# ANNUAL REPORT 2017

pnl

Member of Leal Group

LEAL GROUP

# CONTENTS



pnl
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

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# 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

**300**

**PHARMACIES**

The pharmaceutical products are sold in 300 pharmacies around the island

**333**

**EMPLOYEES**

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

**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*

Dear Shareholders,

We are pleased to present our Annual Report for the financial year ended 30 June 2017.

### Financial Highlights

For the year under review, PNL generated a turnover of Rs 1.8 billion (2016: Rs 1.7 billion) and a profit before tax of Rs 51 million (2016: Rs 60 million). The turnover growth is attributable to the continued development of our Beverage cluster and Health division.

PNL Consumer accounts for 58% of turnover and growth was flat for the year. We still believe that the Consumer division has a solid base for development in the future. For the short term, we are planning the introduction of new brands as well as the extension of our existing portfolio.

For the Beverage cluster, we are happy to report a double digit turnover growth of 33% due to the Johnnie Walker portfolio, which is now our leading brand.

PNL Health registered a 13% growth in turnover mainly driven by new products. The Health division continues to develop its activities both with the private and public businesses.

Our retail business continues to evolve positively and since August 2017, we have a second retail outlet under the NICOLAS franchise operating at Grand Baie Coeur de Ville Mall.

### Amalgamation

During the year, the Board of Directors resolved to amalgamate Compagnie Manufacturière de Produits Cosmetiques Limitée ("COMANU") and Océan Indien Distribution (Ile Maurice) Ltee ("OID"), two wholly-owned subsidiaries of the Company, with and into PNL. The said amalgamation has taken effect on 31 March 2017.

### IT developments

With the increasing competition on the market, we are also investing in our IT infrastructure. During the year, we have implemented a mobile ordering system which allows us to better service our clients.

PNL will leverage on future IT development for process optimisation, to respond to operational exigencies and improve the level of service to our customers.

### Dividend

Due to the sound financial position of the company, we have been able to maintain our dividend payable constant at 10%.

### Human capital

At PNL, we value our human capital and we recognise that they are our biggest asset since they play an important role in the execution of our strategy. We will continue to support the wellbeing and professional development of our people and to enhance their competencies backed by continuous investment in technology.

### Looking forward

We shall continue to execute our strategy in a focused manner and emphasize on understanding what the market expects from us. Innovation will remain our motto for future growth; we will explore new business models, introduce new brands and consolidate our key categories of products.

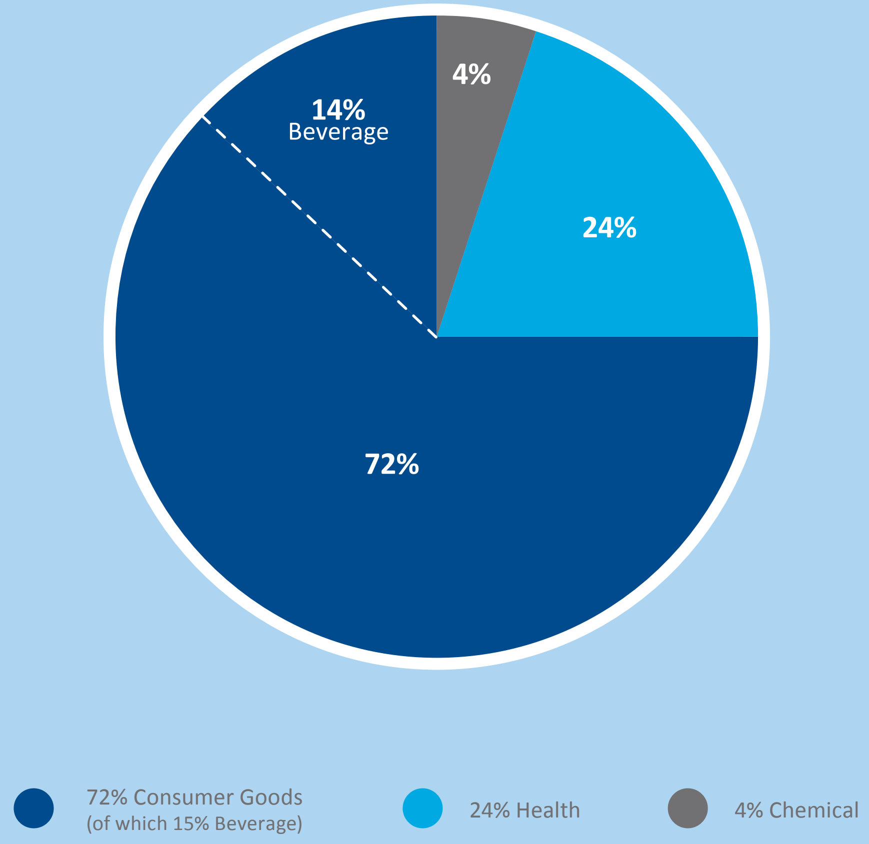
### Acknowledgement

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

We also thank our shareholders for their continued trust and support.

A special thanks to our customers, suppliers and partners for their valuable support and trust in PNL.






*"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
Member of Leal Group

# A WEALTH OF WORLD-LEADING BRANDS

## CONSUMER - PERSONAL CARE

Aquafresh, Sensodyne, AXE, Brut, Closeup, Dove, Impulse, Lifebuoy, Lux, Nivea, Rexona, Vaseline, Fair & Lovely, Nin's, Miss Den, Timotei, Melyssa, tender, Desfles, Inov8, Signal

## CONSUMER - BEVERAGE

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

## CONSUMER - FOOD

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

## CONSUMER - HOMECARE

Baygon, Glade, Kiwi, Pledge, Raid, Jewel, Mr Muscle, Duck, Cif, Handy Andy, OMO, Persil, Skip, Vim

## CONSUMER - BABY CARE & NUTRITION

blédina, BébéCâlin, Tipiti

## CHEMICAL - REPRESENTATIVE SUPPLIERS

DyStar, covestro, DOW, LANXESS

## HEALTH - REPRESENTATIVE SUPPLIERS

Abbott, AGP, Boehringer Ingelheim South Africa, Denk Pharma, gsk (do more feel better live longer), Lilly, Merck Serono, Merck, Pfizer, Pierre Fabre, Roche, Sanofi

## 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
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
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

## 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 Retail


# NICOLAS

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)*

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 Georges LEUNG SHING

Mr Marie Octave Regis NICOLIN

Mr Désiré Pierre Ariste Maxime REY

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

Mr Gilbert Patrick Stéphane LEAL
*(up to 9th January 2017)*

Mr Patrice Michel LEAL
*(up to 9th January 2017)*
(Alternate to Mr Gilbert Patrick Stéphane LEAL)

Mr Mohamed Yousouf REHMALLY
*(as from 13th February 2017)*
(Alternate to Joseph Jacques Vivian COLLET-SERRET)

| 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

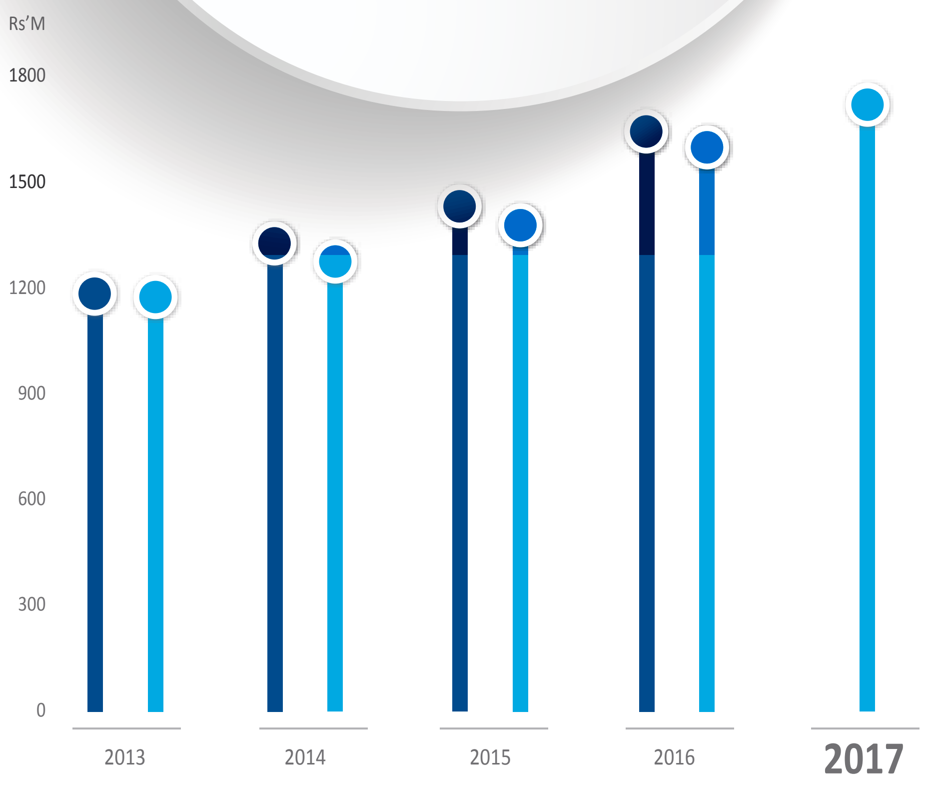
## Auditors

Grant Thornton
Ebene Tower
52 Cybercity
Ebene 72201
Republic of Mauritius

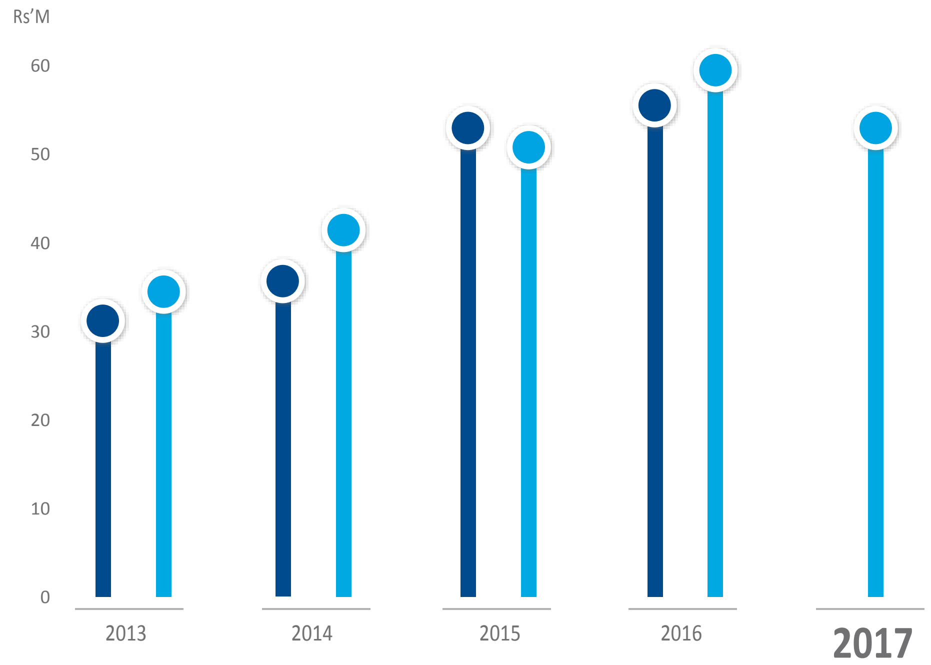
## Bankers

AfrAsia Bank Limited
Bank One Limited
Banque des Mascareignes Ltée
Barclays Bank Mauritius Limited
Habib Bank Limited
MauBank Ltd
SBM Bank (Mauritius) Ltd
The Mauritius Commercial Bank Ltd

