pnl

Member of Leal Group

ANNUAL REPORT 2019

LEAL GROUP

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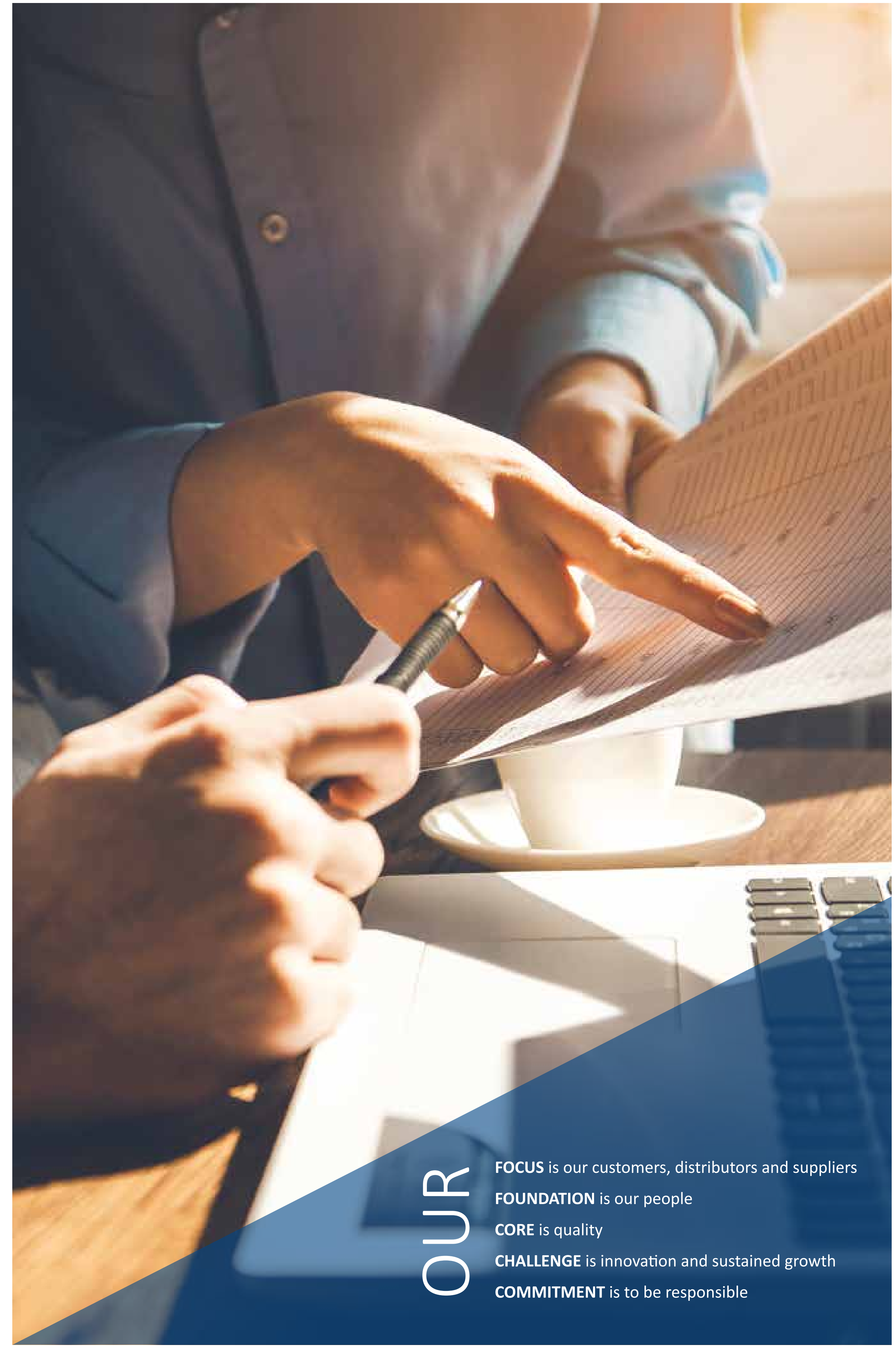


OUR
FOCUS is our customers, distributors and suppliers
FOUNDATION is our people
CORE is quality
CHALLENGE is innovation and sustained growth
COMMITMENT is to be responsible

WHERE PEOPLE MATTER

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

OUR AIM

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

19
PHARMACEUTICAL LABORATORIES

90
CONSUMER GOODS BRANDS
5 main departments:
Food, Non-Food, Beverage, GSK, Unilever

117
GMS
GRANDES ET MOYENNES SURFACES

386
EMPLOYEES

300
PHARMACIES
The pharmaceutical products are sold in 300 pharmacies around the island

1200
LTG
LOCAL TRADITIONAL GROCERIES

CHAIRMAN & CEO STATEMENT

Mr Eric Michel Georges LEAL
Executive Chairman

Mr Daniel de LABAUVE d'ARIFAT
Chief Executive Officer

"OUR CURRENT COMMERCIAL STRUCTURE BEING NOW FULLY ALIGNED TO OUR LONG-TERM VISION, WITH CLEAR AND MEASURABLE OBJECTIVES SET FOR ALL CLUSTERS, WE SHALL NOW FOCUS ON OPTIMIZING OUR SUPPLY CHAIN OPERATIONS FOR MORE EFFICIENCY."

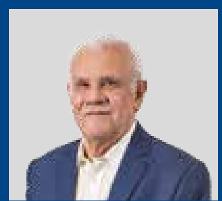
Board of Directors

Jean Marie Eugène GREGOIRE
Chairman of the Corporate Governance Committee

Virrsing RAMDENY
Chairman of the Audit and risk Committee

Marie Joseph Jean Paul CHASTEAU DE BALYON
Independent Non-Executive Director

Joseph Jacques Vivian COLLET-SERRET
Non-Executive Director

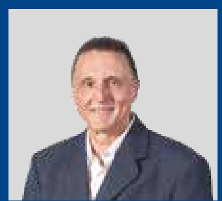


Marie Louis Désiré René France DUCASSE
Non-Executive Director

Guy Jean Noël LENNON
Chief Operating Officer

Georges LEUNG SING
Independent Non-Executive Director

Mohamed Yousouf REHMALLY (FCCA)
Non-Executive Director



Désiré Pierre Ariste Maxime REY
Independent Non-Executive Director

Bernard Aimé Jacques ROCHECOUSTE COLLET
Non-Executive Director

Dear Shareholders,

We are pleased to present our Annual Report for the year 2018-19.

Financial Highlights

For the current financial year, PNL registered an increase of 8% in turnover and of 10% in Profit after tax to reach Rs 55M.

All clusters contributed positively to this good performance, with the Consumer goods cluster remaining the largest contributor in turnover (50%) followed by the Health (24%) and Beverages clusters (22%).

Performance Highlight by Clusters

Consumer Goods & Beverages Cluster
The Consumer Goods and Beverages Cluster registered a 9% growth in turnover along with an improved Gross margin when compared to last year. This performance was achieved through the continuous development of our portfolio across all the 5 departments (Food, Non-Food, Unilever, GSK and Beverage).

A better management of price promotion, a healthier mix of our product portfolio and a flawless execution of our marketing plan contributed to the overall performance of the cluster.

The Health Cluster achieved a 4% growth in turnover. The government tender business was better than expected and the new range of product for the private business also contributed to the overall positive performance.

The Chemical Cluster registered an exceptional growth of 23% in turnover driven by the yarn business. We have been impacted by the difficulties of the textile environment and are working on a strategic orientation of that cluster to keep our current overall momentum.

Outlook

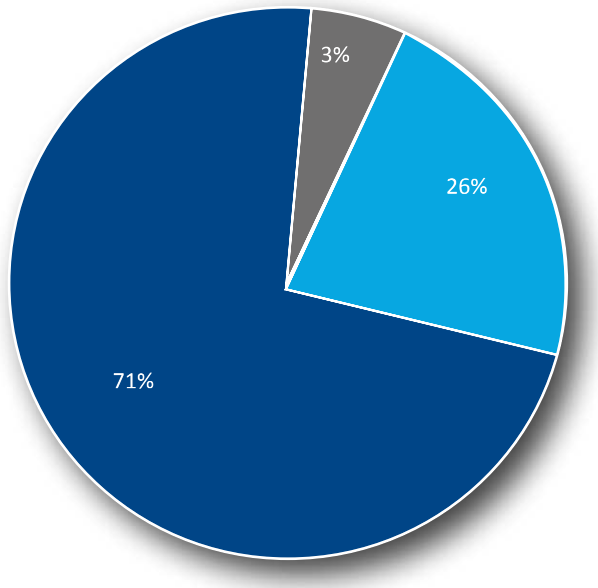
Our current commercial structure being now fully aligned to our long-term vision, with clear and measurable objectives set for all clusters, we shall now focus on optimizing our supply chain operations for more efficiency.

Our People

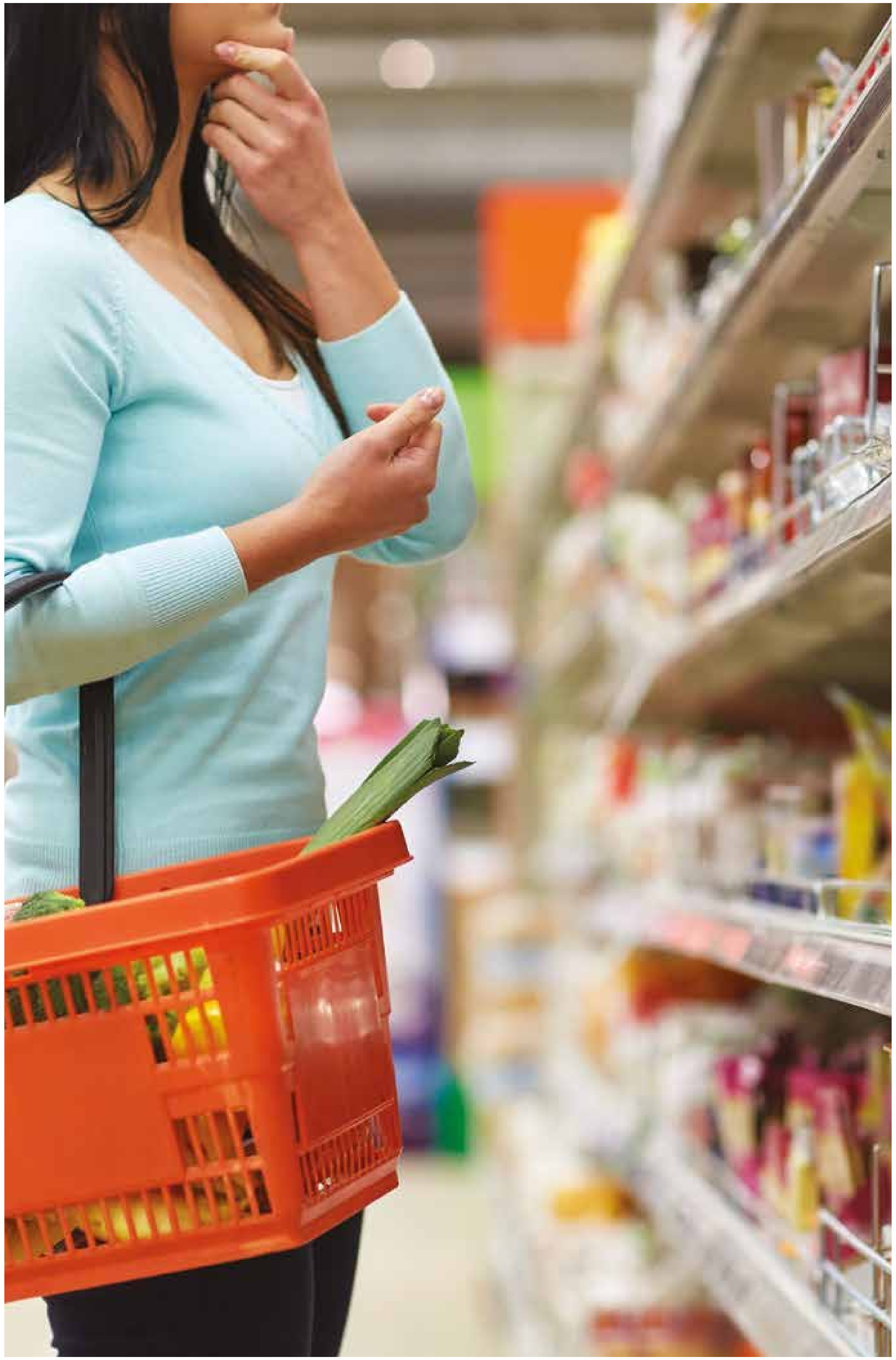
We shall continue to invest in the development of our people through training, team performance recognition and through a better work environment.

Acknowledgement

We take this opportunity to thank our shareholders, business partners, customers and board members for their continued support and trust in PNL. We also thank our management team and all PNL employees for their commitment, trust and loyalty.



