



Annual Report | 2010



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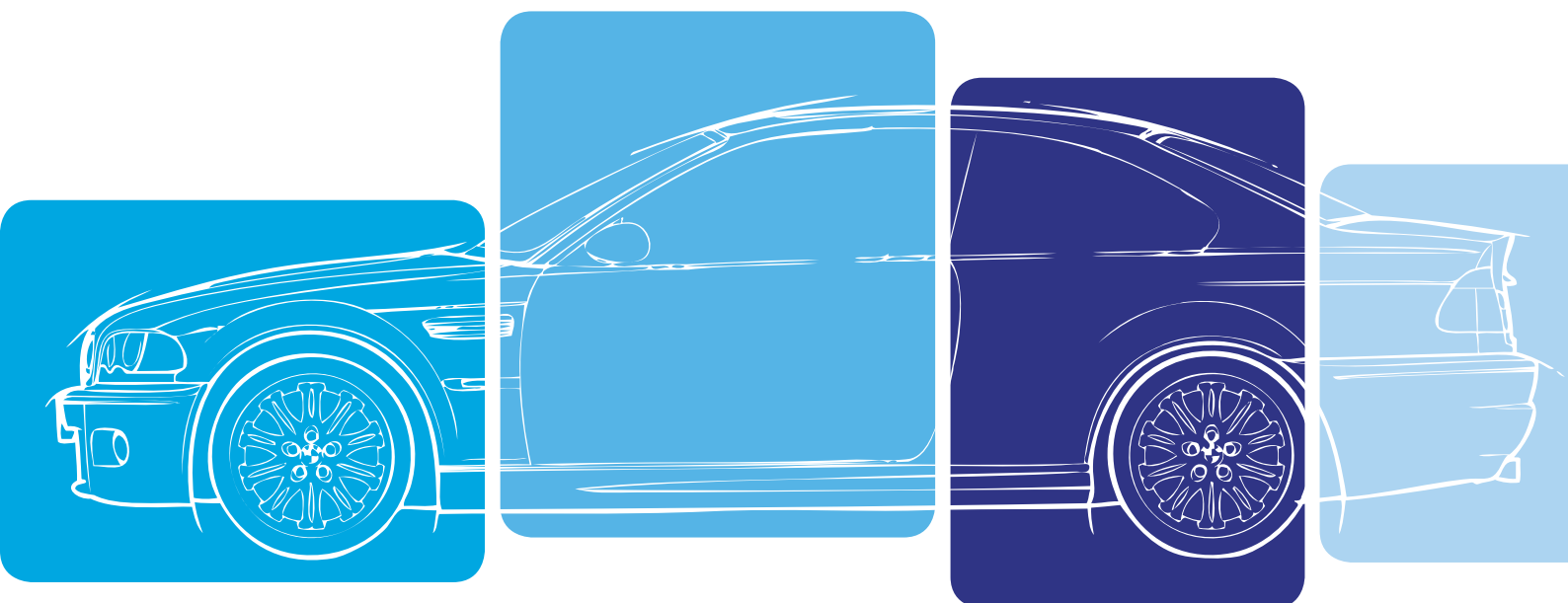
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About Us

The Leal Group is a diverse group of companies contributing to the economic development of Mauritius.

During the last nine decades, the Leal Group has expanded into a wide range of industries including medical, consumer goods, automotive, information technology, engineering and tourism.



Corporate Data

DIRECTORS

Mr Michael Joseph Clency Leal, C.B.E	Chairman
Mr Eric Michel Georges Leal	Chief Executive Officer (Alternate to Mr Michael Joseph Clency Leal)
Mr Joseph Jacques Vivian Collet Serret	Deputy Chief Executive Officer
Mr Bernard Aimé Jacques Rochecouste Collet	
Mr Gérald Edgar Raymond Joseph Lincoln	
Mr Virrsingh Ramdeny	
Mr Marie Louis Désiré France Ducasse	Alternate to Mr Jean-Marie Eugène Grégoire
Mr Louis Désiré Christian Ferrière	
Mr Jean-Marie Eugène Grégoire	
Mr Clency Michael Arnaud Leal	Alternate to Mr Eric Michel Georges Leal

SENIOR MANAGEMENT TEAM

Mr Eric Leal	Chief Executive Officer
Mr Vivian Serret	Deputy Chief Executive Officer
Mr Yousouf Rehmallly	Chief Finance Officer
Mr Noel Marion	COO – Car Rental
Mr Michael Carey	COO – BMW Sales
Mr Christian Ferrière	COO – After Sales Service
Mr Louis-Philippe Guého	COO – Renault Sales
Mr Francois Gellé	COO – Parts and Distribution
Mr Yousouf Elahee Doomun	Chief Information Officer
Mrs Virginie Quevauvilliers	COO – Marketing
Mr Didier Jauffret	Executive Director
Mr Neemalen Gopal	IT Cluster Director

SECRETARY

Navitas Corporate Services Ltd Edgar Laurent Lane Curepipe Republic of Mauritius	As from 31 July 2009
Abax Corporate Services Administrators Ltd Level 6, One Cathedral Square Jules Koenig Street Port Louis Republic of Mauritius	Up to 31 July 2009

Corporate Data (Cont'd)

REGISTERED OFFICE

Motorway M1
Pailles
Republic of Mauritius

LEGAL ADVISERS

Me Gavin Glover
6, River Court
St Denis Street
Port Louis
Republic of Mauritius

Me Danielle Lagesse
Chancery House
Lislet Geoffroy Street
Port Louis
Republic of Mauritius

Me Maxime Sauzier
5th Floor, Chancery House
Lislet Geoffroy Street
Port Louis
Republic of Mauritius

Etude Mungroo
3rd Floor, 304 Sterling House
Lislet Geoffroy Street
Port Louis
Republic of Mauritius

AUDITORS

Grant Thornton
2nd Floor, Fairfax House
21, Mgr Gonin Street
Port Louis
Republic of Mauritius

BANKERS

The Mauritius Commercial Bank Limited
The State Bank of Mauritius Limited
Barclays Bank Plc
Bank One Ltd
AfrAsia Bank Limited
The Mauritius Post and Cooperative Bank Ltd
Bank of Baroda (Mauritius Branch)



Board of Directors



From right to left

- Mr Clency Leal C.B.E - Chairman
- Mr Eric Leal
- Mr Gérald Lincoln
- Mr Bernard Rochecouste Collet
- Mr Virrsingh Ramdeny
- Mr Jean-Marie Grégoire
- Mr France Ducasse
- Mr Arnaud Leal
- Mr Vivian Collet Serret
- Mr Christian Ferrière

LEAL & CO LTD

M. J. Clency LEAL (C.B.E) Group Chairman

Clency LEAL holds an MBA from Harvard Business School, U.S.A. He started his career as Assistant Pharmacist in 1957. In 1977, he founded Leal & Co. Ltd and founded COMANU Ltee in 1982. He also co-founded United Motors Ltd in 1985. He was decorated as Commander of the British Empire – C.B.E. by her majesty, Queen Elizabeth II. He is also the Chairman of the Pharmacie Nouvelle Group.

M. G. Eric LEAL Chief Executive Officer

Eric LEAL holds a bachelor degree in Arts & Science from the Boston College, U.S.A, where he specialized in Business Administration. He was promoted as Service Director at Leal & Co. Ltd in 1993 and is currently the Chief Executive Officer of the Leal Group.

J. J. Vivian COLLET SERRET Deputy Chief Executive Officer

Vivian SERRET joined the Mauritius Commercial Bank Ltd in 1977 and pursued banking studies with the London Institute of Bankers. He joined the Beachcomber group as Financial Controller of the Paradis Hotel in 1988 and joined the Leal Group as Deputy CEO in 1995 to date.

L. D. Christian FERRIERE Chief Operating Officer – After sales department

L. D. Christian FERRIERE is a fellow member of the Mauritius Institute of Directors. He has accumulated 20 years experience in management position and has followed training courses in motors and electrics as well as in management and in marketing. He was appointed as director of the parts department of Leal & Co. Ltd in 1996 and appointed as Chief Operating Officer of the after sales department of Leal & Co. Ltd in 2000.

Board of Directors (Cont'd)

M. Arnaud LEAL Market & Product Research Manager

C. M. Arnaud LEAL holds a degree in Business and E-Commerce from the International University of Monaco. He has been employed as New projects manager for Pharmacie Nouvelle Limited and thereafter as Manager for Ocean Indien Distribution Ltee before joining Leal & Co. Ltd as Market & Product Research Manager since June 2010.

Virrsing RAMDENY Non-Executive Director

Virrsing RAMDENY is a Fellow of the Chartered Association of Certified Accountants, Member of the Institute of Chartered Accountants of England and Wales and holder of a Master's Degree in Management. He has more than 20 years post qualification experience and is presently the Managing Partner of De Chazal & Associates, a firm of Chartered Accountants and Business Advisers. Mr. Ramdeny has also worked for the Mauritius Tax Authorities occupying various senior positions and the Mauritius Port Authority as Finance Manager.

Bernard A.J. ROCHECOUSTE COLLET Non-Executive Director

Bernard A.J. ROCHECOUSTE COLLET has joined Leal & Co. Ltd in 1972. He has occupied the position of Sales director of Leal & Co. Ltd for years until his retirement. He has also assisted in the setting-up of United Motors Ltd. He is presently one of the directors of Leal & Co. Ltd and United Motors Ltd. He is also the owner and director of Zazou Ltée and Albazazou Ltée.

Jean-Marie E. GREGOIRE Independent Director

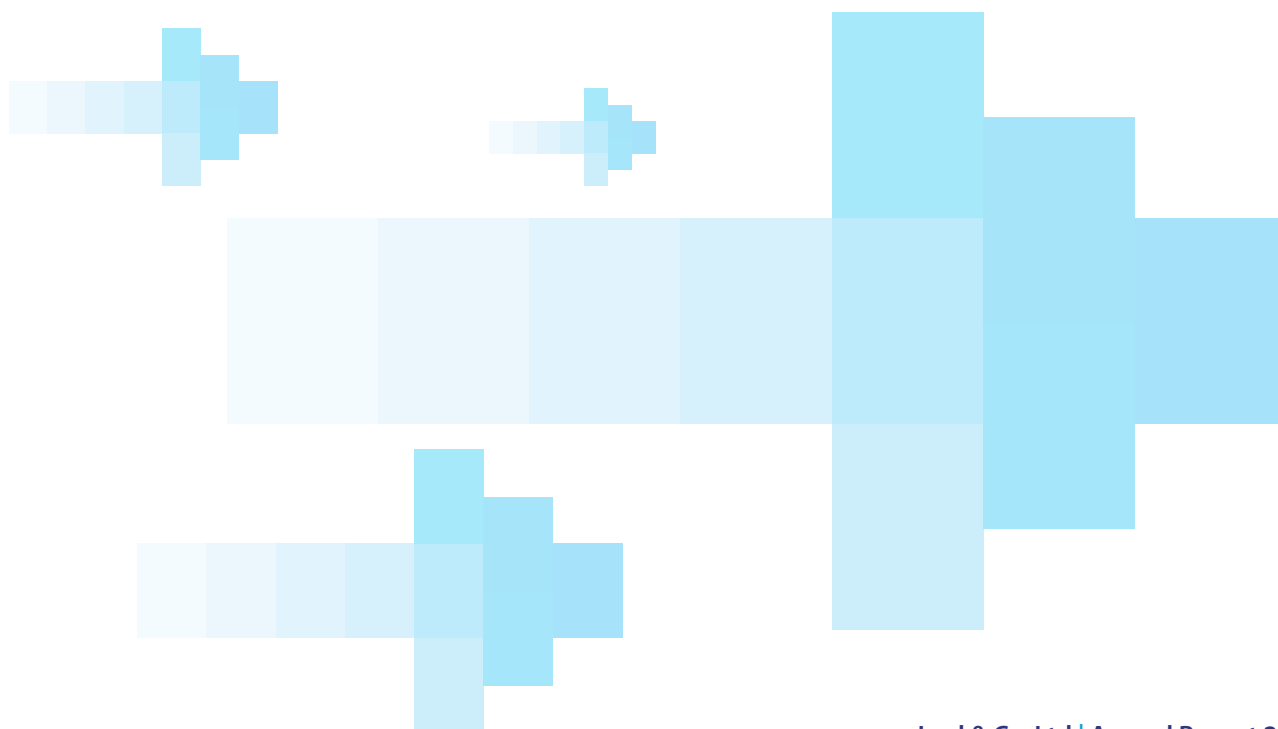
Jean-Marie GREGOIRE followed a marketing course at La Chambre de Commerce de Paris and a technical one at L'Ecole des Arts et Métiers Paris. He has accumulated 30 years experience as director of various companies in France and in other countries. He has also provided consultancy services during 5 years to companies specialized in hydrocarbures.

M. L. D. René-France DUCASSE Independent Director

France DUCASSE joined Pharmacie Nouvelle Limited at the age of 20 and has been working for several departments before retiring as Deputy Managing Director after 40 years of service in 2000. He was thereafter appointed as Consultant of Pharmacie Nouvelle Limited.

Gérald E. R. J. LINCOLN Independent Director

Gérald E. R. J. LINCOLN joined the Anglo-Mauritius Assurance Society Limited in December 1971 after having worked in the sugar industry for 12 years as accountant/secretary. On retirement, he held the post of Executive Manager. In 2002, he was appointed as consultant for the Group Chief Executive of the Swan Group up to the end of 2007. He is also a director of a number of companies involved in various economic activities and quoted on the D.E.M market.



Board of Directors (Cont'd)

DIRECTOR OF SUBSIDIARIES

Dr. Ashveen Kumar KISSOONAH
Chairman of Distripc Ltd [Elytis]

Dr. Ashveen Kumar KISSOONAH is an industrious, dynamic and thorough professional with strong ICT and business management background. He holds a Doctorate in Computer Networks and Information Security and a Master of Science in User Interface Design. He is also a Fellow member of The British Computer Society (UK) – FBCS also a Chartered Practitioner CITP and a full member of The Institute for the Management of Information Systems (UK) – MIMIS, The Association of Computer Professionals (UK) – MACP, The Chartered Institute of Marketing (UK) – MCIM and the Institute of Commercial Management (UK) – Minst.CM. He is currently the Chairperson of State Informatics Limited (SIL), SILNAM – Subsidiary of SIL in Namibia, SILBOTS – Subsidiary of SIL in Botswana and ELYTIS – Subsidiary of SIL in Mauritius. He is also a freelance IT consultant, a MQA registered trainer and a visiting lecturer at the Mauritius Institute of Education.

Neemalen GOPAL
IT Cluster Director – gérant of Sarl Solinfo, Director of Distripc Ltd, Cisolve and LCI

Neemalen GOPAL holds a Maîtrise Informatique Appliquée Gestion (MIAG) and a Diplôme Etudes Approfondies (DEA) Informatique from the University of Grenoble, France. He has accumulated 22 years working experience in the Information Technology field and is the IT Cluster director of Leal Group since July 2008.

Kemraz MOHEE
Director of Distripc Ltd

Kemraz MOHEE is presently the General Manager of the State Informatics Ltd. He has over 20 years of experience in the field of ICT. Before joining the State Informatics Ltd, he was the Executive Director of the National Computer Board. Kemraz Mohee holds a degree in Computer Science from the University of Grenoble in France and a master's degree in Artificial Intelligence from the University of Savoie in France.

Didier JAUFFRET
Director of LEC

Didier JAUFFRET followed a BTS Action Commerciale course from the University of Reunion and has accumulated 20 years working experience in the BTP sector (Batiments Travaux Publics). He has been appointed as Director of LEC since 2003.

Marie Noëli MARION
Director of Supreme Refinement (EU) Ltd,
Chief Operation Officer, Car Hire [Europcar]

Marie Noel MARION followed a tourism management course at the Centre D'Etudes de promotion du Tourisme, Paris, France. He has accumulated 34 years service in the Car Hire department (Europcar) of Leal & Co. Ltd and has been promoted as Chief Operating Officer since 2007.

