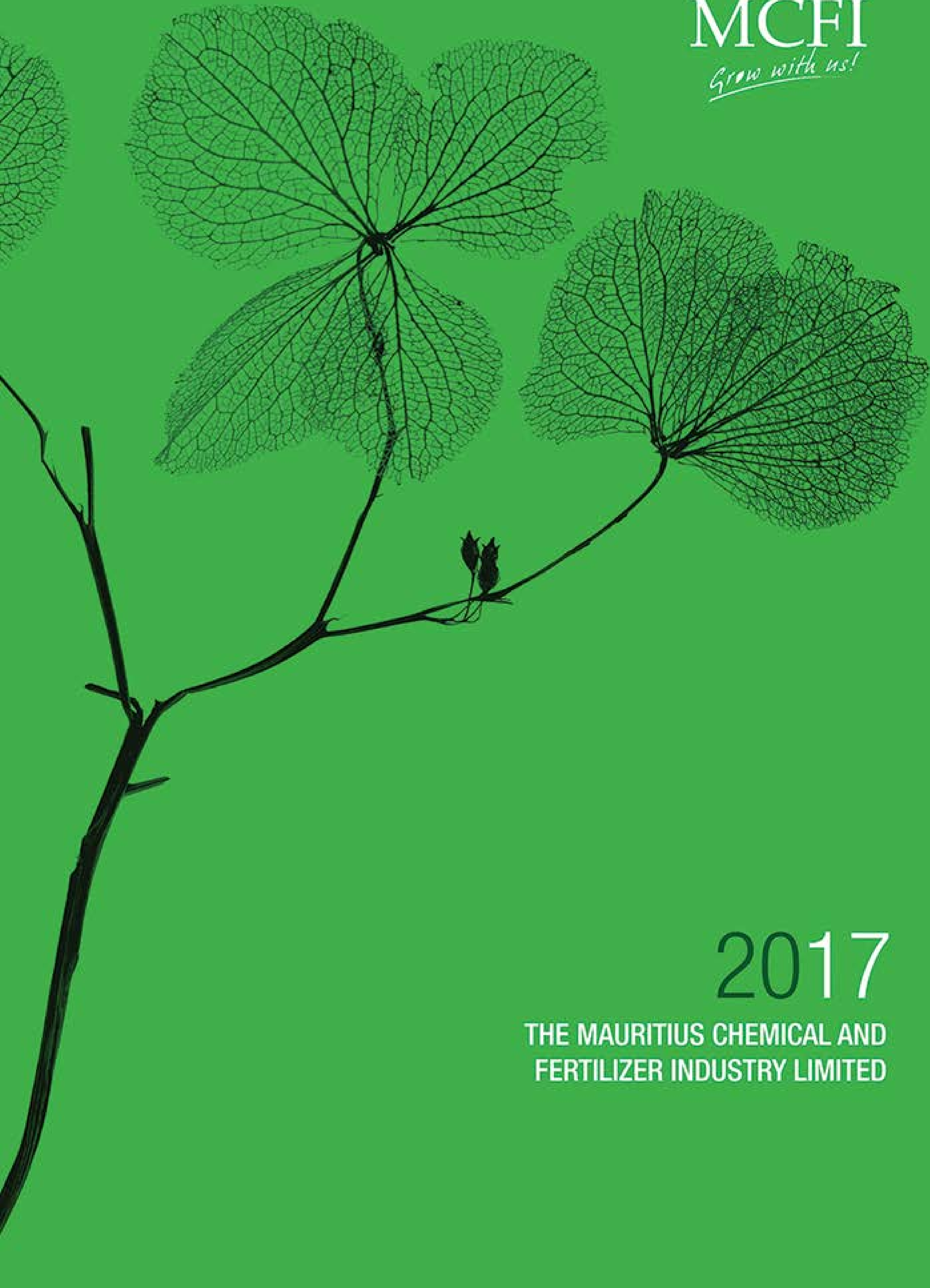


MCFI
Grow with us!

2017

THE MAURITIUS CHEMICAL AND FERTILIZER INDUSTRY LIMITED

Dear Shareholder,

The Board of Directors of The Mauritius Chemical and Fertilizer Industry Limited (MCFI) is pleased to present the Annual Report for the year ended 31 December 2017, the contents of which are listed below.

This report was approved by the Board of Directors at its meeting held on 9 May 2018.

Antoine L. Harel
Chairman

Shemboosingh Cheekhooree
Managing Director

contents

vision

To be the leader in the fertilisers and chemicals business in the region

mission

To be the preferred provider of fertilisers and associated chemicals of the Mauritian and regional agricultural communities

guiding principles

- Agility and Determination in achieving
- Care and Engagement in what we do
- Trust and Responsibility in our relationships

company profile

The Mauritius Chemical and Fertilizer Industry Limited (MCFI) is a manufacturing company, operating an NPK complex fertiliser plant and a blending unit for fertilisers in the Port area. The company was listed on the official market of The Stock Exchange of Mauritius since 1989 and is a subsidiary of Harel Mallac & Co. Ltd.

In addition to the production of fertilisers, MCFI has four fully-owned subsidiary companies, MCFI International & Co. Ltd., MCFI International (Zambia) Limited, Reunifert SAS and Logima Reunion SAS which are involved in the trading of chemicals and commodities in Africa and in the region.

Coolkote Enterprises Ltd. is a fully owned subsidiary of MCFI since 01 September 2008 involved in waterproofing and specialty paints and decorative coatings application.

Biofert Company Ltd is an associate company of MCFI Ltd which was set up in 2015 in collaboration with The Mauritius Cooperative Agricultural Federation Ltd (MCAF) and Indian Farmers Fertiliser Cooperative Limited (IFFCO). It is involved in the production of bio fertilisers.

Furthermore, MCFI manages two other group companies, namely Chemco Limited (chemicals and consumer goods) and Bychemex Limited (textile chemicals), both listed on the DEM, through management contracts.

MCFI also holds 21.5% of the equity capital of Rehm-Grinaker Construction Co. Ltd. and Rehm-Grinaker Properties Co. Ltd.

market segments

fertilisers

Blended and straight fertilisers
Complex NPK fertilisers
Specialty fertilisers
Bio fertilisers

contracting

Waterproofing
Specialty decorative coating applications
Crack injection

trading

Industrial and paint chemicals
Detergents
Food chemicals
Refrigerant gas
Solvents

corporate information

registered office
18, Edith Cavell street
Port Louis

secretary
HM Secretaries Ltd.
18, Edith Cavell street
Port Louis

auditors
BDO & Co

bankers
Barclays Bank Mauritius Ltd.
Baroda Bank Ltd.
Habib Bank Ltd.
State Bank of Mauritius Ltd.
The Mauritius Commercial Bank Ltd.

legal advisers
Étude Georges Robert
Geroudis
Basset Chambers
BLC Robert & Associates
Etude Guy Rivalland
Collendavelloo Chambers

notary
Mr Didier Maigrot
Notary Public

registry
Harel Mallac Corporate Services Ltd
18, Edith Cavell street
Port Louis

business registration number
C06001461

website
mcfi.mu

key figures for 2017

982.5m
group revenue (rs)

10.4m
group pat (rs)

457.4m
company revenue (rs)

6.9m
company pat (rs)

0.80
dividend per share (re)

chairman's statement

Dear Shareholder,

MCFI Group's revenue increased by 6% to Rs 982.5m compared Rs 926.3m in the previous year. The Group's profit after tax in 2017 was Rs 10.4m, compared to Rs 11.9m in 2016.

While the revenue from our Trading Segment grew by 52.5% in 2017 to reach Rs 419.8m, revenue from the Fertiliser and Contracting segments registered a drop of 12.3% and 41% respectively. The ongoing contraction in the local sugarcane sector and lower demand in our target African markets contributed to the lower revenue across our fertiliser segment. Our contracting segment faced numerous challenges during the year whilst awaiting for the forecasted growth of 7.5% to percolate throughout the construction sector.

On the other hand, the share of profit from our associate Rehm Grinaker amounted to Rs 1.4m in 2017, compared to our share of losses of Rs 36.0m for the previous period.

Earnings per share for the Group decreased to Re 0.47 in 2017 compared to Re 0.54 in 2016.

In December 2017, a dividend of Re 0.80 per share was declared and paid in January 2018, compared to Re 0.70 per share the previous year.

Acknowledgements

We were deeply saddened by the demise of late Michel Rivalland, non-executive Director of the Company, who passed away on 12 August 2017. Michel was appointed to the Board of Directors of the Company in December 2006 and during his mandate he served the Company with unflinching dedication and commitment. Michel is greatly missed.

We thank the Management and the staff for their dedication and hard work. The Board is confident that Management will improve the Company's profitability through innovative and customer-centric solutions.

I seize this opportunity to thank you, Dear Shareholder, for your confidence in the Company.

Antoine L. Harel
Chairman

managing director's report

Dear Shareholder,

fertiliser markets

Local

The continued contraction of our sugarcane sector by 9.3% in 2017 resulted in a lower demand for fertilisers. Our sales volume were down by 3.6% and revenue dropped by 6.8%.

Export

Exports volumes were lower by 26% at 9,185 tons in 2017 compared to 12,378 tons in 2016.

Volumes exported to the Region were down by 13% from 2016. A dispute between planters and the only miller in Reunion Island over a subsidy allocation resulted in considerable delays in the crop season. An agreement was eventually reached but the start of the season was already compromised.

We could not repeat the volume sales of previous year across our African markets in 2017. Volumes were down by 40% compared to previous year. The demand for fertilisers in some sub-Saharan African countries was lower. Changes in state procurement policy in some countries favoured the larger bulk fertiliser traders and manufacturers.

Our attempts to boost fertiliser sales in Zambia by participating in a promising Farmer Input Support Program (FISP) in 2017 met with delays beyond our control. Only 39% of the planned volumes was sold till end December 2017 as a result. The unsold volume caused a substantial shortfall in revenue, lower profits and impacted our cash flow seriously. The program continues into first quarter of 2018 and is expected to be re-conducted for the 2018/2019 crop season.

operations

The Mauritius Chemical and Fertilizer Industry Limited (MCFI)

As a result of lower demand, factory output of 30,000 tons was lower than previous year at 34,885 tons. Operating expenses were marginally lower compared to previous year.

MCFI International (Zambia) Ltd

Zambia's economy continued to improve, +4.6% growth in GDP in 2017, with higher exports of copper and more stable power supply. MCFI International (Zambia) saw a 32% increase in turnover boosted by fertiliser sales. However, profits after tax were substantially lower at Rs 3.3m compared to Rs 14.4m during the previous period. Our performance was impacted by Rs 8.7m attributable to loss on exchange from re-evaluation of a prior loan.

Logima Reunion SAS

Logima Reunion SAS is our retail arm on the island. It is involved in trading of fertilisers and other related agrochemicals in Reunion Island. The Company registered a loss of Rs 12.6m in 2017 compared to a loss of Rs 2.7m the previous year mainly because of lower sales volumes. A conflict involving subsidy allocation between miller and sugar cane growers delayed the harvest season and reduced fertilisation window.

10.4m

profit after tax (rs)

6%

growth in revenue in 2017

Biofert Company Ltd

The Company, currently managed by MCAF, is still going through its learning curve and volume sales have increased significantly from the previous year. MCFI will take over management of the Company by mid-2018.

Coolkote Enterprises Ltd

The construction sector was expected to grow an estimated 7.5% in 2017 after a spell of contraction in previous 5 years. The upswing took time to impact the construction sector. The Company was not able to improve its performance. Revenue dropped significantly in 2017(-41%) compared to previous year. This resulted in a net loss of Rs 15.5m in 2017.

A new management team has taken over the operations to turn the Company around. A review of the current business model is being carried out and a turnaround plan is being finalised.

Rehm-Grinaker Construction Co. Ltd and Rehm-Grinaker Properties Co. Ltd

The consolidated share of result from Rehm-Grinaker Construction Co. Ltd and Rehm-Grinaker Properties Co. Ltd was Rs 1.35m compared to our share of losses of Rs 36.0m in 2016.

management contracts - Chemco Limited and Bychemex Limited

MCFI has a management contract with Chemco Limited. The Company is a supplier of chemicals to various industries (mainly textile and sugar), a range of consumer goods such as air conditioners and water treatment equipment. It achieved a turnover similar to previous year. However, profits were down (-55%) as a result of pressure on margins from increasing competition and volatile commodity prices.

MCFI also manages Bychemex Limited, involved in the formulation and supply of auxiliary chemicals to the textile industry. The Company registered an increase in turnover (+14%) compared to previous year. A positive profit after tax of Rs 1.1m was recorded compared to Rs 0.1m in 2016.

Shemboosingh Cheekhooree
Managing Director

board

Antoine L. Harel (60)

Chairman (Non-Executive)

Antoine L. Harel is a Fellow Member of the Institute of Chartered Accountants in England and Wales and holds a BA (Hons) degree in Accounting and Computing.

He joined Harel Mallac & Co. Ltd in 1987. In 1997, he was appointed Group CEO and has been Chairman of its Board since April 2005. He was President of the Mauritius Chamber of Commerce & Industry in 1992/1993. Antoine L. Harel has been sitting on the Board of Directors of The Mauritius Chemical and Fertilizer Industry Limited since 2001 and is the Chairman since 1 September 2007.

Other Directorships (listed Companies):
Harel Mallac & Co. Ltd (Chairman), Chemco Limited (Chairman), Bychemex Limited (Chairman) and Les Gaz Industriels Ltd (Chairman).

Suie Sen Hock Meen Ah Kine (56)

Executive Director

Suie Sen Hock Meen Ah Kine is an Associate Member of the Institute of Chartered Accountants in England and Wales and holder of a BSc (Hons) Management Science from the University of Ottawa. He joined Harel Mallac in 2005 as Financial Controller of Harel Mallac Bureautique Ltd and was appointed Group Financial Controller in February 2007. Since 15 November 2015, he holds the position of Finance Director of the Chemicals and Fertilisers Sub-Division of the Harel Mallac Group.

Other Directorships (listed Companies):
Bychemex Limited and Chemco Limited.

Shemboosingh Cheekhooree (56)

Executive Director

Shemboosingh Cheekhooree holds a bachelor's degree in Chemical Engineering from the North East London Polytechnic, United Kingdom. He has over 25 years' experience in the textile and apparel sector and has served in various senior management positions during the last 15 years in the textile industry, in Mauritius and in India. He joined the Harel Mallac Group in 2012 as Managing Director of Harel Mallac Export Ltd. In October 2013, he became General Manager of the Chemicals and Fertilisers Sub-Division of the Harel Mallac Group, of which he is now Managing Director. Since October 2014, he is the Managing Director of Harel Mallac (Tanzania) Limited. He was appointed to the Board of Directors of The Mauritius Chemical and Fertilizer Industry Limited on 13 October 2014.

Other Directorships (listed Companies):
Bychemex Limited and Chemco Limited.

Allain Doger de Spéville (65)

Independent Director

Allain Doger de Spéville is a Notary Public and was first appointed to the Board of Directors of The Mauritius Chemical and Fertilizer Industry Limited on 12 July 2006.

Other Directorship (listed Companies):
The Mauritius Oil Refineries Ltd (Chairman).

# of directors
at 31 December 2017

Charles Harel (50)
Non-Executive Director

Charles Harel holds an MBA from the University of Birmingham and a National Diploma in Management and Finance from Cape Technikon, South Africa. He joined the Harel Mallac Group in 1993. He has held various positions within the Group and was appointed Chief Executive Officer of Harel Mallac in January 2014. He has been sitting on the Board of Directors of The Mauritius Chemical and Fertilizer Industry Limited since 17 March 2009.

Other Directorships (listed Companies):
Harel Mallac & Co. Ltd, Bychemex Limited and Chemco Limited

Guy Harel (69)
Independent Director

Guy Harel joined the Harel Mallac Group in 1981 as Managing Director of Fapcom Ltd. In 1983, he created Henkel Chemicals (Mauritius) Limited and took over as Managing Director in 1996. Following the acquisition of the company in 2007 by the Harel Mallac Group, he became the Managing Director of Archemics Ltd and held that position until 31 December 2012. He was appointed to the Board of The Mauritius Chemical and Fertilizer Industry Limited on 29 May 2013.

Other Directorships (listed companies):
Bychemex Limited and Chemco Limited.

Vincent Labat (55)
Independent Director

Vincent Labat graduated as a Chemical Engineer. From 1996 to 2009, he was the Managing Director of Les Gaz Industriels Ltd., a listed company. In 2010, he joined Medine Ltd as Project Development Executive. In July the following year, he was appointed Managing Director of the Agriculture Cluster. He has been a Director of The Mauritius Chemical and Fertilizer Industry Limited since 26 October 2006.

Other Directorships (listed Companies):
Bychemex Limited and Chemco Limited.

Harold Ng Kwing King (68)
Independent Director

Harold Ng Kwing King holds a BSc (Hons) degree in Chemical Engineering from the University of Leeds. He joined The Mauritius Chemical and Fertilizer Industry Limited in 1974 and has held various positions as Shift Engineer, Production Manager, Plant Manager, Deputy General Manager and Managing Director before retiring in 2012. He was also Managing Director of the following Harel Mallac Group subsidiaries: Chemco Limited, Bychemex Limited, Coolkote Enterprises Ltd, Harel Mallac Export Ltd, MCFI International (Zambia) Ltd and Harel Mallac (Tanzania) Ltd. He is presently a management and trade consultant in Hariseng Ltd. He was appointed to the Board of The Mauritius Chemical and Fertilizer Industry Limited on 17 December 2003.

Other Directorships (listed companies): None.

Michel Rivalland, G.O.S.K. (64)
Non-Executive Director
Deceased on 12 August 2017

Late Michel Rivalland G.O.S.K. was a Fellow Member of the Chartered Association of Certified Accountants. He joined the Board of Directors of The Mauritius Chemical and Fertilizer Industry Limited on 1 June 2006 and served as Managing Director from October 2006 to 30 June 2009. He was an Executive Director of Harel Mallac & Co. Ltd. up to 12 August 2017.

Other directorships (listed Companies) on 12 August 2017:
Compagnie des Magasins Populaires Limitée, Harel Mallac & Co. Ltd, Bychemex Limited and Chemco Limited.

Shemboosingh Cheekhooree

Managing Director

Shemboosingh Cheekhooree holds a bachelor's degree in Chemical Engineering from the North East London Polytechnic, United Kingdom. After spending 25 years at senior positions within the textile industry, he joined Harel Mallac in 2012 as Managing Director of Harel Mallac Export Ltd. In October 2013, he became General Manager of the Chemicals and Fertilisers Sub-Division of the Harel Mallac Group, of which he is now Managing Director. Since October 2014, he also is the Managing Director of Harel Mallac (Tanzania) Limited.

