HF
HAREL FRERES

annual report 2007

harel frères limited annual report 2007

Dear Shareholder,

The Board of directors is pleased to present the Annual Report of Harel Frères Limited for the year ended December 31, 2007, the contents of which are listed on next page.

This report was approved by the Board of directors on May 21, 2008.

Jean Hugues Maigrot	Cyril Mayer
Chairperson	Managing Director

contents

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

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

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

Commercial & manufacturing

Grays Inc. Ltd
Beau Plan, Pamplemousses
Republic of Mauritius
Telephone : (230) 209 3000
Telefax : (230) 243 3664
e-mail : grays@grays.mu

Distillery

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

Property management

Sagiterre Ltée
4th 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

Group structure

HAREL FRÈRES LIMITED

Sugar

GROWING

The Beau Plan S.E. Company Limited	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%	

Property management

Sagiterre Ltée	100.00%	
Cie Industrielle de Solitude Limitée	79.11%	**

Other interests

ADMINISTRATION

Mauricia Limitée	100.00%
HF Administrative Services Ltd	100.00%

FINANCIAL SERVICES

Cie d'Investissements et de Gestion de Portefeuilles Ltée	40.00%

CULTURAL

Fondation Nemours Harel	50.00%

HF INVESTMENTS LTD - 100.00%

Energy

POWER GENERATION

Société HBM	79.11%	*
Compagnie Thermique de Belle Vue Limitée	40.35%	

MANAGEMENT AND SERVICES

CTBV Management Co Ltd	22.15%

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%	
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%	*
Société de Distillation de St Antoine et Bois Rouge	33.33%	***

Construction

Société Proban	55.56%	*
Produits Basaltiques du Nord Ltée	30.00%	
Rehm Grinaker Construction Co Ltd	35.49%	

Other interests

FINANCIAL SERVICES

Intendance Holding Ltd	26.80%	*

LEISURE

Sugarworld Ltd	30.70%

TRADING

Alcohol and Molasses Export ltd	30.81%

PROPERTY

Horus Ltée	50.00%

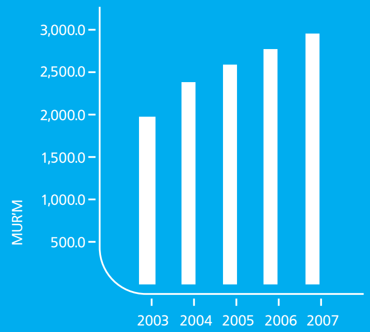
N.B.: Percentages indicated above are in respect of effective holding.

* Holding entity
** Amalgamated with Harel Frères Limited
*** Dormant company

Subsidiaries

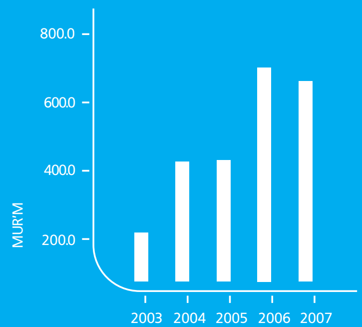
Associates

Financial highlights



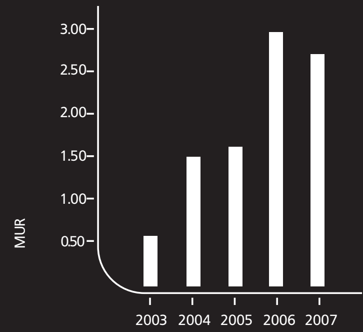
TURNOVER

	MUR'M
2003	1,970.5
2004	2,402.9
2005	2,599.6
2006	2,768.5
2007	2,948.0



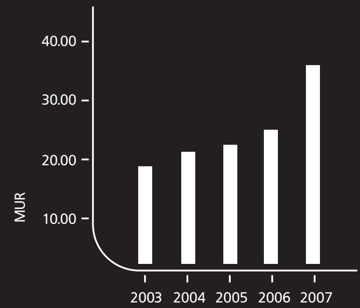
PROFIT AFTER TAXATION

	MUR'M
2003	214.8
2004	424.2
2005	426.0
2006	704.5
2007	663.3



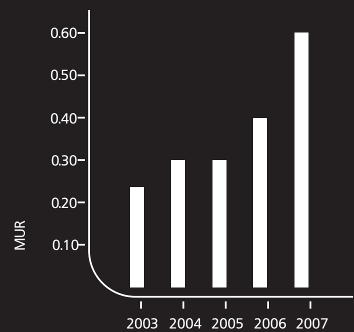
EARNINGS PER SHARE

	MUR
2003	0.53 *
2004	1.50 *
2005	1.63 *
2006	2.99
2007	2.71



NET ASSETS PER SHARE

	MUR
2003	18.88 *
2004	20.71 *
2005	22.25 *
2006	24.45
2007	35.70



DIVIDEND PER SHARE

	MUR
2003	0.23 *
2004	0.30 *
2005	0.30 *
2006	0.40
2007	0.60

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

Share analysis

Distribution of shareholders at December 31, 2007

Range of shareholding

	SHAREHOLDERS		SHARES HELD	
	Number	%	Number	%
1 – 500	211	28.14	34,103	0.02
501 – 1,000	66	8.80	56,455	0.03
1,001 – 5,000	168	22.40	466,166	0.27
5,001 – 10,000	58	7.74	437,467	0.25
10,001 – 50,000	112	14.93	2,457,235	1.41
50,001 – 100,000	32	4.27	2,269,521	1.31
100,001 – 250,000	34	4.53	4,793,966	2.76
250,001 – 500,000	23	3.07	8,399,344	4.83
500,000 – 1,000,000	21	2.80	14,851,113	8.54
Over 1,000,000	25	3.33	140,068,630	80.58
	750	100.00	173,834,000	100.00

Shareholders spread

To the best knowledge of the directors, the spread of shareholders at December 31, 2007 was as follows :

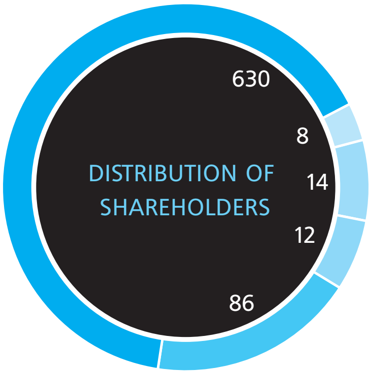
	SHAREHOLDERS		SHARES HELD	
	Number	%	Number	%
Individuals	630	84.00	39,215,352	22.56
Insurance & assurance companies	12	1.60	2,442,813	1.41
Pension & provident funds	14	1.87	3,459,007	1.99
Investment & trust companies	8	1.07	1,294,203	0.74
Other corporate bodies	86	11.46	127,422,625	73.30
	750	100.00	173,834,000	100.00

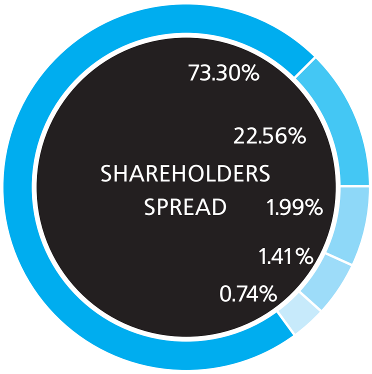
Share analysis (cont'd)

Distribution of shareholders at December 31, 2007 (cont'd)

Distribution of shareholders

	NUMBER
Individuals	630
Insurance & assurance companies	12
Pension & provident funds	14
Investment & trust companies	8
Other corporate bodies	86
	750





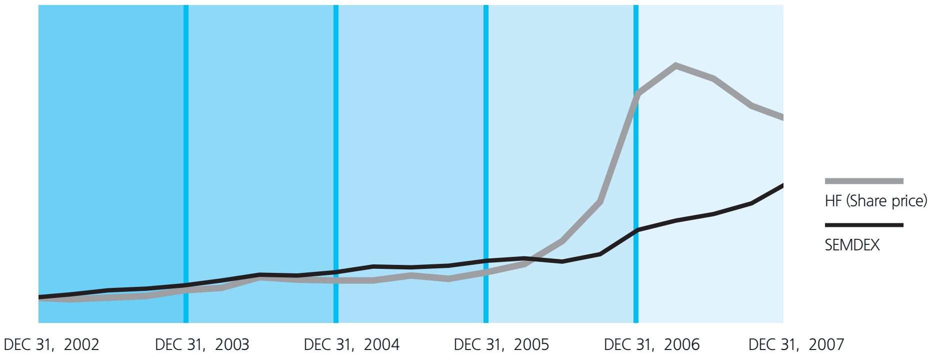
Shareholders spread

	%
Individuals	22.56
Insurance & assurance companies	1.41
Pension & provident funds	1.99
Investment & trust companies	0.74
Other corporate bodies	73.30
	100.00

Share analysis (cont'd)

Stock exchange performance

Relative quarterly movement of semdex and harel frères share price



	2003	2004	2005	2006	2007
SEMDEX (Points)					
- Year End Closing	549.58	710.77	804.03	1,204.46	1,852.21
SHARE PRICE (MUR)					
- Year End Closing Price	3.83 *	4.43 *	5.18 *	22.00	18.50
- High	3.83 *	4.95 *	5.18 *	30.50 *	26.00
- Low	3.20 *	3.64 *	4.43 *	4.73 *	17.60
Note: At May 21, 2008 the Harel Frères share price was MUR 19.00.					
YIELDS **					
- Earnings Yield	13.90%	33.98%	31.80%	13.52%	14.65%
- Dividend Yield	5.90%	6.78%	5.80%	1.82%	3.24%
Price Earnings Ratio	7.17 **	2.94 **	3.14 **	7.36	6.83

* : 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).

Share analysis (cont'd)

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 29, 2006	December 31, 2007
Euro	45.2014	42.7446
US Dollar	33.4246	29.0499
GB Pound	66.9476	57.9717
SA Rand	4.9689	4.3357

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

Group value added statement

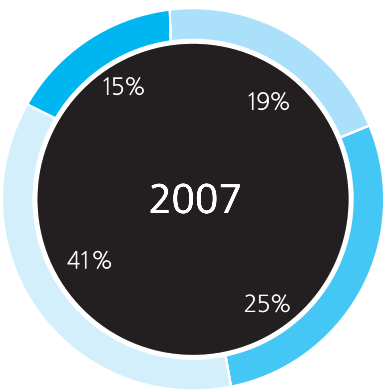
Year ended December 31, 2007

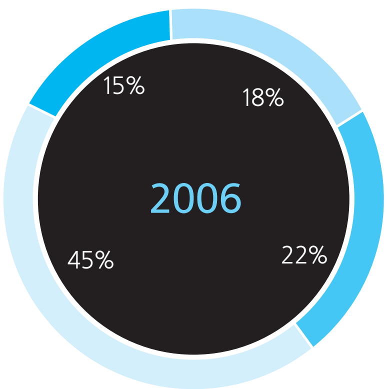
	%	2007 MUR'M	%	2006 MUR'M
Turnover		2,948.0		2,768.5
Losses in fair value		(9.4)		(7.0)
Exceptionnal items		35.5		146.1
Other income		195.4		135.6
		3,169.5		3,043.2
Less : Paid to suppliers		(1,347.4)		(1,271.1)
TOTAL VALUE ADDED		1,822.1		1,772.1
WEALTH DISTRIBUTED	%		%	
To employees for salaries, wages and other benefits	15%	280.4	15%	255.3
To Government	25%	443.5	22%	391.5
Taxes		113.0		86.2
Custom and Excise duties		330.5		305.3
To providers of capital	19%	348.1	18%	323.8
Interest		116.3		142.8
Dividends to shareholders of Harel Frères Limited		104.3		65.5
Dividends to outside shareholders of subsidiaries		127.5		115.5
Retained for the group's business	41%	750.1	45%	801.5
Depreciation		213.8		198.0
Amortisation charge		65.8		83.4
Retained profits in holding and subsidiary companies		470.5		520.1
TOTAL DISTRIBUTED AND RETAINED		1,822.1		1,772.1

Group value added statement (cont'd)

Year ended December 31, 2007

	2007	2006
To employees for salaries, wages and other benefits	**15%**	15%
To government	**25%**	22%
To providers of capital	**19%**	18%
Retained for the group's business	**41%**	45%
	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, 2007 :

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

* Appointed on November 21, 2007 in replacement of Philippe de Chasteauneuf.
** Appointed on June 27, 2007 in replacement of Dominique de Froberville.
*** Up to June 27, 2007
**** As from September 26, 2007

Board profile

Jean Hugues Maigrot (71 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.

Directorship of listed companies :
- Mon Trésor and Mon Désert Ltd

Jocelyn de Chasteauneuf (70)
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

Jean Desmarais (69)
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.

Maurice de Marassé Enouf (62)
Member of the Association of Chartered Certified Accountants (UK)
Member of the Mauritius Institute of Professional Accountants
Nonexecutive director – First appointed to the Board 2007

Having started his career at De Chazal Du Mée in 1963 and briefly worked for the Rogers group, Maurice Enouf joined Flacq United Estates Ltd as Group Internal Audit Manager in 1973. He was appointed Group Accountant for Medine S.E. in 1983 and, soon after, was promoted Chief Accountant and Finance Manager of the WEAL Group until his retirement in 2001. He is presently self-employed.

Directorships of listed companies :
- Innodis Ltd
- Mauritus Oil Refineries Ltd

Jean de Fondaumière (54)
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 :
- Ireland Blyth Limited
- Sun Resorts Limited

Board profile (cont'd)

Jean Pierre Hardy (50)
Maîtrise de Gestion (France)
Nonexecutive director – First appointed to the Board 1988 and reappointed in 2007

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 involved in several NGO's and associations engaged in the social, educational and environmental fields, he is active in promoting the concept of *Maurice île durable*. He was a director of Harel Frères Limited and of a number of subsidiaries between 1988 and 2003. He is currently a member of the Audit Committee of the company.

Alexis Harel (45)
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

Henri Harel (47)
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. He was, for the last two years, Chairperson of the Sugar Industry Pension Fund and of its Finance and Investment Committee.

Directorship of listed companies :
- Swan Insurance Co Ltd

Joseph Marc Harel (68)
Nonexecutive director – First appointed to the Board 1991 and reappointed in 2006

Joseph 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 run a wine farm in the Bordeaux region up to 2007. He has since moved back to Mauritius where he is active in property development.

Cyril Mayer (56)
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 of the newly incorporated Mauritius Institute of Directors.

Directorships of listed companies :
- Mon Trésor and Mon Désert Ltd (Nonexecutive chairperson)
- Swan Insurance Co Ltd (Nonexecutive chairperson)
- United Docks Ltd

Board profile (cont'd)

Jacques de Navacelle (61)

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 as President of the Joint Economic Council from March 2006 to March 2008. He is currently the Chairman of Transparency Mauritius. He is a member of the Audit and Corporate Governance Committees of the company.

Directorship of listed companies :
- Mon Trésor and Mon Désert Ltd

Guillaume Raffray (50)

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 was, until recently, a Board member of the American Chamber of Commerce Mauritius.

Alain Vallet (53)

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

Louis Denis Koenig (41)

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, from 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.

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 16 and 17.

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
Geoffroy Mattlinger	Plant Manager

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 page 19.

Management profile

Jean-Claude Conquet (59 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 was appointed General Manager of Sucrivoire in 2005.

Bernard Desvaux de Marigny (51)
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 (49)
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 (55)
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.

Steeve Lareine (43)
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 (40)
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 (57)
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 Fund Board and the Vice-Chairman of the Mount and Beau Plan Planters' Funds. He is a past President of the Mauritius Chamber of Agriculture and of the Société de Technologie Agricole et Sucrière de Maurice.

Chairperson's statement

Dear Shareholder,

Latest economic indicators show that 2007 has been a relatively good year for Mauritius, with GDP growth estimated at 5.7% (2.3% in 2005 and 5% in 2006) - powered mainly by a phenomenal growth of 15% in tourism, continuing upturn in textiles and expansion in the business and financial services sector.
Such economic recovery process is continuing in 2008.

The fiscal deficit was contained mainly through improved tax compliance and collection and better public expenditure management, and fell from 5% in 2005 to 4.3% in 2007 after a brief rise to 5.3% in 2006.
On this trend, the budget deficit target of 3.8% set for 2008 can realistically be achieved.

The current account deficit was 6.3% of GDP in 2007, down from 9.4% in 2006, while the balance of payments showed a surplus equivalent to 8.6% of GDP in 2007 as opposed to a deficit of 4.6% of GDP in 2006. The unemployment rate fell from 9.6% in 2005 to 9.1% in 2006 and 8.7% in 2007, but there was no meaningful change to the inflation rate which stood at 8.8% at end 2007. As for the Repo rate, it moved from 8.5% to 9.25% in December 2007, but has since been reduced to 8% in three successive cuts.

2007 saw a continued depreciation of the US dollar, which is expected to persist in 2008 with looming economic recession in the States. In Mauritius, the rupee appreciated against all major currencies in 2007, on the back of increased exports earnings and FDI inflows. This trend is continuing in 2008.

Against this backdrop and despite a disappointing sugar cane crop, the group performed satisfactorily in 2007, increasing profits after finance costs by 6.3% to MUR 636.2 M. This result is mainly attributable to a strong performance in most segments other than sugar, especially commercial activities. Associated companies also showed improved results, partly on account of property revaluations, and contributed MUR 104.6 M to overall profitability.
As regards the company, its profits arose as usual from sugar operations, dividend income and land disposals. They were boosted by profits of MUR 1,216.0 M which were of an exceptional nature and are more fully described below.

Group profit before taxation fell by MUR 14.4 M to MUR 776.3 M as a result of increased financial costs due to exchange losses arising from the repayment of foreign loans contracted prior to 2000, as well as lower exceptional profits compared to last year. Earnings per share followed suit, decreasing from MUR 2.99 to MUR 2.71. However, having considered the sustainability of the operational results, the strong cash flow and the relatively low gearing of the group, the Board decided to increase dividends by 50% to MUR 0.60 per share.

During the course of the year, group land and buildings were revalued by a professional valuer. The surplus on such valuation amounted to MUR 1,563.8 M for the group, i.e. MUR 9.00 per share. Otherwise, the group balance sheet remained strong, with reduced non current borrowings and improved net current assets.

During the year under review, the restructuring plan was implemented as announced, with all immovable property now regrouped in Harel Frères Limited, while the group's industrial and commercial investments have been transferred to a recently incorporated wholly owned subsidiary, HF Investments Limited.
This transfer gave rise for the company to the exceptional profit of MUR 1,216.0 M referred to above.

December 2007 saw the conclusion of an agreement between Government and the Mauritius Sugar Producers Association on key aspects of the Multi Annual Adaptation Strategy (MAAS) in the wake of the reform of the EU sugar regime. Implementation of the MAAS in our sugar operations started immediately thereafter, with Voluntary and/or Early Retirement Schemes being offered to workers and staff and resulting in the departure of some 400 workers in 2007 and 12 staff members more recently. These schemes are being partially funded by the EU Accompanying Measures. The group's sugar operations will employ, by July 1st, 2008, some 366 permanent workers and staff, an all time low.

