Annual report 2011

terra

For the future. From 1838

Dear Shareholder,

The Board of directors of Terra Mauricia Ltd (“Terra”) is pleased to present this Annual Report which was approved on May 18, 2012. This Annual Report covers the activities of Harel Frères Limited (‘HFL’) and its subsidiaries (together ‘HFL Group’) for the year ended December 31, 2011. The contents of this Annual Report are listed on next page.

This Annual Report must be considered in the light of the restructuring of the HFL Group initiated in September 2011 and which was completed in April 2012. The restructuring comprised of the following phases namely:

(i) a scheme of arrangement under sections 261 to 264 of the Companies Act 2001 (‘CA 01’), pursuant to which the shares held by the shareholders of HFL were exchanged for shares of Terra in the ratio of 1:1 with effect from January 01, 2012 whereupon all shareholders of HFL became shareholders of Terra;

(ii) the listing of the shares of Terra on the official market of the Stock Exchange of Mauritius Ltd on January 03, 2012;

(iii) the reduction of the stated capital of HFL pursuant to section 62 of CA 01 and the consequential distribution of the shares held by HFL in HF Investments Ltd (‘HFI’) to Terra;

(iv) the amalgamation of HFI with and into Terra pursuant to section 247 of CA 01; and

(v) the change of name of ‘Harel Frères Limited’ to ‘Terragri Ltd’ in order to be in line with the new identity of the Terra Group.

Jean Hugues Maigrot
Chairperson

Cyril Mayer
Managing Director

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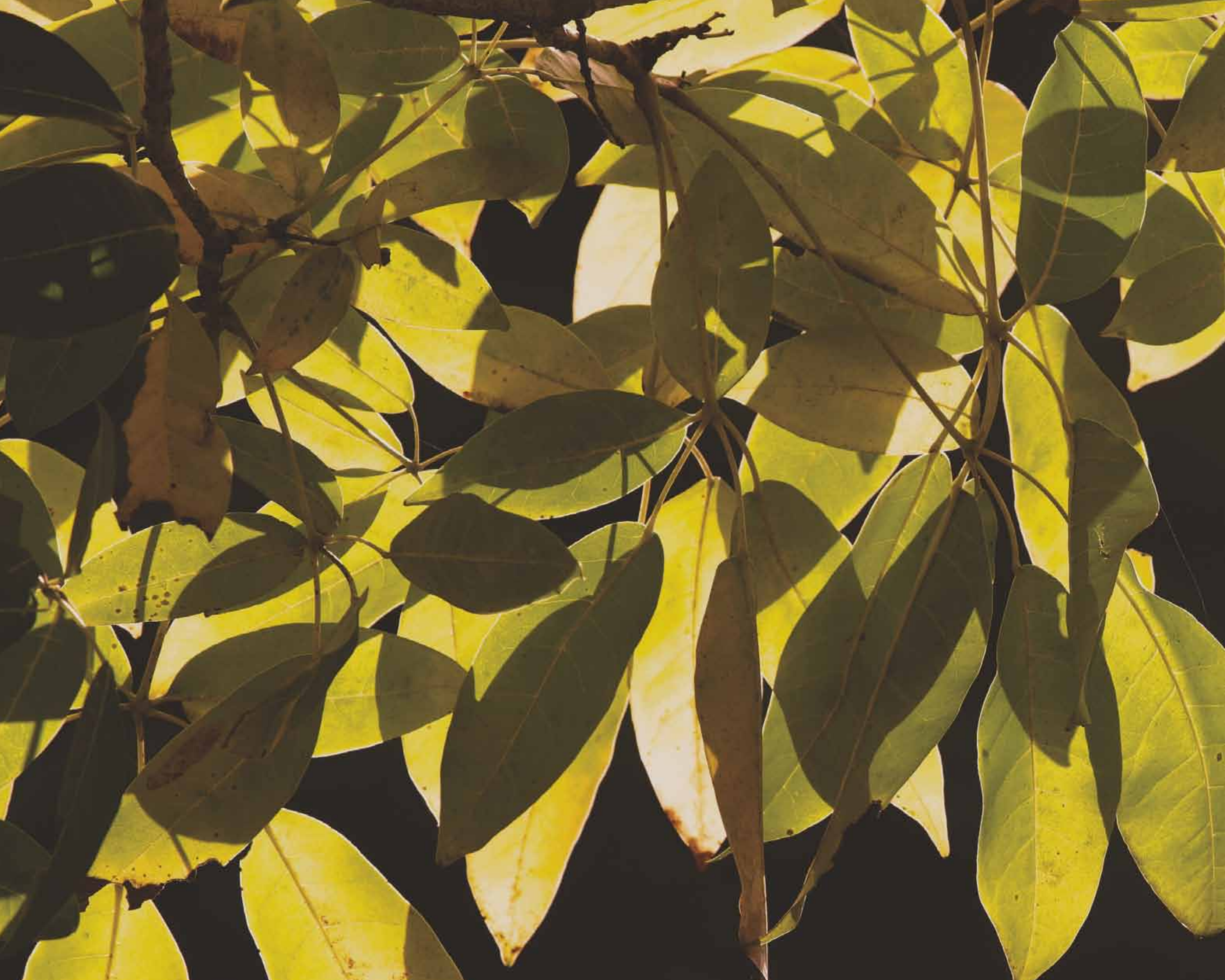


Glossary of Names

Old names	New names
Harel Frères Limited	Terragri Ltd
Belle Vue Milling Co Ltd	Terra Milling Ltd
Compagnie Thermique de Belle Vue Limitée	Terragen Ltd
CTBV Management Ltd	Terragen Management Ltd
Grays & Co Ltd	Terra Brands Ltd
Grays Refinery Ltd	Grays Distilling Ltd
Sagiterre Ltée	Sagiterra Ltd
Produits Basaltiques du Nord Ltée	Terrarock Ltd
Fondation Harel Frères	Terra Foundation
Business Logic Ltd	Terralogic Ltd

terra

Rebranding Exercise

In early 2011, the Harel Frères group embarked on a review of its branding, the objective of which was to realign the company's name with present realities, including the aim of better communicating that the group no longer lived by the values of a family business but by those of a listed company with no fewer than 1,600 shareholders and with regional ambitions beyond the shores of Mauritius.

Furthermore, the group, whose origins date back to 1838, was listed on the Official List of the Stock Exchange of Mauritius and categorised under the 'Sugar Segment'. Whilst investment in the sugar sector had been the main operating activity of Harel Frères Limited, it had, over the years, diversified its activities from an essentially sugar-oriented company to one with broader interests in energy production, alcohol production, commercial distribution, property development, construction and financial services. As the rebranding project commenced, Harel Frères Limited's sugar activities accounted for less than 25% of the group's results.

In preparation for the restructuring that was announced in October 2011, Luxury Branding, an international firm of consultants, was engaged to undertake a formal review of the Harel Frères brand, with a view to identifying strengths and weaknesses in the perception of its stakeholders and to devising a new identity for the future of the group.

With the research completed, the senior management of the group and all of its subsidiaries gathered to jointly describe an inspiring Vision, to determine a shared Purpose and to identify a set of shared Values. As we look ahead now, the 1,300 women and men of our group imagine a world in which *Development is Sustainable*; a world where the needs of every individual can be met, without compromising those of the next generation; a world where we can balance the development of people, society and the environment for a better future. And in order to contribute towards this Vision, the Purpose of the group is to *Cultivate Resources for a Better Future*. No matter where they are employed within the group, our people are guided by *Integrity* in their actions and relate to one another and to their customers with *Respect*. They work with *Tenacity* and contribute with *Passion*. The group is motivated by the belief that we will advance through *Innovation*.

Our new name and identity were derived from these foundations and from our strategy to create a more diverse, sustainable and rewarding future for our staff, customers and partners as well as for the communities in which we operate and for our shareholders. Named after the earth on which it was founded, Terra represents the richness of the land and resources from which our people will harvest new growth.

Now begins a new era of enterprise with a fresh view of the future, founded on nearly two centuries of expertise. It is with a renewed determination that Terra shall deliver a more rewarding approach that's as diverse as it is holistic.

With the official changing of the names of the major companies within the group that was finalised in April and May 2012, the rebranding exercise has now been completed but the hard work of growing sustainable success together will continue as it always has.

For the Future. From 1838

Notice of Meeting to Shareholders

Notice is hereby given that the **Annual Meeting of the shareholders of TERRA Mauricia Ltd ('Terra')** will be held at 7th Floor, Harel Mallac Building, 18 Edith Cavell Street, Port-Louis on **WEDNESDAY 27 JUNE 2012 at 10.00 hours in the morning** to transact the following business:

1. To consider the Annual Report for the year ended December 31, 2011.

2. To receive the report of the auditors on the audited financial statements of Harel Frères Limited for the year ended December 31, 2011.

3. To consider and approve by way of an Ordinary Resolution pursuant to clause 32 of the Amended and Restated Constitution of Terra, the following matters pertaining to Terragri Ltd (formerly Harel Frères Limited) ('Terragri'):

   3.1 the audited financial statements of Harel Frères Limited for the year ended December 31, 2011.

   Ordinary Resolution
   "Resolved that the audited financial statements of Harel Frères Limited for the year ended December 31, 2011 be and is hereby approved".

   3.2 the re-election, pursuant to clauses 20.2 and 20.5.4 of the constitution of Terragri, of Mr Alain Vallet who, retiring by rotation, offers himself for re-election as director of Terragri.

   Ordinary Resolution
   "Resolved that Mr Alain Vallet be and are hereby re-elected as director of Terragri."

   3.3 the election of the following persons as directors of Terragri (as separate resolutions):
   (i) Mr Hubert Harel
   (ii) Mr Daniel Nairac
   (iii) Mrs Margaret Wong Ping Lun.

   Ordinary Resolution
   "Resolved that the following persons be and are hereby elected as director of Terragri (as separate resolutions):
   (i) Mr Hubert Harel
   (ii) Mr Daniel Nairac
   (iii) Mrs Margaret Wong Ping Lun.

4. To authorise by way of Ordinary Resolution the board of directors of Terra in its capacity as representative of Terra, the sole shareholder of Terragri, to implement the resolutions referred to at paragraphs 3.1 to 3.3 above at the Annual Meeting of Terragri.

Ordinary Resolution
"Resolved that the board of Terra, in its capacity as representative of Terra, the sole shareholder of Terragri, be and is hereby authorised to implement the resolutions passed pursuant to paragraphs 3.1 to 3.3 above at the Annual Meeting of Terragri."

5. To consider and approve by way of Ordinary Resolution the following matters pertaining to Terra:

5.1 the re-election pursuant to clauses 20.2 and 20.5.4 of the Amended and Restated Constitution of Terra of Mr Alain Vallet who, retiring by rotation, offers himself for re-election as director of Terra.

Ordinary Resolution
"Resolved that Mr Alain Vallet be and are hereby re-elected as director of Terra."

5.2 the election of the following persons as directors of Terra (as separate resolutions):
(i) Mr Hubert Harel
(ii) Mr Daniel Nairac
(iii) Mrs Margaret Wong Ping Lun.

Ordinary Resolution
"Resolved that the following persons be and are hereby elected as director of Terra (as separate resolutions):
(i) Mr Hubert Harel
(ii) Mr Daniel Nairac
(iii) Mrs Margaret Wong Ping Lun."

5.3 to fix for the period starting from July 01, 2012 and ending on June 30, 2013, the fees of (i) the directors of Terra at MUR 25,000 per month and MUR 15,000 per Board sitting; and (ii) the Chairperson of Terra at MUR 50,000 per month and MUR 30,000 per Board sitting, pursuant to clause 23.1 of the Amended and Restated Constitution of Terra.

Ordinary Resolution
"Resolved that the fees for the period from July 01, 2012 to June 30, 2013 be and are hereby fixed at MUR 25,000 per month and MUR 15,000 per Board sitting for the directors of Terra; and MUR 50,000 per month and MUR 30,000 per Board sitting for the Chairperson of Terra."

6. To take note of the automatic re-appointment of the auditors under section 200 of the Companies Act 2001 and authorise by way of Ordinary Resolution the board of Terra to fix their remuneration.

Ordinary Resolution
"Resolved that the automatic reappointment of the auditors under section 200 of the Companies Act 2001 be and is hereby noted and that the board of Terra be and is hereby authorised to fix their remuneration."

By order of the Board
HF Administrative Services Ltd
Secretary

Dated this 18th day of May 2012

Notes:

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

b. The appointment of proxy must be made in writing on the enclosed form and the document should reach the registered office of the Company not less than twenty-four (24) hours before the time of holding the meeting, and in default, the instrument of proxy shall not be treated as valid. Any power of attorney or instrument under which the proxy is signed or notarially certified must be produced before the start of the meeting.

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

d. For the purpose of the above Annual Meeting, the directors have resolved, in compliance with section 120 (3) of the Companies Act 2001, that the shareholders who are entitled to receive notice of the meeting and attend the meeting shall be those shareholders whose names are registered in the share register of Terra as at June 01, 2012.

GROUP STRUCTURE

terra (Terra Mauricia Ltd)

- **CANE***
  - Growing
    - Terragri Ltd
      - Milling
        - Terra Milling Ltd 80.00%
      - POWER
        - Power generation
          - Société HBM 100.00%
          - Terragen Ltd 51.00%
        - Management and services
          - Terragen Management Ltd 28.00%
          - Coal Terminal (Management) Co Ltd 15.43%

- **HF INVESTMENTS LTD**
  - **CANE**
    - Ivoirel Limitée 100.00%**
    - Sucrivoire S.A. 25.50%
  - **BRANDS**
    - Terra Brands Ltd 100.00% **
    - Bottling and distribution
      - Grays Inc Ltd 74.00% **
      - Terralogic Ltd 100.00%
      - Eco Energy (Madagascar) 80.00% ***
      - East Indies Company 74.00%
      - Providence Warehouse Co. Ltd 18.50%
      - Les Chais de l'Isle de France Limitée 50.00%
      - Les Domaines de Mauricia 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%
    - Distilling
      - Grays Distilling Ltd 66.67% **
      - Société Sphinx Gaze 66.67% **
      - Evapo Ltd 50.00%
      - Distillerie de Bois Rouge Ltd 33.33% **
      - Société de Distillation de St Antoine et Bois Rouge 33.33% ***
  - **PROPERTY MANAGEMENT**
    - Sagiterra Ltd 100.00%
  - **CONSTRUCTION**
    - Sociéte Proban 83.34% **
    - Terrarock Ltd 45.00%
    - Rehm Grinaker Construction Co Ltd 35.49%
  - **INVESTMENTS**
    - Administration
      - HF Administrative Services Ltd 100.00%
    - Corporate Social Responsibility
      - Terra Foundation 100.00%
    - Leisure
      - Sugarworld Ltd 30.70%
    - Cultural
      - Fondation Nemours Harel 75.00%
    - Telecommunications
      - Commada Ltd 50.00%
    - Property
      - Les Bureaux Réunis Ltd 50.00%
      - Horus Ltd 50.00%
    - Financial services
      - Intendance Holding Ltd 43.85% **
    - Commodity trading
      - Alchohol and Molasses Export Ltd 41.87%

N.B.: Percentage indicated above are in respect of effective holding.
* : The growing activities of the cane segment are owned directly by Terragri Ltd.
** : Holding entity.
*** : Dormant company.

: SUBSIDIARIES

: ASSOCIATES

Board of Directors and Board Committees

The following directors held office at December 31, 2011:

The Board

Jean Hugues Maigrot, GOSK (Chairperson)	Nonexecutive
George Dumbell	Independent Nonexecutive
Maurice de Marassé Enouf	Nonexecutive
Jean de Fondaumière	Independent nonexecutive
Dominique de Froberville	Nonexecutive
Louis Guimbeau	Nonexecutive
Alexis Harel	Executive
Henri Harel	Executive
Cyril Mayer (Managing Director)	Executive
François Montocchio	Independent nonexecutive
Alain Vallet	Executive

The Audit Committee

François Montocchio	Chairperson
Maurice de Marassé Enouf	Member
Louis Guimbeau	Member

The Corporate Governance Committee

Jean Hugues Maigrot, GOSK	Chairperson
George Dumbell	Member
Jean de Fondaumière	Member
(Cyril Mayer)	(In attendance)

The Investment Committee

Jean Hugues Maigrot, GOSK	Chairperson
Jean de Fondaumière	Member
Dominique de Froberville	Member
Cyril Mayer	Member
Henri Harel	Member
Alexis Harel	Member
(Sébastien Mamet)	(In attendance)

Administration

Registered office
18 Edith Cavell Street, P.O. Box 317
Port-Louis – Republic of Mauritius
Telephone: (230) 208 0808
Telefax: (230) 211 1836
e-mail: terra@terra.co.mu
website: www.terra.co.mu

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: terra@terra.co.mu

Auditors
BDO & Co
(Chartered Accountants)

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

Cane
Terragri Ltd / Terra Milling Ltd
Mapou – Republic of Mauritius
Telephone: (230) 266 8485
Telefax: (230) 266 1985
e-mail: terragri@terra.co.mu / terramilling@terra.co.mu

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
Terragen Ltd
Belle Vue - Mauricia
Mapou – Republic of Mauritius
Telephone: (230) 266 1226
Telefax: (230) 266 8013
e-mail: terragen@terragen.mu

Terragen Management Ltd
18 Edith Cavell Street
Port-Louis – Republic of Mauritius
Telephone: (230) 208 0808
Telefax: (230) 211 1836
e-mail: terragen@terragen.mu

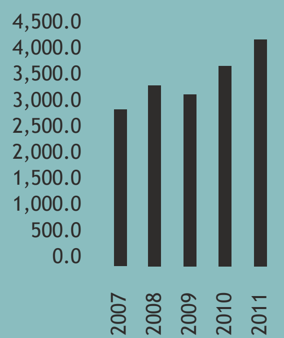
Brands
Grays Inc. Ltd
Beau Plan, Pamplemousses
Republic of Mauritius
Telephone: (230) 209 3000
Telefax: (230) 243 3664
e-mail: grays@grays.mu

Grays Distilling Ltd
Beau Plan, Pamplemousses
Republic of Mauritius
Telephone: (230) 243 3734
Telefax: (230) 243 3733
e-mail: distilling@grays.mu

Property management
Sagiterra Ltd
4th Floor, Ken Lee Building
Edith Cavell Street,
Port-Louis – Republic of Mauritius
Telephone: (230) 211 0971
Telefax: (230) 211 0484
e-mail: sagiterra@sagiterra.mu

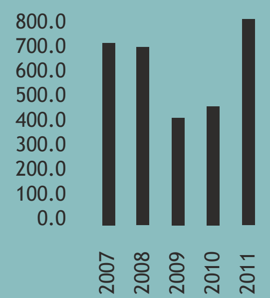
Stone crushing and block making
Terrarock Ltd
Royal Road, Fond du Sac
Republic of Mauritius
Telephone: (230) 266 1355
Telefax: (230) 266 9045
e-mail: proban@intnet.mu

Financial Highlights (Group)



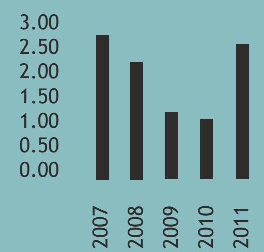
TURNOVER(MUR'M)

2007	2,948.0
2008	3,289.2
2009	3,246.9
2010	3,643.3
2011	4,222.7



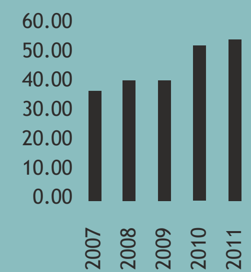
PROFIT AFTER TAXATION(MUR'M)

2007	663.3
2008	646.6
2009	363.5
2010	400.2
2011	760.6



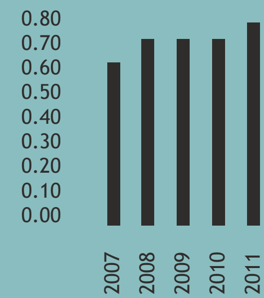
EARNINGS PER SHARE (MUR)

2007	2.71
2008	2.39
2009	1.39
2010	1.14
2011	2.56



NET ASSETS PER SHARE (MUR)

2007	35.70
2008	37.50
2009	38.90
2010	50.30
2011	52.60



DIVIDEND PER SHARE (MUR)

2007	0.60
2008	0.70
2009	0.70
2010	0.70
2011	0.80

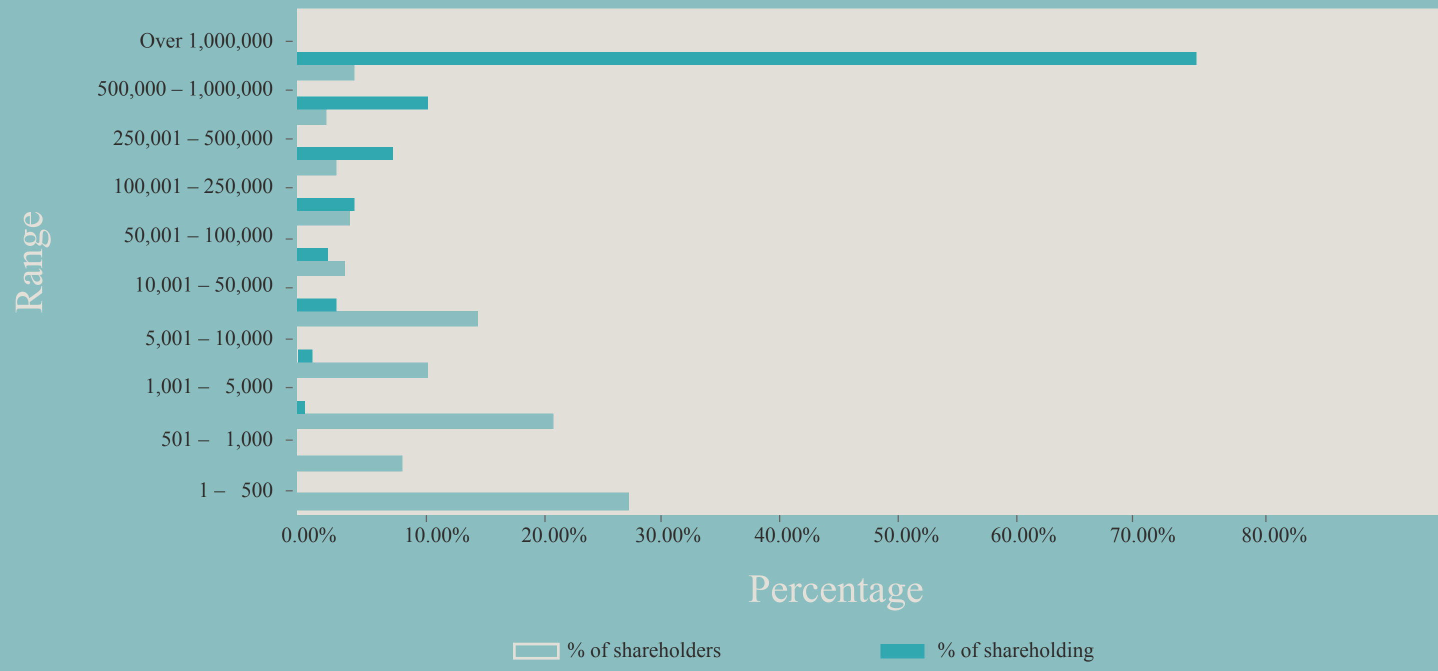
Share Analysis

Distribution of shareholders of Harel Frères Limited as at December 31, 2011

Range of shareholding

	SHAREHOLDERS		SHARES HELD	
	Number	%	Number	
1 – 500	430	27.81	81,238	0.04
501 – 1,000	129	8.34	111,122	0.05
1,001 – 5,000	320	20.70	824,466	0.36
5,001 – 10,000	163	10.54	1,189,654	0.52
10,001 – 50,000	241	15.59	5,419,964	2.38
50,001 – 100,000	64	4.14	4,510,775	1.98
100,001 – 250,000	72	4.66	11,423,780	5.02
250,001 – 500,000	44	2.85	15,129,013	6.65
500,000 – 1,000,000	34	2.20	24,393,945	10.72
Over 1,000,000	49	3.17	164,461,667	72.28
	1.546	100.00	227,545,624	100.00

Relative comparison between range of shareholders and shareholding

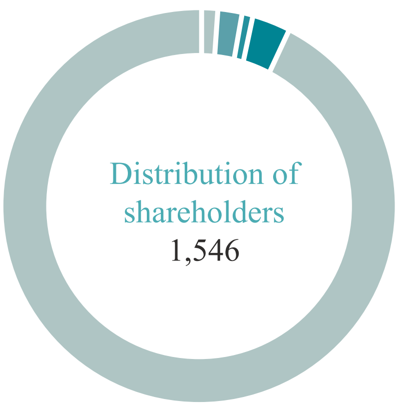


Share Analysis (Cont'd)

Shareholders' spread

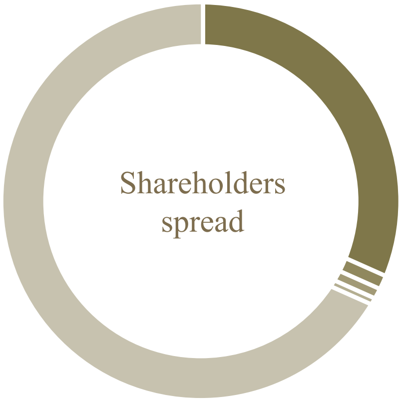
To the best knowledge of the directors, the spread of shareholders at December 31, 2011 was as follows:

	SHAREHOLDERS		SHARES HELD	
	Number	%	Number	%
Individuals	1,268	82.02	76,716,129	33.72
Insurance & assurance companies	29	1.88	16,048,839	7.05
Pension & provident funds	52	3.36	7,845,164	3.45
Investment & trust companies	14	0.90	665,757	0.29
Other corporate bodies	183	11.84	126,269,735	55.49
	1,546	100.00	227,545,624	100.00



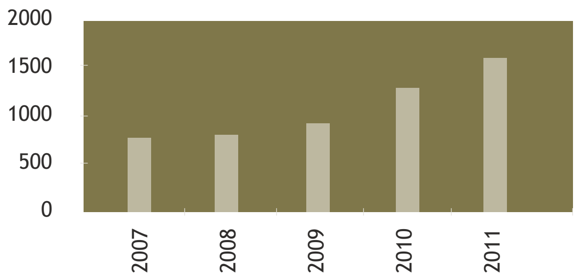
DISTRIBUTION OF SHAREHOLDERS	Number
Individuals	1,268
Insurance & assurance companies	29
Pension & provident funds	52
Investment & trust companies	14
Other corporate bodies	183
	1,546

Share Analysis (Cont'd)



SHAREHOLDERS SPREAD	PERCENTAGE
Individuals	33.72
Insurance & assurance companies	7.05
Pension & provident funds	3.45
Investment & trust companies	0.29
Other corporate bodies	55.49
	100.00

Number of shareholders



Evolution of number of shareholders as at december 31, :

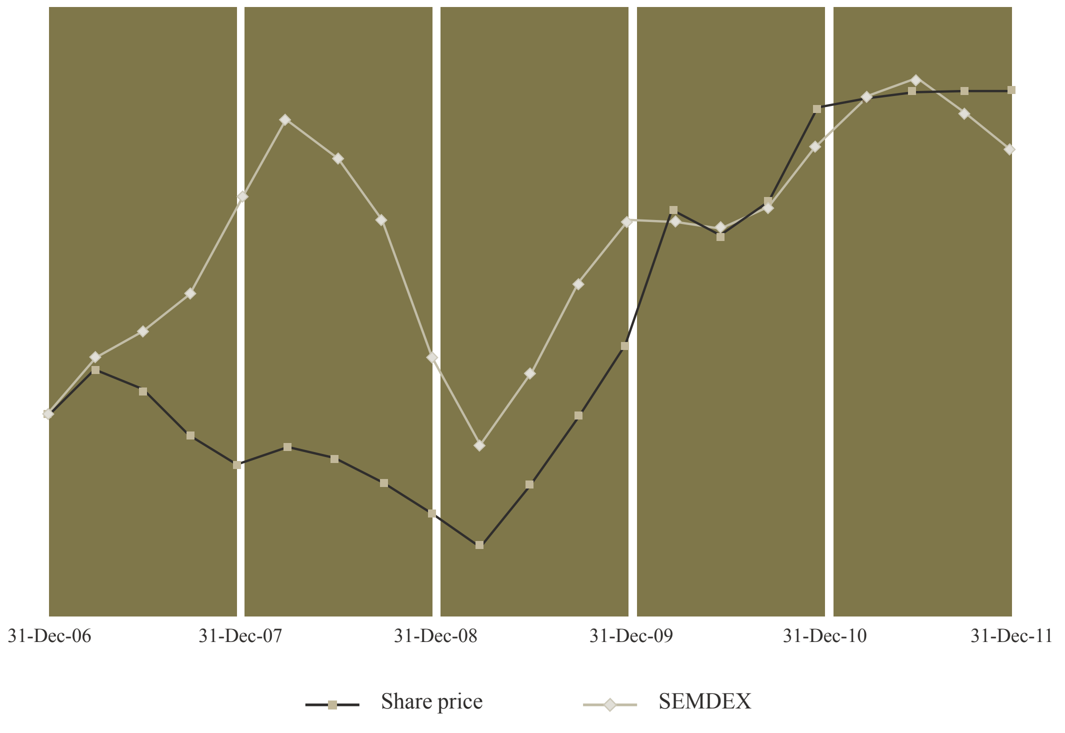
2007	750
2008	772
2009	904
2010	1,328
2011	1,546

The number of shareholders of Terra was 1,581 as at April 30, 2012.

