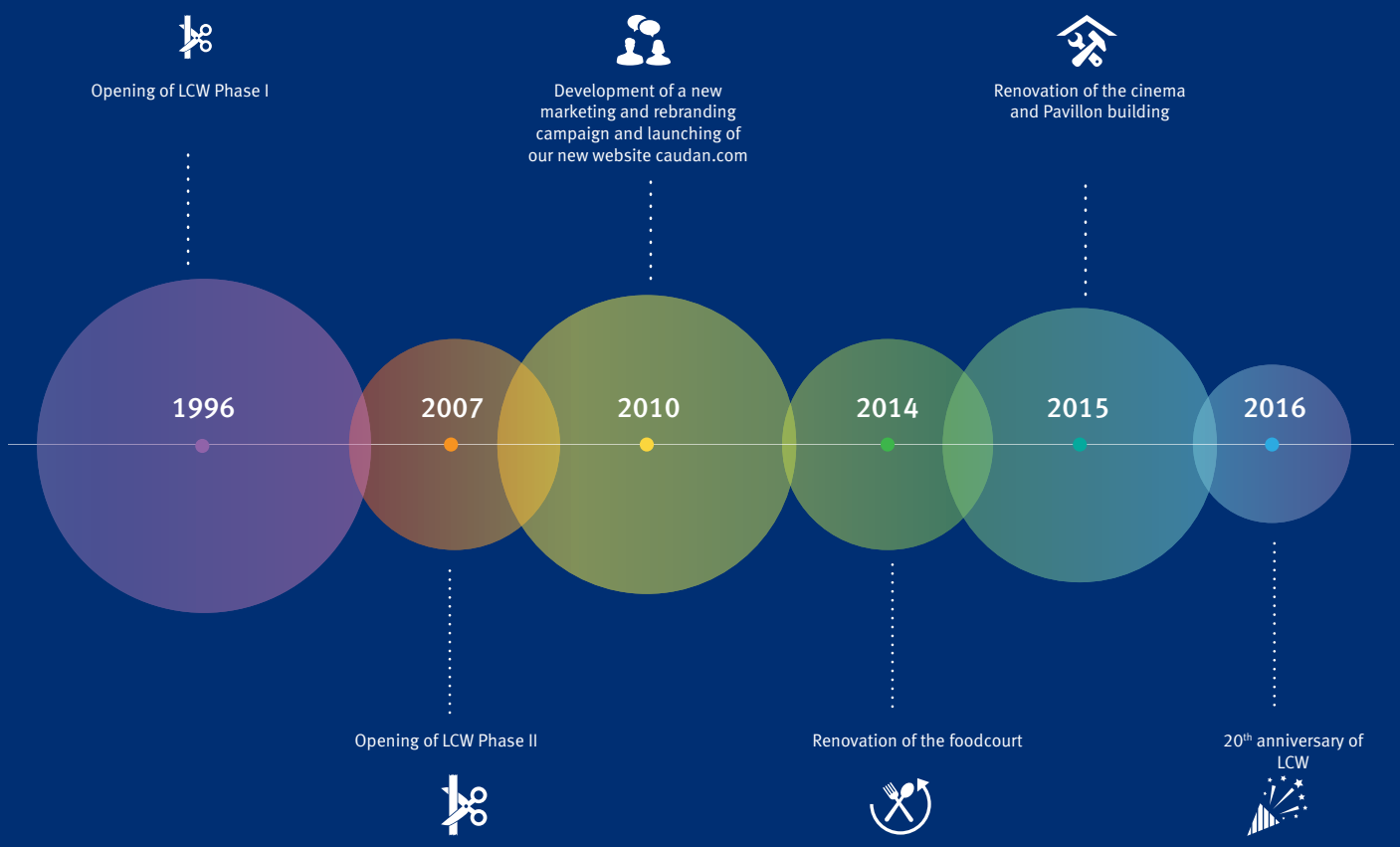
# CAUDAN DEVELOPMENT

ANNUAL REPORT 2016

# Key milestones in the development of Le Caudan Waterfront (LCW)



Key milestones in the development of Le Caudan Waterfront (LCW)


CAUDAN
DEVELOPMENT

## Dear shareholder

The board of directors of Caudan Development is pleased to present its annual report for the year ended June 30th 2016.

The activities of the group continued throughout 2016 to be property development and investment and the provision of security services.

Caudan Development specialises in the ownership, promotion and development of Le Caudan Waterfront, a mixed commercial project on the waterfront of Port Louis. Apart from the waterfront project, the company also rents out industrial buildings situated at Pailles and Riche Terre.

Caudan, via a subsidiary, operates in the security business, and is involved in the sale of alarm equipment and the provision of security and property protection services.

The audited financial statements have been approved by the board on September 28th 2016.

*Yours sincerely*

Jean-Pierre Montocchio
*Chairman*

René Leclézio
*Executive Director*

# financial highlights

**Caudan Development**
which is listed on the Stock Exchange of Mauritius **is a subsidiary of Promotion and Development** which holds an effective 62.9% stake in the company

| | **2016** MRs | 2015 MRs |
|---|---|---|
| Group shareholders' funds | **2.934bn** | 2.922bn |
| Group NAV per share | **3.580** | 3.565 |
| Share price | **1.19** | 1.39 |
| Earnings per share (MRe) | **0.0153** | 0.0013 |

# performance summary

| | **2016** % | 2015 % |
|---|---|---|
| **Group net asset return** | **0.4** | 0.03 |

*The growth in net assets plus dividends declared expressed as a percentage of the net assets at the beginning of the year.*

| | | |
|---|---|---|
| **Total shareholder return** | **(14.4)** | 18.8 |

*The growth in the share price plus dividends received during the year as a percentage of the share price at the beginning of the year.*

**Group annualised returns to June 30th 2016**

| | |
|---|---|
| 5 years | **0.8** |
| 10 years * | **5.2** |

*Compound annual total return in terms of increase in net assets plus dividends.*
** Net assets prior to 2011 have not been restated in respect of prior year adjustments reflected in the accounts.*

# corporate information

## directors

Jean-Pierre Montocchio
*Chairman*
Arnaud Dalais
*resigned August 2016*
Bertrand de Chazal
Catherine Fromet de Rosnay
*appointed September 2016*
Gilbert Gnany
René Leclézio
Jocelyne Martin
Seedha Lutcheemee Nullatemby
Antoine Seeyave
Adolphe Vallet
*resigned January 2016*
Bernard Yen

## corporate governance committee

Arnaud Dalais
*Chairman up to August 2016*
Bertrand de Chazal
*Acting Chairman as from August 2016*
René Leclézio
Jean-Pierre Montocchio

## audit committee

Bertrand de Chazal
*Chairman*
Gilbert Gnany
Bernard Yen

## management company

Promotion and Development Ltd

## company secretary

Jocelyne Martin

## auditors

BDO & Co
10 Frère Félix de Valois Street,
Port-Louis, Mauritius

## registrar and transfer office

MCB Registry & Securities Ltd
Sir William Newton Street
Port Louis, Mauritius

## registered and postal address

Promotion and Development Ltd
8th Floor, Dias Pier,
Le Caudan Waterfront
Port Louis, Mauritius

Telephone +230 211 94 30
Fax +230 211 02 39
Email corporate@promotionanddevelopment.com

## date of incorporation

February 17th 1989

# chairman's statement

*Dear Shareholder*

The tough market conditions which have affected us over the years past continue to challenge us today. As you might recall, since July 2014, we have been undergoing a major upgrade of our facilities at Le Caudan Waterfront. Although the refurbishment program did, during the year under review, cause some disruptions to our activities preventing us from reaching the full revenue generating potential of our current development, I am glad to report that we have already begun reaping the fruits of our labour with better results across all of our performance metrics in our property segment.

With the high levels of competition in the industry, a vigilant local consumer and a tourist who is spoilt for choice, we often find that we are running hard just to stand still. In recent years, due to difficult economic conditions, we have been unable to fulfil our objective of maintaining income growth for our shareholders. Our better results this year however, are a preview of better years to come. Whilst we remain guarded in our expectations for the short-term, we are more than confident that, in the long-run, all the hard work we are putting in today will lay the foundation for us to fulfil our mandate of financial outperformance and solid capital and income growth over the longer term for our shareholders.

## results

Our profit for the year stood at MRs12.5m (2015: MRs1.1m), a more than 11-fold increase on our previous year's results. Our revenues at Group level for the year 2016 remained flat at MRs461.5m while our Operating Expenses decreased to MRs390.9m (2015: MRs404.2m). Although the lack of growth in top line revenue may be seen as a cause for concern, when one looks deeper into the results, broken down by segment, there is actually much cause for optimism. On the one hand, we noted a turnaround in our property segment with a net profit after tax of MRs11.9m versus a loss of MRs2.6m in 2015. On the other hand, our security segment registered a net profit after tax decrease of MRs3.3m to MRs0.6m for 2016 (2015: MRs3.9m). The lacklustre performance of our security segment was due to some contract losses in the early part of the year. Since then however, new and better business opportunities arose which should be reflected going forward. Looking ahead to next year, with a higher quality customer base in hand, we see stronger security revenues which will complement our better performing property segment.

For a number of years our associate, LCW Casino, has been operating at a loss. In January 2015, we started to note an uptick in business activity which carried on throughout the 2016 financial year resulting in a profit for the period under review of MRs5.9m. However, LCW Casino still carries substantial accumulated losses and our share of losses exceeds our interest therein, such that this profit was not reflected on Caudan's current year bottom line. We will be able to resume recognising our share of profits once they equal the share of losses not recognised. Whilst there may be more bumps along the road in the short term, we remain confident that in the long-run, our investment has strong upside potential.

The underlying net asset value (NAV) of Caudan's shares held up well at MRs3.58 (2015: MRs3.57) reflecting the timeless quality of our unique assets. Our compound annual return in terms of increase in net assets per share plus dividends stands at 0.8% for the last 5 years and at 5.2% for the last 10 years. The share price decreased by 14% to close at MRs1.19 on June 30th 2016, at which point Caudan shares were trading at a 67% discount to their NAV.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Still going Strong

## Le Caudan Waterfront

It is no secret that the past years were challenging ones for Caudan. Looking at these years from a purely economics perspective seems the best way in which to transcribe what transpired and to look at what this means for the future.

What transpired?
On the one hand, on the supply side, we saw a proliferation of shopping malls across the island leading to an increase in the gross lettable area available to retailers. In light of this heightened availability, two things happened. On the one hand, existing retailers saw an opportunity to expand their operations by opening new outlets, thereby increasing their costs, and on the other, new retailers, cognisant of this new opportunity, entered the market thereby creating added competition. In order for retailers to profitably absorb these extra costs and/or increased competition, there needed to be a commensurate increase in demand from the consumer. However, the consumer, both tourist and local, was now afforded a large amount of choice when it came to his shopping needs. With increased consumer bargaining power, retailers had to compete on many levels, invariably driving retail prices down and their customer acquisition costs up. Had this been the end of the story this disruption period might have been over sooner, but the world was at the same time rocked by a global financial crisis which substantially affected the consumer's purchasing power. Unemployment in Mauritius and around the world steadily increased and wages fell. This put considerable pressure on retailers, a pressure which trickled down to incumbent landlords. Tenancy rates were driven down while vacancy rates increased as a result.

Our better performance this year in our property segment is a glimmer of hope of better things to come. We have seen our vacancy rates decrease, our rental rates begin to stabilise and our footfall and dwell times increase. We are cautiously optimistic that these improvements in our performance metrics mark the last stages of this disruption period, and are hopeful that we have now reached a new market equilibrium level. Whilst we are not immune to such events reoccurring in the future, as an investor in Caudan, you should feel reassured by the uniqueness and timelessness of Caudan's waterfront asset, its resilience and its ability to continuously generate returns long into the future.

Resting on our laurels has never been a trait your management and board have been familiar with and we continue to diligently work at a micro and macro level to drive returns for shareholders.

At a micro-level, I am pleased to say that the major works carried out have resonated well with both our tenants and patrons. A consumer survey carried out throughout the year revealed positive results in both our customers' satisfaction level, and in the level of repeat visits from our patrons. The survey also helped us to gain a deeper understanding of our target market, thereby allowing us to tailor our offering to improve customer perception and satisfaction. We have already begun work on a number of initiatives and look forward to the positive effects these are likely to have.

At a macro-level, we continue to work in close collaboration with other actors in the private and public sector to better our operating environment. Our collaboration with the Government, local authorities and major land owners of the city on an urban re-generation programme for Port Louis under the Smart City scheme is still topical.

## phase III

Le Caudan Waterfront was born over twenty years ago from a masterplan according to which its development would be carried out over 4 successive phases, a masterplan which still guides the company today. The simple fact that Caudan is able, to this day, to execute on this development plan is a testament alone to the permanency of value that Caudan holds.

As you would be aware from the documents which were circulated to all shareholders in July 2016, the motivation behind the Bonus and Rights Issue was to raise capital to fund the third phase of Caudan as well as to reduce the company's level of bank borrowings.

Phase III will be a first in Mauritius and will bring a totally new dimension to the performing arts industry of the country with a world class theatre complemented by a mixed offering of retail, office and parking space. Research has shown that 'arts and culture' is successful in generating revenues, boosting growth and creating jobs, and, we have identified that there is a real demand for a state-of-the-art venue for performing arts in Mauritius. This development will not only add to Caudan's attributes but will also help with the amortisation of Caudan's costs across a larger lettable area. The nocturnal activities related to the arts centre will draw patrons to our restaurants and foodcourt in the evening, and may also encourage the late-night opening of shops. We are already seeing a high level of demand for the theatre from performers and artists, both locally and internationally. The construction is scheduled to start in November 2016 and finish in time for the 50th anniversary of Mauritian independence in March 2018.

## property operations

The reason for the increase in net profit after tax is directly related to the better performance of our property segment which registered an 8.6% increase in gross rental income to MRs224.8m from MRs207.0m a year earlier. Property operating expenses remained largely flat at MRs155.1m versus MRs154.5m in the previous year. Net Rental Income, as a consequence, increased to MRs69.7m from MRs52.5m a year earlier. These positive results were recorded in spite of our development program causing a loss of potential income during the refurbishment of the cinema and Pavillon in the first half of the year. Although the ongoing refurbishments to the centre form an integral part of our strategy to capitalise on our unique asset on the waterfront, the aforementioned works mark the end of our major development program and we do not foresee any major disruptive activities in the near future.

We are also very pleased with the uptake of our offices. Looking forward to next financial year, we have near full uptake of our office space from high-calibre businesses in both Dias Pier and Barkly Wharf and expect strong bottom line contributions from this segment of our property operations.

Finally, we note an uptick in contribution from our parking segment due to increased parking usage over the last financial year. Parking availability forms an integral part of the customer shopping experience and of our office space offering. As such it is necessary for us to ensure that we have sufficient parking to meet this growing demand. As part of our response to this growing demand, we have made provision for 400 additional parking spaces in Phase III which will provide the breathing room required for shoppers and professionals at Caudan.


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## security operations

In terms of performance, our security segment had a disappointing year with operating profit decreasing to MRs0.9m from MRs5.2m in the prior year. Top line revenue decreased to MRs241.5m from MRs259.4m in the prior period. Meanwhile operating expenses also decreased to MRs259.7m from MRs274.4m in the prior period.

The decrease in revenues was due as we said earlier to some contract losses in the early part of the financial year. Whilst this did result in lower profits for the period under review, we are glad to report that since then, we have been able to capitalise on new and better business opportunities which have arisen. In hindsight, we view this in a positive light as these opportunities will, in the long run, allow for more cross-sell prospects of our diverse product range. This is a welcome step in the expansion of this segment of our business and we look forward to the potential for growth ahead.