Suie Sen Hock Meen Ah Kine

Finance Director

Suie Sen Hock Meen Ah Kine is an Associate Member of the Institute of Chartered Accountants in England and Wales and holder of a BSc (Hons) in Management Science from the University of Ottawa. He joined Harel Mallac in 2005 as Financial Controller of Harel Mallac Bureautique Ltd and was appointed Group Financial Controller in February 2007. Since 15 November 2015, he holds the position of Finance Director of the Chemicals and Fertilisers Sub-Division of the Harel Mallac Group.

Christna Hosanee

Group Accountant

Christna Hosanee started his career at MCFI in 1978. He was involved in the setting up of the IT Department in the mid-1980s and has held various positions across the organisation, amongst which as IT Supervisor and later as the Accountant of the sister companies, Chemco Limited and Bychemex Limited. He is a Fellow Member of the Association of Chartered Certified Accountants.

Ranjit Jatooa

Operations Manager

Ranjit Jatooa is a qualified agronomist and holds a degree in Agriculture and a Master's degree in Crop Science. He took employment with Chemco Limited in 2005 as Sales Executive in the Agribusiness Department and was promoted Product Manager in 2007. He joined MCFI in 2009 as Sales Manager, a role that he fulfilled until his appointment as Operations Manager in April 2014.

Harold Lai Chuck Choo

International Sales and Project Manager

Harold Lai Chuck Choo holds a degree in Chemical Engineering from Teesside University and is a Senior Member of the American Institute of Chemical Engineers. He was the Operations Manager of the MCFI Group since October 2006, after serving as Technical Manager from May 1988. He was also the Acting Plant Manager at Grays Refinery Ltd from 1981 to 1988. Harold is presently the International Sales and Project Manager of the Company.

senior management team

corporate governance report

The Mauritius Chemical and Fertilizer Industry Limited is committed to the highest standards of business integrity, transparency and professionalism in all its activities to ensure that the Company and the Group are managed ethically and responsibly to enhance business value for all stakeholders.

the board of directors

The Board endeavours to exercise leadership, entrepreneurship, integrity and judgement in directing the Company, so as to achieve continuing prosperity for the organisation while embracing both performance and compliance.

The Board also ensures that the activities of the Company comply with all legal and regulatory requirements as well as with its constitution, from which the Board derives its authority to act.

The Board inter alia oversees the development and implementation of the Company's corporate strategy and reviews performance objectives. It provides for succession plans for key individuals and ensures effective communication with the Company's stakeholders, promotes the Company's Code of Ethics and supervises financial and capital management. As such, it reviews and approves quarterly and annual financial reports, monitors financial results and approves major capital expenditure, acquisitions, divestitures and material commitments. The Board also oversees compliance and risk management.

At 31 December 2017, the Board of Directors consisted of eight members, of whom two were Executive Directors and four were Independent Directors. Non-Executive Directors have free access to members of the senior management team. All Directors have access to the Company Secretary. With a view to enhancing the Board's effectiveness, a Board's performance review is carried out yearly to assess the Directors' appreciation of the Board's performance, its procedures and practices. The results of the assessment are discussed at the Corporate Governance Committee level. This Committee makes recommendations to the Board on any remedial action that may be required.

The elected Directors hold office for one year but are eligible for reappointment. Directors are elected or re-elected by separate resolutions. The Board has three committees (as described below), which meet regularly under the terms of reference set by the Board. The Board entrusts the day-to-day management of the Company to its Managing Director who ensures the smooth running of the organisation. The composition of the Board of Directors and other directorships held by the Directors in listed companies are given on pages 8 and 9.

board meetings

The Board meets regularly during the year. For the period under review the Board met eight times. Board meetings are conducted in accordance with the Company's constitution and the Companies Act.

Board meetings are organised in such a way that Directors receive all the information important to their understanding of the business to be conducted at the Board meeting, so that they can participate fully in the decision-making process.

At these Board meetings, the Company's and Group's budget, performance and forecast are reviewed and approved, reports from the Managing Director and Committees' Chairpersons are received, strategic issues discussed and statutory matters approved. The Board may invite management or external consultants to attend Board meetings whenever required.

board committees

Corporate Governance Committee

The Corporate Governance Committee consists of Messrs Antoine L. Harel (Chairman), Allain Doger de Spéville and Vincent Labat.

The terms of reference of the Committee include the key areas that are the remit of a nomination and remuneration committee as contained in the formal terms of reference approved by the Board of Directors. Its main responsibilities include establishing a formal and transparent procedure for developing policy on executive and senior management remuneration, as well as determining specific remuneration packages for the Executive Directors of the Company. The Committee makes recommendations to the Board with regard to the fees of the Company's Non-Executive and Independent Non-Executive Directors. It oversees the process regarding recommendation of potential candidates, ensures that proposed Directors meet the required criteria and standards, and are not disqualified from holding that position. The Committee further monitors the balance and effectiveness of the Board. It makes recommendations to the Board on the nomination and remuneration of the Company's representatives on the Board of subsidiary companies. The Corporate Governance Committee makes recommendations for the election of Directors at the next Annual Meeting. During the year under review, the Committee met four times.

corporate governance report

Audit and Risk Committee

The Audit and Risk Committee consists of Mr Allain Doger de Spéville and Mr Vincent Labat and the latter chairs the Committee. Late Mr Michel Rivalland, G.O.S.K. sat on the Committee up to 12 August 2017. The Committee fulfilled its responsibilities for the year under review, in compliance with its formal terms of reference approved by the Board of Directors. The roles and responsibilities of the Audit Committee are to assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and control processes, and the preparation of accurate financial reports and statements, in compliance with all applicable legal requirements and accounting standards. The Committee also caters for issues relating to risk management and provides a forum for discussing business risks and control issues, and formulates relevant recommendations for consideration by the Board. The Board is satisfied that the Audit Committee has the required skills, knowledge and financial experience to discharge its duties effectively. During the period under review, the Committee met six times and fulfilled its responsibilities in compliance with its terms of reference that were formally approved by the Board.

Strategic Committee

The Strategic Committee is chaired by Mr Antoine L. Harel and its other member is Mr Charles Harel. Late Mr Michel Rivalland, G.O.S.K. sat on the Committee up to 12 August 2017. The Committee examines investment prospects and other strategic issues and makes its recommendations to the Board. During the period under review, the Committee met six times and performed its duties as per its terms of reference.

attendance of members at board and committee meetings held in 2017

	Board of Directors	Corporate Governance Committee	Audit Committee	Strategic Committee
Antoine L. Harel	8/8	4/4	-	5/5
Suie Sen Hock Meen Ah Kine	8/8	-	-	-
Shemboosingh Cheekhooree	8/8	-	-	-
Allain Doger de Spéville	5/8	3/4	5/6	-
Charles Harel	7/8	-	-	5/5
Guy Harel	8/8	-	-	-
Vincent Labat	6/8	3/4	6/6	-
Harold Ng Kwing King	8/8	-	-	-
Michel Rivalland, G.O.S.K.	4/4	-	4/4	3/3

risk management

The Board regularly addresses and evaluates physical, human resources, information technology, business, financial, reputational as well as regulatory and compliance risks. In the course of 2017, the internal audit function examined and evaluated the adequacy and effectiveness of control systems in place. Reports were subsequently produced and submitted to the Audit Committee, which, when applicable, made relevant recommendations to the Board.

Since 2010, a Risk Management Framework for the Company was adopted followed by the implementation of a continuous and dynamic system of risk assessment through compliance checks and discussions with the management for enhanced risk mitigation strategies. Some of the major risk areas entail:

Physical risks

Among the physical risks identified are unavoidable events such as riots, cyclones and other natural calamities. Mitigating actions such as the adoption of cyclone and fire procedures, the subscription to a relevant insurance cover, and the identification of a business continuity plan and disaster recovery plan have been taken.

Health and safety as well as security procedures have been implemented to limit the occurrence of on-site accidents. As measures against stock losses, fraud and theft, stock control, supervision and control procedures were set up. Preventive actions against off-site accidents by lorries carrying liquid chemicals or fertilisers included constant maintenance of drivers' awareness about road safety measures, regular inspection of vehicles, and subscription to public liability insurance cover.

The Company also draws upon the expertise of both an occupational physician consultant and a full-time health and safety officer.

corporate governance report

risk management (cont'd)

Human Resources risks

With regard to loss of key personnel, retention policies have been adopted and a formal performance assessment and reward system has been implemented. In terms of reputation, image and business conduct, a Code of Ethics has been implemented and adequate reporting procedures have been set up. For high-risk jobs, regular health surveillance is performed on employees in such jobs and adequate medical insurance cover subscribed to.

Technology risks

Back up procedures as well as adequate restriction procedures have been established as safeguard measures against IT crash or breakdowns. Users' policies and control procedures have been introduced for protection against information theft.

Business (market) risks

As a result of little growth in the agricultural sector in 2017 and the continued contraction in fertiliser demand, the business environment of MCFI has become more competitive and difficult.

Internal control

Internal control is a process designed to provide reasonable assurance regarding the achievement of organisational objectives with respect to:

- effectiveness and efficiency of operations;
- safeguarding of assets and data of the organisation;
- reliability of financial and other reporting;
- prevention of fraud and irregularities;
- acceptance and management of risk;
- conformity with the codes of practice and ethics adopted by the organisation;
- compliance with applicable laws and regulations; and
- supporting business sustainability under normal as well as adverse operating conditions.

The Board has set appropriate policies to ensure that the above-mentioned control objectives are achieved.

Two reviews were performed by the Internal Audit during the year, covering all significant areas of the Company's internal control.

Internal Audit

Internal Audit covers all significant areas of the Company's internal control and is an objective assurance function reporting to the Board of Directors and Management. It provides assurance as to the adequacy and effectiveness of the risk management and internal control framework of an organisation. Internal Audit assists the Board and Management to maintain and improve the process by which risks are identified and managed and helps the Board discharge its responsibilities to maintain and strengthen the internal control framework.

The internal audit function was performed by the Group Internal Auditor before being outsourced to KPMG, in July 2017. The Internal Audit has examined the current control systems to check their suitability and effectiveness, and to ensure that they are being adhered to. The internal auditor has unrestricted access to the Company's records, Management and employees. The Internal Auditor conducts its assignments based on a yearly plan, which is validated by the Audit Committee. Systems reviewed in 2017 at Company and subsidiaries level include stock, sales and debtors cycles, treasury and fixed assets management control, work-in-progress, sales and marketing, inventory and general processes and cover all significant areas of the Company's internal control.

During the year under review, the Group Internal Auditor has regularly submitted to the Audit Committee audit reports relating to the Company and its subsidiaries for discussion and follow-up of the implementation of recommended actions.

composition of subsidiary companies' boards

The composition of the Boards of subsidiary companies is given on page 19.

corporate governance report

group structure

The Directors recognise that the parent entity is Harel Mallac & Co. Ltd and that the ultimate parent entity is Société Pronema. The Directors common to the aforesaid entities are Mr Antoine L. Harel who is gérant of Société Pronema and Director of Harel Mallac & Co. Ltd and Mr Charles Harel who sits on the Board of Directors of Harel Mallac & Co. Ltd.

shareholders holding more than 5 percent of the company

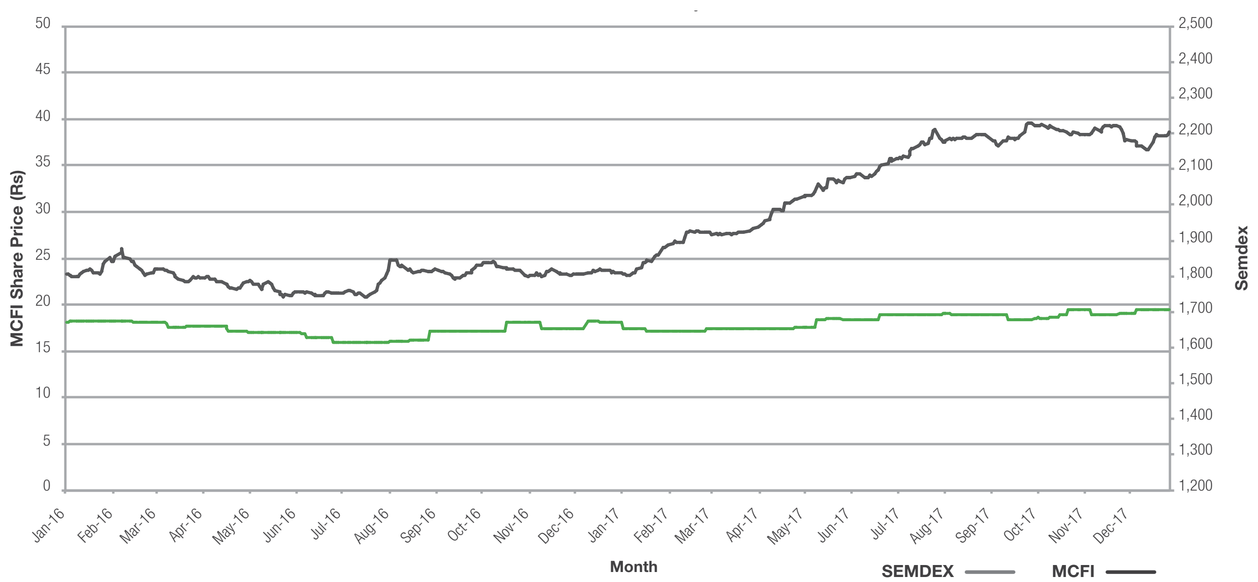
Shareholders directly or indirectly interested in 5 percent or more of the ordinary share capital of the Company are detailed on page 21.

dividend policy

Dividends are distributed after considering the Company's performance and profitability, gearing, investment needs, capital expenditure requirements and growth opportunities.

Year	Dividend per share (Rs)	Dividend cover (times)	Dividend yield (%)
2012	1.0	1.8	3.6
2013	1.0	0.8	4.2
2014	0.9	1.2	3.6
2015	0.7	0.3	3.6
2016	0.7	0.0	3.9
2017	0.8	0.4	4.1

daily share price from January 2016 to December 2017



corporate governance report

directors' interests in shares

The direct and indirect interests of Directors in the ordinary shares of the Company and its subsidiaries are reported on page 20.

directors' dealings in shares of the company

With regard to Directors' dealings in the shares of the Company, the Directors confirm that they have followed the principles of the Model Code on Securities Transactions by Directors as detailed in Appendix 6 of the Mauritius Stock Exchange Listing Rules. During the year under review, none of the Directors has bought or sold any of the Company's shares.

related party transactions

Related party transactions are detailed on pages 79 to 81.

senior management profile

The profile of the senior management team is given on page 10.

company's constitution

The constitution of the Company does not provide any ownership restrictions or pre-emption rights. It is in agreement with the Companies Act 2001 and the listing rules of the Stock Exchange of Mauritius and does not contain any material clause that needs to be disclosed.

shareholders' agreement affecting the governance of the company by the board

The Company is not aware of any such agreement during the period under review.

third party management agreement

The Company has a management contract with Harel Mallac & Co. Ltd for management support services, including but not limited to the financial accounting, legal, internal audit and human resources fields. The agreement is renewable on a yearly basis.

directors' fees

The Directors, to the exception of the Executive Directors and one of the Non-Executive Directors, are paid Directors' fees and fees in relation to the Audit, Corporate Governance and Strategic Committees.

directors' remuneration

Directors' remuneration is given on page 20. It has not been disclosed on an individual basis due to the commercial sensitivity of the information.

remuneration policy

The Company's remuneration policy recommends that the Company provides competitive rewards for its senior executives and other senior management staff, taking into account the Company's performance and external market data from independent sources and, in particular, where available, salary levels for similar positions in comparable companies.

The remuneration package consists of base salary, fringe benefits and an annual individual performance bonus. The remuneration package is determined by the Board of Directors upon recommendations by the Corporate Governance Committee.

Directors and members of Board Committees may receive additional fees for their roles on such committees.

corporate governance report

employee share option plan

No employee share option plan is available within the Group.

code of ethics

As a subsidiary of Harel Mallac, MCFI abides to the new group Code of Ethics that was published in November 2017 and made available to all employees in paper and electronic copies, as well as through an e-learning module. The Code can be consulted on Harel Mallac's website.

profile of company's shareholders as at 21 March 2018

Size of Shareholding	Number of Shareholders	Number of Shares Owned	% holding
1-500	881	161,690	0.74
501-1,000	140	109,477	0.49
1,001-5,000	296	722,661	3.29
5,001-10,000	57	410,613	1.87
10,001-50,000	54	1,099,178	4.99
50,001-100,000	12	852,629	3.87
100,001-250,000	7	1,129,196	5.13
250,001-500,000	5	1,499,110	6.81
Over 500,000	2	16,021,864	72.81
Total	**1,454**	**22,006,418**	**100.00**

summary by shareholding category as at 21 March 2018

Category of Shareholders	Number of Shareholders	Number of Shares Owned	% holding
Individual	1,331	2,605,820	11.84
Insurance and assurance companies	3	61,000	0.28
Pension and provident funds	23	1,362,506	6.19
Investment and trust companies	5	312,407	1.42
Other corporate bodies	92	17,664,685	80.27
Total	**1,454**	**22,006,418**	**100.00**

corporate governance report

shareholder information

forthcoming Annual Meeting

A proxy form is enclosed for those shareholders unable to attend. Shareholders are requested to bring their ID cards or passports to the meeting, as these are required for registration.

schedule of events

Publication of condensed audited results for previous year	March 2018
Annual Meeting	May/June 2018
Publication of condensed unaudited results for 1st quarter	May 2018
Publication of condensed unaudited results for 2nd quarter	August 2018
Publication of condensed unaudited results for 3rd quarter	November 2018
Dividend declaration and payment	December 2018/January 2019

shareholders' practical guide

Issues	Action
Change of address	Contact the Company's secretariat
If shares are deposited with CDS	Contact the personal broker
Change of name	Contact the Company's secretariat
Acquisition or disposal of shares	Contact the personal broker
Share transfers	Contact the Company's secretariat
Lost share certificate	Contact the Company's secretariat
Direct dividend credit	Forward the relevant form to the Company's secretariat

social, health and safety

Despite operating in a very challenging economic environment, the Company continued to develop all its activities and projects by considering health and safety as core company values, with the aim of preventing incidents that may harm our employees whilst continuously delivering services and products safely to our valued customers.

The Company is fully committed to protect and enhance the safety and health of all its employees in the workplace through its on-going hazard and risk assessment processes, control systems and preventive measures against any occupational disease in compliance with OSHA 2005.

Regarding safety performance, no fatality and major work-related incident was recorded in 2017. However, several minor incidents were reported and appropriate corrective actions were taken to prevent recurrence and minimise their impact.

As health, safety and environment are an absolute priority within our operations, the Company actively invests in health and safety by continuously improving the working environment for our employees. The Leadership Team, Management and employees have a strong commitment to sustain and maintain an organisational culture that supports effective health and safety management.

