

# CHIEF EXECUTIVE'S REVIEW

Dear Shareholder,

## Review of Operations

I am pleased to present hereunder the results of the business units for 2005 broken down according to the new organisation structure.

	Contribution (Rs M)		Turnover (RsM)	
	2004	2005	2004	2005
<b>COMMERCE</b>				
Food & Distribution	40	17	2706	2914
Domestic Appliances	4	(8)	415	370
Healthcare	24	21	519	531
	68	30	3640	3815
<b>ENGINEERING</b>				
Agriculture & Construction	36	13	634	628
Contracting	26	18	583	675
Earthmoving Equipment & Power Systems	30	26	395	446
	92	57	1612	1749
<b>FINANCIAL SERVICES</b>	134	152	617	756
<b>MARINE, LOGISTICS &amp; AVIATION</b>				
Logistics & Aviation	4	(25)	325	449
Marine	149	106	149	697
	153	81	474	1146
<b>CORPORATE UNITS</b>				
Information Services	1	(7)	74	106
Projects & Property Management	(31)	(37)	32	115
Head Office	92	137	10	6
	62	93	116	227
	<b>509</b>	<b>413</b>	<b>6459</b>	<b>7693</b>

The above results for 2005 include the profit on disposal of 49% of Scomat (to our partner in Réunion) and investments in Seychelles (Rs107M). For 2004, the corresponding figure is Rs253M which relate to the sale of Ifframac Ltd and Société du Port.

The above results can be further analysed as follows :

	2004 Rs M	2005 Rs M
Group profit from operations (net of finance costs)	203	153
Share of Associates net of taxation and finance costs	53	153
Exceptional items	253	107
	<u>509</u>	<u>413</u>

Overall, it was a tough year but we have managed to show a growth in turnover of 19%, mainly due to the Seafood Hub and Winner's. The drop in import duty announced in the May

2005 Budget impacted negatively on profitability by Rs22M and led to the closure of our subsidiary which assembled television sets (Blytronics) thereby incurring closure costs of Rs3M. These costs affected mainly the Commerce sector.

Due to the financing of new projects (Seafood Hub and Aviation) as well as current activities, our net finance costs for our operations have risen from Rs98M to Rs196M. This is the cause of the reduction in the group profit from operations (net of finance costs) as shown above. Different options are being considered to address and reduce the level of indebtedness of the group.

Winner's have achieved a growth of 17% in turnover but a drop in profitability due to lower import duty referred above. The Vacoas unit has opened successfully making a total of 15 units. Rivière du Rempart will be the next unit to be opened in 2006. The frozen food activity had disappointing results partly due to the above drop in import duty but suffers from stiff competition. This is being closely monitored.

Domestic Appliances unit also suffered from the drop in import duty and the closure costs of its assembly plant which contributed to its loss for the year. This unit continues to operate in a very competitive environment.

Healthcare unit has a new general manager since January 2006. I would like to place on record my sincere thanks to Mr Edesse Bégué who retired in December 2005 after forty years of loyal service with the company. I would like to welcome Mr Din Jheelan who has a twenty-year experience in the field, having been with the Company since 1985.

Agriculture & Construction and Contracting suffered from competition whereby margins had to be sacrificed to obtain contracts. They are both dependent on the building industry (apart from Agro-Chemicals which is dependent on sugar cane). Earthmoving Equipment & Power Systems had a satisfactory year and the agreement to have a cross-shareholding with our partners in Réunion has been signed. This involves having Ets Macé as a 49% shareholder in Scomat and our company having 49% in Scime (the Caterpillar sub-dealer in Réunion). The latter transaction is due to take place in January 2007. The Company and Ets Macé already own on a 50/50 basis Scimat, which is the Caterpillar dealer in Réunion and Mauritius. We are confident that this enlarged partnership will be beneficial to both parties.

