Po Box 444 - Port Louis
Michael Leal Avenue, Les Pailles
Tel: +230 206 4500
Fax: +230 206 4501
Email: pnl@pnl.mu
Website: www.pnl.mu

LEAL GROUP

PHARMACIE NOUVELLE LIMITED | ANNUAL REPORT 2016

Annual Report 2016

www.pnl.mu

CONTENTS

Member of Leal Group

OUR FOCUS
is our customers, distributors and suppliers

OUR FOUNDATION
is our people

OUR CORE
is quality

OUR CHALLENGE
is innovation
and sustained growth

OUR COMMITMENT
is to be responsible

WHERE PEOPLE MATTER

We respect and value the individuality and diversity that each and everyone bring to the business, with the utmost consideration for all our employees, shareholders and stakeholders.

OUR AIM

To be leaders in our fields, through integration of new technology to provide superior products and services to our esteemed customers, whilst creating value to our shareholders. Our future success will be founded on our pledge to these guiding principles and commonly shared values.

7

OWN BRANDS

PNL own brands: Bébécâlin, Clean&Shine, Tender, Des Iles, Nin's, Tipiti & Trébon

90

CONSUMER GOODS BRANDS

4 main categories for the FMCG: 'Personal care', 'Food', 'Beverage', 'Home care', 'Babycare & Nutrition'

109

GMS

GRANDES ET MOYENNES SURFACES

325

EMPLOYEES

9% of the employees have more than 20 years of service.

300

PHARMACIES

The pharmaceutical products are sold in 300 pharmacies around the island

1,700

LTG

LOCAL TRADITIONAL GROCERIES

Chairman and CEO Statement

Mr Eric Michel Georges LEAL
Executive Chairman

Mr Daniel de LABAUVE d'ARIFAT
Chief Executive Officer

"For the coming year, we shall remain focused on pursuing our long term strategy of becoming the preferred partner for our stakeholders. Innovation will remain our motto in both product offering and execution in the trade."

The turnover of PNL Group grew by 15.5% to Rs 1.7 billion in the last financial year. The turnover growth was mainly attributable to the new Beverage Cluster coupled with a reasonable growth in other traditional clusters.

Operational and financial costs grew significantly due to additional financing requirements for the setting up of the Beverage Cluster and difficult market conditions. The operating Profit Before Tax was fairly stable at Rs 58.2M.

Our ability to work closely with some key customers on the application of Category Management techniques has enhanced market share in major categories while stabilizing it in others.

PNL Consumer remains the main driver within the company and we will prioritize investment in this cluster for future growth.

PNL Health has continued to develop its activities with a greater focus on the private business, with a significant growth of 10.5% over last year.

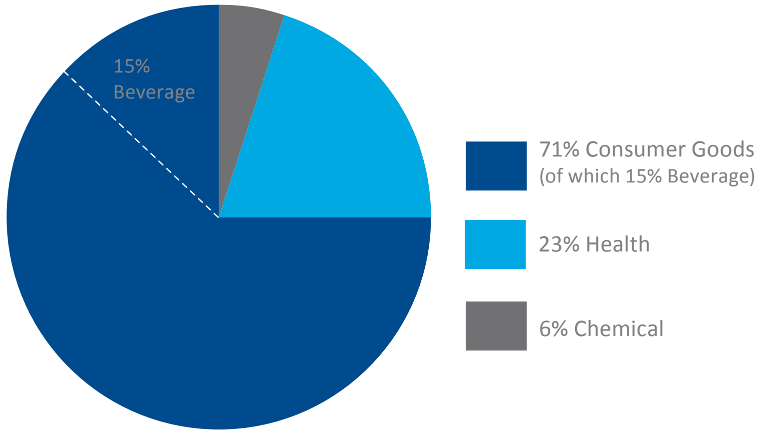
PNL Chemical performed extremely well with the development of new lines of business, achieving an exceptional growth of 99.3% over previous year, albeit from a depressed base.

For the coming year, we shall remain focused on pursuing our long term strategy of becoming the preferred partner for our stakeholders. Innovation will remain our motto in both product offering and execution in the trade.

PNL Retail, operating under its subsidiary Ocean Indien Distribution Ltée (OID), has opened a shop under the Nicolas franchise in Bagatelle Mall end of July 2016. This opening will set the pace for our future retail strategy.

We take this opportunity to express our warmest gratitude to the Board Members, the Management team and the staff of PNL Group for their continued dedication and loyalty.

We would like to express our special thanks to our valuable customers, suppliers and partners for their continued support and trust in PNL during this last year.



A WEALTH OF WORLD-LEADING BRANDS

pnl
Member of Leal Group

CONSUMER - PERSONAL CARE

Aquafresh, Sensodyne, AXE, Brut, Closeup, Signal, Dove, Impulse, Lifebuoy, LUX, Rexona, Timotei, Vaseline, Fair & Lovely, Nin's, Miss Den, Nivea, Melyssa, tender, Desfles, inov

CONSUMER - HOMECARE

Baygon, glade, Kiwi, pledge, Raid, Jewel, Mr Muscle, Duck, Cif, Handy Andy, OMO, Persil, Skip, Vim

CONSUMER - BEVERAGE

Castle Lager, Castle Lite, Peroni, Johnnie Walker, J&B, Baileys, Tanqueray, Cîroc, Ketel One, Don Julio, Gordon's, Talisker, Zacapa, The Singleton, Cardhu, Bulleit, Caol Ila, Captain Morgan, Castel, Cragganmore, Dalwhinnie, Dimple, Lagavulin, Oban, Pimm's, VAT 69, White Horse, Black & White, Glenkinchie

CONSUMER - BABY CARE & NUTRITION

blédina, BébéCâlin, Tipiti

CHEMICAL - REPRESENTATIVE SUPPLIERS

DyStar, covestro, Dow, LANXESS

CONSUMER - FOOD

Lucozade Energy, isostar, Ribena, Ovaltine, Horlicks, Panzani, Villars, Trébon, Croky, Rogers, Tabasco

HEALTH - REPRESENTATIVE SUPPLIERS

Abbott, AGP, Boehringer Ingelheim South Africa, Denk Pharma, gsk, Lilly, MerckSerono, Merck, Pfizer, Pierre Fabre, Roche, Sanofi

Member of Leal Group
Consumer

REPRESENTATIVE BRANDS

AQUAFRESH
AXE
BAILEYS
BAYGON
BLACK & WHITE
BLEDINA
BRUT
BULLEIT
CAJOLINE
CAPTAIN MORGAN
CAOL ILA
CARDHU
CASTLE LAGER
CASTLE LITE
CASTEL
CIF
CIROC
CLOSE-UP
CRAGGANMORE
CROKY
DALWHINNIE
DIMPLE
DON JULIO
DOVE
DUCK
FAIR & LOVELY
GLADE
GLENKINCHIE
GORDON'S
HANDY ANDY
HANSAPLAST
HORLICKS
IMPULSE
INOV 8
ISOSTAR
JEWEL
JOHNNIE WALKER
J&B
KETEL ONE
KIWI
LAGAVULIN
LIFEBUOY
LUCOZADE
LUX
MELYSSA
MISS DEN
MR MUSCLE
NIVEA
OBAN
OMO
OVALTINE
PANZANI
PERSIL
PIMM'S
PLEDGE
PERONI
RAID
REXONA
ROGERS
RIBENA
SENSODYNE
SIGNAL
SKIP
SINGLETON
TABASCO
TALISKER
TANQUERAY
TENDER
TIMOTEI
VASELINE
VAT69
VIM
VILLARS
WHITE HORSE
ZACAPA

OWN BRANDS

BEBECALIN
CLEAN&SHINE
DES ILES
NIN'S
TIPITI
TREBON
TENDER

pnl
Member of Leal Group
Health

REPRESENTATIVE SUPPLIERS

ABBOTT
AGP LTD
BOEHRINGER INGELHEIM
DENK PHARMA
ELI LILLY
GSK OTC
MERCK
MERCK SERONO
PFIZER
PIERRE FABRE MEDICAMENT
ROCHE DIAGNOSTICS-DC
SANOFI AVENTIS

REPRESENTATIVE SUPPLIERS

DYSTAR
COVESTRO
DOW-WOLFF CELLULOSICS
LANXESS-GMBH

pnl
Member of Leal Group
Chemical

pnl
Member of Leal Group
Retail

NICOLAS is a wine shop franchise which, is now represented in Mauritius by PNL. The first shop was opened in Bagatelle Shopping Mall in July 2016. At NICOLAS "we promise to find the wine that suits you and make every occasion a special moment of fun and friendliness."

Corporate Information

Directors

Mr Eric Michel Georges LEAL
(Executive Chairman)

Mr Daniel de LABAUVE d'ARIFAT
(Chief Executive Officer)

Mr Guy Jean Noël LENNON
(Chief Operating Officer, Sales, Marketing and Supply Chain department)
(Appointed as director on 18th December 2015)

Mr Virrsing RAMDENY

Mr Jean Marie Eugène GREGOIRE

Mr Marie Joseph Jean Paul CHASTEAU DE BALYON
(Also alternate to Mr Jean Marie Eugène GREGOIRE)

Mr Joseph Jacques Vivian COLLET-SERRET

Mr Marie Louis Désiré René France DUCASSE
(Also alternate to Mr Bernard Aimé Jacques ROCHECOUSTE COLLET)

Mr Gilbert Patrick Stéphane LEAL

Mr Georges LEUNG SHING

Mr Marie Octave Regis NICOLIN

Mr Désiré Pierre Ariste Maxime REY

Mr Bernard Aimé Jacques ROCHECOUSTE COLLET
(Alternate to Mr Marie Désiré René France DUCASSE)

Mr Patrice Michel LEAL
(Alternate to Mr Gilbert Patrick Stéphane LEAL)

Senior Management Team	Position
Mr Daniel de LABAUVE d'ARIFAT	*Chief Executive Officer*
Mr Guy Jean Noël LENNON	*Chief Operating Officer, Sales, Marketing and Supply Chain department*
Mr Lingon VEERASAMY	*Chief Operating Officer, Administration and Human Resource*
Mr Hugo VICTOIRE	*Chief Finance Officer*

Company Secretary

Navitas Corporate Services Ltd
Navitas House
Robinson Road
Floréal
Republic of Mauritius

Registered office

Michael Leal Avenue
Les Pailles
Republic of Mauritius

Legal adviser

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

Auditors

Grant Thornton
Ebene Tower
52 Cybercity
Ebene 72201
Republic of Mauritius

Bankers

The Mauritius Commercial Bank Ltd

SBM Bank (Mauritius) Ltd

Barclays Bank Mauritius Limited

Bank One Limited

AfrAsia Bank Limited

MauBank Ltd

Habib Bank Limited

Banque des Mascareignes Ltée

Financial Highlights

Annual Report

The Board of Directors of Pharmacie Nouvelle Limited (PNL), "the Company", is pleased to present the annual report together with the audited consolidated financial statements of the Company and its subsidiaries, collectively referred as "the Group", for the year ended 30 June 2016.

Incorporation

The Company was incorporated in the Republic of Mauritius on 08 June 1967 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.

Principal activities

The principal activities of the Group are:

(i) to engage in the wholesale distribution of pharmaceutical products, consumer goods, beverages and products for the textile industry;

(ii) to engage in retail of liquor and alcoholic products;

(iii) to act as general retailer for foodstuff and non-foodstuff;

(iv) to act as merchant/wholesale dealer; and

(v) to manufacture cosmetics.

Results and dividends

The results for the year are as shown on pages 49 and 50.

The Directors have recommended the payment of a dividend of **Rs 13,524,872** for the year under review.
(30 June 2015: Rs 13,524,872).

Directors

The present composition of the Board is set out on page 18.

Directors' responsibilities in respect of the consolidated financial statements

Company law requires the Directors to prepare consolidated financial statements for each financial year which present fairly the financial position, financial performance and 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 are prepared in accordance with International Financial Reporting Standards and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

The Directors confirm that:

- the consolidated financial statements present fairly the financial position of the Group and the Company as at the reporting date and the results of operations and cash flows for the reporting period;
- the external auditors are responsible for reporting on whether the consolidated financial statements are presented fairly;

Directors' responsibilities in respect of the consolidated financial statements (continued)

- adequate accounting records and an effective system of internal control have been maintained;
- the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards;
- appropriate accounting policies are supported by reasonable and prudent judgements and estimates have been used consistently;
- the consolidated financial statements have been prepared on the going concern basis;
- they are responsible for safeguarding the assets of the Group and of the Company;
- they have taken reasonable steps for the prevention and detection of fraud and other irregularities; and
- the Company has adhered to the Code of Corporate Governance.

Internal Control

The Directors are responsible for the Group's and the Company's 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 function is in place to assist Management in the effective discharge of its responsibilities and it is independent of Management and reports to the Group Audit and Risk Committee.

Risk Management

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

Contracts of significance

There were no contracts 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 detailed in the Corporate Governance Report.

Directors' remuneration

Total emoluments and other benefits paid to the Directors were as follows:

	2016 Rs	2015 Rs
Full time executive Directors		
- Company	**9,155,582**	6,700,080
- Group	**9,155,582**	6,700,080
Non-executive Directors		
- Company	**1,782,914**	1,670,234
- Group	**1,782,914**	1,670,234

Donations

Donations made by the Group and the Company are detailed in the Corporate Governance Report.

External auditors

The external 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	
	2016 Rs	2015 Rs	**2016 Rs**	2015 Rs
Fees for:				
- Audit services (VAT exclusive)	**1,202,500**	1,160,000	**971,250**	925,000
- Other services (VAT exclusive)	**210,000**	215,000	**135,000**	135,000

Approved by the Board of Directors on 28th September 2016 and signed on its behalf by:

Eric Michel Georges LEAL
Director and Chairman

Daniel de LABAUVE d'ARIFAT
Director and Chief Executive Officer

Virrsing RAMDENY
Director and Chairman of the Group Audit and Risk Committee

Statement of Compliance

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

Name of Public Interest Entity ('PIE'): Pharmacie Nouvelle Limited

Reporting Period: Financial year ended 30th June 2016

We, the undersigned, being the Directors of Pharmacie Nouvelle Limited (PNL), the "Company", confirm that to the best of our knowledge the Company has complied with all of its obligations and requirements under the Code of Corporate Governance (the 'Code') except for the following sections:

1. Section 2.5.5: Independence of Chairman
2. Section 2.8: Remuneration of Directors / Remuneration Philosophy
3. Section 2.10: Board and Director Appraisal
4. Section 7.3: Code of Ethics

The reasons of non-compliance with the sections of the Code are detailed in the Corporate Governance Report as follows:

	Section	Page Number
1.	Independence of Chairman	29 (under Chairman and Chief Executive Officer)
2.	Remuneration of Directors / Remuneration Philosophy	40 (under Board and board committees fees)
3.	Board and Director Appraisal	34 (under Assessment of Directors)
4.	Code of Ethics	42 (under Ethics)

