



**Nicolas Vaudin**  
Executive Director &  
Managing Director

# MANAGING DIRECTOR’S INTERVIEW

**Tell us more about Lavastone Ltd.**

Lavastone Ltd was born in 2018, from the rebranding and restructuring of Cim’s property cluster under the brand name “Lavastone Properties”. We diversify our activities across three main poles, namely investment and development, property management and portfolio management.

In 2017, we had developed a clear strategy for yield improvement and expansion of our investment properties portfolio, which also involved the restructuring, rebranding and listing of Lavastone Properties on the DEM, in view of creating a more focused business. Following the DEM listing in December 2018 and the dividend in specie distributed by Cim Financial Services Ltd (“CFSL”) in January 2019, Lavastone no longer forms part of the Cim Group. The idea was that, with a dedicated Board and management team, Lavastone Properties could access alternative sources of capital to fund its activities at targeted optimum gearing levels, and provide shareholders and other stakeholders with more comprehensive reporting and thus keep them more informed on the Group’s operational and financial performances.

The restructuring of all land holding and investment properties under one roof allowed us to create sufficient scale, while the rebranding gave us more visibility and clarity on our activities and growth plans to current and potential investors.

Today, at Lavastone Properties, our central management team takes care of asset/portfolio management and oversees the Group’s performances on a daily basis. The Facilities and Property Management functions are outsourced to a specialist, Lochiel Property Management Ltd (Lochiel), whereas development projects are managed by carefully selected consulting teams, who follow our rigorous approach to cost control and change management across all projects.

**How would you rate your business’s performances for the financial year 2019?**

The communication campaign around our rebranding and listing at the end of 2018 brought about new opportunities for Lavastone Properties. We are now regularly called upon to consider development projects or acquisitions of investment properties. As for current and future shareholders, this independence is expected to provide them with an opportunity to tap into growth prospects in the local real estate sector.

Embarking on this new journey has made the year 2019 the continuance and implementation of the strategy we had laid in our listing documents. Throughout this period, we have:

- Converted non yielding assets at Edith Cavell into a yielding investment with exciting prospects;
- Started work on two morcellements at Case Noyale and La Gaulette for South West Safari Group Ltd (SWSG);
- Started several development projects, including Victoria Urban Terminal (VUT) and the hotel at Belle Mare for Attitude Hotels;
- Acquired the Mourouk Ebony Hotel in Rodrigues, which will soon be renovated.

We also obtained building permits for the development of a new retail warehouse at Riche Terre, which will be developed once road access from the new third lane is finalised by the relevant authorities.

**“OVERALL, I AM SATISFIED WITH LAVASTONE PROPERTIES’ PERFORMANCES DURING THE PERIOD UNDER REVIEW AND AM OPTIMISTIC ABOUT THE GROUP’S GROWTH PROSPECTS FOR THE NEXT FINANCIAL YEAR”**

Overall, I am satisfied with Lavastone Properties’ performances during the period under review and am optimistic about the Group’s growth prospects for the next financial year. We are lucky to have a strong, dedicated team of experts, who share Lavastone Properties’ vision and are ready to work together to achieve our goals.

**Give us some insight into the redevelopment of the Edith Cavell site in Port Louis. Do you believe it will contribute to the regeneration of the capital, as hoped by the Mauritian government and other regional stakeholders?**

We firmly believe the redevelopment of the Edith Cavell site in Port Louis will be a key ingredient to the regeneration of the capital, along with the Victoria Urban Terminal, the Metro Express, the Aquarium, the Supreme Court, the Caudan Arts Centre and the new Port Louis Waterfront.

With the exception of the Caudan, and now the new Port Louis Waterfront, Port Louis lacks what shopping malls like Bagatelle, Phoenix and Cascavelle provide to Mauritians of all walks of life: a clean, safe, well maintained and easily accessible shopping, dining and entertainment experience. Good news is, the 246 Edith Cavell Court project will be offering all of this in what was largely a neglected part of our capital. Furthermore, we are adding a key ingredient to the mix by doing everything within what is primarily an office environment. 246 Edith Cavell Court is an engaging place to work and spend time, offering a wonderful blend of retail surfaces, leisure and dining facilities, to help our tenants as well as surrounding businesses attract and retain the best talents within their company.

### What were the main challenges the company experienced during this period? How did you overcome them?

One of the main challenges we faced during the year under review was the listing of the Group on the DEM and ensuring compliance with the listing rules and regulations.

