CAUDAN DEVELOPMENT




annual report 2011

Dear valued Shareholder

The board of directors of Caudan Development is pleased to present its annual report for the year ended June 30th 2011.

The activities of the group continued throughout 2011 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, Riche Terre and Albion Dock.

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 16th 2011.

Yours sincerely

Jean-Pierre Montocchio
Chairman

René Leclézio
Director

CAUDAN DEVELOPMENT

Clifford Ramsamy, Alan Mahdeo and Stevens Kenny, Security Manager, part of the Caudan Security Services team operating at Le Caudan Waterfront.

annual report 2011

reports

financial statements

Corinne Wong Kee Cheong, Jacqueline Mirbel and Salim Thawkalkhan, the administrative team.

The company, which is listed on the Stock Exchange of Mauritius, is a subsidiary of Promotion and Development, which holds an effective 62% stake in the company.

financial highlights

	2011	2010
	MRs	MRs
Group shareholders' funds	**2.82bn**	2.80bn
Group net asset value	**3.45**	3.42
Share price	**2.00**	1.60
Earnings per share	**0.06**	0.06
Adjusted eamings per share	**0.06**	0.06
Dividends per share	**0.04**	0.06

Performance summary

	2011	2010
	%	%
Net asset value return		
Group	**2.0**	1.8

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

	2011	2010
Total shareholder return	**28.8**	3.8

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

	THE GROUP
to June 30th 2011	%
Annualised returns	
5 years	9.1
10 years	10.9

Compound annual total return in terms of increase in net assets plus dividends.

corporate information

directors

Jean-Pierre Montocchio, *Chairman*
Arnaud Dalais, *Deputy Chairman*
Bertrand de Chazal
Thierry Dalais
appointed December 30th 2010
Hector Espitalier-Noël
resigned November 15th 2010
Gilbert Gnany
appointed December 30th 2010
Antoine Harel
resigned December 30th 2010
René Leclézio
Iqbal Mallam-Hasham
Jocelyne Martin
Antoine Seeyave
Adolphe Vallet
Bernard Yen

corporate governance committee

Arnaud Dalais, *Chairman*
Bertrand de Chazal
René Leclézio
Jean-Pierre Montocchio

audit committee

Bertrand de Chazal, *Chairman*
Hector Espitalier-Noël
resigned November 15th 2010
Gilbert Gnany
appointed December 30th 2010
Bernard Yen

management company

Promotion and Development Limited

company secretary

Jocelyne Martin

auditors

BDO & Co

registrar and transfer office

MCB Registry and Securities Limited
Raymond Lamusse Building
Sir William Newton Street
Port Louis, Mauritius

registered office

MCB Centre
9–15 Sir William Newton Street, Port Louis

postal address

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

Aradhna Boodhoo-Laumond, Communications Coordinator, Louis Rivaltz Mayer, Events and Promotions Manager and Philippe de Labauve d'Arifat, Centre Manager.

Padmsingh Ramessur and Riza Joomratee, Supervisor, part of the Repairs team.

chairman's statement

Dear valued Shareholder

Our predictions last year have unfortunately again proved to be right; 2011 did turn out to be as bad as 2010. The difficult economic conditions continued to prevail throughout the period and consumer morale failed to be revitalised. Against this challenging economic backdrop, we nevertheless managed to report a marginal increase in our group profit.

Overall, the results achieved this year are considered satisfactory given the adverse trading and economic environment in which we operated. Our adjusted underlying profit increased from last year's MRs49.6m to MRs53.1m. Revenue for the year under review progressed by 9.6% from last year's Rs425.3m to MRs466.2m, driven largely by increase in contracts and sales by our security company. Property fundamentals weakened in the past year with bad debts and arrears rising and vacancies increasing. Costs were impacted by additional manpower required for new contracts as well as costs driven by inflation.

strategy

Our aim, as always, is to generate good solid capital growth to underpin the dividends we are able to pay to our shareholders. We seek to achieve superior total returns for them by pursuing an active management policy so that our property remains highly valued by customers. Minimising our vacant property is the largest near term opportunity we have to generate additional value for our shareholders and is the main priority of our management team.

Asset and centre management initiatives are ongoing at Le Caudan Waterfront (LCW). We aim to maximize footfall and sales, and hence ensure the continued vibrancy of the centre. LCW can never remain in a static condition and must continually evolve to meet consumer needs and retailer demands. Remodeling of space, upgrading and improving facilities, modernizing and maintaining the building in a continued state of sound repair constantly demand our attention while changes in tenant mix provide new attraction for customers. Our focus on improvements to customer service and amenities is relentless and aims to provide the consumers and visitors in general with a safe, stress-free and rewarding experience. We want to ensure that LCW not only stands out but also stands for something in the hearts and minds of our visitors, who will want to visit us time and again. Our aim is to inspire pride in our tenants, customers and all Mauritians.

During 2011, we painstakingly continued the planned enhancement and refurbishment of our properties. A concrete action plan has been devised following surveys carried out during the last financial year to monitor occupiers' and customers' perception of LCW. As a result, we are continuing to refine our customer service offering. With regards to our new marketing and rebranding campaign, we have invested in the design and publication of a series of corporate and commercial adverts and reinforced our presence on the local market via billboards in strategic locations throughout the island. We have defined a comprehensive web strategy, with regular improvement and updates brought to caudan.com, which records between 12,000–15,000 visitors per month since its launch in September 2010. A strategy aimed at creating an interactive Caudan fan page on Facebook has also been defined. We are investing substantially in the design of Caudan branded events, which are widely advertised in the press, radio and via e-marketing tools. Measures have also been taken so as to intensify our presence on the tourism market, notably by specific targeting of tourism-related media, and to establish an efficient communication channel with tour-operators.

results

Our underlying profit before tax increased to MRs62.2m, up 4.7% compared to last year's MRs59.3m. Details of our income statement are as follows:

INCOME STATEMENT

Year ended June 30th	**2011**	2010
MRs000		
Net rental income	**119,148**	127,975
Net security income	**10,270**	2,445
	129,418	130,420
Dividend - hotel	**3,170**	1,200
Share of loss - casino	**(1,279)**	(3,996)
Net profit before interest	**131,309**	127,624
Net finance costs	**(69,147)**	(68,278)
Profit before tax	**62,162**	59,346

Our property business was adversely affected by the tough retail environment, a general curtailment of the rates of rental increases, casualties leading to extended vacant periods and a marked increase in bad debts, as well as the continued sluggish office demand. These factors coupled with the increase in overheads and particularly higher marketing costs have led to a decrease of 6.9% in net rental income from MRs128.0m to MRs119.1m.

Our security business, on the other hand, fared well and has provided a powerful combination of a significant revenue stream and a major development opportunity. We consolidated our position as a major security service provider and increased our net income by more than threefold from MRs2.4m to MRs10.3m.

Our dividend income was up from MRs1.2m to MRs3.2m as Tropical Paradise, in a better financial position after a successful rights issue, was able to pay an ordinary dividend in addition to the cumulative preference dividend.

LCW Casino, our associate, for the second year running, registered a loss similar to that of last year but benefitted this time round from the reversal of an overprovision of costs booked in previous years. Our share of the loss amounted to MRs1.3m compared to MRs4.0m last year.

Finally, financial costs still unmatched by sufficient rental revenue during the year, given the high level of vacancy, mainly in respect of the office units of Dias Pier building, continued to wreak havoc to Caudan. Their impact, year on year, was however mitigated by the drop in interest rates during the earlier part of the financial year.

Despite the difficult retail environment, both the market value (MV) and underlying net asset value (NAV) of Caudan's shares held up relatively well, a continued tribute to the superior quality and uniqueness of our assets. The MV of Caudan shares rose by a remarkable 25% over the financial year to close at MRs2.00 at June 30th 2011, such that the shares were trading at a 42% discount to their NAV, which stood at MRs3.45 at June 30th 2011 compared to MRs3.42 at the start of the year. This is equivalent to a total return for the year, including dividends, of 2%. Looking back over the last five years, our compound annual return of 9.1% in terms of increase in net assets per share plus dividends has represented a reasonable outcome for shareholders.

investment property

The investment property was valued at June 30th 2011 and 2010 at MRs3.6bn.

MOVEMENT IN INVESTMENT PROPERTY

June 30th	**2011**	2010
MRsm		
Opening balance	**3,641.0**	3,633.0
Phase 2 development	**3.4**	8.0
	3,644.4	3,641.0

The directors have reassessed the fair values of the properties at balance sheet date and are satisfied, on the basis of current economic and property environment, that the carrying values of investment properties reflect their fair values. Capital expenditure of MRs3.4m incurred during the year represents fitting works undertaken in respect of office units at Dias Pier.

rental income

Gross rental income for the year was MRs257.5m, some 4.4% ahead of the MRs246.6m achieved in 2010 whilst net rental income hampered by increased debts write-offs fell from MRs128.0m to MRs119.1m during the year.

Void periods during the year have cost the group approx Rs7m in loss of rental income (MRs6.7m at LCW and MRs0.3m at industrial buildings) and a further MRs27.6m income foregone in respect of those offices which remained unlet throughout the year. We achieved a like-for-like growth rental rate of 1.6% at Le Caudan Waterfront and 4.9% in respect of industrial buildings.

The letting business has been no easy task during the year as the difficult economic conditions have impacted adversely on retail sales and our customer base. Competition for customers and retail spending in Mauritius remained intense. Consumer confidence and rising costs have affected consumers ability and willingness to spend resulting in a slowing down of retails sales growth.

Occupier markets were challenging in 2011 with the uncertainty and worries about the local and global economic environment weighing on sentiment. This lengthened the time taken by customers to make decisions on new space and contributed to the continued relatively high levels of takebacks as existing customers remained focused on cost savings and tried to cut costs by reducing or consolidating their space requirements on any lease break or expiry. Retailers prefer to sit tight and freeze any plans they might have for taking on new space for better days. Demand for space will come primarily from those companies who have weathered the recession and see the current market dynamics as an opportunity to take on new space at relatively favourable terms.

We have seen several retail casualties during 2011. Space returned on lease breaks or expiries was relatively high reflecting the uncertain economic conditions but in line with our expectations. While the retail failures have had a negative impact on our net rental income, the process of eliminating less successful retailers which accelerates when market conditions are more difficult is ultimately a healthy one. The remaining retailers along with new entrants to the sector will look to expand to fill the available space. Short term lettings have in some cases been agreed below previous rental levels but are an important part of the overall strategy to manage for occupancy maintaining attractiveness of the centre and minimizing exposure to void costs. We have continued to work closely with our customers throughout the year to anticipate their likely space requirements, both to try to minimize the amount of space returned on a lease break or expiry and to ensure we anticipate space coming back and have a plan in place for managing this.

