

Dear Shareholder

The Board of Directors is pleased to present the Annual Report of Harel Mallac & Co. Ltd. for the year ended 31 December 2010, contents of which are listed below.

This report was approved by the Board of Directors at its meeting held on 28 March 2011.



Antoine L Harel
Chairman



Christopher Boland
Chief Executive Officer

Contents

- 2 Group at a Glance
- 4 Corporate Information
- 5 Group Financial Highlights
- 6 Board of Directors
- 8 Chairman's Statement
- 10 CEO's Report
- 12 Leadership Team Profile
- 15 Corporate and Business Reviews
- 17 Business Units
- 22 Directors of Subsidiary Companies
- 24 Corporate Governance
- 32 Statutory Disclosures
- 35 Value Added Statement
- 36 Certificate by Company Secretary
- 37 Financial Statements
- 38 Independent Auditors' report to the Members
- 40 Statements of Financial Position
- 41 Income Statements
- 42 Statements of Comprehensive Income
- 43 Statement of Changes in Equity
- 45 Statements of Cash Flows
- 46 Notes to the Financial Statements

Our Vision

To be a leading player
in selected industries
and markets

At a Glance

Group Profile

The Harel Mallac Group is a diversified conglomerate involved in various key markets which include Chemicals, Information Technology, Engineering, Business Process Outsourcing, Travel and Leisure and Retail amongst others.

In recent times, the Group has grown organically and through acquisitions. Listed on the Stock Market of Mauritius since 1991, the Group is among the leading companies in the country and has built strong relations with its various stakeholders.

The Group is made up of eight Strategic Business Units some of which have been consolidated into larger business arms. It also has shares in leading Associate Companies. Operating within a business excellence framework and ethical business practices, the Harel Mallac Group has been able to enhance its capabilities and effectiveness in all its operations.

The Harel Mallac Technologies arm which consists of Harel Mallac Technologies Ltd., Harel Mallac Bureautique Ltd. and Orinux (Mauritius) Ltd., is a specialist ICT services, systems and solutions provider as well as a wholesaler of several prestigious branded products in the office equipment and accessories market.

Harel Mallac Outsourcing, comprising of Mauritius Computing Services Limited and Activeline Ltd., is a major vendor of Information and Communications Technologies services and Business Processing Outsourcing services. It is also involved in the development of tailor-made software packages.

The Harel Mallac Engineering arm, composed of Harel Mallac Engineering Ltd. and Climapro Ltée, sells a range of products that includes construction equipment, stand-by generator sets, fork lift trucks, air compressors, garage equipment, lawn care equipment, air conditioners, bearings, fire equipment and agro-chemical products.

Our Mission

● Economic Development

We are committed to foster growth in the global economy by actively participating in different key industries whilst embracing the best business practices and ethics.

● Social Responsibility

We are committed to enhance the quality of life and environment for all communities through our commitment to do business responsibly with the highest code of ethics for the benefit of society at large.

● Wealth Creation and Sharing

We are committed to build prosperity for all stakeholders and maximize shareholder wealth to ensure economic growth and sustainable development in countries where we operate.

Our Business Sectors



The Chemical Arm consists of The Mauritius Chemical and Fertilizer Industry Limited (MCFI) (excluding the Zambia operations which are part of the International Arm), Archemics Ltd., Bychemex Limited, Chemco Limited and Coolkote Enterprises Ltd. Its core business focuses on the trading and distribution of fertilisers, manufacturing and marketing of a wide range of consumer and industrial chemicals, and general goods, and in the marketing and sales of cosmetics, detergents and adhesives.

The Harel Mallac International Arm is responsible for the management and development of certain existing regional companies in Madagascar, Mayotte, Zambia and Tanzania, as well as some trading and management divisions in Mauritius. Its activities cover a broad spectrum of products and services including office equipment, electronic and electrical appliances, FMCGs, ICT, telephony products, pharmaceuticals and allied products, chemicals

and fertilisers, general goods trading, and Freeport services for the region.

Harel Mallac Travel and Leisure is involved in the provision of high quality travel and cargo services for corporate customers and individuals.

Compagnie des Magasins Populaires Limitée (Monoprix) has been present in the retail sector for over three decades.

The Property business which falls under Corporate Services, is involved in the development of land as appropriate, ensuring rental optimisation, and acquiring new property for development or re-sale.

Our main Associate Companies - Total Mauritius Limited, Mauvilac Industries Limited and Rehm Grinaker Construction Company Limited - are among leaders in their respective industries.

Our Values

- Pursuit of excellence
- Satisfying our clients' expectations
- Dedication to developing committed employees
- Performance driven
- Creating mutually beneficial and bonding relationships with our partners
- Honesty, integrity and ethical business practices.

Our Quality Policy

- Customers
- People
- Processes
- Partners and Suppliers
- Relationships
- Health and Safety
- Social Responsibility

Corporate Information

Secretary
HM Secretaries Ltd.
18 Edith Cavell Street
Port Louis

Auditors
BDO & Co

Bankers
Barclays Bank PLC
The Hong Kong and Shanghai Banking Corporation Limited
The Mauritius Commercial Bank Limited
State Bank of Mauritius Ltd

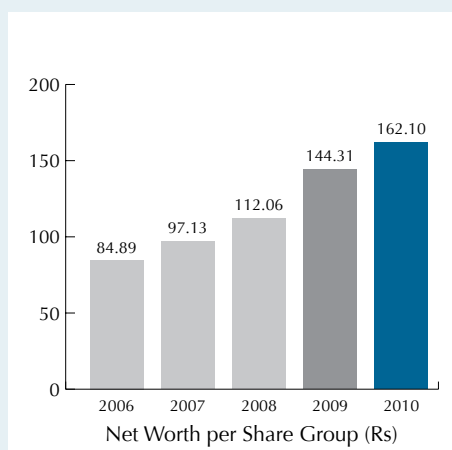
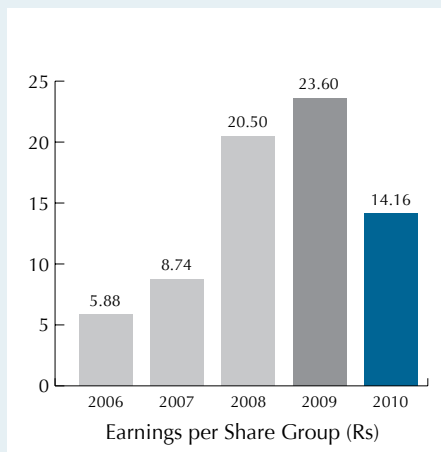
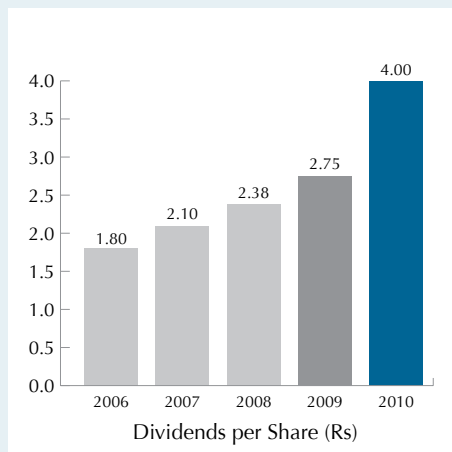
Registered Office
18 Edith Cavell Street
Port Louis

Registry
Mauritius Computing Services Ltd.
18 Edith Cavell Street
Port Louis

Business Registration Number
C07000952

Group Financial Highlights

	2010	2009
Operating Results		
Revenue (Rs'm)	3,149.3	2,795.0
Profit after taxation (Rs'm)	202.0	296.8
Earnings per share (Rs)	14.16	23.60
Dividend per share (Rs)	4.00	2.75
Profit attributable to equity holders of the Company (Rs'm)	159.4	265.7
Balance Sheet and Cash Flow		
Total Assets (Rs'm)	3,209.3	2,840.6
Net assets attributable to equity holders of the Company (Rs'm)	1,825.1	1,624.8
Cash generated from operations (Rs'm)	175.8	233.8
Capital Expenditure (Rs'm)	84.4	102.9
Financial ratios		
Profit after taxation to revenue (%)	6.4%	10.6%
Profit attributable to owners of the parent to shareholders' interest (%)	9.2%	18.4%
Debt to equity (%)	18%	14%



Key Results

▶ + 13%
Revenue

▶ - 32%
Profit after taxation

▶ - 40%
Earnings per share

▶ + 142%
Closing share price

▶ + 45%
Dividend per share

Board of Directors

Antoine L Harel (52)

Chairman - Non-Executive Director

Antoine L Harel is a fellow member of the Institute of Chartered Accountants in England and Wales. He holds a BA (Hons) degree in Accounting and Computing. He joined Harel Mallac & Co. Ltd. in 1987 and launched the Company's Information Technology division. On joining the Board in 1990, he was appointed Executive Director with responsibility for the Information and Communication Technology and the Distribution and Retail Divisions. In 1997, he was appointed Group CEO and is Chairman of the Board since April 2005. He was President of the Mauritius Chamber of Commerce and Industry from 1992 to 1993.

Other Directorships (listed Companies):

Automatic Systems Ltd., *Compagnie des Magasins Populaires Limitée*, The Mauritius Chemical and Fertilizer Industry Limited, Bychemex Limited, Chemco Limited and *Les Gaz Industriels Ltd.*

Christopher Boland (59)

Chief Executive Officer

Christopher Boland is an Associate Member of the Institute of Chartered Accountants in Australia. He has held various positions in Finance, Operations and General Management in Australia and France within two multinational groups: Baker Hughes Corporation and Hexcel Corporation. He joined the Harel Mallac Group in April 2007 and was appointed CEO of the Group in May 2007.

Other Directorship (listed Companies):

The Mauritius Chemical and Fertilizer Industry Limited.

R J Paul Clarenc (66)

Independent Director

R J Paul Clarenc holds a Diploma in Production Management (Delft, Holland) and a Bachelor of Science (Hons) degree from Cape Town University. He is, since 1986, the Managing Director of Mauritius Oil Refineries Limited. He is a Founder Member of the Association of Manufacturers. He has also been, from 1995 to 2000, member of the Council and in 1998, President of the Mauritius Chamber of Commerce and

Industry. R J Paul Clarenc was appointed to the Board of Directors of Harel Mallac & Co. Ltd. in May 2004.

Other Directorships (listed Companies):

Plastic Industry (Mauritius) Ltd. and Mauritius Oil Refineries Ltd.

Jérôme de Chasteauneuf (44)

Independent Director

Jérôme de Chasteauneuf qualified as Chartered Accountant of England and Wales in 1992. He joined the Ciel Group in 1993 as Project Financier. In 2000 he became Head of Finance of the Ciel Group where he also acts as Group Treasurer. Jérôme de Chasteauneuf was appointed to the Board of Directors of Harel Mallac & Co. Ltd. in May 2010.

Other Directorship (listed Companies):

Ipro Growth Fund Limited.

Patrick M J Giblot Ducray (59)

Independent Director

Patrick M J Giblot Ducray holds a BSc degree in Computer Science, UK. He sat on the Board of Directors of the Union Sugar Estates Company Ltd. and participated in the activities, development and diversification of the sugar industry. He was the Chairman of a private medical clinic and in that capacity contributed to the improvement of healthcare in Mauritius. Patrick M J Giblot Ducray joined the Board of Directors of Harel Mallac & Co. Ltd. in June 2006.

Other Directorship (listed Companies): None.

Charles P L Harel (43)

Executive Director

Charles P L Harel holds a National Diploma in Management and Finance from the Cape Technikon, South Africa, as well as a MBA from the University of Birmingham, UK. In 1995, he joined the Harel Mallac Group where he presently leads the Property and Business Development Arm.

Other Directorships (listed Companies):

Automatic Systems Ltd., *Compagnie des Magasins*

Board of Directors

Populaires Limitée and The Mauritius Chemical and Fertilizer Industry Limited.

Anwar A H Moollan (43) **Independent Director**

After reading Mechanical Engineering in France, Anwar A.H. Moollan studied law at Downing College, Cambridge and the *Université de Paris*, Panthéon, Sorbonne. He joined the Chambers of Sir Hamid Moollan QC in 1995, and practises as a barrister. Anwar A H Moollan joined the Board of Directors of Harel Mallac & Co. Ltd. in June 2003. He chairs the Audit Committee of Harel Mallac & Co. Ltd.

Other Directorship (listed Companies): *Compagnie Immobilière Limitée.*

L J Michel Rivalland GOSK (57) **Executive Director**

L J Michel Rivalland is Fellow Member of the Chartered Association of Certified Accountants. He was a Managing Director of The Mauritius Chemical and Fertilizer Industry Limited from October 2006 to June 2009. L J Michel Rivalland is currently an Executive Director of Harel Mallac & Co. Ltd.

Other Directorships (listed Companies): *Automatic Systems Ltd., Compagnie des Magasins Populaires Limitée, The Mauritius Chemical and Fertilizer Industry Limited, Bychemex Limited and Chemco Limited.*

Vincent C Rogers (47) **Non-Executive Director**

Vincent C Rogers holds a Bachelor of Business Science (Marketing) degree from the University of Cape Town, South Africa. He joined Grays & Co. Ltd. in April 1987 as Marketing Coordinator and later as Marketing Manager. He is presently the Managing Director of Gaz Carbonique Limitée which he joined in 1992. Vincent C Rogers was appointed to the Board of Directors of Harel Mallac & Co. Ltd. in July 2005.

Other Directorship (listed Companies): None.

Frédéric G Tyack (41) **Independent Director**

Frédéric G Tyack is an Associate Member of the Institute of Chartered Accountants in England and Wales and holds a BSc (Hons) degree in Accounting and Finance from the London School of Economics. On his return to Mauritius after his studies, he joined Food and Allied Industries Limited as Assistant to the Group Finance Director. In April 1999, he joined the Planning Division of Rogers and Company Limited where he actively participated in the development of the Group's five-year strategic plan. He was the Managing Director of the Group's logistics sub-cluster. He left Rogers and Company Limited in January 2004 to join *Plastinax Austral Limitée*, an EPZ Company of the ENL group manufacturing plastic sunglasses for the European and American markets, as General Manager. In July 2008 he joined the Property Division of the ENL Group as Development Manager. Frédéric G Tyack was appointed to the Board of Directors of Harel Mallac & Co. Ltd. in July 2005.

Other Directorship (listed Companies): None.

Chairman's Statement



Dear Shareholder

I am pleased to present the Annual Report of the Harel Mallac Group for the year ended 31 December 2010.

Economic Background

The year has been characterised by the important growth of emerging countries such as India and China and the considerable socio-economic challenges faced by the United States and Europe. Mauritius has succeeded in navigating through a relatively hostile business environment and in maintaining growth, though at a reduced pace. Some sectors of our economy have suffered far more than others due to the strength of our currency compared to the US dollar and the Euro. Government, private institutions and the business community have taken the necessary steps to protect our local business from the full impact of the recession and to monitor closely unemployment rates. The lowering of the Repo rate has served to sustain economic growth and to encourage investments.

The market conditions in the overseas locations where we operate have been marred by negative factors: continued depressed conditions in Madagascar; slow business growth in Mayotte and an election year that produced negative business results in Rwanda.

Financial Performance

Our Group, despite some business shortfalls, has continued to grow and consolidate its results when adjusting for certain exceptional gains in 2009. Our main business pillars continue to be robust and in fact have been further reinforced to improve overall focus and results. The Harel Mallac Group has performed well

in the circumstances, strengthened its position in the market, and widened the platform for future growth.

The Group's turnover has grown by 13 per cent to reach Rs3.1 billion.

Our Group profit before tax for the year was Rs202 million compared to Rs296 million last year. The decrease is due to the non repetition of exceptional gains made in 2009, and also reflects an increase in profit to minority shareholders.

The Group's earnings per share have decreased to Rs14.16 compared to Rs23.60 for the previous year. Total assets of the Group increased by Rs368.6 million to Rs3,209.3 million.

Our share price has increased by 142 per cent during the year to reach Rs215.00 at 31 December 2010.

Taking into account our results and financial situation, our Board of Directors has approved an increase in dividend for the year. Rs45 million was paid before the 31 December 2010 representing Rs4.00 per share compared to Rs2.74 last year.

Outlook

During the year we purchased 100 per cent of Climapro Ltée and Strafin Global Financial Services Ltd., companies in the engineering and financial services fields, respectively. In the chemical sector, we have increased our ownership position in Chemco Limited and Bychemex Limited. In the case of the latter, following an ownership position of greater than 30 per cent and having Board control, this Company has been

“Our share price has increased by 142 percent during the year to reach Rs215.00 at 31 December 2010”

consolidated as a subsidiary since August 2010. This growth strategy will continue through the expansion of our existing business lines via acquisition and regional growth. We are also looking to expand to other African countries to seek further growth and diversify our risks by using our locally acquired expertise. However, this expansion will be undertaken after careful risk assessment and will be characterised by a more conservative approach, given global uncertainties.

Corporate Governance, Social and Environmental Responsibility

Our Group is fully committed to good corporate governance as well as its social and environmental responsibility. These values lie at the heart of our commitment to and engagement with all our stakeholders. It is described in more detail later in this report.

In terms of Corporate Social Responsibility (CSR), *Fondation Harel Mallac Ltd.*, a non-profit making Company, was incorporated in December 2009 to manage the CSR activities of the Group. The creation of this entity has allowed our Group to achieve greater focus and purpose in carrying out more systematically our social responsibilities. The main objective of this initiative is to address the educational needs of young people faced with serious financial difficulties. In 2010, approximately Rs3.3 million was disbursed to various projects in the field of education, as well as for ecological projects. Through these activities, the Group aims to strengthen its role as a responsible corporate citizen. *Fondation Harel Mallac* ensures that there is greater participation of employees of the Harel Mallac Group in its external CSR activities. During the year a CSR day was organised with the participation of our staff

and non-governmental organisations (NGOs) to exchange ideas and provide support that goes beyond financial assistance. Many NGOs would benefit from technical advice in areas in which our staff have interest and expertise.

Directorship

Jérôme de Chasteauneuf was appointed at our last Annual Meeting on our Board of Directors. Jérôme comes to us with extensive business experience and strong financial background. He has been and will continue to be of great value to our Audit Committee.

Our Director Patrick Giblot Ducray who first joined the Board in 2006 will not stand for re-election. On behalf of the Board members I would like to thank him for his active contribution to the affairs of the Group.

Acknowledgment

I take this opportunity to express my deep appreciation to all our shareholders for their support and confidence in the Group, and to our faithful customers and suppliers. We are most grateful to our CEO Christopher Boland and his team for their commitment and dedication in carrying out their duties and responsibilities diligently. A special word of thanks goes to all employees for the results achieved this year. Finally, I am very grateful to my fellow Directors for their valuable advice, guidance and support.



Antoine L Harel
Chairman

CEO's Report

Revenue

Included in the sales growth of Rs354.3 million is Rs326.0 million emanating from the acquisition programme and the balance from growth in existing businesses. The significant growth drivers for the year were the Technology and Chemical arms with revenue growth rates at over 25 per cent in each one of those areas coming from acquisitions and core business improvements. At the same time declining sales were registered in the Engineering sector despite additional growth coming from acquisitions. Elsewhere, most other businesses had revenue growth with the exception of some marginal decline in Outsourcing and Travel.

Profit before Finance Costs

This year's result of Rs194.1 million was Rs47.0 million less than last year. The main reason for this was the special income secured in 2009 which included gains from investment activities of Rs44.1 million (as opposed to gains in 2010 of Rs13.2 million) and profit on sale of fixed assets of Rs22.3 million in MCFI. These generated for the Group in 2009 profit before finance costs of Rs241.1 million. When adjusted for these significant events in 2010 the Group's profit before finance costs has increased by Rs6.2 million. Considerable volatility characterised individual business results. There were some encouraging performances in our new Technologies and Chemicals operations. However, we suffered from declining operating margin rates driven by poor performance in the Refrigeration business of the Engineering arm, and lack of large orders in the Bureautique business of the Technology arm. Apart from marginal profit reductions, some areas saw an upward trend, and generally profits were on the rise. The Company remains optimistic in terms of profitable expansion. We have incurred, and will continue to do so, costs associated with acquisition and expansion efforts. The business commentaries below highlight the fact that some areas performed particularly well.

Net Interest Expense

Net interest expense (defined as interest expense less interest income – foreign exchange gains/losses have been excluded in this figure) for the year decreased by Rs5.1 million to Rs15.3 million as compared to 2009.



This decrease is primarily attributable to lower interest rates and improved cash flow, despite increases in net working capital, capital and acquisition expenditures.

Associate Companies

The share of results from Associate Companies declined by Rs10.8 million in the year to Rs70.4 million. Whilst there has been a decline, the annual return on investment in 2010 remains satisfactory at 22 per cent. It is encouraging to see the return to profits of our investment in *Société d'Engrais et de Produits Chimiques de Madagascar (SEPCM)*. Unfortunately profits at Rehm Grinaker were in decline. Standard Labels Limited is no longer an Associate of the Company.

Exceptional Items

During the year there was no exceptional gain on disposal of Associate Companies. In 2009 a gain of Rs38.6 million was registered relating to the disposal of our interest in an Associate Company Standard Labels Limited.

Taxes

Tax expense for the year did not register much change. However, the impact of reduced profitability was offset by a deferred tax expense of Rs3.2 million relating to new tax legislations on capital gains.

- Revenue increase of 13 per cent or Rs354.3 million to Rs3,149.3 million.
- Profit for the year of Rs202.0 million is down by 32 per cent due primarily to the non repetition of special gains made in 2009.
- Cash flow from operating activities which stands at Rs175.8 million was used to finance capital expenditure, acquisitions and dividends.
- Net debt (defined as short and long-term borrowings less cash) remains low at Rs158.2 million.

Profit for the Year

Profit for the year decreased by 32 per cent or Rs94.8 million to Rs202.0 million. This is the first decline in a number of years as a consequence of the negative factors outlined above. The year's shortfall can be generally summarised as a non repetition of special profits of Rs91.8 million made in 2009. These include the profit on disposal of Associates of Rs38.6 million, reduced exceptional share trading gains of Rs30.9 million, and the gain on disposal in 2009 of the nitric acid plant of Rs22.3 million. On the other hand, in 2010, the Group earned a profit of Rs21.0 million from the growth in revenues. However, this was partially offset by reduced Associates' earnings of Rs10.8 million.

Prospects

The global economic downturn, whilst showing early signs of recovery in certain regions, remains and will continue to impact performance and earnings. On the other hand, other areas offer growth opportunities that will boost the global and Mauritian economy. The Company will continue to seek opportunities for growth. Madagascar remains a challenge and as indicated last year is unlikely to emerge from its current economic difficulties even if political stability prevails.

The Company will continue to grow by acquisitions to support core business growth where multiple

opportunities present themselves. At the same time we do not anticipate selling assets, thus setting aside the possibility of profit or loss relating to this. All profit growth will come from improved operating returns, working capital management and sales growth.

What remains, therefore, is the challenge of "growing beyond" - the central theme of our operations for 2011. To be successful in this initiative our strategic priorities will fall in the areas of Leadership, Business Excellence, the One Harel Mallac mentality, as well as International Growth and Acquisitions.

Dedication

The growth in sales and positive core operating results, despite the challenging local and global business environment, has come from the commitment and drive of the Board, the vision and energy of the leadership and management teams, our customers and other stakeholders, and the dedication and hard work of our employees. I express a big thank you to all of you.



Christopher Boland
Chief Executive Officer

Leadership Team Profile



From left to right:

CHRISTOPHER BOLAND, E HAROLD NG KWING KING, OLIVER LEW KEW LIN, L J MICHEL RIVALLAND GOSK, CHARLES P L HAREL, CHRISTIAN AHKINE, JEAN MARIE DE MARCY CHELIN, DASS A THOMAS GOSK, ANDRE NAIRAC, MICHEL PILOT, M A GUY HAREL, SEBASTIEN LAVOPIERRE, ROSHANRAJ SEETAHUL, ALAIN AH-SUE and SEETY NAIDOO

Christian Ahkine Group Financial Controller

Christian Ahkine is an Associate Member of the Institute of Chartered Accountants in England and Wales. He holds a BSc (Hons) degree in Management Science from the University of Ottawa, Canada, specialising in management and information systems. He joined the Group in 2005 as Financial Controller of Harel Mallac Bureautique Ltd. and was promoted to Group Financial Controller in February 2007.

Alain Ah-Sue Managing Director – Harel Mallac Technologies

Alain Ah-Sue holds a BSc degree in Computer Science from City University of New York. He joined the Group

in 1989 as Sales Manager of Harel Mallac Computers. In 1995 he was promoted to General Manager of this subsidiary and Managing Director of Harel Mallac Technologies Ltd. in 2005. In August 2010, he was appointed Managing Director for the Technology Arm which consists of Harel Mallac Technologies Ltd., Harel Mallac Bureautique Ltd. Orinux (Mauritius) Ltd. and Orinux (Rwanda) sarl.

Christopher Boland Chief Executive Officer

Christopher Boland is an Associate Member of the Institute of Chartered Accountants in Australia. He has held various positions in Finance, Operations and General Management in Australia and France with two multinational groups: Baker Hughes Corporation and

Hexcel Corporation. He joined the Harel Mallac Group in April 2007 and was appointed CEO of the Group in May 2007.