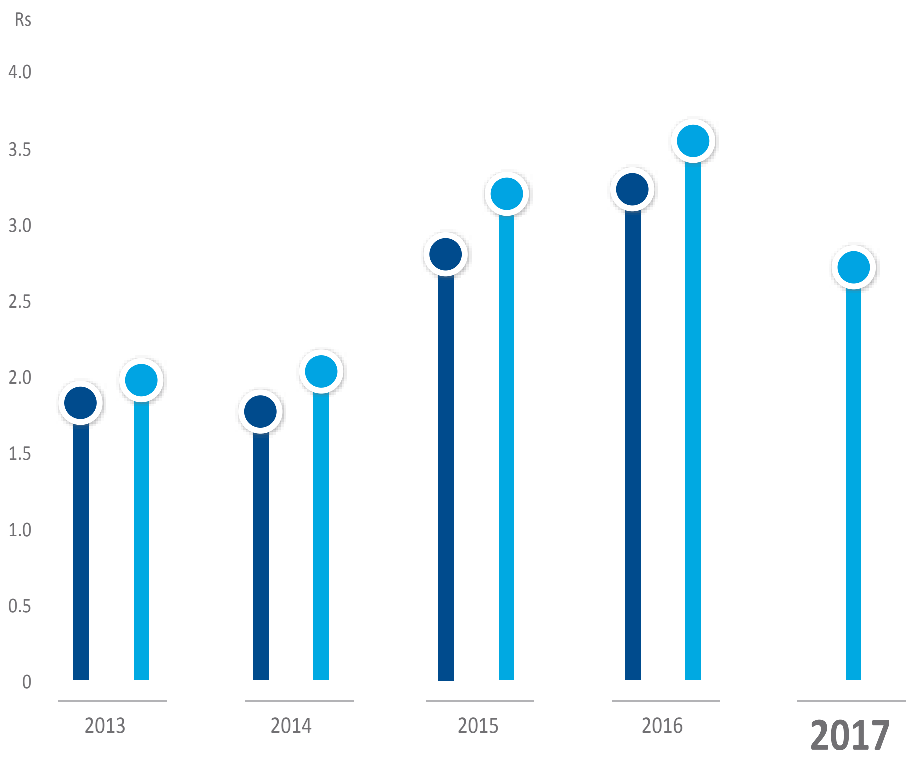
# FINANCIAL HIGHLIGHTS



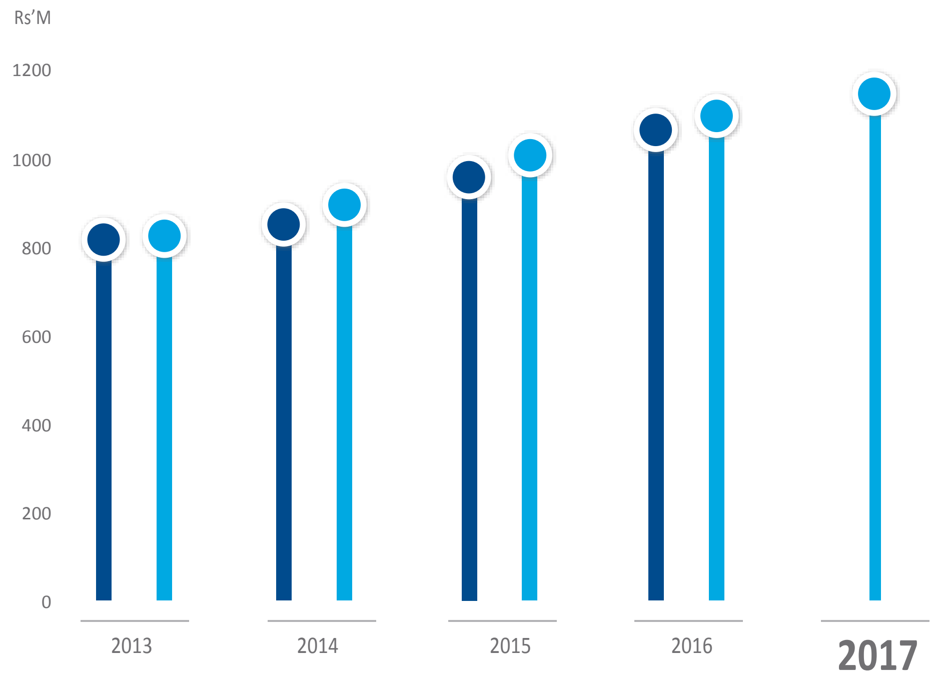

**TURNOVER** GROUP COMPANY




**PROFIT BEFORE TAX** GROUP COMPANY




**EARNINGS PER SHARE** GROUP COMPANY




**TOTAL ASSETS** GROUP COMPANY

# ANNUAL REPORT

The Board of Directors of Pharmacie Nouvelle Limited, "the Company" or "PNL", is pleased to present the Annual Report together with the audited financial statements of the Company for the year ended 30 June 2017.

### 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.

### Amalgamation

Pursuant to a board meeting dated 13 February 2017, Compagnie Manufacturière de Produits Cosmétiques Limitée ("COMANU LTEE") and Océan Indien Distribution (Ile Maurice) Ltée ("OID LTEE") (both companies incorporated in the Republic of Mauritius and referred to as the "Amalgamating Companies") have resolved to amalgamate with and into Pharmacie Nouvelle Limited (referred to as the "Amalgamated Company") with effect from 31 March 2017.

The said amalgamation has been carried out for the purpose of rationalising of the Company's group structure, thus all assets, rights, privileges, powers, obligations and liabilities of the Amalgamating Companies (former wholly owned subsidiaries) have been taken over by the Amalgamated Company and a Certificate of Amalgamation was issued by the Registrar of Companies on 31 March 2017.

Since the two former wholly-owned subsidiaries have been amalgamated with and into the Company, no consolidated financial statements were presented for the year ended 30 June 2017.

### Principal Activities

The principal activities of the Company are:

(i) to engage in the wholesale distribution of pharmaceutical products, consumer goods, food, beverages and products for the textile industry;
(ii) to engage in retail sale of beverages, liquor and alcoholic products;
(iii) to act as general retailer for foodstuff and non-foodstuff;
(iv) to act as merchant/wholesale dealer;
(v) to manufacture cosmetics;
(vi) to import and export;
(vii) to engage in wholesale of chemical products, pesticides, herbicides and fertiliser;
(viii) to engage in retail sale of clothing and accessories in stores; and
(ix) to engage in retail sale of sporting equipment in specialised stores.

### Results and Dividends

The results for the year are as shown on pages 50 and 51.

The Directors have recommended the payment of a dividend of Rs 13,524,872 for the year under review. (30 June 2016: Rs 13,524,872).

### Directors

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

### Directors' responsibilities in respect of the financial statements

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

- correctly record and explain the transactions of the Company;
- disclose with reasonable accuracy at any time the financial position of the Company; and
- would enable them to ensure that the 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 financial statements present fairly the financial position of 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 financial statements are presented fairly;
- adequate accounting records and an effective system of internal control have been maintained;
- the 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 financial statements have been prepared on the going concern basis;
- they are responsible for safeguarding the assets 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 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 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 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 are detailed in the Corporate Governance Report.

### Directors' remuneration

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

| | The Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| Full time executive directors | **12,483,580** | 9,155,582 | 9,155,582 |
| Non-executive directors | **1,922,821** | 1,782,914 | 1,782,914 |
| Total | **14,406,401** | 10,938,496 | 10,938,496 |

### Donations

Donations made by 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 Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| Fees for: | | | |
| - Audit services (VAT exclusive) | **1,300,000** | 971,250 | 1,202,000 |
| - Other services (VAT exclusive) | **210,000** | 135,000 | 210,000 |

Other services include fees for tax services.

Approved by the Board of Directors on 26 September 2017 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 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 30 June 2017 |

On behalf of the Board of Directors of Pharmacie Nouvelle Limited (the 'Company' or 'PNL'), we 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 save for the sections mentioned in the Corporate Governance Report under "Compliance with the Code of Corporate Governance".

**Eric Michel Georges LEAL**
*Director and Chairman*

**Daniel de LABAUVE d'ARIFAT**
*Director and Chief Executive Officer*

26th September 2017

# CORPORATE GOVERNANCE REPORT

### Compliance with the Code of Corporate Governance

The Board of Directors and management of PNL, 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 and the disclosures required under the Code and the Terms of Reference of the Board Committees.

For the year under review, PNL has complied with all the provisions of the Code, except the following sections, for reasons mentioned later in this Report:

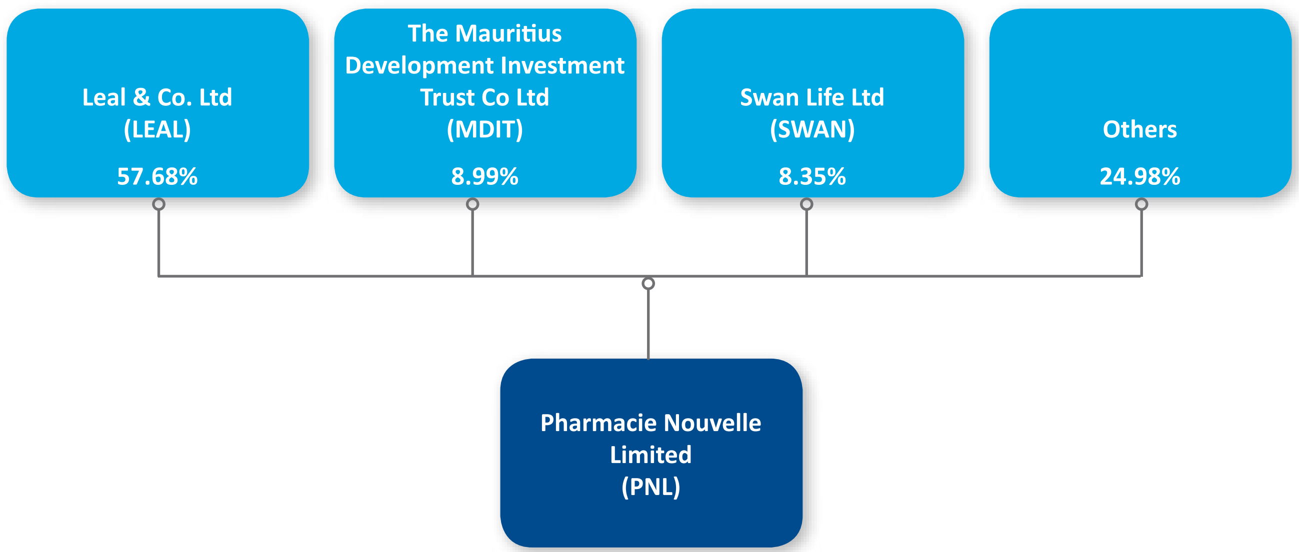
1. Section 2.5.5: Independence of Chairman
2. Section 2.8: Remuneration of Directors / Remuneration Philosophy
3. Section 2.10: Board and Director Appraisal
4. Section 7.3: Code of Ethics

PNL undertakes to draft its next Corporate Governance Report for the financial year ending 30 June 2018 in line with the eight principles of the new National Code of Corporate Governance for Mauritius (2016).

### Cascade 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:




During the year under review, the Board of Directors of the Company has resolved to amalgamate COMANU LTEE and OID LTEE, two wholly-owned subsidiaries of the Company, with and into PNL. The said amalgamation has been carried out with the objective of rationalising PNL's Group structure and has taken effect on 31 March 2017.

### Common Directors

The names of the common Directors are as follows:

| Directors | PNL | LEAL | MDIT |
|---|---|---|---|
| Eric Michel Georges LEAL | √* | √* | |
| 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 30 June 2017:

| Name of Shareholders | Number of Ordinary Shares | % Holding |
|---|---|---|
| Leal & Co. Ltd | 7,801,596 | 57.68 |
| 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.

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

### Dividend Policy

The Company has adopted a formal policy for the declaration and payment of dividend whereby dividends declared and payable annually to shareholders would amount to 10% of the par value of the shares. Payment of dividends is approved by the Board. The aim of the Board is to provide its shareholders with a fair return on their investment. In line with sound management principle, dividend declaration is subject to positive results and solvency test as defined in the Mauritius Companies Act 2001.

For the year under review, the Company has declared and paid an interim dividend of 5% in November 2016 (paid in December 2016) and a final dividend of 5% in May 2017 (paid in June 2017).

### 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 sub-committees as the Chairman of each committee provides a summary to all the Directors at the main Board meeting following the relevant sub-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 and 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 together 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 twelve (12) members comprising of:

- Three (3) Executive Directors;
- Five (5) Non-Executive Directors; and
- Four (4) Independent Non-Executive Directors.

| Directors | Category |
|---|---|
| Eric Michel Georges LEAL - *Executive Chairman* | Executive Director |
| Daniel de LABAUVE d'ARIFAT - *Chief Executive Officer* | Executive Director |
| Guy Jean Noël LENNON - *Chief Operating Officer, Sales, Marketing and Supply Chain Department* | Executive Director |
| Virrsing RAMDENY | Non-Executive Director |
| Jean Marie Eugène GREGOIRE | Non-Executive Director |
| Marie Joseph Jean Paul CHASTEAU DE BALYON | |
| *(Director and alternate to Mr Jean Marie Eugène GREGOIRE)* | Independent Non-Executive Director |
| Joseph Jacques Vivian COLLET-SERRET | Non-Executive Director |
| Marie Louis Désiré René France DUCASSE *(Director and alternate to* Bernard *ROCHECOUSTE COLLET)* | Non-Executive Director |
| Gilbert Patrick Stéphane LEAL *(up to 9 January 2017)* | Independent Non-Executive Director |
| Georges LEUNG SHING | Independent Non-Executive Director |
| Marie Octave Regis NICOLIN | Independent Non-Executive Director |
| Désiré Pierre Ariste Maxime REY | Independent Non-Executive Director |
| Bernard Aimé Jacques ROCHECOUSTE COLLET *(Director and alternate to Marie Louis Désiré René France DUCASSE)* | Non-Executive Director |

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. These 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 of West Coast Primary School Ltd and West Coast Secondary 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 Member of the Association of Chartered 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)*

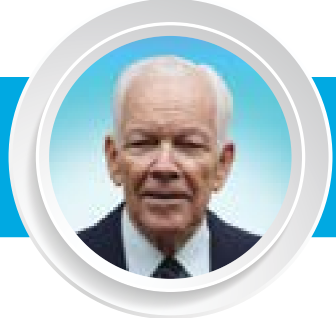
Mr Joseph Jacques Vivian COLLET-SERRET joined the Mauritius Commercial Bank Ltd in 1977 and pursued Banking studies with the London Institute of Bankers. He joined the Beachcomber Group as Financial Controller of the Paradis Hotel in 1988 and joined the Leal Group as Deputy CEO in 1995 to date.