The Company also ensures that its recruitment and promotion policies are fair and that procedures adopted are both transparent as well as competency-based and merit based. We also promote honest and transparent business practices.

corporate governance report

corporate, social and environmental responsibility

As a subsidiary of the Harel Mallac Group, MCFI's support to the community is entrusted to the Fondation Harel Mallac (FHM) which focuses on education and support to vulnerable children.

In 2017, the FHM has supported four non-governmental organisations: Action for Economic & Social Development, ANFEN, SOS Children's Villages and Association d'Alphabétisation de Fatima.

On the environmental side, MCFI contributed to J'aime Ma Terre, a group-wide sensitisation project on waste management and the 4Rs (Reduce, Reuse, Recycle, Rots), which was rolled out in five schools. The Chemical and Fertilisers sub-division companies also set up a green-house on their premises, where employees grow vegetables and fruit for their own consumption.

statutory disclosures

The Directors have the pleasure in submitting the Annual Report of The Mauritius Chemical and Fertilizer Industry Limited and its subsidiaries together with the audited financial statements for the year ended 31 December 2017.

principal activities

The principal activities of the Group and the Company during the year have remained unchanged.

The main activities of the Company and its subsidiaries are detailed on page 3.

directors

The Directors of the Company and its subsidiaries as at 31 December 2017 were as follows:

• Director

◊ Gérant

∞ Ceased to act as Director during the year ended 31 December 2017

	THE MAURITIUS CHEMICAL AND FERTILIZER INDUSTRY LIMITED	MCFI (FREEPORT) LTD	MCFI INTERNATIONAL & CO LTD	MCFI INTERNATIONAL ZAMBIA LTD	COOLKOTE ENTERPRISES LTD	FERTCO LTD	REUNIFERT SAS	LOGIMA REUNION SAS	MCFI EXPORT LTD (FORMERLY KNOWN AS HAREL MALLAC EXPORT LTD)
AH KINE S S Hock Meen		•			•				•
CHEEKHOOREE Shemboosingh	•		•	•		•			•
DOGER DE SPEVILLE Allain	•								
FRANCIS L. Alfred				•					
HAREL Antoine L	•	•	•			•			
HAREL Charles	•	•		•	•	•	◊	◊	•
HAREL Guy	•								
LABAT Vincent	•								
NG KWING KING Harold	•								
RIVALLAND Michel, G.O.S.K	∞	∞	∞		∞	∞			
VENKATASAMY Ravi				•					
YONG KIANG YOUNG Christian Pierre		•			•				•

statutory disclosures

directors' service contracts

No Director of the Company and its subsidiaries has any service contract that needs to be disclosed under section 221(2) of the Companies Act 2001.

directors' remuneration and benefits

Remuneration and benefits received, or due and receivable from the Company and its subsidiaries were:

	Company		Subsidiaries	
	2017	2016	**2017**	2016
- The Company	**Rs'000**	Rs'000	**Rs'000**	Rs'000
Executive Director				
Full-time	**6,288**	5,709	**-**	-
Part-time	**-**	-	**-**	-
Non-executive Directors	**3,220**	2,990	**-**	-
	9,508	8,699	**-**	-

	2017	2016
- Subsidiary companies		
(excluding the Directors who are also directors of the Company)	**Rs'000**	Rs'000
1 Executive Director (2016: 1)		
Full-time	**491**	550
Part-time	**-**	-
Non-executive Directors	**170**	162
	661	712

directors' and other officers' interest in shares

The Directors' and other officers' interests in the Company's shares at 31 December 2017 were:

Directors	**THE COMPANY**	
	Direct Interest	**Indirect Interest**
Antoine L Harel	-	819,282
Charles Harel	-	800,251
Harold Ng Kwing King	3,750	-

None of the other directors or officers of the Company holds shares in the Company be it directly or indirectly.

contracts of significance

There was no contract of significance to which the Company, or one of its subsidiaries has been a party and in which a director of the Company was materially interested, be it directly or indirectly.

statutory disclosures

major shareholders

At 21 March 2018 the following shareholder was interested in more than 5% of the ordinary share capital of the Company.

	Shares	Interest %
Harel Mallac & Co. Ltd	15,494,949	70.41

Except for the above, no person has reported any material holding at 5% or more of the equity share capital of the Company.

donations and corporate social responsibility

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Donations made during the year				
Political	**-**	-	**-**	-
Other	**138**	60	**101**	29
Corporate Social Responsibility	**801**	270	**801**	270

auditor's fees

The fees payable to the auditors, for audit and other services were:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Audit fees payable to:				
- BDO & Co	**723**	776	**535**	560
- BDO Zambia	**529**	503	**-**	-
- Exco Audit Bertrand (Reunion)	**822**	668	**-**	-
Fees payable for other services provided by:				
- BDO & Co	**-**	-	**-**	-
- BDO Zambia	**87**	77	**-**	-

Other services provided by BDO Zambia relate to taxation services.

statement of directors' responsibilities

Directors acknowledge their responsibilities for:

i. Adequate accounting records and maintenance of effective internal control systems;
ii. The preparation of financial statements which fairly present the state of affairs of the Company as at the end of the financial year, the results of its operations, and cash flow for that year and which comply with International Financial Reporting Standards (IFRS); and
iii. The selection of appropriate accounting policies supported by reasonable and prudent judgements.

The External Auditors are responsible for reporting on whether the Company's financial statements are fairly presented.

The Directors report that:

i. Adequate accounting records and an effective system of internal controls and risk management have been maintained;
ii. Appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently;
iii. International Financial Reporting Standards have been adhered to. Any departure in the interest of fair presentation has been disclosed, explained and quantified; and
iv. The Code of Corporate Governance has been adhered to. Reasons have been provided where there has not been compliance.

Approved by the Board of Directors on 21 March 2018 and signed on its behalf by:

Antoine L. Harel
Chairman

Shemboosingh Cheekhooree
Managing Director

statement of compliance

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

Name of PIE: The Mauritius Chemical and Fertilizer Industry Limited
Reporting period: Year ended 31 December 2017

We, the Directors of The Mauritius Chemical and Fertilizer Industry Limited, confirm that to the best of our knowledge, the PIE has not complied with section 2.8.2 of the Code of Corporate Governance. The information has been disclosed globally due to the sensitivity of the information.

Antoine L. Harel
Chairman

Shemboosingh Cheekhooree
Managing Director

21 March 2018

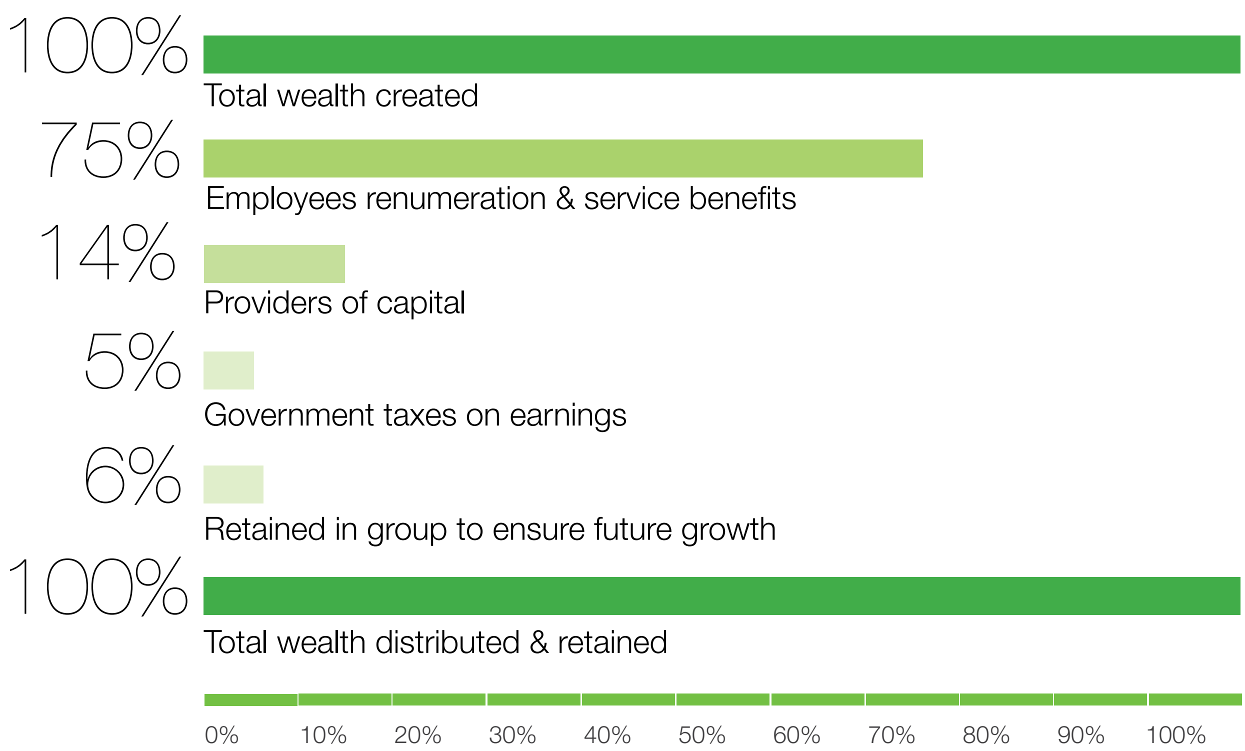
secretary's certificate

We certify that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001.

HM Secretaries Ltd.
Secretary
21 March 2018

value added statement

	2017 Rs '000	%	2016 Rs '000	%
Turnover	**982,544**		926,323	
Paid to supplier for materials & services	**887,710**		811,239	
Value Added	**94,834**		115,084	
Investment and other income	**46,742**		37,711	
Total wealth created	**141,576**	**100**	152,795	100
Distributed as follows:				
Employees Remuneration & Service benefits	**106,802**	**75**	102,511	68
Providers of capital				
Dividends to shareholders	**17,605**		15,405	
Interest paid on borrowings	**2,022**		3,583	
	19,627	**14**	18,988	12
Government taxes on earnings				
Taxation	**6,806**	**5**	17,343	11
Retained in group to ensure future growth				
Depreciation & Amortisation	**15,528**		17,399	
Retained surplus	**(7,187)**		(3,446)	
	8,341	**6**	13,953	9
Total wealth distributed & retained	**141,576**	**100**	152,795	100



independent auditor's report

To the Shareholders of The Mauritius Chemical and Fertilizer Industry Limited

This report is made solely to the members of The Mauritius Chemical and Fertilizer Industry Limited (the "Company"), as a body, in accordance with Section 205 of the 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 auditor's 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 opinions we have formed.

Report on the audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of The Mauritius Chemical and Fertilizer Industry Limited and its subsidiaries (the "Group"), and the Company's separate financial statements on pages 28 to 82 which comprise the statements of financial position as at 31 December 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements 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 financial statements on pages 28 to 82 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Mauritius, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter for the Group and the Company is as follows:

1 Revenue recognition

Key Audit Matter

Revenue is an important measure used to evaluate the performance of the Group and the Company. There is a risk that the revenue is presented for amounts higher than what has been actually generated by the Group and the Company. Consequently, we considered revenue recognition to be a significant key audit matter. The Group's and the Company's revenue is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer and/or services have been rendered.

Related Disclosures

Refer to note 2.21 (accounting policy note) and note 23 (financial statement disclosures)

Audit Response

Our audit procedures to address the risk of material misstatement relating to revenue recognition include:

• Testing of design, existence and operating effectiveness of internal control procedures implemented as well as test of details to ensure accurate processing of revenue transactions.

• The accuracy and completeness of revenue was verified through Computer Assisted Audit Techniques, cut-off test and analytical reviews.

Key Audit Matter for the Group is as follows:

2 Recoverability of receivable balances from related companies

Key Audit Matter

The Group had receivable balances from related companies of Rs.442.5m as at 31 December 2017, representing 31% of the total assets of the Group. We focussed on this area as a key audit matter due to amounts involved being material and cash is tied up in these receivable balances.

Related Disclosures

Refer to note 11, 13 and 36 of the accompanying financial statements.

Audit Response

Our procedures included, amongst others:

• Assessing and challenging management's view of recoverability and questioning management's knowledge of future conditions that may impact expected receipts.

• Discussed, evaluated and concluded with management that the debts from related companies are being serviced in the future and that the latter has a possible cash streaming to repay these debts.

independent auditor's report

To the Shareholders of The Mauritius Chemical and Fertilizer Industry Limited (Cont'd)

Key Audit Matter for the Company is as follows:

1 Recoverabiliy of Group receivable balances

Key Audit Matter

The Company had receivable from group companies of Rs.491.4m as at 31 December 2017, representing 45% of the total assets of the Company. We focussed on this area as a key audit matter due to amounts involved being material and cash is tied up in these group receivables.

Related Disclosures

Refer to note 11, 13 and 36 of the accompanying financial statements.

Audit Response

"Our procedures included, amongst others:

• Assessing and challenging management's view of recoverability and questioning management's knowledge of future conditions that may impact expected receipts.

• Discussed, evaluated and concluded with management that the debts from group companies are being serviced in the future and that the latter has a possible cash streaming to repay these debts."

Other information

Directors are responsible for the other information. The other information comprises the Corporate Governance report, Board of Directors, Senior Management profile, Statement of Directors' Responsibilities, Statement of Compliance and Statutory disclosures (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Vision, Mission and Values statement, Group Profile, Business Lines Corporate Information, Chairman and Managing Director's report and Value Added statement (together referred as the 'other statements'), which is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the Corporate Governance report, Board of Directors, Senior Management profile, Statement of Directors' Responsibilities, Statement of Compliance and Statutory disclosures that we obtained prior to the date of this auditor's report, 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.

When we read the 'other statements' which will be made available to us after that date, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001, and for such internal control as the directors determine 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, the directors are responsible for assessing the Group and 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 the directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 ISAs 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 ISAs, 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 Group and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.

independent auditor's report

To the Shareholders of The Mauritius Chemical and Fertilizer Industry Limited (Cont'd)

- Conclude on the appropriateness of directors' 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 Group and 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group and 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.
Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with, or interests in, the Company or any of its subsidiaries, other than in our capacity as auditors and dealings in the ordinary course of business.
We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Financial Reporting Act 2004

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

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

BDO &CO

BDO & CO
Chartered Accountants

Port Louis,
Mauritius.

21 March 2018

RGhanty

Rookaya Ghanty, FCCA
Licensed by FRC

statements of financial position

year ended 31 December 2017

	Notes	THE GROUP		THE COMPANY	
		2017	2016	**2017**	2016
		Rs'000	Rs'000	**Rs'000**	Rs'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	**162,071**	175,298	**158,928**	171,870
Investment properties	6	**58,376**	58,645	**46,400**	46,400
Intangible assets	7	**1,145**	1,628	**1,041**	1,453
Investments in subsidiary companies	8	**-**	-	**10,030**	10,030
Investments in associates	9	**22,161**	21,566	**16,193**	16,193
Investments in joint ventures	9A	**-**	-	**-**	-
Investments in financial assets	10	**11,844**	9,882	**11,844**	9,882
Non-current receivables	11	**334,919**	334,919	**339,919**	373,730
		590,516	601,938	**584,355**	629,558
Current assets					
Inventories	12	**324,360**	164,909	**142,741**	84,115
Trade and other receivables	13	**463,178**	335,230	**322,252**	223,255
Short term loans	14	**8,943**	9,943	**8,943**	9,943
Cash and cash equivalents	32(b)	**54,653**	85,195	**23,403**	60,396
		851,134	595,277	**497,339**	377,709
TOTAL ASSETS		**1,441,650**	1,197,215	**1,081,694**	1,007,267
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	15	**220,064**	220,064	**220,064**	220,064
Revaluation and other reserves		**101,050**	101,646	**112,619**	115,360
Retained earnings		**475,330**	491,784	**379,523**	390,221
Owners' interest		**796,444**	813,494	**712,206**	725,645
Non-current liabilities					
Borrowings	17	**399**	547	**-**	-
Deferred tax liabilities	18	**25,901**	27,275	**26,422**	27,610
Retirement benefit obligations	19	**20,093**	13,811	**16,946**	11,404
		46,393	41,633	**43,368**	39,014
Current liabilities					
Trade and other payables	20	**506,607**	301,133	**236,948**	214,860
Current tax liabilities	21(a)	**1,362**	11,809	**2,692**	4,232
Borrowings	17	**73,239**	13,741	**68,875**	8,111
Dividends	22	**17,605**	15,405	**17,605**	15,405
		598,813	342,088	**326,120**	242,608
TOTAL LIABILITIES		**645,206**	383,721	**369,488**	281,622
TOTAL EQUITY & LIABILITIES		**1,441,650**	1,197,215	**1,081,694**	1,007,267

These financial statements have been approved for issue by the Board of Directors on 21 March 2018

Antoine L. Harel
Chairman

Shemboosingh Cheekhooree
Managing Director

The notes on pages 33 to 82 form an integral part of these financial statements.

