Ciel Textile

2017

ANNUAL REPORT

PASSION
FOR CUSTOMER
SATISFACTION

HARD
WORK

RESULTS DRIVEN

CHAMPION
CULTURE

EXCELLENCE

BENCHMARK
IN ETHICS

TEAM
PLAYER

WINNING
FAMILY

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CIEL TEXTILE at a Glance

CIEL Textile Limited ("CIEL Textile") is a fully-fledged subsidiary of CIEL Limited, listed on The Development and Enterprise Market of The Stock Exchange of Mauritius.

CIEL Textile is a world-class global player in textile and garments operations, spanned across Mauritius, Madagascar, India and Bangladesh. It has developed into a regional one-stop shop for textiles, with vertically integrated business units, from yarn spinning to finish garments. CIEL Textile positions itself as the best alternative to China with the objective to deliver unbeatable value to medium and upmarket retailers.

3 clusters

- **WOVEN**
- **FINE KNITS**
- **KNITWEAR**

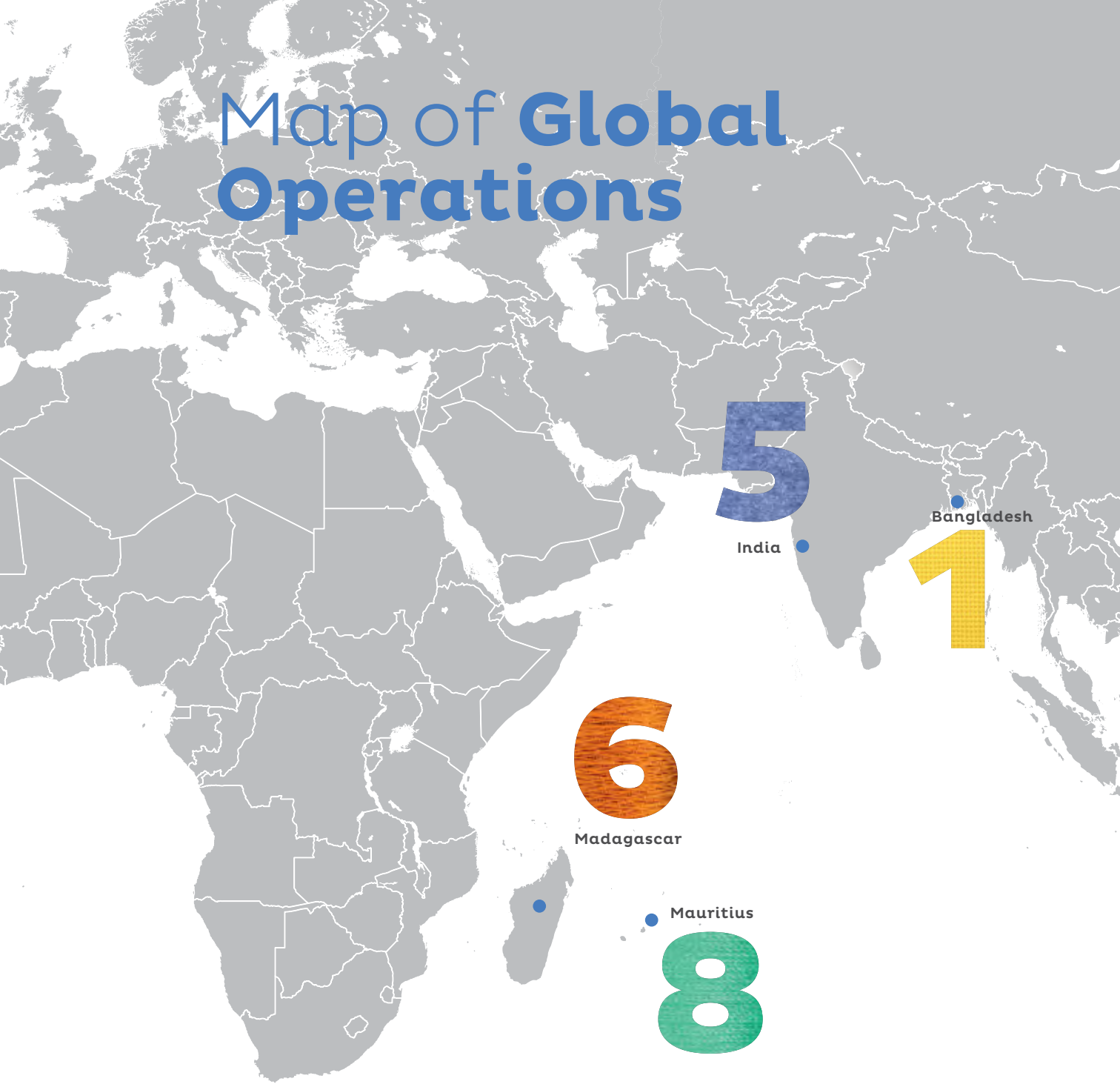
Rs. **665** M
profit after tax

Approx. 20,000 **employees**

34 M
GARMENTS EXPORTED **ANNUALLY**

Rs. 10.5 bn
turnover

Map of **Global Operations**



20

PRODUCTION UNITS AROUND THE WORLD

Financial **Highlights**

GROUP FINANCIAL HIGHLIGHTS AND RATIOS – AS AT JUNE 30

THE GROUP

	2017	2016	2015	2014	2013	2012	2011
RESULTS							
Turnover (Rs. M)	10,509	10,482	10,119	9,565	8,686	8,643	7,876
EBIT (Rs. M)	747	912	913	727	661	698	326
Profit after Taxation (Rs. M)	562	704	762	551	516	516	214
Net Profit Margin (%)	5.3%	6.7%	7.5%	5.8%	5.9%	6.0%	2.7%
Return on Capital Employed (%)	10.1%	13.2%	15.1%	13.3%	14.0%	16.1%	6.7%
INTEREST BEARING DEBT							
Debt (Rs. M)	2,647	2,160	1,699	1,658	1,395	1,292	2,239
Capital Employed (Rs. M)	7,380	6,884	6,042	5,461	4,722	4,344	4,894
Debt to Capital Employed (%)	36%	31%	28%	30%	30%	30%	46%
Interest Cover (times)	9.1	17.9	16.3	9.4	12.2	7.9	3.4
SHARE DATA							
Share Price (Rs. cs)	47.60	38.60	38.00	33.90	22.50	16.00	16.00
Net Assets Value per Share (Rs. cs)	43.62	43.16	40.09	35.60	30.54	28.23	24.57
Earnings per Share (Rs. cs)	4.51	6.15	6.90	5.08	4.53	4.50	1.86
Dividend per Share (Rs. cs)	3.00	3.25	2.50	2.00	1.50	1.00	0.55
P/E Ratio (times)	10.6	6.3	5.5	6.7	5.0	3.6	8.6
Dividend Yield (%)	6.3%	8.4%	6.6%	5.9%	6.7%	6.3%	3.4%
Redeemable Preference Shares (Rs. M)	-	-	-	-	-	405	449
Net Finance Costs (Rs. M)	82	51	56	77	54	88	95
EBITDA	997	1,128	1,114	970	861	900	550
Profit before Taxation (Rs. M)	665	862	857	651	607	611	232
Shareholder's Funds	4,441,076	4,393,771	4,081,493	3,624,311	3,108,782	2,874,360	2,501,483
No of Shares in Issue	101,808	101,808	101,808	101,808	101,808	101,808	101,808
Equity	4,733,129	4,723,687	4,342,690	3,803,701	3,326,093	3,051,597	2,654,804
Interset Bearing Debt	2,646,814	2,160,430	1,698,858	1,657,692	1,395,436	1,292,308	2,239,376
CAPITAL EMPLOYED	7,379,943	6,884,117	6,041,548	5,461,393	4,721,529	4,343,905	4,894,180

Chairman's Statement

Dear Fellow Shareholder and CIEL Textile's Stakeholders,

CIEL Textile Limited ("CIEL Textile") has witnessed a significant growth journey over the past decade, thanks to a solid leadership and management infrastructure delivering qualitative products at the right price to its customers worldwide. CIEL Textile operates three clusters (Woven, Knits and Knitwear) with strong design capabilities and a considerably increased production capacity in its 20 production sites based in Mauritius, Madagascar, India and Bangladesh that export 34 million garments per annum.

During this financial year, our Woven cluster has performed particularly well, acting as a benchmark for Tropic Knits and Floreal Knitwear's international expansions.

The textile industry remains however a low margin business and a cyclical industry requiring a constant monitoring of the most recent market trends. The depreciation of the Pound Sterling, the difficult economic situation in South Africa as well as the depreciation of the US dollars have had a negative impact on our margins this year.

In addition, our recent investments in the new factories of Tropic Knits Coimbatore, India and Floreal Knitwear Antsirabe, Madagascar, weighted significantly on our financial results.

These factors and a weaker order book, weighted on CIEL Textile's bottom line, which posted a net profit after tax of Rs. 562M, a 20% decrease on the previous year.

Shareholding Structure

Beyond our annual results, this financial year was marked by CIEL Limited ("CIEL") making a voluntary offer for the Company in April 2017. This move was completed in August 2017 and led to an increased shareholding of CIEL in CIEL Textile from 56.31% to 88.48%. This important transaction, paid 50% in cash and 50% in CIEL shares to minority shareholders, anchors our Company with a solid shareholder, allowing for more flexibility in our international development in the medium to long-term.

Market Trends

It is important to note that the retail market is changing quite rapidly with some of the major brands losing market shares to emerging and established online retailers. This transformation of the retail sector, further accentuated by the fast changing consumers' behaviors is an opportunity as much as a risk for us.

In this ever-changing world, it is our capacity to design the latest but yet competitive products while increasing our speed-to-market that will make the difference.

The Board believes that the significant investments made in automation and in new technology will result in CIEL Textile producing the latest fashion orientated products at the most competitive price.

Developing further our manufacturing excellence is as fundamental as the above and we will constantly ensure that we strengthen and develop our Human Capital.

It is the combination of these two elements, but even more so the later, that will enable us to take the company to a new level.

The Board is very conscious of some of our short-term priorities and will provide management with all the required support in that respect. The focus is currently on ensuring that Floreal Knitwear reaches its optimum efficiency at its automated factory in Antsirabe, Madagascar and that Tropic Knits new factory in Coimbatore, India completes its turnaround.

Outlook and Prospects

We expect to continue facing a "soft" market this financial year, which will add pressure on margins, but we are confident that the long-term prospects at CIEL Textile are positive. Aquarelle will be starting a new factory in India in 2018 and could open another factory in the Sub-China region in the medium-term, providing market dynamics are favourable. In the short-term, the focus is on improving operational excellence – a never ending journey – throughout our operations and particularly in the most recent ones.

Nomination and Appreciation

I am pleased to welcome Hélène Echevin as a new Director on the Board of CIEL Textile. I am also pleased to share the appointment of Eric Dorchies as of 1 October 2017 as Chief Operating Officer of CIEL Textile, while keeping his function of Chief Executive Officer of the Woven cluster. Eric Dorchies has been instrumental in the growth of Aquarelle and under his new remit, he will be focusing on creating further synergies between our three clusters and strengthening CIEL Textile's front-end capabilities to better serve the customers of tomorrow.

On behalf of the Board of Directors as well as in my personal capacity, I would also like to express my appreciation to my fellow Directors, to the CEO, J. Harold Mayer, to the dedicated executive team and to CIEL Textile's 20,000 employees for their energy, hard work, and commitment.

I invite you to go through this report to find out more about our three clusters and about CIEL Textile as a whole.

Thank you for your trust.

P. Arnaud Dalais
Chairman

September 22, 2017

CIEL TEXTILE BUSINESS MODEL

INPUT
VALUE WE DRAW FROM

FINANCIAL CAPITAL

- Reliable operational cash flow
- Easy access to capital given low gearing ratio

SOCIAL & RELATIONSHIP CAPITAL

Long-term business relationships with trusted suppliers and clients including Marks & Spencer, ASOS, Levi's, Celio, or J. Crew

HUMAN CAPITAL

Learning and development organisation with a decentralised approach empowering 20,000 people to manage their tasks and factories as if it was their own

INTELLECTUAL CAPITAL

- Technical expertise
- Strategic and managerial knowhow to run global textile company
- Unique culture

MANUFACTURED CAPITAL

20 production sites equipped with automated manufacturing equipment

NATURAL CAPITAL

Raw materials (wool and cotton), water, energy (HFO, diesel, LPG, electricity)

Our Value Proposition

- High quality designed products
- Deliver unbeatable value to medium and upmarket retailers
- Vertically integrated business across 3 clusters (Knits, Knitwear and Woven)
- Excellent quality and service at competitive price
- Multi-location sourcing platforms (Mauritius, Madagascar, India and Bangladesh)
- Duty free access to EU and US from Mauritian and Malagasy markets
- Member of Sustainable Apparel Coalition
  - Listed on The Development and Enterprise Market and The Stock Exchange of Mauritius Sustainability Index

WHO WE ARE

World-class global player in textile and garments operations

VISION

Be the best alternative to China with the objective to deliver unbeatable value to medium and upmarket retailers

Our Activities

4 Countries

3 clusters

- Knits
- Knitwear
- Woven

34M Garments exported every year

20 production units

MAIN OUTPUT
DURING THE YEAR

FINANCIAL CAPITAL

- Turnover: Rs. 10.5bn
- Profit after tax: Rs. 562M
- Consistent and solid dividend

SOCIAL & RELATIONSHIP CAPITAL

- Successful launch of Act for our Community global initiative
- World Environment Day celebrated throughout operations
- 10th Edition of CIEL Textile Chairman's Manufacturing Excellence Awards rewarding best practices

HUMAN CAPITAL

- Learning and development investment and launch of unique leadership academy
- Appointment of Chief Operation Officer and new CEO for Floreal Knitwear

INTELLECTUAL CAPITAL

- Innovative designed products winning customers' hearts
- Implementation of digital tools to facilitate customer interactions
- First member of the Sustainable Apparel Coalition in Africa

MANUFACTURED CAPITAL

- 34M garments exported
- Building works for new Aquarelle factory in India to be delivered in 2018

NATURAL CAPITAL

- Fabric waste, wastewater, emissions, energy consumption

MAIN OUTCOMES
DURING THE YEAR

- Reinforced leadership team including the nomination of a Chief Operating Officer of CIEL Textile as of 1 October 2017
- Highly structured design capabilities
- Laguna Clothing back to profitability
- Successful launch of garment dipping in Madagascar for Aquarelle
- Coordinated sustainability approach gaining recognition with all stakeholders
- Successful launch of *winning well** philosophy through key employee initiatives
- Improved shareholding with CIEL as majority shareholder at 88.48%

TARGETS

- Reposition Floreal Knitwear operations
- Improve India operations for Knits cluster
- *Winning well** concept deeply rooted in employee behaviours
- Innovative products and processes in anticipation of fast evolving consumer trends (ecology, technology, connectivity, etc.)
- Launch new factory for Aquarelle in India
- Maintain cost-competitive operations in the region despite labour costs

* Delivering excellent results while nurturing a win-win environment for all stakeholders

CEO's Report

Dear Shareholder,

CIEL Textile has reported flat sales for the year under review and a drop in profit after tax of 20% from Rs. 704M to Rs. 562M. The return on sales stood at 5.3%, which is an average result for the Group. The Aquarelle group had an outstanding year with record PAT of Rs. 588M representing a ROS of 9.5%. Tropic Knits group regional operations also performed very well with ROS of 7.6%. The 2 operations that affected this year's results negatively, are Floreal group and Tropic Knits India (new operation). The spread of revenue now stands at 67% in the region and 33% in Asia (growing segment).