However, despite such drastic measures and the use of state of the art technology at both field and factory levels, the scheduled cuts in the EU sugar price over the next two years, coupled with an uncommonly strong rupee, will put almost unbearable pressure on our sugar segment and severely erode its profitability.

Chairperson's statement (cont'd)

Concerning the 2008 financial year, crop prospects are below average owing to adverse climatic conditions, but the group's other activities are performing well.

As regards the Court actions instituted in 2003 by a member of the company's holding entity against its fellow members or by the company itself against some of its directors, no notable progress took place. In the case lodged by certain directors against colleagues, the hearing started in March but, upon the Court's jurisdiction having been challenged, the case was once again postponed.

I am proud to report that the company's efforts to promote best practices of corporate governance within its midst were again recognized for the second consecutive year by the Special Award of the National Committee for Corporate Governance at the PwC Corporate Reporting Awards 2007.

In June 2007, one of our senior most directors, Mr Philippe de Chasteauneuf, passed away, barely two years after retirement from an executive post in the group, which he had loyally served for 39 years. His intimate knowledge of the group, astuteness, and sound judgement are sorely missed by the Board. May I, on behalf of the Board and in my personal name, convey our heartfelt condolences to his widow and family. Mr Maurice de Marassé Enouf was appointed in his stead and his nomination will be proposed to the shareholders for ratification at the forthcoming Annual Meeting.

I wish to finally express my appreciation to management and employees for this year's noteworthy achievement, which is the fruit of continuous commitment and hard work. My warmest thanks and those of the shareholders go to each of them, together with all our encouragements to resolutely face the difficult times lying ahead.

Jean Hugues Maigrot
Chairperson

May 21, 2008

sugar

Managing director's review of operations : Sugar

The international front

The year under review was marked by two major events: the denunciation of the Sugar Protocol and its replacement by new sugar arrangements in the context of the Economic Partnership Agreements (EPA), and the finalisation of the Accompanying Measures granted by the EU in the context of the EU sugar regime reform.

In September 2007, the EU Commission denounced the Sugar Protocol (effective as from September 30, 2009) in line with the required advance notice of two years for denunciation. This denunciation arrives at a time when the relations between the EU and the ACP are undergoing deep changes. Indeed, the non-reciprocal trade relations between the ACP and the EU under the successive Lomé agreements and the Cotonou Partnership Agreement are being replaced by WTO compatible and trade reciprocal EPAs, which are all inclusive agreements that include trade, cooperation and economic development. A full EPA was effectively initialled by the Caribbean region and interim EPAs by around a third of the other ACP countries in December 2007 and it is expected that by the end of 2008, a comprehensive EPA will be finalised with the relevant countries.

Concerning sugar, with the coming to end of the Sugar Protocol, trade between the ACP and the EU will take place in the context of EPA regions, i.e. each region (Mauritius belongs to the Eastern and Southern Africa - ESA - region) will be granted an export quota which will have to be shared among its member countries. For the ESA region, it is hoped that member countries will arrive at an agreement in 2008. In the meantime, the EU has opened, specifically for marketing year 2008/2009, an additional quota of 230,000 tonnes for ACP countries that have initialled the EPA interim agreements. The ESA region was awarded 75,000 tonnes and as at end 2007 only Mauritius, Madagascar and Zimbabwe qualify for this additional quota as sugar producing signatory states.

Concerning the Accompanying Measures, it will be recalled that in 2007 Mauritius benefited from an amount of Euros 11.0 M and that for 2008, a sum of Euros 36.0 M has been earmarked. There is now the possibility that an additional sum of Euros 8.7 M be added as performance bonus thereby making up a total of Euros 44.7 M for 2008.

It should also be noted that as from October 1, 2008, the price of sugar obtained by Mauritius on the EU market will be affected by the second cut after that of July 2006, as provided for in the EU Sugar regime reform, making it resulting in a price of Euros 435 per tonne, some 83% of the initial pre-reform price.

On the WTO front, 2007 was quiet. It will be recalled that in July 2006, the WTO Director General, faced with the absence of progress, decided to suspend the negotiations until the main trading partners come to an agreement on the contentious issues of market access and domestic support. However, during the year, in spite of the efforts of the WTO Chair for agriculture, there was no substantive progress as countries could not agree on modalities on the same contentious issues. It is expected that during 2008, modalities will be proposed and that members will be able to narrow down their differences in order to put concrete proposals on the table by the end of 2008. As regards Mauritius, its stance has been consistent over the years, i.e. recognition of long standing preferences to avoid drastic cuts on the tariff on sugar in Europe so as to protect its margin of preference. This issue is very important at a time when the local sugar industry is undertaking bold reform in order to maintain its competitiveness.

The group's sugar interests

In Mauritius, Harel Frères and its subsidiaries own some 3,763 hectares of cane land in the factory area of Belle Vue, situated in the North of the island. The harvested area in 2007 represented 3,289 hectares, of which about 75% is fully mechanized and 56% is under irrigation. The balance of the harvested area in the factory area consists of 6,386 hectares belonging to some 3,890 independent planters, virtually all of whom cultivate plots of less than 10 hectares in size. The estimated insurable sugar for the group amounts to 43,048 tonnes of sugar, which represents roughly 50% of the factory area output.

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 (51.5%) and the State of Côte d'Ivoire (23%). The company is managed jointly by SIFCA and Harel Frères Limited.

Managing director's review of operations : Sugar (cont'd)

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 12.9 M, which is equivalent to our share of cumulative operational profits to December 2007.

The 2007 crop

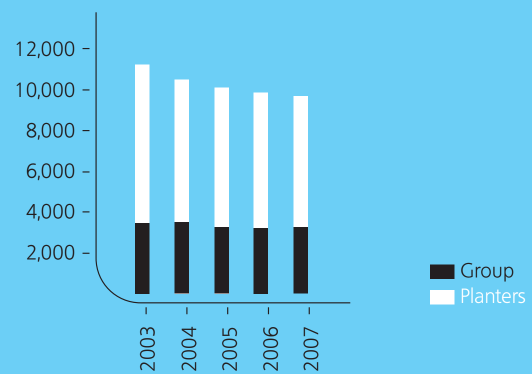
The 2007 crop was below average for the Belle Vue factory area, with sugar production per unit area representing a 21.8% decrease on the previous year. Climatic conditions were generally unfavourable for the island and particularly for our region; a rainfall deficit of 19% was recorded over the year. After a good start in January and February due to above normal rainfall, the growing of the cane was affected by the passage of cyclone *Gamede* at the end of February, followed by a dry spell in March and April. Conditions were also unfavourable for sucrose accumulation and resulted in lower than normal sugar recovery rates.

This year again, we had to deplore a high occurrence of criminal fires in our cane fields. These had a negative effect on the processing of the cane juice by the mill and slowed down ratoon growth in unirrigated fields. It is also of concern to note that the area harvested in 2007 decreased by some 247 hectares when compared to figures of the previous year.

Overall, group companies harvested some 227,718 tonnes of cane, a 17% decrease on last year's results. Mean yields recorded were much lower with 69.2 tonnes cane per hectare and 7.26 tonnes sugar per hectare, compared to 83.3 and 9.28 respectively last year.

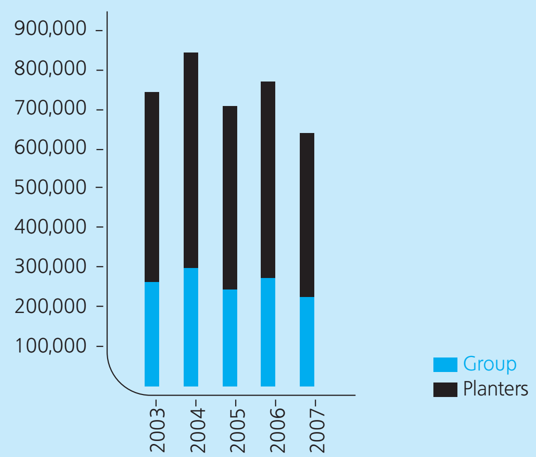
Harvest area (hectares)

	Group	Planters	Total
2003	3,334	7,808	11,142
2004	3,355	6,925	10,280
2005	3,292	6,801	10,093
2006	3,284	6,655	9,939
2007	3,289	6,386	9,675



Canes harvested in the factory area (tonnes)

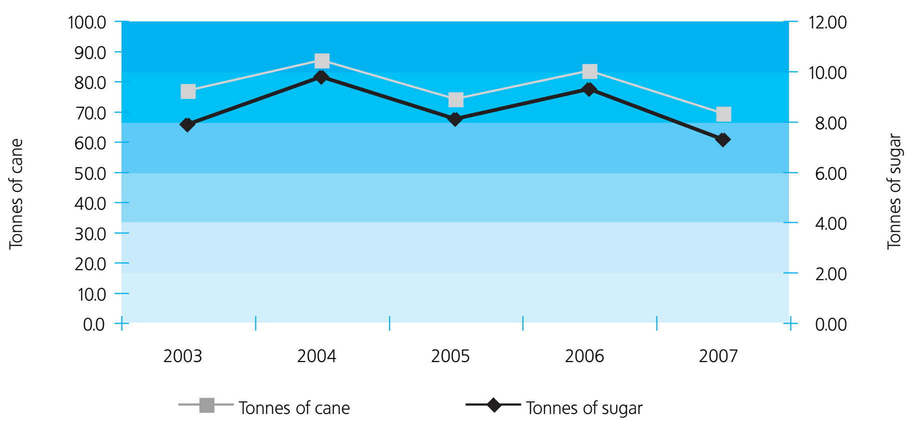
	Group	Planters	Total
2003	255,688	490,560	746,248
2004	291,039	552,680	843,719
2005	243,584	467,614	711,198
2006	273,690	497,591	771,281
2007	227,718	420,309	648,027



Managing director's review of operations : Sugar (cont'd)

Yields per hectares

	Tonnes of cane	Tonnes of sugar
2003	76.7	7.85
2004	86.8	9.76
2005	74.0	8.07
2006	83.3	9.28
2007	69.2	7.26



Transport efficiency was further improved in 2007, with more extensive use of large capacity, self unloading trailers and new tractors and lorries. Some 181,000 tonnes of cane, representing 67% of group cane production, were mechanically harvested. However, owing to the accidental burning down of two of our four harvesters while at work (one of which is a total loss), two machines had to be rented in order to complete our harvest, while our other harvesters have been modified so as to reduce fire risks. The monitoring of the harvesters' performance was continued following the good results obtained in the previous year.

Implementation of the New Farming System (NFS) was started in July 2007, using Global Positioning System (GPS) guidance for tractors and dual row planters, following the stone crushing operation. Germination was relatively good in these fields - which will be harvested in 2008 using GPS technology on the harvesters.

As for the mill, it crushed 706,027 tonnes of cane without any major problems. The crushing rate, at 303 TCH, was slightly lower than last year's, and the crop period extended over 120 days. It should be noted that, following a fire at the Mon Loisir factory, the latter stopped operations and some 58,000 tonnes of cane from that factory area were crushed by our Belle Vue mill.

Sugar recovery rate was lower than last year's, reaching 10.33 for a sugar production of 72,901 tonnes @ 98.5 Pol, which was the second highest rate recorded in the island after that of Savannah in the South. Reduced Mill Extraction and Reduced Overall Recovery were both slightly under last year's, with 97.80 and 86.05% respectively. Fibre % Cane was 18.7, 1% higher than last year.

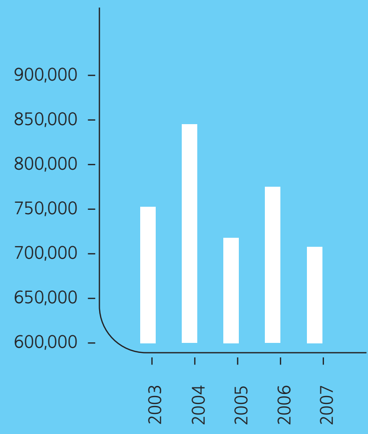
Production of specialty sugars suffered a 7% drop on the 2006 output owing to the reduced crop island wide. Nevertheless, some 41,922 tonnes of such sugars were produced and represented 58% of overall sugar production at Belle Vue. The quality of the 12 different types of sugars produced was excellent as usual and to the satisfaction of buyers.
Sugar accruing to the group amounted to 34,585 tonnes, a decrease of 7,546 tonnes on last year's figures. The shortfall for the year represents 17.5% of our Total Insurable Sugar.

Managing director's review of operations : Sugar (cont'd)

Tonnes of cane crushed by the factory

2003	746,248
2004	843,719
2005	711,198
2006	771,281
2007	706,027 *

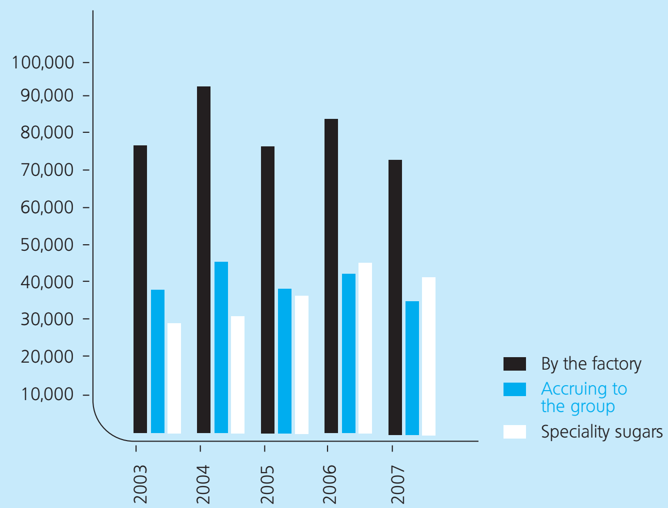
* Includes 58,000 tonnes from the Mon Loisir factory area.



Sugar produced (tonnes)

	By the factory	Accruing to the group	Specialty sugars
2003	76,857	37,862	29,594
2004	92,354	45,838	31,867
2005	76,323	37,779	36,481
2006	83,505	42,131	45,094
2007	72,901 *	34,585	41,922

* includes 6,044 tonnes from the Mon Loisir factory area.



Personnel

The Multi Annual Adaptation Strategy (MAAS) was implemented immediately after agreement was reached between Government and the MSPA in early December 2007. Some 400 workers availed themselves of the Voluntary Retirement Scheme (VRS) undertaken at field and mechanical department levels and of the Early Retirement Scheme (ERS) at mill level, resulting in a 55% reduction in the permanent work force. In early 2008, 12 staff members have agreed to take an early retirement.

Thus, at December 31, 2007, 81 staff and 296 permanent workers were employed on a permanent basis in the group's sugar activities, of whom 107 in the fields, 126 in the mill and 63 in the mechanical department. In addition, job contractors and workers are hired on a temporary basis as and when needed during both crop and intercrop seasons.

Managing director's review of operations : Sugar (cont'd)

During the year, a sum of MUR 1.0 M was spent on employee training. 72 persons attended 14 different courses which ranged from IT or human resources to accounting, engineering or agriculture. The occurrence of accidents in the work place decreased slightly from 121 in 2006 to 119 in 2007, with a marked improvement at the mechanical department and mill levels. This was unfortunately counterbalanced by an increase in the number of accidents in the fields.

Capital Expenditure

Overall capital expenditure for 2007 amounted to MUR 114.5 M. Some MUR 65.2 M was spent on transport and agricultural machinery, while MUR 17.0 M went towards the improvement of the irrigation network. The mill spent MUR 32.3 M on the installation of a centrifugal and vacuum pan as well as on the erection of a silo in order to improve the keeping quality of our specialty sugars.

It is also worth noting that in 2007, the mill obtained the BRC (British Retail Consortium) certificate. This certification has been designed for food producers who supply the UK retail market in order to ensure production of safe food. Belle Vue is amongst the very few sugar factories internationally to have obtained this certification.

Closure of the Mon Loisir sugar mill

Since our last Report, no further progress has been made between FUEL and Belle Vue Milling Co. Ltd (BVM) regarding the destination of the Mon Loisir factory area canes upon closure of that mill.

A fire occurred at Mon Loisir in September 2007, causing it to discontinue operations for the rest of the crop. The mill will not be in a position to resume operations by the start of the 2008 crop.

On March 31, 2008, the Minister of Agriculture informed all relevant parties that Government had decided to approve the closure of the Mon Loisir mill as from end of crop 2007 and to allocate 300,000 tonnes of cane to BVM. FUEL was given a fortnight to confirm their acceptance to comply with the conditions set out by the Minister, upon which final approval for closure would be issued.

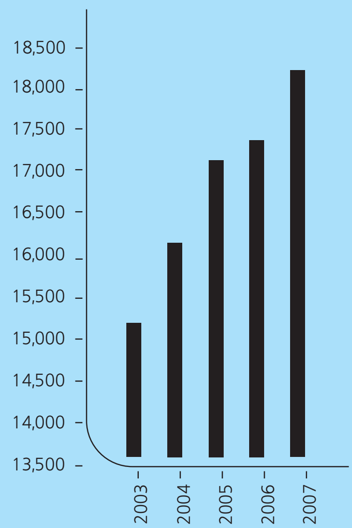
To our knowledge, FUEL has not accepted such conditions at date of writing. On the other hand, it is also not known if or when Mon Loisir will resume operations, while no official decision has yet been taken by the authorities regarding the allocation of this factory area's canes for the 2008 crop.

Results

With the disappointing crop and despite an improved 2007 sugar price expressed in rupee terms and a compensation of MUR 50.0 M received from the Sugar Insurance Fund Board, the group profit after taxation for sugar operations before exceptional items decreased sharply by MUR 77.6 M to MUR 100.5 M.
The segmental profit after taxation of the sugar activity amounted to MUR 112.1 M.
Contribution of milling operations to overall results remained low at MUR 10.1 M, mainly due to heavy financial charges resulting from its high indebtedness.

Sugar price (MUR per tonne)

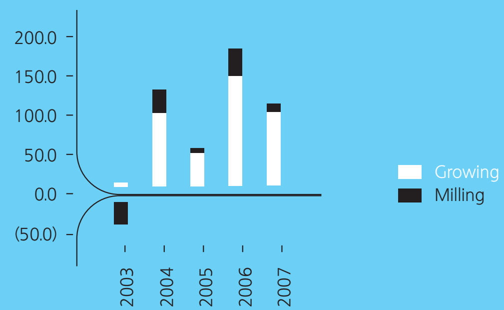
2003	15,200
2004	16,175
2005	17,150
2006	17,350
2007	18,200



Managing director's review of operations : Sugar (cont'd)

Profit after taxation (MUR' M)

	Growing	Milling	Total
2003	5.0	(35.0)	(30.0)
2004	101.7	31.9	133.6
2005	51.5	5.0	56.5
2006	150.0	28.1	178.1
2007	102.0	10.1	112.1



Crop prospects for 2008

Cane growth was slow early in the season with rainfall deficits in November and December 2007. However, rainfall recorded for the months of January and February 2008 was normal. In March, torrential rains were recorded with the passage of storm *Lola*. Some 461mm were recorded in the North, representing 286% of the mean. This was unfortunately followed by an unusually dry spell in April which stunted cane growth and as a result of which the 2008 crop is expected to be of the order of 650,000 tonnes only. Such tonnage is of course exclusive of any canes that may be forthcoming from the Mon Loisir factory area.