M. Yousouf REHMALLY (FCCA)
Chief Finance Officer of Leal & Co. Ltd,
Director of Supreme Refinement (EU) Ltd

M. Yousouf REHMALLY is a Fellow of the Chartered Association of Certified Accountants. He is also a member of the Certified Accounting Technician of the Association of Chartered Certified Accountant and has more than 20 years working experience. He joined Leal & Co. Ltd in 1998 as Finance Manager and is presently occupying the post of Chief Finance Officer.



Senior Management Profile

1. Mr Yousuf Elahee Doomun
2. Mr François Gellé
3. Mr Eric Leal
4. Mrs Virginie Quevauvilliers
5. Mr Vivian Collet Serret
6. Mr Noël Marion
7. Mr Christian Ferrière
8. Mr Neemalen Gopal
9. Mr Yousouf Rehmally
10. Mr Didier Jauffret
11. Mr Michael Carey
12. Mr Louis-Philippe Guého





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Chairman's Statement



“
Our goal is to ensure that our partners give the best value added services in the region.
”

Dear Shareholders,

The financial year 2009/2010 has been again a challenging year for our Group. Indeed, the impact of the world economic crisis coupled with the fluctuating exchange rates has required much flexibility and reactivity from our management team.

Thanks to the quick decision process in place in our Group and also to the forward sighted vision of our executives and management team, our Group has maintained its growth rate and achieved very encouraging results as detailed below.

OVERVIEW OF OUR IT CLUSTER

I am pleased to report that, thanks to a clear strategy geared at providing a world class service to our customers and business partners, we have made serious inroads in the IT market in all the countries where we have distribution rights. Our resellers in Mauritius and across the region are very happy of the service delivery our IT cluster is providing to them.

We were very proud that in 2010, Distripc Ltd (Elytis) won the Best Distributor Award of Microsoft for the West, East, Central Africa and Indian Ocean region. This is indeed a very laudable achievement, being given that we were appointed Regional Distributor of Microsoft Inc only two years ago.

Elytis also received the award of the Best IWECA Distributor from Symantec Inc. This is a remarkable result given the size of our organisation compared to our competitors who are present in much bigger markets such as South Africa.

Now that our foothold in these territories has been firmly set, we shall pursue our strategy of bringing more and more high-level services and training to our partners in the region. Our goal is to ensure that our partners give the best value added services in the region.

However, the results of Elytis were affected by the rise of the US dollar vis-à-vis the Rupee and the persisting pressure on margins owing to the slowdown in the French speaking markets associated with the economic crisis.

LCI, on its part, has had to face an election year that has affected the IT market as a whole in Mauritius. Indeed, many projects and contracts have been somewhat postponed due to the legislative elections taken place in May of this financial year.

Chairman's Statement (Cont'd)

ICT has become the fifth pillar of our economy with over 5.8% contribution to GDP. While some traditional players have disappeared from the market, LCI has become a key player in this sector. LCI has continued to diversify its products portfolio in order to have a complete ICT solution offering for the corporate sector. With the highest level of partnership and skills with key international players like Microsoft (Gold Partner/Named Partner), CISCO (premier partner), Apple (Premium Reseller), Viewsonic (Authorised Dealer), LCI is well geared to serve the most complex and demanding IT customers.

Service delivery has remained a key focus over the years for LCI. As a result, we were the first IT Company in Mauritius to be awarded the ISO 9000 certification way back in the year 2000. This year, LCI has upgraded its ISO certification to 9001:2008.

I have pride in announcing that LCI is the first ICT company in the region that has been appointed as HP Gold Preferred Partner. This will further position LCI as the main HP Partner in the Indian Ocean region.

Through our new eShops (Multi brand retail IT shop) and iShops (Apple branded shops), we have set a firm foothold in the growing retail ICT market. We now are reaching out to more diversified customers in the retail segment while at the same time enlarging our customer base. We have already made provisional bookings in the main shopping malls coming into operation in 2011/2012.

CiSolve, our associate company engaged in Software System Integration and Development has had a good year ended December 2009. Important contracts have been performed during the year both locally and in Africa. I am also glad to report that CiSolve has, during the past year, performed contracts on behalf of globally reputed IT firms such as Satyam and Jain. The year ahead will remain though quite challenging for this new venture competing both locally and internationally.

In Reunion Island, our subsidiary Solinfo has been completely re-engineered to become focused on Apple products only. We have secured the Apple Authorised Reseller status for our St Denis outlet. Although negative results were experienced last year, we expect a drastic change in the coming months and we aim at reaching equilibrium at the end of the financial year. Already, results achieved as at September 2010 are extremely encouraging.

It is worth mentioning that this year, our IT Cluster represents 30.32% of our turnover.

OVERVIEW OF OUR ENGINEERING CLUSTER

The financial crisis coupled with the civil crisis in Madagascar, and sharply falling investments in the Seychelles, has had a strong impact on our sales and achievements in our export markets. Yet, thanks to the very hard work of our teams and their quick reactivity to changing environments, this cluster has again experienced robust growth and profitability.

We strongly believed that there were very good opportunities even during those hard times and our people at LEC fought hard to win each and every deal possible.

This financial year, our engineering cluster contributed to 18.2% of our turnover and realised its best year ever up to now. Our congratulations go to this team for this new record this year.

Forecasts for next year are also very positive. Our Management team is sparing no efforts to strengthen their foothold in this industry. One of the fruits of this hard work is the addition to our portfolio of the JAC brand, one of the largest and the highest quality truck manufacturer in China.

OVERVIEW OF OUR AUTOMOBILE SECTOR ACTIVITIES

The automobile sector progressed in the first half of 2010 following a massive drop of over 22% in 2009. The growth in 2010 should be at about 17%, with total sales of about 6,500 units. This will still be lower than the record of 2008 but within 5% of 2007 figures. Japanese brands are steadily losing market share due to the high appreciation of the Yen, while Korean, Indian and Chinese brands that are all imported in US Dollar are progressing sharply.

In the 2009 calendar year, Japanese brands suffered the most, as when new stocks were received they had to pass on a sharp price increase to customers.

Sales of passenger cars by Dealer Calendar year 2009	Units
1. IFRAMAC	691
2. ABC MOTORS	481
3. AXESS	436
4. LEAL & CO. LTD	386
5. THE BEECHAND & CO. LTD TOYOTA MTIUS	308
6. EAL MAN HIN & SONS LTD	302
7. ALLIED MOTORS	236
8. IMC	209

Chairman's Statement (Cont'd)

Sales of passenger cars by Brand Calendar year 2009	Units
1. NISSAN	481
2. MITSUBISHI	465
3. TOYOTA	308
4. HONDA	302
5. BMW	226
6. HYUNDAI	209
7. VOLKSWAGEN	195
8. SUZUKI/MARUTI	171
9. MERCEDES	158
10. RENAULT	148
11. CHEVROLET	119
12. FORD	90
13. KIA	87
14. CITROEN	70
15. PROTON	65
16. PEUGEOT	59
17. MAZDA	58
18. AUDI	41
19. LAND ROVER	27
20. JAGUAR	20

Sales of passenger Cars & Goods Vehicle by Brand Calendar year 2009	Units
1. NISSAN	996
2. MITSUBISHI	825
3. TOYOTA	619
4. GWM	320
5. FORD	315
6. HONDA	302
7. BMW	226
8. HYUNDAI	224
9. VOLKSWAGEN	195
10. SUZUKI/MARUTI	182
11. MERCEDES	161
12. RENAULT	148
13. KIA	124
14. CHEVROLET	119
15. CITROEN	114
16. ISUZU	100
17. PROTON	65
18. PEUGEOT	60
19. MAZDA	58
20. AUDI	41

BMW – CONTINUED LEADERSHIP

In 2009, BMW was for the fifth consecutive year, the worldwide leader in the premium segment ahead of its traditional competitor, Mercedes Benz.

Mercedes Benz remained in 2009 our main competitor thanks to the arrival of the C180 1.6 in the 55% duty bracket and of the new E-Class.

RENAULT – THE BEGINNING OF THE NEW ERA

The arrival of a number of new models with a 4-year warranty in June/July 2009 enabled Renault to slightly increase its market share in 2009. Volumes were almost constant in a sharply falling market.

In the 2010 – 2011 financial year, we have finally received the products that will enable us to bring back the sales to 2005 levels. The new Fluence 1.6 and Clio 1.2 are indeed great products competing in the two largest market segments in Mauritius.

GREAT SUCCESS WITH GWM

In 2009, with 320 sales, GWM became the 4th largest player in the combined passenger and commercial vehicle market ahead of Ford and Honda.

GWM was also the largest seller of Pick Up trucks in Mauritius.

In January 2010, the GWM Florid was introduced with great success. At end of September, it was the 2nd best selling hatchback car in Mauritius. Total sales of GWM at the end of October amounted to 298 for only 10 months, compared to 320 for 12 months in 2009.

TOURISM CLUSTER

Our tourism cluster had to fight for profitability in a very tough market. Indeed, in spite of more or less stable tourist arrivals, we noted a major fall in their expenditure in real terms, not to mention the dramatic effects of a weak Euro to the Rupee.

Nevertheless, our car rental business continued to perform up to expectations thanks to our experienced and highly motivated team.

Our associate company, Exclusive Island Ltd, managed to show positive results in this difficult context, thanks to the vision and quick adaptation to change of its management team.

Chairman's Statement (Cont'd)

Halcyon Days, our fully owned subsidiary, however, did not perform to expectations. Our innovative business model has taken more time than predicted to be fully set up, and our partnership on the French market has taken much more time than planned to materialize.

A quick turnaround of the company is primordial for its survival and the management team is taking all necessary steps to ensure this is quickly realised.

GROUP STRATEGY

During the course of this financial year our 3-year strategic plan launched two years ago proved right.

Thanks to the dedication and hard work of each single employee in the Group, we have achieved outstanding results in many sectors of our organization.

Over and above the awards obtained by Elytis and LCI in the field of IT, we are very proud of the awards obtained by other entities of the Group:

- » Leal Equipements Cie Ltée obtained the Volvo C.E Dealer Operational Excellence Award 2009.
- » Our Renault team obtained the Global Quality Award for its exceptional quality of service.
- » GWM team obtained the Best Global Achievement Promotion Award.
- » Our BMW team came out on top again of the audit done by SGS for BMW in the Africa Caribbean Eastern Europe region.

More than ever, all our personnel have realised the importance of an outstanding quality service for our customers and our quest to achieve zero defect is now well on track. We will maintain and pursue this winning strategy, as we strongly believe in providing exceptional service at a reasonable price to our customers.

I am glad to report that our regular and constant internal audits are proving a cornerstone of our success as these audits help our top management to remain focused on clear goals and standards.

Our directors were always there to support our strategy and share their valuable experience. The management joins me in thanking them for their help.

My thanks and congratulations go also to all the Executives and Management Team who spared no efforts to achieve those encouraging results both in terms of profitability and recognition of the Leal Brand.

Lastly, I would like to thank all our employees who fully supported our management teams. Their hard work and dedication made our success possible.



M. J. Clency Leal, C.B.E
Chairman

Date: 25 November 2010



Annual Report

The Board of Directors of Leal & Co. Ltd, "the Company", is pleased to present the annual report together with the audited financial statements of the Company and its subsidiaries, collectively referred as "the Group", for the year ended 30 June 2010.

INCORPORATION

The Company was incorporated in the Republic of Mauritius on 29 January 1976 as a private company with liability limited by shares. The status of the Company was subsequently changed to a public company with liability limited by shares on 14 April 1981.

PRINCIPAL ACTIVITIES

The principal activities of the Group are:

- (i) to deal in motor vehicles, spare parts and rental of cars;
- (ii) to deal in all kinds of mechanical engineering and agricultural equipment and spares;
- (iii) to deal in computer hardware and software;
- (iv) to deal in computer accessories, systems and peripherals, and
- (v) to engage in the tourism industry.

RESULTS AND DIVIDENDS

The results for the year are as shown on page 36.

The directors have recommended the payment of a dividend of Rs 20,498,080 for the year under review (2009: Rs 20,498,080).

DIRECTORS

The present membership of the Board is set out on page 6.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and the cash flows of the Group and the Company. The directors are also responsible for keeping accounting records which:

- » correctly record and explain the transactions of the Group and the Company;
- » disclose with reasonable accuracy at any time the financial position of the Group and the Company; and
- » would enable them to ensure that the consolidated financial statements comply with the Mauritius Companies Act 2001.

The directors confirm that they have complied with the above requirements in preparing the consolidated financial statements.

INTERNAL CONTROL

The directors are responsible for the Company's and the subsidiaries' systems of internal control. The systems have been designed to provide the directors with reasonable assurance that assets are safeguarded, that transactions are authorised and properly recorded and that there are no material errors and irregularities. An internal audit system is in place to assist management in the effective discharge of its responsibilities, and it is independent of management and reports to the Audit Committee.

Annual Report (Cont'd)

RISK MANAGEMENT

The Board of Directors has overall responsibility for risk management. Through the Audit Committee, the directors are made aware of the risk areas which affect the Company and its subsidiaries and ensure that management has taken appropriate measures to mitigate these risks.

CONTRACTS OF SIGNIFICANCE

There was no contract of significance to which the Company or its subsidiaries was a party and in which a director was materially interested either directly or indirectly.

DIRECTORS' SHARE INTERESTS

The directors' direct and indirect interests in the stated capital of the Company or its subsidiaries are provided in the Corporate Governance Report.

DIRECTORS' REMUNERATION

Total emoluments and other benefits paid to the directors during the financial year were as follows:

	2010 Rs	2009 Rs
Full time executive directors		
- Company	19,144,774	14,690,448
- Group	30,473,433	24,396,530
Non-executive directors		
- Company	7,063,500	8,260,245
- Group	7,063,500	8,260,245

DONATIONS

Donations made by the Group are provided in the Corporate Governance Report.

AUDITORS

The auditors, Grant Thornton, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual Meeting.

	The Group		The Company	
	2010 Rs	2009 Rs	2010 Rs	2009 Rs
Fees for:				
- Audit services (VAT exclusive)	1,045,000	508,000	440,000	255,000
- Other services (VAT exclusive)	-	108,000	-	60,000

For the year ended 30 June 2009, Lamusse Sek Sum & Co were the external auditors.

On behalf of the Board of Directors



M. G. Eric Leal
Chief Executive Officer



J. J. Vivian Collet Serret
Deputy Chief Executive Officer

Date: 25 November 2010

Corporate Governance Report

STATEMENT OF COMPLIANCE

The Board of Directors of Leal Group, "the Company", considers good governance practices to be essential in developing and sustaining any successful business. The Board also ensures the proper running of the Company and at the same time enhances the interaction between senior management, its board of directors, its shareholders and all other stakeholders.

For the year under review, the Board is of the view that the Company complies with the principles of the Code of Corporate Governance for Mauritius (the "Code"). Regarding areas of non-compliance with the Code, reasons and alternate practice which has been adopted, have been disclosed.