### Marie Louis Désiré René France DUCASSE

*(Non-Executive Director and Alternate Director to Mr Bernard Aimé Jacques Rochecouste Collet)*

Mr Marie Louis Désiré 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 Leal Group Corporate Governance Committee and the Leal Group Audit and Risk Committee. He is currently a Director of Leal & Co Ltd.

**Directors' profile** (continued)



### Gilbert Patrick Stéphane LEAL

*(Independent Non-Executive Director) (Up to 9th January 2017)*

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 company listed on the DEM: 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.

*Directorship in company 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 qualified as an accountant and started his career in 1973 as an Auditor before joining the Sugar Industry. He moved to South Africa in 1981 where 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 joined SWAN, one of the market leaders in the local Insurance sector, becoming Senior Manager - Group Finance, Loans & Legal until he retired in 2016. Maxime is a Director of a number of Companies listed on the Stock Exchange of Mauritius and operating in the commercial, investment, sugar and tourism sectors. He was appointed as a Director of the Company in July 2012, and is a member of the Audit Committee.

*Directorships in companies listed on the DEM: Constance La Gaieté Company Ltd, MFD Group Ltd and Tropical Paradise Company Ltd*

*Directorships in companies listed on the Official Market of the SEM: Belle Mare Holding Ltd, IBL Ltd and Lux Island Resorts Ltd*



**Directors' profile** (continued)

**Alternate director's profile**

### 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 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.

### Patrice Michel LEAL

*(Alternative Director to Mr Gilbert Patrick Stephane LEAL) (Up to 9th January 2017)*

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 Rose-Hill (RHT) Holding Ltd.

### Mohamed Yousouf REHMALLY (FCCA)

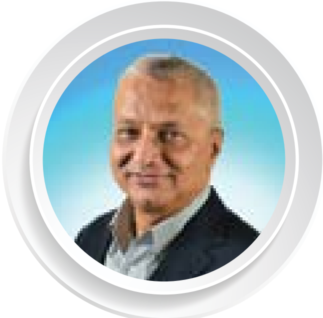
*(Alternate Director to Mr Joseph Jacques Vivian COLLET-SERRET as from 13th February 2017)*

Mr Mohamed Yousouf REHMALLY is a Fellow Member of the Association of Chartered Certified Accountants, Member of the Certified Accounting Technician of the Association of Chartered Certified Accountants and Fellow member of the Mauritius Institute of Directors. After spending 10 years in the Audit Assurance and Tax Sector, he joined Leal & Co. Ltd in 1998 as Finance Manager and is presently occupying the post of Group Chief Finance Officer.

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 38 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 11 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 five (5) 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 constituted namely, the Leal Group Audit and 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.



CORPORATE GOVERNANCE REPORT (CONTINUED)

### 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 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 or re-appointment of Directors and succession plans for Directors whilst assessing the independence of the Independent Non-Executive Directors.

The Leal Group Corporate Governance Committee met two (2) times during the year under review.

The said Group Committee, which reviewed and approved the present corporate governance section on 26th September 2017, 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 and 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 and Marketing - 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 and 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 and 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 and assesses the effectiveness of the independent audit process by having regular interactions with the independent auditors.

The approach, scope and timing of the audit field is discussed with the audit team prior to the start of any audit. 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 to review the financial statements of the Company and to receive reports of the work conducted by the Internal and Independent Audit team.

The said Leal Group Committee met on 26th September 2017 to recommend to the Board the approval of the annual financial statements for the financial year ended 30 June 2017 and the relevant abridged audited 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***

Internal audit is an independent appraisal function which examines and evaluates the activities and the appropriateness of the systems of internal control, risk management and governance. The Company recognises that proper risk management and internal controls help organisations to put controls in place to counter threats, and effectively pursue their objectives.

The Board has delegated to the Leal Group Audit and Risk Committee (ARC) the overall responsibility to translate its vision on risks management. The ARC reviews the risks philosophy, strategy and policies recommended by management and monitors compliance with policies and procedures.

PricewaterhouseCoopers (PwC) has been appointed as internal auditor since July 2010. Their 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 and by enabling management in the setting up of effective controls and processes.

***Scope of Work***

***Areas Audited in 2016-2017***

The internal audit plan is based on a risk assessment exercise performed by PwC. Key risks were identified further to discussions with management and PWC's own identification of key risks that the company is exposed to. The internal audit plan highlights the reviews to be carried out in the forthcoming year to address key risk areas and assess the mitigating controls in place.

In accordance with the 3-year internal audit plan that was presented to and approved by the ARC in 2014, PwC completed the following internal audit assignments during the financial year 2016-2017:

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

An internal audit plan for the year 2017-2018 was presented and approved by the ARC as follows:

- IT Controls (draft report stage)
- Rebates and claims (scheduled for October 2017)
- Store and warehouse distribution management (scheduled for January 2018)
- Revenue cycle (scheduled for March 2018)
- Follow up (scheduled for May 2018)

The ARC has reviewed, and is satisfied with, the independence of PwC as internal auditor. The Terms of Reference for the internal audit services are governed by an engagement letter between both parties.

PwC attends and presents its findings to the ARC. Management is responsible for acting on the findings and recommendations of the internal audit to mitigate or eliminate the identified control weaknesses. Follow up audits are also done to ensure the effectiveness of actions taken. The internal audit process and management's response to the findings contribute to the process for identifying, evaluating and managing the significant risks faced by the Company.

Risk management is an important consideration of the Company's strategy and plays a critical role on delivering sustainable and long-term value to its shareholders. Management monitors risks in the day to day operations and the most important risk categories identified are listed hereunder:

Financial Risk

Financial risk is the risk that cash flows and financial risks are not managed effectively to (a) maximise 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.

**Internal Audit Function** (continued)

***Scope of Work*** (continued)

***Areas Audited in 2016-2017*** (continued)

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 authorisation, completeness and accuracy of transactions as they are entered into, processed by, summarised by and reported by the various application systems deployed by the Company.

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 and Risk Committee | Leal Group Corporate Governance Committee |
|---|---|---|---|---|
| Eric Michel Georges LEAL<br>*Executive Chairman* | ED | 5 out of 5 | - | - |
| Daniel de LABAUVE d'ARIFAT<br>*Chief Executive Officer* | ED | 5 out of 5 | - | - |
| Guy Jean Noël LENNON<br>*Chief Operating Officer, Sales, Marketing and Supply Chain Department* | ED | 5 out of 5 | - | - |
| Virrsing RAMDENY | NED | 5 out of 5 | 7 out of 7 | - |
| Jean Marie Eugène GREGOIRE | NED | 5 out of 5 | 5 out of 7 | 2 out of 2 |
| Marie Joseph Jean Paul CHASTEAU DE BALYON<br>(*Director and Alternate to Mr Jean Marie Eugène GREGOIRE)* | INED | 4 out of 5 | - | 1 out of 2 |
| Joseph Jacques Vivian COLLET-SERRET | NED | 4 out of 5 | - | - |
| Marie Louis Désiré René France DUCASSE<br>*(Director and Alternate to* Bernard *ROCHECOUSTE COLLET)* | NED | 5 out of 5 | 7 out of 7 | 2 out of 2 |
| Gilbert Patrick Stéphane LEAL* | INED | 0 out of 2 | - | - |
| Georges LEUNG SHING | INED | 4 out of 5 | - | - |
| Marie Octave Regis NICOLIN | INED | 4 out of 5 | - | - |
| Désiré Pierre Ariste Maxime REY | INED | 4 out of 5 | 7 out of 7 | - |
| Bernard Aimé Jacques ROCHECOUSTE COLLET *(Director and alternate to* Marie Louis Désiré René France DUCASSE*)* | NED | 5 out of 5 | - | - |
| Gérald LINCOLN<br>Independent Director of Leal & Co. Ltd | - | - | - | 2 out of 2 |

**Resigned on 9th January 2017*

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

**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 | - | 19.558 |
| 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 | 0.103 |
| **Alternate Directors** | | |
| Mohamed Yousouf REHMALLY | - | - |
| Patrice Michel LEAL* | - | 0.455 |
| **Senior Management Team** | | |
| Lingon VEERASAMY | 0.031 | 0.003 |
| Hugo VICTOIRE | - | - |

**Resigned on 9th January 2017*

### 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 as at 30 June 2017, please refer to Page 24 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.



### Remuneration Philosophy (continued)

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 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:

Association de parents d'enfants inadaptés de l'Ile Maurice - The main objectives of this association are 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 and counselling to cancer patients and their families.

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

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.

Haemophilia Association of Mauritius - The contribution of the Company will help the association to identify and support people suffering from Haemophilia in Mauritius.

Muscular Dystrophy Association - Provides support and care to persons suffering from the muscular dystrophy (MD) disease in Mauritius.

Pédostop - The institution works on the awareness against the sexual abuse of children.

Institut Cardinal Jean Margéot (ICJM) - Provides support for Education and Training.

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

ARISE - Provides support for Children's development.

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

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

ANFEN - Promotes Education and Training.

Loreto Institute - Provides support to children in the ZEP schools.

Friends in Hope - Provides support to persons suffering from mental illnesses and their families.

### Charitable and Political Contributions

No charitable/non charitable contributions were made during the years ended 30 June 2016 and 2017.

The Corporate Social Responsibility contributions amounted to Rs 1,150,702 (2016: Rs 1,479,455).

Political donation for the year under review is Nil (2016: Nil).

### 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 during the year under review.

### Health, Safety and Environment

The Company is committed to the general rules and regulations governing the health, safety and environmental issue. The Company is engaged 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:

*Training organised for Maintenance Team*

The training was centred on the basics of security on the workplace. The objective behind was to identify hazards in the workplace and to implement and evaluate appropriate control measures.

*Free Diabetes* Test organised for all employees

*Refresher Fire and First Aid Training* organised for a group of employees.

### HR Policy

The Company aims at giving equal opportunities to its employees. For any new recruitment or promotion exercise, it is advertised both internally and externally. There is also an annual performance appraisal which is carried out and where rewards and merits are provided for.

The length of service of employees is also recognised and rewarded through events.

### 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 Company and its employees must, at all times, comply with all applicable laws and regulations. The Company 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 Company 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 Company'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 Company'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.

### Conflict of Interest

The Board of Directors strictly believes that a Director should make his best effort to avoid conflict of interest or situation where others might reasonably perceive such a conflict. As per PNL's Constitution, a Director 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.

### 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.com, 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.

### Time Table of Important Events

| Months | Events |
|---|---|
| September 2017 | Publication of abridged audited financial statements for the year ended 30 June 2017 |
| November 2017 | Publication of 1st quarter results |
| December 2017 | Annual meeting of Shareholders |
| December 2017 | Interim dividend |
| February 2018 | Publication of 2nd quarter results |
| May 2018 | Publication of 3rd quarter results |
| June 2018 | Financial year end |
| June 2018 | Final dividend |

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

**Navitas Corporate Services Ltd**
*Company Secretary*

# 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 2017.

**Navitas Corporate Services Ltd**
*Secretary*

26 September 2017

**Registered address:**

Navitas House
Robinson Road
Floréal
Republic of Mauritius



# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PHARMACIE NOUVELLE LIMITED

## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of **Pharmacie Nouvelle Limited**, the "Company", which comprise the statement of financial position as at 30 June 2017, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements on pages 48 to 94 give a true and fair view of the financial position of the Company as at 30 June 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information Other than the Financial Statements and Auditors' Report Thereon ("Other Information")

Management is responsible for the Other Information. The Other Information comprises mainly of information included under the Corporate Information, Annual Report and Corporate Governance Report sections, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the Other Information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Report on the Audit of the Financial Statements** (continued)

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**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 other than in our capacity as auditors;
- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.