Auditor's report on pages 25 to 27.

statements of profit or loss and other comprehensive income

year ended 31 December 2017

	Notes	THE GROUP		THE COMPANY	
		2017	2016	**2017**	2016
		Rs'000	Rs'000	**Rs'000**	Rs'000
Continuing operations					
Revenue	23	**982,544**	926,323	**457,434**	558,880
Cost of sales	26	**(787,421)**	(708,642)	**(336,638)**	(441,766)
Gross profit		**195,123**	217,681	**120,796**	117,114
Other operating income	24	**5,473**	8,968	**11,315**	13,693
Operating expenses	26	**(222,619)**	(222,507)	**(143,953)**	(145,835)
Operating (loss)/profit	25	**(22,023)**	4,142	**(11,842)**	(15,028)
Other income	27	**48,241**	55,179	**47,852**	80,701
		26,218	59,321	**36,010**	65,673
Impairment of receivables		**-**	-	**(26,091)**	(12,000)
Impairment of investments in associates/joint ventures		**-**	-	**-**	(68,025)
Profit/(loss) before finance (costs)/income		**26,218**	59,321	**9,919**	(14,352)
Net finance (costs)/income	28	**(10,346)**	5,979	**2,070**	(1,821)
		15,872	65,300	**11,989**	(16,173)
Share of result of associates/joint venture	9 & 9A	**1,353**	(35,998)	**-**	-
Profit/(loss) before taxation		**17,225**	29,302	**11,989**	(16,173)
Income tax expense	21(b)	**(6,805)**	(17,343)	**(5,082)**	(8,360)
Profit/(loss) for the year		**10,420**	11,959	**6,907**	(24,533)
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Gains on revaluation of buildings	16	**-**	106,227	**-**	106,227
Deferred tax on revaluation of buildings	16	**-**	(12,677)	**-**	(15,934)
Remeasurements of post employment benefit obligations	16	**(4,902)**	(208)	**(4,703)**	(750)
Share of other comprehensive income of associates	16	**(758)**	(2,086)	**-**	-
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences	16	**3,102**	10,034	**-**	-
Change in value of available-for-sale financial assets	16	**1,962**	(863)	**1,962**	(863)
Other comprehensive income for the year, net of tax		**(596)**	100,427	**(2,741)**	88,680
Total comprehensive income for the year		**9,824**	112,386	**4,166**	64,147
Profit/(loss) attributable to:					
Owners of the parent		**10,420**	11,959	**6,907**	(24,533)
Total comprehensive income attributable to:					
Owners of the parent		**9,824**	112,386	**4,166**	64,147
Earnings/(loss) per share (Rs/share)	31	**0.47**	0.54	**0.31**	(1.11)

The notes on pages 33 to 82 form an integral part of these financial statements.
Auditor's report on pages 25 to 27.

statements of changes in equity

year ended 31 December 2017

(Attributable to owners of the parent)

THE GROUP	Notes	Share capital	Revaluation reserve	Available for sale fair value reserve	Translation reserve	Other reserves	Retained earnings	Actuarial (losses)	Total equity
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance at 1 January 2017		220,064	124,413	7,574	(25,626)	(3,424)	491,784	(1,291)	813,494
Profit for the year		-	-	-	-	-	10,420	-	10,420
Other comprehensive income for the year	16	-	-	1,962	3,102	(758)	-	(4,902)	(596)
Total comprehensive income for the year		-	-	1,962	3,102	(758)	10,420	(4,902)	9,824
Consolidation adjustment	35	-	-	-	-	-	(9,269)	-	(9,269)
Dividends - 2017	22	-	-	-	-	-	(17,605)	-	(17,605)
Total transactions with owners of the parent		-	-	-	-	-	(17,605)	-	(17,605)
Balance at 31 December 2017		**220,064**	**124,413**	**9,536**	**(22,524)**	**(4,182)**	**475,330**	**(6,193)**	**796,444**
Balance at 1 January 2016		220,064	30,863	8,437	(35,660)	(1,338)	495,230	(1,083)	716,513
Profit for the year		-	-	-	-	-	11,959	-	11,959
Other comprehensive income for the year	16	-	93,550	(863)	10,034	(2,086)	-	(208)	100,427
Total comprehensive income for the year		-	93,550	(863)	10,034	(2,086)	11,959	(208)	112,386
Dividends - 2016	22	-	-	-	-	-	(15,405)	-	(15,405)
Total transactions with owners of the parent		-	-	-	-	-	(15,405)	-	(15,405)
Balance at 31 December 2016		220,064	124,413	7,574	(25,626)	(3,424)	491,784	(1,291)	813,494

The notes on pages 33 to 82 form an integral part of these financial statements.
Auditor's report on pages 25 to 27.

statements of changes in equity

year ended 31 December 2017

THE COMPANY	Notes	Share capital Rs'000	Revaluation reserve Rs'000	Available for sale fair value reserve Rs'000	Retained earnings Rs'000	Actuarial losses Rs'000	Total equity Rs'000
Balance at 1 January 2017		220,064	109,549	7,573	390,221	(1,762)	725,645
Profit for the year		-	-	-	6,907	-	6,907
Other comprehensive income for the year	16	-	1,962		-	(4,703)	(2,741)
Total comprehensive income for the year		-	1,962	-	6,907	(4,703)	4,166
Dividends - 2017	22	-	-	-	(17,605)	-	(17,605)
Total transactions with owners of the parent		-	-	-	(17,605)	-	(17,605)
Balance at 31 December 2017		**220,064**	**111,511**	**7,573**	**379,523**	**(6,465)**	**712,206**
Balance at 1 January 2016		220,064	19,256	8,436	430,159	(1,012)	676,903
Loss for the year		-	-	-	(24,533)	-	(24,533)
Other comprehensive income for the year	16	-	90,293	(863)	-	(750)	88,680
Total comprehensive income for the year		-	90,293	(863)	(24,533)	(750)	64,147
Dividends - 2016	22	-	-	-	(15,405)	-	(15,405)
Total transactions with owners of the parent		-	-	-	(15,405)	-	(15,405)
Balance at 31 December 2016		220,064	109,549	7,573	390,221	(1,762)	725,645

The notes on pages 33 to 82 form an integral part of these financial statements.
Auditor's report on pages 25 to 27.

statements of cash flows

year ended 31 December 2017

	Notes	THE GROUP 2017 Rs'000	THE GROUP 2016 Rs'000	THE COMPANY 2017 Rs'000	THE COMPANY 2016 Rs'000
Cash flows from operating activities					
Cash (used in)/generated from operations	32(a)	**(70,240)**	80,708	**(97,384)**	89,800
Interest paid		**(2,022)**	(3,583)	**(1,741)**	(2,852)
Income tax paid		**(17,952)**	(6,802)	**(6,980)**	(1,471)
Net cash (used in)/generated from operating activities		**(90,214)**	70,323	**(106,105)**	85,477
Cash flows from investing activities					
Purchase of property, plant and equipment		**(1,880)**	(11,212)	**(952)**	(9,472)
Purchase of intangible assets		**(19)**	(105)	**(19)**	-
Investment in associates		**-**	(43,019)	**-**	(43,019)
Business combination of entities under common control	35	**(6,330)**	-	**-**	-
Proceeds on disposal of property, plant and equipment		**202**	-	**202**	-
Loans granted		**-**	-	**(5,000)**	-
Interest received		**24,876**	24,194	**25,264**	24,343
Dividend received from:					
- subsidiary		**-**	-	**-**	7,100
- available for sale investments		**446**	446	**446**	446
Net cash generated from/(used in) investing activities		**17,295**	(29,696)	**19,941**	(20,602)
Cash flows from financing activities					
Payments on long term borrowings and finance lease		**(3,117)**	(720)	**-**	(10,000)
Dividend paid		**(15,404)**	(15,404)	**(15,404)**	(15,404)
Net cash used in financing activities		**(18,521)**	(16,124)	**(15,404)**	(25,404)
Net (decrease)/increase in cash and cash equivalents		**(91,440)**	24,503	**(101,568)**	39,471
Movement in cash and cash equivalents					
At 1 January		**72,009**	37,944	**52,285**	11,783
(Decrease)/increase		**(91,440)**	24,503	**(101,568)**	39,471
Effect of foreign exchange rate changes		**1,003**	9,562	**3,811**	1,031
At 31 December	32(b)	**(18,428)**	72,009	**(45,472)**	52,285

The notes on pages 33 to 82 form an integral part of these financial statements.
Auditor's report on pages 25 to 27.

notes to the financial statements
year ended 31 December 2017

1. GENERAL INFORMATION

The Mauritius Chemical and Fertilizer Industry Limited is a public company incorporated in Mauritius and listed on the Stock Exchange of Mauritius. Its registered office is situated at 18, Edith Cavell Street, Port Louis, Mauritius. Its main activity consists of manufacturing of NPK complex, blending and trading of fertilizers.

The Directors consider Harel Mallac & Co. Ltd, incorporated in the Republic of Mauritius as the holding company and Société Pronema, an entity registered in the Republic of Mauritius as the ultimate parent entity.

These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of Shareholders of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of The Mauritius Chemical and Fertilizer Industry Limited comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements include the consolidated financial statements of the parent company and its subsidiaries (the “Group”) and the separate financial statements of the parent company (the “Company”). The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs’000), except where otherwise indicated.

Where necessary, comparative figures have been amended to conform with change in presentation in the current year. The financial statements are prepared under the historical cost convention, except that:

(i) Relevant financial assets and liabilities are stated at amortised cost;
(ii) Investments in financial assets are stated at their fair value;
(iii) Buildings are carried at revalued amounts;
(iv) Investment properties are stated at fair value.

Amendments to published Standards effective in the reporting period

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12). The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. The amendment has no impact on the Group’s financial statements.

Disclosure Initiative (Amendments to IAS 7). The amendments require the entity to explain changes in its liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. A reconciliation of the opening and closing carrying amounts for each item for which cash flows have been or would be classified as financial activities is presented in note 32(d).

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 12 Disclosure of Interests in Other Entities. The amendments clarify that entities are not exempt from all of the disclosure requirements in IFRS 12 when entities have been classified as held for sale or as discontinued operations. The amendment has no impact on the Group’s financial statements.

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2018 or later periods, but which the Group has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 9 Financial Instruments
IFRS 15 Revenue from Contracts with Customers
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

notes to the financial statements

year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Standards, Amendments to published Standards and Interpretations issued but not yet effective (cont'd)

IFRS 16 Leases
Clarifications to IFRS 15 Revenue from Contracts with Customers
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
Annual Improvements to IFRSs 2014-2016 Cycle
IFRIC 22 Foreign Currency Transactions and Advance Consideration
Transfers of Investment Property (Amendments to IAS 40)
IFRS 17 Insurance Contracts
IFRIC 23 Uncertainty over Income Tax Treatments
Prepayment Features with negative compensation (Amendments to IFRS 9)
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

Annual Improvements to IFRSs 2015-2017 Cycle

Where relevant, the Group is still evaluating the effect of these Standards, Amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2.2 Investments in subsidiaries

(a) Separate financial statements of the investor

In the separate financial statements of the investor, investments in subsidiary companies are carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments.

(b) Consolidated financial statements

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any assets or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree (if any), over the fair value of identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss as a bargain purchase gain.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(i) Business combination under common control

A business combination involving entities or businesses in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination is considered as business combination under common control.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Investments in subsidiaries (cont'd)

(b) Consolidated financial statements (cont'd)

In case of any acquisition which meet the criteria of business combination under common control the assets and liabilities are recorded at their previous carrying values and the difference between the purchase consideration and share of net assets transferred are accounted for as an adjustment to equity as common control.

(ii) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Investments in associates

(a) Separate financial statements of the investor

In the separate financial statements of the investor, investments in associated companies are carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments.

(b) Consolidated financial statements

An associate is an entity over which the Group has significant influence but not control, or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method. Investments in associates are initially recognised at cost as adjusted by post acquisition changes in the Group's share of the net assets of the associate less any impairment in the value of individual investments.

Any excess of the cost of acquisition and the Group's share of the net fair value of the associate's identifiable assets and liabilities recognised at the date of acquisition is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of acquisition, after assessment, is included as income in the determination of the Group's share of the associate's profit or loss.

When the Group's share of losses exceeds its interest in an associate, the Group discontinues recognising further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, appropriate adjustments are made to the financial statements of associates to bring the accounting policies used in line with those adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

2.4 Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the

notes to the financial statements

year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Investments in joint ventures (cont'd)

joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint ventures are accounted for using the equity method (refer to note 2.3).

2.5 Property, plant and equipment

All property, plant and equipment are initially recorded at historical cost. Buildings are subsequently stated at fair value, based on periodic, but at least triennial valuations, by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus directly in equity; all other decreases are charged to profit or loss.
Depreciation is calculated on a straight line method to write off the cost of each asset, to their residual values over their estimated useful lives, as follows:

	Years
Buildings	30 - 40
Plant and Machinery	5 - 25
Furniture, Fittings and Office Equipment	3 - 10
Forklifts and payloaders	5
Motor Vehicles	5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in revaluation and other reserves relating to those assets are transferred to retained earnings.

2.6 Investment Properties

Investment properties, held to earn rentals and not occupied by the Group are measured initially at cost, including transaction costs. Subsequent to initial recognition investment properties are carried at fair value, representing open-market value determined annually by external valuers. Changes in fair values are included in profit or loss as part of other income.

Property that is under construction or development to earn rentals or for capital appreciation or both is accounted as investment property.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods and work in progress comprises purchase cost of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements are measured using Mauritian rupees, the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Mauritian rupees, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'Net finance income'. Foreign exchange gain and losses that relate to purchases and trade payables are presented in profit or loss within 'Cost of sales'. All other foreign exchange gains and losses are presented in profit or loss within 'Other income'.

Non-monetary items, that are measured at historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction.

Non-monetary items, that are measured at fair value in a foreign currency, are translated using the exchange rates at the date the fair value was determined.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement representing profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.9 Current and deferred income tax

The tax expense for the period comprise of current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

(a) Current tax

The current tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantively enacted by the end of the reporting period.

notes to the financial statements
year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Current and deferred income tax (cont'd)

(b) Deferred tax

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted at the reporting date and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodies in the investment property over time, rather than through sale.

2.10 Intangible assets

(a) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 2.2) less accumulated impairment losses, if any.

Goodwill is tested annually for impairment.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gains and losses on disposal.

(b) Licences

Licences are shown at historical cost, have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method over their estimated useful lives (3 years).

(c) Computer Software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised using the straight line method over their extimated useful lives (3-5 years).

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software controlled by the Company and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

2.11 Retirement benefit obligations

(a) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution retirement plans are charged when employees have rendered service that entitle them to the contributions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Retirement benefit obligations (cont'd)

(b) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statements of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

The Group determines the net interest expense/(income) on the defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(assets), taking into account any changes in the net defined liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

(c) Gratuity on retirement

For those employees who are not covered (or who are insufficiently covered) by the above pension plans, the net present value of gratuity on retirement payable under the Employment Rights Act 2008 is calculated by a qualified actuary and provided for. The obligations arising under this item are not funded.

(d) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(e) Terminations benefits

Terminations benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.12 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.13 Leases

(a) Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

notes to the financial statements

year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Leases (cont'd)

(b) Accounting for lease - where the Company is the lessee

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

2.14 Financial assets

(a) Categories of financial assets

The Group classifies its financial assets in the following categories: available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of the financial assets at initial recognition.

(i) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the end of the reporting period.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost less any impairment. They are included in current assets when maturity is within twelve months after the end of the reporting period or non-current assets for maturities greater than twelve months.

The Group's loans and receivables comprise cash and cash equivalents, non-current receivables and trade and other receivables.

(b) Recognition and measurement

Purchases and sales of financial assets are recognised on trade-date (or settlement date), the date on which the Group commits to purchase or sell the asset. Investments are initially measured at fair value plus transaction costs.

Available-for-sale financial assets are subsequently carried at their fair values. Loans and receivables are carried at amortised cost using the effective interest method.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in other comprehensive income.

When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses on financial assets.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flows analysis.

(c) Impairment of financial assets

(i) Financial assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in profit or loss.

notes to the financial statements

year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial assets (cont'd)

(c) Impairment of financial assets (cont'd)

(i) Financial assets classified as available-for-sale (cont'd)

If the fair value of a previously impaired debt security classified as available-for-sale increases and the increase can be objectively related to an event occuring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

(ii) Financial assets carried at amortised cost

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2.15 Long term receivables

Long term receivables with fixed maturity terms are measured at amortised cost using the effective interest rate method, less provision for impairment. Long term receivables without fixed maturity terms are measured at cost. The carrying amount of the asset is reduced by the difference between the asset's carrying amount and the present value of estimated cash flows discounted using the original effective interest rate. The amount of loss is recognised in profit or loss. If there is objective evidence that an impairment loss has been incurred, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value (PV) of estimated cash flows discounted at the current market rate of return of similar financial assets.

2.16 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of provision is recognised in profit or loss.

2.17 Borrowings

Borrowings are recognised initially at fair value being the issue proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdraft. Bank overdraft is shown within borrowings in current liabilities in the statements of financial position.

2.19 Trade and other payables

Trade and other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

notes to the financial statements

year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as deduction, net of tax, from proceeds.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns, value added taxes, rebates and other similar allowances and after eliminating sales within the Group.

(a) Sales of goods

Sales of goods are recognised when the goods are delivered and titles have passed, at which time all of the following conditions are satisfied:

(i) the Group has transferred to the buyer the significant risk and rewards of ownership of the goods;
(ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(iii) the amount of revenue can be measured reliably;
(iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and
(v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(b) Rendering of services

Revenue from rendering of services are recognised in the accounting year in which the services are rendered (by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of total services to be provided).

(c) Other revenues are recognised as follows:

- Rental income - on an accruals basis in accordance with the substance of the relevant agreements;
- Interest income - on a time-proportion basis using the effective interest method;
- Dividend income - when the shareholder's right to receive payment is established.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared.

2.23 Provisions

Provisions are recognised when the Company has a present or constructive obligation as a result of past events; it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

2.24 Segment reporting

Segment information presented relate to operating segments that engage in business activities for which revenues are earned and expenses incurred.

2.25 Alternative Minimum Tax (AMT)

Alternative Minimum Tax (AMT) is provided for, where a company which has a tax liability of less than 7.5% of its book profit pays a dividend. AMT is calculated as the lower of 10% of the dividend paid and 7.5% of book profit.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Related Parties

Related Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party making financial or operational decisions.

2.27 Derivative financial instruments

The Group enters into derivative financial instruments to manage their exposure to foreign exchange rate risk, including foreign exchange forward contracts and cross currency swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undestaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair fair value is recognised as a financial liability. A derivative presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

(a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable at the hedged risk.

The Group applies only fair value hedge accounting for hedging foreign exchange rate risks. The gain or loss relating to the effective portion of foreign exchange forward contracts and cross currency swaps is recognised in profit or loss within finance costs.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risks (including currency risk, fair value interest risk, cash flow interest risk and price risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposure.

A description of the significant risk factors is given below together with the risk management policies applicable.

(a) Market risk

(i) Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollar, Zambian Kwacha and Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities and net investments in foreign operations.

Management has set up a policy to require the Group to manage its foreign exchange risk exposure. The Group uses forward contracts to hedge its exposure to foreign currency risk, when recorded liabilities are denominated in a currency that is not the entity's functional currency. External foreign exchange contracts are designed as hedges of foreign exchange risk on specific liabilities.

The Group has investment in foreign subsidiaries, whose net assets are exposed to currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations in Zambia and in Reunion Island

notes to the financial statements

year ended 31 December 2017

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (cont'd)

(a) Market risk (cont'd)

Currency profile

The currency profile of the Group's and the Company's financial assets and liabilities is summarised below:

	2017		2016	
	Financial assets	**Financial liabilities**	Financial assets	Financial liabilities
(a) **THE GROUP**	**Rs'000**	**Rs'000**	Rs'000	Rs'000
Mauritian rupee	**428,935**	**130,241**	561,214	66,686
US Dollar	**200,335**	**315,758**	41,448	187,293
Euro	**115,085**	**84,142**	98,429	44,321
Zambian Kwacha	**128,955**	**52,775**	80,611	23,399
	873,310	**582,916**	781,702	321,699
(b) **THE COMPANY**				
Mauritian rupee	**527,363**	**127,741**	582,616	66,780
US Dollar	**72,721**	**113,166**	10,547	149,242
Euro	**106,094**	**68,044**	85,577	13,229
	706,178	**308,951**	678,740	229,251

The tables above exclude prepayments and accruals.

At 31 December 2017, if the rupee has weakened/strengthened by 5% against the following currencies with all other variables held constant, post tax profit would have been as shown in the table, mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated financial assets and liabilities.