We focus on our tenants to understand their changing business needs and respond to requests quickly and efficiently as well as provide good value. We also endeavour to analyse the drivers of their sales, and determine how to optimize the tenant mix at our property.

The perspective of growing competition in the retail industry, notably with the launch of widely commented shopping mall projects will definitely stimulate the local commercial scene. LCW's strategy in the wake of this new, challenging and competitive environment is to consolidate the exclusivity eminence of our destination, primarily by focusing on our unique selling points – the waterfront dimension of our product, our exquisite and safe physical environment (the sea, the harbour, the architecture, security), the multiple nature of our offer, and our strategic location at the heart of Port Louis, which, besides being a business centre, is also a powerful symbol of Mauritius' historical and cultural heritage. Such a context exhorts us to adopt an introspective approach by questioning ourselves in view of defining and implementing strategies as well as actions which will certainly benefit from the wisdom of hindsight.

Most of our initiatives during the past year have been motivated by our determination to be proactive. Since its launch 15 years ago, LCW has shown ongoing innovation. We are the pioneers as far as integrated shopping complexes offering a holistic experience to customers are concerned. On the strength of our deep-rooted experience, we strive for innovative and refreshing strategies and actions aimed at satisfying both our local and foreign targets.

In a nutshell, valuing Le Caudan Waterfront's status as a pioneer, our diverse offer and our extensive experience in the commercial sector in view of reigniting trust and loyalty among our local and foreign customers are the main thrust of our action plan. We have also been working on the diversification of our positioning on the market, by communicating on all the various dimensions of our offer, thus promoting LCW as an enjoyable lifestyle destination.

Our offices have attracted a range of high quality occupiers but are to date only 74% occupied. Office property demand has been virtually inexistent during the period. This is due to a number of factors: the financial crisis and depressed economic climate in the business world leading to the slowdown in offshore and professional activities, an excess of supply of available office accommodation on the market and difficulty of access into Caudan which should ease up after the completion of road developments currently in progress. Having said that, our offices provide the highest quality prime space in a modern environment and with Port Louis retaining its top position on the financial centre index, we remain confident that our offices will maintain their attraction as a business location.

The laborious access to LCW has been a major hindrance since the beginning of road works on the Caudan round-about. However this is a necessary evil as these major road developments when completed will be beneficial to us, easing the traffic load and providing a hassle-free journey to all drivers visiting the centre, whether they are coming from the north or the south. Unfortunately, construction works are taking much longer than expected and we appeal to the authorities so that no stone is left unturned to ensure that the interchange becomes operational as soon as possible.

security operations

During the year under review, we realized net operating security income of MRs10.3m, more than three times the results achieved in 2010. These are an outstanding set of results and show that our subsidiary company has delivered strong growth in earnings and has consolidated yet further its position as a leading security service provider.

The total people count stood at June 30th 2011 at 957. Following the relocation of its activities to its headquarters in St Pierre in January 2010, we have further developed our business, reforming and expanding our security activities. The benefits of synergies, economies of scale and operating efficiencies are now being felt and we are in a position to offer a considerably improved service to our clients.

indebtedness

At June 30th 2011, group borrowings amounted to MRs869.7m compared with MRs830.2m last year. Cash balances totaled MRs0.8m (2010: MRs0.3m), resulting in net debt amounting to MRs868.9m (MRs829.9m). Total inflows amounted to MRs48.5m, of which MRs46.1m were generated from operations, whilst MRs2.4m were raised from sale of fixed assets. These were utilised to finance capital expenditure of MRs25.8m, subscription of shares in Tropical Paradise rights issue of MRs12.5m and dividend payments of MRs49.2m. Going forward, improving our liquidity and financial strength remain one of our key priorities and we will continue to take all necessary action to achieve our goal.

Interest cover based upon adjusted profit before tax and fair value adjustment for the year was unchanged at 1.9 times.

dividends

Given the uncertain economic conditions and our tight cash flow position, the directors reluctantly decided to restrict the dividend for 2011 and declared a dividend of MRe0.04 per share, a reduction of 33.3%. I would like to reassure you however that it is our intention to restore to a higher dividend pay-out once trading conditions and our cash flows improve.

corporate social responsibility

Throughout the year, we provided free accommodation to a number of good causes. I am also pleased to report that Caudan Communauté, the entity formed in January 2010 by PaD, the holding company of Caudan to act as the approved vehicle to manage all CSR programmes of the PaD group, has been active throughout the year. The report on page 21 details the progress we have made in our commitment towards Corporate Social Responsibility.

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

prospects and outlook

Official figures published by the Central Statistics Office and The Bank of Mauritius for the first semester of 2011 concerning tourist arrivals and gross receipts (January to June) are encouraging and have instilled a feel-good factor into our team.

Both locally and on the international market, however, rising prices and government measures are weighing upon consumer confidence and household spending growth. Retail sales remain construed by austerity measures and consumer spending will continue to be negatively impacted by rising prices such that demand for space is likely to remain relatively constrained. Although we are working closely with our tenants, further retail failures may occur. These coupled with low levels of economic growth will make 2012 yet another challenging year for us.

In these difficult times, we will focus on operational delivery to continue to produce good letting figures and to maintain carefully measured momentum. We will continue our rigorous pursuit of cost control, tenant retention, credit control while at the same time enhancing the desirability of our property through the renovation and refurbishment of our buildings. We aim to remain the leader while managing the environment responsibly and delivering shareholder value. The journey has started and we will continue to work with our stakeholders to achieve these goals regardless of the challenges that we may face.

Caudan has demonstrated its resilience and has shown that despite the challenging retail backdrop, it continues to attract successful retailers. I am confident that the group will develop appropriate business strategies to mitigate the ill effects of the prevailing situation and to progress further as soon as this difficult period is behind us and growth resumes. Caudan has been diligently working so as to be the first to bounce as soon as the first signs of a sustainable recovery will surface.

The broader economic environment however remains unsettled and difficult to predict, as evidenced by the volatility in the financial markets. In this context, we are continuing to take a prudent approach to managing our business. Nonetheless, as occupancy levels increase, and further phases of development are completed, the economies of scale realized at the level of operating costs will lead to improved profitability. With our property located on the waterfront, we believe that Caudan remains well placed to make further operational progress in the long term future.

acknowledgements

2011 has seen some changes at board level. Messrs Hector Espitalier-Noël and Antoine Harel stepped down as directors; their tireless work and assistance over the course of their directorship 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. In December 2010, two new non-executive directors, Messrs Thierry Dalais and Gilbert Gnany, were appointed at the annual meeting. Both bring to the board a wealth of experience, which will help us no doubt develop further our understanding of the opportunities and challenges ahead of us.

In conclusion, I would like to express my sincere appreciation to all those who contribute to the group's ongoing success, the management team and our highly committed staff for their good work and continued efforts, my board colleagues for their invaluable sage advice and strategic direction, and our clients, tenants and shareholders for their continued trust and confidence.

Yours sincerely

Jean-Pierre Montocchio *Chairman*

September 27th 2011

Annic Penelope and Shafinaz Bhuglah, hostesses at the information kiosk.

Kadir Beeharry, Christophe Gérard, Maintenance Manager and Lorenzo Jodun, Senior Supervisor, part of the Maintenance team.

corporate governance report

compliance statement

The company is committed to the highest standard 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.

group structure as at June 30th 2011

The holding structure up to and including Promotion and Development Limited, the ultimate parent:

common directors

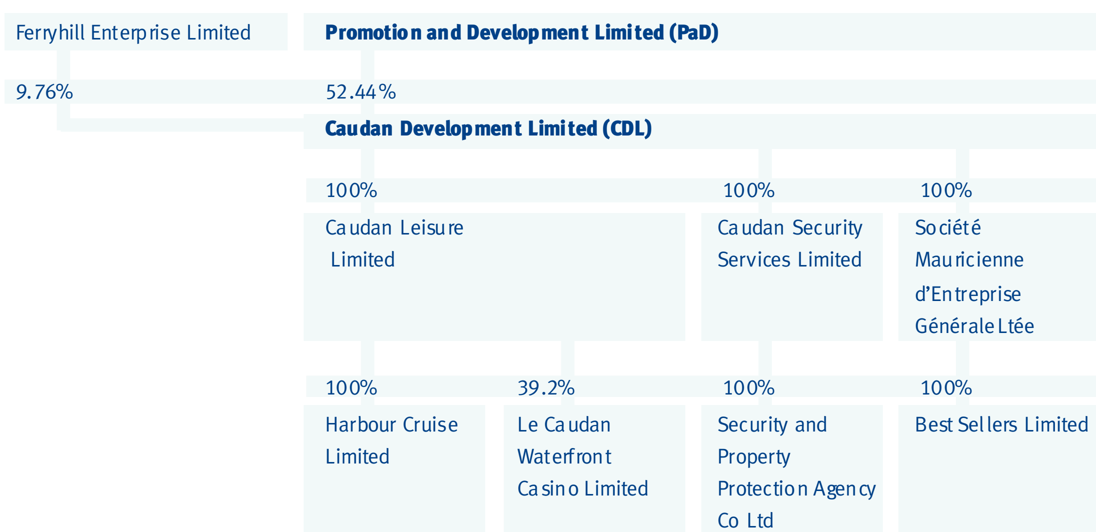
The names of the common directors within the holding structure of the company as at June 30th 2011:

	Promotion and Development
Jean-Pierre Montocchio	+
René Leclezio	+
Bertrand de Chazal	+
Arnaud Dalais	+
Thierry Dalais	+
Gilbert Gnany	+
Jocelyne Martin	+
Adolphe Vallet	+
Bernard Yen	+

major shareholders

SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARE CAPITAL OF THE COMPANY AT JUNE 30TH 2011

shareholder	number of shares	% held
Promotion and Development	429,730,709	52.44
Ferryhill Enterprises	80,000,000	9.76
Fincorp Investment	43,758,300	5.34



dividend policy

The company aims to supply its shareholders with ongoing returns in the form of stable dividends. Dividends are declared and paid once a year.

TREND OVER THE PAST FIVE YEARS

year	dividend per share
	cents
2011	4.0
2010	6.0
2009	6.0
2008	6.0
2007	5.0

the board of directors

Composition

The company's articles provide that the board of the company shall consist of a minimum of 5 and a maximum of 14 directors.