Eric Michel Georges LEAL
Director and Chairman

Daniel de LABAUVE d'ARIFAT
Director and Chief Executive Officer

28th September 2016

Corporate Governance Report

Compliance with the code of corporate governance

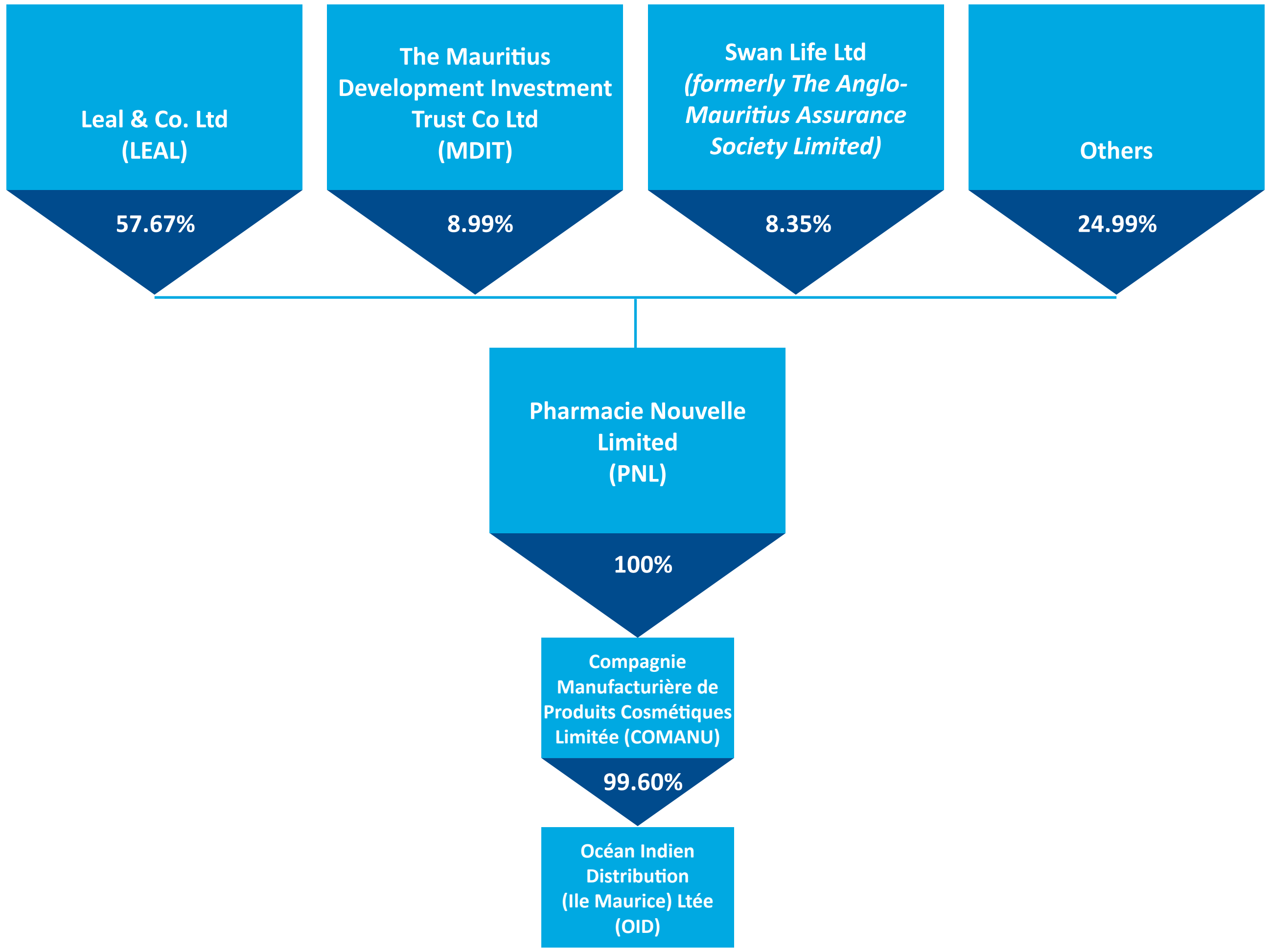
The Board of Directors and management of Pharmacie Nouvelle Limited (PNL), the "Company" reiterate their commitment to ensuring and maintaining a high standard of corporate governance within the Company. Furthermore, it endorses the highest standards of business integrity and professionalism to ensure that the activities within the Company are managed ethically and responsibly to enhance business value for all stakeholders.

This report describes, amongst others, the main corporate governance framework and compliance requirements of the Company with its Constitution, the Mauritius Companies Act 2001, the Securities Act 2005, the disclosures required under the Code and the Terms of Reference of the Board Committees.

Holding structure

The stated capital of the Company is currently Rs135,248,720 divided into 13,524,872 ordinary shares of par value Rs10 each.

The holding structure of PNL is as follows:



Description of subsidiaries' activities

Name of subsidiary	Activity
COMANU	Agent for import and export, manufacturer of perfumes and cosmetics and distribution of general merchandise.
OID	OID acts as an agent for import and export and also holds several licences namely: (i) for retailer/dealer of liquor and alcoholic products, (ii) for general retailer for foodstuff and non-foodstuff and (iii) for merchant/wholesale dealer.

Common Directors

The names of the common Directors are as follows:

Directors	PNL	COMANU	OID	LEAL	MDIT
Eric Michel Georges LEAL	√*	√	√	√*	
Daniel de LABAUVE d'ARIFAT	√	√	√		
Virrsing RAMDENY	√	√	√	√	
Jean Marie Eugène GREGOIRE	√	√	√	√	
Joseph Jacques Vivian COLLET-SERRET	√			√	
Marie Louis Désiré René France DUCASSE	√			√	
Georges LEUNG SHING	√				√
Bernard Aimé Jacques ROCHECOUSTE COLLET	√			√	

* *Chairman*

Substantial Shareholders

The following shareholders held more than 5% of the stated capital of the Company as at 30th June 2016:

Name of Shareholders	Number of Ordinary Shares	% Holding
Leal & Co. Ltd	7,799,418	57.67
The Mauritius Development Investment Trust Co Ltd	1,217,238	8.99
Swan Life Ltd	1,129,390	8.35

Shareholders' agreement

The Board of Directors is not aware of any such agreement during the year under review.

Company's Constitution

Except for Clause 14 that provides for a detailed procedure regarding transfer of shares, the other clauses of the Constitution are not deemed material enough for special disclosure.

During the Company's Annual Meeting held on 18th December 2015, Clause 23.1 of the Constitution, which provides for the number of Directors, has been amended to read as follows:

"The number of Directors shall not be less than Five (5) or no more than Thirteen (13)."

A copy of the PNL's Constitution is available upon request in writing to the Company Secretary.

Dividend policy

Dividend payments are determined by the profitability of the Company, its cash flows, capital expenditure requirements, its future investments and growth opportunities and are approved by the Board of Directors.

Dividends are normally declared and paid twice yearly. Directors ensure that the Company satisfies the solvency test for each declaration of dividend and a Solvency Test certificate is signed by all Directors when a dividend is declared by the Board.

For the year under review, the Company has declared and paid an interim dividend of 5% in November 2015 (paid in December 2015) and a final dividend of 5% in May 2016 (paid in June 2016).

The Board of Directors

The Board of Directors is PNL's ultimate decision-making entity and exercises leadership, entrepreneurship, integrity and sound judgement in directing the Company so as to achieve continuing prosperity for the organisation while ensuring both performance and compliance. The Board also ensures that the activities of the Company comply with all legal and regulatory requirements as well as with its Constitution from which the Board derives its authority to act.

It is ultimately accountable and responsible for the performance and affairs of the Company namely, the review and adoption of strategic plans, the overview of business performance, the adoption of appropriate risk management systems and the establishment of proper internal control systems.

All Directors are aware of the key discussions and decisions of the committees as the Chairman of each committee provides a summary to all the Directors at the Board meeting following the relevant committee meetings.

Besides, it is also the Board's responsibility to apply effective corporate governance principles and to be the focal point of the corporate governance system.

Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer are separate and each of them has clearly defined responsibilities. These ensure a proper balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The role of the Chairman is assumed by an Executive. The Chief Executive Officer reports directly to him and to the Board, giving therefore sufficient segregation of power between the Chairman and the Management.

In his role as Executive Chairman of the Company, Mr Eric Michel Georges LEAL is responsible for leading the Board and ascertaining its effectiveness. He ensures that the corporate strategy and the related execution are aligned with operational efficiencies. He is also responsible for ensuring that the Directors receive accurate, timely and clear information and he encourages the active participation of all Board members in discussions and decisions. With his experience and strong knowledge of the Company, the Chairman is in an excellent position to oversee the affairs of the Company while ensuring that value is being created for all stakeholders.

On the other hand, Mr Daniel de LABAUVE d'ARIFAT in his capacity as Chief Executive Officer of PNL is responsible for the executive management of PNL's operations and for developing the long-term strategy and vision of the Company. Mr. Daniel de LABAUVE d'ARIFAT also ensures effective communication with the stakeholders.

Board composition

The PNL's Constitution provides that the Board of Directors shall consist of not less than five (5) and not more than thirteen (13) Directors.

For the year under review, the Company was headed by a unitary Board of thirteen (13) members comprising of:

- Three (3) Executive Directors;
- Five (5) Non-Executive Directors; and
- Five (5) Independent Non-Executive Directors.

During the Annual General Meeting of the Company held on 18th December 2015, Mr. Guy Jean Noel LENNON has been appointed as director of the Company in view of his long business experience.

The Board of the Company is of the view that its composition is adequately balanced and that the current Directors have the range of skills, expertise and experience to carry out their duties properly. The Board further believes that the responsibilities of the Directors should not be confined in a Board charter and has consequently resolved not to adopt a charter.

Non-executive Directors are chosen for their business experience and their ability to provide a blend of knowledge, skills, objectivity, integrity, experience and commitment to the Board. Independent Directors are free from any business or other relationships which would materially affect their ability to exercise independent judgement and are critical observors.

Pursuant to Clause 23.6 of the PNL's Constitution, one third (1/3) of the number of Non-Executive Directors and Independent Non-Executive Directors shall retire by rotation at every Annual Meeting of the Company. The Directors who are due to retire at an annual meeting of the Company shall be eligible to offer themselves for re-election at such Annual Meeting.

Directors' profile

The names of all Directors, their profile and their categorisation as well as their directorship details in listed companies are provided thereafter.

Eric Michel Georges LEAL
(Executive Chairman)

Mr Eric Michel Georges LEAL holds a bachelor degree in Arts & Science from the Boston College, USA, where he specialised in Business Administration. He started his career as Service Director at Leal & Co. Ltd in 1993 and is currently the Chief Executive Officer of Leal Group.

Daniel de LABAUVE d'ARIFAT
(Chief Executive Officer)

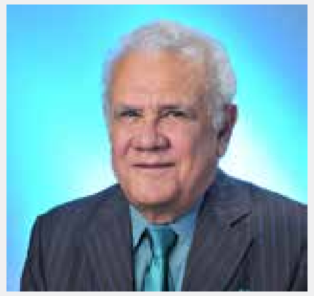
Mr Daniel de LABAUVE d'ARIFAT holds a Diploma in Commercial Management and a Brevet de Technicien de l'Ecole des Cadres, Paris and a General Management Program Certificate from the ESSEC Business School. He has significant experience of the whole chain of marketing, sales and distribution. Mr. d'Arifat has a working experience of 11 years within The Coca –Cola Company in Africa and the Region and was last the regional Manager for the Mid Africa and Islands Region. Before joining Pharmacie Nouvelle Limited in 2010, he was the Commercial & Marketing Director at Les Brasseries STAR Madagascar for 4 years. Mr. d'Arifat is also a Director in West Coast Primary School Ltd.

Guy Jean Noël LENNON
(Chief Operating Officer, Sales, Marketing and Supply Chain department)

Mr Guy Jean Noël LENNON holds a Bachelor degree in Commerce and a Diploma in Sales & Marketing Management. He has accumulated 27 years of continuous employment within the Company and has completed a General Management Program through ESSEC Business School in June 2013.

Virrsing RAMDENY
(Non-Executive Director)

Mr 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 26 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.



Jean Marie Eugène GREGOIRE
(Non-Executive Director)

Mr Jean Marie Eugène 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 hydrocarbon.

Marie Joseph Jean Paul CHASTEAU DE BALYON
(Independent Non-Executive Director and Alternate Director to Mr Jean Marie Eugène Grégoire)

Mr Marie Joseph Jean Paul CHASTEAU DE BALYON is a Fellow member of Mauritius Institute of Directors (MIoD). He joined Swan Insurance in 1969 and was a Director and Company Secretary of Swan Group Corporate Services Limited at the time of his retirement in June 2012. Until that date, he was also a Council member of the Mauritius Chamber of Commerce and Industry (member of its Nomination and Remuneration Committee), member of the Stock Exchange of Mauritius Consultative Committee, as well as the Chairperson of the sub-committee of the Insurer's Association on issues linked to the World Trade Organisation (WTO). He still acts as Director of companies in the commercial and hospitality sectors and as a member of the Board of Directors of MCCI Business School Ltd.

Joseph Jacques Vivian COLLET-SERRET
(Non-Executive Director)

Mr Joseph Jacques Vivian COLLET-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.

Marie Louis Désiré René France DUCASSE
(Non-Executive Director and Alternate Director to Mr Bernard Aimé Jacques Rochecouste Collet)

Mr Marie Louis Désiré René 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 then appointed as independent Director on the Board of Pharmacie Nouvelle Limited and also as member of the Corporate Governance Committee and Audit Committee. He is currently a Director of Leal & Co. Ltd.

Directors' profile (continued)

Gilbert Patrick Stéphane LEAL
(Independent Non-Executive Director)

Mr Gilbert Patrick Stéphane LEAL holds a Bachelor of Science Degree from Boston College, USA, with double majors in Marketing and Finance. He is the Managing Director of Mauritours Ltd, one of the largest tour-operating companies in Mauritius and has an extensive knowledge of the tourism industry, particularly its marketing aspect, having held various positions in this field over the past 22 years.

Directorship in listed Companies:

RHT Holding Ltd

Georges LEUNG SHING
(Independent Non-Executive Director)

Mr Georges LEUNG SHING holds a BSc (Economics) and is a Chartered Tax Adviser and a Fellow of the Institute of Chartered Accountants of England and Wales. He was the Senior Economist of The Mauritius Chamber of Agriculture (MCA), Executive Chairman of Lonrho and Illovo Mauritius, and Managing Director and subsequently Non-executive Director of Omnicane Ltd (formerly Mon Trésor & Mon Désert Ltd). He is a former Chairman of the MCA and the Mauritius Institute of Directors (MIoD) and has served as a Non-Executive Chairman/ Director of companies in the Banking, Commercial, Energy, Hotel, Industrial and Insurance sectors and the Stock Exchange of Mauritius Ltd. He is presently the Chairman of The Mauritius Development Investment Trust Co Ltd and a Director of the Sugar Insurance Fund Board. He is also a member of the Advisory Council of the Chartered Financial Analyst Society Mauritius and of the Audit Committee Forum and Directors' Forum of the MIoD.

Directorships in companies listed on the Official Market of the SEM:

-The Mauritius Development Investment Trust Co Ltd.

Marie Octave Regis NICOLIN
(Independent Non-Executive Director)

Mr Marie Octave Regis NICOLIN worked for the British Admiralty for 5 years. He worked for Pfizer and Boehringer Ingelheim in East Africa for 3 years and then worked for Boehringer Ingelheim at Pharmacie Nouvelle Limited until his retirement.

Désiré Pierre Ariste Maxime REY
(Independent Non-Executive Director)

Mr Désiré Pierre Ariste Maxime REY started an accounting career in 1973 in Mauritius, first in Auditing, and then in the Sugar Industry. Immigrating to South Africa in 1981, he worked for Kuehne and Nagel (Pty) Ltd, the South African arm of a leading global provider of innovative and fully integrated supply chain solutions. He was appointed Group Financial Controller in 1989 and Director in 1992. Back in Mauritius in 1993, he worked for Swan Life Ltd, one of the market leaders in the local Insurance sector, until he retired mid-2016 as Senior Manager - Group Finance, Loans & Legal. He is a Director to a number of Companies in the commercial, investment, sugar and tourism sectors, and is a member of various Board Committees. He was appointed as Director of the Company in February 2011.

Directorship in listed Companies:

Belle Mare Holding Ltd.

Constance La Gaieté Company Ltd.

IBL Ltd.

Lux Island Resorts Ltd.

MFD Group Ltd.

Directors' profile (continued)

Bernard Aimé Jacques ROCHECOUSTE COLLET,
(Non-Executive Director and Alternate Director to Mr Marie Louis Désiré René France Ducasse)

Mr Bernard Aimé Jacques 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 was 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 Ltee and Albazazou Ltee.

Alternate director's profile

Patrice Michel LEAL
(Alternative Director to Gilbert Patrick Stephane Leal)

Mr Patrice Michel LEAL graduated from The University of Greenwich UK in Business Administration. He has pursued his career within the Mauritours Group over the past 13 years. He is today the Managing Director of that same company and of its subsidiaries as well as a Board member. He is also alternate Director in Pointe Coton Ltee and RHT Holding Ltd.

The profiles of the other Alternate Directors already appear in the Directors' Profiles section.

Profile of senior management team

The profiles of Messrs. Daniel de LABAUVE d'ARIFAT and Guy Jean Noel LENNON already appear in the Directors' Profile section.

Lingon VEERASAMY
(Chief Operating Officer, Administration and Human Resource department)

Mr Lingon VEERASAMY holds a DSUGE Diplôme Supérieur Universitaire en Gestion des Entreprises with specialisation in Human Resource & Operations Research. He has accumulated 37 years of service within the management team of the Administration and Human Resource department of the Company.