Côte d'Ivoire

Political situation

Although the northern part of the country is still under rebel forces control, the socio-political situation is stable throughout the territory. Preparations are under way for the organisation of general elections although a date has yet to be set.

Operations

The political situation being quasi-normal, Sucrivoire's operations are running smoothly. The company has achieved a sugar production of some 82,000 tonnes for the 2007 – 2008 crop, compared to 73,000 tonnes for the previous year. About 2,300 hectares, representing 21.4 % of the area under cane, have been replanted.

Rehabilitation of the mills and estates continues, and some FCFA 3.37 Billion (Euro 5.13 M) have been invested in machinery and equipment during 2007. The objective is now to attain a production of around 90,000 tonnes of sugar for the next crop.

Commercial

Sales also improved in 2007, with 68,283 tonnes of sugar being sold on the local market compared to 64,243 tonnes last year. EU and USA quotas to which the company is eligible were again not supplied on account of non remunerative quota prices and strong local demand. Overall turnover amounted to FCFA 24.8 Billion (Euro 37.8 M), a slight improvement on the previous year.

Although the ban on sugar imports into the Côte d'Ivoire, which expired in December 2006, is still in the process of being officially renewed for a further two years, there have been no sizeable sugar imports into the country to date.

Financial

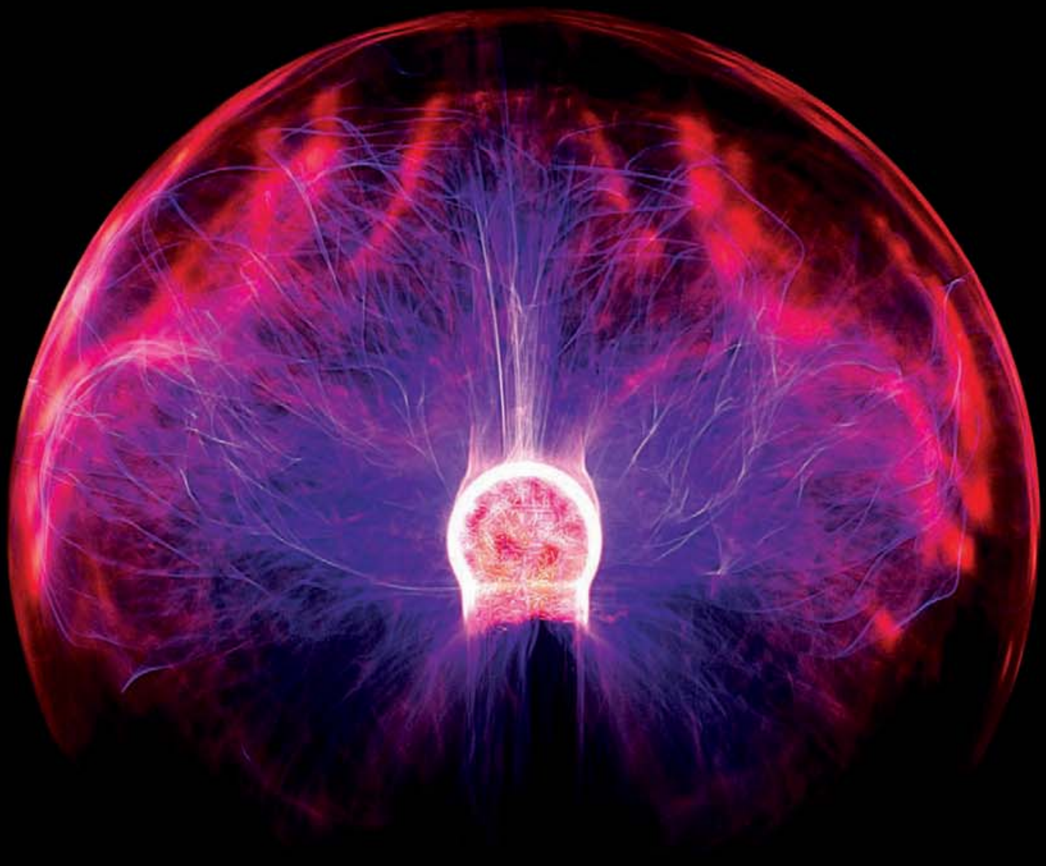
As mentioned in last year's report, Sucrivoire had recorded an exceptional profit of FCFA 9.6 Billion (Euro 14.64 M) in 2006, being compensation receivable from the State for prejudice suffered during the political events of the last few years. A FCFA 4.0 Billion (Euro 6.10 M) debt to the State was annulled in the same year.

In 2007, Government bonds of FCFA 2.8 Billion (Euro 4.27 M) were issued in favour of Sucrivoire. These were discounted for a net of FCFA 2.58 Billion (Euro 3.93 M). The remaining balance of FCFA 2.8 Billion (Euro 4.27 M), which had been recognized by the State as debt, but with no fixed repayment terms, was converted during 2007 into Government bonds with a face value of approximately FCFA 2.1 Billion (Euro 3.20 M) to be issued in the course of the current year. The intention is to also discount such bonds once issued.

Results

Sucrivoire S.A. posted an improved operating profit of FCFA 1.24 Billion (Euro 1.89 M) for the year, compared to a profit of FCFA 408 Million (Euro 0.62 M) in 2006.

The company suffered an exceptional loss of FCFA 858 M (Euro 1.31 M), mainly as a result of financial costs incurred in dealings in the above mentioned State securities and closed the financial year 2007 with a net profit of FCFA 371M. (Euro 0.57 M)



energy

Managing director's review of operations : Energy

The group, through its subsidiary Société HBM (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 46 staff, comprising of one expatriate. CTBVM is controlled by Séchilienne-SIDEC, which holds a 67% interest. The other main shareholder is HBM, 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 optimising 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), in which CTBV holds a 30.26% interest, 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.

Performance and operations

The power plant performed satisfactorily during the year, with an availability level of 98.8% which is well above minimum contractual obligations. On the other hand, the electricity off take by the CEB for the year was poor. In fact, energy exported to the grid dropped by 9.3% to an all-time low of 324.9 GWh as compared to 358.0 GWh in 2006. Similarly, energy produced from bagasse went down from 99.5 GWh in 2006 to 87.2 GWh in 2007, due to a sub-normal crop and lower bagasse availability. For the year under review, the plant consumed 257,704 tonnes of bagasse as compared to 262,145 tonnes in 2006.

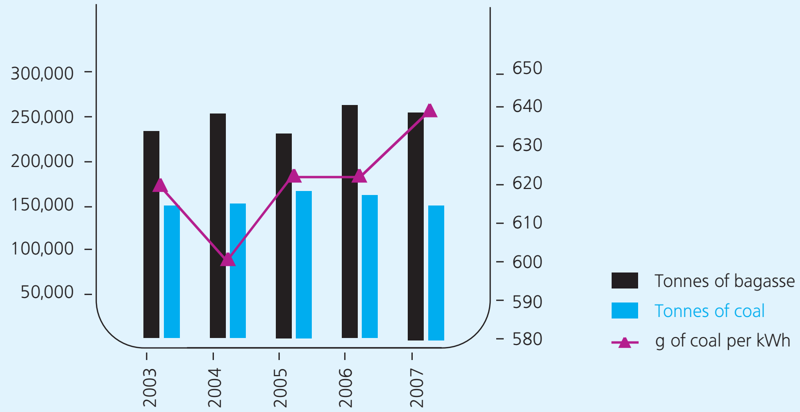
The company met its supply commitments to the CEB for the contractual year ended June 2007 and, in addition, generated some 11.7 GWh at a reduced tariff, over and above the minimum take. CTBV is confident of fulfilling its contractual obligations of 325 GWh for the year ending June 2008. In fact, with 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 151,863 tonnes of coal, representing a consumption of 639 g per KWh. At December 31, 2007, CTBV had 29,654 tonnes of coal in storage, which represents about 55 production days during the intercrop.

Managing director's review of operations : Energy (cont'd)

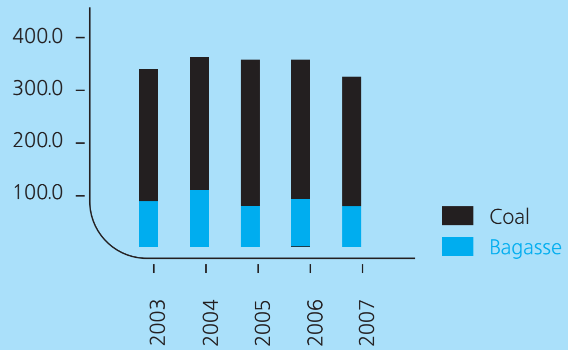
Consumption

	Tonnes of bagasse	Tonnes of coal	g of coal per kWh
2003	232,003	157,863	620
2004	255,740	155,809	600
2005	230,863	166,294	623
2006	262,145	161,145	623
2007	257,704	151,863	639



Energy produced (GWh)

	Bagasse	Coal	Total
2003	94.2	253.8	348.0
2004	106.0	260.0	366.0
2005	89.0	267.0	356.0
2006	99.5	258.5	358.0
2007	87.2	237.7	324.9



Managing director's review of operations : Energy (cont'd)

During the annual shutdown, our main undertaking consisted in the carrying out of exhaustive preventive maintenance. The main operations involved the replacing of a grate and the carrying out of refractory concrete works on the front side of the boilers. Other important works involved the opening of one turbine whose rotor was checked and also included the replacement of a gearbox.
Some major aspects of the enhancement of the systems security and controls were:
- The upgrading of fire detection and protection systems.
- The construction of a blast separation wall between the two 66 KV transformers.
- The installation of an infrared anti-intrusion system around the perimeter of the plant.

Health and safety issues have always been at the heart of our concerns and it is, indeed, encouraging to note that work-related accidents have decreased from 0.70% of overall work days in 2006 to 0.30% in 2007.

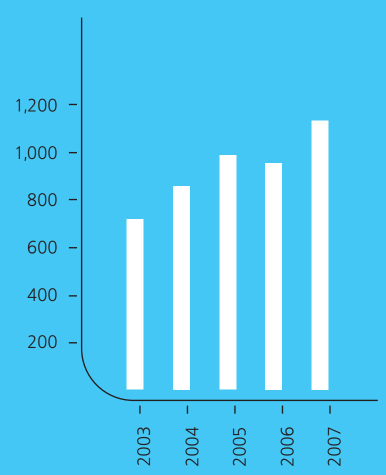
Financial

The energy segment posted a profit after taxation of MUR 251.8 M for the year under review, a modest improvement on 2006. Such performance is attributable in the main to the low electricity off take for the year and to foreign exchange losses of MUR 86.8 M arising from foreign loan repayments.

Overall borrowings of CTBV, of which 69.3% is denominated in Euros, amounted to MUR 1,100.2 M at December 31, 2007, compared to MUR 1,386.5 M last year. The gearing ratio, which stood at 49.1%, is well within the contractual limit of 80% and the Debt Service Reserve Account, amounting to MUR 162.3 M, has been funded in accordance with loan covenants.

Turnover (MUR'M)

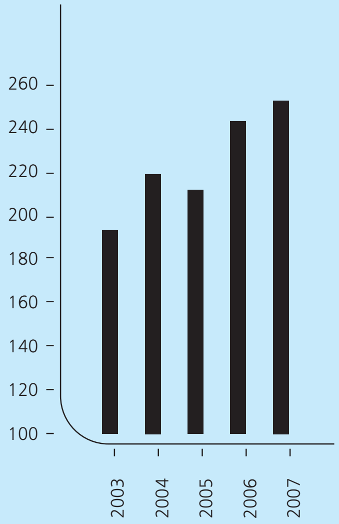
2003	710
2004	863
2005	998
2006	956
2007	1,109



Managing director's review of operations : Energy (cont'd)

Profit after taxation (MUR' M)

2003	192
2004	220
2005	212
2006	246
2007	252



Other

As mentioned in the Chairperson's report, an agreement was concluded in late 2007 between Government (GOM) and MSPA on certain key aspects of the MAAS. Concerning energy, the agreement provides that GOM and MSPA will appoint a mutually acceptable independent expert of international repute whose Terms of Reference will be to:

(a) determine whether the balance of risks between the CEB and the Independent Power Producers (IPP's) is in accordance with international norms;

(b) give its assessment of a fair return commensurate with the risks taken by each party;

(c) carry out the above exercise after analysing all aspects of the Power Purchase Agreements (PPA's), the power generation process of IPP's and their competitiveness when compared to local and international power producers of a similar nature; and

(d) make any appropriate recommendations.

At the time of writing, detailed Terms of Reference for the above study are being finalized by the parties.

commercial & manufacturing

Managing director's review of operations : Commercial and manufacturing

Structure

Our main commercial and manufacturing activities are regrouped under Grays & Co Ltd.

Grays & Co Ltd holds a 74% stake in Grays Inc. Ltd, its operating arm, as well as office and industrial space and other assets which it leases to the latter. In addition, it is the majority shareholder of Grays Refinery Ltd and has a substantial minority stake in the New Goodwill group. It is also a 50% partner in a number of joint ventures, namely Les Chais de L'Isle de France Limitée, Les Domaines de Mauricia Limitée, and Cosmebelle (Mauritius) Limited.

During the course of the year, Grays & Co Ltd disposed of its 50% share in "SARL VSV", a joint venture situated in Reunion and involved in the retailing of wine and spirits.

Commercial

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

Administration

As reported last year, a full review of our Enterprise Resource Planning (ERP) software including its database configuration and system processes was undertaken and appropriate remedial actions have been taken. The system is now fully operational and additional management tools are being developed.

The Human Resource Department was strengthened with the recruitment of a suitably qualified HR officer. The main objectives for the year 2007 were to enhance communication at organisational level and to establish a comprehensive employee database in order to prepare for future challenges. The first issue of *La Graysette*, the company newsletter, was published and new training, recruitment and promotion procedures have been put in place. In 2008, the main focus will be on the training and development functions, with emphasis on the development of a performance management system that will lead to a performance culture based organisation.

Performance

Despite a difficult commercial environment due to inflationary tendencies, stiff competition and the loss of the Gillette portfolio, Grays Inc. Ltd performed in a satisfactory manner during the year under review.

Wine and spirits

The core activity, wine and spirits, grew by a healthy 21%. However, sales patterns in this sector were affected by changes in consumer behaviour due to the erosion of disposable income. On the other hand, the increase in tourist arrivals has boosted premium wine sales, while champagne growth was hindered due to a global shortage of supplies.

Local production

The bottling plant was under pressure to cope with a 10% increase in volume on last year. The ordering of additional equipment is being considered in order to improve its handling capacity.

Personal care, hygiene and cosmetics

Following the transfer of the Gillette portfolio to the local Procter & Gamble distributor, as reported earlier, this business unit has been reorganised and refocused. Benefits were tangible, with cosmetics sales growing by 27%.

Household and consumer goods.

The product range has been reviewed and streamlined, resulting in increased profitability, despite a reduction in turnover.

"Vingt sur vin" outlets

These *boutique* type retail outlets have performed well, showing a 27% increase in turnover over last year's figures.
In December, a new outlet was opened in Quatre-Bornes in order to provide a proximity service to clients in that region.

Results

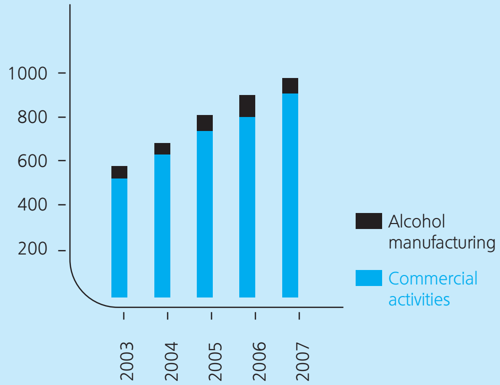
The commercial cluster achieved a turnover of MUR 902.9 M for the year (MUR 800.5 M in 2006), a growth of 12.8%.
Available online information from the ERP translated into sharper management of costs resulting in higher profitability. The cluster posted a profit after taxation of MUR 66.1 M (2006: MUR 8.6 M, which however included an exceptional write off of MUR 15.2 M). The profit after taxation figure includes exceptional items consisting mainly of one-off compensation from Gillette for early termination of the distribution agreement.

Capital expenditure for the year amounted to MUR 8.6 M, mainly for the acquisition of computer equipment and motor vehicles.

Managing director's review of operations : Commercial and manufacturing (cont'd)

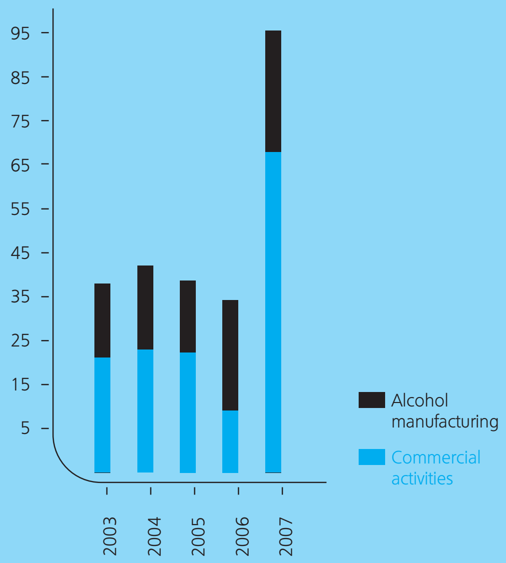
Turnover (MUR' M)

	Commercial activities	Alcohol manufacturing	Total
2003	518.9	54.9	573.8
2004	622.7	51.9	674.6
2005	734.7	71.0	805.7
2006	800.5	90.7	891.2
2007	902.9	90.1	993.0



Profit after taxation (MUR' M)

	Commercial activities	Alcohol manufacturing	Total
2003	20.5	17.6	38.1
2004	21.6	18.0	38.5
2005	21.4	14.0	35.1
2006	8.6	23.5	32.1
2007	66.1	29.1	95.2



Managing director's review of operations : Commercial and manufacturing (cont'd)

Manufacturing

Production of alcohol

Grays & Co. Ltd holds a two third stake in Grays Refinery Ltd, a company which owns and runs a distillery.

Grays Refinery Ltd produced 3.6 million litres of alcohol at 100% volume over a distillation period of 151 days which spread over both crop and intercrop periods, roughly the same as in 2006. Plant efficiency at 83.37% was satisfactory and equivalent to that of last year, with an average yield of 221.61 litres per tonne of molasses and a daily production of 23,816 litres at 100% volume. Some 64,300 tonnes of vinasse were left after the distillation process and spread in the group's sugar cane fields.

An agreement was achieved with The Mauritius Chemicals and Fertilizers Industry Ltd (MCFI) and a mixer plant is being installed on our premises, which will make possible the premix of fertilisers with vinasse for spreading in cane fields as bio-fertilizer.

Exceptionally, only 175,233 litres of alcohol were exported compared to 1,134,839 litres in 2006, due to adverse market conditions. An additional storage tank with a capacity of 260 cubic metres was erected during the year so as to improve our ability to supply local and export markets with different grades of alcohol.

The company achieved a turnover of MUR 90.1 M for the year (2006: MUR 90.7 M), posting an after taxation profit of MUR 29.1 M (2006: MUR 23.5 M).