SUBSTANTIAL SHAREHOLDERS AS AT 30 JUNE 2010

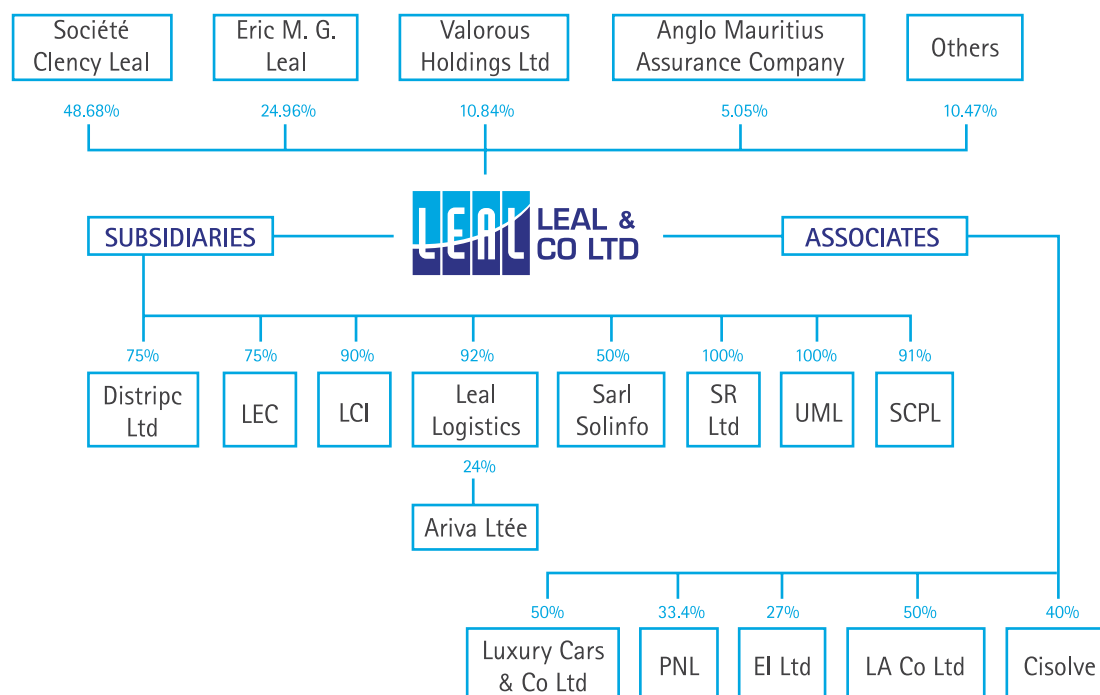
The share capital of the Company as at 30 June 2010 consisted of 2,049,808 ordinary shares of par value Rs 100 each held by 47 shareholders. As at 30 June 2010, the following shareholders held more than 5% of the share capital of the Company:

Name of shareholder	No. of ordinary shares	% Holding
Société Clency Leal	997,868	48.68
Eric M.G. Leal	511,690	24.96
Valorous Holdings Ltd	222,115	10.84
Anglo Mauritius Assurance Company	103,489	5.05

SHAREHOLDERS AGREEMENT AFFECTING THE GOVERNANCE OF THE COMPANY BY THE BOARD

The Company has not entered into such agreement with its shareholders during the year under review.

CONTROL STRUCTURE



Abbreviations

Cisolve : Cisolve International Ltd EI Ltd : Exclusive Island Ltd LCI : Leal Communications & Informatics Ltd LEC : Leal Equipments Compagnie Ltée
 LA Co Ltd : Luxury Automobiles Co Ltd Leal Logistics : Leal Logistics & Shipping Ltd PNL : Pharmacie Nouvelle Limited
 SR Ltd : Supreme Refinement (EU) Ltd UML : United Motors Ltd SCPL : Société Clency and Patrick Leal

Corporate Governance Report (Cont'd)

DIVIDEND POLICY

The Company has adopted a formal policy for the payment of dividend on the 12 November 2010 whereby dividend declared and payable annually to shareholders amount to a minimum of 10% of the par value of the shares. Payment of dividends is approved by the Board of Directors. The aim of the Board of Directors is to provide to its shareholders a fair return on their investment.

In line with sound management principles dividend's declaration is subject to positive results of the Group and solvency test. For the year under review, the Company declared an interim dividend of Rs 5.00 per share to the shareholders of the Company registered at the close of business on the 11 November 2009 and a final dividend of Rs 5.00 per share to all shareholders of the Company registered as shareholders as at 07 June 2010.

CONSTITUTION

The directors consider Sections 10.1(b), (d) and (f) of the Company's Constitution as material clauses and these sections provide for the following pre-emption rights:

1. Unless otherwise approved by Ordinary Resolution or where the terms of issue of any class of shares specifically provide otherwise, when the Board of Directors issues shares which rank equally with, or in priority to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer was accepted, maintain the relative voting and distribution rights of those shareholders.
2. The balance of any shares offered, but not taken up, shall be offered for subscription to shareholders who have accepted all the shares to which they are entitled to and who shall, if more than one, be entitled to subscribe for such balance of shares in the proportion as nearly as the circumstances will permit to the number of shares held by each of them.
3. In case there still remain shares that have not been taken up by the existing shareholders, the Board of Directors may allot such remaining shares to any person and in such numbers and on such terms as it may deem fit.

THE BOARD OF DIRECTORS

The Company is headed by a unitary Board which is comprised of ten directors under the Chairmanship of Mr Michael Joseph Clency Leal, C.B.E, who has no executive responsibilities. Four board members are executive and three board members are independent non-executive. The names of all directors, their profile and their categorization as well as their directorship details in listed companies are set out in the following sections of this corporate governance report.

There is a clear separation of the roles and functions of (i) the Chairman and (ii) the Chief Executive Officer and the Deputy Chief Executive Officer. The Chairman leads the Board whereas the Chief Executive Officer and Deputy Chief Executive Officer have the day-to-day management responsibility of the Group's operations, implementing the strategies and policies approved by the Board. The position of the Chief Executive Officer and Deputy Chief Executive Officer are held by 2 executive directors.

The Board is of the view that this composition is adequately balanced and that current directors have the range of skills, expertise and experience to carry out their duties properly. Non-executive directors have access to members of the management without the presence of the Executive directors.

Directors who have attained or are over the age of 70 years are re-elected by separate resolution at the Annual Meeting of the Company. As per Section 23.6 of the Company's Constitution, one third of the non-executive directors shall also stand for re-election at Annual Meeting of the Company as from the financial year 2011/2012.

Newly appointed directors to the Board are familiarized with the Company's operations, senior management and the business environment. They are also made aware of their fiduciary duties and responsibilities.

Corporate Governance Report (Cont'd)

BOARD MEETINGS

The Board meetings are held at least once each quarter. For the year under review the Board met 5 times. The Board meetings are conducted in accordance with the Company's Constitution and the Mauritius Companies Act 2001.

Board meetings are organized in such a way that directors receive all the information important to their understanding of the business to be conducted at the meeting. Furthermore, the directors have the right to request independent professional advice at the expense of the Company.

ASSESSMENT OF DIRECTORS

For the year under review, no evaluation of the Board or its committees was carried out.

GROUP COMPANY SECRETARY

Directors have direct access to the advice and services of officials of the secretary, Navitas Corporate Services Ltd, represented by qualified company secretaries.

The Company Secretary is responsible for the proper coordination and conduct of the Board of Directors and shareholders meetings and recording of proceedings. The Company Secretary also advises the Board on corporate governance policies and practices, application of the Mauritius Companies Act 2001 and other legal matters.

DIRECTORS' SERVICE CONTRACT

Executive directors of the Company and of its subsidiaries have a service contract with the Company or with its subsidiaries.

BOARD ATTENDANCE

The following table gives the record of attendance at Board meetings of the Company and at meetings of Board committees for the year under review.

Directors	Category	Board meetings	Board Committees	
			Audit committee	Corporate Governance committee
M.J. Clency LEAL, C.B.E (Chairman)	NED	3/5	N/A	3/3
Eric M.G. LEAL (Chief Executive Officer and alternate to M.J. Clency LEAL)	ED	4/5	N/A	N/A
J. J. Vivian COLLET-SERRET (Deputy Chief Executive Officer)	ED	4/5	N/A	N/A
L. D. Christian FERRIERE (Chief Operating Officer, after sales department)	ED	4/5	N/A	N/A
C. M. Arnaud LEAL (Market & Product Research Manager and alternate to Eric M.G. LEAL)	ED	5/5	N/A	N/A
Virrsing RAMDENY	NED	4/5	3/3	N/A
Bernard A.J. ROCHECOUSTE COLLET	NED	4/5	N/A	N/A
Jean-Marie E. GREGOIRE	INED	5/5	3/3	3/3
M. L. D. René-France DUCASSE (Alternate to Jean-Marie E. GREGOIRE)	INED	5/5	3/3	2/3
Gérald E. R. J. LINCOLN	INED	4/5	N/A	3/3

ED: Executive Director NED: Non-Executive Director INED: Independent Non-Executive Director

Corporate Governance Report (Cont'd)

DIRECTORS OF THE COMPANY'S SUBSIDIARIES

The directors of the Company's subsidiaries for the year under review are as follows:

Directors	Distripc	LEC	LCI	Supreme Refinement	UML	Leal Logistics	Sarl Solinfo
M.J. Clency LEAL, C.B.E (Group Chairman)	N/A	√	√	√	√	N/A	N/A
Eric M.G. LEAL (Chief Executive Officer)	√	√	√	√	√	√	N/A
J. J. Vivian COLLET-SERRET (Deputy Chief Executive Officer)	√	√	√	√	√	√	N/A
L. D. Christian FERRIERE (Chief Operating Officer -after sales department)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
C. M. Arnaud LEAL (Market & Product Research Manager)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Virrsing RAMDENY	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bernard A.J. ROCHECOUSTE COLLET	N/A	N/A	N/A	N/A	√	N/A	N/A
Jean-Marie E. GREGOIRE	N/A	N/A	N/A	N/A	N/A	N/A	N/A
M. L. D. René-France DUCASSE	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gérald E. R. J. LINCOLN	N/A	√	N/A	N/A	N/A	N/A	N/A
Dr. Ashveen Kumar KISSOONAH*	√	N/A	N/A	N/A	N/A	N/A	N/A
Neemalen GOPAL	√	N/A	√	N/A	N/A	N/A	√
Kemraz MOHEE	√	N/A	N/A	N/A	N/A	N/A	N/A
Didier JAUFFRET	N/A	√	N/A	N/A	N/A	N/A	N/A
M. Yousouf REHMALLY, FCCA (Chief Finance Officer)	N/A	N/A	N/A	√	N/A	N/A	N/A
Marie Noel MARION (Chief Operation Officer, Car Hire [Europcar])	N/A	N/A	N/A	√	N/A	N/A	N/A
Himmunt Kumar JUGDUTH	N/A	N/A	N/A	N/A	N/A	√	N/A

* Dr. Mr. Ashveen Kumar KISSOONAH is the Chairman of Distripc Ltd [Elytis].

DIRECTORS' PROFILE

The directors' profile are as shown on page 6.

DIRECTORS OF SUBSIDIARIES

The directors of subsidiaries profile are as shown on page 8.

PROFILE OF SENIOR MANAGEMENT TEAM

The profile of M. G. Eric Leal, J. J. Vivian Collet-Serret, L. D. Christian Ferrière, Neemalen Gopal, Didier Jauffret, M. Noël Marion and M. Yousouf Rehmally appears in the Directors' profile section.

Michael CAREY

Chief Operating Officer, Sales BMW/Mini

Michael CAREY holds an advance certificate in business management. He joined Leal & Co. Ltd in 1987 as Sales Manager (BMW-Daihatsu-Iveco-Piaggio). He was promoted as Sales Director (BMW) in 1995 and thereafter as Chief Operating Officer BMW/Mini in 2007.

Corporate Governance Report (Cont'd)

PROFILE OF SENIOR MANAGEMENT TEAM (CONT'D)

Louis-Philippe GUÉHO

Chief Operating Officer, Renault Sales

Louis-Philippe GUÉHO has accumulated 19 years experience in the automobile sector. In 1995, he was nominated as sales representative for Renault trucks and was promoted as sales manager for Renault and Renault trucks in December 1998. In September 2004, he was promoted as sales director of Renault at Leal & Co. Ltd and since August 2008 as Chief Operating Officer of UML sales.

François GELLÉ

Chief Operating Officer, Parts and Distribution

François GELLÉ holds a degree in Business Administration / Marketing / Finance from the University of Natal Durban South Africa and followed various training courses in vehicle mechanics and in service/warranty administration and accounting. He was promoted as Parts Manager of Leal & Co. Ltd in 1994 and as Chief Operating Officer of the Parts and Distribution department since 2000.

Yousuf Elahee DOOMUN

Chief Information Officer

Yousuf Elahee Doomun holds a Maîtrise en Informatique from The University of Bordeaux. He also holds the ITIL V3 Foundation Certificate. He joined Leal & Co. Ltd in 1987 and has more than 20 years working experience in Information Technology, ranging from networking to ERP implementations. He is currently occupying the post of Chief Information Officer, overseeing IT operations and delivering technology resources to development projects.

Virginie QUEVAUVILLIERS

Chief Operating Officer, Marketing

Virginie QUEVAUVILLIERS holds a licence de Lettres Modernes from University of Sorbonne, Paris, a Diploma de l'Ecole Sup de Pub (Groupe Insee) and a Master in Advertising and Marketing. She was employed as Marketing Manager in 1994 for Leal & Co. Ltd and then promoted to Chief Operating Officer, Marketing in 2009.



Corporate Governance Report (Cont'd)

INTEREST OF DIRECTORS IN THE SHARES OF THE COMPANY

The following table gives the direct and indirect interests of the Directors in the shares of the Company as well as details of other directorship in listed companies.

Directors	Direct Interest %*	Indirect Interest %*	No. of other Directorship in listed Companies
M.J. Clency LEAL, C.B.E (Group Chairman)	N/A	1.46	N/A
Eric M.G. LEAL (Chief Executive Officer and alternate to M.J. Clency LEAL)	24.96	12.72	N/A
J. J. Vivian COLLET-SERRET (Deputy Chief Executive Officer)	0.07	N/A	N/A
L. D. Christian FERRIERE (Chief Operating Officer, after sales department)	N/A	12.84	N/A
C. M. Arnaud LEAL (Market & Product Research Manager and alternate to Eric M.G. LEAL)	0.11	12.73	N/A
Virrsing RAMDENY	N/A	1.81	N/A
Bernard A. J. ROCHECOUSTE COLLET	0.15	0.03	N/A
Jean-Marie E. GREGOIRE	0.29	N/A	N/A
M. L. D. René-France DUCASSE (Alternate to Jean-Marie E. GREGOIRE)	0.19	N/A	N/A
Gérald E. R. J. LINCOLN	N/A	N/A	3

*Percentages rounded to 2 decimal places.

BOARD COMMITTEES

1. Board Committees

In accordance with the Code, the Board has set up two committees to assist it in the execution of its responsibilities, namely the Corporate Governance Committee and the Audit Committee.

The 2 Board committees have access to expert advice at the expense of the Company as and when required.

2. The Corporate Governance Committee

Chairman- Jean-Marie E. GREGOIRE

Members- M.J. Clency LEAL, C.B.E, M. L. D. René-France Ducasse and Gérald E. R. J. LINCOLN

The Corporate Governance committee is chaired by an independent non-executive director and is composed of 1 non-executive director, 2 independent non-executive directors. The Corporate Governance committee met 3 times during the financial year under review.

The Group has adopted a charter on Corporate Governance and is responsible to provide guidance to the Board on aspects of corporate governance and for recommending the adoption of policies and best practices as appropriate for the Company.

The Corporate Governance committee also performs the duties of the Nomination and Remuneration Committee.

Corporate Governance Report (Cont'd)

BOARD COMMITTEES (CONT'D)

3. The Audit Committee

Chairman- Virrsing Ramdeny

Members- Jean-Marie E. Grégoire and M. L. D. René-France Ducasse

The Audit committee is chaired by a non-executive director. Mr. Virrsing Ramdeny has substantial accounting and financial experience and background. The Audit committee is composed of 2 independent directors and 1 non-executive director. After having looked at the composition of the Board of the Company, the Corporate Governance Committee was of the view that none of the other independent members of the Board have the necessary accounting background to head the audit committee. The Corporate Governance Committee hence proposed that Mr. Ramdeny remained as Chairman of the audit committee for the time being.

The Group has adopted a Charter for the audit committee and is responsible for the review and assessment of the internal and external audit work and for the appointment of external auditors. The audit committee met 3 times during the financial year under review.

DIRECTOR'S FEES

All Non-Executive directors receive a Board remuneration consisting of a fixed fee, as well as an additional fee for each Board and committee meeting attended by them. Such fees are in line with market practices.

Executive directors are employees of the Company. They earn a basic salary, a commission on profit as well as passage and car benefits .

Total emoluments and other benefits paid to the Non-Executive and executive directors are disclosed in the annual report. The Board is of the opinion that the individual remuneration of its Non-Executive and Executive directors is confidential and has resolved not to disclose such information in the annual report. However the Board is agreeable to disclosing this information should a shareholder query such remuneration at the Annual Meeting of shareholders.

REMUNERATION PHILOSOPHY

The Board is responsible for the remuneration strategy of the Company and duties are delegated to the Corporate Governance committee.