Chemical 3%
Health 26%
Consumer Good 71%



A WEALTH OF WORLD-LEADING BRANDS

Member of Leal Group
Consumer

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

A WEALTH OF WORLD-LEADING BRANDS

ABBOTT
ASTELLAS
BOEHRINGER INGELHEIM
BOEHRINGER INGELHEIM ANIMAL HEALTH
E DENK
ELI LILLY
MERCK
PFIZER
PHARMAR
PIERRE FABRE
RECODATI
RENA EXPORTS
ROCHE DIAGNOSTICS
ROCHE DIABETES CARE
SANAPLUS LTD
SANOFI AVENTIS
TRIDEM DISTRIBUTION
TRIDENT (CIPLA)
VIRCHOW HEALTHCARE

A WEALTH OF WORLD-LEADING BRANDS

DYSTAR
COVESTRO
DOW-WOLFF CELLULOSICS
LANXESS-GMBH
RSWM LTD

A WEALTH OF WORLD-LEADING BRANDS

Nicolas is a wine shop franchise which is represented in Mauritius by PNL. The first shop was opened in Bagatelle Shopping Mall in July 2016 and a second shop was opened in Grand Baie Coeur De Ville in August 2017. 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
(Non-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 Désiré Pierre Ariste Maxime REY

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

Mr Mohamed Yousouf REHMALLY
(Also alternate to Mr Joseph Jacques Vivian COLLET-SERRET)

SENIOR MANAGEMENT TEAM

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 ADVISERS

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

Me Zohra Nazroo
Suite No 5, 3rd Floor, Vawda Building
Sir Virgile Naz Street
Port Louis
Republic of Mauritius

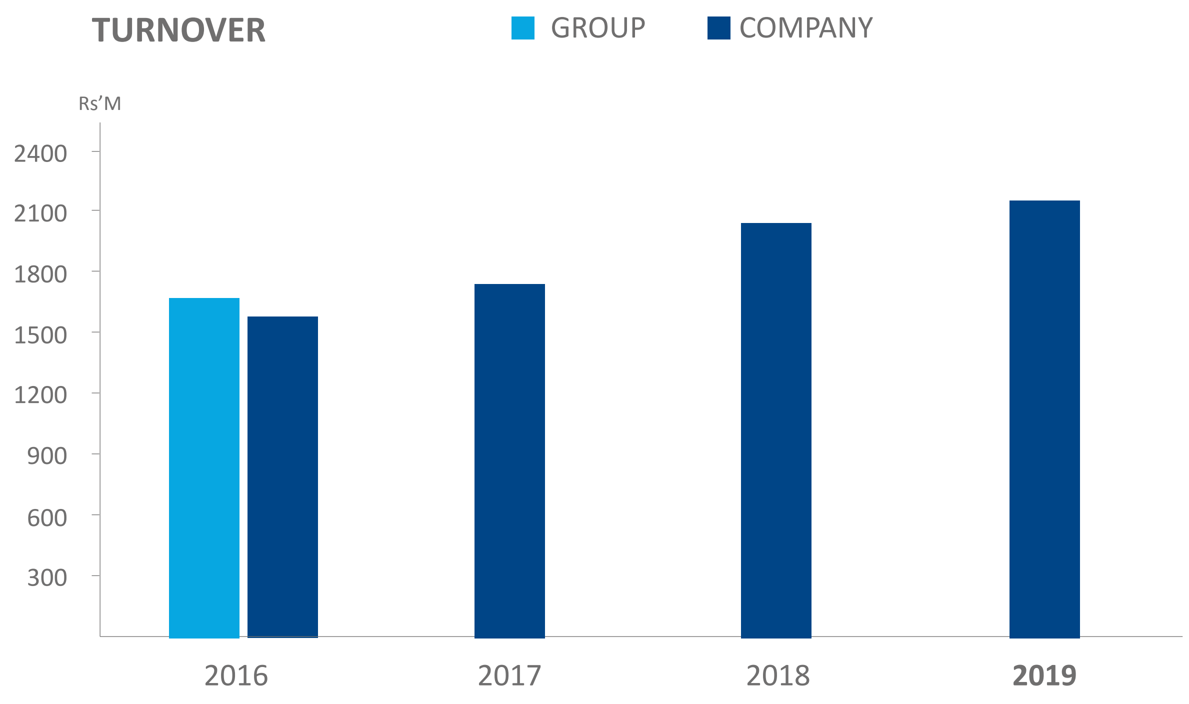
AUDITORS

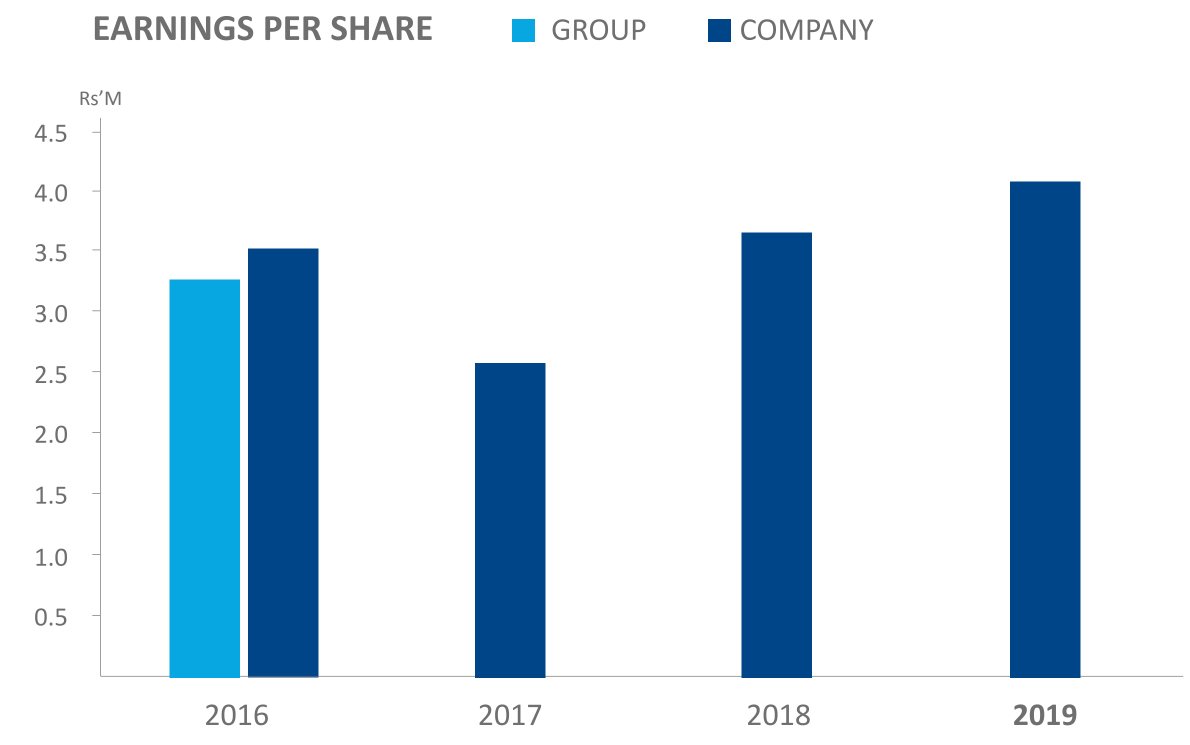
Grant Thornton
Ebène Tower
52 Cybercity
Ebène 72201
Republic of Mauritius

BANKERS

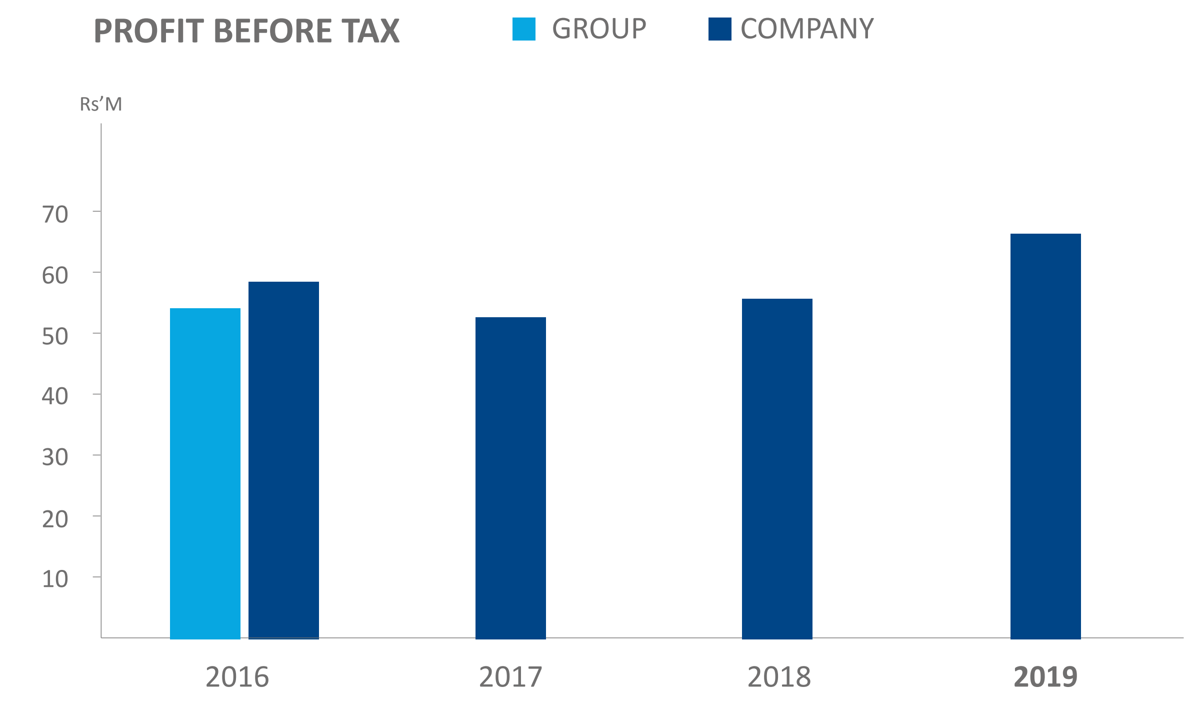
AfrAsia Bank Limited
Bank One Limited
BCP Bank (Mauritius) Ltd
Barclays Bank Mauritius Limited
Habib Bank Limited
MauBank Ltd
SBM Bank (Mauritius) Ltd
The Mauritius Commercial Bank Ltd

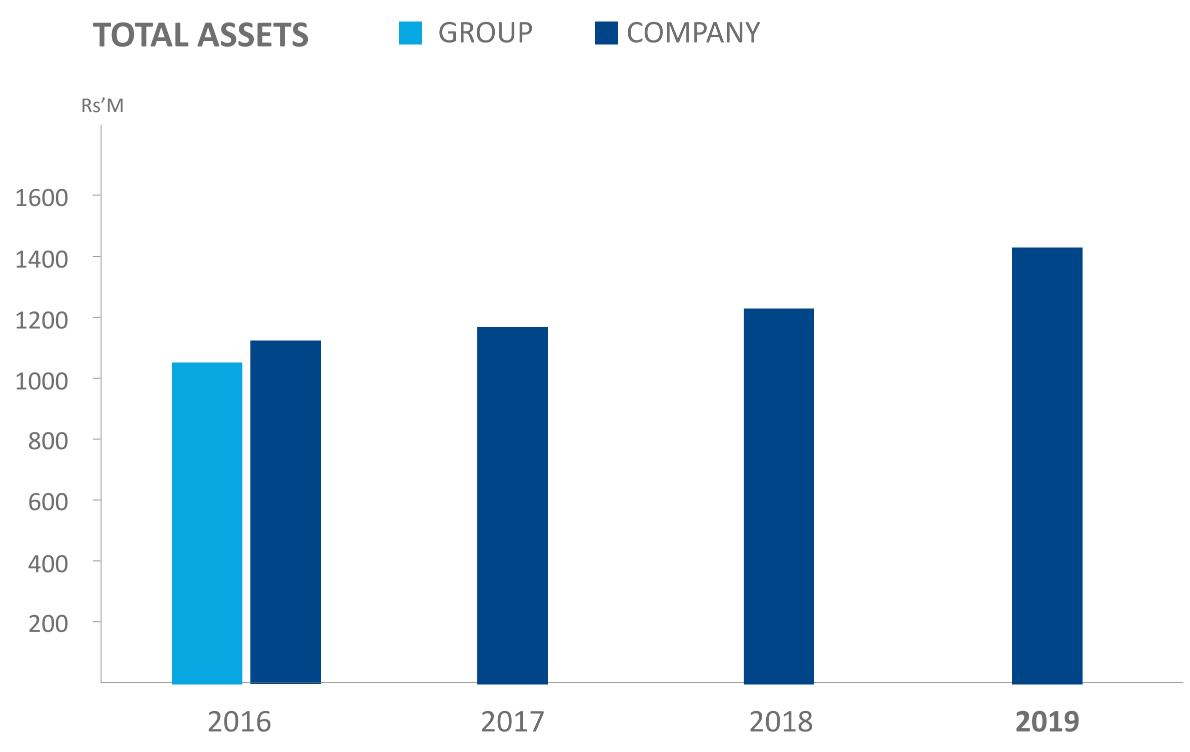
FINANCIAL HIGHLIGHTS





Note: In financial year 2017, the subsidiaries were amalgamated into Pharmacie Nouvelle Ltd.





Note: In financial year 2017, the subsidiaries were amalgamated into Pharmacie Nouvelle Ltd.

ANNUAL REPORT

The Board of Directors, the "Board", 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 2019.

Incorporation

The Company was incorporated in the Republic of Mauritius on 08 June 1967 as a private company with liability limited by shares. Subsequently, the Company changed its status to a public company with liability limited by shares.

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 import and export;
(vi) to engage in wholesale of chemical products, pesticides, herbicides and fertilisers;
(vii) to engage in retail sale of clothing and accessories in stores; and
(viii) to engage in retail sale of sporting equipment in specialised stores.