Aquarelle group presented excellent results with sales growing by 7.6% to Rs. 6.2bn and profitability growing by 21% to Rs. 588M. These excellent results are the fruit of excellent leadership teams that have built excellent 'software' over the past few years. Laguna Clothing has had an outstanding year in India, whilst its regional operations generated profits for the first time in 4 years, with good prospects for the future. Aquarelle group's performance in the region also had a record year with strong results, both in its garment and fabric segments. Aquarelle India also had reasonable profitability. The sophisticated marketing dynamic in the group is highly positive and the level of manufacturing excellence in its 10 factories is excellent. With pressure on margins, the priority of the group is to boost marketing and sales activities.

The Floreal group had a very difficult year with losses of Rs. 109M. A difficult knitwear market, the impact of Brexit on its U.K business, 2 factory closures, the opening of a new "fully automated" factory in Madagascar and an important drop in sales and margins in both its garment operations and yarn operations (Ferney Spinning Mills), all contributed to the losses. The group is undergoing a major restructuring, and all the appropriate actions are being taken by a very competent and motivated leadership team for a return to profitability. The 2 overriding priorities are to bring costs down to appropriate levels and to boost our sophisticated marketing approach. Market conditions remain difficult but we expect losses to reduce substantially this year. We are well positioned in Madagascar and Bangladesh to benefit from this restructuring on the medium-term.

Tropic Knits group PAT dropped by 39% to Rs. 83M due to important losses in Tropic Knits India, whilst the profitability of its regional operations improved. Following an important leadership restructuring exercise last year, the 'software' in the region has further improved. The sophisticated marketing is a key strength in Tropic Knits and the manufacturing excellence as well. The fabric mill (CDL Knits) faced "operational" issues during the year, but great progress on this front has been achieved in the last few months. In India, there have been major changes in the top leadership teams and there are early signs of progress, especially in manufacturing performance. The challenge this year will be in sales and marketing, developing the right order book for this new operation. We expect to reduce the losses, whilst the software is being built to normal CIEL Textile standards.

Performance of our divisions on the non-financial score boards can be summarised as follows:

- The customer satisfaction scoreboard was very good across the Aquarelle group throughout the year. Tropic Knits in the region had good customer satisfaction results as well, although reliability was slightly affected by fabric delivery issues, whilst our new operations in India faced challenges on reliability. Floreal Bangladesh had very good customer satisfaction in general, whilst the performance of the region was affected on reliability due to the start of our new factory in Antsirabe, Madagascar.
- Manufacturing excellence is a major strength across the group and continuous progress a reality. The Aquarelle group sets a very high benchmark with a strong team cross-fertilising best practices amongst its 10 factories. Tropic Knits Mauritius won last year's manufacturing excellence award, whilst Tropic Knits Madagascar and India are both progressing. Floreal factories have a history of strong customer satisfaction, but are focused on improving KPI's after 2 years of restructuring. Cost competitiveness is the priority across the group in a very price driven-market.
- Regarding the front-end scoreboard (sophisticated marketing), the Aquarelle group and Tropic Knits regional operations set an excellent benchmark, and as a result, sales growth is good, new customer pipeline is dynamic and product offer is up to market requirements. Facing difficult market conditions, the Floreal group's no. 1 priority is to boost its sales and marketing activity via our sophisticated marketing approach. A "marketing excellence award" process is being launched this year, to recognise excellence and boost cross-fertilisation of best practices. We recognise that "sophisticated marketing" is where we need to make a difference in the future, and all top leadership teams are working on this topic as a no. 1 priority.
- Finally, we will review our "software" in each operation, which encompasses:
  1) Quality of our teams and their corporate culture
  2) Management Infrastructure and People Processes

CEO's Report (cont'd)

The quality of our software determines the results of tomorrow, and this is therefore the most important barometer of future performance.

The software scoreboard of Aquarelle group stands at 8/10. It is very solid and stable which explains why its growth and profitability are so strong. The human capital is world-class across the board with a great pool of international talents and great stability in the management teams. The corporate culture is excellent with very ambitious teams driving to be the best. Finally, the management infrastructure and people processes have been the number one reason for great improvements in results this year, particularly in the region. Leadership teams are improving their coaching skills and a virtuous circle in people growth leading to performance growth is set in motion.

The software in Tropic regional operations has improved to very good levels this year, as a young and dynamic leadership team has settled well in their new roles, following significant management reorganisation. Tropic India's team has also strengthened this year, and a more robust management infrastructure has contributed to improved software. CDL Knits' software is very strong in general, and efforts are concentrated to improve the management infrastructure in the dyeing operations. Finally, the Indian operations has been through significant management restructuring and strong emphasis is being put on building its team and management infrastructure to the regional level.

The Floreal group has been undergoing significant industrial restructuring, coupled with leadership generational transitions. As is to be expected, this has disrupted the management infrastructure and people processes. However, now that most of the industrial restructuring is completed, the leadership team is putting emphasis on upgrading the software across the board. I have great confidence in our top leadership team, and we are confident that efforts invested in software building will yield great results in the medium-term.

To conclude, the financial year-end has yielded satisfactory results for the Group, as we faced major challenges in the Floreal group and Tropic Knits India (new operation).

Our 2 priorities in the short term are:

1) Build "sophisticated marketing" to world-class levels in all our operations. The launch of marketing excellence award will contribute to that.

2) Reinforce our leadership teams so as to be in a position to 'attack' the future. Towards this end, a leadership and management academy will be launched in 2018, and our Human Resource departments are being strengthened.

We are therefore on a "consolidation" mode until all our operations get back to profitability.

EXTERNAL FACTORS

A reading of the impact of external factors on our results/prospects is as follows:

1) **Currency:** Throughout the year, all our operating currencies (Mauritian rupees; India rupees and Madagascar ariary) have strengthened v/s our export currencies. This is having a negative impact on the margins.

2) **Markets:** The knitwear market is very soft in general and together with Brexit uncertainties, has materially impacted the Floreal group activities. Furthermore, traditional retailers are struggling in the face of a new wave of internet retailers. We therefore need to target these internet retailers, whilst our traditional customer base has to find answers to this new market landscape.

3) **Raw material prices:** Cotton prices have been stable but wool prices have been rising recently, posing pricing challenges in our knitwear cluster.

4) **Geographical competitiveness:** India, Madagascar and Bangladesh remain very globally competitive, whilst a strong Mauritian rupee is posing pricing challenges. There is a threat that India's duty drawback scheme (export incentives) be reduced and hence impact short term margins.

The conclusion is that, overall, external factors are negative as we enter our new financial year. Leadership teams are therefore actively looking for ways of reducing costs to mitigate the impact those factors are having on margins.

"Our short-term focus is on "consolidation" and turning around our loss-making activities. Furthermore, very strong emphasis is being placed on our talent development and the launch of our leadership and management academy in 2018 should speed up our "human capital" potential."

OUR STRATEGY

As mentioned earlier, our short-term focus is on "consolidation" and turning around our loss-making activities. Furthermore, very strong emphasis is being placed on our talent development and the launch of our leadership and management academy in 2018 should speed up our "human capital" potential.

The year 2018 is also our "strategy planning" year (5-year cycle). Our top leadership teams (in all 3 clusters) will therefore elaborate their 5-year strategy, following the "Group strategy" guidelines which will be completed in December 2017.

These strategic plans will integrate the following fundamental strategic guidelines:

- A regional (Mauritius and Madagascar) strategy which focuses on an "upmarket" move and developing "niche" products and markets.
- A 'globalisation' strategy which delivers 'growth' in Asia, particularly in the Indian sub-continent.
- A strong focus on "talent development", which is a pre-requisite for growth and success in a very competitive market place.
- Integrating "digitalisation" in our operations and processes.
- Keeping an eye on potential partnerships which can boost our globalisation, growth and one stop shop potential.

In a nutshell, whilst we consolidate our operations during 2017/2018 financial year, and enhance our top leadership team's potential, we will be developing our 2018/2023 five-year plan, which will pave the way to further shareholder value.

OUTLOOK

The Aquarelle group which has reported record earnings this year, is facing reduced margins in its order book. On the other hand, we expect to reduce our losses in the Floreal group and our Tropic Knits India operations.

Based on current order books, we expect a first semester which is close to last year's results. The full year results will depend a lot on our marketing teams' ability to deliver on the sales and margins objectives in a difficult and volatile market.

NOMINATION

I am pleased to report that Eric Dorchies has been appointed as Chief Operating Officer of CIEL Textile with effect from October 1, 2017. He will exercise his new responsibilities alongside his current role as the Aquarelle group Chief Executive Officer. Eric joined CIEL Textile, 25 years ago, and has been leading the Aquarelle group since 2003. He has successfully driven the group to be the global force it is today. His knowledge, experience and commitment will bring new dynamism to the group and will encourage further cross-fertilisation between the 3 clusters. His initial focus will be on the front-end and marketing activities. We wish Eric all the best in his new role.

APPRECIATION

I would like to place on record my gratitude to our leadership teams for their incredible level of commitment to satisfying our customers (better than competition) and moving their operations forward. All our divisions aim to be "The Best" in their respective fields; and this ambition is increasingly being backed up with the "efforts" required to reach this goal. The same expression of gratitude goes to our 20,000 employees who live our "winning family" values on a daily basis.

Last but not least, my appreciation goes to our Chairman, P. Arnaud Dalais, CIEL's Group Chief Executive, Jean-Pierre Dalais and the Board of Directors for their trust and support on the journey.

I invite you to read the individual reports of our Executive Operational Directors, which give more details on each of our 3 divisions.

J. Harold Mayer
Chief Executive Officer

September 22, 2017

Woven
Executive Report

Aquarelle Clothing Limited is an international shirts manufacturer supplying a homogenous upper/middle market segment through 10 productions units in Mauritius, Madagascar and India. With vertically integrated weaving mill, Aquarelle also offers dyeing, weaving, finishing and washing operations in house.

"Aquarelle Group posted very strong results this financial year ended with an increase of 21% of its Profit after Tax. All business units contributed to these excellent results including Laguna Mauritius which delivered a positive bottom line after many years of losses. Our customer satisfaction performance has also been very satisfactory across the board and our challenge this year will be to improve our competitiveness to respond to the market for lower prices."

Management Team

Eric Dorchies
Chief Executive Officer of the Woven Cluster (also known as Aquarelle Group)

Nagesh Badida
Deputy Executive Director of the Aquarelle Casual cluster and General Manager of Aquarelle India (Private) Limited

Sarbajit Ghose
Managing Director of Laguna Clothing Limited

Pascal Walter
Executive Director of Consolidated Fabrics Limited

Patrick Cugnet
General Manager of Consolidated Fabrics Limited

Maneesh Patel
General Manager of Laguna Clothing (Mauritius) Limited

Jean-François de Comarmond
Co-General Manager of Aquarelle Casual, Mauritius and Madagascar

Ayaz Tajoo
Co-General Manager of Aquarelle Casual, Mauritius and Madagascar

KEY FACTS AND FIGURES

15.5M
GARMENTS PRODUCED

9M MTS
OF WOVEN FABRIC

10,700
EMPLOYEES

11
FACTORIES

4 MAURITIUS
3 MADAGASCAR
4 INDIA

TURNOVER:
Rs. **6.2bn**

While our turnover increased by 7.6% in 2016/2017, we have generated a 21% additional profit after tax.

The main highlight came from Laguna Mauritius which delivered a positive bottom line after many years of losses: our investment in the non-iron shirt niche segment is starting to pay off. All our other business units have generated an excellent profitability, Laguna India remaining the highest performer.

Our "Customer Satisfaction" performance has been very satisfactory across all business units, while we still need to enhance our product quality consistency, mainly in our Madagascar operations. Our going forward challenge will be to improve our competitiveness, to respond to the market demand for lower prices.

On the front-end side, we are facing a new scenario with a rapid retail shift affecting negatively most of our main historical customers. We are actively pushing our business development towards the new on line retailers which are growing very rapidly, while supporting our current customers in their journey to adjust their offer to the end consumers' new requirements. We are currently under pressure in terms of sales volume and margins.

The trend remains very positive on the operational side. Laguna Mauritius team has now built up a solid know how in the non-iron shirt segment and successfully lead the implementation of a new non-iron plant in Antsirabe, Madagascar. All our other operations have delivered excellent results and the continuous improvement journey is very dynamic across the board. We have made huge progress as well in our digitalization projects with the implementation of a new ERP and the development of a human capital management software which will be in operation as from October 2017 at our head office. The other major focus in 2016/2017 was our new human resource management approach, with a specific emphasis on talent development and succession planning.

Our corporate culture and management software are very satisfactory across all our business units. Jean-François de Comarmond and Ayaz Tajoo have been recently appointed co GM of Aquarelle Mauritius and Madagascar. I seize the opportunity to congratulate the Aquarelle Group leadership team who has delivered outstanding results in 2016/2017 with a fantastic team spirit.

On the globalisation front, we have started the construction of a new flagship factory for Aquarelle India 80km south of Bangalore. The project will be completed by March 2018. Our next step will be to invest in Vietnam to attack the China and China sub-region fast growing market. We have decided to kick off this new project in 12 to 24 months.

OUTLOOK

Our sales and margins are generally weaker than last financial year and I am expecting a downward trend of our profitability at least for the first semester. It is too early to have a meaningful view on the second semester order book quality.

KEY COMPANIES

AQUARELLE GROUP

AQUARELLE CASUAL SHIRTS

CFL WOVEN FABRICS

Laguna Clothing FORMAL SHIRTS

Fine Knits
Executive Report

Tropic Knits Group is one of the largest Fine Knits manufacturers in the Indian Ocean. Integrated Research and Development and Product Designing has, over the years, projected Tropic Knits Group to become a "full solution provider" to international market leaders in a variety of product segments such as T-Shirt, Polos, Sweatshirts and Joggers. Tropic Knits Group is vertically integrated with CDL Knits, a fine knits mill. The mill has grown a mature and independent regional market and now sell more than 20% of its capacities independently.

"Tropic Knits Group is consolidating its leadership in fine knits through an increasingly well performing 'Design and Development' integrated approach. We are now offering a 'Total Fashion Solution' to our customers from 'design to box'. Once fully stabilised, our India operation will allow us to bring complementarity to our regional product offer and beef up our 'one stop shop' concept whilst being a global player. Also, Sustainable Development is fully part of our values and, major initiatives are indeed in progress, jointly with our customers, so that to be in line our stakeholders expectations ."

Management Team

Guillaume Dalais
Executive Director
and joint CEO of
Tropic Knits Group

Bertrand Thevenau
Executive Director
and joint CEO of
Tropic Knits Group

KEY FACTS AND FIGURES

14M
GARMENTS
PRODUCED IN
3 COUNTRIES

3,400
TONS OF
KNITTED FABRIC

3,900
EMPLOYEES

4
FACTORIES
2 MAURITIUS
1 MADAGASCAR
1 INDIA

TURNOVER:
Rs. **2.3bn**

The Fine Knits Cluster has overall posted a 39% drop in profitability within a flat turnover for 2016/2017. The results were impacted by:

- Tropic Knits India in Coimbatore is still under its development phase and has posted losses again this year due to poor order loading.
- CDL Knits has seen major investments in industrial equipment, IT, R&D and Sustainability. Project commissioning activities have thus slightly impacted on operation performances.