	2017		2016	
	Financial assets	**Financial liabilities**	Financial assets	Financial liabilities
(a) THE GROUP	**Rs'000**	**Rs'000**	Rs'000	Rs'000
	+/-	**+/-**	+/-	+/-
US Dollar	**8,514**	**13,420**	1,762	7,960
Euro	**4,891**	**3,576**	4,183	1,884
Zambian Kwacha	**5,481**	**2,243**	3,426	994
	18,886	**19,239**	9,371	10,838
(b) THE COMPANY				
US Dollar	**3,091**	**4,810**	448	6,343
Euro	**4,509**	**2,892**	3,637	562
	7,600	**7,702**	4,085	6,905

(ii) Price risk

The market prices of the Group's available-for-sale quoted investment securities are susceptible to future fluctuations.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

Sensitivity analysis

The impact of increases/(decreases) in the fair value of the investments on the Group's equity, is summarised below based on the assumption that the fair value has increased/(decreased) by 5%.

	THE GROUP AND THE COMPANY	
	2017	2016
	Rs'000	Rs'000
Available-for-sale investments	**592**	494

notes to the financial statements

year ended 31 December 2017

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (cont'd)

(a) Market risk (cont'd)

(iii) Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from long term borrowings. Borrowings issued at variable rates exposes the Group to cash-flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group's policy is to maintain borrowings, other than finance lease obligations and cash at call, at floating rate.

Sensitivity Analysis

At 31 December 2017 and 2016, if interest rates on both fixed and variable rate borrowings had been 50 basis point higher/lower with all other variables held constant, the impact on post-tax profit would not have been material, since borrowings include mainly cash at call.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables. The amounts presented in the statements of financial position are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Group has policies that limit the amount of credit exposure to any company.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. The Group aims at maintaining flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's and the Company's liquidity reserve on the basis of expected cash flow.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

	Less than 1 year Rs'000	Between 1 and 2 years Rs'000
THE GROUP		
At 31 December 2017		
Bank overdrafts	**49,324**	-
Loan from related companies	**24,115**	-
Obligations under finance lease	**158**	399
Dividends	**17,605**	-
Trade and other payables	**506,607**	-
At 31 December 2016		
Bank overdrafts	8,430	-
Loan from related companies	4,825	-
Obligations under finance lease	772	748
Dividends	15,405	-
Trade and other payables	301,133	-
THE COMPANY		
At 31 December 2017		
Loan from related companies	**24,115**	-
Bank overdrafts	**45,095**	-
Dividends	**17,605**	-
Trade and other payables	**236,948**	-
At 31 December 2016		
Loan from related companies	4,825	-
Bank overdrafts	3,328	-
Dividends	15,405	-
Trade and other payables	214,860	-

notes to the financial statements

year ended 31 December 2017

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.2 Capital Risk Management

The Group's objectives when managing capital are:

• to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
• to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, or sell assets to reduce debt.

There were no changes in the Group's approach to capital risk management during the year.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates.

If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the

reporting period, with the resulting value discounted back to present value.

- Other techniques such as net asset value are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cashflows at the current market interest rate that is available to the group for similar instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of available-for-sale financial assets

The Group follows the guidance of IAS 39 on determining when an investment is other- than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

4.1 Critical accounting estimates and assumptions (cont'd)

(a) Impairment of available-for-sale financial assets (cont'd)

The fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flows.

(b) Pension benefits

The present value of the pension obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.
The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of long term government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 19.

(c) Limitation of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Group's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty.

(d) Asset lives and residual values

Property, plant and equipment are depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

(e) Depreciation policies

Property, plant and equipments are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Group would currently obtain from disposal of the asset, if the asset were already of the age and in condition expected at the end of its useful life.

The Directors therefore make estimates based on historical experience and use best judgement to assess the useful lives of assets at the end of their expected useful lives.

(f) Revenue recognition

The surface area completion method is utilised to recognise revenue on contracts. Management exercises judgement in assessing whether significant risks and rewards have been transferred to the customer to permit revenue to be recognised.

(g) Revaluation of property, plant and equipment and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. In addition, it measures buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. In preparing these financial statements, the Directors have obtained from independent professional valuers the estimated fair value of the Group's buildings which is disclosed in the notes to the financial statements.

The fair value estimates have been based on the market data regarding current yield on similar properties. The actual amounts of revaluation could therefore differ significantly from the estimates in the future.

Investment property is valued on an open market basis by the valuer.

notes to the financial statements

year ended 31 December 2017

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

4.1Critical accounting estimates and assumptions (cont'd)

(h) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy in Note 2.10. These calculations require the use of estimates (note 7).

(i) Fair value of securities not quoted in an active market

The fair value of securities not quoted in an active market may be determined by the Group using valuation techniques including net asset value, which is considered to be appropriate. The Group would exercise judgement and estimates on the quantity and quality of pricing sources used. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(j) Deferred tax on investment properties

For the purpose of measuring deferred tax liabilities arising from investment properties, the Directors reviewed the Group's invesment property portfolio and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sales. Therefore, in determining the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sales is rebutted. As a result, the Group has recognised deferred taxes on changes in fair value of some investment properties as the Group is subject to capital gain taxes on disposal of some of its investment properties.

5. PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP	Buildings	Plant and Machinery	Furniture and Equipment	Forklifts and Payloaders	Motor Vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST OR VALUATION						
At 1 January 2017	105,941	163,649	15,482	19,045	17,425	321,542
Additions	-	558	1,322	-		1,880
Transfer between categories	-	(121)	121	(1,976)	1,976	-
Exchange differences	42	6	(33)	-	(248)	(233)
Disposal	-	(1,715)	(140)	(250)	-	(2,105)
At 31 December 2017	**105,983**	**162,377**	**16,752**	**16,819**	**19,153**	**321,084**
DEPRECIATION						
At 1 January 2017	22	102,947	12,799	14,509	15,967	146,244
Charge for the year	3,536	7,811	1,219	1,115	1,344	15,025
Transfer between categories	-	(17)	17	(260)	260	-
Exchange differences	2	2	(81)	-	(238)	(315)
Disposal	-	(1,628)	(80)	(233)	-	(1,941)
At 31 December 2017	**3,560**	**109,115**	**13,874**	**15,131**	**17,333**	**159,013**
NET BOOK VALUES						
At 31 December 2017	**102,423**	**53,262**	**2,878**	**1,688**	**1,820**	**162,071**

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) THE GROUP

	Buildings	Plant and Machinery	Furniture and Equipment	Forklifts and Payloaders	Motor Vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST OR VALUATION						
At 1 January 2016	179,081	155,486	14,734	18,048	15,387	382,736
Additions	623	8,166	562	997	1,674	12,022
Transfer to investment property (note 6)	(32,480)	-	-	-	-	(32,480)
Revaluation adjustment	(41,267)	-	-	-	-	(41,267)
Exchange differences	(16)	(3)	186	-	364	531
At 31 December 2016	105,941	163,649	15,482	19,045	17,425	321,542
DEPRECIATION						
At 1 January 2016	142,046	96,476	11,626	13,087	13,154	276,389
Charge for the year	5,471	6,471	1,038	1,422	2,493	16,895
Revaluation adjustment	(147,494)	-	-	-	-	(147,494)
Exchange differences	(1)	-	135	-	320	454
At 31 December 2016	22	102,947	12,799	14,509	15,967	146,244
NET BOOK VALUES						
At 31 December 2016	105,919	60,702	2,683	4,536	1,458	175,298

(c) THE COMPANY

	Buildings	Plant and Machinery	Furniture and Equipment	Forklifts and Payloaders	Motor Vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST OR VALUATION						
At 1 January 2017	105,402	163,044	11,621	16,965	9,664	306,696
Additions	-	86	866	-	-	952
Disposal		(1,715)	(140)	(250)	-	(2,105)
At 31 December 2017	**105,402**	**161,415**	**12,347**	**16,715**	**9,664**	**305,543**
DEPRECIATION						
At 1 January 2017	-	102,568	9,524	14,248	8,486	134,826
Charge for the year	3,513	7,755	635	1,115	712	13,730
Disposal	-	(1,628)	(80)	(233)	-	(1,941)
At 31 December 2017	**3,513**	**108,695**	**10,079**	**15,130**	**9,198**	**146,615**
NET BOOK VALUES						
At 31 December 2017	**101,889**	**52,720**	**2,268**	**1,585**	**466**	**158,928**

notes to the financial statements

year ended 31 December 2017

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(d) THE COMPANY	Buildings	Furniture Plant and Machinery	Forklifts and Equipment	Forklifts and Pay-loaders	Motor Vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST OR VALUATION						
At 1 January 2016	179,083	154,909	11,245	16,070	9,664	370,971
Additions	66	8,135	376	895	-	9,472
Transfer to investment property (note 6)	(32,480)	-	-	-	-	(32,480)
Revaluation adjustment	(41,267)	-	-	-	-	(41,267)
At 31 December 2016	105,402	163,044	11,621	16,965	9,664	306,696
DEPRECIATION						
At 1 January 2016	142,048	96,085	8,889	12,429	7,512	266,963
Charge for the year	5,446	6,483	635	1,819	974	15,357
Revaluation adjustment	(147,494)	-	-	-	-	(147,494)
At 31 December 2016	-	102,568	9,524	14,248	8,486	134,826
NET BOOK VALUES						
At 31 December 2016	105,402	60,476	2,097	2,717	1,178	171,870

(e) Land leased from the Mauritius Ports Authority came up for renewal on the 15 December 2015 and the Company is currently negotiating the rates for further period of 15 years ending 14 December 2030. The Company has an option of renewal for two further period of 15 years and a final period of 9 years.

(f) There has been no assets acquired under finance lease for the Group and the Company (2016: Rs.Nil).

(g) Leased asset included above comprise of motor vehicles:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Cost - capitalised finance lease	**2,775**	3,352	**-**	-
Accumulated depreciation	**(2,272)**	(2,270)	**-**	-
Net book value	**503**	1,082	**-**	-

(h) The Company's buildings were last revalued in 31 December 2016, on an open market basis by an external independent valuer, Professional Valuers Co Ltd. 70% of the revaluation surplus, net of applicable deferred income taxes, was credited in shareholders' equity (note 16).

Details of the Group's and the Company's buildings measured at fair value and information about the fair value hierarchy are as follows:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Level 2	**101,889**	105,402	**101,889**	105,402
Level 3	**534**	517	**-**	-
Total	**102,423**	105,919	**101,889**	105,402

notes to the financial statements

year ended 31 December 2017

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Directors are of opinion that the building stated under level 3, approximate its fair value.

There has been no change in buildings measured at fair value hierarchy level 2 during the year for the Group and the Company.

The table below shows the changes in level 3

	THE GROUP	
	2017	2016
	Rs'000	Rs'000
At 1 January	**517**	37,035
Additions	**-**	623
Charge for the year	**(23)**	(5,471)
Transfers to Level 2	**-**	(31,655)
Exchange difference	**40**	(15)
At 31 December	**534**	517

(i) Depreciation expense for the year ended 31 December 2017 and 31 December 2016 have been charged to operating expenses for the Group and the Company.

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

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Cost	**179,732**	179,690	**179,149**	179,149
Accumulated depreciation	**(152,989)**	(147,516)	**(152,942)**	(147,494)
Net book value	**26,743**	32,174	**26,207**	31,655

(k) Bank borrowings are secured by floating charges on the assets of the Group including property, plant and equipment.

6. INVESTMENT PROPERTIES

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
(a) Fair value model	**Rs'000**	Rs'000	**Rs'000**	Rs'000
At 1 January	**58,645**	11,492	**46,400**	-
Transfer from property, plant and equipment (note 5)	**-**	32,480	**-**	32,480
Increase in fair value	**375**	13,611	**-**	13,920
Exchange difference	**(644)**	1,062	**-**	-
At 31 December	**58,376**	58,645	**46,400**	46,400

The investment properties of the Group are valued annually. The Company's investment property was fair valued by Professional Valuers Co Ltd and the investment property of one of the Group's subsidiaries, MCFI International (Zambia) Ltd was fair valued by Anderson & Anderson valuation surveyors.

The fair values were determined on an open market basis by reference to market evidence of transaction prices for similar properties. There has been no changes to the valuation technique during the year.

notes to the financial statements

year ended 31 December 2017

6. INVESTMENT PROPERTIES (CONT'D)

(b) Details of the Group's and Company's investment properties measured at fair value and information about the fair value hierarchy are as follows:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Level 2	**58,376**	58,645	**46,400**	46,400

(c) Bank borrowings are secured by floating charges on the assets of the Group including investment properties.

(d) The following amounts have been recognised in profit or loss:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Rental income	**8,040**	8,047	**6,416**	6,416
Direct operating expenses that did not generate rental income	**(657)**	(174)	**(420)**	(149)
	7,383	7,873	**5,996**	6,267

7. INTANGIBLE ASSETS

	Computer Software	Licences	Goodwill	Total
	Rs'000	Rs'000	Rs'000	Rs'000
(a) **THE GROUP**				
COST				
At 1 January 2017	2,256	40	115	2,411
Additions	19	-	-	19
Exchange Difference	-	3	-	3
At 31 December 2017	**2,275**	**43**	**115**	**2,433**
DEPRECIATION				
At 1 January 2017	628	40	115	783
Charge for the year	502	-	-	502
Exchange Difference	-	3	-	3
At 31 December 2017	**1,130**	**43**	**115**	**1,288**
NET BOOK VALUES				
At 31 December 2017	**1,145**	**-**	**-**	**1,145**
COST				
At 1 January 2016	2,151	41	115	2,307
Additions	105	-	-	105
Exchange Difference	-	(1)	-	(1)
At 31 December 2016	2,256	40	115	2,411
DEPRECIATION				
At 1 January 2016	165	-	115	280
Charge for the year	463	41	-	504
Exchange Difference	-	(1)	-	(1)
At 31 December 2016	628	40	115	783
NET BOOK VALUES				
At 31 December 2016	1,628	-	-	1,628

7. INTANGIBLE ASSETS (CONT'D)

(b) **THE COMPANY**

	Computer Software
2017	Rs'000
COST	
At 1 January 2017	2,042
Additions	19
At 31 December 2017	**2,061**
DEPRECIATION	
At 1 January 2017	589
Charge for the year	431
At 31 December 2017	**1,020**
NET BOOK VALUES	
At 31 December 2017	**1,041**
2016	
COST	
At 1 January 2016 and at 31 December 2016	2,042
DEPRECIATION	
At 1 January 2016	162
Charge for the year	427
At 31 December 2016	589
NET BOOK VALUES	
At 31 December 2016	1,453

(c) Amortisation charge for the year ended 31 December 2017 and 2016 has been charged to operating expenses for the Group and the Company.

(d) Goodwill is allocated to the Group's cash generating units identified according to the country of operation and business segment. The Group performs impairment test on goodwill on an annual basis in order to determine if there are indications that goodwill might be impaired. The goodwill had been fully impaired in previous years.

8. INVESTMENTS IN SUBSIDIARY COMPANIES - COST

	THE COMPANY	
	2017	2016
	Rs'000	Rs'000
At 1 January and at 31 December	**10,030**	10,030

notes to the financial statements

year ended 31 December 2017

8. INVESTMENTS IN SUBSIDIARY COMPANIES - COST (CONT'D)

(a) The financial statements of the following subsidiary companies have been included in the consolidated financial statements.

Name of companies	Class of shares held	Year end	Denominated currency	Stated capital	Ownership Interest Direct %	Ownership Interest Indirect %	Country of operation & incorporation	Main business
31 December 2017								
Fertco Ltd	Ordinary	31 December	Rs	5,000	100	-	Mauritius	Dealer in chemicals
Logima Reunion SAS	Ordinary	31 December	Euro	1,000	-	100	Reunion Island	Trading of chemicals
Reunifert SAS	Ordinary	31 December	Euro	3,000	-	100	Reunion Island	Trading of chemicals
MCFI (Freeport) Ltd	Ordinary	31 December	Rs	10,000,000	100	-	Mauritius	Trading freeport company
MCFI International (Zambia) Ltd	Ordinary	31 December	ZMK	5,000,000	-	100	Zambia	Trading of chemicals and general goods
MCFI International & Co Ltd	Ordinary	31 December	USD	565,179	100	-	Mauritius	Trading company
Coolkote Enterprises Ltd	Ordinary	31 December	Rs	25,000	100	-	Mauritius	Waterproofing
MCFI Export Ltd (formerly known as Harel Mallac Export Ltd) (note (b))	Ordinary	31 December	Rs	25,025,000	-	100	Mauritius	Trading of chemicals
31 December 2016								
Fertco Ltd	Ordinary	31 December	Rs	5,000	100	-	Mauritius	Dealer in chemicals
Logima Reunion SAS	Ordinary	31 December	Euro	1,000	-	100	Reunion Island	Trading of chemicals
Reunifert SAS	Ordinary	31 December	Euro	3,000	-	100	Reunion Island	Trading of chemicals
MCFI (Freeport) Ltd	Ordinary	31 December	Rs	10,000,000	100	-	Mauritius	Trading freeport company
MCFI International (Zambia) Ltd	Ordinary	31 December	ZMK	5,000,000	-	100	Zambia	Trading of chemicals and general goods
MCFI International & Co Ltd	Ordinary	31 December	Euro	451,431	100	-	Mauritius	Trading company
Coolkote Enterprises Ltd	Ordinary	31 December	Rs	25,000	100	-	Mauritius	Waterproofing

(b) On 27 December 2017, one of the Group's subsidiaries, MCFI International & Co Ltd acquired 100% shareholding in MCFI Export Ltd (formerly known as Harel Mallac Export Ltd). The acquisition of MCFI Export Ltd (formerly known as Harel Mallac Export Ltd) has been accounted as business combination under common control.

notes to the financial statements

year ended 31 December 2017

9. INVESTMENTS IN ASSOCIATES

(a) (In separate financial statements of the investor)	THE COMPANY	
	2017	2016
COST	**Rs'000**	Rs'000
At 1 January	**16,193**	41,174
Additions	**-**	43,019
Impairment losses	**-**	(68,000)
At 31 December	**16,193**	16,193

(b)	THE GROUP	
	2017	2016
	Rs'000	Rs'000
At 1 January	**21,566**	16,606
Additions	**-**	43,019
Share of profit/(loss) after tax	**1,353**	(35,973)
Other equity movements (note 16)	**(758)**	(2,086)
At 31 December	**22,161**	21,566

(c) Details of each of the associates at the end of the reporting period are as follows:

Name	Nature of business	Year end	Place of incorporation and operation	Proportion of ownership interest Direct
				%
31 December 2017				
Biofert Co Ltd	Trading	**30 June**	**Mauritius**	33.30
Rehm Grinaker Construction Co Ltd	Construction	**30 June**	**Mauritius**	21.50
Rehm Grinaker Properties Co Ltd	Property holding	**30 June**	**Mauritius**	21.50
Elcon System Technick (Mtius) Ltd	Trading	**30 June**	**Mauritius**	50.00
31 December 2016				
Biofert Co Ltd	Trading	30 June	Mauritius	33.30
Rehm Grinaker Construction Co Ltd	Construction	30 June	Mauritius	21.50
Rehm Grinaker Properties Co Ltd	Property holding	30 June	Mauritius	21.50
Elcon System Technick (Mtius) Ltd	Trading	30 June	Mauritius	50.00

(i) All of the above associates are accounted for using the equity method with the exception of Elcon System Technick (Mtius) Ltd which has been kept at cost, since the latter is a dormant company.