Hugo VICTOIRE
(Chief Finance Officer)

Mr Hugo VICTOIRE forms part of the Chartered Institute of Management Accountants. He has been the Assistant Consultant in the Marketing and Economic Studies Department of DCDM during 5 years, the Assistant Finance Manager of Albatross Insurance during 6 years and has also worked for CIM finance as Assistant Compliance Officer. He has accumulated 10 years of service within the Company.

Director's induction

An induction program is organised to introduce newly appointed Directors to the Group's businesses and Senior Executives. The induction program meets the specific needs of both the Company and the newly appointed Director and enables any new Director to make the maximum contribution as quickly as possible.

Assessment of Directors

During the year under review, no Board evaluation has been carried out. The Directors forming part of the Board of the Company, especially those who are members of Board Committees, have been appointed in the light of their wide range of skills and competence acquired through several years of working experience and professional background.

Board meetings

The Board meetings are held once each quarter and at any additional times as the Company requires. Decisions taken between meetings are confirmed by way of resolutions in writing, agreed and signed by all Directors then entitled to receive notice.

The Board meetings are conducted in accordance with the Company's Constitution and the Mauritius Companies Act 2001 and are convened by giving appropriate notice to the Directors. Detailed agenda, as determined by the Chairman, together with other supporting documents are circularised in advance to the Directors to enable them to participate meaningfully in the decision-making process and make informed deliberations at Board meetings. In order to address specific urgent business needs, meetings are at times called at shorter notice. Furthermore, the Directors have the right to request independent professional advice at PNL's expense.

A quorum of five (5) Directors is currently required for a Board Meeting of PNL and in case of equality of votes, the Chairman has a casting vote.

A Director of PNL who has declared his interest shall not vote on any matter relating to transaction or proposed transaction in which he is interested and shall not be counted in the quorum present for the purpose of that decision.

During the year under review, the Board met four (4) times. Decisions were also taken by way of resolutions in writing, agreed and signed by all Directors then entitled to receive notice of the meeting.

The minutes of the proceedings of each Board meeting are recorded by the Company Secretary and are entered in the Minutes Book of the Company. The minutes of each Board meeting are submitted for confirmation at its next meeting and these are then signed by the Chairman and the Company Secretary.

Board committees

The Code provides that Board committees are a mechanism to assist the Board of Directors in discharging its duties and responsibilities through a more comprehensive evaluation of specific issues, followed by well-considered recommendations to the Board. As such, two Board committees have been consituted namely, the Leal Group Audit & Risk Committee and the Leal Group Corporate Governance Committee. These Committees operate within defined Terms of Reference and independently to the Board.

The Chairman of the Board Committees report on the proceedings of the Committees at each Board meeting of the Company and the Committees regularly recommend actions to the Board.

The Company Secretary acts as secretary to the Board Committees.

The Board Committees are authorised to obtain, at the Company's expense, professional advice both within and outside the Company in order for them to perform their duties.

Board committees (continued)

Leal Group Corporate Governance Committee

The composition of the Leal Group Corporate Governance Committee has remained unchanged during the year under review. At the date of this report, the membership and attendance of the said Committee is as follows:

Members	Category
Jean Marie Eugène GREGOIRE – *Chairman*	Independent Non-Executive Director of Leal & Co. Ltd
Marie Joseph Jean Paul CHASTEAU DE BALYON	Independent Non-Executive Director
Marie Louis Désiré René France DUCASSE	Independent Non-Executive Director of Leal & Co. Ltd
Gérald LINCOLN	Independent Non-Executive Director of Leal & Co. Ltd
In attendance (when deemed appropriate)	
Eric Michel Georges LEAL	Group Chairman, Executive Director and Chief Executive Officer of Leal & Co. Ltd
Daniel de LABAUVE d'ARIFAT	Chief Executive Officer - Executive Director of Pharmacie Nouvelle Limited
Joseph Jacques Vivian COLLET-SERRET	Deputy Chief Executive Officer of Leal & Co. Ltd - Non-Executive Director of Pharmacie Nouvelle Limited

The Leal Group Corporate Governance Committee operates under the Terms of Reference approved by the Board and a quorum of two (2) members is currently required for a meeting of the said Committee.

In accordance with its Terms of Reference, the Leal Group Corporate Governance Committee 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 said Group Committee also performs the duties of the Nomination and Remuneration Committee. In its role as Remuneration Committee, the Leal Group Corporate Governance Committee determines and develops the Company's and Group's general policy on executive and senior management remuneration and makes recommendations to the Board on all the essential components of remuneration whilst determining the adequate remuneration to be paid to Directors and senior management. In its role as Nomination Committee, the said Group Committee reviews the structure, size and composition of the Board and makes recommendations to the Board on matters relating to appointment of Directors whilst assessing the independence of the Independent Non-Executive Directors. The Nomination Committee also makes recommendations to the Board for the appointment of new Executives.

The Leal Group Corporate Governance Committee met three (3) times during the year under review.

The said Group Committee, which reviewed and approved the present corporate governance section on 22nd September 2016, confirms that it has met its responsibilities for the year under review, in compliance with its terms of reference.

Board committees (continued)

Leal Group Audit and Risk Committee

The composition of the Leal Group Audit & Risk Committee has remained unchanged during the year under review. At the date of this report, the membership and attendance of the said Committee is as follows:

Members	Category
Virrsing RAMDENY – *Chairman*	Independent Non-Executive Director of Leal & Co. Ltd
Marie Louis Désiré René France DUCASSE	Independent Non-Executive Director of Leal & Co. Ltd
Jean Marie Eugène GREGOIRE	Independent Non-Executive Director of Leal & Co. Ltd
Désiré Pierre Ariste Maxime REY	Independent Non-Executive Director
In attendance (when deemed appropriate)	
Eric Michel Georges LEAL	Group Chairman, Executive Director and Chief Executive Officer of Leal & Co. Ltd
Daniel de LABAUVE d'ARIFAT	Chief Executive Officer - Executive Director of Pharmacie Nouvelle Limited
Joseph Jacques Vivian COLLET-SERRET	Deputy Chief Executive Officer of Leal & Co. Ltd and Non-Executive Director of Pharmacie Nouvelle Limited
Guy Jean Noel LENNON	Chief Operating Officer, Sales, Marketing and Supply Chain department - Executive Director of Pharmacie Nouvelle Limited
Hugo VICTOIRE	Chief Finance Officer of Pharmacie Nouvelle Limited
Yousouf REHMALLY	Group Chief Finance Officer of Leal & Co. Ltd
PriceWaterhouseCoopers	Internal Auditors
Grant Thornton	External Auditors

The Leal Group Audit & Risk Committee operates under the Terms of Reference approved by the Board of Directors.

The Board is of the view that the members of the Leal Group Audit & Risk Committee have sufficient financial management expertise and experience to discharge their responsibilities properly, and a quorum of two (2) members is currently required for a meeting of the said Committee.

The Leal Group Audit and Risk Committee is governed by an Audit Charter and is responsible to assist the Board in fulfilling its financial reporting responsibilities. The Committee also reviews the financial reporting process, the internal control system and the management of risks. The Committee is also responsible for the appointment of internal and external auditors.

The Leal Group Audit and Risk Committee met seven (7) times during the year under review.

The said Group Committee met on 28th September 2016 to recommend to the Board the approval of the annual financial statements for the financial year ended 30 June 2016 and the relevant abridged audited consolidated results for publication.

The Leal Group Audit and Risk Committee confirms that it has fulfilled its responsibilities for the year under review, in accordance with its Terms of Reference.

Internal audit function

Internal Control and Risk Management

The Company recognises that proper risk management and internal control help organisations understand the risks they are exposed to, put controls in place to counter threats, and effectively pursue their objectives. They are therefore an important aspect of an organisation's governance, management and operations.

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

PricewaterhouseCoopers (PwC) has been appointed as internal auditor since July 2010. The objectives are to assist members of the Board, the management and the Board committees of the Group in the effective discharge of their responsibilities by furnishing them with analysis, appraisals, recommendations, counsel, information concerning the activities reviewed, and by promoting effective controls and processes.

Scope of Work

Areas Audited in 2015-2016

For the financial year 2015-2016, PwC was engaged to carry out four internal audit assignments. The assignments were performed in accordance with the 3-year internal audit plan that was presented to and approved by the Group Audit & Risk Committee in 2014.

The following areas were subject to audit and were discussed with Management in a closing meeting for the financial year:

- Procurement and costing; and
- Working capital management, accounts receivable and payable process

There were also two other assignments for the year which are ongoing. These are:

- Human Resources & Payroll; and
- A follow up on the implementation of recommendations from previous year's reports on stock management, sales, fleet management, contracts management and licenses required to operate was also carried out.

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

Financial risk

Financial risk is the risk that cash flows and financial risks are not managed cost-effectively to (a) maximize cash availability, (b) reduce uncertainty of currency, interest rate, credit and other financial risks, or (c) move cash funds quickly and without loss of value to wherever they are needed most

Strategic risk

Strategic risk is the risk associated with the way the Company is managed. Strategic risk management focuses on broad corporate issues such as reputation, competitor strategy and new product development. This is the risk to earnings or capital arising from adverse business decisions or improper implementation of business decisions. It also includes market risk which is the risk of not meeting the strategic objectives of the organisation arising from the Company's inability to adapt to external factors. These external factors include general economic conditions, availability and cost of debt and equity capital and competition.

Integrity risk

Integrity risk is the risk associated with the authorization, completeness and accuracy of transactions as they are entered into, processed by, summarized by and reported by the various application systems deployed by the Company.

Internal audit function (continued)

Operational risk

Operational risk is the risk associated with the Company's ability to control and deliver its core processes in a timely and predictable manner. It includes inaccurate or incomplete processing of authorised transactions, duplicate processing of authorised transactions, calculation errors or processing unauthorised transactions.

Information system and information security risk

Information system and information security risk is the risk that data is not genuine, complete or accurate, recorded and accumulated correctly or readily accessible and the risk that unauthorised persons access proprietary or confidential data or knowledge.

Human capital risk

Human capital risk is the risk that personnel will not be sufficient to attain the Company's objectives. Specific risk elements would include quality and quantity of personnel, key person risk, succession planning and / or turnover rates.

Environment risk (Legal and Regulatory)

Environmental risk is the risk of legal liabilities arising from failing to comply with laws and regulatory requirements and the resultant government investigation, prosecution, fines, sanctions or shutdowns.

Board structure and attendance

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

Directors	Category	Board Meetings	Leal Group Audit & Risk Committee	Leal Group Corporate Governance Committee
Eric Michel Georges LEAL - *Executive Chairman*	ED	4 out of 4	-	-
Daniel de LABAUVE d'ARIFAT - *Chief Executive Officer*	ED	4 out of 4	-	-
Guy Jean Noel LENNON	ED	2 out of 2	-	-
Virrsing RAMDENY	NED	4 out of 4	7 out of 7	-
Jean Marie Eugène GREGOIRE	NED	4 out of 4	6 out of 7	3 out of 3
Marie Joseph Jean Paul CHASTEAU DE BALYON (*Director and alternate to Mr Jean Marie Eugène GREGOIRE)*	INED	3 out of 4	-	3 out of 3
Joseph Jacques Vivian COLLET-SERRET	NED	2 out of 4	-	-
Marie Louis Désiré René France DUCASSE *(Director and alternate to* Bernard *ROCHECOUSTE COLLET)*	NED	4 out of 4	7 out of 7	3 out of 3
Gilbert Patrick Stéphane LEAL	INED	0 out of 4	-	-
Georges LEUNG SHING	INED	4 out of 4	-	-
Marie Octave Regis NICOLIN	INED	3 out of 4	-	-
Désiré Pierre Ariste Maxime REY	INED	2 out of 4	6 out of 7	-
Bernard Aimé Jacques ROCHECOUSTE COLLET *(Director and alternate to Marie Louis Désiré René France DUCASSE)*	NED	4 out of 4	-	-
Gérald LINCOLN - Independent Director of Leal & Co. Ltd	-		-	2 out of 3

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

Group company secretary

PNL has a service agreement with Navitas Corporate Services Ltd for the provision of company secretarial services.

All Directors have access to the advice and services of the Company Secretary who is responsible for providing detailed guidance to the Chairman and the Directors as to their fiduciary duties, responsibilities and powers. The Company Secretary also ensures that the Company is at all times complying with its Constitution, Terms of Reference, applicable laws, rules and regulations.

Moreover, the Company Secretary assists the Chairman and the Board in implementing and strengthening good governance practices and processes with a view to enhance long-term stakeholders' value. The Company Secretary also administers, attends and prepares minutes of all Board meetings, Board Committee meetings and Shareholders' meetings.

The Company Secretary is also the primary channel of communication between the Company and its shareholders as well as the regulatory bodies.

Directors' and officers' liability insurance

A Directors' and Officers' liability insurance policy has been subscribed to by Leal & Co. Ltd.

Interest of Directors and Senior Management Team in the shares of the Company

The direct and indirect interests of the Directors and of the Senior Management Team, who holds shares in the Company, are disclosed in the table below:

Directors	Direct Interest %	Indirect Interest %
Eric Michel Georges LEAL	-	19.378
Daniel de LABAUVE d'ARIFAT	-	-
Guy Jean Noël LENNON	0.002	0.002
Virrsing RAMDENY	-	2.134
Jean Marie Eugène GREGOIRE	0.860	0.276
Marie Joseph Jean Paul CHASTEAU DE BALYON	-	-
Joseph Jacques Vivian COLLET-SERRET	-	0.166
Marie Louis Désiré René France DUCASSE	1.874	0.890
Gilbert Patrick Stéphane LEAL	0.132	0.455
Georges LEUNG SHING	-	0.217
Marie Octave Regis NICOLIN	0.097	-
Désiré Pierre Ariste Maxime REY	-	-
Bernard Aimé Jacques ROCHECOUSTE COLLET	0.860	0.102
Senior Management Team		
Lingon VEERASAMY	0.031	0.003
Hugo VICTOIRE	-	-

None of the Directors and Officers had any material interest in the equity of subsidiaries of PNL.

Board and board committees' fees

The Executive Chairman is not remunerated by the Company. Alternatively, a management fee is paid by PNL to Leal & Co. Ltd for different services.

The Chief Executive Officer has a service contract with the Company with no expiry terms.

The Non-Executive Directors and Independent Non-Executive Directors receive a remuneration consisting of a fixed fee as well as an attendance fee for each Board and committee meeting attended by them.

The Board of Directors has resolved not to disclose the remuneration paid to Directors on an individual basis due to the commercial sensitivity of the information.

For the remuneration and benefits received by the Directors from the Company and its subsidiaries as at 30th June 2016, please refer to page 23 of the Annual Report.

Remuneration philosophy

The Board has delegated to the Leal Group Corporate Governance Committee the responsibility of determining the adequate remuneration to be paid to the Executive Chairman of the Board, the Independent Non-Executive Directors, the Non-Executive Directors, the Executive Director and the senior management staff.

The Group's underlying philosophy is to set remuneration at an appropriate level to retain, motivate and attract high calibre personnel and Directors, and to reward them in accordance with their individual as well as collective contribution towards the achievement of the Company's objectives and performance, whilst taking into account current market conditions and/or other factors which may be determined from time to time.

Employee Share Option Plan

No Employee Share Option Plan is available.

Related party transactions

For details on Related Party Transactions, please refer to Note 25 of the audited consolidated financial statements.

Corporate social responsibility

The Company recognises its social responsibility within the community and is committed to contributing to its welfare by undertaking various projects. For the year under review, the Company has supported the following associations namely:

E-Inclusion Foundation: The primary objective of the association is to close the digital divide by fostering social inclusion in a knowledge society. To achieve this objective, the association will make donations of refurbished PC's with free Microsoft software to targeted families and NGO's and deliver free IT classes in collaboration with Microsoft.

Haemophilia Patients and Parents Support Group: The contribution of the Company will help the association to identify, profile the haemophilia and bleeding disorder and assist people suffering from Haemophilia in Mauritius. The association will also inform and educate the patients and their families on the disease.

Corporate social responsibility (continued)

The Mauritius Mental Health Association – Through the Colibri Centre, this association provides education, training and care for over 120 children and adults with learning and physical disabilities.

Diabetes Parent Support Group – This association has been created to improve the quality of life for children and adolescents living with Type 1 diabetes in Mauritius and to fight against the onset of Type 2 diabetes in the youth.