Charles P L Harel
Executive Director – Property and Business Development Arm

Charles P L Harel holds a National Diploma in Management and Finance from the Cape Technikon, South Africa, as well as a MBA from the University of Birmingham, UK. In 1995, he joined the Harel Mallac Group where he now holds the position of Managing Director of the Property and Business Development Arm.

M A Guy Harel
Managing Director – Archemics Ltd

M A Guy Harel joined the Harel Mallac Group in 1981 as Manager of Fapcom Ltd. He created Henkel Chemicals (Mauritius) Limited in 1983, and became its Managing Director in 1996. Since the acquisition of the former by Harel Mallac Group in 2007, he has been Managing Director of Archemics Ltd.

Sébastien Lavoipierre
Managing Director – The Mauritius Chemical and Fertilizer Industry Limited

Sébastien Lavoipierre holds a BSc degree in Chemical Engineering from the University of Natal and an MBA from Herriot Watt University, Edinburgh Business School. He was Production Manager of *Les Gaz Industriels Ltd* from 1998 to 2003 and held a senior management position at Ireland Blyth Limited from April 2003 to December 2006. He was Project Manager of the MCFI Group from 2007 to 2008 and named Business Development Manager of the Harel Mallac Group in 2009.

Sébastien Lavoipierre was appointed Managing Director of the Group's chemical cluster in January 2010 which comprises of The Mauritius Chemical and Fertilizer Industry Limited, Chemco Limited, Bychemex Limited, Coolkote Enterprises Ltd. and Archemics Ltd.

Oliver Lew Kew Lin
Managing Director – Harel Mallac Outsourcing

Oliver Lew Kew Lin holds a Joint Honours degree in Engineering and Computing Science from the University

of Oxford. He has worked in the IT and Business Process Outsourcing (BPO) fields since 1990 both in operations and at senior management level. He joined the Harel Mallac Group in October 2010 as Managing Director of Harel Mallac Outsourcing.

Jean Marie de Marcy Chelin
Managing Director – Compagnie des Magasins Populaires Limitée

Jean Marie de Marcy Chelin joined the Company in 2003 as Commercial Manager after having served in the beverages and retail industries for several years. He was promoted to the position of General Manager in 2004 and since 2005 became its Managing Director. He was appointed to the Board of Directors of *Compagnie des Magasins Populaires Limitée* in 2004.

Seety Naidoo
General Manager – Harel Mallac International

Seety Naidoo is Member of the Chartered Institute of Management Accounts and holds a diploma in Business Administration. He worked in Africa as Accountant and Finance Manager until 1998. He joined Harel Mallac Madagascar as Finance Manager in December 2000. Two years later he took over the overall management of Harel Mallac operations in Madagascar. Since October 2007, Seety Naidoo is the General Manager of Harel Mallac International which includes the Madagascar and Mayotte operations.

André Nairac
General Manager – Harel Mallac Travel and Leisure

André Nairac started his career in the aviation industry in 1989 when he joined South African Airways (SAA) in the Sales and Marketing department in Mauritius. He subsequently held the position of SAA's Country Manager in Côte d'Ivoire. He joined the Harel Mallac Group as General Manager of the Travel and Leisure business in 2005.

E Harold Ng Kwing King
Managing Director – Harel Mallac International

E Harold Ng Kwing King holds a BSc Hons. degree in Chemical Engineering, University of Leeds, and is a senior member of the American Institute of Chemical Engineers. He joined MCFI Ltd in 1974 as shift Engineer, and subsequently assumed various positions >>

Leadership Team Profile (Cont'd)

as Assistant Production Manager (1976), Production Manager (1978), Plant Manager (1980), Deputy General Manager (1988) and Managing Director (2006 – 2010). He was also Managing Director of Chemco Limited, Bychemex Limited and Coolkote Enterprises Ltd. He was appointed Managing Director of Harel Mallac International Ltd. in June 2010.

Michel Pilot
Managing Director – Harel Mallac Engineering

Michel Pilot joined the Company in January 1979 as Salesman in the Agro Industrial department. He was promoted Manager of the Division in 1980. In 1983, he became the Manager of the *Centrale D'Achats des Sucreries* and held various positions of responsibility within this strategic business unit (SBU). In 2005, he was appointed Managing Director of Harel Mallac Engineering Ltd.

L J Michel Rivalland GOSK
Executive Director

L J Michel Rivalland is a Fellow Member of the Chartered Association of Certified Accountants. He was appointed to the Board of Directors of The Mauritius Chemical and Fertilizer Industry Limited on 1 June 2006 and Managing Director in October 2006. He is presently Executive Director of Harel Mallac & Co. Ltd. and leads the Financial Services Arm.

Roshanraj Seetahul
Group Head of Legal Services

Roshanraj Seetahul is a qualified barrister having been called to the bar in England and Mauritius. Prior to joining the Group in April 2010, he worked within areas relating to financial services, banking, corporate law, and company secretary. He also holds a BSc (Hons) degree in Hotel and Catering Management from the University of Surrey and worked within inflight catering logistics before embarking on a legal profession.

Dass A Thomas, GOSK
Group Head of Human Resources

Dass A Thomas holds a MBA from the University of Surrey, a Diploma in Personnel Management from the University of Mauritius, a Diploma in Occupational Health and Safety, and a Diploma in Industrial Psychology from the National College of Industrial Hygiene, Australia. He joined the Group in June 2005 and is presently the Group Head of Human Resources. He also carries out the function of Group Head of Marketing and Communications.



Corporate and Business Reviews

Quality

Our Business Excellence framework, which was initiated in 2007, is essentially geared towards the effective development and utilisation of human potential, knowledge, and organisational systems to enhance Harel Mallac's capabilities in all its operations. The overarching goal is to better satisfy our stakeholders.

The certification of our Businesses to ISO 9001 (Quality Management System) standards constitutes only one stepping stone in the quest for excellence. It sets the baseline for the adoption of other internationally recognised quality models, standards and practices that are responsive to business imperatives, as well as customer and market requirements. This year all prior ISO 9000-2008 certifications were reconfirmed. Certified Companies are actively involved in the optimisation and alignment of their operating standards to industry's best practices.

The year 2010 was also marked by the certification of Harel Mallac Outsourcing (HMO) to ISO 27001 Information Security Management System standard by the British Standards Institute. Being amongst the few companies in Mauritius having secured such a prestigious distinction, HMO is now able to provide assurance to its valued and potential clients, given its enhanced capacity to manage and protect valuable information assets. Coupled with ISO 9001 certification, this new qualification will undoubtedly reinforce HMO's competitive edge to tap into high potential market segments. Additional observations are included in the individual business reviews below.

Fundamental to the success of our business excellence framework is our overall strategy of empowering people across the Group, unleashing untapped potential and fully exploiting synergies on a wider scale. To this end, we have introduced an enhanced auditing framework known as Inter Company Auditing whereby a diversified pool of home grown auditors rotates across strategic business units (SBU). This new auditing experience blends the complementary skills of auditors with the rich diversity of their experience to help companies not only to maintain high standards but also leverage their capabilities through the sharing of best practices.

We will continue to advance along the path leading to business excellence. Our focus for 2011 will be on the roll out of the Balanced Scorecard model across the Group. This project puts emphasis on the drivers of excellence and will set the stage for an integrated and iterative strategic management system that better aligns our vision with desired outcomes at all levels in the organisation, through a balanced set of key performance metrics.

Human Resources

The Group currently employs 1,224 people. High calibre, talented professionals have been recruited in practically all Business Units. The performance management system (SPACE) has been a powerful tool to assess our employees in terms of objectives achievement, competencies, evaluation of training requirements, and career path. The Management Development Review, now a regular event in the Company's calendar, provides us with useful insights into the potential of management and key staff. The result is that today the Group has over 70 HPs (high potential employees) in its midst. The Company invested some Rs6.4 million on training including two leadership programmes by Dale Carnegie, as well as two "Finance for Non-Finance Managers" courses which were held in-house. Our Graduate Recruitment Challenge Initiative (GRCI) launched in 2009 has provided us with seven management trainees still in post to date. Regarding remuneration, the Group continues to benchmark itself with market rates to retain its high performers and to attract high calibre candidates externally. In line with HR best practices, every position in the Group has a job profile which in turn is evaluated according to the Hay System to ensure consistency and fairness in our remuneration grading system.

The year 2011 is geared to new initiatives, such as the Assessment/Development Centre for all our management team and the development of a career framework within the Group.

Health and Safety

The Harel Mallac Group is firmly committed to its Health and Safety Policy. It gives health and safety matters the highest priority, placing legislative requirements as a minimum standard. The Group has defined a health >>

Corporate and Business Reviews (Cont'd)

and safety framework to effectively control risks and prevent staff from being harmed in the course of their duties by adopting industry's best practices.

The year 2010 was marked by an enriching Health and Safety Awareness Campaign for the employees of the Group during the whole month of June. A Health and Safety Handbook – *An Easy Guide to Best Safety Practices* was launched. A series of training programmes was conducted across the Group. A sensitisation walk was also conducted through the streets of Port Louis to raise awareness of employees and the general public of the importance of a safe and healthy work and lifestyle. The campaign ended with a blood donation from employees to the national blood bank.

The focus for 2011 will be on the integration of new business acquisitions into our existing health and safety framework for a more streamlined approach to occupational risk management. Emphasis will be placed on training.

With the successful implementation of the health and safety framework there has been a significant decrease in the number of incidents and lost time accidents across all business units.

Branding

The Group has embarked on a new branding and communication strategy for growth on the local and regional markets. The first phase of the branding exercise, namely the brand context analysis, has been launched. This entails an internal as well as an external audit involving a qualitative survey with specific stakeholders. Based on the findings an image and awareness survey vis-à-vis the general public will be undertaken. This year the branding exercise will present many exciting developments and opportunities for improvement.

Business Profitability

To cater for a more effective and appropriate structure for our growth, the Company has consolidated some of our SBU's into larger business arms. The Corporate Services segment includes the departments which provide internal services to the Group's various entities, financial investment income, and property.

The results for the past two years are as follows:

	Revenue		Profit/(Loss) before finance costs	
	2010	2009	2010	2009
SBU	Rs'm	Rs'm	Rs'm	Rs'm
Chemical	1,099.9	869.5	109.1	97.9
Technology	1,135.0	907.2	44.6	37.4
Engineering	309.4	377.1	10.7	27.9
International	353.3	306.5	(8.5)	(2.7)
Monoprix	258.3	230.5	4.5	(4.8)
Outsourcing	72.4	78.7	2.3	2.8
Travel and Leisure	22.8	24.6	(2.8)	(0.2)
Corporate Services, Investment income and eliminations	(101.8)	0.9	34.2	82.8
	3,149.3	2,795.0	194.1	241.1

Business Units

Chemical Arm

Sébastien Lavoipierre, Managing Director

The Chemical Arm of the Harel Mallac Group was set up in January 2010. It consists of the Group's investment in MCFI (excluding Zambia which is part of the International arm), Archemics, Bychemex, Chemco and Coolkote. Its core business focuses on the manufacture and marketing of a wide range of consumer and industrial chemicals designed for local and regional markets, using the services of the International arm to access the regional markets. The chemical arm has been created to develop synergies and to have a common vision within the arm so as to create value through growth and innovation. Revenues increased by 26 per cent and PBIT 11 per cent or 43 per cent when adjusting for the special 2009 gain on sale of the capital equipment.

The MCFI Group enjoyed a year of positive growth in 2010, both in volume and profits, with good performance in spite of a declining local market. Despite the substantial fall in the EU sugar prices which forced the local growers to decrease their local consumption of fertilisers, sales volume increased marginally. Moreover, the sales of granular fertiliser on the local market increased by 13 per cent. However, sales of liquid fertiliser dropped slightly. The Company has achieved sale volume growth of 50 per cent on exports, particularly on the Reunion market. We are continuously improving business practices by addressing safety, health, environmental and quality concerns as priorities within our core processes. We have implemented 5S, ISO 9001, and are in the process of seeking OHSAS 18001: 2007 certification in March 2011.

MCFI together with its partners have submitted a proposal for the setting up of a cement grinding plant of 500,000 tons capacity to the Ministry of Industry. This plant will be located on MCFI premises at Fort George. Approval from the relevant authorities is pending. The Board of Directors has approved the setting up of a complex fertiliser granulation plant with a production capacity of 50,000 tons per year. The objectives of the granulation plant are to supply the local fertiliser market with complex fertiliser, and to penetrate the regional export markets in Madagascar and East Africa with both complex and organic granular fertiliser. The plant is expected to be operational around August 2011. MCFI has entered into a joint venture to set up a pilot plant

for the production of 1,500 tons of organic fertiliser from poultry waste and hotel waste. The project, which is expected to start in March 2011, is in line with the *Maurice Ile Durable* concept.

Coolkote Enterprises Ltd., a fully owned subsidiary of MCFI, is a Company which specialises in waterproofing and coatings for buildings. For the year, sales were satisfactory. However, margins were tight and the Company incurred a small loss. The slowing down of the construction industry in 2010 appears to remain a challenge in 2011.

The activities of Chemco Limited comprise a chemical division and a consumer goods division. It should be noted that in relation to our consolidated numbers, the results for 2009 only included 4 months of activities as a subsidiary. The prior months' activities were accounted in Associate Company earnings. In 2010, emphasis was placed on the consolidation of our core business, namely industrial chemicals, sugar chemicals, specific general goods and laboratory services. From the outset of 2010, the main focus was to improve net results. This was achieved as shown in significant improvements in profitability. There was a slight decrease in sales resulting from the export market, in particular in Madagascar which was affected by political turmoil.

The main activity of Bychemex Limited is the supply of specialty chemicals to the textile industry to support preparation, bleaching, dyeing and finishing operations. Bychemex Limited became a subsidiary of Harel Mallac & Co. Ltd. in the third quarter of 2010. The consolidated results include only the last four months of operations for the year ended 31 December 2010. The results of the previous months were reported in Associate Company results.

In the Archemics division, revenue increased by Rs28.0 million in 2010. PBIT however declined by Rs2.7 million. This is the result of very poor performance of the Textile division following difficult market conditions in the Mauritian textile industry in 2010. The Consumer and Industrial Adhesive departments exceeded expectations as the hospitality segment regained momentum. The Detergents Division also performed well. But the real growth came from the Consumer Goods Department with the manufacture >>

Business Units (Cont'd)

of Le Chat and MIR brands under licence from Henkel. The division is confident about the growth potential of this project. Construction of a new store on our premises at Terre Rouge will commence shortly to cater for the expansion in this line of products. The outlook remains highly positive on the growth opportunities in Archemics.

Technology Arm

Alain Ah Sue, Managing Director

The Technology Arm of the Harel Mallac Group, set up in August 2010, consists of Harel Mallac Technologies Ltd (HMT), Harel Mallac Bureautique Ltd (HMB) and Orinux Ltd. In line with the Group's strategy and vision, the Technology Arm aims to allow more effective business synergies, the streamlining of activities, the reduction in overhead costs and, most importantly, positioning ourselves as a unique one-stop shop solutions provider and integrator, locally and regionally. Today both HMT and Orinux are better equipped to provide complementary ICT services, systems and solutions to the markets where we are already present, as well as to new markets.

Despite the adverse economic conditions that prevailed in 2010, the Technology Arm has achieved revenues of Rs1,135.0 million which represents a growth rate of 25 per cent. This growth has come through HMT which has enjoyed a growth of 20 per cent whereas HMB had a growth of 11 per cent, and the balance came from the full year results of last year's acquisition of Orinux. The gross profit has increased by 21 per cent for HMT while that of HMB has increased by 5 per cent. Gross Profit for Orinux has been considerably lower than expected mainly due to an unfavourable Euro rate of exchange. On the PBIT side, HMT has shown a growth of 30 per cent, whilst HMB a decrease of 65 per cent and Orinux at acceptable below expected performance levels due to the margin issues.

The performance of all departments in HMT exceeded expectation. This is mainly due to continuously following the Business Excellence Programme which started in January 2009, and having a team of dedicated employees. During the year one of the leading Archiving and Document Management System (DMS), namely KOFAX and ADOBE was introduced. We also won and implemented projects in the Seychelles, Madagascar,

Burundi and the Maldives. The challenge for 2011 will be to introduce even more innovative ICT solutions and to increase our presence in the Indian Ocean and East African regions.

Although revenue and gross profit were increased for HMB, 2010 has shown a decrease in profitability following the trend in 2009. As mentioned above, overhead costs have increased by 35 per cent. This is due *inter alia* to the introduction of new business activities such as TEC Point of Sale system and opening of the INBOX retail outlet. There was a change in management in the last quarter of 2010. During this period, and after thorough discussion among the department leaders and senior staff, the different departments were re-engineered to bring clearer focus to the core activities, as well as to introduce new products and solutions to the market. Apart from our traditional activities, such as Digital Printing Solutions and Store Automation Systems, HMB will expand its activities in Digital Imaging. In this context, a new Healthcare Solutions department has been set up.

In November 2010, a prospecting visit to Reunion Island showed that the market there was responsive to Digital Imaging Solutions. In line with the Technology Arm Business Excellence Programme, HMB will be putting more emphasis on lean management and cost control at all levels. With a team of highly motivated staff ready to take on challenges, 2011 is expected to show positive results and growth in profitability.

Orinux suffered quite considerably in 2010 mainly due to the Euro crisis. Revenue and gross profit in Euros have not been what was expected. Due to general elections in some of our African markets, business has been slow. 2010 has been a year of integration and adaptability to the Harel Mallac Group. Despite expected difficulties, business synergies started with HMT and soon with HMO. The benefits of the synergies with HMT have culminated in a first contract being won in Burundi.

Performance in our traditional markets has been relatively good, with us winning new contracts and customers. During the last quarter of 2010, a new strategy for our business and profitability growth was defined. Additional technical sales professionals will be recruited for our Rwanda branch and to exploit new

Business Units (Cont'd)

opportunities. We will also strengthen our Backline Technical Support team based in Mauritius. In the second quarter of 2011, Orinux will embark on Business Excellence and is expected to be ISO certified by early 2012.

Engineering Arm

Michel Pilot, Managing Director

Revenue dropped drastically by 32 per cent and PBIT was also down by 63 per cent. In contrast, Gross margin has been good at 33 per cent. This downturn in the company's performance is essentially attributable to the disappointing performance of the Refrigeration/Air conditioning division. It has come about because of the absence of major contracts in the field of air conditioning, thus affecting the overall performance of the Company. Performance in this division has slowed with revenue dropping by 54 per cent and the division making a substantial loss. 2011 looks brighter, and already some major refrigeration projects are about to be secured and executed. The sales team has been reinforced and the division team primed to move ahead quickly and effectively.

The Agro Industrial division has been performing at par with 2009 results in both Revenue and PBIT. The Construction and Material Handling Equipment sub-division has consolidated its position in the market place and revenue is growing satisfactorily. The garage equipment activity has been reinforced in terms of manpower and the results are already encouraging. Prospects look bright for this sub division. The other areas have performed satisfactorily. Some growth opportunities have been identified and will be pursued in 2011.

The Agro Chemical division has contributed positively although there has been a decline in both Revenue and PBIT. The decrease has been caused by an important reduction in the purchase of chemical products by the sugar refineries. However, sales of weed killer remain stable.

Harel Mallac Engineering Ltd is committed to regaining its previous levels of performance and profitability. New training programmes have been identified and will be implemented in the first quarter of 2011. Our regional expansion is moving ahead with an increased presence in neighbouring markets. The ISO 9001 2008 certification is due in the second quarter of 2011. A Quality Officer

has been appointed and has begun to implement the Group's Quality Programme.

In May 2009 the Group purchased Climapro Ltée, a Company that specialises in the sale and servicing of air conditioning systems and fire-fighting equipment. The Group will benefit enormously from the talent and market recognition that exist in Climapro Ltée, and in particular from the efficiency with which quality products and services are dispensed. This division has achieved results a little in excess of our acquisition objectives for the period with sales of Rs54.6 million and a PBIT of Rs4.9 million. Growth in sales and PBIT is expected in 2011.

Interesting synergies are being deployed within the engineering arm and more is to come. New acquisitions are being investigated and are expected to materialise in 2011. Overall, the Engineering arm is looking to have a significant increase in its performance in 2011.

International Arm

E Harold Ng Kwing King, Managing Director

This business arm of the Harel Mallac Group is responsible for the management and development of certain existing regional companies. It has also the mission to drive and facilitate the expansion of the activities of the various business units of the Group into the region.

Currently this business arm manages the operations of the Group in Madagascar, Mayotte, Zambia, and Tanzania and certain international trading and management divisions in Mauritius. The activities of the international division cover a broad spectrum of products and services which include office equipment, electronic and electrical appliances, FMCGs, ICT and telephony products, pharmaceuticals and allied products, fertilisers, chemicals, agrochemicals and general goods trade, and Freeport activities for the region. In general the results were somewhat disappointing. However, the loss was driven primarily by bad debt and expenses related to expansion activities.

Still in the throes of a political and economic crisis in Madagascar, and the departmental process for Mayotte, 2010 proved challenging in maintaining an ongoing operation in these two locations. However, due to >>

Business Units (Cont'd)

the high motivation of our local-based team and our expansion strategies we have been successful in turning around sales and achieving a growth of 15 per cent over 2009. PBIT has not yet seen its pre-crisis levels due to low margins, costs incurred in the development of our expansion programme, as well as a write off on export debtors. The year 2011 looks brighter as we have already moved forward to a more regional dimension by obtaining regional distribution rights with the consumer electronics giant, SAMSUNG. While strategic alliances are being concluded with domestic-based partners in each of the Indian Ocean Islands, negotiations are underway for other world known brands for regional distribution rights.

MCFI in Zambia realised a 15 per cent growth in sales and 10 per cent growth in profits for the year. Margins were affected by an exchange loss arising from the depreciation of the local currency (Kwacha) by about 3 per cent during the year. The Zambian economy, which is highly dependent on Copper exports, has emerged from the world economic recession as copper prices have raised to an all-time high of US dollars 9,800/tonne. Copper mines, which were previously partly closed, have now resumed their operations. The future of the mining sector looks promising with prices continuing to remain high and production on the increase. 2011 will see the opening up of another outlet in the copper belt area as well as the entry of the Technologies business lines into Zambia.

The latest development in the region is the setting up of a subsidiary in Tanzania. Located in Dar es Salaam, Harel Mallac (Tanzania) Limited was incorporated in November 2010, and is now expected to begin operations as a distributor in the chemical and general goods sectors in March 2011.

In line with our strategic goals, Harel Mallac Export Ltd, a Freeport Company based in Mauritius, has started operating in December 2010. This is the trading arm of certain International businesses and its main role is to service the region with selected products.

Harel Mallac International remains the driving force for the Harel Mallac Group to grow beyond the Mauritian market in areas such as chemicals, fertilisers, ICT and engineering products. It also acts as a facilitator, paving the way for other SBUs of the Group to set up operations in the region.

Monoprix

Jean-Marie de Marcy Chelin, Managing Director

The association with *Les Grandes Surfaces Réunies* Group (GSR) and increased imports from Monoprix France enabled the Company to grow its revenue by 12 per cent in 2010.

Despite fierce competition, gross margins for the year increased by 13 per cent while operational costs were reduced by 4 per cent. Consequently the company's PBIT of Rs4.5 million for the year was a significant improvement compared to the previous year's loss of Rs4.8 million.

In 2011, new projects will be introduced that will further boost revenue and profitability.

Harel Mallac Outsourcing

Oliver Lew Kew Lin, Managing Director

Harel Mallac Outsourcing, comprising Mauritius Computing Services Limited and Activeline Ltd, is a major vendor of Information and Communication Technology Services and Business Processing Outsourcing Services. In 2010 revenues decreased by 8 per cent partly due to the non-renewal of two key contracts. The PBIT impact was marginally less than last year.

Oliver Lew Kew Lin was recruited in October 2010, thus filling a nine month leadership vacuum.

In December 2010, the Network and Security Services Division obtained the ISO 27001 certification which was a significant milestone in its business excellence process. This development should contribute to establishing MCS as a supplier of choice for companies looking for a partner to whom they can entrust sensitive data.

The focus for 2011 is on developing new products and services and being more aggressive in business development.

Harel Mallac Travel and Leisure

André Nairac, General Manager

The travel trade environment continued to face difficulties even though local passenger traffic figures improved

Business Units (Cont'd)

slightly over last year. Increased competition, decreasing margins and customers' increased credit represent significant challenges. The Aviation General Sales Agent activities (passenger and cargo) maintained their market share despite a highly competitive environment.

Investment in new products, such as E-Commerce, will begin showing results in 2011. We expect improvements in the Travel activity performance. Harel Mallac Travel and Leisure quality efforts continue with ongoing progress in moving forward towards the Group's business excellence model.

Local and regional growth opportunities corresponding to our strategic vision do exist and therefore 2011 will see marked improvements in overall performance and profitability.

Corporate, Operations and Business Excellence

Included in corporate results is the reduction in profit on disposal of investments in financial assets amounting to Rs30.9 million.

Within corporate results the Property business covers significant investments in Land and Buildings. The aims of this business are the development of land as appropriate, ensuring rental maximisation, controlling maintenance costs, ensuring the upgrading of buildings, promoting through the appearance of the properties a positive image of the Group and acquiring new property for development or resale.