TROPIC KNITS REGION

Tropic Knits Group has shown a satisfactory performance in the region with a slightly reduced profit compared to last year.

The "Region" marketing performance has been very good with major progress noted on R&D, Design and Development. We are still driving a number of key initiatives launched since last year to enhance our "proximity" marketing and speed to market. As a result, we do have a solid order book.

Regarding our Operational Strategy, the Region has embarked onto an automation process with the objective to enhancing agility and competitiveness. CDL Knits just completed a major investment plan in that respect which is going to yield results in the future. For the year to come, we will engage in the second phase of this strategy by upgrading the planning system, which will give additional agility to face speed to market requirement, and investing in our garment making factories.

On the human front, a strong focus is being put on capabilities to identify and develop the Talents within our organisation.

TROPIC KNITS INDIA

India operations have incurred more losses than expected and we have undergone through a restructuring exercise. Additional presence from the Mauritius team is in progress and is already showing encouraging results. Priority is given to have the right order book and stabilise our operations.

OUTLOOK

Our two major markets, the United Kingdom and South Africa, are facing challenging trading conditions. Although our prospects for the first semester are good, we remain cautious for the remaining of the year due to very volatile market conditions. Our India operations may still have a negative impact on our results.

KEY COMPANIES

TROPIC KNITS GROUP

TROPIC WOMAN

TROPIC MAN

CDL KNITS

Knitwear
Executive Report

Floreal Knitwear Limited has over 40 years of experience in the manufacturing of high quality sweaters and the exportation of "quality and innovative Knitwear" to its customers worldwide. Headquartered in Mauritius, it is an international business with a vertically integrated wool spinning mill and factories in Madagascar and Bangladesh. Floreal Knitwear is supported by marketing and support offices in the United Kingdom, South Africa, Hong Kong and China.

"Globally, the Knitwear remains extremely challenging.

Floreal Knitwear's operational restructuring process in Madagascar and Mauritius, which started in 2015, is in the process of completion and will improve our operational capabilities and competitiveness."

Management Team

Guillaume Dalais
Chief Executive Officer of the Knitwear and Knits Clusters

Mushtaq Sooltangos
General Manager of Ferney Spinning Mills Limited

KEY FACTS AND FIGURES

4.6M
GARMENTS
SOLD

940
TONS OF
WOOLEN YARN SOLD

6,700
EMPLOYEES

4
FACTORIES
3 MADAGASCAR
1 BANGLADESH

TURNOVER:
Rs. **1.9bn**

The Knitwear cluster registered a loss of Rs. 109M from a profit of Rs. 57M last year. The results were impacted by:

- A drop of 20% in turnover due challenging market conditions and adverse effects of the Brexit on our order book leading to the GBP depreciation.
- Exceptional costs of Rs. 58M associated with the pursuit of our operations restructuring in Mauritius and in Madagascar.
- Losses incurred by our fully automated knitting factory in Antsirabe still being in a start-up phase but gaining momentum.

Floreal operational restructuring process in Madagascar and Mauritius, which started in 2015, is in the process of completion and will improve its operational capabilities and competitiveness.

Our customer satisfaction in quality, reliability and services remain satisfactory while we are still working on improving our speed and flexibility offering on delivery.

In the current market conditions, our aggressive marketing strategy to develop new markets and new customers remain our priority in the Region and in Bangladesh. In that respect, we have restructured our marketing department to offer better proximity service to our existing and new markets. We are also actively working on re-focusing our product strategy on Floreal strengths within the market requirements.

Ferney Spinning Mills' weaving yarn enjoy a high reputation on the European market. We are actively working on growing their non-captive direct customers to balance the drop in demand for knitting yarn.

OUTLOOK

Globally, the knitwear market remains extremely challenging. The increase in wool raw material will further enhance the market focus and need for competitive prices, which may put further pressure on margins. The UK market being Floreal main market, the GBP volatility may also impact our future results.

With the completion of our restructuring plan, we expect our competitiveness to improve and therefore mitigate the impact of market conditions.

KEY COMPANIES

Floreal INTERNATIONAL

Ferney SPINNING MILLS

Our **Sustainability** Journey

Together with CIEL Limited, we believe that sustainability cannot be reduced to an action item on our to-do list, but rather consists of a way of looking at things, a way of doing business.

CIEL Textile is committed to embed sustainability across all its operations through its five-year action plan, and progress is under way.

Our governance structure is now fully implemented within CIEL Textile. Sustainability Committees have been set-up at cluster and operational levels, in order to drive the sustainability agenda across the different countries in which we operate.

COMMITMENTS

- Compliance with national and international laws and regulations
- Good International environmental, social, economic Industry Practices
- Best sustainable practices

MISSION

We deliver unbeatable value to our customers through product innovation, speed and flexibility, service and communication, reliability and competitiveness

VISION

To be recognised as preferred and best strategic partner

VALUES

PASSION FOR CUSTOMER SATISFACTION

WINNING FAMILY

HARD WORK & RESULTS DRIVEN

EXCELLENCE

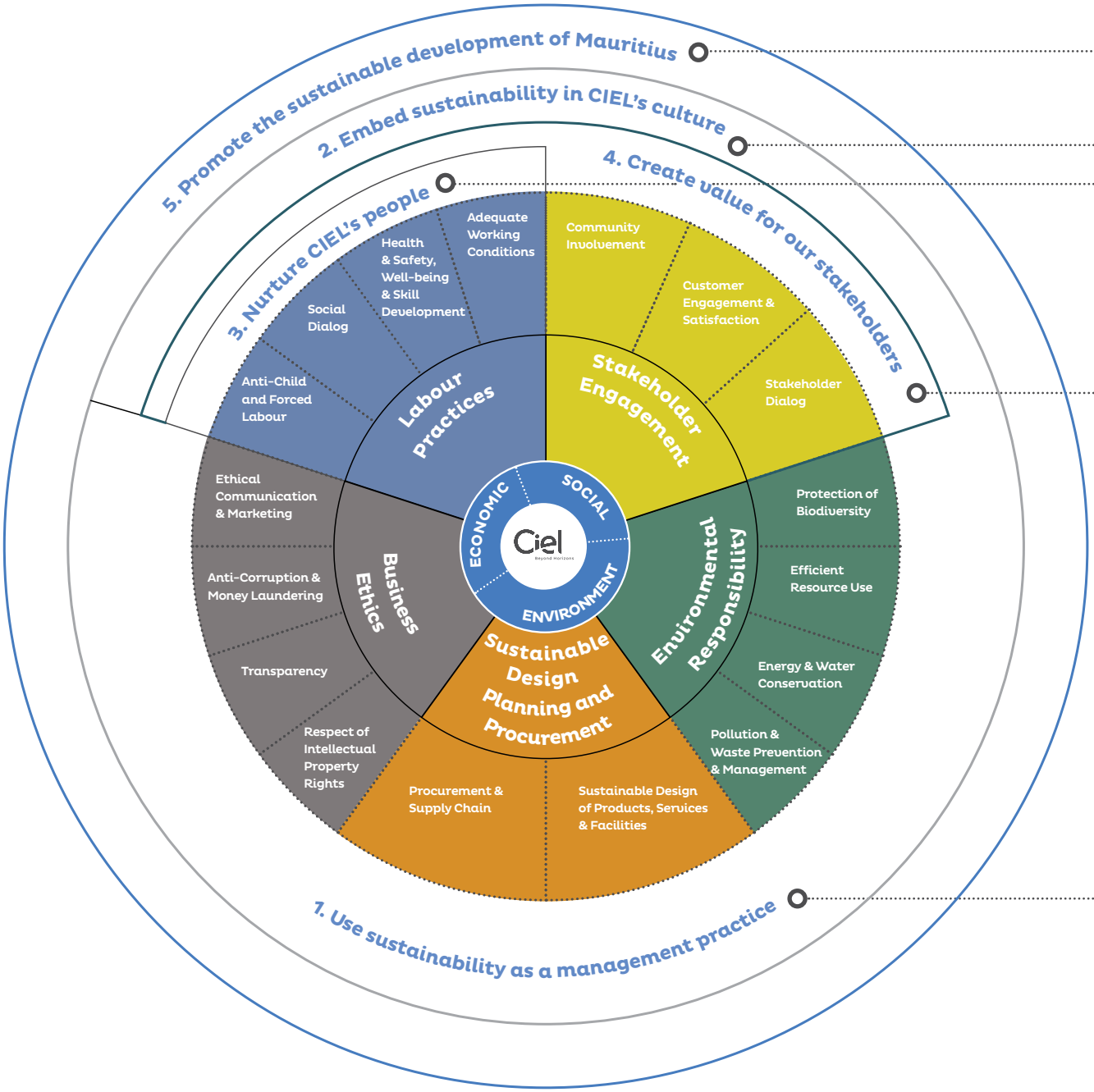
CHAMPION CULTURE

Ciel Textile

An **Integrated Approach** to Sustainability

This 360° chart depicts CIEL Limited's integrated approach to sustainability and provides an overview of how this is achieved. It puts forward the multiple overlapping layers of its corporate philosophy, and gives a synopsis of its components.

In its pursuit of sustainable practices, CIEL Textile builds upon this approach to prosper and shape its own roadmap.



What drivers enable CIEL Textile to accomplish this?

How?

- By raising awareness about sustainability issues in Mauritius
- By initiating/supporting sustainability related initiatives

Doing more with Less

- By having a governance structure to drive the sustainability agenda
- By embedding sustainability in business processes and reporting

Commitment and Determination

- By developing mechanisms to attract, train and retain best talent
- By increasing and improving collaboration among teams and individuals in different clusters

Accountability

- By engaging and communicating with our various stakeholders through differentiated and adequate media
- By becoming involved in community projects

Customer Satisfaction

- By changing the perception of sustainability to a value adding practice
- By promoting the implementation and execution of sustainability

Key **Sustainability** Initiatives

Business Ethics

- **Governance at the Forefront of Discussions**

A workshop on the National Code of Corporate Governance, conducted by the Mauritius Institute of Directors, was held in March 2017, with managers and executives from the 5 clusters of CIEL Group, including directors of CIEL Textile.

Sustainable Design, Planning and Procurement

- **Industry Collaboration**

Conscious of its environmental and social responsibilities, CIEL Textile joined the Sustainable Apparel Coalition ("SAC") this year. The Higg Index, a standardised management tool developed by the SAC, enables the Textile industry to better understand the environmental, social and labour impacts of the manufacturing and selling of its products.

By using the Higg Index to measure sustainability, CIEL Textile aims to address inefficiencies, improve its practices, and achieve the social and environmental transparency that its customers, and ultimately consumers, are expecting.

By joining forces with the members of the SAC, CIEL Textile aspires to take part in addressing the systemic challenges that require collective engagement.

- **Focusing on Innovation to ensure Sustainable Growth**

In order to unlock new perspectives and bring new momentum, two strategic sessions were organised by Tropic Knits and Aquarelle Groups, during which a motivational speech was dispensed by Robin Banks, international speaker and mind power expert.

A Fashion Show, was organised by the design teams of Aquarelle Group, showcasing future market trends while integrating environmental and technological challenges into product development. This year's clothing collection was designed around different themes: 'Environment Friendly', 'Digital', 'Cross-products', 'Talents' and 'Sports'.

1st

MEMBER OF THE SAC ACROSS AFRICA

Sustainable Apparel Coalition

Higg Index

Labour Practices

- **Nurturing Talent**

A talent management workshop was held together with the Group's human resources managers, as part of CIEL's willingness to facilitate discussion and change mindsets on talent development and retention, and ultimately, shift the role of HR from support function to strategic partner.

- **Rewarding Innovation and Entrepreneurship**

Launched to nurture the culture of innovation and spirit of entrepreneurship, the Chairman's Manufacturing Excellence Award ("CMEA") celebrated its 10th Edition this year. More than just rewarding the best performing employee, department and unit in terms of quality, energy, environment, CSR, and human resources amongst others; the CMEA shows the ever growing commitment of CIEL Textile to ensure that its factories thrive.

10th

EDITION OF THE CHAIRMAN'S AWARD

Environmental Responsibility

- **I'm With Nature**

World Environment Day observed every year across the globe on June 5, was celebrated throughout all CIEL Textile's 20 operational units this year. Under the theme Connecting People to Nature, half-day events ranged from clean-ups, to tree planting, to distribution of medicinal and endemic plants, to awareness sessions on energy saving technologies and Do-It-Yourself activities.

- **From Waste to Gold**

In line with CIEL Textile's sustainability strategy, this initiative brought forward by CDL Knits, combines environmental responsibility and stakeholder engagement while bringing financial value. Fabric waste, from the production process, is recycled through the manufacture of rug mats. Instead of being considered as garbage, these intercuts are transformed into resources from which women, formerly unemployed, get a sustainable source of income.

20

OPERATIONAL UNITS

Key **Sustainability** Initiatives (cont'd)

Environmental Responsibility

Conscious of its environmental responsibility, continuous efforts have been made to improve resources use at CIEL Textile.

SOME KEY ACHIEVEMENTS OF THIS YEAR AT AQUARELLE GROUP

- **Electricity**
  - Reduction of 10% (kWh/m) at Consolidated Fabrics Limited
  - Reduction of 8.5% (kWh/piece) at Aquarelle Mauritius
  - Reduction of 11% (kWh/piece) at Laguna India
- **Domestic water**
  - Reduction of 19% (L/person/day) at Aquarelle Madagascar
- **Diesel**
  - Reduction of 14% (L/piece) at Laguna Mauritius
  - Reduction of 15% (L/piece) at Aquarelle India
- **Food Waste**
  - Reduction of 50% (kg) at Aquarelle India

Those achievements have been possible through the implementation of some measures including :

- Rainwater harvesting at Laguna clothing
- Investment in energy efficient machines at Consolidated Fabrics Limited
- Celebrations of World Environment Day in June 2017 at all units of Aquarelle Group with the participation of over 3,000 employees
- Conduction of induction and training with all employees on Sustainability and 5S (Sort, Set, Shine, Standardise, Sustain), as well as Health and Safety measures

SOME KEY ACHIEVEMENTS OF THIS YEAR AT TROPIC KNITS GROUP

- **Electricity**
  - Reduction of 28.6% (kWh/piece) at Tropic Knits Mauritius
  - Reduction of 7% (kWh/m) at CDL Knits
- **Water**
  - Reduction of 40.3% at Tropic Knits Mauritius
  - Reduction of 21% at Tropic Knits Madagascar
- **Fabric waste**
  - Reduction of 7.4% (kg) at Tropic Knits Mauritius
- **HFO**
  - Reduction of 2.38% (L/piece) at CDL Knits
- **Gas**
  - Reduction of 14.8% (kg/piece) at Tropic Knits Mauritius
- **Waste**
  - Reduction of 37.7% of plastic used at CDL Knits
  - Reduction of 9.5% of cartons used at CDL Knits

Those achievements have been possible through the implementation of some measures including :

- **Tropic Knits Mauritius**
  - Investment in more efficient sewing machines
  - Decommissioning of wash plant
  - Process optimisation of printing machine layout
  - Conduction of training on product knowledge and delivery procedures
  - Conduction of training on Health, Safety, Security and Environment
- **CDL Knits**
  - Introduction of low temperature soaping technique
  - Commissioning of an automated chemical dispenser
  - Optimisation of heat recovery system to address heat loss
  - Optimisation of water feed quality
  - Review of water and wastewater layout system
  - Improvements in waste management practices

SOME KEY ACHIEVEMENTS OF THIS YEAR AT FLOREAL KNITWEAR GROUP

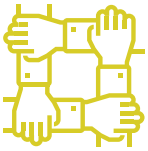
Floréal Madagascar Factory 3

- **Wood (for boiler use)**
  - Reduction of 10%
- **Water**
  - Reduction of 48%
- **Waste**
  - Reduction of 23.3%

Those achievements have been possible through the implementation of some measures including :

- Use of briquettes made from carton waste for the wood boiler
- Removal of 180 meters of pipes after verification of steam piping system and implementation of a insulation programme
- Installation of heat exchangers on dryers
- Implementation of preventative maintenance programming on machines
- Capture of condensate return from dryers and machines for reuse in boiler
- Capture of groundwater for boiler operations and sanitation purposes
- Improvements in waste management infrastructure
- Commissioning of more efficient motors on sewing machines
- Installation of 144 water heaters at Ferney Spinning Mills for the preheating of water

Key **Sustainability** Initiatives (cont'd)



Stakeholder Engagement

- **Customer Engagement**

As part of its quality pledge to its customers, CIEL Textile is committed to continuous improvement, illustrated by environmental and social related certifications, accreditations and processes across its clusters and operational units.