The Company has a licence to manufacture cosmetics but has discontinued with this activity for the time being.

Results and Dividends

The results for the year are as shown on pages **52** and **53.**
The Directors have recommended the payment of a dividend of **Rs 13,524,872** for the year under review.
(2018: Rs 13,524,872).

Directors

The present composition of the Board is set out on **page 16.**

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:

	2019	2018
	Rs	**Rs**
Full time Executive Directors	**13,543,037**	12,861,770
Non-Executive Directors	**1,670,776**	1,735,856
Total	**15,213,813**	14,597,626

Donations

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

Auditors

Fees (exclusive of Value Added Tax) payable/paid to Grant Thornton are disclosed as follows:

	2019	2018
	Rs	**Rs**
Fees relating to statutory audit services	**1,614,760**	1,400,000
Fees relating to tax and advisory services (Note (i))	**610,000**	460,000
Total	**2,224,760**	1,860,000

(i) These services are provided by Grant Thornton (Advisory Services) Ltd, a separate legal entity headed by non-audit partners. The fees paid during the year are in respect of tax compliance services and professional advice on tax related issues.

Approved by the Board of Directors on 26 September 2019 signed on its behalf by:

Eric Michel Georges LEAL
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 2019

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 following sections, for reasons mentioned later in this Report:

1. Principle 2: Independence of Chairperson, Board Diversity and Details of Directorships held in Other Organisations
2. Principle 4: Remuneration of Directors
3. Principle 5: Whistle blowing Policy

Eric Michel Georges LEAL
Chairman

Daniel de LABAUVE d'ARIFAT
Director and Chief Executive Officer

Virrsing RAMDENY
Director and Chairman of the Audit and Risk Committee

26 September 2019

CORPORATE GOVERNANCE REPORT

PRINCIPLE 1: GOVERNANCE STRUCTURE

Compliance with the National Code of Corporate Governance for Mauritius (2016) (the 'Code')

Pharmacie Nouvelle Limited, the "Company" or "PNL", a company incorporated in the Republic of Mauritius is a Public Interest Entity as defined by the Financial Reporting Act 2004. The Board of Directors (the "Board") and management of the Company are committed to ensuring and maintaining a high standard of corporate governance within the Company. Furthermore the Board 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.

The Board assumes full responsibility for leading and controlling the organisation and meeting all legal and regulatory requirements. Besides, the Board is collectively responsible for the long term success, reputation and governance of the Company. The Board also determines the Company's mission, vision, values and strategy.

This report describes, amongst others, the main corporate governance framework and compliance requirements of the Company which are laid down in the following:

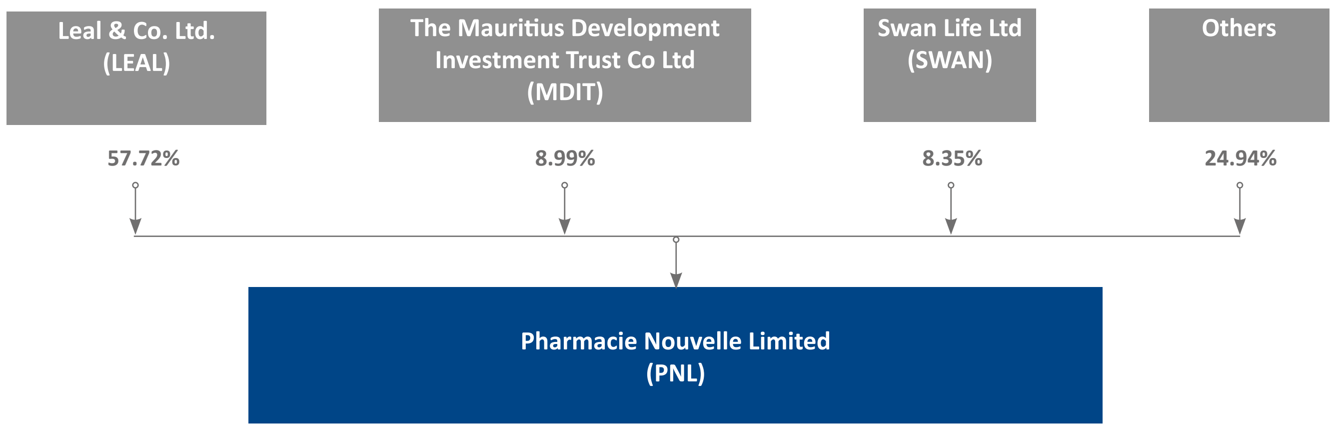
- PNL's Constitution;
- Board Charter;
- the Mauritius Companies Act 2001;
- the Financial Reporting Act 2004; and
- the disclosures required under the Code and the Terms of Reference of the Board Committees.

The Company has adopted a Board Charter as well as a Code of Ethics and copies of same are available upon request in writing to the Company Secretary.

PNL has also formalised a written job description/position statement for each senior governance position and a written description of the major accountabilities within the organisation.

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:



PRINCIPLE 1: GOVERNANCE STRUCTURE (continued)

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	√		√
Mohamed Yousouf REHMALLY	√	√	
Bernard Aimé Jacques ROCHECOUSTE COLLET	√	√	
Désiré Pierre Ariste Maxime REY	√	√	

** Chairman*

Substantial Shareholders

The following shareholders held more than 5% of the stated capital of the Company as at 30 June 2019:

Name of Shareholders	Number of Ordinary Shares	% Holding
Leal & Co. Ltd	7,801,596	57.72%
The Mauritius Development Investment Trust Co Ltd	1,217,238	8.99%
Swan Life Ltd	1,129,390	8.35%

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.

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

Board Structure

The Board of PNL has a unitary structure.

The Board 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.

Besides, Members of the two sub-committees of the Board namely the Leal Group Audit and Risk Committee and the Leal Group Corporate Governance Committee have the appropriate balance of skills, experience, independence and knowledge to enable them to discharge their duties as evidenced by their profiles.

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (continued)

Board Size

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.

As at 30 June 2019, the Board comprised of twelve (12) members as follows:
- Two (2) Executive Directors;
- Eight (8) Non-Executive Directors; and
- Two (2) Independent Non-Executive Directors.

Board Composition

As at 30 June 2019, the Board was composed as follows:

Directors	Category
Eric Michel Georges LEAL–***Chairman***	Non-Executive Director
Daniel de LABAUVE d'ARIFAT–***Chief Executive Officer***	Executive Director
Guy Jean Noël LENNON	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
Georges LEUNG SHING	Independent Non-executive Director
Mohamed Yousouf REHMALLY *(Director and alternate to Joseph Jacques Vivian COLLET-SERRET)*	Non-Executive Director
Désiré Pierre Ariste Maxime REY	Non-Executive Director
Bernard Aimé Jacques ROCHECOUSTE COLLET *(Director and alternate to Marie Louis Désiré René France DUCASSE)*	Non-Executive Director

Board Diversity

The Board Members of PNL are of the same gender and are all ordinarily resident of Mauritius. PNL believes in promoting Gender Equality and in order to be compliant with the provisions of the Mauritius Companies Act 2001, the Company is currently considering the appointment of a female candidate on the Board.

Board of Directors

The Board of Directors is the ultimate decision-making level in the organisation and it 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.

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (continued)

Board of Directors (continued)

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-commitee meetings.

The Board of Directors assesses the Terms of Reference of the two Board Committees on a regular basis to ensure that same are being applied correctly and that the said Terms of Reference are still compliant with the various regulations.

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 a Non-Executive, the Chief Executive Officer reports directly to him and to the Board, giving therefore sufficient segregation of power between the Chairman and the Management.

In his role as Non-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 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.

Company Secretary

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

Navitas Corporate Services Ltd provides a wide range of corporate secretarial, administration and advisory services to domestic clients ranging from small stand-alone companies to large conglomerates listed on the Stock Exchange of Mauritius.

All Directors of PNL 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 of the Board Committees, applicable laws, rules and regulations.

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (continued)

Company Secretary (continued)

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 also assists the Chairman in ensuring that Board procedures are followed and that the Company's constitution and relevant rules and regulations are complied with.

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

Board Meetings

Board meetings are held once every quarter and at any additional times as the Company requires. Decisions taken between meetings are confirmed by way of written resolutions, agreed and signed by all Directors 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.

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 appropriate 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 to assist the Board in the effective performance of its responsibilities. These Committees operate within defined Terms of Reference and independently to the Board. The Terms of Reference of the two Committees are amended as required, subject to the approval of the Board.

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

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (continued)

Board Committees (continued)

The Board recognises that Board Committees are an effective part of the corporate governance framework of the Company which enable the Directors to discharge their duties more effectively by sharing the work of the Board, enhancing Board efficiency and effectiveness and enabling issues to be studied in greater depth. However, the Board also understands that it is ultimately responsible and accountable for the performance of the Company and that delegating authority to Board Committees does not in any way absolve the Board of its duties and responsibilities.

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.

Leal Group Corporate Governance Committee

The composition of the Leal Group Corporate Governance Committee has remained unchanged during the year under review, except for the resignation of Mr Marie Louis Désiré René France DUCASSE on 01 January 2019 and the appointment of Mr Désiré Pierre Ariste Maxime REY on the same date.

At the date of this report, the membership 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 (step down as from 01 January 2019)	Independent Non-Executive Director of Leal & Co. Ltd.
Gérald LINCOLN	Independent Non-Executive Director of Leal & Co. Ltd.
Désiré Pierre Ariste Maxime REY (effective as from 01 January 2019)	Independent Non-Executive Director of Leal & Co. Ltd.
In attendance (when deemed appropriate)	
Eric Michel Georges LEAL	Group Chairman, Non-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
Mohamed Yousouf REHMALLY	Group Chief Finance 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.

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (continued)

Board Committees (continued)

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

The said Group Committee, which reviewed and approved the present corporate governance report on 18 September 2019, confirms that it has met its responsibilities for the year under review, in compliance with its Terms of Reference.

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 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 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. and Non-Executive Director of Pharmacie Nouvelle Limited
Guy Jean Noël LENNON	Chief Operating Officer, Sales, Marketing and Supply Chain Department – Executive Director of Pharmacie Nouvelle Limited
Hugo VICTOIRE	Chief Finance Officer of Pharmacie Nouvelle Limited
Mohamed Yousouf REHMALLY	Group Chief Finance Officer of Leal & Co. Ltd. and Non-Executive Director of Pharmacie Nouvelle Limited
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 confirms that it has fulfilled its responsibilities for the year under review, in accordance with its Terms of Reference.

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 it also assesses the effectiveness of the independent audit process by having regular interactions with the 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 eight (8) times during the financial year 2018/2019 to review the financial statements of the Company and to receive reports of the work conducted by the Internal and Independent Audit teams.

The said Leal Group Audit and Risk Committee met on 26 September 2019 to recommend to the Board the approval of the annual financial statements for the financial year ended 30 June 2019 and the relevant abridged audited results for publication.

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (continued)

Board and Board Committees Attendance

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

Directors	Category	Board Meeting	Leal Group Audit and Risk Committee	Leal Group Corporate Governance Committee
Eric Michel Georges LEAL–***Non- Executive Chairman***	NED	5/5	-	-
Daniel de LABAUVE d'ARIFAT - ***Chief Executive Officer***	ED	5/5	-	-
Guy Jean Noël LENNON	ED	5/5	-	-
Virrsing RAMDENY	NED	4/5	8/8	-
Jean Marie Eugène GREGOIRE	NED	5/5	8/8	3/3
Marie Joseph Jean Paul CHASTEAU DE BALYON *(Director and alternate to Mr Jean Marie Eugène GREGOIRE)*	INED	5/5	-	3/3
Joseph Jacques Vivian COLLET-SERRET	NED	2/5	-	-
Marie Louis Désiré René France DUCASSE *(Director and alternate to* Bernard *ROCHECOUSTE COLLET)*	NED	4/5	8/8	2/2
Georges LEUNG SHING	INED	5/5	-	-
Mohamed Yousouf REHMALLY (*Director and alternate to Joseph Jacques Vivian COLLET-SERRET*)	NED	5/5	-	-
Désiré Pierre Ariste Maxime REY	NED	5/5	8/8	1/1
Bernard Aimé Jacques ROCHECOUSTE COLLET *(Director and alternate to* Marie Louis Désiré René France DUCASSE*)*	NED	4/5	-	-
Gérald LINCOLN – Independent Non-Executive Director of Leal & Co. Ltd	-	-	-	3/3
In attendance*				
Eric Michel Georges LEAL		-	7/8	3/3
Joseph Jacques Vivian COLLET-SERRET		-	6/8	2/3
Mohamed Yousouf REHMALLY		-	8/8	3/3
Daniel de LABAUVE d'ARIFAT		-	7/8	1/3
Guy Jean Noël LENNON		-	7/8	-
Hugo Victoire		5/5	7/8	-

** Not a member of the Committee*

ED: Executive Director

NED: Non-Executive Director

INED: Independent Non-Executive Director

Directors' and Officers' Liability Insurance

A Directors' and Officers' liability insurance policy has been subscribed to at the level of Leal & Co. Ltd. and covers all the Directors of Leal group of companies.

PRINCIPLE 3: DIRECTOR APPOINTMENT PROCEDURES

In accordance with 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.

In its role as Nomination Committee, the Leal Group Corporate Committee also 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.

Directors' Profiles

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

Eric Michel Georges LEAL

(Non-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 the 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 & Chairman of the Board at West Coast Primary School Ltd and Director at 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 29 years of continuous employment within the Company and has completed a General Management Program through ESSEC Business School in June 2013.