Following standard procedures these assets have been revalued this year bringing the total value to Rs707.8 million, broken down as follows: Land Rs345.1 million and Buildings Rs362.7 million. Of these assets Rs406.0 million are fixed assets and the remaining Rs301.8 million represent investment properties.

The impact of revaluation this year amounted to Rs147.7 million for fixed assets and Rs22.8 million (or Rs18.4 million adjusted for deferred taxes) for investment properties.

Associate Companies

Profit from Associate Companies decreased from Rs81.2 million to Rs70.4 million. This included

amongst others: Total Mauritius Limited Rs39.8 million (2009: Rs38.0 million); Rehm Grinaker Construction Co. Ltd Rs14.5 million (2009: Rs22.0 million); Mauvilac Industries Limited Rs4.4 million (2009: Rs7.7 million); and SEPCM Rs7.8 million (2009: Rs(7.0) million)

Total Mauritius Limited

Total Mauritius Limited is a leading player in the Mauritian oil industry. Harel Mallac has a 20.0 per cent interest in Total Mauritius Limited. The results accruing to the Group for the year showed improvement.

Rehm Grinaker Construction Co. Ltd.

The Group has a 21.5 per cent interest in this construction company – one of the leaders in this Mauritian industry. Results for the Group declined due to tighter margins encountered in this business.

Mauvilac Industries Limited

Mauvilac Industries Limited is the largest paint manufacturer in Mauritius. The Mauvilac GoGreen label is respecting its commitment to environmental sustainability and will contribute effectively to producing eco-buildings within the concept of *Maurice Ile Durable*.

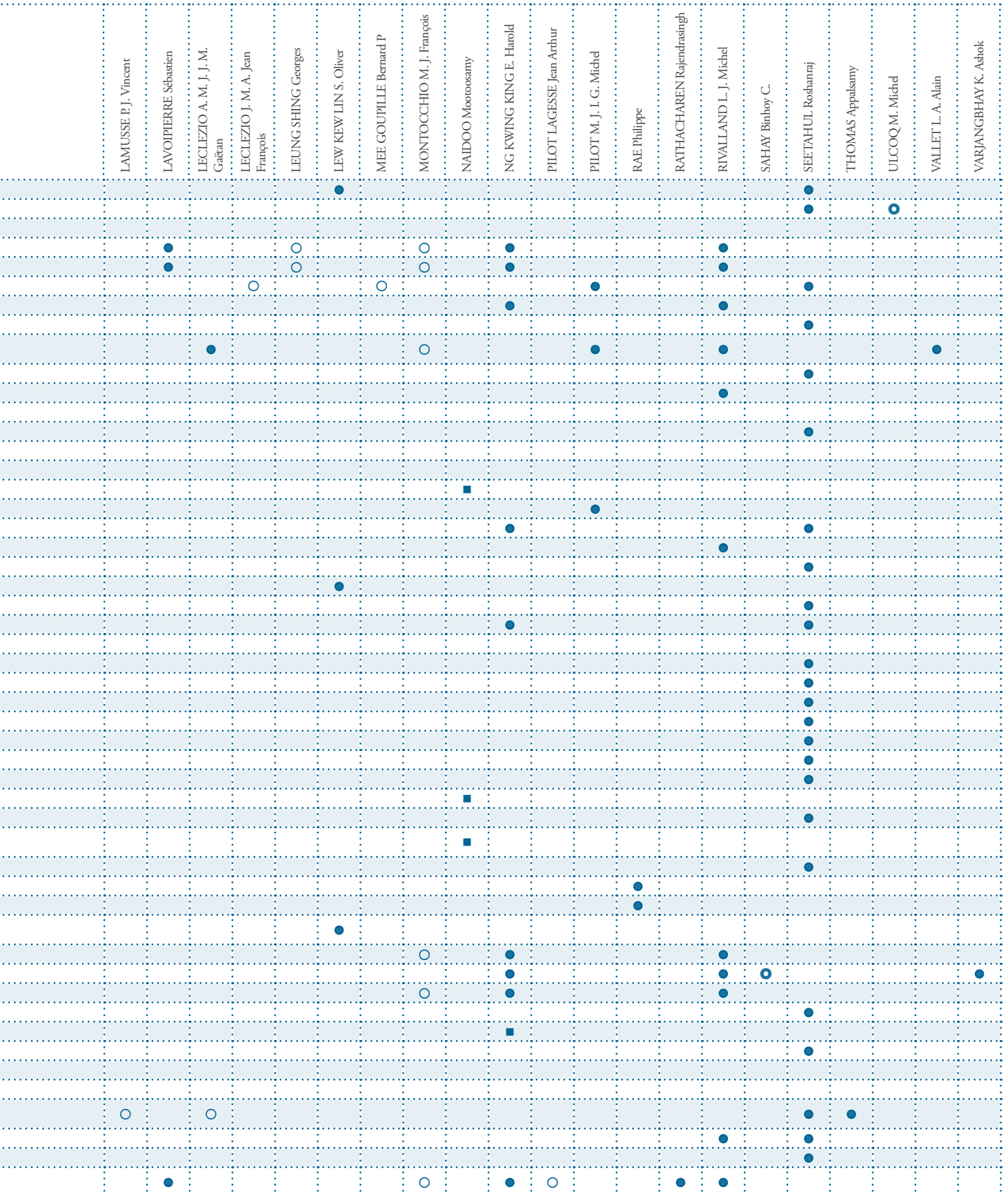
Société d'Engrais et de Produits Chimiques de Madagascar (SEPCM)

SEPCM, a joint-venture Company between SCPA-Sivex International (SSI), a French state-owned group and MCFI Ltd., is located in Madagascar and its main trading products are fertilisers and chemicals. The performance of SEPCM in 2010 showed a marked improvement with a return to profitability following a very dismal performance in 2009 due primarily to inventory issues. Business activities are returning to normal but progress in that direction is subject to the restoration of political stability in the country.

DIRECTORS OF SUBSIDIARY COMPANIES

	AH KINE S. S. Hock Meen	AH SUE M. Alain C. C.	APPANNA-KISTNAMAH Reshnee	BOLAND Christopher F.	CHELIN DE MARCY Jean Marie N. D. M.	CORSON Jean-Yves	DE CHASTEAUNEUF J. Jocelyn	DOGER DE SPEVILLE M. J. G. Allain	FLEUROT M. J. Henri	FRANCIS Alfred L.	FURTADO Michelle	HAREL Antoine L.	HAREL Charles P. L.	HAREL J. M. Antoine	HAREL M.A. Guy	HAREL MALLAC & CO. LTD.	LABAT Vincent A.M.J.
ACTIVELINE LTD	●		○	●													
ARCHEMICS LTD	●		○	●									○		●		
BUREAUTIC SERVICES SAS													■				
BYCHEMEX LIMITED						●						●					●
CHEMCO LIMITED						●						●					●
CLIMAPRO LTEE *	●											●					●
COOLKOTE ENTERPRISES LTD																	
CYBERYDER LTD	●																
COMPAGNIE DES MAGASINS POPULAIRES LIMITEE					●							●	●	●			
DISTRISOFT LTD	●		○	○													
EDITH ENTERPRISES LTD												●	●				
FONDATION HAREL MALLAC LTD				●								●	●				
HAMAC EXPORT SERVICES LTD	●		○	●													
HAREL MALLAC AVIATION LTD	●		○	●													
HAREL MALLAC BUREAUTIQUE LTD	●	●	○	●									○				
HAREL MALLAC DISTRIBUTION SARL																	
HAREL MALLAC ENGINEERING LTD	●		○	●													
HAREL MALLAC EXPORT LTD	●			●													
HAREL MALLAC INTERNATIONAL LTD			○	●													
HAREL MALLAC LEASING LTD	●		○						●								
HAREL MALLAC OUTSOURCING LTD	●		○	●													
HAREL MALLAC REPROGRAPHICS LTD	●		○	●													
HAREL MALLAC (TANZANIA) LIMITED	●										●						
HAREL MALLAC TECHNOLOGIES LTD	●	●	○	●													
HAREL MALLAC TRAINING INSTITUTE LTD	●		○	●													
HAREL MALLAC TRAVEL & LEISURE LTD	●		○	●									○				
H. M. COMMUNICATIONS LTD	●		○	○													
HM ELECTRONICS LTD	●		○	○													
H M FREEPORT LTD	●		○	○													
HM SECRETARIES LTD	●		○	●													
INDIALLEY LTD	●		○														
INFOCOM SAS																	
INFORMATICS BUSINESS SOLUTIONS LTD	●		○	○													
INFOSYSTEMS BUSINESS TECHNOLOGIES SARL																	
LOGIMA LTEE	●		○	●													
ORINUX (MAURITIUS) LTD		●		●													
ORINUX (RWANDA) SARL		●		●													
MAURITIUS COMPUTING SERVICES LIMITED	●		○	●													
M.C.F.I. (FREEPORT) LIMITED												●					
MCFI INTERNATIONAL (ZAMBIA) LTD										●							
MCFI INTERNATIONAL & CO. LTD												●					
MICIL LIMITEE	●		○	○													
PHARMALLAC SARL																	
PORTUS LTD	●		○	○													
SOCIETE GARE DU NORD																●	
SOCIETE SICAREX																●	
STANDARD CONTINUOUS STATIONERY LIMITED	●			●			○					●					
STRAFIN GLOBAL SERVICES LTD *	●			●													
TECHNO CITY LTD.	●		○	○													
THE MAURITIUS CHEMICAL AND FERTILIZER INDUSTRY LIMITED				●		●		●				●	●				●

●	Director during the year ended 31 December 2010	○	Resigned during the year ended 31 December 2010
■	Gérant Statutaire	◐	Alternate Director



* Company acquired during the year ended 31 December 2010

Corporate Governance

Harel Mallac & Co. Ltd. is committed to the highest standard of business integrity, transparency and professionalism in all its activities to ensure that the activities within the Company and the Group are managed ethically and responsibly to enhance business value for all stakeholders.

The Company is fully committed to the highest principles of corporate governance.

The Board of Directors

The Board exercises leadership, entrepreneurship, integrity and sound judgment in directing the Company, so as to achieve continuing prosperity for the organisation whilst ensuring both performance and compliance.

The Board also ensures that the activities of the Company comply with all legal and regulatory requirements as well as with its constitution from which the Board derives its authority to act.

The Board, *inter alia*, oversees the development and implementation of the Company's corporate strategy and reviews performance objectives. It provides for succession plans for key individuals, ensures effective communication with the Company's stakeholders, promotes the Company's Code of Ethics and oversees financial management and capital management. As such, it reviews and approves quarterly and annual financial reports, monitors financial results and approves major capital expenditure, major acquisitions, divestitures and material commitments. Finally, the Board oversees compliance and risk management.

The roles of the Chief Executive Officer and the Chairman are separated. Non-executive Directors have free access to members of the senior management team, with whom they can meet freely without the Executive Directors. All Directors have access to the Company Secretary and newly appointed Directors follow an induction programme.

Board Committees, as described below, have been set up to assist the Board and its Directors in discharging their duties and responsibilities through a comprehensive evaluation of specific issues, followed by well-considered

recommendations to the Board. The Board Committees meet regularly under the terms of reference set by the Board.

The Board entrusts the operating decisions of the Company to the CEO and Leadership Team, who meet regularly to ensure the smooth running of the organisation.

With a view to enhance the Board's effectiveness, a Board performance review is carried out yearly to assess the Directors' appreciation of the Board's performance, its procedures and practices. The results of the assessment are discussed at the Corporate Governance Committee. This Committee makes recommendations to the Board on any remedial action that may be required.

The Directors of the Company hold office for one year but are eligible for re-appointment. Directors are elected or re-elected by separate resolutions.

The composition of the Board of Directors, the Directors' profiles and their other Directorships in listed Companies are provided on pages 6 and 7.

Board Meetings

The Board meets regularly during the year. For the period under review the Board met seven times. The Board meetings are conducted in accordance with the Company's constitution and the Companies Act. Board meetings are organised in such a way that Directors receive all relevant information pertaining to the agenda of the Board meeting so that they may participate meaningfully in the decision-making process and fully make their contribution as Directors.

The Board may invite management or external consultants to attend Board meetings when required.

Board Committees

Corporate Governance Committee

The Corporate Governance Committee consists of Mr. Antoine L Harel (Chairman) and of Messrs R J Paul Clarenc, Anwar A H Moollan and Frédéric G Tyack. The Company Secretary acts as secretary to the Committee.

Corporate Governance (Cont'd)

Its terms of reference cover the key areas that are the remit of a nomination and remuneration committee. Its main responsibilities include establishing formal and transparent procedures for developing policy on executive and senior management remuneration, as well as determining specific remuneration packages for Executive Directors of the Company. This Committee fixes the fees of the Company's non-executive and independent non-executive Directors. It oversees the process regarding recommendations of potential Directors, and ensures that proposed candidates are fit and proper to act as Directors. It monitors the balance and effectiveness of the Board. It also makes recommendations to the Board on the nomination and remuneration of the Company's representatives on the Board of Subsidiary Companies.

The Corporate Governance Committee has assessed the Board and made recommendations for the election of Directors at the next Annual Meeting.

Audit Committee

The Audit Committee consists of Mr. Anwar A H Moollan (Chairman) and of Messrs M J Patrick Giblot Ducray and as from 12 May 2010, Mr. Jérôme de Chasteauneuf. Mr. M J François Montocchio sat on this Committee until 4 May 2010. The Company Secretary acts as secretary to the Committee.

The Committee fulfilled its responsibilities for the year under review, in accordance with its terms of reference.

The role and responsibility of the Audit Committee is to assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and control processes, and the preparation of accurate financial reports and statements, in compliance with all applicable legal requirements and accounting standards. The Committee also caters for issues within the ambit of a risk-management committee and as such provides a forum for discussing business risks and control issues and for formulating relevant recommendations for consideration by the Board. The Board is satisfied that the Audit Committee has the required skills, knowledge and financial experience to discharge its duties effectively.

Strategic Committee

The Strategic Committee is chaired by Mr. L J Michel Rivalland and its members are Messrs. Christopher Boland, Antoine L Harel and Frédéric Tyack. The Company Secretary acts as secretary to the Committee.

This Committee monitors the implementation of plans and policies decided by the Board, advises executives in the interim period between Board meetings, and evaluates strategic plans, budgets, acquisitions and proposals proposed by executives, for presentation to the Board. This Committee also validates small-sized projects which are in line with the Company's strategic plan as determined by the Board.

ATTENDANCE TO BOARD AND COMMITTEE MEETINGS HELD IN 2010

Directors	Board of Directors	Corporate Governance Committee	Audit Committee	Strategic Committee
HAREL Antoine L	7/7	6/6		10/10
BOLAND Christopher	7/7			10/10
CLARENC R J Paul	5/7	5/6		
DE CHASTEAUNEUF Jérôme	6/6		3/3	
GIBLOT DUCRAY Patrick M J	5/7		4/7	
HAREL Charles P L	7/7			
MONTOCCHIO M J François	1/1		3/3	
MOOLLAN Anwar A H	4/7	6/6	6/7	
RIVALLAND L J Michel	7/7			10/10
ROGERS Vincent C	6/7			
TYACK Frédéric G	7/7	5/6		7/10

Corporate Governance (Cont'd)

Composition of Subsidiary Companies' Boards

The composition of the Boards of Subsidiary Companies is given on page 22 and 23.

Directors' Fees

Non-executive Directors are paid directors' fees commensurate with their responsibilities on the Board. Those serving on Board Committees receive additional fees. The Company's non-executive Directors sitting on the Boards of subsidiary companies may also receive directors' fees from such subsidiaries. The fees paid are in line with market practices.

Directors' Remuneration

Directors remuneration is given on page 32. It has been disclosed globally due to commercial sensitivity of the information.

Remuneration Policy

The Company's remuneration policy recommends that the Company provides competitive rewards for its senior executives and other senior management staff, taking into account the Company's performance and external market data from independent sources, in particular, salary levels for similar positions in comparable Companies. The remuneration package consists of base salary, fringe benefits and individual and collective performance bonuses. The remuneration package is determined by the Board of Directors upon recommendations of the Corporate Governance Committee.

In addition to the Accelerated Performance Scheme (APS) for 2008 to 2010 implemented previously, a second APS for a selected group of Managers and Directors was introduced in 2009 to achieve significantly higher results for the period 2009 to 2011.

Shareholders' Agreement affecting the Governance of the Company by the Board

The Company is not aware of any such Agreement during the year under review.

Third Party Management Agreement

There was no agreement between third parties and the Company or its subsidiaries during the year under review.

Leadership Team Profile

The profile of the leadership team is given on pages 12 to 14.

Related Party Transactions

Related party transactions are detailed on pages 105 to 107.

Risk Management

Risk management refers to the process used by the Company to monitor and mitigate its exposure to risk.

The Board regularly addresses and evaluates physical, human resources, technology, financial, business, operational, reputational, as well as regulatory and compliance risks. Although the Board is ultimately responsible for the process of risk management, the management is accountable to the Board for the design, implementation and detailed monitoring of the risk management process.

The Board has delegated to the Audit Committee the responsibility to supervise the monitoring and mitigation of risk exposure. The Audit Committee has overseen a risk review in collaboration with management. Internal and external risks facing the organisation have thus been identified and the mitigation of such risks is being implemented by management.

In 2010 a risk management framework was adopted followed by the implementation of a continuous and dynamic system of risk assessment through compliance checks and discussions with management for enhanced risk mitigation strategies. A risk register has been elaborated for better safeguard of the Company's interests and assets.

Among the risk areas identified and control procedures put in place, are the following:

Corporate Governance (Cont'd)

Physical Risk

Among the physical risks identified are unavoidable events such as riots, cyclones and other natural calamities. Mitigating actions such as the adoption of cyclone and fire procedures, the subscription to a relevant insurance cover, and the identification of a business continuity plan and disaster recovery plan have been taken.

To limit the occurrence of on-site accidents, health and safety as well as security procedures have been implemented. The Company also draws upon the expertise of both an Occupational Physician Consultant and a full-time Health and Safety Officer.

The Company's control procedures ensure mitigation of risks relating to fraud and theft.

Human Resources Risks

Loss of key personnel has been identified as a major risk factor. In view of mitigating this risk, retention policies have been adopted as well as a formal performance assessment and reward system implemented within the Company. Furthermore, a Code of Ethics has been adopted, so as to limit reputational risks. Health surveillance is performed at regular intervals on employees in high risk jobs in line with the Company's health and safety policy.

Technology Risks

In order to mitigate the risk of an IT crash or major breakdown, back up and restriction procedures have been set up within the Company.

Financial Risks

Information on financial risks management is given in note 3 to the Financial Statements on pages 58 to 62.

Internal Control

Internal control is a process designed to provide reasonable assurance regarding the achievement of the Group's objectives and is carried out by the Board of Directors,

the management and other personnel. It is applicable to and is built into the various business processes.

Systems and processes have been implemented within the Group and are regularly controlled by the internal audit function to ensure that they are being adhered to and that they are effective. Reports are reviewed by the audit committee which makes its recommendations for modifications and/or upgrading of audit systems and processes, as and when necessary, to enhance their effectiveness. Though internal control mechanisms cover subsidiaries, they do not include associate companies.

Internal Audit

The internal audit is a function responsible for providing assurance to the Board regarding the implementation, operation and effectiveness of internal control systems and risk management within the Group. It reports to the Audit Committee and to the Board of Directors. It assists in the maintenance and improvement of the process by which risks are identified and managed and in the strengthening of the internal control framework.

The Group Internal Audit has examined the current control systems to check their suitability and to ensure that they are being adhered to. The Internal Audit conducts its assignments based on a yearly plan which is validated by the Audit Committee. Systems reviewed in 2010 at the Company's and Subsidiaries' levels include the procurement cycle, stock, sales, debtors' and creditors' cycles, after-sales and rental processes, payroll processes, fixed assets management control, and workshops. The reports produced by the Group Internal Audit were regularly submitted to the Audit Committee for discussion and follow-up of the implementation of recommended actions.

Company's Constitution

The Constitution of the Company does not provide any ownership restrictions or pre-emption rights. It is in agreement with the Companies Act 2001 and the listing rules of the Stock Exchange of Mauritius and does not contain any material clause that needs to be disclosed. >>

Corporate Governance (Cont'd)

Group Structure

The Directors recognise that the parent entity is *Société de Lerca* which holds 50.52 per cent of the voting rights of Harel Mallac & Co. Ltd. and that the ultimate parent entity is *Société Pronema*. The Director common to the above entities is Mr Antoine L Harel who is co-gérant of *Société de Lerca* and *Société Pronema*.

Shareholdings of more than 5 per cent as at 28 February 2011.

Shareholdings of more than 5 per cent as at 28 February 2011 are detailed on page 33.

Profile of the Company's shareholders as at 28 February 2011.

Profile of the Company's shareholders as at 28 February 2011 is detailed on page 30.

Directors' and Officers' interest in shares

The direct and indirect interests of Directors and Officers in the ordinary shares of the Company and its subsidiaries are to be found on page 34.

Directors' dealing in shares of the Company

The Directors follow the Model Code for Securities Transactions as detailed in Appendix 6 of the Stock Exchange of Mauritius Listing Rules whenever they deal in the shares of the Company. During the year under review, none of the Company's Directors traded in the Company's shares.

Employee Share Option Plan

No employee share option plan is available.

Dividend Policy

The Company's dividend policy provides that the dividend payable to the Company's shareholders would represent some 50 per cent of the after-tax profit for the relevant period, before exceptional items. However, due consideration is given by the Board to the need to avoid major fluctuations from one year to the next.

During the year under review the Board declared a dividend of Rs4.00 per ordinary share.

Year	Dividend per share (Rs)	Dividend cover (times)	Dividend yield (%)
2006	1.80	3.27	2.93
2007	2.10	4.16	3.75
2008	2.38	8.61	4.10
2009	2.75	8.58	3.09
2010	4.00	3.54	1.86

Share price index information

Information relating to the share price index on the Stock Exchange is given on page 29.

Code of Ethics

As a leading operator on the Mauritian market, the Harel Mallac Group has a responsibility to conduct its business with the highest ethical standards. We are driven by our core values detailed on page 3.

The Company's Code of Ethics is covered in the Company's induction programme for all new employees and Directors.

HR Practices and Policies

The Company ensures that its recruitment and promotion policies are fair and that procedures adopted are both transparent and merit-based. We also promote conscientious business practices whereby we ensure that there is honesty and transparency in all our practices, and the provision of a healthy and safe environment for all employees.

Safety, Health and Environment

The Company complies with the Occupational Safety and Health Act 2005 and other legislative and regulatory frameworks. It is committed to sustainable development and ensures that its operations are conducted in ways that minimise their impact on the environment and on society at large.

Promoting a Better Environment

We strive to improve the environmental impact of our activities by encouraging responsible use of resources to ensure quality of life for future generations. The Group

Corporate Governance (Cont'd)

has taken significant measures to ensure the use of more environment-friendly products and services, as well as the reduction of electricity and other resources in the conduct of its business.

Corporate Social Responsibility (CSR)

The Harel Mallac Group strives to strike the right balance between its needs for corporate profitability and development and its commitment to meeting its social and community obligations.

In 2010, the *Fondation Harel Mallac* provided financial support amounting to Rs3.3 million. These funds were aimed at increasing educational opportunities for underprivileged and handicapped children. The CSR Committee under the chairmanship of Mr Antoine L Harel met on a regular basis to ensure that the funds were channeled to NGOs caring for significant numbers of children around the island who were disabled or poor or with limited learning achievement and literacy skills.

As in the past few years, we have supported two ZEP schools: Xavier Barbe GS at Pailles and Serge Coutet GS at Baie du Tombeau. These two schools have one of the lowest pass rates at CPE level in Mauritius. We fund the salary of the liaison officer in each of these schools and support other valuable projects which we consider beneficial to the 650 pupils of these institutions.

We have also financed many projects last year: the IT Futurekids Programme of the 19 centres of ANFEN, where students develop IT skills through joyful learning; and the *Atelier Mo'Zar* at Roche Bois which gives the opportunity to teenagers to fulfill their dreams by developing musical skills. The objective is to give young people livelihood opportunities despite an inability to cope with the mainstream educational system; *Nouvo Baz*

at Sainte Croix where CPE dropouts, teenage mothers and street children are empowered through training sessions in cooking, hairdressing or sewing.

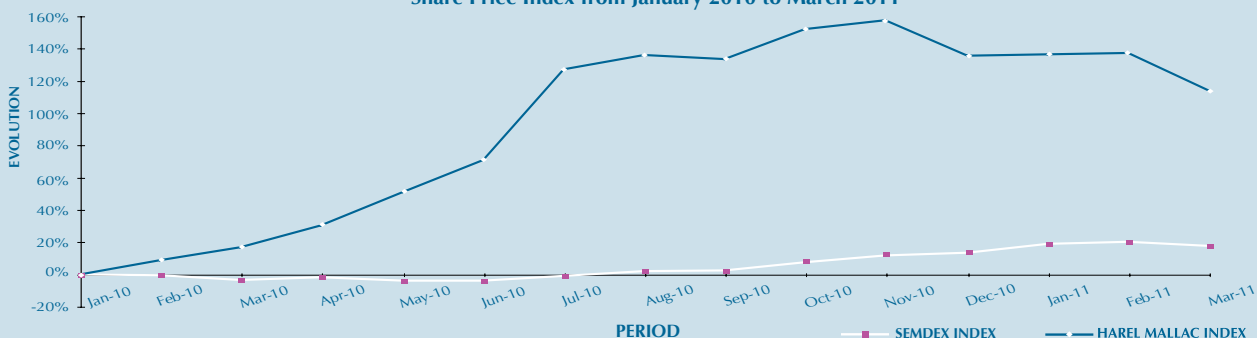
In terms of assistance to the handicapped, the *Fondation Harel Mallac* provided the educators of APDA at Eau Coulée with special education materials. L'APDA is committed to giving free, full-time education to deaf children aged between 6 and 18 who cannot attend conventional schools. Assistance was also given to The Islamic Centre for Disabled Children which acts as a school for 40 mentally handicapped children aged 3 to 18.