Council of Religions Mauritius – The council is committed to leading efforts to advance effective multi-religious cooperation for peace on global, regional, national and local levels while ensuring that the religious communities organized on these same levels assume and exercise appropriate leadership and ownership of these efforts.

Association de parents d'enfants inadaptés de l'Ile Maurice – The main objectives of this association is to gather parents and to give the support for the development of their needy children. The aim is to facilitate their integration in the community.

Ti diams – This association aims at giving support to persons suffering from diabetes. It is involved in providing equipment for treatment against diabetes.

Link to Life – The organisation provides support & counselling to cancer patients & their families.

PILS – PILS supports people affected by Aids. The organisation works on the Prevention and awareness of HIV/AIDS.

PATH – PATH is dedicated to promote a healthy lifestyle & wellbeing.

Morisyen san Frontier Charitable Institution – The NGO works in favour of Health, Education, Training and socio economic development.

Rugby Union Association – The association works the enhancement of sports for Youth and Children.

Pedostop – The institution works on the awareness against the sexual abuse of children.

Action for Integral Human Development – The NGO provides counselling to underprivileged children and youth.

Centre D'Education & De Développement – The NGO is engaged in child welfare, child rights and also supports a school for handicapped.

SOS Children Village – The NGO works in favour of Youth and Children development, Eradication and Alleviation of Poverty.

CARITAS Ile Maurice – CARITAS supports the rehabilitation of the poor and underprivileged.

Vent d'un Rêve – The NGO promotes learning of music and art for underprivileged children.

Third party management agreement

Save and except for management services rendered by Leal & Co. Ltd to its subsidiary, PNL, there was no agreement between third parties and the Company or its subsidiaries during the year under review.

Donations

No charitable/non charitable donations were made during the years ended 30 June 2016 and 2015.

The Corporate Social Responsibility contributions amounted to Rs 1,479,455 (2015: Rs 1,077,125) Political donations for the year under review is Nil (2015: Rs 2M).

Health, safety and environment

The Group is committed to the general rules and regulations governing the health, safety and environmental issue. 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. During the year under review, the following events were organised by the Company:

Dates	Details
July and August 2015	Food Handlers Training in collaboration with the Ministry of Health & Quality of Life was organised for PNL Employees.
March 2016	PNL along with several companies situated in the vicinity of Les Pailles, contributed to the embellishment of the Pailles Roundabout.
March 2016	PNL in collaboration with the Open University of Mauritius launched a Management course for the employees of Pharmacies. The objective was to support the capacity building in terms of General Management, Stock Management, Customer Relationship Management and understanding of the legal framework of the Pharmaceutical sector.
June 2016	Free Eye Screening for employees of the Company.
June 2016	Fire Training & First Aid Training.

Ethics

The Board of Directors is mindful of the interest of other stakeholders such as suppliers, clients and the public at large when running its operations and is committed to high standards of integrity and ethical conduct in dealing with them.

Furthermore, the Group and its employees must, at all times, comply with all applicable laws and regulations. The Group will not condone the activities of employees who achieve results through violation of the law or unethical business dealings. This includes any payments for illegal acts, indirect contributions, rebates, and bribery. The Group does not permit any activity that fails to stand the closest possible public scrutiny.

All business conduct should be above the minimum standards required by law. Accordingly, employees must ensure that their actions cannot be interpreted as being, in any way, in contravention of the laws and regulations governing the Group's operations. Employees uncertain about the application or interpretation of any legal requirements should refer the matter to their superior, who, if necessary, should seek the advice of someone at the highest level of the Group's hierarchy.

The Company is committed to a policy for fair, honest dealing and integrity in the conduct of its business. This commitment, which is actively endorsed by the Board, is based on a fundamental belief that business should be conducted honestly, fairly and legally.

Shareholder and stakeholder communication

The Board of Directors places great importance on clear disclosure, open and transparent channel of communication with all its shareholders. It endeavours to keep them regularly informed on matters pertaining to and affecting the Company.

Through the Company's website namely www.pnl.mu, information is provided to all stakeholders on the activities of the Company, on the latest news and on new products which have been launched.

Shareholders are strongly encouraged to attend the Company's Annual Meeting, which provides an opportunity for the latter to raise and discuss matters with the Board relating to the Company's performance and also to keep abreast of the overall strategy and goals.

The Chairman, Chief Executive Officer and other Board members assist the Annual Meeting and invite Shareholders to put questions on different aspects of the Company's activities and directions the business will take in the future.

The Annual Report, including the Notice of the Annual Meeting of shareholders, is sent to each shareholder of the Company and the Notice of the Annual meeting is published in two daily newspapers at least 14 days before the meeting.

Timetable of important events

Month	Events
September 2016	Publication of abridged audited financial statements for the year ended 30 June 2016
November 2016	Publication of 1st quarter results
December 2016	Annual meeting
December 2016	Interim dividend
February 2017	Publication of 2nd quarter results
May 2017	Publication of 3rd quarter results
June 2017	Financial year end
June 2017	Final dividend

Jean Marie Eugène GREGOIRE
Chairman of the Leal Group
Corporate Governance Committee

Navitas Corporate Services Ltd
Company Secretary

28th September 2016

Certificate from the Secretary

TO THE MEMBERS OF PHARMACIE NOUVELLE LIMITED

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 2016.

Navitas Corporate Services Ltd
Secretary

Registered address:

Navitas House
Robinson Road
Floréal
Republic of Mauritius

28th September 2016

Independent Auditors' Report

TO THE MEMBERS OF PHARMACIE NOUVELLE LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Pharmacie Nouvelle Limited, "the Company", and its subsidiaries (together referred to as "the Group") which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss, 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 information.

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 Mauritius Companies Act 2001 and the Financial Reporting Act 2004, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Group's preparation and fair presentation of the consolidated 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 Group'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 consolidated 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 47 to 93 give a true and fair view of the financial position of the Company and its subsidiaries as at 30 June 2016, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

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 and tax advisors;
- 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 and its subsidiaries as far as appears from our examination of those records.

(b) Financial Reporting Act 2004

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

In our opinion, the disclosure in the Report is consistent with the requirements of the Code.

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
Chartered Accountants

K RAMCHURUN, FCCA
Licensed by FRC

Date: 28 September 2016

Ebène 72201,
Republic of Mauritius

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

		The Group		The Company	
	Notes	2016 Rs	2015 Rs	2016 Rs	2015 Rs
ASSETS					
Non-current					
Intangible asset	7	-	105,734	-	105,734
Property, plant and equipment	8	**131,136,395**	121,235,551	**130,626,303**	119,742,678
Investment property	9	**95,700,000**	85,600,000	**95,700,000**	85,600,000
Deferred tax assets	21	**5,997,411**	6,300,893	-	-
Investments in subsidiaries	10	-	-	**49,578,513**	49,578,513
Non-current assets		**232,833,806**	213,242,178	**275,904,816**	255,026,925
Current					
Inventories	11	**433,073,685**	332,194,428	**430,535,969**	330,669,709
Trade and other receivables	12	**465,687,024**	412,388,026	**467,077,269**	408,548,046
Cash and cash equivalents	13	**23,457,399**	19,459,406	**23,404,201**	19,145,896
Current assets		**922,218,108**	764,041,860	**921,017,439**	758,363,651
Total assets		**1,155,051,914**	977,284,038	**1,196,922,255**	1,013,390,576
EQUITY AND LIABILITIES					
Equity					
Equity attributable to owners of the parent:					
Stated capital	14	**137,676,614**	137,676,614	**137,676,614**	137,676,614
Revaluation reserves		**50,595,515**	42,221,873	**50,595,515**	42,221,873
Retirement benefit reserves	16	**(33,594,175)**	(50,198,052)	**(33,594,175)**	(50,198,052)
Retained earnings		**169,386,863**	135,650,723	**201,117,930**	164,958,558
Total equity		**324,064,817**	265,351,158	**355,795,884**	294,658,993

Approved by the Board of Directors on 28 September 2016 and signed on its behalf by:

Eric Michel Georges LEAL
Director and Chairman

Daniel de LABAUVE D'ARIFAT
Director and Chief Executive Officer

Virrsing RAMDENY
Director and Chairman
of Group Audit and Risk Committee

The notes on pages 54 to 93 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

as at 30 June 2016

		The Group		The Company	
		2016	2015	**2016**	2015
	Notes	**Rs**	Rs	**Rs**	Rs
Liabilities					
Non-current					
Borrowings	15	**58,114,354**	76,338,106	**57,447,815**	76,338,106
Retirement benefit obligations	16	**54,046,533**	72,817,934	**54,046,533**	72,817,934
Deferred tax liabilities	21	**3,872,962**	3,024,984	**3,872,962**	3,024,984
Non-current liabilities		**116,033,849**	152,181,024	**115,367,310**	152,181,024
Current					
Trade and other payables	17	**141,990,737**	135,677,071	**153,288,738**	145,164,434
Borrowings	15	**571,943,889**	419,422,724	**571,451,701**	416,734,064
Current tax liabilities	21	**1,018,622**	4,652,061	**1,018,622**	4,652,061
Current liabilities		**714,953,248**	559,751,856	**725,759,061**	566,550,559
Total liabilities		**830,987,097**	711,932,880	**841,126,371**	718,731,583
Total equity and liabilities		**1,155,051,914**	977,284,038	**1,196,922,255**	1,013,390,576

Approved by the Board of Directors on 28 September 2016 and signed on its behalf by:

Eric Michel Georges LEAL
Director and Chairman

Daniel de LABAUVE D'ARIFAT
Director and Chief Executive Officer

Virrsing RAMDENY
Director and Chairman
of Group Audit and Risk Committee

The notes on pages 54 to 93 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 30 June 2016

		The Group		The Company	
		2016	2015	**2016**	2015
	Notes	**Rs**	Rs	**Rs**	Rs
Revenue	18	**1,710,646,954**	1,481,490,739	**1,709,182,618**	1,449,596,585
Cost of sales	11	**(1,407,866,057)**	(1,205,586,381)	**(1,408,988,857)**	(1,174,143,212)
Gross profit		**302,780,897**	275,904,358	**300,193,761**	275,453,373
Other income	19	**131,233,960**	99,233,908	**131,685,598**	95,552,898
Distribution costs		**(128,323,096)**	(102,090,198)	**(128,441,312)**	(99,990,396)
Administrative expenses		**(29,579,550)**	(26,045,239)	**(28,377,082)**	(25,435,818)
Employee benefits expense	24	**(159,488,159)**	(131,580,137)	**(158,150,060)**	(131,008,137)
Other expenses		**(27,714,449)**	(33,338,531)	**(25,967,052)**	(31,910,984)
Depreciation and amortisation		**(12,072,698)**	(11,181,099)	**(11,801,541)**	(10,373,718)
Operating profit		**76,836,905**	70,903,062	**79,142,312**	72,287,218
Net foreign exchange gains		**16,296,342**	15,389,521	**16,186,153**	14,913,896
Finance income	20.1	**-**	-	**177,562**	481,776
Finance costs	20.2	**(34,882,038)**	(28,742,576)	**(35,135,068)**	(28,556,013)
Profit before tax		**58,251,209**	57,550,007	**60,370,959**	59,126,877
Tax expense	21	**(10,990,197)**	(19,386,655)	**(10,686,715)**	(13,643,149)
Profit for the year attributable to the owners of the parent		**47,261,012**	38,163,352	**49,684,244**	45,483,728
Earnings per share	22	**3.49**	2.82	**3.67**	3.36

The notes on pages 54 to 93 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2016

	Notes	The Group 2016 Rs	The Group 2015 Rs	The Company 2016 Rs	The Company 2015 Rs
Profit for the year		**47,261,012**	38,163,352	**49,684,244**	45,483,728
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss					
Gain on revaluation of property, plant and equipment	8	**8,373,642**	-	**8,373,642**	-
Actuarial gains/(losses) on defined benefit pension plans	16	**16,603,877**	(19,816,304)	**16,603,877**	(19,816,304)
Items that will be reclassified subsequently to profit or loss		**-**	-	**-**	-
Other comprehensive income for the year, net of tax		**24,977,519**	(19,816,304)	**24,977,519**	(19,816,304)
Total comprehensive income for the year attributable to owners of the parent company		**72,238,531**	18,347,048	**74,661,763**	25,667,424

The notes on pages 54 to 93 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

The Group

	Stated capital Rs	Revaluation reserves Rs	Retirement benefit reserves Rs	Retained earnings Rs	Attributable to owners of the parent Rs
Balance at 01 July 2015	**137,676,614**	**42,221,873**	**(50,198,052)**	**135,650,723**	**265,351,158**
Dividends (Note 23)	-	-	-	(13,524,872)	(13,524,872)
Transactions with owners	-	-	-	(13,524,872)	(13,524,872)
Profit for the year	-	-	-	47,261,012	47,261,012
Other comprehensive income	-	8,373,642	16,603,877	-	24,977,519
Total comprehensive income for the year	-	8,373,642	16,603,877	47,261,012	72,238,531
Balance at 30 June 2016	**137,676,614**	**50,595,515**	**(33,594,175)**	**169,386,863**	**324,064,817**
Balance at 01 July 2014	**137,676,614**	**42,221,873**	**(30,381,748)**	**111,012,243**	**260,528,982**
Dividends (Note 23)	-	-	-	(13,524,872)	(13,524,872)
Transactions with owners	-	-	-	(13,524,872)	(13,524,872)
Profit for the year	-	-	-	38,163,352	38,163,352
Other comprehensive income	-	-	(19,816,304)	-	(19,816,304)
Total comprehensive income for the year	-	-	(19,816,304)	38,163,352	18,347,048
Balance at 30 June 2015	**137,676,614**	**42,221,873**	**(50,198,052)**	**135,650,723**	**265,351,158**

The notes on pages 54 to 93 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

for the year ended 30 June 2016

The Company

	Stated capital Rs	Revaluation reserves Rs	Retirement benefit reserves Rs	Retained earnings Rs	Total Rs
Balance at 01 July 2015	**137,676,614**	**42,221,873**	**(50,198,052)**	**164,958,558**	**294,658,993**
Dividends (Note 23)	-	-	-	(13,524,872)	(13,524,872)
Transactions with owners	-	-	-	(13,524,872)	(13,524,872)
Profit for the year	-	-	-	49,684,244	49,684,244
Other comprehensive income	-	8,373,642	16,603,877	-	24,977,519
Total comprehensive income for the year	-	8,373,642	16,603,877	49,684,244	74,661,763
Balance at 30 June 2016	**137,676,614**	**50,595,515**	**(33,594,175)**	**201,117,930**	**355,795,884**
Balance at 01 July 2014	**137,676,614**	**42,221,873**	**(30,381,748)**	**132,999,702**	**282,516,441**
Dividends (Note 23)	-	-	-	(13,524,872)	(13,524,872)
Transactions with owners	-	-	-	(13,524,872)	(13,524,872)
Profit for the year	-	-	-	45,483,728	45,483,728
Other comprehensive income	-	-	(19,816,304)	-	(19,816,304)
Total comprehensive income for the year	-	-	(19,816,304)	45,483,728	25,667,424
Balance at 30 June 2015	**137,676,614**	**42,221,873**	**(50,198,052)**	**164,958,558**	**294,658,993**

The notes on pages 54 to 93 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