(ii) Though the Group owns 50% of the voting rights of Elcon System Technick (Mtius) Ltd, the latter is not considered as a subsidiary because of the absence of control. As at 31 December 2017, the company is in the process of winding up.

(iii) For the purposes of applying the equity method of accounting, the financial statements of each associates, with the exception of Elcon System Technick (Mtius) Ltd which is a dormant company, for the year ended 30 June 2017 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31 December 2017.

notes to the financial statements

year ended 31 December 2017

9. INVESTMENTS IN ASSOCIATES (CONT'D)

(d) Summarised financial information

Summarised financial information in respect of each of the material associates is set out below.

Name	Current assets	Non-curent assets	Current liabilities	Non-Current liabilities	Revenues	Profit	comprehensive income for the year	comprehensive income for the year	received during the year
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
31 December 2017									
Rehm Grinaker Construction Co Ltd	**1,095,309**	**12,541**	**1,071,128**	**18,763**	**907,112**	**1,514**	**(3,526)**	**(2,012)**	**-**
Rehm Grinaker Properties Co Ltd	**2,491**	**167,184**	**11,262**	**85,940**	**14,284**	**6,107**	**-**	**6,107**	**-**
Biofert Co Ltd	**3,345**	**5,036**	**2,622**	**-**	**1,313**	**(858)**	**-**	**(858)**	**-**
31 December 2016									
Rehm Grinaker Construction Co Ltd	1,188,708	55,995	1,185,804	38,928	1,951,992	(170,417)	(9,701)	(180,118)	-
Rehm Grinaker Properties Co Ltd	3,142	167,184	9,818	94,142	14,467	3,609	-	3,609	-
Biofert Co Ltd	2,065	5,735	840	343	563	(330)	-	(330)	-

The summarised financial information above represents amounts shown in the associates' financial statements prepared in accordance with IFRS.

notes to the financial statements

year ended 31 December 2017

9. INVESTMENTS IN ASSOCIATES (CONT'D)

(e) Reconciliation of summarised financial information

Name	Opening net assets 1 January	Increase in share capital	Profit/ (loss) for the year	Other comprehensive income for the year	Closing net assets 31 December	Ownership interest	Interest in associates	Goodwill	Carrying value
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**%**	**Rs'000**	**Rs'000**
31 December 2017									
Rehm Grinaker Construction Co Ltd	**19,971**	**-**	**1,514**	**(3,526)**	**17,959**	**3,861**	**21.50**	**-**	**3,861**
Rehm Grinaker Properties Co Ltd	**66,366**	**-**	**6,107**	**-**	**72,473**	**15,582**	**21.50**	**-**	**15,582**
Biofert Co Ltd	**6,617**	**-**	**(858)**	**-**	**5,759**	**1,920**	**33.33**	**-**	**1,920**
Total	**92,954**	**-**	**6,763**	**(3,526)**	**96,191**	**21,363**		**-**	**21,363**
31 December 2016									
Rehm Grinaker Construction Co Ltd	-	200,089	(170,417)	(9,701)	19,971	4,294	21.50	-	4,294
Rehm Grinaker Properties Co Ltd	62,757	-	3,609	-	66,366	14,269	21.50	-	14,269
Biofert Co Ltd	6,947	-	(330)	-	6,617	2,205	33.33	-	2,205
Total	69,704	200,089	(167,138)	(9,701)	92,954	20,768		-	20,768

(f) Aggregate information of associate that is not material:

	Elcon System Technick (Mtius) Ltd	
	2017	2016
	Rs'000	Rs'000
Carrying amount of interests	**798**	798
Share of profit/(loss)	**-**	-
Share of other comprehensive income	**-**	-
Share of total comprehensive income	**-**	-

(g) The Company's impairment charge on investments in associates amounted to Rs.68m for the year ended 31 December 2016.

notes to the financial statements

year ended 31 December 2017

9 A. INVESTMENTS IN JOINT VENTURE

(a) (In separate financial statements of the investor)

	THE COMPANY	
	2017	2016
COST	**Rs'000**	Rs'000
At 1 January	**-**	-
Additions	**-**	25
Impairment losses	**-**	(25)
At 31 December	**-**	-

(b)

	THE GROUP	
	2017	2016
	Rs'000	Rs'000
At 1 January	**-**	-
Additions	**-**	25
Share of loss after tax	**-**	(25)
At 31 December	**-**	-

(c) Details of the joint venture at the end of the reporting period are as follows:

Name	Nature of business	Year end	Place of incorporation and operation	Proportion of ownership interest Direct
				%
31 December 2017				
Compostage Du Sud Ltée	Manufacture of mineral organic fertilizers	**31 December**	**Mauritius**	50.00

(d) Summarised financial information

Summarised statement of financial position of Compostage Du Sud Ltée

	2017	2016
	Rs'000	Rs'000
Current assets	**1,722**	1,716
Non-current assets	**-**	-
Current liabilities	**2,771**	1,159
Non-current liabilities	**-**	1,568

The above amounts of assets and liabilities include the following:

Cash and cash equivalent	**31**	(85)
Current financial liabilities (excluding trade and other payables and provisions)	**2,771**	1,074
Non-current financial liabilities (excluding trade and other payables and provisions)	**-**	1,568

Summarised statement of profit or loss and other comprehensive income of Compostage Du Sud Ltée

	2017	2016
	Rs'000	Rs'000
Revenue	**-**	-
Loss for the year	**(38)**	(1,061)
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**(38)**	(1,061)
The above loss for the year include the following:		
Interest expense	**(35)**	(196)

notes to the financial statements

year ended 31 December 2017

9 A. INVESTMENTS IN JOINT VENTURE (CONT'D)

(e) Reconciliation of summarised financial information

	2017	2016
	Rs'000	Rs'000
Opening net assets of joint venture at 1 January,	(1,011)	-
Increase in share capital	-	50
Loss for the year	(38)	(1,061)
Closing net assets	(1,049)	(1,011)
Interest in joint venture	50%	50%
Carrying amount of the Group's interest in the joint venture	(525)	(506)
Disclosed under trade and other payables	-	(506)

(f) Unrecognised share of losses

	2017	2016
	Rs'000	Rs'000
Unrecognised share of loss for the year	(19)	-
Cummulative share of loss	(19)	-

(g) Commitments and contingent liabilities

The Group has provided a financial guarantee of Rs.2.3m with respect to the joint venture as at 31 December 2016. As at 31 December 2017, loan relating to financial guarantee provided has been settled with the bank.

10. INVESTMENTS IN FINANCIAL ASSETS

The movement in investments in financial assets may be summarised as follows:

	THE GROUP AND THE COMPANY	
	2017	2016
Available-for-sale financial assets	Rs'000	Rs'000
At 1 January	9,882	10,745
Increase/(decrease) in fair value (note 16)	1,962	(863)
At 31 December	11,844	9,882
(a) Equity securities at fair value:		
- DEM	7,742	7,053
- Unquoted	4,102	2,829
Total available-for-sale financial assets	11,844	9,882

	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
(a) **THE GROUP AND THE COMPANY**				
At 31 December 2017	**7,742**	**-**	**4,102**	**11,844**
At 31 December 2016	7,053	-	2,829	9,882

(c) All available-for-sale financial assets are denominated in Mauritian Rupee.

(d) Available-for-sale securities comprise principally of DEM listed and unquoted investments. The fair value of DEM listed securities is based on the stock exchange prices at the close of business at the reporting date. In assessing the fair value of unquoted available-for-sale securities, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at end of each reporting date.

(e) The table below shows the changes in level 3 instruments

	2017	2016
	Rs'000	Rs'000
At 1 January	2,829	3,044
Increase/(decrease) in fair value	1,273	(215)
At 31 December	4,102	2,829

notes to the financial statements

year ended 31 December 2017

11. NON-CURRENT RECEIVABLES

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
Loans to related parties:	**Rs'000**	Rs'000	**Rs'000**	Rs'000
- Holding company	**334,919**	334,919	**334,919**	334,919
- Subsidiary	**-**	-	**5,000**	38,811
	334,919	334,919	**339,919**	373,730

Loan to holding company bears interest at a rate of 5.75% -6.25% p.a and is repayable on 31 March 2019. The loan to subsidiary is interest free and has no fixed term of repayment.

12. INVENTORIES

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Raw materials	**114,761**	67,095	**107,346**	60,835
Finished goods	**199,968**	90,914	**25,764**	16,380
Bags	**6,513**	4,282	**6,513**	4,282
Others	**3,118**	2,618	**3,118**	2,618
	324,360	164,909	**142,741**	84,115

(a) The cost of inventories recognised as expense and included in cost of sales amounted to Rs.735m (2016: Rs.689m) for the Group and Rs.312m (2016: Rs.427m) for the Company.

(b) Bank borrowings of the Company and its subsidiaries are secured by floating charges on the assets of the relevant Companies including inventories.

13. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Trade receivables	**336,263**	268,025	**245,756**	106,910
Less provision for impairment	**(11,402)**	(9,756)	**(14,529)**	(748)
	324,861	258,269	**231,227**	106,162
Other receivables and prepayments	**13,330**	20,774	**6,564**	8,926
Due from customers for work performed but not yet invoiced - net of provisions	**6,278**	13,600	**-**	-
Amounts receivable from related companies, net of provisions	**118,709**	42,587	**84,461**	108,167
	463,178	335,230	**322,252**	223,255

The carrying amount of trade and other receivables approximate their fair value.

As at 31 December 2017, trade and other receivables of Rs.36.0m (2016: Rs.30.9m) for the Group and Rs.38.6m (2016: Rs.12.7m) for the Company were impaired, detailed as follows:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Trade receivables	**11,402**	9,756	**14,529**	748
Due from customers for work performed but not yet invoiced - net	**24,292**	21,132	**-**	-
Amounts receivable from related companies	**325**	-	**24,058**	12,000
	36,019	30,888	**38,587**	12,748

13. TRADE AND OTHER RECEIVABLES (CONT'D)

The amount of the provision was Rs.36.0m (2016: Rs.30.9m) for the Group and Rs.38.6m (2016: Rs.12.7m) for the Company.

The individually impaired receivables mainly relate to independent customers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these trade and other receivables are as follows:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Over 6 months	**36,019**	30,888	**38,587**	12,748

At 31 December 2017, trade and other receivables of Rs.37.4m (2016: Rs.35.1m) for the Group and Rs.7.4m (2016: Rs.0.3m) for the Company were past due but not impaired. These relate to independent customers for whom there is no recent history of default. The ageing analysis of these receivables are as follows:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
3 to 6 months	**14,390**	29,811	**6,634**	-
Over 6 months	**22,972**	5,297	**724**	294
	37,362	35,108	**7,358**	294

The carrying amount of trade and other receivables for the Group and the Company are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Rupee	**72,610**	150,735	**157,332**	133,874
US Dollar	**173,265**	40,510	**62,966**	10,493
Euro	**103,461**	81,665	**101,954**	78,888
Zambian Kwacha	**113,842**	62,320	**-**	-
	463,178	335,230	**322,252**	223,255

Movements on the provision for impairment of trade receivables and due from customers for work performed but not yet invoiced are as follows:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 January	**30,888**	23,617	**12,748**	1,409
Provision for receivable impairment	**9,036**	7,932	**26,587**	12,000
Unused amount reversed	**(3,905)**	(661)	**(748)**	(661)
At 31 December	**36,019**	30,888	**38,587**	12,748

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

14. SHORT TERM LOANS

	THE GROUP AND THE COMPANY	
	2017	2016
Loan to related parties:	**Rs'000**	Rs'000
- Directors and key management personnel	**-**	1,000
Loan to other companies	**8,943**	8,943
	8,943	9,943

Loan to other companies is secured on an asset of that Company, repayable within one year and bears interest at 9%.

15. SHARE CAPITAL

	THE GROUP AND THE COMPANY	
	2017	2016
Issued and fully paid	**Rs'000**	Rs'000
22,006,418 ordinary shares of Rs10 each	**220,064**	220,064

notes to the financial statements

year ended 31 December 2017

16. OTHER COMPREHENSIVE INCOME

THE GROUP	Notes	Revaluation reserve	Available for sale fair value reserve	Translation Reserve	Other Reserves	Actuarial (losses)/ gains
2017		**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Items that will not be reclassified to profit or loss:						
Remeasurement of defined benefit obligations	19	**-**	**-**	**-**	**-**	**(5,767)**
Deferred tax relating to remeasurement of defined benefit obligations	18	**-**	**-**	**-**	**-**	**865**
Share of other comprehensive income of associates	9	**-**	**-**	**-**	**(758)**	**-**
Items that may be reclassified subsequently to profit or loss:						
Currency translation differences		**-**	**-**	**3,102**	**-**	**-**
Increase in fair value of available-for-sale financial assets	10	**-**	**1,962**	**-**	**-**	**-**
		-	**1,962**	**3,102**	**(758)**	**(4,902)**
2016						
Items that will not be reclassified to profit or loss:						
Revaluation of buildings	5	106,227	-	-	-	-
Deferred tax relating to revaluation of buildings	18	(12,677)	-	-	-	-
Remeasurement of defined benefit obligations	19	-	-	-	-	(245)
Deferred tax relating to remeasurement of defined benefit obligations	18	-	-	-	-	37
Share of other comprehensive income of associates	9	-	-	-	(2,086)	-
Items that may be reclassified subsequently to profit or loss:						
Currency translation differences		-	-	10,034	-	-
Decrease in fair value of available-for-sale financial assets	10	-	(863)	-	-	-
		93,550	(863)	10,034	(2,086)	(208)

Revaluation reserve

The revaluation reserve relates to the revaluation of buildings.

Available-for-sale fair value reserve

Available-for-sale fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets that has been recognised in other comprehensive income until the investments are derecognised or impaired.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Other reserves

Other reserves represents the cumulative remeasurement of defined benefit obligation recognised on associates.

Actuarial (losses)/gains

The actuarial (losses)/gains reserve represents the cumulative remeasurement of defined benefit obligation recognised.

notes to the financial statements

year ended 31 December 2017

16. OTHER COMPREHENSIVE INCOME (CONT'D)

THE COMPANY	**Notes**	**Available for sale fair value reserve**	**Actuarial (losses)/ gains**
2017		**Rs'000**	**Rs'000**
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations	19	**-**	**(5,533)**
Deferred tax relating to remeasurement of defined benefit obligations	18	**-**	**830**
Items that may be reclassified subsequently to profit or loss:			
Increase in fair value of available-for-sale financial assets	10	**1,962**	**-**
		1,962	**(4,703)**

	Notes	**Revaluation reserve**	**Available forsale fair value reserve**	**Actuarial (losses)/ gains**
2016		Rs'000	Rs'000	Rs'000
Items that will not be reclassified to profit or loss:				
Revaluation of buildings	5	106,227	-	-
Deferred tax relating to revaluation of buildings	18	(15,934)	-	-
Remeasurement of defined benefit obligations	19	-	-	(882)
Deferred tax relating to remeasurement of defined benefit obligations	18	-	-	132
Items that may be reclassified subsequently to profit or loss:				
Decrease in fair value of available-for-sale financial assets	10	-	(863)	-
		90,293	(863)	(750)

notes to the financial statements

year ended 31 December 2017

17. BORROWINGS

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
Current	**Rs'000**	Rs'000	**Rs'000**	Rs'000
Bank overdrafts	**49,081**	8,386	**44,875**	3,311
Loan at call from related companies	**24,000**	4,800	**24,000**	4,800
Obligations under finance leases (note 17(b))	**158**	555	**-**	-
	73,239	13,741	**68,875**	8,111
Non-current				
Obligations under finance leases (note 17(b))	**399**	547	**-**	-
Total borrowings	**73,638**	14,288	**68,875**	8,111

(a) The borrowings include secured liabilities for the Group (bank overdrafts and leases amounting to Rs.49.6m (2016: Rs.9.4m)) and for the Company (bank overdrafts amounting to Rs.44.9m (2016: Rs.3.3m)). The bank borrowings are secured over certain buildings, inventories and current assets of the Group. The rates of interest on these facilities vary between 5.75% and 26% (2016: 6.25% and 26%). Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

The leases have purchase options on termination. There are no restrictions imposed on the Group by lease arrangements.

(b) Finance lease liabilities - minimum lease payments:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Not later than 1 year	**158**	772	**-**	-
Later than 1 year and not later than 2 years	**399**	748	**-**	-
	557	1,520	**-**	-
Future finance charges on finance leases	**-**	(418)	**-**	-
Present value of finance lease liabilities	**557**	1,102	**-**	-

The present value of finance lease liabilities may be analysed as follows:

Not later than 1 year	**158**	555		-
Later than 1 year and not later than 2 years	**399**	547		-
	557	1,102	**-**	-

(c) The exposure of the Group's and the Company's borrowings to interest-rate changes and the contractual repricing dates are as follows:

(i) **THE GROUP**

	6 months or less	6-12 months	1-5 years	Over 5 years	Total
At 31 December 2017	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Total borrowings	**49,081**	**-**	**-**	**-**	**49,081**
At 31 December 2016					
Total borrowings	8,386	-	-	-	8,386

(ii) **THE COMPANY**

	6 months or less	6-12 months	1-5 years	Over 5 years	Total
At 31 December 2017	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Total borrowings	**44,875**				**44,875**
At 31 December 2016					
Total borrowings	3,311	-	-	-	3,311

17. BORROWINGS (CONT'D)

(d) The carrying amounts of borrowings of the Group and the Company are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Mauritian rupee	**73,093**	13,450	**68,875**	8,111
US Dollar	**-**	810	**-**	-
Others	**545**	28	**-**	-
	73,638	14,288	**68,875**	8,111

(e) The effective interest rates at the end of the reporting period were as follows:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	%	%	**%**	%
Bank overdrafts	**5.75-6.25%**	6.25-6.5%	**5.75-6.25%**	6.25-6.5%
Loan from related companies	**6.25%**	6.65%	**6.25%**	6.65%
Obligations under finance leases (Mauritius 8.50% and Zambia 26%) (2016: Mauritius 7.65% and Zambia 26%)	**8.50-26%**	7.65-26%	**-**	-

(f) The maturity of non-current borrowings is as follows:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
After one year and before two years	**399**	547	**-**	-

The carrying amounts of borrowings are not materially different from the fair value.

18. DEFERRED INCOME TAX

Deferred income tax are calculated on all temporary differences under the liability method at 15% (2016: 15%).