Share Analysis (Cont'd)

Stock Exchange performance

RELATIVE QUARTERLY MOVEMENT OF SEMDEX AND HAREL FRERES SHARE PRICE

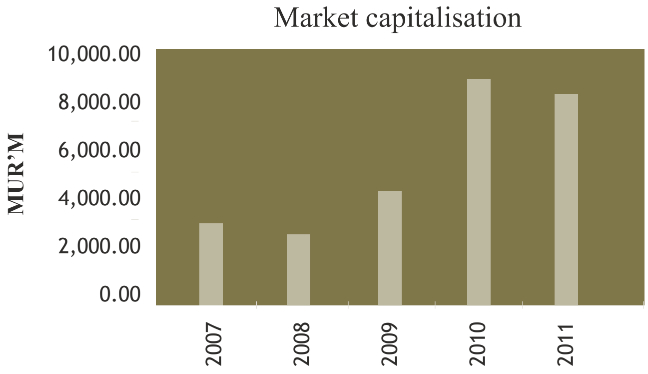


	2007	2008	2009	2010	2011
SEMDEX (Points)					
Year End Closing	1,852.21	1,182.74	1,660.87	1,967.45	1,888.38
SHARE PRICE (MUR)					
Year End Closing Price	18.50	14.90	25.40	38.40	38.20
High	26.00	25.00	26.50	39.00	39.10
Low	17.60	14.50	12.10	26.00	36.50

Note:The Terra share price was MUR 39.00 on May 18, 2012.

	2007	2008	2009	2010	2011
YIELDS					
- Earnings Yield %	14.65%	16.04%	5.47%	2.97%	6.70%
- Dividend Yield %	3.24%	4.70%	2.76%	1.82%	2.09%
Price Earnings Ratio	6.83	6.23	18.27	33.68	14.92

Share Analysis (Cont'd)



	MUR'M
2007	3,215.93
2008	2,590.13
2009	4,415.38
2010	8,737.75
2011	8,692.24

Note: The Market Capitalisation of Terra on May 18, 2012 was MUR 8,874.28 M

Main Exchange Rates to the Rupee

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

Currency	**December 31, 2010**	**December 30, 2011**
Euro	41.4611	38.8913
US Dollar	31.1714	30.0443
GB Pound	48.1264	46.2929
SA Rand	4.7503	3.7169

Shareholders' Calendar

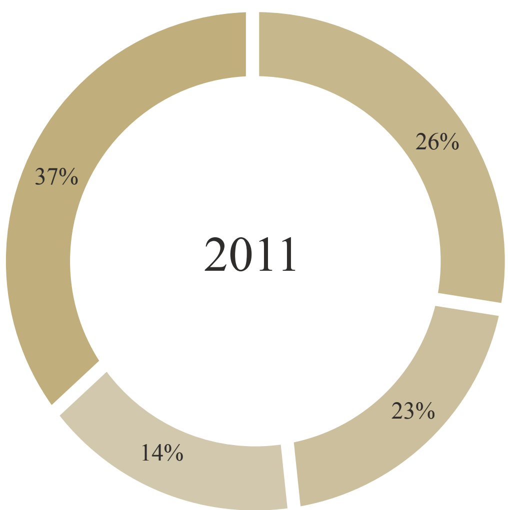
Financial year-end	December 31
Publication of yearly group abridged financial statements (audited)	Late March
Group audited annual financial statements available	Late March
Quarterly financial report - Q1 (unaudited)	Mid May
Annual report issued	Mid June
Annual meeting of shareholders	Late June
Quarterly financial report - Q2 (unaudited)	Mid August
Quarterly financial report - Q3 (unaudited)	Mid November
Dividend - declaration	Late November
- payment	Late December

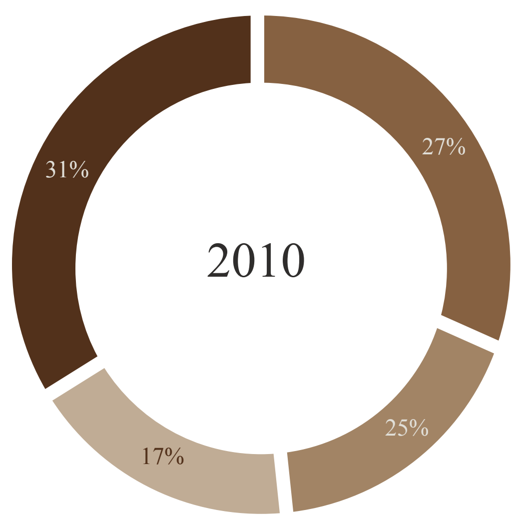
Value Added Statement

Group value added statement year ended December 31, 2011		2011 MUR'M	2010 MUR'M	
Turnover		4,222.7	3,643.0	
Gains / (losses) in fair value		71.4	(7.0)	
Other Income		121.7	152.4	
		4,415.8	3,788.4	
Less: Paid to suppliers		(1,861.5)	(1,834.6)	
TOTAL VALUE ADDED		2,554.3	1,954.1	
WEALTH DISTRIBUTED				
To employees for salaries, wages and other benefits	26%	648.4	528.5	27%
To Government				
Taxes		116.2	75.7	
Custom and Excise Duties		474.3	407.9	
	23%	590.5	483.6	25%
To providers of capital				
Dividends to:				
Shareholders of Harel Frères Limited		182.0	154.1	
Outside shareholders of subsidiaries		130.1	117.0	
Banks and other lenders		52.6	64.1	
	14%	364.7	335.2	17%
Retained for the group's business				
Depreciation		268.2	267.7	
Amortisation charge		99.8	88.7	
Retained profits		582.7	250.4	
	37%	950.7	606.8	31%
TOTAL DISTRIBUTED AND RETAINED		2,554.3	1,954.1	

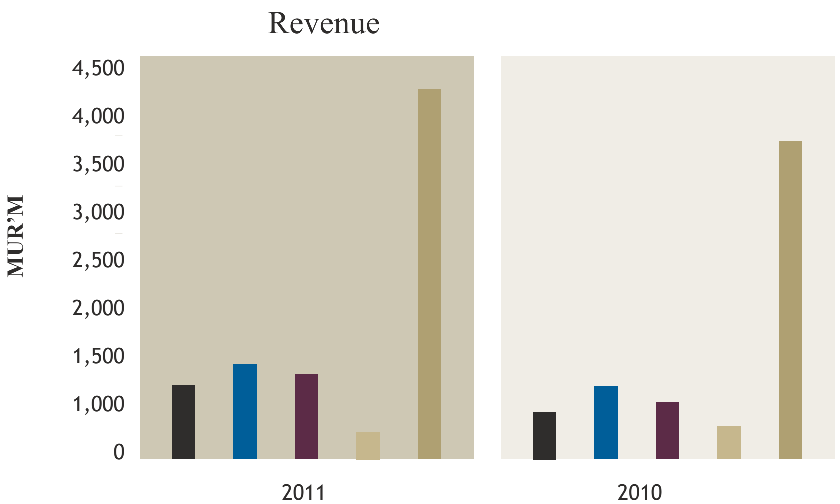
Value Added Statement (Cont'd)

	2011	2010
To employees for salaries, wages and other benefits	26%	27%
To Government	23%	25%
To providers of capital	14%	17%
Retained for the group's business	37%	31%
	100%	100%

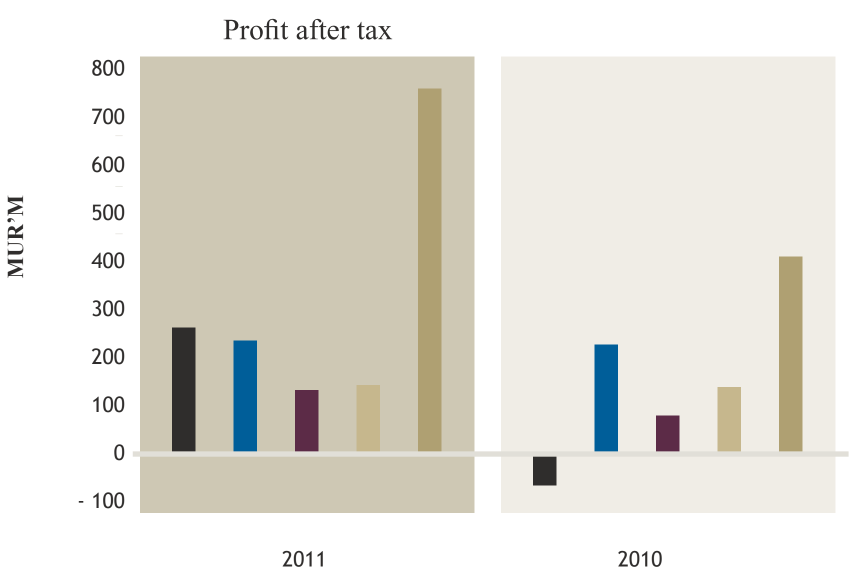




Segmental Analysis



	MUR'M 2011	MUR'M 2010
Cane	1,243.8	971.6
Power	1,462.8	1,317.9
Brands	1,349.0	1,179.9
Investments	167.1	173.9
Total	4,222.7	3,643.3



	MUR'M 2011	MUR'M 2010
Cane	261.3	(49.5)
Power	252.5	227.1
Brands	113.1	97.6
Investments	133.7	125.0
Total	760.6	400.2

Chairperson's Statement

Dear Shareholder,

2011 was a challenging year for most of the leading economies of the world. The recovery of the US economy and particularly those of the Euro zone from the 2008 financial crisis slowed down during 2011, as conditions on the international scene deteriorated significantly. It now appears that the prospects for the global economy may be slowly improving again, but growth is expected to be weak, especially in the Euro zone, where unemployment is likely to stay high. However, in May of this year, the inconclusive outcome of the Greek elections has cast yet another shadow of doubt on the future of the Euro zone and driven the Euro to its lowest since January. As for the Mauritian economy, it is still highly dependent on the Euro zone and will continue to be affected by the uncertainties prevailing there.

In this challenging economic environment, Harel Frères Limited (HFL), its subsidiaries and most of its associates fared very well, as more amply explained by the Managing Director in his review of operations. Indeed, all segments, and particularly sugar – which benefited from improved prices locally and, in *Côte d'Ivoire*, from a newly regained stability – performed as well as and often better than in the previous year.

Group revenue for the year under review amounted to MUR 4.2 Billion, up almost 16% on last year. Profit after tax shot up by 90% to MUR 760.6 M and consisted of profits derived from operations, save for some MUR 34.6 M (2010: MUR 43.5 M) arising from disposal of assets and investments. Costs were well contained, particularly finance charges, which dropped to MUR 73.7 M, down from MUR 158.9 M last year.

Earnings Per Share increased from MUR 1.14 to MUR 2.56, an improvement of some 125%, while Net Assets Per Share increased marginally by just under 5% to MUR 52.60. A dividend of MUR 0.80 per share (2010: MUR 0.70) was declared in December 2011 and paid in early 2012.

During the year, the Board of HFL proposed a restructuring of the group through the setting up of Terra Mauricia Ltd (Terra) as a holding company for the group to be listed on the Official List of the Stock Exchange of Mauritius (SEM) under the "Investment" segment – which is reflective of its proposed activity. According to that proposal, shareholders of HFL, at a special meeting held on November 23, 2011 approved a scheme of arrangement pursuant to which they exchanged their shares in HFL for shares of Terra on the basis of a share exchange ratio of 1:1, effective on January 01, 2012. As from that date, all shareholders of HFL became shareholders of Terra, which was itself quoted on the SEM as from January 03, 2012.

The restructuring of the Terra group was completed on April 13, 2012, when its remaining phases were submitted to and approved by shareholders.

During the year, the Board also took stock of the wide ranging changes that had recently taken place within the group and its shareholding. Indeed, the group has recorded sustained growth during the past few years, successfully diversified its activities and considerably increased its land holdings through recent amalgamations. Regarding shareholding, its controlling entity, *Société de Nemours,* has, since May 2010, reduced its stake from 54.8% to 27.9% and HFL's shareholders have not only doubled in number over the previous five years but their profile has also changed, now comprising many more corporate and institutional investors. The performance of the stock on the SEM has also been excellent, with much improved liquidity, a market capitalisation which had increased from MUR 3.2 Billion in 2007 to around MUR 8.5 Billion in 2011 and, more recently its admission to the prestigious SEM 7 club of the SEM.

The group had thus grown into a public one in the true sense of the word and the Board felt that its identity was no longer consonant with this new status. It thus decided to seize the opportunity of the restructuring exercise to rebrand the group and modernize its public image. The services of a specialist international firm were retained and the latter proposed, after consulting a wide range of stakeholders, the new name and brand **"Terra"**. The brand was launched in November last and received a more than warm welcome from the vast majority of our stakeholders and the public in general.

On that occasion, numerous inter-active work sessions were organized with the staff, often facilitated by outside consultants, during the course of which the group's vision and objectives, as well as the core values which would drive it forward, were shared.

As regards court matters, there was firstly no noteworthy progress in the case of HFL against three of its former directors. Secondly, following the special meeting of HFL held on November 23, 2011 at which the shareholders approved the scheme of arrangement pursuant to which the shares of HFL were exchanged for shares of Terra in the ratio of 1:1, that is one (1) ordinary share of Terra for one (1) ordinary share of HFL, certain dissenting shareholders (the "Dissenting Shareholders"), representing some 6.4% of the share capital initiated legal proceedings against HFL and Terra before the Bankruptcy Division of the Supreme Court. The Dissenting Shareholders claim that they have been unfairly prejudiced by the scheme of arrangement and have applied for an order of the court requiring the buy back of their shares at fair value or the payment of compensation in a sum in excess of MUR 64 per share held by them. HFL and Terra have been advised that the claim of the Dissenting Shareholders is misconceived. Counsel has further opined that the claim amounts to an abuse of the process of the court. The claim of the Dissenting Shareholders has been resisted both by HFL and Terra. The matter has been fixed for trial on May 25, 2012.

An altogether more positive development took place early in 2012. A commercial agreement was reached, after years of different negotiations, and approved by the authorities, whereby the Mon Loisir mill will close down before the start of this year's crop, and all the canes from its factory area will be redirected to our Belle Vue mill for crushing. The additional value added which will thus be created should ensure a win-win situation for all the parties concerned and should help stabilize our milling performance in future.

The forecast for the current year will once again be somewhat dependent on the results of the group's sugar activities. While most subsidiaries and associates are performing satisfactorily to date, albeit in a tighter and more difficult economic environment, the 2012 crop is likely to be lower than that of the previous year, having suffered from a rainfall deficit during the first three months of the vegetative period. As for prices in the EU, they remain difficult to estimate at present, as are future exchange rates.

This year, two of my fellow directors, Mr George Dumbell and Mr Louis Gainbeau, who retire by rotation, will not stand for re-election. I would like to thank them for their wise contribution to the Board's business during the last two years. Furthermore, I will personally retire from the Board of directors as from the forthcoming Annual Meeting. I have chaired the Board of Harel Frères Limited since 2003 and I have been privileged and honoured to accompany its development and the successful modernisation of its structures throughout those years. I would like to thank all my fellow directors, past and present, for their continued support during those years, which were not always easy, and I am proud to leave an enlarged and solid group having achieved remarkable results in spite of a difficult economical context. I wish it the very best for the future.

Finally my heartfelt appreciation goes to management and all employees for their unflinching support and relentless commitment, which are essential ingredients to the group's success. It is their assiduous work which produced such excellent results in the face of the difficult conditions which prevailed during the year. I therefore invite you to join me in expressing to every one of them our sincere gratitude and assure them of the Board's continuous support in the face of the challenging times ahead.

Jean Hugues Maigrot
Chairperson
May 18, 2012

Cane

Managing Director's Review of Operations

Cane

The international scene

2011 was the second consecutive year of a global deficit in sugar which caused further stock depletion and increasing pressure on supplies, boosting world market prices to new summits. Indeed, after several years of global surplus during which prices remained relatively low, the market, since early 2009, started to react to a global deficit, leading to a world market price peaking at nearly USD 850 in July 2011.

Due to a deficit in supplies, in particular under the EPA EBA agreements, the EU also suffered from market tightness during 2011, which pushed prices up to levels that had only been seen before the reform of the Sugar Regime in 2006. These market conditions were particularly favourable to Mauritius and other ACP suppliers, especially after the termination of the Sugar Protocol and the shock of the 36 percent cumulative price cut, and contributed to restore a remunerative price level for producers and the profitability of their operations.

As a consequence of the tight market balance and significant increase in prices, the EU Commission adopted an array of measures aimed at increasing supplies to the market, including the reclassification of out-of-quota sugar into quota sugar, elimination of border tariff on Most Favoured Nations (MFN) imports, opening up of exceptional Tariff Rate Quotas (TRQs) to third country suppliers, and finally opening of a standing invitation to tender for the 2010-11 marketing year for imports of sugar at a reduced import duty offered by bidders.

In spite of these measures, market balance remained tight during the year, with, in particular, a chronic shortage of raw sugar for refining. To reassure the market, the EU Commission announced that, should the same problem arise in the following year, it reserved its right to introduce similar measures. Meanwhile, the higher market prices obtained in the EU on its exports of white refined and special sugars from the 2011 crop, enabled Mauritian producers to enjoy a price of MUR 16,000 per metric ton, compared with a final price of MUR 13,535 for the previous year.

Another major development during the year under review was a proposal by the EU Commission to terminate the sugar quota system in September 2015. An impact study undertaken by the EU revealed that such termination would cause a significant decrease in the EU market price. This prompted ACP and LDC suppliers to join hands with EU

Cane (Cont'd)

beet and industrial producer organizations to advocate that any such change to the sugar regime, coming only two years after the drastic 36 percent price cut in the reference price, would be premature and request that the current quota system be extended to 2020. It is comforting to note that, in a resolution adopted in July 2011, the EU Parliament has submitted that the current sugar regime, including the quota system, be extended to 2020.

Finally, at WTO level, once again, no notable progress was made during the year, with negotiations still in stalemate and the main players unable to reach any agreement on certain critical issues, namely in the fields of agriculture and industrial products.

The group's sugar interests

At December 31, 2011, Harel Frères Limited (HFL - now Terragri Ltd) cultivated some 5,725 hectares of cane land, situated in the North of the island, some 72% of which fully mechanised and 42% under various forms of irrigation. The area harvested by the company was 4,977 hectares, while large planters, together with 3,656 small planters harvested, on their part, an area of 3,537 hectares. The total insurable sugar for the group was 52,768 tonnes of sugar (50,632 tonnes in 2010).

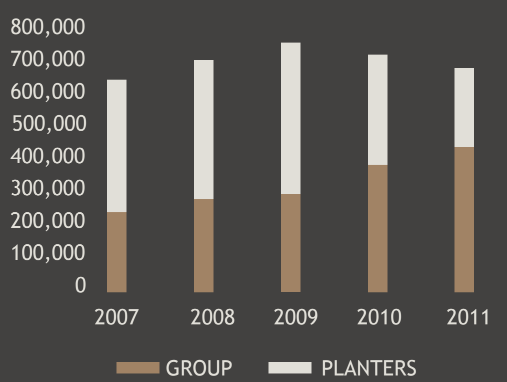
The group in 2011 held an effective 80% stake in Belle Vue Milling Co Ltd (BVM - now Terra Milling Ltd), which owns one of the most modern mills in the Mauritian sugar industry, strategically geared towards the production of specialty sugars. The mill imports its energy requirements from the adjacent power plant of Compagnie Thermique de Belle Vue Limitée (CTBV - now Terragen Ltd).

The 2011 Crop

Although inferior to the 2010 crop, which yielded 74,767 tonnes of sugar, the 2011 crop can still be considered a satisfactory one, with a sugar production of 72,302 tonnes for the factory area.

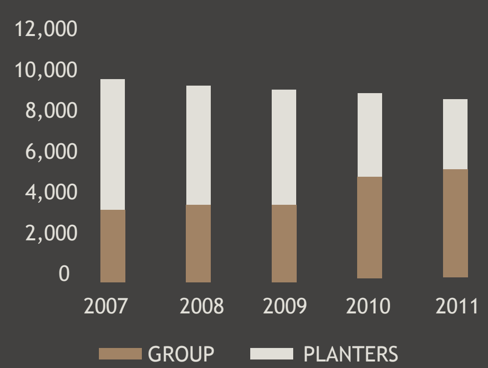
In spite of the vegetative season starting off poorly, climatic conditions improved during its latter part and enabled HFL to harvest some 414,443 tonnes of cane at a mean yield of 83.3 tonnes cane per hectare. The dry conditions that prevailed over the maturing season to the end of the crop in mid December resulted in a high sucrose to cane percentage, which in turn enabled us to register an increased sugar yield of 8.91 tonnes of sugar per hectare.

CANES HARVESTED IN THE FACTORY AREA (TONNES)



	GROUP	PLANTERS	TOTAL
2007	227,718	420,309	648,027
2008	261,547	439,165	700,712
2009	289,217	470,842	760,059
2010	389,009	324,042	713,051
2011	414,443	268,029	682,472

HARVEST AREA (HECTARES)

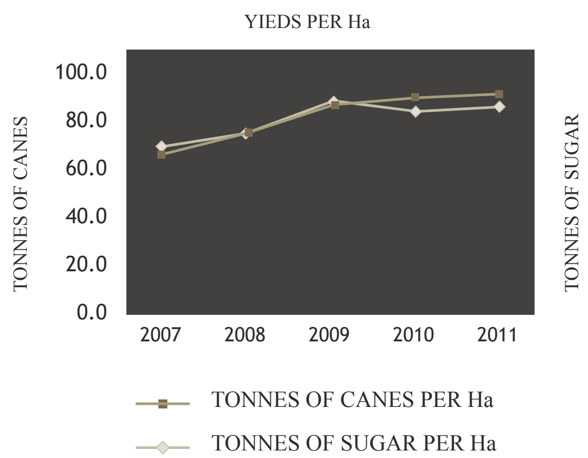


	GROUP	PLANTERS	TOTAL
2007	3,289	6,386	9,675
2008	3,337	6,032	9,369
2009	3,337	5,802	9,139
2010	4,728	4,241	8,969
2011	4,977	3,537	8,514

Managing Director's Review of Operations (Cont'd)

Cane (Cont'd)

Fewer canes fires occurred in 2011, which permitted more efficient crop planning. Regretfully, the area harvested once again witnessed a 5% reduction, equivalent to some 455 hectares in 2011 – possibly due, in part, to the low sugar prices which prevailed in 2010.



	Tonnes of cane per Ha	Tonnes of Sugar per Ha
2007	69.2	7.26
2008	77.2	7.79
2009	86.7	8.54
2010	82.3	8.84
2011	83.2	8.91

In 2011, some 435,378 tonnes of canes were transported by our fleet, including some 178,602 tonnes from the three platforms of the factory area. Some 310,788 tonnes were harvested mechanically, representing over 75% of HFL's total cane production, with 3,548 tonnes being outsourced for harvesting, as compared to 1,699 tonnes in 2010. In our quest to encourage planters to properly prepare their fields, we provided a number of services including coarse and fine derocking, preparation of land for mechanical or manual plantation, the supply of cane setts, application of herbicides. Furthermore, 2,048 tonnes of cane were mechanically harvested for them.

73,695 tonnes of sugar, representing 86.3% of the mill production, and 135,309 tonnes of coal for CTBV were also transported by group vehicles.

Our BVM mill crushed 682,472 tonnes of cane over 130 days at an hourly rate of 273.7 tonnes. The corresponding figures for last year were 713,051 tonnes, 126 days and 280.1 tonnes of canes per hour. Exceptionally in 2011, BVM imported 13,204 tonnes of locally produced plantation white sugar from outside sources, which it reprocessed as specialty sugars for export. This boosted specialty sugar production from 74,088 tonnes in 2010 to 85,032 tonnes in 2011. Nine different types of sugars were produced, all of excellent quality.

The factory also supplied the cane juice equivalent of 87.86 tonnes of sugar to *Rhumerie des Mascareignes* for the production of *rhum agricole.*

Once again, the Clean Cane Campaign undertaken by the mill in conjunction with the Cane Planters and Millers Arbitration and Control Board proved a success, resulting in cane of an acceptable quality, with a juice purity of 87.9, slightly under that of 2010, which was at 88.4. Sugar recovery nevertheless climbed to 10.69% from 10.49% last year, on the back of high sucrose to cane percentage.

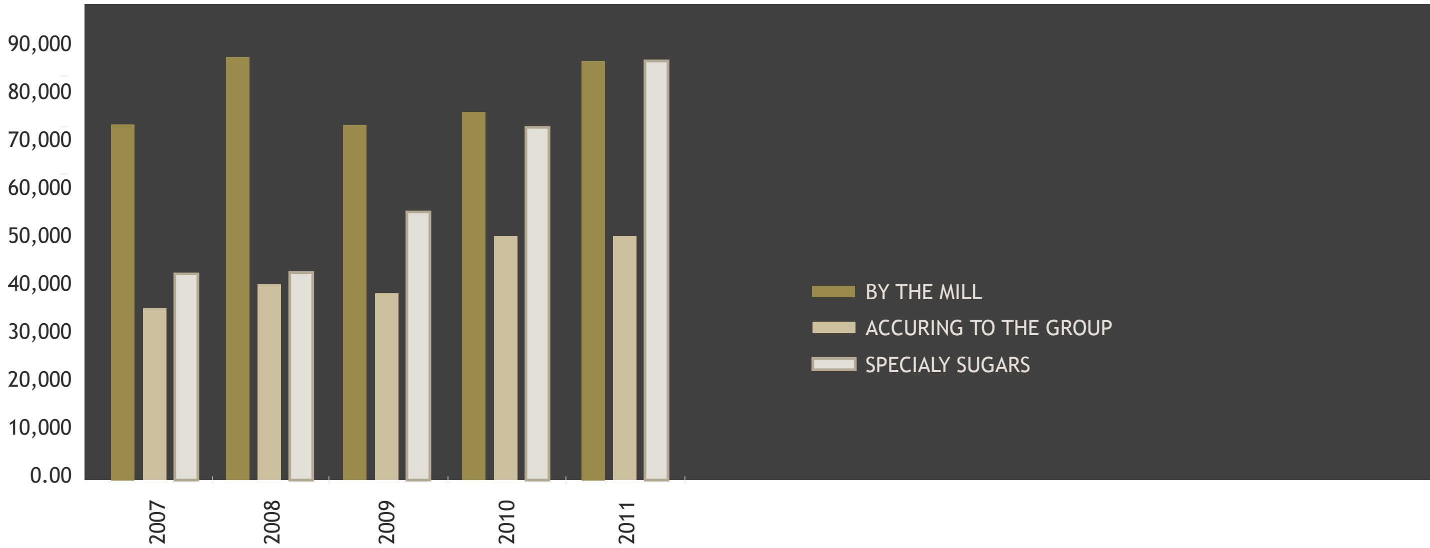
Reduced Mill Extraction and Reduced Overall Recovery were 97.62 and 86.42 respectively, while the Fibre % Cane of 16.52 was lower than that of 2010 (16.75).

Cane (Cont'd)

Year	Cane Crushed (Tonnes)	Sugar Produced (Tonnes)		
		Total tel quel	Accruing to Group	Specialty Sugars
2007 [1]	706,027	72,901	34,585	41,922
2008 [2]	872,907	85,125	38,817	43,216
2009	760,059	73,158	37,440	54,282
2010	713,051	76,144	50,337[3]	74,088
2011	682,472	85,366[4]	50,540	85,032

1: Includes 58,176 tonnes from Mon Loisir factory area
2: Includes 172,218 tonnes from Mon loisir factory area
3: Includes 9,937 tonnes from Mount and 1,785 tonnes from St André
4: Includes 13,064 tonnes of sugar imported from MLSE, MSTC and BSSD

Sugar produced (TONNES)



Managing Director's Review of Operations (Cont'd)

Cane (Cont'd)

Personnel

At December 31, 2011, 80 staff members and 518 workers were employed on a permanent basis in the group's agricultural activities. Of these, 209 were employed in the fields, 53 in other non sugar activities, 132 in the mill and 124 in the transport department. In addition, job contractors and seasonal workers are hired on a temporary basis, as and when needed, during both crop and intercrop seasons.