- **At Aquarelle Group, these include:**

- ISO 26000 Social Responsibility at Laguna India
- ISO 14000 Environment Management at Aquarelle India
- Worldwide Responsible Accredited Production Gold Certification at Aquarelle Grand Bois and Laguna Mauritius
- Business Social Compliance Initiative at Aquarelle Madagascar
- Sedex Member Ethical Trade Audit at Aquarelle Antsirabe
- M&S Plan A at Aquarelle Antsirabe
- Oeko-Tex at Consolidated Fabrics

- **At Tropic Knits Group, these include:**

- Worldwide Responsible Accredited Production Gold Certification at Tropic Knits Mauritius and Madagascar
- Business Social Compliance Initiative at Tropic Knits Mauritius and Madagascar
- Sedex Member Ethical Trade Audit certified at Tropic Knits Mauritius and Madagascar
- Global Organic Textile Standard certification at CDL Knits, Tropic Knits Mauritius and Madagascar
- All chemicals and yarn Oeko-Tex certified at CDL Knits
- Better Cotton Initiative at CDL Knits and Tropic Mauritius

- **At Floréal Knitwear Group, these include:**

- Worldwide Responsible Accredited Production Gold Certification at Floréal Madagascar Factory 1 and 3 and Antsirabe
- Sedex Ethical Trade Initiative at Floréal Madagascar Factory 1 and Factory 3
- Sedex at Ajax Sweaters Bangladesh

- **Alleviating poverty and contributing to sustainable livelihoods**

At CDL Knits, a CIEL Textile subsidiary, fabric waste from the factory is transformed into handicraft products. In partnership with Caritas, 8 unemployed women living in the vicinity of Curepipe have been provided with necessary equipment and training for the manufacture and selling of rug-mats. Support and training include fabrication, marketing and project management, as well as sales transaction.

This empowerment-through-entrepreneurship project enables women to contribute to their family earnings, but also to restore their self-esteem, and ultimately to explore ways of valuing their savoir-faire.

- **Sharing is Caring**

Involving all CIEL Textile employees willingly dedicating part of their time for volunteer work in their respective neighbourhoods, the ACT For Our Community programme involves 20 production units of CIEL Textile around the world. ACT For Our Community comes to aid to the most vulnerable individuals of these societies: underserved communities, orphans, drug and alcoholic addicts, and the physically or mentally challenged, among others, in Mauritius, Madagascar, India and Bangladesh.

In addition to other CSR-related actions, the ACT For Our Community initiative brought employees' involvement into community engagement to a whole new level. Thanks to its 10,000 employees, the cluster as a whole raised Rs. 7M in total, thereafter distributed among NGOs and communities. Rs. 700,000 was collected by Aquarelle in Antananarivo, used in part for the rehabilitation a public primary school and the provision of essential school supplies.

Rs. 7M RAISED

act CIEL Textile
For our community

20 OPERATIONAL UNITS

10,000 EMPLOYEES INVOLVED

IN **4** DIFFERENT COUNTRIES

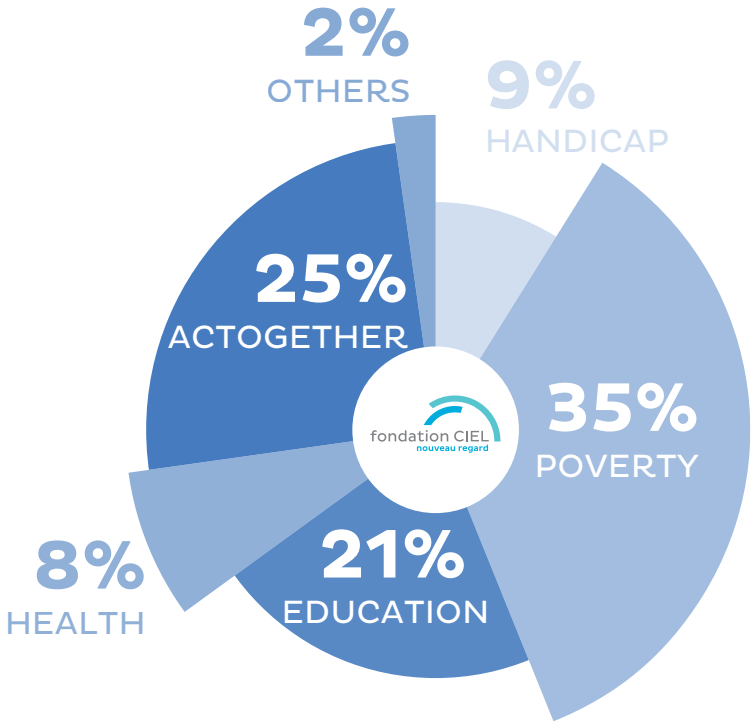
Zoom on Fondation CIEL **Nouveau Regard**

- **Contributing to Fondation CIEL Nouveau Regard**

Together with CIEL, CIEL Textile continuously endeavours to contribute to the welfare of the communities in which it conducts business. It ensures and maintains its commitment through Fondation CIEL Nouveau Regard ("FCNR"). Established in 2004, FCNR is engaged in the fight against poverty and exclusion, and the promotion of education and disability rights. Since February 2010, FCNR has been empowered to receive the CSR tax through funding from subsidiary companies of CIEL. Since 2005, FCNR has invested Rs. 84M in various projects managed by local NGOs, with whom it has developed close partnerships.

Those partnerships take the form of focus projects and satellite projects. Both funded by FCNR, the distinction between the two lies in reach and scope. Satellites projects serve as 'support service' to focus projects, which are more significant.

This fiscal year ended, FCNR has received Rs. 7.5M of CSR tax from the various entities of the Group, of which Rs. 5.3M has been allocated as follows:



Rs.
84M
INVESTED IN

13
YEARS BY FCNR

CSR TAX CONTRIBUTIONS RECEIVED BY FCNR THIS YEAR
Rs.
7.5M

OF WHICH
Rs.
3.4M
FROM CIEL TEXTILE

Corporate Governance

Statement of **Compliance**

(SECTION 75(3) OF THE FINANCIAL REPORTING ACT)

Name of Public Interest Entity ("PIE"): CIEL Textile Limited

Reporting Period: July 1, 2016 to June 30, 2017

We, the Directors of CIEL Textile Limited, confirm that to the best of our knowledge:

The PIE has not complied with the following sections of the Code of Corporate Governance for Mauritius. Reasons for non-compliance are listed below:

Section not complied with	Reasons for non-compliance
2.8 - Remuneration of Directors	The Board of Directors has resolved not to disclose the remuneration paid to each Director on an individual basis due to the market sensitivity of such information.
7.3.1 - Ethics	A Code of Ethics which espouses the ethical values adopted by CIEL Limited, CTL's parent company, has been submitted to the Board for approval on September 22, 2017.

P. Arnaud Dalais
Chairman

Alain Rey
Director

September 22, 2017

2017 **Corporate Governance** Report

Acronyms used:

CIEL Textile Limited:	**CTL/CIEL Textile/the Company**
Stock Exchange of Mauritius Ltd:	**SEM**
Development & Enterprise Market of the SEM:	**DEM**
Financial Services Commission:	**FSC**
The Board of Directors of CIEL Textile Limited:	**the Board**
Code of Corporate Governance for Mauritius:	**the Code**
The Companies Act 2001:	**the Act**
CIEL Textile and subsidiaries:	**the Group**

COMPLIANCE

CIEL Textile is a public interest entity as defined by law. Disclosures included in this report are in line with the prevailing Code. The Company has started its journey towards the implementation of the new code (National Code for Corporate Governance – 2016) which will be reported in next year's report.

BOARD ROLE AND FUNCTION

The Board of CIEL Textile is responsible for the stewardship of the Company, overseeing its conduct and affairs to create sustainable value for the benefit of its stakeholders. It acknowledges its responsibility for leading and controlling the Company, ensuring that strategic directions and management structures are in place to meet legal and regulatory requirements.

BOARD CHARTER

A charter was approved by the Board on September 22, 2017; it defines, amongst other items, the composition, role and duties of the Directors and the Chairman, as well as the responsibilities assigned to sub-committees of the Board.

2017 **Corporate Governance** Report (cont'd)

BOARD OF DIRECTORS

P. ARNAUD DALAIS (62), Non-Executive Chairman

- *Joined the Board in May 1989 and was appointed Chairman in September 1997*

Skills and Experience:

- Joined the CIEL Group in August 1977, appointed Group Chief Executive and Director in November 1991
- Under his leadership, the CIEL Group at large went through an important growth, both locally and internationally
- Played and continues to play an active role at the level of the Mauritian private sector and has assumed the chairmanship of several organisations including the Joint Economic Council from 2000 to 2002
- Chairman of Business Mauritius between 2015 and 2017

Directorships in other listed companies on the SEM:

Alteo Limited (Chair), CIEL Limited (Chair), Sun Limited

Resident of Mauritius

JEAN-PIERRE DALAIS (53), Non-Executive Director

- *Joined the Board in February 2014*
- *Member of the Corporate Governance, Nomination & Remuneration Committee*

Skills and Experience:

- Played an active role in the management and development of the operations of the CIEL Group, both in Mauritius and internationally
- CIEL's Group Chief Executive since January 1, 2017

Directorships in other companies listed on the SEM:

Alteo Limited, CIEL Limited, Phoenix Beverages Limited (Alternate Director), Sun Limited (Chairman)

Resident of Mauritius

ANTOINE DELAPORTE (57), Non-Executive Director

- *Joined the Board in September 2013*
- *Member of the Corporate Governance, Nomination & Remuneration Committee*

Skills and Experience:

- Founder and Managing Director of Adenia Partners Ltd, a private company managing private equity funds in Africa with €400 million under management. Adenia offices are in Ghana, Ivory Coast, Cameroun, Madagascar and Mauritius
- Director of several companies in Mauritius and in other African countries

Directorships in other listed companies on the SEM: *CIEL Limited*

Resident of Mauritius

L. J. JÉRÔME DE CHASTEAUNEUF (51), Non-Executive Director

- *Joined the Board in February 2016*
- *Member of the Audit & Risk Committee*

Skills and Experience:

- Former working experience with PriceWaterhouseCoopers
- Key leading position within the CIEL Group, becoming its Head of Finance in 2000
- Assumes the role of CIEL Group Finance Director since January 1, 2017

Directorships in other companies listed on the SEM:

Alteo Limited, CIEL Limited, Harel Mallac & Co. Limited, The Medical and Surgical Centre Limited, Sun Limited

Resident of Mauritius

HENRI DE SIMARD DE PITRAY (69), Independent Non-Executive Director

- *Joined the Board in October 2003*
- *Chair of the Corporate Governance, Nomination & Remuneration Committee*
- *Member of the Audit & Risk Committee*

Skills and Experience:

- Former member of the Board of Spencer Stuart Inc., one of the leading global executive search firms, of which he also chaired the Governance Committee
- Currently advises several listed European companies on the functioning of their Boards

Directorships in other companies listed on the SEM: *none*

Non-Resident of Mauritius

ERIC DORCHIES (54), Executive Director

- *Joined the Board in September 2014*

Skills and Experience:

- Chief Executive Officer of the woven cluster of the CIEL Textile Group since 1 July 2008
- Will assume the post of CIEL Textile Chief Operation Officer (COO) as from 01 October 2017 in addition to his role as CEO of the woven cluster
- Joined the CIEL Textile Group in 1998 as General Manager of Consolidated Fabrics Ltd
- Appointed Managing Director of Aquarelle Clothing Ltd in 2003

Directorships in other companies listed on the SEM: *none*

Resident of Mauritius

2017 **Corporate Governance** Report (cont'd)

HÉLÈNE ECHEVIN (40), Non-Executive Director

- *Joined the Board in September 2017*
- *Member of the Audit & Risk Committee*

Skills and Experience:

- Joined CIEL Group in March 2017 as Chief Officer – Operational Excellence after 17 years of working experience in similar position.
- Former president of the MCCI, Mauritius Chamber of Commerce and Industry in 2015/2016
- Executive Chairperson of CIEL Healthcare Limited

Directorships in other companies listed on the SEM:

Sun Limited, The Medical and Surgical Centre Limited (Chair)

Resident of Mauritius

ROGER ESPITALIER NOËL (62), Non-Executive Director

- *Joined the Board in June 2012*

Skills and Experience:

- Corporate Sustainability Advisor of CIEL
- Former General Manager of Floreal Knitwear Limited
- Holds more than 35 years' experience in the textile industry

Directorships in other companies listed on the SEM:

CIEL Limited, ENL Commercial Limited, ENL Land Limited, ENL Limited

Resident of Mauritius

J. HAROLD MAYER (52), Executive Director

- *Joined the Board in July 2003*

Skills and Experience:

- Chief Executive Officer of the CIEL Textile Group since 2006
- Held key positions within the CIEL Textile Group since 1990

Directorships in other companies listed on the SEM:

CIEL Limited, Sun Limited

Resident of Mauritius

ALAIN REY (57), Independent Non-Executive Director

- *Joined the Board in November 2007*
- *Chair of Audit & Risk Committee*

Skills and Experience:

- Member of the Institute of Chartered Accountants of England and Wales
- Former Chief Executive Officer of Compagnie de Mont Choisy Ltée
- Holds a long experience in the textile industry

Directorships in other companies listed on the SEM:

New Mauritius Hotels Ltd, MCB Group Ltd, Terra Mauricia Ltd (Chair)

Resident of Mauritius

EDDY YEUNG KAN CHING (68), Non-Executive Director

- *Joined the Board in June 2003*

Skills and Experience:

- Has been the Chief Operating Officer of the CIEL Textile Group until June 30, 2008, being accountable for its spinning, weaving and dyeing operations
- Chairman of the Board of Fondation CIEL Nouveau Regard

Directorships in other companies listed on the SEM: *none*

Resident of Mauritius

2017 **Corporate Governance** Report (cont'd)

APPOINTMENT ON THE BOARD DURING THE YEAR

Hélène Echevin was appointed Non-Executive Director by the Board on September 22, 2017. Her nomination will be submitted for approval by the shareholders of the Company at the Annual Meeting scheduled in December 2017. The Corporate Governance, Nomination & Remuneration Committee reviews all new appointments on the Board and its Committees prior to recommending same for the approval of the Board/shareholders. Directors are also re-elected on an annual basis at the Annual Meeting of the Shareholders.