At year end, the board consisted of two executive directors and nine non-executive directors including the chairman and deputy chairman. The non-executive 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 in the year to consider all aspects of the company's affairs and any further information which it requested from management.

The following table gives the record of attendance at the Caudan board and its committee meetings for the financial year 2011.

ATTENDANCE AT THE BOARD AND ITS COMMITTEE MEETINGS

	board of directors	sub-committees	
		corporate	audit
2011		governance	
number of meetings held	6	1	5
meetings attended			
Jean-Pierre Montocchio	6	1	n/a
René Leclézio	6	1	n/a
Bertrand de Chazal	5	1	4
Arnaud Dalais	3	1	n/a
Thierry Dalais 3	4	n/a	n/a
Hector Espitalier-Noël 1	2	n/a	2
Gilbert Gnany 3	2	n/a	3
Antoine Harel 2	1	n/a	n/a
Iqbal Mallam Hasham	3	n/a	n/a
Jocelyne Martin	6	n/a	n/a
Antoine Seeyave	2	n/a	n/a
Adolphe Vallet	3	n/a	n/a
Bernard Yen	4	n/a	5

1 *Resigned November 15th 2010*
2 *Resigned December 30th 2010*
3 *Appointed December 30th 2010*

In accordance with the articles of the company directors are subject to retirement and re-election by shareholders as follows: one third of the directors or if their number is not three or a multiple of three, the number nearest one third shall retire from office and be eligible for re-election. New directors are appointed to the board on recommendation of the nomination committee.

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 senior 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 The Mauritius Commercial Bank, Fincorp Investment, Promotion and Development, Rogers and New Mauritius Hotels.

Arnaud Dalais
Deputy chairman and non-executive director

Chief Executive of CIEL group of companies and chairman of CIEL Textiles. Director of several public companies including Ireland Blyth, Sun Resorts and Promotion and Development. He assumed the chairmanship of various private sector institutions in Mauritius such as The Mauritius Chamber of Agriculture and the Joint Economic Council.

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 The Mauritius Commercial Bank, Promotion and Development.

Thierry Dalais
Non-executive director

Degree in Accounting and Commerce at the University of Witwatersrand. Served articles at Deloitte, qualifying as a chartered accountant in 1984. Was appointed as director of Merhold Corporate in1987. Co-founded Capital Partners in 1991. Served as deputy chairman of Brait. Co-founded Metier, a private equity investment and advisory firm of which he is today Executive Chairman. Acts as trustee, director on the boards of a number of private and public companies and foundations. Has extensive experience in banking, corporate finance, private equity investing and general counsel to entrepreneurs in South Africa and abroad. Director of Promotion and Development.

Gilbert Gnany
Non-executive director

DESS in Management/Micro Economics from the University of Paris-X, France. Group Chief Strategy Officer and advisor to the board at the Mauritius Commercial Bank since August 2009. Director of Promotion and Development and several subsidiaries of the Mauritius Commercial Bank. Currently a member of the IMF Advisory Group for Sub-Saharan Africa. Former senior advisor to the office of the Executive Directors of the World Bank Group, Economic Adviser to the Minister of Finance, Chairperson of the Stock Exchange of Mauritius and Member of the Board of Governors of the Mauritius Offshore Business Activities Authority.

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 and Mauritius Freeport Development.

Iqbal Mallam-Hasham

Non-executive director

DESS and MBA. Has a wide-ranging experience of the banking sector. Managing director of State Investment Corporation. Director of Sun Resorts, and the Mauritius Leasing Company.

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 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.

Antoine Seeyave

Non-executive director

Chairman of Happy World Food and director of several companies.

Adolphe Vallet

Non-executive director

Worked for the Mauritius Commercial Bank and Roger Fayd'herbe, before The Constance & La Gaieté Sugar Estate. Has acted as chairman of the MCB, the Chamber of Agriculture, IBL and of Constance Group of companies. Director of several companies including Belle Mare Holding, Beau Champ Holding, Constance Group, Deep River Beau Champ, Livestock feed and Promotion and Development.

Bernard Yen

Non-executive director

Fellow of the Institute of Actuaries. Is currently the managing director of AON Hewitt. Before settling in Mauritius, worked at William M Mercer and specialised in actuarial services in UK and Belgium. Has advised many organizations based in Africa. Director of Promotion and Development.

directors' interests in shares

With respect to the Model Code on Securities Transactions by Directors (Appendix 6 of The Mauritius Stock Exchange Listing Rules 2000), the directors are aware of its contents.

INTERESTS OF THE DIRECTORS IN THE SHARE CAPITAL OF THE COMPANY AND ITS SUBSIDIARIES AT JUNE 30TH 2011

number of shares	direct	indirect
Jean-Pierre Montocchio	-	131,000
Arnaud Dalais	300,000	50,000
Bertrand de Chazal	-	-
Thierry Dalais	-	-
Gilbert Gnany	-	-
René Leclézio	-	125,000
Iqbal Mallam Hasham	-	-
Jocelyne Martin	65,000	-
Antoine Seeyave	-	-
Adolphe Vallet	-	16,400
Bernard Yen	60,000	-

TRANSACTIONS DURING THE YEAR

shares purchased /(sold)	direct	indirect
Bertrand de Chazal	-	(242,500)
Adolphe Vallet	-	16,400

None of the other directors had a direct or indirect interest in the equity of the company and its subsidiaries.

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 18 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 is chaired by Mr Arnaud Dalais, an independent non-executive director and comprises three further non-executive directors (Messrs Bertrand de Chazal, Jean-Pierre Montocchio and 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 Messrs 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

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.

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 assistance of independent external advisers is sought from time to time to assess, review and consider the adequacy or otherwise of the system of internal control.

code of ethics

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

sustainability reporting

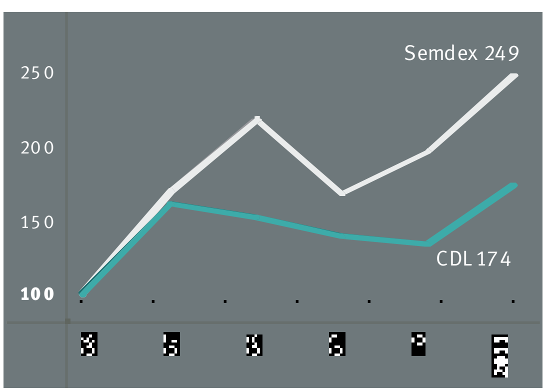
The company is committed to the development and implementation of social health and safety and environmental policies and practices in line with existing legislatives and regulatory framework.

important events

Declaration of dividend	June 2011
Payment of dividend	August 2011
Forthcoming annual meeting of shareholders	December 2011

share price information

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



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	**2011**	2010	**2011**	2010
Full time executive directors	**60**	60	**-**	-
Non-executive directors	**539**	452	**-**	-
	599	512	**-**	-

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

In respect of the year ended June 30th 2011 the fees payable to the auditors for audit and other services:

	THE GROUP		THE COMPANY	
MRS000	**2011**	2010	**2011**	2010
BDO & Co				
Audit services	**539**	515	**243**	215
Other services	**89**	80	**38**	35
	628	595	**281**	250

The fees in respect of other services are with regards to advice on taxation matters in their capacity as tax advisors for the company.

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 levels of responsibilities.

donations

	THE GROUP		THE COMPANY	
MRS000	**2011**	2010	**2011**	2010
Political	**-**	-	**-**	-
Other	**20**	-	**20**	-
Corporate social responsibility	**1,342**	1,330	**1,094**	820
	1,362	1,330	**1,114**	820

corporate social responsibility

Ever since its inception Caudan Development has endeavoured to ensure its survival and profitability in a sustainable environment and social context, through its commitment with its stakeholders and with society at large. Corporate Social Responsibility (CSR) has been expressed through 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. Other companies within the group have individually contributed to fulfill their social responsibility. Caudan Development has provided spaces in the mall for local crafts, exhibitions and cultural and sports events with a view to promote empowerment.

CSR involvement took another turn following the provisions of the Finance Act 2009 which made it mandatory for each company to devote 2% of its profit after tax to CSR activities. The commitment of Caudan Development towards CSR was strengthened both at national level and within the group. At the national level the Managing Director of Promotion and Development co-chaired a committee to define the framework, set out rules and guidelines for the operation of CSR. At group level Caudan Communauté, a Special Purpose Vehicle (SPV) has been incorporated under the Companies Act where the funds of Caudan Development and its subsidiaries together with those of its holding company, Promotion and Development are pooled to finance meaningfully CSR activities and to create partnerships with not only the public through non-profit organisation engaged in social work but also with other foundations having similar objectives and the authorities, namely the National Empowerment Foundation (NEF). Community Development underpins the vision of Caudan Communauté and provides the necessary framework for its operation.

The field of intervention of Caudan Communauté is varied and covers the following areas:

- promotion of socio-economic development, including poverty alleviation and the promotion 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 Committee.

Caudan Communauté therefore translates the philosophy of group in all the CSR projects it finances. Moreover it maintains its partnership with the authorities through participation in the first *Espace Rencontre*.

The change in the legal provision in the Finance Act 2010 to reserve 1% of profit after tax for inter alia alleviation of extreme poverty within the National Programme resulted into a more focused selection of projects with emphasis on sustainability and empowerment. The remaining 1% of the profit of the group and its subsidiaries will be used to follow through with existing policies.

The first year of operation of Caudan Communauté has been marked with the setting up of an administrative framework for its operation and the selection of projects in compliance with the legal provisions and the guidelines issued by the NEF. Strict procedures have been established.

A sum of MRs1.342m has been made available by the group. Some twenty five projects were funded namely in the field of

- support to vulnerable groups: children, women in distress and the 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 sporting events; and
- environment: creation of green spaces outside work place.

Participation in the first *Espace Rencontre* created a closer partnership with NGOs involved in social work. The CSR Committee, which is composed of voluntary members assisted by a secretary, has spared no effort to improve awareness of needy causes and construct useful relationship with their respective NGOs through visits to their centres.

When the law was amended in 2011 to make it compulsory for 50% CSR allocation to be devoted to alleviation of poverty under the National Programme, the CSR Committee selected some 32 requests from NGOs working with children followed by 17 NGOs mostly those that were supported in the previous year. Caudan Communauté met individually with NGOs at the 2nd *Espace Rencontre* with the theme of the support to vulnerable children held in July 2011.