There is a legally enforceable right to offset current tax assets against current tax liabilities and deferred income tax assets and liabilities when the deferred income taxes relate to the same fiscal authority on the same entity. The following amounts are shown in the statements of financial position:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Deferred tax assets	**(3,132)**	(2,193)	**(2,542)**	(1,711)
Deferred tax liabilities	**29,033**	29,468	**28,964**	29,321
	25,901	27,275	**26,422**	27,610

(a) The movement on the deferred income tax account is as follows:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 January	**27,275**	13,300	**27,610**	10,474
Profit or loss (credit)/charge (note 21(b))	**(509)**	1,335	**(358)**	1,334
(Credit)/charged to other comprehensive income (note 16)	**(865)**	12,640	**(830)**	15,802
At 31 December	**25,901**	27,275	**26,422**	27,610

notes to the financial statements

year ended 31 December 2017

18. DEFERRED INCOME TAX (CONT'D)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same fiscal authority on the same entity, is as follows:

(b) THE GROUP

2017	**At 1 January 2017**	**(Credited)/ charged to profit or loss**	**charged to other comprehensive income**	**At 31 December 2017**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Deferred tax liabilities				
Accelerated tax depreciation	11,445	(435)	-	**11,010**
Revaluation of building	15,935	-	-	**15,935**
Fair value gain on investment properties	2,088	-	-	**2,088**
	29,468	(435)	-	**29,033**
Deferred tax assets				
Other temporary differences	(121)	3	-	**(118)**
Retirement benefit obligations	(2,072)	(77)	(865)	**(3,014)**
	(2,193)	(74)	(865)	**(3,132)**
Net deferred tax liabilities	27,275	(509)	(865)	**25,901**

2016	At 1 January 2016	(Credited)/ charged to profit or loss	Charged to other comprehensive income	At 31 December 2016
	Rs'000	Rs'000	Rs'000	Rs'000
Deferred tax liabilities				
Accelerated tax depreciation	13,235	(1,790)	-	11,445
Revaluation of building	2,239	1,019	12,677	15,935
Fair value gain on investment properties	-	2,088	-	2,088
	15,474	1,317	12,677	29,468
Deferred tax assets				
Other temporary differences	(272)	151	-	(121)
Retirement benefit obligations	(1,902)	(133)	(37)	(2,072)
	(2,174)	18	(37)	(2,193)
Net deferred tax liabilities	13,300	1,335	12,640	27,275

THE COMPANY

2017	**At 1 January 2017**	**(Credited)/ charged to profit or loss**	**Credited to other comprehensive income**	**At 31 December 2017**
	Rs'000	Rs'000	Rs'000	**Rs'000**
Deferred tax liabilities				
Accelerated tax depreciation	11,299	(357)	-	**10,942**
Revaluation of building	15,934	-	-	**15,934**
Fair value gain on investment properties	2,088	-	-	**2,088**
	29,321	(357)	-	**28,964**
Deferred tax assets				
Retirement benefit obligations	(1,711)	(1)	(830)	**(2,542)**
Net deferred tax liabilities	27,610	(358)	(830)	**26,422**

18. DEFERRED INCOME TAX (CONT'D)

2016	At 1 January 2016	(Credited)/ charged to profit or loss	Credited to other comprehensive income	At 31 December 2016
	Rs'000	Rs'000	Rs'000	Rs'000
Deferred tax liabilities				
Accelerated tax depreciation	11,987	(688)	-	11,299
Revaluation of building	-	-	15,934	15,934
Fair value gain on investment properties	-	2,088	-	2,088
	11,987	1,400	15,934	29,321
Deferred tax assets				
Retirement benefit obligations	(1,513)	(66)	(132)	(1,711)
Net deferred tax liabilities	10,474	1,334	15,802	27,610

19. RETIREMENT BENEFIT OBLIGATIONS

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Amounts recognised in the statements of financial position				
Defined pension benefits (note 19 (a) (ii))	**2,064**	1,563	**2,064**	1,563
Other post retirement benefits (note 19 (b) (ii))	**18,029**	12,248	**14,882**	9,841
	20,093	13,811	**16,946**	11,404
Analysed as follows:				
Non-current liabilities	**20,093**	13,811	**16,946**	11,404

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Amounts charged to profit or loss				
Defined pension benefits (note 19 (a)(vi))	**357**	310	**357**	310
Other post retirement benefits (note 19 (b)(i))	**2,215**	1,426	**1,709**	980
	2,572	1,736	**2,066**	1,290

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Amounts charged/(credited) to other comprehensive income				
Defined pension benefits (note 19 (a)(ix))	**681**	(1,873)	**681**	(1,873)
Other post retirement benefits (note 19 (b)(v))	**5,086**	2,118	**4,852**	2,755
	5,767	245	**5,533**	882

(a) Defined pension benefits

(i) The Group operates a defined benefit pension. The plan is a final salary plan, which provides benefits to members in the form of a guaranteed level of pension payables for life and a benefit on death or disablement in service before retirement. The level of benefits provided depends on members' length of service and their salary in the final years leading to retirement.

The assets of the fund are held independently and administered by The Anglo Mauritius Assurance Society Ltd.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at 31 December 2017 by The Anglo Mauritius Assurance Society Ltd (Actuarial Valuer). The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

notes to the financial statements

year ended 31 December 2017

19. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(ii) The amounts recognised in the statements of financial position are as follows:

	THE GROUP AND THE COMPANY	
	2017	2016
	Rs'000	Rs'000
Present value of funded obligations	**3,581**	2,693
Fair value of plan assets	**(1,517)**	(1,130)
Liability in the statements in financial position	**2,064**	1,563

(iii) The reconciliation of the opening balances to the closing balances for the net defined benefit liability is as follows:

	THE GROUP AND THE COMPANY	
	2017	2016
	Rs'000	Rs'000
At 1 January	**1,563**	3,126
Charged to profit or loss	**357**	310
Charged/(credited) to other comprehensive income	**681**	(1,873)
Contributions paid	**(537)**	-
At 31 December	**2,064**	1,563

(iv) The movement in the defined benefit obligations over the years is as follows:

	THE GROUP AND THE COMPANY	
	2017	2016
	Rs'000	Rs'000
At 1 January	**2,693**	4,481
Current service cost	**137**	106
Interest cost	**167**	299
Actuarial losses	**641**	(1,789)
Contributions paid	**(57)**	(404)
At 31 December	**3,581**	2,693

(v) The movement in the fair value of plan assets of the year is as follows:

	THE GROUP AND THE COMPANY	
	2017	2016
	Rs'000	Rs'000
At 1 January	**1,130**	1,355
Expected return on plan assets	**80**	95
Actuarial losses	**(40)**	84
Employer's contributions	**537**	-
Cost of insuring risk benefits	**(133)**	-
Contributions paid	**(57)**	(404)
At 31 December	**1,517**	1,130

(vi) Amounts recognised in profit or loss are as follows:

	THE GROUP AND THE COMPANY	
	2017	2016
	Rs'000	Rs'000
Current service cost	**137**	106
Interest cost	**87**	204
Cost of insuring risk benefits	**133**	-
Total included in employee benefit expense (note 29)	**357**	310

The total included in employee benefit expense is included in operating expenses in the statements of profit or loss.

	THE GROUP AND THE COMPANY	
	2017	2016
	Rs'000	Rs'000
(vii) Actual return on plan assets	**40**	179

notes to the financial statements

year ended 31 December 2017

19. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(viii) The fair value of the plan assets at the end of the reporting period is as follows:

	THE GROUP AND THE COMPANY			
	2017	**2017**	2016	2016
	Rs'000	**%**	Rs'000	%
Insured contracts	**1,517**	**100%**	1,130	100%

(ix) The amounts recognised in other comprehensive income are as follows:

	THE GROUP AND THE COMPANY	
	2017	2016
	Rs'000	Rs'000
Losses on pension scheme assets	**40**	(84)
Experience loss on liabilities	**641**	(2,028)
Changes in assumptions underlying the present value of the scheme	**-**	239
	681	(1,873)

(x) Cumulative actuarial losses recognised

	THE GROUP AND THE COMPANY	
	2017	2016
	Rs'000	Rs'000
At 1 January	**2,201**	328
Actuarial (gains)/losses recognised for the year	**(681)**	1,873
At 31 December	**1,520**	2,201

(xi) Principal actuarial assumptions used for accounting purposes were:

	THE GROUP AND THE COMPANY	
	2017	2016
	%	%
Discount rate	**5.00**	6.00
Expected return on plan assets	**7.00**	7.00
Future salary increases	**3.00**	4.00

(xii) Sensitivity analysis on defined benefit obligations at end of the reporting date:

31 December 2017	Increase	Decrease
	Rs'000	Rs'000
Discount rate (1% increase)	-	**114**
Future long term salary assumption (1% increase)	**113**	-

31 December 2016	Increase	Decrease
	Rs'000	Rs'000
Discount rate (1% increase)	-	103
Future long term salary assumption (1% increase)	103	-

An increase/decrease of 1% in other principal actuarial assumptions would not have a material impact on defined benefit obligations at the end of the reporting period.

The sensitivity above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The present value of the defined benefit obligation has been calculated using the projected unit credit method.
The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

notes to the financial statements

year ended 31 December 2017

19. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The defined benefit pension plan exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan

(xiii) The assets of the plan is based on the reserves held for the Deferred Annuity policies for statutory purposes.

(xiv) The Company is expected to contribute Rs.400,000 to the pension scheme for the year ending 31 December 2018.

(b) Other post retirement benefits

Other post retirement benefits comprise gratuities payable under the Employment Rights Act 2008.

(i) Amounts recognised in profit or loss

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Current service cost	**1,439**	707	**1,098**	461
Interest cost	**776**	719	**611**	519
Total included in employee benefit expense (note 29)	**2,215**	1,426	**1,709**	980

(ii) Movement in the liability recognised in the statements of financial position

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 January	**12,248**	9,554	**9,841**	6,956
Total expense as above	**2,215**	1,426	**1,709**	980
Actuarial losses recognised in other comprehensive income	**5,086**	2,118	**4,852**	2,755
Benefits paid	**(1,520)**	(850)	**(1,520)**	(850)
At 31 December	**18,029**	12,248	**14,882**	9,841

(iii) Amounts recognised in the statements of financial position

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Present value of plan liability	**18,029**	12,248	**14,882**	9,841

(iv) Movement in defined benefit obligations over the years is as follows

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 January	**12,248**	9,554	**9,841**	6,956
Current service cost	**1,439**	707	**1,098**	461
Interest cost	**776**	719	**611**	519
Actuarial losses	**5,086**	2,118	**4,852**	2,755
Benefits paid	**(1,520)**	(850)	**(1,520)**	(850)
At 31 December	**18,029**	12,248	**14,882**	9,841

(v) Analysis of amount recognised in other comprehensive income

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Experience losses on liabilities	**5,086**	1,408	**4,852**	2,038
Changes in assumptions underlying the present value of the scheme	**-**	710	**-**	717
	5,086	2,118	**4,852**	2,755

19. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(vi) Cumulative actuarial gains recognised

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 January	**(3,721)**	(1,603)	**(4,273)**	(1,518)
Actuarial losses recognised for the year	**(5,086)**	(2,118)	**(4,852)**	(2,755)
At 31 December	**(8,807)**	(3,721)	**(9,125)**	(4,273)

(vii) Principal actuarial assumptions used for accounting purposes

	THE GROUP AND THE COMPANY	
	2017	2016
	%	%
Discount rate	**5.00**	6.00
Future salary increases	**3.00**	4.00

(viii) Sensitivity analysis on other post retirement benefit obligations at end of the reporting date:

31 December 2017	THE GROUP		THE COMPANY	
	Increase	Decrease	Increase	Decrease
	Rs'000	Rs'000	Rs'000	Rs'000
Discount rate (1% increase)	**-**	**1,863**	**-**	**1,482**
Future long term salary assumption (1% increase)	**2,291**	**-**	**1,837**	**-**

31 December 2016	THE GROUP		THE COMPANY	
	Increase	Decrease	Increase	Decrease
	Rs'000	Rs'000	Rs'000	Rs'000
Discount rate (1% increase)	-	1,322	-	1,019
Future long term salary assumption (1% increase)	1,615	-	1,252	-

20. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Trade payables	**439,482**	257,799	**193,289**	168,383
Accruals	**14,205**	9,125	**13,748**	9,125
Provision for financial guarantee	**-**	2,300	**-**	2,300
Deferred rental	**7,369**	3,196	**7,369**	3,196
Other payables	**36,509**	20,044	**4,984**	12,668
Forward foreign exchange contracts (note (a))	**718**	-	**718**	-
Amounts payable to related companies	**8,324**	8,669	**16,840**	19,188
	506,607	301,133	**236,948**	214,860

(a) The Group utilises foreign currency forward contracts to manage its exchange rate exposures. The notional principal amount of these outstanding forward contracts amounted to Rs.80.4m as at 31 December 2017 (2016: Rs.Nil) and the fair value of the liabilities amounted to Rs.0.7m as at 31 December 2017 (2016: Rs.Nil).

The following table details the fair values of liabilities with regards to outstanding forward contract as at the reporting date.

	THE GROUP AND THE COMPANY	
	Fair values liabilities	
	2017	2016
Outstanding forward contracts	**Rs'000**	Rs'000
USD	**718**	-

(b) The carrying amounts of trade and other payables approximate their fair value.

notes to the financial statements

year ended 31 December 2017

21. TAX LIABILITIES

		THE GROUP		THE COMPANY	
		2017	2016	**2017**	2016
(a)	Current tax liabilities	**Rs'000**	Rs'000	**Rs'000**	Rs'000
	At 1 January	**11,809**	3,573	**4,232**	(94)
	Current tax on adjusted profit for the year at 15% (2016 : 15%)	**9,371**	15,263	**5,177**	6,018
	Current tax on adjusted profit for the year at 3% (2016: Nil)	**273**	-	**273**	-
	Paid during the year	**(17,272)**	(6,778)	**(6,300)**	(1,471)
	Tax deducted at source	**(680)**	(822)	**(680)**	(798)
	Exchange difference	**191**	259	**-**	-
	(Over)/under provision on previous years assessment	**(2,330)**	314	**(10)**	577
	At 31 December	**1,362**	11,809	**2,692**	4,232
	Analysed as:-				
	Current tax liabilities	**1,362**	11,809	**2,692**	4,232
(b)	Income tax expense				
	Current tax on adjusted profit for the year at 15% (2016: 15%)	**9,371**	15,263	**5,177**	6,018
	Current tax on adjusted profit for the year at 3% (2016: Nil)	**273**	-	**273**	-
	Tax deducted at source		431		431
	Under provision on previous years assessment	**(2,330)**	314	**(10)**	577
	Deferred tax movement (note 18)	**(509)**	1,335	**(358)**	1,334
	Tax charge	**6,805**	17,343	**5,082**	8,360

(c) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Group as follows:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Profit before taxation	**17,225**	29,302	**11,989**	(16,173)
Share of results of associates	**(1,353)**	35,998	**-**	-
	15,872	65,300	**11,989**	(16,173)
Tax calculated at a rate of 15% (2016: 15%)	**2,381**	9,795	**1,798**	(2,426)
(Over)/under provision in previous year	**(2,330)**	314	**(10)**	577
Income not subject to tax	**(9,116)**	(290)	**(132)**	(2,931)
Expenses not deductible for tax purposes	**9,331**	2,737	**4,542**	12,649
Effect of different tax rate	**(2,608)**	3,959	**(1,094)**	-
Temporary differences not provided for	**3,743**	225	**-**	-
Utilisation of tax losses	**-**	(191)	**-**	-
Tax losses for which no deferred tax recognised	**6,494**	1,488	**-**	-
Tax deducted at source	**-**	431	**-**	431
Foreign tax credit	**(1,068)**	(752)	**-**	-
Deferred tax (under)/over provided in previous years	**(22)**	(373)	**(22)**	60
Tax charge	**6,805**	17,343	**5,082**	8,360

notes to the financial statements

year ended 31 December 2017

22. DIVIDENDS

	THE GROUP AND THE COMPANY	
	2017	2016
	Rs'000	Rs'000
At 1 January	**15,405**	15,405
Ordinary dividend of Rs.0.80 per share (2016: Rs.0.70)	**17,605**	15,405
Paid during the year	**(15,405)**	(15,405)
At 31 December	**17,605**	15,405

On 6 December 2017, the Directors declared a dividend for the year ended 31 December 2017 of Rs.0.80 per ordinary share (2016: Rs.0.70 per share) amounting to a total dividend of Rs.17.6m (2016: Rs.15.4m).