Local rum

Grays & Co Ltd holds a 33.3% share in New Goodwill & Co Ltd and related companies, which are involved in the production, bottling and distribution of local rum and compounded spirits.
The New Goodwill group posted a growth in turnover of 13.7% in 2007 and increased its profit after taxation by 56.9% to MUR 21.5 M.

property management & construction

Managing director's review of operations : 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 as to external clients.

Concerning developments undertaken on behalf of the group, that of the *Domaine de Belle Vue*, which was initiated in 2005, has been successfully completed with all plots having been sold and transferred to clients. Sales at *Bois Mangues* have followed last years' trend and are still slower than anticipated. Infrastructural works have been completed and the *morcellement* permit has been obtained for *Les Vieux Banians*, an up-market development situated at Balaclava. All plots have been sold and are currently being transferred to the buyers.

During the course of 2007, 89 plots of a net extent of 4,6 hectares in aggregate were sold on eight different *morcellement* sites belonging to the group. Proceeds from land sales of MUR 266.5 M were received, during the course of the year and a profit of MUR 65.0 M was recognized thereon. (2006: MUR 30.9 M).

The group has also initiated the development of the "Beau Plan Business Park" project, an executive office complex of about 6,000 m^2, on the site of the ex Beau Plan sugar factory, adjacent to *l'Aventure du Sucre* museum. Construction has started and the project is due for completion and letting in early 2009.

Sagiterre is currently involved in various projects for other non group clients, and 2008 should see the completion of a number of them. Prospects look good for 2008 in spite of sustained competition from other players in the industry.

In line with its 2006 performance, Sagiterre received fee and commission income of MUR 20.2 M for the year. After taxation profits amounted to MUR 7.0 M (2006: MUR 7.5 M).

Construction

The group's interests in the construction industry are 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 it 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 rock sand. Management of operations is entrusted to The United Basalt Products Ltd. Turnover increased by 20.5% to MUR 90.6 M, while profit after taxation increased by MUR 0.9 M to reach MUR 8.7 M.

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 once again benefited from the present buoyancy of the construction sector and recorded very good results. Turnover for 2007 increased by 87% to MUR 2,209.0 M and profit after tax by 102% to MUR 88.9 M. Prospects for 2008 are excellent.

other interests

Managing director's review of operations : Other interests

Financial services

Harel Frères Limited 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 2007, group profit after taxation increased by MUR 50.0 M to MUR 71.0M mainly due to a significant increase of the group's underwriting surplus and the good performance of its investment portfolio.

Leisure

Sugarworld Limited, in which the group has a 30.7% interest, owns and promotes *l'Aventure du Sucre*, a museum and entertainment complex, situated in the former Beau Plan sugar mill buildings.

After years of relentless promotion, *l'Aventure du Sucre* has become a showcase of Mauritian heritage and, as such, is now an unavoidable stop for nationals and foreigners alike. As a result, the number of visitors is on an upward trend and results are following suit, with a 48% growth in revenue in 2007. Financial costs having been reduced, the company posted an after taxation profit of MUR 9.2 M, compared to a loss of MUR 1.5 M in the previous year. Future prospects are very 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 record high grain prices ruling on international markets during the year created a favourable trading environment which, in turn, enabled molasses to regain market share in the animal feed market. Accordingly, although the company exported a lower tonnage than in the previous year on account of a sub average crop locally, the company's turnover increased by 20.8% reaching MUR 186.0 M. Profits after taxation also improved, reaching MUR 8.9 M compared to MUR 4.5 M in 2006.

Cyril Mayer
Managing Director

May 21, 2008

Corporate Governance Report

Statement of compliance

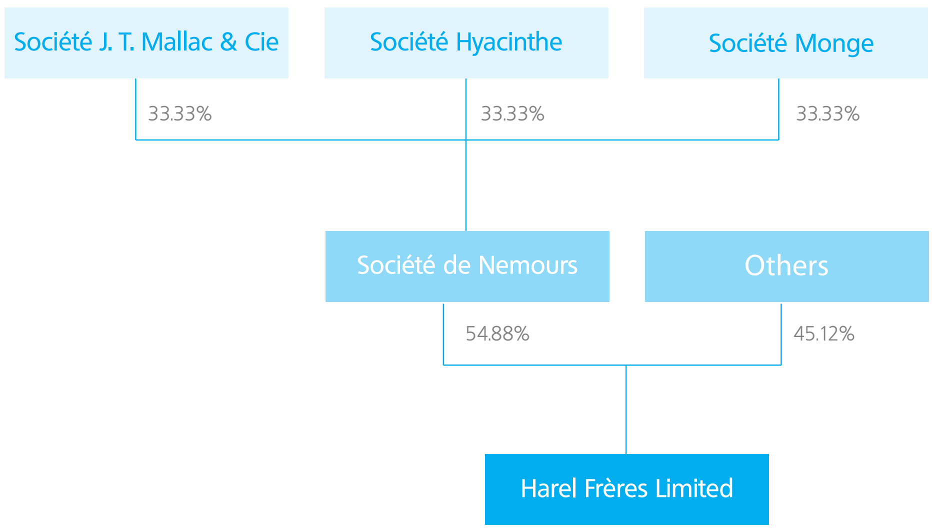
The Report on Corporate Governance for Mauritius, which was published in 2003, provides that companies listed on the official list of the Stock Exchange of Mauritius, amongst others, shall comply with the provisions of the Code of Corporate Governance (the Code).

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, 2007.

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
Jean Desmarais	x			x*
Maurice de M. Enouf	x	x		
Jean de Fondaumière	x			
Jean Pierre Hardy	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

Corporate Governance Report (cont'd)

Substantial shareholders

Other than the entities shown in the above holding structure, the following shareholders were directly or indirectly beneficially interested in 5% or more of Harel Frères' share capital at April 30, 2008:

	Direct	Indirect
Compagnie Sucrière de Mon Songe Ltée	-	11.39%
Armelle Mallac Sim	0.58%	6.05%
Moulin Cassé Ltée	-	12.46%
Pershing LLC (foreign investor)	7.38%	-

Except for Pershing LLC (which has no indirect interest) and Ms Armelle Mallac Sim (who has other indirect interests), 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 15 to 17.

Corporate Governance Report (cont'd)

The directors' interests in the company's securities as at December 31, 2007 are as follows :

	Ordinary shares							
	Direct				Indirect			
	Shares	%	Usufruct	%	Shares	%	Usufruct	%
Directors								
Jean Desmarais	-	-	-	-	486,080	0.28%	554,380	0.32%
Jean Pierre Hardy	1,333	0.00%	-	-	-	-	-	-
Alexis Harel	133	0.00%	-	-	133	0.00%	-	-
Henri Harel	720	0.00%	-	-	-	-	-	-
Joseph Marc Harel	117,379	0.07%	1,176,520	0.68%	-	-	-	-
Cyril Mayer	-	-	-	-	1,201,772	0.69%	574,320	0.33%
Alain Vallet	133	0.00%	-	-	-	-	-	-
Alternate directors								
Dominique de Froberville	-	-	-	-	266	0.00%	-	-
Patrick Guimbeau	133	0.00%	-	-	102,280	0.06%	-	-
Christophe Harel	133	0.00%	-	-	-	-	455,620	0.26%
Philippe Harel	475,353	0.27%	591,830	0.34%	-	-	-	-
Hubert Raffray	133	0.00%	-	-	-	-	-	-
TOTAL	595,450	0.34%	1,768,350	1.02%	1,790,531	1.03%	1,584,320	0.91%
TOTAL ISSUED SHARES	173,834,000							

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, an associate of Mr Cyril Mayer sold 15,000 shares of the company.

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 six times during the year and the individual attendance by directors is detailed on page 53.

Corporate Governance Report (cont'd)

Group company secretary

Directors have direct access to the advice and services of the secretary, who is responsible for ensuring that Board procedures are followed. He also ensures 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

Current members :

Jocelyn de Chasteauneuf	Chairperson
Jean Pierre Hardy	Member
Jacques de Navacelle	Member

The three members of the Audit Committee are nonexecutive directors while the Chairperson and one of the members are also independent directors.

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 six 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 53.

During the year, it was felt, having regard to the fact that 26% of Grays Inc. Ltd's is now owned by a strategic partner and to the complexity of its activities, that a separate Audit Committee was warranted for that company. Such a committee has thus been set-up under the chairmanship of Mr George Schooling, a representative of the strategic partner, with Mr. Vincent Rogers representing Harel Frères, as member, and reports to the Board of Grays Inc. Ltd. The minutes of its proceedings are circulated to Harel Frères' Audit Committee and Board.

Corporate Governance Committee

Current 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. One of the members is also an independant 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 three times during the year and the attendance of individual directors at these meetings is detailed in the table set out on page 53.

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

Further to the Board evaluation exercise that had been carried out in 2006 and having regard to changes in the composition of the Board since, it has been decided to undertake an assessment of the collective functioning of the Board during the course of 2008. A Board Charter is also being elaborated and will be submitted to the Board for approval in due course.

Corporate Governance Report (cont'd)

Board and Committee attendance

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

	Board	Corporate Governance	Audit
No. of meetings	6	3	6
Directors			
Jocelyn de Chasteauneuf	6/6	-	6/6
Philippe de Chasteauneuf	3/3	-	0/2
Jean Desmarais	6/6	-	-
Maurice de M. Enouf	0/0	-	-
Jean de Fondaumière	4/6	0/3	-
Dominique de Froberville	3/3	-	1/1
Jean Pierre Hardy	3/3	-	2/2
Alexis Harel	6/6	-	-
Henri Harel	6/6	-	-
Joseph Marc Harel	5/6	-	-
Jean Hugues Maigrot	6/6	3/3	-
Cyril Mayer	6/6	3/3	-
Jacques de Navacelle	4/6	3/3	6/6
Guillaume Raffray	6/6	-	-
Alain Vallet	6/6	-	-

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 five audit visits for the group during the financial year 2007. The visits were performed according to the audit plan which was approved by the Audit Committee in January 2007. Proposed recommendations in respect of issues identified were discussed with management and the final internal audit reports were submitted to the Audit Committee.

Corporate Governance Report (cont'd)

Internal Audit (Cont'd)

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 is significant and aims at better aligning interests of these directors with those of the group and providing 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.

Corporate Governance Report (cont'd)

Remuneration of directors

Directors' remuneration for the year ended December 31, 2007 is set out below.

	Remuneration from the company	Remuneration from subsidiaries	Remuneration from companies on which director serves as representative of the company
	MUR '000	MUR '000	MUR '000
Directors			
Jocelyn de Chasteauneuf	414	-	-
Philippe de Chasteauneuf	373	36	-
Jean Desmarais	204	-	-
Maurice de Marassé Enouf	12	-	-
Jean de Fondaumière	184	-	-
Dominique de Froberville	122	30	-
Jean Pierre Hardy	142	30	-
Alexis Harel	204	2,896	35
Henri Harel	4,207	-	350
Joseph Marc Harel	194	-	-
Jean Hugues Maigrot	570	-	-
Cyril Mayer	10,729	-	418
Jacques de Navacelle	384	-	-
Guillaume Raffray	204	-	-
Alain Vallet	204	3,388	94

Share information

Information relating to the share distribution and its Stock Exchange performance is set out on pages 8 to 11. Dates of important events are also noted.

Donations

The aggregate amounts of political and other donations made during the year are shown on page 60.

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.

Corporate social responsibility

The policies and practices of the group regarding social responsibility as well as ethics, health, safety and environmental issues are detailed on page 56.

HF Administrative Services Ltd
Secretary

May 21, 2008

Corporate social responsibility (CSR)

The Harel Frères group is among the largest in the country and recognises the importance of good governance and CSR in developing any successful business. The sustainability of such a large group is closely linked to the welfare of its employees, its stakeholders and the Mauritian population at large. Accordingly, the directors recognise that, while they are ultimately answerable to shareholders, it is in the company's long-term economic interest to conduct itself as a responsible corporate citizen in order to move forward towards a better society and future growth.

In the furtherance of these objectives, it was formally decided by the Board to respond to the appeal of the authorities to devote around 1% of group profits to CSR. An appropriately structured fund is being established under the stewardship of a newly appointed CSR manager who will make recommendations to a CSR committee in terms of objectives and resource allocation and report regularly to the Board.

Social Work

Conscious of the ever growing importance of education in today's society, several group companies contribute financially to and are actively involved in the development of the next Mauritian generation. The Hurryparsad Ramnarain Government School, which we fund in Terre Rouge, forms part of the *Zones d'Education Prioritaires* (ZEP) and has obtained very encouraging results last year at the Certificate of Primary Education (CPE) exams. These positive results show that we are beginning to reap what we have sowed as a result of our commitment and support to the ZEP programme.

One of the group subsidiaries is also financially assisting the management of *Lizie Dan La Main*, an association caring for the rehabilitation of the blind though education, sports, mobility and handicraft for a better future. We also support a number of non-governmental organisations and other charitable institutions engaged in the care of orphans and disabled and in rehabilitation programs.

In the same way, the staff and employees are also encouraged to participate in their companies' events and to act as responsible and engaged citizens. Encouraging our employees and staff can only help our country to move forward.

Ethics

The group is committed to and requires all its employees, through its Model Code of Conduct, to embrace the highest standards of honesty and ethical behaviour and to comply with all relevant laws and legal frameworks in which we operate when conducting business. The group has adopted a Model Code of Conduct, which sets out the way in which business should be conducted and has been adhered to by all the board members and the employees at large. The board has also established an Ethics Committee, which is chaired by the Chairperson himself and consists of directors and employee representatives. The committee ensures the compliance with the legal and regulatory framework in which the group operates and as a matter of fact, the Ethics Committee received no complaints during the year under review.

Health and Safety

Health and Safety officers employed throughout the group ensure that the legal framework is complied with and contribute to the well being of all our employees. New legislations regarding Health and Safety promulgated in 2005 and enforced in 2007 have created a new regulatory framework. Both in-house and outsourced training, awareness talks and programmes are organized on a regular basis in order to enhance the Health and Safety culture in the group, and to inform our employees of its importance in their workplace, but also in their homes and environment.

Risk assessment and audits of the workplaces are often carried out and weakness areas are identified and dealt with accordingly. The recommendations from these risk assessment reports help in the improvement of our daily operations and contribute to reducing any possibility of having hazards at the workplaces. These efforts to implement the recommendations of the risk assessment surveys have contributed to decreasing considerably the number of accidents over the last few years.

During the course of 2007, we contributed an amount of MUR 250,000 towards the Chikungunya education campaign organised by the Mauritius Commercial Bank in order to educate students around the country about the damaging consequences of this epidemic. We also helped to coordinate public awareness campaigns and assisted the local authorities in cleaning up neighbouring villages of Pamplemousses and Rivière du Rempart districts.

Environment

As our group's operations are mainly of an agricultural or industrial nature, the directors' prime concern is to achieve its business objectives in a socially responsible manner. The strict adherence to environmental norms and the adoption of processes, which are compliant with the local environment regulations are essential for future growth. All effluents from our subsidiary companies are disposed of in an ecological manner. Gaseous emissions are limited by the use of low sulphur coal, while bagasse, which is a renewable and green source of energy, is sulphur free. Regular stack sampling and ambient air monitoring are undertaken and results forwarded to the appropriate authorities. The results have showed that the levels of heavy metals are well below the maximum limit allowed by international organisations and the norms prevailing in the European Union.

The above policies and practices demonstrate the group's commitment to sustainable development. The group gives foremost consideration to the environment and in its aspiration to protect our employees, the public at large, the environment, its assets and not least, its reputation.

Statement of directors' responsibilities 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 a 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 21, 2008

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 21, 2008

Statutory disclosures

(pursuant to Section 221 of the Companies Act 2001)

Directors

Names

The names of the directors of the company at December 31, 2007 are given on page 14 of this report. In addition, a list of directors of subsidiary companies at the same date appears on page 121.

Service contracts

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

Remuneration & benefits :

	THE COMPANY		SUBSIDIARIES	
	2007	2006	**2007**	2006
	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	**14.9**	14.6	-	-
part-time	**0.4**	0.4	**6.3**	5.8
• Nonexecutive	**2.8**	3.0	-	0.2
	18.1	17.9	**6.3**	6.0

- Directors of subsidiary companies:

	2007	2006
	MUR' M	MUR' M
• 6 Executive *(6 in 2006)*		
full-time	**16.1**	14.9
part-time	-	-
• 22 Nonexecutive *(21 in 2006)*	**1.9**	1.7
	18.0	16.6

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.

Statutory disclosures (cont'd)

Auditors' Remuneration

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	MUR' M	MUR' M	**MUR' M**	MUR' M
Audit fees paid to :				
- BDO De Chazal du Mée	**1.8**	2.3	**0.3**	0.2
- Other firms	**-**	-	**-**	-
Fees paid for other services provided by :				
- BDO De Chazal du Mée	**0.1**	0.4	**0.1**	0.1
- Other firms	**-**	-	**-**	-

Donations

Donations made during the year were as follows :

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	MUR' M	MUR' M	**MUR' M**	MUR' M
Political	**0.2**	-	**0.1**	-
Charitable - Number of recipients : 21 (2006 : 19)	**0.8**	0.6	**0.6**	0.3

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 62 to 120 which comprise the balance sheets at December 31, 2007, 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 62 to120 give a true and fair view of the financial position of the Group and of the Company at December 31, 2007, 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 21, 2008

Balance sheets

December 31, 2007

	Notes	THE GROUP 2007	THE GROUP 2006	THE COMPANY 2007	THE COMPANY 2006
		MUR'M	MUR'M	**MUR'M**	MUR'M
ASSETS					
Non-current assets					
Property, plant and equipment	4	**6,335.1**	4,825.1	**530.0**	275.0
Investment properties	5	**7.8**	8.5	**39.0**	40.3
Intangible assets	6	**190.9**	199.7	**-**	-
Investment in subsidiaries	7	**-**	-	**3,273.3**	2,260.0
Investment in associates	8	**380.6**	304.9	**1.4**	128.8
Investment in financial assets	9	**205.9**	217.5	**32.6**	139.8
Non-current receivables	10	**9.4**	14.6	**35.7**	35.6
Bearer biological assets	11	**158.5**	142.4	**23.1**	20.2
Land development expenditure	12	**54.1**	48.2	**38.8**	34.4
Deferred VRS costs	13	**68.3**	14.8	**16.6**	0.8
Deferred tax assets	14	**1.3**	10.0	**-**	-
		7,411.9	5,785.7	**3,990.5**	2,934.9
Current assets					
Inventories	15	**436.4**	407.4	**-**	-
Consumable biological assets	16	**129.6**	139.0	**14.5**	15.5
Trade and other receivables	17	**918.5**	783.5	**484.7**	449.7
Held-to-maturity investments	18	**-**	58.3	**-**	-
Cash and cash equivalents	32	**744.5**	710.0	**12.5**	2.2
		2,229.0	2,098.2	**511.7**	467.4
Non-current assets classified as held for sale	19	**49.8**	148.4	**14.7**	10.8
Total assets		**9,690.7**	8,032.3	**4,516.9**	3,413.1
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	20	**173.8**	173.8	**173.8**	173.8
Revaluation and other reserves	21	**4,212.0**	2,632.0	**2,691.9**	1,515.1
Retained earnings		**1,821.0**	1,444.3	**1,050.3**	1,128.1
Equityholders' interest		**6,206.8**	4,250.1	**3,916.0**	2,817.0
Minority interest		**808.4**	686.5	**-**	-
Total equity		**7,015.2**	4,936.6	**3,916.0**	2,817.0
Non-current liabilities					
Borrowings	22	**954.6**	1,315.0	**39.7**	61.2
Deferred tax liabilities	14	**278.3**	215.5	**2.5**	0.4
Retirement benefit obligations	23	**182.4**	215.6	**7.7**	8.2
		1,415.3	1,746.1	**49.9**	69.8
Current liabilities					
Trade and other payables	24	**649.6**	600.9	**444.1**	396.9
Current tax liabilities	25	**49.4**	49.0	**1.6**	1.4
Borrowings	22	**540.1**	655.7	**96.4**	116.9
		1,239.1	1,305.6	**542.1**	515.2
Liabilities directly associated with non-current assets classified as held for sale	19(b)	**21.1**	44.0	**8.9**	11.1
Total liabilities		**2,675.5**	3,095.7	**600.9**	596.1
Total equity and liabilities		**9,690.7**	8,032.3	**4,516.9**	3,413.1

The financial statements have been approved for issue by the Board of Directors on May 21, 2008.