The CSR committee members' commitment to involve the staff of Caudan Development and its subsidiaries in community work is commendable indeed. The effort to maintain a closer relationship with the NGOs results in the improvement of the group image. Moreover, opportunity is being given to NGOs to sell their products in the mall during events such as the *Festival Plantes et Saveurs* and Christmas sales. The Caudan is presently perceived as a preferred venue for NGOs in their awareness campaign!

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.

Signed on behalf of the board of directors

Jean-Pierre Montocchio *Chairman*

René Leclézio *Director*

September 16th 2011

Abdool Sahed Jumun, Andy Ritchie Ramah and Judex Hannelas, Store Supervisor, of the Stores department.

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 16th 2011

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) on pages 28 to 68 which comprise the statements of financial position at June 30th 2011, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

directors' responsibility for the financial statements

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

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 28 to 68 give a true and fair view of the financial position of the company at June 30th 2011 and of its financial performance and its 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 other than in our capacity as auditors, tax and business advisers 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 2004

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

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

BDO & Co
Chartered Accountants

per Ameenah Ramdin FCCA ACA
licensed by FRC
September 16th 2011, Port-Louis, Mauritius

financial statements

Vadivel Ramsamy, Supervisor, Aboo Samah Alladdeen and Patrick Fung Man Sang, part of the Landscaping team.

statements of financial position

MRs000	note	THE GROUP 2011	THE GROUP 2010	THE COMPANY 2011	THE COMPANY 2010
Assets					
Non-current assets					
Investment property	2	**3,644,391**	3,640,962	**3,282,753**	3,279,278
Prepaid operating leases	3	**487**	493	**487**	493
Property, plant and equipment	4	**180,492**	178,822	**42,112**	43,151
Intangible assets	5	**4,556**	3,755	**154**	116
Investments in subsidiary companies	6	**-**	-	**4,347**	4,347
Investments in associate	7	**18,647**	19,926	**-**	-
Investments in available-for-sale financial assets	9	**72,450**	62,750	**72,450**	62,750
		3,921,023	3,906,708	**3,402,303**	3,390,135
Current assets					
Inventories	10	**22,913**	20,855	**6,127**	3,397
Trade and other receivables	11	**120,373**	80,670	**243,299**	225,562
Cash and cash equivalents		**780**	340	**475**	104
		144,066	101,865	**249,901**	229,063
Total assets		**4,065,089**	4,008,573	**3,652,204**	3,619,198
Equity and liabilities					
Capital and reserves attributable to owners of the parent					
Share capital	12	**819,520**	819,520	**819,520**	819,520
Share premium		**2,862**	2,862	**2,862**	2,862
Fair value reserve		**19,950**	22,750	**19,950**	22,750
Retained earnings	13	**1,981,015**	1,960,710	**1,458,544**	1,452,933
Total equity		**2,823,347**	2,805,842	**2,300,876**	2,298,065
Liabilities					
Non-current liabilities					
Borrowings	14	**627,841**	604,166	**627,841**	604,166
Deferred tax liabilities	15	**233,680**	231,794	**206,903**	204,082
Retirement benefit obligations	16	**10,113**	7,863	**5,898**	4,029
		871,634	843,823	**840,642**	812,277
Current liabilities					
Other payables	17	**94,245**	83,605	**236,359**	233,939
Current tax liabilities		**1,239**	140	**-**	-
Borrowings	14	**241,843**	225,992	**241,546**	225,746
Dividend proposed	18	**32,781**	49,171	**32,781**	49,171
		370,108	358,908	**510,686**	508,856
Total liabilities		**1,241,742**	1,202,731	**1,351,328**	1,321,133
Total equity and liabilities		**4,065,089**	4,008,573	**3,652,204**	3,619,198

The notes on pages 33 to 68 form an integral part of these financial statements. The auditors' report is on page 25.

These financial statements have been approved for issue by the board of directors on September 16th 2011 and are signed on its behalf by:

Jean-Pierre Montocchio *Chairman*
René Leclézio *Director*

year ended june 30th 2011

statements of comprehensive income

MRs000	note	THE GROUP 2011	2010	THE COMPANY 2011	2010
Revenue		**466,215**	425,257	**188,152**	181,833
Operating expenses		**(336,797)**	(294,837)	**(85,872)**	(72,155)
Dividend income	19	**3,170**	1,206	**3,170**	1,206
Operating profit	20	**132,588**	131,620	**105,450**	110,863
Net finance costs	21	**(69,147)**	(68,279)	**(61,133)**	(60,000)
Share of loss of associate	7	**(1,279)**	(3,996)	**-**	**-**
Profit before income tax		**62,162**	59,376	**44,317**	50,881
Income tax expense	22	**(9,076)**	(9,733)	**(5,925)**	(7,590)
Profit for the year attributable to owners of the parent		**53,086**	49,610	**38,392**	43,291
Other comprehensive income:					
Fair value (losses)/gains on available-for-sale financial assets	9	**(2,800)**	5,250	**(2,800)**	5,250
Total comprehensive income for the year attributable to owners of the parent		**50,286**	54,863	**35,592**	48,543

MRe					
Earnings per share	23A	**0.06**	0.06		

The notes on pages 33 to 68 form an integral part of these financial statements. The auditors' report is on page 25.

statements of changes in equity

Attributable to owners of the parent MRs000	note	share capital	share premium	fair value reserve	retained earnings	total equity
THE GROUP						
At July 1st 2009		819,520	2,862	17,500	1,960,268	2,800,150
Total comprehensive income for the year		-	-	5,250	49,613	54,863
Dividend proposed	18	-	-	-	(49,171)	(49,171)
At June 30th 2010		819,520	2,862	22,750	1,960,710	2,805,842
At July 1st 2010		819,520	2,862	22,750	1,960,710	2,805,842
Total comprehensive income for the year		-	-	(2,800)	53,086	50,286
Dividend proposed	18	-	-	-	(32,781)	(32,781)
At June 30th 2011		**819,520**	**2,862**	**19,950**	**1,981,015**	**2,823,347**
THE COMPANY						
At July 1st 2009		819,520	2,862	17,500	1,458,811	2,298,693
Total comprehensive income for the year		-	-	5,250	43,293	48,543
Dividend proposed	18	-	-	-	(49,171)	(49,171)
At June 30th 2010		819,520	2,862	22,750	1,452,933	2,298,065
At July 1st 2010		819,520	2,862	22,750	1,452,933	2,298,065
Total comprehensive income for the year		-	-	(2,800)	38,392	35,592
Dividend proposed	18	-	-	-	(32,781)	(32,781)
At June 30th 2011		**819,520**	**2,862**	**19,950**	**1,458,544**	**2,300,876**

The notes on pages 33 to 68 form an integral part of these financial statements. The auditors' report is on page 25.

statements of cashflows

MRs000		THE GROUP 2011	THE GROUP 2010	THE COMPANY 2011	THE COMPANY 2010
Cash flows from operating activities					
Cash received from tenants		**232,662**	231,536	**174,710**	176,161
Security fees received		**197,533**	175,521	**-**	-
Cash payments net of other operating receipts		**(304,946)**	(275,101)	**(80,288)**	(58,874)
Cash generated from operations		**125,249**	131,956	**94,422**	117,287
Interest paid		**(69,331)**	(72,648)	**(69,331)**	(72,481)
Interest received		**152**	5,895	**8,166**	14,020
Income tax paid		**(10,629)**	(10,060)	**(7,976)**	(5,341)
Net cash generated from operating activities		**45,441**	55,143	**25,281**	53,485
Cash flows from investing activities					
Purchase of available-for-sale financial assets		**(12,500)**	-	**(12,500)**	-
Purchase of property, plant and equipment	*	**(21,328)**	(55,547)	**(2,169)**	(1,297)
Purchase of intangible assets		**(1,038)**	-	**(120)**	-
Payments in respect of investment property		**(3,540)**	(28,903)	**(5,040)**	(64,908)
Amount paid by/(on behalf of) subsidiary companies		**-**	-	**4,009**	(21,374)
Proceeds from disposals of property, plant and equipment		**2,343**	161	**232**	-
Proceeds from disposals of investment property		**-**	52,616	**-**	52,616
Dividends received		**-**	1,200	**-**	1,200
Other cash inflows/(outflows)		**707**	308	**374**	(478)
Net cash used in investing activities		**(35,356)**	(30,165)	**(15,214)**	(34,241)
Cash flows from financing activities					
Loan received from bank		**100,000**	-	**100,000**	-
Repayments of bank borrowings		**(67,234)**	(68,897)	**(67,234)**	(68,897)
Loans received from parent		**197,598**	141,010	**197,598**	141,010
Loan repayments to parent		**(192,858)**	(133,150)	**(192,858)**	(126,810)
Dividends paid		**(49,171)**	(49,171)	**(49,171)**	(49,171)
Net cash used in financing activities		**(11,665)**	(110,208)	**(11,665)**	(103,868)
Net decrease in cash and cash equivalents		**(1,580)**	(85,230)	**(1,598)**	(84,624)
Cash and cash equivalents at beginning of the year		**(151,035)**	(65,805)	**(151,025)**	(66,401)
Cash and cash equivalents at end of the year		**(152,615)**	(151,035)	**(152,623)**	(151,025)
Analysis of cash and cash equivalents disclosed above					
Bank and cash balances		**780**	340	**475**	104
Bank overdrafts		**(153,395)**	(151,375)	**(153,098)**	(151,129)
		(152,615)	(151,035)	**(152,623)**	(151,025)
*** Non-cash transactions**					
Property, plant and equipment acquired but not yet paid		**(307)**	(1,577)	**-**	-

The notes on pages 33 to 68 form an integral part of these financial statements. The auditors' report is on page 25.

notes to the financial statements

general information

Caudan Development Limited is a limited liability company incorporated and domiciled in Mauritius. The address of its registered office is MCB Centre, 9–15 Sir William Newton Street, 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 16th 2011 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). 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 fair value;
- available for sale financial assets; 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.

Standards, amendments to published standards and Interpretations effective in the reporting period

IFRS 1 (amendments)

Additional exemptions for first time adopters exempt entities that use the full cost method for oil and gas properties from retrospective application of IFRSs. It also exempts entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, **determining whether an arrangement contains a lease**. The amendment is not expected to have any impact on the group's financial statements.

IFRS 2 (amendments)

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

IAS 32 (amendment)

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

IFRS1 (amendment)

Limited exemption from comparatives IFRS 7 disclosures for first time adopters provides first time adopters relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 financial instruments: disclosures. This amendment is not expected to have any impact on the group's financial statements.