**Report on Other Legal and Regulatory Requirements** (continued)

*(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 matter**

Our 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*

26 September 2017

Ebène 72201,
Republic of Mauritius

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

| | | The Company | | The Group |
|---|---|---|---|---|
| | | **2017** | 2016 | 2016 |
| | **Notes** | **Rs** | Rs | Rs |
| **ASSETS** | | | | |
| **Non-current** | | | | |
| Intangible asset | 7 | **1,624,000** | - | - |
| Property, plant and equipment | 8 | **142,753,964** | 130,626,303 | 131,136,395 |
| Investment property | 9 | **95,700,000** | 95,700,000 | 95,700,000 |
| Deferred tax assets | 21 | **-** | - | 5,997,411 |
| Investments in subsidiaries | 10 | **-** | 49,578,513 | - |
| **Non-current assets** | | **240,077,964** | 275,904,816 | 232,833,806 |
| **Current** | | | | |
| Inventories | 11 | **411,548,515** | 430,535,969 | 433,073,685 |
| Trade and other receivables | 12 | **466,806,006** | 467,077,269 | 465,687,024 |
| Current tax assets | 21 | **6,349,066** | - | - |
| Cash and cash equivalents | 13 | **36,239,210** | 23,404,201 | 23,457,399 |
| **Current assets** | | **920,942,797** | 921,017,439 | 922,218,108 |
| **Total assets** | | **1,161,020,761** | 1,196,922,255 | 1,155,051,914 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Stated capital | 14 | **137,676,614** | 137,676,614 | 137,676,614 |
| Revaluation reserves | | **50,595,515** | 50,595,515 | 50,595,515 |
| Retirement benefit reserves | 16 | **(43,485,617)** | (33,594,175) | (33,594,175) |
| Retained earnings | | **186,028,623** | 201,117,930 | 169,386,863 |
| **Total equity** | | **330,815,135** | 355,795,884 | 324,064,817 |

Approved by the Board of Directors on 26 September 2017 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 55 to 94 form an integral part of these consolidated financial statements.*



AS AT 30 JUNE 2017

| | | The Company | | The Group |
|---|---|---|---|---|
| | | **2017** | 2016 | 2016 |
| | **Notes** | **Rs** | Rs | Rs |
| **Liabilities** | | | | |
| **Non-current** | | | | |
| Borrowings | 15 | **43,276,293** | 57,447,815 | 58,114,354 |
| Retirement benefit obligations | 16 | **57,491,332** | 54,046,533 | 54,046,533 |
| Deferred tax liabilities | 21 | **7,012,152** | 3,872,962 | 3,872,962 |
| **Non-current liabilities** | | **107,779,777** | 115,367,310 | 116,033,849 |
| **Current** | | | | |
| Trade and other payables | 17 | **163,262,388** | 153,288,738 | 141,990,737 |
| Borrowings | 15 | **559,163,461** | 571,451,701 | 571,943,889 |
| Current tax liabilities | 21 | **-** | 1,018,622 | 1,018,622 |
| **Current liabilities** | | **722,425,849** | 725,759,061 | 714,953,248 |
| **Total liabilities** | | **830,205,626** | 841,126,371 | 830,987,097 |
| **Total equity and liabilities** | | **1,161,020,761** | 1,196,922,255 | 1,155,051,914 |

Approved by the Board of Directors on 26 September 2017 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 55 to 94 form an integral part of these consolidated financial statements.*

# STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2017

| | Notes | The Company 2017 Rs | The Company 2016 Rs | The Group 2016 Rs |
|---|---|---|---|---|
| Revenue | 18 | **1,787,488,520** | 1,709,182,618 | 1,710,646,954 |
| Cost of sales | 11 | **(1,495,885,181)** | (1,434,583,164) | (1,407,866,057) |
| **Gross profit** | | **291,603,339** | 274,599,454 | 302,780,897 |
| Other income | 19 | **140,220,803** | 131,685,598 | 131,233,960 |
| Distribution costs | | **(119,286,973)** | (102,847,005) | (128,323,097) |
| Administrative expenses | | **(32,694,461)** | (28,377,082) | (29,579,550) |
| Employee benefits expense | 24 | **(171,138,230)** | (158,150,060) | (159,488,159) |
| Other expenses | | **(26,616,500)** | (25,967,052) | (27,714,449) |
| Depreciation and amortisation | 7 & 8 | **(12,728,524)** | (11,801,541) | (12,072,697) |
| **Operating profit** | | **69,359,454** | 79,142,312 | 76,836,905 |
| Net foreign exchange gains | | **15,822,746** | 16,186,153 | 16,296,342 |
| Finance income | 20.1 | **337,528** | 177,562 | - |
| Finance costs | 20.2 | **(34,827,793)** | (35,135,068) | (34,882,038) |
| **Profit before tax** | | **50,691,935** | 60,370,959 | 58,251,209 |
| Tax expense | 21 | **(14,585,240)** | (10,686,715) | (10,990,197) |
| **Profit for the year** | | **36,106,695** | 49,684,244 | 47,261,012 |
| **Earnings per share** | 22 | **2.67** | 3.67 | 3.49 |

*The notes on pages 55 to 94 form an integral part of these consolidated financial statements.*



# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

| | Notes | The Company 2017 Rs | The Company 2016 Rs | The Group 2016 Rs |
|---|---|---|---|---|
| **Profit for the year** | | **36,106,695** | 49,684,244 | 47,261,012 |
| **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 (losses) / gains on defined benefit pension plans | 16 | **(9,891,442)** | 16,603,877 | 16,603,877 |
| ***Items that will be reclassified subsequently to profit or loss*** | | **-** | - | - |
| **Other comprehensive income for the year, net of tax** | | **(9,891,442)** | 24,977,519 | 24,977,519 |
| **Total comprehensive income for the year** | | **26,215,253** | 74,661,763 | 72,238,531 |

*The notes on pages 55 to 94 form an integral part of these consolidated financial statements.*

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

### The Company

| | Stated capital Rs | Revaluation reserves Rs | Retirement benefit reserves Rs | Retained earnings Rs | Total Rs |
|---|---|---|---|---|---|
| **Balance at 01 July 2016** | **137,676,614** | **50,595,515** | **(33,594,175)** | **201,117,930** | **355,795,884** |
| Dividends (Note 23) | **-** | **-** | **-** | **(13,524,872)** | **(13,524,872)** |
| Transactions with owners | **-** | **-** | **-** | **(13,524,872)** | **(13,524,872)** |
| On amalgamation (Note 26) : | | | | | |
| Accumulated losses | **-** | **-** | **-** | **(37,671,130)** | **(37,671,130)** |
| Profit for the year | **-** | **-** | **-** | **36,106,695** | **36,106,695** |
| Other comprehensive income | **-** | **-** | **(9,891,442)** | **-** | **(9,891,442)** |
| Total comprehensive income for the year | **-** | **-** | **(9,891,442)** | **36,106,695** | **26,215,253** |
| **Balance at 30 June 2017** | **137,676,614** | **50,595,515** | **(43,485,617)** | **186,028,623** | **330,815,135** |
| | | | | | |
| **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** |

*The notes on pages 55 to 94 form an integral part of these consolidated financial statements.*

### 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** |

*The notes on pages 55 to 94 form an integral part of these consolidated financial statements.*

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

| | The Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| **Operating activities** | | | |
| Profit before tax | **50,691,935** | 60,370,959 | 58,251,209 |
| Adjustments for: | | | |
| Non-cash flow adjustments * | **1,379,051** | - | - |
| Finance costs | **34,827,793** | 35,135,068 | 34,882,038 |
| Finance income | **(337,528)** | (177,562) | - |
| (Gain)/loss on disposal of property, plant and equipment | **(836,186)** | 1,652,731 | 1,174,471 |
| Depreciation and amortisation | **12,728,524** | 11,801,541 | 12,072,697 |
| Change in fair value of investment property | **-** | (7,079,106) | (7,079,106) |
| Retirement benefit obligations | **(6,446,643)** | (2,167,524) | (2,167,524) |
| Non-cash flow adjustments | **41,315,011** | 39,165,148 | 38,882,576 |
| *Changes in working capital:* | | | |
| Change in trade and other receivables | **271,263** | (58,529,223) | (53,298,998) |
| Change in inventories | **18,987,454** | (99,866,260) | (100,879,257) |
| Change in trade and other payables | **9,973,650** | 8,124,304 | 6,313,666 |
| **Net changes in working capital** | **29,232,367** | (150,271,179) | (147,864,589) |
| **Cash from operations** | **121,239,313** | (50,735,072) | (50,730,804) |
| Interest paid | **(34,827,793)** | (35,135,068) | (34,882,038) |
| Taxes paid | **(12,816,327)** | (13,472,176) | (13,472,176) |
| **Net cash from/(used in) operating activities** | **73,595,193** | (99,342,316) | (99,085,018) |
| **Investing activities** | | | |
| Interest received | **337,528** | 177,562 | - |
| Purchase of property, plant and equipment | **(22,530,201)** | (17,832,001) | (17,120,376) |
| Additions to investment property | **-** | (3,020,894) | (3,020,894) |
| Proceeds from disposal of property, plant and equipment | **1,417,123** | 1,973,480 | 2,451,740 |
| **Net cash used in investing activities** | **(20,775,550)** | (18,701,853) | (17,689,530) |
| **Financing activities** | | | |
| Net proceeds from bank and import loans | **53,283,752** | 109,999,203 | 109,746,173 |
| Proceeds/(repayment) of finance leases | **2,991,312** | (4,113,753) | (3,018,714) |
| Dividends paid | **(13,524,872)** | (13,524,872) | (13,524,872) |
| **Net cash from financing activities** | **42,750,192** | 92,360,578 | 93,202,587 |
| **Net change in cash and cash equivalents** | **95,569,835** | (25,683,591) | (23,571,961) |
| Cash and cash equivalents, beginning of year | **(111,754,235)** | (86,070,644) | (88,440,937) |
| **Cash and cash equivalents, end of year** | **(16,184,400)** | (111,754,235) | (112,012,898) |
| **Cash and cash equivalents made up of:** | | | |
| Cash in hand and cash at bank (Note 13) | **36,239,210** | 23,404,201 | 23,457,399 |
| Bank overdrafts (Note 15) | **(52,423,610)** | (135,158,436) | (135,470,297) |
| | **(16,184,400)** | (111,754,235) | (112,012,898) |

*Non-cash flow adjustments represent movements upon amalgamation of the former subsidiaries with and into the Company.

*The notes on pages 55 to 94 form an integral part of these consolidated financial statements.*



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

## 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.

Pursuant to a board meeting dated 13 February 2017, COMANU LTEE and OID LTEE have resolved to amalgamate with and into Pharmacie Nouvelle Limited with effect from 31 March 2017. All balances transferred on amalgamation are described in Note 26 to these financial statements.

The principal activities of the Company 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;

(v) to manufacture cosmetics;

(vi) to import and export;

(vii) to engage in wholesale of chemical products, pesticides, herbicides and fertiliser;

(viii) to engage in retail sale of clothing and accessories in stores; and

(ix) to engage in retail sale of sporting equipment in specialised stores.

The financial statements are presented in Mauritian Rupee (“MUR” or “Rs”), which is also the functional currency of the Company.

The financial statements of the Company 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 year beginning on 01 July 2016

The following new and revised standards issued by the IASB became mandatory for the first time for the financial year beginning on 01 July 2016:

***IAS 1, Disclosure Initiative (Amendments to IAS 1: Presentation of Financial Statements)***

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)***

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

## 2 APPLICATION OF NEW AND REVISED IFRS (continued)

**2.1 New and revised standards that are effective for the year beginning on 01 July 2016** (continued)

***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.

***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 amendment requires 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.

***Various, Annual Improvements to IFRS 2012-2014 Cycle***

These improvements include amendments to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, IFRS 7: Financial Instruments: Disclosures, IAS 19: Employee Benefits and IAS 34: Interim Financial Reporting.

The Directors have assessed the impact of these new and revised standards and concluded that none of these standards have a material impact on the disclosure of these financial statements.

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

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

Management anticipates that all of the relevant pronouncements, as relevant to the Company's activities, will be adopted in the Company'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 to existing standards and interpretations that are not yet effective and have not been adopted early by the Company** (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).

***IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses***

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.

***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.

***IFRS 17, Insurance Contracts***

IFRS 17 provides guidance on how to assess the significance of insurance risk based on the possibility of a loss on a present value basis (rather than nominal), and how to evaluate changes in the level of insurance risk.

***IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)***

The amendments in Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) provide two options for entities that issue insurance contracts within the scope of IFRS 4.

***IFRIC 23, Uncertainty over Income Tax Treatments***

IFRIC had observed that there was diversity in practice for various issues on the recognition and measurement of a tax liability or asset in circumstances where there is uncertainty in the application of the tax law in concern. IFRIC 23 addresses uncertainty over how tax treatments should affect the accounting for income taxes.