During the year, MUR 1.2 M was spent on employee training. 66 employees attended 25 different courses including food safety, hygiene, accounting, electricity, automation, safety and management.

Although the occurrence of accidents at work decreased significantly by 26% from 100 in 2010 to 74 in 2011, the injuries suffered appeared to be more severe, judging from a 15% increase in man days lost.

Labour issues

After protracted wage negotiations between MSPA and trade unions, a collective agreement was signed by the parties in June 2010, with some twenty unsettled points being set aside. Subsequently and upon request from the unions, the Ministry of Labour referred these twenty points to the National Remuneration Board (NRB), in spite of representations by MSPA and MEF to the effect that such a course of action constituted a serious departure from the principle of promoting sound and harmonious industrial relations and undermined the spirit of collective bargaining.

In July 2011, MSPA filed an application for leave to apply for a judicial review against, firstly, the Minister's decision to refer to the NRB items which were not retained in the collective agreements signed in 2010 and secondly, the decision of the NRB to partially review the Remuneration Orders of the Sugar Industry. Court hearings regarding this application have been fixed on May 17, 2012 in the Supreme Court.

In early 2012, HFL and other MSPA members did not renew the mandate that had been given to MSPA to represent them in wage negotiations. Consequently, as from 2012, wage negotiations will no longer be conducted at national level but at enterprise level. This development is viewed positively by management, as it will allow negotiations better adapted to the needs of the company as well as to those of our employees.

Capital Expenditure

Overall 2011 capital expenditure for the sugar activity amounted to MUR 148.7 M and represented a 17.5% reduction on 2010 figures. MUR 74.1 M were expended on replantation costs, some MUR 21.9 were spent on transport and agricultural equipments, MUR 17.2 M on upgrading production facilities in the mill, MUR 3.0 M on the irrigation network and MUR 3.3 M on diversification. A MUR 18.6 M investment was also made in an industrial building which will be rented out.

Closure of the Mon Loisir mill

In early 2012, a commercial agreement was reached between FUEL on the one hand and BVM and CTBV on the other, in terms of which, the Mon Loisir mill will close down permanently before the start of this year's crop and all the canes from its factory area will henceforth be transferred to BVM for crushing. This closure has since been approved by the authorities.

Management views this development very positively as the additional canes received will permit BVM to operate more efficiently and closer to its maximum capacity, while achieving increased value added by way of specialty and plantation white sugar production. As for CTBV, the additional *bagasse* received should increase exports of *bagasse* based energy to the grid by some 30 - 35 GWh, depending on the crop.

Results

The 2011 results for the group's local sugar activities showed a marked improvement on those of last year and were influenced mainly by an 18.5% increase in sugar prices, enhanced premiums on specialty sugars and conversion, for the first time, into specialty sugars of raw sugar imported from other factory areas.

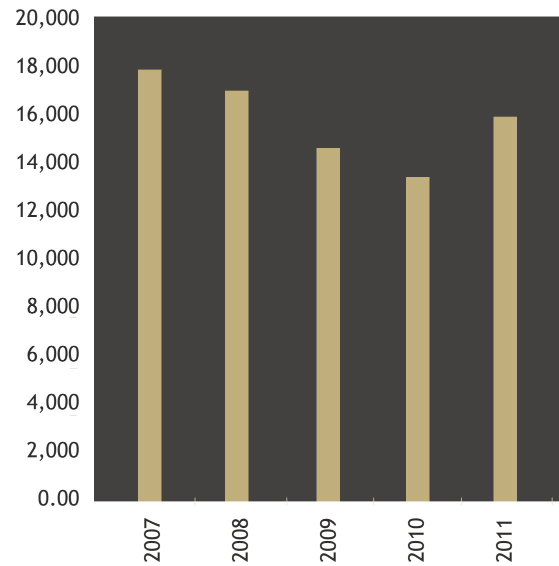
Sugar accruing to the group was on a par with 2010, production costs were stable and benefited for the second year in a row from a 70% rebate on the premium paid to the Sugar Insurance Fund.

Turnover for the year thus increased by some 24% to MUR 1.24 Billion, while overall profit after tax amounted to MUR 141.8 M (2010 loss: MUR 61.4 M), of which MUR 83.9 M and MUR 57.9 M for the cane growing and milling activities respectively.

Managing Director's Review of Operations (Cont'd)

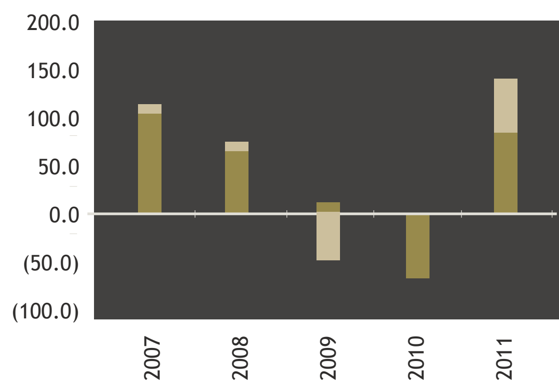
Cane (Cont'd)

Sugar price (MUR PER TONNES)



	MUR
2007	18,200
2008	17,000
2009	14,700
2010	13,500
2011	16,000

Profit after tax (MUR'M)



	GROWING	MILLING	TOTAL
2007	102.0	10.1	112.1
2008	69.6	8.9	78.5
2009	14.5	(47.2)	(32.7)
2010	(63.1)	1.7	(61.4)
2011	83.9	57.9	141.8

Managing Director's Review of Operations (Cont'd)

Cane (Cont'd)

Prospects for 2012

Since the beginning of the growing season, the crop has experienced a severe rainfall deficit. Following requests from the Irrigation Authority, we were compelled to substantially reduce irrigation in order to cope with the drought conditions. However, as from mid March, substantial rainfall was recorded, which helped to improve the situation to a certain degree. At the date of this report, a crop of some 870,000 tonnes of cane is expected, of which 270,000 tonnes from the Mon Loisir factory area.

Côte d'Ivoire

1. Overall situation

The country has regained its political stability since the democratically elected President, Mr Ouattara succeeded in ousting his predecessor, Mr Gbagbo, from power in April 2011. In March 2012, the then Prime Minister presented his government's resignation to the President, who, in terms of a prior arrangement with an allied political party, appointed a new Prime Minister and government.

Since his accession, Mr Ouattara has paid an official visit to France, where he received a warm welcome while, earlier this year, the US Secretary of State visited the country. There is now no doubt that Mr Ouattara has received international recognition as the legitimate President of Côte d'Ivoire.

Aid has also been forthcoming from a number of countries and international institutions.

2. Operations

In spite of an official ban on the import of sugar, fraudulent imports, mainly through the porous and loosely controlled northern borders, are on the increase and are proving very difficult for the government to control.

The recent field rehabilitation and irrigation extension programme has been successful, judging from the 2011 performance. Indeed, Sucrivoire's sugar production on the sites of Borotou and Zuenoula was boosted to some 87,100 tonnes in total during the 2010/2011 crop, a noteworthy improvement on the two previous crops which averaged some 74,000 tonnes.

Sales were however disappointing as they were hampered, firstly by the post electoral turmoil and, secondly by ever increasing volumes of fraudulent imports. As a result, only 70,779 tonnes of sugar were sold during the year at an average price of FCFA 492/kg (Euro 0.75/kg), compared to 74,116 tonnes last year.

As mentioned last year, a 3 - 5 year investment programme is in place for the rehabilitation and modernization of both factories. Although delay has been suffered on account of the socio-political crisis, funding has now been raised from a number of international financial institutions and complementary facilities are being finalized with local banks.

Now that near full potential has been achieved at field level, operational objectives for 2012 concern mainly the mills, with the priority being a substantial cut in industrial losses and an improvement in mill extraction.

A production of 95,000 tonnes of sugar has thus been forecast for the 2011/2012 crop.

Managing Director's Review of Operations (Cont'd)

Cane (Cont'd)

Côte d'Ivoire (Cont'd)

3.Financial results

With the political situation in Côte d'Ivoire normalising and the Sucrivoire's Board regaining full operational control over the company, the Board of Terra decided to reclassify Sucrivoire as an associate and, thus, to equity account its results.

Sucrivoire posted an operating profit of FCFA 5.4 Billion (Euro 8.2 million) for the year 2011, compared to FCFA 1.2 Billion (Euro 1.8 million) in 2010.

The contribution of Sucrivoire to our overall results for 2011 amounts to MUR 119.5 M, made up of our share of profit of MUR 79.3M and management fees of MUR 40.2 M.

Power

Managing Director's Review of Operations (Cont'd)

Power

The group, through its subsidiary Société HBM, has a 51% effective interest in Compagnie Thermique de Belle Vue Limitée (CTBV – now Terragen Ltd). The latter owns a 70 MW *bagasse* / coal fired power plant situated in Belle Vue. It is adjacent to the sugar mill, which provides it with *bagasse* in exchange for the supply of its 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 – now Terragen Management Ltd), which employs around 45 staff, including one expatriate. 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 has an administrative responsibility.

CTBVM is controlled by Séchilienne-SIDEC, which holds a 62% interest, with the other main shareholder being Société HBM, with a 28% holding.

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 99.6% which is well above minimum contractual obligations. Energy exported to the grid improved by 5.1% attaining an all-time high of 371.3 GWh as compared to 353.3 GWh in 2010.

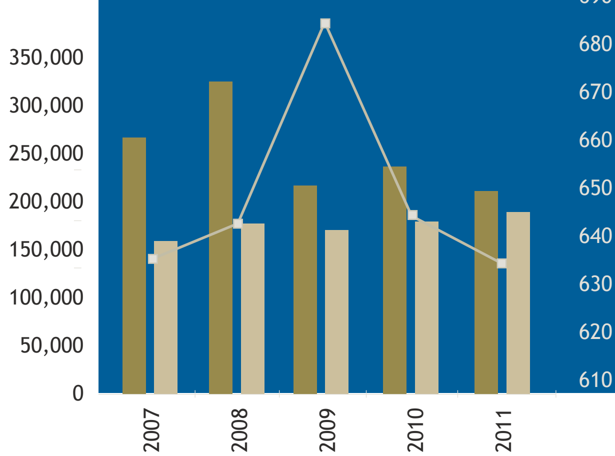
Bagasse based energy exported to the grid amounted to 90 GWh, practically the same as in 2010 (88.1 GWh) despite a lower crop (682,472 tonnes of cane in 2011 versus 713,051 in 2010). A high ratio of 131.6 kWh/tonne cane was realized in 2011, reflecting excellent plant efficiency.

During the year under review, the plant burnt 179,591 tonnes of coal, representing a specific consumption of 638 g per kWh. This is a marked improvement on 2010 (646.g per kWh) and an even more impressive one on 2009 (686 g per kWh). Such improvements in specific consumption are the result of our rigorous maintenance programme and have become all the more important to our financial performance in times when coal prices are consistently hovering above MUR 4,000 per tonne.

Once again, the company met its supply commitments to the CEB for the contractual year ended June 2011 and, in addition, generated some 32.8 GWh at a reduced tariff, over and above the minimum take. It is equally confident of fulfilling its contractual obligations of 325 GWh for the year ending June 2012.

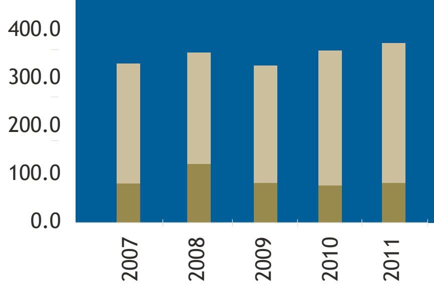
At December 31, 2011, CTBV had 25,118 tonnes of coal in storage, which represents about 41 production days during intercrop.

Consumption



	TONNES OF BAGASSE	TONNES OF COAL	g OF COAL PER KWh
2007	257,704	151,863	639
2008	321,365	154,674	642
2009	237,475	157,742	686
2010	239,038	171,295	646
2011	215,826	179,591	638

Energy produced (GWh)



	BAGASSE	COAL	TOTAL
2007	87.2	237.7	324.9
2008	108.2	241.0	349.2
2009	90.3	229.8	320.1
2010	88.1	265.2	353.3
2011	89.9	281.4	371.3

Managing Director's Review of Operations (Cont'd)

Power (Cont'd)

As far as plant maintenance is concerned, 2011 was another landmark year for CTBV. Following the major overhaul of unit 1 in 2010, a decennial maintenance program was scheduled and completed for unit 2 during the month of May 2011. Indeed, works carried out during the annual shutdown consisted of the inspection of the generator, including removal of the rotor and exhaustive testing for the requalification of the boiler. Several projects were undertaken to increase plant efficiency, with the replacement of four soot blowers, modification of the fly ash evacuation system, improvement of coal input ballistics inside each combustion chamber and the installation of new oxygen meters to control and reduce boiler air intake. Finally, in line with its philosophy regarding environmental protection, management proactively ordered and installed a flue gas monitoring station.

All maintenance programs were successfully completed and the plant enjoyed trouble-free operations with no major breakdowns during both the coal and the *bagasse* campaigns, as depicted above by the high availability level of the plant.

Health and safety issues have always been at the heart of our concerns and we are glad to report that no work-related accidents were reported in 2011, as compared to last year where such accidents represented 0.09% of overall work days.

Financial

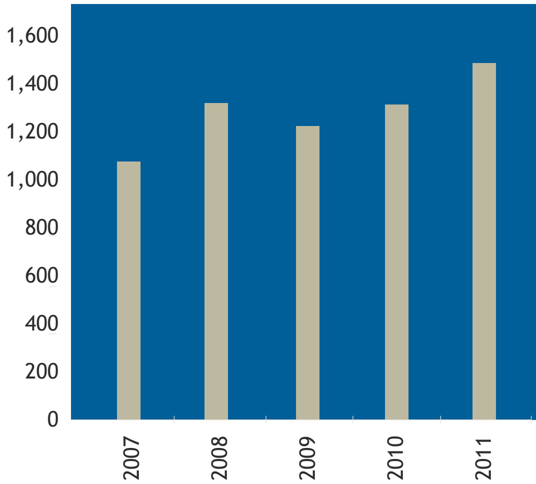
The energy segment posted a profit after tax of MUR 252.5 M for the year under review, compared to MUR 227.1 M in 2010. These good financial results are mainly attributable at the operational level to an improved off-take level on the part of CEB and high plant efficiency and availability. In addition, as a result of CTBV having repaid fully certain foreign loans and of the depreciation of the Euro against the Mauritian rupee, exchange losses, incurred mainly on repayment of foreign loans, dropped significantly from MUR 78.1 M in 2010 to MUR 41.4 M in 2011. Similarly, interest costs fell to MUR 17.6 M in the year under review as compared to MUR 33.0 M last year.

Overall borrowings of CTBV, of which 57.7% is denominated in Euro, amounted to MUR 105.5 M at December 31, 2011, compared to MUR 322.6 M last year, while the Debt Service Reserve Account, amounting to MUR 62.4 M, has been funded in accordance with loan covenants.

It is worth noting that the last instalments on the company's debt fell due and were repaid early in 2012. Hence, contractually, the Debt Period will come to an end on June 30, 2012 and Post Debt tariffs will apply as per the terms of the Power Purchase Agreement signed with CEB. CTBV's tariffs will then be the lowest on the market, save for hydro power. CEB will no doubt avail itself of this opportunity and consequently raise the load factor of the plant to its maximum.

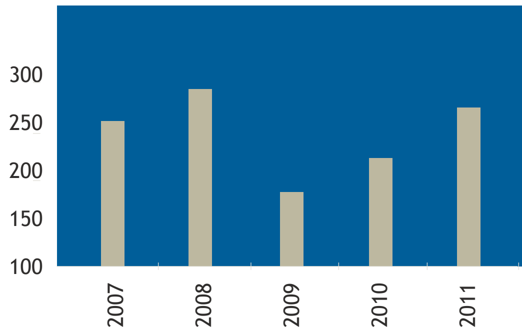
Power (Cont'd)

Turnover



	MUR'M
2007	1,109
2008	1,331
2009	1,211
2010	1,328
2011	1,479

Profit after tax



	MUR'M
2007	252
2008	288
2009	170
2010	227
2011	253

Brands

Managing Director's Review of Operations (Cont'd)

Brands

Structure

Grays & Co Ltd (now Terra Brands Ltd) controls the main commercial and alcohol production activities of the group and holds a 74% stake in Grays Inc. Ltd, its operating arm, to which it leases office and industrial space.

In addition, it owns a two third stake in Grays Refinery Ltd (now Grays Distilling Ltd) as well as 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.

It also has, through Grays Refinery Ltd, entered into Evapo Ltd (to be renamed Topterra Ltd), a 50:50 joint venture with Island Liquid Fertilizer Ltd which produces a liquid fertilizer known as Concentrated Molasses Stillage (CMS) from vinasse, a residue from distillation. The plant has been operational since February 2011.

In addition, it is a 50% partner in two joint ventures, namely *Les Chais de L'Isle de France Limitée* and *Les Domaines de Mauricia Limitée.*

Commercial

Performance

After a head start, trading conditions weakened and the year ended at a slower pace. The cluster nevertheless had a satisfactory performance, recording a turnover of MUR 1.3 Billion, a 14.3% growth over 2010.

This performance was greatly assisted by additional capital expenditure in our production facilities, which significantly improved output in a much diversified range of products. Grays Inc. Ltd plans to increase the automation of its production so as to further improve cost efficiency.

Wine and spirits

Over the past year, due to three successive excise duty increases, consumer prices on cane based spirits have increased by 55%, leading inevitably to volume shrinkage. In addition, the market is drifting towards low value brands as disposable income continues to erode.

On the import side, the market benefited from a rather favourable exchange rate of the Rupee *vis-à-vis* our main trading currencies, thus keeping imported products at reasonable prices.

During the year under review, two new retail outlets were launched in the Bagatelle Mall, a *20/vin* wine boutique adjacent to "Colours & Senses", a new Grays retail concept for its beauty and care lines of products.

Perfumes and Cosmetics have performed well, boosted by duty reduction, making our brands more affordable.

Snacks reaped the benefits of advantageous pricing and deep rooted distribution to grow and the successful launch of a new brand of energy drink boosted sales of non alcoholic beverages.

Export markets

Our subsidiary in Madagascar (East Indies) has renewed with profitability and prospects are fair. Our associate in Seychelles (Providence Warehouse) has performed well, off a small base and has invested into new infrastructure so as to foster further growth.

Bulk spirits exports were on the increase, hindered by logistics issues and unfavourable exchange rates. Exports of our branded products are showing good potential in the markets being targeted.

Human resources

Emphasis was placed on the development of our leadership team's competencies to better adapt to ever changing challenges and develop coherent strategies for our activities. We also focused on the development of a Performance Management System for our staff, in order to enhance productivity and efficiency. Staff turnover during the year was relatively higher than for previous years, but retention measures have been put in place to retain key talents.

Production of alcohol and liquid fertilizer

The distilling campaign in 2011 ran for 167 days compared to 158 in the previous year. Some 4.4 M litres were produced in 2011. The expected extended distilling campaign was disrupted when Evapo started its operations in March 2011, as the steam requirements for both operations at full production capacity was problematic due to systematic clogging of the boiler tubes, caused by the use of inadequate coal grade. Corrective measures were taken regarding both the boiler operation and coal grading which resulted in noticeable improvements.

Managing Director's Review of Operations (Cont'd)

Brands (Cont'd)

On the export side, the unexpected unavailability of export containers further disrupted the distillation campaign as we ran out of storage capacity, which prompted an earlier than scheduled annual shut down.

The repeated disruptions caused by the deficient steam supply grossly affected production of CMS which amounted to 22,000 tonnes only, compared to an expected 29,000 tonnes under normal operating conditions. As a result of these teething problems, Evapo recorded a loss for its first year of operations, of which our share amounts to MUR 2.1 M. Profitability should be achieved in the forthcoming year.

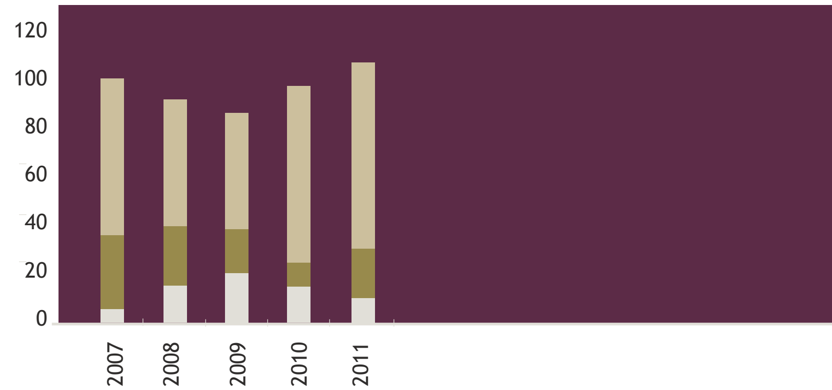
Both the distilling and the CMS plants being now geared to produce at full capacity and the export logistics being also back to normal, a more profitable production campaign is expected for 2012.

Results

The commercial arm of the Grays cluster recorded a profit after tax of MUR 70.5 M (2010 MUR 70.8 M). The distillery's profitability increased by MUR 5.7 M to MUR 16.7 M mainly due to increased sales volumes coupled with better control of expenditure.

The Commercial and Alcohol Production segment improved turnover by 14.3% for the year to reach MUR 1,349.0 M, resulting into an increase in after tax profits of MUR 15.5 M to reach MUR 113.1 M compared to MUR 97.6 M in 2010.

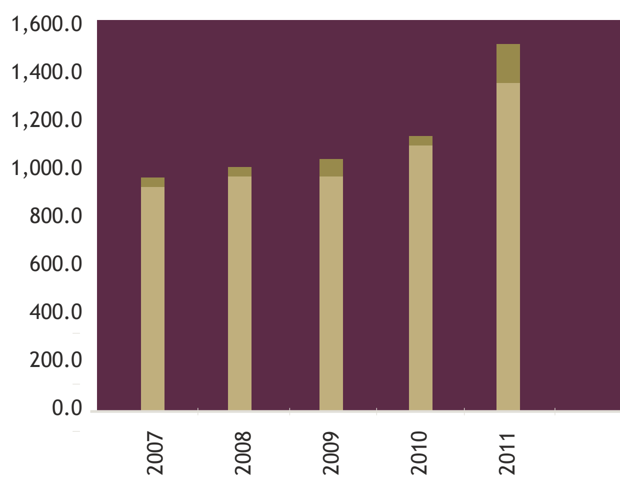
Profit after tax (MUR'M)



	COMMERCIAL ACTIVITIES	ALCOHOL PRODUCTION	ASSOCIATES	TOTAL
2007	66.1	29.1	7.4	102.6
2008	50.8	23.6	16.2	90.6
2009	50.6	14.7	18.7	84.0
2010	70.8	11.0	15.8	97.6
2011	86.9	16.7	9.5	113.1

COMMERCIAL ACTIVITIES
ALCOHOL PRODUCTION
ASSOCIATES

Turnover (MUR'M)



	COMMERCIAL ACTIVITIES	ALCOHOL PRODUCTION	TOTAL
2007	902.9	90.1	993.0
2008	918.8	94.2	1,013.0
2009	959.0	102.2	1,061.2
2010	1,066.9	113.0	1,179.9
2011	1,352.5	132.0	1,484.5

COMMERCIAL ACTIVITIES
ALCOHOL PRODUCTION


Property and Construction
sagiterra

Managing Director's Review of Operations (Cont'd)

Property and Construction

Property management

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

No new land development projects were undertaken by the group in 2011. Existing *morcellements* continued to be marketed and, overall, 16 plots of a total net extent of 3 hectares were sold during the year. Proceeds on land disposals of MUR 28.9 M (2010: MUR 21.9 M) were received during the course of the year and a profit of MUR 18.9 M was recognised thereon (2010: MUR 11.9 M).

Demand for office space at the Beau Plan Business Park continued to be slack, most probably owing to the persistent economic slowdown, strong competition from the *Ebène* hub, excess supply and severe traffic considerations affecting the North. It is hoped that the advent of the new *Ebène – Terre Rouge highway* – scheduled for early 2013 – will "irrigate" the North and boost property values and demand for office space.

Implementation of the Strategic Land Development Plan for the 7,000 hectares owned by Harel Frères Ltd (now Terragri Ltd) is well underway, with particular focus on the Beau Plan and Balaclava regions. Applications for land conversion have been made for the identified strategic development nodes.

2011 has been another difficult year for Sagiterre, mainly on account of the economic downturn and of undue delays being suffered administratively in obtaining permits. Nonetheless, a number of new applications were submitted during the year and six new residential projects were launched during that period on behalf of clients.

Sagiterre earned fee and commission income of MUR 20.9 M during the year (2010: MUR 18.7 M) and recorded meagre profits of MUR 0.1 M (2010: loss of MUR 3.2 M).

Construction

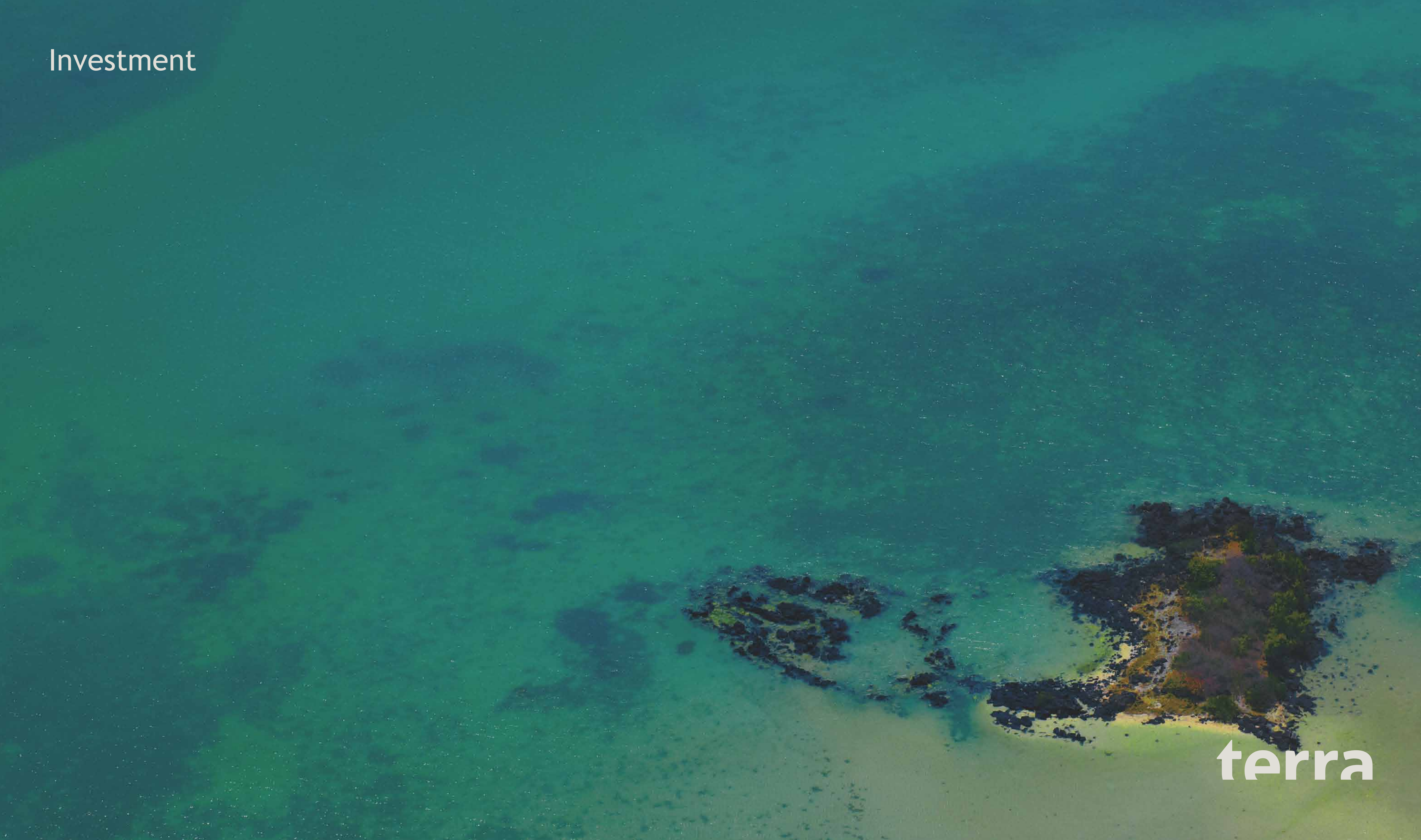
The group's interests in the construction industry are vested in two companies, namely Produits Basaltiques du Nord Ltée (PROBAN – now Terrarock Ltd), in which the group effectively holds a 54% interest, and Rehm Grinaker Construction Co Ltd (RGC) in which it holds a 35.5% stake.

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.

In spite of gross profit margin for 2011 increasing marginally by 2.6%, profits from operations were on par with those of last year. However, profit after tax increased from MUR 26.9 M to MUR 30.1 M on account of a one off compensation of MUR 4.3 M received during the year.