IFRIC 19

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

Improvements to IFRSs (issued April 16th 2009)

IAS 1 (amendment)

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

IAS 7 (amendment)

Statement of cash flows, clarifies that only expenditure that results in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities. This amendment is not expected to have any impact on the group's financial statements.

IAS 17 (amendment)

Leases, clarifies that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with IAS 17's general principles. Prior to the amendment, IAS 17 generally required a lease of land with an indefinite useful life to be classified as an operating lease, unless title passed at the end of the lease term. A lease newly classified as a finance lease should be recognised retrospectively. The amendment will not have an impact on the group's operations.

IAS 18 (amendment)

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

IAS 36 (amendment)

Impairment of assets, clarifies that for the purpose of impairment testing, the cash-generating unit or groups of cash-generating units to which goodwill is allocated should not be larger than an operating segment (as defined by IFRS 8, operating segments) before aggregation. The amendment will not have an impact on the group's operations.

IAS 38 (amendment)

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

IAS 39 (amendment)

Financial instruments: recognition and measurement clarifies that the scope exemption within IAS 39 only applies to forward contracts that will result in a business combination at a future date, as long as the term of the forward contract does not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction. The amendment removes reference to transactions between segments as being hedgeable transactions in individual or separate financial statements and clarifies that amounts deferred in equity are only reclassified to profit or loss when the underlying hedged cash flows affect profit or loss. The amendment is not expected to have an impact on the group's statements of comprehensive income.

IFRS 5 (amendment)

Non-current assets held for sale and discontinued operations. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The amendment will not have an impact on the group's operations.

IFRS 8 (amendment)

Operating Segments, clarifies that the requirement for disclosing a measure of segment assets is only required when the chief operating decision maker reviews that information. This amendment is unlikely to have an impact on the group's financial statements.

Improvements to IFRSs (issued May 6th 2010)

IFRS 3 (amendment)

Business Combinations, clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS. The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including un-replaced and voluntarily replaced share-based payment awards. This amendment is unlikely to have an impact on the group's financial statements.

IAS 27 (amendment)

Consolidated and separate financial statements, clarifies that the consequential amendments to IAS 21, IAS 28 and IAS 31 resulting from the 2008 revisions to IAS 27 are to be applied prospectively. This amendment is unlikely to have an impact on the group's financial statements.

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1st 2011 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:

Amendments to IFRIC 14	Prepayments of a minimum funding requirement
IAS 24	Related party disclosures (revised 2009)
Amendments to IFRS 1	Severe hyperinflation and removal of fixed dates for first time adopters
Amendments to IAS 12	Deferred tax: recovery of underlying assets
Amendments to IFRS 7	Disclosures – transfers of financial assets
Amendments to IAS 1	Presentation of Items of other comprehensive income
IFRS 9	Financial instruments
IAS 27	Separate financial statements
IAS 28	Investments in associates and joint ventures
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair value measurement
IAS 19	Employee benefits (revised 2011)

Improvements to IFRSs (issued May 6th 2010)

IFRS 1	First time adoption of international financial reporting standards
IFRS 7	Financial instruments: disclosures
IAS 1	Presentation of financial statements
IAS 34	Interim financial reporting
IFRIC 13	Customer loyalty programmes

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

Investments in subsidiary companies

Consolidated financial statements

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

The acquisition method of accounting is used to account for business combinations by the group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling 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 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 the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statements of comprehensive income.

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.

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 by 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 the statements of comprehensive income, 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.

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. Any net excess of the group's interest in the net fair value of the acquiree's net identifiable assets over cost is recognised in the statements of comprehensive income.

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 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 the statements of comprehensive income 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.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the group uses alternative valuation methods such as discounted cash flow projections or recent prices on less active markets. 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 three 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 statements of comprehensive income 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 are taken into account in determining profit for the period.

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 borrowings 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 the statements of comprehensive income 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.

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 (FIFC) 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.

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

Initial recognition
Purchases and sales are recognised on a trade-date basis – the date on which the group commits to purchase or sell the asset. Investments are initially measured at fair value plus transaction costs.

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

Subsequent recognition
Available for sale financial assets are subsequently carried at their fair values. Loans and receivables are carried at amortised costs using the effective interest method.

The fair values of listed shares and shares quoted on the DEM market are based on their market prices at the end of the reporting period or if not quoted on that day, the last preceding market price.

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

Impairment of financial assets
The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of financial assets classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss, measured as the difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the statements of comprehensive income. Impairment losses for an investment in an equity instrument are not reversed through the statements of comprehensive income.

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 effective interest rate. The amount of the loss is recognised in the statements of comprehensive income. 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 the statements of comprehensive income.

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 the statements of comprehensive income 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 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.

Deferred income tax

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted by the end of the reporting period and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from revaluation on investments in properties, depreciation of property, plant and equipment, provision for bad debts, retirement benefit obligations and tax losses carried forward. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Alternative Minimum Tax (AMT)

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

Retirement benefit obligations

Defined contribution plan
A defined contribution plan is a pension plan under which the group pays fixed contributions into a seperate 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 a 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 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.

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 the statements of comprehensive income.

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.

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 except for the cumulative portion of dividends on preference shares which is accounted for on the accruals basis unless receipt is in doubt.

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 24.

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 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.

At June 30th, 2011, 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 MRs3.6m (2010: MRs3.0m) lower/higher for the group and the company, mainly as a result of higher/lower interest expense on floating rate borrowings.

Sensitivity analysis
The impact of increases/decreases in the fair value of investments on the group's and company's equity is shown below. The analysis is based on the assumption that the fair value had increased/decreased by 5%.

	THE GROUP AND THE COMPANY	
MRs000	**2011**	2010
Available for sale financial assets	**3,623**	3,138

Price risk

The group is exposed to equity securities price risk because of investments held by the group in subsidiary companies, associated company and classified as available for sale financial assets. 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.

	less than	between	between	over
YEARS	1	1 & 2	2 & 5	5
MRs000				THE GROUP
2011				at June 30th
Borrowings	**241,843**	**69,508**	**208,523**	**349,810**
Other payables	**94,245**	**-**	**-**	**-**
2010				
Borrowings	225,992	60,417	181,250	362,499
Other payables	83,605	-	-	-
MRS000				THE COMPANY
2011				at June 30th
Borrowings	**241,546**	**69,508**	**208,523**	**349,810**
Other payables	**236,359**	**-**	**-**	**-**
2010				
Borrowings	225,746	60,417	181,250	362,499
Other payables	233,939	-	-	-

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

Capital risk management

The group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for 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.

THE DEBT-TO-ADJUSTED CAPITAL RATIOS

	THE GROUP		THE COMPANY	
at June 30th	**2011**	2010	**2011**	2010
MRs000				
Total debt	**716,289**	678,783	**716,289**	678,783
Cash and cash equivalents	**152,615**	151,035	**152,623**	151,025
Net debt	**868,904**	829,818	**868,912**	829,808
Total equity	**2,823,347**	2,805,842	**2,300,876**	2,298,065
Debt to adjusted capital ratio	**0.31**	0.30	**0.38**	0.36

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 best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the group determines the amount within a range of reasonable fair value estimates. In making its judgment, the group considers information from a variety of sources including:

- current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of transactions that occurred at those prices; and
- discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Impairment of available-for-sale financial assets

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

Estimated Impairment of Goodwill

The group tests annually whether goodwill has suffered any impairment and the tests require the use of estimates and judgments.

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 residual values 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.

2 investment property

THE GROUP MRs000	note	freehold Le Caudan Waterfront	freehold land & other buildings	long leasehold buildings	total
Fair value					
At July 1st 2009		3,396,723	97,500	138,778	3,633,001
Additions		7,961	-	-	7,961
At June 30th 2010		3,404,684	97,500	138,778	3,640,962
At July 1st 2010		3,404,684	97,500	138,778	3,640,962
Additions		3,429	-	-	3,429
At June 30th 2011		**3,408,113**	**97,500**	**138,778**	**3,644,391**

THE COMPANY	note	freehold Le Caudan Waterfront	freehold land & other buildings	long leasehold buildings	total
Fair value					
At July 1st 2009		2,940,910	97,500	138,778	3,177,188
Additions		7,961	-	-	7,961
Transfer from property, plant and equipment	4	-	94,129	-	94,129
At June 30th 2010		2,948,871	191,629	138,778	3,279,278
At July 1st 2010		2,948,871	191,629	138,778	3,279,278
Additions		3,429	46	-	3,475
At June 30th 2011		**2,952,300**	**191,675**	**138,778**	**3,282,753**

› Investment property comprises of a number of office, commercial and industrial properties rented to third parties. › The directors have reassessed the fair values of the investment properties at June 30th 2011. On the basis of current economic and property environment the directors are satisfied that the carrying value of the investment properties reflects their fair value at the reporting date. Hence no adjustment has been reflected in this year's accounts. › Values as at June 30th 2009 were based on an independent valuation by Messrs Alan Tinkler, Ramlackhan & Co, Chartered Valuers, an independent professional valuer, on an open-market value basis. In 2009, the values of Le Caudan Waterfront determined by the valuer were adjusted downwards to reflect the prevailing economic conditions whilst values in respect of all other properties were reflected in full. › Bank borrowings are secured by floating charges on the assets of the borrowing companies including investment property (note 14). › Rental income from investment property amounted to MRs252.7m (2010: MRs244.1m) for the group and MRs188.1m(2010: MRs181.8m) for the company. Direct operating expenses arising on the income generating investment property in the year amounted to MRs134.0m (2010: MRs115.8m) for the group and MRs82.7m (2010: MRs71.4m) 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 2011	2010
Cost		
At July 1st, and June 30th	**602**	602
Amortisation		
At July 1st	**109**	103
Charge for the year	**6**	6
At June 30th	**115**	109
Net book values		
At June 30th	**487**	493