***IAS 40, Transfers of Investment Property (Admendments to IAS 40)***

Under these amendments an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

## 2 APPLICATION OF NEW AND REVISED IFRS (continued)

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

***IFRIC 22, Foreign Currency Transactions and Advance Consideration***

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

***IFRS 1 / IFRS 12/ IAS 28, Annual Improvements to IFRS 2014- 2016***

These improvements include amendments to IFRS 1: First time adoption of International Financial Reporting Standards, IFRS 12: Disclosure of Interests in Other entities and IAS 28: Investments in associates and joint ventures.

The Directors have yet to assess the impact of the above standards, amendments and interpretations on the Company's financial statements.

## 3 SUMMARY OF ACCOUNTING POLICIES

**Overall considerations**

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

**3.1 Basis of consolidation**

For the year ended 30 June 2016, the consolidated financial statements comprised those of the parent company and all its subsidiaries. A 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 had 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.

**3.2 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 (five 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 SUMMARY OF ACCOUNTING POLICIES (continued)

**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 Company'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.

**3.4 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 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 SUMMARY OF ACCOUNTING POLICIES (continued)

### 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 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 is subject to CSR and the contribution is at the rate of 2% on the chargeable income of the preceding financial year. However, effective as from 01 January 2017, further to change in the income tax legislation, the Company is required to contribute at least 50% of its CSR money to the National CSR Foundation through the Mauritius Revenue Authority. The remaining 50% of the CSR can be used by the Company in accordance with its own CSR Fund. Effective 01 January 2019, the contribution to the Mauritius Revenue Authority must be at least 75%.

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 Company'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 Company has control. The Company 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 Company. 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.

No investments in subsidiaries were presented in the statement of financial position at the reporting date as the Company's two wholly-owned subsidiaries, COMANU LTEE and OID LTEE were amalgamated with and into the Company with effect from 31 March 2017.

### 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 Company 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 SUMMARY OF ACCOUNTING POLICIES (continued)

### 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 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 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' 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 Company 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 Company pays fixed contributions into an independent entity. The Company 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.

*Defined benefit plans*

Under the Company'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 Company, 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.

## 3 SUMMARY OF ACCOUNTING POLICIES (continued)

### 3.11 Post-employment benefits (continued)

*Defined benefit plans* (continued)

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 Company 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.

*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 Company'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 Company 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





## 3 SUMMARY OF ACCOUNTING POLICIES (continued)

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 Company'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 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 Company 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 product categories are shown in Note 18.

Revenue is measured at the fair value of consideration received or receivable by the Company 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 Company, the costs incurred can be measured reliably and the Company has transferred to the buyer the significant risks and rewards, generally when the customer has taken undisputed delivery of the goods.

Other income earned by the Company 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 SUMMARY OF ACCOUNTING POLICIES (continued)

### 3.18 Foreign currency translation

**Functional and presentation currency**

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

**Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency of the Company, 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 Company 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 Company. 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 Company 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.

### 3.20 Provisions

Provisions are recognised when the Company 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 Company 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 SUMMARY OF ACCOUNTING POLICIES (continued)

### 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 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 is significant management judgement in applying the accounting policies of the Company that have the most significant effect on the 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 Company'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*

The annual defined benefit liability is estimated with the assistance of actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its defined benefit liability amounting to Rs 57,491,332 (2016: Rs 54,046,533) is based on standard rates of inflation, future salary increases, future guaranteed pension increase and post retirement mortality rates. It also takes into account the Company's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist particularly with regard to annuity rate and investment return (analysis given in Note 16), which may vary in future appraisals of the Company's defined benefit obligations.

*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.

*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 Company 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.

*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 financial statements.

## 4 FINANCIAL INSTRUMENT RISK

**Risk management objectives and policies**

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

**Financial assets and financial liabilities**

| | The Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| **Financial assets** | | | |
| *Loans and receivables:* | | | |
| **Current** | | | |
| Trade and other receivables* | **426,918,222** | 422,170,192 | 416,209,473 |
| Cash and cash equivalents | **36,239,210** | 23,404,201 | 23,457,399 |
| Total financial assets | **463,157,432** | 445,574,393 | 439,666,872 |
| **Financial liabilities** | | | |
| *Financial liabilities measured at amortised cost:* | | | |
| **Non-current** | | | |
| Borrowings | **43,276,293** | 57,447,815 | 58,114,354 |
| **Current** | | | |
| Trade and other payables** | **163,262,388** | 153,288,738 | 141,982,224 |
| Borrowings | **559,163,461** | 571,451,701 | 571,943,889 |
| Total financial liabilities | **765,702,142** | 782,188,254 | 772,040,467 |

**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.*

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

The Company 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 Company is exposed are described below.

### 4.1 Market risk analysis

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

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





## 4 FINANCIAL INSTRUMENT RISK (continued)

### 4.1 Market risk analysis (continued)

**Foreign currency sensitivity** (continued)

Foreign currency denominated financial assets and liabilities which expose the Company 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 Company | | The Group |
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| MUR | **390,242,911** | 368,868,880 | 362,959,119 |
| EUR | **57,689,895** | 44,456,747 | 44,457,592 |
| USD | **11,105,870** | 28,407,997 | 28,409,392 |
| ZAR | **4,109,058** | 3,828,786 | 3,828,786 |
| CHF | **-** | 1,631 | 1,631 |
| GBP | **9,698** | 10,352 | 10,352 |
| | **463,157,432** | 445,574,393 | 439,666,872 |

| | Financial liabilities | | |
|---|---|---|---|
| | The Company | | The Group |
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| MUR | **689,539,227** | 715,552,366 | 705,404,579 |
| EUR | **34,582,630** | 34,989,427 | 34,989,427 |
| USD | **31,533,660** | 14,785,967 | 14,785,967 |
| ZAR | **10,044,963** | 15,959,728 | 15,959,728 |
| CHF | **-** | 675,829 | 675,829 |
| AUD | **1,662** | 102,549 | 102,549 |
| GBP | **-** | 122,388 | 122,388 |
| | 765,702,142 | 782,188,254 | 772,040,467 |

The following table illustrates the sensitivity of profit and equity in regards to the Company'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 exchanges rates for the year ended 30 June 2017, based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Company's foreign currency financial instruments held at each reporting date.

| | **2017** | 2016 |
|---|---|---|
| EUR/MUR | **0.62%** | 1.06% |
| USD/MUR | **3.22%** | 1.75% |
| GBP/MUR | **6.36%** | 12.98% |
| ZAR/MUR | **10.04%** | 15.59% |
| CHF/MUR | **0.84%** | 3.60% |
| AUD/MUR | **0.74%** | 1.49% |

FOR THE YEAR ENDED 30 JUNE 2017

## 4 FINANCIAL INSTRUMENT RISK (continued)

### 4.1 Market risk analysis (continued)

**Foreign currency sensitivity** (continued)

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 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 Company | | The Group |
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| EUR | **142,553** | 100,342 | 100,351 |
| USD | **(658,455)** | 238,583 | 238,608 |
| GBP | **617** | (14,545) | (14,545) |
| CHF | **-** | (24,252) | (24,252) |
| AUD | **(12)** | (1,525) | (1,525) |
| ZAR | **(595,974)** | (1,891,605) | (1,891,605) |
| **Total** | **(1,111,271)** | (1,593,002) | (1,592,968) |

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

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

| | Average spot exchange rate | | Foreign currency | | Contract value (Notional value) | | Fair value | |
|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| <u>Outstanding contracts:</u> | | | | | **Rs** | Rs | **Rs** | Rs |
| Buy EUR Currency<br>Less than 3 months | **40.274** | 40.524 | **972,000** | 251,982 | **37,693,900** | 9,933,147 | **39,146,328** | 10,211,336 |
| Buy ZAR Currency<br>Less than 3 months | **2.740** | 2.490 | **2,483,000** | 4,500,000 | **6,567,535** | 9,909,000 | **6,803,420** | 11,205,000 |
| Buy ZAR Currency<br>3 to 6 months | **-** | 2.490 | **-** | 7,500,000 | **-** | 16,281,300 | **-** | 18,675,000 |
| Buy USD Currency<br>Less than 3 months | **35.308** | - | **613,500** | - | **21,135,660** | - | **21,661,458** | - |
| | | | **4,068,500** | 12,251,982 | **65,397,095** | 36,123,447 | **67,611,206** | 40,091,336 |

During the year ended 30 June 2017, 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 2,214,111 for the year under review (30 June 2016: Rs 3,967,889).

**Interest rate sensitivity**

At 30 June 2017, the Company is exposed to changes in market interest rates through bank borrowings at variable interest rates. The exposure to interest rates on the Company's financial assets is limited to its cash and cash equivalents and is considered immaterial.



## 4 FINANCIAL INSTRUMENT RISK (continued)

### 4.1 Market risk analysis (continued)

**Interest rate sensitivity** (continued)

*Interest rate sensitivity analysis*

The following table illustrates the sensitivity of profit and equity to reasonably possible change in interest rates of +/- 1% (2016: +/-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.

| The Company | Profit for the year and equity | |
|---|---|---|
| | Rs | |
| | +1% | -1% |
| **At 30 June 2017** | **(6,024,398)** | **6,024,398** |
| At 30 June 2016 | (6,288,995) | 6,288,995 |

| The Group | Profit for the year and equity | |
|---|---|---|
| | Rs | |
| | +1% | -1% |
| At 30 June 2016 | (6,300,582) | 6,300,582 |

### 4.2 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example, by providing credit to customers, placing deposits, etc. 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 Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| Trade and other receivables | **426,918,222** | 422,170,192 | 416,209,473 |
| Cash and cash equivalents | **36,239,210** | 23,404,201 | 23,457,399 |
| | **463,157,432** | 445,574,393 | 439,666,872 |

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

The Company'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 Company are secured by floating charges on all assets of the Company, including financial assets.

## 4 FINANCIAL INSTRUMENT RISK (continued)

### 4.2 Credit risk analysis (continued)

As at 30 June, the Company 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 Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| More than 90 days but less than 180 days | **42,950,857** | 41,028,747 | 41,025,298 |
| More than 180 days | **29,424,895** | 29,304,031 | 29,304,048 |
| **Total** | **72,375,752** | 70,332,778 | 70,329,346 |

In respect of trade and other receivables, the Company 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.

### 4.3 Liquidity risk analysis

Liquidity risk is the risk that the Company might be unable to meet its obligations. The Company 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 Company'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 Company 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 Company relies on banking facilities to meet its current cash outflow requirements.

As at 30 June 2017, the Company's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

| The Company | Carrying amount Rs | Contractual cash flows Rs | Less than 1 year Rs | More than 1 year Rs |
|---|---|---|---|---|
| **At 30 June 2017** | | | | |
| Trade and other payables | **163,262,388** | **163,262,388** | **163,262,388** | - |
| Bank overdrafts | **52,423,610** | **52,423,610** | **52,423,610** | - |
| Bank loans | **381,045,559** | **384,526,083** | **347,639,243** | **36,886,840** |
| Obligations under finance leases | **12,571,180** | **14,328,416** | **4,597,290** | **9,731,126** |
| Import loans | **156,399,405** | **156,399,405** | **156,399,405** | - |
| | **765,702,142** | **770,939,902** | **724,321,936** | **46,617,966** |



## 4 FINANCIAL INSTRUMENT RISK (continued)

### 4.3 Liquidity risk analysis (continued)

| The Company (continued) | Carrying amount Rs | Contractual cash flows Rs | Less than 1 year Rs | More than 1 year 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 |

| The Group | Carrying amount Rs | Contractual cash flows Rs | Less than 1 year Rs | More than 1 year 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 |

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).

## 5 FAIR VALUE MEASUREMENT (continued)

### 5.1 Fair value measurement of financial instruments (continued)

The following table shows the Levels within which the hierarchy of financial asset measured at fair value on a recurring basis at 30 June 2016 and 30 June 2017:

**30 June 2017**

| The Company | Level 1<br>Rs | Level 2<br>Rs | Level 3<br>Rs | Total<br>Rs |
|---|---|---|---|---|
| **Asset** | | | | |
| Forward exchange contracts | - | **2,214,111** | - | **2,214,111** |

**30 June 2016**

| The Company | Level 1<br>Rs | Level 2<br>Rs | Level 3<br>Rs | Total<br>Rs |
|---|---|---|---|---|
| **Asset** | | | | |
| Forward exchange contracts | - | 3,967,889 | - | 3,967,889 |

There were no transfers between Level 1 and Level 2 in 2016 and 2017.