Remuneration is reviewed regularly after taking cognizance of market norms and practices as well as additional responsibilities placed on directors. There is no formal policy for executive directors approaching retirement and any remuneration for the executive directors approaching retirement is at the discretion of the board of directors.

However the Board believes that it is a prerequisite that the Executive Directors and all other staff members be regularly assessed on their performance and deliverables, that salaries and pay packages be in line with best practices and be encouraging enough to promote total dedication of our people. Also the Board follows closely the career path of top management and ensures planning of future retirements and replacements.

SHARE OPTION

The Group has no share option plan.

RELATED PARTY TRANSACTIONS

Please refer to Note 28 of the financial statements.

Corporate Governance Report (Cont'd)

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company recognises the importance of its social responsibility within the community and is committed to contributing to its welfare by undertaking various projects. The Board also believes that all our employees have a role to play in this context and as such the company must also have its own internal social plan for its own employees first. As such, Leal Group support various associations namely:

» Promoting education and development

A.P.E.I.M

The A.P.E.I.M (Association de parents d'enfants inadaptés de l'Ile Maurice) is a non-government organisation, responsible for the care, support, development and well being of children and adults with developmental disabilities, moderate to severe mental handicap.

The Group has made several donations since its creation. Last year, the Group made a donation to support and help them in the construction of the new A.P.E.I.M centre in Trianon. The new building was inaugurated on the 24 March 2010.

ANFEN

The ANFEN (Adolescent Non-Formal Education Network) was created in 2000 and is a group of associations which work for the well being of distressed adolescents. These associations provide an alternative education for adolescents who have left the education system. With its contribution, Leal Group helps and works for the well-being of those adolescents.

LORETO INSTITUTE

The Group is financing the studies of poor children via the Loreto Institute pre-vocational channel. A donation was effected by the Company to the Loreto Institute for the construction of a centre for Arts and Crafts for the Centre St LUC.

» IT Education for Poverty alleviation

E-Inclusion Foundation

The Company has set up a foundation with the participation of Microsoft, State Investment Corporation (SIL), Joint Economic Council (JEC), United Nations Development Programme (UNDP) and the Ministry of Finance. The E-Inclusion Foundation is a private foundation, working in close collaboration with the private sector to expand the IT penetration in Mauritius, to empower the population and fight poverty. The targets of this foundation is to improve the management abilities of NGO's and to disseminate the IT knowledge to the most vulnerable groups. During the year under review, the Group has subscribed more than Rs 1,151,600 to the Foundation. As at date more than 850 PCs have been donated to all NGOs in Mauritius, Pre-Primary schools in Rodrigues and poor families. More information on the Foundation activities is available on our website www.einclusion.mu.

In the coming months more than 4,000 Pc's shall be donated to Tertiary Education students, Rodrigues etc. In line with the Foundation objects, an IT academy shall be soon set up fully supported academically by us, Microsoft, Intel, etc for dispensing IT knowledge courses to the vulnerable groups.

» Environment

Leal Environment Ltd

The Group was looking into a project for the setting up of Leal Environment Ltd. The main objects of this project would have been (i) E-waste refurbishment and recycling plant and (ii) tyre recycling plant. However, major institutional and legal constraints have put an end to this project. Yet, the Group maintained its ambition to help reduce CO2 emissions in our country. We are eagerly fighting for the introduction of a new model of taxation for motor vehicles based on CO2 emissions rather than the actual one based on engine capacity. Furthermore, we are working also on other Green energy initiatives.

Corporate Governance Report (Cont'd)

CORPORATE SOCIAL RESPONSIBILITY (CSR) (CONT'D)

» Environment (cont'd)

Leal Environment Ltd (cont'd)

As at now we have already implemented the collection and treatment of used oil, the use of energy efficient lamps, the close monitoring and real time management of electricity, the introduction of low sulphur diesel.

We are at present working closely on the introduction of Water paints in our paint and panel section, and electric vehicles in combination with clean energy alternatives.

INTERNAL AUDIT FUNCTION

Internal Control and Risk Management

The Board of Directors recognizes that a risk management programme integrated across the Group and embedded in its culture is not just a protective tool but is capable of creating a competitive edge in a dynamic environment.

The management of risk is therefore vital to the Group's strategy and to achieving its long-term goal. The Board of Directors is responsible for the establishment and oversight of the Group's risks management programme which incorporates internal control and risks management procedures.

The Board of Directors has delegated to the Audit Committee (AC) its overall responsibility to translate its vision on risks management. The AC is reviewing the risks philosophy, strategy and policies recommended by management. Compliance with policies and procedures is constantly monitored .

Management is accountable to the Board of Directors to establish processes and procedures for identifying, evaluating and managing the significant risks faced by the Group. The Chief Executive Officer is responsible to report such risks as and when identified.

Internal Control

The system of internal control is primarily designed to manage rather than eliminate the risk of failure in the achievement of business objectives. Internal control can provide only reasonable assurance against material misstatement or loss. A hierarchical reporting has been established to provide a documented and auditable trail of accountability.

An independent and objective opinion is provided to AC and management to ensure that appropriate procedures and control are in place to protect the Group's income and assets.

The audit department operates within the framework of the Charter of AC and in line with its approved audit plan, and all departments and subsidiaries are audited at least once annually.

Given its commitment to enhance value, the audit department aims at providing a high quality audit service by adopting up to date audit and business international standards. A follow up mechanism is in place so as to ensure that all the international standards are adopted in a pragmatic way and within a reasonable time frame.

Every month the Audit Committee is remitted detailed audit reports with follow up actions and these reports shall be shortly available online to all directors of the Board via our Intranet.

Risk Management

The Group has clearly identified its risks areas and has decided to put in place a clear framework geared at achieving the Group's risk controls which are classified in four categories namely operational, financial, customer, people and system.

Corporate Governance Report (Cont'd)

INTERNAL AUDIT FUNCTION (CONT'D)

Risk Management (cont'd)

It is the responsibility of management to assess the full array of risks and capture them in the business risks register with mitigating actions, ownership and completion dates. These registers will be tabled at the Board of Directors of each respective company of the Group and the key risks reported to the AC .

Risks are managed within an established two lines of defence:

- » Internal Audit independently reviews, monitors and tests business units compliance with policies and procedures, as well as Quality Standards.
- » AC operates within a formal charter and is chaired by a non-executive director instead of an independent director.

The current economic and financial crisis has created a significant decline in economic activities. The businesses within the Group are not immune to the prevailing economic climate and some key revenue sectors have been affected. The Group has reviewed the risks in line with its strategic objectives through control assessment workshops in order to better absorb exogenous shocks and to seize opportunities.

Management monitors risks in the day-to-day operations and the most important ones are listed hereunder:

FINANCIAL RISKS

The Group is exposed to various risks namely cash liquidity, interest rate, obsolescence, credit, and foreign exchange.

OPERATIONAL RISK

The Group is continuously updating its policies and control procedures to minimize its exposure to operational risks. Such risks materialises into losses when, for instance, internal processes are inadequate or fail, or when external events cause damage or disruption to the business. Those risks are mitigated by ensuring that clear guidelines are provided through documented policies and procedures, which have been communicated, distributed and assessed by the Internal Auditor.

All our procedures, processes and job descriptions are fully accessible to all our personnel via our Intranet.

INFORMATION SYSTEMS AND INFORMATION SECURITY

The Group's businesses may be severely impacted by a failure in the confidentiality, integrity or availability of the information system resulting from an intentional or accidental event. A Code of conduct concerning the handling of information has been enforced and priority is placed on maintaining a high level of security. Appropriate firewalls, security guidelines and extensive back up facilities are in place to counter potential threats. Again the IT procedural manual is accessible via our Intranet.

HUMAN CAPITAL

The risk that personnel will not be sufficient to attain the organisation's objectives are real. Specific risks elements would include quality and quantity of personnel, competitive pay packages to retain best employees etc.

Corporate Governance Report (Cont'd)

DONATIONS

Donations made by the Company and its subsidiaries for the years ended 30 June 2009 and 2010 are as follows:

Category	2010 Rs	2009 Rs
Charitable	1,421,600	2,652,183
Non-Charitable	2,050,000	350,000

ETHICS

The Board of Directors has not adopted a Code of Conduct for its directors and employees but is mindful of its interest for other stakeholders such as suppliers, clients and the public at large when running its operations. However it is deeply impregnated in the philosophy of our Group to be committed to very high standards of integrity and ethical conduct in dealing with all our stakeholders, shareholders, and employees.

The Board of Directors will review the need for a Code of Conduct and will report accordingly next year.

SAFETY, HEALTH AND ENVIRONMENT

The Group abides by the general rules and regulations governing the health, safety and environmental issues. The Group is committed to minimising any adverse effect of its operations on the environment and on the health and safety of its employees and the community in which it operates.

» Energy saving

The Group is conscious of the energy saving problem and has invested Rs 700,000 to change all lights to energy saving lights. Various alternatives such as the use of solar energy, eolian energy, installation of energy saving devices are being considered. The Group also encourages its staff to save energy.

» Health and Safety

During the past year, the Group has conducted a large scale diabetes detection campaign among our colleagues and all employees of the Group have undergone thorough medical examinations and test in that respect.

Furthermore, during winter season, we have encouraged all willing employees to take advantage of our free flu vaccination campaign.

All our equipment, lifts etc are thoroughly investigated and regularly certified as part of our Health & Safety Campaign. The safety and well being of our staff is at the heart of our strategy.

GOVERNANCE

The Company is proud to confirm that the Leal Group is an Equal Opportunity Employer where people of all races, genders, colours and irrespective of their political belief have equal chances of success in their career. The profile of our Top Management team is today one of the reasons for our continuous success.

A loan scheme has also been created by the Company to help employees, who face difficulties following the removal of the subsidies on HSC/SC exam fees, finance the studies of their children.

Furthermore a Hardship Fund had been created to help employees who face difficulties to incur medical expenses. The Group contributes monthly to the Hardship Fund, which Fund is entirely managed by the employees in total transparency.

Corporate Governance Report (Cont'd)

GOVERNANCE (CONT'D)

The Group also recognizes the need for its employees to undertake continuous training and has hence spent Rs 1,922,384 on local training and Rs 1,217,976 on overseas training for the year under review. We strongly believe in empowering our people and we spare no effort to invest heavily on local and overseas training for all our staff members. During the last financial year, the Group has acquired its own IT training platform and today this training tool is delivering full time training to all our staffs whether technical, academic or IT oriented.

Furthermore since many years now, we have our own in house training academy for all our technical staffs, under the responsibility of a full time manager.

SHAREHOLDER RELATIONS AND COMMUNICATION

The Board of Directors places great importance on transparency and optimal disclosure of information to shareholders and hence ensures that shareholders are kept informed on matters affecting the Group.

In the coming year we shall launch our Shareholders Intranet where we will give a permanent access to information to our shareholders and already through our Website we communicate permanently on our activities.

TIME TABLE OF IMPORTANT FORTHCOMING EVENTS

December 2010	Interim dividend for financial year 2010/2011
December 2010	Annual general meeting
June 2011	Financial year end
June 2011	Final dividend for financial year 2010/2011



Navitas Corporate Services Ltd
Company Secretary

Date: 25 November 2010



Certificate from the Secretary

We certify, to the best of our knowledge and belief, that the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Mauritius Companies Act 2001, in terms of Section 166 (d), during the financial year ended 30 June 2010.



Navitas Corporate Services Ltd
Company Secretary

Edgar Laurent Lane
Curepipe
Republic of Mauritius

Date: 25 November 2010



Independent Auditors' Report to the Members of Leal and Co. Ltd

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the consolidated financial statements of Leal & Co. Ltd, "the Company", and its subsidiaries, together referred to as "the Group", which comprise the consolidated statement of financial position at 30 June 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements of Leal & Co. Ltd as of and for the year ended 30 June 2009 were audited by other auditors whose report dated 11 December 2009, expressed an unqualified opinion on these statements.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 consolidated 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 consolidated financial statements on pages 36 to 77 give a true and fair view of the financial position of the Group and the Company at 30 June 2010, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritius Companies Act 2001.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

(a) Mauritius Companies Act 2001

In accordance with the requirements of Mauritius Companies Act 2001, we report as follows:

- » we have no relationship with, or any interests in, the Company and its subsidiaries other than in our capacity as auditors;
- » we have obtained all the information and explanations that we have required; and
- » in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Independent Auditors' Report to the Members of Leal and Co. Ltd (Cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONT'D)

(b) Financial Reporting Act 2004

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

In our opinion, the disclosures in the Corporate Governance Report comply with the requirements of the Code except that individual directors' remuneration has not been disclosed for reasons given in the Corporate Governance Report.

OTHER MATTERS

This report is made solely to the members of the Company as a body, in accordance with Section 205 of the Mauritius 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 opinion we have formed.

Grant Thornton
Grant Thornton
Chartered Accountants

Y Nubee
Y NUBEE, FCCA
Signing Partner

Date: 25 November 2010

Port Louis, Republic of Mauritius







Financial Statements

YEAR ENDED 30 JUNE 2010

Consolidated Statement of Comprehensive Income

Year Ended 30 June 2010

	Notes	The Group		The Company	
		2010	2009	2010	2009
		Rs	Rs	Rs	Rs
Turnover	6	2,393,503,850	2,060,435,912	1,013,652,650	1,034,759,860
Cost of sales		(1,952,529,293)	(1,689,850,354)	(808,230,101)	(841,379,862)
Gross profit		440,974,557	370,585,558	205,422,549	193,379,998
Other operating income	8	12,081,713	26,085,196	63,039,714	41,663,702
Selling and distribution expenses		(69,400,840)	(56,657,383)	(37,206,543)	(32,172,276)
Administrative expenses		(307,998,577)	(273,568,343)	(148,919,601)	(140,976,788)
Impairment loss	14	-	-	(5,000,000)	-
Operating profit		75,656,853	66,445,028	77,336,119	61,894,636
Net foreign exchange gains		40,487,485	15,709,019	17,975,477	6,494,929
Finance income	9.1	145,270	930,026	294,993	231,238
Finance costs	9.2	(50,805,517)	(52,061,599)	(35,819,105)	(39,463,704)
Share of profit/(loss) of associates	15	2,050,004	(1,525,215)	-	-
Profit before taxation	7	67,534,095	29,497,259	59,787,484	29,157,099
Taxation	10	(17,402,043)	(4,129,800)	(5,916,904)	3,472,981
Profit for the year		50,132,052	25,367,459	53,870,580	32,630,080
Other comprehensive income:					
Share of other comprehensive income of associates	15	4,348,743	-	-	-
Translation of foreign operation		3,992,248	(192,022)	-	-
Other comprehensive income for the year, net of tax		8,340,991	(192,022)	-	-
Total comprehensive income for the year		58,473,043	25,175,437	53,870,580	32,630,080
Profit attributable to:					
Owners of the parent		47,129,028	19,383,442	53,870,580	32,630,080
Minority interest		3,003,024	5,984,017	-	-
		50,132,052	25,367,459	53,870,580	32,630,080
Total comprehensive income attributable to :					
Owners of the parent		55,205,297	19,191,420	53,870,580	32,630,080
Minority interest		3,267,746	5,984,017	-	-
		58,473,043	25,175,437	53,870,580	32,630,080
Earnings per share	11	22.99	9.46	26.28	15.92

The notes on pages 42 to 77 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As At 30 June 2010