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

4 property, plant and equipment

THE GROUP		land and buildings	buildings in progress	furniture and equipment	motor vehicles	total
MRs000	note					
Cost						
At July 1st 2009		39,942	57,722	56,061	25,289	179,014
Additions		-	36,407	14,033	5,317	55,757
Transfer	2	94,129	(94,129)	-	-	-
Disposals		-	-	(749)	(481)	(1,230)
At June 30th 2010		134,071	-	69,345	30,125	233,541
At July 1st 2010		134,071	-	69,345	30,125	233,541
Additions		46	-	12,897	7,036	19,979
Disposals		-	-	(3,198)	(4,600)	(7,798)
At June 30th 2011		**134,117**	**-**	**79,044**	**32,561**	**245,722**
Depreciation						
At July 1st 2009		3,008	-	31,555	10,745	45,308
Charge for the year		722	-	5,797	4,112	10,631
Disposal adjustments		-	-	(739)	(481)	(1,220)
At June 30th 2010		3,730	-	36,613	14,376	54,719
At July 1st 2010		3,730	-	36,613	14,376	54,719
Charge for the year		1,038	-	8,441	4,768	14,247
Disposal adjustments		-	-	(1,221)	(2,515)	(3,736)
At June 30th 2011		**4,768**	**-**	**43,833**	**16,629**	**65,230**
Net book values						
At June 30th 2011		**129,349**	**-**	**35,211**	**15,932**	**180,492**
At June 30th 2010		130,341	-	32,732	15,749	178,822

THE COMPANY		buildings	buildings in progress	furniture and equipment	motor vehicles	total
MRs000	note					
Cost						
At July 1st 2009		39,942	57,722	19,172	6,016	122,852
Additions		-	36,407	627	670	37,704
Disposals		-	-	(350)	-	(350)
Transfer to investment property	2	-	(94,129)	-	-	(94,129)
At June 30th 2010		39,942	-	19,449	6,686	66,077
At July 1st 2010		39,942	-	19,449	6,686	66,077
Additions		-	-	1,569	600	2,169
Disposals		-	-	(1,450)	(467)	(1,917)
At June 30th 2011		**39,942**	**-**	**19,568**	**6,819**	**66,329**
Depreciation						
At July 1st 2009		3,008	-	15,131	2,958	21,097
Charge for the year		407	-	995	756	2,158
Disposal adjustments		-	-	(329)	-	(329)
At June 30th 2010		3,415	-	15,797	3,714	22,926
At July 1st 2010		3,415	-	15,797	3,714	22,926
Charge for the year		407	-	1,508	769	2,684
Disposal adjustments		-	-	(1,011)	(382)	(1,393)
At June 30th 2011		**3,822**	**-**	**16,294**	**4,101**	**24,217**
Net book values						
At June 30th 2011		**36,120**	**-**	**3,274**	**2,718**	**42,112**
At June 30th 2010		36,527	-	3,652	2,972	43,151

› Bank borrowings are secured by floating charges on the assets of the group including Property, plant and equipment (note 14). › In 2010, borrowing costs of MRs1.643m for the group and the company, arising on financing specifically entered into for the construction of buildings were capitalised and were included in 'Additions' and a capitalisation rate of 8.125% was used, representing the borrowing cost of the loan used to finance the project. › Depreciation charge of MRs14.247m for the group (2010: MRs10.631m) and MRs2.684m for the company (2010: MRs2.158m) has been included in operating expenses.

5 intangible assets

THE GROUP MRs000	note	computer software	other	total
Cost				
At July 1st 2009		1,091	4,178	5,269
Additions		190	-	190
At June 30th 2010		1,281	4,178	5,459
At July 1st 2010		1,281	4,178	5,459
Additions		1,038	-	1,038
At June 30th 2011		**2,319**	**4,178**	**6,497**
Amortisation/impairment				
At July 1st 2009		586	957	1,543
Amortisation charge		161	-	161
At June 30th 2010		747	957	1,704
At July 1st 2010		747	957	1,704
Amortisation charge		237	-	237
At June 30th 2011		**984**	**957**	**1,941**
Net book values				
At June 30th 2011		**1,335**	**3,221**	**4,556**
At June 30th 2010		534	3,221	3,755

THE COMPANY	
Cost	
At July 1st 2009	429
Additions	-
As at June 30th 2010	429
At July 1st 2010	429
Additions	120
At June 30th 2011	**549**
Amortisation/impairment	
At July 1st 2009	269
Amortisation charge	44
At June 30th 2010	313
At July 1st 2010	313
Amortisation charge	82
At June 30th 2011	**395**
Net book values	
At June 30th 2011	**154**
At June 30th 2010	116

› Other intangible assets relate to consideration paid in respect of the acquisition of a customer list. › Amortisation and impairment charges of MRs0.237m (2010: MRs0.161m) for the group and MRs0.082m (2010: MRs0.044m) for the company are included in operating expenses.

6 investments in subsidiary companies

THE COMPANY	2011	2010
MRs000		
Cost		
At July 1st and June 30th	**4,347**	4,347

Subsidiaries of Caudan Development Limited

	year end	stated capital and nominal value of investment	direct holding	indirect holding	main business
		MRs000	%	%	
Best Sellers Limited	June	25	-	100	property
Caudan Leisure Limited	June	1,000	100	-	leisure & property
Caudan Security Services Limited	June	100	100	-	security
Harbour Cruise Limited	June	300	-	100	leisure
Security & Property Protection Agency Co Ltd	June	25	-	100	security
Société Mauricienne d'Entreprise Générale Ltée	June	3,000	100	-	investment

› Société Mauricienne d'Entreprise Générale Ltée and Best Sellers Limited did not trade during the year. › All the subsidiaries are incorporated and domiciled in the Republic of Mauritius. All shares held in the subsidiaries are ordinary shares. › None of the subsidiaries have debt securities.

7 investments in associate

THE GROUP	2011	2010
MRs000		
Share of net assets	**9,622**	10,901
Goodwill	**9,025**	9,025
At June 30th	**18,647**	19,926
Cost		
At July 1st and June 30th	**19,076**	19,076
Share of post acquisition reserves		
At July 1st	**850**	4,846
Share of loss for the year	**(1,279)**	(3,996)
At June 30th	**(429)**	850
At June 30th	**18,647**	19,926

The associated company of Caudan Development Limited

	year end	class of shares	indirect holding 2011	indirect holding 2010
			%	%
Le Caudan Waterfront Casino Limited	June	ordinary	**39.2**	39.2

› The associated company is incorporated and domiciled in the Republic of Mauritius.

7 investments in associate continued

The group's share of the results of its associate, which is unlisted, and its share of the assets excluding goodwill

MRs000	total assets	total liabilities	revenues	loss
2011	**20,777**	**11,155**	**53,526**	**1,279**
2010	25,586	14,685	54,308	3,996

8 financial instruments by category

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

THE GROUP

MRs000	loans and receivables	available-for-sale	total
2011			
Assets as per statements of financial position			
Investments in available for sale financial assets	-	72,450	72,450
Trade receivables	110,611	-	110,611
Cash and cash equivalents	780	-	780
	111,391	**72,450**	**183,841**

MRs000	other financial liabilities
Liabilities as per statements of financial position	
Borrowings	869,684
Other payables	94,245
	963,929

MRs000	loans and receivables	available-for-sale	total
2010			
Assets as per statements of financial position			
Investments in available for sale financial assets	-	62,750	62,750
Trade receivables	71,180	-	71,180
Cash and cash equivalents	340	-	340
	71,520	**62,750**	**134,270**

MRs000	other financial liabilities
Liabilities as per statements of financial position	
Borrowings	830,158
Other payables	83,605
	913,763

THE COMPANY

MRs000	loans and receivables	available-for-sale	total
2011			
Assets as per statements of financial position			
Investments in available for sale financial assets	-	72,450	72,450
Trade receivables	27,769	-	27,769
Cash and cash equivalents	475	-	475
	28,244	**72,450**	**100,694**

MRs000	other financial liabilities
Liabilities as per statements of financial position	
Borrowings	869,387
Other payables	236,359
	1,105,746

MRs000	loans and receivables	available-for-sale	total
2010			
Assets as per statements of financial position			
Investments in available for sale financial assets	-	62,750	62,750
Trade receivables	19,302	-	19,302
Cash and cash equivalents	104	-	104
	19,406	**62,750**	**82,156**

MRs000	other financial liabilities
Liabilities as per statements of financial position	
Borrowings	829,912
Other payables	233,939
	1,063,851

9 investments in available-for-sale financial assets

MRs000	GROUP AND COMPANY 2011	2010
Quoted on the DEM Level 1		
At July 1st	**62,750**	57,500
Additions	**12,500**	-
(Decrease)/increase in fair value	**(2,800)**	5,250
At June 30th	**72,450**	62,750

› The available for sale financial assets represent 10% of the ordinary share capital (2010: 10%) and 20% of the preference share capital (2010: 20%) of Tropical Paradise Ltd, a company incorporated in the Republic of Mauritius. › The fair value of the securities are based on quoted market prices. › Available-for sale financial assets are denominated in mauritian rupee. None of the financial assets are impaired.

10 inventories

MRs000	THE GROUP 2011	2010	THE COMPANY 2011	2010
Spares and accessories (at cost)	**6,126**	3,396	**6,126**	3,396
Consumables (at cost)	**953**	2,210	**-**	-
Goods for resale (at cost)	**15,833**	15,248	**-**	-
Goods for resale (at net realisable value)	**1**	1	**1**	1
	22,913	20,855	**6,127**	3,397
Costs of inventories recognised as expense and included in				
Cost of sales	**16,369**	10,878	**-**	-
Operating expenses	**13,410**	7,068	**5,036**	5,708

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

11 trade and other receivables

A

	THE GROUP		THE COMPANY	
MRs000	**2011**	2010	**2011**	2010
Trade receivables	**110,611**	71,180	**27,769**	19,302
Less provision for impairment of receivables	**(29,560)**	(13,606)	**(9,063)**	(4,265)
Trade receivables - net	**81,051**	57,574	**18,706**	15,037
Prepayments	**2,847**	2,380	**1,437**	1,427
Payments made on account	**8,758**	4,455	**2,856**	-
Receivables from parent	**-**	195	**-**	-
Receivables from subsidiary companies less impairment	**-**	-	**95,342**	94,687
Loan to subsidiary company receivable at call	**-**	-	**100,000**	100,000
Other receivables	**27,717**	16,066	**24,958**	14,411
	120,373	80,670	**243,299**	225,562

› 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 Trade receivables

› As at June 30th 2011, trade receivables of MRs26.149m (2010: MRs18.730m) for the group and MRs6.320m (2010: MRs6.327m) for the company were fully performing.