We continue to be affected by the problems associated with labour shortages, absenteeism and fatigue. We are working towards increasing our emphasis on the use of technological equipment as a reliable backup and or alternative to the more traditional human element. We pursued our collaboration with our international partners to strengthen and further diversify our business and enable us to propose an integrated solution to meet our clients' evolving security and protection needs.

## indebtedness

At June 30th 2016, our group borrowings increased to MRs845.1m (2015: MRs812.4m). Cash balances totalled MRs0.3m (2015: MRs0.6m) resulting in reported group net debt of MRs844.8m (2015: MRs811.9m).

During the year, loan repayments of MRs37m decreased our long term loan borrowings to MRs599.5m (2015: MRs636.5m); our short term borrowings on the other hand increased by MRs69.6m to MRs245.5m (2015: MRs175.9m).

Further to the announcement by the government to reduce the REPO rate by 40 basis points, we will see a proportional decrease in our interest costs to 6.25% (2015: 6.65%). Moreover, as mentioned previously, the balance of the funds raised in the Rights Issue will be used to reduce the company's level of bank borrowings.

In the year ended June 2016, group finance costs amounted to MRs55.9m (2015: MRs55.6m) and continued to place significant pressure on the amount of working capital available to the company. Finance costs have for a long-time been gobbling up a large proportion of our operating profits and hindering the company from paying dividends. Thanks to the aforementioned measures, we expect to have more flexibility in the future and hope to be able to provide our shareholders with the income flow with which they have been familiar in the past.

## corporate social responsibility

Corporate responsibility is woven into the fabric of our business. Caudan Communauté, the entity which manages all CSR programmes of the PaD Group, in spite of reduced finances available from the CSR fund, continued to be active to address various concerns focusing on youth, education and health issues. The Report on page 26 details the progress we have made in our commitment towards Corporate Social Responsibility.

Throughout the year, we continued to provide free accommodation to a variety of fundraising and community events. As usual, our main focus was on the promotion of arts and culture and particularly our local artists.

During the year, we contributed to the Porlwi by Light event. We will again be contributing to this year's edition of Porlwi by Light and look forward to an even more exciting event than last year.

In addition, we also aim to meet or exceed minimum health and safety standards. In partnership with health and safety advisers, we work with our employees and supply chain to improve performance at our properties. We give close attention to environmental issues in our business planning and the way we design the buildings. We constantly monitor our energy and water consumption with a view to eliminate all wastage.

Our security strategies are proactively reviewed to ensure we adopt the latest technologies, effectively deploy current resources, identify and address vulnerable areas and collaborate with tenants, the Police force and the authorities.

We carry out rigorous audits and assessments, reviewing any incidents that occur on our sites, so that, wherever possible, we can prevent such occurrences in the future. We aim to help people to achieve their goals as safely as possible.

## prospects and outlook

We will this year celebrate a major milestone in Caudan's history, our twentieth anniversary, and to mark this memorable moment, we will be organising a series of activities. I take this occasion to invite you all to discover the wonderful attractions planned as part of this event.

Although there is much to look forward to, and many causes for optimism, as I have stated in my opening remarks, market conditions remain tough and the future is clouded by uncertainty. The realities of the past years have not changed. We still suffer from congestion problems in Port Louis as well as poor night time footfall. Furthermore, the market for commercial real estate remains over-supplied while consumer confidence is fragile. The positive light amongst these market failures is that the level of over-supply and consumer confidence appears to be stabilising. With this stabilisation, comes a certain degree of market assessment by the consumer and retailer who will now be looking for quality amongst market participants. This is where we find our causes for optimism. Our consumer research has shown that LCW's patron perception of Caudan is largely positive and our visitors are, more often than not, repeat visitors. On the other side, the decrease in vacancy rates would indicate that retailers, after having tested the market, see value in LCW while the continued strong performance of our long-term customers is a validation of our value proposition.

LCW is the pioneer of the shopping mall experience in Mauritius, and Phase III will again be a country first for the island. Besides being a commercially viable project, we are confident of the increased value that this development will bring. LCW is already an unparalleled asset with its prime position on the waterfront and in the capital city. Phase III will only add to Caudan's uniqueness and will have incredible flow-on effects for all our stakeholders.

We have high expectations for 2017 and the years ahead. We remain intensely focused on managing our assets and believe our established strategy will provide the foundation for future strategic growth. Most importantly we believe Caudan is exceptionally well positioned with avenues for value creation and this enables us to reaffirm our confidence in our long term potential.

2016 has seen some changes at Board level. Messrs Arnaud Dalais and Adolphe Vallet stepped down as directors; their tireless work and assistance given to the group over the course of many years were greatly appreciated. On behalf of the Board and in my own name, I wish to thank them for their invaluable contribution in the conduct of the group's affairs. I would like to welcome Mrs Catherine Fromet de Rosnay who has just recently joined the Board in September 2016.

Finally, I would like to acknowledge and express my sincere appreciation to all those people who contribute to the group's success. I would particularly like to thank our highly committed staff for their good work and continued efforts. Thanks to their level of perseverance, unwavering dedication and team spirit, we are able to face the challenges with confidence in what tomorrow will bring. I would also like to thank my Board colleagues for their invaluable sage advice and strategic direction, the customers who visit LCW, the tenants and their staff and the shareholders for their continued trust and confidence.

*Yours sincerely*

*Jean-Pierre Montocchio*

*Chairman*
*September 30th 2016*

## compliance statement

The company is committed to the highest standards of business integrity, transparency and professionalism in all activities to ensure that the activities within the company are managed ethically and responsibly to enhance business value for all stakeholders. As an essential part of this commitment, the board strives to apply principles of good governance throughout the group.

## adoption of a new constitution

A new constitution was adopted in July 2016 which replaced the existing Memorandum and Articles of Association. The main changes brought about by the new constitution were made to incorporate the major legislative changes which have occurred since the adoption of the company's Memorandum and Articles of Association in 1989. The new constitution now fully reflects the most modern developments in the corporate field.

## group structure as at June 30th 2016

The holding structure up to and including Promotion and Development Ltd, the ultimate parent, is shown overleaf.

## common directors

### common directors within the holding structure of the company

| at June 30th 2016 | Promotion and Development |
|---|---|
| Jean-Pierre Montocchio | › |
| René Leclézio | › |
| Bertrand de Chazal | › |
| Arnaud Dalais | › |
| Gilbert Gnany | › |
| Jocelyne Martin | › |
| Bernard Yen | › |

## holding structure

At June 30th 2016, the capital structure of the company was MRs819,520,000, represented by 819,520,000 ordinary shares of MRe1.00 each and there were 3,134 shareholders on the registry.

### shareholders holding more than 5% of the share capital of the company at June 30th 2016

| shareholder | number of shares | % held |
|---|---|---|
| Promotion and Development | 435,450,209 | 53.14 |
| Ferryhill Enterprises | 80,000,000 | 9.76 |
| | 515,450,209 | 62.90 |
| Fincorp Investment | 43,758,300 | 5.34 |

Subsidiaries and associates of the company are listed in notes 6 and 7 respectively of the financial statements.

At a special meeting of shareholders held on August 10th 2016, the shareholders approved a Bonus Issue of 0.220226474 new ordinary share for each ordinary share held and thereafter a Rights Issue of one new ordinary share for each ordinary share held at an issue price of MRe1.00 each.

Following the Bonus Issue on August 31st 2016, the issued share capital of the company stood at MRs1bn made up of 1,000,000,000 ordinary shares of MRe1.00 each.

Upon completion of the Rights Issue (expected October 17th 2016) the company is expected to have a share capital of MRs2bn comprising of 2,000,000,000 ordinary shares of MRe1.00 each.

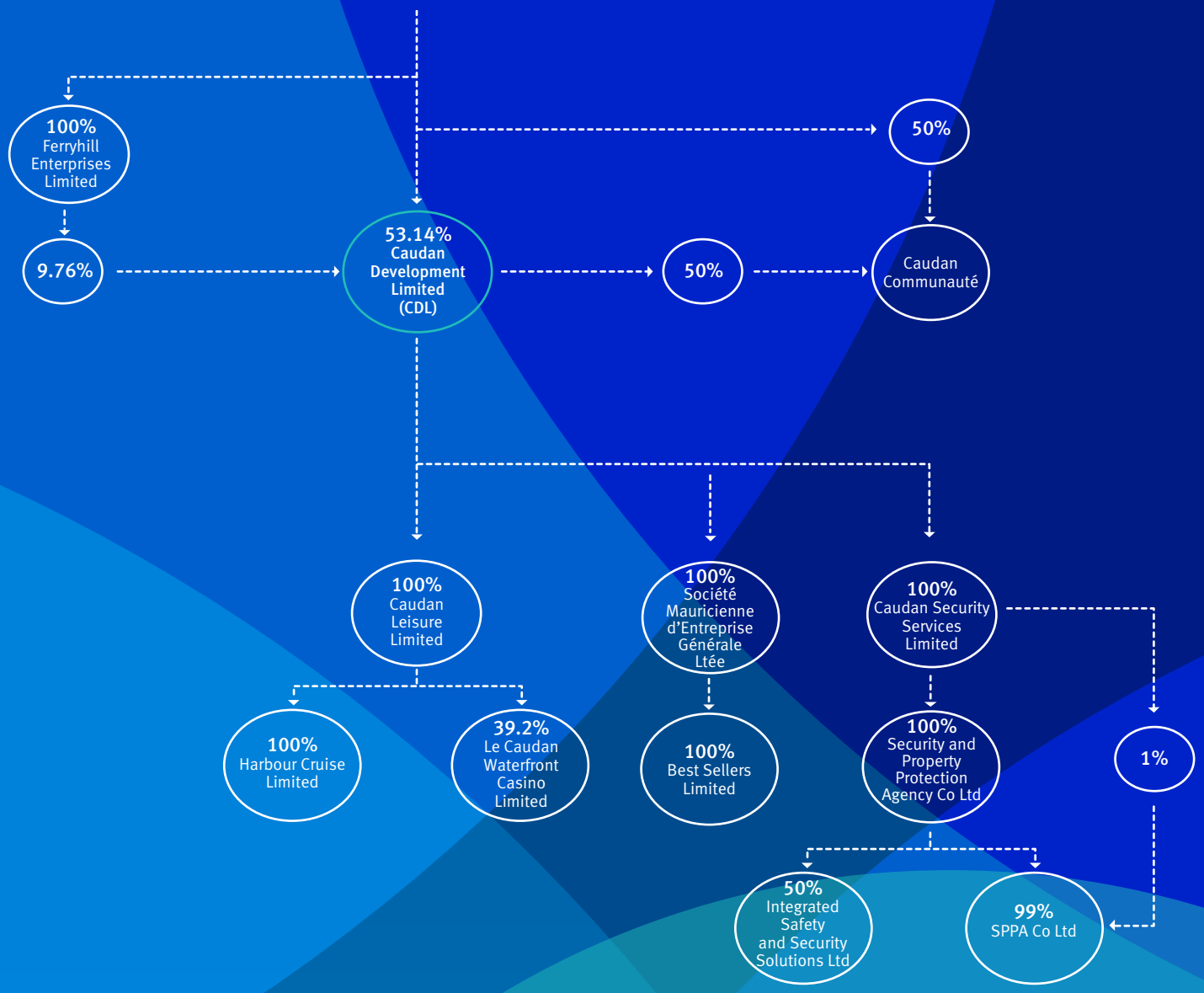
## dividend policy

The company aims to provide its shareholders with ongoing returns in the form of stable dividends. Directors ensure that dividends are paid out only if the company, shall upon distribution being made, satisfy the solvency test. Having regard to the company's future commitments and financial requirements, no dividend was declared in respect of this financial year.

### trend over the past five years

| year | dividend per share cents |
|---|---|
| **2016** | **-** |
| 2015 | - |
| 2014 | - |
| 2013 | 4.0 |
| 2012 | 4.0 |

## Promotion and Development Ltd (PaD)



## the board of directors

### Composition

The company's constitution provides that the board of the company shall consist of a minimum of 7 and a maximum of 14 directors.

At year end, the board consisted of two executive directors, five non-executive directors including the chairman and deputy chairman and two independent directors. The directors come from diverse business background and possess the necessary knowledge, skills, objectivity, integrity, experience and commitment to make sound judgments on various key issues relevant to the business of the company independent of management.

All directors are expected to attend all meetings of the board, and of those committees on which they serve, and to devote sufficient time to the group's affairs to enable them to properly fulfill their duties as directors. However, on occasion, it may be necessary to convene meetings at short notice which may preclude directors from attending. The board met six times during the year to consider all aspects of the company's affairs and any further information which it requested from management. The directors are required to carry out an individual and a board evaluation and to report any shortcomings identified. The Board also encourages its members to keep on enhancing their knowledge and competencies through personal development programmes.

**attendance at the board and its committee meetings**

| 2016 | board of directors | sub-committees | |
|---|---|---|---|
| | | corporate governance | audit |
| Jean-Pierre Montocchio | 4 | 1 | n/a |
| René Leclézio | 6 | 1 | n/a |
| Bertrand de Chazal | 5 | 1 | 4 |
| Arnaud Dalais | 1 | 1 | n/a |
| Gilbert Gnany | 5 | n/a | 5 |
| Jocelyne Martin | 6 | n/a | n/a |
| Seedha Lutcheemee Nullatemby | 4 | n/a | n/a |
| Antoine Seeyave | 3 | n/a | n/a |
| Adolphe Vallet* | 1 | n/a | n/a |
| Bernard Yen | 6 | n/a | 5 |
| total meetings held | 6 | 1 | 5 |

*Resigned January 2016*

In accordance with the constitution of the company, all directors shall retire from office and shall be eligible for re-election at each annual meeting of shareholders. New directors are appointed to the board on recommendation of the nomination committee. They are briefed on key information relating to the group and the sector in which it operates.

The board is accountable not only to the company's shareholders for the good conduct of the company's and its subsidiaries' affairs but is also responsible to its other stakeholders for the effective control and proper management of the Caudan group. The company's internal procedures are regularly reviewed and updated by the board and the various relevant board committees.

The board has a schedule of matters reserved to it and discusses and makes decisions relating to, but not limited to strategy and management, structure and capital, financial measures and performance, financial reporting and internal controls, contracts, communication, board membership and other appointments, remuneration, delegation of authority, corporate governance matters and policies, significant acquisitions and disposals of assets and development approvals. The board delegates authority to the board sub-committees and to executive management in respect of certain transactions within defined, limited parameters.

The executive directors meet with management on a monthly basis to discuss business, operational and other issues and keep the board regularly informed about the company, its subsidiaries, its activities, performance and its projects, particularly including any significant variances from a planned course of progress.

The company maintains directors' and officers liability insurance, which is reviewed annually.

## directors' profiles

**Jean-Pierre Montocchio**

Chairman and non-executive director

Notary public. Has participated in the National Committee on Corporate Governance. Director of various listed companies including MCB Group, Fincorp Investment, Promotion and Development, Rogers, New Mauritius Hotels, Les Moulins de la Concorde and ENL Land.

**Arnaud Dalais** *resigned August 2016*

***Deputy chairman and non-executive director***

Degree in Business Studies. Mr P. Arnaud Dalais is the Chairman of CIEL , CIEL Textile, Sun Resorts and Alteo. He joined the CIEL Group in August 1977 and was nominated Group Chief Executive in November 1991 and Group Chairman in 2010. Under his leadership, the company and the CIEL Group at large, has gone through an important growth both locally and internationally. He also plays an active role at the level of the Mauritian private sector and has assumed the chairmanship of a number of organisations including the Joint Economic Council from 2000 to 2002. Co-opted member of Business Mauritius. Also director of Promotion and Development.

**Bertrand de Chazal**

***Non-executive director***

Fellow member of the Institute of Chartered Accountants of England and Wales and Commissaire aux Comptes. Worked during his career with Touche Ross, Paris and West Africa; retired as senior financial analyst of the World Bank. Director of Promotion and Development, Mauritius Union Assurance, La Prudence, MCB Equity Fund and MCB Capital Markets.