During the year, the *Fondation Harel Mallac* supported the *Centre Technique de St Monfort* on the outskirts of Port Louis and financed the studies over one year of two underprivileged children. Other beneficiaries have been the English Speaking Union for the promotion of the English Language, the Curepipe Starlight Sporting Club for providing sports and leisure activities to underprivileged and handicapped children, and to the elderly, *S.O.S Patrimoine en Péril*, *Mouvement pour le Progrès de Roche Bois* and Mahebourg Espoir Education Centre, a new centre affiliated with ANFEN.

In 2011, the *Fondation Harel Mallac* plans to continue funding projects related to the education of underprivileged and/or handicapped children. We have set up small committees inside each of our business units to develop closer relationships with the NGO, school or community that we are supporting. This closer involvement will also serve to provide insights into the future needs of these organisations. Regular meetings will be held to discuss how the *Fondation Harel Mallac* can build stronger rapport with beneficiaries as we strive to build a brighter future, especially for the most vulnerable children of Mauritius.

Donations for the year under review are detailed on page 34. >>

Share Price Index from January 2010 to March 2011



Corporate Governance (Cont'd)

PROFILE OF COMPANY'S SHAREHOLDERS AS AT 28 FEBRUARY 2011

Size of Shareholding	Number of Shareholders	Number of Shares Owned	% Holding
1 – 500	403	35,687	0.3
501 – 1,000	27	20,442	0.2
1,001 – 2,500	18	28,058	0.3
2,501 – 5,000	10	39,987	0.4
5,001 – 10,000	20	144,877	1.3
10,001 – 25,000	25	441,337	3.9
25,001 – 50,000	10	397,649	3.5
50,001 - 100,000	7	443,316	3.9
100,001 - 500,000	1	423,800	3.8
500,001 - 750,000	3	1,804,712	16.0
750,001 - 2,000,000	1	1,791,803	15.9
Over 2,000,000	1	5,687,720	50.5
Total	526	11,259,388	100.0

SUMMARY BY SHAREHOLDING CATEGORY AS AT 28 FEBRUARY 2011

Category of Shareholders	Number of Shareholders	Number of Shares Owned	% Holding
Individual	442	545,298	4.8
Insurance and Assurance Companies	8	115,835	1.0
Pension and Provident Funds	9	113,579	1.0
Investment and Trust Companies	4	6,075	0.1
Other Corporate Bodies	63	10,478,601	93.1
Total	526	11,259,388	100.0

Forthcoming Annual Meeting

A proxy form is enclosed for those shareholders unable to attend. Shareholders are requested to bring their National Identity Card or passport to the meeting, as these are required for registration.

Schedule of Events

Publication of condensed audited results for previous year	February 2011
Annual Meeting	April/May 2011
Publication of condensed results for 1st quarter	May 2011
Publication of condensed results for 2nd quarter	August 2011
Publication of condensed results for 3rd quarter	November 2011
Dividend declaration	December 2011

Corporate Governance (Cont'd)

Shareholders' Practical Guide

Issues	Action
Change of address	Contact the Company's secretariat
If shares are deposited with CDS	Contact personal broker
Change of name	Contact the Company's secretariat
Acquisition or disposal of shares	Contact personal broker
Share transfers	Contact the Company's secretariat
Lost share certificate	Contact the Company's secretariat
Direct dividend credit	Forward the relevant form to the Company's secretariat
Shareholder's loan to Company	Terms and conditions as well as application forms for shareholder's loan to the Company are available from the Company Secretary.

Statement of Directors' Responsibilities

The Directors acknowledge their responsibilities for:

1. Adequate accounting records and maintenance of effective internal control systems.
2. The preparation of financial statements which fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for that year and which comply with International Financial Reporting Standard (IFRS).
3. The selection of appropriate accounting policies supported by reasonable and prudent judgments.

The external auditors are responsible for reporting on whether the financial statements are fairly presented.

The Directors report that:

1. Adequate accounting records and an effective system of internal controls and risk management have been maintained.
2. Appropriate accounting policies supported by reasonable and prudent judgments and estimates have been used consistently.
3. Applicable accounting standards have been adhered to. Any departure in the interest in fair presentation has been disclosed, explained and quantified.
4. The Code of Corporate Governance has been adhered to. Reasons have been provided where there has not been compliance.

Signed on behalf of the Board of Directors on 22 February 2011.



Antoine L. Harel
Chairman



Christopher Boland
Chief Executive Officer

Statutory Disclosures

Principal activities

The principal activities of the Company and the Group during the year have remained unchanged. They are divided into four segments as disclosed on pages 102 to 104.

Directors

The directors of the Company are listed on pages 6 and 7. In addition a list of directors of subsidiary companies is given on pages 22 and 23.

Directors' service contract

One of the executive directors of the Company has a service contract expiring in December 2011. Where the employer terminates the employment for reasons other than those provided for in the employment contract, the employer shall compensate the Executive Director with a sum equivalent to the salaries and appropriate benefits which the Executive Director would have received in the period between the date on which his employment is terminated and 31 December 2011. The contract includes the usual clauses in case of termination by the Company.

No other Director of the Company and its subsidiaries has service contracts that need to be disclosed under section 221 (2) of the Companies Act 2001.

Directors' remuneration and benefits

Remuneration and benefits received, or due and receivable from Harel Mallac & Co. Ltd. and its subsidiaries were as follows:

	COMPANY		SUBSIDIARIES	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Directors of Harel Mallac & Co. Ltd.				
Executive Directors				
Full-time	18,314	12,423	2,497	6,324
Part-time	-	-	-	-
Non-executive Directors	2,841	1,768	1,653	1,642
	21,155	14,191	4,150	7,966

	2010	2009
	Rs'000	Rs'000
Directors of subsidiary companies		
Executive Directors		
Full-time	30,376	24,708
Part-time	-	-
Non-executive Directors	1,442	1,658
	31,818	26,366

One director has waived emoluments receivable by him from the Company since his nomination in 2003.

Statutory Disclosures (Cont'd)

Directors' and officers' interest in shares

The interest of the directors and of the officers in the securities of the Company and of the Group as at 31 December 2010 is as follows:

Directors	THE COMPANY		SUBSIDIARIES	
	Direct	Indirect	Direct	Indirect
HAREL Antoine L	-	469,468	-	150,636
HAREL Charles P L	10	468,253	303	150,636

None of the other directors hold shares either directly or indirectly in the Company or its subsidiaries.

Officers	THE COMPANY		SUBSIDIARIES	
	Direct	Indirect	Direct	Indirect
AH KINE Suie Sen Hock Meen	-	-	-	-
AH SUE Alain	-	-	-	-
CHELIN Jean Marie	-	-	1,100	-
HAREL Guy	40	-	-	-
LAVOPIERRE Sébastien	-	-	-	-
LEW KEW LIN Oliver	-	-	-	-
NAIDOO Mootoosamy	-	-	-	-
NAIRAC André	-	-	-	-
NG KWING KING Harold	-	-	3,750	-
PILOT Michel	40	-	-	-
SEETAHUL Roshanraj	-	-	-	-
THOMAS Dass A	-	-	-	-

Contract of Significance

There was no contract of significance to which the Company or one of its subsidiaries has been a party and in which a director of the Company was materially interested be it directly or indirectly.

Shareholding of more than 5 per cent as at 28 February 2011

At 28 February 2011 the following shareholders were directly or indirectly interested in more than 5 per cent of the ordinary share capital of the Company:

Shareholders	Number of Shares	% interest
<i>Société de Lerca</i>	5,687,720	50.5
HF Investments Ltd	1,791,803	15.9
<i>Société Coutances</i>	675,312	5.9
<i>Société Deshenri</i>	570,600	5.0

Except for the above, no person has reported any material interest of 5 per cent or more of the equity share capital of the Company.

Statutory Disclosures (Cont'd)

CORPORATE SOCIAL RESPONSIBILITY

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Donations made during the year:				
Political	2,850	70	1,600	20
Recipients for the Group – 2010: 5 (2009: 2)				
Recipients for the Company – 2010: 5 (2009: 1)				
Others	463	607	131	298
Recipients for the Group – 2010: 33 (2009: 52)				
Recipients for the Company – 2010: 3 (2009: 9)				
Corporate Social Responsibility	3,870	1,766	842	108

AUDITORS' FEES

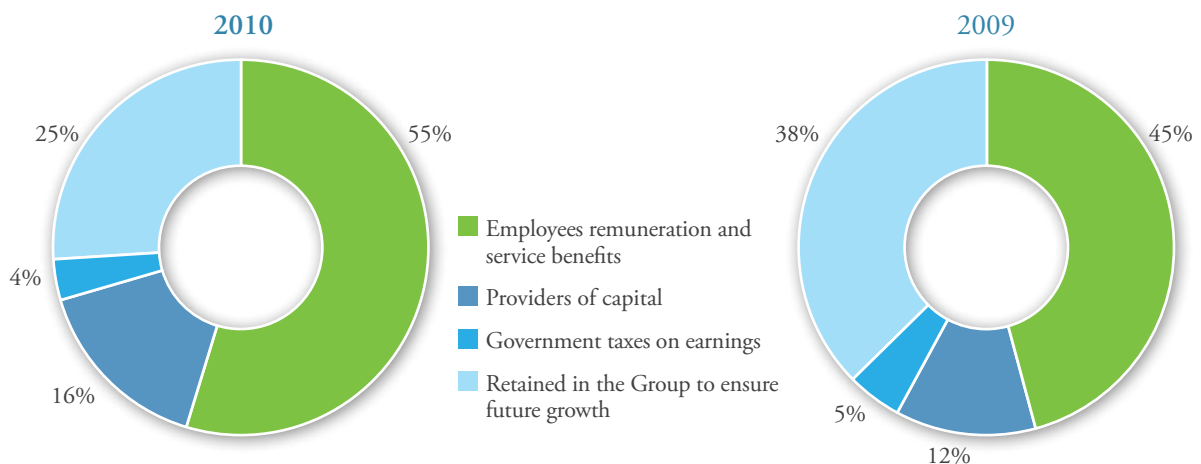
The fees payable to the auditors, for audit and other services were:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Audit fees payable to:				
BDO & Co	3,680	3,333	525	470
Other firms	1,021	954	-	-
Fees paid for other services provided by:				
BDO & Co	1,177	392	722	55
Other firms	40	-	-	-

Other services provided by the auditors relate to taxation services and professional services in connection with business combinations.

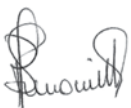
Value Added Statement

	2010		2009	
	Rs'000		Rs'000	
Revenue	3,149,331		2,795,038	
Paid to suppliers for materials and services	2,432,049		2,107,612	
Value added	717,282		687,426	
Income from investment in associates	76,756		94,767	
Profit on disposal of associates	-		38,573	
Total wealth created	794,038	100%	820,766	100%
Distributed as follows				
Employees Remuneration and service benefits	437,085	55%	370,464	45%
Providers of capital				
Dividends to shareholders	45,038		30,963	
Interest paid on borrowings	34,815		35,366	
Minority interests	42,591		31,102	
	122,444	16%	97,431	12%
Government taxes on earnings				
Taxation	33,248		41,702	
		4%		5%
Retained in the group to ensure future growth				
Depreciation and amortisation	86,871		76,454	
Retained profits	114,390		234,715	
	201,261	25%	311,169	38%
Total wealth distributed and retained	794,038	100%	820,766	100%



Certificate by Company Secretary

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



For HM Secretaries Ltd.
Secretary

22 February 2011

Financial Statements

- 38 Independent Auditors' report to the Members
- 40 Statements of Financial Position
- 41 Income Statements
- 42 Statements of Comprehensive Income
- 43 Statement of Changes in Equity
- 45 Statements of Cash Flows
- 46 Notes to the Financial Statements



“The only way to discover the limits of the possible is to go beyond them.”

Arthur C. Clarke

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the members of Harel Mallac & Co. Ltd. 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 Mallac & Co. Ltd. (the Group) and the Company's separate financial statements on pages 40 to 109 which comprise the statements of financial position at 31 December 2010, the income statements, the 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.

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 40 to 109 give a true and fair view of the financial position of the Group and of the Company at 31 December 2010, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

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



M. Y. A. Ramtoola F.C.A.
Signing Partner

Port Louis,
Mauritius.
22 February 2011

BDO & Co, a firm of Chartered Accountants in Mauritius, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

STATEMENTS OF FINANCIAL POSITION

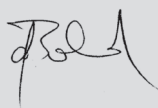
YEAR ENDED 31 DECEMBER 2010

	Notes	THE GROUP		THE COMPANY	
		2010	2009	2010	2009
		Rs'000	Rs'000	Rs'000	Rs'000
ASSETS					
Non current assets					
Property, plant and equipment	5	679,677	536,277	276,315	170,255
Investment properties	6	301,738	265,235	246,648	213,460
Intangible assets	7	184,266	90,983	782	481
Investments in subsidiaries	8	-	-	1,414,980	959,411
Investments in associates	9	302,769	316,608	385,495	322,218
Investments in financial assets	10	115,168	108,552	76,518	74,367
Non-current receivables	11	1,144	5,224	1,783	13,691
Deferred tax assets	20	1,408	927	-	-
Retirement benefit assets	21	4,480	5,020	2,845	2,422
		1,590,650	1,328,826	2,405,366	1,756,305
Non current assets classified as held for sale	12	35,388	-	35,388	-
Current assets					
Inventories	13	409,223	429,813	-	-
Contracts - work in progress	14	935	1,115	-	-
Short term investments	15	185,625	173,000	-	-
Trade and other receivables	16	766,496	733,883	88,873	81,133
Cash and cash equivalents		220,940	174,001	218,766	153,797
		1,583,219	1,511,812	307,639	234,930
TOTAL ASSETS		3,209,257	2,840,638	2,748,393	1,991,235
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	17	112,594	112,594	112,594	112,594
Revaluation and other reserves	18	330,844	239,263	263,765	189,764
Fair value reserves		32,247	33,624	996,960	614,542
Retained earnings		1,349,418	1,239,366	637,873	621,269
Owners' interests		1,825,103	1,624,847	2,011,192	1,538,169
Non controlling interests		315,690	280,688	-	-
		2,140,793	1,905,535	2,011,192	1,538,169
Non current liabilities					
Borrowings	19	97,324	113,048	35,566	54,852
Deferred tax liabilities	20	92,281	25,730	58,806	5,145
Retirement benefit obligations	21	41,465	40,957	19,769	21,008
Provision for other liabilities and charges	23	17,740	-	17,740	-
		248,810	179,735	131,881	81,005
Current liabilities					
Trade and other payables	22	503,272	545,773	32,873	36,178
Current tax liabilities	24	12,663	27,187	-	5,559
Borrowings	19	281,773	151,445	550,501	299,361
Proposed dividend		-	30,963	-	30,963
Provision for other liabilities and charges	23	21,946	-	21,946	-
		819,654	755,368	605,320	372,061
TOTAL EQUITY & LIABILITIES		3,209,257	2,840,638	2,748,393	1,991,235

These financial statements have been approved for issue by the Board of Directors on 22 February 2011.



Antoine L Harel - Chairman



Christopher Boland - Chief Executive Officer

The notes on pages 46 to 109 form an integral part of these financial statements.
Auditors' report on pages 38 and 39.

INCOME STATEMENTS

YEAR ENDED 31 DECEMBER 2010

	Notes	THE GROUP		THE COMPANY	
		2010	2009	2010	2009
		Rs'000	Rs'000	Rs'000	Rs'000
Revenue	25	3,149,331	2,795,038	237,657	234,079
Profit before finance costs	26	194,086	241,088	139,316	140,548
Finance costs	27	(35,575)	(35,946)	(34,566)	(28,273)
		158,511	205,142	104,750	112,275
Share of result of associates		70,362	81,191	-	-
		228,873	286,333	104,750	112,275
Profit on disposal of associates		-	38,573	-	-
Impairment of investments and receivables		-	-	(39,385)	(43,535)
		-	38,573	(39,385)	(43,535)
Profit before taxation	28	228,873	324,906	65,365	68,740
Income tax expense	24	(26,854)	(28,126)	(3,723)	(1,427)
Profit for the year		202,019	296,780	61,642	67,313
Attributable to:					
Owners of the parent		159,428	265,678	61,642	67,313
Non controlling interests		42,591	31,102	-	-
		202,019	296,780	61,642	67,313
Earnings per share (Rs/cents)	32	14.16	23.60	5.47	5.98

The notes on pages 46 to 109 form an integral part of these financial statements.
Auditors' report on pages 38 and 39.

STATEMENTS OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2010

Notes	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Profit for the year	202,019	296,780	61,642	67,313
Other comprehensive income				
Fair value gain	12,573	80,210	395,503	478,526
Reclassification adjustments on disposal of securities	(12,395)	(47,456)	(13,085)	(47,418)
Surplus on revaluation of land and buildings	147,735	122,482	122,239	122,482
Effect of changes in tax law	(34,984)	-	(28,186)	-
Deferred tax arising on revaluation of land and buildings	(26,314)	(4,277)	(20,052)	(4,277)
Movement in reserves	-	(12,886)	-	-
Currency translation differences	1,389	(8,880)	-	-
Other comprehensive income for the year, net of tax	88,004	129,193	456,419	549,313
Total comprehensive income for the year	290,023	425,973	518,061	616,626
Total comprehensive income attributable to:				
Owners of the parent	249,957	394,069	518,061	616,626
Non controlling interests	40,066	31,904	-	-
	290,023	425,973	518,061	616,626

The notes on pages 46 to 109 form an integral part of these financial statements.
Auditors' report on pages 38 and 39.

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2010

THE GROUP		<i>(Attributable to owners of the parent)</i>							
		Notes	Share Capital Rs'000	Revaluation and Other Reserves Rs'000	Fair Value Reserves Rs'000	Retained Earnings Rs'000	Total Rs'000	Non controlling Interests Rs'000	Total Rs'000
Balance at 1 January 2010			112,594	239,263	33,624	1,239,366	1,624,847	280,688	1,905,535
Total comprehensive income for the year			-	91,906	(1,377)	159,428	249,957	40,066	290,023
Transfer between reserves			-	(325)	-	325	-	-	-
Acquisition of shares from non controlling interests			-	-	-	(4,663)	(4,663)	(12,766)	(17,429)
Business combinations		34(a)	-	-	-	-	-	24,963	24,963
Dividends		31	-	-	-	(45,038)	(45,038)	-	(45,038)
Dividends payable to non controlling interests			-	-	-	-	-	(17,261)	(17,261)
			-	(325)	-	(49,376)	(49,701)	(5,064)	(54,765)
Balance at 31 December 2010			112,594	330,844	32,247	1,349,418	1,825,103	315,690	2,140,793
Balance at 1 January 2009			112,594	129,554	6,404	1,013,189	1,261,741	248,064	1,509,805
Total comprehensive income for the year			-	110,034	27,220	256,815	394,069	31,904	425,973
Transfer between reserves			-	(325)	-	325	-	-	-
Acquisition of shares from non controlling interests			-	-	-	-	-	(23,039)	(23,039)
Business combinations		34(a)	-	-	-	-	-	31,901	31,901
Deconsolidation adjustment on disposal of subsidiary			-	-	-	-	-	632	632
Dividends		31	-	-	-	(30,963)	(30,963)	-	(30,963)
Dividends payable to non controlling interests			-	-	-	-	-	(8,774)	(8,774)
			-	(325)	-	(30,638)	(30,963)	720	(30,243)
Balance at 31 December 2009			112,594	239,263	33,624	1,239,366	1,624,847	280,688	1,905,535

The notes on pages 46 to 109 form an integral part of these financial statements. Auditors' report on pages 38 and 39.

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2010

THE COMPANY

	Notes	Revaluation		Fair Value Reserves	Retained Earnings	Total
		Share Capital	and Other Reserves			
		Rs'000	Rs'000			
Balance at 1 January 2010		112,594	189,764	614,542	621,269	1,538,169
Total comprehensive income for the year		-	74,001	382,418	61,642	518,061
Dividends	31	-	-	-	(45,038)	(45,038)
Balance at 31 December 2010		112,594	263,765	996,960	637,873	2,011,192
Balance at 1 January 2009		112,594	71,559	183,434	584,919	952,506
Total comprehensive income for the year		-	118,205	431,108	67,313	616,626
Dividends	31	-	-	-	(30,963)	(30,963)
Balance at 31 December 2009		112,594	189,764	614,542	621,269	1,538,169

The notes on pages 46 to 109 form an integral part of these financial statements.
Auditors' report on pages 38 and 39.

STATEMENTS OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2010

	Notes	THE GROUP		THE COMPANY	
		2010	2009	2010	2009
		Rs'000	Rs'000	Rs'000	Rs'000
Cash flows from operating activities					
Cash generated from operations	33(a)	175,818	233,766	(24,816)	19,442
Interest paid		(33,254)	(35,323)	(33,806)	(28,430)
Income tax paid		(39,868)	(32,337)	(3,859)	-
Net cash generated from/(absorbed in) operating activities		102,696	166,106	(62,481)	(8,988)
Cash flows from investing activities					
Purchase of property, plant and equipment		(40,639)	(69,592)	(4,962)	(26,885)
Acquisition of assets held for sale		(35,388)	-	(35,388)	-
Expenditure on intangible assets		(2,529)	(3,223)	(570)	(243)
Expenditure on investment property		-	(371)	-	(371)
Acquisition of subsidiary net of cash acquired (note 34(a))		(49,192)	(92,321)	-	(77,082)
Investments in subsidiaries		-	-	(100,879)	-
Disposal of subsidiary net of cash disposed (note 34(b))		-	1,139	-	-
Purchase of investments from non controlling interests		(17,429)	(22,561)	-	(22,561)
Investments in associates		-	(13,053)	-	(13,053)
Investments in financial assets		(41,135)	(145,174)	(5,145)	(140,181)
Proceeds on sale of property, plant and equipment		5,044	4,284	823	897
Proceeds on sale of investments in financial assets		48,150	249,539	12,440	177,735
Short term investment		(12,625)	(92,000)	-	-
Long term loans granted		(208)	-	(6,371)	(8,860)
Long term loans recovered		4,214	3,907	4,780	4,150
Interest received		18,984	14,998	14,878	14,099
Dividends received		88,911	86,278	91,321	65,762
Net cash used in from investing activities		(33,842)	(78,150)	(29,073)	(26,593)
Cash flows from financing activities					
Proceeds from long-term borrowings		143,853	1,300	132,154	-
Payments on long-term borrowings and finance leases		(58,636)	(183,401)	(19,286)	(151,025)
Dividends paid		(93,262)	(35,785)	(76,001)	(26,797)
Net cash (used in)/generated from financing activities		(8,045)	(217,886)	36,867	(177,822)
Net increase/(decrease) in cash and cash equivalents		60,809	(129,930)	(54,687)	(213,403)
Movement in cash and cash equivalents					
At 1 January		115,517	249,163	(86,539)	127,023
Increase/(decrease)		60,809	(129,930)	(54,687)	(213,403)
Effect of foreign exchange rate changes		1,096	(3,716)	670	(159)
At 31 December	33(b)	177,422	115,517	(140,556)	(86,539)

The notes on pages 46 to 109 form an integral part of these financial statements.

Auditors' report on pages 38 and 39.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

1. GENERAL INFORMATION

Harel Mallac & Co. Ltd. is a limited liability company incorporated and domiciled in Mauritius. The address of its registered office is 18, Edith Cavell Street, Port Louis, Mauritius. The directors consider that the parent entity is Société de Lerca and the ultimate parent entity is Société Pronema, both registered in Mauritius.

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

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 Mallac & Co. Ltd. comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). Where necessary, comparative figures have been amended to conform with change in presentation in the current year. The financial statements include the consolidated financial statements of the holding company and its subsidiaries (the Group) and the separate financial statements of the holding company (the Company). The financial statements are prepared under the historical cost convention, except that:

- (i) land and buildings are carried at revalued amounts;
- (ii) investment properties are stated at their fair value; and
- (iii) available-for-sale financial assets are stated at their fair value.

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

IAS 27, 'Consolidated and Separate Financial Statements' (Revised 2008), requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The revised standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.

IFRS 3, 'Business Combinations' (Revised 2008), continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

Amendments to IAS 39, 'Eligible hedged items', prohibit designating inflation as a hedgeable component of a fixed rate debt. In a hedge of one-sided risk with options, it prohibits including time value in the hedged risk. The amendment is not expected to have any impact on the Group's financial statements.