INDUCTION OF THE DIRECTORS

With the collaboration of the Company Secretary, newly appointed Directors go through a comprehensive induction process to familiarise themselves with the Company's operations, business environment and senior management. All Directors have unrestricted access to the Company's records.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

As permitted by its constitution, the Company has contracted a Directors' & Officers' Liability Insurance, renewed on a yearly basis.

BOARD MEETINGS

The Board normally meets on a quarterly basis and at any additional times as the Group's business requires. Decisions are also taken by way of resolutions in writing, agreed and signed by all the Directors then entitled to receive the notice of the meeting.

Board Meetings are convened by giving appropriate notice after obtaining the approval of the Chairman. As a rule, detailed agenda, management reports and other explanatory statements are circulated in advance to the Directors to facilitate meaningful, informed and focused decisions at the meetings.

A quorum of six (6) Directors present is required for a Board Meeting of CIEL Textile and in case of equality of vote, the Chairman does not have a casting vote.

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

The Board ensures the appropriate balance of skills, experience, independence and knowledge of the Company, thus enabling them to discharge their respective duties and responsibilities effectively. The offices of the Chairman and the Chief Executive Officer are held separately.

The Board currently consists of eleven (11) Directors composed of two (2) Executive Directors, Seven (7) Non-Executive Directors and two (2) Independent Non-Executive Directors.

As part of their role as members of the Board, the Non-Executive Directors and Independent Non-Executive Directors constructively challenge and help in developing proposals on strategy through their range of knowledge, experience and insight from other sectors, whilst complementing the skills and experience of the Executive Directors. They also play a key role in protecting the interests of the shareholders.

The minutes of proceedings of each Board Meeting are recorded by the Company Secretary and submitted for confirmation at its next meeting.

FOCUS AREAS DURING THE 2017 FINANCIAL YEAR

Throughout the year under review, the Board considered and/or approved the following, amongst other items:

- The reports from the Chairmen of Board Committees with respect to matters debated at these committee meetings;
- Annual financial statements as at June 30, 2016 and their relevant abridged audited financial statements;
- The Annual Report for 2016;
- The unaudited quarterly results as at September 30, 2016, December 31, 2016 and March 31, 2017 and their abridged versions for publication;
- The review of operations, with an analytical review of each cluster forming part of the Group;
- The declaration of interim and final dividends for the 2017 financial year;
- The revised forecasts for the 2017 financial year;
- The operating budgets for 2018;
- Benchmarking exercise with peer companies; and
- The voluntary take over by scheme proposed by CIEL Limited ("CIEL") to the shareholders of CIEL Textile, whereby those shareholders were offered (by way of an offer document) to sell their shares to CIEL for a total consideration of Rs. 50.00 per share, made up of 50% consideration in cash and 50% consideration in ordinary shares of CIEL, being Rs. 25.00 per share and 3.472

2017 **Corporate Governance** Report (cont'd)

ordinary shares of CIEL. Pursuant to the Securities (Takeover) Rules 2010, the Board of CIEL Textile issued a Reply Document to those shareholders to whom the offer document of CIEL was addressed to allow them make an informed decision about the offer. The Board has appointed an independent advisor to carry out a valuation of CIEL Textile and advised the Board that the offer price made by CIEL was fair and reasonable. In a spirit of good governance, the Board decided to appoint a sub-committee composed of the Independent Non-Executive Directors to review the advisor's report and advise the Board accordingly.

CHAIRMAN

The Chairman ensures that effective governance is realised through leadership and collaboration. The Chairman has also the responsibility of ensuring the efficient operations of the Board and its Committees, of representing the Board externally, and particularly, of communicating with the shareholders at the Annual Meeting. The Chairman works in close collaboration with the Management team and the Company Secretary in view of conducting robust interrogation of plans and actions and ensuring high quality decision-making in all areas of strategy, performance, responsibility and accountability. The role of the Chairman is at the heart of ensuring these actions are sustained and harnessed and can drive a culture of continuous improvement in standards and performance across CTL's business.

BOARD EVALUATION

An evaluation of the Board was performed by the Risk Advisory Services department of BDO in September 2016, in association with Insync Surveys, using a benchmark survey approach. The benchmark with best practices helped in the identification of areas of improvement. The survey used the globally recognised 'What (Board Structure and Role) Who (Board Composition) How (Board Processes) Do (Tasks)' framework designed by a world leader in corporate governance and board effectiveness. The consultants issued a comprehensive report highlighting the areas of strengths and where improvements can be made. Same was reviewed by the Corporate Governance, Nomination & Remuneration Committee which was pleased to note that the feedback was satisfactory. Areas of improvements were duly considered and noted by the Board and management. It was agreed that next evaluation exercise would be performed during the financial year ending June 30, 2018.

SENIOR MANAGEMENT TEAM

J. HAROLD MAYER

CEO - CIEL Textile Group

Please refer to the section Board of Directors

ERIC DORCHIES

CEO - Aquarelle Group Companies

Please refer to the section Board of Directors

GUILLAUME DALAIS (35)

- *CEO of Knitwear cluster*
- *Joint CEO of the Knits cluster*

Skills and Experience:

- Joined the CIEL Textile Group in 2010
- Appointed Deputy General Manager of CDL Knits Limited in 2011 and Executive Director of the Knits Cluster of the CIEL Textile Group in 2012
- Former experience in the investment Banking sector by working at Métier Investments & Advisory Services in South Africa and CIEL Capital Limited in Mauritius as Senior Investment Executive, covering the Sub-Saharan African region

BERTRAND THEVENAU (52)

- *Joint CEO of the Knits cluster*

Skills and Experience:

- Joined the CIEL Textile Group in 1999 as Marketing and Sales Director of Consolidated Fabrics Limited ("CFL") and was promoted as its Deputy General Manager in 2005
- Appointed Executive Director of Tropic Knits Ltd in 2009
- Holds a wide experience in the Fashion and Garment industry having been exposed to international markets all through his career

2017 **Corporate Governance** Report (cont'd)

GOVERNANCE STRUCTURE

THE ROLE OF BOARD COMMITTEES

The Board delegates certain roles and responsibilities to its sub-committees. Whilst the Board retains the overall responsibility, sub-committees probe subject matters more deeply and then report to the Board on the matters discussed, decisions taken, and where appropriate, make recommendations to the Board on matters requiring its approval. The chairs of each of the committees report verbally to the Board on their activities. The committees play a key role in supporting the Board. The Company Secretary acts as secretary to these Board Committees. Terms of reference of the committees have been approved by the Board. The Board is satisfied that the committees are appropriately structured and competent to deal with both the Company's existing and emerging issues.

AUDIT & RISK COMMITTEE ("ARC")

Alain Rey (Chairman) Henri de Simard de Pitray	**2**	Independent Non-Executive Directors
Jean-Pierre Dalais (up to 22 September 2017) Hélène Echevin (as from 22 September 2017) L. J. Jérôme De Chasteauneuf	**2**	Non- Executive Directors

Main Responsibilities of the ARC

- Review the integrity of quarterly financial statements and recommend their adoption to the Board of Directors prior to filing to the regulators and publication
- Review the effectiveness of the Company's internal control and risk management systems
- Monitor and supervise the effective function of the internal audit
- Oversee the process for selecting the external auditor, assess the continuing independence of the external auditor and approve the audit fees

What has been on the ARC's agenda for the year

- The audited financial statements for the year ended 30 June 2016 together with their condensed version for publication for recommendation to the Board of Directors
- The effectiveness of the Company's internal control and risk management systems
- The quarterly unaudited financial statements, including an analysis of financial results by cluster, and their condensed version for publication for recommendation to the Board of Directors
- CTL Group's exposure to foreign currency risk and assessment of the control actions implemented to mitigate same
- Risk assessment reports done by EY for the Group and individual clusters
- Internal audit plan for Mauritius and Madagascar based operations for recommendation to the Board of Directors
- Independent valuation report prepared by EY in view of the voluntary takeover offer made by CIEL Limited

The Audit & Risk Committee confirms that it has fulfilled its responsibilities for the year under review in accordance with its terms of reference.

2017 **Corporate Governance** Report (cont'd)

CORPORATE GOVERNANCE, NOMINATION & REMUNERATION COMMITTEE ("CGNR")

Henri de Simard de Pitray (Chairman)	**1**	Independent Non-Executive Director
P. Arnaud Dalais (up to 09 June 2017) Jean-Pierre Dalais (as from 9 June 2017) Antoine Delaporte	**2**	Non- Executive Directors
Main Responsibilities of the CGNR		
• This committee provides guidance to the Board on (i) all corporate governance provisions to be adopted so that the Board remains effective and complies with prevailing corporate governance principles, (ii) the essential components of remuneration and (iii) new Board and senior executive nominations		
What has been on the CGNR's agenda for the year		
• Board composition of the Company and the subsidiaries • Board evaluation exercise performed in September 2016 • 2016 corporate governance report • Executives' bonus • Knits and Knitwear CEOs' remuneration package • Benchmarking exercise on Directors' fees and recommendations for 2017 financial year		

The Corporate Governance, Nomination & Remuneration Committee confirms that it has fulfilled its responsibilities for the year under review in accordance with its terms of reference.

ATTENDANCE AT MEETINGS

The attendance record for the financial year ended June 30, 2017 is as follows:

Directors	Category	Board Meeting	Corporate Governance, Nomination & Remuneration Committee	Audit & Risk Committee
Directors				
P. Arnaud Dalais, Chairman	NECB	6 out of 6	2 out of 2	
Jean-Pierre Dalais	NED	6 out of 6	1 out of 2*	4 out of 5
L. J. Jérôme De Chasteauneuf	NED	4 out of 6		5 out of 5
Antoine Delaporte	NED	6 out of 6	2 out of 2	
Eric Dorchies	ED	5 out of 6		
Roger Espitalier Noël	NED	5 out of 6		
Henri de Simard de Pitray	INED	5 out of 6	2 out of 2	2 out of 5
J. Harold Mayer	ED	6 out of 6	2 out of 2*	
Alain Rey	INED	6 out of 6		5 out of 5
Eddy Yeung Kan Ching	NED	5 out of 6		
In Attendance				
Guillaume Dalais		4 out of 6		
Jean Baptiste de Spéville		5 out of 6		
Bertrand Rivalland				4 out of 5
Bertrand Thevenau		5 out of 6		
Internal Auditors				1 out of 5
External Auditors				2 out of 5

*In attendance – not a member

ED = Executive Director
INED = Independent Non-Executive Director
NECB = Non-Executive Chairman of the Board
NED = Non-Executive Director

THE ROLE OF THE COMPANY SECRETARY

The company secretariat function is fulfilled by CIEL Corporate Services Ltd, through a service agreement it holds with CIEL Textile. The Company Secretary plays a pivotal role in the continuing effectiveness of the Board, ensuring that all Directors have full and timely access to the information that helps them to perform their duties and obligations properly, and enables the Board to function effectively.

CONSTITUTION

The Constitution of the Company, dated April 13, 2005, is in conformity with the provisions of the Act and the laws of Mauritius. A copy of the Company's Constitution is available upon request in writing to the Company Secretary at the Registered Office of the Company, 5th Floor, Ebène Skies, rue de l'Institut, Ebène.

2017 **Corporate Governance** Report (cont'd)

SHAREHOLDING

Stated capital - As at 30 June 2017, the stated capital of CIEL Textile was made up of:

- Rs. 685,865,487 represented by 101,807,589 no par value ordinary shares; and
- Rs. 3,500,100 represented by 100 Redeemable B shares.

Substantial shareholder - CIEL Limited was the only shareholder holding more than 5% of the stated capital of the Company as at 30 June 2017, i.e. 56.31%.

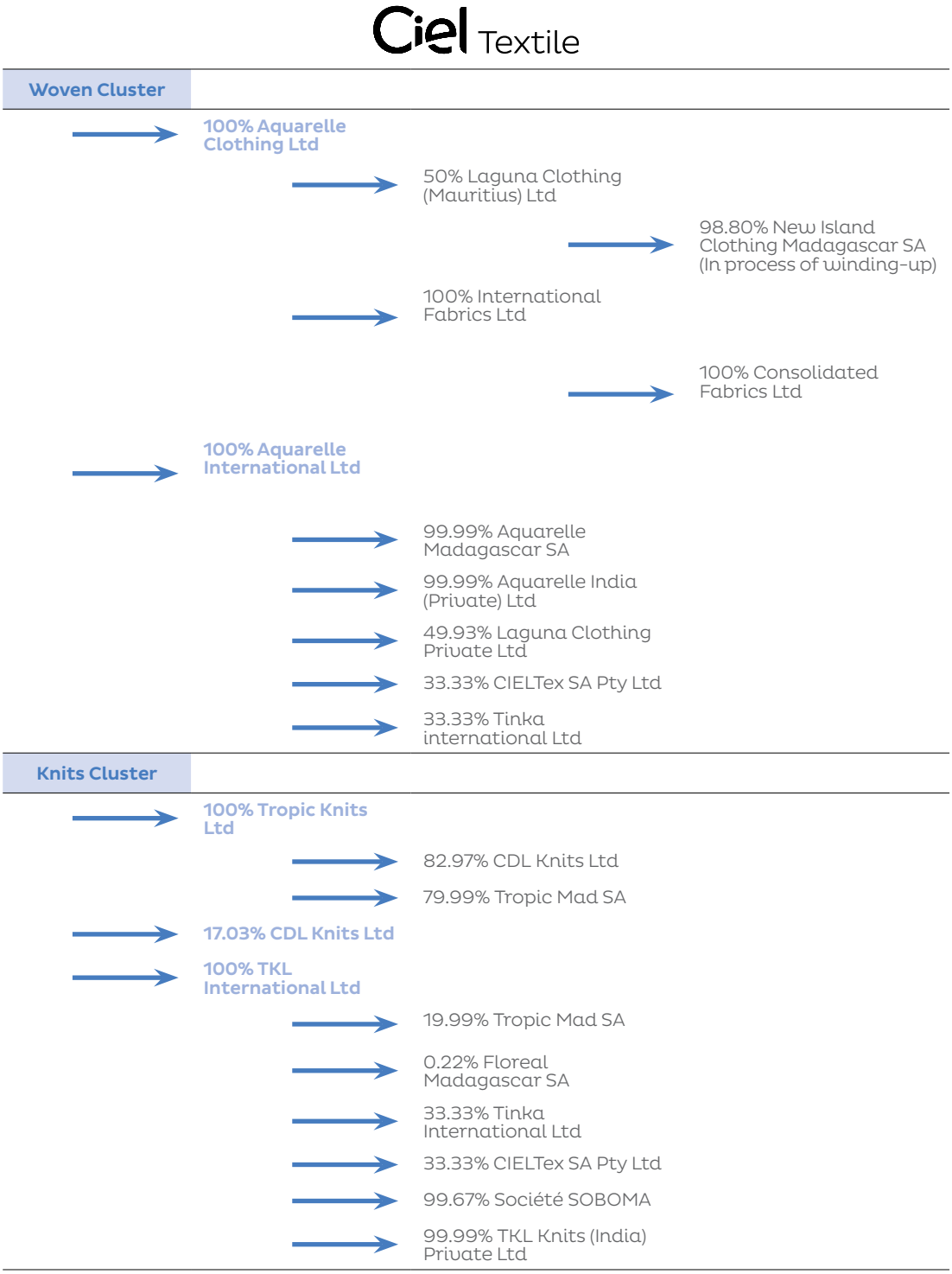
Post balance sheet event - Following the voluntary offer made by CIEL Limited to the shareholders of CIEL Textile, the percentage shareholding of CIEL Limited increased from 56.31% to 88.48% on 28 July 2017.