Valuation techniques are selected based on the characteristics of each instrument, with the 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 Company's foreign currency forward contracts are not traded in an active market. These have been fair valued using observable forward exchange 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 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 which the hierarchy of non-financial assets measured at fair value.

| 30 June 2017 | Level 1<br>Rs | Level 2<br>Rs | Level 3<br>Rs | Total<br>Rs |
|---|---|---|---|---|
| **Property and equipment** | | | | |
| Land and building | - | - | **88,288,065** | **88,288,065** |
| **Investment property** | | | | |
| Land and building | - | - | **95,700,000** | **95,700,000** |

| 30 June 2016 | Level 1<br>Rs | Level 2<br>Rs | Level 3<br>Rs | Total<br>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)

Fair value of the Company'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 Company 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 was 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 Company | Land and building<br>Rs | Investment property<br>Rs |
|---|---|---|
| Balance as at 01 July 2016 | **83,822,566** | **95,700,000** |
| Additions during the year | **5,501,073** | **-** |
| Depreciation charge for the year | **(1,035,574)** | **-** |
| Balance as at 30 June 2017 | **88,288,065** | **95,700,000** |
| Total amount included in profit or loss for unrealised gains on Level 3 assets | **-** | **-** |

| The Company | Land and building<br>Rs | Investment property<br>Rs |
|---|---|---|
| Balance as 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) | - |
| Balance as at 30 June 2016 | 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, advance payments to suppliers, Value Added Tax (VAT) receivable, prepayments, inventories and non-financial liabilities include VAT payable, current tax liabilities, deferred tax liabilities and Tax Deduction at Source (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 statement of financial position.

## 6 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are:

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

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

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

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

| | The Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| Total borrowings (Note 15) | **602,439,754** | 628,899,516 | 630,058,243 |
| Less: cash and cash equivalents (Note 13) | **(36,239,210)** | (23,404,201) | (23,457,399) |
| Net debt | **566,200,544** | 605,495,315 | 606,600,844 |
| Total equity | **330,815,135** | 355,795,884 | 324,064,817 |
| Total capital | **897,015,679** | 961,291,199 | 930,665,661 |
| Gearing ratio (%) | **63%** | 63% | 65% |

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

## 7 INTANGIBLE ASSET

| The Company | Rs |
|---|---|
| **Gross carrying amount** | |
| Balance as at 01 July 2016 | **634,410** |
| Transfer on amalgamation (Note 26) | **1,725,500** |
| Balance as at 30 June 2017 | **2,359,910** |
| **Amortisation** | |
| Balance as at 01 July 2016 | **634,410** |
| Amortisation during the year | **101,500** |
| Balance as at 30 June 2017 | **735,910** |
| **Carrying amount at 30 June 2017** | **1,624,000** |

| The Company and the Group | |
|---|---|
| **Gross carrying amount** | |
| Balance as at 01 July 2015 and 30 June 2016 | 634,410 |
| **Amortisation** | |
| Balance as at 01 July 2015 | 528,676 |
| Amortisation during the year | 105,734 |
| Balance as at 30 June 2016 | 634,410 |
| **Carrying amount at 30 June 2016** | - |





## 8 PROPERTY, PLANT AND EQUIPMENT

### 8.1 The Company

| | Freehold Land Rs | Buildings Rs | Motor vehicles Rs | Furniture, computer & equipment Rs | Total Rs |
|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | |
| At 01 July 2016 | **35,500,000** | **48,469,964** | **31,289,048** | **104,346,788** | **219,605,800** |
| Additions | **-** | **5,501,073** | **6,668,050** | **10,361,078** | **22,530,201** |
| Transfer on amalgamation (Note 26) | **-** | **-** | **-** | **2,805,421** | **2,805,421** |
| Disposals | **-** | **-** | **(4,784,081)** | **(20,145)** | **(4,804,226)** |
| Revaluation adjustment | **-** | **-** | **-** | **-** | **-** |
| **Balance at 30 June 2017** | **35,500,000** | **53,971,037** | **33,173,017** | **117,493,142** | **240,137,196** |
| **Depreciation** | | | | | |
| At 01 July 2016 | **-** | **147,398** | **18,273,820** | **70,558,279** | **88,979,497** |
| Charge for the year | **-** | **1,035,574** | **2,818,106** | **8,773,344** | **12,627,024** |
| Disposals | **-** | **-** | **(4,221,274)** | **(2,015)** | **(4,223,289)** |
| Revaluation adjustment | **-** | **-** | **-** | **-** | **-** |
| **Balance at 30 June 2017** | **-** | **1,182,972** | **16,870,652** | **79,329,608** | **97,383,232** |
| **Carrying amount** | | | | | |
| **30 June 2017** | **35,500,000** | **52,788,065** | **16,302,365** | **38,163,534** | **142,753,964** |
| **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 | 48,322,566 | 13,015,228 | 33,788,509 | 130,626,303 |

## 8 PROPERTY, PLANT AND EQUIPMENT (continued)

### 8.2 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 |

8.3 During the year ended 30 June 2016, an independent valuation of the Company'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 Company 2017 Rs | The Company 2016 Rs | The Group 2016 Rs |
|---|---|---|---|
| Cost | **30,203,583** | 24,702,510 | 24,702,510 |
| Accumulated depreciation | **(6,192,647)** | (5,588,575) | (5,588,575) |
| Carrying amount | **24,010,936** | 19,113,935 | 19,113,935 |

8.4 Assets held under finance leases comprise the followings:

| | The Company 2017 Rs | The Company 2016 Rs | The Group 2016 Rs |
|---|---|---|---|
| 8.4.1 **Motor vehicles** | | | |
| Cost | **23,004,007** | 16,845,957 | 16,845,957 |
| Accumulated depreciation | **(7,341,870)** | (5,390,040) | (5,390,040) |
| Carrying amount | **15,662,137** | 11,455,917 | 11,455,917 |



## 8 PROPERTY, PLANT AND EQUIPMENT (continued)

| | The Company 2017 Rs | The Company 2016 Rs | The Group 2016 Rs |
|---|---|---|---|
| 8.8.4.2 **Furniture and equipment** | | | |
| Cost | **1,032,068** | - | 1,099,430 |
| Accumulated depreciation | **(309,620)** | - | (164,915) |
| Carrying amount | **722,448** | - | 934,515 |

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

## 9 INVESTMENT PROPERTY

| | 2017 Rs | 2016 Rs |
|---|---|---|
| Carrying amount at 01 July | **95,700,000** | 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** | 95,700,000 |

9.1 The investment property was last 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 3,693,444** (30 June 2016: Rs 4,425,394) and are included within "Other Income". During the year under review, the tenants incurred operating expenses towards the investment property.

9.3 Direct operating expenses for the year amounted to Rs 125,788 (30 June 2016: Rs 133,394) and are included within "Administrative Expenses".

9.4 Investment property has been pledged as security for borrowings.

## 10 INVESTMENTS IN SUBSIDIARIES

### 10.1 Unquoted and at carrying amounts

| | The Company 2017 Rs | The Company 2016 Rs |
|---|---|---|
| Balance at 01 July | **49,578,513** | 49,578,513 |
| Amalgamation during the year | **(49,578,513)** | - |
| Balance at 30 June | **-** | 49,578,513 |

## 10 INVESTMENTS IN SUBSIDIARIES (continued)

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

| Name of subsidiaries | Principal activities | % holding | Carrying amount 2017 Rs | Carrying amount 2016 Rs | Cost 2017 Rs | Cost 2016 Rs |
|---|---|---|---|---|---|---|
| Compagnie Manufacturière de Produits Cosmétiques Limitée ("COMANU LTEE") | Manufacturing of cosmetics | - | - | - | - | 10,936,800 |
| Océan Indien Distribution (Ile Maurice) Ltée ("OID LTEE") | General retailing business | - | - | - | - | 38,641,713 |
| | | | - | - | - | 49,578,513 |

10.3 All the subsidiaries were 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 had invested an amount of **Rs 38,641,713** as capital contribution in OID LTEE for the year ended 30 June 2016.

10.5 Pursuant to a board meeting dated 13 February 2017, COMANU LTEE and OID LTEE have agreed to amalgamate with and into the Company with effect from 31 March 2017 (Note 26).

## 11 INVENTORIES

| | The Company 2017 Rs | The Company 2016 Rs | The Group 2016 Rs |
|---|---|---|---|
| Raw materials | - | - | 2,150,873 |
| Finished goods | 426,638,180 | 435,694,881 | 439,496,415 |
| | 426,638,180 | 435,694,881 | 441,647,288 |
| Less provision for write down of inventories | (15,089,665) | (5,158,912) | (8,573,603) |
| | 411,548,515 | 430,535,969 | 433,073,685 |

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

| | The Company 2017 Rs | The Company 2016 Rs | The Group 2016 Rs |
|---|---|---|---|
| Cost of inventories recognised as an expense | 1,495,885,181 | 1,434,583,164 | 1,407,866,057 |





## 12 TRADE AND OTHER RECEIVABLES

| | The Company 2017 Rs | The Company 2016 Rs | The Group 2016 Rs |
|---|---|---|---|
| Trade receivables, gross | 424,581,450 | 413,164,475 | 414,868,698 |
| Allowance for credit losses (Note 12.3) | (9,897,457) | (12,776,940) | (13,736,956) |
| Trade receivables, net of allowances for credit losses | 414,683,993 | 400,387,535 | 401,131,742 |
| Due from the subsidiaries (Note 12.2 and Note 25) | - | 6,797,497 | - |
| Due from the substantial shareholder (Note 25) | 324,835 | 262,229 | 262,229 |
| Due from related companies (Note 25) | 676,829 | 1,248,743 | 1,248,743 |
| Other receivables | 12,188,263 | 11,446,627 | 12,078,922 |
| Derivative financial instruments (Note 4.1) | 2,214,111 | 3,967,889 | 3,967,889 |
| Advance payments to suppliers | 31,624,715 | 31,269,749 | 31,269,749 |
| Prepayments | 5,093,260 | 11,697,000 | 15,727,750 |
| | 466,806,006 | 467,077,269 | 465,687,024 |

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.

The carrying amount of the trade receivables 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.

12.2 The movements in receivables from the former subsidiaries are as follows:

| | The Company 2017 Rs | The Company 2016 Rs |
|---|---|---|
| Balance at 01 July | 6,797,497 | 3,198,686 |
| Funds received during the year | 29,897,960 | 33,105,797 |
| Repayment during the year | (17,652,318) | (29,506,986) |
| Elimination on amalgamation | (19,043,139) | - |
| Balance at 30 June | - | 6,797,497 |

12.3 The Company'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 9,897,457** (2016: Rs 12,776,940) has been provided as at 30 June 2017.

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

| | The Company 2017 Rs | The Company 2016 Rs | The Group 2016 Rs |
|---|---|---|---|
| Balance at 01 July | 12,776,940 | 14,522,269 | 16,061,513 |
| Impairment losses | 3,175,126 | 1,391,122 | 2,249,940 |
| Amounts written off | (6,054,609) | (3,136,451) | (4,574,497) |
| Balance at 30 June | 9,897,457 | 12,776,940 | 13,736,956 |

In determining the recoverability of a trade receivable, the Company 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.

## 12 TRADE AND OTHER RECEIVABLES (continued)

12.4 The Directors have also assessed the receivables balance for indicators of impairment and consequently an allowance on credit losses of Rs 1,131,015 (2016: Nil) has been recorded. The movement on the allowance for credit losses for receivables and advances is as follows:

| | The Company | |
|---|---|---|
| | **2017** | 2016 |
| | **Rs** | Rs |
| Receivables and advances, gross | **45,945,657** | 51,024,845 |
| Allowance for credit losses | **(1,131,015)** | - |
| Receivables and advances net of allowances for credit losses | **44,814,642** | 51,024,845 |

## 13 CASH AND CASH EQUIVALENTS

| | The Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| Cash in hand in: | | | |
| MUR | **3,606,460** | 1,997,150 | 2,007,150 |
| Cash at bank in: | | | |
| MUR | **27,439,454** | 15,350,756 | 15,391,714 |
| EUR | **1,430,833** | 2,896,932 | 2,897,777 |
| USD | **2,365,858** | 3,120,690 | 3,122,085 |
| GBP | **9,694** | 10,352 | 10,352 |
| ZAR | **1,386,911** | 28,321 | 28,321 |
| | **36,239,210** | 23,404,201 | 23,457,399 |

## 14 STATED CAPITAL

| | **2017** | 2016 |
|---|---|---|
| | **Rs** | Rs |
| **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

### 15.1 Non-current

| | The Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| Bank and other loans (Note 15.2) | **34,513,672** | 50,780,909 | 50,780,909 |
| Obligations under finance leases (Note 15.3) | **8,762,621** | 6,666,906 | 7,333,445 |
| | **43,276,293** | 57,447,815 | 58,114,354 |
| **Current** | | | |
| Bank overdrafts | **52,423,610** | 135,158,436 | 135,470,297 |
| Bank and other loans (Note 15.2) | **346,531,887** | 236,026,257 | 236,026,257 |
| Obligations under finance leases (Note 15.3) | **3,808,559** | 2,912,962 | 3,093,289 |
| Import loans | **156,399,405** | 197,354,046 | 197,354,046 |
| | **559,163,461** | 571,451,701 | 571,943,889 |
| **Total borrowings** | **602,439,754** | 628,899,516 | 630,058,243 |