Amendments to IFRS 1 and IAS 27, 'Cost of an Investment in a Subsidiary', clarify that the cost of a subsidiary, jointly controlled entity or associate in a parent's separate financial statements, on transition to IFRS, is determined under IAS 27 or as a deemed cost. Dividends from a subsidiary, jointly controlled entity or associate are recognised as income. There is no longer a distinction between pre-acquisition and post-acquisition dividends. The cost of the investment of a new parent in a group (in a reorganisation meeting certain criteria) is measured at the carrying amount of its share of equity as shown in the separate financial statements of the previous parent.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

IFRIC 17, 'Distributions of Non-cash Assets to Owners', clarifies that a dividend payable is recognised when appropriately authorised and no longer at the entity's discretion. An entity measures distributions of assets other than cash when it pays dividends to its owners, at the fair value of the net assets to be distributed. The difference between fair value of the dividend paid and the carrying amount of the net assets distributed is recognised in profit or loss. This IFRIC will not have any impact on the Group's financial statements.

IFRIC 18, 'Transfers of Assets from Customers', addresses the treatment for assets transferred from a customer in return for connection to a network or ongoing access to goods or services, or both. It requires the transferred assets to be recognised initially at fair value and the related revenue to be recognised immediately; or, if there is a future service obligation, revenue is deferred and recognised over the relevant service period. This IFRIC will not have any impact on the Group's financial statements.

Amendments to IFRS 1, 'Additional Exemptions for First-time Adopters' exempt entities that use the full cost method for oil and gas properties from retrospective application of IFRSs. It also exempts entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining whether an arrangement contains a lease'. The amendment is not expected to have any impact on the Group's financial statements.

Amendments to IFRS 2, 'Group Cash-settled Share-based Payment Transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. This amendment is not expected to have any impact on the Group's financial statements.

Improvements to IFRSs (issued 22 May 2008)

IFRS 5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations', clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. The amendment will not have an impact on the Group's operations.

Improvements to IFRSs (issued 16 April 2009)

IAS 1 (Amendment), 'Presentation of Financial Statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

IAS 7 (Amendment), 'Statement of Cash Flows', clarifies that only expenditure that results in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

IAS 17 (Amendment) 'Leases', clarifies that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with IAS 17's general principles. Prior to the amendment, IAS 17 generally required a lease of land with an indefinite useful life to be classified as an operating lease, unless title passed at the end of the lease term. A lease newly classified as a finance lease should be recognised retrospectively.

IAS 18 (Amendment), 'Revenue'. An additional paragraph has been added to the appendix to IAS 18, providing guidance on whether an entity is acting as principal or agent.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

IAS 36 (Amendment), 'Impairment of Assets', clarifies that for the purpose of impairment testing, the cash-generating unit or groups of cash-generating units to which goodwill is allocated should not be larger than an operating segment (as defined by IFRS 8, 'Operating segments') before aggregation.

IAS 38 (Amendment), 'Intangible Assets', clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment removes the exceptions from recognising intangible assets on the basis that their fair values cannot be reliably measured. Intangible assets acquired in a business combination that are separable or arise from contractual or other legal rights should be recognised. The amendment specifies different valuation techniques that may be used to value intangible assets where there is no active market.

IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement' clarifies that the scope exemption within IAS 39 only applies to forward contracts that will result in a business combination at a future date, as long as the term of the forward contract does 'not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction'. The amendment removes reference to transactions between segments as being hedgeable transactions in individual or separate financial statements and clarifies that amounts deferred in equity are only reclassified to profit or loss when the underlying hedged cash flows affect profit or loss.

The amendment is not expected to have an impact on the Group's income statement.

IFRS 2 (Amendment), 'Share-based Payment', confirms that, transactions in which the entity acquires goods as part of the net assets acquired in a business combination as defined by IFRS 3 (2008) Business Combinations, contribution of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2 Share-based Payment. The amendment will not have an impact on the Group's operations.

IFRS 5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

IFRS 8 (Amendment), 'Operating Segments', clarifies that the requirement for disclosing a measure of segment assets is only required when the Chief Operating Decision Maker reviews that information. This amendment is unlikely to have an impact on the Group's financial statements.

IFRIC 9 (Amendment), 'Reassessment of Embedded Derivatives', clarifies that embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture are outside the scope of IFRIC 9. This amendment is unlikely to have an impact on the Group's financial statements.

IFRIC 16 (Amendment), 'Hedges of a Net Investment in a Foreign Operation', clarifies that hedging instruments may be held by any entity or entities within the group. This includes a foreign operation that itself is being hedged. 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 2011 or later periods, but which the Group has not early adopted.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

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

Classification of Rights Issues (Amendment to IAS 32) (Effective 1 February 2010)
 IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (Effective 1 July 2010)
 Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
 IAS 24 Related Party Disclosures (Revised 2009)
 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS1)
 Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)
 IFRS 9 Financial Instruments
 Disclosures – Transfers of Financial Assets (Amendments to IFRS 7)
 Amendment to IFRS 1 Limited Exemption from Comparatives IFRS 7 Disclosures for First-time Adopters (Effective 1 July 2010)

Improvements to IFRSs (issued 6 May 2010)

IFRS 1 First-time Adoption of International Financial Reporting Standards
 IFRS 3 Business Combinations (Effective 1 July 2010)
 IFRS 7 Financial Instruments: Disclosures
 IAS 1 Presentation of Financial Statements
 IAS 27 Consolidated and Separate Financial Statements (Effective 1 July 2010)
 IAS 34 Interim Financial Reporting
 IFRIC 13 Customer Loyalty Programmes

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

All property, plant and equipment is initially recorded at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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 flow to the Group and the cost of the item can be measured reliably. Land and buildings are subsequently shown at market value, based on valuations by external independent valuers, less subsequent depreciation for buildings. All other property, plant and equipment is stated at historical cost/ deemed cost less depreciation.

Increases in the carrying amount arising on revaluation are credited to revaluation reserves in other comprehensive income. Decreases that offset previous increases of the same asset are charged against the revaluation reserve in other comprehensive income; all other decreases are charged to the income statement.

Depreciation is calculated on a straight line method to write off the cost or the revalued amounts of the assets to their residual values over their estimated useful lives as follows:

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

	Years
Freehold Buildings	22.2 - 50
Buildings on leasehold land	5 - 50
Plant and Machinery	5 - 10
Motor Vehicles	5
Furniture, Fittings and Office Equipment	3 -15
Rental equipment - Xerox	3 -5
Others - Tools and Equipment	5

No depreciation is charged on freehold land.

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

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 disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in income statement. On disposal of revalued assets, amounts in revaluation reserves relating to that asset are transferred to retained earnings.

(c) Investment properties

Investment properties held to earn rentals/or for capital appreciation or both and not occupied by the Group, are carried at fair value, representing open-market value determined by external valuers. Changes in fair values are included in the income statement.

(d) Intangible assets

Intangible assets include goodwill on consolidation, operating licences and computer software. Intangible assets, other than goodwill on consolidation, are initially recorded at cost and amortised using the straight-line method over their estimated useful lives.

The carrying amount of each intangible asset is reviewed annually and adjusted for permanent impairment where it is considered necessary.

The estimated useful lives of the intangible assets are:

	Years
Operating licences	5
Computer software	5

(i) Goodwill

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Intangible assets (cont'd)

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Operating licences

Operating licences are shown at historical cost, have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method over their estimated useful lives.

(iii) Computer software

Computer software is capitalised on the basis of costs incurred to acquire and bring to use the specific software and is amortised using the straight-line method over its estimated useful life.

(e) Investments in subsidiaries

Separate financial statements of the investor

In the separate financial statements of the investor, investments in subsidiary companies 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 costs are expensed 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investments in subsidiaries (cont'd)

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 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.

(f) Investments 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 investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition. Investments in associates are initially recognised at cost as adjusted by post acquisition changes in the Group's share of the net assets of the associate less any impairment in the value of individual investments.

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

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

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

(g) Deferred income tax

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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.

(h) Retirement benefit obligations

(i) *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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Retirement benefit obligations (cont'd)

The Group contributes to a defined benefit plan, the assets of which are held in a separate fund administered by an insurance company. The pension accounting costs are assessed using the Projected Unit Credit Method, so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries. Where no pension is available, the net present value of retirement gratuity payable under the Employment Rights Act has been calculated by a qualified actuary and provided for.

Cumulative actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans in excess of the greater of 10% of the value of the plan assets or 10% of the defined benefit obligation are spread to income over the average remaining working lives of the related employees.

Past-service costs are recognised immediately in income unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Retirement benefit assets have been provided for in the financial statements only to the extent where contribution is expected to decrease in the foreseeable future.

(ii) *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 Group operates a defined contribution retirement benefit plan for all qualifying employees (and their dependents). Payments to defined contribution retirement plans are charged as an expense as they fall due.

(iii) *Retirement gratuity*

For certain subsidiaries, employees who are not covered by the above pension plans, the net present value of retirement gratuity payable under the Employment Rights Act is calculated by a qualified actuary and provided for. The obligations arising under this item are not funded.

Cumulative actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to defined benefit obligation in excess of the 10% of the obligation are spread to income over the average remaining working lives of the related employees.

(iv) *Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration profitability of the Group after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Inventories

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

(j) Contracts

Contract costs are recognised when incurred.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to completion of a physical proportion of the contract work.

Costs incurred in the year in connection with future activity on a contract are presented as contract work-in-progress, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. Progress billings not yet paid by customers and retention are included within 'trade and other receivables'.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

(k) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Foreign Currencies (cont'd)

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

On consolidation, the assets and liabilities of the Group's overseas entities are translated at exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. All resulting exchange differences are recognised in other comprehensive income.

When a foreign entity is sold, such translation differences are recognised as income or as expense in the period in which the entity is disposed of.

(l) Alternative Minimum Tax (AMT)

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

(m) Impairment of asset

At the end of each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

(n) Leases

Leases are classified as finance lease where the terms of the lease transfer substantially all risks and rewards of ownership to the lessee.

Payments made under operating leases (net of incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the final balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance lease is charged to the income statement over the lease period. Property, plant and equipment acquired under finance lease contracts are depreciated over the useful life of the asset.

(o) Financial instruments

Categories of financial assets

The Group classifies its financial assets in the following categories : long-term loans and receivables and available-for-sale financial assets.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial instruments (cont'd)

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

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

(i) 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.

Initial measurement

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially measured at cost inclusive of transaction costs.

Derecognition

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

Subsequent measurement

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

The fair values of quoted investments are based on current bid prices. If the market for the financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, and capitalised earnings method.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are reflected at cost.

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.

Impairment of financial assets

The Group assesses at the end of each 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 the income statement - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement for a financial asset classified as available-for-sale are not reversed through the income statement.

(ii) Long term receivables

Non current receivables with fixed maturity terms are measured at amortised cost using the effective interest rate

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial instruments (cont'd)

method less provision for impairment. The carrying amount of the asset is reduced by the difference between the assets' carrying amount and the present value of estimated cash flow discounted using the effective interest rate.

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

(iii) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset 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.

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 the end of the reporting period.

(v) Trade payables

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

(vi) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share are shown in equity as deduction from proceeds.

(vii) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(p) 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.

Revenue from the sales of goods is recognised on the transfer to the customer of the significant risks and rewards of ownership of the goods.

Revenue from services is recognised when the services have been performed and are billable.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Revenue recognitions (cont'd)

Other revenues earned by the Group are recognised as follows:

- Rental income - on an accrual basis in accordance with the substance of the relevant agreement;
- Interest income - on a time-proportion basis using the effective interest method unless collectibility is in doubt;
- Dividend income - when the shareholder's right to receive payment is established; and
- Contract revenue - on a 'percentage of completion' method.

(q) Borrowing costs

Borrowings 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. Other borrowing costs are expensed.

(r) Provisions

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

Provision for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring which has been notified to affected parties.

(s) 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.

(t) Segment reporting

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

(u) Non-current assets 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.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

- Market risk (including currency risk, price risk and cash flow and fair value interest risk);
- Credit risk; and
- Liquidity risk

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

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

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) **Market risk**

(i) **Currency risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Euro, Ariary and US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At 31 December 2010, 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 been Rs2.5 million (2009 : Rs0.224 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar/Euro denominated trade receivables, trade payables and borrowings.

(ii) **Price risk**

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as investments in financial assets.

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%.

Categories of investments:	Impact on Equity			
	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Investment in financial assets	2,619	3,300	1,695	1,693

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

(iii) **Cash flow and fair value interest risk**

At 31 December 2010, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant post-tax profit for the year would have been lower/higher as shown in the table below, mainly as a result of higher/lower interest expense on floating rate borrowings as shown below:

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(iii) Cash flow and fair value interest risk (cont'd)

<i>Rupee-denominated borrowings</i>	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Effect higher/lower on post tax profit	1,231	1,400	1,756	1,186

The risk is managed by maintaining an appropriate mix between fixed and floating interest charges on borrowings.

Other currencies denominated borrowings

If interest rates on borrowings denominated in Euro and Ariary had been 50 basis points higher/lower with all other variables held constant the effect on post-tax profit would not have been significant.

(b) Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented on 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. The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers except for some subsidiaries where credit risk is concentrated within some clients amounting to Rs179 million (2009: Rs186 million). The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

(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. The Group aims at maintaining flexibility in funding by keeping committed credit lines available.

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

Management will also consider external opportunities for growth and appropriate funding will be reviewed.

Forecasted liquidity reserve is as follows:

	2011	2010
	Rs'000	Rs'000
Opening balance for the period	177,422	115,517
Cash flows from operating activities	208,367	102,456
Cash flows from investing activities	(169,359)	(74,888)
Cash flows from financing activities	23,540	(115,587)
Net increase/(decrease) in cash and cash equivalents	62,548	(88,019)
Closing balance for the period	239,970	27,498

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(c) Liquidity risk (cont'd)

<u>The Group</u>	Less than 1 year Rs'000	Between 1 and 2 years Rs'000	Between 2 and 3 years Rs'000	Between 3 and 5 years Rs'000	Over 5 years Rs'000
At 31 December 2010					
Bank borrowings	78,655	21,436	18,555	3,641	2,685
Trade and other payables	503,272	-	-	-	-
At 31 December 2009					
Bank borrowings	86,972	23,468	21,406	21,539	3,484
Trade and other payables	545,773	-	-	-	-
<u>The Company</u>					
At 31 December 2010					
Bank borrowings	21,766	19,286	16,280	-	-
Trade and other payables	32,873	-	-	-	-
At 31 December 2009					
Bank borrowings	21,699	19,286	19,286	16,280	-
Trade and other payables	36,178	-	-	-	-

The finance lease liabilities analysed into relevant maturity groupings based on remaining period at the end of the reporting period to the contractual maturity date is found in section 19(c).

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 at 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 of quoted equity investments classified as available for sale.

The fair value of financial instruments that are not traded in an active market is determined 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 are not based on observable market data, the instrument is included in level 3.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.2 Fair value estimation (cont'd)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques such as capitalised earnings method and net asset basis are used to determine fair value for the remaining financial instruments.

Market yield of specific industry has been increased by 20% to factor in unmarketability of unquoted shares in valuing those securities on a dividend yield basis.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The carrying amount of the Group's financial assets would be an estimated Rs3.4 million (2009: Rs3.5 million) lower/ higher for the Group where the dividend yield differ by 10% from management estimates.

The fair value of those financial assets and liabilities not presented on the Group's statement of financial position at their fair values are not materially different from their carrying amounts.

3.3 Capital risk management

The Group's objectives when managing capital are:

- to safeguard the entities' ability to continue as going concerns, so that they can continue to provide returns for 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.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt to adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, retained earnings and revaluation reserve).

The debt-to-adjusted capital ratios at 31 December 2010 and at 31 December 2009 were as follows:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Total debt	379,097	264,493	586,067	354,213
Less: cash and cash equivalents	(220,940)	(174,001)	(218,766)	(153,797)
Net debt	158,157	90,492	367,301	200,416
Total equity	2,140,793	1,905,535	2,011,192	1,538,169
Debt-to-adjusted capital ratio	0.07:1	0.05:1	0.18:1	0.13:1

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

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 goodwill**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2 (d) (i).

(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) **Investment in foreign subsidiaries in Madagascar**

The operations in Madagascar have performed better than in 2009. The political difficulties remain and thus, it is difficult to assess the future. As at the date of this report these operations are considered as ongoing.

(d) **Pension benefits**

The present value of the pension obligations depend on a number of factors that are determined on an actuarial 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.

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 Group 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.

Other key assumptions for pension obligations are based on past and current market conditions. Additional information is disclosed in note 21.

(e) **Revaluation of property, plant and equipment and investment properties**

The Group carries its investment properties at fair value, with changes in fair value being recognised in the Income Statement. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Group engaged independent valuation specialists to determine fair value of property and investment properties as at 31 December 2010. For the investment properties, the valuer used comparable market data and discounted cash flow model as appropriate.

The key assumptions used to determine the fair value of the investment properties are further explained in note 6.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

5 PROPERTY, PLANT AND EQUIPMENT

THE GROUP

(a) 2010

COST/DEEMED COST AND VALUATION

	Freehold Land and Buildings	Buildings on Leasehold Land	Plant and Machinery	Motor Vehicles	Furniture, Fixings and Office Equipment	Rent Xerox Equipment	Other Tools and Equipment	Assets in Progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January 2010	526,408	15,940	176,214	140,045	188,908	60,150	73,810	-	1,181,475
Additions	2,871	21	21,269	25,877	10,439	12,557	8,324	554	81,912
Acquisition through business combinations (note 34(a))	2,986	-	15,374	11,946	2,922	-	2,532	-	35,760
Disposals	-	-	(105)	(12,519)	(342)	(2,553)	(3,365)	-	(18,884)
Exchange difference	-	(176)	(140)	(512)	(534)	(309)	(133)	(4)	(1,808)
Transfer between assets	634	-	(901)	-	(732)	98	901	-	-
Transfer to investment properties (note 6)	(13,745)	-	-	-	-	-	-	-	(13,745)
Revaluation surplus	103,233	-	-	-	-	-	-	-	103,233
Write off	-	-	(29,644)	(1,222)	(9,237)	(8,372)	(83)	-	(48,558)
Others	-	-	(508)	-	-	-	-	-	(508)
At 31 December 2010	622,387	15,785	181,559	163,615	191,424	61,571	81,986	550	1,318,877

DEPRECIATION

At 1 January 2010	184,060	3,709	140,801	81,709	135,875	41,858	57,186	-	645,198
Charge for the year	12,336	335	13,840	23,850	14,393	12,576	5,987	-	83,317
Acquisition through business combinations (note 34(a))	1,103	-	10,037	7,519	1,767	-	1,871	-	22,297
Disposal adjustment	-	-	(77)	(11,601)	(206)	(1,976)	(3,365)	-	(17,225)
Exchange difference	-	9	(66)	(324)	(1,065)	(274)	(120)	-	(1,840)
Transfer between assets	114	32	(466)	3,208	(307)	2	(2,583)	-	-
Adjustment arising on revaluation	(44,502)	-	-	-	-	-	-	-	(44,502)
Write off	(1)	-	(28,975)	(1,222)	(9,237)	(8,372)	(83)	-	(47,890)
Others	-	-	(155)	-	-	-	-	-	(155)
At 31 December 2010	153,110	4,085	134,939	103,139	141,220	43,814	58,893	-	639,200

NET BOOK VALUE

At 31 December 2010	469,277	11,700	46,620	60,476	50,204	17,757	23,093	550	679,677
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

THE GROUP

(b) 2009

COST/DEEMED COST AND VALUATION

	Freehold Land and Buildings	Buildings on Leasehold Land	Plant and Machinery	Motor Vehicles	Furniture, Fittings and Office Equipment	Rent Equipment Xerox	Other Tools and Equipment	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January 2009	626,829	15,942	171,378	121,653	179,613	49,011	81,961	1,246,387
Additions	24,862	-	14,200	24,519	15,595	12,737	7,422	99,335
Acquisition through business combination (note 34(a))	-	-	6,330	15,691	6,244	-	7,600	35,865
Adjustment arising through disposal of subsidiaries	-	-	-	(624)	(791)	-	(345)	(1,760)
Disposals	-	-	-	(20,026)	(952)	(5,970)	-	(26,948)
Exchange difference	-	(2)	686	(385)	(1,243)	(188)	(118)	(1,250)
Transfer between assets	-	-	(3,672)	-	(888)	4,560	-	-
Revaluation surplus	116,641	-	-	-	-	-	-	116,641
Transfer to investment properties (note 6)	(241,657)	-	-	-	-	-	-	(241,657)
Write off	(267)	-	(12,708)	(783)	(8,670)	-	(22,710)	(45,138)
At 31 December 2009	526,408	15,940	176,214	140,045	188,908	60,150	73,810	1,181,475

DEPRECIATION

At 1 January 2009	180,742	3,351	139,895	72,435	129,698	32,874	68,283	627,278
Charge for the year	11,582	358	10,812	18,957	13,620	12,146	5,503	72,978
Acquisition through business combination (note 34(a))	-	-	4,928	9,858	3,679	-	5,979	24,444
Adjustment arising through disposal of subsidiaries	-	-	-	(83)	(76)	-	(75)	(234)
Disposal adjustment	-	-	-	(18,814)	(888)	(5,970)	-	(25,672)
Exchange difference	-	-	(40)	(226)	(358)	(143)	(59)	(826)
Transfer between assets	-	-	(2,086)	-	(1,130)	2,951	265	-
Adjustment arising on revaluation	(5,841)	-	-	-	-	-	-	(5,841)
Transfer to investment properties (note 6)	(2,156)	-	-	-	-	-	-	(2,156)
Write off	(267)	-	(12,708)	(418)	(8,670)	-	(22,710)	(44,773)
At 31 December 2009	184,060	3,709	140,801	81,709	135,875	41,858	57,186	645,198

NET BOOK VALUE

At 31 December 2009	342,348	12,231	35,413	58,336	53,033	18,292	16,624	536,277
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

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

	Freehold Land and Buildings	Buildings on Leasehold Land	Plant and Machinery	Motor Vehicles	Furniture, Fittings and Office Equipment	Total
<u>THE COMPANY</u>	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
(c) 2010						
COST AND VALUATION						
At 1 January 2010	199,838	4,946	8,088	15,811	32,458	261,141
Additions	2,060	-	1,675	-	1,227	4,962
Disposals	-	-	-	(3,456)	(142)	(3,598)
Revaluation surplus	77,737	-	-	-	-	77,737
Transfer to investment properties (note 6)	(13,745)	-	-	-	-	(13,745)
At 31 December 2010	265,890	4,946	9,763	12,355	33,543	326,497
DEPRECIATION						
At 1 January 2010	40,922	1,844	5,865	14,350	27,905	90,886
Charge for the year	3,580	124	971	635	2,045	7,355
Disposal adjustment	-	-	-	(3,456)	(101)	(3,557)
Revaluation adjustment	(44,502)	-	-	-	-	(44,502)
At 31 December 2010	-	1,968	6,836	11,529	29,849	50,182
NET BOOK VALUE						
At 31 December 2010	265,890	2,978	2,927	826	3,694	276,315
	Freehold Land and Buildings	Buildings on Leasehold Land	Plant and Machinery	Motor Vehicles	Furniture, Fittings and Office Equipment	Total
<u>THE COMPANY</u>	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
(c) 2009						
COST AND VALUATION						
At 1 January 2009	260,712	4,946	6,430	19,691	29,211	320,990
Additions	21,980	-	1,658	-	3,247	26,885
Disposals	-	-	-	(3,880)	-	(3,880)
Revaluation surplus	116,641	-	-	-	-	116,641
Transfer to investment properties (note 6)	(199,495)	-	-	-	-	(199,495)
At 31 December 2009	199,838	4,946	8,088	15,811	32,458	261,141
DEPRECIATION						
At 1 January 2009	43,575	1,720	5,177	17,019	25,287	92,778
Charge for the year	3,188	124	688	1,211	2,618	7,829
Disposal adjustment	-	-	-	(3,880)	-	(3,880)
Revaluation adjustment	(5,841)	-	-	-	-	(5,841)
At 31 December 2009	40,922	1,844	5,865	14,350	27,905	90,886
NET BOOK VALUE						
At 31 December 2009	158,916	3,102	2,223	1,461	4,553	170,255

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

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

THE GROUP	
2010	2009
Rs'000	Rs'000
6,099	6,013
6,336	4,451
70,882	62,514
83,317	72,978

(d) Depreciation charge is analysed as follows:

Cost of sales	6,013
Marketing and selling expenses	4,451
Administrative expenses	62,514

Depreciation charge for the company is recorded in administrative expenses.

(e) Additions include Rs58.92 million (2009: Rs29.74 million) of assets leased under finance lease.

(f) Leased assets included above comprise of the following:

	THE GROUP				THE COMPANY				
	Plant and Machinery		Motor vehicles		Rental Equipment		Xerox		Total
	2010	2009	2010	2009	2010	2009	2010	2009	
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	
Cost - capitalised finance leases	21,935	8,281	87,214	69,187	45,431	42,008	154,580	119,476	
Accumulated depreciation	(6,152)	(1,881)	(43,291)	(29,517)	(27,819)	(24,774)	(77,262)	(56,172)	
Net book value	15,783	6,400	43,923	39,670	17,612	17,234	77,318	63,304	

(g) In 2010, land and buildings were revalued by the Group on the basis of revaluation exercise carried out by independent valuers.