**Catherine Fromet de Rosnay**

*appointed September 2016*

***Non-executive director***

Partner at LEGIS & Partners. Holds a 'Magistère de Juriste d'Affaires' and 'Diplôme de Juriste et Conseil d'Entreprise (D.J.C.E)' from the Université de Paris II, Panthéon Assas. Practised as an in-house lawyer for nearly 8 years at the legal department of Nexans in Paris, formerly known as Alcatel Cable France. Involved in the negotiation and drafting of commercial and joint-venture agreements, corporate due diligence exercise, M&A operations, legal and taxation advice. Director of Promotion and Development.

**Gilbert Gnany**

***Non-executive director***

Holds a Master's degree in Econometrics from the University of Toulouse and a 'DESS' in Management/Micro Economics from Paris-X. Currently Chief Strategy Officer of MCB Group Ltd. Previously, worked as senior advisor on the World Bank Group's Executive Board where he was responsible for issues relating mainly to the International Finance Corporation (IFC) and to the private and financial sectors. Prior to joining the World Bank, was the MCB Group Chief Economist and Group Head of Strategy, Research & Development after having been the Economic Advisor to the Minister of Finance in Mauritius. During his career, he has been involved in various high-profile boards/committees. Amongst others, he chaired the Stock Exchange of Mauritius Ltd, the Statistics Advisory Council and the Statistics Board as well as having been a director of the Board of Governors of the Mauritius Offshore Business Activities Authority and of the Board of Investment. Was also a member of the IMF Advisory Group for sub-Saharan Africa (AGSA) and a member of the Senate of the University of Mauritius. Was appointed Director of MCB Group Ltd in April 2014 and is currently Chairperson or board member of several companies within the Group. Director of Promotion and Development.

**René Leclézio**

***Executive director***

Degree in Chemical Engineering, Imperial College and MBA, London Business School. Worked as a manager at Lloyds Merchant Bank, London, before joining the company as its general manager in 1988. Director of several private and public companies including Promotion and Development, Medine, Eudcos, Mauritius Freeport Development, Swan Life and Swan General and Board of Investment.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**Jocelyne Martin**
*Executive director*
BSc (Econ), London School of Economics. Member of the Institute of Chartered Accountants of England and Wales. After several years of experience in the UK, worked at De Chazal Du Mée before joining Promotion and Development as Group Financial Controller in 1995. She is also the Company Secretary. Director of Promotion and Development, Medine and Eudcos.

**Seedha Lutcheemee Nullatemby**
*Independent director*
Fellow of the Institute of Chartered Secretaries and Administrators (FCIS) and also holds an MBA in Finance. She is also a qualified Stockbroker. She has been working at the State Investment Corporation Ltd for the past 28 years and has wide ranging experience in the field of Finance, Accounting, Administrative and Corporate matters. She is a Director of various companies within the SIC Group. She is also the Chairperson of the Finance Committee and Director of Mauritius Educational Development Company Ltd.

**Antoine Seeyave**
*Independent director*
Chairman of Happy World and director of Ipro Growth Fund. Sloan fellow of the London Business School.

**Bernard Yen**
*Non-executive director*
Fellow of the UK Institute and Faculty of Actuaries. Currently the Managing Director of Aon Hewitt Ltd, providing actuarial, pensions and other services in Mauritius and the African region. Has more than 30 years' international consulting experience including 15 years with Mercer in Europe. Serves as the African representative on the Committee of Actuaries advising the UN staff pension fund since 2007. Also director of Promotion and Development, MCB Capital Partners and Mauritian Eagle Leasing.

## directors' interests in shares

The directors are aware of the contents of the Model Code on Securities Transactions by Directors (appendix 6 of The Mauritius Stock Exchange Listing Rules 2000).

**interests of the directors in the share capital of the company and its subsidiaries at June 30th 2016**

| number of shares | direct | indirect |
|---|---|---|
| Jean-Pierre Montocchio | - | 131,000 |
| Arnaud Dalais | 300,000 | - |
| Bertrand de Chazal | - | - |
| Gilbert Gnany | - | - |
| René Leclézio | - | 125,000 |
| Jocelyne Martin | 65,000 | - |
| Seedha Lutcheemee Nullatemby | - | - |
| Antoine Seeyave | - | - |
| Bernard Yen | 60,000 | - |

## senior executives profile

The profiles of Mr René Leclézio and Mrs Jocelyne Martin appear in the Directors' Profiles section.

## related party transactions

For related party transactions, please refer to note 27 of the financial statements.

## board committees

The board has established a number of committees, each of which has written terms of reference which deal clearly with their authorities and duties. The most important committees are listed below:

**The corporate governance committee**
The committee which incorporates the nomination and remuneration committee was chaired by Mr P. Arnaud Dalais and comprised of two further non-executive directors, Messrs Bertrand de Chazal and Jean-Pierre Montocchio as well as the group managing director, Mr René Leclézio. The main objects and functions of the committee are to determine, agree and develop the company's general policy on corporate governance, advise and make recommendations to the board on all aspects thereof.

### The audit committee

The audit committee monitors the adequacy of the financial information reported to shareholders, and monitors the group's internal financial controls. The audit committee reviews the draft interim and annual reports and associated results announcements prior to their submission to the board for approval.

The committee also provides a forum for communication between the board and the external auditors; in particular, it reviews their effectiveness, objectivity and independence and considers both the scope of their work and the fees paid to them for audit and non-audit services.

The committee currently comprises Mr Bertrand de Chazal, Chairman and Messrs Gilbert Gnany and Bernard Yen. The committee consists solely of non-executive directors. All members of the audit committee are financially literate. The chief executive and the group finance director are invited to attend all meetings. The audit committee chairman reports the outcome of the committee meetings to the board. The committee meets with external auditors in the absence of management at least once each year.

### Internal control and risk management policies

The board has ultimate responsibility for the system of internal control across the group and for reviewing its effectiveness and for identifying, evaluating and managing the group's significant risks.

Risk issues are systematically addressed at the Audit and Corporate Governance Committees. Some of the operational risks to which the company is exposed are:

- physical: losses due to fire, cyclone, explosion etc.
- human resources: losses arising from acts inconsistent with employment, health and safety laws.
- business continuity: losses resulting from breakdown in systems, failure of internal processes, inadequate back-ups and loss of data.
- compliance: failure to comply with laws, regulations, codes of conduct and standard of good practice relevant to the group's business environment.

The group is also exposed to financial risks such as market risk, credit risk and liquidity risk. The management of these risks is further discussed in note 1 of the financial statements.

The group's system of internal control is designed to safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records, provide reliable financial information and ensure compliance with relevant legislation and regulations. Such a system however can provide only a reasonable rather than absolute assurance against material misstatement or loss.

There is a regular review process throughout the year of the effectiveness of the group's systems of internal controls, including financial, operational and compliance controls and risk management. The risk management procedures involve the analysis, evaluation and management of the key risks to the group and include plans for the continuance of the company's business in the event of unforeseen interruption. The board considers that it has clear and robust procedures for monitoring the signing of all documents within the group and the approval of all transactions, no matter what their size, through formal board committees and formally delegated authority limits.

In view of its size and the nature of the business, the group does not have an internal audit function; The key elements of the group's systems of internal control are as follows:

- regular meetings of the board and the respective committees whose overall objectives are set out above;
- a management structure that is designed to enable effective decision making with clearly defined responsibilities and limits of authority. The monthly meetings of the executive directors with the management team are an important part of this structure;
- the formulation of policies and approval procedures in a number of key areas;

› the measurement of the group's financial performance on a regular basis against budgets.

The audit committee also reacts on external auditor reports regarding any recommendations for improvements in controls or processes identified in the course of their work. The auditors also evaluate all aspects of internal control of the company and its subsidiaries. Furthermore, an independent review of the internal control system of the group is carried out on a periodical basis.

## code of ethics

The company is committed to the highest standards of integrity and ethical conduct in dealing with all its stakeholders.

## sustainability reporting

The company is committed to the development and implementation of social health and safety and environmental policies and practices in line with existing legislatives and regulatory framework.

## carbon reduction commitment

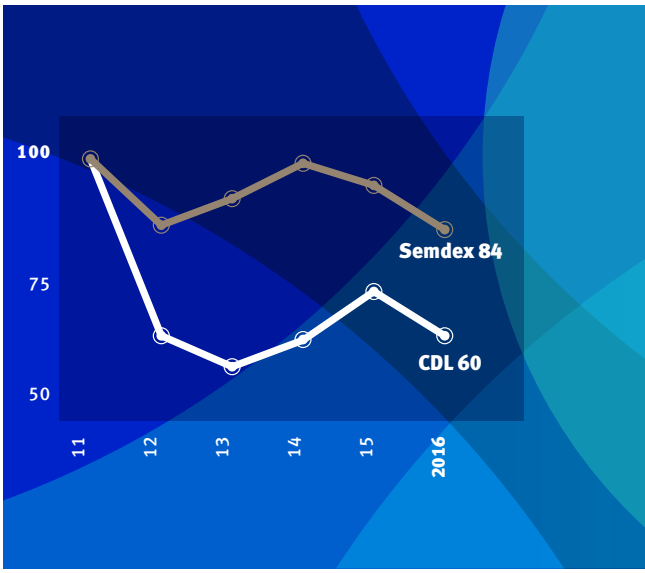
Throughout its development and whenever the improvement of its overall premises and amenities has been made, Caudan Development has always committed itself to the principles of sustainable development, particularly when it comes to the preservation and embellishment of the environment. Environment consciousness is among one of the most important business practices of the company. Furthermore, Le Caudan Waterfront is recognised by the public as offering a reasonable natural and clean physical environment. The company wishes to go further in the strengthening and affirmation of Le Caudan Waterfront's identity as an eco-friendly destination by building on several ad hoc 'green' initiatives that have been taken over a certain period of time, like the use of eco-friendly and biodegradable detergents when it comes to the cleaning of the premises and recycling of used oils among others. The company also works towards reducing paper consumption through the elimination of paper invoices by sending them electronically.

## important events

| | |
|---|---|
| forthcoming annual meeting of shareholders | December 2016 |

## share price information

**evolution of the company's share price compared to the Semdex over the past five years**




The most visible and ambitious action taken at this level is the inculcation of environmental awareness to all visitors and tenants via the implementation of selective separation and sorting of waste with the provision of adapted bins.

In the coming year, the company will continue to work towards bringing consistency to its environment-friendly policy and actions in view of putting up a structured and full-fledged project that would strengthen our commitment towards sustainable development, thus enabling it to meet international standards with regard to environmental consciousness.

## directors' service contracts

There are no service contracts between the company or its subsidiaries and the directors.

## directors' indemnity insurance

The company has contracted an indemnity insurance cover for the directors' liability.

## directors' remuneration

**remuneration and benefits received and receivable from the company and its subsidiaries**

| | THE COMPANY | | SUBSIDIARIES | |
|---|---|---|---|---|
| MRs000 | **2016** | 2015 | **2016** | 2015 |
| Full time executive directors | **60** | 60 | **-** | - |
| Non-executive directors | **430** | 427 | **60** | 60 |
| | **490** | 487 | **60** | 60 |

The directors' fees and remuneration are in accordance with market rates. They have not been disclosed on an individual basis due to the sensitive nature of the information.

## contract of significance

During the year under review, there was no contract of significance to which the company was a party and in which a director was materially interested either directly or indirectly.

## auditors' fees

**fees payable to the auditors for audit and other services, year ended June 30th 2016**

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| MRs000 | **2016** | 2015 | **2016** | 2015 |
| BDO & Co | | | | |
| Audit services | **592** | 585 | **270** | 265 |
| Other services | **-** | - | **-** | - |
| | **592** | 585 | **270** | 265 |

## material clauses of the constitution

There are no clauses of the constitution deemed material to be disclosed.

## shareholders agreement

There is currently no shareholders agreement affecting the governance of the company by the board.

## third party management agreement

There were no such agreements during the year under review.

## statement of remuneration philosophy

The company's remuneration philosophy concerning directors provides that:

- there should be a retainer fee for each director reflecting the workload, size and complexity of the business as well as the responsibility involved. It should be the same for all directors whether executive or non-executive directors;
- the chairman having wider responsibilities should have higher remunerations;
- there should be committee fees for directors. The chairperson should have higher remuneration than members.

The remuneration philosophy for management and staff is based on meritocracy and ensures that:

- fairness is promoted throughout the organisation and;
- opportunity is given to staff members to benefit from the financial result and development of the company.

Eligible staff members are entitled to receive a bonus based on the performance of the company and their own rated performance appraisal during the year.

Generally, the finalisation of remuneration packages is based on a number of factors including qualifications, skills and experience, past performance, personal potential, market norms and practices, and levels of responsibilities.

## donations

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| MRs000 | **2016** | 2015 | **2016** | 2015 |
| Corporate social responsibility | **330** | 416 | **2** | 5 |
| Other | **88** | - | **88** | - |
| | **418** | 416 | **90** | 5 |

No political donations were made during the year (2015: nil).

## corporate social responsibility

The group has always been committed in providing voluntary support to Non-Governmental Organisations (NGOs) on request and sponsorship to individuals and associations for the promotion of education, arts and culture and sport activities. Le Caudan Waterfront has indeed always been actively involved in empowerment through the provision of free mall space and the promotion of local arts and crafts, artistic exhibitions and cultural as well as sports events.

The commitment of the group towards corporate social responsibility was strengthened with the incorporation of Caudan Communauté, a special purpose vehicle (SPV) which was incorporated in 2010 to implement the specific CSR programme of the group. Its main responsibilities consist of financing and working closely in partnership with all stakeholders of the community: the public through NGOs engaged in social work, other foundations which have similar objectives and the authorities, namely the national corporate social responsibility committee (NCSRC).

The management of Caudan Communauté has been entrusted to a committee composed of representatives of the group to translate the philosophy and vision of the group in all CSR activities. The field of intervention of Caudan Communauté is as follows :

- promotion of socio-economic development, including poverty alleviation and the improvement of gender and human rights;
- promotion of development in the fields of health, education and training, leisure and environment;
- intervention and support during and following catastrophic events and;
- undertaking or participation in programs approved by the National Corporate Social Responsibility (NCSR) Committee.

Since its operation, Caudan Communauté has contributed in the following areas namely:

- support to vulnerable groups: children, women in distress and handicapped;
- education: literacy programmes and training;
- health: support to the rehabilitation of patients suffering from mental disorder, inadapted children and fight against AIDS;
- human values: fight against corruption;
- arts and culture: opportunities for development of talented musicians;
- sports: promotion of sports events;
- environment: creation of green spaces outside the work place and;
- empowerment of women and children.

During the year, the highlights of the CSR programme have been the sponsorship of:

- child care centres' monthly costs for children of eligible employees;
- 20 vulnerable children aged between 9 and 14 living in Bain des Dames, Cassis and vicinity, who require support to cope with the school syllabus and facilitate their integration in the mainstream educational system and in society at large through 'Association pour l'Accompagnement et la Réhabilitation et l'Insertion Sociale des Enfants' (ARISE);

- study texts to pupils through 'Association Oasis de Paix';
- therapeutic and psychological services for capacity development and empowerment of persons suffering from psychological disorders through 'Open Mind';
- meals to vulnerable children through 'La Cantine du Coeur';
- salaries of specialist therapeutical educators through 'Etoile d'Espérance Association'.

## statement of directors' responsibilities

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2001. The directors are also responsible to ensure that:

- an effective system of internal control and risk management has been maintained and;
- the code of corporate governance has been adhered to.