Financial Services sector has had a commendable year with a growth in contribution of 14%. We have increased our shareholding in H. Savy Insurance Co Ltd in the Seychelles to 20% and thus have treated this company as an associate for the first time. General Insurance and the Leasing arm performed well and DTOS had an excellent year.

On the Marine front, shipping agencies are under constant pressure from shipping lines to cut costs. Ship owning and ship management had a marked improvement in contribution. This is directly linked to the Seafood Hub operations since our vessels transport the tuna from Seychelles to the plant. Chantier Naval de l'Océan Indien (CNOI) had an exceptional year with our share of profits (50%) being Rs44M. Thon des Mascareignes Ltée started production in September and has now reached a level of production of 230 tons per day. It has been profitable so far but all preliminary expenses (Rs33M) have been written off which led to a loss of Rs22M for the year. Froid des Mascareignes Ltd has been also profitable. With a full year of operation in 2006, we are budgeting a profit of some Rs100M from the Seafood Hub.

On the Logistics & Aviation side, Somatrans and Logidis performed well as well as the airline representations. Servisair had an improvement in results but is still making losses. A break

even is expected for 2006. IBL Aviation started operating in September 2005 to Rodrigues and the second Beechcraft 1900D will be positioned in Madagascar to do sanitary evacuations whilst waiting for permits to be able to fly regularly to Réunion. We have our Air Operator's Certificate and our ambition is to be the second carrier for the region.

From the organisation's point of view, we are now operating under four activity sectors as follows :

1. Commerce
  - Consumer Goods
  - Frozen Foods
  - Winner's
  - Pharmaceuticals (Medical Trading)
  - Domestic Appliances
  - Trianon Shopping Park
  
2. Engineering
  - Agriculture & Construction
  - Contracting (Manser Saxon Group)
  - Earthmoving Equipment & Power Systems (Scomat)
  
3. Financial Services
  - Insurance (Mauritian Eagle Insurance)
  - Leasing (Mauritian Eagle Leasing)
  - Global business (DTOS)
  
4. Marine, Logistics & Aviation
  - Logistics & Aviation
    - i. *Somatrans SDV*
    - ii. *Logidis*
    - iii. *Madagascar*
    - iv. *Airline representations*
    - v. *IBL Travel*
    - vi. *Catovair*
    - vii. *Servisair*
    - viii. *Courier Service*
  
  - Marine
    - i. *Seafood Hub: FDM*
    - ii. *TDM*
    - iii. *Fish Meal Production*
    - iv. *CNOI*
    - v. *Shipping Agencies*
    - vi. *Ship Owning*
    - vii. *Ship Management – Lloyd's*

There is no change in the philosophy of autonomous Business Units focussing on their own business activities while sharing a common vision and interests as a member of the IBL Group.

There is, however, a need to regroup similar activities under one roof to achieve synergies, improve productivity and reduce costs.

The head office is made up of five Corporate Units.

1. Finance (G. Lan)
2. HR & Communication (E. Maurel)
3. Information Technology (A. Hoffmann)
4. Corporate Affairs (Legal, Secretarial and Corporate Governance) (S. P. Rey)
5. Projects & Property Management (F. Desmarais)

The job titles “Senior Executive” have changed as follows :

Chief Operating Officer – Commerce (N. Merven)  
Chief Operating Officer – Engineering (F. Merlo)  
Chief Operating Officer – Financial Services (G. Lan)  
Chief Operating Officer – Marine, Logistics & Aviation (F. Brousse de Gersigny)  
Chief Finance Officer – (G. Lan)  
Chief HR & Communication Officer – (E. Maurel)  
Chief Projects & Property Management Officer – (F. Desmarais)  
Chief Corporate Affairs Officer – (S. P. Rey)

All the above changes are made in order to improve our performance for all our stakeholders.

I would like to thank sincerely all the employees for their hard work during 2005 and let's make it better in 2006 !

Patrice d'Hotman de Villiers  
Chief Executive

4 April 2006