	The Group		The Company	
	2016 Rs	2015 Rs	**2016 Rs**	2015 Rs
Operating activities				
Profit before tax	**58,251,209**	57,550,007	**60,370,959**	59,126,877
Adjustments for:				
Finance costs	**34,882,038**	28,742,576	**35,135,068**	28,556,013
Finance income	**-**	-	**(177,562)**	(481,776)
Loss on disposal of property, plant and equipment	**1,174,471**	256,700	**1,652,731**	370,595
Depreciation and amortisation	**12,072,697**	11,181,099	**11,801,541**	10,373,718
Change in fair value of investment property	**(7,079,106)**	-	**(7,079,106)**	-
Loss on write off of property, plant and equipment	**-**	11,995	**-**	-
Impairment losses	**-**	-	**-**	2
Retirement benefit obligations	**(2,167,524)**	2,369,743	**(2,167,524)**	2,369,743
Non-cash flow adjustments	**38,882,576**	42,562,113	**39,165,148**	41,188,295
Changes in working capital:				
Change in trade and other receivables	**(53,298,998)**	(26,125,094)	**(58,529,223)**	(27,631,000)
Change in inventories	**(100,879,257)**	(68,418,643)	**(99,866,260)**	(76,898,184)
Change in trade and other payables	**6,313,666**	(2,802,761)	**8,124,304**	9,212,459
Net changes in working capital	**(147,864,589)**	(97,346,498)	**(150,271,179)**	(95,316,725)
Cash from operations	**(50,730,804)**	2,765,622	**(50,735,072)**	4,998,447
Interest paid	**(34,882,038)**	(28,742,576)	**(35,135,068)**	(28,556,013)
Taxes paid	**(13,472,176)**	(12,811,707)	**(13,472,176)**	(12,811,707)
Net cash used in operating activities	**(99,085,018)**	(38,788,661)	**(99,342,316)**	(36,369,273)
Investing activities				
Interest received	**-**	-	**177,562**	481,776
Purchase of property, plant and equipment	**(17,120,376)**	(22,745,152)	**(17,832,001)**	(21,645,724)
Additions to investment property	**(3,020,894)**	-	**(3,020,894)**	-
Proceeds from disposal of property, plant and equipment	**2,451,740**	3,133,251	**1,973,480**	2,958,252
Net cash used in investing activities	**(17,689,530)**	(19,611,901)	**(18,701,853)**	(18,205,696)
Financing activities				
Net proceeds from bank and import loans	**109,746,173**	102,964,957	**109,999,203**	102,964,957
Proceeds/(repayment) of finance leases	**(3,018,714)**	4,457,633	**(4,113,753)**	5,349,596
Dividends paid	**(13,524,872)**	(13,524,872)	**(13,524,872)**	(13,524,872)
Net cash from financing activities	**93,202,587**	93,897,718	**92,360,578**	94,789,681
Net change in cash and cash equivalents	**(23,571,961)**	35,497,156	**(25,683,591)**	40,214,712
Cash and cash equivalents, beginning of year	**(88,440,937)**	(123,938,093)	**(86,070,644)**	(126,285,356)
Cash and cash equivalents, end of year	**(112,012,898)**	(88,440,937)	**(111,754,235)**	(86,070,644)
Cash and cash equivalents made up of:				
Cash in hand and cash at bank (Note 13)	**23,457,399**	19,459,406	**23,404,201**	19,145,896
Bank overdrafts (Note 15)	**(135,470,297)**	(107,900,343)	**(135,158,436)**	(105,216,540)
	(112,012,898)	(88,440,937)	**(111,754,235)**	(86,070,644)

The notes on pages 54 to 93 form an integral part of these consolidated financial statements.

1 GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Pharmacie Nouvelle Limited, "the Company", was incorporated in the Republic of Mauritius on 08 June 1967 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. The Company's registered office is Michael Leal Avenue, Les Pailles, Republic of Mauritius.

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

The principal activities of the Group are as follows:

(i) to engage in the wholesale distribution of pharmaceutical products, consumer goods, beverages and products for the textile industry;

(ii) to engage in retail of liquor and alcoholic products;

(iii) to act as general retailer for foodstuff and non foodstuff;

(iv) to act as merchant/wholesale dealer; and

(v) to manufacture cosmetics.

The consolidated financial statements are presented in Mauritian Rupee ("MUR" or "Rs"), which is also the functional currency of the Group.

The consolidated financial statements of the Group have been prepared in accordance with IFRS as issued by International Accounting Standards Board ("IASB").

2 APPLICATION OF NEW AND REVISED IFRS

2.1 New and revised standards that are effective for the annual year beginning on 01 July 2015

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 01 July 2015 that have had a material impact on the Group's financial statements.

2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements, as relevant to the Group's activities, will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations is provided below:

IFRS 16, Leases

The new standard requires lessees to account for leases 'on-balance sheet' by recognising a 'right of use' asset and a lease liability. It will affect most companies that report under IFRS and are involved in leasing, and will have a substantial impact on the financial statements of lessees of property with high value equipment.

IFRS 9, Financial Instruments (2014)

The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss.

2 APPLICATION OF NEW AND REVISED IFRS (continued)

2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group (continued)

IFRS 2, Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

The amendments bring together three changes to IFRS 2 'Share-based Payment' covering the following matters that had originally been referred to the IFRS Interpretations Committee (IFRIC):

- the accounting for the effects of vesting conditions on the measurement of a cash-settled share-based payment;
- the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
- the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

IFRS 15, Revenue from Contracts with Customers

This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations.

IAS 7, Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)

The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes).

The amendments respond to requests from investors for improved disclosures about an entity's financing activities. The Disclosure Initiative itself is in part a reaction to the growing clamour over disclosure overload in financial statements. It consists of a number of projects, both short- and medium-term, and ongoing activities that explore how presentation and disclosure principles and requirements in existing Standards can be improved.

IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

IAS 1, Disclosure Initiative (Amendments to IAS 1)

The amendments represent the first authoritative output from the IASB's Disclosure Initiative project. The disclosure initiative itself is in part a reaction to the growing clamour over disclosure overload in financial statements. It consists of a number of projects, both short- and medium-term, and ongoing activities that explore how presentation and disclosure principles and requirements in existing standards can be improved.

IFRS 10, IFRS 12 and IAS 28, Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities.

IAS 27, Equity Method in Separate Financial Statements (Amendments to IAS 27)

The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

IAS 16 and IAS 41, Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

These amendments change the reporting for bearer plants, such as grape vines, rubber trees and oil palms. Bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing.

2 APPLICATION OF NEW AND REVISED IFRS (continued)

2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group (continued)

IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

These amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

IFRS 11, Accounting of Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

This amendment provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'.

IFRS 14, Regulatory Deferral Accounts

This standard permits first-time adopters of IFRS to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

IFRS for SMEs, Amendments to the International Financial Reporting Standard for Small and Medium Sized Entities

The amendments issued are a result of its first comprehensive review, which commenced in 2012, three years after the standard's release in 2009. The aim of the review was to consider whether the IFRS for SMEs needed amending for any implementation issues identified or for any changes made to full IFRS.

Management has yet to assess the impact of the above standards and amendments on the Group's financial statements.

3 SUMMARY OF ACCOUNTING POLICIES

Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

3.1 Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 30 June 2016. The parent controls a subsidiary if it is exposed to, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

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

3 SUMMARY OF ACCOUNTING POLICIES (continued)

3.2 Intangible asset

Intangible asset includes a brand name that is capitalised on the basis of the costs of acquisition. It is accounted for using the cost model whereby cost is amortised on a straight-line basis over its estimated useful life (six years), as this asset is considered finite. Residual value and useful life are reviewed at each reporting date. In addition, it is subject to impairment testing. Amortisation has been included within depreciation and amortisation.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within "Other income" or "Other expenses".

3.3 Property, plant and equipment

Land and building

Freehold land and buildings are shown at market value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Market value is the fair value based on appraisals prepared by external professional valuers once every three years or more frequently if market factors indicate a material change in fair value. Any revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

As no finite useful life for land can be determined, related carrying amounts are not depreciated.

Other property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. Property, plant and equipment are subsequently measured using the cost model, cost less accumulated depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual values. The following depreciation rates are applied:

Building	-	2%
Furniture and equipment	-	10%
Computer equipment	-	15% - 33%
Motor vehicles	-	20% in the first year and 10% thereafter

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

Material residual value estimates and estimates of useful life are updated as required. Repairs and maintenance costs are expensed as incurred.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within "Other income" or "Other expenses".

Property, plant and equipment under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

3 SUMMARY OF ACCOUNTING POLICIES (continued)

3.4 Investment property

Investment property is property held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment property is revalued every three years and is included in the consolidated statement of financial position at its open market value. This market value is supported by market evidence and is determined by an external professional valuer with sufficient experience with respect to both the location and the nature of the investment property.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within “Other income” and “Other expenses”.

Rental income and operating expenses from investment property are reported within “Other income” and “Other expenses” respectively.

3.5 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax, current tax and CSR (Corporate Social Responsibility Fund) not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the fiscal authority relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The Company and its subsidiaries are subject to CSR and the contribution is at a rate of 2% on chargeable income of the preceeding financial year.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group’s forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

3.6 Investments in subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are stated at cost. Where an indication of impairment exists, the recoverable amount of the investments is assessed. Where the carrying amount of the investments is greater than its estimated recoverable amount, they are written down immediately to their recoverable amount and the difference is charged to profit or loss. On disposal of the investments, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

3 SUMMARY OF ACCOUNTING POLICIES (continued)

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average cost method or the first in first out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, but exclude interest expenses. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. The Group has inventory management in place overseeing and controlling the inventory movement and also the storage of its products. Where necessary, provision is made for obsolete and slow moving inventories.

3.8 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business and are classified as current assets if settlement is expected within one year.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Individually trade receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

3.9 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and at bank, net of bank overdrafts. Cash equivalents are short term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. In the consolidated statement of financial position, bank overdrafts are shown within borrowings under current liabilities.

3.10 Equity, reserves and dividend payments

Stated capital represents the value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The revaluation reserves within equity comprise gains and losses due to the revaluation of property, plant and equipment.

Retirement benefit reserves comprise the actuarial gains/(losses) arising from changes in demographic and financial assumptions and the return on plan assets.

Retained earnings include all current and prior years’ retained profits.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

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

3.11 Post-employment benefits

The Group provides post-employment benefits through defined contribution and defined benefit plans.

Defined contribution 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.

3 SUMMARY OF ACCOUNTING POLICIES (continued)

3.11 Post-employment benefits (continued)

Defined benefit plans

Under the Group's defined benefit plans, the amount of pension benefit that an employee will receive on retirement is defined 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.

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.

Management estimates the DBO annually with the assistance of independent actuaries. The estimate of the post-retirement benefit obligations is based on standard rates of inflation, future salary increase and post retirement mortality rates. 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.

Service costs on the net defined benefit liability are included in employee benefits expense. Net interest expense on the net defined benefit liability is included in finance costs.

3.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are classified as current liabilities if payment is due within one year.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

3.13 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and liabilities are recognised when the Group becomes party to the contractual provisions of the financial instruments and are measured initially at fair value adjusted by transaction costs. Subsequent measurement of financial assets and financial liabilities are described below.

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.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into loans and receivables.

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 are subject to review for impairment at least at each reporting date to determine whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

All income and expenses relating to financial assets are recognised in profit or loss.

3 SUMMARY OF ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

Classification and subsequent measurement of financial assets (continued)

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, if any. Discounting is omitted where the effect of discounting is immaterial. The Group's trade receivables, other receivables (excluding prepayments and advance payments) and cash and cash equivalents fall into this category of financial instruments.

An allowance for credit losses and impairment provision is established if there is an 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 then based on recent historical counterparty default rates for each identified group. Impairment and allowance for credit losses of trade receivables are presented within 'Other expenses'.

Classification and subsequent measurement of 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' or 'finance income'.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of consolidated financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3.14 Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange risks. The derivative financial instruments used are mainly forward exchange rate contracts. Derivatives are initially measured at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss. These derivatives are not considered as hedging instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement.*

3.15 Revenue

Revenue comprises revenue from the sale of goods. Revenue from major products is shown in Note 18.

Revenue is measured at the fair value of consideration received or receivable by the Group for goods supplied excluding value added taxes, rebates, and trade discounts.

Revenue 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, generally when the customer has taken undisputed delivery of the goods.

3 SUMMARY OF ACCOUNTING POLICIES (continued)

3.15 Revenue (continued)

Other income earned by the Group is recognised on the following bases:

- Management fees, rental income and commission earned: as it accrues unless collectability is in doubt.
- Interest income and expense are reported on the accrual basis using the effective interest rate method.
- Dividend income: when the shareholder's right to receive payment is established.

3.16 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

3.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the year in which they are incurred and reported in 'finance costs'.

3.18 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in the Mauritian Rupee ("MUR"), which is also the functional currency of the parent company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Group, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

3.19 Leased assets

Finance 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. Where the Group is a lessee in this type of arrangement, the related asset is 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 lease liability.

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 lease liability is reduced by lease payments less finance charges, which are expensed as part of finance costs. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Group is a lessee, 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.

3 SUMMARY OF ACCOUNTING POLICIES (continued)

3.20 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 the reporting date are reviewed in detail and provision is made where necessary.

3.21 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.

3.22 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.

3.23 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3.24 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deductible temporary differences can be utilised.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Defined benefit liability

Management's estimate of the defined benefit obligation (DBO) is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses. These assumptions were developed by management with the assistance of independent actuarial appraisers. Discount factors were determined close to each year-end by reference to high quality corporate bonds that have terms to maturity approximately the terms of the related pension obligation. Other assumptions are based on management historical experience.

Useful lives and residual values of intangible asset and property, plant and equipment

Management reviews its estimate of the useful lives and residual value of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

PHARMACIE NOUVELLE LIMITED | ANNUAL REPORT 2016

3 SUMMARY OF ACCOUNTING POLICIES (continued)

3.24 Significant management judgement in applying accounting policies and estimation uncertainty (continued)

Estimation uncertainty (continued)

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by market-driven changes that may reduce future selling prices.

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, based on the credit worthiness of its receivables.

Impairment of investments in subsidiaries

The determination of impairment of investments in subsidiaries requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets as described in Note 5 to these consolidated financial statements.

4 FINANCIAL INSTRUMENT RISK

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised below.

Financial assets and financial liabilities

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
Financial assets				
Loans and receivables:				
Current				
Trade and other receivables*	**416,209,473**	367,161,847	**422,170,192**	363,808,840
Cash and cash equivalents	**23,457,399**	19,459,406	**23,404,201**	19,145,896
Total financial assets	**439,666,872**	386,621,253	**445,574,393**	382,954,736
Financial liabilities				
Financial liabilities measured at amortised cost:				
Non-current				
Borrowings	**58,114,354**	76,338,106	**57,447,815**	76,338,106
Current				
Trade and other payables**	**141,982,224**	135,664,611	**153,288,738**	145,164,434
Borrowings	**571,943,889**	419,422,724	**571,451,701**	416,734,064
Total financial liabilities	**772,040,467**	631,425,441	**782,188,254**	638,236,604

** Trade and other receivables considered as financial assets exclude prepayments, advance payments to suppliers and VAT receivable*

*** Trade and other payables considered as financial liabilities exclude TDS payable*

4 FINANCIAL INSTRUMENT RISK (continued)

Financial assets and financial liabilities (continued)

The main types of risks are market risk, credit risk and liquidity risk. The Group's risk management is coordinated by management in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

4.1 Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from both its operating and investing activities.

Foreign currency sensitivity

The Group's transactions are carried out in the Mauritian Rupee (MUR) and several foreign currencies. Exposure to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in Euro (EUR), United States Dollar (USD), South African Rand (ZAR) and Great Britain Pound Sterling (GBP), Switzerland Franc (CHF) and Australian Dollar (AUD). The Group also receives commission in foreign currencies from foreign suppliers.

To mitigate the Group's exposure to foreign currency risk, non-MUR cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into MUR at the closing rate:

Financial assets

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
MUR	**362,959,119**	350,130,109	**368,868,880**	346,508,517
EUR	**44,457,592**	28,999,626	**44,456,747**	28,984,090
USD	**28,409,392**	3,315,770	**28,407,997**	3,286,381
ZAR	**3,828,786**	4,163,850	**3,828,786**	4,163,850
CHF	**1,631**	-	**1,631**	-
GBP	**10,352**	11,898	**10,352**	11,898
	439,666,872	386,621,253	**445,574,393**	382,954,736

Financial liabilities

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
MUR	**705,404,579**	572,886,201	**715,552,366**	581,082,286
EUR	**34,989,427**	23,488,552	**34,989,427**	23,488,552
USD	**14,785,967**	19,128,166	**14,785,967**	19,128,166
ZAR	**15,959,728**	15,781,875	**15,959,728**	14,396,953
CHF	**675,829**	-	**675,829**	-
AUD	**102,549**	-	**102,549**	-
GBP	**122,388**	140,647	**122,388**	140,647
	772,040,467	631,425,441	**782,188,254**	638,236,604

4 **FINANCIAL INSTRUMENT RISK** (continued)

Risk management objectives and policies (continued)

4.1 **Market risk analysis** (continued)

Foreign currency sensitivity (continued)

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and liabilities and the EUR/MUR, USD/MUR, ZAR/MUR, GBP/MUR, CHF/MUR and AUD/MUR exchange rates "all other things being equal".