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

*Approved by the board of directors*
*on September 28th 2016*
*and signed on its behalf by*

Bertrand de Chazal
*Director*

Gilbert Gnany
*Director*

# company secretary's certificate

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

Jocelyne Martin

*Company Secretary*

*September 28th 2016*

# statement of compliance

(Section 75 (3) of the Financial Reporting Act)

**name of company**

Caudan Development Limited

**Reporting Period**

Year ended June 30th 2016

We, the Directors of Caudan Development Limited, confirm to the best of our knowledge, that the company has complied with all its obligations and requirements under the code of Corporate Governance except for Section 2.8.2 of the Code, as explained on page 25 of the Corporate Governance Report.

*Approved by the board of directors on September 28th 2016 and signed on its behalf by*

Bertrand de Chazal

*Director*

Gilbert Gnany

*Director*

# independent auditors' report
to the members

This report is made solely to the members of Caudan Development Limited (the company), as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## report on the financial statements

We have audited the group financial statements of Caudan Development Limited and its subsidiaries (the group) and the company's separate financial statements on pages 32 to 70 which comprise the statements of financial position at June 30th 2016, the statements of profit or loss and other 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, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

## auditor's 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 32 to 70 give a true and fair view of the financial position of the group and company at June 30th 2016 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

## report on other legal and regulatory requirements

### Companies Act 2001

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

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

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

### Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the annual report is consistent with the requirements of the code.

**BDO & Co**
*Chartered Accountants*

*per* Ameenah Ramdin FCCA ACA
*licensed by FRC*

*September 28th 2016, Port-Louis, Mauritius*


20 ans
Canadian
Waterfront

# financial statements

# statements of financial position

| | | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| MRs000 | note | **2016** | 2015 | **2016** | 2015 |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Investment property | 2 | **3,710,005** | 3,669,165 | **3,340,529** | 3,321,184 |
| Prepaid operating leases | 3 | **457** | 463 | **457** | 463 |
| Property, plant and equipment | 4 | **174,001** | 174,759 | **50,079** | 48,718 |
| Intangible assets | 5 | **2,704** | 4,037 | **83** | 94 |
| Investments in subsidiary companies | 6 | **-** | - | **14,247** | 14,247 |
| Investments in associate and jointly controlled entities | 7,8 | **-** | - | **-** | - |
| Deferred tax assets | 15 | **6,242** | 5,845 | **-** | - |
| Trade receivables | 11 | **4,154** | 4,834 | **-** | - |
| | | **3,897,563** | 3,859,103 | **3,405,395** | 3,384,706 |
| **Current assets** | | | | | |
| Inventories | 10 | **11,537** | 9,546 | **2,931** | 2,489 |
| Trade and other receivables | 11 | **126,871** | 118,459 | **290,663** | 229,748 |
| Cash and cash equivalents | | **318** | 592 | **131** | 96 |
| | | **138,726** | 128,597 | **293,725** | 232,333 |
| **Total assets** | | **4,036,289** | 3,987,700 | **3,699,120** | 3,617,039 |
| **Equity and liabilities** | | | | | |
| **Capital and reserves attributable to owners of the parent** | | | | | |
| Share capital | 12 | **819,520** | 819,520 | **819,520** | 819,520 |
| Other reserves | 18 | **2,797** | 2,850 | **2,862** | 2,862 |
| Retained earnings | 13 | **2,111,680** | 2,099,306 | **1,692,654** | 1,665,912 |
| **Total equity** | | **2,933,997** | 2,921,676 | **2,515,036** | 2,488,294 |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | 14 | **599,500** | 636,500 | **599,500** | 636,500 |
| Deferred tax liabilities | 15 | **131,872** | 129,966 | **94,827** | 90,396 |
| Retirement benefit obligations | 16 | **26,198** | 26,011 | **8,518** | 7,818 |
| | | **757,570** | 792,477 | **702,845** | 734,714 |
| **Current liabilities** | | | | | |
| Other payables | 17 | **98,805** | 96,132 | **239,364** | 235,233 |
| Current tax liabilities | | **338** | 1,444 | **-** | - |
| Borrowings | 14 | **245,579** | 175,971 | **241,875** | 158,798 |
| | | **344,722** | 273,547 | **481,239** | 394,031 |
| **Total liabilities** | | **1,102,292** | 1,066,024 | **1,184,084** | 1,128,745 |
| **Total equity and liabilities** | | **4,036,289** | 3,987,700 | **3,699,120** | 3,617,039 |
| MRs | | | | | |
| Net assets per share | | **3.580** | 3.565 | **3.069** | 3.036 |
| Number of shares | | **819,520,000** | 819,520,000 | **819,520,000** | 819,520,000 |

*These financial statements have been approved for issue by the board of directors on September 28th 2016 and are signed on its behalf by*

Bertrand de Chazal *Director*

Gilbert Grany *Director*

*The notes on pages 36 to 70 form an integral part of these financial statements. The auditors' report is on page 29.*

# statements of profit or loss and other comprehensive income

| | | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| MRs000 | note | **2016** | 2015 | **2016** | 2015 |
| Revenue | 1 | **461,486** | 461,611 | **181,876** | 160,805 |
| Operating expenses | | **(390,865)** | (404,153) | **(106,682)** | (106,981) |
| **Operating profit** | 19 | **70,621** | 57,458 | **75,194** | 53,824 |
| Finance costs | 20 | **(55,907)** | (55,643) | **(55,796)** | (54,714) |
| Finance income | 20 | **839** | 507 | **12,499** | 8,980 |
| Share of loss of joint venture | 8 | **-** | (10) | **-** | - |
| **Profit before income tax** | | **15,553** | 2,312 | **31,897** | 8,090 |
| Taxation | 21 | **(3,036)** | (1,212) | **(5,012)** | (2,134) |
| **Profit for the year attributable to owners of the parent** | | **12,517** | 1,100 | **26,885** | 5,956 |
| **Other comprehensive income** | | | | | |
| **Items that will not be reclassified to profit or loss** | | | | | |
| Remeasurement of retirement benefit obligations | 16 | **(168)** | (508) | **(168)** | (508) |
| Deferred tax on remeasurement of retirement benefit obligations | 15 | **25** | 76 | **25** | 76 |
| **Items that may be reclassified subsequently to profit or loss** | | | | | |
| Exchange difference on translating foreign operation | | **(53)** | (12) | **-** | - |
| **Other comprehensive income for the year attributable to owners of the parent** | | **(196)** | (444) | **(143)** | (432) |
| **Total comprehensive income for the year attributable to owners of the parent** | | **12,321** | 656 | **26,742** | 5,524 |

| MRe | | | |
|---|---|---|---|
| Earnings per share | 22 | **0.0153** | 0.0013 |

*The notes on pages 36 to 70 form an integral part of these financial statements. The auditors' report is on page 29.*

# statements of changes in equity

| **Attributable to owners of the parent** MRs000 | share capital | other reserves | retained earnings | total equity |
|---|---|---|---|---|
| | | | | **THE GROUP** |
| Balance as at July 1st 2014 | 819,520 | 2,862 | 2,098,638 | 2,921,020 |
| Profit for the year | - | - | 1,100 | 1,100 |
| Other comprehensive income | - | (12) | (432) | (444) |
| At June 30th 2015 | 819,520 | 2,850 | 2,099,306 | 2,921,676 |
| Balance as at July 1st 2015 | 819,520 | 2,850 | 2,099,306 | 2,921,676 |
| Profit for the year | - | - | 12,517 | 12,517 |
| Other comprehensive income | - | (53) | (143) | (196) |
| **At June 30th 2016** | **819,520** | **2,797** | **2,111,680** | **2,933,997** |
| | | | | **THE COMPANY** |
| Balance as at July 1st 2014 | 819,520 | 2,862 | 1,660,388 | 2,482,770 |
| Profit for the year | - | - | 5,956 | 5,956 |
| Other comprehensive income | - | - | (432) | (432) |
| At June 30th 2015 | 819,520 | 2,862 | 1,665,912 | 2,488,294 |
| Balance as at July 1st 2015 | 819,520 | 2,862 | 1,665,912 | 2,488,294 |
| Profit for the year | - | - | 26,885 | 26,885 |
| Other comprehensive income | - | - | (143) | (143) |
| **At June 30th 2016** | **819,520** | **2,862** | **1,692,654** | **2,515,036** |

*The notes on pages 36 to 70 form an integral part of these financial statements. The auditors' report is on page 29.*

# statements of cash flows

| MRs000 | THE GROUP 2016 | THE GROUP 2015 | THE COMPANY 2016 | THE COMPANY 2015 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash received from tenants | **211,981** | 185,383 | **175,308** | 145,156 |
| Security fees received | **252,562** | 251,605 | **-** | - |
| Cash payments net of other operating receipts | **(377,973)** | (368,061) | **(104,867)** | (87,158) |
| Cash generated from operations | **86,570** | 68,927 | **70,441** | 57,998 |
| Interest paid | **(55,663)** | (55,583) | **(55,488)** | (54,654) |
| Interest received | **839** | 507 | **12,499** | 8,980 |
| Net income tax refunded/(paid) | **3,196** | (3,184) | **3,775** | (814) |
| **Net cash generated from operating activities** | **34,942** | 10,667 | **31,227** | 11,510 |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment | **(18,417)** | (11,956) | **(7,309)** | (3,038) |
| Purchase of intangible assets | **(244)** | (157) | **(22)** | (82) |
| Payments in respect of investment property | **(52,230)** | (51,534) | **(27,851)** | (9,364) |
| Net amount granted to subsidiary companies | **-** | - | **(43,842)** | (65,817) |
| Amount received from/(paid on behalf of) joint venture | **108** | (96) | **-** | - |
| Investment in joint venture | **-** | (10) | **-** | - |
| Proceeds from disposals of property, plant and equipment | **572** | - | **-** | - |
| Proceeds from disposals of investment property | **-** | 12,536 | **-** | 12,536 |
| Other cash inflows | **2,551** | 5,621 | **1,919** | 6,179 |
| **Net cash used in investing activities** | **(67,660)** | (45,596) | **(77,105)** | (59,586) |
| **Cash flows from financing activities** | | | | |
| Loan received from bank | **-** | 220,552 | **-** | 220,552 |
| Repayments of bank borrowings | **(37,000)** | (35,877) | **(37,000)** | (35,877) |
| Net loan granted by parent | **178,000** | - | **178,000** | - |
| Loan (paid to)/received from other institution | **(163)** | 163 | **-** | - |
| Loan paid to subsidiary company | **-** | - | **-** | (11,078) |
| **Net cash generated from financing activities** | **140,837** | 184,838 | **141,000** | 173,597 |
| **Net increase in cash and cash equivalents** | **108,119** | 149,909 | **95,122** | 125,521 |
| Cash and cash equivalents at beginning of the year | **(138,216)** | (288,065) | **(121,702)** | (247,164) |
| Effect of foreign exchange rate changes | **(164)** | (60) | **(164)** | (59) |
| **Cash and cash equivalents at end of the year** | **(30,261)** | (138,216) | **(26,744)** | (121,702) |
| **Analysis of cash and cash equivalents disclosed above** | | | | |
| Bank and cash balances | **318** | 592 | **131** | 96 |
| Bank overdrafts | **(30,579)** | (138,808) | **(26,875)** | (121,798) |
| | **(30,261)** | (138,216) | **(26,744)** | (121,702) |

*The notes on pages 36 to 70 form an integral part of these financial statements. The auditors' report is on page 29.*

## general information

Caudan Development Limited is a limited liability company incorporated and domiciled in Mauritius. The address of its registered office is Promotion and Development Ltd, 8th Floor, Dias Pier, Le Caudan Waterfront, Port Louis. The Company is listed on the official market of the Stock Exchange of Mauritius. These consolidated financial statements have been approved for issue by the board of directors on September 28th 2016 and will be submitted for consideration and approval at the forthcoming annual meeting of the shareholders of the Company.

## 1 significant accounting policies

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

### Basis of preparation

The financial statements of Caudan Development Limited comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements include the consolidated financial statements of the parent company and its subsidiary companies (the Group) and the separate financial statements of the parent company (the Company). The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs000), except when otherwise indicated. Where necessary, comparative figures have been amended to conform with changes in presentation in the current year. The financial statements are prepared under the historical cost convention, except that:

- investment properties are stated at their fair value and;
- relevant financial assets and financial liabilities are stated at their fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgment in the process of applying the company's accounting policies. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgment or complexity are disclosed in note 1A.

There are no standards, amendments to published standards and interpretations effective for the first time in the reporting period.

### Standards, Amendments to published Standards and Interpretation issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1st 2016 or later periods, but which the Group has not early adopted.

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

| | |
|---|---|
| IFRS 9 | Financial instruments |
| IFRS 14 | Regulatory Deferral Accounts |
| (Amendments to IFRS 11) | Accounting for Acquisitions of Interests in Joint Operations |
| (Amendments to IAS 16 and IAS 38) | Clarification of Acceptable Methods of Depreciation and Amortisation |
| IFRS 15 | Revenue from Contract with Customers |
| (Amendments to IAS 16 and IAS 41) | Agriculture: Bearer Plants |
| (Amendments to IAS 27) | Equity Method in Separate Financial Statements |
| (Amendments to IFRS 10 and IAS 28) | Sale or Contributions of Assets between an Investor and its Associate or Joint Venture |
| Annual Improvements to IFRSs 2012–2014 cycle | |
| (Amendments to IFRS 10, IFRS 12 and IAS 28) | Investment Entities: Applying the Consolidation Exception |
| (Amendments to IAS 1) | Disclosure initiative |
| IFRS 16 | Leases |
| (Amendments to IAS 12) | Recognition of Deferred Tax Assets for Unrealised Losses |
| Amendments to IAS 7 | Statement of Cash Flows |
| Clarifications to IFRS 15 | Revenue from Contracts with Customers |
| (Amendments to IFRS 2) | Classification and Measurement of Share-based Payment Transactions |

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.

## Investments in subsidiary companies

### Consolidated financial statements

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the 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 interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (b) the net of the acquisition-date amounts of identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3 is recorded as goodwill. In the case of a bargain purchase (excess of (b) over (a)), the resulting gain is recognised immediately in profit or loss as per last year.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. The subsidiaries have consistently applied all the policies adopted by the group.

### Transactions and non-controlling interests

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

### Separate financial statements of the company

In the company's financial statements, investments in subsidiary companies are carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments.

### Disposal of subsidiaries

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

## Investments in associates

An associate is an entity over which the group has significant influence, through participation in the financial and operating policy decisions but not control.

Investments in associates are accounted for using the equity method of accounting, except when classified as held-for-sale, and are initially recognised at cost and adjusted by post acquisition changes in the group's share of net assets of the associate. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group's share of its associates' post acquisition profits or losses is recognised in profit or loss, and its share of post acquisition movements in reserves is recognised in reserves.

The carrying amount of the investment is reduced to recognise any impairment in the value of the 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 gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

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

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

## Investments in joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint venture is accounted for using the equity method and, under this method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the profit or loss of the joint venture after the date of acquisition. The group's share of its joint venture post acquisition profits or losses is recognised in the statement of profit or loss and its share of post-acquisition movements in reserves in other comprehensive income. Goodwill arising on the acquisition of a joint venture entity is included with the carrying amount of the joint venture and tested annually for impairment. When the group's share of losses exceeds the carrying amount of the investment, the latter is reported at nil value. Recognition of the group's share of losses is discontinued except to the extent of the group's legal and constructive obligations contracted by the joint venture. If the joint venture subsequently reports profits, the group's resumes recognising its share of those profits after accounting for its share of unrecognised past losses. Unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture.

## Goodwill

Goodwill on consolidation represents the excess of the cost of acquisition over the fair value of the group's share of the net identifiable assets and liabilities of the acquired subsidiary company or associate at the date of acquisition. Goodwill on acquisitions of subsidiary companies is included in intangible assets. Gains on bargain purchases represent the excess of the fair value of the group's share of net assets acquired over the cost of acquisition and are recognised in profit or loss.