	Notes	The Group		The Company	
		2010 Rs	2009 Rs	2010 Rs	2009 Rs
ASSETS					
Non-current assets					
Property, plant and equipment	12	497,939,382	520,787,821	413,032,454	411,283,698
Intangible assets	13	10,029,025	11,542,545	3,759,847	4,292,453
Investments in subsidiaries	14	-	-	64,753,868	57,116,968
Investments in associates	15	91,397,952	91,520,019	40,064,444	41,864,444
Available-for-sale investments	16	3,880,088	1,549,088	2,365,000	65,000
Loan	17	2,159,696	2,159,696	-	-
Deferred tax asset	10	36,330	140,095	-	-
		<u>605,442,473</u>	<u>627,699,264</u>	<u>523,975,613</u>	<u>514,622,563</u>
Current assets					
Inventories	18	399,286,922	289,280,300	205,601,291	164,725,855
Trade and other receivables	19	382,817,566	308,368,094	207,861,097	174,961,016
Cash and cash equivalents	20	31,163,439	26,884,947	20,644,323	13,290,115
		<u>813,267,927</u>	<u>624,533,341</u>	<u>434,106,711</u>	<u>352,976,986</u>
Assets classified as held-for-sale	21	42,235,000	-	-	-
Total assets		<u>1,460,945,400</u>	<u>1,252,232,605</u>	<u>958,082,324</u>	<u>867,599,549</u>
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Capital and reserves					
Share capital	22	204,980,800	204,980,800	204,980,800	204,980,800
Share premium	23	5,782,800	5,782,800	5,782,800	5,782,800
Revaluation and other reserves		91,481,254	83,179,583	13,333,968	13,333,968
Retained earnings		145,861,192	119,455,646	133,022,059	99,649,559
		<u>448,106,046</u>	<u>413,398,829</u>	<u>357,119,627</u>	<u>323,747,127</u>
Minority interest		19,562,922	16,295,176	-	-
Total equity		<u>467,668,968</u>	<u>429,694,005</u>	<u>357,119,627</u>	<u>323,747,127</u>
Non-current liabilities					
Retirement benefit obligations	24	19,411,328	16,610,483	19,411,328	16,610,483
Borrowings	25	180,984,009	192,658,506	148,229,209	166,593,936
Deferred tax liabilities	10	13,167,833	10,899,030	10,914,472	9,250,025
		<u>213,563,170</u>	<u>220,168,019</u>	<u>178,555,009</u>	<u>192,454,444</u>
Current liabilities					
Trade and other payables	26	570,572,080	425,347,002	304,727,891	255,277,232
Borrowings	25	192,539,727	161,139,902	115,506,817	94,278,127
Current tax liabilities	10	7,774,023	10,431,477	2,172,980	1,842,619
Dividends	27	8,827,432	5,452,200	-	-
		<u>779,713,262</u>	<u>602,370,581</u>	<u>422,407,688</u>	<u>351,397,978</u>
Total equity and liabilities		<u>1,460,945,400</u>	<u>1,252,232,605</u>	<u>958,082,324</u>	<u>867,599,549</u>

Approved by the Board of Directors on 25 November 2010 and signed on its behalf by:



M. G. Eric Leal
Chief Executive Officer



J.J. Vivian Collet Serret
Deputy Chief Executive Officer

Consolidated Statement of Changes in Equity

Year Ended 30 June 2010

THE GROUP	Share capital		Share premium		Revaluation and other reserves		Retained earnings		Attributable to owners of the parent		Minority interest		Total	
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Balance at 01 July 2008	204,980,800	5,782,800	83,371,605	117,335,822	411,471,027	11,872,918	423,343,945							
Consolidated adjustments	-	-	-	3,234,462	3,234,462	(1,561,759)	1,672,703							
Dividends (Note 27)	-	-	-	(20,498,080)	(20,498,080)	-	(20,498,080)							
Transactions with the shareholders	-	-	-	(17,263,618)	(17,263,618)	(1,561,759)	(18,825,377)							
Profit for the year	-	-	-	19,383,442	19,383,442	5,984,017	25,367,459							
Other comprehensive income	-	-	(192,022)	-	(192,022)	-	(192,022)							
Translation of foreign operation	-	-	(192,022)	-	(192,022)	-	(192,022)							
Total comprehensive income for the year	-	-	-	19,383,442	19,191,420	5,984,017	25,175,437							
Balance at 30 June 2009	204,980,800	5,782,800	83,179,583	119,455,646	413,398,829	16,295,176	429,694,005							
Balance at 01 July 2009	204,980,800	5,782,800	83,179,583	119,455,646	413,398,829	16,295,176	429,694,005							
Dividends (Note 27)	-	-	-	(20,498,080)	(20,498,080)	-	(20,498,080)							
Transactions with the shareholders	-	-	-	(20,498,080)	(20,498,080)	-	(20,498,080)							
Profit for the year	-	-	-	47,129,028	47,129,028	3,003,024	50,132,052							
Other comprehensive income	-	-	(39,320)	(225,402)	(264,722)	264,722	-							
Released upon deemed disposal of subsidiary	-	-	(39,320)	(225,402)	(264,722)	264,722	-							
Share of other comprehensive income of associates	-	-	4,348,743	-	4,348,743	-	4,348,743							
Translation of foreign operation	-	-	3,992,248	-	3,992,248	-	3,992,248							
Total comprehensive income for the year	-	-	8,301,671	46,903,626	55,205,297	3,267,746	58,473,043							
Balance at 30 June 2010	204,980,800	5,782,800	91,481,254	145,861,192	448,106,046	19,562,922	467,668,968							

The notes on pages 42 to 77 form an integral part of these financial statements.

Statement of Changes in Equity

Year Ended 30 June 2010

THE COMPANY	Share capital	Share premium	Revaluation	Retained	Total
	Rs	Rs	reserves	earnings	Rs
Balance at 01 July 2008	204,980,800	5,782,800	13,333,968	87,517,559	311,615,127
Dividends (Note 27)	-	-	-	(20,498,080)	(20,498,080)
Transactions with the shareholders	-	-	-	(20,498,080)	(20,498,080)
Total comprehensive income for the year	-	-	-	32,630,080	32,630,080
Balance at 30 June 2009	204,980,800	5,782,800	13,333,968	99,649,559	323,747,127
Balance at 01 July 2009	204,980,800	5,782,800	13,333,968	99,649,559	323,747,127
Dividends (Note 27)	-	-	-	(20,498,080)	(20,498,080)
Transactions with the shareholders	-	-	-	(20,498,080)	(20,498,080)
Total comprehensive income for the year	-	-	-	53,870,580	53,870,580
Balance at 30 June 2010	204,980,800	5,782,800	13,333,968	133,022,059	357,119,627

The notes on pages 42 to 77 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Year Ended 30 June 2010

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
Cash flows from operating activities				
Profit before taxation	67,534,095	29,497,259	59,787,484	29,157,099
Adjustment for:				
Depreciation of property, plant and equipment	62,414,110	63,834,565	46,514,717	44,856,499
Amortisation of intangible assets	1,082,507	1,054,716	810,507	782,717
Profit on disposals of property, plant and equipment	(1,246,347)	(1,717,716)	(234,069)	(1,347,963)
Impairment loss	-	-	5,000,000	-
Share of (profit)/loss of associates	(2,050,004)	-	-	-
Investment written off	-	-	1,089,500	-
Exchange differences	972,759	(84,523)	-	-
Provisions	4,500,000	465,000	4,500,000	-
Dividend income	(1,925)	(2,550)	(45,711,962)	(25,688,787)
Interest expense	44,174,383	46,276,276	33,671,793	37,302,011
Interest income	(145,270)	(930,026)	(294,993)	(231,238)
Movements in retirement benefit obligations	2,800,845	3,441,614	2,800,845	3,441,614
Operating profit before working capital changes	180,035,153	141,834,615	107,933,822	88,271,952
Movements in working capital:				
Increase in inventories	(110,006,622)	(93,517,281)	(40,875,436)	(46,342,047)
(Decrease)/increase in trade and other receivables	(76,093,858)	(24,739,927)	7,384,074	(2,160,778)
Increase in trade and other payables	149,552,510	130,140,207	44,950,659	89,576,494
Cash generated from operations	143,487,183	153,717,614	119,393,119	129,345,621
Taxes paid	(17,104,929)	(14,093,905)	(3,359,347)	(4,864,404)
Dividends received	1,925	2,550	4,514,658	25,688,787
Dividends paid	(20,498,080)	(20,498,080)	(20,498,080)	(20,498,080)
Interest paid	(44,174,383)	(46,276,276)	(33,671,792)	(37,302,011)
Interest received	145,270	930,026	294,993	231,238
Net cash generated from operating activities	61,856,986	73,781,929	66,673,551	92,601,151
Cash flows from in investing activities				
Purchase of property, plant and equipment	(35,248,693)	(124,963,076)	(22,855,713)	(93,834,513)
Purchase of investments	(200,000)	-	(13,876,000)	-
Purchase of intangible assets	(277,901)	(947,170)	(277,901)	(947,170)
Proceeds from disposal of property, plant and equipment	20,193,586	14,967,646	17,559,772	11,037,149
Net cash used in investing activities	(15,533,008)	(110,942,600)	(19,449,842)	(83,744,534)

Consolidated Statement of Cash Flows (Cont'd)

Year Ended 30 June 2010

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
Cash flows from financing activities				
Proceeds from borrowings	15,000,000	115,724,597	15,000,000	94,758,751
Repayment of borrowings	(82,309,781)	(93,607,284)	(66,941,454)	(78,680,740)
Net cash (used in)/from financing activities	(67,309,781)	22,117,313	(51,941,454)	16,078,011
Net (decrease)/increase in cash and cash equivalents	(20,985,803)	(15,043,358)	(4,717,745)	24,934,628
Movement in cash and cash equivalents:				
At 01 July	(34,179,322)	(33,010,418)	2,991,450	(21,943,178)
Consolidation adjustments	-	4,000,000		
Exchange differences	3,992,248	-	-	-
Net cash acquired on amalgamation	-	9,874,454	-	-
Net (decrease)/increase in cash and cash equivalents	(20,985,803)	(15,043,358)	(4,717,745)	24,934,628
At 30 June	(51,172,877)	(34,179,322)	(1,726,295)	2,991,450
Cash and cash equivalents made up of:				
Cash in hand and at bank	31,163,439	26,884,947	20,644,323	13,290,115
Bank overdrafts	(82,336,316)	(61,064,269)	(22,370,618)	(10,298,665)
	(51,172,877)	(34,179,322)	(1,726,295)	2,991,450

The notes on pages 42 to 77 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

1. GENERAL INFORMATION

Leal & Co. Ltd, "the Company", was incorporated in the Republic of Mauritius on 29 January 1976 as a private company with liability limited by shares. The status of the Company was subsequently changed to a public company with liability limited by shares on 14 April 1981. The Company's registered office is Motorway M1, Les Pailles, Republic of Mauritius.

The Company and its subsidiaries are together referred as "the Group".

The principal activities of the Group are:

- (i) to deal in motor vehicles, spare parts and rental of cars;
- (ii) to deal of all kinds of mechanical engineering and agricultural equipment and spares;
- (iii) to deal in computer hardware and software;
- (iv) to deal in computer accessories, systems and peripherals; and
- (v) to engage in the tourism industry.

The consolidated financial statements are presented in Mauritian Rupee ("MUR" or "Rs").

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies that would affect the amounts reported for the current and prior years.

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:

IAS 24	Related Party Disclosures
IAS 32	Classification of Rights Issues (Amendment to IAS 32)
IFRS 1	Additional Exemptions for First-time Adopters (Amendments to IFRS 1)
IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Amendment to IFRS 1)
IFRS 2	Group Cash-settled Share-based Payment Transactions (Amendments to IFRS 2)
IFRS 7	Disclosures – Transfers of Financial Assets (Amendment to IFRS 7)
IFRS 9	Financial Instruments
IFRIC 14	The Limit on a Defined Benefit Asset (Amendments to IAS 19)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The directors anticipate that the adoption of these Standards and Interpretations in future years will have no material impact on the Group's financial performance and financial position.

3. ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with and comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

3. ACCOUNTING POLICIES (CONT'D)

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

(a) Presentation of consolidated financial statements

The consolidated financial statements are presented in accordance with IAS 1, Presentation of Financial Statements (Revised 2007). The Group has elected to present a single statement of comprehensive income.

(b) Basis of accounting

The consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

(c) Basis of consolidation

The Group financial statements consolidate those of the parent company and of its subsidiaries undertakings drawn up to 30 June 2010. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The investments in the subsidiaries are stated at cost less impairment losses.

Unrealised gains and losses on transactions between group companies are eliminated. Where unrealised losses on intra-group assets sales are reversed on consolidation, the underlying asset is also tested for impairment losses from a group perspective. Amounts reported in the financial statements of the subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Minority interests represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. If losses in a subsidiary applicable to a minority interest exceed the minority interest in the subsidiary's equity, the excess is allocated to the majority interest except to the extent that the minority has a binding obligation and is able to cover the losses.

(d) Business combinations

Business combinations are accounted for using the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any excess of identifiable net assets over acquisition cost is recognised in profit or loss immediately after acquisition.

(e) Investments in associates

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method.

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

3. ACCOUNTING POLICIES (CONT'D)

(e) Investments in associates (Cont'd)

Acquired investments in associates are also subject to the purchase method as explained in Note (d) above. However, any goodwill or fair value adjustment attributable to the Group's share in the associates is included in the amount recognised as investments in associates.

All subsequent changes to the Group's share of interest in the equity of the associate are recognised in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associates are reported within "Share of profit of associates" in the statement of comprehensive income. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

Changes resulting from other comprehensive income of the associates or items recognised directly in the associates equity are recognised in other comprehensive income or equity of the Group. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognised.

Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment losses from a group perspective.

Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies of the Group.

(f) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, where appropriate.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition.

- » available-for-sale financial assets
- » loans and receivables
- » investments in associates

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

3. ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

Financial assets (Cont'd)

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

All income and expenses relating to financial assets that are recognised in the statement of comprehensive income are presented within 'finance costs' or 'finance income'.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories.

The Group's available-for-sale financial assets are stated at cost which is a reflection of the fair value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and bank balances, trade and most other receivables and amount due to a related party fall into this category of financial instruments.

An allowance for credit losses is established if there is objective evidence that the Group will be unable to collect all amounts due.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is based on recent historical counterparty default rates for each identified group.

Investment in associates

The investments in associates are stated at their fair values.

Financial liabilities

The Group's financial liabilities include borrowings and trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

All interest-related charges on financial liabilities are included within 'finance costs'.

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

3. ACCOUNTING POLICIES (CONT'D)

(g) Revenue recognition

Turnover is based on invoiced value, net of VAT, of all goods and services less discounts, allowances and returns.

Turnover is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group, the costs incurred can be measured reliably and the Group has transferred to the buyer the significant risks and rewards of ownership. In determining risks and rewards of ownership, the Group also considers 'Bill and hold sales', in which delivery is delayed at the buyer's request but the buyer takes title and accepts billing.

Interest income is recognised on an accrual basis.

Rental income is recognised on an accrual basis unless collectibility is in doubt.

Dividend income is recognised when the right to receive such dividend is established.

Management fees are recognised on an accrual basis.

(h) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred and reported in finance costs in the consolidated statement of comprehensive income.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average cost method. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Where necessary provision is made for obsolete, slow moving inventories.

(j) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on the taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years but it further excludes items that are never taxable nor deductible. The liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the reporting date.

(ii) Deferred taxation

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax.

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

3. ACCOUNTING POLICIES (CONT'D)

(j) Taxation (Cont'd)

(ii) Deferred taxation (Cont'd)

The principal temporary differences arise from depreciation on property, plant and equipment, provisions, retirement benefits obligations, and tax losses carried forward. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(iii) Corporate Social Responsibility Fund (CSRFB)

The Company and its local subsidiaries are subject to CSRFB and the contribution is at a rate of 2% on the book profit of the preceding financial year on a pro-rata basis.

(k) Expense recognition

All expenses are accounted for on an accrual basis.

(l) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in "MUR" or "Rs", which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into "MUR" or "Rs" using the exchange rates prevailing at the dates of the transactions. Exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Exchange gains and losses on non-monetary items are recognised in other comprehensive income.

(iii) Consolidation

In the Groups' financial statements all assets, liabilities and transactions of Group entities with a functional currency other than the Rs (the Group's presentation currency) are translated into Rs upon consolidation. The functional currency of the entities of the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Rs at the closing rate at the reporting date. Income and expenses have been translated into Group's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the other reserves in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Rs at the closing rate.

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

3. ACCOUNTING POLICIES (CONT'D)

(m) Leased assets

Where the Group is a lessee

In accordance with IAS 17 Leases, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Group. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed as part of finance costs.

The interest element of leasing payments represents a constant proportion of the principal balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Contingent rentals are expensed in the periods in which they are incurred.