COMMON DIRECTORS WITHIN THE SHAREHOLDING STRUCTURE AS AT JUNE 30, 2017

	CIEL Textile	CIEL Limited
P. Arnaud Dalais	✓*	✓*
Jean-Pierre Dalais	✓	✓
L. J. Jérôme De Chasteauneuf	✓	✓
Antoine Delaporte	✓	✓
Roger Espitalier Noël	✓	✓
J. Harold Mayer	✓	✓

* Chair

GROUP STRUCTURE AS AT JUNE 30, 2017



2017 **Corporate Governance** Report (cont'd)

Knitwear Cluster

- **100% Floreal Knitwear Ltd**
  - 0.20% Société Civile Immobilière des Mascareignes
    - 83.53% Texaro SA
  - 0.06% Ajax Sweaters Ltd
  - 100% CTL Retail Ltd
  - 100% Floreal Property Limited
- **100% Floreal International Ltd**
  - 99.80% Société Civile Immobilière des Mascareignes
  - 99.48% Floreal Madagascar SA
  - 99.94% Ajax Sweaters Ltd
    - 20% Floreal Trading Limited
  - 33.33% CIELTex SA Pty Ltd
  - 33.33% Tinka International Ltd
  - 0.32% Société SOBOMA
  - 80% Floreal Trading Limited
- **100% Ferney Spinning Mills Ltd**

Others

- **99.90% Antsirabe Knitwear SA**
- **33.33% Fondation CIEL Nouveau Regard**

SHARES IN PUBLIC HANDS

In accordance with the DEM Rules of the SEM, at least 10% of the shareholding of CIEL Textile is in the hands of the public.

SHARE OPTION PLAN

CIEL Textile has no Employee Share Option plan.

SHAREHOLDERS' AGREEMENT

To the best knowledge of the Company, there has been no such agreement with any of its shareholders.

SHARE REGISTRY AND TRANSFER OFFICE

CIEL Textile's Share Registry and Transfer Office is administered by MCB Registry & Securities Limited. If you have any query regarding your account, wish to change your name or address, or have questions about lost certificates, share transfers or dividends, you may contact the Share Registry and Transfer Office, whose contact details are as follows:

MCB Registry & Securities Limited

2nd Floor, MCB Centre

9-11 Sir William Newton Street, Port Louis

Tel: +230 202 5397

Fax: +230 2081167

COMMUNICATION WITH THE SHAREHOLDERS

The Board places great importance on open and transparent communication with all shareholders. It endeavours to keep them regularly informed on matters affecting the Company through official press announcements, analysts' meetings and disclosures in the Annual Report and at the Annual Meeting of Shareholders, which all Board members are invited to attend. The Company's Annual Meeting provides an opportunity for shareholders to meet and discuss matters with the Board relating to the Company and its performance. The external auditors are also present. Shareholders are encouraged to attend the Annual Meeting to remain informed of the Group's strategy and goals. All official news release of relevance to the investors are posted on the CIEL Group's website: www.cielgroup.com.

2017 **Corporate Governance** Report (cont'd)

SHAREHOLDERS' CALENDAR

Event	Month
Publication of first quarter results to 30 September 2017	November 2017
Declaration of Interim Dividend	December 2017
Annual Meeting of shareholders	December 11, 2017
Publication of half-yearly results to 31 December 2017	February 2018
Publication of third-quarter results to 31 March 2018	May 2018
Declaration of final dividend	June 2018
Publication of end-of-year results	September 2018

DIVIDEND POLICY

Dividends are normally declared and paid twice yearly, subject to the performance of the Company, its cash availability and future capital commitments or as otherwise decided by the Board. Directors ensure that the Company satisfies the solvency test for each declaration of dividend and sign a certificate of compliance with the solvency test.

The dividends declared per ordinary share have been as follows over the past two years:

	2017 Rs.	2016 Rs.
Interim Dividend	**1.25**	1.25
Final Dividend	**1.75**	2.00

The dividends declared per Redeemable B share have been as follows over the past two years:

	2017 Rs.	2016 Rs.
Interim Dividend	**25,452**	25,452
Final Dividend	**35,633**	40,723

The Redeemable B Shares are entitled to non-cumulative dividends, do not carry any voting rights and cannot be transferred or pledged in favour of a creditor.

SHARE PRICE INFORMATION

Ordinary shares of CIEL Textile are listed on the Development & Enterprise Market of the Stock Exchange of Mauritius Ltd. Hereunder is the share price as at end of month, from July 1, 2016 to June 30, 2017.

2017 **Corporate Governance** Report (cont'd)

SHAREHOLDING AND SHARE PRICE ANALYSIS

SHAREHOLDERS' SPREAD

The ownership of ordinary share capital by category of shareholding was as follows as at June 30, 2017:

Category of Shareholding as at 30 June 2017	Number of Shareholders	Number of Shares Owned	% Holding
Individual	1768	25,788,808	25.33
Insurance & Assurance Companies	11	3,631,589	3.57
Investment and Trust Companies	49	3,449,098	3.39
Other Corporate Bodies	152	62,087,283	60.98
Pension and Provident Funds	34	6,850,811	6.73
Total	**2,014**	**101,807,589**	**100.00**

SHAREHOLDING PROFILE

The ownership of ordinary share capital by size of shareholding was as follows as at June 30, 2017:

Size of Shareholding as at 30 June 2017 (No of Shares)	Number of Shareholders	Number of Shares Owned	% Holding
1 - 500 shares	834	117,139	0.12
501 - 1,000 shares	183	146,052	0.14
1,001 - 5,000 shares	443	1,103,709	1.08
5,001 - 10,000 shares	161	1,176,873	1.16
10,001 - 50,000 shares	260	6,020,608	5.91
50,001 - 100,000 shares	56	3,934,739	3.86
100,001 - 250,000 shares	52	8,209,706	8.06
250,001 - 500,000 shares	9	3,207,492	3.15
500,001 - 1,000,000 shares	5	3,003,873	2.95
Above 1,000,000	11	74,887,398	73.56
Total	**2,014**	**101,807,589**	**100.00**

Note: The above number of shareholders is indicative, due to consolidation of multi- portfolios for reporting purposes. The total number of active shareholders as at June 30, 2017 was 2,043.

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

The Directors' interests in the capital of the Company as at June 30, 2017 were as follows:

Name of Director	Direct Shareholding –Number of Shares	% Shareholding	Indirect Shareholding - Number of Shares	% Shareholding
P. Arnaud Dalais	1,813,840	1.78	1,550,097	1.52
Jean-Pierre Dalais	2,512,511	2.47	1,244,171	1.22
Antoine Delaporte	-	-	-	-
L. J. Jérôme De Chasteauneuf	157,691	0.15	-	-
Eric Dorchies	1,800,500	1.77	204,800	0.20
Roger Espitalier Noël	5,330	0.01	137,966	0.14
Henri de Simard de Pitray	-	-	-	-
J. Harold Mayer	1,004,300	0.99	-	0.00
Alain Rey	3,052	0.00	75,956	0.08
Eddy Yeung Kan Ching	13,140	0.01	2,389	0.00

Mr. Eric Dorchies held all the Redeemable B shares issued by the Company as at June 30, 2017.

The Directors have been made aware of their responsibilities in disclosing to the Company any acquisition or disposal in the Company's securities, as per the Securities Act 2005 and DEM rules. The Directors of CIEL Textile are strictly prohibited from dealing in the shares of CIEL Textile when they are in possession of price sensitive information, or for the period of one month prior to the publication of the Company's quarterly and yearly results and to the announcement of dividends and distributions to be paid or passed, as the case may be, and ending on the date of such publications/announcements. They are guided by a Share Dealing Policy which has been approved by the Board on September 22, 2017.

The Directors have not engaged into any share dealings for the year under review except for Mr. Roger Espitalier-Noel who acquired 20,000 additional shares through his indirect holdings.

The Directors of CIEL Textile do not hold any interest in the equity of the subsidiaries of CIEL Textile.

2017 **Corporate Governance** Report (cont'd)

INTERNAL AUDIT

During the year under review, a risk assessment exercise was performed by Ernst & Young ("EY") whereat the Board was invited to rate a list of risks identified by management in order of priority. The purpose of this preliminary exercise was to identify potential high-risk areas at group and cluster level which would culminate in establishing a 3-year internal audit plan for the CIEL Textile Group of companies.

EY had thus earmarked the following auditable areas for its upcoming internal audit exercises: human resources, payroll, inventory, supply chain/procurement to pay, IT, sales and debtors management and cash handling. The first internal audit was conducted in May 2017 and covered the payroll management activity within each cluster. The corresponding internal audit report is currently being finalised and will be presented to the Audit & Risk Committee upon completion.

RISK MANAGEMENT

The Board maintains full control and direction over appropriate strategic, financial, operational and compliance issues and has put in place an organisational structure which formally defined lines of responsibility, delegated authorities and clear operating processes. The systems that the Board has established are designed to safeguard both the shareholders' investment and the assets of the Group.

The Board has empowered the Audit & Risk Committee to ensure that the risk management and internal control framework and systems are adequate to promote transparency and good governance practice across the various lines of activity. In discharging its responsibility towards the Board members, the Audit & Risk Committee relies upon the reports of the internal auditors and of Management to provide assurance on the effectiveness of the internal control framework.

A description of the risk factors is disclosed in the notes to the financial statements as well the risk management policies which have been applied.

Some of the prominent risks to which the Company is exposed are:

- **Financial Risks**

These risks comprise of currency risks, price risks, credit risks, liquidity risks as reported in the note 31 of the financial statements, where details have been provided. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company aims at maintaining flexibility in funding by keeping reliable credit lines available.

- **Operational Risks**

These risks are defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Company's processes are periodically re-evaluated to ensure their effectiveness.

- **Compliance Risks**

This risk is defined as the risk of not complying with laws, regulations and policies. The Company endeavors to comply with the requirements of the relevant legislations and regulatory authorities. CTL is also committed to the protection of the environment and towards society at large.

- **Reputational Risk**

This risk arises from losses due to unintentional or negligent failure to meet a professional obligation to stakeholders. The Company's strong reputation revolves around effective communication and building solid relationships. Communication between the Company and its stakeholders

has been the foundation for a strong reputation.

- **ICT Failure**

This is a significant or sustained loss of ICT capability which could have a material effect on the ability to do business, especially in certain business units. The Management of business units are encouraged to create a central awareness of ICT risk around and ensure, as far as possible, that appropriate disaster recovery plans are in place.

STATEMENT OF REMUNERATION PHILOSOPHY

The Company's long-term remuneration strategy remains to attract and retain leaders and ensure they are focused on delivering business priorities within a framework aligned with shareholder interests. CIEL Textile believes that the remuneration policy provides appropriate incentives to reward performance that protects the long-term interests of its stakeholders and helps to develop an internationally successful business.

The Board has delegated to the Corporate Governance, Nomination & Remuneration Committee, the responsibility of determining the adequate remuneration to be paid to the Board members and Senior Executives.

RETIREMENT BENEFIT OBLIGATIONS

The details of the total amount of provisions booked or otherwise recognised by the Company are provided in note 15 of the financial statements.

THIRD PARTIES AGREEMENTS

CIEL Textile holds an agreement with CIEL Corporate Services Ltd (a subsidiary of CIEL Limited) for the provision of strategic support & group strategy harmonisation, legal, company secretarial and payroll services to the companies of the Group. An amount of Rs. 27M was paid to CIEL Corporate Services Ltd for the financial year ended June 30, 2017.

P. Arnaud Dalais, Jean-Pierre Dalais and L. J. Jérôme De Chasteauneuf do not receive any Director's fees, being directly remunerated out of the service agreement held by CIEL Textile with CIEL Corporate Services Ltd.

CIEL Textile holds a treasury agreement with Azur Financial Services Ltd (a subsidiary of CIEL Limited) for the provision of cash management services, treasury advisory services and foreign exchange & money market brokerage services to the Group. CIEL Textile pays a fixed monthly fee for the cash management together with a variable fee, based on the volume of intercompany transactions processed by Azur Financial Services Ltd for the Group. An amount of Rs. 2.9M was paid to Azur Financial Services Ltd for the financial year ended June 30, 2017.

RELATED PARTY TRANSACTIONS

Transactions with related parties are disclosed in detail in note 29 of the financial statements.

A Conflict of Interest/Related Party Transactions Policy has been approved by the Board on September 22, 2017 to ensure that the deliberations and decisions made are transparent and in the best interests of the Company. It also aims to protect the interests of the Officers from any appearance of impropriety and to ensure compliance with statutory disclosures and law.

Notwithstanding the above, Directors of CTL are also invited by the Company Secretary, on an annual basis, to notify the Company of any direct and indirect interest in any transaction or proposed transaction with the Company.

2017 **Corporate Governance** Report (cont'd)

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders provides an ideal opportunity to interact with the Board and the management on matters affecting the Company and on the Group's strategy and goals. The external auditors are also present at the meeting to answer any queries.

The notice included in the annual report clearly explains the procedures regarding proxy and postal votes. The deadlines as to when these should be received by the Company Secretary are also stated therein.

ENVIRONMENT AND SUSTAINABILITY REPORTING

CIEL Textile believes that growth should not be at the expense of the environment and remains sensible to the climatic change to which the globe is subject to. In its endeavour to preserve the integrity of natural heritage, CIEL Textile continuously aims at improving processes in its various operations.

ETHICAL BUSINESS CONDUCT

Due to the nature of its activity and its continued commitment to meet stakeholders' interests, CTL adopts an ethical approach in its way of doing business and strongly believes in values like integrity, transparency and fairness. The Company acknowledges that ethics start at the top of the organisation, with its Board, senior management extended to employees of the Group, business partners and other stakeholders. It is in that spirit that the Board has approved a Code of Ethics on September 22, 2017 which espouses the ethical values adopted by CIEL Limited, CTL's parent company, and embodies the ethics-based culture that CTL intends to promote with its stakeholders.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

CTL is aware of its responsibilities towards promoting social welfare in the island. The Group annually contribute funds to Fondation CIEL Nouveau Regard ("FCNR"), the social vehicle of the CIEL group, whose objectives are to develop community projects across the island and to help the society at large.

The Board has acknowledged its adherence to CIEL Limited's Corporate Sustainability Policy ("the Policy") which deals with:

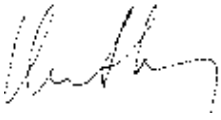
- Business ethics
- Human rights and labour practices
- Environmental responsibility
- Sustainable Design, Planning and Procurement
- Stakeholders Satisfaction & Engagement

CIEL Textile, as subsidiary of CIEL Limited, undertakes to abide to the Policy and implement same at the level of its subsidiaries.

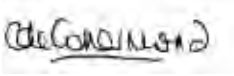
STOCK EXCHANGE OF MAURITIUS SUSTAINABILITY INDEX ("SEMSI")

CIEL Textile has been awarded the Sustainability Index Rating score of 68% by the SEM through its Sustainability Index. Such index provides a benchmarking system for Mauritian companies in terms of best sustainable practices on governance, economic, social and environmental grounds.