The statement of comprehensive income was credited by 70% of the revaluation surplus in revaluation reserve . In 2009, following a change in use of part of the Group's land and buildings from owner-occupied to Investment Properties, these were transferred from Property, Plant and Equipment. The land and buildings were revalued by Alan Tinkler, Ramlackhan & Co., Chartered Valuation Surveyors. Valuation was made on the basis of open market value and depreciated replacement cost. The revaluation surplus at the date of the transfer, net of deferred income taxes, was credited to revaluation reserve in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

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

(h) If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

		Land and Buildings	
		2010	2009
		Rs'000	Rs'000
(i)	<u>THE GROUP</u>		
	Cost	303,320	317,496
	Accumulated depreciation	(147,008)	(141,378)
	Net book value	<u>156,312</u>	<u>176,118</u>
(ii)	<u>THE COMPANY</u>		
	Cost	85,696	97,381
	Accumulated depreciation	(23,860)	(22,239)
	Net book value	<u>61,836</u>	<u>75,142</u>

(i) Bank borrowings are secured by floating charges on the assets of the group, including Property, Plant and Equipment.

6. INVESTMENT PROPERTIES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January	265,235	-	213,460	-
Transfer from property, plant and equipment (note 5)	13,745	239,501	13,745	199,495
Additions	-	371	-	371
Increase in fair value	22,758	25,363	19,443	13,594
At 31 December	301,738	265,235	246,648	213,460

In 2009, following a change in use of part of the Group's land and buildings during the year from owner-occupied to investment properties, these were transferred from property, plant and equipment. The properties were revalued by independent valuers. Valuation was made on the basis of open market value and depreciated replacement cost.

Bank borrowings are secured by floating charges on the assets of the group, including investment properties.

The following amounts have been recognised in the income statement:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Rental income	6,908	7,612	4,915	3,977
Direct operating expenses arising from investment properties that generate rental income	287	214	-	135
Direct operating expenses that did not generate investment income	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

7. INTANGIBLE ASSETS

(a) THE GROUP

COST

At 1 January 2010	99,683	25,957	4,054	129,694
Additions	-	2,529	-	2,529
Contingent consideration relating to a subsidiary acquired in November 2009	19,803	-	-	19,803
Contingent consideration arising through business combination during the year (note 34a)	74,409	-	-	74,409
Arising through business combination	-	457	-	457

At 31 December 2010

AMORTISATION

At 1 January 2010	15,720	21,325	1,666	38,711
Charge for the year	-	2,589	965	3,554
Arising through business combination	-	361	-	361

At 31 December 2010

NET BOOK VALUE

At 31 December 2010

	Goodwill	Computer Software	Operating Licence	Total
	Rs'000	Rs'000	Rs'000	Rs'000
At 31 December 2010	193,895	28,486	4,054	226,892
At 31 December 2010	15,720	24,275	2,631	42,626
At 31 December 2010	178,175	4,211	1,423	184,266

(b) THE GROUP

COST

At 1 January 2009	45,906	24,183	3,482	73,571
Additions	-	1,774	1,449	3,223
Adjustment arising through disposal of subsidiary	(3,161)	-	(877)	(4,038)
Transfer from associates	8,139	-	-	8,139
Arising through business combination	48,799	-	-	48,799

At 31 December 2009

AMORTISATION

At 1 January 2009	15,720	18,935	920	35,575
Adjustment arising through disposal of subsidiary	-	-	(340)	(340)
Charge for the year	-	2,390	1,086	3,476

At 31 December 2009

NET BOOK VALUE

At 31 December 2009

	Goodwill	Computer Software	Operating Licence	Total
	Rs'000	Rs'000	Rs'000	Rs'000
At 31 December 2009	99,683	25,957	4,054	129,694
At 31 December 2009	15,720	21,325	1,666	38,711
At 31 December 2009	83,963	4,632	2,388	90,983

Amortisation charge of Rs3.5 million (2009: Rs3.5 million) has been charged in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

7. INTANGIBLE ASSETS (CONT'D)

(c) <u>THE COMPANY</u>	Computer Software
	Rs'000
COST	
At 1 January 2010	808
Addition	570
At 31 December 2010	1,378
AMORTISATION	
At 1 January 2010	327
Charge for the year	269
At 31 December 2010	596
NET BOOK VALUE	
At 31 December 2010	782
(d) <u>THE COMPANY</u>	Computer Software
	Rs'000
COST	
At 1 January 2009	565
Addition	243
At 31 December 2009	808
AMORTISATION	
At 1 January 2009	173
Charge for the year	154
At 31 December 2009	327
NET BOOK VALUE	
At 31 December 2009	481
(d) Impairment tests for goodwill: goodwill is allocated to the Company's cash generating units identified according to the country of operation and business segment.	

8. INVESTMENTS IN SUBSIDIARIES

	2010	2009
	Rs'000	Rs'000
<u>THE COMPANY</u>		
At 1 January	959,411	600,882
Additions	140,665	99,643
Disposals	-	(4,812)
Transfer from associates on business combination	17,980	24,043
Impairment	(7,824)	(43,535)
Fair value gain	304,748	283,190
At 31 December	1,414,980	959,411

Investments in subsidiaries comprise of listed and unquoted securities.

The impairment losses arising during the year result from the poor performance of the particular subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

YEAR 2010

Name of Company	Class of shares held	Year ended	Stated capital	Direct percentage holding and voting power %	Indirect percentage holding and voting power %	Country of operation & incorporation	Main business
Activeline Ltd	Ordinary	31 December	Rs1,735,158	100.00	-	Mauritius	Business process outsourcing
Archemics Ltd	Ordinary	31 December	Rs400,000	100.00	-	Mauritius	Chemicals
Bureautic Services SAS	Ordinary	31 December	EUR178,859	-	100.00	Mayotte	Office equipment products
Bychemex Ltd (Note 1)	Ordinary	31 December	Rs5,000,000	39.91	-	Mauritius	Chemicals
Compagnie des Magasins Populaires Limitée (Note 2)	Ordinary	31 December	Rs21,935,000	33.94	-	Mauritius	Retailer of consumer goods
Chemico Limited	Ordinary	31 December	Rs6,208,722	54.68	6.53	Mauritius	Trading of chemicals, fertilizers and general goods
Climapro Ltée (Note 3)	Ordinary	31 December	Rs1,500,000	100.00	-	Mauritius	Air conditioning and fire protection
Cyberdyer Ltd	Ordinary	31 December	Rs500,000	100.00	-	Mauritius	Dormant
Coolkote Entreprises Ltd	Ordinary	31 December	Rs25,000	-	100.00	Mauritius	Waterproofing activities
Disrisoff Ltd	Ordinary	31 December	Rs500,000	100.00	-	Mauritius	Dormant
Edith Enterprises Ltd	Ordinary	31 December	Rs4,270,000	93.04	-	Mauritius	Investment
H. M. Communications Ltd	Ordinary	31 December	Rs2,500,000	100.00	-	Mauritius	Dormant
Hamaac Export Services Limited	Ordinary	31 December	Rs25,000	100.00	-	Mauritius	Dormant
Harel Mallac Aviation Ltd	Ordinary	31 December	Rs1,010,000	100.00	-	Mauritius	General sale agent
Harel Mallac Bureautique Ltd	Ordinary	31 December	Rs30,000,000	100.00	-	Mauritius	Office equipment products
Harel Mallac Distribution SARL	Ordinary	31 December	MGA16,000,000	-	100.00	Madagascar	Distributor of consumer goods and IT products
Harel Mallac Engineering Ltd	Ordinary	31 December	Rs30,000,000	100.00	-	Mauritius	Agro industrial, engineering, refrigeration and electrical products
Harel Mallac Export Ltd (Note 4)	Ordinary	31 December	Rs25,000	100.00	-	Mauritius	Freeport activity
Harel Mallac International Ltd	Ordinary	31 December	USD2,150,013	100.00	-	Mauritius	Investment company
Harel Mallac Leasing Ltd	Ordinary	31 December	Rs10,000	100.00	-	Mauritius	Services
Harel Mallac Outsourcing Ltd	Ordinary	31 December	Rs25,000	100.00	-	Mauritius	Dormant
Harel Mallac Reprographics Ltd	Ordinary	31 December	Rs25,000	100.00	-	Mauritius	Dormant
Harel Mallac Technologies Ltd	Ordinary	31 December	Rs60,825,000	100.00	-	Mauritius	Markets computer hardware and IT solutions
Harel Mallac (Tanzania) Limited (Note 5)	Ordinary	31 December	TSH360,000,000	1.00	99.00	Tanzania	Trading of chemicals and general goods
Harel Mallac Training Institute Ltd	Ordinary	31 December	Rs9,000,000	100.00	-	Mauritius	Training centre
Harel Mallac Travel and Leisure Limited	Ordinary	31 December	Rs10,000,000	100.00	-	Mauritius	Travel agent
HM Electronics Ltd	Ordinary	31 December	Rs500,000	100.00	-	Mauritius	Dormant
HM Freeport Ltd	Ordinary	31 December	Rs25,000	100.00	-	Mauritius	Dormant
HM Secretaries Ltd	Ordinary	31 December	Rs2,500,000	100.00	-	Mauritius	Professional consultancy services
Indialley Ltd	Ordinary	31 December	Rs1,075,000	100.00	-	Mauritius	Dormant

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

YEAR 2010

Name of Company	Class of shares held	Year ended	Stated capital	Direct percentage holding and voting power %	Indirect percentage holding and voting power %	Country of operation & incorporation	Main business
Infocom SAS	Ordinary	31 December	EUR101,878	-	100.00	Madagascar	Markets office equipment products and computer hardware
Informatics Business Solutions Ltd	Ordinary	31 December	Rs25,000	100.00	-	Mauritius	Markets computer hardware and IT solutions
Infosystems Business Technologies SARL	Ordinary	31 December	MGA20,000,000	1.00	99.00	Madagascar	Markets computer hardware and IT solutions
Logima Ltée	Ordinary	31 December	Rs50,000	100.00	-	Mauritius	Trading in Fast Moving Consumer Goods (FMCG)
Mauritius Computing Services Limited	Ordinary	31 December	Rs13,265,942	100.00	-	Mauritius	Application service provider and outsourcing
MCFI (Freeport) Ltd	Ordinary	31 December	Rs10,000,000	-	100.00	Mauritius	Trading freeport company
MCFI International & Co Ltd	Ordinary	31 December	Rs10,000,000	-	100.00	Mauritius	Investment company
MCFI International (Zambia) Pty	Ordinary	31 December	Rs32,500	-	100.00	Zambia	Trading of chemicals and general goods
MICIL Limitée	Ordinary	31 December	Rs1,160,000	100.00	-	Mauritius	Dormant
Orinux (Mauritius) Ltd	Ordinary	31 December	Rs10,000	80.00	-	Mauritius	Audit Software Development, Administration and Maintenance
Orinux (Rwanda) Sarl	Ordinary	31 December	RWF5,000,000	-	100.00	Rwanda	Audit Software Development, Administration and Maintenance
Pharmallac SARL	Ordinary	31 December	MGA2,000,000	-	100.00	Mayotte	Sales and distribution of pharmaceutical products
Portus Ltd	Ordinary	31 December	Rs1,000,000	100.00	-	Mauritius	Dormant
Standard Continuous Stationery Limited	Ordinary	31 December	Rs12,000,000	100.00	-	Mauritius	Investment company
Strafin Global Services Ltd (Note 6)	Ordinary	31 December	Rs4,000,000	100.00	-	Mauritius	Professional and management consultancy services
Société Gare du Nord	Ordinary	31 December	Rs14,999,900	100.00	-	Mauritius	Investment company
Société Sicarex	Ordinary	31 December	Rs14,999,900	100.00	-	Mauritius	Property company
Techno City Ltd	Ordinary	31 December	Rs25,000	-	100.00	Mauritius	Dormant
The Mauritius Chemical & Fertilizer Industry Ltd	Ordinary	31 December	Rs220,064,180	69.73	-	Mauritius	Blending and trading of fertilizers

Note 1 - On 1 September 2010, the Group exercises control over Bychemex Limited (previously an associate) through board representation.

Note 2 - In respect of Compagnie des Magasins Populaires Limitée, although Harel Mallac & Co. Ltd. does not own more than half of the voting power, this company is accounted for as a subsidiary since control is exercised through company and board representation.

Note 3 - During the year, the Group acquired 100% in Climapro Ltée, a company engaged in air conditioning and fire protection.

Note 4 - During the year, a new subsidiary Harel Mallac Export Ltd was formed.

Note 5 - During the year, a new subsidiary Harel Mallac (Tanzania) Limited was formed.

Note 6 - During the year, the Group acquired 100% in Strafin Global Services Ltd. a company engaged in professional and management consultancy services.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

YEAR 2009

Name of Company	Class of shares held	Year ended	Stated capital	Direct percentage holding and voting power %	Indirect percentage holding and voting power%	Country of operation & incorporation	Main business
Activeline Ltd (Note 1)	Ordinary	31 December	Rs1,735,158	100.00	-	Mauritius	Business process outsourcing
Archemics Ltd	Ordinary	31 December	Rs400,000	100.00	-	Mauritius	Chemicals
Bureautic Services SARL	Ordinary	31 December	EUR178,859	-	100.00	Mayotte	Office equipment products
Compagnie des Magasins Populaires Limitée (Note 2)	Ordinary	31 December	Rs21,935,000	33.94	-	Mauritius	Retailer of consumer goods
Chemco Limited (Note 3)	Ordinary	31 December	Rs6,208,722	45.91	6.53	Mauritius	Trading of chemicals, fertilizers and general goods
Cybeyder Ltd	Ordinary	31 December	Rs500,000	100.00	-	Mauritius	Dormant
Cyber IT Training Services Ltd (Note 4)	Ordinary	31 December	Rs5,800,000	51.00	-	Mauritius	BPO, training and IT services
Coolkote Entreprise Ltd	Ordinary	31 December	Rs25,000	-	100.00	Mauritius	Waterproofing activities
Disrisoft Ltd	Ordinary	31 December	Rs500,000	100.00	-	Mauritius	Dormant
Edith Enterprises Ltd	Ordinary	31 December	Rs4,270,000	93.04	-	Mauritius	Investment
H. M. Communications Ltd	Ordinary	31 December	Rs2,500,000	100.00	-	Mauritius	Dormant
Hamac Export Services Limited	Ordinary	31 December	Rs25,000	100.00	-	Mauritius	Dormant
Harel Mallac Aviation Ltd	Ordinary	31 December	Rs1,010,000	100.00	-	Mauritius	General sale agent
Harel Mallac Bureautique Ltd	Ordinary	31 December	Rs10,000,000	100.00	-	Mauritius	Office equipment products
Harel Mallac Distribution SARL	Ordinary	31 December	MGAl6,000,000	-	100.00	Madagascar	Distributor of consumer goods and IT products
Harel Mallac Engineering Ltd	Ordinary	31 December	Rs30,000,000	100.00	-	Mauritius	Agro industrial, engineering, refrigeration and electrical products
Harel Mallac International Ltd	Ordinary	31 December	USD2,150,013	100.00	-	Mauritius	Investment company
Harel Mallac Leasing Ltd	Ordinary	31 December	Rs10,000	100.00	-	Mauritius	Services
Harel Mallac Reprographics Ltd	Ordinary	31 December	Rs25,000	100.00	-	Mauritius	Dormant
Harel Mallac Technologies Ltd	Ordinary	31 December	Rs60,825,000	100.00	-	Mauritius	Markets computer hardware and IT solutions
Harel Mallac Training Institute Ltd	Ordinary	31 December	Rs9,000,000	100.00	-	Mauritius	Training centre
Harel Mallac Travel and Leisure Limited	Ordinary	31 December	Rs10,000,000	100.00	-	Mauritius	Travel agent
HM Electronics Ltd	Ordinary	31 December	Rs500,000	100.00	-	Mauritius	Dormant
HM Freeport Ltd	Ordinary	31 December	Rs25,000	100.00	-	Mauritius	Dormant
HM Secretaries	Ordinary	31 December	Rs2,500,000	100.00	-	Mauritius	Professional consultancy services
HM Outsourcing Ltd	Ordinary	31 December	Rs25,000	100.00	-	Mauritius	Dormant
Indialley Ltd	Ordinary	31 December	Rs1,075,000	100.00	-	Mauritius	Dormant
Infocom SARL	Ordinary	31 December	EUR101,878	-	100.00	Madagascar	Markets office equipment products and computer hardware

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

YEAR 2009

Name of Company	Class of shares held	Year ended	Stated capital	Direct percentage holding and voting power %	Indirect percentage holding and voting power%	Country of operation & incorporation	Main business
Informatics Business Solutions Ltd	Ordinary	31 December	Rs25,000	100.00	-	Mauritius	Markets computer hardware and IT solutions
Infosystems Business Technologies SARL	Ordinary	31 December	MGA20,000,000	1.00	99.00	Madagascar	Markets computer hardware and IT solutions
Logima Lée	Ordinary	31 December	Rs50,000	100.00	-	Mauritius	Trading in Fast Moving Consumer Goods(FMCG)
Management Enterprises Limited (Note 4)	Ordinary	31 December	Rs25,000	100.00	-	Mauritius	Investment company
Mauritius Computing Services Limited (Note 5)	Ordinary	31 December	Rs13,265,942	100.00	-	Mauritius	Application service provider and outsourcing
MCFI (Freeport) Ltd	Ordinary	31 December	Rs10,000,000	-	100.00	Mauritius	Trading freeport company
MCFI International & Co Ltd	Ordinary	31 December	Rs10,000,000	-	100.00	Mauritius	Investment Company
MCFI International (Zambia) Pty	Ordinary	31 December	Rs32,500	-	100.00	Zambia	Trading of chemicals and general goods
MICIL Limitée	Ordinary	31 December	Rs1,160,000	100.00	-	Mauritius	Dormant
Orinox (Mauritius) Ltd (Note 6)	Ordinary	30 June	Rs200	80.00	-	Mauritius	Audit software development, administration and maintenance
Orinox (Rwanda) Sarl	Ordinary	31 December	RWF5,000,000	-	100.00	Rwanda	Audit software development, administration and maintenance
Pharmallac SARL	Ordinary	31 December	MGA2,000,000	-	100.00	Mayotte	Sales and distribution of pharmaceutical products
Portus Ltd	Ordinary	31 December	Rs1,000,000	100.00	-	Mauritius	Dormant
Standaard Continuous Stationery Limited	Ordinary	31 December	Rs12,000,000	100.00	-	Mauritius	Investment company
Société Gare du Nord	Ordinary	31 December	Rs14,999,900	100.00	-	Mauritius	Investment company
Société Sicares	Ordinary	31 December	Rs14,999,900	100.00	-	Mauritius	Property company
Techno City Ltd	Ordinary	31 December	Rs25,000	-	100.00	Mauritius	Dormant
The Mauritius Chemical & Fertilizer Industry Ltd	Ordinary	31 December	Rs220,064,180	69.45	-	Mauritius	Blending and trading of fertilizers

Note 1 - Activeline Ltd was amalgamated with Headland Limited, a wholly-owned subsidiary of the company which was engaged in BPO services.

Note 2 - In respect of Compagnie des Magasins Populaires Limitée, although Harel Mallac & Co. Ltd. does not own more than half of the voting power, this company is accounted for as a subsidiary since control is exercised through company and board representation.

Note 3 - The Group made additional investment during the year in Chemco Limited (previously an associate), resulting in control over the company.

Note 4 - The companies were disposed during the year.

Note 5 - Mauritius Computing Services Limited was amalgamated with MCS Development Ltd, its wholly owned subsidiary, which was engaged in software development.

Note 6 - During the year, the Group acquired 80% in Orinox (Mauritius) Ltd, a company engaged in audit software development, administration and maintenance.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

9. INVESTMENTS IN ASSOCIATES

	2010	2009
(a) <u>THE GROUP</u>	Rs'000	Rs'000
At 1 January	316,608	371,759
Additions	-	13,053
Disposals	-	(28,680)
Transfer to subsidiaries	(14,867)	(27,800)
Share of retained profit	1,028	607
Other movements	-	(12,331)
At 31 December	302,769	316,608
Made up as follows:		
Share of net assets	217,255	233,501
Goodwill on acquisition	85,514	83,107
	302,769	316,608
(b) <u>THE COMPANY</u>	2010	2009
	Rs'000	Rs'000
At 1 January	322,218	208,865
Additions	-	13,053
Transfer to subsidiaries	(17,980)	(24,043)
Disposals	-	(400)
Fair value gain	81,257	124,743
At 31 December	385,495	322,218

Investments in associated companies comprise of unquoted securities and securities listed on Development and Enterprise Market. The fair value of unquoted securities are based on net assets, maintainable earnings and cost as appropriate, whilst the fair value of Development and Enterprise Market companies are based on stock exchange prices at the close of business at the end of the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

9 INVESTMENTS IN ASSOCIATES (CONT'D)

(c) The group's interest in its principal associates:

YEAR 2010

Name of Company	Note	Country of Incorporation	Year ended	Held by holding company % Holding	Held by Group Holding % Holding	Assets		Liabilities		Revenues		Profit/ (loss)		Fair value of listed and DEM listed associates
						Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	
Autolac and Company Limited		Mauritius	30 June	25.00	-	16,387	-	(3,904)	-	613	598	-	-	
Automatic Systems Ltd	(a)	Mauritius	31 December	-	-	-	-	-	-	-	-	-	75,174	
Draper Investments Ltd		Mauritius	31 December	-	33.33	68,459	-	(38,665)	-	1,325,487	22,074	-	-	
Elcom System Technick (Mrius) Ltd		Mauritius	30 June	-	50.00	1,609	-	(13)	-	-	-	-	-	
EXL Link SAS		France	31 December	25.00	-	4,187	-	-	-	-	(6,930)	-	-	
Mauvilac Industries Limited		Mauritius	30 June	25.00	-	448,451	-	(293,582)	-	367,359	12,502	-	-	
Rehm Grinmaker Construction Co Ltd		Mauritius	30 June	-	21.50	483,237	-	(384,885)	-	1,489,136	71,171	-	-	
Societe d'Engrais et de Produits Chimiques de Madagascar		Madagascar	31 December	-	44.44	114,500	-	(94,107)	-	180,429	9,603	-	-	
Total Mauritius Limited		Mauritius	31 December	20.00	-	2,453,570	-	(1,750,570)	-	7,809,130	174,555	-	-	

For companies with non co-terminous year ended 30 June, accounts for the year ended 31 December 2010 have been included in the consolidated financial statements.

- (a) The company's figures have been included through Draper Investments Ltd. The Group exercises significant influence on Automatic Systems Ltd (ASL) through its holding in Draper Investments Ltd.
- (b) Bychemex Limited has become a subsidiary as from 1 September 2010.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

9 INVESTMENTS IN ASSOCIATES (CONT'D)

(c) The group's interest in its principal associates:

YEAR 2009

Name of Company	Note	Country of Incorporation	Year ended	Held by holding company		Assets	Liabilities	Revenues	Profit/ (loss)	Fair value of listed and DEM listed associates
				% Holding	% Holding					
Autolac and Company Limited		Mauritius	30 June	25.00	-	19,143	(5,050)	2,596	1,352	-
Automatic Systems Ltd	(a)	Mauritius	31 December	-	19.87	66,986	(34,681)	1,550,051	31,558	81,818
Bychemex Limited		Mauritius	31 December	26.64	-	44,558	(14,443)	74,809	6,001	17,980
Compagnie d'Investissements et de Gestion de Portefeuilles Limitée	(c)	Mauritius	31 December	40.00	-	-	-	-	-	-
Draper Investments Ltd		Mauritius	31 December	-	33.33	75,408	(34,561)	1,550,051	17,897	-
Elcom System Technick (Mtius) Ltd		Mauritius	30 June	-	50.00	1,609	(13)	-	-	-
EXL Link SAS	(d)	France	31 December	25.00	-	11,117	-	-	-	-
E.O.M Warehouses Ltd		Mauritius	30 June	20.00	-	-	-	-	-	-
Maupinceau Limited	(c)	Mauritius	30 June	24.45	-	-	-	-	-	-
Mauvilac Industries Limited		Mauritius	30 June	25.00	-	403,692	(252,538)	631,479	30,664	-
Open Sky Express Limited		Mauritius	30 September	20.10	-	-	-	-	-	-
Rehm Grinaaker Construction Co Ltd		Mauritius	30 June	-	21.50	706,976	(593,921)	2,268,651	102,540	-
Societe d'Engrais et de Produits Chimiques de Madagascar		Madagascar	31 December	-	44.44	155,946	(160,777)	201,871	(39,782)	-
Societe du Port		Mauritius	30 September	20.00	-	-	-	-	-	-
Total Mauritius Limited		Mauritius	31 December	20.00	-	2,497,368	(1,803,454)	6,716,786	190,160	-

For companies with non co terminous year ended 30 June, accounts for the year ended 31 December 2009 have been included in the consolidated financial statements.