PRINCIPLE 3: DIRECTOR APPOINTMENT PROCEDURES (continued)

Directors' Profiles (continued)

Virrsing RAMDENY

(Non-Executive Director)

Mr Virrsing RAMDENY is a Fellow of the Chartered Association of Certified Accountants, Member of the Institute of Chartered Accountants of England and Wales and holder of a Master's Degree in Management. He has more than 27 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. Due to practical reason, Mr Ramdeny has not disclosed his directorship in other organisations.

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 31 years' experience as Director of various companies in France and in other countries. He has also provided consultancy services during 5 years to companies specialised 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 has occupied the posts of Deputy Executive Manager (Administration) and Director / Company Secretary of Swan Group Corporate Services Limited. At the time of his retirement in June 2012, he was also Director of Lux* Island Resorts Ltd (Member of its Audit and Risk and Corporate Governance committees), 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 (Member of its Audit and Risk and Corporate Governance Committees).

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.

PRINCIPLE 3: DIRECTOR APPOINTMENT PROCEDURES (continued)

Directors' Profiles (continued)

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 Corporate Governance Committee and Audit Committee. He is currently a Director of Leal & Co. 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, subsequently, Managing Director and Non-Executive Director of Omnicane Ltd. He is a former Chairman of the MCA and the Mauritius Institute of Directors (MIoD) and he has served as Chairman/Director of companies in the Banking, Commercial, Construction, Energy, Hotel, Industrial and Insurance sectors and the Stock Exchange of Mauritius Ltd. He is presently the Chairman of the Review Committee of the Financial Reporting Council and The Mauritius Development Investment Trust Company Ltd, and is also a member of the MIOD ACF and MIOD Directors' Forum.

The list of directorship in other companies: Golden Foundation Ltd, Golden Fund Management Services Ltd, United Importers Ltd and Wampao Ltd.

Mohamed Yousouf REHMALLY (FCCA)

(Non-Executive Director and Alternate Director to Joseph Jacques Vivian COLLET-SERRET)

Mr Yousouf REHMALLY is a Fellow of the Chartered Association of 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.

Désiré Pierre Ariste Maxime REY

(Non-Executive Director)

Mr Désiré Pierre Ariste Maxime REY has extensive experience in the Insurance sector. He worked for the Mauritian insurance leading company SWAN as CFO for more than 20 years until his retirement in 2016. Before that, he worked in Johannesburg for Kuehne and Nagel (Pty) Ltd, the South African arm of a leading global provider of innovative and fully integrated supply chain solutions, as Group Financial Director for 13 years

The list of directorship in other companies: MFD Group Ltd, Mer Rouge Trading Ltd, Lux Island Resorts Ltd, Constance La Gaieté Co. Ltd, BMH Ltd, IBL Ltd, Tropical Paradise Co. ltd, Leal & Co. Ltd.

PRINCIPLE 3: DIRECTOR APPOINTMENT PROCEDURES (continued)

Directors' Profiles (continued)

Bernard Aimé Jacques ROCHECOUSTE COLLET

(Non-Executive Director and Alternate Director to Mr Marie Louis Désiré René France Ducasse)

Mr Bernard Aimé Jacques ROCHECOUSTE COLLET has joined Leal & Co. Ltd in 1972. He has occupied the position of Sales Director of Leal & Co. Ltd for years until his retirement. He 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 Ltée.

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 40 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 has accumulated more than 23 years of working experience and he has spent the past 13 years working for the Company. Prior to working for PNL, he worked for 6 years as Accountant in the insurance industry. He completed his studies with the Chartered Institute of Management Accountants and he is a member of the Mauritius Institute of Directors.

PRINCIPLE 3: DIRECTOR APPOINTMENT PROCEDURES (continued)

Director's Induction

An induction program is organised to introduce newly appointed Directors to the Company'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.

Professional Development

PNL ensures that the necessary resources for developing and updating its Directors' knowledge and capabilities are provided as and when required.

Succession Planning

The Board of Directors believes that suitable plans are in place for the orderly succession of appointments to the Board and to senior management positions in order to maintain an appropriate balance of knowledge, skills and experience within the organisation and on the Board.

Furthermore, the Leal Group Corporate Governance Committee assumes the responsibility for the succession planning of the Company.

PRINCIPLE 4: DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE

All the Directors of PNL are aware of their legal duties and responsibilities.

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

In its role as Remuneration Committee, the Leal Group Corporate Governance Committee determines and develops the Company's and Group's general policy on executive and senior management remuneration and makes recommendations to the Board on all the essential components of remuneration whilst determining the adequate remuneration to be paid to Directors and senior management.

Code of Ethics

PNL has adopted a Code of Ethics.

The Board of Directors is also 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.

PRINCIPLE 4: DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE (continued)

Code of Ethics (continued)

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.

Board Evaluation

Upon the recommendation of the Leal Group Corporate Governance Committee, the Board of Directors has, approved that a Board evaluation be carried out on an annual basis. The said Board evaluation is conducted by way of Questionnaire. The Chairperson thereafter acts on the results of the evaluation by recognising the strengths and addressing the weaknesses of the Board.

It is also noted that 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. 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.

Furthermore, Non-Executive Directors are chosen for their business experience and acumen as well as 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 observers.

Board and Board Committees' Fees

The Non-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 Non-Executive Directors have not received any remuneration in the form of share options or bonuses associated with organisational performance. 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 2019, please refer to page 22 of the Annual Report.

PRINCIPLE 4: DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE (continued)

Remuneration Philosophy

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

The Leal 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.

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.

It is the responsibility of each Director of Leal Group to ensure that any conflict of interest be recorded in the Interest Register, maintained by the Company Secretary.

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 hold shares in the Company, are disclosed in the table below:

Directors	Direct Interest %	Indirect Interest %
Eric Michel Georges LEAL	-	19.791
Daniel de LABAUVE d'ARIFAT	-	-
Guy Jean Noël LENNON	-	-
Virrsing RAMDENY	-	2.154
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	0.089
Georges LEUNG SHING	-	0.206
Mohamed Yousouf REHMALLY	-	-
Désiré Pierre Ariste Maxime REY	-	-
Bernard Aimé Jacques ROCHECOUSTE COLLET	0.860	0.178
Senior Management Team		
Lingon VEERASAMY	0.031	0.003
Hugo VICTOIRE	-	-

PRINCIPLE 4: DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE (continued)

Related Party Transactions

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

Information, Information Technology and Information Security Governance

The Board is responsible to oversee information governance within the Company and ensures that there is a strategic alignment of both Information and Information Security with its business strategy in order to create value.

The Board ensures that the Information Security Policy is regularly reviewed and monitored and that sufficient resources are allocated in the annual budget towards the implementation of an Information and IT Security frameworks.

Board Information

The Chairman, with the assistance of the Company Secretary, ensures that Directors receive all information necessary for them to perform their duties and that the Board has sufficient time for consultation and decision-making.

The Board members of PNL ensure that matters relating to the Company, learned in their capacity as Directors, are strictly confidential and private and shall not be divulged to anyone without the authority of the Board.

PRINCIPLE 5: RISK GOVERNANCE AND INTERNAL CONTROL

Internal Control and Risk Management

The Board is responsible for the system of internal control and risk management and is committed to continuously maintain adequate control procedures and assess areas with high residual risks with the assistance of the internal audit function.

Management is accountable to the Board for the design, implementation and enforcement of internal controls, ensuring that the associated processes and systems are operating satisfactorily. The Board derives assurance that the internal control systems are effective in safeguarding the assets. There is also a framework for managing risks and for transactions to be authorised and properly recorded. There is an internal audit function in place to assist management in the effective discharge of its responsibilities and it is independent of management and reports to the Audit Committee.

The Board maintains full control and direction over appropriate strategic, financial, operational and compliance issues and has put in place an organisational structure with formal delegated authorities and clear operating processes. The Board has delegated to the Leal Group Audit and Risk Committee (ARC) the overall responsibility to translate its vision on risk management. The ARC reviews the risk philosophy, strategy and policies recommended by management and monitors compliance with policies and procedures.

The Board has empowered the ARC to ensure that risk management and internal controls are adequate to promote transparency and good governance practices across the various lines of activity. In discharging its responsibility towards the Board, the ARC relies upon the reports of the internal auditors and management to monitor the adequacy of PNL's risk management and internal controls.

PRINCIPLE 5: RISK GOVERNANCE AND INTERNAL CONTROL (continued)

Internal Control and Risk Management (continued)

PNL's internal audit function, which operates under an outsourced agreement with PricewaterhouseCoopers (PwC), reports directly to the ARC, which reviews and approves the internal audit plan for each year. PwC has been appointed as internal auditor with the objective of assisting the members of the Board, the management and the Board committees of PNL in the effective discharge of their responsibilities.

PwC focuses its work on the areas of the greatest risk to PNL, as determined by a risk-based approach to audit planning, to support PNL's commitment to maintaining and strengthening best practice in corporate governance matters and in enhancing their internal control environment and risk management capability.

PwC attends and presents its findings to the ARC on a quarterly basis. 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.

Areas covered by the internal audit function between July 2018 and June 2019 were:
- Compliance
- Procurement
- Distribution
- Revenue
- Follow Up on matters previously raised

The ARC reviews the effectiveness of the internal audit function on an ongoing basis, which is achieved, in part, by reviewing and discussing the reports presented to it at each meeting. The ARC also assesses the independence of PwC and is satisfied with its independence. The terms of reference for the internal audit services are governed by an engagement letter between both parties

The Internal Audit has full access to the records, management or employees of PNL.

Whistle-blowing policy

The Board of Directors has not yet adopted a whistle-blowing policy but is considering the Position Paper 6 of the Audit Committee Forum, which the Mauritius Institute of Directors had launched in collaboration of KPMG.

PRINCIPLE 6: REPORTING WITH INTEGRITY

Statement of Directors' Responsibilities in respect of the Preparation of Financial Statements

The Directors affirm their responsibilities for preparing the Annual Report and Financial Statements of PNL that fairly present the state of affairs of the Company and the results of its operations.

The Statement of Directors' Responsibilities is found on page 5 of the Annual Report.

PRINCIPLE 6: REPORTING WITH INTEGRITY (continued)

Dividend Policy

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

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

For the year under review, the Company has declared an interim dividend of 5% in November 2018 (paid in December 2018) and a final dividend of 5% in June 2019 (paid in June 2019).

Health, Safety and Environmental Issues

The Company abides to law and the general rules and regulations governing the health, safety and environmental issues. 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:

Events	Date
Workplace Fire Awareness	17 October 2018
Prévention et Sécurité lors des travaux en hauteur: Utilisation d'une échelle ou d'un escabeau en toute sécurité	26 October 2018
Food Handler's Training	16 February 2019
Manual Handling Training	20 March 2019
Fire Drill	22 March 2019
Les Premiers Soins au Travail – Sauveteur Secouriste du Travail	22 & 23 May 2019
Les Premiers Soins au Travail – Sauveteur Secouriste du Travail	12 & 13 June 2019
Anti Flu Vaccination	12 & 13 June 2019
Food Handler's Training	15 June 2019

Social Issues

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.

The Company recognises the importance of the role it has to play in society and it actively participates in endeavours to alleviate social and environmental problems. The Leal Group is also committed to creating sustainable value for the social and economic well-being of the society.

PRINCIPLE 6: REPORTING WITH INTEGRITY (continued)

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.

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.

Alphabetisation FATIMA - The NGO provides educational assistance to needy children.

Etoile d'Esperance - The association provides counsel to women with alcoholic dependence. The NGO does sensitisation campaigns in hospitals and schools.

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

Action for Integral Human Development - Provides support for Education and Training.

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

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.

Terre de Paix - The objectives of Terre de Paix are to carry out child care activities in a secular and non-discriminatory way and to provide alternative care services, in the best interest of the child and in collaboration with biological parents and relatives.

Charitable & Political Contributions

No charitable and non-charitable contributions were made during the years ended 30 June 2018 and 2019.

The Corporate Social Responsibility contributions amounted to **Rs 1,308,331** (2018: Rs NIL).

Political donations for the year under review amounted to **Rs 150,000** (2018: Rs 300,000).

PRINCIPLE 7: AUDIT

Internal Audit

PricewaterhouseCoopers (PwC) has been appointed as internal auditor since July 2010. PwC supports the ARC in evaluating the design and operating effectiveness of the risk mitigation strategies and the internal controls implemented by management. PwC achieves this by furnishing them with analysis, appraisals, recommendations, counsel, information concerning the activities reviewed, and by promoting effective controls and processes.

External Audit

Grant Thornton was appointed as External Auditors of the Company since 27 April 2010 and was successively re-appointed as the External Auditors of the Company during the Annual Meeting of Shareholders.

The Leal Group Audit and Risk Committee has reviewed the audit process, the effectiveness and performance of the audit team and the output, quality and cost effectiveness of the audit and concluded that the services of Grant Thornton be retained. The Leal Group Audit and Risk Committee regularly meets the External Auditors in the presence of management. However, it is considered that this does not have any impact on the objectivity of the meetings.

In line with the requirement of the Code, the audit partner is rotated every five years.

PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

Shareholders' Agreement

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

Employee Share Option Plan

No Employee Share Option Plan is available.

Third Party Management Agreement

Save and except for management contract between Leal & Co. Ltd and PNL, there was no management agreement between third parties and the Company during the year under review.