### 15.2 Bank and other loans

| | The Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| **Bank and other loans** | | | |
| Repayable by instalments | | | |
| - within one year | **346,531,887** | 236,026,257 | 236,026,257 |
| - after one year and before five years | **34,513,672** | 50,780,909 | 50,780,909 |
| | **381,045,559** | 286,807,166 | 286,807,166 |

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

15.2.2 The rates of interest vary between 4.00 % and 7.95 % per annum (2016: 4.50 % and 7.70% per annum).

### 15.3 Obligations under finance leases

| | The Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| Finance lease liabilities | | | |
| Minimum lease payments | | | |
| Not later than 1 year | **4,597,290** | 3,532,186 | 3,773,746 |
| Later than 1 year and not later than 5 years | **9,731,126** | 7,345,044 | 8,100,623 |
| | **14,328,416** | 10,877,230 | 11,874,369 |
| Less future finance charges | **(1,757,236)** | (1,297,362) | (1,447,635) |
| Present value of finance lease liabilities | **12,571,180** | 9,579,868 | 10,426,734 |

## 15 BORROWINGS (continued)

### 15.3 Obligations under finance leases (continued)

| | The Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| Representing lease liabilities: | | | |
| Repayable within 1 year | **3,808,559** | 2,912,962 | 3,093,289 |
| Repayable after more than 1 year | **8,762,621** | 6,666,906 | 7,333,445 |
| | **12,571,180** | 9,579,868 | 10,426,734 |

Finance leases relate to motor vehicles and furniture and equipment with lease terms of 5 years. The Company 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

| | **2017** | 2016 |
|---|---|---|
| | **Rs** | Rs |
| *Amounts recognised in the statement of financial position* | | |
| Present value of funded obligations | **121,624,773** | 119,060,071 |
| Fair value of plan assets | **(64,133,441)** | (65,013,538) |
| Net liability in the statement of financial position | **57,491,332** | 54,046,533 |

| | **2017** | 2016 |
|---|---|---|
| | **Rs** | Rs |
| *Movement in liability recognised in the statement of financial position* | | |
| Balance at 01 July | **54,046,533** | 72,817,934 |
| Total expenses | **9,953,365** | 10,485,756 |
| Actuarial losses/(gains) recognised in other comprehensive income | **9,891,442** | (16,603,877) |
| Contributions paid | **(16,400,008)** | (12,653,280) |
| At 30 June | **57,491,332** | 54,046,533 |

| | **2017** | 2016 |
|---|---|---|
| | **Rs** | Rs |
| **Change in defined benefit obligations** | | |
| Present value of defined benefit obligations at 01 July | **(119,060,071)** | (130,306,504) |
| Current service cost | **(4,858,628)** | (4,798,370) |
| Interest cost | **(7,894,324)** | (8,531,479) |
| Actuarial (losses)/gains | **(10,264,759)** | 16,916,415 |
| Benefits paid | **20,453,009** | 7,659,867 |
| Present value of defined benefit obligations at 30 June | **(121,624,773)** | (119,060,071) |





## 16 RETIREMENT BENEFIT OBLIGATIONS (continued)

| | **2017** | 2016 |
|---|---|---|
| | **Rs** | Rs |
| **Change in plan assets** | | |
| Fair value of plan assets at 01 July | **65,013,538** | 57,488,570 |
| Interest income | **4,044,881** | 3,924,817 |
| Employer's contribution | **16,400,008** | 12,653,280 |
| Scheme expenses | **(496,001)** | (287,294) |
| Cost of insuring risk benefits | **(749,293)** | (793,430) |
| Actuarial gains/(losses) | **373,317** | (312,538) |
| Benefits paid | **(20,453,009)** | (7,659,867) |
| Fair value of plan assets at 30 June | **64,133,441** | 65,013,538 |

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

| | **Value at 30 June 2017** | Value at 30 June 2016 |
|---|---|---|
| | **Rs** | Rs |
| Total market value of qualifying insurance policies | **64,133,441** | 65,013,538 |
| Present value of plan liability | **(121,624,773)** | (119,060,071) |
| Net liability for retirement obligations recognised in the statement of financial position | **(57,491,332)** | (54,046,533) |

| | **2017** | 2016 |
|---|---|---|
| | **Rs** | Rs |
| *Amounts recognised in the statement of profit or loss* | | |
| Current service cost | **4,858,628** | 4,798,370 |
| Net interest cost | **3,849,443** | 4,606,662 |
| Scheme expenses | **496,001** | 287,294 |
| Cost of insuring risk benefits | **749,293** | 793,430 |
| Total pension costs included in employee benefits expense | **9,953,365** | 10,485,756 |

| | **2017** | 2016 |
|---|---|---|
| | **Rs** | Rs |
| *Amounts recognised in the other comprehensive income* | | |
| (Gains) / losses on pension scheme assets | **(373,317)** | 312,538 |
| Experience (gains) / losses on plan liabilities | **(7,249,517)** | 1,797,096 |
| Changes in assumptions underlying the present value of the scheme | **17,514,276** | (18,713,511) |
| Actuarial losses / (gains) recognised in other comprehensive income | **9,891,442** | (16,603,877) |

| | **2017** | 2016 |
|---|---|---|
| | **Rs** | Rs |
| Movement in retirement benefit reserves: | | |
| Balance at 01 July | **33,594,175** | 50,198,052 |
| Actuarial losses / (gains) recognised in other comprehensive income | **9,891,442** | (16,603,877) |
| Balance at 30 June | **43,485,617** | 33,594,175 |

## 16 RETIREMENT BENEFIT OBLIGATIONS (continued)

Amounts for the current and prior periods:

| | 2017<br>Rs | 2016<br>Rs |
|---|---|---|
| Defined benefit obligations | **(121,624,773)** | (119,060,071) |
| Plan Assets | **64,133,441** | 65,013,538 |
| Deficit | **(57,491,332)** | (54,046,533) |
| Experience losses on plan liabilities | **(10,264,759)** | (1,797,096) |
| Experience gains / (losses) on plan assets | **373,318** | (312,538) |

**Sensitivity analysis**

| | Rs |
|---|---|
| Decrease in Defined Benefit Obligations due to 1% increase in Discount Rate | 9,499,757 |
| Increase in Defined Benefit Obligations due to 1% increase in Future long-term Salary assumption | 12,062,071 |

The sensitivity analyses above have been determined based on sensibly possible changes of the discount rate or salary increase rate occurring at the end of the reporting period if all other assumptions remained unchanged.

**Description of assets**

The assets of the plan are invested in the Deposit Administration Policy. The Deposit Administration Policy is a pooled insurance product for Group Pension Schemes, underwritten by Swan Life (Ex Anglo-Mauritius). It is a long-term investment Policy which aims to provide a smooth progression of returns from one year to the next without regular fluctuations associated with asset linked investments such as Equity Funds. Moreover, the Deposit Administration Policy offers a minimum guaranteed return of 4% p.a.

**Maturity profile of the Defined Benefit Obligation**

The weighted average duration of the liabilities as at 30 June 2017 is 9 years.

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

| | 2017 | 2016 |
|---|---|---|
| Pre-discount rate | **6.00%** | 6.50% |
| Future long-term salary increase | **1.00%/4.00%** | 1.00%/4.50% |
| 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 Company's scheme.

Retirement benefit obligations have been calculated using the Projected Unit Credit method and are based on the report dated 15 September 2017 submitted by Swan Life Ltd.

The Company's actual return on plan assets was **Rs 4,418,198** for the year ended 30 June 2017 (2016: Rs 3,612,279).

The Company expects to make a contribution of **Rs 17,000,000** to the defined benefit plan during the next financial year.

The Company also operates a defined contribution scheme for employees who joined as from 01 July 2006 and no pension liability arises from this scheme. The Company has made a contribution of **Rs 4,623,252** to the defined contribution scheme during the year ended 30 June 2017 (2016: Rs 3,676,260).

## 17 TRADE AND OTHER PAYABLES

| | The Company | | The Group |
|---|---|---|---|
| | 2017<br>Rs | 2016<br>Rs | 2016<br>Rs |
| Trade payables | **130,022,556** | 113,460,478 | 113,695,898 |
| Due to former subsidiaries | **-** | 11,868,077 | - |
| Due to substantial shareholder (Note 25) | **860,187** | 704,140 | 704,140 |
| Due to related companies (Note 25) | **570,444** | 1,456,235 | 1,456,235 |
| Other payables and accrued expenses | **31,809,201** | 25,799,808 | 26,134,464 |
| | **163,262,388** | 153,288,738 | 141,990,737 |

The average credit period for payments is 30 days. No interest is charged on trade payables for overdue balances. The Company 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 Company | | The Group |
|---|---|---|---|
| | 2017<br>Rs | 2016<br>Rs | 2016<br>Rs |
| Consumer goods | **1,040,584,830** | 1,039,266,829 | 1,040,653,790 |
| Pharmaceutical products | **441,500,172** | 391,071,455 | 391,071,455 |
| Textile and chemical auxiliaries | **58,582,324** | 93,810,302 | 93,887,677 |
| Beverages | **246,821,194** | 185,034,032 | 185,034,032 |
| | **1,787,488,520** | 1,709,182,618 | 1,710,646,954 |

## 19 OTHER INCOME

| | The Company | | The Group |
|---|---|---|---|
| | 2017<br>Rs | 2016<br>Rs | 2016<br>Rs |
| Rental income | **3,693,444** | 4,425,394 | 4,035,394 |
| Contribution receivable | **101,509,551** | 90,549,666 | 90,549,666 |
| Commission receivable | **26,187,436** | 25,893,143 | 25,893,143 |
| Profit/(loss) on disposal of property, plant and equipment | **836,186** | (1,652,731) | (1,174,471) |
| Others | **7,994,186** | 12,470,126 | 11,930,228 |
| | **140,220,803** | 131,685,598 | 131,233,960 |

## 20 FINANCE INCOME/(COSTS)

| | The Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| **20.1 Finance income** | | | |
| Interest income on: | | | |
| - Loans | **337,528** | 177,562 | - |
| **20.2 Finance costs** | | | |
| Interest expense on: | | | |
| - Bank overdrafts | **(7,043,717)** | (9,323,380) | (9,430,561) |
| - Borrowings | **(26,055,007)** | (23,393,918) | (23,393,918) |
| - Obligations under finance leases | **(1,729,069)** | (1,768,792) | (1,837,089) |
| - Others | **-** | (648,978) | (220,470) |
| | **(34,827,793)** | (35,135,068) | (34,882,038) |

## 21 TAXATION

### 21.1 Income tax expense

**The Company**

The Company had an income tax expense of **Rs 14,585,240** for the year ended 30 June 2017 (year ended 30 June 2016: Rs 10,686,715).

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

Under the APS, the Company is 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 Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| Income tax on the adjusted profit | **-** | 8,843,847 | 8,843,847 |
| Movement in deferred taxation (Note 21.4 below) | **9,136,601** | 847,978 | 1,151,460 |
| Over-provision in respect of prior years | **(223,774)** | (484,565) | (484,565) |
| CSR activities (Note 21.6 below) | **1,150,702** | 1,479,455 | 1,479,455 |
| Tax assessment for prior years | **4,521,711** | - | - |
| | **14,585,240** | 10,686,715 | 10,990,197 |





## 21 TAXATION (continued)

### 21.2.2 Statement of financial position

| | The Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| **Non-current** | | | |
| Deferred tax asset | **-** | - | 5,997,411 |
| Deferred tax liabilities | **(7,012,152)** | (3,872,962) | (3,872,962) |
| Net balance (Note 21.4) | **(7,012,152)** | (3,872,962) | 2,124,449 |
| **Current** | | | |
| Current tax (assets)/liabilities (Note 21.3) | **(6,349,066)** | 1,018,622 | 1,018,622 |

### 21.3 Movement in current tax (assets)/liabilities

| | The Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| At 01 July | **1,018,622** | 4,652,061 | 4,652,061 |
| Charge for the year | **-** | 8,843,847 | 8,843,847 |
| Tax assessment for prior years | **4,521,711** | - | - |
| Tax paid during the year | **(1,945,550)** | (5,205,006) | (5,205,006) |
| Tax deducted at source | **(877,105)** | (989,860) | (989,860) |
| Tax deducted under the Advanced Payment Scheme | **(5,471,961)** | (6,840,117) | (6,840,117) |
| Over provision in respect of prior years | **(223,774)** | (484,565) | (484,565) |
| Tax paid in respect of tax assessment of prior years | **(4,521,711)** | (437,193) | (437,193) |
| CSR activities (Note 21.6 below) | **1,150,702** | 1,479,455 | 1,479,455 |
| **At 30 June** | **(6,349,066)** | 1,018,622 | 1,018,622 |

### 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 Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| At 01 July | **3,872,962** | 3,024,984 | (3,275,909) |
| On amalgamation (Note 26) | **(5,997,411)** | - | - |
| Movement during the year | **9,136,601** | 847,978 | 1,151,460 |
| Net balance | **7,012,152** | 3,872,962 | (2,124,449) |