Where the Group is a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(n) Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Land and buildings are subsequently shown at market value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less depreciation. Increases in the carrying amount arising on revaluation are credited to revaluation reserves in the consolidated statement of changes in equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; any remaining decreases are then charged to the consolidated statement of comprehensive income.

Depreciation is calculated on the straight line method to allocate the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives as follows:

Building on leasehold land	2%
Buildings	2%
Motor vehicles	15 – 30%
Furniture and equipment	10% – 33 $\frac{1}{3}$ %
Tools and equipment	10% – 33 $\frac{1}{3}$ %
Computer equipment	33 $\frac{1}{3}$ %

No depreciation is provided on freehold land.

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

3. ACCOUNTING POLICIES (CONT'D)

(n) Property, plant and equipment (Cont'd)

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 reference to their carrying amount and are taken into account in determining operating profit. On disposal of a revalued asset, amount in revaluation reserves relating to that asset is transferred to retained earnings and the difference between the carrying value of the asset and sale consideration taken to the consolidated statement of comprehensive income.

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each reporting date.

Repairs and maintenance are expensed in the period in which they are incurred.

(o) Intangible assets

Intangible assets comprise of brand names and computer software.

Expenditure on Brand Names are capitalised and amortised over a period of 10 years. Computer software is amortised over a period of 2 ½ years.

The method of amortisation reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise used up and where such pattern cannot be reliably determined, a straight line amortisation method is used.

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

When the Group intends to sell a non-current asset or a group of assets (a disposal group), and if sale within 12 months is highly probable, the asset or disposal group is classified as 'held-for-sale' and presented separately in the statement of financial position.

Assets classified as 'held-for-sale' are measured at the lower of their carrying amounts immediately prior to their classification as held-for-sale and their fair value less costs to sell. No assets classified as 'held-for-sale' are subject to depreciation or amortisation subsequent to their classification as 'held-for-sale'.

(q) Post employment benefits

Defined benefit plan

The Group provides post employment benefits through defined plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. Contributions to this plan are recognised as an expense in the period that relevant employee services are received.

Plans that do not meet the definition of a defined contribution plan are defined benefit plans. The defined benefit plan sponsored by the Group defines the amount of pension benefit that an employee will receive on retirement by reference to length of service and final salary. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

3. ACCOUNTING POLICIES (CONT'D)

(q) Post employment benefits (Cont'd)

The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

Management estimates the DBO annually with the assistance of independent actuaries. The estimate of its post-retirement benefit obligations is based on standard rates of inflation, future salary increase, future guaranteed pension increase and post retirement mortality rates. It also takes into account the Group's specific anticipation of future salary increase. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are not recognised as an expense unless the total unrecognised gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in services for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Defined contribution plan

The Group provides retirement benefits for its employees through a defined contribution plan which is funded by contributions from the Group. Under the defined contribution plan, the Group has no legal or constructive obligation to contribute further to what has been contributed into the fund as defined in the rules of the scheme. Pension contributions are charged to the consolidated statement of comprehensive income in the year to which they relate.

Contributions to the National Pension Scheme are expensed to the consolidated statement of comprehensive income in the year in which they fall due.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. At the time of the effective payment, the provision is deducted from the corresponding expenses. All known risks at reporting date are reviewed in detail and provision is made where necessary.

(s) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank, net of bank overdrafts. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts are included in borrowings under current liabilities in the statement of financial position.

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

3. ACCOUNTING POLICIES (CONT'D)

(t) Equity

Share capital is determined using the nominal value of shares that have been issued.

Share premium represents the excess amount received on the nominal value of shares issued.

Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Revaluation reserves within equity comprise unrealised gains and losses on the revaluation of freehold land and buildings. The other reserves concern principally the translation adjustments on consolidation of overseas subsidiaries.

Retained earnings include the retained profits for both the current and prior periods.

All transactions with owners of the parent company are recorded separately within equity.

(u) Related parties

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

(v) Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. When an indication of impairment loss exists, the carrying amount of the asset is assessed and written down to its recoverable amount.

(w) Dividends distribution

Dividends distribution is recognised as a liability in the period in which the dividends are approved by the Board of Directors.

(x) Research and development expenditure

Research costs are expensed when incurred. Development costs are capitalised if certain criteria are met, otherwise they are expensed in the period in which they are incurred.

(y) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. A third statement of financial position is not presented as a result of reclassification of some items of direct cost of sales from administrative expenses, net foreign exchange gains, finance income from other operating income and dividends payable from trade and other payables as the information is unchanged from the previously published consolidated financial statements which are readily available for financial analysis.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) requires the directors to make certain assumptions and estimates that affect the reported amounts of assets and liabilities, revenues and expenses and contingent liabilities. Actual amounts could in certain cases differ from those assumptions and estimates. Changes are shown in profit or loss if new information comes to light.

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

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

In the process of applying the Group's accounting policies, which are described in Note 3, the directors have made the following judgements that have the most effect on the amounts recognised in the consolidated financial statements:

(i) Defined benefit liability

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its defined benefit liability Rs 19,411,328 (2009: Rs 16,610,483) is based on standard rates of inflation, future salary increases, future guaranteed pension increase and post retirement mortality rates. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist particularly with regard to salary escalation (analysis given in Note 24), which may vary significantly in future appraisals of the Group's defined benefit obligations.

(ii) Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

(iii) Useful lives and residual values of property, plant and equipment and intangible assets

Management reviews the useful lives of depreciable assets at each reporting date. At the reporting date, management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analysed in Note 12 and 13. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

(iv) Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made.

(v) Provision for doubtful debts

The Group reviews the adequacy of provision for doubtful debts at each reporting date. During the year, the directors considered that provisions made are adequate.

(vi) Available-for-sale investments

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

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

5. FINANCIAL RISK MANAGEMENT

5.1 Risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (foreign exchange risk and interest rates risk), credit risk and liquidity risk. The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date information systems.

The Group's risks are managed at the level of the Board of Directors. The Board is responsible for overseeing the establishment and implementation of effective risk management systems and the monitoring of internal compliance and controls.

(a) Market risk

(i) Foreign exchange risk

Most of the Group's transactions are carried out in the Mauritian Rupee (MUR). Exposure to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in Euro (EUR), Japanese Yen (JPY), US Dollar (USD), South African Rand (ZAR) and Pound Sterling (GBP).

The Group manages its foreign currency exposures by forecasting its need for foreign currencies and retaining such amounts that will be necessary to settle purchases denominated in foreign currencies.

The currency profile of the Group and Company's financial assets and liabilities is summarized as follows:

30 JUNE 2010

	The Group		The Company	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
	Rs	Rs	Rs	Rs
Mauritian Rupee (MUR)	276,565,920	584,834,706	200,846,194	358,563,086
Unites States Dollar (USD)	28,432,794	56,515,964	-	338,050
Euro (EUR)	36,502,899	216,215,123	10,577,343	155,907,275
Japanese Yen (JPY)	-	678,318	-	678,318
South African Rand (ZAR)	-	8,974,707	-	55,537
Pounds Sterling (GBP)	9,189,605	15,439	9,189,605	15,439
	<u>350,691,218</u>	<u>867,234,257</u>	<u>220,613,142</u>	<u>515,557,705</u>

30 JUNE 2009

	The Group		The Company	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
	Rs	Rs	Rs	Rs
Mauritian Rupee (MUR)	299,720,077	549,132,936	183,429,743	429,325,679
Unites States Dollar (USD)	15,196,660	57,485,257	-	7,564,339
Euro (EUR)	22,541,528	171,496,159	619,514	79,246,930
South African Rand (ZAR)	-	6,438,258	-	12,347
Pounds Sterling (GBP)	15,910	-	15,761	-
Swedish Krona	3,241	-	-	-
	<u>337,477,416</u>	<u>784,552,610</u>	<u>184,065,018</u>	<u>516,149,295</u>

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

5. FINANCIAL RISK MANAGEMENT (CONT'D)

5.1 Risk management objectives and policies (Cont'd)

- (a) Market risk (Cont'd)
- (i) Foreign exchange risk (Cont'd)

Foreign currency sensitivity

The exchange rates for the year ended 30 June 2010 and 30 June 2009 are as shown below:

	2010	2009
	Rs	Rs
EURO/MUR	38.51	46.79
USD/MUR	31.51	31.61
UK/MUR	47.50	52.56
ZAR/MUR	4.12	4.06

Foreign currency sensitivity

The following table illustrates principally the sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities and the USD/Rs and EUR/Rs exchange rate "all other things being equal".

It assumes a 1% change of the USD/Rs exchange rate for the year ended 30 June 2010 and a 15% change for the EUR/Rs exchange rate. These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

If the MUR had strengthened against the USD by 1% and Euro by 15%, then this would have the following impact:

	30 June 2010		
	USD	EUR	TOTAL
	Rs	Rs	Rs
Profit	(280,832)	(26,956,834)	(27,237,666)
Equity	(280,832)	(26,956,834)	(27,237,666)

- (ii) Interest rate risk

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually at fixed rates. At 30 June 2010, the Group has interest bearing financial liabilities in the form of bank loans, import loans and finance leases. The Group is exposed to interest rate risk as it also borrowed funds at floating interest rates. The interest on bank loans is based on the bank's prime lending rate (PLR) plus 1% with a minimum of 9.25% per annum while interests on import loans and finance leases are based on the market rates

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

5. FINANCIAL RISK MANAGEMENT (CONT'D)

5.1 Risk management objectives and policies (Cont'd)

- (a) Market risk (Cont'd)
- (i) Foreign exchange risk (Cont'd)

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date. The analysis is prepared assuming that the amount of liability outstanding at the reporting date was as such outstanding for the whole period.

If interest rate had been 25 basis points higher/lower, the effect on profit and equity would have been as follows:

	30 June 2010	
	The Group Rs	The Company Rs
+25%	(611,622)	(431,312)
- 25%	611,622	431,312

- (b) Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans, trade receivables, placing deposits, etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	The Group		The Company	
	2010 Rs	2009 Rs	2010 Rs	2009 Rs
Non current assets				
Available-for-sale investments	3,880,088	65,000	2,365,000	65,000
Investments in associates	-	-	40,064,444	41,864,444
	3,880,088	65,000	42,429,444	41,929,444
Current assets				
Trade and other receivables	315,647,691	310,527,469	157,539,376	128,845,459
Cash and bank balances	31,163,439	26,884,947	20,644,322	13,290,115
	346,811,130	337,412,416	178,183,698	142,135,574
Total	350,691,218	337,477,416	220,613,142	184,065,018

The directors consider that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

5. FINANCIAL RISK MANAGEMENT (CONT'D)

5.1 Risk management objectives and policies (Cont'd)

(b) Credit risk (Cont'd)

The Group does not have significant credit risk exposure to any single counterparty or group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are parties.

The credit risk for the bank balances is considered negligible, since the counterparties are reputable banks based in Mauritius with high quality external credit ratings.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors who also monitors the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by ensuring timely recovery of receivables and also by securing credit facilities from financial institutions and its main shareholder.

The following are the financial liabilities, for the Group and Company respectively:

GROUP

30 June 2010	Carrying amount Rs	Contractual cash flows Rs	Less than one year Rs	1-5 years Rs
Bills payable	103,288,242	104,872,061	104,872,061	-
Obligations under finance leases	149,302,174	175,748,183	62,393,562	113,354,621
Bank overdrafts	82,336,316	82,336,316	82,336,316	-
Bank loans	141,885,245	194,731,437	35,351,435	159,380,002
Trade and other payables	390,422,280	385,922,280	385,922,280	-
	<u>867,234,257</u>	<u>943,610,277</u>	<u>670,875,654</u>	<u>272,734,623</u>
30 June 2009	Carrying amount Rs	Contractual cash flows Rs	Less than one year Rs	1-5 years Rs
Obligations under finance leases	141,570,479	170,176,860	59,407,574	110,769,286
Bank overdrafts	61,064,269	61,064,269	61,064,269	-
Bank loans	151,163,660	198,801,661	35,351,435	163,450,226
Trade and other payables	430,799,202	430,799,202	430,799,202	-
	<u>784,597,610</u>	<u>860,841,992</u>	<u>586,622,480</u>	<u>274,219,512</u>

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

5. FINANCIAL RISK MANAGEMENT (CONT'D)

5.1 Risk management objectives and policies (Cont'd)

(c) Liquidity risk (Cont'd)

COMPANY

30 June 2010	Carrying amount	Contractual cash flows	Less than one year	1-5 years
	Rs	Rs	Rs	Rs
Bills payable	46,569,883	46,883,593	46,883,593	-
Obligations under finance leases	115,175,347	135,409,215	49,866,523	85,542,692
Bank overdrafts	22,370,618	22,370,618	22,370,618	-
Bank loans	126,190,060	182,876,124	29,764,888	153,111,236
Trade and other payables	205,251,797	200,751,797	200,751,797	-
	<u>515,557,705</u>	<u>588,291,347</u>	<u>349,637,419</u>	<u>238,653,928</u>

30 June 2009	Carrying amount	Contractual cash flows	Less than one year	1-5 years
	Rs	Rs	Rs	Rs
Obligations under finance leases	119,414,268	142,693,027	50,859,021	91,834,006
Bank overdrafts	10,298,665	10,298,665	10,298,665	-
Bank loans	131,159,130	169,331,698	29,764,888	139,566,810
Trade and other payables	255,277,232	255,277,232	255,277,232	-
	<u>516,149,295</u>	<u>577,600,622</u>	<u>346,199,806</u>	<u>231,400,816</u>

5.2 Capital risk management

The Company's capital management objectives are:

- » to ensure its ability to continue as a going concern; and
- » to provide an adequate return to the shareholders

by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the statement of financial position.

The Company sets the amount of capital in proportion to its overall financing structure, that is, equity and financial liabilities. The Company 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 Company may adjust the amount of dividends paid to shareholders, reduce capital, issue new shares, or sell assets to reduce debt.

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

5. FINANCIAL RISK MANAGEMENT (CONT'D)

5.2 Capital risk management (Cont'd)

	2010	2009
	Rs	Rs
Debt	373,523,736	353,798,408
Cash and cash equivalents	(31,163,439)	(26,884,947)
Net debt	<u>342,360,297</u>	<u>326,913,461</u>
Equity	<u>467,668,968</u>	<u>429,694,005</u>
Gearing ratio	<u>73.21%</u>	<u>76.08%</u>
COMPANY	2010	2009
	Rs	Rs
Debt	263,736,026	260,872,063
Cash and cash equivalents	(20,644,323)	(13,290,115)
Net debt	<u>243,091,703</u>	<u>247,581,948</u>
Equity	<u>357,119,627</u>	<u>323,747,127</u>
Gearing ratio	<u>68.07%</u>	<u>76.47%</u>

The gearing ratio is calculated as net debt divided by equity.

Debt is defined as long and short-term borrowings, as detailed in Note 25.

Equity includes both capital and reserves.

6. TURNOVER

Turnover represents amounts invoiced to clients in respect of goods sold and services provided, net of returns and taxes.

