
| Sale of goods | **926.8** | 843.7 |
| Revenue from services | **21.5** | 20.1 |
| | **2,768.5** | 2,599.6 |

For revenue recognition see note 1(q).

## 40. CURRENCY

The financial statements are presented in millions of Mauritian Rupees.

**THREE YEAR SUMMARY OF PUBLISHED RESULTS AND ASSETS AND LIABILITIES - THE GROUP**

| INCOME STATEMENTS | **2006 MUR'M** | 2005 MUR'M | 2004 MUR'M |
|---|---|---|---|
| Turnover | **2,768.5** | 2,599.6 | 2,402.9 |
| Profit before taxation and associates' results | **598.4** | 463.4 | 489.5 |
| Share of results of associates | **46.2** | 40.8 | 4.3 |
| Taxation | **(86.2)** | (78.2) | (72.1) |
| Profit after taxation | **704.5** | 426.0 | 421.7 |
| Minority interest | **(184.4)** | (142.8) | (162.8) |
| Profit attributable to equityholders of the Company | **520.1** | 283.2 | 258.9 |
| | | | |
| Percentage of profit on shareholders' interest (%) | **12.24** | 7.32 | 7.26 |
| Earnings per share (MUR) | **2.99** | 1.63* | 1.49* |
| Dividends proposed and paid | **69.50** | 52.20 | 52.20 |
| Dividend per share (MUR) | **0.40** | 0.30* | 0.30* |
| Dividend cover (times) | **7.48** | 5.48 | 5.01 |
| Net assets per share (MUR) | **24.45** | 22.25* | 20.63* |
| Number of ordinary shares used in calculation ('000) | **173,834** | 173,834 | 173,834 |

**BALANCE SHEETS**

| | | | |
|---|---|---|---|
| Non-current assets | **5,785.7** | 5,752.3 | 5,934.3 |
| Current assets | **2,098.2** | 1,759.4 | 1,614.3 |
| Non-current assets classified as held for sale | **148.4** | 68.3 | 97.0 |
| **Total assets** | **8,032.3** | 7,580.0 | 7,645.6 |
| | | | |
| Equityholders' interest | **4,250.1** | 3,867.7 | 3,586.7 |
| Minority interest | **686.5** | 660.7 | 548.3 |
| Non-current liabilities | **1,746.1** | 1,837.6 | 2,143.6 |
| Current liabilities | **1,305.6** | 1,192.3 | 1,367.0 |
| Liabilities directly associated with non-current assets held for sale | **44.0** | 21.7 | - |
| **Total equity and liabilities** | **8,032.3** | 7,580.0 | 7,645.6 |

* Adjusted for share split of 1 into 10 and a bonus issue of 1 for every 3 split shares.

# directors of subsidiary companies
## year ended december 31, 2006

| Subsidiaries companies | Beau Plateau Ltd | Belle Vue Milling Co Ltd / Beau Plan Milling Co. Ltd | Cie Agricole de Belle Vue Ltee | Cie Industrielle de Solitude Ltee | Cie Thermique de Belle Vue Ltee | Cosmebelle (Maurice) Ltee | Grays & Co Ltd | Grays Export Ltd | Grays Inc. Ltd | Grays Refinery Ltd | HF Administrative Services Ltd | HF Investments Limited | Independent Cigarette Export Ltd | Ivoirel Ltee | La Nouvelle Industrie Ltee | Les Domaines de Mauricia Ltée | Mauricia Ltee | Produits Basaltiques du Nord Ltee | Sagiterre Ltee | The Beau Plan SE Co Ltd | Tresspass Ltee |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | | | | | | | | | | | | | |
| Seewooduth Aumeer | | • | | | | | | | | | | | | | | | | | | | |
| Mrs Krishnawtee Beegun | | | | | √ | | | | | | | | | | | | | | | | |
| François Boullé | | | | | | | | | | | | | | | | | | √ | | | |
| Jacques Brousse de Laborde | | | | | | | | | | | | | | | | | | √ | | | |
| Philippe de Chasteauneuf | | √ | | | √ | | √ | | √ | √ | | | | | | | | √ | | | |
| Breechund Chuttoo | | √ | | | | | | | | | | | | | | | | | | | |
| Dominique de Froberville | | | | | | | | | | | | | | | | | | | √ | | |
| Didier de Roquefeuil-Noël | | | | | | | | | | | | | | | | | | | | | √ |
| François Jean Claude Desvaux de Marigny | | √ | | | | | | | | | | | | | | | | | | | |
| Louis Dupont de Rivalz de St Antoine | | | | | √ | | | | | | | | | | | | | | | | |
| J Christophe Dupuis | | | | | | √ | | | | | | | | | | | | | | | |
| JLH Joseph Dupuis | | | | | | √ | | | | | | | | | | | | | | | |
| Dominique Fond | | | | | √ | | | | | | | | | | | | | | | | |
| Jean Michel Giraud | | | | | | | | | | | | | | | | | | √ | | | |
| Marc Goupille | | | | | | | | | | | | | | | | | | | √ | | |
| Alexis Harel | | √ | | | | √ | √ | √ | √ | √ | | √ | √ | | | √ | | | | | √ |
| JM Antoine Harel | | | | | | | | | | | | | | | | | | √ | | | |
| Antoine L Harel | | √ | | | √ | | | | | √ | | | | | | | | | | | |
| Henri Harel | √ | √ | √ | √ | √ | | | | | | √ | | | √ | √ | | √ | | √ | √ | |
| Winston Hein | | √ | | | | | | | | | | | | | | | | | | | |
| Johann Etienne Heyns | | | | | | | | | | | | | | | | • | | | | | |
| Louis Denis Koenig | √ | | √ | √ | | | | √ | | | √ | | | √ | √ | | √ | | √ | √ | |
| Dayanand Kurrumchand | | • | | | | | | | | | | | | | | | | | | | |
| Krishna Kistnen | | √ | | | | | | | | | | | | | | | | | | | |
| Raymond Lagesse | | | | | | | | | | | | | | | | | | √ | | | |
| Philippe Lam Shin Saw | | | | | | | | | | √ | | | | | | | | | | | |
| Edouard Lee | | | | | | | | | | √ | | | | | | | | | | | |
| Jacques Li Wan Po | | | | | | | | | | √ | | | | | | | | | | | |
| Randhir Mannick | | | | | √ | | | | | | | | | | | | | | | | |
| Cyril Mayer | √ | √ | √ | √ | √ | | √ | | √ | √ | √ | √ | | √ | √ | | √ | √ | √ | √ | |
| Denis Pilot | | √ | | | | | | | | | | | | | | | | | | | |
| Bernard Robert | | | | | √ | | | | | | | | | | | | | | | | |
| Vincent Rogers | | | | | | | √ | | √ | √ | | | | | | | | | | | |
| George Schooling | | | | | | | | | √ | | | | | | | √ | | | | | |
| Alain Vallet | | | | | | √ | √ | √ | √ | √ | | √ | √ | | | √ | | √ | √ | | √ |
| Robert Garth Whaits | | | | | | | | | √ | | | | | | | √ | | | | | |
| **Alternate Directors** | | | | | | | | | | | | | | | | | | | | | |
| Louis Decrop | | | | | √ | | | | | | | | | | | | | | | | |
| Chandrek Dussoye | | | | | √ | | | | | | | | | | | | | | | | |
| Dominique Fond | | | | | √ | | | | | | | | | | | | | | | | |
| Christophe Quevauvilliers | | | | | | | | | | | | | | | | | | √ | | | |
| Didier Vallet | | | | | | | | | | | | | | | | | | √ | | | |
| Daniel Van Deventer | | | | | | | | | √ | | | | | | | √ | | | | | |