- We worked in close collaboration with all stakeholders to meet the deadlines set by the Board of Cim Financial Services Limited, our parent company at the time.
- From a compliance perspective, we had a seasoned CFO working with our experienced Corporate Secretary and Risk Management and Audit Committee, to ensure adherence to the DEM's requirements.
- To improve reporting, the accounting function outsourced to Lochiel now sits within our offices. This ensures quicker completion of management and statutory accounts, which in turn helps us enhance decision-making at management level.
- We have also upgraded our IT platform to support the property management and accounting functions of each company within the Group, which also contributes to improving productivity, speed and report accuracy.

### “WE HAVE ALSO UPGRADED OUR IT PLATFORM TO SUPPORT THE PROPERTY MANAGEMENT AND ACCOUNTING FUNCTIONS OF EACH COMPANY WITHIN THE GROUP, WHICH ALSO CONTRIBUTES TO IMPROVING PRODUCTIVITY, SPEED AND REPORT ACCURACY”

Another important challenge we were confronted with, was the management of human resources during a growth period.

- As we grow so must our team – both in its capacity and skill set. It is to this end that we hired new members to join our accounting and property management divisions. Our CFO, Doreen Lam, joined us in October 2018.
- Additionally, we made a strategic decision to have our Property and Facilities Managers (Lochiel) move into our offices, thereby fostering greater collaboration and improving the speed and efficacy of our decision-making and management processes.
- Since this merge, we have had three strategic sessions facilitated by third party strategy specialists, to ensure the complete alignment of both teams towards better collaboration, in view of achieving a shared vision of success.

### “IN ORDER TO REDUCE THE RISKS OF DELAYS AND BUILD QUALITY ASSOCIATED WITH PROJECT DEVELOPMENT, WE HAVE A RIGOROUS PROCESS IN PLACE TO SELECT REPUTABLE BUILDING CONTRACTORS AND PROFESSIONAL CONSULTANTS WHO HAVE A PROVEN TRACK RECORD”

In order to reduce the risks of delays and build quality associated with project development, we have a rigorous process in place to select reputable building contractors and professional consultants who have a proven track record for timely and quality delivery. We adopt the same rigorous approach to tendering, cost control and change management, which we put through a process of internal audit to ensure compliance with best practices.

We must always do our best to see things from our tenants' perspectives, in order to create value for them and their business. In this view, the challenge is also to be innovative in creating/ redesigning living spaces and workplaces that align with their vision and principles for modern, spacious, more eco-friendly buildings from which they conduct their activities.

Something we also must deal with involves the obtention of permits and clearances from the authorities. Navigating the complexities of getting the required permits and clearances for specific development projects is both time-consuming and energy sapping. It requires deep knowledge of the processes and requirements of the different authorities issuing the permit/ clearance and, above all, consistent follow up. As the authorities impose stricter criteria, so our application process must follow rigorous verification to ensure nothing is missing.

Last but not least, funding. While very adequately capitalised, we still require debt funding for our development projects. To this end, we have met with various banks and financial institutions during the financial year 2019, in order to unlock some capital for our projects. Prior experience of project financing, understanding of the funding capacity and risk appetite of individual banks, allowed management to negotiate a mix of attractive debts with terms that are aligned with Lavastone Properties' repayment capacity to pursue our development projects, at the same time giving us the agility to tackle opportunistic acquisitions that meet our investment criteria. I am pleased to report that the Board has approved the issuance of up to Rs 1.5 billion of secured medium-term notes (“Bond Programme”). The issue and terms will be subject to the approval of shareholders.

### What are your objectives for the financial year 2020?

Our main objective for the financial year 2020 involves establishing our new offices at 246 Edith Cavell Court. In parallel, we are considering and hope to conclude a few investment opportunities, although our focus remains on the development projects we are already engaged in, as well as the improvement of our profit margins. We have also at heart to launch the final design and development process for our properties in the South West of Mauritius.

From a non-financial perspective, our main objective is to improve our commitment to sustainability by adopting the Green by Design principles across all our new development projects. To this end, we shall:

- Continue to replace air conditioners with inverters and/or invest in VRV;
- Opt for natural lighting and LED lights;
- Focus on excellent user experience;
- Move towards a WELL certification, a tool for advancing health and well-being in buildings on a global scale, when and where appropriate ([www.wellcertified.com](http://www.wellcertified.com)).

These will all contribute to improving the quality of life of both our employees and tenants.

### Acknowledgements

I would like to thank the Board, more specifically our Chairman, for their guidance, advice and support, during what was a watershed year for our Group.

I would also like to thank our team members, without whose commitment, dedication and continued efforts, we would not be where we are today.

Finally, I would like to thank our shareholders, suppliers, customers and tenants, who remained faithful throughout this year of change and transition.



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