Goodwill on acquisitions of associates is included in investment in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

## Intangible assets

### Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (not exceeding five years). Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Costs that are directly associated with the production of identifiable and unique software controlled by the group and that will generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

### Customer list

Customer list acquired during the year with an indefinite useful life is not amortised but is tested annually for impairment, as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

## Investment property

Investment property, which is property held for long-term rental yields and/or capital appreciation, and is not occupied by the companies in the group, is initially measured at cost, including transaction costs. Subsequent to initial recognition, it is stated at its fair value at the end of the reporting period. Gains or losses arising from changes in fair value of investment property are included in profit or loss for the period in which they arise. Property that is under construction or development to earn rentals or for capital appreciation or both is accounted as investment property.

The investment properties are valued annually on June 30th at fair value comprising the best estimate of market value by the directors. These valuations are reviewed periodically every five years by external independent valuers. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

## Prepaid operating lease payments

Land held under an operating lease (including land on which the investment property is located) is accounted for as an operating lease. Where upfront payments for operating leases of land are made, these upfront payments are capitalised as non-current assets and in subsequent periods are presented at amortised cost so as to record a constant annual charge to the profit or loss over the lease term. These non-current assets are not revalued.

## Property, plant and equipment

All plant and equipment, as well as property, which are occupied by the group companies, is stated at historical cost less depreciation. 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.

Properties in the course of construction for production, rental or administrative purposes or for purposes not yet determined are carried at cost less any recognised impairment loss. Costs include professional fees and for qualifying assets, borrowings costs are capitalised. Depreciation of these are on the same basis as other property assets, commences when the assets are ready for their intended use.

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

| | |
|---|---|
| Buildings | 1% |
| Equipment, furniture and fittings | 5–33$^{1}/_{3}$% |
| Motor vehicles | 11% |
| Land is not depreciated | |

The assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

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

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with their carrying amount and included in profit or loss. On disposal of revalued assets, the amounts included in revaluation surplus are transferred to retained earnings.

## Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets.

All other borrowing costs are expensed in the period in which they are incurred.

## Impairment of assets

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

## Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the leases.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

*Operating leases - lessor*

Assets leased out under operating leases are included in plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar fixed assets. Rental income is recognised on a straight line basis over the lease term.

## Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the basis of either weighted average price or on a first-in, first-out (FIFO) method. Costs comprise direct costs. Net realisable value is the estimate of the selling price in the ordinary course of business less the costs of completion and selling expenses.

Spares and accessories included under inventories consist of items which are regularly used for repairs, maintenance and new installations.

## Financial instruments

Financial assets

*Categories of financial assets*

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

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at the end of each reporting period.

*Loans and receivables*

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

*Long term receivables*

Long term receivables with fixed maturity terms are measured at amortised cost using the effective interest rate method, less provision for impairment. The carrying amount of the asset is reduced by the difference between the asset's carrying amount and the present value of estimated cash flows discounted using the original effective interest rate. The amount of the loss is recognised in profit or loss. Long term receivables without fixed maturity terms are measured at cost. If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value (PV) of estimated cash flows discounted at the current market rate of return of similar financial assets.

*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 provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in profit or loss.

*Bank 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 profit or loss 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.

*Trade payables*

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

*Share capital*

Ordinary shares are classified as equity.

*Cash and cash equivalents*

Cash and cash equivalents include cash in hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statements of financial position.

## Current and deferred income tax

The tax expense for the period comprises of current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

### Current tax

The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantially enacted by the end of the reporting period.

### Deferred tax

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

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

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.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

## Retirement benefit obligations

### Defined contribution plan

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 future contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in current and prior periods. The company and its subsidiaries operate a defined contribution retirement benefit plan for qualifying employees. Contributions are recognised as an employee benefit expense when they fall due.

### Gratuity on retirement

The net present value of gratuity on retirement payable under the Employment Rights Act 2008 (as amended) has been provided for in respect of those employees who are not covered or who are insufficiently covered by the above retirement benefit plan. The obligations arising under this item are not funded.

The Employment Rights Act stipulates that the Gratuity paid on Retirement should be based on the remuneration (which is inclusive of payment for extra work, productivity bonus, attendance bonus, commission in return for services and any other regular payment) of the employee. The amount due per year of service is 15 days remuneration based on a month of 26 days (15/26).

## Foreign currencies

### Functional and presentation currency

The consolidated financial statements are presented in Mauritian rupees, which is the company's functional and presentation currency.

### Transactions and balances

Foreign currency transactions are translated 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 profit or loss.

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

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

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

## Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, which it is probable, will result in an outflow of resources that can be reasonably estimated. Where the group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risk and uncertainties surrounding the obligation.

## Turnover

Turnover consists of rental income, commissions and income from security activities.

## Revenue recognition

Rental income is recognised on the accruals basis.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate, and continues unwinding the discount as interest income.

Income from security activities is recognised in the year in which the services are rendered.

Dividend income is recognised when the shareholder's right to receive payment is established.

Income from security activities comprises the sale of goods and services, net of value-added tax, rebates and discount. Sales of goods are recognised when goods are delivered and title has passed. Sales of services are recognised in the accounting year in which services are rendered.

## Dividend distribution

Dividends are recorded in the financial statements in the period in which they are declared by the board of directors.

## Segment reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. All operating segments' operating results are reviewed regularly by the group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment reporting is shown in note 23.

## Transfer pricing

The group has presently no policy in respect of transfer pricing.

## Related parties

Related parties are individuals and enterprises where the individual or enterprise has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

## Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest risk and price risk), credit risk and liquidity risk.

The audit committee monitors closely the group's significant risks. All risks issues are systematically addressed both at the audit committee and at the board level. The group's exposure is managed and reviewed regularly.

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

Risk management is carried out by treasury department under policies approved by the board of directors.

## Market risk

### Currency risk

The group has foreign currency denominated cash balances and is exposed to foreign exchange risk arising from foreign currency exposure.

The impacts on post-tax profit are insignificant since the group holds small amount of foreign currency-denominated cash balances.

### Cash flow and fair value interest rate risk

As the group has no significant interest-bearing assets, the group's income and operating cash flows are substantially independent of changes in market interest rates. The group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest-rate risk. The group's interest rate risk is closely monitored by management on a regular basis which is then approved by the audit committee and the board of directors. Management systematically analyses the interest rate exposure and assesses the potential impact on the financial position of the

group. Various scenarios are considered such as rescheduling of existing loans, early repayment options and renegotiating favourable interest rates. The risk is also managed by maintaining an appropriate level of debt and monitoring the gearing ratio.

At June 30th 2016, if interest rates on borrowings had been 50 basis points higher/lower during the year with all other variables held constant, post-tax profit for the year would have been MRs3.5m (2015: MRs3.4m) lower/higher for the group and MRs3.5m (2015: MRs3.3m) for the company, mainly as a result of higher/lower interest expense on floating rate borrowings.

### Price risk

The group is exposed to equity securities price risk because of investments held by the group in subsidiary companies, and associated company. The company's subsidiaries are unquoted and are carried at cost in the separate financial statements. Impairment tests are performed regularly on these investments. The group is not exposed to commodity price risk.

## Credit risk

The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statements 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 customers and tenants. The group has policies in place to ensure that properties are rented and services provided to customers with an appropriate credit history. Close monitoring is carried out on all trade receivables.

## Liquidity risk

Prudent liquidity management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The group is exposed to calls on its available cash resources from maturing loans.

**Analysis of 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**

| YEARS | less than 1 | between 1 & 2 | between 2 & 5 | over 5 |
|---|---|---|---|---|
| MRs000 | | | | THE GROUP |
| **2016** | | | | at June 30th |
| Borrowings | **245,579** | **41,500** | **270,000** | **288,000** |
| Other payables | **98,805** | **-** | **-** | **-** |
| 2015 | | | | |
| Borrowings | 175,971 | 37,000 | 133,500 | 466,000 |
| Other payables | 96,132 | - | - | - |
| MRs000 | | | | THE COMPANY |
| **2016** | | | | at June 30th |
| Borrowings | **241,875** | **41,500** | **270,000** | **288,000** |
| Other payables | **239,364** | **-** | **-** | **-** |
| 2015 | | | | |
| Borrowings | 158,798 | 37,000 | 133,500 | 466,000 |
| Other payables | 235,233 | - | - | - |

## Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily of quoted equity investments classified as trading securities or available-for-sale. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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

### Capital risk management

The group's objectives when managing capital are:

- to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to maintain an optimal capital structure to reduce the cost of capital.

The group sets the amount of capital in proportion to 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, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistently with others in the industry, the group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt adjusted capital. Net debt is calculated as total debt adjusted for cash and cash equivalents and adjusted capital comprises all components of equity.

There were no changes in the group's approach to capital risk management during the year.

### The debt-to-adjusted capital ratios

| MRs000 | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| at June 30th | **2016** | 2015 | **2016** | 2015 |
| Total debt | **814,500** | 673,663 | **814,500** | 673,500 |
| Cash and cash equivalents | **30,261** | 138,216 | **26,744** | 121,702 |
| Net debt | **844,761** | 811,879 | **841,244** | 795,202 |
| Total equity | **2,933,997** | 2,921,676 | **2,515,036** | 2,488,294 |
| Debt to adjusted capital ratio | **0.29** | 0.28 | **0.33** | 0.32 |

## 1A Critical accounting estimates and judgments

Estimates and judgments 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.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The fair value of available-for-sale financial assets and investment property may therefore increase or decrease, based on prevailing economic conditions.

### Estimate of fair value of investment properties

The group carries its investment properties at fair value, with change in fair value being recognised in the profit or loss. The fair value is determined by directors' valuation based on independent valuer's valuation.

For the purpose of the valuation carried out as at March 31st 2016, the sales comparison approach has been used to reflect the current state of the market and has been cross-checked using the income capitalisation approach.

### Limitation of sensitivity analysis

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

### Asset lives and residual values

Property, plant and equipment are depreciated over its useful life taking into account the residual values which are assessed annually and may vary depending on a number of factors such as technological innovation, maintenance programmes and future market condition. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

### Depreciation policies

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

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

### Revenue recognition

The percentage of completion method is utilised to recognise revenue on long-term contracts. Management exercises judgments in calculating the deferred revenue reserve which is based on the anticipated cost of repairs over the life cycle of the equipment applied to the total expected revenue arising from maintenance and repair contracts.

In addition, management exercises judgment in assessing whether significant risks and rewards have been transferred to the customer to permit revenue to be recognised.

Revenue arising from maintenance and repair work in progress is recognised on the percentage of completion basis.

### Impairment of assets

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

### Deferred tax on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties the directors reviewed the group's investment property portfolio and concluded that the investment properties, excluding undeveloped land, are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted.

## 2 investment property

| THE GROUP<br>MRs000 | freehold<br>Le Caudan<br>Waterfront | freehold<br>land & other<br>buildings | level 2<br>long<br>leasehold<br>buildings | **total<br>2016** | total<br>2015 |
|---|---|---|---|---|---|
| **Fair value** | | | | | |
| At July 1st | **3,416,715** | **103,000** | **149,450** | **3,669,165** | 3,631,517 |
| Additions | **40,840** | **-** | **-** | **40,840** | 50,184 |
| Disposals | **-** | **-** | **-** | **-** | (12,536) |
| **At June 30th** | **3,457,555** | **103,000** | **149,450** | **3,710,005** | 3,669,165 |
| THE COMPANY | | | | | |
| **Fair value** | | | | | |
| At July 1st | **2,970,765** | **200,969** | **149,450** | **3,321,184** | 3,329,329 |
| Additions | **17,179** | **2,166** | **-** | **19,345** | 4,391 |
| Disposals | **-** | **-** | **-** | **-** | (12,536) |
| **At June 30th** | **2,987,944** | **203,135** | **149,450** | **3,340,529** | 3,321,184 |

**Basis of valuation**

› Investment property comprises a number of offices, commercial and industrial properties rented to third parties. › Each year the values are reviewed and updated by the valuers so as to identify whether there has been any material fluctuation in the fair value of the investment properties. Where after consultation with the independent valuers, the directors are satisfied that the book values of the investment properties reflect their fair values, no adjustment is made to the carrying values of investment properties during the period in between. The values of Le Caudan Waterfront determined by independent valuers are adjusted downwards to reflect the prevailing economic conditions whilst values in respect of all other properties are reflected in full. › An independent valuation of the properties was last performed at March 31st 2016 by Broll Indian Ocean Ltd, chartered valuers, using the sales comparison approach and cross-checked using the income approach. On the basis of this valuation, the directors have reassessed the fair value of the investment properties at June 30th 2016 and are satisfied that the book values reflect their fair values. Hence, no adjustment has been reflected in this year's accounts. › The last valuation adjustment was booked at June 30th 2014. › Bank borrowings are secured by floating charges on the assets of the borrowing companies including investment property (note 14). › Borrowings costs of MRs0.25m (2015: MRs0.39m) were capitalised during the year and are included in 'Additions'. › A capitalisation rate of 6.90%/6.65% (2015: 7.00%) was used representing the actual borrowing cost used to finance the project. › Rental income from investment property amounted to MRs220.0m (2015: MRs202.2m) for the group and MRs181.9m (2015: MRs160.8m) for the company. Direct operating expenses arising on the income generating investment property in the year amounted to MRs140.1m (2015: MRs134.4m) for the group and MRs92.3m (2015: MRs89.3m) for the company. No cost was incurred in respect of the non-income generating investment property.

## 3 prepaid operating lease payments

| MRs000 | GROUP AND COMPANY<br>**2016** | 2015 |
|---|---|---|
| **Cost** | | |
| At July 1st and June 30th | **602** | 602 |
| **Amortisation** | | |
| At July 1st | **139** | 133 |
| Charge for the year | **6** | 6 |
| **At June 30th** | **145** | 139 |
| **Net book values** | | |
| **At June 30th** | **457** | 463 |

› Amortisation charge for the group and the company has been included in operating expenses.

## 4 property, plant and equipment

| THE GROUP<br>MRs000 | land and buildings | furniture and equipment | motor vehicles | total |
|---|---|---|---|---|
| **Cost** | | | | |
| At July 1st 2014 | 134,924 | 110,956 | 41,317 | 287,197 |
| Additions | 3,227 | 8,566 | 2,794 | 14,587 |
| Amount written off | - | (5,213) | - | (5,213) |
| At June 30th 2015 | 138,151 | 114,309 | 44,111 | 296,571 |
| At July 1st 2015 | 138,151 | 114,309 | 44,111 | 296,571 |
| Additions | 8,008 | 5,497 | 4,529 | 18,034 |
| Disposal/amount written off | - | (7,206) | (5,984) | (13,190) |
| **At June 30th 2016** | **146,159** | **112,600** | **42,656** | **301,415** |
| **Depreciation** | | | | |
| At July 1st 2014 | 7,934 | 73,001 | 26,516 | 107,451 |
| Charge for the year | 1,075 | 13,197 | 4,863 | 19,135 |
| Amount written off adjustments | - | (4,774) | - | (4,774) |
| At June 30th 2015 | 9,009 | 81,424 | 31,379 | 121,812 |
| At July 1st 2015 | 9,009 | 81,424 | 31,379 | 121,812 |
| Charge for the year | 1,148 | 12,693 | 4,661 | 18,502 |
| Disposal/amount written off adjustments | - | (6,916) | (5,984) | (12,900) |
| **At June 30th 2016** | **10,157** | **87,201** | **30,056** | **127,414** |
| **Net book values** | | | | |
| **At June 30th 2016** | **136,002** | **25,399** | **12,600** | **174,001** |
| At June 30th 2015 | 129,142 | 32,885 | 12,732 | 174,759 |

| THE COMPANY<br>MRs000 | buildings | furniture and equipment | motor vehicles | total |
|---|---|---|---|---|
| **Cost** | | | | |
| At July 1st 2014 | 39,942 | 26,876 | 5,437 | 72,255 |
| Additions | - | 5,039 | - | 5,039 |
| At June 30th 2015 | 39,942 | 31,915 | 5,437 | 77,294 |
| At July 1st 2015 | 39,942 | 31,915 | 5,437 | 77,294 |
| Additions | 5,062 | 304 | - | 5,366 |
| Disposal/amount written off | - | (6,476) | - | (6,476) |
| **At June 30th 2016** | **45,004** | **25,743** | **5,437** | **76,184** |
| **Depreciation** | | | | |
| At July 1st 2014 | 5,043 | 18,494 | 1,505 | 25,042 |
| Charge for the year | 407 | 2,521 | 606 | 3,534 |
| At June 30th 2015 | 5,450 | 21,015 | 2,111 | 28,576 |
| At July 1st 2015 | 5,450 | 21,015 | 2,111 | 28,576 |
| Charge for the year | 449 | 2,894 | 536 | 3,879 |
| Disposal/amount written off adjustments | - | (6,350) | - | (6,350) |
| **At June 30th 2016** | **5,899** | **17,559** | **2,647** | **26,105** |
| **Net book values** | | | | |
| **At June 30th 2016** | **39,105** | **8,184** | **2,790** | **50,079** |
| At June 30th 2015 | 34,492 | 10,900 | 3,326 | 48,718 |

› Bank borrowings are secured by floating charges on the assets of the group including property, plant and equipment (note 14). › Depreciation charge of MRs18.502m for the group (2015: MRs19.135m) and MRs3.879m for the company (2015: MRs3.534m) has been included in operating expenses.