√ : in office at December 31, 2006 • : ceased to hold office during the year ended December 31, 2006

# proxy / casting postal vote form
## harel frères limited

**APPOINTMENT OF PROXY** (see notes a and b overleaf)

I/We ........................................................................... of .................................................................................................

being shareholder/s of the above named company hereby appoint ......................................................................................

of ................................................................................ or failing him/her, .......................................................................

of ................................................................................ or the chairperson as my/our proxy to vote for me/us at the Annual Meeting of the company to be held on Wednesday June 27, 2007 and at any adjournment thereof. The proxy will vote on the under-mentioned resolutions, as indicated:

**CASTING POSTAL VOTES** (see note c overleaf)

I/We............................................................................. of .................................................................................................

being shareholder/s of the above named company desire my/our vote/s to be cast as indicated on the under-mentioned resolutions at the Annual Meeting of the company to be held on Wednesday June 27, 2007 and at any adjournment thereof:

**RESOLUTIONS**

| | | FOR | AGAINST | ABSTAIN |
|---|---|---|---|---|
| 3. | Resolved that the audited financial statements of the company for the year ended December 31, 2006 be hereby approved. | | | |
| 4. | Resolved that Mr Jean Hugues Maigrot be hereby re-elected as director of the company to hold office until the next Annual Meeting. | | | |
| 5 to 16. | Resolved that the following persons be hereby elected or re-elected as director of the company to hold office until the next Annual Meeting. (as separate resolutions): | | | |
| 5. | Mr Jocelyn de Chasteauneuf | | | |
| 6. | Mr Philippe de Chasteauneuf | | | |
| 7. | Mr Jean Desmarais | | | |
| 8. | Mr Jean de Fondaumière | | | |
| 9. | Mr Jean Pierre Hardy | | | |
| 10. | Mr Alexis Harel | | | |
| 11. | Mr Henri Harel | | | |
| 12. | Mr Joseph Marc Harel | | | |
| 13. | Mr Cyril Mayer | | | |
| 14. | Mr Jacques de Navacelle | | | |
| 15. | Mr Guillaume Raffray | | | |
| 16. | Mr Alain Vallet | | | |

P.T.O.

# proxy / casting postal vote form
## harel frères limited

| | | FOR | AGAINST | ABSTAIN |
|---|---|---|---|---|
| 17. | Resolved that the automatic reappointment of the auditors under Section 200 of the Companies Act 2001 be noted and that the Board be authorised to fix their remuneration. | ______ | ______ | ______ |
| 18. | Resolved that the fees for the period from July 01, 2007 to June 30, 2008 be hereby fixed for the directors at MUR 12,000 per month and MUR 10,000 per Board sitting and those of the Chairperson at MUR 30,000 per month and MUR 20,000 per Board sitting. | ______ | ______ | ______ |

Signed this ………………............................... day of June 2007.

…………………………….

Signature

NOTES

a. If this form is signed and returned without any indication as to how the proxy shall vote, he will exercise his discretion both as to how he votes and whether or not he abstains from voting.

b. To be effective, this form of proxy should reach the registered office of the company, 18 Edith Cavell Street, Port-Louis, not less than twenty-four (24) hours before the time of holding the meeting.

c. To be effective, this notice of postal vote should be sent to the attention of Mr Louis Denis Koenig, the person authorised by the Board to receive and count the postal votes at the Annual Meeting and should reach the registered office of the company, 18 Edith Cavell Street, Port-Louis, not less than forty-eight (48) hours before the time of holding the meeting.