This report has been approved by the Board upon recommendation of the Corporate Governance, Ethics, Nomination & Remuneration Committee.



Henri de Simard de Pitray
Chair of the CGNR Ctee



Clothilde de Comarmond, ACIS
Per CIEL Corporate Services Limited
Company Secretary

September 22, 2017

Other **Statutory Disclosures**

(Pursuant to Section 221 of the Companies Act 2001)

NATURE OF BUSINESS

CIEL Textile was incorporated as a private company on January 19, 1971 under the name Floreal Knitwear Limited, was converted to a public company on December 2, 1992 and changed its name to CIEL Textile on August 17, 2001. CIEL Textile is a public company listed on the DEM of the SEM and is registered as a Reporting Issuer with the FSC. It is the holding company of the CIEL Textile Group of Companies, a world-class player in textile and garment operations. CIEL Textile is a regional one-stop shop, with vertically integrated business units, from yarn spinning to finished garments.

DIRECTORS

The persons who held office as Directors of CIEL Textile as at June 30, 2017 are disclosed in the corporate governance report under section Board of Directors and Profiles. The re-election of the Directors is submitted at the Annual Meetings of the Shareholders.

REMUNERATION OF THE DIRECTORS

The emoluments of the Executive Directors have not been disclosed on an individual basis due to the commercial sensitivity of that information. Remuneration and benefits of the Directors received from the Company and its subsidiaries were as follows:

	THE COMPANY		SUBSIDIARIES	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Executive Directors of CIEL Textile	**Nil**	Nil	**82,347**	98,930
Non-Executive & Independent Directors of CIEL Textile	**2,033**	1,888	**2,922**	2,670
Executive Directors of Subsidiaries	**Nil**	Nil	**99,304**	95,983

Following the recommendation of the Corporate Governance, Nomination & Remuneration Committee, it was decided that the members of the Board and Board committees would be remunerated on the same basis as last year, as follows:

- The Non-Executive and Independent Directors were paid a fixed annual fee of Rs. 150,000 as well as an attendance fee of Rs. 22,500 per meeting during the year ended June 30, 2017.
- **Corporate Governance, Nomination & Remuneration Committee:**

  Rs. 150,000 per year for the Chairman of the Committee

  Rs. 100,000 per year for the other members
- **Audit & Risk Committee:**

  Rs. 225,000 per year for the Chairman of the Committee and

  Rs. 150,000- per year for the other members

Executive Directors sitting on the Board Committees did not perceive any Directors' fee, being remunerated by the subsidiaries of the Company. Messrs. P. Arnaud Dalais, Jean-Pierre Dalais and L. J. Jérôme De Chasteauneuf did not perceive any directors' fees being remunerated by CIEL Corporate Services Ltd, itself holding a service agreement with CIEL Textile.

DIRECTORSHIP OF SUBSIDIARY COMPANIES AS AT JUNE 30, 2017

Aquarelle Madagascar SA	Antsirabe Knitwear Ltd
Ayaz Tajoo	Aquarelle Madagascar SA
Bertrand Rivalland	Ajax Sweaters Ltd Aquarelle Madagascar SA CIELTex Pty SA Floreal Madagascar SA Floreal Trading Ltd Société Bonneterie Malagasy - SOBOMA Société Textile d'Andraharo SA - Texaro Tinka International Ltd TKL Knits (India) Private Ltd Tropic Mad SA
Bertrand Thevenau	CDL Knits Ltd Société Bonneterie Malagasy - SOBOMA Tinka International Ltd TKL International Ltd TKL Knits (India) Private Ltd Tropic Knits Ltd Tropic Mad SA
Bruno Monti	Laguna Clothing (Mauritius) Ltd Laguna Clothing Private Ltd
CIEL Textile Limited	Antsirabe Knitwear Ltd
Dora Brocchetto	CIELTex Pty SA
Eddy Yeung Kan Ching	Aquarelle Clothing Ltd Aquarelle International Ltd CDL Knits Ltd Consolidated Fabrics Ltd CTL Retail Ltd Ferney Spinning Mills Ltd Floreal International Ltd Floreal Knitwear Ltd Floreal Property Ltd TKL International Ltd Tropic Knits Ltd
Elvis Cateaux	New Island Clothing Madagascar SA*

Other **Statutory Disclosures** (cont'd)

Eric Dorchies	Aquarelle Clothing Ltd Aquarelle India (Private) Ltd Aquarelle International Ltd Aquarelle Madagascar SA Consolidated Fabrics Ltd International Fabrics Ltd Laguna Clothing (Mauritius) Ltd Laguna Clothing Private Ltd New Island Clothing Madagascar SA* Tinka International Ltd
Françoise Ip	Ajax Sweaters Ltd Aquarelle Madagascar SA Floreal Madagascar SA Tropic Mad SA
Guillaume Dalais	Antsirabe Knitwear Ltd CDL Knits Ltd Ferney Spinning Mills Ltd Floreal International Ltd Floreal Knitwear Ltd Floreal Trading Limited TKL International Ltd TKL Knits (India) Private Ltd Tropic Knits Limited Tropic Mad SA
J. Harold Mayer	Aquarelle Clothing Ltd Aquarelle India (Private) Ltd Aquarelle International Ltd Aquarelle Madagascar SA CDL Knits Ltd Consolidated Fabrics Ltd CTL Retail Ltd Ferney Spinning Mills Ltd Floreal International Ltd Floreal Knitwear Ltd Floreal Madagascar SA Floreal Property Ltd International Fabrics Ltd Laguna Clothing Private Ltd New Island Clothing Madagascar SA* Société Bonneterie Malagasy - SOBOMA Société Textile d'Andraharo SA - TEXARO TKL International Ltd TKL Knits (India) Private Ltd Tropic Knits Ltd Tropic Mad SA

Jacques Edouard-Betsy	Floreal Madagascar SA Société Bonneterie Malagasy - SOBOMA Société Civile Immobilière des Mascareignes Société Textile d'Andraharo SA - TEXARO
Jane Yee Sak Chan	TKL Knits (India) Private Ltd
Jean-Baptiste Doger de Spéville	Ajax Sweaters Ltd CDL Knits Ltd Floreal Madagascar SA Floreal Property Ltd Floreal Trading Limited Tropic Knits Limited (up to 30 June 2017)
Jean-Pierre Dalais	Aquarelle Clothing Ltd CDL Knits Ltd Consolidated Fabrics Ltd CTL Retail Ltd Ferney Spinning Mills Ltd Floreal Knitwear Ltd Floreal Property Ltd Tropic Knits Limited Laguna Clothing (Mauritius) Ltd (appointed on 23 June 2017)
Jerome Couve de Murville	Tropic Knits Ltd
Jérôme De Chasteauneuf	Ajax Sweaters Ltd Aquarelle Clothing Ltd Aquarelle Madagascar SA CDL Knits Ltd CTL Retail Ltd Ferney Spinning Mills Ltd Floreal Knitwear Ltd Floreal Madagascar SA Floreal Property Ltd Société Bonneterie Malagasy - SOBOMA Tropic Knits Ltd Tropic Mad SA Consolidated Fabrics Ltd (Alternate Director of Eddy Yeung Kan Ching)
Krishna Kant Gangwar	TKL Knits (India) Private Ltd
Louis Baron Stéphane Fromet De Rosnay	New Island Clothing Madagascar SA*

Other **Statutory Disclosures** (cont'd)

Manuel Monti	Laguna Clothing (Mauritius) Ltd
Michel Mayer	CDL Knits Ltd
Murali Nagesh	Aquarelle India (Private) Ltd
Neera Munisamy	Ajax Sweaters Ltd Antsirabe Knitwear Ltd Floreal Trading Limited
P. Arnaud Dalais	Aquarelle Clothing Ltd Aquarelle India (Private) Ltd Aquarelle International Ltd Aquarelle Madagascar SA CDL Knits Ltd Consolidated Fabrics Ltd CTL Retail Ltd Ferney Spinning Mills Ltd Floreal International Ltd Floreal Knitwear Ltd Floreal Madagascar SA Floreal Property Ltd International Fabrics Ltd New Island Clothing Madagascar SA* Société Bonneterie Malagasy - SOBOMA Société Textile d'Andraharo SA - TEXARO TKL International Ltd Tropic Knits Ltd Tropic Mad SA Laguna Clothing (Mauritius) Ltd (up to 23 June 2017)
Paolo Monti	Laguna Clothing Private Ltd
Pascal Walter	Consolidated Fabrics Ltd
Rajesh Kumar	Laguna Clothing Private Ltd
Ramasubramanian Sundaram	CDL Knits Ltd Tropic Knits Limited TKL Knits (India) Private Ltd
Roger Espitalier Noël	Aquarelle Clothing Ltd Aquarelle Madagascar SA CDL Knits Ltd Consolidated Fabrics Ltd CTL Retail Ltd Ferney Spinning Mills Ltd Floreal Knitwear Ltd Floreal Madagascar SA New Island Clothing Madagascar SA*

Roger Espitalier Noël (continued)	Société Textile d'Andraharo SA - TEXARO Tropic Knits Ltd Tropic Mad SA
Sarbajit Ghose	Laguna Clothing (Mauritius) Ltd Laguna Clothing Private Ltd
Satisha	Aquarelle India (Private) Ltd
Tropic Mad SA	Antsirabe Knitwear Ltd
Vaidyanathan Pudugramam Venkata Subramanian	TKL Knits (India) Private Ltd

Note: *In process of winding-up

SERVICE CONTRACTS

The Chief Executive Officer of CIEL Textile, Chief Executive Officer of the knits and knitwear clusters and Chief Executive Officer of the woven cluster hold service contracts with the Company, with no expiry terms. Executive Directors of the subsidiaries of the Company also hold service contracts with either the Company or the subsidiaries of the Company, with no expiry terms.

DONATIONS

Donations made during the year by the Company and its subsidiaries were as follows:

	COMPANY		SUBSIDIARIES	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Corporate Social Responsibility ("CSR")*	**4**	8	**3,472**	1,689
Political	**-**	-	**675**	350
Charitable	**-**	-	**2,788**	2,333

*The CSR contribution is channelled through FCNR, registered as a special purpose vehicle accredited to receive CSR contribution. CTL is one of the promoters of FCNR.

CONTRACT OF SIGNIFICANCE

There were no contracts of significance subsisting during or at the end of the year in which a Director of the Company is or was materially interested, either directly or indirectly.

Other **Statutory Disclosures** (cont'd)

EXTERNAL AUDIT FEES

External Audit fees for the year were as follows:

	THE COMPANY		SUBSIDIARIES	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Audit fees payable to:				
Local firms	**530**	514	**4,120**	3,986
Overseas auditors	**-**	-	**3,998**	3,671
	530	514	**8,118**	7,657
Other fees payable to*:				
Local firms	**31**	30	**659**	645
Overseas auditors	**-**	-	**763**	740
Other firms	**1,015**	1,015	**4,600**	108
	1,046	1,045	**6,022**	1,493

Note: Fees are exclusive of VAT
* Other fees include tax compliance, transaction and consolidation fees

INTERNAL AUDIT FEES

Fees paid in respect of the internal audit for the year under review was Rs. 1.4M.

On Behalf of the Board

P. Arnaud Dalais
Chairman

Alain Rey
Director

September 22, 2017

Statement of **Directors' Responsibilities**

in respect of the Preparation of Financial Statements

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 and the results of its operations and cash flows comply with International Financial Reporting Standards (IFRS);

(iii) The selection of appropriate accounting policies supported by reasonable and prudent judgments.The external auditors are responsible for reporting on whether the 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 judgments and estimates have been used consistently;

(iii) International Financial Reporting Standards have been adhered to. Any departure in the interest in fair presentation has been disclosed, explained and quantified.

(iv) The code of Corporate Governance has been adhered to in all material aspects and reasons provided for non-compliance.

On Behalf of the Board

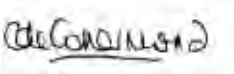
P. Arnaud Dalais
Chairman

Alain Rey
Director

September 22, 2017

Certificate from the **Company Secretary**

In our capacity as Company Secretary, we hereby certify, to the best of our knowledge and belief, that CIEL Textile Limited has filed with the Registrar of Companies, for the financial year ended June 30, 2017, all such returns as are required of the company under The Mauritius Companies Act 2001, and that all such returns are true, correct and up to date.



Clothilde de Comarmond, ACIS
Per CIEL Corporate Services Ltd
Company Secretary

September 22, 2017

Independent **Auditor's Report** to the Shareholders of CIEL Textile Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of CIEL Textile Limited (the "Company") and its subsidiaries (the "Group") set out on pages 73 to 151, which comprise the consolidated and separate statement of financial position as at June 30, 2017, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and Company as at June 30, 2017, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

Basis for opinion

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

Independent Auditor's Report to the Shareholders of CIEL Textile Limited (cont'd)

Report on the audit of the consolidated and separate financial statements (Continued)

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 consolidated and separate 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	How our audit addressed the key audit matter
Valuation of properties	
The carrying value of properties amounted to Rs. 4,079,349,000 and the fair value adjustments in respect of land and buildings recorded in other comprehensive income for the year was Rs. 29,752,000. The properties of the Group and the Company comprise of owner-occupied land and buildings. The Group uses an independent valuer to determine the fair values for all of the properties held. The inputs with the most significant impact on these valuations are disclosed in Note 3 and include, sales comparison approach and replacement less depreciation approach. Significant judgment is required by management in determining the fair value of properties. Accordingly the valuation of properties is considered to be a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the judgment associated with determining the fair value.	We have assessed the competence, capabilities and objectivity of the independent valuer. In addition, we discussed the scope of his work with management and reviewed his terms of engagement to determine that there were no matters that affected his objectivity or imposed scope limitations upon him. We confirmed that the approaches used were consistent with IFRS and industry norms. We evaluated management's judgments, in particular: • The methods used by management; and • The significant assumptions including comparable market data, depreciation rates and replacement costs. We compared these inputs to market data and entity-specific historical information to confirm the appropriateness of these judgments. Furthermore, we tested a selection of data inputs underpinning the valuation against appropriate supporting documentation to assess the accuracy, reliability and completeness thereof. The carrying values and disclosures pertaining to the revaluation of properties were found to be appropriate

Key audit matter	How our audit addressed the key audit matter
Deferred tax assets	
As disclosed in Note 8, the Group has recognised deferred tax assets to the extent that it is probable that historical assessed tax losses will be realized. This requires management judgement, in estimating future taxable income. Accordingly, deferred tax assets are considered to be a key audit matter.	We have evaluated the recognition and measurement of the deferred tax assets and liabilities. This included: Analysing the current and deferred tax calculations for compliance with the relevant tax legislation. Evaluating management's assessment of the estimated manner in which the timing differences, including the recoverability of the deferred tax assets, would be realised by comparing this to evidence obtained in respect of other areas of the audit, including cash flow forecasts, business plans, and minutes of directors meetings and our knowledge of the business. Challenging the assumptions made by management for uncertain deferred tax positions to assess whether appropriate deferred tax provisions have been recognised and are based on the most probable outcome. Challenging the future taxable profits. We found the disclosures relating to the deferred tax balances to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Retirement benefits	
The Group has recognised a retirement benefit obligation of Rs. 234,264,000 as at June 30, 2017. Management has applied independent judgement in choosing appropriate actuarial assumptions to determine the retirement benefits and has involved an actuary to calculate the obligation. These assumptions can have a material impact on the liability. The significant assumptions used have been disclosed in Note 14. Accordingly the valuation of retirement benefits is considered to be a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the judgment associated with determining the appropriate actuarial assumption.	We assessed the competence, capabilities and objectivity of management's independent actuary and verified the qualifications of the actuary. The procedures performed included the following: We assessed and challenged the assumptions that management made in determining the present value of the liabilities and fair value of plan assets. We compared the assumptions used such as discount rate and annual salary increment with industry and historical data. We verified the data used by the actuary with the payroll report for completeness and accuracy We found the assumptions used by management to be balanced. The accounting treatment and related disclosures were in accordance with the underlying accounting standards.