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. Challenging and competitive economic conditions coupled with a negative performance on a number of contracts caused RGC to record an overall loss of MUR 11.3 M for the year, compared to a profit after tax of MUR 23.0 M in 2010.

Investment



Managing Director's Review of Operations (Cont'd)

Investment

Financial Services

In 2010, the group increased its stake in Intendance Holding Limited (IHL), the holding company of the Swan group, by 17% to 43.8% in two steps: firstly, in January to 30.1% through the merger with The Mount Sugar Estates Company Ltd and, secondly to 43.8% in December, by acquiring the interests of certain shareholders who disinvested from the company. Thereafter, our effective stake in the Swan group stood unchanged at 30.4% until December 2011.

In early 2012, CIM Financial Services Ltd (CFS) of the Rogers group agreed to amalgamate its insurance activities with and into those of the Swan group. It was further decided that the investment and asset management activities of both groups would also be merged and combined with the stock broking business of CFS. Upon completion of the above amalgamations, our effective shareholding in Swan will have been diluted to 26.4%.

Following the above decisions, other IHL shareholders decided to sell their stake in that company – which the group agreed to acquire on a pro rata basis with the remaining IHL shareholders.

Upon completion of the above, scheduled for end June 2012, the group will have an effective stake of 33% in the Swan group.

The Swan group profit after tax increased by MUR 9.1 M to MUR 212.8 M as a result of a positive contribution from the short term operations attributable to the combined effects of disciplined underwriting, improved claims management, rigorous cost control and appropriate risk management. The above, together with the long term operations results driven mainly by the strong growth in the pension business, enabled the company to achieve improved results. It is also worth to note that no major claims on account of natural perils were recorded.

The contribution to the group after tax profit amounted to MUR 64.8 M (2010 MUR 44.8 M).

Leisure

At 2011 year end, the group owned 30.7% of Sugarworld Limited (Sugarworld), a company which operates *L'Aventure du Sucre,* a museum and entertainment complex, situated in the former Beau Plan sugar mill buildings.

Towards the end of 2011, we made an offer to all shareholders of Sugarworld to buy them out and our offer was accepted by all shareholders but one. Upon transfer of such shares, which is under process, the group will hold 95.2% of Sugarworld.

As the rest of the leisure industry, the company did not perform well and after tax profits fell by 12.1 % to MUR 5.8 M. Contribution to group profit after tax was MUR 1.7 M (2010: MUR 2.1 M). Despite the current difficulties experienced by this industry, we remain confident in its future, and the contribution to profits in the short term from Sugarworld should be in line with that of 2011.

Commodity Trading

The group owns a 41.9% interest in Alcohol and Molasses Export Ltd, a company whose main activity is to trade in molasses.

After a period of about two years when the international market was in short supply of molasses, the situation eased off during the course of 2011, as supply from traditionally exporting countries resumed, causing market prices to drop and helping create a more favourable trading environment.

With market trends going down, the company sold its molasses forward, and benefited from relatively lucrative prices. Turnover for the year increased marginally with volumes, from MUR 300 M to MUR 312 M. The group's share of profit after tax for the year also increased to MUR 15.1 M (2010: MUR 5.4 M)

Managing Director's Review of Operations (Cont'd)

Investment (Cont'd)

Maritim (Mauritius) Ltd

The group held a 4.23% stake in Maritim (Mauritius) Ltd, which it disposed of to the latter in June 2009 by exercising its minority buy-out rights under sections 108 and following of the Companies Act 2001. However, it objected to the buy out price which it considered not to be fair and reasonable, and the dispute was submitted to arbitration, as provided by law. Hearings took place in December 2011 and a ruling is awaited from the arbitrator by the end of June 2012.

Nevertheless, Harel Frères Limited has become a shareholder of Maritim (Mauritius) Ltd anew through a 2.8% stake held by The Mount Sugar Estates Company Ltd at the time of its merger.

Orange Madagascar

The investments undertaken in the previous years in the communication network enabled Orange Madagascar to reduce its operational costs and be more competitive *vis-à-vis* the other players on the market. This measure, together with the launch of Orange Money and the "Mobile Virtual Network Operator" (MVNO) helped the company to substantially reverse the negative results of 2010. Thus the deficit recorded in 2011 amounted to MUR 25M compared to a deficit of MUR 73M in 2010. Moreover, Orange Madagascar declared a dividend of MUR 41M in March 2012.
Management forecasts a return to profitability in 2012, despite the fragile socio-economic and political environment which prevails in Madagascar.

Cyril Mayer

Managing Director
May 18, 2012

Board Profile

Jean Hugues Maigrot, GOSK (75 years old)
Notary Public
Nonexecutive Chairperson – First appointed to the Board of Harel Frères Limited 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 Terra. In March 2011, he was elevated to the rank of Grand Officer of the Star and Key (G.O.S.K.) for distinguished services in the field of law.

Directorship of listed companies:
- Omnicane Ltd

George Dumbell (63)
A.C.I.B. (UK)
Independent Nonexecutive director – First appointed to the Board 2010

George Dumbell worked 34 years for the HSBC Group at senior management level in nine countries across Asia, Americas, Middle East and Europe. He is also a former director of various banking and financial institutions in Asia and Europe. He is at present the Chairperson of the Constance group of companies, a director of State Bank of Mauritius Ltd and Swan Insurance Company Limited and is a Fellow of the Mauritius Institute of Directors.

Directorships of listed companies:
- Belle Mare Holding Ltd (Chairperson)
- The State Bank of Mauritius Ltd
- Swan Insurance Co Ltd

Maurice de Marassé Enouf (66)
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 at the moment self-employed.

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

Jean de Fondaumière (58)
Chartered Accountant (Scotland)
Independent 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 Terra.

Directorships of listed companies:
- Lux Island Resorts Limited

Dominique de Froberville (52)
Maîtrise en Chimie Industrielle (France) ; MBA (England)
Nonexecutive director - First appointed to the Board 2003 and reappointed in 2010

Dominique de Froberville started his career as Production Manager in the paint and optical industries before being appointed to managerial positions in the operational divisions of two textile groups. He joined Mauritius Freeport Development Co Ltd in 2001 as Director of Operations and has since been promoted to the post of Chief Executive Officer. He served as a Board member of Harel Frères from 2003 to 2006 and as Audit Committee member between 2003 and 2005. He has been a council member of the Mauritius Employers Federation and is a council member of the Mauritius Exporters Association.

Louis Guimbeau (61)
Fellow of the Institute of Financial Accountants (UK)
Nonexecutive director – First appointed to the Board 2010

After starting his career in 1975 as Administrative Manager, Louis Guimbeau worked as Group Finance and Administrative Director in a jewellery group between 1983 and 1989 before joining the Rogers Group where he was the Finance and Administrative Manager of various subsidiaries. He was appointed as Group Finance Manager of Société du Port in 1996, a position he held up to April 2004. He joined the Saint Aubin Group that same year as Finance and Administrative Manager and retired in March 2010. He is a director of various

Board Profile (Cont'd)

companies within the CIEL group where he sits on some Board committees. He is at the moment self-employed.

Directorships of listed companies:
- Sun Resorts Ltd

Alexis Harel (49)
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 the Terra's Management Committee.

Directorships of listed companies:
- Lux Island Resorts Limited
- United Docks Ltd

Henri Harel (51)
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 has also been the Chairperson of the Sugar Industry Pension Fund and of its Finance and Investment Committee.

Directorship of listed companies:
- Swan Insurance Co Ltd

Cyril Mayer (60)
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.

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

François Montocchio (66)
Fellow of the Association of International Accountants (UK)
Independent nonexecutive director – First appointed to the Board 2010

François Montocchio was an Executive Director of Harel Mallac & Co Ltd between 1967 and 1982. He then left for South Africa where he held financial and administrative positions. On his return to Mauritius in 1994, he was appointed Financial Manager of *Compagnie des Grandes Surfaces Limitée*. He became thereafter the General Manager of Standard Continuous Stationery Ltd in 1995 and created Standards Labels Limited in 1997. He was the Chief Executive Officer of Harel Mallac & Co Ltd from 2005 to 2007 and a member of its board of directors between 2005 and 2010. He was also the Chairman of The Mauritius Chemical and Fertilizer Industry Limited up to September 2007 and the Chairman of The Mount Sugar Estates Company Limited from July 2007 until its amalgamation with Harel Frères Limited on January 01, 2010.

Directorship of listed companies:
- The Mauritius Development Investment Trust Company Ltd

Alain Vallet (57)
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 Terra's 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

Board Profile (Cont'd)

Louis Denis Koenig (45)
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 Terra's Management Committee and chairs the group's CSR 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.

New appointments

Messrs Hubert Harel and Daniel Nairac as well as Mrs Margaret Wong will be proposed for election at the forthcoming Annual Meeting. A summary of their curriculum vitae are included hereunder.

Hubert Harel (47)
National Diploma in Management Technikon Natal (South Africa)

Hubert Harel started his career in South Africa in 1988 with South African Clothing (Seardel group). Upon his return to Mauritius in 1991, he occupied managerial positions in the operations division of two textile groups. Form 2005 to date he has been the Managing Director of Standard Labels Limited. He was a director of The Mount Sugar Estates Company Limited from 2008 to the amalgamation of that company with Harel Frères Limited on January 01, 2010. He currently serves as director on several domestic and off-shore companies.

Daniel Nairac (69)
BA Honours (Classics and PPE) (Oxford)

Daniel Nairac started his career as economist with the Charter Consolidated Anglo-American Group in London in 1968. He stayed with that group up to 1976, as a member of the management team in Paris as well as Administration Manager of a copper-cobalt project in Zaire. After a brief stay in Mauritius between 1976 and 1979, where he worked for the Espitalier-Noël group, he again left for Europe, first working as an advisor to diamond companies in Antwerp, and then, as from 1981 until his retirement in 2005, as Divisional Manager and Senior Advisor to the directorate, for the ACP-EU Centre for the Development of Enterprise in Brussels. Now based in Mauritius, he continues to collaborate with a mining company in Africa and is the director of a mining exploration offshore company based in Mauritius.

Margaret Chui Puing Wong Ping Lun (58)
Fellow of the Institute of Chartered Accountants in England and Wales - FCA
BA Honours (Business Studies) (London)

Margaret Wong worked as Manager of the Consultancy Department of De Chazal Du Mée, Chartered Accountants, between 1985 and 1990, when she joined the University of Mauritius as Lecturer in Accounting and Finance. She is a member of the Listing Committee of the Stock Exchange of Mauritius and serves as an independent director on the Board of The Mauritius Commercial Bank Ltd.

Management

HEAD OFFICE :

Management Committee

Cyril Mayer	Managing Director
Alexis Harel	Executive Director
Henri Harel	Group Chief Finance Officer
Louis Denis Koenig *	Administrative Executive
Sébastien Mamet	Strategic Development Executive
Alain Vallet	Executive Director

* *Also serves as Secretary to the Committee*

Profiles of Management Committee members are set out on pages 51 to 52 and 54.

Accounts

Steeve Lareine	Group Accountant

CANE :

Mauritius

Jean Arthur Pilot Lagesse	General Manager
Reynolds Laguette	Factory Manager

Côte d'Ivoire

Jean-Claude Conquet	General Manager

POWER:

CTBV Management Co Ltd	Managers
Nicolas de Fontenay	Plant Manager

BRANDS :

Bottling and distribution

Alain Vallet	Managing Director
Alexis Harel	Commercial Director

Distillery

Patrice Gourel de St Pern	Plant Manager

PROPERTY MANAGEMENT :

Bernard Desvaux de Marigny	Manager

STONECRUSHING AND BLOCK MAKING :

The United Basalt Products Limited	Managers

Profiles of Managers are set out on page 54.

Management Profile

Jean-Claude Conquet (63 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 (55)
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.

Nicolas de Fontenay (47)
Diplôme d'Etudes Supérieures de la Marine Marchande (France)

Nicolas de Fontenay started his career as a captain in the merchant navy in 1991. After sailing around the world for several years, he joined Trouvay-Cauvin in 1998, a company specialized in oil and gas projects in the Middle East as the Logistics and Transport Department Manager. In 2000 he joined Séchilienne-SIDEC as Plant Manager of the Compagnie Thermique du Moule in Guadeloupe. After 10 years in the West Indies, he now serves as Plant Manager of the Belle Vue power plant.

Patrice Gourel de St Pern (53)
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 (59)
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 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 (47)
Fellow of the Association of Chartered Certified Accountants (UK)

Steeve Lareine has been a Fellow of the Association of Chartered Certified Accountants since 2004 and is a member of the Mauritius Institute of Professional Accountants. He started his professional 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.

Sébastien Mamet (36)
Chartered Accountant (UK)

After working in the audit department of Ernst & Young London and Mauritius for eight years, Sébastien Mamet joined the Corporate Finance division of PricewaterhouseCoopers Mauritius in 2004. As Senior Manager of the division, he advised clients on M&A, business plans, finance raising and financial restructuring among others. He joined Harel Frères in 2009 to head its new strategic development function. As a member of the Management Committee, he advises on the strategic orientation of the group and is responsible for implementing new business developments.

Jean Arthur Pilot Lagesse (51)
BSc Agriculture (RSA), MBA (UK)

Jean Arthur Pilot Lagesse started his career as Assistant Agronomist at Belle Vue Sugar Estate in 1983. He left for Constance – La Gaieté S.E. in 1986, where he was promoted to more senior positions until 1998 when he moved to Mon Trésor – Mon Désert S.E. as Field Manager, a position which he held until 2006. He then joined The Mount Sugar Estates Company Limited as Managing Director and became part of the group upon its amalgamation with The Mount on January 01, 2010. He has since been appointed General Manager (Sugar Operations) upon the retirement of Denis Pilot in June 2010.

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, must comply with the provisions of the Code of Corporate Governance (the Code).

The Board acknowledges that the Code sets out best practices and this report details how the principles of the Code have been applied within the group.

Except as specifically set out in this report, the Board considers that the group has complied in all material respects with the provisions of the Code for the reporting year ended December 31, 2011.

Holding structure

As at December 31, 2011 the holding structure of Harel Frères Limited was as follows :

Société Hyacinthe 50.00%

Société J. T. Mallac & Cie 50.00%

Société de Nemours 27.95%

Others 72.05%

Harel Frères Limited

Corporate Governance Report (Cont'd)

Substantial shareholders

As at April 30, 2012, the following shareholders were directly or indirectly beneficially interested in 5% or more in the share capital of Terra:

	DIRECT	INDIRECT
Mallac Sim Armelle	0.69%	5.57%
Moulin Cassé Ltée	1.09%	9.51%
Pershing LLC (foreign investor)	5.67%	-
Société de Nemours	27.95%	-
Société Hyacinthe	-	13.98%
Société J.T. Mallac & Cie	1.09%	13.98%

It should be noted that Moulin Cassé Ltée holds its indirect interest through Société Hyacinthe, which is a member of 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.

Corporate Governance Report (Cont'd)

Common directors

A number off directors were, at December 31, 2011, common to Harel Frères and the above-mentioned holding entities. The details are set out in the following table:

DIRECTORS OF THE COMPANY	DIRECTORS OF HOLDING ENTITIES		
	Société de Nemours	Société Hyacinthe	Société J.T. Mallac
Maurice de M. Enouf	x		x
Dominique de Froberville	x		x
Alexis Harel	x	x	
Henri Harel	x	x	
Hugues Maigrot	x *		
Alain Vallet	x	x *	

* : Chairperson

Shareholders' agreement

Harel Frères Limited was not a party to any shareholders' agreement and, to the best of its knowledge, there was no shareholders' agreement between its direct shareholders.

Constitution

On May 18, 2010, the shareholders of Harel Frères Limited approved by special resolution amendments to the constitution of the company. Those amendments:

- allow the company to reissue and sell any treasury shares held by it;
- provide for a new quorum for meetings of shareholders: four shareholders representing at least 25% of the voting rights now constitute aquorum;
- reduce the number of Board members from thirteen to a minimum of seven and a maximum of eleven members;
- require that as from the Annual Meeting held in 2011, three directors retire from office by rotation at every Annual Meeting; and
- establish a procedure for proposing candidates for election to the office of director.

Corporate Governance Report (Cont'd)

Constitution (Cont'd)

The other salient features of the constitution remain:

- the wide objects and powers conferred on the company;
- the absence of ownership restrictions or pre-emptive rights attached to shares issued by the company;
- the ability of the company to purchase its own shares;
- the ability of shareholders to cast postal votes; and
- the casting vote of the chairperson.

On December 28 and 30, 2011, applications under Section 178 of the Companies Act were lodged before the Bankruptcy Division of the Supreme Court by certain dissenting shareholders, representing some 6.4% of the share capital, alleging that they had been unfairly prejudiced by the scheme of arrangement approved by a majority of shareholders on November 23, 2001 (the "Scheme"), and requesting the buy back of their shares at "fair value" or the payment of compensation in a sum in excess of MUR 64 per share held by them.

On December 30, 2011, the Board of Harel Frères Limited, in order to reassure the dissenting shareholders that their rights had not been affected by the scheme and for avoidance of any doubt in that respect, decided to amend the constitution of Terra, before the effective date of the scheme of arrangement, so that any matter that would have requested the approval of the shareholders of Harel Frères Limited would be submitted to the approval of those of Terra. Corresponding amendments were brought to the constitution of Harel Frères Limited after the effective date of the scheme.

The Board of directors has been advised that the above claim is misconceived. Counsel has further opined that the claim amounts to an abuse of the process of the court. The claim has been resisted and the matter has been fixed for trial on May 25, 2012.

Board of directors

The names and profiles of the Board members who held office during the financial year under review as well as the directorships held by them in listed companies appear on pages 50 and 51.

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.

The roles of the Chairperson and Managing Director are separate and each of them has clearly defined responsibilities. The Chairperson's main role is to lead and manage the work of the Board and to ensure that it operates effectively.

The Managing Director is responsible for the day-to-day management of the group, leading the executive directors, preparing and submitting development strategies to the Board and making and implementing operational decisions.

The Board of Harel Frères Limited met seven times during the year and the individual attendance by directors is set out on page 62. The first of those meetings was dedicated for a full day to the Strategic Development Plan (SDP) for the company's land holdings, and, for the last two of them, the business of the Board focused on the Scheme of Arrangement with Terra.

Senior group executives are invited, when appropriate, to attend Board meetings and make presentations on the strategies and projects of their business units. The profiles of the senior group executives are set out at page 54. Consultants are also invited to attend Board meetings when necessary, as it was the case for the full day Board meeting on the SDP.

Other specific responsibilities are delegated to committees established by the Board, namely the Audit Committee, the Corporate Governance Committee and the Investment Committee, which operate within clearly defined terms of reference and report regularly to the Board. Information on these committees is given below.

Board composition

In terms of the amended constitution, the Board of Harel Frères consists of not more than eleven directors and its composition is four nonexecutive directors, four executive directors and three independent nonexecutive directors.

At the Annual Meeting held in 2011, three directors retired from office by rotation. Retiring directors were eligible for re-election and were re-elected.

The Board is aware that the retirement of directors by rotation as provided for in the amended constitution is a departure from the Code, which provides that each director should be elected (or re-elected as the case may be) every year at the Annual Meeting of shareholders.

Board composition (Cont'd)

While remaining committed to sustaining the highest standards of corporate governance, the Board is of the opinion that the standard provision of the Code is inappropriate in the new circumstances of the group, given its complexity and the diversity of its activities.

The Board believes that the tenure of office of directors should be of sufficient duration to allow the directors, in particular independent directors and those who are members of the committees established by the Board, to be reasonably conversant with the intricacies of the group's activities so as to exercise the degree of leadership, skill and judgement required to achieve a sustainable degree of prosperity.

Directors' interest in the share capital of Harel Frères Limited

The directors' interests in the Harel Frères' securities as at December 31, 2011 pursuant to the Listing Rules are as follows:

	ORDINARY SHARES							
	DIRECT				INDIRECT			
	SHARES	%	USUFRUCT	%	SHARES	%	USUFRUCT	%
DIRECTORS								
George Dumbell	-	-	-	-	-	-	-	-
Maurice de M. Enouf	-	-	-	-	-	-	-	-
Jean de Fondaumière	-	-	-	-	-	-	-	-
Dominique de Froberville	-	-	-	-	266	0.00%	-	-
Louis Guimbeau	-	-	-	-	-	-	-	-
Alexis Harel	133	0.00%	-	-	12,283	0.01%	-	-
Henri Harel	100,720	0.00%	-	-	1,451,786	0.64%	-	-
J. Hugues Maigrot	-	-	-	-	-	-	-	-
Cyril Mayer	325,661	0.14%	-	-	1,104,473	0.49%	136,290	0.06%
François Montocchio	200	0.00%	-	-	2,445,364	1.07%	-	-
Alain Vallet	133	0.00%	-	-	1,270,464	0.56%	1,135,710	0.50%
Total	426,847	0.19%	-	-	6,284,636	2.26%	1,272,000	0.56%
Total issued shares	227,545,624							

None of the directors holds any interest in subsidiaries of the company.

The directors abide by the principles enunciated in the Model Code on Securities Transactions by Directors, set out in Appendix 6 of the Mauritius Stock Exchange Listing Rules. During the year under review 140,000 shares of Harel Frères were acquired by an associate of Mr Cyril Mayer and none of the other directors bought or sold shares of Harel Frères.

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, within one month of their appointment, of their fiduciary duties and responsibilities and prepares an induction programme, tailored to their individual requirements, in order for them to be immediately familiar with group's operations, business environment and senior management.

Board Committees

• Audit Committee

Members :

François Montocchio	Chairperson
Maurice de Marassé Enouf	Member
Louis Guimbeau	Member

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

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

An amount of MUR 200,000 was paid by Harel Frères Limited (group - MUR 1.0M) to BDO & Co for non-audit services which relate to advisory and tax services.

The Audit Committee met five 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 62.

Taking into consideration that 26% of Grays Inc.Ltd is owned by a strategic partner and the complexity of its activities, a separate Audit Committee has been set up for that company. This committee is at present under the chairmanship of Mr Nardus Oosthuizen, a representative of the strategic partner, with Mr George Schooling and Mr Maurice de Marassé Enouf as members, and reports to the Board of Grays Inc. Ltd. The minutes of its proceedings are circulated to Harel Frères' Audit Committee and Board. The Grays Inc. Ltd Audit Committee met on three occasions during the year.

• Corporate Governance Committee

Members :

Jean Hugues Maigrot, GOSK	Chairperson
George Dumbell	Member
Jean de Fondaumière	Member
(Cyril Mayer)	(In attendance)

The three members of this Committee are nonexecutive directors, and two of them are also independent directors.

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 throughout the group and of ensuring that the reporting requirements on corporate governance are made in accordance with the principles enunciated in it.

The Corporate Governance Committee met five times during the year and the attendance of individual directors at these meetings is detailed in the table set out on page 62.

Corporate Governance Report (Cont'd)

Board committees (Cont'd)

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

A Board evaluation exercise was carried out in late 2011 by an independent consultant from the Mauritius Institute of Directors. The findings, which were reviewed by the Board of Terra in 2012, confirmed that, generally, the Board functioned well, with a satisfactory and effective contribution from directors. As previously decided, the scope of such exercise also included individual evaluations of directors.

Areas which the Board felt could be improved were identified and addressed, mainly concerning succession planning issues and sharper focus on strategy on the part of the Board. Accordingly, certain changes to the board will be proposed to the shareholders at the next shareholders' meeting and a full day special meeting of the directors of Terra was held in April 2012, dedicated to group strategy.

• Investment Committee

The aim of the Investment Committee is to assist the Board in discharging its duties relating to strategic investment or disinvestment decisions. The Committee therefore reviews, approves and recommends to the Board investment or disinvestment choices based on advice provided by the management team. It has neither managerial nor decisional powers.

The Committee consists of a minimum of three and a maximum of six directors appointed by the Board, at least half of whom will be nonexecutive directors and preferably independent. The Board appoints a chairperson from the nonexecutive members of the Committee.

The members of the Investment Committee are:

Jean Hugues Maigrot, GOSK	Chairperson
Jean de Fondaumière	Member
Dominique de Froberville	Member
Cyril Mayer	Member
Henri Harel	Member
Alexis Harel	Member
(Sébastien Mamet)	(In attendance)

The Investment Committee met four times in 2011 and made recommendations to the Board in respect of investment policy and of some specific projects. The attendance of individual directors at these meetings is detailed in the table set out on page 62.

Board and Committee attendance

Directors are expected to attend, in person or by teleconference, all Board meetings and all Board Committee meetings of which they are a member, unless prevented to do so by exceptional circumstances. Board meeting dates are generally set well in advance to enable directors to manage their other commitments.

Corporate Governance Report (Cont'd)

Board committee attendance (Cont'd)

The attendance of directors at Board and Committee meetings, as well as at the Annual Meeting of shareholders, is set out below.

	Board	Corporate Governance	Audit	Investment	Annual Meeting of shareholders held on June 30, 2011
No. of meetings	7	5	5	4	
Directors					
George Dumbell	5/7	5/5	-	-	No
Maurice de M. Enouf	7/7	-	5/5	-	Yes
Jean de Fondaumière	5/7	5/5	-	4/4	No
Dominique de Froberville	5/7	-	-	3/4	No
Louis Guimbeau	5/7	-	5/5	-	Yes
Alexis Harel	6/7	-	-	3/4	Yes
Henri Harel	7/7	-	-	4/4	Yes
Jean Hugues Maigrot	6/7	5/5	-	3/4	Yes
Cyril Mayer	7/7	5/5	-	4/4	Yes
François Montocchio	6/7	-	5/5	-	Yes
Alain Vallet	7/7	-	-	-	Yes

Internal controls

The Board has overall responsibility for the system of internal control. A sound system of internal control is designed to manage the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal controls put in place by management to respond to the above includes:

- Maintaining proper accounting records to ensure effective operation of the group's business and compliance;
- Implementing the strategies and policies adopted by the Board, and managing all of the group's activities, including the operation of the internal control system.

The Board has also established key processes for monitoring the system of internal control as follows:

- The Board has established a detailed organisation structure, including the delegation of appropriate responsibilities from the Board to the Board Committees, the Group Managing Director, members of the Senior Management, and to the heads of operating units;
- The effectiveness of internal controls is continually assessed by the Board by considering the recommendations of the Audit Committee, reports of the internal auditors, feedback from management and the external auditors;
- A proper Enterprise Resource Planning system is in place to provide financial and operational performance data for management accounting purposes;
- Review of the accounting information takes place on a regular basis at Audit Committee and Board level and remedial action is taken promptly, where necessary;
- A Code of Ethics has been adopted since July 2005 and is monitored by an Ethics Committee to govern the staff's conduct, which sets the standards of integrity and professionalism for the group's operation.
- Management has put in place appropriate operational and compliance controls at all operating units.

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 and to maintain and strengthen the internal control framework.

The internal audit function is performed by Messrs Ernst & Young (E & Y), Public Accountants.

• Reporting

The internal auditors have a direct reporting line to the Audit Committee and maintain an open and constructive communication channel with the 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 to 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 seven audit visits for the group during the financial year 2011. The visits were performed according to the audit plan agreed with the Audit Committee. Proposed recommendations in respect of issues identified were discussed with management and the final internal audit reports

Corporate Governance Report (Cont'd)

Internal audit (Cont'd)

were submitted to the Audit Committee. The internal auditor also monitored the progress in respect of implementation of previous recommendations. The internal auditor had unrestricted access to the records, management or employees of the company.

A first business risk assessment was performed for the group in October 2005 and the outcome was used as a basis for planning the internal audits performed by E&Y from 2006 to 2011. Due to the recent changes in the group, a second business risk assessment is currently being performed by E&Y to assess:
- The impact of these changes on the risk profile of the group;
- The current state of the group's risk environment and
- The change in the risk environment since the previous risk assessment in October 2005.

This assessment will also allow E&Y to plan future internal audit visits based on the risks areas identified under the following categories:

- 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 includes :

○ 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 conduct business efficiently.

○ 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 most needed.

- 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.

Corporate Governance Report (Cont'd)

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 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 in remuneration 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 the 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, 2011 is set out below.

	Remuneration from Harel Frères Limited	Remuneration from subsidiaries	Remuneration from companies on which director serves as representative of the group
	MUR '000	MUR '000	MUR '000
DIRECTORS			
George Dumbell	380	-	-
Maurice de Marassé Enouf	395	327	-
Jean de Fondaumière	455	-	-
Dominique de Froberville	290	90	-
Louis Guimbeau	365	-	-
Alexis Harel	255	4,808	185
Henri Harel	6,198	-	396
Jean Hugues Maigrot, GOSK	910	-	-
Cyril Mayer	16,789	-	533
François Montochhio	470	-	-
Alain Vallet	270	5,681	106

Annual shareholders' and investors' meetings

All directors are invited and encouraged to attend the Annual Meeting and be available to answer shareholders' questions. In 2011, 8 directors out of 11 attended the meeting, compared to 7 out of 13 in 2010. It has been the practice for some years to allow for the postal vote of shareholders at the Annual Meeting. Immediately after the Annual Meeting, the main institutional investors and investment managers are invited to attend a presentation of the Annual Report and to put questions to management. This exercise has taken place for a number of years and is well attended and welcomed by the investing community.