It assumes the following changes in exchange rates for the year ended 30 June 2016, 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.

	2016	2015
EUR/MUR	**1.06%**	4.00%
USD/MUR	**1.75%**	16.79%
GBP/MUR	**12.98%**	8.05%
ZAR/MUR	**15.59%**	0.34%
CHF/MUR	**3.60%**	-
AUD/MUR	**1.49%**	-

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's and the Company's exposure to currency risk.

If the MUR had weakened against the above foreign currencies, then this would have had the following impact:

Profit & equity

	The Group		**The Company**	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
EUR	**100,351**	220,216	**100,342**	219,595
USD	**238,608**	(2,655,658)	**238,583**	(2,660,594)
GBP	**(14,545)**	(10,366)	**(14,545)**	(10,366)
CHF	**(24,252)**	-	**(24,252)**	-
AUD	**(1,525)**	-	**(1,525)**	-
ZAR	**(1,891,605)**	(39,517)	**(1,891,605)**	(34,806)
Total	**(1,592,968)**	(2,485,325)	**(1,593,002)**	(2,486,171)

Any strengthening in the MUR against the above foreign currencies would have the same opposite impact.

4 **FINANCIAL INSTRUMENT RISK** (continued)

Risk management objectives and policies (continued)

4.1 **Market risk analysis** (continued)

Foreign currency sensitivity (continued)

The following table details the forward foreign currency contracts outstanding for the Group and the Company as at reporting date:

	Average spot exchange rate		**Foreign currency**		**Contract value (Notional value)**		**Fair value**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	Rs	Rs			**Rs**	Rs	**Rs**	Rs
<u>Outstanding contracts:</u>								
4.1.1 Buy EUR Currency								
Less than 3 months	**40.524**	39.30	**251,982**	910,000	**9,933,147**	35,763,000	**10,211,336**	36,490,090
4.1.2 Buy ZAR Currency								
Less than 3 months	**2.490**	2.89	**4,500,000**	1,900,000	**9,909,000**	5,482,900	**11,205,000**	5,605,000
4.1.3 Buy ZAR Currency								
3 to 6 months	**2.490**	-	**7,500,000**	-	**16,281,300**	-	**18,675,000**	-
4.1.4 Buy USD Currency								
Less than 3 months	**-**	35.26	**-**	348,000	**-**	12,269,140	**-**	12,477,888
			12,251,982	3,158,000	**36,123,447**	53,515,040	**40,091,336**	54,572,978

During the year ended 30 June 2016, the Group and the Company entered into forward foreign exchange contracts (for terms not exceeding 6 months) to minimise the exchange rate risk arising from future purchases from suppliers based in Europe and Africa. The derivative financial asset arising from these transactions was Rs 3,967,889 for the year under review (30 June 2015: Rs 1,057,938).

Interest rate sensitivity

At 30 June 2016, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. The exposure to interest rates on the Group's financial assets is limited to its cash and cash equivalents and is considered immaterial.

Interest rate sensitivity analysis

The following table illustrates the sensitivity of profit and equity to reasonably possible change in interest rates of +/- 1% (2015: +/-1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each year, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year and equity	
	Rs	
The Group	+1%	-1%
At 30 June 2016	**(6,300,582)**	**6,300,582**
At 30 June 2015	(4,957,608)	4,957,608
The Company	+1%	-1%
At 30 June 2016	**(6,288,995)**	**6,288,995**
At 30 June 2015	(4,930,722)	4,930,722

4 FINANCIAL INSTRUMENT RISK (continued)

Risk management objectives and policies (continued)

4.2 Credit risk analysis

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 providing credit to customers, placing deposits, etc. The Group's and the Company'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	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
Trade and other receivables	**416,209,473**	367,161,847	**422,170,192**	363,808,840
Cash and cash equivalents	**23,457,399**	19,459,406	**23,404,201**	19,145,896
	439,666,872	386,621,253	**445,574,393**	382,954,736

The Group continuously monitors default of customers and other counterparties, identified either individually or by the Group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers 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.

The bank loans and overdrafts of the Group and the Company are secured by floating charges on all assets of the Group, including financial assets.

As at 30 June, the Group has certain trade receivables that have not been settled by the contractual date but are not considered to be impaired as there has not been a significant change in the credit quality and the amounts are still recoverable. The amounts at 30 June analysed by the length of time past due are:

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
More than 90 days but less than 180 days	**41,025,298**	28,378,311	**41,028,747**	27,622,383
More than 180 days	**29,304,048**	44,407,208	**29,304,031**	40,782,766
Total	**70,329,346**	72,785,519	**70,332,778**	68,405,149

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics since trade and other receivables consists of a large number of customers. Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents and derivative financial instruments is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

4 FINANCIAL INSTRUMENT RISK (continued)

Risk management objectives and policies (continued)

4.3 Liquidity risk analysis

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for current and long-term financial liabilities as well as forecasted cash inflows and outflows due in day-to-day business.

The Group's objective is to maintain cash and marketable securities to meet its liquidity requirements for a 30-day period at a minimum. Funding for current and long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

The Group considers expected cash flows from financial assets in assessing liquidity risk, in particular its cash resources and trade receivables. In addition to relying on existing cash resources and trade receivables, the Group relies on banking facilities to meet its current cash outflow requirements.

As at 30 June 2016, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

The Group	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**More than 1 year**
	Rs	Rs	Rs	Rs
At 30 June 2016				
Trade and other payables	**141,982,224**	**141,982,224**	**141,982,224**	**-**
Bank overdrafts	**135,470,297**	**135,470,297**	**135,470,297**	**-**
Bank loans	**286,807,166**	**291,620,667**	**237,383,625**	**54,237,042**
Obligations under finance leases	**10,426,734**	**11,874,369**	**3,773,746**	**8,100,623**
Import loans	**197,354,046**	**197,354,046**	**197,354,046**	**-**
	772,040,467	**778,301,603**	**715,963,938**	**62,337,665**
At 30 June 2015				
Trade and other payables	135,664,611	135,664,611	135,664,611	-
Bank overdrafts	107,900,343	107,900,343	107,900,343	-
Bank loans	207,312,556	221,015,270	147,539,615	73,475,655
Obligations under finance leases	13,698,477	15,906,870	4,936,071	10,970,799
Import loans	166,849,454	166,849,454	166,849,454	-
	631,425,441	647,336,548	562,890,094	84,446,454

The Company	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**More than 1 year**
	Rs	Rs	Rs	Rs
At 30 June 2016				
Trade and other payables	**153,288,738**	**153,288,738**	**153,288,738**	**-**
Bank overdrafts	**135,158,436**	**135,158,436**	**135,158,436**	**-**
Bank loans	**286,807,166**	**291,620,667**	**237,383,625**	**54,237,042**
Obligations under finance leases	**9,579,868**	**10,877,230**	**3,532,186**	**7,345,044**
Import loans	**197,354,046**	**197,354,046**	**197,354,046**	**-**
	782,188,254	**788,299,117**	**726,717,031**	**61,582,086**
At 30 June 2015				
Trade and other payables	145,164,434	145,164,434	145,164,434	-
Bank overdrafts	105,216,540	105,216,540	105,216,540	-
Bank loans	207,312,556	221,015,270	147,539,615	73,475,655
Obligations under finance leases	13,693,620	15,902,013	4,931,214	10,970,799
Import loans	166,849,454	166,849,454	166,849,454	-
	638,236,604	654,147,711	569,701,257	84,446,454

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

5 FAIR VALUE MEASUREMENT

5.1 Fair value measurement of financial instruments

Financial assets measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

The following table shows the Levels within which the hierarchy of financial asset measured at fair value on a recurring basis at 30 June 2015 and 30 June 2016:

30 June 2016	Level 1 Rs	Level 2 Rs	Level 3 Rs	Total Rs
The Group and the Company				
Asset				
Forward exchange contracts	-	**3,967,889**	-	**3,967,889**

30 June 2015	Level 1 Rs	Level 2 Rs	Level 3 Rs	Total Rs
The Group and the Company				
Asset				
Forward exchange contracts	-	1,057,938	-	1,057,938

There were no transfers between Level 1 and Level 2 in 2015 and 2016.

Valuation techniques are selected based on the characteristics of each instrument, with overall objective of maximising the use of market-based information. The valuation techniques used for the instruments categorised in Level 2 are described below:

The Group's foreign currency forward contracts are not traded in an active market. These have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contracts. The effects of non-observable inputs are not significant for foreign currency forward contracts.

5.2 Fair value of financial assets and liabilities not carried at fair value

The Group's and the Company's other financial assets and financial liabilities are measured at their carrying amounts which approximate their fair values.

5.3 Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value.

30 June 2016	Level 1 Rs	Level 2 Rs	Level 3 Rs	Total Rs
Property and equipment				
Land and building	-	-	**83,822,566**	**83,822,566**
Investment property				
Land and building	-	-	**95,700,000**	**95,700,000**

5 FAIR VALUE MEASUREMENT (continued)

5.3 Fair value measurement of non-financial assets (continued)

30 June 2015	Level 1 Rs	Level 2 Rs	Level 3 Rs	Total Rs
Property and equipment				
Land and building	-	-	75,982,755	75,982,755
Investment property				
Land and building	-	-	85,600,000	85,600,000

Fair value of the Group's land and building and investment property is estimated based on appraisals performed by professionally-qualified property valuers. Land and building and investment property are revalued if market forces indicate a material change in fair value. The Group engages external, independent and qualified valuers to determine the fair value of the land and building and investment property. The fair value of the land and building and investment property has been determined by Broll Indian Ocean Ltd, Chartered Valuation Surveyors, on 30 June 2016.

The appraisal was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the building in question, including size, location and encumbrances and current use.

The significant unobservable input is the adjustment for factors specific to the building in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

The reconciliation of the carrying amounts of non-financial assets classified within level 3 is as follows:

The Group and the Company	Land and building Rs	Investment property Rs
Balance at 01 July 2015	**75,982,755**	**85,600,000**
Gains recognised in profit or loss:		
- Increase in fair value of investment property	-	**7,079,106**
Gain recognised in other comprehensive income:		
- Revaluation of land and building	**8,373,642**	-
Additions during the year	**414,974**	**3,020,894**
Depreciation charge for the year	**(948,805)**	-
	83,822,566	**95,700,000**
Total amount included in profit or loss for unrealised gains on Level 3 assets	-	**7,079,106**

The carrying values of the non-financial assets detailed above approximate their fair values.

Other non-financial assets include intangible assets, deferred tax assets, investments in subsidiaries, advance payments to suppliers, Value Added Tax (VAT) receivable, prepayments, inventories and non-financial liabilities include VAT, current tax liabilities, deferred tax liabilities and TDS payable. For these non-financial instruments, fair value is not applicable since these are not measured at fair value on a recurring or non-recurring basis in the consolidated statement of financial position.

6 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders.

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

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

The Group sets the amount of capital in proportion to its overall financing structure, that is, equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
Total borrowings (Note 15)	**630,058,243**	495,760,830	**628,899,516**	493,072,170
Less: cash and cash equivalents (Note 13)	**(23,457,399)**	(19,459,406)	**(23,404,201)**	(19,145,896)
Net debt	**606,600,844**	476,301,424	**605,495,315**	473,926,274
Total equity	**324,064,817**	265,351,158	**355,795,884**	294,658,993
Total capital	**930,665,661**	741,652,582	**961,291,199**	768,585,267
Gearing ratio (%)	**65%**	64%	**63%**	62%

The Directors consider that the level of gearing is reasonable given the nature of operations of the Group and the Company.

7 INTANGIBLE ASSET

The Group and the Company

	Rs
Gross carrying amount	
Balance at 01 July 2015 and 30 June 2016	**634,410**
Amortisation	
Balance at 01 July 2015	**528,676**
Amortisation during the year	**105,734**
Balance at 30 June 2016	**634,410**
Carrying amount at 30 June 2016	**-**
Gross carrying amount	
Balance at 01 July 2014 and 30 June 2015	634,410
Amortisation	
Balance at 01 July 2014	422,941
Amortisation during the year	105,735
Balance at 30 June 2015	528,676
Carrying amount at 30 June 2015	105,734

8 PROPERTY, PLANT AND EQUIPMENT

8.1 The Group

	Freehold land Rs	Buildings Rs	Motor vehicles Rs	Furniture, computer & equipment Rs	Total Rs
Gross carrying amount					
At 01 July 2015	30,900,000	47,025,256	46,797,027	120,196,385	244,918,668
Additions	-	414,974	247,250	16,458,152	17,120,376
Disposals	-	-	(14,359,427)	(38,261)	(14,397,688)
Revaluation adjustment	4,600,000	1,029,734	-	-	5,629,734
Balance at 30 June 2016	35,500,000	48,469,964	32,684,850	136,616,276	253,271,090
Depreciation					
At 01 July 2015	-	1,942,501	27,419,893	94,320,723	123,683,117
Charge for the year	-	948,805	3,000,102	8,018,056	11,966,963
Disposals	-	-	(10,767,653)	(3,824)	(10,771,477)
Revaluation adjustment	-	(2,743,908)	-	-	(2,743,908)
Balance at 30 June 2016	-	147,398	19,652,342	102,334,955	122,134,695
Carrying amount					
30 June 2016	**35,500,000**	**48,322,566**	**13,032,508**	**34,281,321**	**131,136,395**

	Freehold land Rs	Buildings Rs	Motor vehicles Rs	Furniture, computer & equipment Rs	Total Rs
Gross carrying amount					
At 01 July 2014	30,900,000	44,891,999	51,965,040	133,548,895	261,305,934
Additions	-	2,133,257	10,053,200	10,558,695	22,745,152
Disposals	-	-	(15,221,213)	(305,525)	(15,526,738)
Scrapped	-	-	-	(23,605,680)	(23,605,680)
Balance at 30 June 2015	30,900,000	47,025,256	46,797,027	120,196,385	244,918,668
Depreciation					
At 01 July 2014	-	1,001,996	35,861,110	111,475,119	148,338,225
Charge for the year	-	940,505	3,451,152	6,683,707	11,075,364
Disposals	-	-	(11,892,369)	(244,418)	(12,136,787)
Scrapped	-	-	-	(23,593,685)	(23,593,685)
Balance at 30 June 2015	-	1,942,501	27,419,893	94,320,723	123,683,117
Carrying amount					
30 June 2015	**30,900,000**	**45,082,755**	**19,377,134**	**25,875,662**	**121,235,551**

8 PROPERTY, PLANT AND EQUIPMENT (continued)

8.2 The Company

	Freehold land Rs	Buildings Rs	Motor vehicles Rs	Furniture, computer & equipment Rs	Total Rs
Gross carrying amount					
At 01 July 2015	30,900,000	47,025,256	44,038,635	87,215,272	209,179,163
Additions	-	414,974	247,250	17,169,777	17,832,001
Disposals	-	-	(12,996,837)	(38,261)	(13,035,098)
Revaluation adjustment	4,600,000	1,029,734	-	-	5,629,734
Balance at 30 June 2016	35,500,000	48,469,964	31,289,048	104,346,788	219,605,800
Depreciation					
At 01 July 2015	-	1,942,501	24,678,781	62,815,203	89,436,485
Charge for the year	-	948,805	3,000,102	7,746,900	11,695,807
Disposals	-	-	(9,405,063)	(3,824)	(9,408,887)
Revaluation adjustment	-	(2,743,908)	-	-	(2,743,908)
Balance at 30 June 2016	-	147,398	18,273,820	70,558,279	88,979,497
Carrying amount					
30 June 2016	**35,500,000**	**48,332,566**	**13,015,228**	**33,788,509**	**130,626,303**

	Freehold land Rs	Buildings Rs	Motor vehicles Rs	Furniture, computer & equipment Rs	Total Rs
Gross carrying amount					
At 01 July 2014	30,900,000	44,891,999	49,206,648	101,361,685	226,360,332
Additions	-	2,133,257	10,053,200	9,459,267	21,645,724
Disposals	-	-	(15,221,213)	-	(15,221,213)
Scrapped	-	-	-	(23,605,680)	(23,605,680)
Balance at 30 June 2015	30,900,000	47,025,256	44,038,635	87,215,272	209,179,163
Depreciation					
At 01 July 2014	-	1,001,996	33,490,132	80,174,420	114,666,548
Charge for the year	-	940,505	3,081,015	6,246,463	10,267,983
Disposals	-	-	(11,892,366)	-	(11,892,366)
Scrapped	-	-	-	(23,605,680)	(23,605,680)
Balance at 30 June 2015	-	1,942,501	24,678,781	62,815,203	89,436,485
Carrying amount					
30 June 2015	**30,900,000**	**45,082,755**	**19,359,854**	**24,400,069**	**119,742,678**

8 PROPERTY, PLANT AND EQUIPMENT (continued)

8.3 During the year 2016, an independent valuation of the Group's freehold land and buildings were undertaken by Broll Indian Ocean Ltd, Chartered Valuation Surveyors, to determine the fair value of the freehold land and buildings. Valuations were made on the basis of the market value for existing use. The carrying values of the properties were adjusted to the revalued amounts and the resultant surplus amounting to Rs 8,373,642 was credited to revaluation reserves in other comprehensive income.