Shareholders' and Stakeholders' Communication

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

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

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

PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (continued)

Shareholders' and Stakeholders' Communication (continued)

The Chairman, Chief Executive Officer and other Board members attend 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 is sent to each shareholder of the Company at least 14 days before the meeting. However pursuant to the amendments made to the Mauritius Companies Act 2001, the Notice of the Annual Meeting of shareholders, will henceforth be sent to each shareholder of the Company at least 21 days before the meeting.

Website

In order to be compliant with the requirements of the Code, the Board has ensured that the Company's website, namely www.pnl.mu, has been revamped accordingly with all the relevant disclosures published on the website.

Time Table of Important Events

Month	Events
September 2019	Publication of abridged audited financial statements for the year ended 30 June 2019
November 2019	Publication of 1st quarter results
December 2019	Annual meeting of Shareholders
December 2019	Interim dividend
February 2020	Publication of 2nd quarter results
May 2020	Publication of 3rd quarter results
June 2020	Financial year end
June 2020	Final dividend

Eric Michel Georges LEAL
Chairman

Daniel de LABAUVE d'ARIFAT
Director and Chief Executive Officer

Désiré Pierre Ariste Maxime REY
Acting Chairman of the Leal Group Corporate Governance Committee

26 September 2019

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 2019.

NAVITAS CORPORATE SERVICES LTD
Company Secretary

Registered address:

Navitas House
Robinson Road
Floreal
Republic of Mauritius

26 September 2019

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 2019, 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 50 to 90 give a true and fair view of the financial position of the Company as at 30 June 2019 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.

Corporate Governance Report

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance ("the Code") disclosed in the Corporate Governance Report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the Corporate Governance Report, the Company has, pursuant to Section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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.

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

In accordance with the requirements of the 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.

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

Y NUBEE, FCCA
Licensed by FRC

26 September 2019

Ebene 72201,
Republic of Mauritius

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

	Notes	2019 Rs	2018 Rs
ASSETS			
Non-current			
Intangible assets	7	**1,178,273**	1,706,364
Property, plant and equipment	8	**209,655,728**	204,941,638
Investment property	9	**43,799,999**	41,000,600
Non-current assets		**254,634,000**	247,648,602
Current			
Inventories	10	**587,976,540**	479,960,479
Trade and other receivables	11	**531,165,812**	539,119,708
Cash and cash equivalents	12	**30,292,772**	13,736,264
Current assets		**1,149,435,124**	1,032,816,451
Total assets		**1,404,069,124**	1,280,465,053
EQUITY AND LIABILITIES			
Equity			
Stated capital	13	**137,676,614**	137,676,614
Revaluation reserves		**52,436,957**	50,595,515
Retirement benefit reserves	15	**(59,314,270)**	(53,302,337)
Retained earnings		**263,854,396**	222,472,142
Total equity		**394,653,697**	357,441,934

Approved by the Board of Directors on 26 September 2019 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

The notes on pages 56 to 90 form an integral part of these financial statements.

	Notes	2019 Rs	2018 Rs
Liabilities			
Non-current			
Borrowings	14	**26,913,758**	35,430,874
Retirement benefit obligations	15	**65,396,116**	59,866,144
Deferred tax liabilities	20	**4,466,814**	3,682,148
Non-current liabilities		**96,776,688**	98,979,166
Current			
Trade and other payables	16	**232,160,591**	195,469,930
Borrowings	14	**678,657,676**	619,424,097
Current tax liabilities	20	**1,820,472**	9,149,926
Current liabilities		**912,638,739**	824,043,953
Total liabilities		**1,009,415,427**	923,023,119
Total equity and liabilities		**1,404,069,124**	1,280,465,053

Approved by the Board of Directors on 26 September 2019 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

The notes on pages 56 to 90 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2019

	Notes	2019 Rs	2018 Rs
Revenue	17	**2,146,133,139**	1,988,168,337
Cost of sales	10	**(1,778,652,284)**	(1,663,124,071)
Gross profit		**367,480,855**	325,044,266
Other income	18	**57,988,916**	57,536,599
Marketing expenses		**(16,652,531)**	(13,540,930)
Motor vehicles running expenses		**(46,324,563)**	(43,527,393)
Administrative expenses		**(52,064,642)**	(46,285,870)
Employee benefits expense	23	**(204,325,601)**	(185,358,795)
Other expenses		**(6,808,942)**	(10,811,175)
Depreciation and amortisation	7 & 8	**(16,405,459)**	(15,942,369)
Operating profit		**82,888,033**	67,114,333
Net foreign exchange gains		**17,205,765**	23,502,514
Finance costs	19	**(32,245,407)**	(34,275,497)
Profit before tax		**67,848,391**	56,341,350
Tax expense	20	**(12,941,265)**	(6,372,959)
Profit for the year		**54,907,126**	49,968,391
Earnings per share	21	**4.06**	3.69

The notes on pages 56 to 90 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	2019 Rs	2018 Rs
Profit for the year		**54,907,126**	49,968,391
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Actuarial losses on defined benefit pension plans	15	**(6,011,933)**	(9,816,720)
Revaluation gain on land and buildings	8.1	**1,841,442**	-
Items that will be reclassified subsequently to profit or loss		**-**	-
Other comprehensive loss for the year, net of tax		**(4,170,491)**	(9,816,720)
Total comprehensive income for the year		**50,736,635**	40,151,671

The notes on pages 56 to 90 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Stated capital Rs	Revaluation reserves Rs	Retirement benefit reserves Rs	Retained earnings Rs	Total Rs
At 01 July 2018	**137,676,614**	**50,595,515**	**(53,302,337)**	**222,472,142**	**357,441,934**
Dividends (Note 22)	**-**	**-**	**-**	**(13,524,872)**	**(13,524,872)**
Transactions with shareholders	**-**	**-**	**-**	**(13,524,872)**	**(13,524,872)**
Profit for the year	**-**	**-**	**-**	**54,907,126**	**54,907,126**
Other comprehensive income	**-**	**1,841,442**	**(6,011,933)**	**-**	**(4,170,491)**
Total comprehensive income for the year	**-**	**1,841,442**	**(6,011,933)**	**54,907,126**	**50,736,635**
At 30 June 2019	**137,676,614**	**52,436,957**	**(59,314,270)**	**263,854,396**	**394,653,697**
At 01 July 2017	137,676,614	50,595,515	(43,485,617)	186,028,623	330,815,135
Dividends (Note 22)	-	-	-	(13,524,872)	(13,524,872)
Transactions with shareholders	-	-	-	(13,524,872)	(13,524,872)
Profit for the year	-	-	-	49,968,391	49,968,391
Other comprehensive income	-	-	(9,816,720)	-	(9,816,720)
Total comprehensive income for the year	-	-	(9,816,720)	49,968,391	40,151,671
At 30 June 2018	137,676,614	50,595,515	(53,302,337)	222,472,142	357,441,934

The notes on pages 56 to 90 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	2019 Rs	2018 Rs
Operating activities		
Profit before tax	**67,848,391**	56,341,350
Adjustments for:		
Finance costs	**32,245,407**	34,275,497
Loss/(gain) on disposal of property, plant and equipment	**467,133**	(587,824)
Depreciation and amortisation	**16,405,459**	15,942,369
Retirement benefit obligations	**(481,961)**	(7,441,908)
Gain on revaluation on investment property	**(2,799,399)**	-
Non-cash flow adjustments	**45,836,639**	42,188,134
Changes in working capital:		
Change in trade and other receivables	**6,973,035**	(72,634,991)
Change in inventories	**(108,016,061)**	(68,411,964)
Change in trade and other payables	**36,690,661**	32,207,542
Net changes in working capital	**(64,352,365)**	(108,839,413)
Cash from operations	**49,332,665**	(10,309,929)
Interest paid	**(32,245,407)**	(34,275,497)
Tax (paid)/refunded	**(18,505,192)**	6,445,998
Net cash used in operating activities	**(1,417,934)**	(38,139,428)
Investing activities		
Purchase of property, plant and equipment and intangible assets	**(20,464,106)**	(24,423,857)
Proceeds from disposals of property, plant and equipment	**1,246,957**	1,498,674
Net cash used in investing activities	**(19,217,149)**	(22,925,183)
Financing activities		
Net proceeds from bank and import loans	**59,268,922**	58,575,902
Net proceeds of finance leases	**3,462,907**	6,889,606
Dividends paid	**(13,524,872)**	(13,524,872)
Net cash from financing activities	**49,206,957**	51,940,636
Net change in cash and cash equivalents	**28,571,874**	(9,123,975)
Cash and cash equivalents, beginning of year	**(25,308,375)**	(16,184,400)
Cash and cash equivalents, end of year	**3,263,499**	(25,308,375)
Cash and cash equivalents made up of:		
Cash in hand and cash at bank (Note 12)	**30,292,772**	13,736,264
Bank overdrafts (Note 14)	**(27,029,273)**	(39,044,639)
	3,263,499	(25,308,375)

**For reconciliation of liabilities arising from the financial activities, refer to Note 24.*

The notes on pages 56 to 90 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

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

Pharmacie Nouvelle Limited, "the Company", was incorporated in the Republic of Mauritius on 08 June 1967 as a private company with liability limited by shares. The status of the Company was subsequently changed to a public company with liability limited by shares. The Company's registered office is Michael Leal Avenue, Les Pailles, Republic of Mauritius.

The 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 import and export;

(vi) to engage in wholesale of chemical products, pesticides, herbicides and fertilisers;

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

(viii) 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. ADOPTION OF NEW AND AMENDED IFRS

2.1 New and amended Standards that are effective for the current year

In the current year, the following revised standards issued by IASB became mandatory for the first time for the financial year beginning on 01 July 2019:

IAS 40, Transfers of Investment Property (Amendments 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.

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 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.

2. ADOPTION OF NEW AND AMENDED IFRS (continued)

2.1 New and amended Standards that are effective for the current year (continued))

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

The amendments bring clarification on the following matters:

- the accounting for cash-settled share-based payment transactions that include a performance condition;
- the classification of share-based payment transactions with net settlement features; and
- the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

IFRS 9, Financial Instruments (2014)

The complete version of IFRS 9 replaces most of the guidance in IAS 39 '*Financial Instruments: Recognition and Measurement'*. 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.

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.

The directors have assessed the impact of these new and revised standards and interpretation and concluded that IFRS 9, *Financial Instruments* (2014) and IFRS 15, *Revenue from Contracts with Customers* have an impact on these financial statements.

The adoption of IFRS 15 and IFRS 9 has the following impact on the financial statements.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 replaces IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related interpretations. The application of IFRS 15 does not have a material impact on the recognition and measurement of revenue by the Company.

The Company's accounting policy on revenue is detailed in Note 3.13 to these financial statements.

IFRS 9 "*Financial Instruments"*

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for impairment of financial assets.

When adopting IFRS 9, the Company has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement and impairment are recognised in retained earnings.

The adoption of IFRS 9 has impacted the following areas:

- The reclassification of trade and other receivables and cash and cash equivalents from category "loans and receivables" to "amortised cost". There have been no changes to the classification of financial liabilities as a result of the application of IFRS 9.
- The impairment of financial assets applying the expected credit loss model. This affects the Company's trade receivables measured at amortised cost. For these trade receivables, the Company applies a simplified model of recognising life time expected credit losses as these items do not have a significant financing component.

2. ADOPTION OF NEW AND AMENDED IFRS (continued)

2.1 New and amended Standards that are effective for the current year (continued))

On the date of initial application, 01 July 2018, the financial instruments of the Company were reclassified as follows:

	Measurement category		Carrying amount		
	Original IAS 39 category	Adoption of (IFRS 9) category	Closing balance at 30 June 2018 (IAS 39) Rs	Adoption of IFRS 9 Rs	Opening balance at 01 July 2018 (IFRS 9) Rs
Financial assets					
Current					
Trade and other receivables*	Amortised cost	Amortised cost	481,475,781	-	481,475,781
Cash and cash equivalents	Amortised cost	Amortised cost	13,736,264	-	13,736,264
			495,212,045	-	495,212,045

	Measurement category		Carrying amount		
	Original IAS 39 category	Adoption of (IFRS 9) category	Closing balance at 30 June 2018 (IAS 39) Rs	Adoption of IFRS 9 Rs	Opening balance at 01 July 2018 (IFRS 9) Rs
Financial assets					
Non-current					
Borrowings	Amortised cost	Amortised cost	35,430,874	-	35,430,874
Current					
Trade and other payables	Amortised cost	Amortised cost	195,469,930	-	195,469,930
Borrowings	Amortised cost	Amortised cost	619,424,097	-	619,424,097
			850,324,901	-	850,324,901

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

The Company's accounting policy on financial instruments is detailed in Note 3.11 to 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, several new, but not yet effective, standards, amendments to existing standards and interpretations have been published by the IASB. None of these standards, amendments and interpretation have been adopted early by the Company.

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

IFRS 17, Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4,*Insurance Contracts*as of 01 January 2021.

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.

2. ADOPTION OF NEW AND AMENDED 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

IFRIC 23, Uncertainty over Income Tax Treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

IFRS 9, Prepayments Features with Negative Compensation (Amendments to IFRS 9)

This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

IAS 28, Long-term interest in Associates and Joint Ventures (Amendments to IAS 28)

These amendments provide clarification in the case where an entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

IAS 19, Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The following amendments were made to IAS 19:

If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

IAS 1 and IAS 8, Definition of Material (Amendments to IAS 1 and IAS 8)

The changes in 'Definition of Material' (Amendments to IAS 1 and IAS 8) relate to a revised definition of 'material' which states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

IFRS 3, Definition of a Business (Amendments to IFRS 3)

IFRS 3 improves the definition of a business to help companies determine whether an acquisition made is of a business or a group of assets. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.