C Trade receivables past due but not impaired

› Trade receivables that are less than three months past due are not considered impaired. At June 30th 2011, trade receivables of MRs43.203m (2010: MRs38.133m) for the group and MRs10.228m (2010: MRs8.225m) 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

	THE GROUP		THE COMPANY	
MRs000	**2011**	2010	**2011**	2010
1 to 3 months	**28,268**	25,119	**4,370**	6,100
3 to 6 months	**10,242**	8,720	**3,289**	1,175
Over 6 months	**4,693**	4,294	**2,569**	950
	43,203	38,133	**10,228**	8,225
Fair value of collateral				
1 to 3 months	**2,838**	5,049	**2,535**	4,004
3 to 6 months	**2,131**	1,232	**1,567**	669
Over 6 months	**1,556**	1,546	**1,334**	732
	6,525	7,827	**5,436**	5,405

11 trade and other receivables continued

D Trade receivables individually impaired

As of June 30th 2011, trade receivables of MRs41.259m (2010: MRs14.317m) for the group and MRs11.221 m (2010: MRs4.750m) for the company were impaired.The amount of the provision was MRs29.560m (2010: MRs13.606m) for the group and MRs9.063m (2010:MRs4.265m) for the company. It was assessed that a portion of the receivables is expected to be recovered.

The ageing of these receivables

	THE GROUP		THE COMPANY	
MRs000	2011	2010	2011	2010
1 to 3 months	**4,116**	137	**1,566**	137
3 to 6 months	**3,971**	1,020	**1,667**	382
Over 6 months	**33,172**	13,160	**7,988**	4,231
	41,259	14,317	**11,221**	4,750
Fair value of collateral				
Over 6 months	**3,624**	1,852	**1,508**	696

Movements on the provision for impairment of trade receivables

	THE GROUP		THE COMPANY	
MRs000	2011	2010	2011	2010
At July 1st	**13,606**	6,144	**4,265**	2,039
Provision for receivables impairment	**16,354**	7,485	**5,172**	2,249
Receivables written off during the year as uncollectible	**(190)**	(10)	**(164)**	(10)
Unused amounts reversed	**(210)**	(13)	**(210)**	(13)
At June 30th	**29,560**	13,606	**9,063**	4,265

› The creation and release of provision for impaired receivables have been included in operating expenses in the statements of 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 period is the fair value of each class of receivable mentioned above.

12 share capital

MRs000	2011	2010
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 reserves

A Retained earnings

MRs000	note	the company	subsidiaries	associates	the group
At July 1st 2010		1,452,933	506,927	850	1,960,710
Profit attributable to shareholders		38,392	15,973	(1,279)	53,086
Dividend proposed	18	(32,781)	-	-	(32,781)
At June 30th 2011		**1,458,544**	**522,900**	**(429)**	**1,981,015**

B Fair value reserve

› fair value reserve comprises of the cumulative net change in the fair value of available for sale financial assets that has been recognised in other comprehensive income until the investments are derecognised or impaired.

14 borrowings

MRs000	note	THE GROUP 2011	THE GROUP 2010	THE COMPANY 2011	THE COMPANY 2010
Bank overdrafts	A	**153,395**	151,375	**153,098**	151,129
Bank loan	B	**697,349**	664,583	**697,349**	664,583
Loan from parent	C	**18,940**	14,200	**18,940**	14,200
		869,684	830,158	**869,387**	829,912
Current					
Bank overdrafts		**153,395**	151,375	**153,098**	151,129
Bank loan		**69,508**	60,417	**69,508**	60,417
Loan from parent payable at call		**18,940**	14,200	**18,940**	14,200
		241,843	225,992	**241,546**	225,746
Non-current					
Bank loan		**627,841**	604,166	**627,841**	604,166
Total borrowings		**869,684**	830,158	**869,387**	829,912

A Bank overdrafts

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

14 borrowings continued

B Bank loan

› Bank loans mature until June 2021 and bear interest at 8.00%/9.00% annually at June 30th 2011 (2010: 8.125%/9.125% annually). › 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 8.00% annually at June 30th 2011 (2010: 8.125 % annually). › 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

	THE GROUP		THE COMPANY	
MRs000	**2011**	2010	**2011**	2010
within one year	**241,843**	225,992	**241,546**	225,746
after one year and before two years	**69,508**	60,417	**69,508**	60,417
after two years and before three years	**69,508**	60,417	**69,508**	60,417
after three years and before five years	**139,015**	120,833	**139,015**	120,833
after five years	**349,810**	362,499	**349,810**	362,499
	869,684	830,158	**869,387**	829,912

15 deferred tax liabilities

› 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.

		THE GROUP		THE COMPANY	
MRs000	note	2011	2010	2011	2010
Deferred tax assets		**(6,381)**	(3,665)	**(2,629)**	(1,513)
Deferred tax liabilities		**240,061**	235,459	**209,532**	205,595
		233,680	231,794	**206,903**	204,082

› Deferred income taxes are calculated on all temporary differences under the liability method at 15% (2010: 15%).

The movement on the deferred income tax account					
At July 1st		**231,794**	228,294	**204,082**	200,215
Charge to statements of comprehensive income	22	**1,886**	3,500	**2,821**	3,867
At June 30th		**233,680**	231,794	**206,903**	204,082

Deferred tax liabilities

MRs000	at July 1st 2010	charge/(credit) to statement of comprehensive income	at June 30th 2011
THE GROUP			
Accelerated capital allowances	20,748	4,602	**25,350**
Provisions	(3,665)	(2,716)	**(6,381)**
Fair value gains	214,711	-	**214,711**
	231,794	1,886	**233,680**
THE COMPANY			
Accelerated capital allowances	16,645	3,937	**20,582**
Provisions	(1,513)	(1,116)	**(2,629)**
Fair value gains	188,950	-	**188,950**
	204,082	2,821	**206,903**

16 retirement benefit obligations

MRs000	note	THE GROUP 2011	THE GROUP 2010	THE COMPANY 2011	THE COMPANY 2010
Amounts recognised in the statements of financial position					
Other post retirement benefits (gratuity on retirement)		**10,113**	7,863	**5,898**	4,029
Amounts recognised in the statements of comprehensive income					
Release in respect of leavers		**(465)**	(554)	**(21)**	(33)
Provision for the year		**2,831**	3,712	**1,890**	1,673
Total included in employee benefit expense	20A	**2,366**	3,158	**1,869**	1,640
Movement in the liability recognised in the statements of financial position					
At July 1st		**7,863**	4,778	**4,029**	2,496
Gratuity on retirement paid		**(116)**	(73)	**-**	-
Transfers		**-**	-	**-**	(107)
Expense for the year		**2,366**	3,158	**1,869**	1,640
At June 30th		**10,113**	7,863	**5,898**	4,029

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

17 other payables

MRs000	THE GROUP 2011	THE GROUP 2010	THE COMPANY 2011	THE COMPANY 2010
Amounts owed to parent	**3,456**	2,862	**2,768**	2,460
Amounts owed to subsidiaries	**-**	-	**178,317**	178,317
Social security and other taxes	**5,310**	3,979	**1,403**	814
Defined contribution plan	**515**	785	**123**	245
Other payables and accrued expenses	**84,964**	75,979	**53,748**	52,103
	94,245	83,605	**236,359**	233,939

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

18 dividend proposed

MRs000	GROUP AND COMPANY 2011	GROUP AND COMPANY 2010
Final ordinary dividend of MRe0.04 per share (2010: MRe0.06 per share)	**32,781**	49,171

› On 29th June 2011, the Directors declared a dividend in respect of the year ended June 30th, 2011. This dividend has been recognised as a liability as at June 30th 2011 in accordance with IAS 10.

19 dividend income

MRs000	THE GROUP 2011	THE GROUP 2010	THE COMPANY 2011	THE COMPANY 2010
Dividend income on available for sale financial assets	**3,170**	1,200	**3,170**	1,200
Dividend income received				
Ordinary shares	**770**	-	**770**	-
Preference shares	**2,400**	1,200	**2,400**	1,200
	3,170	1,200	**3,170**	1,200

20 operating profit

MRs000	note	THE GROUP 2011	THE GROUP 2010	THE COMPANY 2011	THE COMPANY 2010
Operating profit is arrived at after crediting					
Rental income		**252,705**	244,053	**188,152**	181,838
Sale of goods		**24,950**	18,526	**-**	-
Sale of services		**188,560**	162,678	**-**	-
Profit/(loss) on disposal of property, plant and equipment		**(516)**	161	**(24)**	111
and after charging					
Depreciation on property, plant and equipment	4	**14,247**	10,631	**2,684**	2,158
Amortisation of intangible assets	5	**237**	161	**82**	44
Amortisation of prepaid operating lease payments	3	**6**	6	**6**	6
Operating lease rentals - land		**2,458**	2,458	**2,458**	2,458
Corporate Social Responsibility		**1,342**	1,330	**1,094**	820
Employee benefit expense	20A	**175,805**	167,138	**24,921**	22,858

A Analysis of employee benefit expense

MRs000	note	THE GROUP 2011	THE GROUP 2010	THE COMPANY 2011	THE COMPANY 2010
Wages and salaries		**159,183**	151,066	**21,094**	19,372
Social security costs		**8,858**	8,490	**884**	794
Pension costs					
Defined contribution plan		**5,398**	4,424	**1,074**	1,052
Other post retirement benefits	16	**2,366**	3,158	**1,869**	1,640
		175,805	167,138	**24,921**	22,858

21 net finance costs

MRs000	note	THE GROUP 2011	THE GROUP 2010	THE COMPANY 2011	THE COMPANY 2010
Finance costs					
Interest expense					
bank overdrafts		**8,836**	7,920	**8,836**	7,920
bank loan		**57,752**	61,731	**57,752**	61,731
other loans at call		**2,213**	1,278	**2,213**	1,144
foreign exchange loss		**-**	19	**-**	-
other		**498**	-	**498**	-
		69,299	70,948	**69,299**	70,795
Less interest capitalised	4	**-**	(1,643)	**-**	(1,643)
		69,299	69,305	**69,299**	69,152
Finance income					
Interest income		**(152)**	(1,027)	**(8,166)**	(9,152)
Net finance costs		**69,147**	68,278	**61,133**	60,000

22 income tax expense

MRs000	note	THE GROUP 2011	THE GROUP 2010	THE COMPANY 2011	THE COMPANY 2010
Based on the profit for the year, as adjusted					
for tax purposes, at 15% (2010: 15%)		**7,190**	2,305	**3,104**	-
Alternative minimum tax		**-**	3,723	**-**	3,723
Underprovision of tax in previous year		**-**	205	**-**	-
Deferred income tax movement for the year	15	**1,886**	3,500	**2,821**	3,867
Charge for the year		**9,076**	9,733	**5,925**	7,590
Deferred income tax charge/(credit)					
Accelerated capital allowances		**4,602**	5,541	**3,937**	4,443
Provisions		**(2,716)**	(2,041)	**(1,116)**	(576)
		1,886	3,500	**2,821**	3,867

› Reconciliation between the effective rate of income tax of the group of 14.6% (2010: 16.4%) and the company of 13.4% (2010: 15.0%) and the applicable income tax rate of 15.0% for the group and company.