If the buildings were stated on the historical cost basis, the amounts would be as follows:

	The Group		The Company	
	2016 Rs	2015 Rs	**2016 Rs**	2015 Rs
Cost	**24,702,510**	24,287,536	**24,702,510**	24,287,536
Accumulated depreciation	**(5,588,575)**	(5,094,525)	**(5,588,575)**	(5,094,525)
Carrying amount	**19,113,935**	19,193,011	**19,113,935**	19,193,011

8.4 Assets held under finance leases comprise the followings:

	The Group		The Company	
	2016 Rs	2015 Rs	**2016 Rs**	2015 Rs
8.4.1 Motor vehicles				
Cost	**16,088,707**	16,857,701	**16,088,707**	15,952,151
Accumulated depreciation	**(5,034,591)**	(7,476,425)	**(5,034,591)**	(6,887,817)
Carrying amount	**11,054,116**	9,381,276	**11,054,116**	9,064,334
8.4.2 Furniture and equipment				
Cost	**1,099,430**	3,950,840	-	3,655,640
Accumulated depreciation	**(164,915)**	(3,950,840)	-	(3,655,640)
Carrying amount	**934,515**	-	-	-

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

9 INVESTMENT PROPERTY

The Group and the Company	**2016 Rs**	2015 Rs
Carrying amount at 01 July	**85,600,000**	85,600,000
Additions during the year	**3,020,894**	-
Change in fair value	**7,079,106**	-
Carrying amount at 30 June	**95,700,000**	85,600,000

9.1 The investment property was revalued by Broll Indian Ocean Ltd, Chartered Valuation Surveyors, on 30 June 2016. The value of the investment property amounted to **Rs 95,700,000** based on market conditions prevailing at that time.

9.2 The Company's rental income for the year under review amounted to **Rs 4,425,394** (30 June 2015: Rs 4,717,060) and are included within "Other Income". During the year under review, the tenants incurred operating expenses towards the investment property.

9.3 Investment property has been pledged as security for borrowings.

10 INVESTMENTS IN SUBSIDIARIES

10.1 **Unquoted and at cost/carrying amount**

	The Company	
	2016	2015
	Rs	Rs
Balance at 01 July	**49,578,513**	49,578,515
Impairment loss during the year	-	(2)
Balance at 30 June	**49,578,513**	49,578,513

10.2 Details of the Company's subsidiaries at 30 June are as follows:

Name of subsidiaries	**Principal activities**	**% holding**	**Carrying amount 2016 Rs**	**Carrying amount 2015 Rs**	**Cost 2016 Rs**	**Cost 2015 Rs**
Compagnie Manufacturière de Produits Cosmétiques Limitée ("COMANU LTEE")	Manufacturing of cosmetics	100	**10,936,800**	10,936,800	10,936,800	10,936,800
Océan Indien Distribution (Ile Maurice) Ltée ("OID LTEE")	General retailing business	100	**38,641,713**	38,641,713	38,641,713	38,641,713
			49,578,513	49,578,513	49,578,513	49,578,513

10.3 All the subsidiaries are incorporated in the Republic of Mauritius.

10.4 The proportion of the voting rights in the subsidiary undertakings held directly by the Company does not differ from the proportion of ordinary shares/equity instruments held. The Company has invested an amount of **Rs 38,641,713** as capital contribution in OID LTEE (2015: Rs 38,641,713).

10.5 The Directors have assessed the recoverable amounts of the investments in COMANU LTEE and OID LTEE and confirmed that these investments have not suffered any impairment in value.

10.6 During the year ended 30 June 2015, COMEX LTD and Distrimed Ltd have ceased to operate and have obtained the required clearance from the regulatory authorities to be removed from the Register of Companies under Section 309 (1) (d) of the Mauritius Companies Act 2001. Consequently an amount of Rs 2 was written off in respect of these investments in these financial statements.

11 INVENTORIES

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
Raw materials	**2,150,873**	3,188,586	**-**	-
Finished goods	**439,496,415**	336,305,888	**435,694,881**	334,085,993
	441,647,288	339,494,474	**435,694,881**	334,085,993
Less provision for write down of inventories	**(8,573,603)**	(7,300,046)	**(5,158,912)**	(3,416,284)
	433,073,685	332,194,428	**430,535,969**	330,669,709

The cost of inventories recognised as an expense during the year was as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
Cost of inventories recognised as an expense	**1,407,866,057**	1,205,586,381	**1,408,988,857**	1,174,143,212

12 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
Trade receivables, gross	**414,868,698**	369,439,539	**413,164,475**	362,334,314
Allowance for credit losses (Note 12.4)	**(13,736,956)**	(16,061,513)	**(12,776,940)**	(14,522,269)
Trade receivables, net of allowances for credit losses	**401,131,742**	353,378,026	**400,387,535**	347,812,045
Due from the subsidiaries (Note 12.2 and Note 25)	**-**	-	**6,797,497**	3,198,686
Due from the substantial shareholder (Note 25)	**262,229**	93,510	**262,229**	93,510
Due from related companies (Note 25)	**1,248,743**	1,785,142	**1,248,743**	1,785,142
Other receivables	**16,046,811**	14,104,395	**15,414,516**	12,664,808
Advance payments to suppliers	**31,269,749**	40,508,568	**31,269,749**	40,508,568
Prepayments	**15,727,750**	2,518,385	**11,697,000**	2,485,287
	465,687,024	412,388,026	**467,077,269**	408,548,046

12 TRADE AND OTHER RECEIVABLES (continued)

12.1 The average credit period on sales of goods is 90 days. No interest is charged on trade receivables. Trade receivables over 90 days are assessed for impairment based on estimated irrecoverable amounts as determined by reference to past default experience.

12.2 The Directors have assessed the recoverable amounts of the receivables from subsidiaries and confirmed that these receivables have not impaired at the reporting date.

The amounts receivable from the subsidiaries are unsecured, carries interest at 6.50% per annum and is receivable on demand.

	The Company	
	2016	2015
	Rs	Rs
Balance at 01 July	**3,198,686**	3,996,147
Funds received during the year	**33,105,797**	26,234,767
Repayment during the year	**(29,506,986)**	(27,032,228)
Balance at 30 June	**6,797,497**	3,198,686

12.3 The carrying amount of the trade receivables and amounts due from the subsidiaries are considered as reasonable approximation of the fair values as these financial assets are short-term and hence the time value of money is not significant.

12.4 The Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of **Rs 13,736,956** (2015: Rs 16,061,513) has been recorded accordingly within "Other expenses".

The movements in the allowance for credit losses are presented below.

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
Balance at 01 July	**16,061,513**	7,121,938	**14,522,269**	6,146,011
Impairment losses	**2,249,940**	10,198,932	**1,391,122**	9,635,615
Amounts written off	**(4,574,497)**	(1,259,357)	**(3,136,451)**	(1,259,357)
Balance at 30 June	**13,736,956**	16,061,513	**12,776,940**	14,522,269

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.

13 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
Cash in hand in:				
MUR	**2,007,150**	1,781,593	**1,997,150**	1,776,593
Cash at bank in:				
MUR	**15,391,714**	10,616,720	**15,350,756**	10,353,135
EUR	**2,897,777**	3,047,497	**2,896,932**	3,031,961
USD	**3,122,085**	1,536,991	**3,120,690**	1,507,602
GBP	**10,352**	11,897	**10,352**	11,897
ZAR	**28,321**	2,464,708	**28,321**	2,464,708
	23,457,399	19,459,406	**23,404,201**	19,145,896

14 STATED CAPITAL

	2016	2015
	Rs	Rs
The Group and the Company		
Issued and fully paid		
13,524,872 ordinary shares of Rs 10 each	**135,248,720**	135,248,720
Share premium	**2,427,894**	2,427,894
At 30 June	**137,676,614**	137,676,614

15 BORROWINGS

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
15.1 **Non-current**				
Bank and other loans (Note 15.2)	**50,780,909**	66,666,131	**50,780,909**	66,666,131
Obligations under finance leases (Note 15.3)	**7,333,445**	9,671,975	**6,666,906**	9,671,975
	58,114,354	76,338,106	**57,447,815**	76,338,106
Current				
Bank overdrafts	**135,470,297**	107,900,343	**135,158,436**	105,216,540
Bank and other loans (Note 15.2)	**236,026,257**	140,646,425	**236,026,257**	140,646,425
Obligations under finance leases (Note 15.3)	**3,093,289**	4,026,502	**2,912,962**	4,021,645
Import loans	**197,354,046**	166,849,454	**197,354,046**	166,849,454
	571,943,889	419,422,724	**571,451,701**	416,734,064
Total borrowings	**630,058,243**	495,760,830	**628,899,516**	493,072,170

15 BORROWINGS (continued)

15.2 Bank and other loans

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
Bank and other loans				
Repayable by instalments				
- within one year	**236,026,257**	140,646,425	**236,026,257**	140,646,425
- after one year and before five years	**50,780,909**	66,666,131	**50,780,909**	66,666,131
	286,807,166	207,312,556	**286,807,166**	207,312,556

15.2.1 The bank and other loans and overdrafts are secured by floating and fixed charges on the assets of the Group.

15.2.2 The rates of interest vary between 4.50 % and 7.70 % per annum (2015: 4.50 % and 8.50% per annum).

15.3 Obligations under finance leases

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
Finance lease liabilities				
Minimum lease payments				
Not later than 1 year	**3,773,746**	4,936,071	**3,532,186**	4,931,214
Later than 1 year and not later than 5 years	**8,100,623**	10,970,799	**7,345,044**	10,970,799
	11,874,369	15,906,870	**10,877,230**	15,902,013
Less future finance charges	**(1,447,635)**	(2,208,393)	**(1,297,362)**	(2,208,393)
Present value of finance lease liabilities	**10,426,734**	13,698,477	**9,579,868**	13,693,620
Representing lease liabilities:				
Repayable within 1 year	**3,093,289**	4,026,502	**2,912,962**	4,021,645
Repayable after more than 1 year	**7,333,445**	9,671,975	**6,666,906**	9,671,975
	10,426,734	13,698,477	**9,579,868**	13,693,620

Finance leases relate to motor vehicles and furniture and equipment with lease terms of 5 years. The Group has option to purchase the leased assets for a nominal amount at the conclusion of the lease arrangements.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

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

16 RETIREMENT BENEFIT OBLIGATIONS

The Group and The Company

	2016	2015
	Rs	Rs
Amounts recognised in the statement of financial position		
Present value of funded obligations	**119,060,071**	130,306,504
Fair value of plan assets	**(65,013,538)**	(57,488,570)
Net liability in the statement of financial position	**54,046,533**	72,817,934

The Group and The Company

	2016	2015
	Rs	Rs
Movement in liability recognised in the statement of financial position		
Balance at 01 July	**72,817,934**	50,631,887
Total expenses	**10,485,756**	8,801,563
Remeasurement of net defined benefit liability	**(16,603,877)**	19,816,304
Contributions paid	**(12,653,280)**	(6,431,820)
At 30 June	**54,046,533**	72,817,934

The Group and The Company

	2016	2015
	Rs	Rs
Change in defined benefit obligations		
Present value of defined benefit obligations at 01 July	**(130,306,504)**	(104,407,343)
Current service cost	**(4,798,370)**	(3,875,341)
Interest cost	**(8,531,479)**	(7,934,328)
Actuarial gains/(losses)	**16,916,415**	(19,048,163)
Benefits paid	**7,659,867**	4,958,671
Present value of defined benefit obligations at 30 June	**(119,060,071)**	(130,306,504)

The Group and The Company

	2016	2015
	Rs	Rs
Change in plan assets		
Fair value of plan assets at 01 July	**57,488,570**	53,775,456
Expected return on plan assets	**3,924,817**	3,946,593
Employer's contribution	**12,653,280**	6,431,820
Scheme expenses	**(287,294)**	(242,948)
Cost of insuring risk benefits	**(793,430)**	(695,539)
Actuarial losses	**(312,538)**	(768,141)
Benefits paid	**(7,659,867)**	(4,958,671)
Fair value of plan assets at 30 June	**65,013,538**	57,488,570

16 RETIREMENT BENEFIT OBLIGATIONS (continued)

The assets in the plan and the expected rate of return were:

The Group and the Company	Value at 30 June 2016 Rs	Value at 30 June 2015 Rs
Total market value of qualifying insurance policies	**65,013,538**	57,488,570
Present value of plan liability	**(119,060,071)**	(130,306,504)
Net liability for retirement obligations recognised in the statement of financial position	**(54,046,533)**	(72,817,934)

The Group and The Company	2016 Rs	2015 Rs
Amounts recognised in the statement of profit or loss		
Current service cost	**4,798,370**	3,875,341
Net interest cost	**4,606,662**	3,987,735
Scheme expenses	**287,294**	242,948
Cost of insuring risk benefits	**793,430**	695,539
Total pension costs included in employee benefits expense	**10,485,756**	8,801,563

The Group and The Company	2016 Rs	2015 Rs
Amounts recognised in the other comprehensive income		
Losses on pension scheme assets	**312,538**	768,141
Experience losses on plan liabilities	**1,797,096**	12,114,386
Changes in assumptions underlying the present value of the scheme	**(18,713,511)**	6,933,777
Actuarial (gains)/losses recognised in other comprehensive income	**(16,603,877)**	19,816,304

The Group and The Company	2016 Rs	2015 Rs
Movement in retirement benefit reserves		
Balance at 01 July	**50,198,052**	30,381,748
Actuarial (gains)/losses recognised in other comprehensive income	**(16,603,877)**	19,816,304
Balance at 30 June	**33,594,175**	50,198,052

Amounts for the current and prior periods:

The Group and The Company	2016 Rs	2015 Rs
Defined benefit obligations	**(119,060,071)**	(130,306,504)
Plan Assets	**65,013,538**	57,488,570
Deficit	**(54,046,533)**	(72,817,934)
Experience losses on plan liabilities	**(1,797,096)**	(12,114,386)
Experience losses on plan assets	**(312,538)**	(768,141)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2016

16 RETIREMENT BENEFIT OBLIGATIONS (continued)

The assets of the plan are invested in Swan Life 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.

As the fund is expected to produce a smooth return, a fairly reasonable indication of future returns can be obtained by looking at historical ones. Therefore, the long term expected return on asset assumption has been based on historical performance 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.

The fixed interest portfolio includes government bonds, debentures, mortgages and cash. The expected return for this asset class has been based on yields of government bonds at the measurement date.

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

	The Group and The Company	
	2016	2015
Pre-discount rate	**6.50%**	6.50%
Future long-term salary increase	**1.00%/4.50%**	5.00%
NPS ceiling increases	**5.00%**	5.00%
Future guaranteed pension increases	**0.00%**	0.00%
Post retirement mortality table	**Swan Annuity Rates**	

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 Pharmacie Nouvelle Limited group's scheme.

General description of the plan

Retirement benefit obligations have been calculated using the Projected Unit Credit method and are based on the report dated 01 August 2016 submitted by Swan Life Ltd.

The Group and the Company's actual return on plan assets was Rs **3,612,279** for the year ended 30 June 2016 (2015: Rs 3,178,452).

The Group and the Company expects to make a contribution of Rs **15m** to the defined benefit plan during the next financial year.

The Group also operates a defined contribution scheme for employees who joined as from 01 July 2006 and no pension liability arises from this scheme. The Group has made a contribution of **Rs 3,676,260** to the defined contribution scheme during the year ended 30 June 2016 (2015: Rs 2,529,943).