Jean Hugues Maigrot)
Cyril Mayer) Directors

The notes on pages 69 to 120 form an integral part of these financial statements.
Auditors' report on page 61.

Income statements

Year ended december 31, 2007

		THE GROUP		THE COMPANY	
	Notes	**2007**	2006	**2007**	2006
		MUR'M	MUR'M	**MUR'M**	MUR'M
Turnover	1 (q)	**2,948.0**	2,768.5	**69.2**	73.7
Compensation from the Sugar Insurance Fund Board		**50.0**	1.1	**0.1**	0.1
(Losses)/gains arising from changes in fair value of consumable biological assets	16	**(9.4)**	(7.0)	**(1.0)**	2.5
		2,988.6	2,762.6	**68.3**	76.3
Cost of sales		**(1,939.1)**	(1,746.7)	**(43.1)**	(39.8)
Gross profit		**1,049.5**	1 015.9	**25.2**	36.5
Other income	26	**195.4**	135.6	**140.4**	100.4
Administrative expenses		**(182.3)**	(179.9)	**(13.4)**	(10.3)
Distribution costs		**(67.7)**	(52.3)	**-**	-
Other expenses		**(155.6)**	(158.1)	**(13.6)**	(16.8)
Profit before finance costs	27	**839.3**	761.2	**138.6**	109.8
Finance costs	28	**(203.1)**	(162.8)	**(7.1)**	(11.0)
Share of results of associates	8	**104.6**	46.2	**-**	-
Profit before exceptional items		**740.8**	644.6	**131.5**	98.8
Exceptional items	29	**35.5**	146.1	**1,216.0**	149.9
Profit before taxation		**776.3**	790.7	**1,347.5**	248.7
Taxation	25	**(113.0)**	(86.2)	**(2.3)**	2.7
Profit for the year		**663.3**	704.5	**1,345.2**	251.4
Attributable to:					
Equityholders of the company		**470.5**	520.1	**1,345.2**	251.4
Minority interest		**192.8**	184.4	**-**	-
		663.3	704.5	**1,345.2**	251.4
Earnings per share (MUR)	30	**2.71**	2.99	**7.74**	1.45

The notes on pages 69 to 120 form an integral part of these financial statements.
Auditors' report on page 61.

Statements of changes in equity

Year ended december 31, 2007

		Attributable to equityholders of the company					
	Note	Stated Capital	Revaluation and Other Reserves	Retained Earnings	Total	Minority Interest	Total Equity
		MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
THE GROUP							
Balance at January 1, 2007		173.8	2,632.0	1 444.3	4,250.1	686.5	4,936.6
Surplus on revaluation of land and buildings		-	1,563.8	-	1,563.8	-	1,563.8
Decrease in fair value of available-for-sale financial assets	9	-	(9.3)	-	(9.3)	-	(9.3)
Release on disposal of available-for-sale financial assets		-	(1.5)	(0.7)	(2.2)	-	(2.2)
Deferred tax on revalued assets		-	(14.5)	-	(14.5)	-	(14.5)
Release of deferred tax on excess depreciation over historical cost depreciation		-	0.8	-	0.8	0.7	1.5
Transfer to retained earnings on disposal of land		-	(11.2)	11.2	-	-	-
Release to income statement on repayment of foreign currency loans		-	32.0	-	32.0	47.4	79.4
Exchange differences on translation of foreign currency loans		-	16.0	-	16.0	23.7	39.7
Increased stake in subsidiary		-	-	-	-	(14.7)	(14.7)
Movements on reserves		-	3.9	-	3.9	(0.5)	3.4
Net income recognised directly in equity		-	1,580.0	10.5	1,590.5	56.6	1,647.1
Profit for the year		-	-	470.5	470.5	192.8	663.3
Dividends		-	-	(104.3)	(104.3)	(127.5)	(231.8)
Balance at December 31, 2007		173.8	4,212.0	1,821.0	6,206.8	808.4	7,015.2

The notes on pages 69 to 120 form an integral part of these financial statements.
Auditors' report on page 61.

Statements of changes in equity (cont'd)

Year ended december 31, 2007

	Note	Stated Capital	Revaluation and Other Reserves	Retained Earnings	Total	Minority Interest	Total Equity
		Attributable to equityholders of the company					
		MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
THE GROUP							
Balance at January 1, 2006		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 69 to 120 form an integral part of these financial statements.
Auditors' report on page 61.

Statements of changes in equity (cont'd)

Year ended december 31, 2007

	Notes	Stated Capital	Revaluation and Other Reserves	Amalga-mation Reserve	Retained Earnings	Total
		MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
THE COMPANY						
Balance at January 1, 2007		**173.8**	**1,515.1**	**-**	**1,128.1**	**2,817.0**
Surplus on revaluation of land and buildings		-	255.7	-	-	255.7
Adjustment arising on amalgamation		-	(31.9)	29.9	3.0	1.0
Transfer to retained earnings on disposal of land		-	(2.0)	-	2.0	-
Increase in fair value of available-for-sale financial assets		-	398.2	-	-	398.2
Deferred tax on revalued assets		-	(1.9)	-	-	(1.9)
Release of deferred tax on excess depreciation over historical cost depreciation		-	0.1	-	-	0.1
Release on disposal of available-for-sale financial assets		-	(687.3)	-	(107.7)	(795.0)
Net (expense)/income recognised directly in equity		-	(69.1)	29.9	(102.7)	(141.9)
Profit for the year		-	-	-	1,345.2	1,345.2
Transfer of profit on sale of investments to subsidiary		-	1,216.0	-	(1,216.0)	-
Dividends	31	-	-	-	(104.3)	(104.3)
Balance at December 31, 2007		**173.8**	**2,662.0**	**29.9**	**1,050.3**	**3,916.0**
Balance at January 1, 2006		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

The notes on pages 69 to 120 form an integral part of these financial statements.
Auditors' report on page 61.

Cash flow statements

Year ended december 31, 2007

	Notes	THE GROUP 2007	THE GROUP 2006	THE COMPANY 2007	THE COMPANY 2006
		MUR'M	MUR'M	MUR'M	MUR'M
Operating activities					
Profit before taxation		776.3	790.7	1,347.5	248.7
Adjustments for :					
Depreciation	4,5	213.8	198.0	7.4	7.1
Profit on sale of property, plant and equipment/non current assets classified as held for sale		(69.9)	(42.8)	(24.9)	(6.8)
Profit on part disposal of subsidiary		-	(58.3)	-	-
Profit on sale of available-for-sale financial assets		(1.8)	(87.8)	(1,216.0)	(48.8)
Retirement benefit obligations		12.0	9.2	1.4	0.5
Amortisation of bearer biological assets	11	41.4	34.2	6.0	4.9
Amortisation of intangible assets	6	9.6	6.7	-	0.1
Amortisation of VRS costs		14.8	42.5	0.8	7.4
Impairment of investments in financial assets	9	-	4.2	-	-
Exchange differences		79.4	42.8	-	-
Reversal of impairment loss		-	(6.9)	-	(6.9)
Investment income		(45.4)	(40.8)	(102.9)	(187.8)
Interest expense	28	116.3	142.8	7.1	11.0
Share of results of associates		(104.6)	(46.2)	-	-
Changes in working capital:					
- inventories		(29.0)	(29.2)	-	-
- consumable biological assets	16	9.4	7.0	1.0	(2.5)
- trade and other receivables		(135.0)	(185.2)	(35.0)	(47.2)
- trade and other payables		(1.1)	47.3	66.5	35.9
		886.2	828.2	58.9	15.6
VRS costs paid		(173.6)	(13.6)	(39.9)	(1.8)
Interest paid		(116.3)	(149.1)	(0.9)	(17.6)
Income tax paid		(48.2)	(31.1)	(1.0)	(0.6)
Net cash from/(used in) operating activities		548.1	634.4	17.1	(4.4)

The notes on pages 69 to 120 form an integral part of these financial statements.
Auditors' report on page 61.

Cash flow statements (cont'd)

Year ended december 31, 2007

	Notes	THE GROUP 2007	THE GROUP 2006	THE COMPANY 2007	THE COMPANY 2006
		MUR'M	MUR'M	MUR'M	MUR'M
Investing activities					
Purchase of property, plant and equipment/investment properties	4,5	(175.8)	(85.5)	(6.6)	(44.8)
Intangible assets acquired	6	(0.8)	(47.2)	-	-
Replantation costs	11	(57.5)	(58.0)	(8.9)	(7.3)
Purchase of held-to-maturity investments		-	(58.3)	-	-
Land development expenditure/ non-current assets classified as held for sale		(67.2)	(154.5)	(8.3)	(4.3)
Acquisition of minority		(15.2)	-	-	-
Purchase of investment in					
- subsidiaries		-	-	(27.9)	(100.0)
- associates	8	-	(103.4)	-	-
- financial assets	9	-	(0.2)	-	(0.2)
Proceeds on sale of property, plant and equipment/ non-current assets classified as held for sale		223.4	152.9	71.6	20.9
Proceeds on part disposal of subsidiary		-	101.1	-	-
Proceeds on sale of investment in					
- associates		1.9	6.6	-	1.2
- financial assets		5.2	89.0	1.0	50.7
Non-current receivables		-	(0.2)	-	(2.2)
Interest received		84.7	30.2	4.4	9.5
Dividend received		41.3	37.3	92.3	204.6
Net cash from/(used in) investing activities		40.0	(90.2)	117.6	128.1
Financing activities					
Proceeds from long term borrowings		98.8	75.2	-	30.0
Repayment of loans and debentures		(511.6)	(388.5)	(115.5)	(99.1)
Grant received from Sugar Reform Trust		96.6	-	22.1	-
Dividends paid to shareholders of Harel Frères Limited	31	(104.3)	(69.5)	(104.3)	(69.5)
Dividends paid to outside shareholders of subsidiaries		(109.6)	(139.4)	-	-
Net cash used in financing activities		(530.1)	(522.2)	(197.7)	(138.6)
Increase/(decrease) in cash and cash equivalents		58.0	22.0	(63.0)	(14.9)
Movement in cash and cash equivalents					
At January 1,		461.9	439.9	0.8	15.7
Increase/(decrease)		58.0	22.0	(63.0)	(14.9)
At December 31,	32	519.9	461.9	(62.2)	0.8

The notes on pages 69 to 120 form an integral part of these financial statements.
Auditors' report on page 61.

Notes to the financial statements

Year ended december 31, 2007

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. 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.

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 1 January 2008 or later periods, but which the Group and the Company have not early adopted.

Except for IFRS 8, 'Operating segments', the revised IAS 1, 'Presentation of Financial Statements' and the amendment to IAS 23 'Borrowing costs' (effective for periods on or after January 1, 2009), these standards, amendments and interpretations are not relevant to the Group's and the Company's operations.

IFRS 8 and the revised IAS 1 are disclosure requirements only and will not, when adopted, affect the results of the Group and the Company. The amendment to IAS 23 eliminates the alternative treatment of expensing borrowings costs on qualifying assets. The revised IAS 1 affects the presentation of owner changes in equity and of comprehensive income.

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 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.

(b) Property, plant and equipment

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 for buildings. Power Plant and Building and Civil works 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.

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

Notes to the financial statements (cont'd)

Year ended december 31, 2007

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Increases in the carrying amount arising on revaluation are credited to "Revaluation Reserve" 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 - 20%
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.

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 Reserve" 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), brands, goodwill, computer software and legal fees in respect of commercial contracts.

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

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

(iii) *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.

Notes to the financial statements (cont'd)

Year ended december 31, 2007

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Intangible assets (cont'd)

(iii) *Goodwill (cont'd)*
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.

(iv) *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. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

(v) *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
Investments 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
Investments 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. Investments 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.

Notes to the financial statements (cont'd)

Year ended december 31, 2007

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Investment in associates (cont'd)

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

(i) Financial assets
Categories of financial assets
The Group classifies its financial assets in the following categories: loans and receivables, held-to-maturity investments, and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets when maturity is within twelve months of balance sheet date or non-current assets for maturities greater than twelve months.

(b) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(c) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

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.

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.

Available-for-sale financial assets are subsequently carried at their fair values. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

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.

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.

Notes to the financial statements (cont'd)

Year ended december 31, 2007

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (cont'd)

(i) Financial assets (cont'd)

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 amortised cost using the effective interest rate method, less provision for impairment. The carrying amount if the asset is reduced by the difference between the asset's carrying amount and the present value of estimated cash flows discounted using the effective interest rate. The amount of the loss is recognised in the income statement. 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 the impairment loss is measured as the difference between the carrying amount of the asset and the present value (PV) 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) Borrowings

Borrowings are recognised initially at fair value being their issue proceeds net of transaction costs incurred.

Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after balance sheet date.

(v) Trade payables

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

(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 item affects the profit or loss.

Notes to the financial statements (cont'd)

Year ended december 31, 2007

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (cont'd)

(vi) Hedging activities (cont'd)

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.

(vii) Cash and cash equivalents

Cash and cash equivalent comprise of cash in hand, cash at bank and bank overdraft. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to any insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(viii) Share capital

Ordinary shares are classified as equity.

(h) Sugar Industry Voluntary Retirement Scheme (VRS)

VRS costs (net of refunds under the Multi Annual Adaptation Scheme and pension obligations previously provided for) are carried forward on the basis that under the Scheme, the Company acquires the right to sell land on which no conversion taxes are payable. These amounts are amortised over a period of 8 years.

The amortisation is reviewed and reassessed yearly to ascertain the adequacy of the yearly charge taking into account the right exercised.

(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) Biological assets

Bearer biological assets are valued at cost less amortisation. Consumable biological assets are stated at their fair value.

(i) Bearer biological assets

These relate to cane replantation costs and are amortised over a period of 8 years.

Notes to the financial statements (cont'd)

Year ended december 31, 2007

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Biological assets (cont'd)

(ii) 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 an entity within the Group 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 expensed.

(n) Retirement benefit obligations

Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The 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

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions to the Group'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.

(o) Foreign currencies

(i) Functional and presentation currency
Items included in the financial statements are measured using Mauritian rupees, the currency of the primary economic environment in which the 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, except when deferred in equity as qualifying as cash flow hedges.

Notes to the financial statements (cont'd)

Year ended december 31, 2007

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Foreign currencies (cont'd)

(ii) Transactions and balances (cont'd)

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(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 Group are recognised on the following bases:

- Interest income - on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.
- 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.

Notes to the financial statements (cont'd)

Year ended december 31, 2007

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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's activities expose it to a variety of financial risks which have to be effectively managed so as to protect its long term sustainability and to safeguard the interests of its stakeholders.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

A description of the significant risk factors is given below together with risk management policies where applicable.
(a) Market risk
(b) Credit risk
(c) Liquidity risk and
(d) Cash flow and fair value interest rate risk.

(a) Market risk

(i) Currency risk
The Group is exposed to foreign exchange risk arising from sugar growing activities, primarily with respect to the Euro. This risk affects both the crop proceeds and the fair value of the biological assets.
The Group also has investments in foreign entities, whose net assets are exposed to currency translation risk.

Currency profile
The currency profile of the Group's and the Company's financial assets and liabilities are summarised below:

THE GROUP	MRU	EURO	USD	Other currencies	TOTAL
	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
As at December 31, 2007					
Trade and other receivables	**907.2**	**8.7**	**0.4**	**2.2**	**918.5**
Cash in hand and at bank	**732.7**	**0.7**	**11.0**	**0.1**	**744.5**
Other assets	**8,027.7**	**-**	**-**	**-**	**8,027.7**
Total assets	**9,667.6**	**9.4**	**11.4**	**2.3**	**9,690.7**
Liabilities	**1,800.3**	**770.5**	**80.5**	**24.2**	**2,675.5**
As at December 31, 2006					
Trade and other receivables	767.9	8.2	6.9	0.5	783.5
Cash in hand and at bank	445.0	245.0	20.0	-	710.0
Other assets	6,538.8	-	-	-	6,538.8
Total assets	7,751.7	253.2	26.9	0.5	8,032.3
Liabilities	1,930.3	991.5	-	173.9	3,095.7

Notes to the financial statements (cont'd)

Year ended december 31, 2007

2. FINANCIAL RISK MANAGEMENT (CONT'D)

2.1 Financial risk factors (cont'd)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

THE COMPANY
All assets and liabilities are denominated in Mauritian rupees except for investment held in foreign subsidiary company denominated in EURO and amounting to MUR'M 12.9 (2006: MUR'M 6.9).

At December 31, 2007, if the rupee had weakened/strengthened by 5% against the US dollar/Euro with all other variables held constant, post-tax profit for the year would have impacted as shown in the table below, mainly as a result of foreign exchange gains/losses on translation of US dollar/Euro denominated borrowings, bank deposits, trade receivables and payables.

THE GROUP

	2007	2006
	MUR'M	MUR'M
Rupee strenghthened/weakened by 5%		
Post-tax profit	**3.9**	2.5
Shareholders' equity	**11.4**	17.4

(ii) Price risk

The Group is exposed to equity securities price risk because of investments in financial assets held by the Group and classified as available-for-sale.

The Group is also exposed to price risk with the incidence of the price of sugar in the European Union market.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

Sensitivity analysis

The table below summarises the impact of increases/decreases in the fair value of the investments in financial assets on the Group and the Company's equity.

The analysis is based on the assumption that the fair value had increased/decreased by 5%.

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	MUR'M	MUR'M	MUR'M	MUR'M
	+/-5%	+/-5%	+/-5%	+/-5%
Investment in financial assets	**10.3**	10.9	**1.6**	7.0

(b) 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.
As regards the sugar and energy sectors, the Group has significant concentration of credit risk with exposure spread over a few customers. However sale of products are made through reputable institutions where risk of default is very remote.
As for the commercial and manufacturing segment, 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.