As a percentage of profit before income tax

%	THE GROUP 2011	THE GROUP 2010	THE COMPANY 2011	THE COMPANY 2010
Income tax rate	**15.0**	15.0	**15.0**	15.0
Impact of				
Associate`s results reported net of tax	**0.3**	1.0	**-**	-
Disallowable items	**0.9**	0.8	**0.7**	0.6
Other differences	**(0.9)**	(1.2)	**(1.2)**	(1.3)
Exempt income	**(0.8)**	(0.3)	**(1.1)**	(0.4)
Underprovision of deferred tax liabilities/(assets)	**0.2**	(0.6)	**-**	-
Underprovision prior year	**(0.1)**	0.8	**-**	-
Alternative minimum tax	**-**	0.9	**-**	1.1
Average effective income tax rate	**14.6**	16.4	**13.4**	15.0

23 earnings per share

A

› 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 MRs000	2011	2010
Profit attributable to owners of the parent	**53,086**	49,613
Number of ordinary shares in issue (thousands)	**819,520**	819,520

24 segment information

2011

MRs000	property	security	eliminations	total
Revenues				
External sales	252,705	213,510	-	466,215
Intersegment sales	4,800	18,845	(23,645)	-
Total revenue	257,505	232,355	(23,645)	466,215
Operating profit	119,148	10,270	-	129,418
Dividend income	3,170	-	-	3,170
Segment result	122,318	10,270	-	132,588
Share of loss of associate				(1,279)
				131,309
Net finance costs				(69,147)
Profit before income tax			-	62,162
Income tax expense				(9,076)
Profit attributable to owners of the parent			-	53,086
Segment assets	3,928,296	118,146		4,046,442
Associate				18,647
	3,928,296	118,146		4,065,089
Segment liabilities	1,182,439	25,283		1,207,722
Current income tax liabilities		1,239		1,239
Dividend proposed				32,781
				1,241,742
Capital expenditure	6,453	17,993		24,446
Depreciation and amortisation	4,590	9,894		14,484

› 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 IFRS8 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

All revenues are derived from customers based in Mauritius and all of the non current assets are found in Mauritius.

2010

MRs000	property	security	eliminations	total
Revenues				
External sales	244,053	181,204	-	425,257
Intersegment sales	2,572	19,912	(22,484)	-
Total revenue	246,625	201,116	(22,484)	425,257
Operating profit	127,975	2,445	-	130,420
Dividend income	1,200	-	-	1,200
Segment result	129,175	2,445	-	131,620
Share of loss of associate				(3,996)
				127,624
Net finance costs				(68,278)
Profit before income tax				59,346
Income tax expense				(9,733)
Profit attributable to owners of the parent				49,613
Segment assets	3,886,856	101,791		3,988,647
Associate				19,926
				4,008,573
Segment liabilities	1,134,355	19,065		1,153,420
Current tax liabilities	-	140		140
Dividend proposed				49,171
				1,202,731
Capital expenditure	45,893	18,015		63,908
Depreciation and amortisation	2,860	7,932		10,792

25 commitments

MRs000	THE GROUP 2011	THE GROUP 2010	THE COMPANY 2011	THE COMPANY 2010
Capital				
Commitment in respect of future capital expenditure authorised by the directors and not provided in the financial statements	**15,175**	8,500	**5,007**	8,500

MRs000	GROUP AND COMPANY 2011	GROUP AND COMPANY 2010
Future minimum lease payments under non-cancellable operating leases		
Not later than 1 year	**4,382**	2,703
Later than 1 year and not later than 2 years	**4,382**	450
Later than 2 year and not later than 5 years	**12,247**	900
	21,011	4,053

› The lease is in respect of land, at Le Caudan Waterfront which is for an initial period of twenty years expiring on June 30th, 2014 and is renewable for four further periods of ten years, and 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. › Rental income derived from rental of industrial building at Riche Terre amounts to MRs10.415m (2010: MRs9.474 m).

Operating leases

MRs000	THE GROUP 2011	THE GROUP 2010	THE COMPANY 2011	THE COMPANY 2010
Future minimum lease payments receivable under non-cancellable operating leases				
Not later than 1 year	**193,372**	197,130	**133,225**	135,928
Later than 1 year and not later than 5 years	**259,073**	252,592	**131,164**	134,820
Later than 5 years	**108,517**	41,615	**-**	2,958
	560,962	491,337	**264,389**	273,706

› The leases have varying terms, escalation clauses and renewal rights. There are no restrictions imposed on the group by the lease arrangements other than in respect of the specific land being leased.

26 parent and ultimate parent

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

27 three-year summary of published results and assets and liabilities

THE GROUP MRs000	2011	2010	2009
Statements of comprehensive income			
Turnover	**466,215**	425,257	393,357
Profit before income tax	**62,162**	59,346	121,069
Share of (loss)/profit of associate	**(1,279)**	(3,996)	10,737
Income tax expense	**(9,076)**	(9,733)	(19,340)
Profit attributable to owners of the parent	**53,086**	49,613	101,729
Other comprehensive income for the year	**(2,800)**	5,250	5,150
Total comprehensive income attributable to owners of the parent	**50,286**	54,863	106,879
Net assets value per share	**3.45**	3.42	3.42
Rate of dividend (%)	**4.00**	6.00	6.00
Dividend per share (MRe)	**0.04**	0.06	0.06
Earnings per share (MRe)	**0.06**	0.06	0.12
Statements of financial position			
Non-current assets	**3,921,023**	3,906,708	3,852,354
Current assets	**144,066**	101,865	140,050
Total assets	**4,065,089**	4,008,573	3,992,404
Total equity	**2,823,347**	2,805,842	2,800,150
Non-current liabilities	**871,634**	843,823	897,655
Current liabilities	**370,108**	358,908	294,599
Total equity and liabilities	**4,065,089**	4,008,573	3,992,404

28 related party transactions

Transactions carried out by the group with related parties

2011	purchase of property plant & equipment	rental/ other income	payments in respect of investment property	operating expenses	management fees	interest expense	loan received	loan repaid to	emoluments and benefits
MRs000									
Parent	**23**	**-**	**-**	**2,458**	**8,181**	**2,213**	**197,598**	**192,858**	**-**
Associate	**-**	**19,487**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Associate of parent	**-**	**14,341**	**-**	**605**	**-**	**-**	**-**	**-**	**-**
Shareholders with significant influence	**-**	**3,585**	**-**	**-**	**-**	**66,512**	**100,000**	**67,234**	**-**
Enterprises in which directors/key management personnel (and close families) have significant interest	**-**	**-**	**-**	**874**	**-**	**-**	**-**	**-**	**-**
Key management personnel and directors	**-**	**344**	**-**	**-**	**-**	**-**	**-**	**-**	**28,252**
2010									
Parent	-	-	-	2,458	8,852	1,278	141,010	133,150	-
Associate	-	18,981	-	-	-	-	-	-	-
Associate of parent	758	14,164	556	158	-	-	-	-	-
Shareholders with significant influence	-	2,881	-	-	-	68,342	-	68,897	-
Enterprises in which directors/key management personnel (and close families) have significant interest	-	-	27	688	-	-	-	-	-
Key management personnel and directors	-	168	-	-	-	-	-	-	27,368

Key management personnel compensation

	GROUP AND COMPANY	
	2011	2010
MRs000		
Remuneration and other benefits relating to key management personnel, including directors		
Salaries and short term employee benefits	**24,719**	23,804
Post employments benefits	**3,533**	3,564
	28,252	27,368

28 related party transactions continued

Transactions carried out by the company with related parties

2011 MRs000	(sale)/ purchase of property plant & equipment	rental/ other income	payments in respect of investment property	operating expenses	management fees	interest expense	loan received	loan repaid to	emoluments and benefits
Parent	**6**	**-**	**-**	**2,458**	**6,091**	**2,213**	**197,598**	**192,858**	**-**
Associate	**-**	**363**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Associate of parent	**-**	**544**	**-**	**283**	**-**	**-**	**-**	**-**	**-**
Subsidiary companies	**502**	**14,404**	**-**	**12,142**	**-**	**-**	**-**	**-**	**-**
Shareholders with significant influence	**-**	**3,350**	**-**	**-**	**-**	**66,512**	**100,000**	**67,234**	**-**
Enterprises in which directors/key management personnel (and close families) have significant interest	**-**	**-**	**-**	**762**	**-**	**-**	**-**	**-**	**-**
Key management personnel and directors	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28,252**
2010									
Parent	-	-	-	2,458	7,270	1,144	141,010	126,810	-
Associate	-	363	-	-	-	-	-	-	-
Associate of parent	42	1,585	917	-	-	-	-	-	-
Subsidiary companies	(123)	12,177	-	13,358	-	-	-	-	-
Shareholders with significant influence	-	2,881	-	-	-	68,342	-	68,897	-
Enterprises in which directors/key management personnel (and close families) have significant interest	-	-	27	582	-	-	-	-	-
Key management personnel and directors	-	-	-	-	-	-	-	-	27,368

› 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 Limited (PaD) which is the ultimate parent. The management fees paid to PaD are equivalent to 5% of the net income after operating costs, but before interest, depreciation and tax plus 2.5% of the cost of construction, excluding professional fees, government fees and interest. › 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 8% per annum. › For the year ended June 30th 2011, the group has not recorded any impairment of receivables relating to amounts owed by related parties (2010: 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

2011 MRs000	receivables from related companies	amount payable to related companies	payables to related companies
Parent	**-**	**18,940**	**3,456**
Shareholders with significant influence	**-**	**850,744**	**-**
2010			
Parent	195	14,200	2,862
Shareholders with significant influence	-	815,958	-

29 currency

The financial statements are presented in thousands of Mauritian Rupees.

30 directors of subsidiaries

Directors of subsidiaries holding office at the end of the accounting period

Caudan Leisure Limited
René Leclézio
Jocelyne Martin

Caudan Security Services Limited & Security and Property Protection Agency Co Ltd
Philippe de Labauve d'Arifat
René Leclézio
Appanah Yerriah

Harbour Cruise Limited
Philippe de Labauve d'Arifat
René Leclézio

Société Mauricienne d'Entreprise Générale Ltée & Best Sellers Limited
Arnaud Dalais
René Leclézio





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