- (a) The company's figures have been included through Draper Investments Ltd. The Group exercises significant influence on Automatic Systems Ltd (ASL) through its holding in Draper Investments Ltd.
ASL figures have been included through Draper Investments Ltd.
- (b) Chemco Limited has become a subsidiary as from 1 September 2009.
- (c) Compagnie d'Investissements et de Gestion de Portefeuilles Limitee and Maupinceau Limited were liquidated during the year.
- (d) The Group acquired 25 % in EXL Link SAS during the year.
- (e) The Group has disposed its entire holding in Standard Labels Ltd at 30 November 2009.
- (f) Elcon System Technick (Mtius) Ltd is in the process of winding up.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

10. INVESTMENTS IN FINANCIAL ASSETS

	2010	2009
	Rs'000	Rs'000
(a) THE GROUP		
At 1 January	108,552	66,642
Additions	41,135	145,174
Disposals	(47,295)	(183,125)
Amount reclassified to other receivables	-	(280)
Acquisition through business combinations (note 34(a))	203	31
Impairment losses	-	(100)
Fair value gain	12,573	80,210
At 31 December	115,168	108,552

	2010	2009
	Rs'000	Rs'000
(b) THE COMPANY		
At 1 January	74,367	41,180
Additions	16,379	140,181
Disposals	(23,726)	(177,587)
Fair value gain	9,498	70,593
At 31 December	76,518	74,367

(c) Available for sale financial assets	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Available for sale financial assets include the following:				
Equity securities at fair value:				
- Official market	29,004	38,773	19,460	22,146
- DEM listed	17,914	13,435	9,000	6,750
- Unquoted	68,250	56,344	48,058	45,471
	115,168	108,552	76,518	74,367

All investments are denominated in Mauritian Rupees.

(d) THE GROUP	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
At 31 December 2010				
Available for sale financial assets	52,372	17,735	45,061	115,168
At 31 December 2009				
Available for sale financial assets	57,179	8,827	42,546	108,552
THE COMPANY				
At 31 December 2010				
Available for sale financial assets	33,913	-	42,605	76,518
At 31 December 2009				
Available for sale financial assets	33,866	-	40,501	74,367

Instruments included in level 1 comprise primarily of quoted equity investments.

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 are not based on observable market data, the instrument is included in level 3.

Further information is presented in note 3.2.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

10. INVESTMENTS IN FINANCIAL ASSETS (CONT'D)

(e) The table below shows the changes in level 3 instruments for the year ended 31 December 2010:

	Available for sale equity securities	
	THE GROUP	THE COMPANY
	Rs'000	Rs'000
At 1 January 2010	42,546	40,501
Additions	1,104	1,104
Disposal	(100)	-
Acquisition through business combinations (note 34(a))	200	-
Impairment	(708)	(708)
Fair value gain	2,019	1,708
At 31 December 2010	45,061	42,605

Investments in financial assets are denominated in Mauritian Rupees. None of the financial assets are impaired except as disclosed above.

11. NON-CURRENT RECEIVABLES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Loans to subsidiaries (unsecured with 11-12% interest rate and repayable in five years)	-	-	1,636	9,637
Loans to associates	-	3,907	-	3,907
Other non-current receivables	1,144	1,317	147	147
	1,144	5,224	1,783	13,691

The carrying amount of non current receivables approximate their fair values. Non current receivables are neither past due nor impaired.

12. NON-CURRENT ASSETS HELD FOR SALE

During the year, the directors approved the acquisition of land for Rs35.3 million. The board also expressed its intention to sell the property within the next financial year.

13. INVENTORIES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Raw materials	94,575	141,404	-	-
Work in progress	4,917	203	-	-
Finished goods	268,200	252,060	-	-
Goods in transit	36,434	26,649	-	-
Consumables	5,097	9,497	-	-
	409,223	429,813	-	-

Bank borrowings are secured by floating charges on the assets of the Group including inventories. The cost of inventories recognised as expense and included in cost of sales amounted to Rs2.2 billion (2009: Rs1.9 billion).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

14. CONTRACTS - WORK IN PROGRESS

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Contracts in progress at the end of the reporting date:				
Contract costs incurred plus recognised profits less recognised losses	178,942	162,312	-	-
Less progress billings	(168,131)	(114,626)	-	-
Net amount from customers	10,811	47,686	-	-
Gross amount due from customers for contract work	11,562	38,739	-	-
Gross amount due to customers for contract work (Advances received)/amount due on contracts	(1,686)	9,273	-	-
Work in progress	935	1,115	-	-
	10,811	47,686	-	-
Contract revenue	27,000	146,426	-	-
Contracts retention	5,448	-	-	-

15. SHORT TERM INVESTMENTS

Short term investments have maturity dates within one year and bear interest rate in the range of 7 % - 12 % per annum.

16. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Trade receivables	698,374	653,460	1,593	387
Less provision for impairment	(34,106)	(40,739)	-	-
	664,268	612,721	1,593	387
Prepayments and other receivables	90,666	73,721	22,019	23,463
Amount due from customers for contract work	11,562	47,441	-	-
Receivables from group companies				
- Current accounts	-	-	40,770	18,796
- Others	-	-	24,491	38,487
	766,496	733,883	88,873	81,133

As at 31 December 2010, trade receivables as shown below were impaired. The amount of the provision for impairment was Rs34.1 million as of 31 December 2010 (2009: Rs40.7 million) for the Group and RsNIL(2009: RsNIL) for the Company. The individually impaired receivables mainly related to receivables with overdue balances. It was assessed that a proportion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
3 to 6 months	2,416	16,376	-	-
Over 6 months	36,007	31,103	-	-
	38,423	47,479	-	-

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

16. TRADE AND OTHER RECEIVABLES (CONT'D)

As at 31 December 2010, trade receivables of Rs63.5million (2009: Rs78.1million) for the Group and Rs1.1 million (2009: Rs57k) for the Company 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 receivables is as follows:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
3 to 6 months	43,030	53,011	46	1
Over 6 months	20,530	25,140	1,073	56
	63,560	78,151	1,119	57

The carrying amounts of trade and other receivables are denominated in the following currencies.

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Rupee	611,836	601,432	88,873	81,133
US Dollar	30,168	84,394	-	-
Euro	17,661	9,125	-	-
Other currencies	106,831	38,932	-	-
	766,496	733,883	88,873	81,133

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

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January	40,739	31,606	-	-
Provision for receivable impairment	6,356	19,094	-	-
Receivables written off during the year as uncollectible	(7,086)	(2,961)	-	-
Unused amounts reversed	(5,903)	(7,000)	-	-
At 31 December	34,106	40,739	-	-

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 does not hold any collateral as security.

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

17. SHARE CAPITAL

	2010	2009
	Rs'000	Rs'000
<u>Authorised</u>		
12,500,000 ordinary shares of Rs10 each	125,000	125,000
<u>Issued and fully paid</u>		
11,259,388 ordinary shares of Rs10 each	112,594	112,594

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

18. REVALUATION AND OTHER RESERVES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Revaluation on property, plant and equipment (see note (a) below)	307,950	217,756	249,111	175,110
Capital reserves	7,007	7,007	4,957	4,957
Translation reserve (see note (b) below)	6,190	4,803	-	-
Investment reserve	4,176	4,176	4,176	4,176
General reserve	5,521	5,521	5,521	5,521
	330,844	239,263	263,765	189,764

(a) Movement in revaluation on property, plant and equipment	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January	217,756	100,128	175,110	56,905
Arising during the year	147,735	122,482	122,239	122,482
Deferred income tax on revaluation of buildings	(34,984)	(4,277)	(20,052)	(4,277)
Effect of changes in tax law	(22,232)	-	(28,186)	-
Other movements	(325)	(577)	-	-
At 31 December	307,950	217,756	249,111	175,110

(b) Translation reserve	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January	4,803	12,722	-	-
Movement during the year	1,387	(7,919)	-	-
At 31 December	6,190	4,803	-	-

19. BORROWINGS

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Current				
Bank overdraft	43,518	58,484	2,480	2,413
Bank loans	35,137	28,488	19,286	19,286
Unsecured loans at call at 8.00% interest (2009: 8.75%)	171,893	39,740	528,735	277,662
Obligation under finance leases (see note (c) below)	31,225	24,733	-	-
	281,773	151,445	550,501	299,361
Non-current				
Bank loans (see note (d) below)	46,317	69,897	35,566	54,852
Obligation under finance leases (see note (c) below)	51,007	43,151	-	-
	97,324	113,048	35,566	54,852
Total borrowings	379,097	264,493	586,067	354,213

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

19. BORROWINGS (CONT'D)

- (a) The borrowings include secured liabilities (overdrafts, loans and leases amounting to Rs207 million (2009: Rs225 million) and Rs57 million (2009: Rs77 million) for the Group and the Company respectively. The bank borrowings are secured over certain land and buildings and investment properties of the Group and over inventories and current assets. The rates of interest on these facilities vary between 5.25% and 18%. Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

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

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
After 1 year and before 2 years	45,409	44,260	19,286	19,286
After 2 years and before 3 years	34,358	35,318	16,280	19,286
After 3 years and before 5 years	14,801	29,952	-	16,280
After 5 years	2,756	3,518	-	-
	97,324	113,048	35,566	54,852

- (c) Finance lease liabilities - minimum lease payments:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Not later than 1 year	38,225	30,776	-	-
Later than 1 year and not later than 2 years	27,480	23,962	-	-
Later than 2 years and not later than 3 years	17,751	15,945	-	-
Later than 3 years and not later than 5 years	12,345	9,472	-	-
Later than 5 years	119	34	-	-
	95,920	80,189	-	-
Future finance charges on finance leases	(13,688)	(12,305)	-	-
Present value of finance lease liabilities	82,232	67,884	-	-

The present value of finance lease liabilities may be analysed as follows:

Not later than 1 year	31,225	24,733	-	-
Later than 1 year and not later than 2 years	23,973	20,792	-	-
Later than 2 year and not later than 3 years	15,803	13,911	-	-
Later than 3 years and not later than 5 years	11,160	8,414	-	-
Later than 5 years	71	34	-	-
	82,232	67,884	-	-

The Group leases plant and machinery, motor vehicles and equipment under finance leases. The leases have varying terms and purchase options. There are no restrictions imposed on the Group by lease arrangements other than in respect of the specific assets being leased.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

19. BORROWINGS (CONT'D)

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

Non current bank loans can be analysed as follows:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
- After 1 year and before 2 years	21,436	23,468	19,286	19,286
- After 2 years and before 3 years	18,555	21,406	16,280	19,286
- After 3 years and before 5 years	3,641	21,539	-	16,280
- After 5 years	2,685	3,484	-	-
	46,317	69,897	35,566	54,852

(e) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are less than 6 months.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

19. BORROWINGS (CONT'D)

(f) The effective interest rates at the end of the reporting date:

	2010			2009		
	Euro	Rs	Ariary	Euro	Rs	Ariary
<u>THE GROUP</u>	%	%	%	%	%	%
Bank overdrafts	7.00%-13.00%	7.25%-9.75%	15.00%-18.00%	7.00%-13.00%	8.12%-11.25%	15.00%-18.00%
Bank loans	-	8.00%-9.75%	-	-	8.75%-10.00%	-
Loans at call	-	5.25%-6.25%	-	-	6.25%-7.25%	-
Finance lease liabilities	-	8.10%-12.75%	-	-	10.00%-12.75%	-

THE COMPANY

	2010	2009
	Rs	Rs
	%	%
Bank overdrafts	8.00%-9.75%	8.87%-10.75%
Bank loans	8.00%-9.75%	8.75%-9.87%
Loans at call	5.25%-6.25%	6.25%-9.00%

(g) The carrying amounts of the borrowings are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Mauritian rupees	361,300	249,872	586,067	354,213
Malagasy Ariary	17,797	14,621	-	-
	379,097	264,493	586,067	354,213

(h) The carrying amounts of short-term borrowings approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

20. DEFERRED TAXES

Deferred tax is calculated on all temporary differences under the liability method at 15%.

Deferred tax assets and liabilities are offset when the deferred taxes relate to the same fiscal authority. The following amounts are shown in the statement of financial position.

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Deferred tax assets	(1,408)	(927)	-	-
Deferred tax liabilities	92,281	25,730	58,806	5,145
	90,873	24,803	58,806	5,145

The movement in deferred tax is as follows:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January	24,803	19,369	5,145	-
Income statement charge (note 24(b))	4,187	804	5,423	868
Tax charged to revaluation surplus	61,298	4,277	48,238	4,277
Other movement	-	(96)	-	-
Acquisition through business combination (note 34(a))	585	449	-	-
At 31 December	90,873	24,803	58,806	5,145

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. The Group has tax losses of Rs62.9 million (2009: Rs73.8 million) to carry forward against future taxable income, which have not been recognised in these financial statements due to uncertainty of their recoverability. The Company has tax losses of Rs15.1 million (2009: Rs10.9 million) to carry forward against future taxable income.

Deferred tax liabilities and deferred tax charge/(credit) in the income statement and equity are attributable to the following items:

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

20. DEFERRED TAXES (CONT'D)

THE GROUP	At 1 January 2010	Transfer	Acquired through business combinations	Charged/ (credited) to income statement	Charged to statement of comprehensive income	At 31 December 2010
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Deferred tax liabilities						
Asset revaluations	16,346	933	-	4,263	61,298	82,840
Accelerated tax depreciation	15,546	1950	580	(176)	-	17,900
Exchange difference	2,867	(2,867)	-	-	-	-
Retirement benefit asset	-	130	36	(49)	-	117
	34,759	146	616	4,038	61,298	100,857
Deferred tax assets						
Tax losses	(3,047)	96	-	38	-	(2,913)
Retirement benefit obligations	(5,602)	(216)	(31)	(510)	-	(6,359)
Accelerated tax depreciation	(1,307)	(26)	-	621	-	(712)
	(9,956)	(146)	(31)	149	-	(9,984)
Net deferred income tax liabilities	24,803	-	585	4,187	61,298	90,873

THE COMPANY	At 1 January 2010	Charged to statement of comprehensive income	Charged to income statement	At 31 December 2010
	Rs'000	Rs'000	Rs'000	Rs'000
Deferred tax liabilities				
Asset revaluations	10,988	48,238	4,348	63,574
Deferred tax assets				
Tax losses	(1,637)	-	-	(1,637)
Accelerated tax depreciation	(1,419)	-	826	(593)
Retirement benefit obligations	(2,787)	-	249	(2,538)
	(5,843)	-	1,075	(4,768)
Net deferred income tax liabilities	5,145	48,238	5,423	58,806

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

21. RETIREMENT BENEFIT OBLIGATIONS

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
Amounts recognised in the statement of financial position:	Rs'000	Rs'000	Rs'000	Rs'000
Made up as follows:				
Retirement benefit asset	(4,480)	(5,020)	(2,845)	(2,422)
Retirement benefit obligation	41,465	40,957	19,769	21,008
	36,985	35,937	16,924	18,586
Pension benefits (note (a)(ii))	4,433	5,571	(2,845)	(2,422)
Other post retirement benefits:				
-Former employees (note b(i))	19,769	21,008	19,769	21,008
-Retirement gratuity (note b(iii))	12,783	9,358	-	-
	32,552	30,366	19,769	21,008
	36,985	35,937	16,924	18,586
Analysed as follows:				
Non-current assets	(4,480)	(5,020)	(2,845)	(2,422)
Non-current liabilities	41,465	40,957	19,769	21,008
	36,985	35,937	16,924	18,586
Income Statement charge/(credit):				
Pension benefits (note (a)(v))	5,350	3,843	87	(815)
Other post retirement benefits:				
-Former employees (note b(ii))	2,515	3,693	2,515	3,693
-Retirement gratuity (note b(iii))	1,964	1,760	-	-
	4,479	5,453	2,515	3,693
	9,829	9,296	2,602	2,878

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) **Pension benefits**

- (i) The assets of the fund are held independently and administered by an insurance company.
 (ii) The amounts recognised in the statement of financial position are as follows:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Present value of funded obligations	131,529	119,441	16,040	14,398
Fair value of plan assets	(128,648)	(120,019)	(19,658)	(17,876)
	2,881	(578)	(3,618)	(3,478)
Unrecognised actuarial (loss)/gain	(155)	4,616	773	1,056
Unrecognised defined benefit asset	1,707	1,533	-	-
Liability in the statement of financial position	4,433	5,571	(2,845)	(2,422)

- (iii) The movement in the defined benefit obligation over the year is as follows:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January	119,441	100,541	14,398	12,994
Current service cost	5,763	5,388	478	415
Interest cost	12,397	11,104	1,487	1,249
Actuarial loss/(gain)	473	(2,279)	(323)	(88)
Benefits paid	(6,929)	(2,428)	-	(181)
Effect of curtailments/settlements	(100)	-	-	-
Obligation not previously recognised	-	7,115	-	-
Liabilities acquired in business combinations	484	-	-	-
Transfer from subsidiary	-	-	-	9
At 31 December	131,529	119,441	16,040	14,398

- (iv) The movement in the fair value of plan assets of the year is as follows:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January	(120,019)	(97,569)	(17,876)	(15,630)
Expected return on plan assets	(12,652)	(11,523)	(1,918)	(1,676)
Scheme expenses	267	421	(5)	72
Cost of insuring risk benefits	819	775	45	45
Effect of curtailments/settlements	(123)	-	-	-
Actuarial gains	4,065	4,920	606	747
Employers' contributions	(5,617)	(10,353)	-	(1,106)
Employees' contributions	(510)	-	(510)	-
Benefits paid	6,929	2,428	-	181
Planned assets not previously recognised	-	(9,118)	-	-
Arising on business combinations	(1,807)	-	-	-
Transfer from subsidiary	-	-	-	(509)
At 31 December	(128,648)	(120,019)	(19,658)	(17,876)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Current service cost	5,763	5,388	478	415
Interest cost	12,397	11,104	1,487	1,249
Expected return on plan assets	(12,652)	(11,523)	(1,918)	(1,676)
Scheme expenses	267	421	(5)	72
Cost of insuring risk benefits	819	775	45	45
Net actuarial gains/losses recognised during the year	(90)	654	-	(12)
Retirement benefit obligations asset not/(now) recognised	105	221	-	(908)
Effect of settlements	(1,101)	-	-	-
Past service cost not recognised	(158)	(127)	-	-
Net effect not previously recognised	-	(2,002)	-	-
Unrecognised benefit asset now recognised	-	(909)	-	-
Employer contributions	-	(159)	-	-
Total included in employee benefit expense (note 29)	5,350	3,843	87	(815)

The total charge/(credit) of Rs5.3 million for the Group (2009: Rs3.8 million) and Rs87k for the Company (2009: Rs(815)k) were included in employee benefit expenses.

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Actual return on plan assets	8,308	5,928	1,312	-

(vi) The assets in the plan were:

	THE GROUP			
	2010	2010	2009	2009
	Rs'000	%	Rs'000	%
Local Equities	(46,885)	36	(43,637)	36
Overseas Equities	(28,131)	22	(26,182)	22
Fixed Interest	(43,759)	34	(40,728)	34
Insured contracts	(3,620)	3	(3,654)	3
Properties	(6,253)	5	(5,818)	5
Total Market value of assets	(128,648)	100	(120,019)	100

	THE COMPANY			
	2010	2010	2009	2009
	Rs'000	%	Rs'000	%
Local Equities	(7,372)	37	(6,703)	37
Overseas Equities	(4,423)	23	(4,022)	23
Fixed Interest	(6,880)	35	(6,257)	35
Properties	(983)	5	(894)	5
Total Market value of assets	(19,658)	100	(17,876)	100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(vii) The asset of the plan are invested in Anglo Mauritius Deposit Administration Fund. The latter is expected to produce a smooth progression of return from one year to the next. The long term expected return on asset assumption has been based on historical performance of the fund. Expected return on equities has been based on equity risk premium above a risk free rate. The risk free rate has been measured in accordance to the yields on government bonds at the measurement date. The fixed interest portfolio includes government bonds, debentures, mortgages and cash. The expected return for this asset class has been based on yields of government bonds at the measurement date. There is no available benchmark for the expected return on properties. This has been based on a subjective judgement of the property market.

(viii) Expected contributions to the pension plan for the year ending 31 December 2011 are Rs10.75 million for the Group and no contribution for the Company.

(ix) Amounts for the current and previous years are as follows:

	THE GROUP			
	2010	2009	2008	2007
	Rs'000	Rs'000	Rs'000	Rs'000
Present value of defined benefit obligation	131,529	119,441	100,541	102,126
Fair value of plan assets	(128,648)	(120,019)	(97,569)	(107,694)
Deficit/(surplus)	2,881	(578)	2,972	(5,568)
Experience adjustments on plan liabilities	(473)	2,279	5,192	(10,733)
Experience adjustments on plan assets	(4,065)	(4,920)	3,824	(1,076)

	THE COMPANY			
	2010	2009	2008	2007
	Rs'000	Rs'000	Rs'000	Rs'000
Present value of defined benefit obligation	16,040	14,398	12,994	20,189
Fair value of plan assets	(19,658)	(17,877)	(15,630)	(23,263)
Surplus	(3,618)	(3,479)	(2,636)	(3,074)
Experience adjustments on plan liabilities	323	(88)	(230)	(1,729)
Experience adjustments on plan assets	(606)	747	448	(315)

(x) The principal actuarial assumptions used for accounting purposes were:

	THE GROUP/ THE COMPANY	
	2010	2009
	%	%
Discount rate	10.0	10.5
Expected return on plan assets	10.5	10.5
Future salary increases	8.0	8.0
Future pension increases	-	-

Note 1: Defined benefit assets have not been recognised for some subsidiaries on the basis that in future, contributions are not expected to be reduced.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(b) Other post retirement benefits

Other post retirement benefits comprise of obligation for former employees and retirement gratuity payable under the Employment Rights Act.

(i) The movement in the retirement benefit obligations for former employees obligation over the year is as follows:

	THE COMPANY	
	2010	2009
At 1 January	Rs'000 21,008	Rs'000 20,944
Total expense (note b(ii))	2,515	3,693
Benefit paid	(3,754)	(3,629)
At 31 December	<u>19,769</u>	<u>21,008</u>

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

	THE COMPANY	
	2010	2009
Interest cost	Rs'000 2,198	Rs'000 2,303
Net actuarial losses recognised during the year	317	1,390
Total, included in employee benefit expense	<u>2,515</u>	<u>3,693</u>

(iii) The movement in the retirement gratuity is as follows:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
At 1 January	Rs'000 9,358	Rs'000 6,218	Rs'000 -	Rs'000 -
Effect of business combination (note 34(a))	1,625	500	-	-
Total expense	1,964	1,760	-	-
Transfer from trade and other payables	-	880	-	-
Retirement gratuity paid	(164)	-	-	-
At 31 December	<u>12,783</u>	<u>9,358</u>	<u>-</u>	<u>-</u>

It has been assumed that the rate of future salary increases will be equal to the discount rate.

22. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
Trade payables	Rs'000 331,740	Rs'000 363,217	Rs'000 860	Rs'000 2,335
Accruals and other payables	171,532	182,556	25,414	30,235
Amounts due to group companies				
- Current accounts	-	-	3,660	1,662
- Others	-	-	2,939	1,946
	<u>503,272</u>	<u>545,773</u>	<u>32,873</u>	<u>36,178</u>

The carrying amounts of trade and other payables approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

23 PROVISION FOR OTHER LIABILITIES AND CHARGES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Contingent liability arising on business combination				
At 1 January	-	-	-	-
Contingent consideration on previous subsidiaries	19,803	-	19,803	-
Arising during the year	19,883	-	19,883	-
At 31 December	39,686	-	39,686	-
Analysis of total provision:				
Non-current	17,740	-	17,740	-
Current	21,946	-	21,946	-
	39,686	-	39,686	-

24. CURRENT TAX LIABILITIES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
(a) Statements of financial position				
Current tax on adjusted profit for the year at 15% (2009: 15%)	23,893	25,609	-	-
Tax paid	(5,540)	(23,413)	-	-
Effect of acquisition through business combinations (note 34(a))	2,485	2,593	-	-
Alternative Minimum Tax (AMT)	175	559	-	559
Tax provision on previous years assessment	3,429	21,817	-	5,000
Tax paid during the year under 'Advance Payment System'	(11,779)	-	-	-
Exchange difference	-	22	-	-
	12,663	27,187	-	5,559
(b) Income statements:				
Current tax on the adjusted profit for the year at 15% (2009: 15%)	23,893	25,609	-	-
(Overprovision)/underprovision in previous year	(1,678)	998	(1,700)	-
Withholding tax	-	-	-	-
Tax paid for previous years assessment	277	156	-	-
Tax provision for previous years assessment	-	-	-	-
Alternative Minimum Tax (AMT)	175	559	-	559
Deferred tax (Note 20)	4,187	804	5,423	868
Tax charge	26,854	28,126	3,723	1,427

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

24. CURRENT TAX LIABILITIES (CONT'D)

- (c) The tax on the Group's and Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Group and Company as follows:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Profit before taxation	228,872	324,906	65,365	68,740
Less share of result of associates	(70,361)	(81,191)	-	-
	158,511	243,715	65,365	68,740
Tax calculated at a rate of 15% (2009 : 15%)	23,776	36,557	9,805	10,311
Alternative Minimum Tax (AMT)	175	559	-	559
Effect of different tax rate	26	5,974	-	-
(Over)/ under provision in previous year	(1,678)	997	(1,700)	-
Income not subject to tax	(21,095)	(29,988)	(13,506)	(16,656)
Expenses not deductible for tax purposes	11,487	13,321	8,761	8,511
Tax paid for previous years assessment	211	133	-	-
Tax credit	(643)	-	-	-
Tax provision for previous years assessment	-	-	-	-
Adjustment on qualifying assets	-	50	-	-
Effect of different tax year assessment	-	(1,155)	-	-
Share of adjusted tax profit of Société	-	-	-	195
Deferred tax not provided for	923	971	-	-
Unrecognised tax losses	4,203	38	326	-
Utilisation of tax losses	(179)	(3,272)	-	(1,493)
Election under 29(b) of Income Tax Act	(2,266)	-	-	-
Other adjustments	(521)	1,969	37	-
Effect of consolidation adjustments	12,435	1,972	-	-
Taxation charge	26,854	28,126	3,723	1,427

Further information about deferred tax is presented in Note 20.