Corporate Governance Report (Cont'd)

Share information

Information relating to share distribution and Stock Exchange performance is set out on pages 12 to 16.
Dates of important events are also noted.

Donations

The aggregate amounts of political and other donations made during the year are shown on page 77.

Related party transactions

Related party transactions are disclosed in aggregate in Note 38 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 38 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 pages 70 to 73.

HF Administrative Services Ltd
Secretary
May 18, 2012

Corporate Social Responsibility

terrafoundation

Corporate Social Responsibility Report

Fondation Harel Frères

The *Fondation Harel Frères* (now Terra Foundation), following its principle of promoting and maintaining the sustainable development of valid projects, renewed its support and partnership to many NGOs and institutions. Indeed, the foundation believes that commitment is important to ensure the stability of the projects it sponsors.

Since 2011, to further involve the group staff members in CSR activities, the yearly CSR calendar also includes two community days, where staff members are released from work to perform activities organised by the foundation. This year, these two days were dedicated to Rodriguan students on an educational tour in Mauritius.

The foundation also contributed to the organisation of the group's Health Week by inviting NGOs working in this field to conduct awareness sessions with the staff.

The various projects identified according to our areas of intervention in 2011 are listed below.

• Education and Training

In the field of education and training, the projects funded were:

- *Les Amis de Zippy* a programme geared by the *Institut Cardinal Jean Margeot* (ICJM) which helps children manage their feelings and reduce violence. Through the sponsorship of this important programme, the foundation is contributing to the construction of a better and more empowered future generation. A total of nine schools were sponsored: six in Mauritius and three in Rodrigues.
- The ZEP school H. Ramnarain in Terre Rouge for the liaison officer, the four teachers of the remedial project, the parents club, and other activities, with the aim of assisting the school team to rightly address the recurring pattern of failure at the end of the primary cycle, namely for the Certificate of Primary Education (CPE) examinations. This is done by giving support as from standard III in order to achieve gradual improvement by the time the children reach the CPE level.
- *The Mouvement Civique de la Baie du Tombeau* for its non formal school *Ecole de la Vie,* through the sponsorship of a teacher and an assistant for an additional class, to enable them to cater for the education of more street children.
- Scholarships to 3 students of low income families at St Patrick's College, who would have been otherwise out of school because of continuous failure, age or poverty problems.
- Scholarships to 5 students of low income families at the *Collège Technique St Gabriel* to enable them to become skilled workers.
- *Oasis de Paix,* a non-formal school for adolescents for the repainting of the classes.
- *Association pour la Protection des Emprunteurs Abusés*–APEA for their public collection.
- ARISE for a contribution for the school materials of the four abandoned children entrusted to their residential care.
- The Physically Handicapped Welfare Association for their public collection.

Meal Allowance

The following NGOs were supported for the daily meals of some 168 children:

- *Atelier de Formation Joie de Vivre*
- *Comité Quartier Cité de Pamplemousses*
- *Association Amour Sans Frontières*

Disabled children

In the field of education, the foundation also has at heart the development of the physically or mentally impaired and the following NGOs were supported for the vital work they are doing:

- *Lizié dan la main,* for the renewal of a 22-year long partnership;
- APEIM for the equipment of a class and a kitchen for their school of Port Louis;
- *Association la Courte Echelle* for the sponsorship of two children of low income families;
- *Association Anou Grandi* for a photocopy machine, essential equipment for the daily hand outs and class activities of the children.
- The Physically Handicapped Welfare Association for their public collection.

• Poverty Alleviation and Health Care

Poverty Alleviation

The eradication of poverty being one of the national priorities, the foundation thus supported the following NGOs working in this field:

Corporate Social Responsibility Report (Cont'd)

- *SAFIRE* for the rehabilitation of street children at *Cité Mère Thérésa* in Triolet, providing a social worker for the daily monitoring and follow-up of some twenty-five out-of-school children and for training sessions for unemployed women;
- *Association Contre la Pauvreté,* for music instruments;
- Bois Marchand Women's Association to complete the extension of their bakery;
- *Groupe zenfants la Butte* for the school materials of the children of La Butte;
- SOS Children's Villages Mauritius, renewing the sponsorship of two abandoned children;
- *Caritas* Solitude, for the swimming equipments required for the swimming classes offered for the first time to the poor children of the region;
- *Centre d'Accueil de Terre Rouge,* for the rental of a plot of land and infrastructures, as well as donation of cages for their rabbit rearing project.

Health Care

Enabling vulnerable people to have access to quality health services is also important for the foundation and the CSR Committee thus renewed its sponsorship to three NGOs namely:
- Link to Life, for the rental of their centre at Maison Blanche, as well as recreational activities for the children suffering from cancer;
- T1 Diam's catering for children suffering from type 1 diabetes for the medical materials required for their daily glucose monitoring;
- Muscular Distrophy Association for one respiratory machine and
- *Les Enfants d'un Rêve* for a fundraising exercise for the Haemophilia Patients and Parents' Support Group.

• Environment

The foundation is committed to the cause of the protection of the environment and thus, for the International Year of Forests in 2011, organized a tree planting day with the staff. The project was called *Anou al planter* and consisted in planting endemic trees in Belle Vue, in offering endemic plants to some sixteen schools of the North and offering a fruit tree to some 144 kids of four NGOS which the foundation sponsors in the North.

Other projects supported:
- *Mission Verte* for the purchase of a lorry for waste collection;
- Mauritian Wildlife Foundation for the renewal of the sponsorship of the field expenses for the conservation of the Mauritian Echo Parakeet.

• Sports

The projects sponsored in 2011 were those of:
- Ste. Croix Kickboxing Club, for the equipment needed for the training sessions of the children attending the club and
- *L'Ecole de Judo de Beau Bassi*n for the participation of a promising athlete to the African Championship in Madagascar, where he succeeded in getting a bronze medal.

• Projects sponsored in Rodrigues

Rodrigues has an important place in the foundation's annual budget and in 2011 the foundation continued its support for education and for the eradication of poverty, through the sponsorship of such projects as:

- *Caritas* Rodrigues for the daily meals of some 186 poor children and training sessions for the empowerment of parents of vulnerable groups;
- The printing of 1,000 recipe books *Manz Ceki nou Planté* for *Les Écoles Ménagères de Rodrigues* ;
- The programme *Les Amis de Zippy* in three schools;
- The *Association des Écoles Maternelles de Rodrigues* for the painting, repairs and pending works of the pre-primary school *l'Aurore* with the participation of the staff of Grays;
- The travel tickets of nineteen students for an educational tour in Mauritius and
- The sponsorship of one full day of activities for four schools coming to Mauritius for their educational tour.

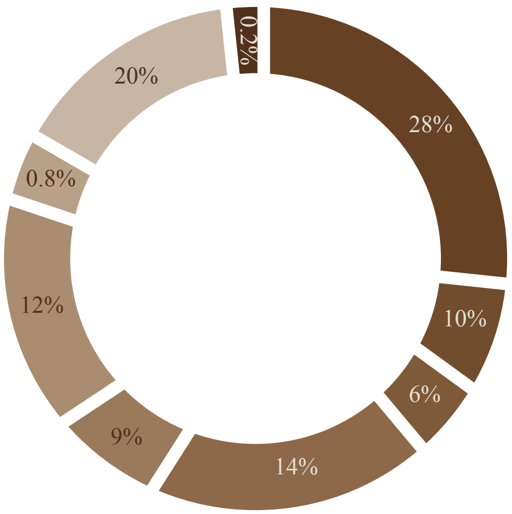
• Others

Hospice St Jean de Dieu for their family fair.

Corporate Social Responsibility Report (Cont'd)

• Percentage of contributions

The foundation received a total of MUR 8M. After catering for administrative expenses, the funds were allotted as follows:



	%
Education	28.0
Meal allowance	10.0
Disabled	6.0
Poverty Allocation	14.0
Health Care	9.0
Environment	12.0
Sports	0.8
Rodrigues	20.0
Others	0.2

• Amended CSR budgetary measures and new CSR guidelines

In its budget speech of November 2011 the Minister of Finance announced that CSR funds should be equivalent to 2% of the chargeable income of companies instead of the profit after tax. New guidelines were released with effect from October, when the three governmental priority areas were redefined as: social housing, absolute poverty and community empowerment and the welfare of children from vulnerable groups.

Ethics

The group renewed its commitment to its Code of Conduct covering ethical standards. The Ethics Committee is chaired by Mr Jean Hugues Maigrot and comprises Mr Daniel Capiron, Mr Alexis Harel, Mr Henri Harel and Mr Louis Denis Koenig. It continued the monitoring of compliance with the legal and regulatory framework in which the group operates and met once in 2011.

Group Human Resources Department

The group Human Resources Department focused this year on developing a cohesive group approach and strove to provide solutions to the problems confronting it, as the group works towards a sustainable future. As we are a solid group that is committed to the development of its staff, we have invested considerably in the training and development of our human resources and we thus ensure that our people grow with our business as they are integrally linked to our success.

The department has worked in close collaboration with all the divisions of the group to develop standards of human resource services and keep up to our high level of professionalism. It also designed a Human Resource strategy for the next three years for the group in order to develop a coherent approach to communication, succession planning, talent management and retention and employee engagement.

Corporate Social Responsibility Report (Cont'd)

• Health and Safety

The group reinforced its commitment to ensuring the highest level of safety and health for all its employees and is doing far beyond what is legally required to ensure that its employees are safe at work. In the same way, the group HR department organised a health week in collaboration with public and private institutions for the benefit of all its employees. The response from our staff was more than encouraging and they were briefed on good health habits and the value of exercise; HIV/AIDS awareness and health screening sessions were also organised. All that contributed to sensitise our employees on their work life balance and on the importance of maintaining a healthy lifestyle.

We also focused on fire safety within the different entities of the group and training sessions were organised with all the stakeholders to prevent fire hazards on our premises. Risk assessments and action plans have been elaborated and high risk priorities were dealt with straight away.

• Rebranding

The group HR department was actively involved in the rebranding process and was responsible for all internal communication and coordination of the project. The rebranding exercise performed by the group was meticulously prepared in order to give an opportunity to all our employees to understand the group's new vision, purpose and values and was widely accepted by the staff in general. The results of the job satisfaction survey initiated in December showed that more than 80% of the staff interviewed thought that the rebranding exercise was a good decision.

Environment

The group operates so as to minimise its impact on the environment through good manufacturing practices in compliance with all local environmental laws and regulations, while satisfying the needs and requirements of all its customers.

We continually strive to improve our environmental standards and promote the efficient use of all our resources so as to minimise waste. 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 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 group is also committed to reducing the burning of sugar canes during the crop season in order to reduce its impact on the environment. Furthermore, the use of Concentrated Molasses Stillage (CMS) as an eco-friendly fertiliser in the fields has been widely adopted by the group thus reducing the use of chemical fertilisers.

The group is also sensitive to the promotion and awareness of good environmental practices amongst its staff and stakeholders. Hence, together with the Harel Frères Foundation, employees of the group participated in a tree planting campaign at Belle Vue and on the premises of schools and partner NGOs of the northern region.

Louis Denis Koenig
Chairperson, CSR Committee

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 estimates 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 external auditors are responsible for reporting on whether the financial statements are fairely presented. The report of the external auditors on the financial statements is on page 79 and 80.

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 18, 2012

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, Harel Frères Limited has filed with the Registrar of Companies all such returns as are required under the Companies Act 2001.

HF Administrative Services Ltd
Secretary

March 28, 2012

Statutory Disclosures
(pursuant to Section 221 of the Companies Act 2001 and the Securities Act 2005)

Directors

• Names

The names of the directors of Harel Frères Limited at December 31, 2011 are given on page 8 of this report. In addition, a list of directors of subsidiary companies at the same date appears on pages 151.

• 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:

	HAREL FRÈRES LIMITED		SUBSIDIARIES	
	2011	2010	2011	2010
	MUR' M	**MUR' M**	**MUR' M**	**MUR' M**
Emoluments paid by Harel Frères Limited and its subsidiaries to				
- Directors of Harel Frères Limited				
• Executive				
full-time	**23.0**	18.6	**-**	-
part-time	**0.5**	0.5	**10.6**	9.4
• Nonexecutive	**3.3**	3.0	**0.4**	0.5
	26.8	22.1	**11.0**	9.9

Statutory Disclosures
(pursuant to Section 221 of the Companies Act 2001 and the Securities Act 2005) (Cont'd)

	2011	2010
	MUR' M	**MUR' M**
Emoluments paid by Harel Frères Limited and its subsidiaries to		
- Directors of subsidary companies		
• 6 Executive (6 in 2010)		
full-time	**28.7**	24.5
part-time	**-**	-
• 21 Nonexecutive (21 in 2010)	**0.5**	0.5
	29.2	25.0

Contracts of significance

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

Auditors' Remuneration

	T HE GROUP		HAREL FRÈRES LIMITED	
	2011	2010	2011	2010
	MUR' M	MUR' M	MUR' M	MUR' M
Audit fees paid to:				
- BDO & Co	**2.3**	2.1	**0.7**	0.4
- Other firms	**-**	-	**-**	-
Fees paid for other services provided by:				
- BDO & Co for advisory and tax services	**1.0**	0.8	**0.2**	0.1
- Other firms	**-**	-	**-**	-
	3.3	2.9	**0.9**	0.5

Donations

Donations made during the year were as follows:

	THE GROUP		HAREL FRÈRES LIMITED	
	2011	2010	2011	2010
	MUR' M	MUR' M	MUR' M	MUR' M
Corporate Social Responsibility Number of recipients: 43 (2010:42)	**8.0**	7.3	**-**	-
Political	-	3.5	-	3.5

Statutory Disclosures
(pursuant to Section 221 of the Companies Act 2001 and the Securities Act 2005) (Cont'd)

Senior officers' interests

The company's senior officers' interests in Harel Frères Limited as declared under the Securities Act 2005 as at December 31, 2011 were as follows:

	ORDINARY SHARES							
	DIRECT				INDIRECT			
	BENEFICIAL	%	NON-BENEFICIAL	%	BENEFICIAL	%	NON-BENEFICIAL	%
NAMES								
Dominique de Froberville	-	-	-	-	266	0.02%	-	-
Alexis Harel	133	0.00%	-	-	12,283	0.01%	-	-
Henri Harel	100,720	0.04%	-	-	621,875	0.27%	4,437,051	1.95%
Jean Marc Jauffret	400	0.00%	-	-	-	-	-	-
Jean Arthur Pilot Lagesse	298,900	0.13%	-	-	-	-	-	-
Sébastien Mamet	25,300	0.01%	-	-	-	-	-	-
Cyril Mayer	325,661	0.14%	-	-	939,847	0.41%	-	-
François Montocchio	200	0.00%	-	-	-	-	2,445,364	1.07%
Alain Vallet	133	0.00%	-	-	489,500	0.22%	-	-

The company's senior officers have not declared any interest in the subsidiaries.

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 81 to 150 which comprise the statements of financial position at December 31, 2011, income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows 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.

Independent Auditors' Report to the Members

Report on the Financial Statements (Continued)

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 81 to 150 give a true and fair view of the financial position of the Group and of the Company at December 31, 2011, 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 & Co
Chartered Accountants

Shabnam Peerbocus, F.C.A
Licensed by FRC

Port Louis,
Mauritius.

March 28, 2012

Harel Frères Limited

STATEMENTS OF FINANCIAL POSITION - DECEMBER 31, 2011

	Notes	THE GROUP		THE COMPANY	
		2011	2010	**2011**	2010
ASSETS		**MUR'M**	MUR'M	**MUR'M**	MUR'M
Non-current assets					
Property, plant and equipment	5	**9,881.1**	10,011.4	**7,659.2**	4,287.3
Investment properties	6	**240.3**	246.8	**273.6**	280.1
Intangible assets	7	**186.7**	189.8	**4.3**	4.2
Investment in subsidiaries	8	**-**	-	**4,047.0**	5,831.5
Investment in associates	9	**899.8**	761.9	**-**	184.1
Investment in financial assets	10	**678.6**	793.1	**16.0**	268.3
Non-current receivables	11	**11.5**	7.2	**9.6**	4.4
Bearer biological assets	12	**271.9**	267.3	**271.9**	199.0
Land development expenditure	13	**87.6**	79.8	**87.6**	74.3
Deferred VRS costs	14	**77.0**	75.9	**65.5**	49.1
Deferred tax assets	15	**2.6**	1.3	**-**	-
		12,337.1	12,434.5	**12,434.7**	11,182.3
Current assets					
Inventories	16	**572.6**	542.1	**33.1**	0.2
Consumable biological assets	17	**236.7**	165.3	**236.9**	106.9
Trade and other receivables	18	**1,181.4**	859.8	**1,064.7**	1,192.9
Current tax assets	26	**-**	1.5	**2.3**	1.5
Cash in hand and at bank	33	**158.8**	391.9	**8.5**	17.0
		2,149.5	1,960.6	**1,345.5**	1,318.5
Non-current assets classified as held for sale	19	**7.2**	12.4	**7.2**	12.4
Total assets		**14,493.8**	14,407.5	**13,787.4**	12,513.2
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	20	**3,523.5**	3,523.5	**3,523.5**	3,523.5
Treasury shares		**-**	(0.6)	**-**	(0.6)
Revaluation and other reserves	21	**5,677.9**	5,564.2	**7,487.8**	6,371.0
Retained earnings		**2,774.6**	2,367.9	**2,192.7**	1,893.9
Owners' interest		**11,976.0**	11,455.0	**13,204.0**	11,787.8
Non-controlling interests		**914.0**	840.7	**-**	-
Total equity		**12,890.0**	12,295.7	**13,204.0**	11,787.8
Non-current liabilities					
Borrowings	22	**53.9**	206.3	**53.9**	62.7
Deferred tax liabilities	15	**247.5**	447.7	**19.9**	55.9
Deferred income	23	**8.1**	10.1	**8.1**	-
Retirement benefit obligations	24	**232.6**	231.1	**129.7**	100.0
		542.1	895.2	**211.6**	218.6
Current liabilities					
Trade and other payables	25	**535.0**	621.1	**134.6**	428.6
Current tax liabilities	26	**47.5**	30.0	**7.3**	-
Borrowings	22	**297.0**	565.3	**47.7**	78.0
Proposed dividend	32	**182.0**	-	**182.0**	-
		1,061.5	1,216.4	**371.6**	506.6
Liabilities directly associated with non-current assets classified as held for sale	19(b)	**0.2**	0.2	**0.2**	0.2
Total liabilities		**1,603.8**	2,111.8	**583.4**	725.4
Total equity and liabilities		**14,493.8**	14,407.5	13,787.4	12,513.2

The financial statements have been approved for issue by the Board of Directors on 28 March 2012.

François MONTOCCHIO)
Henri HAREL) DIRECTORS

The notes on pages 88 to 150 form an integral part of these financial statements.

Auditors' report on pages 79 and 80.

Harel Frères Limited

INCOME STATEMENTS - YEAR ENDED DECEMBER 31, 2011

		THE GROUP		THE COMPANY	
	Notes	**2011**	2010	**2011**	2010
		MUR'M	MUR'M	**MUR'M**	MUR'M
Revenue	40 (c), 2(q)	**4,222.7**	3,643.3	**724.7**	442.3
Compensation from the Sugar Insurance Fund Board		**2.4**	(2.4)	**1.5**	0.6
Gains/(losses) arising from changes in fair value of consumable biological assets	17	**71.4**	(7.0)	**71.4**	(1.9)
		4,296.5	3,633.9	**797.6**	441.0
Cost of sales		**(2,996.9)**	(2,654.0)	**(487.5)**	(330.3)
Gross profit		**1,299.6**	979.9	**310.1**	110.7
Other income	27	**121.7**	152.4	**498.7**	313.1
Administrative expenses		**(313.4)**	(288.5)	**(139.6)**	(83.0)
Distribution costs		**(66.5)**	(68.1)	**-**	-
Other expenses		**(250.9)**	(227.6)	**(145.1)**	(95.8)
Profit before finance costs	28	**790.5**	548.1	**524.1**	245.0
Finance costs	30	**(73.7)**	(158.9)	**(23.7)**	(51.2)
Share of results of associates	9	**160.0**	86.7	**-**	-
Profit before taxation		**876.8**	475.9	**500.4**	193.8
Taxation	26	**(116.2)**	(75.7)	**(25.6)**	4.9
Profit for the year		**760.6**	400.2	**474.8**	198.7
Profit attributable to:					
Owners of the parent		**582.7**	250.4	**474.8**	198.7
Non-controlling interests		**177.9**	149.8	**-**	-
		760.6	400.2	**474.8**	198.7
Earnings per share (MUR)	31	**2.56**	1.14	**2.09**	0.90

The notes on pages 88 to 150 form an integral part of these financial statements.
Auditors' report on pages 79 and 80.

STATEMENTS OF COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2011

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
Profit for the year	**760.6**	400.2	**474.8**	198.7
Other comprehensive income:				
(Decrease)/increase in fair value of investments	**(94.8)**	395.2	**122.3**	1,019.0
Fair value movement on disposal of financial assets	**(5.1)**	(10.1)	**(13.1)**	-
Share of other comprehensive income of associates	**(18.8)**	(3.5)	**-**	-
Reversal/(charge) of deferred tax on revaluation of land	**209.2**	(209.2)	**209.2**	(52.7)
Translation reserve movement	**51.3**	83.0	**-**	-
Scrappings of revalued property, plant and equipment	**(0.9)**	(1.7)	**-**	-
Other comprehensive income for the year	**140.9**	253.7	**318.4**	966.3
Total comprehensive income for the year	**901.5**	653.9	**793.2**	1,165.0
Total comprehensive income attributable to:				
Owners of the parent	**698.9**	464.2	**793.2**	1,165.0
Non-controlling interests	**202.6**	189.7	**-**	-
	901.5	653.9	**793.2**	1,165.0

The notes on pages 88 to 150 form an integral part of these financial statements.
Auditors' report on pages 79 and 80.

Harel Frères Limited

STATEMENTS OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2011

THE GROUP	Note	Attributable to owners of the parent: Share Capital MUR'M	Treasury Shares MUR'M	Revaluation and Other Reserves MUR'M	Retained Earnings MUR'M	Total MUR'M	Non-Controlling interests MUR'M	Total Equity MUR'M
Balance at January 1, 2011		**3,523.5**	**(0.6)**	**5,564.2**	**2,367.9**	**11,455.0**	**840.7**	**12,295.7**
Total comprehensive income for the year		**-**	**-**	**116.2**	**582.7**	**698.9**	**202.6**	**901.5**
Treasury share re-issued		**-**	**0.6**	**-**	**4.5**	**5.1**	**-**	**5.1**
Release of deferred tax on excess depreciation over historical cost depreciation		**-**	**-**	**2.9**	**-**	**2.9**	**-**	**2.9**
Release on disposal of land		**-**	**-**	**(1.5)**	**1.5**	**-**	**-**	**-**
Movements on reserves		**-**	**-**	**(3.9)**	**-**	**(3.9)**	**0.8**	**(3.1)**
Dividends	32	**-**	**-**	**-**	**(182.0)**	**(182.0)**	**(130.1)**	**(312.1)**
Balance at December 31, 2011		**3,523.5**	**-**	**5,677.9**	**2,774.6**	**11,976.0**	**914.0**	**12,890.0**

THE GROUP	Note	Attributable to owners of the parent: Share Capital MUR'M	Treasury Shares MUR'M	Revaluation and Other Reserves MUR'M	Retained Earnings MUR'M	Total MUR'M	Non-Controlling interests MUR'M	Total Equity MUR'M
Balance at January 1, 2010		173.8	(0.6)	4353.1	2,235.8	6,762.1	954.2	7,716.3
Total comprehensive income for the year		-	-	213.8	250.4	464.2	189.7	653.9
Amalgamation adjustment		3,349.7	-	1,031.9	-	4,381.6	-	4,381.6
Release of deferred tax on excess depreciation over historical cost depreciation		-	-	1.2	-	1.2	-	1.2
Release on disposal of land		-	-	(35.8)	35.8	-	-	-
Movements on reserves		-	-	-	-	-	(186.2)	(186.2)
Dividends	32	-	-	-	(154.1)	(154.1)	(117.0)	(271.1)
Balance at December 31, 2010		3,523.5	(0.6)	5,564.2	2,367.9	11,455.0	840.7	12,295.7

The notes on pages 88 to 150 form an integral part of these financial statements.
Auditors' report on pages 79 and 80.

STATEMENTS OF CHANGES IN EQUITY (CONT'D) - YEAR ENDED DECEMBER 31, 2011

THE COMPANY	Note	Share Capital	Treasury Shares	Revaluation and Other Reserves	Amalgamation Reserve	Retained Earnings	Total
		MUR'M	**MUR'M**	**MUR'M**	**MUR'M**	**MUR'M**	**MUR'M**
Balance at January 1, 2011		**3,523.5**	**(0.6)**	**2,951.4**	**3,419.6**	**1,893.9**	**11,787.8**
Total comprehensive income for the year		**-**	**-**	**318.4**	**-**	**474.8**	**793.2**
Amalgamation adjustment		**-**	**-**	**-**	**798.3**	**-**	**798.3**
Treasury share re-issued		**-**	**0.6**	**-**	**-**	**4.5**	**5.1**
Release of deferred tax on excess depreciation over historical cost depreciation		**-**	**-**	**1.6**	**-**	**-**	**1.6**
Release on disposal of land		**-**	**-**	**(1.5)**	**-**	**1.5**	**-**
Dividends	32	**-**	**-**	**-**	**-**	**(182.0)**	**(182.0)**
Balance at December 31, 2011		**3,523.5**	**-**	**3,269.9**	**4,217.9**	**2,192.7**	**13,204.0**

THE COMPANY	Note	Share Capital	Treasury Shares	Revaluation and Other Reserves	Amalgamation Reserve	Retained Earnings	Total
		MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
Balance at January 1, 2010		173.8	(0.6)	2,019.7	3,418.7	1,813.5	7,425.1
Total comprehensive income for the year		-	-	966.3	-	198.7	1,165.0
Amalgamation adjustment		3,349.7	-	-	0.9	-	3,350.6
Release of deferred tax on excess depreciation over historical cost depreciation		-	-	1.2	-	-	1.2
Release on disposal of land		-	-	(35.8)	-	35.8	-
Dividends	32	-	-	-	-	(154.1)	(154.1)
Balance at December 31, 2010		3,523.5	(0.6)	2,951.4	3,419.6	1,893.9	11,787.8

The notes on pages 88 to 150 form an integral part of these financial statements.
Auditors' report on pages 79 and 80.

Harel Frères Limited

STATEMENTS OF CASH FLOW - YEAR ENDED DECEMBER 31, 2011

	Note	THE GROUP		THE COMPANY	
		2011	2010	**2011**	2010
		MUR'M	MUR'M	**MUR'M**	MUR'M
Operating activities					
Profit before taxation		**876.8**	475.9	**500.4**	193.8
Adjustments for :					
Depreciation	5	**261.7**	261.3	**69.8**	32.4
Release of deferred revenue		**(2.0)**	-	**(2.0)**	-
Fair value movement		**-**	-	**(13.1)**	-
Profit on sale of property, plant and equipment/ non current assets classified as held for sale		**(24.6)**	(18.1)	**(9.5)**	(12.6)
Profit on sale of investments		**(6.0)**	(16.5)	**(0.3)**	(10.0)
Retirement benefit obligations		**1.5**	(6.2)	**(5.4)**	(11.5)
Amortisation of bearer biological assets	12	**74.5**	69.2	**74.5**	48.9
Amortisation of intangible assets	7	**6.5**	4.6	**3.3**	2.5
Depreciation of investment properties	6	**6.5**	6.4	**6.5**	6.4
Amortisation of VRS costs	14	**18.8**	14.9	**16.4**	9.5
Exchange differences		**47.3**	70.4	**-**	-
Amalgamation adjustment		**-**	-	**(2.5)**	-
Investment income		**(17.0)**	(27.2)	**(248.7)**	(289.8)
Interest expense	30	**52.6**	64.1	**23.7**	36.3
Share of results of associates		**(160.0)**	(86.7)	**-**	-
Changes in working capital:					
- inventories		**(30.5)**	(108.6)	**2.8**	-
- consumable biological assets	17	**(71.4)**	7.0	**(71.4)**	(1.9)
- trade and other receivables		**(328.4)**	271.0	**1,213.8**	(194.8)
- trade and other payables		**(45.7)**	(184.6)	**(1,298.3)**	89.1
		660.6	796.9	**260.0**	(101.7)
VRS costs paid		**(89.6)**	(24.1)	**(67.9)**	(24.1)
Interest paid		**(52.6)**	(64.1)	**(23.7)**	(36.3)
Income tax paid		**(86.6)**	(103.8)	**(0.8)**	-
Net cash from/(used in) operating activities		**431.8**	604.9	**167.6**	(162.1)

The notes on pages 88 to 150 form an integral part of these financial statements.
Auditors' report on pages 79 and 80.