17 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
Trade payables	**103,967,173**	105,192,495	**103,731,753**	103,647,162
Due to subsidiaries	**-**	-	**11,868,077**	11,531,716
Due to substantial shareholder (Note 25)	**704,140**	719,031	**704,140**	719,031
Due to related companies (Note 25)	**1,456,235**	847,058	**1,456,235**	847,058
Other payables and accrued expenses	**35,863,189**	28,918,487	**35,528,533**	28,419,467
	141,990,737	135,677,071	**153,288,738**	145,164,434

The average credit period for payments is 30 days. No interest is charged on trade payables for overdue balances. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

The carrying amount of trade and other payables is considered to be a reasonable approximation of the fair value.

18 REVENUE

Revenue represents amounts invoiced to clients in respect of goods sold, net of returns, taxes and discounts.

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
Consumer goods	**1,040,653,790**	999,959,879	**1,039,266,829**	968,072,105
Pharmaceutical products	**391,071,455**	423,824,699	**391,071,455**	423,824,699
Textile and chemical auxiliaries	**93,887,677**	46,975,849	**93,810,302**	46,969,469
Beverages	**185,034,032**	10,730,312	**185,034,032**	10,730,312
	1,710,646,954	1,481,490,739	**1,709,182,618**	1,449,596,585

19 OTHER INCOME

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
Rental income	**4,035,394**	4,417,060	**4,425,394**	4,717,060
Commission earned	**116,442,809**	85,549,417	**116,442,809**	85,549,417
Loss on disposal of property, plant and equipment	**(1,174,470)**	(256,700)	**(1,652,731)**	(370,595)
Others	**11,930,227**	9,524,131	**12,470,126**	5,657,016
	131,233,960	99,233,908	**131,685,598**	95,552,898

20 FINANCE INCOME/(COSTS)

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
20.1 **Finance income**				
Interest income on:				
- Loans	**-**	-	**177,562**	481,776
20.2 **Finance costs**				
Interest expense on:				
- Bank overdrafts	**(9,430,561)**	(8,448,237)	**(9,323,380)**	(8,357,805)
- Borrowings	**(23,393,918)**	(18,262,377)	**(23,393,918)**	(18,262,377)
- Obligations under finance leases	**(1,837,089)**	(1,866,869)	**(1,768,792)**	(1,826,537)
- Others	**(220,470)**	(165,093)	**(648,978)**	(109,294)
	(34,882,038)	(28,742,576)	**(35,135,068)**	(28,556,013)

21 TAXATION

21.1 **Income tax expense**

The Company

The Company had an income tax expense of **Rs 10,686,715** for the year ended 30 June 2016 (year ended 30 June 2015: Rs 13,643,149).

The Subsidiaries

The subsidiaries are liable to income tax at the rate of 15% on their chargeable income and at 30 June 2016, they had no income tax liabilities (year ended 30 June 2015: Rs Nil).

The Company and its subsidiaries are subject to the Advanced Payment Scheme (APS) and the Corporate Social Responsibility Fund (CSR Fund).

Under the APS, the Company and its subsidiaries 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.

Contribution to the CSR Fund is a rate of 2% on chargeable income of the preceeding financial year.

21.2.1 **Statement of comprehensive income**

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
Income tax on the adjusted profit	**8,843,847**	11,216,147	**8,843,847**	11,216,147
Movement in deferred taxation (Note 21.4 below)	**1,151,460**	6,034,204	**847,978**	290,698
Over-provision in respect of prior years	**(484,565)**	-	**(484,565)**	-
CSR activities (Note 21.6 below)	**1,479,455**	1,077,125	**1,479,455**	1,077,125
Tax assessment for prior years	**-**	1,059,179	**-**	1,059,179
	10,990,197	19,386,655	**10,686,715**	13,643,149

21 TAXATION (continued)

21.2.2 Statement of financial position

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
Non-current				
Deferred tax asset	**5,997,411**	6,300,893	**-**	-
Deferred tax liabilities	**(3,872,962)**	(3,024,984)	**(3,872,962)**	(3,024,984)
Net balance (Note 21.4)	**2,124,449**	3,275,909	**(3,872,962)**	(3,024,984)
Current				
Current tax liabilities (Note 21.3)	**1,018,622**	4,652,061	**1,018,622**	4,652,061

21.3 Movement in current tax liabilities

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
At 01 July	**4,652,061**	4,111,317	**4,652,061**	4,111,317
Charge for the year	**8,843,847**	11,216,147	**8,843,847**	11,216,147
Tax paid during the year	**(5,205,006)**	(5,830,900)	**(5,205,006)**	(5,830,900)
Tax deducted at source	**(989,860)**	(1,397,943)	**(989,860)**	(1,397,943)
Tax deducted under the Advanced Payment Scheme	**(6,840,117)**	(5,582,864)	**(6,840,117)**	(5,582,864)
Over provision in respect of prior years	**(484,565)**	-	**(484,565)**	-
Tax paid in respect of tax assessment of prior years	**(437,193)**	-	**(437,193)**	-
CSR activities (Note 21.6 below)	**1,479,455**	1,077,125	**1,479,455**	1,077,125
Tax assessment for prior years	**-**	1,059,179	**-**	1,059,179
	1,018,622	4,652,061	**1,018,622**	4,652,061

21.4 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	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
At 01 July	**(3,275,909)**	(9,310,113)	**3,024,984**	2,734,286
Movement during the year	**1,151,460**	6,034,204	**847,978**	290,698
Net balance	**(2,124,449)**	(3,275,909)	**3,872,962**	3,024,984

21 TAXATION (continued)

21.5 Income tax reconciliation

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

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
Profit before tax	**58,251,209**	57,550,007	**60,370,959**	59,126,877
Tax at 15 %	**8,737,681**	8,632,501	**9,055,644**	8,869,031
Accelerated capital allowances	**(673,863)**	(487,176)	**(652,542)**	(469,198)
Non-allowable items	**1,636,591**	3,789,648	**1,502,612**	3,125,060
Exempt income	**(1,133,604)**	(896,543)	**(1,061,867)**	(308,746)
Tax losses utilised	**12,043**	(24,127)	**-**	-
Deferred tax asset not recognised	**278,575**	-	**-**	-
Timing difference	**(13,576)**	201,845	**-**	-
Tax charge	**8,843,847**	11,216,148	**8,843,847**	11,216,147

21.6 Contribution to CSR activities

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
2% of preceeding chargeable income	**1,479,455**	1,077,125	**1,479,455**	1,077,125

22 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	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
Profit for the year attributable to equity holders (Rs)	**47,261,012**	38,163,352	**49,684,244**	45,483,728
Number of ordinary shares in issue	**13,524,872**	13,524,872	**13,524,872**	13,524,872
Earnings per share (Rs)	**3.49**	2.82	**3.67**	3.36

23 DIVIDENDS

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
Interim dividend paid	**6,762,436**	6,762,436	**6,762,436**	6,762,436
Final dividend paid	**6,762,436**	6,762,436	**6,762,436**	6,762,436
	13,524,872	13,524,872	**13,524,872**	13,524,872
Dividend per share (Rs)	**1.00**	1.00	**1.00**	1.00

24 PROFIT BEFORE TAX

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
The above is stated after charging/(crediting):				
Cost of inventories expensed	**1,407,866,057**	1,205,586,381	**1,408,988,857**	1,174,143,212
Depreciation and amortisation	**12,072,697**	11,181,099	**11,801,541**	10,373,718
Loss on disposal of property, plant and equipment	**1,174,471**	256,700	**1,652,731**	370,595
Auditors' remuneration	**1,202,000**	1,160,000	**971,250**	925,000
Directors' remuneration (note below)	**10,938,496**	8,370,314	**10,938,496**	8,370,314
Staff costs (note below)	**148,549,663**	123,209,823	**147,211,564**	122,637,823
Net foreign exchange gains	**(16,296,342)**	(15,389,521)	**(16,186,153)**	(14,913,896)
Interest expense (Note 20.2)	**34,882,038**	28,742,576	**35,135,068**	28,556,013

Directors' remuneration

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
- Full-time executive Directors	**9,155,582**	6,700,080	**9,155,582**	6,700,080
- Non-executive Directors	**1,782,914**	1,670,234	**1,782,914**	1,670,234
	10,938,496	8,370,314	**10,938,496**	8,370,314

24 PROFIT BEFORE TAX (continued)

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

	The Group		The Company	
	2016	2015	**2016**	2015
	Rs	Rs	**Rs**	Rs
Salaries and relevant contributions	**142,827,430**	118,360,103	**141,489,331**	117,788,103
Social security costs	**5,722,233**	4,849,720	**5,722,233**	4,849,720
	148,549,663	123,209,823	**147,211,564**	122,637,823
Number of employees at end of year	**325**	309	**316**	306
Total staff costs (including Directors' remuneration)	**159,488,159**	131,580,137	**158,150,060**	131,008,137

25 RELATED PARTY TRANSACTIONS

25.1 **Substantial shareholder**

Transactions and balances held with the substantial shareholder are as follows:

The Company	**2016**	2015
	Rs	Rs
25.1.1 Transactions during the year:		
Dividends paid	**7,799,235**	7,717,711
Management fees	**2,938,020**	2,554,794
Sales	**1,472,214**	1,251,516
Purchases	**5,895,849**	5,755,074
25.1.2 Amounts due to the substantial shareholder	**704,140**	719,031
25.1.3 Amounts due from the substantial shareholder	**262,229**	93,510

The Subsidiaries
OID LTEE

	2016	2015
	Rs	Rs
25.1.4 Transactions during the year:		
Sales	**902,376**	45,212
25.1.5 Amounts due to the substantial shareholder	**3,795**	-
25.1.6 Amounts due from the substantial shareholder	**19,670**	-

25.1.7 Note that no transaction occurred between COMANU LTEE and the substantial shareholder.

25 RELATED PARTY TRANSACTIONS (continued)

25.2 Common directorship

Transactions and balances held by the Company (and its subsidiaries) with companies under common directorship are as follows:

The Company

	LEAL COMMUNICATIONS & INFORMATICS LTD		LEAL EQUIPEMENTS COMPAGNIE LTEE		UNITED MOTORS LTD		DISTRIPC LTD		LEAL ENERGIE LTD (formerly SETL MEECO LTD)	
	2016 Rs	2015 Rs	**2016 Rs**	2015 Rs	**2016 Rs**	2015 Rs	**2016 Rs**	2015 Rs	**2016 Rs**	2015 Rs
25.2.1 Transactions during the year:										
Rental income	-	-	-	-	-	934,560	**1,848,422**	1,854,000	**1,456,026**	1,628,500
Sales	**6,132**	14,330	**18,818**	23,418	**33,653**	49,958	**739,466**	767,703	**180,000**	280,000
Purchases	**3,780,867**	2,370,100	**672,024**	772,273	**933,188**	899,525	-	-	-	-
25.2.2 Amounts owed by companies under common directorship	-	1,687	-	4,784	-	184,065	**219,715**	251,751	**1,029,028**	1,342,855
25.2.3 Amounts owed to companies under common directorship	**1,120,799**	650,890	**84,163**	110,040	**98,797**	86,128	-	-	**152,476**	-

The subsidiaries:

OID LTEE

	LEAL ENERGIE LTD (formerly SETL MEECO LTD)		DISTRIPC LTD		UNITED MOTORS LTD		LEAL COMMUNICATIONS & INFORMATICS LTD	
	2016 Rs	2015 Rs	**2016 Rs**	2015 Rs	**2016 Rs**	2015 Rs	**2016 Rs**	2015 Rs
25.2.4 Transactions during the year:								
Sales	**9,202**	2,118	**36,089**	14,848	**114,781**	-	**21,825**	-
25.2.5 Amounts owed by companies under common directorship	-	-	**1,548**	-	**1,785**	-	-	-

Sales of goods to the above related parties were made at the Company's usual prices. Purchases were made at market prices discounted to reflect the quantity of goods purchased in the normal course of business.

No expense has been recognised in the reporting period for bad or doubtful debts in respect of the amounts owed by the related parties.

25.2.6 Note that no transactions occurred between COMANU LTEE and the companies within the Leal Group as mentioned above.

25 RELATED PARTY TRANSACTIONS (continued)

25.3 The Company and its subsidiaries

Transactions and balances held by the Company with its subsidiaries are as follows:

	COMANU LTEE		OID LTEE	
	2016 Rs	2015 Rs	**2016 Rs**	2015 Rs
25.3.1 Transactions during the year:				
Finance (cost)/income	**(648,979)**	-	**177,562**	481,776
Rental income	**-**	13,166	**390,000**	300,000
Rental expense	**-**	-	**148,860**	148,860
Sales	**-**	-	**17,814,851**	7,006,538
Trade discount	**-**	-	**(600,000)**	(450,000)
Other income	**600,000**	-	**162,480**	644,022
Distribution costs	**-**	(109,295)	**(220,000)**	(268,860)
Purchases	**-**	(10,628,921)	**(3,097,263)**	-
Purchase of equipment	**-**	-	**(934,515)**	-
25.3.2 Amounts owed by subsidiaries	**-**	-	**6,797,497**	3,198,686
25.3.3 Amounts owed to subsidiaries	**11,868,077**	11,531,716	**-**	-

Sales of goods to the above related parties were made at the Company's usual prices. Purchases were made at market prices discounted to reflect the quantity of goods purchased in the normal course of business.

25.4 Note that no transactions occurred between COMANU LTEE and OID LTEE during the reporting periods.

25.5 Directors and key management personnel

Transactions and balances held with the Company's Directors and key management personnel are as follows :

	The Group		The Company	
	2016 Rs	2015 Rs	**2016 Rs**	2015 Rs
25.5.1 Transactions during the year:				
Dividends paid	**530,992**	516,498	**530,992**	516,498
Sales	**807,935**	134,206	**128,092**	64,226
Salaries and other emoluments	**11,058,496**	8,370,314	**11,058,496**	8,370,314
25.5.2 Amount owed by Directors and key management personnel	**1,084**	1,810	**-**	1,810
25.5.3 Amount owed to Directors and key management personnel	**3,123**	-	**2,138**	-

25 RELATED PARTY TRANSACTIONS (continued)

25.5 Directors and key management personnel

The remuneration of Directors and key executives is determined by the Leal Group Corporate Governance Committee, which also performs the duties of the Leal Group Nomination and Remuneration Committee, having regard to the performance of individuals and market trends.

26 CONTINGENT LIABILITIES AND GUARANTEES

(i) The Group had contingent liabilities amounting to Rs 15,954,689 in respect of bank guarantees arising in the ordinary course of business.

(ii) The Company has also provided a corporate guarantee of Rs 5M to Ocean Indien Distribution (Ile Maurice) Ltée for an import line with a local commercial bank.

(iii) The Company had received tax assessments dated 12 May 2015 and 22 June 2015 from the tax authorities for the years of assessment 2011 to 2012 for a total amount of Rs 4,440,734. The Company filed a Notice of Objection to that effect and the case is still on-going.

The Directors anticipate that no material liabilities will arise from the above.

27 COMMITMENTS

27.1 Operating lease arrangements where the Group is the lessee

	2016 **Rs**	2015 Rs
Minimum lease payments under operating leases recognised in statement of comprehensive income	**19,457,243**	13,901,760

At the reporting date, the Group had outstanding commitments under operating leases which fall due as follows:

	2016 **Rs**	2015 Rs
Within one year	**15,630,240**	16,390,968
Between 2 to 5 years	**32,564,995**	32,123,747

Operating lease payments represent rental for motor vehicles and warehouses. The leases are negotiated for an average term of 5 years and rentals are fixed for an average of 5 years.

27 COMMITMENTS (continued)

27.1.1 Operating lease arrangements where the Group/Company is the lessor

Rental income for the year are detailed in Note 19.

The freehold land and building was leased out on operating leases.

27.2 Capital Commitments

	The Group		The Company	
	2016 **Rs**	2015 Rs	**2016** **Rs**	2015 Rs
Approved and contracted for	**18,368,571**	18,918,070	**18,368,571**	18,918,070

The capital commitments comprise of commitments for renovation of building and acquisition of motor vehicles, furniture, computer and equipment.

28 EVENTS AFTER THE REPORTING PERIOD

The Group and the Company

There has been no material events after the reporting date which require disclosure or adjustment to the consolidated financial statements for the year ended 30 June 2016.

29 HOLDING COMPANY

The Directors consider Leal & Co. Ltd, a company incorporated in the Republic of Mauritius, as the Company's holding company.

NOTES

NOTES