## 21 TAXATION (continued)

### 21.5 Income tax reconciliation

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

| | The Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| Profit before tax | **50,691,935** | 60,370,959 | 58,251,209 |
| Tax at 15 % | **7,603,790** | 9,055,644 | 8,737,681 |
| Accelerated capital allowances | **(625,144)** | (652,542) | (673,863) |
| Non-allowable items | **4,578,233** | 1,502,612 | 1,636,591 |
| Exempt income | **(3,016,131)** | (1,061,867) | (1,133,604) |
| Tax losses transferred on amalgamation | **(8,540,748)** | - | - |
| Tax losses utilised | - | - | 12,043 |
| Deferred tax asset not recognised | - | - | 278,575 |
| Timing difference | - | - | (13,576) |
| Tax charge | - | 8,843,847 | 8,843,847 |

### 21.6 Contribution to CSR activities

| | The Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| 2% of preceeding chargeable income | **1,150,702** | 1,479,455 | 1,479,455 |

## 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 Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| Profit for the year | **36,106,695** | 49,684,244 | 47,261,012 |
| Number of ordinary shares in issue | **13,524,872** | 13,524,872 | 13,524,872 |
| Earnings per share (Rs) | **2.67** | 3.67 | 3.49 |

## 23 DIVIDENDS

| | The Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| Interim dividend paid | **6,762,436** | 6,762,436 | 6,762,436 |
| Final dividend paid | **6,762,436** | 6,762,436 | 6,762,436 |
| | **13,524,872** | 13,524,872 | 13,524,872 |
| Dividend per share (Rs) | **1.00** | 1.00 | 1.00 |





## 24 PROFIT BEFORE TAX

| | The Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| *The above is stated after charging/(crediting):* | | | |
| Cost of inventories expensed | **1,495,885,181** | 1,434,583,164 | 1,407,866,057 |
| Depreciation and amortisation | **12,728,524** | 11,801,541 | 12,072,697 |
| (Profit)/loss on disposal of property, plant and equipment | **(836,186)** | 1,652,731 | 1,174,470 |
| Auditors' remuneration | **1,300,000** | 971,250 | 1,202,000 |
| Directors' remuneration (note below) | **14,406,401** | 10,938,496 | 10,938,496 |
| Staff costs (note below) | **156,731,829** | 147,211,564 | 148,549,663 |
| Net foreign exchange gains | **(15,822,746)** | (16,186,153) | (16,296,342) |
| Interest expense (Note 20.2) | **34,827,793** | 35,135,068 | 34,882,038 |

**Directors' remuneration**

| | The Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| - Full-time executive Directors | **12,483,580** | 9,155,582 | 9,155,582 |
| - Non-executive Directors | **1,922,821** | 1,782,914 | 1,782,914 |
| | **14,406,401** | 10,938,496 | 10,938,496 |

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

| | The Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| Salaries and relevant contributions | **150,380,312** | 141,489,331 | 142,827,430 |
| Social security costs | **6,351,517** | 5,722,233 | 5,722,233 |
| | **156,731,829** | 147,211,564 | 148,549,663 |
| Number of employees at end of year | **333** | 316 | 325 |
| Total staff costs (including Directors' remuneration) | **171,138,230** | 158,150,060 | 159,488,159 |

## 25 RELATED PARTY TRANSACTIONS

### 25.1 Substantial shareholder

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

| The Company | 2017 Rs | 2016 Rs |
|---|---|---|
| 25.1.1 Transactions during the year: | | |
| Dividends paid | **7,800,507** | 7,799,235 |
| Management fees | **3,231,822** | 2,938,020 |
| Sales | **2,016,187** | 1,472,214 |
| Purchases | **7,941,378** | 5,895,849 |
| 25.1.2 Amounts due to the substantial shareholder | **860,187** | 704,140 |
| 25.1.3 Amounts due from the substantial shareholder | **324,835** | 262,229 |

**The former Subsidiaries**

| OID LTEE | 2017 Rs | 2016 Rs |
|---|---|---|
| 25.1.4 Transactions during the period from 01 July 2016 to 31 March 2017 | | |
| Sales | **1,359,166** | 902,376 |
| 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 for the period from 01 July 2016 to 31 March 2017 (Date of amalgamation)

### 25.2 Common directorship

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

| | LEAL COMMUNICATIONS & INFORMATICS LTD | | LEAL EQUIPEMENTS COMPAGNIE LTEE | | UNITED MOTORS LTD | | DISTRIPC LTD | | LEAL ENERGIE LTD | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 Rs | 2016 Rs | 2017 Rs | 2016 Rs | 2017 Rs | 2016 Rs | 2017 Rs | 2016 Rs | 2017 Rs | 2016 Rs |
| 25.2.1 Transactions during the year: | | | | | | | | | | |
| Rental income | **1,081,872** | - | **-** | - | **-** | - | **1,542,762** | 1,848,422 | **672,612** | 1,456,026 |
| Sales | **15,225** | 6,132 | **5,950** | 18,818 | **49,617** | 33,653 | **648,346** | 739,466 | **36,000** | 180,000 |
| Purchases | **3,989,025** | 3,780,867 | **792,193** | 672,024 | **1,397,929** | 933,188 | **-** | - | **-** | - |
| 25.2.2 Amounts owed by companies under common directorship | **-** | - | **1,419** | - | **-** | - | **225,817** | 219,715 | **449,593** | 1,029,028 |
| 25.2.3 Amounts owed to companies under common directorship | **453,734** | 1,120,799 | **19,154** | 84,163 | **97,556** | 98,797 | **-** | - | **-** | 152,476 |



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

## 25 RELATED PARTY TRANSACTIONS (continued)

### 25.2 Common directorship (continued)

**The former subsidiaries:**

**OID LTEE**

| | LEAL ENERGIE LTD) | | DISTRIPC LTD | | UNITED MOTORS LTD | | LEAL COMMUNICATIONS & INFORMATICS LTD | |
|---|---|---|---|---|---|---|---|---|
| | 2017 Rs | 2016 Rs | 2017 Rs | 2016 Rs | 2017 Rs | 2016 Rs | 2017 Rs | 2016 Rs |
| 25.2.4 Transactions during the period from 01 July 2016 to 31 March 2017: | | | | | | | | |
| Sales | **161** | 9,202 | **38,808** | 36,089 | **106,084** | 114,781 | **3,305** | 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.

25.2.6 Note that no transactions occurred between COMANU LTEE and the companies within the Leal Group for the period from 01 July 2016 to 31 March 2017 (Date of amalgamation).

### 25.3 The Company and its former subsidiaries

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

| | COMANU LTEE | | OID LTEE | |
|---|---|---|---|---|
| | 2017 Rs | 2016 Rs | 2017 Rs | 2016 Rs |
| 25.3.1 Transactions during the year: | | | | |
| Finance (cost)/income | **(324,319)** | (648,979) | **337,528** | 177,562 |
| Rental income | **-** | - | **315,000** | 390,000 |
| Rental expense | **-** | - | **-** | 148,860 |
| Sales | **4,158,641** | - | **18,265,609** | 17,814,851 |
| Trade discount | **-** | - | **(238,159)** | (600,000) |
| Other income | **-** | 600,000 | **-** | 162,480 |
| Distribution costs | **-** | - | **-** | (220,000) |
| Purchases | **-** | - | **(1,358,826)** | (3,097,263) |
| Purchase of equipment | **-** | - | **-** | (934,515) |
| 25.3.2 Amounts owed by former subsidiaries | **-** | - | **-** | 6,797,497 |
| 25.3.3 Amounts owed to former subsidiaries | **-** | 11,868,077 | **-** | - |

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 period.

## 25 RELATED PARTY TRANSACTIONS (continued)

### 25.5 Directors and key management personnel

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

| | The Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| 25.5.1 Transactions during the year: | | | |
| Dividends paid | **703,749** | 530,992 | 530,992 |
| Sales | **297,501** | 128,092 | 807,935 |
| Salaries and other emoluments | **14,406,401** | 10,938,496 | 10,938,496 |
| 25.5.2 Amount owed by Directors and key management personnel | **-** | - | 1,084 |
| 25.5.3 Amount owed to Directors and key management personnel | **5,798** | 2,138 | 3,123 |

### 25.6 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 AMALGAMATION

Pursuant to a board meeting dated 13 February 2017, COMANU LTEE and OID LTEE have agreed to amalgamate with and into Pharmacie Nouvelle Limited (referred to as the "Amalgamated Company") with effect from 31 March 2017.

The said amalgamation has been carried out for the purpose of rationalising of the Company's group structure, thus all assets, rights, privileges, powers, obligations and liabilities of the Amalgamating Companies(former wholly owned subsidiaries) have been taken over by the Amalgamated Company and a Certificate of Amalgamation was issued by the Registrar of Companies on 31 March 2017.

The financial details of the two former subsidiaries are shown below:

**Extract of Statement of profit or loss and other comprehensive income for the period from 01 July 2016 to 31 March 2017 (Date of amalgamation)**

| | COMANU LTEE | OID LTEE | Total |
|---|---|---|---|
| | Rs | Rs | Rs |
| Revenue | 3,300 | 22,643,272 | 22,646,572 |
| Cost of sales | (18,903) | (19,115,649) | (19,134,552) |
| **Gross (loss)/ profit** | (15,603) | 3,527,623 | 3,512,020 |
| Other income | 326,419 | 238,159 | 564,578 |
| Total expenses | (5,188,923) | (6,226,721) | (11,415,644) |
| Finance cost | (3,899) | (663,860) | (667,759) |
| **Loss for the year** | (4,882,006) | (3,124,799) | (8,006,805) |





## 26 AMALGAMATION (continued)

**Statement of financial position as at 31 March 2017 (Date of amalgamation)**

| | COMANU LTEE | OID LTEE | Total |
|---|---|---|---|
| | Rs | Rs | Rs |
| **ASSETS** | | | |
| **Non-current** | | | |
| Intangible asset | - | 1,725,500 | 1,725,500 |
| Property, plant and equipment | - | 2,805,421 | 2,805,421 |
| Deferred tax assets | 4,623,485 | 1,373,926 | 5,997,411 |
| Investments in subsidiaries | 25,000 | - | 25,000 |
| **Non-current assets** | 4,648,485 | 5,904,847 | 10,553,332 |
| **Current** | | | |
| Inventories | - | 8,314,850 | 8,314,850 |
| Trade and other receivables | 6,865,820 | 5,011,441 | 11,877,261 |
| Cash and cash equivalents | 43,944 | 1,232,494 | 1,276,438 |
| **Current assets** | 6,909,764 | 14,558,785 | 21,468,549 |
| **Total assets** | 11,558,249 | 20,463,632 | 32,021,881 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Stated capital | 10,936,800 | 25,000 | 10,961,800 |
| Share application monies | - | 38,641,713 | 38,641,713 |
| Retained earnings/ (accumulated losses) | 621,449 | (38,292,579) | (37,671,130) |
| **Total equity** | 11,558,249 | 374,134 | 11,932,383 |
| **Non-current liabilities** | | | |
| Borrowings | - | 521,538 | 521,538 |
| **Current** | | | |
| Trade and other payables | - | 19,376,520 | 19,376,520 |
| Borrowings | - | 191,440 | 191,440 |
| **Current liabilities** | - | 19,567,960 | 19,567,960 |
| **Total Liabilities** | - | 20,089,498 | 20,089,498 |
| **Total equity and liabilities** | 11,558,249 | 20,463,632 | 32,021,881 |

## 27 CONTINGENT LIABILITIES AND GUARANTEES

The Company had contingent liabilities amounting to Rs 6,127,049 in respect of bank guarantees arising in the ordinary course of business.

## 28 COMMITMENTS

### 28.1 Operating lease arrangements where the Company is the lessee

| | **2017** | 2016 |
|---|---|---|
| | **Rs** | Rs |
| Minimum lease payments under operating leases recognised in statement of comprehensive income | **22,713,915** | 19,457,243 |

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

| | **2017** | 2016 |
|---|---|---|
| | **Rs** | Rs |
| Within one year | **19,606,434** | 15,630,240 |
| Between 2 to 5 years | **44,322,927** | 32,564,995 |

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.

### 28.1.1 Operating lease arrangements where the 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.

### 28.2 Capital commitments

| | The Company | | The Group |
|---|---|---|---|
| | **2017** | 2016 | 2016 |
| | **Rs** | Rs | Rs |
| Approved and contracted for | **20,149,970** | 18,368,571 | 18,368,571 |

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

## 29 EVENTS AFTER THE REPORTING PERIOD

There has been no material events after the reporting date which require disclosure or adjustment to the financial statements for the year ended 30 June 2017.

## 30 HOLDING COMPANY

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

Member of Leal Group

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