Management has yet to assess the impact of the above standards, amendments to existing standards and interpretation 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 Intangible assets

Intangible assets relate to 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)

3.2 Property, plant and equipment

Land and buildings

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.

3.3 Investment property

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

If part of the investment property is used as an owner-occupied property, and part to earn rentals, and the portions can be sold or leased out separately, they are accounted for separately. Therefore, the portion that is rented out is classified as investment property.

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)

3.4 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% or reduced up to 50% if prior written approval of the National CSR Foundation is obtained.

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.

3.5 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 comprises direct labour, other direct costs and related 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.

3.6 Trade receivables

Trade receivables are amounts due from customers for goods sold 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 the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details of the Company's impairment policies are provided in Note 3.11 of these financial statements.

3.7 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. SUMMARY OF ACCOUNTING POLICIES (continued)

3.8 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 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.

3.9 Post-employment benefits and short-term employee 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.

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.

State plan

Contributions to the National Pension Scheme are expensed to the statement of profit or loss in the period in which they fall due.

Short-term employee benefits

Short-term employee benefits are included in employee benefits expenses.

3.10 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. SUMMARY OF ACCOUNTING POLICIES (continued)

3.11 Financial instruments

Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs, where appropriate.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL);
- fair value through other comprehensive income (FVOCI).

In the current year, the Company does not have any financial assets categorised as FVTPL and FVOCI.

The classification is determined by both:

- the Company's business model for managing the financial asset.
- the contractual cash flow characteristics of the financial asset.

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

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents and most of its trade and other receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. For the Company, instruments within the scope of the new requirements include mainly trade receivables.

Recognition of credit losses is no longer dependent on the Company's first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

3. SUMMARY OF ACCOUNTING POLICIES (continued)

3.11 Financial instruments (continued)

Subsequent measurement of financial assets (continued)

Impairment of financial assets (continued)

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the expected credit losses, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due.

The Company writes off a financial asset when there is information indicating that the debtor is in severe difficulty and there is no realistic prospect of recovery. Receivable or other financial assets written off are still subject to recovery procedures based on legal advices.

Previous financial asset impairment under IAS 39

In the prior years, the impairment of the receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

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.

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.

3.12 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 IFRS 9, *Financial Instruments.*

3. SUMMARY OF ACCOUNTING POLICIES (continued)

3.13 Revenue

Revenue comprises revenue from the sale of goods. Revenue from major products categories are shown in Note 17.

To determine whether to recognise revenue, the Company ensures that the following 5 conditions are satisfied:

1. Identifying the contract with a customer.
2. Identifying the performance obligations.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations.
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised at point in time when the Company satisfies performance obligations by transferring the promised goods to its customers.

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 recognised on the accrual basis using the effective interest rate method.

3.14 Operating expenses

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

3.15 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'.

3.16 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.

3.17 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.

3. SUMMARY OF ACCOUNTING POLICIES (continued)

3.17 Leased assets (continued)

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.

3.18 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.

3.19 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.

3.20 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.

3.21 Comparatives

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

3.22 Significant management judgement in applying accounting policies and estimation uncertainty

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

Significant management judgement

The following is the judgement made by management in applying the accounting policies of the Company that has 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 may 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 65,396,116** (2018: Rs 59,866,144) 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 15), which may vary in future appraisals of the Company's defined benefit obligations.

3. SUMMARY OF ACCOUNTING POLICIES (continued)

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

Estimation uncertainty (continued)

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.

Impairment of financial assets

The Company uses the guidance of IFRS 9 to determine the degree of impairment of its trade and other receivables. Management considers a broader range of information when assessing credit risk and estimating the credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the receivables. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

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 instruments. This involves developing estimates and assumption consistent with how market participations would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. More information on the fair value measurement is provided 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

	2019 Financial assets at amortised cost Rs	2018 Loans and receivables Rs
Financial assets		
Current		
Trade and other receivables*	**468,858,573**	481,475,781
Cash and cash equivalents	**30,292,772**	13,736,264
Total financial assets	**499,151,345**	495,212,045

4. FINANCIAL INSTRUMENT RISK (continued)

Risk management objectives and policies (continued)

	2019 Financial liabilities at amortised cost Rs	2018 Financial liabilities at amortised cost Rs
Financial liabilities		
Non-current		
Borrowings	**26,913,758**	35,430,874
Current		
Trade and other payables	**232,160,591**	195,469,930
Borrowings	**678,657,676**	619,424,097
Total financial liabilities	**937,732,025**	850,324,901

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

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.

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	
	2019 Rs	2018 Rs
MUR	**415,628,040**	428,586,723
EUR	**66,509,479**	44,156,839
USD	**12,930,426**	19,375,975
ZAR	**4,073,756**	3,082,769
GBP	**9,644**	9,739
	499,151,345	495,212,045

4. FINANCIAL INSTRUMENT RISK (continued)

Risk management objectives and policies (continued)

4.1 Market risk analysis (continued)

Foreign currency sensitivity (continued)

	Financial liabilities	
	2019 Rs	2018 Rs
MUR	**845,732,093**	768,643,022
EUR	**44,521,019**	36,829,867
USD	**20,514,425**	22,497,244
ZAR	**26,597,637**	19,043,684
CHF	**-**	1,652,620
AUD	**24,879**	-
GBP	**341,972**	1,658,464
	937,732,025	850,324,901

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 2019, 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.

	2019	2018
EUR/MUR	**2.32%**	1.79%
USD/MUR	**0.01%**	0.45%
GBP/MUR	**1.48%**	0.46%
ZAR/MUR	**1.78%**	4.38%
CHF/MUR	**0.16%**	3.73%
AUD/MUR	**3.20%**	4.20%

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 strenghtened against the above foreign currencies, then this would have had the following impact:

Profit & equity	**2019 Rs**	2018 Rs
EUR	**(510,470)**	(130,806)
USD	**1,079**	(13,967)
GBP	**4,935**	7,661
CHF	**-**	61,699
AUD	**797**	-
ZAR	**401,189**	699,018
Total	**(102,470)**	623,605

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

4. FINANCIAL INSTRUMENT RISK (continued)

Risk management objectives and policies (continued)

4.1 Market risk analysis (continued)

Foreign currency sensitivity (continued)

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

	Average spot exchange rate 2019	Average spot exchange rate 2018	Foreign currency 2019	Foreign currency 2018	Contract value (Notional value) 2019 Rs	Contract value (Notional value) 2018 Rs	Fair value 2019 Rs	Fair value 2018 Rs
Outstanding contracts:								
Buy EUR Currency Less than 3 months	**40.924**	40.993	**1,064,081**	1,278,000	**42,899,012**	51,262,150	**43,546,451**	52,389,054
Buy ZAR Currency Less than 3 months	**2.600**	2.620	**4,252,017**	9,514,214	**9,933,324**	24,248,714	**11,055,244**	24,927,241
Buy ZAR Currency 3 to 6 months	**2.600**	2.620	**2,000,000**	7,500,000	**4,645,000**	19,415,000	**5,200,000**	19,650,000
Buy USD Currency Less than 3 months	**36.020**	35.150	**330,587**	422,000	**11,775,061**	14,352,505	**11,907,745**	14,833,300

	Average spot exchange rate 2019	Average spot exchange rate 2018	Foreign currency 2019	Foreign currency 2018	Contract value (Notional value) 2019 Rs	Contract value (Notional value) 2018 Rs	Fair value 2019 Rs	Fair value 2018 Rs
Outstanding contracts:								
Buy GBP Currency Less than 3 months	**45.371**	46.055	**-**	52,961	**-**	2,400,699	**-**	2,439,096
Buy CHF Currency Less than 3 months	**35.744**	35.687	**-**	46,309	**-**	1,606,923	**-**	1,652,630
			7,646,685	18,813,484	**69,252,397**	113,285,991	**71,709,440**	115,891,321

During the year ended 30 June 2019, 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 2,457,042** for the year under review (30 June 2018: Rs 2,605,330).

Interest rate sensitivity

At 30 June 2019, the Company is exposed to changes in market interest rates on account of its 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 the effect of changes in interest rates is considered immaterial.

4. FINANCIAL INSTRUMENT RISK (continued)

Risk management objectives and policies (continued)

4.1 Market risk analysis (continued)

Interest rate sensitivity

Interest rate sensitivity analysis

The following table illustrates the sensitivity of profit and equity to reasonably possible change in interest rates of **+/-1%** (2018: +/-1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each year, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year and equity Rs +1%	Profit for the year and equity Rs -1%
At 30 June 2019	**(7,055,714)**	**7,055,714**
At 30 June 2018	(6,548,550)	6,548,550

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:

	2019 Rs	2018 Rs
Trade and other receivables	**468,858,573**	481,475,781
Cash and cash equivalents	**30,292,772**	13,736,264
	499,151,345	495,212,045

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

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

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 consist of a large number of customers. During the current financial year, the Company entered into an insurance agreement with an insurance company to cover its credit exposure on its trade receivables. The analysis of the Company's expected credit losses is detailed in Note 11 in these financial statements.

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.

4. FINANCIAL INSTRUMENT RISK (continued)

Risk management objectives and policies (continued)

4.3 Liquidity risk analysis

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 2019, the Company's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Carrying amount Rs	Contractual cash flows Rs	Less than 1 year Rs	More than 1 year Rs
At 30 June 2019				
Trade and other payables	**232,160,591**	**232,160,591**	**232,160,591**	**-**
Bank overdrafts	**27,029,273**	**27,029,273**	**27,029,273**	**-**
Bank loans	**522,921,050**	**525,334,874**	**513,854,517**	**11,480,357**
Obligations under finance leases	**22,923,693**	**26,655,408**	**8,022,010**	**18,633,398**
Import loans	**132,697,418**	**132,697,418**	**132,697,418**	**-**
	937,732,025	**943,877,564**	**913,763,809**	**30,113,755**

	Carrying amount Rs	Contractual cash flows Rs	Less than 1 year Rs	More than 1 year Rs
At 30 June 2018				
Trade and other payables	195,469,930	195,469,930	195,469,930	-
Bank overdrafts	39,044,639	39,044,639	39,044,639	-
Bank loans	464,708,428	467,043,115	444,082,401	22,960,714
Obligations under finance leases	19,460,786	22,176,176	6,602,505	15,573,671
Import loans	131,641,118	131,641,118	131,641,118	-
	850,324,901	855,374,978	816,840,593	38,534,385

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 2018 and 30 June 2019:

30 June 2019	Level 1 Rs	Level 2 Rs	Level 3 Rs	Total Rs
Asset				
Forward exchange contracts	**-**	**2,457,042**	**-**	**2,457,042**

30 June 2018	Level 1 Rs	Level 2 Rs	Level 3 Rs	Total Rs
Asset				
Forward exchange contracts	-	2,605,330	-	2,605,330

There were no transfers between Level 1 and Level 2 in 2018 and 2019.

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 the hierarchy of non-financial assets measured at fair value.

30 June 2019	Level 1 Rs	Level 2 Rs	Level 3 Rs	Total Rs
Property and equipment				
Land and buildings	**-**	**-**	**143,700,001**	**143,700,001**
Investment property				
Land and buildings	**-**	**-**	**43,799,999**	**43,799,999**

30 June 2018	Level 1 Rs	Level 2 Rs	Level 3 Rs	Total Rs
Property and equipment				
Land and buildings	-	-	142,540,417	142,540,417
Investment property				
Land and buildings	-	-	41,000,600	41,000,600

Fair value of the Company's land and buildings and investment property is estimated based on appraisals performed by a professionally qualified property valuer. Land and buildings and investment property are revalued if market forces indicate a material change in fair value. During the current financial year, the Company engaged an external, independent and qualified valuer (Elevante Real Estate Investment Gateway, Chartered Valuation Surveyor) to determine the fair value of the land and buildings and investment property. As per the valuation report dated 21 June 2019, the fair value of the land and buildings and investment property was estimated at Rs 187,500,000.

5. FAIR VALUE MEASUREMENT (continued)

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

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 properties in question, including size, location and encumbrances and current use.

The significant unobservable input is the adjustment for factors specific to the properties 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:

	Land and buildings	Investment property
	Rs	Rs
At 01 July 2018	**142,540,417**	**41,000,600**
Additions during the year	**971,437**	**-**
Revaluation adjustments	**1,841,442**	**2,799,399**
Depreciation charge for the year	**(1,653,295)**	**-**
At 30 June 2019	**143,700,001**	**43,799,999**

	Land and buildings	Investment property
	Rs	Rs
At 01 July 2017	88,288,065	95,700,000
Additions during the year	1,341,083	-
Transfer to property, plant and equipment	54,699,400	(54,699,400)
Depreciation charge for the year	(1,788,131)	-
At 30 June 2018	142,540,417	41,000,600

Other non-financial assets include other property, plant and equipment, intangible assets, advance payments to suppliers, Value Added Tax (VAT) receivable, prepayments, inventories and non-financial liabilities include retirement benefit obligations, current tax liabilities and deferred tax liabilities. 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.

6. CAPITAL MANAGEMENT POLICIES AND PROCEDURES (continued)

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.