Notes to the financial statements (cont'd)

Year ended december 31, 2007

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) 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.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

Forecasted liquidity reserve as of December 31, 2007 is as follows:

	THE GROUP	THE COMPANY
	2008	2008
	MUR'M	MUR'M
Opening balance for the period	519.9	(62.2)
Cash flows from operating activities	504.4	146.9
Cash flows from investing activities	(35.3)	(41.3)
Cash flows from financing activities	(500.2)	(81.9)
Closing balance for the period	488.8	(38.5)

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	MUR'M	MUR'M	MUR'M	MUR'M
THE GROUP				
At December 31, 2007				
Borrowings including bank overdrafts	**540.1**	**309.1**	**613.7**	**31.8**
Trade and other payables	**649.6**	-	-	-
At December 31, 2006				
Borrowings including bank overdrafts	655.7	329.6	835.0	150.4
Trade and other payables	600.9	-	-	-
THE COMPANY				
At December 31, 2007				
Borrowings including bank overdrafts	**96.4**	**21.4**	**17.1**	**1.2**
Trade and other payables	**444.1**	-	-	-
At December 31, 2006				
Borrowings including bank overdrafts	116.9	24.2	31.2	5.8
Trade and other payables	396.9	-	-	-

Notes to the financial statements (cont'd)

Year ended december 31, 2007

2. FINANCIAL RISK MANAGEMENT (CONT'D)

2.1 Financial risk factors (cont'd)

(d) Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from long-term borrowings and cash at bank.
Borrowings issued at variable rates expose the Group and the Company to cash flow interest-rate risk. Borrowings issued at fixed rates also expose the Group and the Company to fair value interest-rate risk.

(i) At December 31, 2007, if interest rates on rupee-denominated borrowings and Euro-denominated borrowings had been 10 basis points and 50 basis points respectively higher/lower with all other variables held constant, post-tax profit for the year and shareholders' equity would have been changed as shown in the table below.

	Rupee denominated borrowings (10 basis points)		Euro denominated borrowings (50 basis points)	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
THE GROUP				
Impact on post-tax profit and shareholders' equity	**1.0**	1.2	**0.1**	0.2
THE COMPANY				
Impact on post-tax profit and shareholders' equity	**-**	0.1	**-**	-

(ii) At December 31, 2007, if variable interest rates on deposit at bank had been 10 basis points higher/lower with all other variables held constant, post-tax profit for the year would have changed as shown in the table below.

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
Impact on post-tax profit	**0.1**	0.1	**-**	-

2.2 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 uses 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 cash flows at the current market interest rate that is available to the Group and the Company for similar financial instruments.

2.3 Capital Risk Management

The Group's objectives when managing capital are:
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefit for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

Notes to the financial statements (cont'd)

Year ended december 31, 2007

2. FINANCIAL RISK MANAGEMENT (CONT'D)

2.3 Capital Risk Management (con't)

During the year, the Group's strategy was to reduce the debt-to-capital ratio to a reasonable level in order to secure access to finance at a reasonable cost.

The debt-to-capital ratios at December 31, 2007 and December 31, 2006 were as follows:

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
Total debt	**2,165.4**	2,615.6	**589.1**	586.1
Less: cash in hand and at bank	**(744.5)**	(710.0)	**(12.5)**	(2.2)
Net debt	**1,420.9**	1,905.6	**576.6**	583.9
Total equity	**6,206.8**	4,250.1	**3,916.0**	2 817.0
Add: amount recognised in equity				
relating to cash flow hedge	**75.0**	123.0	**-**	-
Adjusted capital	**6,281.8**	4,373.1	**3,916.0**	2,817.0
Debt-to-adjusted capital ratio	**1:4.4**	1:2.3	**1:6.8**	1:4.8

Net debt is calculated as total debt (as shown in the Balance Sheet) less cash in hand and at bank.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 Critical accounting estimates and assumptions

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

(a) 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 sugar growing, sugar milling and other related activities, may suffer from the effect of this shortfall over the coming financial years.

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 the light of the above, the investments in growing and milling entities have been maintained at their existing fair value.

Notes to the financial statements (cont'd)

Year ended december 31, 2007

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

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

The Group follows 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 evaluates, 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.

Notes to the financial statements (cont'd)

Year ended december 31, 2007

4. PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP

	Land	Buildings on Leasehold Land	Buildings	Power Plant	Building and Civil Works	Factory Equipment	Agricultural Equipment	Motor Vehicles	Furniture and Office Equipment	Total
	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
COST AND VALUATION										
At January 1, 2007										
- Cost	7.4	86.2	9.4	34.1	3.9	111.6	109.6	254.1	115.0	731.3
- Valuation	2,132.4	-	351.8	2,145.4	370.3	1,343.7	-	-	-	6,343.6
	2,139.8	86.2	361.2	2,179.5	374.2	1,455.3	109.6	254.1	115.0	7,074.9
Additions	-	2.6	1.8	21.1	2.9	37.6	17.0	69.5	23.3	175.8
Disposals/Scrappings	(1.0)	-	-	(17.0)	-	-	(1.0)	(19.6)	-	(38.6)
Revaluation surplus	1,459.1	-	419.9	-	-	-	-	-	-	1,879.0
At December 31, 2007										
- Cost	**-**	**88.8**	**-**	**64.1**	**6.7**	**149.2**	**125.6**	**304.0**	**138.3**	**876.7**
- Valuation	**3,597.9**	**-**	**782.9**	**2,119.5**	**370.4**	**1,343.7**	**-**	**-**	**-**	**8,214.4**
	3,597.9	**88.8**	**782.9**	**2,183.6**	**377.1**	**1,492.9**	**125.6**	**304.0**	**138.3**	**9,091.1**
DEPRECIATION										
At January 1, 2007	-	27.9	233.7	567.8	98.1	992.8	65.0	175.1	89.4	2,249.8
Charge for the year	-	2.7	7.4	91.1	15.3	34.0	6.1	40.2	16.3	213.1
Disposals/Scrappings	-	-	-	(4.4)	-	-	(1.0)	(16.7)	-	(22.1)
Revaluation adjustment	-	-	315.2	-	-	-	-	-	-	315.2
At December 31, 2007	**-**	**30.6**	**556.3**	**654.5**	**113.4**	**1,026.8**	**70.1**	**198.6**	**105.7**	**2,756.0**
NET BOOK VALUE										
At December 31, 2007	**3,597.9**	**58.2**	**226.6**	**1,529.1**	**263.7**	**466.1**	**55.5**	**105.4**	**32.6**	**6,335.1**

Notes to the financial statements (cont'd)

Year ended december 31, 2007

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

(a) THE GROUP (CONT'D)

	Land	Buildings on Leasehold Land	Buildings	Power Plant	Building and Civil Works	Factory Equipment	Agricultural Equipment	Motor Vehicles	Furniture and Office Equipment	Total
	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	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 19)	(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**

Notes to the financial statements (cont'd)

Year ended december 31, 2007

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

(b) THE COMPANY

	Land	Buildings	Agricultural Equipment	Motor Vehicles	Furniture and Office Equipment	Total
	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
COST AND VALUATION						
At January 1, 2007						
- 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
Additions	-	-	5.8	0.4	0.4	6.6
Disposals/Scrappings	(1.0)	-	(1.0)	(0.4)	-	(2.4)
Revaluation surplus	237.7	64.4	-	-	-	302.1
At December 31, 2007						
- Cost	-	-	**22.4**	**32.1**	**22.3**	**76.8**
- Valuation	**469.0**	**151.5**	-	-	-	**620.5**
	469.0	**151.5**	**22.4**	**32.1**	**22.3**	**697.3**
DEPRECIATION						
At January 1, 2007	-	60.9	14.9	27.8	12.4	116.0
Charge for the year	-	1.7	0.8	1.9	1.7	6.1
Disposals/Scrappings	-	-	(1.0)	(0.2)	-	(1.2)
Revaluation adjustment	-	46.4	-	-	-	46.4
At December 31, 2007	-	**109.0**	**14.7**	**29.5**	**14.1**	**167.3**
NET BOOK VALUE						
At December 31, 2007	**469.0**	**42.5**	**7.7**	**2.6**	**8.2**	**530.0**

Notes to the financial statements (cont'd)

Year ended december 31, 2007

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

(b) THE COMPANY (CONT'D)

	Land	Buildings	Agricultural Equipment	Motor Vehicles	Furniture and Office Equipment	Total
	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	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 19)	(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**

Notes to the financial statements (cont'd)

Year ended december 31, 2007

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

(c) Land and buildings

(i) Land and buildings were revalued during the year, by Noor Dilmohamed & Associates, Certified Practising Valuer. Valuations were made on the basis of open market value. Building and Civil works and Power Plant have been revalued in 2004, by Atkins, the Lender's Independent Engineer. The revaluation was 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 Reserve" 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 1 costs and land compensation to workers
The Group has earmarked 119 hectares (Company: 55 hectares) of land to finance the VRS 1 costs and as land compensation to workers who took advantage of the scheme, out of which 25.6 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 47 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.

(h) Depreciation charge

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
Cost of sales	**148.4**	129.6	**-**	-
Other expenses	**64.7**	67.7	**6.1**	5.8
	213.1	197.3	**6.1**	5.8

Notes to the financial statements (cont'd)

Year ended december 31, 2007

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	Buildings	Factory Equipment	Power Plant	Building and Civil Works
	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
THE GROUP					
2007					
Cost	**131.5**	**83.8**	**493.4**	**1,808.9**	**318.9**
Accumulated depreciation	**-**	**(32.2)**	**(175.0)**	**(542.2)**	**(95.8)**
Net book value	**131.5**	**51.6**	**318.4**	**1,266.7**	**223.1**
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

	Land	Buildings
THE COMPANY		
2007		
Cost	**17.5**	**6.8**
Accumulated depreciation	**-**	**(4.4)**
Net book value	**17.5**	**2.4**
2006		
Cost	17.5	6.8
Accumulated depreciation	-	(4.3)
Net book value	17.5	2.5

(j) Bank borrowings are secured by fixed and floating charges on the assets of the borrowing entities including property, plant and equipment (note 22(e)).

Notes to the financial statements (cont'd)

Year ended december 31, 2007

5. INVESTMENT PROPERTIES

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	MUR'M	MUR'M	MUR'M	MUR'M
COST				
At January 1,	51.0	51.0	41.6	-
Additions	-	-	-	41.6
At December 31,	51.0	51.0	41.6	41.6
DEPRECIATION				
At January 1,	42.5	41.8	1.3	-
Charge for the year	0.7	0.7	1.3	1.3
At December 31,	43.2	42.5	2.6	1.3
NET BOOK VALUE				
At December 31,	7.8	8.5	39.0	40.3
Fair Value	86.8	75.2	39.0	40.3

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

Rental income	8.7	6.7	7.8	-
Direct operating expenses from investment properties that generate rental income	5.6	5.2	5.5	-

(b) Bank borrowings are secured by fixed and floating charges on the assets of the borrowing entities including investment properties (note 22(e)).

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

Notes to the financial statements (cont'd)

Year ended december 31, 2007

6. INTANGIBLE ASSETS

	Land Conversion Rights Closure Costs	Brands	Goodwill	Computer Software	Legal Fees	Total
	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
(a) THE GROUP						
COST						
At January 1, 2007	131.7	46.1	3.6	10.8	42.8	235.0
Additions	-	-	-	0.8	-	0.8
At December 31, 2007	**131.7**	**46.1**	**3.6**	**11.6**	**42.8**	**235.8**
AMORTISATION						
At January 1, 2007	-	-	0.7	6.7	27.9	35.3
Charge for the year	-	-	2.9	2.4	4.3	9.6
At December 31, 2007	**-**	**-**	**3.6**	**9.1**	**32.2**	**44.9**
NET BOOK VALUE						
At December 31, 2007	**131.7**	**46.1**	**-**	**2.5**	**10.6**	**190.9**
COST						
At January 1, 2006	131.7	-	3.6	9.7	42.8	187.8
Additions	-	46.1	-	1.1	-	47.2
At December 31, 2006	**131.7**	**46.1**	**3.6**	**10.8**	**42.8**	**235.0**
AMORTISATION						
At January 1, 2006	-	-	0.7	4.3	23.6	28.6
Charge for the year	-	-	-	2.4	4.3	6.7
At December 31, 2006	**-**	**-**	**0.7**	**6.7**	**27.9**	**35.3**
NET BOOK VALUE						
At December 31, 2006	**131.7**	**46.1**	**2.9**	**4.1**	**14.9**	**199.7**

Notes to the financial statements (cont'd)

Year ended december 31, 2007

6. INTANGIBLE ASSETS (CONT'D)

(b) Computer software

THE COMPANY	MUR'M
COST	
At January 1, and at December 31, 2007	**0.1**
AMORTISATION	
At January 1, 2007 and at December 31, 2007	**0.1**
NET BOOK VALUE	
At December 31, 2007	**-**
COST	
At January 1, and at December 31, 2006	0.1
AMORTISATION	
At January 1, 2006	-
Charge for the year	0.1
At December 31, 2006	0.1
NET BOOK VALUE	
At December 31, 2006	-

(c) Amortisation charge

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
Cost of sales	**4.3**	4.3	**-**	-
Other expenses	**5.3**	2.4	**-**	0.1
	9.6	6.7	**-**	0.1

(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.

Notes to the financial statements (cont'd)

Year ended december 31, 2007

7. INVESTMENT IN SUBSIDIARIES

	2007	2006
	MUR'M	MUR'M
THE COMPANY		
At January 1,	**2,260.0**	1,960.6
Additions	**1,421.4**	100.0
Disposals	**(759.8)**	-
Amalgamation adjustment	**(40.2)**	-
Reversal of impairment	-	6.9
Increase in fair value	**391.9**	192.5
At December 31,	**3,273.3**	2,260.0

Details of subsidiaries are set out in note 33.

8. INVESTMENT IN ASSOCIATES

		2007	2006
		MUR'M	MUR'M
(a)	THE GROUP		
(i)	Group's share of net assets	**380.6**	304.9

Details of associates are set out in note 34.

		2007	2006
		MUR'M	MUR'M
(ii)	At January 1,	**304.9**	176.9
	Additions	-	103.4
	Share of profit after tax and minority interest	**104.6**	46.2
	Dividends paid	**(32.8)**	(26.7)
	Reversal of impairment	-	6.9
	Transfer to investment in financial assets (note 9)	-	(6.9)
	Disposals	-	(1.8)
	Movement on reserves	**3.9**	6.9
	At December 31,	**380.6**	304.9

		2007	2006
		MUR'M	MUR'M
(b)	THE COMPANY		
	At January 1,	**128.8**	107.6
	Disposals	**(127.4)**	(0.9)
	Increase in fair value	-	22.1
	At December 31,	1.4	128.8

Notes to the financial statements (cont'd)

Year ended december 31, 2007

9. INVESTMENT IN FINANCIAL ASSETS

		Available-for-sale			
		Listed on the Stock Exchange	Quoted on the DEM	Unquoted	Total
		MUR'M	MUR'M	MUR'M	MUR'M
	THE GROUP				
(a)	At January 1, 2007	121.2	49.5	46.8	217.5
	Disposals	(0.4)	(1.9)	-	(2.3)
	(Decrease)/increase in fair value	(11.1)	(13.4)	15.2	(9.3)
	At December 31, 2007	109.7	34.2	62.0	205.9
(b)	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

		Available-for-sale			
		Listed on the Stock Exchange	Quoted on the DEM	Unquoted	Total
		MUR'M	MUR'M	MUR'M	MUR'M
	THE COMPANY				
(c)	At January 1, 2007	78.9	34.6	26.3	139.8
	Disposals	(78.9)	(34.6)	-	(113.5)
	Increase in fair value	-	-	6.3	6.3
	At December 31, 2007	-	-	32.6	32.6
(d)	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

Notes to the financial statements (cont'd)

Year ended december 31, 2007

9. INVESTMENT IN FINANCIAL ASSETS (CONT'D)

Available-for-sale financial assets are denominated in the following currencies:

	2007	2006
	MUR'M	MUR'M
THE GROUP		
Currency		
Rupee	**193.0**	210.6
Euro	**12.9**	6.9
	205.9	217.5

None of the financial assets are impaired.

10. NON-CURRENT RECEIVABLES

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	MUR'M	MUR'M	MUR'M	MUR'M
Loans granted to subsidiaries	-	-	**35.6**	35.4
Loans granted to related parties	**9.2**	14.3	-	-
Others loans	**0.2**	0.3	**0.1**	0.2
	9.4	14.6	**35.7**	35.6

11. BEARER BIOLOGICAL ASSETS

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	MUR'M	MUR'M	MUR'M	MUR'M
COST				
At January 1,	**254.5**	215.9	**36.2**	31.7
Additions	**57.5**	58.0	**8.9**	7.3
Assets fully amortised	**(20.5)**	(19.4)	**(2.4)**	(2.8)
At December 31,	**291.5**	254.5	**42.7**	36.2
AMORTISATION				
At January 1,	**112.1**	97.3	**16.0**	13.9
Charge for the year	**41.4**	34.2	**6.0**	4.9
Assets fully amortised	**(20.5)**	(19.4)	**(2.4)**	(2.8)
At December 31,	**133.0**	112.1	**19.6**	16.0
NET BOOK VALUE	**158.5**	142.4	**23.1**	20.2

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.

Notes to the financial statements (cont'd)

Year ended december 31, 2007

12. LAND DEVELOPMENT EXPENDITURE

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
At January 1,	**48.2**	49.1	**34.4**	37.1
Additions	**5.9**	5.3	**4.4**	3.5
Transfer to non-current assets classified as held for sale (note 19)	-	(6.2)	-	(6.2)
At December 31,	**54.1**	48.2	**38.8**	34.4

13. DEFERRED VRS COSTS

	THE GROUP	THE COMPANY
	MUR'M	MUR'M
Sugar Industry Voluntary Retirement Scheme (VRS)		
COST		
At January 1,	195.1	25.7
Cash compensation paid	173.6	39.9
Land, infrastructural and social costs	68.4	14.5
Grant from Sugar Reform Trust	(128.5)	(28.6)
Pension cost release	(45.2)	(9.2)
At December 31,	**263.4**	**42.3**
AMORTISATION		
At January 1,	180.3	24.9
Charge for the year	14.8	0.8
At December 31,	**195.1**	**25.7**
NET BOOK VALUES		
At December 31, 2007	**68.3**	**16.6**
At December 31, 2006	14.8	0.8

VRS 2

Under the terms of the Multi Annual Adaptation Scheme, the Group received a refund of 56% from the Sugar Reform Trust of its VRS 2 cash disbursements and will receive an equivalent refund on infrastructural costs incurred for land to be distributed to the relevant employees and other eligible VRS costs.

Estimates regarding land infrastructure and other eligible VRS costs yet to be disbursed, are carried as payables net of the amount refundable from the Sugar Reform Trust. Under the scheme, the Group acquired the right to sell land on which no land conversion tax is payable.