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
Sales of new vehicles	1,204,225,164	1,062,353,485	688,035,103	713,971,608
Sales of spare parts	312,538,808	271,871,697	201,473,183	197,179,001
Sales of services	153,043,310	99,112,062	58,170,062	52,213,200
Rental services	66,981,929	70,663,023	62,693,879	69,816,770
Sales of IT products	646,140,287	554,587,094	-	-
Tour operator & travel agency services	4,323,558	-	-	-
Others	6,250,794	1,848,551	3,280,423	1,579,281
	<u>2,393,503,850</u>	<u>2,060,435,912</u>	<u>1,013,652,650</u>	<u>1,034,759,860</u>

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

7. PROFIT BEFORE TAXATION

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
The above is stated after charging / (crediting):				
Cost of inventories expensed	1,765,534,500	1,503,787,037	700,009,605	726,535,123
Depreciation and amortisation	63,496,617	64,889,481	47,325,225	45,639,216
Profit on disposals of property, plant and equipment	(1,246,347)	(1,717,716)	(234,064)	(1,347,963)
Auditors' remuneration	1,045,000	658,000	440,000	255,000
Directors' remuneration (Note (a) below)	37,536,933	32,656,775	26,208,274	22,950,693
Staff costs (Note (b) below)	148,766,284	127,782,349	62,743,140	66,275,521
Net foreign exchange gains	(40,487,485)	(15,709,019)	(17,975,477)	(6,494,929)
Interest expense (Note 9.2)	44,174,383	46,276,276	33,671,792	37,302,011

(a) Directors' remuneration

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
- Full-time directors	30,473,433	24,396,530	19,144,774	14,690,448
- Part-time directors	7,063,500	8,260,245	7,063,500	8,260,245
	37,536,933	32,656,775	26,208,274	22,950,693

(b) Analysis of staff costs (excluding directors' remuneration and fees) and number of employees

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
Salaries and allowances	128,282,477	112,280,376	51,108,879	55,032,050
Social security costs	20,483,807	15,501,973	11,634,261	11,243,471
	148,766,284	127,782,349	62,743,140	66,275,521
Number of employees at end of year	464	452	252	252

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

8. OTHER OPERATING INCOME

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
Dividend income	1,925	2,550	45,711,962	25,688,787
Rental income	-	6,753,848	11,065,231	4,003,848
Management fees	60,004	4,303,202	4,425,130	4,040,000
Profit on disposals of property, plant and equipment	1,246,347	1,717,716	234,064	1,347,963
Others	10,773,437	13,307,880	1,603,327	6,583,104
	<u>12,081,713</u>	<u>26,085,196</u>	<u>63,039,714</u>	<u>41,663,702</u>

9. FINANCE INCOME / (COSTS)

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
9.1 Finance Income				
Interest income on:				
- Bank deposits	69,955	930,026	13,117	164,912
- Other loans	75,315	-	281,876	66,326
	<u>145,270</u>	<u>930,026</u>	<u>294,993</u>	<u>231,238</u>
9.2 Finance Costs				
Interest expense on:				
Bank overdrafts	(4,904,439)	(4,674,409)	(1,276,024)	(1,291,136)
Bank loans	(14,808,272)	(14,134,766)	(13,376,451)	(12,108,003)
Finance leases	(16,453,363)	(15,796,232)	(13,160,463)	(13,918,272)
Others	(2,116,749)	(5,099,751)	(1,412,653)	(4,425,770)
Import loans	(5,891,560)	(6,571,118)	(4,446,201)	(5,558,830)
	<u>(44,174,383)</u>	<u>(46,276,276)</u>	<u>(33,671,792)</u>	<u>(37,302,011)</u>
Bank charges	(6,631,134)	(5,785,323)	(2,147,313)	(2,161,693)
	<u>(50,805,517)</u>	<u>(52,061,599)</u>	<u>(35,819,105)</u>	<u>(39,463,704)</u>

10. TAXATION

(a) Income tax

The Company

The Company is liable to income tax at the rate of 15% on its chargeable income and at 30 June 2010, it had an income tax liability of Rs 4,252,457 (2009: Rs 1,399,076).

The Subsidiaries

The subsidiaries incorporated in the Republic of Mauritius are liable to income tax at the rate of 15% on their chargeable income and at 30 June 2010, they had income tax liabilities of Rs 15,029,475 (2009: Rs 7,666,015).

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

10. TAXATION (CONT'D)

(a) Income tax

The Subsidiaries (Cont'd)

The overseas subsidiary is taxed at the rate of 33 ⅓% and at 30 June 2010 it had no income tax liability.

The Company and its local subsidiaries are subject to the Alternative Minimum Tax (AMT). The AMT applies where a company's "normal tax payable" is less than 7.5% of its book profit. It is not applicable where a company is exempt from tax or where 10% of any dividend declared does not exceed the "normal tax payable". At 30 June 2010, the AMT did not apply to either the Company or its local subsidiaries.

The Company and its local subsidiaries are also subject to the Advanced Payment Scheme (APS) whereby they are required to submit an APS Statement and pay tax quarterly on the basis of either last year's income or the income for the current quarter.

Effective from 01 July 2009, the Company and its local subsidiaries became subject to the Corporate Social Responsibility (CSR) Fund and contribution to this Fund is a rate of 2% on the book profit of the preceding financial year on pro-rata basis. The Company and its local subsidiaries have made qualified donations during the year and no CSR was applicable at 30 June 2010.

(b) Statement of comprehensive income

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
Income tax on the adjusted profit	15,029,475	7,666,015	4,252,457	1,399,076
Movement on deferred taxation (Note (d) below)	2,232,473	(4,883,172)	1,664,447	(4,872,057)
Movement in deferred tax asset	140,095	163,248	-	-
Share of associate's tax	-	1,183,709	-	-
Tax charge/(credit)	<u>17,402,043</u>	<u>4,129,800</u>	<u>5,916,904</u>	<u>(3,472,981)</u>

(c) Statement of financial position

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
At 01 July	10,431,477	14,604,557	1,842,619	5,307,947
Tax liability for the year	15,029,475	7,666,015	4,252,457	1,399,076
Tax paid during the year	(6,113,347)	(4,240,506)	(73,274)	(1,769,301)
Tax deducted at source	(582,000)	(349,936)	(562,749)	(208,779)
Tax paid under APS	(10,991,582)	(7,248,653)	(3,286,073)	(2,886,324)
At 30 June	<u>7,774,023</u>	<u>10,431,477</u>	<u>2,172,980</u>	<u>1,842,619</u>

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

10. TAXATION (CONT'D)

(d) Deferred taxation

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

The movement on the deferred taxation is as follows:

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
At 01 July	10,758,935	15,782,202	9,250,025	14,122,082
Movement for the year	2,372,568	(5,023,267)	1,664,447	(4,872,057)
At 30 June	13,131,503	10,758,935	10,914,472	9,250,025

(e) Income tax reconciliation

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

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
Profit before taxation	67,534,095	29,497,259	59,787,484	29,157,099
Tax at 15 %	10,130,114	4,424,589	8,968,123	4,373,565
Non-allowable expenses	3,377,861	-	2,719,406	-
Tax losses relieved	(496,126)	-	-	-
Deferred tax assets not recognised	3,675,292	-	-	-
Exempt income	-	-	(6,856,794)	-
Share of profit of associates	(307,500)	-	-	-
Other items	1,022,402	(294,789)	1,086,169	(7,846,546)
Tax charge/(credit)	17,402,043	4,129,800	5,916,904	(3,472,981)

11. EARNINGS PER SHARE

The earnings and number of ordinary shares in issue used in the calculation of earnings per share are as follows:

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
Profit for the year attributable to equity holders	47,129,028	19,383,442	53,870,580	32,630,080
	Number	Number	Number	Number
Ordinary shares in issue	2,049,808	2,049,808	2,049,808	2,049,808
	Rs	Rs	Rs	Rs
Earnings per share	22.99	9.46	26.28	15.92

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

12. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	Freehold land	Freehold buildings	Building on leasehold land	Motor vehicles	Furniture and equipment	Tools and equipment	Computer equipment	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
COST/VALUATION								
At 01 July 2008	76,964,450	148,632,900	19,349,999	247,747,785	57,129,287	39,880,307	36,639,307	626,344,035
Additions	-	40,785,779	-	55,590,204	15,415,933	5,058,914	8,112,245	124,963,075
Disposals	-	-	-	(31,516,934)	(1,220,772)	(4,375,941)	(7,261,728)	(44,375,375)
At 30 June 2009	76,964,450	189,418,679	19,349,999	271,821,055	71,324,448	40,563,280	37,489,824	706,931,735
Additions	-	1,089,198	254,071	67,469,434	13,190,309	8,795,511	10,213,231	101,011,754
Classified as-held-for-sale (Note 21)	-	(43,450,000)	-	-	-	-	-	(43,450,000)
Disposals	-	-	-	(49,105,358)	(1,671,099)	(835,403)	(316,288)	(51,928,148)
Net exchange differences	-	-	-	(20,163)	(393,457)	-	-	(413,620)
At 30 June 2010	76,964,450	147,057,877	19,604,070	290,164,968	82,450,201	48,523,388	47,386,767	712,151,721
DEPRECIATION								
At 01 July 2008	-	736,838	96,750	90,412,964	24,033,283	21,474,055	16,722,829	153,476,719
Charge for the year	-	2,985,640	387,000	41,702,781	6,389,580	3,869,172	8,500,392	63,834,565
Disposals adjustment	-	-	-	(19,425,132)	(1,220,772)	(3,259,738)	(7,261,728)	(31,167,370)
At 30 June 2009	-	3,722,478	483,750	112,690,613	29,202,091	22,083,489	17,961,493	186,143,914
Charge for the year	-	3,798,260	389,540	38,593,437	7,195,856	4,907,257	7,529,760	62,414,110
Classified as held-for-sale	-	(1,215,000)	-	-	-	-	-	(1,215,000)
Disposals adjustment	-	-	-	(31,053,965)	(1,304,988)	(491,182)	(130,774)	(32,980,909)
Net exchange differences	-	-	-	(1,543)	(148,233)	-	-	(149,776)
At 30 June 2010	-	6,305,738	873,290	120,228,542	34,944,726	26,499,564	25,360,479	214,212,339
NET BOOK VALUES								
At 30 June 2010	76,964,450	140,752,139	18,730,780	169,936,426	47,505,475	22,023,824	22,026,288	497,939,382
At 30 June 2009	76,964,450	185,696,201	18,866,249	159,130,442	42,122,357	18,479,791	19,528,331	520,787,821

Property, plant and equipment have been pledged as security for borrowings.

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

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

THE COMPANY	Freehold land	Freehold buildings	Motor vehicles	Furniture and equipment	Tools and equipment	Computer equipment	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
COST/VALUATION							
At 01 July 2008	53,200,000	121,632,900	220,255,404	37,921,412	25,463,076	27,539,647	486,012,439
Additions	-	40,785,780	35,454,009	10,671,787	2,710,182	4,212,755	93,834,513
Disposals	-	-	(25,943,937)	-	-	-	(25,943,937)
At 30 June 2009	53,200,000	162,418,680	229,765,476	48,593,199	28,173,258	31,752,402	553,903,015
Additions	-	1,089,198	51,873,374	4,367,277	1,035,353	7,223,973	65,589,175
Disposals	-	-	(40,874,913)	(51,883)	-	(106,360)	(41,033,156)
At 30 June 2010	53,200,000	163,507,878	240,763,937	52,908,593	29,208,611	38,870,015	578,459,034
DEPRECIATION							
At 01 July 2008	-	601,838	77,063,982	14,037,962	12,425,338	9,888,448	114,017,568
Charge for the year	-	2,445,640	31,826,452	3,593,217	2,236,865	4,754,325	44,856,499
Disposals adjustment	-	-	(16,254,750)	-	-	-	(16,254,750)
At 30 June 2009	-	3,047,478	92,635,684	17,631,179	14,662,203	14,642,773	142,619,317
Charge for the year	-	3,258,260	30,928,179	4,692,671	2,220,819	5,414,788	46,514,717
Disposals adjustment	-	-	(23,680,147)	(12,789)	-	(14,518)	(23,707,454)
At 30 June 2010	-	6,305,738	99,883,716	22,311,061	16,883,022	20,043,043	165,426,580
NET BOOK VALUES							
At 30 June 2010	53,200,000	157,202,140	140,880,221	30,597,532	12,325,589	18,826,972	413,032,454
At 30 June 2009	53,200,000	159,371,202	137,129,792	30,962,020	13,511,055	17,109,629	411,283,698

(i) The freehold land and buildings were revalued in March 2008 by Messrs Alan Tinkler, Ramlackhan & Co., Chartered Valuation Surveyors. The valuation was made on the basis of the market value for existing use.

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

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

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

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
Cost	182,843,542	173,722,209	171,886,583	170,797,385
Accumulated depreciation	(13,783,855)	(12,046,241)	(11,229,044)	(9,669,427)
Net book values	<u>169,059,687</u>	<u>161,675,968</u>	<u>160,657,539</u>	<u>161,127,958</u>

(iii) The net book values of property, plant and equipment held under finance leases comprise of:

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
Motor vehicles	154,513,067	112,999,678	140,880,215	93,423,840
Furniture and equipment	9,593,750	7,662,306	7,992,846	6,718,642
Tools and equipment	8,625,198	2,779,517	766,725	853,524
Computer equipment	3,616,753	-	3,616,753	-
	<u>176,348,768</u>	<u>123,441,501</u>	<u>153,256,539</u>	<u>100,996,006</u>

(iv) Property, plant and equipment have been pledged as security for borrowings.

13. INTANGIBLE ASSETS

THE GROUP	Brand name	Computer software	Total
	Rs	Rs	Rs
COST			
At 01 July 2008 and 30 June 2009	15,518,092	1,316,520	16,834,612
At 01 July 2009	15,518,092	1,316,520	16,834,612
Additions	-	277,901	277,901
Net exchange differences	(751,908)	-	(751,908)
At 30 June 2010	<u>14,766,184</u>	<u>1,594,421</u>	<u>16,360,605</u>
AMORTISATION			
At 01 July 2008	3,868,000	332,415	4,200,415
Charge for the year	960,000	94,916	1,054,916
Net exchange differences	-	36,736	36,736
At 30 June 2009	4,828,000	464,067	5,292,067
Charge for the year	960,000	122,507	1,082,507
Net exchange differences	(42,994)	-	(42,994)
At 30 June 2010	<u>5,745,006</u>	<u>586,574</u>	<u>6,331,580</u>
NET BOOK VALUES			
At 30 June 2010	<u>9,021,178</u>	<u>1,007,847</u>	<u>10,029,025</u>
At 30 June 2009	<u>10,690,092</u>	<u>852,453</u>	<u>11,542,545</u>

Intangible assets have been pledged as security for borrowings.

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

13. INTANGIBLE ASSETS (CONT'D)

THE COMPANY	Brand name	Computer software	Total
	Rs	Rs	Rs
COST			
At 01 July 2008	6,708,000	-	6,708,000
Additions	-	947,170	947,170
At 30 June 2009	6,708,000	947,170	7,655,170
Additions	-	277,901	277,901
At 30 June 2010	6,708,000	1,225,071	7,933,071
AMORTISATION			
At 01 July 2008	2,580,000	-	2,580,000
Charge for the year	688,000	94,717	782,717
At 30 June 2009	3,268,000	94,717	3,362,717
Charge for the year	688,000	122,507	810,507
At 30 June 2010	3,956,000	217,224	4,173,224
NET BOOK VALUES			
At 30 June 2010	2,752,000	1,007,847	3,759,847
At 30 June 2009	3,440,000	852,453	4,292,453

Intangible assets have been pledged as security for borrowings.

14. INVESTMENTS IN SUBSIDIARIES

(i) Unquoted and at cost

	2010	2009
	Rs	Rs
At 01 July	57,116,968	55,116,968
Additions during the year	13,676,000	2,000,000
Reclassification	50,400	-
Impairment loss	(5,000,000)	-
Written off during the year	(1,089,500)	-
At 30 June	64,753,868	57,116,968

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

14. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(ii) Details pertaining to the subsidiaries are as follows:

Name of subsidiaries	Principal activities	No. of ordinary shares held	Proportion of voting rights held	
			2010	2009
Leal Communications & Informatics Ltd	IT Services	1,302,500	90%	90%
Leal Equipements Compagnie Ltée	Mechanical engineering and agricultural equipment	211,765	75%	75%
United Motors Limited	Dealer in motor vehicles and spare parts	114,882	100%	100%
Societe Clency & Patrick Leal	Investment holding	-	91%	91%
DistriPc Ltd	Softwares and hardwares	60,000	75%	75%
Leal Logistics & Shipping Ltd	Investment holding	33,538	92%	92%
SARL Solinfo	IT Services	6,000	50%	100%
Supreme Refinement Eu Ltd	Tour operator & Travel agent	80,000	100%	-

All subsidiaries are incorporated in the Republic of Mauritius, except SARL Solinfo, incorporated in Reunion Island.