STATEMENTS OF CASH FLOW (CONT'D) - YEAR ENDED DECEMBER 31, 2011

		THE GROUP		THE COMPANY	
	Note	**2011**	2010	**2011**	2010
Investing activities		**MUR'M**	MUR'M	**MUR'M**	MUR'M
Purchase of property, plant and equipment/investment properties	5,6	**(139.4)**	(175.9)	**(54.0)**	(24.5)
Intangible assets acquired	7	**(3.4)**	(2.2)	**(3.4)**	(2.2)
Replantation costs	12	**(74.1)**	(80.6)	**(74.1)**	(52.9)
Land development expenditure/					
non-current assets classified as held for sale		**(6.0)**	-	**(6.0)**	(1.8)
Purchase of investment in					
- subsidiaries		**-**	-	**(174.0)**	-
- associates	9	**-**	(291.9)	**-**	(165.0)
- others	10	**(23.3)**	(18.6)	**(0.3)**	(13.8)
Proceeds on sale of property, plant and equipment/					
non-current assets classified as held for sale		**32.6**	30.8	**16.0**	23.2
Proceeds on sale of investments		**13.5**	23.5	**7.6**	43.3
Non-current receivables		**(4.3)**	2.6	**6.4**	0.9
Interest received		**8.6**	12.4	**55.6**	60.8
Dividend received		**47.2**	79.8	**193.1**	229.0
Net cash (used in)/from investing activities		**(148.6)**	(420.1)	**(33.1)**	97.0
Financing activities					
Sale of treasury shares		**5.1**	-	**5.1**	-
Proceeds from borrowings		**-**	60.0	**-**	-
Repayment of loans and debentures		**(265.2)**	(287.8)	**(43.8)**	(13.9)
Dividends paid to shareholders of Harel Frères Limited	32	**-**	(154.1)	**-**	(154.1)
Dividends paid to outside shareholders of subsidiaries		**(100.7)**	(117.1)	**-**	-
Net cash used in financing activities		**(360.8)**	(499.0)	**(38.7)**	(168.0)
(Decrease)/increase in cash and cash equivalents		**(77.6)**	(314.2)	**95.8**	(233.1)
Movement in cash and cash equivalents					
At January 1,		**131.5**	404.2	**(35.4)**	194.9
Amalgamation Adjustment		**-**	41.5	**(71.4)**	2.8
(Decrease)/increase		**(77.6)**	(314.2)	**95.8**	(233.1)
At December 31,	33	**53.9**	131.5	**(11.0)**	(35.4)

The notes on pages 88 to 150 form an integral part of these financial statements.
Auditors' report on pages 79 and 80.

Harel Frères Limited

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011

1. GENERAL INFORMATION

Harel Frères Limited is a public limited company incorporated and domiciled in Mauritius. The address of its registered office is 18, Edith Cavell Street, Port Louis.

These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of Shareholders of the Company.

Principal activities
Harel Frères Limited is involved in investment holding and cane growing activities.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of Harel Frères Limited and its subsidiary companies (The Group) comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards. The financial statements include the consolidated financial statements of the parent company and its subsidiary companies (The Group) and its separate financial statements of the parent company (The Company). 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) Investment in financial assets are stated at their fair value; and
(iii) consumable biological assets are stated at their fair value.

Standards, Amendments to published Standards and Interpretations effective in the reporting period

Amendment to IAS 32, ‘ Classification of rights issues’, addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. This amendment is not expected to have any impact on the Group’s financial statements.

Amendment to IFRS 1 Limited Exemption from Comparatives IFRS 7 Disclosures for First-time Adopters provides first-time adopters relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 ‘Financial Instruments: Disclosures’. This amendment is not expected to have any impact on the Group’s financial statements.

IFRIC 19, ‘Extinguishing financial liabilities with equity instruments’, clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. This IFRIC will not have any impact on the Group’s financial statements.

IAS 24, ‘Related Party Disclosures’ (Revised 2009), clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group and the parent have disclosed transactions between its subsidiaries and its associates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Amendments to IFRIC 14, 'Prepayments of a Minimum Funding Requirement' correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. These amendments are not expected to have any impact on the Group's financial statements.

Improvements to IFRSs (issued 6 May 2010)

IAS 1 (Amendment), 'Presentation of Financial Statements', clarifies that an entity may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. This amendment is not expected to have any impact on the Group's financial statements.

IAS 27 (Amendment), 'Consolidated and Separate Financial Statements', clarifies that the consequential amendments to IAS 21, IAS 28 and IAS 31 resulting from the 2008 revisions to IAS 27 are to be applied prospectively. This amendment is unlikely to have an impact on the Group's financial statements.

IAS 34 (Amendment), 'Interim Financial Reporting', emphasises the disclosure principles in IAS 34 and adds further guidance to illustrate how to apply these principles. This amendment is not expected to have any impact on the Group's financial statements.

IFRS 1 (Amendment), 'First-time Adoption of International Financial Reporting Standards', clarifies that a first-time adopter is exempt from all the requirements of IAS 8 for the interim financial report it presents in accordance with IAS 34 for part of the period covered by its first IFRS financialstatements and for its first IFRS financial statements. It also allows an entity to recognise an event-driven fair value measurement as deemed cost when the event occurs, provided that this is during the periods covered by its first IFRS financial statements. This amendment is not expected to have any impact on the Group's financial statements.
IFRS 3 (Amendment), 'Business Combinations', clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS. The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including un-replaced and voluntarily replaced share-based payment awards. This amendment is unlikely to have an impact on the Group's financial statements.

IFRS 7 (Amendment), Financial Instruments: Disclosures', clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosures regarding renegotiated loans. The Group has provided the required disclosures.

IFRIC 13 (Amendment), 'Customer Loyalty Programmes' clarifies that when the fair value of award credits is measured on the basis of the value of the awards for which they could be redeemed, the fair value of the award credits should take account of expected forfeitures as well as the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale. This amendment is unlikely to have an impact on the Group's financial statements.

Standards, Amendments to published 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 2012 or later periods, but which the Group has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS1) (effective 1 July 2011)
Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)

Harel Frères Limited

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) (effective 1 July 2011)
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
IFRS 9 Financial Instruments
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IAS 19 Employee Benefits (Revised 2011)

Where relevant, the Group is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's 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 4.

(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 and certain factory equipment 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 that future economic benefits associated with the item will follow to the Group and the cost of the item can be measured reliably.

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

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from revaluation surplus to retained earnings.

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 lives. It is applied at the following rates:

Buildings on Leasehold Land	2 - 6%
Land improvement	2%
Buildings	2 - 9%
Power Plant	4 - 20%
Building and Civil Works	4 - 10%
Factory Equipment	2 - 10%
Agricultural Equipment	5 - 20%
Motor Vehicles	20- 25%
Furniture and Office Equipment	5 - 35%

Land is not depreciated.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 rate is 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 and distribution rights.

(i) Closure costs
Closure costs represents land conversion rights and are shown at cost. These are expected to be recovered from the profit on disposal of earmarked freehold land (note 7(e)) and are tested annually for impairment.

(ii) Brands/distribution rights
Brands/distribution rights 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.

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
Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investment in subsidiaries (cont'd)

costs are expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

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

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments

(i) Financial assets

(A) Categories of financial assets

The Group classifies its financial assets in the following categories: loans and receivables 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 after the end of the reporting period or non-current assets for maturities greater than twelve months.

(b) 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 end of the reporting period.

(B) Recognition and measurement

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

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 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 other comprehensive income. 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.

(C) Inpairment of financial assets

The Group assesses at each end of the reporting period 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 of 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 present value (PV) of the impairment loss is measured as the difference between the carrying amount of the asset and the present estimated cash flows discounted at the current market rate of return of similar financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (cont'd)

(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 end of the reporting 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 whereby the foreign exchange exposure arising from translation of the loans is hedged against the revenue stream.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income with 'other gains/(losses) - net'. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged take place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to statement of comprehensive income within 'other gains/(losses) - net'.

(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 statement of financial position.

(viii) Stated capital

Ordinary shares are classified as equity.

(ix) Where any Group Company purchases its equity share capital (treasury shares),the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. When such shares are subsequently reissued, any net consideration received, is included in equity attributable to the Company's equity holders.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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, land of the Company can now be sold without payment of any land conversion taxes. 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 tax

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 end of the reporting period 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.

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 7/8 years.

(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 a company 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 Group contributes 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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Retirement benefit obligations (cont'd)

with the advice of qualified actuaries. Cumulative 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.

All acturial gains and losses are recognised in the income statement.

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 gratuity on retirement payable under the Emploment Rights Act 2009 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.

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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
(b) income and expenses for each income statement are translated at average exchange rates; and
(c) all resulting exchange differences are recognised in other comprehensive income.

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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 intesrest 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.
- Compensation from the Sugar Insurance Fund Board - recognised on a time-proportion basis.

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

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

(s) Provisions

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

(t) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared.

(u) Segment reporting

Segment information presented relate to operating segments that engage in business activities for which revenues are earned and expenses incurred.

3. FINANCIAL RISK MANAGEMENT

3.1 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.

Harel Frères Limited

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

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 total assets and liabilities are summarised below:

THE GROUP	MUR	EURO	USD	Other currencies	TOTAL
	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
At December 31, 2011					
Trade and other receivables	**1,119.0**	**51.0**	**10.7**	**0.7**	**1,181.4**
Cash in hand and at bank	**88.6**	**70.2**	**-**	**-**	**158.8**
Other assets	**13,041.4**	**112.2**	**-**	**-**	**13,153.6**
Total assets	**14,249.0**	**233.4**	**10.7**	**0.7**	**14,493.8**
Liabilities	**1,406.6**	**72.5**	**102.9**	**21.8**	**1,603.8**
At December 31, 2010					
Trade and other receivables	828.9	21.2	5.0	4.7	859.8
Cash in hand and at bank	280.0	109.4	2.4	0.1	391.9
Other assets	12,990.8	165.0	-	-	13,155.8
Total assets	14,099.7	295.6	7.4	4.8	14,407.5
Liabilities	1,918.5	193.3	-	-	2,111.8

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

THE COMPANY	MUR	EURO	USD	Other currencies	TOTAL
	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
At December 31, 2011					
Trade and other receivables	**1,064.7**	**-**	**-**	**-**	**1,064.7**
Cash in hand and at bank	**8.4**	**0.1**	**-**	**-**	**8.5**
Other assets	**12,714.2**	**-**	**-**	**-**	**12,714.2**
Total assets	**13,787.3**	**0.1**	**-**	**-**	**13,787.4**
Liabilities	**583.4**	**-**	**-**	**-**	**583.4**
At December 31, 2010					
Trade and other receivables	1,192.9	-	-	-	1,192.9
Cash in hand and at bank	16.9	0.1	-	-	17.0
Other assets	11,303.3	-	-	-	11,303.3
Total assets	12,513.1	0.1	-	-	12,513.2
Liabilities	725.4	-	-	-	725.4

At December 31, 2011, 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	2011	2010
	MUR'M	MUR'M
Rupee strengthened/weakened by 5%		
Post-tax profit	**2.0**	4.8

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(a) Market risk (cont'd)

(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 on the Group's equity.

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

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
	+/-5%	+/-5%	**+/-5%**	+/-5%
Investments	**33.9**	39.7	**203.2**	314.2

(b) Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The amounts, presented in the statement of financial position, 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.

(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 flows.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(c) Liquidity risk (cont'd)

Forecasted liquidity reserve is as follows:

	THE GROUP	THE COMPANY
	2012	2012
	MUR'M	MUR'M
Opening balance for the period	53.9	(11.0)
Cash flows from operating activities	779.1	362.9
Cash flows from investing activities	(359.4)	(120.0)
Cash flows from financing activities	(463.6)	(210.3)
Closing balance for the period	10.0	21.6

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
	MUR'M	MUR'M	MUR'M
THE GROUP			
At December 31, 2011			
Borrowings including bank overdrafts	**297.0**	**24.4**	**29.5**
Trade and other payables	**535.0**	**-**	**-**
At December 31, 2010			
Borrowings including bank overdrafts	565.3	144.6	61.7
Trade and other payables	621.1	-	-
THE COMPANY			
At December 31, 2011			
Borrowings including bank overdrafts	**47.7**	**24.4**	**29.5**
Trade and other payables	**134.6**	**-**	**-**
At December 31, 2010			
Borrowings including bank overdrafts	78.0	17.0	45.7
Trade and other payables	428.6	-	-

Harel Frères Limited

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 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 to cash flow interest-rate risk. Borrowings issued at fixed rates also expose the Group to fair value interest-rate risk.

(i) At December 31, 2011, 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)	
	2011	2010	**2011**	2010
THE GROUP	**MUR'M**	MUR'M	**MUR'M**	MUR'M
Impact on post-tax profit and shareholders' equity	**2.1**	2.6	**0.5**	1.2
THE COMPANY				
Impact on post-tax profit and shareholders' equity	**0.7**	0.1	**-**	-

(ii) At December 31, 2011, 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 not be significanty impacted.

3.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Biological assets

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

3.4 Capital Risk Management

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

Total equity comprises all components of equity (stated capital, treasury shares, revaluation and other reserves, retained earnings and non controlling interest).

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, 2011 and December 31, 2010 were as follows:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
Total debt (note 22)	**350.9**	771.6	**101.6**	140.7
Less: cash and cash equivalents (note 33)	**(158.8)**	(391.9)	**(8.5)**	(17.0)
Net debt	**192.1**	379.7	**93.1**	123.7
Total equity	**12,890.0**	12,295.7	**13,204.0**	11,787.8
Debt-to- adjusted capital ratio	**0.02:1**	0.03:1	**0.01:1**	0.01:1

Net debt is calculated as total debt (as shown in the statement of financial position) less cash in hand and at bank.

Harel Frères Limited

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

The 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 2(d). These calculations require the use of estimates.

(b) 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.

(c) Other investments - Available-for-sale

Level 3 Available-for-sale investments are stated at cost since no reliable estimate could be obtained to compute the fair value of these securities. The directors used their judgement at year-end and reviewed the carrying amount of these investments and in their opinion there were no material difference between the carrying amount and the fair value of the unquoted securities. To their judgement, the carrying amount reflects the fair value of these investments.

(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.

(e) Depreciation policies

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

The directors therefore make estimates based in historical experience and use best judgement to assess the useful lives of assets and to forecast the expected residual values of the assets at the end of their expected useful lives.

(f) Pension benefits

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

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

(f) Pension benefits (cont'd)

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

(g) Limitation of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Group's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty.

(h) Assets lives and residual lives

Property, plant and equipment are depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

(i) Impairment of assets

Goodwill is considered for impairment at least annually. Property, plant and equipment, and intangible assets are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the assets or cash-generating units are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value. The impairment loss is first allocated to goodwill and then to the other assets of a cash-generating unit.

Cash flows which are utilised in these assessments are extracted from formal five-year business plans which are updated annually. The Group utilises the valuation model to determine asset and cash-generating unit values supplemented, where appropriate, by discounted cash flow and other valuation techniques.

Harel Frères Limited

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP	Land	Buildings on Leasehold Land and Land Improvement	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, 2011										
- Cost	3,865.0	103.4	56.9	96.2	9.9	321.6	314.3	335.2	222.7	5,325.2
- Valuation	3,581.9	-	782.9	2,119.5	370.4	1,343.7	-	-	-	8,198.4
	7,446.9	103.4	839.8	2,215.7	380.3	1,665.3	314.3	335.2	222.7	13,523.6
Adjustment	(75.4)	75.4	-	-	-	-	-	-	-	-
Additions	6.0	1.1	19.6	26.4	1.2	25.2	16.7	25.1	18.1	139.4
Disposals/Scrapped assets	(1.2)	-	-	(11.6)	-	-	(1.2)	(11.8)	-	(25.8)
At December 31, 2011										-
- Cost	**3,795.6**	**179.9**	**76.5**	**122.6**	**11.1**	**346.8**	**329.8**	**348.5**	**240.8**	**5,451.6**
- Valuation	**3,580.7**	**-**	**782.9**	**2,107.9**	**370.4**	**1,343.7**	**-**	**-**	**-**	**8,185.6**
	7,376.3	**179.9**	**859.4**	**2,230.5**	**381.5**	**1,690.5**	**329.8**	**348.5**	**240.8**	**13,637.2**
DEPRECIATION										
At January 1, 2011	-	49.6	614.6	928.0	159.1	1,152.3	226.2	229.5	152.9	3,512.2
Charge for the year	-	5.2	31.4	100.7	-	45.5	43.2	19.5	16.2	261.7
Disposals/Scrapped assets	-	-	-	(4.9)	-	-	(1.2)	(11.7)	-	(17.8)
At December 31, 2011	**-**	**54.8**	**646.0**	**1,023.8**	**159.1**	**1,197.8**	**268.2**	**237.3**	**169.1**	**3,756.1**
NET BOOK VALUES										
At December 31, 2011	**7,376.3**	**125.1**	**213.4**	**1,206.7**	**222.4**	**492.7**	**61.6**	**111.2**	**71.7**	**9,881.1**

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

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

(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, 2010										
- Cost	0.6	97.8	5.8	87.7	8.0	276.2	183.3	326.2	206.0	1,191.6
- Valuation	3,618.5	-	782.9	2,119.5	370.4	1,343.7	-	-	-	8,235.0
	3,619.1	97.8	788.7	2,207.2	378.4	1,619.9	183.3	326.2	206.0	9,426.6
Amalgamation adjustments	3,859.7	-	48.2	-	-	-	92.8	0.1	6.3	4,007.1
Additions	4.7	5.6	2.9	27.9	1.9	45.4	44.6	25.5	12.8	171.3
Disposals/Scrapped assets	(36.6)	-	-	(19.4)	-	-	(6.4)	(16.6)	(2.4)	(81.4)
At December 31, 2010										-
- Cost	**3,865.0**	**103.4**	**56.9**	**96.2**	**9.9**	**321.6**	**314.3**	**335.2**	**222.7**	**5,325.2**
- Valuation	**3,581.9**	**-**	**782.9**	**2,119.5**	**370.4**	**1,343.7**	**-**	**-**	**-**	**8,198.4**
	7,446.9	**103.4**	**839.8**	**2,215.7**	**380.3**	**1,665.3**	**314.3**	**335.2**	**222.7**	**13,523.6**
DEPRECIATION										
At January 1, 2010	-	35.4	587.9	837.9	143.3	1,101.8	132.6	213.6	135.0	3,187.5
Amalgamation adjustments	-	9.0	11.7	-	-	-	63.2	0.1	3.5	87.5
Charge for the year	-	5.2	15.0	97.5	15.8	50.5	44.6	18.3	14.4	261.3
Transfer	-	-	-	-	-	-	(9.7)	9.7	-	-
Disposals/Scrapped assets	-	-	-	(7.4)	-	-	(4.5)	(12.2)	-	(24.1)
At December 31, 2010	**-**	**49.6**	**614.6**	**928.0**	**159.1**	**1,152.3**	**226.2**	**229.5**	**152.9**	**3,512.2**
NET BOOK VALUES										
At December 31, 2010	**7,446.9**	**53.8**	**225.2**	**1,287.7**	**221.2**	**513.0**	**88.1**	**105.7**	**69.8**	**10,011.4**

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

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

(b) THE COMPANY	Land	Land Improvement	Buildings	Agricultural Equipment	Motor Vehicles	Furniture and Office Equipment	Total
	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
COST AND VALUATION							
At January 1, 2011							
- Cost	453.4	-	12.2	229.3	80.2	40.4	815.5
- Valuation	3,580.3	-	679.4	-	-	-	4,259.7
	4,033.7	-	691.6	229.3	80.2	40.4	5,075.2
Additions	5.0	-	18.6	14.7	13.5	2.2	54.0
Amalgamation adjustments	3,209.7	75.3	51.3	247.7	-	9.5	3,593.5
Disposals	(1.2)	-	-	(1.2)	(5.3)	-	(7.7)
At December 31, 2011							
- Cost	**3,666.9**	**75.3**	**82.1**	**490.5**	**88.4**	**52.1**	**4,455.3**
- Valuation	**3,580.3**	**-**	**679.4**	**-**	**-**	**-**	**4,259.7**
	7,247.2	**75.3**	**761.5**	**490.5**	**88.4**	**52.1**	**8,715.0**
DEPRECIATION							
At January 1, 2011	-	-	541.3	152.3	63.7	30.6	787.9
Charge for the year	-	1.5	13.5	43.2	7.1	4.5	69.8
Amalgamation adjustments	-	10.5	11.7	176.1	-	6.3	204.6
Disposal adjustments	-	-	-	(1.2)	(5.3)	-	(6.5)
At December 31, 2011	**-**	**12.0**	**566.5**	**370.4**	**65.5**	**41.4**	**1,055.8**
NET BOOK VALUES							
At December 31, 2011	**7,247.2**	**63.3**	**195.0**	**120.1**	**22.9**	**10.7**	**7,659.2**

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

5. 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, 2010						
- Cost	0.7	2.9	144.0	70.3	33.0	250.9
- Valuation	3,616.9	679.4	-	-	-	4,296.3
	3,617.6	682.3	144.0	70.3	33.0	4,547.2
Additions	4.0	0.4	5.0	7.5	1.1	18.0
Amalgamation adjustments	448.8	8.9	92.8	-	6.3	556.8
Disposals	(36.6)	-	-	(10.2)	-	(46.8)
Transfer	-	-	(12.5)	12.5	-	-
At December 31, 2010						
- Cost	**453.4**	**12.2**	**229.3**	**80.2**	**40.4**	**815.5**
- Valuation	**3,580.3**	**679.4**	**-**	**-**	**-**	**4,259.7**
	4,033.7	**691.6**	**229.3**	**80.2**	**40.4**	**5,075.2**
DEPRECIATION						
At January 1, 2010	-	524.8	86.3	55.5	24.2	690.8
Charge for the year	-	11.9	12.5	5.1	2.9	32.4
Amalgamation	-	4.6	63.2	0.1	3.5	71.4
Disposal adjustments	-	-	-	(6.7)	-	(6.7)
Transfer	-	-	(9.7)	9.7	-	-
At December 31, 2010	**-**	**541.3**	**152.3**	**63.7**	**30.6**	**787.9**
NET BOOK VALUES						
At December 31, 2010	**4,033.7**	**150.3**	**77.0**	**16.5**	**9.8**	**4,287.3**

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NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

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

(c) Land and buildings

(i) Land and buildings were revalued in 2007, 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 Surplus" 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 Company has earmarked 119 hectares of land to finance the VRS 1 costs and as land compensation to workers who took advantage of the scheme, out of which 28.83 hectares have been disposed.

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

The Company has earmarked 100 hectares for land conversion under "1200A" scheme as per Section 11(3) of SIE Act 2001, out of which 60.1 hectares have been disposed.

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

The Company 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 has been charged to the income statement as follows:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
Cost of sales	**173.9**	173.5	**-**	-
Other expenses	**87.8**	87.8	**69.8**	32.4
	261.7	261.3	**69.8**	32.4

5. 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:

THE GROUP	Land MUR'M	Buildings MUR'M	Factory Equipment MUR'M	Power Plant MUR'M	Building and Civil Works MUR'M
2011					
Cost	**3,795.6**	**76.5**	**659.9**	**1,874.1**	**323.9**
Accumulated depreciation	**-**	**(29.7)**	**(287.4)**	**(961.1)**	**(167.0)**
Net book value	**3,795.6**	**46.8**	**372.5**	**913.0**	**156.9**
2010					
Cost	3,865.0	110.5	731.0	1,847.8	322.6
Accumulated depreciation	-	(27.7)	(307.1)	(773.7)	(134.7)
Net book value	3,865.0	82.8	423.9	1,074.1	187.9

THE COMPANY	Land MUR'M	Buildings MUR'M
2011		
Cost	**3,666.9**	**76.7**
Accumulated depreciation	**-**	**(18.5)**
Net book value	**3,666.9**	**58.2**
2010		
Cost	453.4	76.7
Accumulated depreciation	-	(16.9)
Net book value	453.4	59.8

(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)).

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NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

6. INVESTMENT PROPERTIES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
COST				
At January 1,	**299.5**	294.9	**296.8**	292.2
Addition	**-**	4.6	**-**	4.6
At December 31,	**299.5**	299.5	**296.8**	296.8
DEPRECIATION				
At January 1,	**52.7**	46.3	**16.7**	10.3
Charge for the year	**6.5**	6.4	**6.5**	6.4
At December 31,	**59.2**	52.7	**23.2**	16.7
NET BOOK VALUES				
At December 31,	**240.3**	246.8	**273.6**	280.1
Fair Value	**316.2**	323.4	**316.2**	323.4

	THE GROUP AND THE COMPANY	
	2011	2010
	MUR'M	MUR'M
(a) The following amounts have been recognised in the income statement:		
Rental income	**17.2**	15.1
Direct operating expenses from investment properties that generate rental income	**8.0**	7.9

(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 - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

7. INTANGIBLE ASSETS

THE GROUP	Land Conversion Rights-Closure Costs MUR'M	Brands MUR'M	Goodwill MUR'M	Computer Software MUR'M	Legal Fees MUR'M	Distribution Rights MUR'M	Total MUR'M
(a) COST							
At January 1, 2011	131.7	46.1	10.2	18.7	47.8	2.1	256.6
Additions	-	-	-	3.4	-	-	3.4
At December 31, 2011	**131.7**	**46.1**	**10.2**	**22.1**	**47.8**	**2.1**	**260.0**
AMORTISATION							
At January 1, 2011	-	-	3.6	18.1	45.1	-	66.8
Charge for the year	-	-	-	3.8	2.7	-	6.5
At December 31, 2011	**-**	**-**	**3.6**	**21.9**	**47.8**	**-**	**73.3**
NET BOOK VALUES							
At December 31, 2011	**131.7**	**46.1**	**6.6**	**0.2**	**-**	**2.1**	**186.7**
(b) COST							
At January 1, 2010	131.7	46.1	10.2	16.5	47.8	2.1	254.4
Additions	-	-	-	2.2	-	-	2.2
At December 31, 2010	**131.7**	**46.1**	**10.2**	**18.7**	**47.8**	**2.1**	**256.6**
AMORTISATION							
At January 1, 2010	-	-	3.6	15.6	43.0	-	62.2
Charge for the year	-	-	-	2.5	2.1	-	4.6
At December 31, 2010	**-**	**-**	**3.6**	**18.1**	**45.1**	**-**	**66.8**
NET BOOK VALUES							
At December 31, 2010	**131.7**	**46.1**	**6.6**	**0.6**	**2.7**	**2.1**	**189.8**

Harel Frères Limited

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

7. INTANGIBLE ASSETS (CONT'D)

	Computer Software	
	2011	2010
THE COMPANY	**MUR'M**	MUR'M
(c) COST		
At January 1,	**10.0**	7.8
Additions	**3.4**	2.2
At December 31,	**13.4**	10.0
AMORTISATION		
At January 1,	**5.8**	3.3
Charge for the year	**3.3**	2.5
At December 31,	**9.1**	5.8
NET BOOK VALUES		
At December 31,	**4.3**	4.2

(d) Amortisation charge

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
Cost of sales	**-**	2.1	**-**	-
Other expenses	**3.8**	2.5	**3.3**	2.5
	3.8	4.6	**3.3**	2.5

(e) 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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

8. INVESTMENT IN SUBSIDIARIES

	2011	2010
THE COMPANY	**MUR'M**	MUR'M
At January 1,	**5,831.5**	2,221.3
Amalgamation adjustment	**(2,510.2)**	2,732.8
Transfer from HF Investments Ltd	**603.4**	-
Increase in fair value	**122.3**	877.4
At December 31,	**4,047.0**	5,831.5

Details of subsidiaries are set out in note 34.

9. INVESTMENT IN ASSOCIATES

	2011	2010
(a) THE GROUP	**MUR'M**	MUR'M
(i) Group's share of net assets	**899.8**	761.9

Details of associates are set out in note 35.