Notes to the financial statements (cont'd)

Year ended december 31, 2007

14. DEFERRED INCOME TAXES

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

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	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
Deferred tax assets	**(1.3)**	(10.0)	**-**	-
Deferred tax liabilities	**278.3**	215.5	**2.5**	0.4
	277.0	205.5	**2.5**	0.4

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
Unused tax losses available for offset against future taxable profits	**108.2**	490.5	**28.6**	38.2
Deferred tax assets not recognised due to unpredictability of future profit streams	**5.0**	8.7	**-**	-

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

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
At January 1,	**205.5**	148.8	**0.4**	-
Charge to income statement (note 25(b))	**61.4**	36.7	**0.5**	(4.7)
Tax charge to equity	**10.1**	20.0	**1.6**	5.1
At December 31,	**277.0**	205.5	**2.5**	0.4

Notes to the financial statements (cont'd)

Year ended december 31, 2007

14. 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, 2007	Income Statement	Revaluation Reserve	At December 31, 2007
	MUR'M	MUR'M	MUR'M	MUR'M
THE GROUP				
Deferred income tax liabilities				
Accelerated tax depreciation	237.6	(8.0)	-	229.6
Asset revaluations	71.1	10.8	13.8	95.7
VRS costs	2.4	7.8	-	10.2
	311.1	10.6	13.8	335.5
Deferred income tax assets				
Tax losses carried forward	76.9	(63.0)	-	13.9
Provisions for VRS costs	5.3	4.7	-	10.0
Retirement benefit obligations	32.1	7.5	-	39.6
Deferred income tax assets not recognised	(8.7)	-	3.7	(5.0)
	105.6	(50.8)	3.7	58.5
Net deferred income tax liabilities	**205.5**	**61.4**	**10.1**	**277.0**

	At January 1, 2007	Income Statement	Revaluation Reserve	At December 31, 2007
	MUR'M	MUR'M	MUR'M	MUR'M
THE COMPANY				
Deferred income tax liabilities				
Accelerated tax depreciation	-	0.9	-	0.9
Asset revaluations	5.1	-	1.6	6.7
VRS costs	0.1	2.4	-	2.5
	5.2	3.3	1.6	10.1
Deferred income tax assets				
Tax losses carried forward	2.2	2.1	-	4.3
Provisions	1.2	0.8	-	2.0
Retirement benefit obligations	1.4	(0.1)	-	1.3
	4.8	2.8	-	7.6
Net deferred income tax liability	**0.4**	**0.5**	**1.6**	**2.5**

Notes to the financial statements (cont'd)

Year ended december 31, 2007

15. INVENTORIES

		2007	2006
		MUR'M	MUR'M
	THE GROUP		
(a)	Raw materials	112.7	105.7
	Finished goods	169.5	156.8
	Spare parts and consumables	154.2	144.9
		436.4	407.4

(b) Bank borrowings are secured by fixed and floating charges on the assets of the borrowing entities including inventories (see note 22(e)).

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

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	MUR'M	MUR'M	MUR'M	MUR'M
Cost of inventories consumed	1,128.6	1,041.0	5.1	3.9

16. CONSUMABLE BIOLOGICAL ASSETS

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	MUR'M	MUR'M	MUR'M	MUR'M
At January 1,	139.0	146.0	15.5	13.0
(Losses)/gains from changes in fair value	(9.4)	(7.0)	(1.0)	2.5
At December 31,	129.6	139.0	14.5	15.5

17. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	MUR'M	MUR'M	MUR'M	MUR'M
Trade receivables	578.2	493.9	-	-
Less: provision for impairment	(12.4)	(15.0)	-	-
Trade receivables - net	565.8	478.9	-	-
Sugar proceeds receivable	146.4	190.8	13.0	15.7
Amounts receivable from the Sugar Insurance Fund Board (SIFB)	49.9	-	-	-
Receivable from subsidiaries	-	-	462.0	421.4
Receivable from related parties	7.8	1.4	-	-
Other receivables	148.6	112.4	9.7	12.6
	918.5	783.5	484.7	449.7

Notes to the financial statements (cont'd)

Year ended december 31, 2007

17. TRADE AND OTHER RECEIVABLES (CONT'D)

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

As at December 31, 2007, trade receivables of MUR'M 9.4 for the Group were impaired and provided for (2006: MUR'M 12.2). The ageing of these receivables is as follows:

	2007	2006
	MUR'M	MUR'M
Over 6 months	9.4	12.2

As at December 31, 2007, trade receivables of MUR'M 12.4 for the Group (2006: MUR'M 15.0) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	THE GROUP	
	2007	2006
	MUR'M	MUR'M
Over 6 months	12.4	15.0

The carrying amounts of the Group's and the Company's trade and other receivables are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	MUR'M	MUR'M	MUR'M	MUR'M
Rupee	907.0	767.9	484.7	449.7
US Dollar	0.4	6.9	-	-
Euro	8.9	8.2	-	-
Other currencies	2.2	0.5	-	-
	918.5	783.5	484.7	449.7

Movements on the provision for impairment of trade receivables are as follows:

	2007	2006
	MUR'M	MUR'M
At January 1,	15.0	10.4
Provision for impairment	0.3	4.6
Receivables written off during the year as uncollectible	(2.9)	-
At December 31,	12.4	15.0

The other classes within trade and other receivables do not contain impaired assets.

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

Notes to the financial statements (cont'd)

Year ended december 31, 2007

18. HELD-TO-MATURITY INVESTMENTS

	THE GROUP	
	2007	2006
	MUR'M	MUR'M
Investment in Treasury Bills (all denominated in Mauritian Rupees)	-	58.3

19. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	MUR'M	MUR'M	MUR'M	MUR'M
At January 1,	148.4	68.3	10.8	-
Expenditure during the year	61.3	153.0	3.9	4.3
Land transferred from property, plant and equipment (note 4)	-	5.2	-	2.8
Transfer from land development expenditure (note 12)	-	6.2	-	6.2
Release to income statement on disposal	(159.9)	(84.3)	-	(2.5)
At December 31,	49.8	148.4	14.7	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	
		2007	2006	2007	2006
		MUR'M	MUR'M	MUR'M	MUR'M
(a)	Disposal proceeds	283.7	137.4	90.1	20.5
(b)	Liabilities directly associated with non-current assets held-for-sale				
	Accruals and provisions	21.1	44.0	8.9	11.1

20. STATED CAPITAL

	2007	2006
	MUR'M	MUR'M
Nominal paid up value of shares		
At January 1,	173.8	130.9
Bonus issue	-	42.9
At December 31,	173.8	173.8

Notes to the financial statements (cont'd)

Year ended december 31, 2007

21. REVALUATION AND OTHER RESERVES

		Associates Reserves	Revaluation and Other Capital Reserves	Translation Reserve	Fair Value Reserve	Total
		MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
(a)	THE GROUP					
(i)	At January 1, 2007	47.1	2,571.2	(123.0)	136.7	2,632.0
	Surplus on revaluation of land and buildings	-	1,563.8	-	-	1,563.8
	Decrease in fair value of available-for-sale financial assets	-	-	-	(9.3)	(9.3)
	Deferred tax on revalued assets	-	(14.5)	-	-	(14.5)
	Release of deferred tax on excess depreciation over historical cost depreciation	-	0.8	-	-	0.8
	Transfer to retained earnings on disposal of land	-	(11.2)	-	-	(11.2)
	Release on disposal of available-for-sale financial assets	-	-	-	(1.5)	(1.5)
	Release to income statement on repayment of foreign currency loans	-	-	32.0	-	32.0
	Exchange differences on translation of foreign currency loans	-	-	16.0	-	16.0
	Movements on reserves of associates (note 8)	3.9	-	-	-	3.9
	At December 31, 2007	**51.0**	**4,110.1**	**(75.0)**	**125.9**	**4,212.0**
(ii)	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 revalued 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**

Notes to the financial statements (cont'd)

Year ended december 31, 2007

21. REVALUATION AND OTHER RESERVES (CONT'D)

		Fair Value Reserve	Capital Reserve	General Reserve	Amalgamation Reserve	Total
		MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
(b)	THE COMPANY					
(i)	At January 1, 2007	1,121.9	393.2	-	-	1,515.1
	Surplus on revaluation of land and buildings	-	255.7	-	-	255.7
	Adjustment arising on amalgamation	(31.9)	-	-	29.9	(2.0)
	Increase in fair value of available-for-sale financial assets	398.2	-	-	-	398.2
	Deferred tax on revaluation of assets	-	(1.9)	-	-	(1.9)
	Release of deferred tax on excess depreciation over historical cost depreciation	-	0.1	-	-	0.1
	Release on disposal of available-for-sale financial assets	(687.3)	-	-	-	(687.3)
	Transfer to retained earnings on disposal of land	-	(2.0)	-	-	(2.0)
	Transfer of profit on sale of investments to subsidiary	-	-	1,216.0	-	1,216.0
	At December 31, 2007	**800.9**	**645.1**	**1,216.0**	**29.9**	**2,691.9**
(ii)	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**

Notes to the financial statements (cont'd)

Year ended december 31, 2007

22. BORROWINGS

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	MUR'M	MUR'M	MUR'M	MUR'M
Non-current				
Debentures	275.3	365.9	1.8	15.6
Loans	679.3	949.1	37.0	44.7
	954.6	1,315.0	38.8	60.3
Group loan - subsidiary	-	-	0.9	0.9
	954.6	1,315.0	39.7	61.2
Current				
Bank overdrafts	224.6	248.1	74.7	1.4
Public debentures	-	66.0	-	66.2
Debentures	90.6	93.0	15.6	15.6
Loans	224.9	248.6	6.1	33.7
	315.5	407.6	21.7	115.5
	540.1	655.7	96.4	116.9
Total borrowings	1,494.7	1,970.7	136.1	178.1

22. BORROWINGS (CONT'D)

		Last repayment date	THE GROUP		THE COMPANY	
			2007	2006	2007	2006
			MUR'M	MUR'M	MUR'M	MUR'M
(a)	Breakdown of loans and debentures					
	Loan capital can be analysed as follows:					
	Loan at call		-	30.0	-	30.0
	Public debentures repayable yearly in January	2007	-	66.0	-	66.2
	Debentures repayable yearly in October	2007	-	0.1	-	-
	Debentures repayable yearly in December	2007	-	8.2	-	-
	Loans at 12% repayable monthly	2007	-	11.9	-	-
	Loans at 12% repayable monthly	2007	-	45.0	-	-
	Debentures repayable yearly in May	2008	**7.2**	14.3	-	-
	Debentures repayable yearly in December	2008	**20.6**	41.2	**15.6**	31.3
	VRS loan at 7.50% repayable quarterly	2009	**38.7**	66.4	**5.8**	9.2
	Loans in EUR repayable yearly in February and August	2010	**202.7**	291.2	-	-
	Debentures repayable yearly in February and August	2012	**338.2**	395.0	-	-
	VRS loan at 6% repayable quarterly	2012	**39.1**	39.1	**39.1**	39.1
	Loan in EUR repayable yearly in February and August	2012	**559.3**	700.4	-	-
	Loans at 13% repayable monthly	2013	**12.2**	13.8	-	-
	Loans at PLR plus 2% repayable monthly	2017	**52.1**	-	-	-
			1,270.1	1,722.6	**60.5**	175.8
	Less: Repayable within one year		**(315.5)**	(407.6)	**(21.7)**	(115.5)
	Repayable after one year		**954.6**	1,315.0	**38.8**	60.3

		THE GROUP		THE COMPANY	
(b)	The maturity of loans and debentures is as follows:	2007	2006	2007	2006
		MUR'M	MUR'M	MUR'M	MUR'M
	- after one year and before two years	**309.1**	329.6	**21.4**	24.2
	- after two years and before five years	**613.7**	835.0	**17.1**	31.2
	- after five years	**31.8**	150.4	**0.3**	4.9
		954.6	1,315.0	**38.8**	60.3

Notes to the financial statements (cont'd)

Year ended december 31, 2007

22. 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	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
- After one year and before two years				
Bank borrowings	**239.7**	239.0	**21.4**	8.6
Debentures	**69.4**	90.6	**-**	15.6
	309.1	329.6	**21.4**	24.2
- After two years and before five years				
Bank borrowings	**407.8**	604.2	**17.1**	31.2
Debentures	**205.9**	230.8	**-**	-
	613.7	835.0	**17.1**	31.2
- After five years				
Bank borrowings	**31.8**	105.9	**0.3**	4.9
Debentures	**-**	44.5	**-**	-
Group loan - subsidiary	**-**	-	**0.9**	0.9
	31.8	150.4	**1.2**	5.8
Total	**954.6**	1,315.0	**39.7**	61.2

(d) The rates of interest on MUR loans and debentures vary between 6% to 13% annually and on foreign currency loans - EUR between 3% to 10.5% 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 12.7 M 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.

Notes to the financial statements (cont'd)

Year ended december 31, 2007

22. BORROWINGS (CONT'D)

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

	Less than 1 year	After 1 year and before 2 years	After 2 years and before 5 years	Over 5 years	Total
	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
THE GROUP					
At December 31, 2007					
Total borrowings	**540.1**	**309.1**	**613.7**	**31.8**	**1,494.7**
At December 31, 2006					
Total borrowings	655.7	329.6	835.0	150.4	1,970.7
THE COMPANY					
At December 31, 2007					
Total borrowings	**96.4**	**21.4**	**17.1**	**1.2**	**136.1**
At December 31, 2006					
Total borrowings	116.9	24.2	31.2	5.8	178.1

23. 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.

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

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
Present value of funded obligations	**298.5**	292.6	**13.6**	12.8
Fair value of plan assets	**(159.8)**	(119.3)	**(5.5)**	(3.7)
	138.7	173.3	**8.1**	9.1
Present value of unfunded obligations	**28.6**	73.4	**0.6**	3.4
Unrecognised actuarial gains/(losses)	**15.1**	(31.1)	**(1.0)**	(4.3)
Liability in the balance sheets	**182.4**	215.6	**7.7**	8.2

Notes to the financial statements (cont'd)

Year ended december 31, 2007

23. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
Current service cost	**10.0**	9.9	**0.3**	0.3
Scheme expenses	**0.4**	0.4	**-**	-
Interest cost	**35.3**	33.9	**1.6**	1.5
Cost of insuring risk	**0.3**	0.4	**-**	-
Contributions by employees	**(2.7)**	-	**-**	-
Actuarial loss	**0.7**	0.9	**0.2**	0.2
Expected return on plan assets	**(9.2)**	(10.3)	**(0.4)**	(0.3)
Effect of curtailments	**(45.2)**	-	**(2.4)**	-
	(10.4)	35.2	**(0.7)**	1.7

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

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
At January 1,	**215.6**	206.4	**8.2**	7.8
Total expenses as above	**(10.4)**	35.2	**(0.7)**	1.7
Other contributions and direct benefits paid	**(22.8)**	(26.0)	**0.2**	(1.3)
At December 31,	**182.4**	215.6	**7.7**	8.2

Notes to the financial statements (cont'd)

Year ended december 31, 2007

23. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
Reconciliation of the present value of defined benefit obligation:				
Present value of obligation at January 1,	**366.0**	335.5	**16.2**	15.6
Current service cost	**10.0**	9.9	**0.3**	0.3
Interest cost	**35.2**	33.9	**1.6**	1.5
Employee's contribution	**2.1**	2.3	**-**	-
Effect of curtailments/settlements	**(50.0)**	-	**(3.3)**	-
Actuarial gain on plan assets	**(13.5)**	-	**(0.9)**	-
Benefits paid	**(22.7)**	(15.6)	**0.3**	(1.2)
Present value of obligation at December 31,	**327.1**	366.0	**14.2**	16.2
Reconciliation of fair value of plan assets:				
Fair value of plan assets at January 1,	**119.3**	97.2	**3.7**	3.0
Expected return on plan assets	**12.3**	10.3	**0.4**	0.3
Employer's contribution	**65.4**	25.6	**0.6**	1.6
Scheme Expenses	**(0.4)**	-	**-**	-
Cost of insuring risk benefit	**(0.4)**	(0.4)	**-**	-
Contribution to plan assets	**0.7**	-	**-**	-
Employee's Contribution	**1.6**	2.3	**-**	-
Actuarial gains/(losses) on plan assets	**26.1**	(1.2)	**1.1**	(1.2)
Benefits paid	**(64.8)**	(14.5)	**(0.3)**	-
Fair value of plan assets at December 31,	**159.8**	119.3	**5.5**	3.7

Distribution of plan assets at end of year	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
Percentage of assets at end of year	**%**	%	**%**	%
Local bonds and equities	**48.1**	51.7	**51.4**	41.8
Property	**1.2**	-	**-**	-
Overseas bonds and equities	**50.7**	48.3	**48.6**	58.2
Total	**100.0**	100.0	**100.0**	100.0

Where the plan is funded, the overall expected rate of return on plan assets is determined by reference to market yields on bonds and expected yield differences on other types of assets held.

Notes to the financial statements (cont'd)

Year ended december 31, 2007

23. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The Group and the Company are expected to contribute MUR'M 13.9 and MUR'M 0.4 respectively to the pension scheme for the year ending December 31, 2008.

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	MUR'M	MUR'M	MUR'M	MUR'M
Amounts for the current and previous periods				
Defined benefit obligation	327.1	366.0	14.2	16.2
Plan Assets	159.8	119.3	5.5	3.7
Surplus	167.3	246.7	8.7	12.5
Experience gains on plan liabilities	13.5	-	0.9	-
Experience gains on plan assets	26.0	-	1.1	-

		THE GROUP AND THE COMPANY	
		2007	2006
(d)	Principal actuarial assumptions at end of year :		
	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.

24. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	MUR'M	MUR'M	MUR'M	MUR'M
Trade creditors	135.0	289.4	-	-
Provision for compensation payments for centralisation in accordance with the Blue Print provisions	9.0	9.0	-	-
Provision for VRS costs	67.2	31.8	14.3	5.8
Amounts due to subsidiaries	-	-	426.8	381.2
Amounts due to related parties	57.2	55.9	-	-
Other payables and accruals	303.7	155.2	3.0	9.9
Dividend payable to minority shareholders	77.5	59.6	-	-
	649.6	600.9	444.1	396.9

Notes to the financial statements (cont'd)

Year ended december 31, 2007

25. TAXATION

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
(a) **Liability in the Balance Sheets**				
Current tax on the adjusted profits for the year @ 15% (2006 : 15%-22.5%)	**27.8**	30.1	**-**	-
Adjustment for Alternative Minimum Tax (AMT)	**21.6**	18.9	**1.6**	1.4
	49.4	49.0	**1.6**	1.4

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
(b) **Charge in the Income Statements**				
Current tax on the adjusted profits for the year at 15% (2006 : 15%-22.5%)	**28.3**	30.1	**-**	-
Adjustment for Alternative Minimum Tax (AMT)	**21.6**	18.9	**1.6**	1.4
(Over)/under provision in previous years	**(0.8)**	0.5	**(0.4)**	0.6
Deferred taxation (note 14)	**61.4**	36.7	**0.5**	(4.7)
National Property Residential Tax (NRPT)	**2.5**	-	**0.6**	-
Charge/(credit) for the year	**113.0**	86.2	**2.3**	(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	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
Profit before taxation and after associates' results	**671.7**	744.5	**1,347.5**	248.7
Tax calculated at a rate of 15% (2006: 15%-22.5%)	**100.7**	122.5	**202.1**	56.0
Income not subject to tax	**(17.3)**	(46.6)	**(201.1)**	(55.2)
Expenses not deductible for tax purposes	**26.4**	13.7	**1.9**	2.9
Effect of change in tax rate	**0.9**	3.0	**1.7**	2.2
Adjustment for AMT	**21.6**	18.9	**1.6**	1.4
Net deferred tax effect	**(21.0)**	(25.8)	**(5.1)**	(10.6)
(Over)/under provision in previous years	**(0.8)**	0.5	**(0.4)**	0.6
National Property Residential Tax (NRPT)	**2.5**	-	**0.6**	-
	113.0	86.2	**2.3**	(2.7)

Notes to the financial statements (cont'd)

Year ended december 31, 2007

26. OTHER INCOME

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
Interest income	**36.4**	30.2	**10.6**	9.5
Dividend income	**9.0**	10.6	**92.3**	77.2
Investment income	**45.4**	40.8	**102.9**	86.7
Profit on disposal of property, plant and equipment/ non-current assets held for sale	**70.6**	42.8	**24.9**	6.8
Profit on disposal of investments	**1.8**	-	**0.9**	-
Others	**77.6**	52.0	**11.7**	6.9
	195.4	135.6	**140.4**	100.4

27. PROFIT BEFORE FINANCE COSTS

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
The profit before finance costs is arrived at after:				
Crediting :				
Rental of land and buildings	**-**	-	**8.2**	6.9
Profit on sale of property, plant and equipment	**69.9**	42.8	**24.9**	6.8
Profit on sale of available-for-sale financial assets	**1.8**	-	**0.9**	-
and charging:				
Depreciation on property, plant and equipment				
-owned assets	**213.1**	197.3	**6.1**	5.8
Depreciation on investment properties	**0.7**	0.7	**1.3**	1.3
Amortisation of bearer biological assets	**41.4**	34.2	**6.0**	4.9
Amortisation of intangible assets	**9.6**	6.7	**-**	0.1
Amortisation of VRS costs	**14.8**	42.5	**0.8**	7.4
Employee benefit expense (note 27(a))	**280.4**	255.3	**14.2**	12.2

(a) Employee benefit expense

Wages, salaries and other social costs	**266.9**	238.8	**12.8**	10.5
Pension costs	**13.5**	16.5	**1.4**	1.7
	280.4	255.3	**14.2**	12.2

Notes to the financial statements (cont'd)

Year ended december 31, 2007

28. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
Net foreign exchange losses	**86.8**	20.0	-	-
Interest expense:				
Bank overdrafts	**2.4**	18.9	**0.1**	-
Loans repayable by instalments	**69.0**	63.6	**2.9**	3.3
Debentures	**45.2**	52.0	**3.6**	10.0
Other loans not repayable by instalments	**3.7**	12.1	**4.5**	1.2
	120.3	146.6	**11.1**	14.5
Less: interest capitalised	**(4.0)**	(3.8)	**(4.0)**	(3.5)
	116.3	142.8	**7.1**	11.0
	203.1	162.8	**7.1**	11.0

29. EXCEPTIONAL ITEMS

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
Exceptional dividend income	-	-	-	101.1
Compensation resulting from cancellation of distribution rights	**23.9**	-	-	-
Reversal of impairment on receivables	**11.6**	-	-	-
Profit on disposal of investment in financial assets	-	87.8	**98.1**	48.8
Profit on disposal of investment in subsidiaries	-	-	**183.2**	-
Profit on disposal of investment in associates	-	-	**934.7**	-
Profit on part disposal of subsidiary	-	58.3	-	-
	35.5	146.1	**1,216.0**	149.9

30. EARNINGS PER SHARE

The earnings per share is calculated as follows:
In the case of the Group, by dividing the profit after taxation attributable to the shareholders of Harel Frères Limited amounting to **MUR 470.5 M** (2006 - MUR 520.1 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 1,345.2M** (2006 - MUR 251.4 M) by 173,834,000 ordinary shares, issued and fully paid and ranking for dividends.

31. DIVIDENDS

	2007	2006
	MUR'M	MUR'M
Final ordinary paid - 60% (2006 - 40%)	**104.3**	69.5

32. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M
Cash in hand and at bank	**744.5**	710.0	**12.5**	2.2
Bank overdrafts	**(224.6)**	(248.1)	**(74.7)**	(1.4)
	519.9	461.9	**(62.2)**	0.8

Notes to the financial statements (cont'd)

Year ended december 31, 2007

33. SUBSIDIARIES

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

	Type of shares held	2007 % holding	2007 % held by other group companies	2006 % holding	2006 % held by other group companies	Activity
Beau Plateau Limited*	Ordinary	-	-	100.00	-	Sugar
Beau Plateau Limited*	Preference	-	-	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	Sugar
Compagnie Industrielle de Solitude Limitée**	Ordinary	-	-	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	-	**51.00**	-	50.00	Retailing
Grays & Co. Ltd	Ordinary	-	**100.00**	99.99	0.01	Investment
Grays Export Ltd***	Ordinary	-	-	-	100.00	Commercial
Grays Inc Ltd	Ordinary	-	**74.00**	-	74.00	Commercial
Grays Refinery Ltd	Ordinary	-	**66.67**	0.01	66.66	Manufacturing
HF Administrative Services Ltd	Ordinary	**100.00**	-	100.00	-	Secretarial
HF Investments Limited	Ordinary	**78.69**	**21.31**	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	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	-	**79.11**	60.00	19.11	Investment
Société Proban	Parts	-	**55.56**	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	Retailing

These subsidiaries are incorporated in Mauritius. They also operate in Mauritius except for Ivoirel Limitée, whose country of operation is Côte d'Ivoire.

*The subsidiaries have been amalgamated with The Beau Plan Sugar Estates Company Limited with effect from January 1, 2007.
** The subsidiary has been amalgamated with Harel Frères Limited with effect from August 1, 2007.
*** The subsidiaries have been dissolved during the year.
****The subsidiary will be amalgamated with Harel Frères Limited with effect from January 1, 2008.

Notes to the financial statements (cont'd)

Year Ended December 31, 2007

34. ASSOCIATES

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

2007	Assets	Liabilities	Revenues	Profit / (loss)	2007 % holding	Financial period ended
	MUR'M	MUR'M	MUR'M	MUR'M		
Alcohol & Molasses Export Ltd	40.9	18.5	187.0	8.9	30.81	December 31,
Anytime Investment Ltd	9.3	-	4.5	(0.2)	24.50	December 31,
Coal Terminal (Management) Co Ltd	22.9	24.1	38.0	0.6	12.21	December 31,
Compagnie d'Investissements et de Gestion de Portefeuilles Limitée	2.1	0.1	-	-	40.00	December 31,
CTBV (Management) Co Ltd	25.1	24.4	17.2	-	22.15	December 31,
Distillerie de Bois Rouge Ltd	4.8	3.5	-	(0.4)	33.33	December 31,
Fondation Nemours Harel	-	-	-	-	50.00	December 31,
Horus Ltée	169.9	3.2	-	83.2	50.00	December 31,
Intendance Holding Ltd	30.9	9.7	27.4	71.0	26.80	December 31,
Les Chais de L'Isle de France Ltée	10.5	4.3	4.5	0.6	50.00	December 31,
Les Domaines de Mauricia Limitée	1.1	0.2	0.7	0.5	50.00	December 31,
New Fabulous Investment Ltd	6.9	-	4.2	-	24.50	December 31,
New Goodwill Co. Ltd	132.6	90.0	378.3	21.7	33.33	December 31,
Rehm Grinaker Construction Co. Ltd	754.5	635.5	1,579.1	89.0	35.49	December 31,
Sugarworld Limited	62.8	17.5	47.0	9.2	30.70	December 31,

2006	Assets	Liabilities	Revenues	Profit/(loss)	2006 % holding	Financial period ended
	MUR'M	MUR'M	MUR'M	MUR'M		
Alcohol & Molasses Export Ltd	40.9	18.5	173.7	4.5	30.81	December 31,
Anytime Investment Ltd	7.7	-	6.3	(1.5)	24.50	December 31,
Coal Terminal (Management) Co Ltd	19.1	20.9	26.7	0.6	12.21	December 31,
Compagnie d'Investissements et de Gestion de Portefeuilles Limitée	2.1	0.1	0.3	0.2	40.00	December 31,
SARL VSV (20/Vins)	-	-	-	-	50.00	December 31,
CTBV (Management) Co Ltd	23.2	22.6	15.7	0.3	22.15	December 31,
Distillerie de Bois Rouge Ltd	3.2	1.5	-	(0.5)	33.33	December 31,
Fondation Nemours Harel	-	-	-	-	50.00	December 31,
Horus Ltée	179.5	5.0	-	36.8	50.00	December 31,
Intendance Holding Ltd	18.7	-	24.3	21.1	26.80	December 31,
Les Chais de L'Isle de France Ltée	6.9	1.3	2.1	1.3	50.00	December 31,
Les Domaines de Mauricia Limitée	0.5	0.1	0.3	0.6	50.00	December 31,
New Fabulous Investment Ltd	7.7	-	6.3	-	24.50	December 31,
New Goodwill Co. Ltd	125.2	91.2	365.3	15.2	33.33	December 31,
Rehm Grinaker Construction Co. Ltd	468.5	377.7	1,090.0	43.9	35.49	December 31,
Sugarworld Limited	60.4	24.4	32.0	(1.5)	27.37	December 31,

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

Notes to the financial statements (cont'd)

Year Ended December 31, 2007

35. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	MUR'M	MUR'M	MUR'M	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	13.6	28.1	-	-

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

	Remuneration	Purchases of services	Sales of services and others	Management Fees payable	Throughput and storage fees payable	Amount receivable	Amount payable	Interest payable (net)
	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
(i) THE GROUP								
2007								
Associates	-	47.8	3.7	17.2	8.6	7.0	32.8	-
Key management personnel	36.1	-	9.3	-	-	-	-	-
Enterprises with common directors	-	96.5	39.2	-	-	-	35.6	4.7
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

	Remuneration	Purchases of services	Sales of services and others	Amount receivable	Amount payable	Interest payable (net)
	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
(ii) THE COMPANY						
2007						
Key management personnel	27.7	-	-	-	-	-
Enterprises with common directors	-	0.8	3.0	-	-	-
Fellow subsidiaries	-	63.5	0.3	462.0	426.8	(4.7)
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)

Notes to the financial statements (cont'd)

Year Ended December 31, 2007

37. RELATED PARTY TRANSACTIONS (CONT'D)

		THE GROUP		THE COMPANY	
		2007	2006	**2007**	2006
(iii)	**Key management personnel**	**MUR'M**	MUR'M	**MUR'M**	MUR'M
	Salaries and short term employee benefits	**33.8**	32.8	**26.5**	25.3
	Other post-employment benefits	**2.3**	1.9	**1.2**	1.4
		36.1	34.7	**27.7**	26.7

(iv) **Management contracts**
Harel Frères Limited received MUR 8.8 M (2006: MUR Nil) of management fees from The Saint André Sugar Estate Co. Ltd. Harel Frères Limited received MUR Nil (2006: MUR 0.4M) of management fees from Compagnie Sucrière de Mont Choisy Limitée. Harel Frères Limited received management fees of MUR 3.5M (2006: MUR 3.2M) from CTBV Management Co. Ltd. CTBV Management Co. Ltd claimed management fees to Compagnie Thermique de Belle Vue Limitée for MUR 17.2 M (2006: MUR 15.7M).

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 130.0M 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 172.0M 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 case, the Beau Plan Sugar Estates Company (amalgamated company in the rights of Compagnie Agricole de Belle Vue Limitée) might be liable for additional land transfer tax amounting to MUR 18.0M in respect of land parcelling at Domaine de Bon Espoir. Further to the unfavourable ruling of the Assessment Review Committee against the company, an appeal has been made.

(b) Empowerment Programme
It has been agreed that the Sugar Industry will allocate through the Mauritius Sugar Producers Association, "2,000 Arpents" of land to the Empowerment Programme for social and infrastructural projects. The quantum of land to be granted by the Group and the Company is not yet known.

(c) Bank guarantees
In the ordinary course of business, the Group had contingent liabilities in respect of bank guarantees amounting to MUR 31.2M (2006: MUR 80.7M).

Notes to the financial statements (cont'd)

Year ended december 31, 2007

39. SEGMENT INFORMATION

	Sugar	Energy	Commercial & Manufacturing	Others	Eliminations	Total
	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
(a) Primary reporting format - business segments						
Year ended December 31, 2007						
External sales	820.3	1,101.8	1,015.8	10.1	-	2,948.0
Intersegment sales	27.1	7.4	-	11.8	(38.9)	-
Total revenue	847.4	1,109.2	1,015.8	21.9	(38.9)	2,948.0
Segment results	111.0	441.4	104.8	(13.3)	-	643.9
Other income	26.5	60.3	8.8	106.4	(6.6)	195.4
Exceptional items	11.6	-	23.9	-	-	35.5
Share of results of associates	-	-	7.4	97.2	-	104.6
Finance costs	(10.0)	(180.7)	(18.7)	(0.3)	6.6	(203.1)
Profit before taxation	139.1	321.0	126.2	190.0	-	776.3
Taxation	(27.0)	(69.2)	(14.9)	(1.9)		(113.0)
Profit after taxation	112.1	251.8	111.3	188.1		663.3
Minority interest						(192.8)
Profit attributable to equityholders of the company						470.5
Segment assets	5,574.0	2,807.0	731.6	(45.2)	(68.4)	8,999.0
Associates	-	-	12.7	367.9	-	380.6
Other assets	-	-	-	311.1	-	311.1
						9,690.7
Segment liabilities	419.4	311.7	187.3	3.1	(68.4)	853.1
Borrowings	231.6	1 100.2	162.9	-	-	1,494.7
Other liabilities	51.7	254.0	22.0	-	-	327.7
						2,675.5
Capital expenditure	172.4	30.5	30.3	0.9		234.1
Depreciation and amortisation	146.7	115.2	16.9	0.8		279.6
Other non-cash expense	-	-	-	-		-

Notes to the financial statements (cont'd)

Year ended december 31, 2007

39. SEGMENT INFORMATION (CONT'D)

		Sugar	Energy	Commercial & Manufacturing	Others	Eliminations	Total
		MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
(b)	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
	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	3.1	-	264.6
							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

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.

Notes to the financial statements (cont'd)

Year ended december 31, 2007

39. SEGMENT INFORMATION (CONT'D)

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

The Group's three business segments are managed locally and operate in the following main geographical areas:

	Sales		Total assets		Capital expenditure	
	2007	2006	**2007**	2006	**2007**	2006
	MUR'M	MUR'M	**MUR'M**	MUR'M	**MUR'M**	MUR'M
Mauritius	**2,948.0**	2,768.5	**9,677.8**	8,025.4	**234.1**	190.7
Côte d'Ivoire	**-**	-	**12.9**	6.9	**-**	-
	2,948.0	2,768.5	**9,690.7**	8,032.3	**234.1**	190.7

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

	2007	2006
	MUR'M	MUR'M
Sale of sugar, molasses and bagasse	**820.3**	870.6
Sale of electricity	**1,101.8**	949.6
Sale of goods	**1,015.8**	926.8
Revenue from services	**10.1**	21.5
	2,948.0	2,768.5

For revenue recognition see note 1(q).

40. CURRENCY

The financial statements are presented in millions of Mauritian Rupees.

Notes to the financial statements (cont'd)

Year ended december 31, 2007

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

	2007	2006	2005
	MUR'M	MUR'M	MUR'M
INCOME STATEMENTS			
Turnover	**2,948.0**	2,768.5	2,599.6
Profit before taxation, exceptional items and associates' results	**636.2**	598.4	463.4
Share of results of associates	**104.6**	46.2	40.8
Taxation	**(113.0)**	(86.2)	(78.2)
Profit after taxation	**663.3**	704.5	426.0
Minority interest	**(192.8)**	(184.4)	(142.8)
Profit attributable to equityholders of the company	**470.5**	520.1	283.2
Percentage of profit on shareholders' interest (%)	**7.6**	12.2	7.3
Earnings per share (MUR)	**2.71**	2.99	1.63*
Dividends proposed and paid	**104.3**	69.5	52.2
Dividend per share (MUR)	**0.6**	0.4	0.3*
Dividend cover (times)	**4.5**	7.5	5.5
Net assets per share (MUR)	**35.7**	24.4	22.3*
Number of ordinary shares used in calculation ('000)	**173,834**	173,834	173,834*
BALANCE SHEETS			
Non-current assets	**7 411.9**	5 785.7	5 752.3
Current assets	**2 229.0**	2 098.2	1 759.4
Non-current assets classified as held for sale	**49.8**	148.4	68.3
Total assets	9 690.7	8 032.3	7 580.0
Equityholders' interest	**6 206.8**	4 250.1	3 867.7
Minority interest	**808.4**	686.5	660.7
Non-current liabilities	**1 415.3**	1 746.1	1 837.6
Current liabilities	**1 239.1**	1 305.6	1 192.3
Liabilities directly associated with non-current assets held for sale	**21.1**	44.0	21.7
Total equity and liabilities	9 690.7	8 032.3	7 580.0

* 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, 2007

Subsidiary Companies	Belle Vue Milling Co Ltd / Beau Plan Milling Co. Ltd	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	Les Domaines de Mauricia Ltée	Mauricia Ltee	Produits Basaltiques du Nord Ltee	Sagiterre Ltee	The Beau Plan SE Co Ltd	Tresspass Ltee
Directors																	
Krishnawtee Beegun		•															
Nirmalla Boodhoo		√															
François Boullé														√			
Jacques Brousse de Laborde														√			
Philippe de Chasteauneuf	•	•		•		•	•							•			
Breechund Chuttoo	•																
Dominique de Froberville															•		
Didier de Roquefeuil-Noël																	√
Jean Claude Desvaux de Marigny	√																
Louis Dupont		√															
Jean Christophe Dupuis			√														
Jean Louis Joseph Dupuis			√														
Dominique Fond		√															
Jean Michel Giraud														√			
Marc Goupille															√		
Jean Pierre Hardy															√		
Alexis Harel	√		√	√	√	√	√		√	√		√					√
JM Antoine Harel														√			
Antoine L Harel	√	√					√										
Henri Harel	√	√						√			√		√		√	√	
Winston Hein	√																
Louis Denis Koenig					√			√			√		√		√	√	
Krishna Kistnen	•																
Raymond Lagesse														√			
Philippe Lam Shin Saw							√										
Edouard Lee							√										
Jacques Li Wan Po							√										
Iqbal Mallam-Hasham		√															
Randhir Mannick		•															
Cyril Mayer	√	√		√		√	√	√	√		√		√	√	√	√	
Denis Pilot	√																
Bernard Robert		√															
Vincent Rogers				√		√	√										
George Schooling						√						√					
Alain Vallet			√	√	√	√	√		√	√		√		√	√		√
Garth Whaits						√						√					
Alternate Directors																	
Louis Decrop		√															
Chandrek Dussoye		•															
Dominique Fond		√															
Christophe Quevauvilliers														√			
Didier Vallet														√			
Daniel Van Deventer						√						√					

√ in office at December 31, 2007 • Ceased to hold office during the year ended December 31, 2007 harel frères limited, 18 edith cavell street, port louis, republic of mauritius