	2019	2018
	Rs	Rs
Total borrowings (Note 14)	**705,571,434**	654,854,971
Less: cash and cash equivalents (Note 12)	**(30,292,772)**	(13,736,264)
Net debt	**675,278,662**	641,118,707
Total equity	**394,653,697**	357,441,934
Total capital	**1,069,932,359**	998,560,641
Gearing ratio (%)	**63%**	64%

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

7. INTANGIBLE ASSETS

	Rs
Gross carrying amount	
At 01 July 2018 and 30 June 2019	**2,970,365**
Amortisation	
At 01 July 2018	**1,264,001**
Charge for the year	**528,091**
At 30 June 2019	**1,792,092**
Carrying amount at 30 June 2019	**1,178,273**

	Rs
Gross carrying amount	
At 01 July 2017	2,359,910
Addition during the year	610,455
At 30 June 2018	2,970,365
Amortisation	
At 01 July 2017	735,910
Charge for the year	528,091
At 30 June 2018	1,264,001
Carrying amount at 30 June 2018	1,706,364

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land Rs	Buildings Rs	Motor vehicles Rs	Furniture computer & equipment Rs	Total Rs
Gross carrying amount					
At 01 July 2018	**55,505,005**	**90,006,515**	**38,047,999**	**126,922,672**	**310,482,191**
Additions	**-**	**971,437**	**11,222,067**	**8,270,602**	**20,464,106**
Revaluation adjustments	**3,853,554**	**(6,636,510)**	**-**	**-**	**(2,782,956)**
Disposals	**-**	**-**	**(4,104,880)**	**-**	**(4,104,880)**
At 30 June 2019	**59,358,559**	**84,341,442**	**45,165,186**	**135,193,274**	**324,058,461**
Depreciation					
At 01 July 2018	**-**	**2,971,103**	**13,639,819**	**88,929,631**	**105,540,553**
Charge for the year	**-**	**1,653,295**	**4,839,740**	**9,384,333**	**15,877,368**
Revaluation adjustments	**-**	**(4,624,398)**	**-**	**-**	**(4,624,398)**
Disposals adjustments	**-**	**-**	**(2,390,790)**	**-**	**(2,390,790)**
At 30 June 2019	**-**	**-**	**16,088,769**	**98,313,964**	**114,402,733**
Carrying amount					
30 June 2019	**59,358,559**	**84,341,442**	**29,076,417**	**36,879,310**	**209,655,728**

	Freehold Land Rs	Buildings Rs	Motor vehicles Rs	Furniture computer & equipment Rs	Total Rs
Gross carrying amount					
At 01 July 2017	35,500,000	53,971,037	33,173,017	117,493,142	240,137,196
Additions	-	1,341,083	13,016,289	9,456,030	23,813,402
Transfer from investment property (Note 9)	20,005,005	34,694,395	-	-	54,699,400
Disposals	-	-	(8,141,307)	(26,500)	(8,167,807)
At 30 June 2018	55,505,005	90,006,515	38,047,999	126,922,672	310,482,191
Depreciation					
At 01 July 2017	-	1,182,972	16,870,652	79,329,608	97,383,232
Charge for the year	-	1,788,131	4,022,591	9,603,556	15,414,278
Disposals adjustments	-	-	(7,253,424)	(3,533)	(7,256,957)
At 30 June 2018	-	2,971,103	13,639,819	88,929,631	105,540,553
Carrying amount					
30 June 2018	55,505,005	87,035,412	24,408,180	37,993,041	204,941,638

8.1 During the year ended 30 June 2019, an independent valuation of the Company's freehold land and buildings was undertaken by Elevante Real Estate Investment Gateway, 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 1,841,442 was credited to revaluation reserves in other comprehensive income.

8. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2019 **Rs**	2018 Rs
Cost	**67,210,498**	66,239,061
Accumulated depreciation	**(8,861,638)**	(7,517,428)
Carrying amount	**58,348,860**	58,721,633

8.2 Assets held under finance leases comprise the followings:

	2019 **Rs**	2018 Rs
8.2.1 **Motor vehicles**		
Cost	**39,379,005**	32,591,587
Accumulated depreciation	**(11,183,446)**	(8,993,610)
Carrying amount	**28,195,559**	23,597,977
8.8.2.2 **Furniture and equipment**		
Cost	**3,019,468**	2,362,068
Accumulated depreciation	**(709,771)**	(446,077)
Carrying amount	**2,309,697**	1,915,991

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

9. INVESTMENT PROPERTY

	2019 **Rs**	2018 Rs
Value at 01 July	**41,000,600**	95,700,000
Transfer to property, plant and equipment	**-**	(54,699,400)
Gain on revaluation	**2,799,399**	-
Value at 30 June	**43,799,999**	41,000,600

9.1 The investment property was revalued at Rs 43,799,999 by Elevante Real Estate Investment Gateway, Chartered Valuation Surveyors on 21 June 2019, resulting into a gain of Rs 2,799,399.

9.2 In prior year, an amount of Rs 54,699,400 part of the investment property of owner-occupied was classified to property, plant and equipment (Note 8).

9.3 The Company's rental income for the year under review amounted to Rs 2,745,828 (2018: Rs 2,732,467) and are included within "Other Income". During the year under review, the tenants incurred operating expenses towards the investment property.

9.4 Direct operating expenses for the year amounted to Rs 102,845 (2018: Rs 142,771) and are included within "Administrative Expenses".

9.5 The investment property has been pledged as security for borrowings.

10. INVENTORIES

	2019 Rs	2018 Rs
Goods for resale	**607,853,887**	504,748,186
Less provision	**(19,877,347)**	(24,787,707)
	587,976,540	479,960,479

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

	2019 Rs	2018 Rs
Cost of inventories recognised as an expense	**1,778,652,284**	1,663,124,071

11. TRADE AND OTHER RECEIVABLES

	2019 Rs	2018 Rs
Trade receivables, gross	**469,837,936**	476,803,226
Allowance for credit losses (Note 11.2)	**(10,819,266)**	(8,880,334)
Trade receivables, net of allowances for credit losses	**459,018,670**	467,922,892
Due from a substantial shareholder (Note 25)	**309,744**	246,101
Due from related companies (Note 25)	**380,105**	500,404
Other receivables	**11,726,292**	12,078,874
Derivative financial instruments (Note 4.1)	**2,457,042**	2,605,330
Advance payments to suppliers	**51,325,816**	49,787,086
Prepayments	**5,948,143**	5,979,021
	531,165,812	539,119,708

11.1 The average credit period on sales of goods is 90 days. No interest is charged on trade receivables. Trade receivables over 90 are assessed for impairment using the expected credit loss model.

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.

11.2 Expected credit loss

The Company applies IFRS 9 simplified model of recognising lifetime expected credit losses for all trade and other receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade and other receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 24 months before 30 June 2019 and 1 July respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 90 days from the invoice date and failure to engage with the Company on alternative payment arrangement amongst other are considered indicators of no reasonable expectation of recovery.

11. TRADE AND OTHER RECEIVABLES (continued)

11.2 Expected credit loss (continued)

On the above basis, the expected credit loss for trade receivables as at 30 June 2019 as determined as follows:

	Gross carrying amount 30 June 2019 Rs	Expected credit loss rate 30 June 2019 %	Lifetime expected credit loss 30 June 2019 Rs
0 – 90 days	**414,881,423**	**0.33%**	**1,381,563**
91 – 180 days	**37,442,657**	**5.21%**	**1,951,771**
181 – 365 days	**8,955,882**	**4.02%**	**359,887**
More than 365 days	**8,557,974**	**83.27%**	**7,126,045**
	469,837,936	**-**	**10,819,266**

The closing balance of the trade receivables loss allowance as at 30 June 2019 reconciles with the trade receivables loss allowance opening balance as follows:

	2019 Rs	2018 Rs
At 01 July	**8,880,334**	9,897,457
Impairment losses during the year	**4,108,627**	4,197,284
Released	**(813,007)**	-
Amounts written off	**(1,356,688)**	(5,214,407)
At 30 June	**10,819,266**	8,880,334

Management considers that no credit risk is associated with amount due from related companies as the transactions fall within the group's treasury management and hence no allowance for credit losses has been provided on these receivables.

11.3 The Directors consider that no risk of default is anticipated on the other receivables and advances balances and hence no allowance for credit losses has been provided (2018: 1,374,960). The movement on the allowance for credit losses for receivables and advances is as follows:

	2019 Rs	2018 Rs
Receivables and advances, gross	**63,741,956**	63,987,425
Allowance for credit losses	**-**	(1,374,960)
Receivables and advances, net of allowances for credit losses	**63,741,956**	62,612,465

12. CASH AND CASH EQUIVALENTS

	2019 Rs	2018 Rs
Cash in hand in:		
MUR	**2,515,821**	2,535,918
Cash at bank in:		
MUR	**21,152,337**	803,573
EUR	**2,691,661**	6,431,810
USD	**3,261,835**	3,280,515
GBP	**9,643**	9,739
ZAR	**661,475**	674,709
	30,292,772	13,736,264

13. STATED CAPITAL

	2019 Rs	2018 Rs
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

14. BORROWINGS

	2019 Rs	2018 Rs
14.1 Non-current		
Bank and other loans (Note 14.2)	**10,714,285**	21,428,571
Obligations under finance leases (Note 14.3)	**16,199,473**	14,002,303
	26,913,758	35,430,874
Current		
Bank overdrafts	**27,029,273**	39,044,639
Bank and other loans (Note 14.2)	**512,206,765**	443,279,857
Obligations under finance leases (Note 14.3)	**6,724,220**	5,458,483
Import loans	**132,697,418**	131,641,118
	678,657,676	619,424,097
Total borrowings	**705,571,434**	654,854,971

14.2 Bank and other loans

	2019 Rs	2018 Rs
Bank and other loans		
Repayable by instalments		
- within one year	**512,206,765**	443,279,857
- after one year and before five years	**10,714,285**	21,428,571
	522,921,050	464,708,428

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

14.2.2 The rates of interest vary between 3.5% and 7.15 % per annum (2018: 3.5 % and 7.10% per annum).

14.3 Obligations under finance leases

	2019 Rs	2018 Rs
Finance lease liabilities: Minimum lease payments		
Not later than 1 year	**8,022,010**	6,602,505
Later than 1 year and not later than 5 years	**18,633,398**	15,573,671
	26,655,408	22,176,176
Less future finance charges	**(3,731,715)**	(2,715,390)
Present value of finance lease liabilities	**22,923,693**	19,460,786

14. BORROWINGS (continued)

14.3 Obligations under finance leases (continued)

	2019 Rs	2018 Rs
Representing lease liabilities:		
Repayable within 1 year	**6,724,220**	5,458,483
Repayable after more than 1 year	**16,199,473**	14,002,303
	22,923,693	19,460,786

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.

15. RETIREMENT BENEFIT OBLIGATIONS

	2019 Rs	2018 Rs
Amounts recognised in the statement of financial position		
Present value of funded obligations	**158,660,686**	139,140,454
Fair value of plan assets	**(93,264,570)**	(79,274,310)
Net liability in the statement of financial position	**65,396,116**	59,866,144

	2019 Rs	2018 Rs
Movement in liability recognised in the statement of financial position		
At 01 July	**59,866,144**	57,491,332
Total expenses	**14,647,175**	10,507,810
Actuarial losses recognised in other comprehensive income	**6,011,933**	9,816,720
Contributions paid	**(15,129,136)**	(17,949,718)
At 30 June	**65,396,116**	59,866,144

	2019 Rs	2018 Rs
Change in defined benefit obligations		
Present value of defined benefit obligations at 01 July	**(139,140,454)**	(121,624,773)
Current service cost	**(6,255,388)**	(5,879,607)
Interest cost	**(7,960,932)**	(7,146,872)
Actuarial losses	**(5,488,160)**	(9,583,904)
Past service cost	**(3,635,601)**	-
Benefits paid	**3,819,849**	5,094,702
Present value of defined benefit obligations at 30 June	**(158,660,686)**	(139,140,454)

15. RETIREMENT BENEFIT OBLIGATIONS (continued)

	2019 Rs	2018 Rs
Change in plan assets		
Fair value of plan assets at 01 July	**79,274,310**	64,133,441
Interest income	**4,873,544**	4,020,994
Employer's contribution	**15,129,136**	17,949,718
Scheme expenses	**(433,452)**	(751,665)
Cost of insuring risk benefits	**(1,235,346)**	(750,660)
Actuarial losses	**(523,773)**	(232,816)
Benefits paid	**(3,819,849)**	(5,094,702)
Fair value of plan assets at 30 June	**93,264,570**	79,274,310

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

	Value at 30 June 2019 Rs	Value at 30 June 2018 Rs
Total market value of qualifying insurance policies	**93,264,570**	79,274,310
Present value of plan liability	**(158,660,686)**	(139,140,454)
Net liability for retirement obligations recognised in the statement of financial position	**(65,396,116)**	(59,866,144)

	2019 Rs	2018 Rs
Amounts recognised in the statement of profit or loss		
Current service cost	**6,255,388**	5,879,607
Past service cost	**3,635,601**	-
Net interest cost	**3,087,388**	3,125,878
Scheme expenses	**433,452**	751,665
Cost of insuring risk benefits	**1,235,346**	750,660
Total pension costs included in employee benefits expense	**14,647,175**	10,507,810

	2019 Rs	2018 Rs
Amounts recognised in the other comprehensive income		
Losses on pension scheme assets	**523,773**	232,816
Experience losses on plan liabilities	**5,488,160**	2,462,368
Changes in assumptions underlying the present value of the scheme	**-**	7,121,536
Actuarial losses recognised in other comprehensive income	**6,011,933**	9,816,720

	2019 Rs	2018 Rs
Movement in retirement benefit reserves:		
At 01 July	**53,302,337**	43,485,617
Actuarial losses recognised in other comprehensive income	**6,011,933**	9,816,720
At 30 June	**59,314,270**	53,302,337

15. RETIREMENT BENEFIT OBLIGATIONS (continued)

	2019 Rs	2018 Rs
Amounts for the current and prior periods:		
Defined benefit obligations	**(158,660,686)**	(139,140,454)
Plan assets	**93,264,570**	79,274,310
Deficit	**(65,396,116)**	(59,866,144)
Experience losses on plan liabilities	**(5,488,160)**	(9,583,904)
Experience losses on plan assets	**(523,773)**	(232,816)

Sensitivity analysis

	Rs
Decrease in Defined Benefit Obligations due to 1% increase in Discount Rate	**10,898,688**
Increase in Defined Benefit Obligations due to 1% increase in Future long-term Salary assumption	**13,889,426**

The sensitivity analysis 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. 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 2019 is 9 years.