25. REVENUE

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Revenue is made up of:				
Sales of goods	2,726,930	2,357,661	-	-
Sales of services	335,597	289,400	-	-
	3,062,527	2,647,061	-	-
Commission	4,398	6,895	4,243	6,289
Other operating income	39,638	103,926	123,295	163,957
Rent	21,874	17,345	8,013	3,890
	65,910	128,166	135,551	174,136
Investment income				
- Listed	449	3,744	22,284	19,942
- Unquoted	909	1,069	64,944	25,902
Interest income	19,536	14,998	14,878	14,099
	20,894	19,811	102,106	59,943
	3,149,331	2,795,038	237,657	234,079

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

26. PROFIT BEFORE FINANCE COSTS

	Notes	THE GROUP		THE COMPANY	
		2010	2009	2010	2009
		Rs'000	Rs'000	Rs'000	Rs'000
Revenue	25	3,149,331	2,795,038	237,657	234,079
Changes in finished goods and work in progress		(34,368)	(82,423)	-	-
Raw materials, consumables and purchases of finished goods		(2,114,441)	(1,801,829)	-	-
Employee benefit expense	29	(437,085)	(370,464)	(62,021)	(63,947)
Depreciation and amortisation expense		(86,871)	(76,454)	(7,624)	(7,983)
Increase in fair value of investment properties	6	22,758	25,363	19,443	13,594
Other operating expenses		(305,238)	(248,143)	(48,139)	(35,195)
		194,086	241,088	139,316	140,548

27. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Bank overdrafts	6,891	5,175	288	136
Bank loans repayable by instalments	9,026	11,326	5,687	7,746
Other loans not repayable by instalments	10,715	11,216	29,063	20,548
Finance leases	8,183	7,649	-	-
	34,815	35,366	35,038	28,430
Net foreign exchange transaction losses /(gains) (see note 27(a))	760	580	(472)	(157)
	35,575	35,946	34,566	28,273

(a) Net foreign exchange gains/(losses)

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
The exchange differences (credited)/charged to the income statement are as follows:				
Cost of sales	(13,088)	(17,249)	-	-
Finance costs	760	580	(472)	(157)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

28. PROFIT BEFORE TAXATION

The profit before taxation is arrived at after:

Crediting:

Profit on disposal of property, plant and equipment
 Profit on disposal of investments in financial assets
 Profit on disposal of associates

and charging:

Depreciation
 - owned assets
 - leased assets
 Amortisation of intangible assets
 Impairment of property, plant and equipment
 Impairment of receivables
 Employee benefit expense (note 29)

THE GROUP		THE COMPANY	
2010	2009	2010	2009
Rs'000	Rs'000	Rs'000	Rs'000
3,385	3,889	782	897
13,245	44,123	13,029	42,355
-	38,573	-	-
62,970	49,840	7,355	7,829
20,347	23,138	-	-
3,554	3,476	269	154
-	365	-	-
-	510	-	510
437,085	370,464	62,021	63,947

29. EMPLOYEE BENEFIT EXPENSE

Wages and salaries, including termination benefits
 Social security costs
 Pension costs - defined contribution plans
 - defined benefit plans (note 21)

THE GROUP		THE COMPANY	
2010	2009	2010	2009
Rs'000	Rs'000	Rs'000	Rs'000
404,105	342,918	57,030	58,613
19,101	13,501	1,794	1,541
4,050	4,749	595	915
9,829	9,296	2,602	2,878
437,085	370,464	62,021	63,947

30. OTHER COMPREHENSIVE INCOME

THE GROUP

2010

Fair value gain
 Reclassification adjustments on disposal of securities
 Surplus on revaluation of land and buildings
 Effect of changes in tax law
 Deferred tax arising on revaluation of land and buildings
 Currency translation differences

Other comprehensive income for the year 2010

Revaluation and other reserves	Fair value reserves	Retained earnings	Total
Rs'000	Rs'000	Rs'000	Rs'000
-	12,573	-	12,573
-	(12,395)	-	(12,395)
147,735	-	-	147,735
(34,984)	-	-	(34,984)
(26,314)	-	-	(26,314)
1,389	-	-	1,389
87,826	178	-	88,004

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

30. OTHER COMPREHENSIVE INCOME (CONT'D)

THE GROUP	Revaluation and other reserves	Fair value reserves	Retained earnings	Total
	Rs'000	Rs'000	Rs'000	Rs'000
2009				
Fair value gain	-	80,210	-	80,210
Reclassification adjustments on disposal of securities	-	(47,456)	-	(47,456)
Surplus on revaluation of land and buildings	122,482	-	-	122,482
Deferred tax arising on revaluation of buildings	(4,277)	-	-	(4,277)
Movement in reserves	(363)	-	(12,523)	(12,886)
Currency translation differences	(8,880)	-	-	(8,880)
Other comprehensive income for the year 2009	108,962	32,754	(12,523)	129,193
THE COMPANY	Revaluation and other reserves	Fair value reserves	Retained earnings	Total
	Rs'000	Rs'000	Rs'000	Rs'000
2010				
Fair value gain	-	395,503	-	395,503
Reclassification adjustments on disposal of securities	-	(13,085)	-	(13,085)
Surplus on revaluation of land and buildings	122,239	-	-	122,239
Effect of changes in tax law	(28,186)	-	-	(28,186)
Deferred tax arising on revaluation of buildings	(20,052)	-	-	(20,052)
Other comprehensive income for the year 2010	74,001	382,418	-	456,419
2009				
Fair value gain	-	478,526	-	478,526
Reclassification adjustments on disposal of securities	-	(47,418)	-	(47,418)
Surplus on revaluation of land and buildings	122,482	-	-	122,482
Deferred tax arising on revaluation of buildings	(4,277)	-	-	(4,277)
Other comprehensive income for the year 2009	118,205	431,108	-	549,313

Effect of changes in tax law

Effect of changes in tax law represent deferred tax arising on revaluation of land and building following change in taxation regime relating to gain on disposal of immovable properties.

31. DIVIDENDS

Ordinary dividend of Rs4.00 per share was declared on 29 November 2010 and paid on 20 December 2010.

(2009: Rs2.75 per share declared, paid on 15 January 2010)

2010	2009
Rs'000	Rs'000
45,038	30,963

32. EARNINGS PER SHARE

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
Basic earnings per share				
Net profit attributable to shareholders (Rs'000)	159,428	265,678	61,642	67,313
Number of ordinary shares in issue (thousands)	11,259	11,259	11,259	11,259
Basic earnings per share	Rs/cents			
	14.16	23.60	5.47	5.98

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

33. NOTES TO STATEMENTS OF CASH FLOWS

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
(a) Cash generated from operations	Rs'000	Rs'000	Rs'000	Rs'000
Net profit before tax	228,873	324,906	65,365	68,740
Depreciation and amortisation	86,871	76,454	7,624	7,983
Share of results of associated companies	(70,362)	(81,191)	-	-
Adjustment for discontinued operations	-	(2,157)	-	-
Retirement benefit obligations	(1,583)	(5,645)	(1,661)	(2,358)
Profit on disposal of property, plant and equipment	(3,385)	(3,889)	(782)	(897)
Profit on disposal of associates	-	(38,573)	-	-
Profit on disposal of investments in financial assets	(13,245)	(44,123)	(13,029)	(42,355)
Impairment of investments	-	100	7,824	43,535
Impairment of intangibles & property plant & equipment	-	365	-	-
Impairment of receivables	-	510	18,827	510
Impairment of loans	-	-	12,731	-
Fair value gain on business combination	(1,780)	-	-	-
Net provision for doubtful debts and non current receivables	453	3,412	-	(8)
Loss/(gain) on exchange	1,291	300	(670)	159
Investment income	(1,358)	(4,813)	(87,228)	(45,844)
Interest income	(19,536)	(14,998)	(14,878)	(14,099)
Interest expense	34,815	35,366	35,038	28,430
Increase in fair value of investment property	(22,758)	(25,363)	(19,443)	(13,594)
Negative goodwill on acquisition	-	(478)	-	-
Changes in working capital:				
- inventories	30,875	97,574	-	-
- trade and other receivables	1,910	(77,556)	(29,898)	(16,998)
- trade and other payables	(75,263)	(6,435)	(4,636)	6,238
Cash generated from operations	175,818	233,766	(24,816)	19,442

(b) Cash and cash equivalents

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Bank and cash balances	220,940	174,001	103,143	42,542
Loan receivable at call	-	-	115,623	111,255
Bank overdrafts	(43,518)	(58,484)	(2,480)	(2,413)
Loan payable at call	-	-	(356,842)	(237,923)
	177,422	115,517	(140,556)	(86,539)

(c) Non cash transactions

The principal non cash transactions are the acquisition of plant and equipment using finance leases.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

34. BUSINESS COMBINATIONS

(a) Acquisition

During the year, the Group made the following acquisitions:-

- (1) 100% of the share capital of Climapro Ltée a company engaged in air conditioning and fire protection products for Rs45 million excluding contingent consideration of Rs8.9 million; and
- (2) 100% of the share capital of Straffin Global Services Ltd, a company providing professional and management consultancy services for Rs18.5 million excluding contingent consideration of Rs10.9 million.

Additionally, as from 1 September 2010, the Group exerts controlling power on Bychemex Ltd through board representation.

The goodwill of Rs74.4 million arising from the acquisition is attributable to acquired customer base and economies of scale and synergies expected from combining the operations of the Group and the above acquired companies.

None of the goodwill recognised is expected to be deductible for income tax purposes. The following table summarises the consideration paid for the acquisition of Climapro Ltée, Straffin Global Services Ltd and Bychemex Ltd and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date, as well as the fair value at the acquisition date of the non-controlling interest in Bychemex Ltd.

In 2010, the acquired business contributed revenues of Rs81.35 million and net profit after tax of Rs8.6 million to the Group.

If the acquisition had occurred on 1 January 2010, the Group's revenue would have been Rs3.231 billion and profit for the year would have been Rs205 million.

	2010
	Rs'000
Consideration	
Cash	63,450
Fair value of equity interest held before the business combinations	16,648
Contingent consideration	19,883
Total consideration	99,981
Acquisition-related costs	1,038
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	14,258
Property, plant and equipment	13,463
Intangible assets	96
Investment in financial assets	203
Deferred tax assets	30
Inventories	9,752
Trade and other receivables	43,563
Trade and other payables	(21,881)
Borrowings	(4,224)
Retirement benefit obligations	(1,625)
Taxation	(2,485)
Deferred tax liabilities	(615)
Total identifiable net assets	50,535
Non-controlling interests	(24,963)
Goodwill	74,409
	99,981

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

34. BUSINESS COMBINATIONS (CONT'D)

Acquisition of non-controlling interest

During the year, the Group acquired additional interest from non-controlling interest as follows:-

- (1) In November 2010, 13.27% interest in Bychemex Ltd for Rs6.7 million in cash, increasing its ownership from 26.64 % to 39.91%. The carrying amount of Bychemex Ltd's net assets in the consolidated financial statements on the date of the acquisition was Rs35.1 million. The Group recognised a decrease in non-controlling interest of Rs4.7 million and a decrease in retained earnings of Rs2 million.
- (2) In November 2010, 8.77% interest in Chemco Ltd for Rs9.7 million in cash, increasing its ownership from 50.46 % to 59.22%. The carrying amount of Chemco Ltd's net assets in the consolidated financial statements on the date of the acquisition was Rs77.4 million. The Group recognised a decrease in non-controlling interest of Rs6.8 million and a decrease in retained earnings of Rs2.9 million.
- (3) In March and April 2010, 0.18% interest in MCFI Ltd for Rs1 million in cash, increasing its ownership from 69.541% to 69.729%. The carrying amount of MCFI Ltd's net assets in the consolidated financial statements on the date of the acquisition was Rs698.2 million. The Group recognised a decrease in non-controlling interest of Rs1.3 million and an increase in retained earnings of Rs256k

The following summarises the effect of changes in the Group's (parent) ownership interest in the above companies :

	2010
	Rs'000
Parent's ownership interest at beginning of period	533,950
Effect of increase in parent's ownership interest	12,766
Share of comprehensive income	37,386
Parent's ownership interest at end of period	<u>584,102</u>

Acquisition (2009)

In 2009, the Group made the following acquisitions:

- (i) Additional investment of 16.4% in Chemco Limited in April and August 2009, bringing total holding to 50.44%. Chemco was previously an associate, and
- (ii) 80 % of the share capital of Orinux (Mauritius) Limited, a company engaged in audit software development, administration and maintenance.

In 2009, the acquired business contributed revenues of Rs128.1 million and net profit after tax of Rs17.5 million to the Group.

If the acquisition had occurred on 1 January 2009, the Group's revenue would have been Rs3.049 billion and profit for the year would have been Rs320 million.

	2009
	Rs'000
Consideration	
Cash	77,082
Total consideration	<u>77,082</u>
Acquisition-related costs	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

34. BUSINESS COMBINATIONS (CONT'D)

	2009
	Rs'000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	11,421
Investment in other securities	31
Inventories	49,556
Receivables	68,399
Cash and cash equivalents	29,478
Payables	(30,337)
Shareholders' loan	(185)
Deferred tax	(449)
Bank overdraft	(44,718)
Retirement benefit obligations	(500)
Dividend proposed	(258)
Taxation	(2,593)
Total identifiable net assets	79,845
Non-controlling interest	(31,901)
Net asset already taken into reserves	(19,661)
Goodwill	48,799
	<u>77,082</u>

- (b) On 31 May 2009 and 31 July 2009, the Group disposed of its holding in Cyber IT Training Services Ltd and Management Enterprise Limited respectively.

Cyber IT Training Services Ltd was engaged in the provision of BPO, training and IT services and it incurred operating loss of Rs2,193,536 from period 1 January 2009 to 31 May 2009 (operating loss of Rs2,233,649 for the year ended 31 December 2008).

Management Enterprise Limited's main activity was investment and it incurred operating loss of Rs8,066 from period 1 January 2009 to 31 July 2009 (operating loss of Rs15,579 for the year ended 31 December 2008).

The details of assets and liabilities disposed and the consideration are as follows:

	Carrying amount of net assets
	Rs'000
Property plant and equipment	1,526
Intangible assets	537
Investment in securities	42
Trade and other receivables	1,040
Cash and cash equivalent	2
Trade and other payables	(2,049)
Overdraft	(1,115)
Borrowings	(1,248)
Net assets	(1,265)
Non controlling interests	632
	(633)
Goodwill	3,162
Loss on disposal	(2,503)
Total consideration	26
Cash and cash equivalents of subsidiaries disposed	1,113
Net cash inflow on disposal	<u>1,139</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

35. SEGMENT INFORMATION - THE GROUP

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. The Group's segments are: commercial, engineering & manufacturing, services and corporate services.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The Group evaluates performance on the basis of profit or loss from operations after tax expense.

	Commercial	Engineering & Manufacturing	Services	Corporate Services	Total
Year ended 31 December 2010	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Total segment revenues	2,521,260	563,029	181,079	253,423	3,518,790
Inter-segment sales	(115,512)	(16,547)	(26,430)	(210,970)	(369,459)
Revenues from external customers	2,405,748	546,482	154,649	42,453	3,149,331
Interest revenue	17,372	137	73	1,954	19,536
Net segment results	183,158	47,812	8,475	(45,359)	194,086
Share of result of associates	63,141	4,680	2,541	-	70,362
Profit on disposal of associates	246,299	52,492	11,016	(45,359)	264,448
Finance costs	(14,038)	(4,978)	(897)	(15,662)	(35,575)
Profit before tax	232,261	47,514	10,119	(61,021)	228,873
Income tax expense	(21,835)	(1,147)	(148)	(3,723)	(26,854)
Profit after tax	210,426	46,367	9,971	(64,744)	202,019
Attributable to:					
Owner of the parent	170,308	46,367	8,552	(65,799)	159,428
Non controlling interests	40,610	-	1,420	561	42,591
	210,918	46,367	9,972	(65,238)	202,019
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Segment assets	1,375,953	415,914	187,388	927,233	2,906,488
Investments in associates	244,620	43,304	14,845	-	302,769
Consolidated total assets					<u>3,209,257</u>
Segment liabilities	477,315	164,214	48,294	378,641	1,068,464
					<u>1,068,464</u>
Capital expenditure	37,396	32,932	8,583	5,530	84,441
Depreciation, amortisation and impairment of goodwill	49,026	20,072	10,144	7,629	86,871

There were no material items of income and expense.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

35. SEGMENTAL INFORMATION - THE GROUP (CONT'D)

	Commercial	Engineering & Manufacturing	Services	Corporate Services	Total
Year ended 31 December 2009	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Total segment revenues	1,970,994	720,099	116,430	242,919	3,050,442
Inter-segment sales	(47,640)	(12,167)	(27,460)	(168,137)	(255,404)
Revenues from external customers	<u>1,923,354</u>	<u>707,932</u>	<u>88,970</u>	<u>74,782</u>	<u>2,795,038</u>
Interest revenue	11,946	9	39	3,004	14,998
Net segment results	88,883	58,898	16,136	77,171	241,088
Share of result of associates	38,032	37,194	5,965	-	81,191
	126,915	96,092	22,101	77,171	322,279
Profit on disposal of associates	-	-	-	38,573	38,573
Finance costs	(10,861)	(6,384)	(305)	(18,396)	(35,946)
Profit before tax	116,054	89,708	21,796	97,348	324,906
Income tax expense	(18,996)	(6,733)	(968)	(1,429)	(28,126)
Profit after tax	<u>97,058</u>	<u>82,975</u>	<u>20,828</u>	<u>95,919</u>	<u>296,780</u>
Attributable to:					
Owners of the parent	97,056	89,160	21,246	58,216	265,678
Non controlling interests	2	(6,185)	(418)	37,703	31,102
	<u>97,058</u>	<u>82,975</u>	<u>20,828</u>	<u>95,919</u>	<u>296,780</u>
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Segment assets	1,327,893	474,509	122,009	599,619	2,524,030
Investments in associates	210,237	86,116	20,255	-	316,608
Consolidated total assets					<u>2,840,638</u>
Segment liabilities	487,886	219,804	31,231	196,182	935,103
					<u>935,103</u>
Capital expenditure	45,228	23,625	6,181	27,524	102,558
Depreciation, amortisation and impairment of goodwill	44,180	15,726	8,532	8,016	76,454
Material items of income					
- Profit on disposal of associates	-	-	-	38,573	38,573
- (Loss)/Profit on disposal of investments in financial assets	(521)	-	-	44,644	44,123

There were no material items of income and expense.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

35. SEGMENTAL INFORMATION - THE GROUP (CONT'D)

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

Geographical information

Although the Group's four business segments are managed in Mauritius, they operate in the following main geographical areas.

	Revenue from external customers		Non-current assets	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Mauritius	2,782,780	2,481,778	1,605,393	1,303,582
Madagascar	145,607	100,079	3,111	4,101
Reunion	43,029	33,340	-	-
Mayotte	25,279	34,841	2,387	2,985
France	-	-	9,259	10,990
Africa	152,636	145,000	-	1,221
Total	3,149,331	2,795,038	1,620,150	1,322,879

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

36. CONTINGENT LIABILITIES

At 31 December 2010 the Group and the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities would arise. In the ordinary course of business, the Group has given guarantees amounting to Rs19.6 million (2009: Rs19.2 million).

No guarantee has been given by the Company for the years ended 31 December 2010 and 2009.

37 RELATED PARTY TRANSACTIONS

(a) THE GROUP

	Interest received		Purchase of goods and services		Management services and fees receivable		Loan to Loan from related party		Amount owed by related party		Amount owed to related party	
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
(i) Year 2010												
Associated companies	-	-	27,053	91,098	6,523	147	-	-	14,611	-	-	1,434
Directors and key management personnel	-	-	2,027	131	-	-	-	-	198	-	-	159
Enterprises in which directors/ key management personnel (and close families) have significant/ substantial interest	-	-	2,791	-	-	-	-	-	-	-	-	-
Shareholders	-	10,070	-	-	-	-	171,893	-	-	-	-	-
(ii) Year 2009												
Associated companies	1,344	240	23,740	92,874	7,082	3,907	-	-	21,888	-	-	12,760
Directors and key management personnel	-	-	-	2,806	-	-	-	-	398	-	-	37
Enterprises in which directors/ key management personnel (and close families) have significant/ substantial interest	-	-	2,093	-	-	-	-	-	-	-	-	-
Shareholders	-	9,820	-	-	-	-	39,740	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

37. RELATED PARTY TRANSACTIONS (CONT'D)

(b) THE COMPANY

	(Acquisition)/		Interest paid	Purchase of goods and services	Management services and fees (payable)/ receivable	Loan to related party		Loan from related party		Amount owed to related party
	Rs'000	Rs'000				Rs'000	Rs'000	Rs'000	Rs'000	
(i) Year 2010										
Subsidiaries	-	12,924	18,992	12,561	98,080	117,259	356,842	65,261	6,599	
Associated companies	-	-	-	2,052	5,470	147	-	1,522	-	
Directors and key management personnel	-	-	-	-	-	-	-	-	-	
Enterprises in which directors/key management personnel (and close families) have significant/ substantial interest	-	-	-	1,320	-	-	-	-	-	
Shareholders	-	-	10,070	-	-	-	171,893	-	-	
(ii) Year 2009										
Subsidiaries	26	11,127	9,933	7,782	87,656	120,892	237,922	57,283	3,608	
Associated companies	-	-	-	1,876	2,505	3,907	-	2,413	-	
Directors and key management personnel	-	-	-	-	-	-	-	-	-	
Enterprises in which directors/key management personnel (and close families) have significant/ substantial interest	-	-	-	1,037	-	-	-	-	-	
Shareholders	-	-	9,820	-	-	-	39,740	-	-	

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

37. RELATED PARTY TRANSACTIONS (CONT'D)

THE GROUP

Key management personnel compensation

Salaries and short-term employee benefits

Post-employment benefits

Remuneration and benefits	
2010	2009
Rs'000	Rs'000
25,029	21,927
276	230
25,305	22,157

THE COMPANY

Key management personnel compensation

Salaries and short-term employee benefits

Post-employment benefits

Remuneration and benefits	
2010	2009
Rs'000	Rs'000
21,025	14,151
130	40
21,155	14,191

The sales to and purchases from related parties are made at normal market prices. Outstanding trade balances at the year-end are unsecured, (interest free with the exception of loans and advances) and settlement occurs in cash.

There has been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2010, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2009: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

38. CAPITAL COMMITMENTS

There is no capital expenditure contracted for by the Group and the Company at the end of the reporting period but not yet incurred. (2009: Nil).

39. EVENTS AFTER THE REPORTING PERIOD

There are no events after the end of the reporting period which the directors consider may materially affect the financial statements for the year ended 31 December 2010.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

40. THREE YEAR SUMMARY - THE GROUP

	2010	2009	2008
	Rs'000	Rs'000	Rs'000
INCOME STATEMENTS			
Revenue	3,149,331	2,795,038	2,589,944
Profit after finance cost	158,511	205,142	120,696
Share of result of associates	70,362	81,191	126,202
	228,873	286,333	246,898
Profit/(loss) on disposal of associates	-	38,573	32,439
Profit after finance costs and exceptional items	228,873	324,906	279,337
Taxation	(26,854)	(28,126)	(28,121)
Profit for the year	202,019	296,780	251,216
Attributable to:			
Owners of the parent	159,428	265,678	230,842
Non controlling interests	42,591	31,102	20,374
	202,019	296,780	251,216
Dividend per share (Rs)	4.00	2.75	2.38
Earnings per share (Rs)	14.16	23.60	20.50
STATEMENTS OF FINANCIAL POSITION			
	2010	2009	2008
	Rs'000	Rs'000	Rs'000
Non-current assets	1,626,038	1,328,826	1,106,731
Current assets	1,583,219	1,511,812	1,424,660
Total assets	3,209,257	2,840,638	2,531,391
Capital and reserves	1,825,103	1,624,847	1,261,741
Non controlling interests	315,690	280,688	248,064
Non-current liabilities	248,810	179,735	202,947
Current liabilities	819,654	755,368	818,639
Total equity and liabilities	3,209,257	2,840,638	2,531,391

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

41. OPERATING LEASE COMMITMENTS

The Group leases premises under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	Rs'000	Rs'000	Rs'000	Rs'000
Not later than one year	7,757	4,595	1,846	-
Later than one year and not later than 5 years	26,299	20,764	6,975	-
Later than five years	97,200	4,471	97,200	-
	131,256	29,830	106,021	-

The company has a lease agreement expiring on to 30 September 2069. The annual rent is adjusted every three years based on the cumulative inflation rate during the 3-year period.

Two group companies have lease agreements expiring on 31 December 2012 and 14 December 2015. In case of renewal, one lease rental would be subject to an increase determined on prevailing property values or 5% of the rent in payment, whichever is lesser.