	2011	2010
	MUR'M	MUR'M
(ii) At January 1,	**761.9**	410.3
Amalgamation adjustment	**-**	41.5
Additions	**-**	291.9
Reclassified from investment in financial assets	**35.5**	-
Share of profit after tax and minority interest	**160.0**	86.7
Dividend paid	**(38.8)**	(65.0)
Movement on reserves	**(18.8)**	(3.5)
At December 31,	**899.8**	761.9

	2011	2010
(b) THE COMPANY	**MUR'M**	MUR'M
At January 1,	**184.1**	1.3
Additions	**-**	165.0
Amalgamation adjustment	**-**	41.5
Transfer to HF Investments Ltd	**(184.1)**	(27.0)
Increase in fair value	**-**	3.3
At December 31,	-	184.1

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

10. INVESTMENT IN FINANCIAL ASSETS

THE GROUP	Available-for-sale			
	Listed			
	Official Market	DEM	Unquoted	Total
	MUR'M	MUR'M	MUR'M	MUR'M
(a) At January 1, 2011	**434.2**	**50.0**	**308.9**	**793.1**
Reclassified to associates	**-**	**-**	**(35.5)**	**(35.5)**
Additions	**22.7**	**-**	**0.6**	**23.3**
Disposals	**(6.7)**	**-**	**(0.8)**	**(7.5)**
Decrease in fair value	**(53.8)**	**(19.1)**	**(21.9)**	**(94.8)**
At December 31, 2011	**396.4**	**30.9**	**251.3**	**678.6**

	Available-for-sale			
	Listed			
	Official Market	DEM	Unquoted	Total
	MUR'M	MUR'M	MUR'M	MUR'M
(b) At January 1, 2010	168.4	57.3	69.5	295.2
Amalgamation adjustment	23.5	0.5	80.5	104.5
Additions	4.7	-	13.9	18.6
Disposal	(6.0)	(14.3)	(0.1)	(20.4)
Increase in fair value	243.6	6.5	145.1	395.2
At December 31, 2010	434.2	50.0	308.9	793.1

(c) Available-for-sale financial assets

	Level 1	Level 2	Level 3	Total
	MUR'M	MUR'M	MUR'M	MUR'M
At December 31, 2011	**427.3**	**224.6**	**26.7**	**678.6**
At December 31, 2010	484.2	282.2	26.7	793.1

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

10. INVESTMENT IN FINANCIAL ASSETS (CONT'D)

THE COMPANY	Available-for-sale		
	Listed		
	Official Market	Unquoted	Total
	MUR'M	MUR'M	MUR'M
(d) At January 1, 2011	**32.0**	**236.3**	**268.3**
Additions	**-**	**0.3**	**0.3**
Disposals	**(6.7)**	**(0.6)**	**(7.3)**
Transfer to HF Investments Ltd	**(25.3)**	**(220.0)**	**(245.3)**
At December 31, 2011	**-**	**16.0**	**16.0**

(e) Available-for-sale financial assets

	Level 1	Level 2	Level 3	Total
	MUR'M	MUR'M	MUR'M	MUR'M
At December 31, 2011	**-**	**-**	**16.0**	**16.0**
At December 31, 2010	32.0	209.6	26.7	268.3

(f) The table below shows the changes in level 3 instruments:

	Available-for-sale financial assets	
	2011	2010
	MUR'M	MUR'M
At January 1,	**26.7**	26.7
Transfer to HF Investments Ltd	**(10.7)**	-
At December 31,	**16.0**	26.7

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

THE GROUP	**2011**	2010
	MUR'M	MUR'M
Currency		
Rupee	**678.6**	757.6
Euro	**-**	35.5
	678.6	793.1

(h) None of the financial assets are impaired.

Harel Frères Limited

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

11. NON-CURRENT RECEIVABLES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
Loans granted to subsidiaries	**-**	-	**5.9**	4.2
Others loans	**11.5**	7.2	**3.7**	0.2
	11.5	7.2	**9.6**	4.4

12. BEARER BIOLOGICAL ASSETS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
COST				
At January 1,	**533.5**	341.3	**393.6**	341.2
Additions	**74.1**	80.6	**74.1**	52.9
Reclassified from other receivables	**5.0**	-	**-**	-
Amalgamation adjustment	**-**	159.7	**144.8**	33.8
Assets fully amortised	**(59.1)**	(48.1)	**(59.1)**	(34.3)
At December 31,	**553.5**	533.5	**553.4**	393.6
AMORTISATION				
At January 1,	**266.2**	156.9	**194.6**	156.8
Charge for the year	**74.5**	69.2	**74.5**	48.9
Amalgamation adjustment	**-**	88.2	**71.5**	23.2
Assets fully amortised	**(59.1)**	(48.1)	**(59.1)**	(34.3)
At December 31,	**281.6**	266.2	**281.5**	194.6
NET BOOK VALUES	**271.9**	267.3	**271.9**	199.0

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.There is no active market for bearer biological assets and cost is considered as fair value.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

13. LAND DEVELOPMENT EXPENDITURE

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
At January 1,	**79.8**	57.2	**74.3**	57.2
Reclassified from trade and other receivables	**1.9**	-	**1.8**	-
Amalgamation adjustment	**-**	5.5	**5.6**	-
Additions	**5.9**	17.1	**5.9**	17.1
At December 31,	**87.6**	79.8	**87.6**	74.3

14. DEFERRED VRS COSTS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
Voluntary Retirement Scheme (VRS)				
COST				
At January 1,	**390.7**	245.5	**254.3**	206.7
Amalgamation adjustment	**-**	124.5	**97.6**	26.9
Additional provision	**19.9**	-	**17.9**	-
Land donated under 2000A Scheme	**-**	20.7	**-**	20.7
At December 31,	**410.6**	390.7	**369.8**	254.3
AMORTISATION				
At January 1,	**314.8**	198.6	**205.2**	174.2
Amalgamation adjustment	**-**	101.3	**82.7**	21.5
Charge for the year	**18.8**	14.9	**16.4**	9.5
At December 31,	**333.6**	314.8	**304.3**	205.2
NET BOOK VALUES				
At December 31,	**77.0**	75.9	**65.5**	49.1

14. DEFERRED VRS COSTS (CONT'D)

VRS 2

Under the terms of the Multi Annual Adaptation Scheme, the Group and the Company have received a refund from the Sugar Reform Trust of their VRS 2 in respect of cash disbursements and infrastructural costs to be incurred and 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. Under the scheme, the Group acquired the right to sell land on which no land conversion tax is payable.

15. DEFERRED INCOME TAXES

Deferred income taxes are calculated on all temporary differences under the liability method at 15% (2010: 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 statement of financial position:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
Deferred tax assets	**(2.6)**	(1.3)	**-**	-
Deferred tax liabilities	**247.5**	447.7	**19.9**	55.9
	244.9	446.4	**19.9**	55.9

	THE GROUP	
	2011	2010
	MUR'M	MUR'M
Unused tax losses available for offset against future taxable profits	**34.6**	68.7

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

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
At January 1,	**446.4**	252.9	**55.9**	9.9
Amalgamation adjustment	**-**	-	**156.5**	-
Charge/(credit) to income statement (note 26(b))	**10.6**	(14.5)	**18.3**	(5.5)
(Release)/Charge to equity	**(212.1)**	208.0	**(210.8)**	51.5
At December 31,	**244.9**	446.4	**19.9**	55.9

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

15. DEFERRED INCOME TAXES (CONT'D)

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

THE GROUP	At January 1, 2011 MUR'M	Income Statement MUR'M	Release to Equity MUR'M	At December 31, 2011 MUR'M
Deferred income tax liabilities				
Accelerated tax depreciation	208.9	(2.0)	-	206.9
Asset revaluations (note 15 (i))	290.2	(2.7)	(212.1)	75.4
Deferred VRS costs	11.4	0.2	-	11.6
	510.5	(4.5)	(212.1)	293.9
Deferred income tax assets				
Tax losses carried forward	10.5	(15.7)	-	(5.2)
Provisions for VRS costs	23.2	0.3	-	23.5
Retirement benefit obligations	35.7	(5.0)	-	30.7
Deferred tax not recognised	(5.3)	5.3	-	-
	64.1	(15.1)	-	49.0
Net deferred income tax liabilities	**446.4**	**10.6**	**(212.1)**	**244.9**

THE COMPANY	At January 1, 2011 MUR'M	Amalgamation Adjustment MUR'M	Income Statement MUR'M	Release to Equity MUR'M	At December 31, 2011 MUR'M
Deferred income tax liabilities					
Accelerated tax depreciation	7.1	-	5.8	-	12.9
Asset revaluations	73.6	156.5	-	(210.8)	19.3
Deferred VRS costs	7.2	-	2.6	-	9.8
	87.9	156.5	8.4	(210.8)	42.0
Deferred income tax assets					
Tax losses	7.9	-	(7.8)	-	0.1
Retirement benefit obligations	15.4	-	4.1	-	19.5
Provision for VRS costs	8.7	-	(6.2)	-	2.5
	32.0	-	(9.9)	-	22.1
Net deferred income tax liability	**55.9**	**156.5**	**18.3**	**(210.8)**	**19.9**

Harel Frères Limited

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

15. DEFERRED INCOME TAXES (CONT'D)

(i) Deferred Tax liability on land

In the budget speech on November 4, 2011, the Minister of Finance announced the abolition of capital gains tax on immovable property. Consequently the amount of MUR'M 209.2 with regards to deferred tax on land provided for has been transferred back to revaluation and other reserves.

16. INVENTORIES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
(a) Raw materials	**134.2**	107.9	**-**	-
Finished goods	**207.0**	44.4	**-**	-
Spare parts and consumables	**231.4**	389.8	**33.1**	0.2
	572.6	542.1	**33.1**	0.2

(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	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
Cost of inventories consumed	**2,108.8**	1,704.0	**137.2**	-

17. CONSUMABLE BIOLOGICAL ASSETS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
At January 1,	**165.3**	103.8	**106.9**	103.8
Reclassified from other receivables	**-**	-	**-**	-
Amalgamation adjustment	**-**	68.5	**58.6**	5.0
Gains/(losses) from changes in fair value	**71.4**	(7.0)	**71.4**	(1.9)
At December 31,	**236.7**	165.3	**236.9**	106.9

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

18. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
Trade receivables	**756.1**	595.1	**42.6**	13.7
Less: provision for impairment	**(7.5)**	(23.9)	**(2.5)**	-
Trade receivables - net	**748.6**	571.2	**40.1**	13.7
Sugar proceeds receivable	**190.6**	165.2	**190.6**	104.4
Molasses proceeds receivable	**27.3**	13.0	**27.3**	13.0
Receivable from subsidiaries	**-**	-	**665.1**	976.7
Other receivables	**214.9**	110.4	**141.6**	85.1
	1,181.4	859.8	**1,064.7**	1,192.9

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

As at December 31, 2011, trade receivables of MUR'M 7.5 (2010: MUR'M 23.9) for the Group and MUR'M 2.5 for the Company (2010: MUR'M Nil) were impaired and provided for. The ageing of these receivables is as follows:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
Over 6 months	**7.5**	23.9	**2.5**	-

As at December 31, 2011, trade receivables of MUR'M 20.6 for the Group (2010: MUR'M 18.4) 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	
	2011	2010
	MUR'M	MUR'M
3 to 6 months	**5.3**	7.9
Over 6 months	**15.3**	10.5
	20.6	18.4

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

18. TRADE AND OTHER RECEIVABLES (CONT'D)

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	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
Rupee	**1,140.7**	825.5	**1,064.7**	1,192.9
US Dollar	**11.6**	5.0	**-**	-
Euro	**22.5**	21.2	**-**	-
Other currencies	**6.6**	8.1	**-**	-
	1,181.4	859.8	**1,064.7**	1,192.9

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

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
At January 1,	**23.9**	23.8	**-**	-
Provision for impairment	**7.5**	0.1	**2.5**	-
Unused provision reversed	**(1.5)**	-	**-**	-
Receivables written off during the year as uncollectible	**(22.4)**	-	**-**	-
At December 31,	**7.5**	23.9	**2.5**	-

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.

19. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
At January 1,	**12.4**	18.9	**12.4**	18.9
Expenditure	**0.1**	-	**0.1**	-
Release to income statement on disposal	**(5.3)**	(6.5)	**(5.3)**	(6.5)
At December 31,	**7.2**	12.4	**7.2**	12.4

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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011

19. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (CONT'D)

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
(a) Disposal proceeds	**12.9**	13.6	**12.9**	13.6
(b) Liabilities directly associated with non-current assets held-for-sale				
Accruals and provisions	**0.2**	0.2	**0.2**	0.2

20. STATED CAPITAL

	2011	2010	**2011**	2010
	No.of shares	No.of shares	**MUR'M**	MUR'M
Issued and fully paid	**(M)**	(M)		
At January 1 ,	**227.5**	173.8	**3,523.5**	173.8
Shares issued upon amalgamation with:				
The Mount Sugar Estates Company Limited	-	46.3	-	2,901.5
The Saint Andre Sugar Estate Company Limited	-	7.4	-	448.2
At December 31 ,	**227.5**	227.5	**3,523.5**	3,523.5

The total number of ordinary shares is 227,545,624 shares of no par value.

21. REVALUATION AND OTHER RESERVES

(a) THE GROUP	Associates Reserves MUR'M	Revaluation and Other Capital Reserves MUR'M	Translation Reserve MUR'M	Fair Value Reserve MUR'M	Total MUR'M
(i) At January 1, 2011	**5.9**	**4,992.3**	**(36.3)**	**602.3**	**5,564.2**
Decrease in fair value of available-for-sale financial assets	**-**	**-**	**-**	**(94.8)**	**(94.8)**
Fair value movement on disposal of financial assets	**-**	**-**	**-**	**(5.1)**	**(5.1)**
Release on disposal of land	**-**	**(1.5)**	**-**	**-**	**(1.5)**
Release of deferred tax on excess depreciation other historical cost depreciation	**-**	**2.9**	**-**	**-**	**2.9**
Reversal of deferred tax on revaluation of land	**-**	**209.2**	**-**	**-**	**209.2**
Release to income statement on repayment of foreign currency loans	**-**	**-**	**24.2**	**-**	**24.2**
Exchange differences on translation of foreign currency loans			**2.0**		**2.0**
Scrappings of revalued property, plant and equipment	**-**	**(0.5)**	**-**	**-**	**(0.5)**
Share of other comprehensive income of associates	**(18.8)**	**-**	**-**	**-**	**(18.8)**
Movements on reserves	**-**	**(3.9)**	**-**	**-**	**(3.9)**
At December 31, 2011	**(12.9)**	**5,198.5**	**(10.1)**	**502.4**	**5,677.9**
(ii) At January 1, 2010	9.4	4,144.2	(17.7)	217.2	4,353.1
Increase in fair value of available-for-sale financial assets	-	-	-	395.2	395.2
Fair value movement on disposal of financial assets	-	-	-	(10.1)	(10.1)
Amalgamation adjustments	-	1,092.8	(60.9)	-	1,031.9
Release on disposal of land	-	(35.8)	-	-	(35.8)
Release of deferred tax on excess depreciation other historical cost depreciation	-	1.2	-	-	1.2
Deferred tax on revaluation of land	-	(209.2)	-	-	(209.2)
Release to income statement on repayment of foreign currency loans	-	-	34.5	-	34.5
Exchange differences on translation of foreign currency loans	-	-	7.8	-	7.8
Scrappings of revalued property, plant and equipment	-	(0.9)	-	-	(0.9)
Share of other comprehensive income of associates	(3.5)	-	-	-	(3.5)
At December 31, 2010	**5.9**	**4,992.3**	**(36.3)**	**602.3**	**5,564.2**

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

21. REVALUATION AND OTHER RESERVES (CONT'D)

(b) THE COMPANY	Fair Value Reserve MUR'M	Capital Reserve MUR'M	General Reserve MUR'M	Amalgamation Reserve MUR'M	Total MUR'M
(i) At January 1, 2011	**1,154.8**	**580.6**	**1,216.0**	**3,419.6**	**6,371.0**
Increase in fair value of available-for-sale financial assets	**122.3**	**-**	**-**	**-**	**122.3**
Fair value movement on disposal of financial assets	**(13.1)**	**-**	**-**	**-**	**(13.1)**
Deferred tax on land	**-**	**209.2**	**-**	**-**	**209.2**
Release of deferred tax on excess depreciation					
over historical cost depreciation	**-**	**1.6**	**-**	**-**	**1.6**
Release on disposal of land	**-**	**(1.5)**	**-**	**-**	**(1.5)**
Amalgamation adjustments	**-**	**-**	**-**	**798.3**	**798.3**
At December 31, 2011	**1,264.0**	**789.9**	**1,216.0**	**4,217.9**	**7,487.8**

	Fair Value Reserve MUR'M	Capital Reserve MUR'M	General Reserve MUR'M	Amalgamation Reserve MUR'M	Total MUR'M
(ii) At January 1, 2010	135.8	667.9	1,216.0	3,418.7	5,438.4
Increase in fair value of available-for-sale financial assets	1,019.0	-	-	-	1,019.0
Deferred tax on land	-	(52.7)	-	-	(52.7)
Release of deferred tax on excess depreciation					
over historical cost depreciation	-	1.2	-	-	1.2
Release on disposal of land	-	(35.8)	-	-	(35.8)
Amalgamation adjustments	-	-	-	0.9	0.9
At December 31, 2010	**1,154.8**	**580.6**	**1,216.0**	**3,419.6**	**6,371.0**

Fair value reserve
Fair value reserve comprises the cumulative net change in the fair value of investments that has been recognised in other comprehensive income until the investments are derecognised.

Translation reserve
The translation reserve consists of the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to the hedged transactions that have not yet occurred and of the foreign currency differences arising from the translation of the financial statements of foreign operations.

Amalgamation reserve
Amalgamation reserve represents the excess of assets over liabilities and reserves of subsidiaries following amalgamation.

Revaluation reserve
The revaluation surplus relates to the revaluation of property, plant and equipment.

Harel Frères Limited

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

22. BORROWINGS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
Non-current				
Debentures	**-**	44.6	**-**	-
Loans	**53.9**	161.7	**53.9**	62.7
Total non-current	**53.9**	206.3	**53.9**	62.7
Current				
Bank overdrafts	**104.9**	260.4	**19.5**	52.4
Debentures	**44.6**	84.7	**-**	-
Loans	**147.5**	220.2	**28.2**	25.6
	192.1	304.9	**28.2**	25.6
Total current	**297.0**	565.3	**47.7**	78.0
Total borrowings	**350.9**	771.6	**101.6**	140.7

	Last repayment date	THE GROUP		THE COMPANY	
		2011	2010	**2011**	2010
		MUR'M	MUR'M	**MUR'M**	MUR'M
(a) Breakdown of loans and debentures					
Debentures repayable yearly in February and August	2012	**44.6**	129.3	**-**	-
VRS loan repayable quarterly	2012	**3.9**	20.3	**3.9**	18.4
VRS loan repayable half yearly	2015	**-**	38.4	**-**	-
Loan in EUR repayable yearly in February and August	2012	**59.2**	193.3	**-**	-
Bank loan	2012	**60.0**	60.0	**-**	-
VRS loan repayable half yearly	2016	**78.3**	69.9	**78.2**	69.9
		246.0	511.2	**82.1**	88.3
Less: Repayable within one year		**(192.1)**	(304.9)	**(28.2)**	(25.6)
Repayable after one year		**53.9**	206.3	**53.9**	62.7

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

22. BORROWINGS (CONT'D)

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

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
- after one year and before two years	**24.4**	144.6	**24.4**	17.0
- after two years and before three years	**24.4**	28.6	**24.4**	12.6
- after three years and before five years	**5.1**	33.1	**5.1**	33.1
	53.9	206.3	**53.9**	62.7

(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	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
- After one year and before two years				
Bank borrowings	**24.4**	100.0	**24.4**	17.0
Debentures	**-**	44.6	**-**	-
	24.4	144.6	**24.4**	17.0
- After two years and before three years				
Bank borrowings	**24.4**	28.6	**24.4**	12.6
- After three years and before five years				
Bank borrowings	**5.1**	33.1	**5.1**	33.1
Total	**53.9**	206.3	**53.9**	62.7

(d) The rates of interest on MUR loans and debentures vary between 6% to 15.9% annually and on foreign currency loans - EUR between 3% to 6% annually.

(e) Borrowings amounting to MUR115.7 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.

Harel Frères Limited

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

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 3 years	After 3 years and before 5 years	Total
THE GROUP	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
At December 31, 2011					
Total borrowings	**297.0**	**24.4**	**24.4**	**5.1**	**350.9**
At December 31, 2010					
Total borrowings	565.3	144.6	28.6	33.1	771.6
THE COMPANY					
At December 31, 2011					
Total borrowings	**47.7**	**24.4**	**24.4**	**5.1**	**101.6**
At December 31, 2010					
Total borrowings	78.0	17.0	12.6	33.1	140.7

23. DEFERRED INCOME

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
At January 1,	**10.1**	9.7	**-**	-
Amalgamation adjustment	**-**	-	**10.1**	-
Additions during the year	**-**	2.1	**-**	-
Release to statement of comprehensive income	**(2.0)**	(1.7)	**(2.0)**	-
At December 31,	**8.1**	10.1	**8.1**	-

Land leased out under long term lease are included in property, plant and equipment in the statement of financial position. Annual lease income is recognised as it accrues over the lease term. Upfront lump sum payment for long term lease is credited to deferred income and released to the statement of comprehensive income on a straight line basis over 7/10 years or over the lease term if lower than 7/10 years.

24. 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 defined contribution plans and the assets of the plans are invested with the Sugar Insurance Pension Fund (SIPF) and Anglo Mauritius Assurance Society Limited. 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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

24. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
Present value of funded obligations	**409.5**	413.1	**252.9**	206.7
Fair value of plan assets	**(219.5)**	(210.2)	**(117.2)**	(107.1)
	190.0	202.9	**135.7**	99.6
Present value of unfunded obligations	**67.6**	30.5	**41.2**	12.1
Unrecognised actuarial losses	**(25.0)**	(2.3)	**(47.2)**	(11.7)
Liability in the statements of financial position	**232.6**	231.1	**129.7**	100.0

(b) The amounts recognised in the income statement are as follows:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
Current service cost	**10.9**	11.8	**5.2**	3.5
Scheme expenses	**0.4**	0.8	**0.3**	0.3
Interest cost	**40.9**	47.1	**24.0**	22.5
Cost of insuring risk	**0.5**	0.6	**-**	-
Actuarial loss	**(0.3)**	0.3	**-**	0.6
Expected return on plan assets	**(19.3)**	(19.3)	**(10.8)**	(8.6)
Effect of curtailments	**-**	(0.3)	**-**	-
	33.1	41.0	**18.7**	18.3

(c) Movement in the liability recognised in the statement of financial position:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
At January 1,	**231.1**	188.7	**100.0**	82.5
Amalgamation adjustment	**-**	48.4	**35.5**	28.7
Total expenses as above	**33.1**	41.0	**18.7**	18.3
Other contributions and direct benefits paid	**(31.6)**	(47.0)	**(24.5)**	(29.5)
At December 31,	**232.6**	231.1	**129.7**	100.0

Harel Frères Limited

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

24. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
(d) Reconciliation of the present value of defined benefit obligation:				
Present value of obligation at January 1,	**443.6**	380.7	**218.8**	176.1
Amalgamation adjustment	**-**	77.5	**35.2**	43.7
Current service cost	**10.9**	11.8	**5.2**	3.5
Interest cost	**40.9**	47.1	**24.0**	22.5
Employee's contribution	**2.2**	2.4	**1.7**	1.8
Effect of curtailments/settlements	**-**	(0.4)	**-**	-
Actuarial losses/(gain)	**9.8**	(39.9)	**33.7**	0.4
Benefits paid	**(30.3)**	(35.6)	**(24.5)**	(29.2)
Present value of obligation at December 31,	**477.1**	443.6	**294.1**	218.8

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
(e) Reconciliation of fair value of plan assets:				
Fair value of plan assets at January 1,	**210.2**	164.2	**107.1**	70.2
Amalgamation adjustment	**-**	18.0	**5.8**	12.9
Expected return on plan assets	**19.3**	19.3	**10.8**	8.6
Employer's contribution	**31.6**	47.0	**24.1**	29.5
Scheme Expenses	**(0.4)**	(1.0)	**(0.3)**	(0.3)
Cost of insuring risk benefit	**(0.5)**	(0.6)	**-**	-
Employee's Contribution	**2.2**	2.4	**1.7**	1.8
Actuarial gains/(losses) on plan assets	**(7.8)**	(3.5)	**(7.5)**	13.7
Benefits paid	**(35.1)**	(35.6)	**(24.5)**	(29.3)
Fair value of plan assets at December 31,	**219.5**	210.2	**117.2**	107.1

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

24. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(f) Distribution of plan assets at end of year

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
Percentage of assets at end of year	**%**	%	**%**	%
Local bonds and equities	**28.9**	28.9	**28.9**	28.9
Fixed interest	**29.4**	29.4	**29.4**	29.4
Property	**25.1**	25.1	**25.1**	25.1
Overseas bonds and equities	**16.6**	16.6	**16.6**	16.6
Total	**100.0**	100.0	**100.00**	100.00

(g) 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.

(h) The Group and the Company are expected to contribute MUR'M 17.5 and MUR'M 10.0 respectively to the pension scheme for the year ending December 31, 2012.

(i) Additional disclosures:

	THE GROUP			THE COMPANY		
	2011	2010	2009	**2011**	2010	2009
	MUR'M	MUR'M	MUR'M	**MUR'M**	MUR'M	MUR'M
Amounts for the current and previous periods						
Defined benefit obligation	**477.1**	443.6	380.7	**224.9**	218.8	176.1
Plan Assets	**219.5**	210.2	164.2	**117.2**	107.1	70.2
Deficit	**257.6**	233.3	216.5	**107.7**	111.7	106.0
Experience (losses)/gains on plan liabilities	**(9.8)**	39.9	3.5	**(35.5)**	0.4	0.4
Experience gains/(losses) on plan assets	**7.8**	3.5	5.8	**(7.5)**	13.7	13.7

	THE GROUP AND THE COMPANY	
(j) Principal actuarial assumptions at end of year :	**2011**	2010
Discount rate	**9.50%**	9.50%
Expected rate of return on plan assets	**9.50%**	9.50%
Future salary increases	**6.50%**	6.50%
Future pension increases	**0.00%**	0.00%

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

(k) The plan assets disclosed for the Company is part of the total assets of the Harel Freres Group. The actual return of the total assets for the year 2011 is MUR'M 3.3 (2010 : MUR'M 16.2).

Harel Frères Limited

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

25. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
Trade creditors	**312.7**	256.7	**44.9**	3.7
Provision for compensation payments for centralisation				
in accordance with the Blue Print provisions	**-**	9.0	**-**	-
Provision for VRS costs	**22.0**	82.2	**16.8**	60.4
Amounts due to subsidiaries	**-**	-	**0.1**	305.7
Other payables and accruals	**382.3**	273.2	**254.8**	58.8
	717.0	621.1	**316.6**	428.6

26. TAXATION

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
(a) Liability/(asset) in the statements of financial position	**MUR'M**	MUR'M	**MUR'M**	MUR'M
At January 1,	**28.5**	43.4	**(1.5)**	(1.5)
Underprovision in previous year	**0.4**	0.8	**-**	-
Tax paid on account	**(33.2)**	(44.2)	**(0.8)**	-
	(4.3)	-	**(2.3)**	(1.5)
Current tax on the adjusted profits for the year @ 15% (2010 : 15%)	**105.2**	88.1	**7.3**	-
Tax paid	**(53.4)**	(59.6)	**-**	-
	47.5	28.5	**5.0**	(1.5)
Disclosed as follows:				
Current tax assets	**-**	(1.5)	**(2.3)**	(1.5)
Current tax liabilities	**47.5**	30.0	**7.3**	-
	47.5	28.5	**5.0**	(1.5)
(b) Charge in the Income statement				
Current tax on the adjusted profits for the year at 15% - 23% (2010 : 15% - 23%)	**105.2**	88.1	**7.3**	-
Under provision in previous years	**0.4**	0.8	**-**	-
National Residential Property Tax	**-**	1.3	**-**	0.6
Deferred taxation (note 15)	**10.6**	(14.5)	**18.3**	(5.5)
Charge/(Credit) for the year	**116.2**	75.7	**25.6**	(4.9)

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

26. TAXATION (CONT'D)

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	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
Profit before taxation and after associates' results	**876.8**	475.9	**500.4**	193.8
Tax calculated at a rate of 15% - 23% (2010: 15% - 23%)	**131.5**	70.1	**75.1**	29.1
Income not subject to tax	**(60.6)**	(45.7)	**(76.0)**	(42.3)
Expenses not deductible for tax purposes	**42.6**	49.2	**19.2**	7.7
Tax credit	**(5.0)**	-	**-**	-
AMT	**7.3**	-	**7.3**	-
National Property Residential Tax	**-**	1.3	**-**	0.6
Under provision in previous years	**0.4**	0.8	**-**	-
	116.2	75.7	**25.6**	(4.9)

27. OTHER INCOME

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
Interest income	**8.6**	12.4	**55.6**	60.8
Dividend income	**8.4**	14.8	**193.1**	229.0
Investment income	**17.0**	27.2	**248.7**	289.8
Profit on disposal of property, plant and equipment/ non-current assets held for sale	**24.6**	18.1	**22.6**	12.6
Profit on disposal of investments	**6.0**	16.5	**188.5**	10.0
Others	**74.1**	90.6	**38.9**	0.7
	121.7	152.4	**498.7**	313.1

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

28. PROFIT BEFORE FINANCE COSTS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
The profit before finance costs is arrived at after:				
Crediting :				
Rental of land and buildings	**38.0**	5.5	**23.7**	20.5
Profit on sale of property, plant and equipment/ non-current assets held for sale	**24.6**	18.1	**22.6**	12.6
Profit on sale of investments	**6.0**	16.5	**188.5**	10.0
and charging:				
Depreciation on property, plant and equipment				
-owned assets	**261.7**	261.3	**69.8**	32.4
Depreciation on investment properties	**6.5**	6.4	**6.5**	6.4
Amortisation of bearer biological assets	**74.5**	69.2	**74.5**	48.9
Amortisation of intangible assets	**6.5**	4.6	**3.3**	2.5
Amortisation of VRS costs	**18.8**	14.9	**16.4**	9.5
Employee benefit expense (note 28(a))	**648.4**	528.5	**335.6**	186.7

(a) Employee benefit expense

Wages, salaries and other costs	**612.3**	493.5	**318.2**	166.1
Pension costs	**36.1**	35.0	**17.4**	20.6
	648.4	528.5	**335.6**	186.7

29. EXPENSE BY NATURE

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
Depreciation and amortisation	**368.0**	356.4	**170.5**	99.7
Raw materials and consumables used	**2,108.8**	1,704.2	**137.2**	-
Employee benefit expense	**648.4**	528.5	**335.6**	186.7
Cultivation and irrigation expenses	**356.2**	262.4	**91.2**	149.8
Others	**146.3**	386.7	**37.8**	72.9
Total cost of sales, administrative expenses, distribution costs and other expenses	**3,627.7**	3,238.2	**772.3**	509.1

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

30. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
Net foreign exchange losses	**21.1**	94.8	**-**	14.9
Interest expense:				
- Bank overdrafts	**21.2**	11.2	**12.1**	0.3
- Loans repayable by instalments	**14.7**	27.3	**8.2**	8.8
- Debentures	**6.9**	14.8	**-**	-
- Other loans not repayable by instalments	**9.8**	10.8	**3.4**	27.2
	52.6	64.1	**23.7**	36.3
	73.7	158.9	**23.7**	51.2

31. EARNINGS PER SHARE

		THE GROUP		THE COMPANY	
		2011	2010	**2011**	2010
(a) From continuing operations		**MUR'M**	MUR'M	**MUR'M**	MUR'M
(i) Basic earnings per share					
Profit attributable to equityholders		**582.7**	250.4	**474.8**	198.7
Number of ordinary shares in issue		**227.5**	220.1	**227.5**	220.1
Basic earnings per share	MUR	**2.56**	1.14	**2.09**	0.90

Shares issued on the 31 December, 2010 are not included in the weighted average number of ordinary shares.