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

	2019 %	2018 %
Pre-discount rate	**5.8%**	5.8%
Future long-term salary increase	**1.00%/4.00%**	1.00%/4.00%
Future guaranteed pension increases	**0.00%**	0.00%
Post retirement mortality table	**Swan Annuity Rates**	

General description of the plan

The scheme is a final salary Defined Benefit Plan. The plan provides for a pension at retirement and a benefit on death or disablement in service before retirement. The scheme for managers and Directors are included in Pharmacie Nouvelle Limited Company's scheme.

Retirement benefit obligations have been calculated using the Projected Unit Credit method and are based on the report dated 18 July 2019 submitted by Swan Life Ltd.

The Company's actual return on plan assets was **Rs 4,349,771** for the year ended 30 June 2019 (2018: Rs 3,788,178).

The Company expects to make a contribution of **Rs 14.6 million** 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 5,780,201** to the defined contribution scheme during the year ended 30 June 2019 (2018: Rs 5,207,946).

16. TRADE AND OTHER PAYABLES

	2019 Rs	2018 Rs
Trade payables	**170,551,505**	161,455,655
Due to a substantial shareholder (Note 25)	**1,589,293**	949,682
Due to related companies (Note 25)	**1,819,845**	1,629,422
Other payables and accrued expenses	**58,199,948**	31,435,171
	232,160,591	195,469,930

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.

17. REVENUE

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

	2019 Rs	2018 Rs
Consumer goods	**1,072,988,064**	1,002,898,002
Pharmaceutical products	**512,620,221**	493,147,371
Textile and chemical auxiliaries	**77,751,386**	63,252,138
Beverages	**482,773,468**	428,870,826
	2,146,133,139	1,988,168,337

18. OTHER INCOME

	2019 Rs	2018 Rs
Rental income	**2,745,828**	2,732,467
Contributions	**23,218,061**	24,620,673
Commissions	**23,380,990**	22,142,405
(Loss)/profit on disposal of property, plant and equipment	**(467,133)**	587,824
Others	**9,111,170**	7,453,230
	57,988,916	57,536,599

19. FINANCE COSTS

	2019 Rs	2018 Rs
Finance costs		
Interest expense on:		
- Bank overdrafts	**2,187,909**	4,615,298
- Borrowings	**25,444,912**	25,617,930
- Obligations under finance leases	**1,370,189**	1,084,041
- Others	**3,242,397**	2,958,228
	32,245,407	34,275,497

20. TAXATION

20.1 Income tax expense

The Company

The Company is liable to income tax at the rate of 15% on its chargeable income and at 30 June 2019 it had an income tax liability of **Rs 1,820,472** (2018: Rs 9,149,926).

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.

20.2.1 Statement of comprehensive income

	2019 Rs	2018 Rs
Income tax on the adjusted profit	**10,827,933**	9,799,895
Movement in deferred taxation (Note 20.4 below)	**784,666**	(3,330,004)
Underprovision in respect of prior year	**20,335**	-
Tax credit underprovided in respect of prior year	**-**	(96,932)
CSR activities (Note 20.6 below)	**1,308,331**	-
Tax expense	**12,941,265**	6,372,959

20.2.2 Statement of financial position

	2019 Rs	2018 Rs
Non-current		
Deferred tax liabilities (Note 20.4)	**4,466,814**	3,682,148
Current		
Current tax liabilities (Note 20.3)	**1,820,472**	9,149,926

20.3 Movement in current tax liabilities/(assets)

	2019 Rs	2018 Rs
At 01 July	**9,149,926**	(6,349,066)
Tax on the adjusted profit for the year	**10,827,933**	9,799,895
Tax refunded during the year	**-**	6,445,998
Tax paid during the year	**(9,154,999)**	-
Underprovision in respect of prior year	**20,335**	-
Tax credit underprovided in respect of prior year	**-**	(96,932)
Tax deducted at source	**(980,861)**	(649,969)
Tax deducted under the Advanced Payment Scheme	**(8,326,654)**	-
CSR activities	**284,792**	-
At 30 June	**1,820,472**	9,149,926

20.4 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:

	2019 Rs	2018 Rs
At 01 July	**3,682,148**	7,012,152
Movement during the year	**784,666**	(3,330,004)
At 30 June	**4,466,814**	3,682,148

20. TAXATION (continued)

20.5 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:

	2019 Rs	2018 Rs
Profit before tax	**67,848,391**	56,341,350
Tax at 15 %	**10,177,259**	8,451,202
Accelerated capital allowances	**(362,618)**	(485,206)
Non-allowable items	**1,441,502**	3,430,973
Exempt income	**(428,210)**	(126,342)
Tax losses utilised	**-**	(1,470,732)
Tax charge for the year	**10,827,933**	9,799,895

20.6 Contribution to CSR activities

	2019 Rs	2018 Rs
2% of preceeding chargeable income	**1,308,331**	-

21. EARNINGS PER SHARE

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

	2019 Rs	2018 Rs
Profit for the year	**54,907,126**	49,968,391
Number of ordinary shares in issue	**13,524,872**	13,524,872
Earnings per share (Rs)	**4.06**	3.69

22. DIVIDENDS

	2019 Rs	2018 Rs
Interim dividend paid	**6,762,436**	6,762,436
Final dividend paid	**6,762,436**	6,762,436
	13,524,872	13,524,872
	Re	Re
Dividend per share	**1.00**	1.00

23. PROFIT BEFORE TAX

	2019 Rs	2018 Rs
The above is stated after charging/(crediting):		
Cost of inventories expensed	**1,778,652,284**	1,663,124,071
Depreciation and amortisation	**16,405,459**	15,942,369
(Loss)/profit on disposal of property, plant and equipment	**467,133**	(587,824)
Auditors' remuneration	**1,614,760**	1,400,000
Directors' remuneration (note below)	**15,213,813**	14,597,626
Staff costs (note below)	**189,111,788**	170,761,169
Net foreign exchange gains	**(17,205,765)**	(23,502,514)
Finance costs (Note 19)	**32,245,407**	34,275,497

Directors' remuneration

	2019 Rs	2018 Rs
- Full-time executive directors	**13,543,037**	12,861,770
- Non-executive directors	**1,670,776**	1,735,856
	15,213,813	14,597,626

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

	2019 Rs	2018 Rs
Salaries and relevant contributions	**181,311,022**	163,565,309
Social security costs	**7,800,766**	7,195,860
	189,111,788	170,761,169
Number of employees at end of year	**386**	352
Total staff costs (including Directors' remuneration)	**204,325,601**	185,358,795

24. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Net debt reconciliation:

	2019 Rs	2018 Rs
Net debt		
Borrowings:		
- Repayable within one year	**651,628,403**	580,379,458
- Repayable after one year	**26,913,758**	35,430,874
	678,542,161	615,810,332

	Short-term liabilities			Long-term liabilities		
	Bank loans Rs	**Import loans Rs**	**Finance leases Rs**	**Bank loans Rs**	**Finance leases Rs**	**Total Rs**
At 01 July 2018	**443,279,857**	**131,641,118**	**5,458,483**	**21,428,571**	**14,002,303**	**615,810,332**
Cash flows:						
Additions	750,000,000	797,485,637	686,249	-	9,749,875	1,557,921,761
Repayments	(691,787,378)	(796,429,337)	(6,144,731)	-	(828,486)	(1,495,189,932)
Interest paid	(19,294,666)	(6,150,246)	(1,370,189)	-	-	(26,815,101)
Total cash flows	38,917,956	(5,093,946)	(6,828,671)	-	8,921,389	35,916,728
Non-cash:						
Interest expense	19,294,666	6,150,246	1,370,189	-	-	26,815,101
Reclassification	10,714,286	-	6,724,219	(10,714,286)	(6,724,219)	-
Total non-cash changes	30,008,952	6,150,246	8,094,408	(10,714,286)	(6,724,219)	26,815,101
At 30 June 2019	**512,206,765**	**132,697,418**	**6,724,220**	**10,714,285**	**16,199,473**	**678,542,161**

	Short-term liabilities			Long-term liabilities		
	Bank loans Rs	**Import loans Rs**	**Finance leases Rs**	**Bank loans Rs**	**Finance leases Rs**	**Total Rs**
At 01 July 2017	346,531,887	156,399,405	3,808,559	34,513,672	8,762,621	550,016,144
Cash flows:						
Additions	605,000,000	707,723,026	790,975	-	11,169,410	1,324,683,411
Repayments	(521,546,789)	(732,600,335)	(4,599,534)	-	(471,245)	(1,259,217,903)
Interest paid	(16,162,279)	(9,126,971)	(1,084,041)	-	-	(26,373,291)
Total cash flows	67,290,932	(34,004,280)	(4,892,600)	-	10,698,165	39,092,217
Non-cash:						
Interest expense	16,371,937	9,245,993	1,084,041	-	-	26,701,971
Reclassification	13,085,101	-	5,458,483	(13,085,101)	(5,458,483)	-
Total non-cash changes	29,457,038	9,245,993	6,542,524	(13,085,101)	(5,458,483)	26,701,971
At 30 June 2018	443,279,857	131,641,118	5,458,483	21,428,571	14,002,303	615,810,332

25. RELATED PARTY TRANSACTIONS

25.1 Substantial shareholder

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

	2019 Rs	2018 Rs
25.1.1 Transactions during the year:		
Dividends paid	**7,806,196**	7,801,796
Management fees	**3,563,077**	3,393,420
Sales	**3,338,034**	3,253,746
Purchases	**12,739,572**	8,118,032
25.1.2 Due to the substantial shareholder	**1,589,293**	949,682
25.1.3 Due from the substantial shareholder	**309,744**	246,101

25.2 Common directorship

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

	BEST FIT LTD		LEAL COMMUNICATIONS & INFORMATICS LTD		LEAL EQUIPEMENTS & COMPAGNIE LTEE		UNITED MOTORS LTD		DISTRIPC LTD		LEAL ENERGIE LTD	
	2019 Rs	2018 Rs	**2019 Rs**	2018 Rs	**2019 Rs**	2018 Rs	**2019 Rs**	2018 Rs	**2019 Rs**	2018 Rs	**2019 Rs**	2018 Rs
25.2.1 Transactions during the year:												
Rental income	-	-	-	-	-	-	-	-	**2,112,601**	1,792,884	-	56,051
Sales	-	-	**58,618**	48,722	**37,216**	35,922	**327,667**	281,915	**638,486**	690,584	-	3,000
Purchases	**766,604**	364,295	**3,250,033**	3,872,430	**307,831**	537,252	**472,927**	445,254	-	-	-	100,625
25.2.2 Amounts owed by companies under common directorship	-	-	**2,124**	12,300	-	-	-	12,147	**254,669**	229,333	**123,312**	246,624
25.2.3 Amounts owed to companies under common directorship	**52,458**	41,940	**1,688,595**	1,582,816	-	-	**78,792**	4,666	-	-	-	-

25.3 Directors and key management personnel

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

	2019 Rs	2018 Rs
25.3.1 Transactions during the year:		
Dividends paid	**490,177**	868,910
Sales	**551,136**	800,690
Salaries and other emoluments	**15,213,813**	14,597,626
25.3.2 Amount owed by Directors and key management personnel	**27,334**	7,441

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

26. CONTINGENT LIABILITIES AND GUARANTEES

The Company had contingent liabilities amounting to **Rs 8,160,980** (2018: Rs 10,838,161) in respect of bank guarantees arising in the ordinary course of business. The Directors consider that no material liability is anticipated in respect of these guarantees.

27. COMMITMENTS

27.1 Operating lease arrangements where the Company is the lessee

	2019 **Rs**	2018 Rs
Minimum lease payments under operating leases recognised in statement of comprehensive income	**26,447,810**	25,219,213

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

	2019 **Rs**	2018 Rs
Within one year	**22,618,366**	22,403,879
Between 2 to 5 years	**33,187,540**	39,888,508

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

27.1.1 Operating lease arrangements where the Company is the lessor

Rental income for the year are detailed in Note 18.

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

27.2 Capital commitments

	2019 **Rs**	2018 Rs
Approved and contracted for	**56,814,700**	11,393,810

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

28. EVENTS AFTER THE REPORTING PERIOD

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 2019.

29. 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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