## 5 intangible assets

| THE GROUP<br>MRs000 | computer software | other | total |
|---|---|---|---|
| **Cost** | | | |
| At July 1st 2014 | 3,359 | 4,178 | 7,537 |
| Additions | 157 | - | 157 |
| At June 30th 2015 | 3,516 | 4,178 | 7,694 |
| | | | |
| At July 1st 2015 | 3,516 | 4,178 | 7,694 |
| Additions | 217 | - | 217 |
| Disposal | (15) | - | (15) |
| **At June 30th 2016** | **3,718** | **4,178** | **7,896** |
| | | | |
| **Amortisation** | | | |
| At July 1st 2014 | 2,207 | 957 | 3,164 |
| Amortisation charge | 493 | - | 493 |
| At June 30th 2015 | 2,700 | 957 | 3,657 |
| | | | |
| At July 1st 2015 | 2,700 | 957 | 3,657 |
| Amortisation charge/Impairment | 434 | 1,116 | 1,550 |
| Disposal adjustments | (15) | - | (15) |
| **At June 30th 2016** | **3,119** | **2,073** | **5,192** |
| | | | |
| **Net book values** | | | |
| **At June 30th 2016** | **599** | **2,105** | **2,704** |
| At June 30th 2015 | 816 | 3,221 | 4,037 |

| THE COMPANY | |
|---|---|
| **Cost** | |
| At July 1st 2014 | 407 |
| Additions | 82 |
| At June 30th 2015 | 489 |
| | |
| At July 1st 2015 | 489 |
| Additions | 22 |
| Disposal | (15) |
| **At June 30th 2016** | **496** |
| | |
| **Amortisation** | |
| At July 1st 2014 | 351 |
| Amortisation charge | 44 |
| At June 30th 2015 | 395 |
| | |
| At July 1st 2015 | 395 |
| Amortisation charge | 33 |
| Disposal adjustments | (15) |
| **At June 30th 2016** | **413** |
| | |
| **Net book values** | |
| **At June 30th 2016** | **83** |
| At June 30th 2015 | 94 |

› Other intangible assets relate to consideration paid in respect of the acquisition of a customer list purchased in September 2005. › Amortisation and impairment charges of MRs1.550m (2015: MRs0.493m) for the group and MRs0.033m (2015: MRs0.044m) for the company are included in operating expenses.

## 6 investments in subsidiary companies

| THE COMPANY<br>MRs000 | 2016 | 2015 |
|---|---|---|
| **Cost** | | |
| At July 1st | **14,247** | 4,347 |
| Deposit on shares | **-** | 9,900 |
| At June 30th | **14,247** | 14,247 |

| Subsidiaries of Caudan Development Limited | class of shares | year end | stated capital and nominal value of investment<br>MRs000 | direct holding<br>% | indirect holding<br>% | main business |
|---|---|---|---|---|---|---|
| Best Sellers Limited | ordinary | June | 25 | - | 100 | dormant |
| Caudan Communauté | limited by guarantee | December | 1 | 50 | - | management of CSR fund (not consolidated) |
| Caudan Leisure Ltd | ordinary | June | 1,000 | 100 | - | leisure & property |
| Caudan Security Services Limited | ordinary | June | 10,000 | 100 | - | security |
| Harbour Cruise Ltd | ordinary | June | 300 | - | 100 | dormant |
| Security & Property Protection Agency Co Ltd | ordinary | June | 25 | - | 100 | security |
| Société Mauricienne d'Entreprise Générale Ltée | ordinary | June | 3,000 | 100 | - | dormant |
| SPPA CO Ltd | ordinary | June | 26 | - | 100 | security |

› Société Mauricienne d'Entreprise Générale Ltée, Harbour Cruise Ltd and Best Sellers Limited did not trade during the year. › All the subsidiaries are incorporated and domiciled in the Republic of Mauritius except SPPA CO Ltd which is incorporated in the Republic of Seychelles. › None of the subsidiaries have debt securities.

## 7 investments in associate

### A

| THE GROUP<br>MRs000 | 2016 | 2015 |
|---|---|---|
| Share of net assets | **-** | - |
| Goodwill | **-** | - |
| **At June 30th** | **-** | - |
| **Cost** | | |
| At July 1st and June 30th | **19,076** | 19,076 |
| **Share of post acquisition reserves** | | |
| At July 1st and June 30th | **(19,076)** | (19,076) |
| **At June 30th** | **-** | - |

## 7 investments in associate *continued*

### B The associated company of Caudan Development Limited

| Details of the associate at the end of the reporting period | class of shares | year end | nature of business | principal place of business | country of incorporation | proportion of ownership interest and voting rights direct % | indirect % |
|---|---|---|---|---|---|---|---|
| **2016 and 2015** | | | | | | | |
| Le Caudan Waterfront Casino Limited | ordinary | December | leisure | Mauritius | Mauritius | 39.20 | 39.20 |

› The above associate is accounted for using the equity method. › Since the associate has a different reporting date, management accounts have been prepared as at June 30th 2016. › The investment has been reduced to nil given that the entity's share of losses exceeded its interests. The company will resume recognising its share of profit only after it will equal the share of losses not recognised.

### C Summarised financial information

**Summarised financial information in respect of the associate**

| MRs000 | current assets | non current assets | current liabilities | non current liabilities | revenue | profit/ (loss) for the year | other compre-hensive income for the year | total compre-hensive income for the year |
|---|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | | |
| **Le Caudan Waterfront Casino Limited** | **34,234** | **29,705** | **44,782** | **86,249** | **173,300** | **5,899** | **-** | **5,899** |
| 2015 | | | | | | | | |
| Le Caudan Waterfront Casino Limited | 19,952 | 35,975 | 62,168 | 66,749 | 165,989 | (23,059) | (22,020) | (45,079) |

› The summarised financial information above represents amounts shown in the associate's financial statements prepared in accordance with IFRSs adjusted for equity accounting purposes such as fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies.

### D Reconciliation of summarised financial information

**Reconciliation of the above summarised financial information to the carrying amount in the financial statements:**

| MRs000 | opening net assets July 1st | profit/ (loss) for the year | other compre-hensive income for the year | closing net assets | unrecog-nised losses and other comprehen-sive income | ownership interest | interest in associates | goodwill | carrying value |
|---|---|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | | | |
| **Le Caudan Waterfront Casino Limited** | **(72,988)** | **5,899** | **-** | **(67,089)** | **(44,065)** | **39.2%** | **-** | **-** | **-** |
| 2015 | | | | | | | | | |
| Le Caudan Waterfront Casino Limited | (27,909) | (23,059) | (22,020) | (72,988) | (49,964) | 39.2% | - | - | - |

## 8 investments in joint venture

A

| THE GROUP<br>MRs000 | 2016 | 2015 |
|---|---|---|
| Share of net assets | - | - |
| **Cost** | | |
| At July 1st | 10 | - |
| Additions | - | 10 |
| **At June 30th** | **10** | 10 |
| **Share of post acquisition reserves** | | |
| At July 1st | (10) | - |
| Share of loss for the year | - | (10) |
| **At June 30th** | **(10)** | (10) |
| **At June 30th** | **-** | - |

B **Details of the joint venture**

| Details of the joint venture at the end of the reporting period | class of shares | year end | nature of business | principal place of business | country of incorporation | proportion of ownership interest and voting rights direct % |
|---|---|---|---|---|---|---|
| **2016 and 2015** | | | | | | |
| Integrated Safety and Security Solutions Ltd | ordinary | June | security | Mauritius | Mauritius | 50.00 |

› Integrated Safety and Security Solutions Ltd was incorporated in 2015 and started its operations in June 2015. It is a jointly controlled entity by Security and Property Protection Agency Co Ltd and FS Systems International Ltd, a company incorporated in Mauritius as a GBL Category 1 company. It is accounted for using the equity method. › The investment has been reduced to nil given that the entity's share of losses exceeded its interests.

C **Summarised financial information**

**Summarised financial information in respect of the joint venture**

| MRs000 | current assets | non current assets | current liabilities | revenue | loss from continuing operations | other comprehensive income for the year | total comprehensive income for the year |
|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | |
| **Integrated Safety and Security Solutions Ltd** | **267** | **64** | **453** | **474** | **(35)** | **-** | **(35)** |
| 2015 | | | | | | | |
| Integrated Safety and Security Solutions Ltd | 10 | - | 96 | - | (106) | - | (106) |

› The summarised financial information above represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs adjusted for equity purposes such as fair value adjustments accounting made at the time of acquisition and adjustments for differences in accounting policies.

## 8 investments in joint venture *continued*

### D Reconciliation of summarised financial information

**Reconciliation of the above summarised financial information to the carrying amount in the financial statements:**

| MRs000 | opening net assets July 1st | issue of share capital | loss for the year | other comprehensive income for the year | closing net assets | unrecognised losses | ownership interest | interest in joint venture |
|---|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | | |
| **Integrated Safety and Security Solutions Ltd** | **(86)** | **-** | **(35)** | **-** | **(121)** | **(121)** | **50.0%** | **-** |
| 2015 | | | | | | | | |
| Integrated Safety and Security Solutions Ltd | - | 20 | (106) | - | (86) | (86) | 50.0% | - |

**Classification of Integrated Safety and Security Solutions Ltd as a joint venture**
Integrated Safety and Security Solutions Ltd is a limited liability company whose legal forms confers separation between the parties to the joint arrangement and the company itself. Furthermore, there is no contractual arrangement that indicates that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Integrated Safety and Security Solutions Ltd is classified as a joint venture.

### E Commitments and contingent liabilities

There are no contingent liabilities relating to the group interest in the joint venture.

## 9 financial instruments by category

The accounting policies for financial instruments have been applied to the items below

THE GROUP

| MRs000 | loans and receivables |
|---|---|
| **2016** | |
| **Assets as per statements of financial position** | |
| Trade receivables | **133,906** |
| Cash and cash equivalents | **318** |
| | **134,224** |

| MRs000 | other financial liabilities |
|---|---|
| **Liabilities as per statements of financial position** | |
| Borrowings | **845,079** |
| Other payables | **98,805** |
| | **943,884** |

| MRs000 | loans and receivables |
|---|---|
| 2015 | |
| **Assets as per statements of financial position** | |
| Trade receivables | 154,949 |
| Cash and cash equivalents | 592 |
| | 155,541 |

| MRs000 | other financial liabilities |
|---|---|
| **Liabilities as per statements of financial position** | |
| Borrowings | 812,471 |
| Other payables | 96,132 |
| | 908,603 |

## 9 financial instruments by category *continued*

THE COMPANY

| MRs000 | loans and receivables |
|---|---|
| **2016** | |
| **Assets as per statements of financial position** | |
| Trade receivables | **49,308** |
| Cash and cash equivalents | **131** |
| | **49,439** |

| MRs000 | other financial liabilities |
|---|---|
| **Liabilities as per statements of financial position** | |
| Borrowings | **841,375** |
| Other payables | **239,364** |
| | **1,080,739** |

| MRs000 | loans and receivables |
|---|---|
| 2015 | |
| **Assets as per statements of financial position** | |
| Trade receivables | 48,111 |
| Cash and cash equivalents | 96 |
| | 48,207 |

| MRs000 | other financial liabilities |
|---|---|
| **Liabilities as per statements of financial position** | |
| Borrowings | 795,298 |
| Other payables | 235,233 |
| | 1,030,531 |

## 10 inventories

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| MRs000 | **2016** | 2015 | **2016** | 2015 |
| Spares and accessories | **2,931** | 2,489 | **2,931** | 2,489 |
| Consumables | **1,489** | 981 | **-** | - |
| Work in progress | **1,792** | 779 | **-** | - |
| Goods for resale | **5,325** | 5,297 | **-** | - |
| | **11,537** | 9,546 | **2,931** | 2,489 |
| **Costs of inventories recognised as expense and included in** | | | | |
| Cost of sales | **14,386** | 12,413 | **-** | - |
| Operating expenses | **5,871** | 5,942 | **2,597** | 2,117 |

› The bank borrowings are secured by floating charges over the assets of the group including inventories (note14).

## 11 trade and other receivables

A

| MRs000 | THE GROUP 2016 | THE GROUP 2015 | THE COMPANY 2016 | THE COMPANY 2015 |
|---|---|---|---|---|
| Trade receivables | **133,906** | 154,949 | **49,308** | 48,111 |
| Less provision for impairment of receivables | **(67,848)** | (73,911) | **(34,814)** | (28,568) |
| Trade receivables - net | **66,058** | 81,038 | **14,494** | 19,543 |
| Prepayments | **2,831** | 3,560 | **734** | 1,505 |
| Payments made on account | **1,401** | 5,322 | **1,044** | 879 |
| Receivables from subsidiary companies less impairment | **-** | - | **127,871** | 84,002 |
| Receivables from joint venture | **-** | 96 | **-** | - |
| Loan to subsidiary company receivable at call | **-** | - | **100,000** | 100,000 |
| Income tax receivable | **6,961** | 12,761 | **5,402** | 9,733 |
| Other receivables | **53,774** | 20,516 | **41,118** | 14,086 |
| | **131,025** | 123,293 | **290,663** | 229,748 |
| **Less non-current portion** | | | | |
| Trade receivables | **(4,154)** | (4,834) | **-** | - |
| | **126,871** | 118,459 | **290,663** | 229,748 |

› The fair value of trade and other receivables equals their carrying amount. The carrying amounts of the group's trade and other receivables are denominated in mauritian rupee.

### B Ageing analysis of these trade receivables

| MRs000 | THE GROUP 2016 | THE GROUP 2015 | THE COMPANY 2016 | THE COMPANY 2015 |
|---|---|---|---|---|
| Current | **27,350** | 33,018 | **7,202** | 7,046 |
| 1 to 3 months | **24,137** | 36,621 | **7,659** | 8,948 |
| 4 to 6 months | **9,053** | 9,061 | **4,677** | 5,193 |
| Over 6 months | **73,366** | 76,249 | **29,770** | 26,924 |
| | **133,906** | 154,949 | **49,308** | 48,111 |

### C Trade receivables past due but not impaired

› At June 30th 2016, trade receivables of MRs24.236m (2015: MRs19.744m) for the group and MRs3.779m (2015: MRs2.621m) 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 trade receivables**

| MRs000 | THE GROUP 2016 | THE GROUP 2015 | THE COMPANY 2016 | THE COMPANY 2015 |
|---|---|---|---|---|
| 1 to 3 months | **16,162** | 18,000 | **3,779** | 2,621 |
| 4 to 6 months | **1,746** | 1,744 | **-** | - |
| Over 6 months | **6,328** | - | **-** | - |
| | **24,236** | 19,744 | **3,779** | 2,621 |
| **Fair value of collateral** | | | | |
| 1 to 3 months | **2,084** | 2,525 | **1,893** | 2,015 |

The collaterals include cash deposits and bank guarantees received from tenants.