15. INVESTMENTS IN ASSOCIATES

THE GROUP	2010	2009
	Rs	Rs
At 01 July	91,520,019	103,574,227
Acquisition during the year	200,000	-
Share of profit/(loss) for the year	2,050,004	(1,525,215)
Dividends received	(4,514,657)	(4,140,864)
Transfer to available-for-sale investments	(2,000,000)	-
Elimination upon transfer to available-for-sale investments	(206,157)	-
Share of comprehensive income of associates	4,348,743	-
Consolidation adjustment	-	(6,388,129)
At 30 June	91,397,952	91,520,019

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

15. INVESTMENTS IN ASSOCIATES (CONT'D)

(i) Details of the Group's associates are as follows:

Name of associates	Principal activities	Ownership interest
Exclusive Island Ltd	Tour Operator	27%
Pharmacie Nouvelle Limited	Distributor of pharmaceutical products	33.40%
Cisolve International Ltd	Information & Communication services	40%

All associates are incorporated in the Republic of Mauritius.

(ii) Summarised financial information for the Group's associates is set out below:

	Exclusive Island Ltd	Pharmacie Nouvelle Limited	Cisolve International Ltd	Total
	Rs	Rs	Rs	Rs
Total assets	3,798,620	863,532,796	21,227,316	888,558,732
Total liabilities	2,564,799	601,268,990	12,555,538	616,389,327
Total revenue	11,255,807	1,119,413,571	65,386,511	1,196,055,889
Profit for the year	178,336	689,293	4,429,075	5,296,704
Group's share of profit of associates for the year	48,150	230,224	1,771,630	2,050,004

THE COMPANY

	2010	2009
	Rs	Rs
At 01 July	41,864,444	43,864,444
Acquisition during the year	200,000	-
Disposals	-	(2,000,000)
Transfer to available-for-sale investments	(2,000,000)	-
At 30 June	40,064,444	41,864,444

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

16. AVAILABLE-FOR-SALE INVESTMENTS

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
At 01 July	1,549,088	1,549,088	65,000	65,000
Transfer from investments in associates	2,000,000	-	2,000,000	-
Reclassification	331,000	-	300,000	-
At 30 June	3,880,088	1,549,088	2,365,000	65,000

Details of the investments are as follows:

Name of companies	Class of shares	2010	
		The Group Cost	The Company Cost
		Rs	Rs
Luxury Automobiles Co. Ltd	Ordinary shares	2,000,000	2,000,000
Luxury Cars Co. Ltd	Ordinary shares	300,000	300,000
Progos	Ordinary shares	50,000	50,000
The State Bank of Mauritius	Ordinary shares	12,750	7,500
Ariva Ltee	Ordinary shares	1,478,838	-
Other investments	Ordinary shares	38,500	7,500
		3,880,088	2,365,000

The above investments are stated at cost which is a reflection of the fair values.

17. LOAN

The loan to a related company is interest free, unsecured and receivable after more than one year.

18. INVENTORIES

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
Motor vehicles	116,405,911	109,727,152	87,404,249	102,574,806
Machines	28,557,113	38,930,065	-	-
General goods	61,453,775	53,473,928	-	-
Spare parts	97,090,957	95,521,371	62,062,895	66,642,364
Work in progress	64,202	367,849	46,053	333,770
Finished goods	1,095,524	-	-	-
Goods in transit	103,602,248	-	62,195,911	-
	408,269,730	298,020,365	211,709,108	169,550,940
Less provision for write down	(8,982,808)	(8,740,065)	(6,107,817)	(4,825,085)
	399,286,922	289,280,300	205,601,291	164,725,855

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

18. INVENTORIES (CONT'D)

- (i) The cost of inventories expensed during the year was as follows:

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
Cost of inventories	<u>1,765,534,500</u>	<u>1,503,787,037</u>	<u>700,009,605</u>	<u>726,535,123</u>

- (ii) The above inventories have been pledged as security for borrowings.

19. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
Trade receivables	355,917,654	258,666,150	146,278,198	127,880,330
Due by related parties (Note (iii) below)	182,973	-	9,251,270	965,129
Other receivables and prepayments	24,158,815	56,897,270	54,011,500	48,641,257
Advances to suppliers	9,652,354	-	-	-
	<u>389,911,796</u>	<u>315,563,420</u>	<u>209,540,968</u>	<u>177,486,716</u>
Less provision for impairment of trade receivables	(7,094,230)	(7,195,326)	(1,679,871)	(2,525,700)
	<u>382,817,566</u>	<u>308,368,094</u>	<u>207,861,097</u>	<u>174,961,016</u>

- (i) The average credit period on sales is 60 days. No interest is charged on trade receivables. Trade receivables over 60 days are assessed for impairment based on estimated irrecoverable amounts as determined by reference to past default experience.

- (ii) Ageing of past due not impaired

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
60-90 days	60,701,423	4,520,321	20,611,708	4,438,499
Over 90 days	40,809,376	12,059,195	6,280,763	30,944,807
Total	<u>101,510,799</u>	<u>16,579,516</u>	<u>26,892,471</u>	<u>35,383,306</u>

The directors consider that all the trade receivables that past due but not impaired for each of the reporting date under review are of good credit quality.

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

19. TRADE AND OTHER RECEIVABLES (CONT'D)

Movement in allowance for doubtful debts

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
At 01 July	7,195,326	8,192,773	2,525,700	5,421,630
Transfer on amalgamation	-	1,146,398	-	-
Impairment loss	3,828,258	3,923,204	3,039,240	2,548,200
Amounts written off (uncollectible)	(3,929,354)	(6,067,049)	(3,885,069)	(5,444,130)
At 30 June	<u>7,094,230</u>	<u>7,195,326</u>	<u>1,679,871</u>	<u>2,525,700</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that no further credit provision is required in excess of the allowance for doubtful debts.

- (iii) The amount due by the related parties are unsecured, interest free and receivable on demand.
- (iv) All trade and other receivables have been reviewed for indicators of impairment. All amounts are short term. The carrying amount of trade and other receivables is considered to be a reasonable approximation of the fair value.
- (v) Trade and other receivables have been pledged as security for borrowings.

20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
Local currency balances	2,360,258	11,218,055	877,375	2,143,665
Foreign currency balances	28,803,181	15,666,892	19,766,948	11,146,450
	<u>31,163,439</u>	<u>26,884,947</u>	<u>20,644,323</u>	<u>13,290,115</u>

The cash and cash equivalents above have been pledged as security for borrowings.

21. ASSETS CLASSIFIED AS HELD-FOR-SALE

During the year, the Group has a commitment to dispose its freehold land and building. Accordingly, it has classified these freehold land and building as held-for-sale at the net book values of Rs 42,235,000.

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

22. SHARE CAPITAL

	2010	2009
	Rs	Rs
Issued and fully paid		
2,049,808 ordinary shares of Rs 100 each	204,980,800	204,980,800

23. SHARE PREMIUM

	2010	2009
	Rs	Rs
231,312 shares at Rs 25 each	5,782,800	5,782,800

24. RETIREMENT BENEFIT OBLIGATIONS

	<u>The Group and the Company</u>	
	2010	2009
	Rs	Rs
Amounts recognised in the statement of financial position		
Present value of funded obligations	102,872,629	87,391,754
Fair value of plan assets	(67,611,759)	(57,257,904)
Projected defined benefit obligation in excess of plan assets	35,260,870	30,133,850
Unrecognised actuarial losses	(15,849,542)	(13,523,367)
Net liability in the statement of financial position	19,411,328	16,610,483
Amounts recognised in the statement of comprehensive income		
Current service cost	5,827,065	4,919,071
Interest cost	9,307,304	8,004,547
Expected return on plan assets	(6,181,855)	(5,321,019)
Recognised actuarial losses	304,141	406,304
Past service cost	-	370,779
Scheme expenses	319,600	223,353
Cost of insuring risk benefits	1,191,343	944,494
Total pension costs included in staff costs	10,767,598	9,547,529

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

24. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

	The Group and the Company	
	2010	2009
	Rs	Rs
Movement in liability recognised in the statement of financial position		
At 01 July	16,610,483	13,168,869
Total expenses	10,767,598	9,547,529
Contributions paid	(7,966,753)	(6,105,915)
At 30 June	19,411,328	16,610,483
Change in defined benefit obligations		
Present value of defined benefit obligation at 01 July	87,391,754	75,254,439
Current service cost	5,827,065	4,919,071
Interest cost	9,307,304	8,004,547
Past service cost	-	370,779
Actuarial losses	695,414	(2,238,731)
Net transfer in	(348,908)	1,081,649
Present value of defined benefit obligations at 30 June	102,872,629	87,391,754
Change in plan assets		
Fair value of plan assets at 01 July	57,257,904	48,203,442
Expected return on plan assets	6,181,855	5,321,019
Employer's contribution	7,966,753	6,105,915
Scheme expenses	(319,600)	(223,353)
Cost of insuring risk benefits	(1,191,343)	(944,494)
Actuarial losses	(1,934,902)	(2,286,274)
Net transfer in	(348,908)	1,081,649
Fair value of plan assets at 30 June	67,611,759	57,257,904

The assets of the plan are invested in Anglo Mauritius deposit administration fund. The latter is expected to produce a smooth progression of return from one year to the next. The breakdown of the assets above corresponds to a notional allocation of the underlying investments based on the long-term strategy of the fund.

In terms of the individual expected returns, the expected return on equities has been based on an equity risk premium above a risk free rate. The risk free rate has been measured in accordance to the yields on government bonds at the measurement date.

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

24. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The main actuarial assumptions used for accounting purposes were as follows:

	The Group and the Company	
	2010	2009
Discount rate	10.0%	10.0%
Expected return on plan assets	10.5%	10.5%
Future salary increase	8.0%	8.0%
Future guaranteed pension increase	0.0%	0.0%

General description of the plan

The scheme is a final salary Defined Benefit Plan. The plan provides for a pension at retirement and a benefit on death or disablement in service before retirement. The scheme for managers and directors are included in the holding company scheme and the contributions were paid by the respective companies.

Retirement benefit obligations have been calculated using the Projected Unit Credit method and are based on the report dated 02 September 2010 submitted by Anglo-Mauritius Assurance Society Limited.

The actual return on plan assets was Rs 4,246,953 for the year ended 30 June 2010 for the Group (30 June 2009: Rs 3,034,745).

The Group expects to make a contribution of Rs 10,569,223 to the defined benefit plans during the next financial year (2009: Rs 9,546,036).

The Group also operates a defined contribution scheme for employees who joined as from 01 July 2004 and no pension liability arises from this scheme. The Group has made a contribution of Rs 810,548 to the defined contribution scheme during the year ended 30 June 2010 (30 June 2009: Rs 726,814).

25. BORROWINGS

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
Non-current				
Bank loans	78,172,742	96,657,095	69,837,655	86,042,008
Obligations under finance leases (Note (i))	102,576,267	96,001,411	78,156,554	80,316,928
Other loans	235,000	-	235,000	235,000
	180,984,009	192,658,506	148,229,209	166,593,936
Current				
Bank overdrafts	82,336,316	61,064,269	22,370,618	10,298,665
Bank loans	63,277,504	54,506,565	56,117,406	44,882,122
Obligations under finance leases (Note (i))	46,725,907	45,569,068	37,018,793	39,097,340
Other loans	200,000	-	-	-
	192,539,727	161,139,902	115,506,817	94,278,127
Total borrowings	373,523,736	353,798,408	263,736,026	260,872,063

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

25. BORROWINGS (CONT'D)

(i) Obligations under finance leases

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
Not later than 1 year	62,611,915	59,407,574	49,866,523	50,859,021
Later than 1 year and not later than 5 years	114,018,468	110,769,286	85,542,693	91,834,006
	<u>176,630,383</u>	<u>170,176,860</u>	<u>135,409,216</u>	<u>142,693,027</u>
Future finance charges	(27,328,209)	(28,606,381)	(20,228,362)	(23,278,759)
Present value of finance lease liabilities	<u>149,302,174</u>	<u>141,570,479</u>	<u>115,180,854</u>	<u>119,414,268</u>
Apportioned as follows:				
Portion repayable within 1 year	46,725,907	45,569,068	38,769,363	39,097,340
Portion repayable after more than 1 year	102,576,267	96,001,411	76,411,491	80,316,928
	<u>149,302,174</u>	<u>141,570,479</u>	<u>115,180,854</u>	<u>119,414,268</u>

(ii) Fair value

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

Summary of borrowings arrangements

(a) Bank loans

The loans are secured by fixed and floating charges on the assets of the Group and the rates of interest vary between 8.75% and 9.25% at 30 June 2010.

(b) Bank overdrafts

The bank overdrafts are secured by fixed and floating charges on the Group's assets.

(c) Leasing arrangements

Finance leases relate to motor vehicles, furniture and equipment, tools and equipment and computer equipment with leases varying from 3 to 5 years. The Group has options to purchase the leased assets for a nominal amount at the conclusion of the lease arrangements. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

26. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
Bills payable	103,288,242	-	46,569,883	-
Trade payables	339,663,684	344,966,868	154,713,016	202,140,602
Due to related parties	105,571	-	7,657,820	487,980
Other payables and accruals	124,371,622	80,380,134	95,787,172	52,648,650
Advances from customers	3,142,961	-	-	-
	<u>570,572,080</u>	<u>425,347,002</u>	<u>304,727,891</u>	<u>255,277,232</u>

(i) The trade and other payables are an approximate of the fair values.

(ii) The Group has policies to ensure that all liabilities are settled within the credit time frames.

27. DIVIDENDS

	The Group		The Company	
	2010	2009	2010	2009
	Rs	Rs	Rs	Rs
Interim dividend paid	10,249,040	10,249,040	10,249,040	10,249,040
Final dividend paid	10,249,040	10,249,040	10,249,040	10,249,040
	<u>20,498,080</u>	<u>20,498,080</u>	<u>20,498,080</u>	<u>20,498,080</u>
Dividend per share	10	10	10	10
Dividends payable	8,827,432	5,452,200	-	-

28. RELATED PARTY TRANSACTIONS

For the year ended 30 June 2010, both the Company and its subsidiaries entered into the following transactions with related parties:

THE GROUP

Nature of relationship	Nature of transactions	Volume of transactions	Debit/(credit)	Debit/(credit)
			balances at 30 June 2010	balances at 30 June 2009
		Rs	Rs	Rs
Associates	Sales of goods and services	788,487	788,487	-
Associates	Financing	54,886	(54,886)	-
Associates	Purchase of goods	148,925	(148,925)	-
Associates	Dividend income	3,514,658	-	-
Key management personnel	Remuneration and other benefits	68,610,152	-	-
Common directorship	Loans	-	2,159,696	2,159,696

Notes to the Consolidated Financial Statements

Year Ended 30 June 2010

28. RELATED PARTY TRANSACTIONS (CONT'D)

THE COMPANY

Nature of relationship	Nature of transactions	Volume of	Debit/(credit)	Debit/(credit)
		transactions	balances at	balances at
		Rs	30 June 2010	30 June 2009
Subsidiaries	Purchases of goods	23,072,143	(8,390,989)	(919,972)
Subsidiaries	Corporate services	14,365,294	-	-
Subsidiaries	Interest	281,876	-	-
Subsidiaries	Sales of goods	10,533,723	755,268	2,152,032
Subsidiaries	Other services	13,500,650	1,336,083	-
Subsidiaries	Loans	8,981,957	9,165,583	183,626
Subsidiaries	Dividend income	41,197,304	41,197,304	-
Associates	Sales of goods and services	788,487	788,487	-
Associates	Financing	54,886	(54,886)	-
Associates	Purchase of goods	148,925	(148,925)	-
Associates	Dividend income	3,514,658	-	-
Key management personnel	Remuneration and other benefits	41,139,313	-	-

- (i) The amounts receivable from related parties are unsecured, interest free and receivable on demand.
- (ii) The amounts payable to related parties are unsecured, interest free and repayable on demand.
- (iii) All the other transactions are carried out on commercial terms.

29. CONTINGENT LIABILITIES

At 30 June 2010, the Group had given bank guarantees of Rs 178,370,184 in favour of third parties, for which no material adverse effect on the Group's financial position or results of operations is anticipated by the directors.

At 30 June 2010, a former employee is claiming Rs 1,030,720 for unfair dismissal. Based on legal advice, the directors consider that this claim has no merit and hence no provision is required in the consolidated financial statements.

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