32. DIVIDENDS

	2011	2010
	MUR'M	MUR'M
Final ordinary declared - 80 cents per share (2010 - 70 cents per share)	**182.0**	154.1
Dividends paid during the year	**-**	(154.1)
At December 31,	**182.0**	-

33. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M
Cash in hand and at bank	**158.8**	391.9	**8.5**	17.0
Bank overdrafts	**(104.9)**	(260.4)	**(19.5)**	(52.4)
	53.9	131.5	**(11.0)**	(35.4)

Harel Frères Limited

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

34. SUBSIDIARIES

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

	Notes	Type of shares held	Stated capital MUR	**2011** % holding	**2011** % held by other group companies	2010 % holding	2010 % held by other group companies	Activity
Beau Plan Milling Co Ltd	((b) i)	Ordinary	72,929,000	**-**	**-**	80.00	-	Dormant
Belle Vue Milling Co Ltd	((b) i)	Ordinary	232,053,000	**80.00**	**-**	80.00	-	Sugar
Compagnie Thermique de Belle Vue Limitée		Ordinary	520,523,500	**-**	**51.00**	-	51.00	Energy
Grays & Co. Ltd		Ordinary	24,342,000	**-**	**100.00**	-	100.00	Investment
Grays Inc Ltd		Ordinary	82,280,000	**-**	**74.00**	-	74.00	Commercial
Grays Refinery Ltd		Ordinary	20,738,000	**-**	**66.67**	-	66.67	Manufacturing
HF Administrative Services Ltd		Ordinary	25,000	**-**	**100.00**	100.00	-	Services
HF Investments Limited		Ordinary	1,916,313,379	**100.00**	**-**	100.00	-	Investment
Ivoirel Limitée		Ordinary	35,130,000	**-**	**100.00**	100.00	-	Investment
Mauricia Limitée	((b) ii)	Ordinary	25,000	**-**	**-**	100.00	-	Treasury
Sagiterre Ltée		Ordinary	25,000	**100.00**	**-**	99.96	0.04	Property management
Société HBM		Parts	265,494,990	**100.00**	**-**	20.89	79.11	Investment
Société Proban		Parts	8,100,000	**-**	**83.34**	27.78	55.56	Investment
Eco-Energy		Ordinary	3,000,000	**-**	**-**	-	80.00	Commercial
East Indies Company SARL		Ordinary	3,646,154	**-**	**74.00**	-	74.00	Commercial
Compagnie Agricole du Mount Ltée	((b) ii)	Ordinary	180,000,000	**-**	**-**	100.00	-	Sugar
Fondation Harel Frères		Ordinary	10,000	**-**	**100.00**	100.00	-	Social Activities
Fondation Nemours Harel		Parts	2,696,546	**-**	**75.00**	75.00	-	Cultural
Société Sphinx Gaze		Parts	6,150,000	-	**66.67**	-	-	Investment holding

(a)These subsidiaries are incoporated in Mauritius. They also operate in Mauritius except for the following subsidiaries:
(i) Ivoirel Limitée, whose country of operation is Ivory Coast;
(ii) East Indies Company, whose country of operation is Madagascar.

(b)The followings companies have been amalgamated during the year:
(i) Beau Plan Milling Co Ltd has been amalgamated with Belle Vue Milling Co Ltd on January 1, 2011.
(ii) Compagnie Agricole du Mount Ltée and Mauricia Limitée have been amalgamated with Harel Frères Limited on January 1, 2011.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

35. ASSOCIATES

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

2011	**Assets**	**Liabilities**	**Revenues**	**Profit/(loss)**	**2011 % holding**	Financial period ended
	MUR'M	**MUR'M**	**MUR'M**	**MUR'M**		
Alcohol & Molasses Export Ltd	56.4	31.9	312.4	36.0	**41.87**	June 30,
Anytime Investment Ltd	23.8	-	-	3.1	**24.50**	June 30,
Coal Terminal (Management) Co Ltd	32.0	30.3	48.5	1.2	**15.43**	December 31,
CTBV (Management) Co Ltd	26.6	25.5	14.7	0.1	**28.00**	December 31,
East Indies Co. Ltd	38.2	33.2	70.9	4.1	**18.50**	December 31,
Horus Ltée	185.3	1.2	-	-	**50.00**	June 30,
Intendance Holding Ltd	2,248.2	912.0	880.7	212.8	**43.85**	December 31,
Les Chais de L'Isle de France Ltée	12.9	10.0	4.5	(0.3)	**50.00**	December 31,
Les Domaines de Mauricia Limitée	3.2	3.0	0.5	0.3	**50.00**	December 31,
New Fabulous Investment Ltd	23.8	-	-	3.1	**24.50**	June 30,
New Goodwill Co. Ltd	190.9	99.2	672.7	27.4	**33.33**	June 30,
Rehm Grinaker Construction Co. Ltd	1,238.3	1,168.2	1,384.0	(73.9)	**35.49**	June 30,
Sugarworld Limited	71.8	6.0	54.6	7.0	**30.70**	December 31,
Bureaux Réunis Ltee	2.6	0.9	1.0	0.6	**50.00**	June 30,
Evapo Ltd	100.0	92.0	9.3	-	**33.33**	June 30,
Commada Ltd	198.1	160.9	-	(3.8)	**50.00**	December 31,
Distillerie de Bois Rouge Ltd	2.5	2.6	-	(0.1)	**33.33**	July 31,
Sucrivoire S.A	6,394.7	4,692.2	2,610.2	311.1	**25.50**	December 31,

For associates with year ended June 30, and July 31, the management accounts at December 31, 2011 have been used to calculate the share of profit and net assets.

The Group accounts for its investment in Coal Terminal (Management) Co Ltd as an associate although the Group holds less than 20% of the issued share capital as the Group has the ability to exercise significant influence over the investment due to the Group's representation through one director to the board of directors of that company.

Harel Frères Limited

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

35. ASSOCIATES (CONT'D)

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

2010	**Assets**	**Liabilities**	**Revenues**	**Profit/(loss)**	**2010 % holding**	Financial period ended
	MUR'M	**MUR'M**	**MUR'M**	**MUR'M**		
Alcohol & Molasses Export Ltd	79.9	2.2	343.9	12.9	**41.87**	June 30,
Anytime Investment Ltd	22.6	0.04	19.8	(0.1)	**24.50**	June 30,
Coal Terminal (Management) Co Ltd	25.9	24.9	44.6	0.8	**15.43**	December 31,
Cosmebelle (Maurice) Limitée	8.4	1.1	6.0	4.1	**50.00**	December 31,
CTBV (Management) Co Ltd	28.5	27.5	15.6	0.1	**28.00**	December 31,
East Indies Co. Ltd	14.0	6.9	26.3	2.1	**18.50**	December 31,
Horus Ltée	350.1	-	-	(1.7)	**50.00**	June 30,
Intendance Holding Ltd	1,351.0	617.7	841.5	203.7	**43.85**	December 31,
Les Chais de L'Isle de France Ltée	12.9	9.7	4.6	0.6	**50.00**	December 31,
Les Domaines de Mauricia Limitée	0.7	0.5	0.5	(0.1)	**50.00**	December 31,
New Fabulous Investment Ltd	22.6	-	19.8	-	**24.50**	June 30,
New Goodwill Co. Ltd	120.8	63.4	1,231.3	40.9	**33.33**	June 30,
Rehm Grinaker Construction Co. Ltd	640.3	543.8	2,955.0	64.9	**35.49**	June 30,
Sugarworld Limited	70.0	5.2	53.2	7.7	**30.70**	December 31,
Rum Distributors Co. Ltd	27.4	36.5	892.8	(1.8)	**33.33**	June 30,
Bureaux Réunis Ltee	2.5	0.9	2.0	0.8	**50.00**	June 30,
Evapo Ltd	75.2	63.4	0.2	0.1	**33.33**	June 30,
Commada Ltd	257.1	-	-	(7.8)	**50.00**	December 31,
Distillerie de Bois Rouge Ltd	2.6	2.6	-	(0.1)	**33.33**	July 31,

For associates with year ended June 30, and July 31, the management accounts at December 31, 2010 have been used to calculate the share of profit and net assets.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

36. CAPITAL COMMITMENTS

	THE GROUP	
	2011	2010
	MUR'M	MUR'M
Capital expenditure contracted for at the end of the reporting period but not recognised in the financial statements is as follows:		
Property, plant and equipment	**60.2**	26.5

37. ULTIMATE HOLDING ENTITY

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

38. RELATED PARTY TRANSACTIONS

(i) THE GROUP	Remuneration	Purchases of services	Sales of services and others	Management fees payable	Throughput and storage fees payable	Amount receivable	Amount payable
2011	**MUR'M**	**MUR'M**	**MUR'M**	**MUR'M**	**MUR'M**	**MUR'M**	**MUR'M**
Associates	**-**	**35.8**	**0.2**	**14.7**	**7.5**	**28.8**	**2.4**
Key management personnel	**65.0**	**-**	**0.1**	**-**	**-**	**-**	**-**
Enterprises with common directors	**-**	**124.4**	**-**	**-**	**-**	**-**	**-**

	Remuneration	Purchases of services	Sales of services and others	Management fees payable	Throughput and storage fees payable	Amount receivable	Amount payable
2010	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
Associates	-	36.4	0.6	15.3	7.5	1.2	15.2
Key management personnel	65.1	1.2	-	-	-	-	-
Enterprises with common directors	-	143.3	0.7	-	-	-	24.7

Harel Frères Limited

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

38. RELATED PARTY TRANSACTIONS (CONT'D)

(ii) THE COMPANY	Remuneration	Purchases of services	Sales of services and others	Amount receivable	Amount payable
2011	**MUR'M**	**MUR'M**	**MUR'M**	**MUR'M**	**MUR'M**
Key management personnel	**34.8**	**-**	**-**	**-**	**-**
Enterprises with common directors	**-**	**131.5**	**0.4**	**1.1**	**-**
Subsidiaries	**-**	**4.6**	**176.6**	**776.5**	**0.7**

	Remuneration	Purchases of services	Sales of services and others	Amount receivable	Amount payable	Interest receivable (net)
2010	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
Key management personnel	26.7	-	-	-	-	-
Enterprises with common directors	-	18.4	5.0	-	8.4	-
Fellow subsidiaries	-	1.8	65.5	976.6	283.5	60.7

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
(iii) Key management personnel	**MUR'M**	MUR'M	**MUR'M**	MUR'M
Salaries and short term employee benefits	**60.7**	61.6	**32.5**	22.2
Other post-employment benefits	**4.3**	3.5	**2.3**	-
	65.0	65.1	**34.8**	22.2

(iv) Management contracts

Harel Frères Limited received management fees of MUR 3.1 M (2010: MUR 3.1M) from CTBV Management Co. Ltd.

CTBV Management Co. Ltd claimed management fees from Compagnie Thermique de Belle Vue Limitée for MUR 14.7 M (2010: MUR 15.3M).

39. CONTINGENT LIABILITIES

(a) Court cases

(i) Previous distillers
An action has been entered in Court by previous distillers claiming damages in the sum of MUR'M 58.4 from a subsidiary and other parties 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.

(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 court case is still ongoing.

(iv) Domaine de Bon Espoir
Pending the outcome of the Assessment Review Committee, Harel Frères Limited (amalgamated company in the rights of The Beau Plan Sugar Estates Company Ltd, itself an amalgamated company in the rights of Compagnie Agricole de Belle Vue Limitée) is 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 against the company, an appeal has been made.

(v) Irrigation Authority
There is a dispute in respect of irrigation dues for the period 2005 to 2009 amounting to Mur 15.6M. The matter has been referred to an Arbitration Board as provided by the water supply agreement existing between The Irrigation Authority and the Company.

(vi) Registrar General - Supreme Court
Several appeals have been made in relation to assessments made by the Registrar General for an amount of MUR 1.28M following sales of lands. These assessments are being contested by Harel Frères Limited. The cases are still ongoing.

(vii) Central Water Authority
Harel Frères Limited has applied to the Supreme Court for the issue of an order allowing it to draw 44.71 l/s of water from Villebague Canal (River Citron) and use that volume of water to irrigate part of its privately owned lands on a rotational basis.

(viii) Bon Espoir
Mr Joseph Yencana has entered a claim against Harel Frères Limited for an amount of MUR 175M regarding of damages and prejudice in respect of a plot land of 22 arpents 25 perches at Bon Espoir, for which the plaintiff is claiming ownership. The directors believe that there are no valid grounds for entertaining this case.

(ix) Personal injury
An action has been entered against the company claiming MUR 15M as damages for personal injury.The court case is still ongoing.

Harel Frères Limited

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

39. CONTINGENT LIABILITIES (CONT'D)

(x) Dissenting shareholders

Following the special meeting of Harel Frères Limited (the "Company") held on 23 November 2011 at which the shareholders of the Company approved a scheme of arrangement under sections 261 to 264 of the Companies Act 2001 (the "Scheme") pursuant to which the shares of the Company were, on 01 January 2012, exchanged for shares of Terra Mauricia Ltd ("Terra") in the ratio of 1:1, that is one (1) ordinary share of Terra for one (1) ordinary share of the Company, certain dissenting shareholders (the "Dissenting Shareholders"), representing some 6.4% of the share capital have initiated legal proceedings against the Company and Terra. The Dissenting Shareholders claim that they have been unfairly prejudiced by the Scheme and have applied for an order of the court requiring the buy back of their shares at fair value or the payment of compensation in a sum in excess of MUR 64 per share held by them. The Company and Terra have been advised that the claim of the Dissenting Shareholders is misconceived. Counsel has further opined that the claim amounts to an abuse of process of the court. The claim of the Dissenting Shareholders has been resisted both by the Company and Terra. The matter is presently pending before the Bankruptcy Division of the Supreme Court of Mauritius and is awaiting trial.

(b) Bank guarantees

In the ordinary course of business, the Group had contingent liabilities in respect of bank guarantees amounting to MUR115.7 M (2010: MUR 43.9M).

40. SEGMENT INFORMATION

(a) Year ended December 31, 2011	Sugar	Energy	Commercial & Alcohol production	Others	Total
	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
Total segment revenues	**1,276.1**	**1,478.6**	**1,352.5**	**167.1**	**4,274.3**
Intersegment sales	**(32.3)**	**(15.8)**	**(3.5)**	**-**	**(51.6)**
Revenues from external customers	**1,243.8**	**1,462.8**	**1,349.0**	**167.1**	**4,222.7**
Segment profit	**249.6**	**366.8**	**106.5**	**67.6**	**790.5**
Share of results of associates	**79.3**	**-**	**9.5**	**71.2**	**160.0**
Finance costs/income	**(26.2)**	**(59.0)**	**11.5**	**-**	**(73.7)**
Profit before taxation	**302.7**	**307.8**	**127.5**	**138.8**	**876.8**
Taxation	**(41.4)**	**(55.3)**	**(14.4)**	**(5.1)**	**(116.2)**
Profit after taxation	**261.3**	**252.5**	**113.1**	**133.7**	**760.6**
Non-controlling interests					**(177.9)**
Profit attributable to equity holders of the company					**582.7**

Year ended December 31, 2010	Sugar	Energy	Commercial & Alcohol production	Others	Total
	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
Total segment revenues	973.3	1,327.9	1,179.9	180.3	3,661.4
Intersegment sales	(1.7)	(10.0)	-	(6.4)	(18.1)
Revenues from external customers	971.6	1,317.9	1,179.9	173.9	3,643.3
Segment (loss)/profit	(20.7)	389.2	106.7	72.9	548.1
Share of results of associates	-	-	15.8	70.9	86.7
Finance costs	(41.6)	(110.9)	(6.3)	(0.1)	(158.9)
(Loss)/profit before taxation	(62.3)	278.3	116.2	143.7	475.9
Taxation	0.9	(51.2)	(18.6)	(6.8)	(75.7)
(Loss)/profit after taxation	(61.4)	227.1	97.6	136.9	400.2
Non-controlling interests					(149.8)
Profit attributable to equityholders of the company					250.4

Harel Frères Limited

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

40. SEGMENT INFORMATION (CONT'D)

(b) Year ended December 31, 2011	Sugar	Energy	Commercial & Alcohol production	Others	Eliminations	Group
	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
Interest revenue	**0.4**	**6.6**	**1.1**	**0.5**	**-**	**8.6**
Interest expense	**(26.3)**	**(17.6)**	**(8.7)**	**-**	**-**	**(52.6)**
Cost of sales	**829.6**	**1,068.9**	**995.1**	**103.3**	**-**	**2,996.9**
Segment assets	**9,822.2**	**2,085.4**	**813.9**	**185.2**	**(5.1)**	**12,901.6**
Associates	**-**	**-**	**33.5**	**866.3**	**-**	**899.8**
Other assets	**23.2**	**-**	**2.8**	**666.4**	**-**	**692.4**
Segment liabilities	**546.4**	**222.4**	**168.8**	**25.7**	**(5.1)**	**958.2**
Borrowings	**101.6**	**105.5**	**143.8**	**-**	**-**	**350.9**
Other liabilities	**70.4**	**210.8**	**10.3**	**3.3**	**-**	**294.8**
Capital expenditure	**148.7**	**29.0**	**30.5**	**8.7**	**-**	**216.9**
Depreciation and amortisation	**210.8**	**119.9**	**26.4**	**10.9**	**-**	**368.0**

Year ended December 31, 2010	Sugar	Energy	Alcohol production	Others	Eliminations	Group
	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M	MUR'M
Interest revenue	1.7	9.3	1.4	-	-	12.4
Interest expense	(24.6)	(33.1)	(6.4)	-	-	(64.1)
Cost of sales	797.3	901.5	846.6	108.6	-	2,654.0
Segment assets	9,904.5	2,223.0	732.5	124.3	(154.3)	12,830.0
Associates	-	-	34.2	727.7	-	761.9
Other assets	316.2	-	10.3	489.1	-	815.6
Segment liabilities	625.0	207.4	159.2	26.9	(154.3)	864.2
Borrowings	266	322.6	176.9	5.8	-	771.6
Other liabilities	243	216.7	11	5.4	-	476.0
Capital expenditure	180.2	32.7	33.7	12.1	-	258.7
Depreciation and amortisation	195.3	119.8	26.6	14.7	-	356.4

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

40. SEGMENT INFORMATION (CONT'D)

The Group is organised into the following main business segments :-

Sugar	- Cane growing and milling activities
Commercial and Alcohol production	- Manufacturing, bottling and retailing of alcohol products and sale of consumable goods
Energy	- Production and sale of electricity from coal and bagasse

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

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

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

(c) Geographical segments

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

	Sales		Total assets		Capital expenditure	
	2011	2010	**2011**	2010	**2011**	2010
	MUR'M	MUR'M	**MUR'M**	MUR'M	**MUR'M**	MUR'M
Mauritius	**4,181.1**	3,643.3	**14,379.0**	14,372.0	**216.9**	258.7
Ivory Coast	**41.6**	-	**114.8**	35.5	**-**	-
	4,222.7	3,643.3	**14,493.8**	14,407.5	**216.9**	258.7

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.

	2011	2010
Analysis of sales	**MUR'M**	MUR'M
Sale of sugar, molasses and bagasse	**1,243.8**	971.6
Sale of electricity	**1,462.8**	1,317.9
Sale of goods	**1,349.0**	1,179.9
Revenue from services	**167.1**	173.9
	4,222.7	3,643.3

For revenue recognition see note 2(q).

Harel Frères Limited

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011 (CONT'D)

41. BUSINESS COMBINATIONS

(a) Compagnie Agricole du Mount Limitée

On January 1, 2011, Harel Freres Limited ('HFL') has amalgamated with the Compagnie Agricole du Mount Limitee in accordance with and pursuant to the provisions of the Companies Act 2001.

The terms of the amalgamation are as follows:

(i) The continuing company is Harel Frères Limited;

The fair value of assets and liabilities at the date of amalgamation were as follows:

	MUR'M
Property, plant and equipment	3,306.7
Land development expenditure	5.6
Deferred VRS cost	14.9
Bearer biological assets	68.3
Consumable biological assets	58.6
Trade and other receivables	103.3
Deferred revenue	(10.1)
Borrowings	(37.8)
Deferred tax liability	(156.5)
Retirement benefit obligations	(23.5)
Trade and other payables	(33.0)
Fair value of net asset amalgamated	3,296.5
Less: cost of investment	(2,510.6)
	785.9

40. SEGMENT INFORMATION (CONT'D)

(b) Mauricia Limitée

On January 1, 2011, Harel Frères Limited ('HFL') has amalgamated with Mauricia Limitée in accordance with and pursuant to the provisions of the Companies Act 2001.

The terms of the amalgamation were as follows:
(i) The continuing company is Harel Frères Limited;

The fair value of assets and liabilities at the date of amalgamation were as follows:

	MUR'M
Property, plant and equipment	81.8
Non-current receivables	11.6
Inventories	35.7
Trade and other receivables	984.0
Cash and cash equivalents	9.1
Bank overdraft	(1.6)
Borrowings	(80.4)
Trade and other payables	(1,016.2)
Retirement benefit obligations	(11.6)
Fair value of net asset amalgamated	12.4
Less: cost of investment	-
	12.4

42. SUBSEQUENT EVENT

A subsidiary, Belle Vue Milling Co Ltd (BVM), is awaiting confirmation from the Minister of Agro-Industry and Food Security that Compagnie Usinière de Mon Loisir Ltée (CUML) will cease its activities as from the end of the 2011 crop. Upon closure of CUML, all canes from the Mon Loisir factory area will be forwarded to BVM. The net closure costs to be borne by BVM is presently estimated to be MUR'M140 .

Harel Frères Limited

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

	2011	2010	2009
INCOME STATEMENTS	**MUR'M**	MUR'M	MUR'M
Turnover	**4,222.7**	3,643.3	3,246.9
Profit before taxation, exceptional items and associates' results	**716.8**	389.2	343.9
Share of results of associates	**160.0**	86.7	90.4
Taxation	**(116.2)**	(75.7)	(70.8)
Profit after taxation	**760.6**	400.2	363.5
Profit attributable to:			
Owners of the parent	**582.7**	250.4	240.9
Non Controlling interests	**177.9**	149.8	122.6
STATEMENTS OF COMPREHENSIVE INCOME			
Profit after taxation	**760.6**	400.2	363.5
Other comprehensive income for the year net of tax	**140.9**	253.7	188.0
Total comprehensive income	**901.5**	653.9	551.5
Total comprehensive income attributable to:			
Owners of the parent	**698.9**	464.2	364.5
Non controlling interests	**202.6**	189.7	187.0
	901.5	653.9	551.5
Percentage of profit on shareholders' interest (%)	**4.9**	2.2	3.6
Earnings per share (MUR)	**2.56**	1.14	1.39
Dividends proposed and paid	**-**	154.1	121.7
Dividends proposed	**182.0**	-	-
Dividend per share (MUR)	**0.8**	0.7	0.7
Dividend cover (times)	**3.2**	1.6	2.0
Net assets per share (MUR)	**52.6**	50.4	38.9
Weighted number of ordinary shares used in calculation (M)	**227.5**	220.1	173.8
Number of ordinary shares at end of year (M)	**227.5**	227.5	173.8
STATEMENTS OF FINANCIAL POSITION			
Non-current assets	**12,337.1**	12,434.5	7,685.0
Current assets	**2,149.5**	1,960.6	2,163.3
Non-current assets classified as held for sale	**7.2**	12.4	18.9
Total assets	**14,493.8**	14,407.5	9,867.2
Owners' interest	**11,976.0**	11,455.0	6,762.1
Non Controlling interests	**914.0**	840.7	954.2
Non-current liabilities	**542.1**	895.2	851.5
Current liabilities	**1,061.5**	1,216.4	1,299.2
Liabilities directly associated with non-current assets held for sale	**0.2**	0.2	0.2
Total equity and liabilities	**14,493.8**	14,407.5	9,867.2

Harel Frères Limited

DIRECTORS OF SUBSIDIARY COMPANIES (PURSUANT TO SECTION 221 OF THE COMPANIES ACTS 2001)

Subsidiary Companies	Belle Vue Milling Co Ltd	Business Logic Ltd	Cie Thermique de Belle Vue Ltee	East Indies Company	Fondation Harel Frères	Grays & Co Ltd	Grays Inc. Ltd	Grays Refinery Ltd	HF Administrative Services Ltd	HF Investments Limited	Ivoirel Ltée	Produits Basaltiques du Nord Ltee	Sagiterre Ltée	Terra Mauricia Ltd
Directors														
Vincent Ah Chuen								✓						
Premsagar Bholah			✓											
Sookraz Boodhun	✓													
François Boullé												✓		
Devendra Curpen				✓										
Jean Claude Desvaux de Marigny	✓													
George Dumbell														✓
Louis Dupont			×											
Maurice de Marassé Enouf	✓		✓			✓	✓	✓						✓
Jean de Fondaumière														✓
Dominique de Froberville													✓	✓
Jean Michel Giraud												✓		
Louis Guimbeau														✓
Alexis Harel	✓	✓		✓	✓	✓	✓	✓		✓				✓
Henri Harel	✓		✓		✓			✓	✓		✓		✓	✓
JM Antoine Harel												×		
Louis Denis Koenig								✓	✓		✓		✓	
Raymond Lagesse												×		
Reynolds Laguette	✓													
Pascal Langeron			✓											
Edouard Lee								✓						
Jacques Li Wan Po								✓						
Jean Hugues Maigrot					✓									✓
Iqbal Mallam-Hasham			✓											
Cyril Mayer	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
François Montocchio														✓
Nardus Oosthuizen							✓							
Jean Arthur Pilot Lagesse	✓		✓									✓		
Christophe Quevauvilliers												✓		
Babloo Ramanah	✓													
Bernard Robert			✓											
Clifford de Roquefeuil Noel				×										
George Schooling							✓							
Stephane Ulcoq												✓		
Alain Vallet	✓	✓	✓		✓	✓	✓	✓		✓		✓	✓	✓
Alternate Directors														
Deevendra Cally			✓											
Vincent Rogers														×
Didier Vallet												✓		
Daniel Van Deventer							✓							

✓ In office at December 31, 2011

× Ceased to hold office during the year ended December 31, 2011

Terra Mauricia Ltd
18, Edith Cavell Street
Port-Louis
Republic of Mauritius