## 11 trade and other receivables *continued*

### D Trade receivables past due and impaired

As of June 30th 2016, trade receivables of MRs82.320m (2015: MRs102.187m) for the group and MRs38.327m (2015: MRs38.444m) for the company were impaired. The amount of the provision was MRs67.848m (2015: MRs73.911m) for the group and MRs34.814m (2015: MRs28.568m) for the company. It was assessed that a portion of the receivables is expected to be recovered.

**The ageing of these receivables**

| MRs000 | THE GROUP 2016 | THE GROUP 2015 | THE COMPANY 2016 | THE COMPANY 2015 |
|---|---|---|---|---|
| 1 to 3 months | **7,975** | 18,620 | **3,880** | 6,325 |
| 4 to 6 months | **7,307** | 7,317 | **4,677** | 5,194 |
| Over 6 months | **67,038** | 76,250 | **29,770** | 26,925 |
| | **82,320** | 102,187 | **38,327** | 38,444 |
| **Fair value of collateral** | | | | |
| 1 to 3 months | **1,931** | 619 | **766** | 498 |
| 4 to 6 months | **1,017** | 965 | **842** | 453 |
| Over 6 months | **3,228** | 5,445 | **2,457** | 3,236 |
| | **6,176** | 7,029 | **4,065** | 4,187 |

**Movement in the provision for impairment of trade receivables**

| MRs000 | THE GROUP 2016 | THE GROUP 2015 | THE COMPANY 2016 | THE COMPANY 2015 |
|---|---|---|---|---|
| At July 1st | **73,911** | 62,248 | **28,568** | 16,827 |
| Net provision for impairment | **12,410** | 16,296 | **10,555** | 13,677 |
| Receivables written off during the year as uncollectible | **(18,473)** | (4,633) | **(4,309)** | (1,936) |
| At June 30th | **67,848** | 73,911 | **34,814** | 28,568 |

The creation and release of provision for impaired receivables have been included in operating expenses in the statements of profit or loss and other comprehensive income. Amounts are generally written off when there is no expectation of recovering additional cash. 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.

## 12 share capital

| MRs000 | 2016 | 2015 |
|---|---|---|
| **Authorised** 1,000m ordinary shares of MRe1 each | **1,000,000** | 1,000,000 |
| **Issued and fully paid** 819.52m ordinary shares of MRe1 each | **819,520** | 819,520 |

## 13 retained earnings

| MRs000 | the company | subsidiaries | associates | consolidation adjustment | the group |
|---|---|---|---|---|---|
| At July 1st 2015 | 1,665,912 | 479,546 | (19,076) | (27,076) | 2,099,306 |
| Profit attributable to shareholders | 26,885 | (13,676) | - | (692) | 12,517 |
| Other comprehensive income for the year | (143) | - | - | - | (143) |
| **At June 30th 2016** | **1,692,654** | **465,870** | **(19,076)** | **(27,768)** | **2,111,680** |

## 14 borrowings

| MRs000 | note | THE GROUP 2016 | THE GROUP 2015 | THE COMPANY 2016 | THE COMPANY 2015 |
|---|---|---|---|---|---|
| Bank overdrafts | A | **30,579** | 138,808 | **26,875** | 121,798 |
| Bank loan | B | **636,500** | 673,500 | **636,500** | 673,500 |
| Loan from parent payable at call | C | **178,000** | - | **178,000** | - |
| Other loan | | **-** | 163 | **-** | - |
| | | **845,079** | 812,471 | **841,375** | 795,298 |
| **Current** | | | | | |
| Bank overdrafts | | **30,579** | 138,808 | **26,875** | 121,798 |
| Bank loan | | **37,000** | 37,000 | **37,000** | 37,000 |
| Loan from parent payable at call | | **178,000** | - | **178,000** | - |
| Other loan | | **-** | 163 | **-** | - |
| | | **245,579** | 175,971 | **241,875** | 158,798 |
| **Non-current** | | | | | |
| Bank loan | | **599,500** | 636,500 | **599,500** | 636,500 |
| **Total borrowings** | | **845,079** | 812,471 | **841,375** | 795,298 |

### A Bank overdrafts

› The bank overdrafts are secured by floating charges over the assets of the group.

### B Bank loan

› Bank loans mature in December 2019 and December 2025 and bear interest at 6.65% annually at June 30th 2016 (2015: 6.90% p.a). › Bank loans are secured by a floating charge over the assets of the group including inventories, investment property and property, plant and equipment.

### C Loan from parent

› The unsecured loan from parent bears interest at 6.65% annually at June 30th 2016.

The group's borrowings are denominated in mauritian rupee. The carrying amounts of borrowings are not materially different from their fair values.

**The exposure of the borrowings to interest rate changes at the end of the reporting period**

| MRs000 | THE GROUP 2016 | THE GROUP 2015 | THE COMPANY 2016 | THE COMPANY 2015 |
|---|---|---|---|---|
| Within one year | **245,579** | 175,971 | **241,875** | 158,798 |
| After one year and before two years | **41,500** | 37,000 | **41,500** | 37,000 |
| After two years and before three years | **46,000** | 41,500 | **46,000** | 41,500 |
| After three years and before five years | **224,000** | 92,000 | **224,000** | 92,000 |
| After five years | **288,000** | 466,000 | **288,000** | 466,000 |
| | **845,079** | 812,471 | **841,375** | 795,298 |

## 15 deferred tax

**Deferred tax liability/(asset)**

| MRs000 | at July 1st 2015 | charge/ (credit) to statement of profit or loss | credit to statement of other comprehensive income | **at June 30th 2016** |
|---|---|---|---|---|
| THE GROUP | | | | |
| Accelerated capital allowances | 2,152 | (729) | - | **1,423** |
| Provisions | (7,997) | 332 | - | **(7,665)** |
| **Deferred tax assets** | (5,845) | (397) | - | **(6,242)** |
| Accelerated capital allowances | 38,180 | 5,306 | - | **43,486** |
| Provisions | (8,601) | 750 | (25) | **(7,876)** |
| Fair value gains | 101,994 | - | - | **101,994** |
| Tax losses | (1,607) | (4,125) | - | **(5,732)** |
| **Deferred tax liabilities** | 129,966 | 1,931 | (25) | **131,872** |
| **Net deferred tax** | 124,121 | 1,534 | (25) | **125,630** |

**Deferred tax liabilities**

| THE COMPANY | | | | |
|---|---|---|---|---|
| Accelerated capital allowances | 37,636 | 5,330 | - | **42,966** |
| Provisions | (6,103) | (874) | (25) | **(7,002)** |
| Fair value gains | 58,863 | - | - | **58,863** |
| | 90,396 | 4,456 | (25) | **94,827** |

› There is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets and liabilities when the deferred income taxes relate to the same fiscal authority of the same entity. The following amounts are shown in the statements of financial position.

| MRs000 | THE GROUP **2016** | THE GROUP 2015 | THE COMPANY **2016** | THE COMPANY 2015 |
|---|---|---|---|---|
| Deferred tax assets | **(21,273)** | (18,205) | **(7,002)** | (6,103) |
| Deferred tax liabilities | **146,903** | 142,326 | **101,829** | 96,499 |
| | **125,630** | 124,121 | **94,827** | 90,396 |

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

| MRs000 | note | THE GROUP **2016** | THE GROUP 2015 | THE COMPANY **2016** | THE COMPANY 2015 |
|---|---|---|---|---|---|
| **The movement in the deferred income tax account** | | | | | |
| As July 1st | | **124,121** | 125,500 | **90,396** | 88,353 |
| Charge/(credit) to profit or loss | 21 | **1,534** | (1,303) | **4,456** | 2,119 |
| Credit to other comprehensive income | | **(25)** | (76) | **(25)** | (76) |
| **At June 30th** | | **125,630** | 124,121 | **94,827** | 90,396 |

## 16 retirement benefit obligations

| MRs000 | note | THE GROUP 2016 | THE GROUP 2015 | THE COMPANY 2016 | THE COMPANY 2015 |
|---|---|---|---|---|---|
| **Amounts recognised in the statements of financial position** | | | | | |
| Other post retirement benefits (gratuity on retirement) | | **26,198** | 26,011 | **8,518** | 7,818 |
| **Amounts recognised in the statements of profit or loss and other comprehensive income** | | | | | |
| Release in respect of leavers | | **(1,441)** | (1,441) | **-** | - |
| Provision for the year | | **2,953** | 4,445 | **1,267** | 700 |
| Total included in employee benefit expense | 19A | **1,512** | 3,004 | **1,267** | 700 |
| **Movement in the liability recognised in the statements of financial position** | | | | | |
| At July 1st | | **26,011** | 23,526 | **7,818** | 7,437 |
| Gratuity on retirement paid | | **(758)** | (292) | **-** | (92) |
| Benefits paid | | **(735)** | (735) | **(735)** | (735) |
| Amount charged to other comprehensive income | | **168** | 508 | **168** | 508 |
| Expense for the year | | **1,512** | 3,004 | **1,267** | 700 |
| **At June 30th** | | **26,198** | 26,011 | **8,518** | 7,818 |

› Other post retirement benefits comprise of gratuity on retirement payable under the Employment Rights Act 2008 (as amended).

## 17 other payables

| MRs000 | THE GROUP 2016 | THE GROUP 2015 | THE COMPANY 2016 | THE COMPANY 2015 |
|---|---|---|---|---|
| Amounts owed to parent | **748** | 908 | **680** | 757 |
| Amounts owed to subsidiary companies | **-** | - | **179,482** | 181,146 |
| Amounts owed to related parties | **12** | - | **-** | - |
| Social security and other taxes | **5,453** | 5,948 | **1,673** | 1,716 |
| Defined contribution plan | **1,500** | 701 | **334** | 141 |
| Advance monies | **36,773** | 34,522 | **30,283** | 28,376 |
| Other payables and accrued expenses | **54,319** | 54,053 | **26,912** | 23,097 |
| | **98,805** | 96,132 | **239,364** | 235,233 |

› Other payables are interest free and have settlement dates within one year. The carrying amounts of other payables approximate their fair values.

## 18 other reserves

| MRs000 | share premium | translation reserve | total |
|---|---|---|---|
| | | THE GROUP | |
| At July 1st 2015 | 2,862 | (12) | 2,850 |
| Currency translation differences | - | (53) | (53) |
| **At June 30th 2016** | **2,862** | **(65)** | **2,797** |

| MRs000 | share premium |
|---|---|
| | THE COMPANY |
| At July 1st 2015 and June 30th 2016 | 2,862 |

**Share premium**
The share premium account includes the difference between the value of shares issued and their nominal value.

**Translation of foreign operations**
The translation reserve comprises all foreign currency differences arising from the translation of financial statements of foreign operations.

## 19 operating profit

| MRs000 | note | THE GROUP 2016 | THE GROUP 2015 | THE COMPANY 2016 | THE COMPANY 2015 |
|---|---|---|---|---|---|
| **Operating profit is arrived at after crediting** | | | | | |
| Rental income | | **219,957** | 202,175 | **181,876** | 160,805 |
| Sale of goods | | **13,627** | 14,221 | **-** | - |
| Sale of services | | **227,902** | 245,215 | **-** | - |
| Profit on disposal of property, plant and equipment | | **572** | - | **-** | - |
| **and after charging** | | | | | |
| Depreciation on property, plant and equipment | 4 | **18,502** | 19,135 | **3,879** | 3,534 |
| Amortisation and impairment of intangible assets | 5 | **1,550** | 493 | **33** | 44 |
| Amortisation of prepaid operating lease payments | 3 | **6** | 6 | **6** | 6 |
| Property, plant and equipment written off | | **290** | 439 | **126** | - |
| Operating lease rentals - land | | **4,382** | 4,382 | **4,382** | 4,382 |
| Corporate Social Responsibility | | **330** | 416 | **2** | 5 |
| Employee benefit expense | 19A | **213,513** | 221,767 | **25,759** | 25,364 |

### A Analysis of employee benefit expense

| MRs000 | THE GROUP 2016 | THE GROUP 2015 | THE COMPANY 2016 | THE COMPANY 2015 |
|---|---|---|---|---|
| Wages and salaries | **193,083** | 200,494 | **21,688** | 22,139 |
| Social security costs | **10,560** | 10,622 | **1,176** | 1,126 |
| **Pension costs** | | | | |
| Defined contribution plan | **8,358** | 7,647 | **1,628** | 1,399 |
| Other post retirement benefits (16) | **1,512** | 3,004 | **1,267** | 700 |
| | **213,513** | 221,767 | **25,759** | 25,364 |

## 20 finance income and costs

| MRs000 | note | THE GROUP 2016 | THE GROUP 2015 | THE COMPANY 2016 | THE COMPANY 2015 |
|---|---|---|---|---|---|
| **Finance costs** | | | | | |
| Interest expense | | | | | |
| Bank overdrafts | | **6,975** | 10,523 | **6,314** | 9,195 |
| Bank loan | | **44,613** | 43,340 | **44,613** | 43,340 |
| Other loans at call | | **4,433** | 2,093 | **4,428** | 2,093 |
| Foreign exchange loss | | **112** | 60 | **176** | 59 |
| Other | | **20** | 17 | **265** | 27 |
| | | **56,153** | 56,033 | **55,796** | 54,714 |
| Less interest capitalised | 2 | **(246)** | (390) | **-** | - |
| | | **55,907** | 55,643 | **55,796** | 54,714 |
| **Finance income** | | | | | |
| Interest income | | **(839)** | (507) | **(12,499)** | (8,980) |
| **Net finance costs** | | **55,068** | 55,136 | **43,297** | 45,734 |

## 21 income tax expense

| MRs000 | note | THE GROUP 2016 | THE GROUP 2015 | THE COMPANY 2016 | THE COMPANY 2015 |
|---|---|---|---|---|---|
| Based on the profit for the year, as adjusted for tax purposes, at 15% | | **1,496** | 2,514 | **556** | 14 |
| Underprovision of tax in previous year | | **6** | 1 | **-** | 1 |
| Deferred income tax movement for the year | 15 | **1,534** | (1,303) | **4,456** | 2,119 |
| Charge to statement of profit or loss | | **3,036** | 1,212 | **5,012** | 2,134 |
| **Deferred income tax charge/(credit)** | | | | | |
| Accelerated capital allowances | | **4,577** | 3,443 | **5,330** | 4,038 |
| Provisions | | **1,057** | (3,215) | **(899)** | (1,995) |
| Tax losses | | **(4,125)** | (1,607) | **-** | - |
| | | **1,509** | (1,379) | **4,431** | 2,043 |

## 21 income tax expense *continued*

Reconciliation between the applicable income tax rate of 15.0% for the group and the company and the effective rate of income tax of the group of 19.5% (2015: 52.4%) and the company of 15.7% (2015: 26.4% ).