23. REVENUE

The following is an analysis of revenue for the year:	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Sale of goods	**965,020**	896,802	**457,434**	558,880
Rendering of services	**17,524**	29,521	**-**	-
	982,544	926,323	**457,434**	558,880

24. OTHER OPERATING INCOME

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Profit on disposal of property, plant and equipment	**38**	-	**38**	-
Management fees	**4,987**	6,307	**10,829**	11,032
Others	**448**	2,661	**448**	2,661
	5,473	8,968	**11,315**	13,693

25. OPERATING (LOSS)/PROFIT

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Operating (loss)/profit is arrived at after:				
crediting				
Profit on disposal of plant and equipment	**38**	-	**38**	-
and charging				
Cost of inventories consumed	**735,751**	689,703	**312,101**	427,207
Impairment losses:				
- receivable, net of reversal	**5,131**	7,271	**(252)**	(661)
Lease rentals - operating lease	**9,773**	14,996	**9,773**	14,996
Employee benefit expense (note 29)	**106,802**	102,511	**65,927**	69,506
Provision for financial guarantee	**-**	2,300	**-**	2,300
Amortisation of intangible asset	**502**	504	**431**	427
Depreciation of property, plant & equipment				
- owned	**14,659**	16,024	**13,730**	15,357
- leased	**366**	871	**-**	-

notes to the financial statements

year ended 31 December 2017

26. EXPENSES BY NATURE

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Amortisation (note 7)	**502**	504	**431**	427
Depreciation (note 5)	**15,025**	16,895	**13,730**	15,357
Impairment charges	**9,036**	5,368	**26,091**	-
Employment benefit expense (note 29)	**106,802**	102,511	**65,927**	69,506
Changes in inventories of finished goods and work in progress	**109,054**	14,005	**9,384**	4,443
Raw materials used and consumed	**735,751**	689,703	**312,101**	427,207
Transportation	**10,404**	8,715	**7,054**	5,163
Advertising costs	**1,160**	1,332	**454**	743
Other expenses	**22,306**	92,116	**45,419**	64,755
Total cost of sales and operating expenses	**1,010,040**	931,149	**480,591**	587,601

27. OTHER INCOME

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Dividend income	**405**	446	**405**	19,541
Interest income	**23,401**	27,520	**23,790**	27,668
Rental income	**14,963**	15,931	**13,338**	14,299
Others	**9,472**	11,282	**10,319**	19,193
	48,241	55,179	**47,852**	80,701

28. NET FINANCE (COSTS)/INCOME

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Interest payable on:				
- Bank overdraft	**(1,559)**	(2,009)	**(1,395)**	(1,336)
- Bank and other loans repayable not by instalments	**(359)**	(1,361)	**(346)**	(1,516)
- Finance lease	**(104)**	(213)	**-**	-
	(2,022)	(3,583)	**(1,741)**	(2,852)
Net foreign exchange (losses)/gains (note 30)	**(8,324)**	9,562	**3,811**	1,031
	(10,346)	5,979	**2,070**	(1,821)

29. EMPLOYEE BENEFIT EXPENSE

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Wages and salaries including termination benefits	**98,528**	94,553	**58,793**	62,664
Social security costs	**2,630**	2,540	**1,996**	1,899
Pension costs - defined benefit plan (note 19(a)(vi))	**357**	310	**357**	310
Pension costs - defined contribution plan	**3,072**	3,682	**3,072**	3,653
Other post retirement benefits (note 19(b)(i))	**2,215**	1,426	**1,709**	980
	106,802	102,511	**65,927**	69,506

notes to the financial statements

year ended 31 December 2017

30. NET FOREIGN EXCHANGE GAINS/(LOSSES)

The exchange differences credited/(charged) to profit or loss are included as follows:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Cost of sales	**4,927**	7,721	**8,866**	5,091
Other income (note 27)	**5,554**	(5,097)	**7,336**	3,294
Net finance (costs)/income (note 28)	**(8,324)**	9,562	**3,811**	1,031

31. EARNINGS/(LOSS) PER SHARE

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
Net profit/(loss) attributable to equityholders of the Company (Rs'000)	**10,420**	11,959	**6,907**	(24,533)
Number of ordinary shares in issue (in thousands)	**22,006**	22,006	**22,006**	22,006
Earnings/(loss) per share (Rs.)	**0.47**	0.54	**0.31**	(1.11)

32. NOTES TO STATEMENTS OF CASH FLOWS

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
(a) Cash generated from operations	**Rs'000**	Rs'000	**Rs'000**	Rs'000
Profit/(loss) before taxation	**17,225**	29,302	**11,989**	(16,173)
Depreciation	**15,025**	16,895	**13,730**	15,357
Amortisation	**502**	504	**431**	427
Exchange differences	**16,760**	(5,137)	**3,739**	1,843
Share of result of associates/joint venture	**(1,353)**	35,998	**-**	-
Retirement benefit obligations	**515**	886	**9**	440
Profit on disposal of property, plant and equipment	**(38)**	-	**(38)**	-
Increase in fair value of investment property	**(375)**	(13,611)	**-**	(13,920)
Provision for impairment of trade and other receivables	**5,131**	7,271	**(252)**	(661)
Provision for impairment of inventories	**639**	1,341	**600**	1,161
Impairment loss on short term loan	**1,000**	-	**1,000**	-
Impairment loss on investment in joint venture	**-**	-	**-**	25
Impairment loss on investment in associates	**-**	-	**-**	68,000
Impairment loss on receivables	**-**	-	**26,091**	12,000
Impairment loss on inventories	**876**	-	**-**	-
Investment income	**(405)**	(446)	**(405)**	(19,541)
Interest income	**(23,401)**	(27,520)	**(23,790)**	(27,668)
Interest expense	**2,022**	3,583	**1,741**	2,852
Changes in working capital:				
- inventories	**(160,966)**	23,053	**(59,226)**	35,527
- trade and other receivables	**(144,210)**	(18,895)	**(95,743)**	42,846
- trade and other payables	**200,813**	27,484	**22,740**	(12,715)
Cash (used in)/generated from operations	**(70,240)**	80,708	**(97,384)**	89,800

notes to the financial statements

year ended 31 December 2017

32.NOTES TO STATEMENTS OF CASH FLOWS (CONT'D)

(b) Cash and cash equivalents

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Cash at call	**-**	41,355	**8,818**	46,355
Cash and bank balances	**54,653**	43,840	**14,585**	14,041
	54,653	85,195	**23,403**	60,396

Cash and cash equivalents and bank overdrafts include the following for the purpose of the statements of cash flows.

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Bank overdrafts	**(49,081)**	(8,386)	**(44,875)**	(3,311)
Loan at call from related companies	**(24,000)**	(4,800)	**(24,000)**	(4,800)
Cash at call	**-**	41,355	**8,818**	46,355
Cash and bank balances	**54,653**	43,840	**14,585**	14,041
	(18,428)	72,009	**(45,472)**	52,285

(c) Non cash transactions

Acquisition of investment in joint venture of Rs.0.025m is the only non-cash transaction during the year ended 31 December 2016.

(d) Reconciliation of liabilities arising from financing activities

			Non-cash changes	
THE GROUP	2016	Cash flows	Foreign exchange movement	**2017**
	Rs'000	Rs'000	Rs'000	**Rs'000**
Lease liabilities	1,102	(3,117)	2,572	**557**

33. SEGMENTAL INFORMATION - THE GROUP

(a) MCFI 's reportable segments, namely Fertilisers, Trading and Contracting are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The Group has 3 reportable segments: Fertilisers, Trading and Contracting. The category "Others" includes dividend, interest receivable, rental and other income. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Performance is evaluated on the basis of profit or loss from operations before tax expense. Intersegment sales and transfers are accounts for as if the sales or transfers were to third parties, that is, at current market prices.

33. SEGMENTAL INFORMATION - THE GROUP (CONT'D)

2017	**Fertilisers**	**Trading**	**Contracting**	**Others**	**Total**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Total segment revenues	**545,200**	**419,819**	**17,525**	**-**	**982,544**
Inter segment revenues	**-**	**-**	**-**	**-**	**-**
Revenues from external customers	**545,200**	**419,819**	**17,525**	**-**	**982,544**
Segment profit/(loss)	**10,347**	**13,805**	**(13,434)**	**(32,741)**	**(22,023)**
Other income (note 27)	**8,645**	**(1,780)**	**-**	**41,376**	**48,241**
Net finance income/(costs) (note 28)	**2,070**	**(12,265)**	**(151)**		**(10,346)**
Share of result of associates (note 9)	**(286)**	**-**	**325**	**1,314**	**1,353**
Profit/(loss) before taxation	**20,776**	**(240)**	**(13,260)**	**9,949**	**17,225**
Income tax (expense)/credit	**(1,500)**	**(4,073)**	**2**	**(1,234)**	**(6,805)**
Profit/(loss) for the year	**19,276**	**(4,313)**	**(13,258)**	**8,715**	**10,420**

2016	Fertilisers	Trading	Contracting	Others	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Total segment revenues	621,532	275,270	29,521	-	926,323
Inter segment revenues	-	-	-	-	-
Revenues from external customers	621,532	275,270	29,521	-	926,323
Segment profit/(loss)	9,580	27,966	(3,830)	(29,574)	4,142
Other income (note 27)	3,294	(8,700)	-	60,585	55,179
Net finance (costs)/income (note 28)	(1,821)	8,643	(843)	-	5,979
Share of result of associates and joint venture (note 9 & 9A)	(135)	-	(36,640)	777	(35,998)
Profit/(loss) before taxation	10,918	27,909	(41,313)	31,788	29,302
Income tax credit/(expense)	(3,707)	(9,080)	97	(4,653)	(17,343)
Profit/(loss) for the year	7,211	18,829	(41,216)	27,135	11,959

2017	**Fertilisers**	**Trading**	**Contracting**	**Others**	**Total**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Interest/dividend receivable	**-**	**-**	**-**	**23,806**	**23,806**
Interest expense	**(1,751)**	**(119)**	**(152)**	**-**	**(2,022)**
Material items of expenses					
- Cost of sales	**(412,866)**	**(366,210)**	**(8,345)**	**-**	**(787,421)**
- Operating expenses	**(192,939)**	**(39,804)**	**(22,613)**	**32,737**	**(222,619)**
Depreciation and amortisation	**(14,479)**	**(569)**	**(479)**	**-**	**(15,527)**
Investment in associates	**1,920**	**798**	**3,861**	**15,582**	**22,161**
Addition to non current asset	**1,377**	**21**	**501**	**-**	**1,899**
Segment assets	**643,209**	**346,867**	**21,909**	**429,665**	**1,441,650**
Segment liabilities	**347,079**	**258,518**	**11,383**	**28,226**	**645,206**

2016	Fertilisers	Trading	Contracting	Others	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Interest/dividend receivable	-	-	-	27,966	27,966
Interest expense	(2,852)	(186)	(552)	7	(3,583)
Material items of expenses					
- Cost of sales	(485,485)	(210,308)	(12,849)	-	(708,642)
- Operating expenses	(165,290)	(36,714)	(20,503)	-	(222,507)
Depreciation and amortisation	(15,926)	(865)	(608)	-	(17,399)
Investment in associates	2,206	798	4,294	14,268	21,566
Addition to non current asset	11,037	985	105	-	12,127
Segment assets	551,307	169,733	36,909	439,266	1,197,215
Segment liabilities	286,323	68,062	18,130	11,206	383,721

notes to the financial statements

year ended 31 December 2017

33. SEGMENTAL INFORMATION - THE GROUP (CONT'D)

(b) Secondary reporting format - geographical segments

Although the Group's three business segments are managed in Mauritius, they operate in the following main geographical areas.

	Revenue		Total assets		Capital expenditure	
	2017	2016	**2017**	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000	**Rs'000**	Rs'000
Mauritius	**331,504**	380,398	**1,072,933**	934,469	**1,471**	9,588
Reunion	**134,987**	161,413	**76,135**	112,205	**407**	1,554
Madagascar	**17,129**	42,913	**-**	-	**-**	-
Africa	**496,499**	339,756	**292,582**	150,541	**21**	985
Others	**2,425**	1,843	**-**	-	**-**	-
	982,544	926,323	**1,441,650**	1,197,215	**1,899**	12,127

Sales revenue is based on the country in which the customer is located. Total assets and capital expenditure are shown by the geographical area in which the assets are located.

34. CONTINGENT LIABILITIES

As at 31 December 2017, the Group and the Company had given bank guarantees of Rs.3.41m (2016:Rs.3.18m) and Rs.0.78m (2016: Rs.1.19m) respectively in the ordinary course of business.

35. BUSINESS COMBINATION

(a) Business combination under common control

On 27 December 2017, the Group acquired 100% of the share capital of MCFI Export Ltd (formerly known as Harel Mallac Export Ltd) for Rs.0.5m.

Since, the acquisition meets the criteria of business combination under common control, the assets and liabilities are recorded at their previous carrying values and the difference between the purchase consideration and share of net assets transferred has been accounted for as an adjustment to equity as common control.

The following table summarises the consideration paid for MCFI Export Ltd (formerly known as Harel Mallac Export Ltd) and the amounts of assets acquired and liabilities assumed recognised at the acquisition date.

	Rs'000
Consideration	
At 27 December 2017	
Cash	**500**
Recognised amount of identifiable asssets acquired and liabilities assumed	
Cash and cash equivalents	**18**
Trade and other receivables	**6,276**
Trade and other payables	**(9,215)**
Borrowings	**(5,848)**
Total identifiable net assets	**(8,769)**
Consolidation adjustment	**9,269**
Net cash outflow on acquisition of subsidiary	**Rs'000**
Consideration paid in cash	**500**
Less: cash and cash equivalents balances acquired	**5,830**
	6,330

notes to the financial statements

year ended 31 December 2017

36. RELATED PARTY TRANSACTIONS

(a) (i) THE GROUP

	Transactions							Balances	
	Remuneration and benefits	**Purchase of goods and services**	**Sales of goods and services**	**Management services and fees payable**	**Loans/to advances related party**	**Loans/ advances refund by related party**	**Interest receivable**	**Amount owed by related party**	**Amount owed to related party**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
2017									
Holding company	**-**	**7,527**	**1**	**(12,000)**	**-**	**-**	**21,726**	**339,832**	**26,710**
Fellow subsidiaries	**-**	**8,705**	**19,060**	**-**	**-**	**-**	**-**	**109,398**	**2,339**
Associates		**-**	**7,880**	**-**	**-**	**-**	**-**	**2,488**	**2,365**
Associates of the holding company	**-**	**5,080**	**7,361**	**-**	**-**	**-**	**-**	**1,910**	**910**
Enterprises in which key management personnel has significant/substantial interest	**-**	**1,386**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Directors and key management personnel	**9,508**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

	Transactions							Balances	
	Remuneration and benefits	Purchase of goods and services	Sales of goods and ser-vices	Management services and fees payable	Loans/ advances to related party	Loans/ advances refund by related party	Interest receivable	Amount owed by related party	Amount owed to related party
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
2016									
Holding company	-	6,285	449	(12,000)	-	-	25,806	377,306	3,557
Fellow subsidiaries	-	9,563	17,538	-	-	-	63	28,240	5,898
Associates/Joint ventures	-	-	-	-	-	-	-	10,549	2,911
Associates of the holding company	-	5,312	11,833	-	-	-	-	2,766	1,103
Enterprises in which key management personnel has significant/substantial interest	-	1,386	-	-	-	-	-	-	-
Directors and key management personnel	8,699	-	-	-	-	-	-	1,000	-

notes to the financial statements

year ended 31 December 2017

36. RELATED PARTY TRANSACTIONS (CONT'D)

(b) (i) THE COMPANY

	Transactions							Balances	
	Remuneration and benefits	Purchase of goods and services	Sales of goods and services	Management services and fees payable	Loans/ advances to related party	Loans/ advances refund by related party	Interest receivable	Amount owed by related party	Amount owed to related party
2017	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Holding company	-	6,597	1	(12,000)	-	-	21,726	339,832	25,793
Subsidiaries	-	55	80,118	-	-	-	560	146,861	10,105
Fellow subsidiaries	-	8,400	19,056	-	-	-	-	11,439	1,867
Associates	-	-	-	-	-	-	-	-	2,365
Associates of the holding company	-	4,143	7,361	-	-	-	-	1,910	710
Enterprises in which key management personnel has significant/substantial interest	-	1,386	-	-	-	-	-	-	-
Directors and key management personnel	9,508	-	-	-	-	-	-	-	-

	Transactions							Balances	
	Remuneration and benefits	Purchase of goods and services	Sales of goods and services	Management services and fees payable	Loans/ advances to related party	Loans/ advances refund by related party	Interest receivable	Amount owed by related party	Amount owed to related party
2016	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Holding company	-	6,244	-	(12,000)	-	-	25,806	377,307	3,557
Subsidiaries	-	-	97,599	-	-	-	308	131,355	11,229
Fellow subsidiaries	-	8,428	17,308	-	-	-	69	15,750	5,542
Associates/Joint ventures	-	-	-	-	-	-	-	1,074	2,911
Associates of the holding company	-	4,525	11,833	-	-	-	-	2,766	749
Enterprises in which key management personnel has significant/substantial interest	-	1,386	-	-	-	-	-	-	-
Directors and key management personnel	8,699	-	-	-	-	-	-	1,000	-

notes to the financial statements

year ended 31 December 2017

36. RELATED PARTY TRANSACTIONS (CONT'D)

	Remuneration and benefits	
	THE GROUP AND THE COMPANY	
	2017	2016
	Rs'000	Rs'000
Key management personnel compensation		
Salaries and short-term employee benefits	**9,030**	8,230
Post-employment benefits	**478**	469
	9,508	8,699

TERMS AND CONDITIONS WITH RELATED PARTIES

The sales to and purchases from related parties are made in the normal course of business. Outstanding balances at the year-end are unsecured, interest free (except for loan to holding company and to Directors and key management personnel at 5.75% - 7.5% p.a.) and settlement occurs in cash. Financial guarantees of Rs.nil has been provided for investment in joint venture (2016: Rs.2.3m). For the year ended 31 December 2017, the Group has recorded impairment of receivables relating to amounts owed by related parties of Rs.1.0M (2016: Rs.nil). The assessment is undertaken each financial year through examining the financial position of each related party and the market in which it operates.

37. ULTIMATE HOLDING ENTITY

The Group is controlled by Harel Mallac & Co. Ltd incorporated in Mauritius which owns 70.4% of the Company's shares. The remaining 29.6% of the shares is widely held.

The Directors recognise Harel Mallac & Co. Ltd. as the parent entity and the ultimate parent entity is Société Pronema. Both entities are constituted in Mauritius.

38. OPERATING LEASE COMMITMENTS

As stated in note 5, land leased from the Mauritius Ports Authority came up for renewal on the 15 December 2015 and the Company is currently negotiating the rates for further period of 15 years ending 14 December 2030. The Company has an option of renewal for two further period of 15 years and a final period of 9 years.

39. THREE-YEAR SUMMARY OF PUBLISHED RESULTS AND ASSETS AND LIABILITIES - THE GROUP

(a) **Statements of profit or loss**	**2017**	2016	2015
	Rs'000	Rs'000	Rs'000
Revenue	**982,544**	926,323	766,935
Share of results of associates/joint venture	**1,353**	(35,998)	(1,879)
Profit before taxation	**17,225**	29,302	10,676
Income tax expense	**(6,805)**	(17,343)	(8,189)
Profit for the year	**10,420**	11,959	2,487
Profit attributable to:			
- Owners of the parent	**10,420**	11,959	2,487

notes to the financial statements

year ended 31 December 2017

39. THREE-YEAR SUMMARY OF PUBLISHED RESULTS AND ASSETS AND LIABILITIES - THE GROUP (CONT'D)

(b) Statements of profit or loss and other comprehensive income	**2017**	2016	2015
	Rs'000	Rs'000	Rs'000
Profit for the year	**10,420**	11,959	2,487
Other comprehensive income for the year	**(596)**	100,427	(30,643)
Total comprehensive income for the year	**9,824**	112,386	(28,156)
Total comprehensive income attributable to:			
- Owners of the parent	**9,824**	112,386	(28,156)
Dividend per share (Rs)	**0.80**	0.70	0.70
Earnings per share (Rs/share)	**0.47**	0.54	0.11

(c) Statements of financial position

	2017	2016	2015
	Rs'000	Rs'000	Rs'000
ASSETS			
Non-current assets	**590,516**	601,938	482,136
Current assets	**851,134**	595,277	577,706
Total assets	**1,441,650**	1,197,215	1,059,842
EQUITY AND LIABILITIES			
Capital and reserves	**796,444**	813,494	716,513
LIABILITIES			
Non-current liabilities	**46,393**	41,633	26,356
Current liabilities	**598,813**	342,088	316,973
Total equity and liabilities	**645,206**	383,721	343,329
Total equity and liabilities	**1,441,650**	1,197,215	1,059,842

40. EVENTS AFTER THE REPORTING DATE

On 10 November 2017, the Board has resolved to approve to acquire 100% of the share capital of Harel Mallac (Tanzania) Ltd, through one of its subsidiaries, MCFI International & Co Ltd for a cash consideration of Rs 0.4m. However, at date of signature of the financial statements, procedures for the acquisition was still in the process of finalisation.

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