**As a percentage of profit before income tax**

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| % | **2016** | 2015 | **2016** | 2015 |
| Income tax rate | **15.0** | 15.0 | **15.0** | 15.0 |
| **Impact of** | | | | |
| Disallowable items | **8.1** | 67.9 | **2.9** | 10.3 |
| Other allowable items | **(0.2)** | (2.5) | **-** | - |
| Other differences | **(3.2)** | 1.0 | **(2.2)** | 1.1 |
| Exempt income | **(0.6)** | (2.1) | **-** | (0.6) |
| Balancing charge/(allowance) | **0.1** | (0.4) | **-** | 0.6 |
| Unrecognised deferred tax assets | **0.3** | (27.3) | **-** | - |
| Effect of different tax rates | **-** | 0.8 | **-** | - |
| Average effective income tax rate | **19.5** | 52.4 | **15.7** | 26.4 |

## 22 earnings per share

Earnings per share is calculated on the basis of the group profit for the year and the number of shares in issue and ranking for dividends during the two years under review.

| THE GROUP | **2016** | 2015 |
|---|---|---|
| MRs000 | | |
| Profit attributable to owners of the parent | **12,517** | 1,100 |
| Number of ordinary shares in issue (thousands) | **819,520** | 819,520 |

## 23 segment information

**2016**

| MRs000 | property | security | eliminations | total |
|---|---|---|---|---|
| **Revenues** | | | | |
| External sales | 219,957 | 241,529 | - | 461,486 |
| Intersegment sales | 4,800 | 19,109 | (23,909) | - |
| Total revenue | 224,757 | 260,638 | (23,909) | 461,486 |
| Segment result | 69,676 | 945 | - | 70,621 |
| Finance income | 73 | 766 | - | 839 |
| Finance costs | (55,363) | (544) | - | (55,907) |
| Profit before income tax | 14,386 | 1,167 | - | 15,553 |
| Taxation | (2,488) | (548) | - | (3,036) |
| Profit attributable to owners of the parent | 11,898 | 619 | - | 12,517 |
| Segment assets | 3,946,938 | 89,351 | | 4,036,289 |
| Segment liabilities | 1,056,109 | 45,845 | | 1,101,954 |
| Current tax liabilities | - | 338 | | 338 |
| | 1,056,109 | 46,183 | | 1,102,292 |
| Capital expenditure | 49,642 | 9,449 | | 59,091 |
| Depreciation and amortisation | 5,635 | 14,423 | | 20,058 |

› All activities of the group are carried out in Mauritius.

› **Products and services from which reportable segments derive their revenues**

In prior years, segment information reported externally was analysed on the basis of activities undertaken by each of the group's operating divisions and the same information was provided to management. The group's reportable segments under IFRS 8 are as follows:

| Segment | Activity |
|---|---|
| Property | rental income |
| Security | security and property protection services and sales of equipment |

› The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Intersegment sales and transfers are accounted as if the sales or transfers were to third parties at current market prices.

› **Factors that management used to identify the entity's reportable segments**

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.

› **Geographical information**

No material revenues were derived from customers outside Mauritius. All of the non current assets are found in Mauritius.

## 23 segment information *continued*

2015

| MRs000 | property | security | eliminations | total |
|---|---|---|---|---|
| **Revenues** | | | | |
| External sales | 202,175 | 259,436 | - | 461,611 |
| Intersegment sales | 4,800 | 20,202 | (25,002) | - |
| Total revenue | 206,975 | 279,638 | (25,002) | 461,611 |
| Segment result | 52,502 | 5,165 | (209) | 57,458 |
| Share of loss in joint venture | - | (10) | - | (10) |
| Finance income | 264 | 243 | - | 507 |
| Finance costs | (54,300) | (1,343) | - | (55,643) |
| Profit before income tax | (1,534) | 4,055 | (209) | 2,312 |
| Taxation | (1,062) | (150) | - | (1,212) |
| Profit attributable to owners of the parent | (2,596) | 3,905 | (209) | 1,100 |
| Segment assets | 3,882,557 | 105,143 | | 3,987,700 |
| Segment liabilities | 1,001,948 | 62,632 | | 1,064,580 |
| Current tax liabilities | - | 1,444 | | 1,444 |
| | 1,001,948 | 64,076 | | 1,066,024 |
| Capital expenditure | 6,386 | 8,358 | | 14,744 |
| Depreciation and amortisation | 4,891 | 14,743 | | 19,634 |

## 24 commitments and contingencies

| MRs000 | THE GROUP 2016 | THE GROUP 2015 | THE COMPANY 2016 | THE COMPANY 2015 |
|---|---|---|---|---|
| **Capital** | | | | |
| Commitment in respect of future capital expenditure authorised by the directors and not provided in the financial statements | **750,000** | 47,740 | **750,000** | 20,500 |

| MRs000 | THE GROUP 2016 | THE GROUP 2015 | THE COMPANY 2016 | THE COMPANY 2015 |
|---|---|---|---|---|
| **Future minimum lease payments under non-cancellable operating leases** | | | | |
| Not later than 1 year | **6,831** | 7,798 | **3,932** | 3,932 |
| Later than 1 year and not later than 2 years | **3,932** | 9,190 | **3,932** | 6,292 |
| Later than 2 years and not later than 5 years | **11,796** | 18,874 | **11,797** | 18,874 |
| | **22,559** | 35,862 | **19,661** | 29,098 |

› The lease is in respect of land at Riche Terre which is for a further period of twenty years expiring on May 31st, 2031 and is renewable for a period of twenty years and another period of thirty nine years. › The group also leases equipment. › Rental income derived from rental of industrial building at Riche Terre amounts to MRs8.356m (2015: MRs9.607m).

**Operating leases**

| MRs000 | THE GROUP 2016 | THE GROUP 2015 | THE COMPANY 2016 | THE COMPANY 2015 |
|---|---|---|---|---|
| **Future minimum lease payments receivable under non-cancellable operating leases** | | | | |
| Not later than 1 year | **183,168** | 158,407 | **136,060** | 123,443 |
| Later than 1 year and not later than 5 years | **242,135** | 207,201 | **212,609** | 163,298 |
| Later than 5 years | **86,727** | 97,516 | **146,727** | 158,811 |
| | **512,030** | 463,124 | **495,396** | 445,552 |

› The leases have varying terms, escalation clauses and renewal rights. There are no restrictions imposed on the group by the lease arrangements.

**Contingencies**

| MRs000 | THE GROUP 2016 | THE GROUP 2015 |
|---|---|---|
| **Contingent liabilities** | | |
| Bank guarantees to third parties | **3,500** | 3,575 |

## 25 parent and ultimate parent

The directors regard Promotion and Development Ltd, which is incorporated in the Republic of Mauritius, as the parent, ultimate parent and ultimate controlling party.

## 26 three-year summary of published results and assets and liabilities

| THE GROUP<br>MRs000 | **2016** | 2015 | 2014 |
|---|---|---|---|
| **Statements of profit and loss and other comprehensive income** | | | |
| Turnover | **461,486** | 461,611 | 459,439 |
| Profit before income tax | **15,553** | 2,312 | 8,796 |
| Share of loss of associate | **-** | - | (8,418) |
| Taxation | **(3,036)** | (1,212) | 34,298 |
| Profit attributable to owners of the parent | **12,517** | 1,100 | 43,094 |
| Other comprehensive income for the year | **(196)** | (444) | (17,395) |
| Adjusted profit attributable to owners of the parent | **12,517** | 1,100 | 15,596 |
| Total comprehensive income attributable to owners of the parent | **12,321** | 656 | 25,699 |
| | | | |
| Net assets value per share | **3.580** | 3.565 | 3.564 |
| Rate of dividend (%) | **-** | - | - |
| Dividend per share (MRe) | **-** | - | - |
| Earnings per share (MRe) | **0.0153** | 0.0013 | 0.0526 |
| Adjusted earnings per share (MRe) | **0.0153** | 0.0013 | 0.0190 |
| | | | |
| **Statements of financial position** | | | |
| | | | |
| Non-current assets | **3,897,563** | 3,859,103 | 3,819,601 |
| Current assets | **138,726** | 128,597 | 114,776 |
| Total assets | **4,036,289** | 3,987,700 | 3,934,377 |
| | | | |
| Total equity | **2,933,997** | 2,921,676 | 2,921,020 |
| Non-current liabilities | **757,570** | 792,477 | 571,839 |
| Current liabilities | **344,722** | 273,547 | 441,518 |
| Total equity and liabilities | **4,036,289** | 3,987,700 | 3,934,377 |

## 27 related party transactions

**Transactions carried out by the group with related parties**

| **2016** MRs000 | purchase of property plant & equipment | rental/ other income | payment in respect of invest-ment property | operating expenses | manage-ment fees | interest expense/ (income) | loan received from | loan repaid to | emolu-ments and benefits |
|---|---|---|---|---|---|---|---|---|---|
| Parent | **26** | **11** | **1,105** | **3,932** | **15,748** | **4,432** | **296,128** | **118,128** | **-** |
| Associate | **-** | **15,663** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Associate of parent | **-** | **14,460** | **4,117** | **1,455** | **-** | **-** | **-** | **-** | **-** |
| Joint venture in which the group is a venturer | **-** | **-** | **-** | **-** | **61** | **(5)** | **531** | **639** | **-** |
| Shareholders with significant influence | **-** | **9,961** | **-** | **4,324** | **-** | **51,584** | **-** | **37,000** | **-** |
| Enterprises in which directors/key management personnel (and close families) have significant interest | **-** | **2,094** | **-** | **81** | **-** | **-** | **-** | **-** | **-** |
| Key management personnel and directors | **-** | **272** | **-** | **-** | **-** | **-** | **-** | **-** | **11,026** |
| 2015 | | | | | | | | | |
| Parent | - | 8 | 1,125 | 3,932 | 15,079 | 2,093 | 168,820 | 168,820 | - |
| Associate | - | 20,815 | - | - | - | - | - | - | - |
| Associate of parent | - | 22,950 | 531 | 1,552 | - | - | - | - | - |
| Shareholders with significant influence | - | 8,763 | - | 3,808 | - | 53,863 | 220,552 | 35,877 | - |
| Enterprises in which directors/key management personnel (and close families) have significant interest | 20 | 1,855 | - | 90 | - | - | - | - | - |
| Key management personnel and directors | - | 422 | - | - | - | - | - | - | 10,585 |

**Key management personnel compensation**

| MRs000 | THE GROUP **2016** | THE GROUP 2015 | THE COMPANY **2016** | THE COMPANY 2015 |
|---|---|---|---|---|
| **Remuneration and other benefits relating to key management personnel, including directors** | | | | |
| Salaries and short term employee benefits | **10,274** | 9,876 | **6,277** | 6,134 |
| Post employments benefits | **752** | 709 | **438** | 395 |
| | **11,026** | 10,585 | **6,715** | 6,529 |

## 27 related party transactions *continued*

**Transactions carried out by the company with related parties**

| **2016** MRs000 | purchase of property, plant & equipment | rental/ other income | payment in respect of invest-ment property | operating expenses | manage-ment fees | interest expense/ (income) | loan received from | loan repaid to | emolu-ments and benefits |
|---|---|---|---|---|---|---|---|---|---|
| Parent | **26** | **-** | **580** | **3,932** | **13,058** | **4,428** | **293,528** | **115,528** | **-** |
| Associate | **-** | **363** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Associate of parent | **-** | **-** | **2,632** | **543** | **-** | **-** | **-** | **-** | **-** |
| Joint venture in which the group is a venturer | **-** | **-** | **-** | **473** | **-** | **-** | **-** | **-** | **-** |
| Subsidiary companies | **-** | **6,279** | **-** | **12,729** | **-** | **(12,183)** | **54,556** | **54,556** | **-** |
| Shareholders with significant influence | **-** | **2,459** | **-** | **458** | **-** | **50,924** | **-** | **37,000** | **-** |
| Enterprises in which directors/key management personnel (and close families) have significant interest | **-** | **2,094** | **-** | **81** | **-** | **-** | **-** | **-** | **-** |
| Key management personnel and directors | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **6,715** |
| 2015 | | | | | | | | | |
| Parent | - | - | 109 | 3,932 | 11,886 | 2,093 | 168,820 | 168,820 | - |
| Associate | - | 363 | - | - | - | - | - | - | - |
| Associate of parent | - | - | - | 738 | - | - | - | - | - |
| Subsidiary companies | 2,000 | 6,279 | - | 11,940 | - | (8,932) | - | - | - |
| Shareholders with significant influence | - | 2,418 | - | 438 | - | 52,535 | 220,552 | 35,877 | - |
| Enterprises in which directors/key management personnel (and close families) have significant interest | 20 | 1,855 | - | 90 | - | - | - | - | - |
| Key management personnel and directors | - | 9 | - | - | - | - | - | - | 6,529 |

› The related party transactions were carried out on normal commercial terms and at prevailing market prices. › There is a management service fee contract between the company and Promotion and Development Ltd (PAD) which is the ultimate parent. The management fees paid to PAD are equivalent to (1) 5% of the net income after operating costs, but before interest, depreciation and tax, (2) 2.5% of the cost of construction and capital works, excluding professional fees, government fees and interest and (3) agents fees equivalent to 2 months' basic rental on securing new tenants, one month's basic rental on new contracts with existing tenants and 2% of gross consideration in respect of sales of property. › The key management personnel compensation consists only of salaries and employment benefits. None of the investments in associates have been impaired during the year. › There have been no guarantees provided or received for any related party receivables or payables. › Loan from related parties are unsecured and bears interest at 6.65% per annum at June 30th 2016. › For the year ended June 30th 2016, the group has not recorded any impairment of receivables relating to amounts owed by related parties (2015: 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.

THE GROUP

**Outstanding balances in respect of related party transactions at the end of the reporting period**

| **2016** MRs000 | receivables from related companies | borrowings payable to related companies | payables to related companies |
|---|---|---|---|
| Parent | **39** | **178,000** | **787** |
| Associate | **975** | **-** | **-** |
| Associate of parent | **9,030** | **-** | **29** |
| Joint venture in which the group is a venturer | **-** | **-** | **12** |
| Shareholders with significant influence | **1,560** | **667,079** | **101** |
| Key management personnel and directors | **100** | **-** | **-** |
| 2015 | | | |
| Parent | - | - | 908 |
| Associate | 30 | - | - |
| Associate of parent | 10,469 | - | 105 |
| Joint venture in which the group is a venturer | 96 | - | - |
| Shareholders with significant influence | 1,475 | 812,308 | 100 |
| Key management personnel and directors | 189 | - | - |

## 28 currency

The financial statements are presented in thousands of Mauritian Rupees.

## 29 events after reporting period

› At a special meeting of shareholders held on August 10th 2016, the shareholders approved a Bonus Issue of 0.220226474 new ordinary share for each ordinary share held on August 30th 2016 and thereafter a Rights Issue of one new ordinary share for each ordinary share held on September 5th 2016 at an issue price of MRe1.00 each. › The proceeds of the MRs1bn Rights Issue will be used for Phase III extension project and for the repayment of current bank borrowings. › The Rights Issue is not underwritten. The company is confident that the new shares will be fully subscribed as Promotion and Development Ltd, the parent company, has undertaken to take up its rights in their entirety and to subscribe to any rights not taken up by the remaining shareholders.

## 30 directors of subsidiaries

**Directors of subsidiary companies holding office at the end of the accounting period**

**Caudan Leisure Ltd**
René Leclézio
Jocelyne Martin

**Caudan Security Services Limited**
René Leclézio
Jocelyne Martin
Mooroogassen Soopramanien

**Security and Property Protection Agency Co Ltd**
René Leclézio
Jocelyne Martin
Mooroogassen Soopramanien
Deepak K. Lakhabhay
Bertrand de Chazal
Dhunpathlall Bhima

**SPPA CO Ltd**
Mooroogassen Soopramanien
Deepak K. Lakhabhay

**Harbour Cruise Ltd**
Philippe de Labauve d'Arifat *resigned September 2016*
René Leclézio

**Société Mauricienne d'Entreprise Générale Ltée & Best Sellers Limited**
Arnaud Dalais *resigned August 2016*
René Leclézio

**Caudan Communauté**
René Leclézio
Jocelyne Martin

CAUDAN
DEVELOPMENT

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