Independent Auditor's Report to the Shareholders of CIEL Textile Limited (cont'd)

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interest in, the Company and its subsidiaries other than in our capacities as auditor and tax advisor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

The Financial Reporting Act 2004

- The directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report on 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 Corporate Governance Report is consistent with the requirements of the Code.

Other information

The directors are responsible for the other information. The other information comprises the Statement of Directors' Responsibilities in respect of the Preparation of Financial Statements and Certificate from Company Secretary which we obtained prior to the date of this auditor's report. It also includes other reports to be included in the Annual Report which are expected to be made available after that date. The other information, does not include the consolidated and separate financial statements, the Corporate Governance Report and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements and on the Corporate Governance Report does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information 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 reports which are expected to be made available to us after the date of this auditor's report, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, and in compliance with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004 and they are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's 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.

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate 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's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the 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's 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 consolidated and separate 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/or the Company to cease to continue as a going concern.

Independent Auditor's Report to the Shareholders of CIEL Textile Limited (cont'd)

Auditor's responsibilities for the audit of the consolidated and separate financial statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 consolidated and separate financial statements of the current year and are therefore the key audit matters. We describe those matters in our auditor's report unless laws 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.

This report is made solely to the Company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte
Jacques de C du Mée, ACA
Licensed by FRC

September 22, 2017

Statements of **Financial Position**

AS AT JUNE 30, 2017

	Notes	THE GROUP 2017 Rs'000	THE GROUP 2016 Rs'000	THE COMPANY 2017 Rs'000	THE COMPANY 2016 Rs'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	**4,079,349**	3,608,366	**128,935**	116,237
Intangible assets	4	**38,473**	20,871	**-**	-
Investments in:					
- Subsidiary companies	5	**-**	-	**1,212,515**	1,212,515
- Available for sale investments	6	**6,712**	6,712	**6,712**	6,712
		6,712	6,712	**1,219,227**	1,219,227
Non-current receivables	7	**12,521**	22,637	**-**	-
Deferred income tax assets	8	**64,031**	63,196	**-**	-
		4,201,086	3,721,782	**1,348,162**	1,335,464
Current assets					
Inventories	9	**2,909,184**	2,745,415	**-**	-
Trade and other receivables	10	**2,592,172**	2,798,228	**205,178**	232,679
Cash and cash equivalents (excluding bank overdrafts)	24(b)	**647,048**	511,107	**1,429**	1,680
		6,148,404	6,054,750	**206,607**	234,359
TOTAL ASSETS		**10,349,490**	9,776,532	**1,554,769**	1,569,823
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	11	**685,865**	685,865	**685,865**	685,865
Revaluation and other reserves		**705,034**	785,185	**144,977**	131,874
Retained earnings		**3,050,177**	2,922,721	**153,936**	153,362
Owners' interest		**4,441,076**	4,393,771	**984,778**	971,101
Non-controlling interests		**292,053**	329,916	**-**	-
Total equity		**4,733,129**	4,723,687	**984,778**	971,101
Non-current liabilities					
Borrowings	12	**127,803**	149,532	**-**	-
Deferred income tax liabilities	8	**267,491**	254,233	**21,332**	19,173
Retirement benefit obligations	14	**234,264**	193,684	**-**	-
		629,558	597,449	**21,332**	19,173
Current liabilities					
Trade and other payables	15	**1,608,881**	1,665,748	**370,496**	375,891
Provisions	16	**26,460**	25,250	**-**	-
Borrowings	12	**3,166,059**	2,522,005	**-**	43
Current income tax liabilities	17	**7,240**	38,778	**-**	-
Dividends payable	23	**178,163**	203,615	**178,163**	203,615
		4,986,803	4,455,396	**548,659**	579,549
TOTAL LIABILITIES		**5,616,361**	5,052,845	**569,991**	598,722
TOTAL EQUITY AND LIABILITIES		**10,349,490**	9,776,532	**1,554,769**	1,569,823

These financial statements have been approved for issue by the Board of Directors on September 22, 2017.

P. Arnaud Dalais
Chairman

Alain Rey
Director

The notes on pages 79 to 151 form an integral part of these financial statements.

Auditor's report on pages 67 to 72.

Statements of **Profit or Loss**

FOR THE YEAR ENDED JUNE 30, 2017

	Notes	THE GROUP		THE COMPANY	
		2017	2016	**2017**	2016
		Rs'000	Rs'000	**Rs'000**	Rs'000
Revenue	28	**10,509,069**	10,482,208	**311,531**	337,492
Earnings before interest, tax, depreciation and amortisation	18	**997,002**	1,127,862	**314,606**	394,142
Depreciation and amortisation		**(250,218)**	(215,728)	**(3,089)**	(3,089)
Earnings before interest and tax		**746,784**	912,134	**311,517**	391,053
Finance income	21	**17,680**	25,611	**99**	5,036
Finance costs	21	**(99,800)**	(76,167)	**(6,131)**	(11,541)
Net finance costs	21	**(82,120)**	(50,556)	**(6,032)**	(6,505)
Profit before taxation	20	**664,664**	861,578	**305,485**	384,548
Income tax (expense)/credit	17(b)	**(103,153)**	(157,937)	**512**	483
Profit for the year		**561,511**	703,641	**305,997**	385,031

		2017	2016
		Rs'000	Rs'000
Profit attributable to :			
Owners of the company		**458,645**	626,050
Non-controlling interests		**102,866**	77,591
		561,511	703,641
Earnings per share	22 Rs.	**4.51**	6.15

The notes on pages 79 to 151 form an integral part of these financial statements.

Auditor's report on pages 67 to 72.

Statements of **Comprehensive Income**

FOR THE YEAR ENDED JUNE 30, 2017

	Notes	THE GROUP		THE COMPANY	
		2017	2016	**2017**	2016
		Rs'000	Rs'000	**Rs'000**	Rs'000
Profit for the year		**561,511**	703,641	**305,997**	385,031
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Revaluation surplus	13	**29,752**	-	**15,787**	-
Deferred tax on revaluation	8	**(12,773)**	-	**(2,684)**	-
Remeasurements of post retirement benefit obligations	13	**(29,896)**	(1,195)	**-**	-
Deferred tax on remeasurements of post retirement benefit obligations	8	**2,078**	216	**-**	-
		(10,839)	(979)	**13,103**	-
Items that may be reclassified subsequently to profit or loss					
Amount recognised in cash flow hedge reserve	13	**(27,785)**	(430)	**-**	-
Deferred tax on cash flow hedge reserve	8	**(2,279)**	8,279	**-**	-
Exchange differences	13	**(26,634)**	1,361	**-**	-
		(56,698)	9,210	**-**	-
Other comprehensive (loss)/income for the year		**(67,537)**	8,231	**13,103**	-
Total comprehensive income for the year		**493,974**	711,872	**319,100**	385,031

	2017	2016
	Rs'000	Rs'000
Total comprehensive income attributable to:		
Owners of the company	**378,494**	643,153
Non-controlling interests	**115,480**	68,719
	493,974	711,872

The notes on pages 79 to 151 form an integral part of these financial statements.

Auditor's report on pages 67 to 72.

Statements of **Changes in Equity**

FOR THE YEAR ENDED JUNE 30, 2017

THE GROUP		(Attributable to the owners of the company)										
	Note	Stated Capital	Capital Redemption Reserve	Revaluation Surplus	General Reserve	Actuarial Losses	Cash Flow Hedge Reserve	Retained Earnings	Translation of foreign operations	**Sub-Total**	Non-controlling interests	**Total Equity**
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	**Rs'000**	Rs'000	**Rs'000**
At June 30, 2017												
Balance as at July 1, 2016		685,865	75,000	853,769	1,505	(59,842)	15,609	2,922,721	(100,856)	**4,393,771**	329,916	**4,723,687**
Profit for the year		-	-	-	-	-	-	458,645	-	**458,645**	102,866	**561,511**
Other comprehensive income		-	-	6,790	-	(28,004)	(30,014)	-	(28,923)	**(80,151)**	12,614	**(67,537)**
Dividends and tax paid by foreign subsidiary	23	-	-	-	-	-	-	(25,766)	-	**(25,766)**	(153,343)	**(179,109)**
Transactions with owners:												
Ordinary dividends	23	-	-	-	-	-	-	(305,423)	-	**(305,423)**	-	**(305,423)**
Balance as at June 30, 2017		**685,865**	**75,000**	**860,559**	**1,505**	**(87,846)**	**(14,405)**	**3,050,177**	**(129,779)**	**4,441,076**	**292,053**	**4,733,129**
At June 30, 2016												
Balance as at July 1, 2015		685,865	75,000	853,769	1,505	(58,751)	7,680	2,627,546	(111,121)	**4,081,493**	261,197	**4,342,690**
Profit for the year		-	-	-	-	-	-	626,050	-	**626,050**	77,591	**703,641**
Other comprehensive income		-	-	-	-	(1,091)	7,929	-	10,265	**17,103**	(8,872)	**8,231**
Transactions with owners:												
Ordinary dividends	23	-	-	-	-	-	-	(330,875)	-	**(330,875)**	-	**(330,875)**
Balance as at June 30, 2016		**685,865**	**75,000**	**853,769**	**1,505**	**(59,842)**	**15,609**	**2,922,721**	**(100,856)**	**4,393,771**	**329,916**	**4,723,687**

The notes on pages 79 to 151 form an integral part of these financial statements.

Auditor's report on pages 67 to 72.

Statements of **Changes in Equity**

FOR THE YEAR ENDED JUNE 30, 2017

THE COMPANY

	Note	Stated Capital	Revaluation Surplus	Retained Earnings	**Total**
		Rs'000	Rs'000	Rs'000	**Rs'000**
At July 1, 2016		685,865	131,874	153,362	**971,101**
Profit for the year		-	-	305,997	**305,997**
Other comprehensive income		-	13,103	-	**13,103**
Transactions with owners:					
Ordinary dividends	23	-	-	(305,423)	**(305,423)**
At June 30, 2017		**685,865**	**144,977**	**153,936**	**984,778**
At July 1, 2015		685,865	131,874	99,206	**916,945**
Profit for the year		-	-	385,031	**385,031**
Transactions with owners:					
Ordinary dividends	23	-	-	(330,875)	**(330,875)**
At June 30, 2016		**685,865**	**131,874**	**153,362**	**971,101**

The notes on pages 79 to 151 form an integral part of these financial statements.

Auditor's report on pages 67 to 72.

Statements of **Cash Flows**

FOR THE YEAR ENDED JUNE 30, 2017

	Notes	THE GROUP		THE COMPANY	
		2017	2016	**2017**	2016
		Rs'000	Rs'000	**Rs'000**	Rs'000
OPERATING ACTIVITIES					
Cash generated from operations	24(a)	**887,111**	922,966	**336,707**	322,419
Interest received		**17,680**	25,611	**99**	5,036
Tax paid	17(a)	**(137,590)**	(105,943)	**(8)**	(92)
Interest paid		**(93,183)**	(69,549)	**486**	(4,923)
Net cash generated from operating activities		**674,018**	773,085	**337,284**	322,440
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	3	**(598,553)**	(903,691)	**-**	-
Purchase of intangible assets	4	**(22,004)**	(11,700)	**-**	-
Investment in subsidiary company		**-**	-	**-**	(10,714)
Net movement in non-current receivables		**10,116**	6,924	**-**	-
Net movement in restricted cash		**-**	52,185	**-**	-
Proceeds from disposal of property, plant and equipment		**7,888**	12,766	**-**	-
Net cash used in investing activities		**(602,553)**	(843,516)	**-**	(10,714)
FINANCING ACTIVITIES					
Net movement in bank and import loans		**142,289**	127,651	**-**	-
Net movement in bills discounted		**359,062**	36,102	**-**	-
Net movement on finance leases		**(35,809)**	(30,379)	**-**	-
Net movement in creditors' financing		**(24,521)**	125,332	**-**	-
Ordinary Dividends paid to owners of the Company	23(b)	**(330,875)**	(305,423)	**(330,875)**	(305,423)
Dividends and tax paid by foreign subsidiary		**(179,109)**	-	**-**	-
B shares dividends paid		**(6,617)**	(6,108)	**(6,617)**	(6,108)
Net cash used in financing activities		**(75,580)**	(52,825)	**(337,492)**	(311,531)
Net (decrease)/increase in cash and cash equivalents		**(4,115)**	(123,256)	**(208)**	195
Exchange differences		**(399)**	(25,945)	**-**	-
At July 1,		**(368,849)**	(219,648)	**1,637**	1,442
At June 30,		**(373,363)**	(368,849)	**1,429**	1,637

The notes on pages 79 to 151 form an integral part of these financial statements.

Auditor's report on pages 67 to 72.

Notes to the **Financial Statements**

JUNE 30, 2017

1. CORPORATE INFORMATION

CIEL Textile Limited is a public Company incorporated and domiciled in Mauritius. It is quoted on the Development and Enterprise Market (DEM). Its registered office is situated on the 5th Floor Ebène Skies, Rue de L'Institut, Ebène.

The main activity of the Company is that of investment holding while the Group is engaged in the manufacture and sales of knitted and woven garments. The main activities of the subsidiaries are described in note 5.

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 have been prepared on a historical cost basis except for land and buildings and forward contracts that are measured at revalued amounts or fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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 on pages 82 to 84. The financial statements are presented in thousand rupees except where otherwise indicated.

The financial statements include the consolidated financial statements of the parent company and its subsidiaries (together the "Group") and the separate financial statements of the parent company (the "Company").

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of Preparation (continued)

Statement of Compliance

The financial statements of CIEL Textile Limited have been prepared in accordance with International Financial Reporting Standards (IFRSs) and comply with the Mauritius Companies Act 2001.

Amendments to published Standards and Interpretations effective in the reporting period

In the current year, the Group and the Company have applied all of the new and revised standard and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on July 1, 2016.)

New and revised IFRSs applied with no material effect on the financial statements

The following relevant revised Standards have been applied in these financial statements. Their application has not had any significant impact on the amounts reported for current and prior periods but may affect the accounting for future transactions or arrangements.

IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative
IAS 16	Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation
IAS 16	Property, Plant and Equipment - Amendments bringing bearer plants into the scope of IAS 16
IAS 19	Employee Benefits - Amendments resulting from September 2014 Annual Improvements to IFRSs
IAS 27	Separate Financial Statements - Amendments reinstating the equity method as an accounting option for investments in in subsidiaries, joint ventures and associates in an entity's separate financial statements
IAS 34	Interim Financial Reporting - Amendments resulting from September 2014 Annual Improvements to IFRSs
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortization
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from September 2014 Annual Improvements to IFRSs
IFRS 10	Consolidated Financial Statements - Amendments regarding the application of the consolidation exception
IFRS 12	Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 New and revised Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant Standards were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 7	Statement of Cash Flows - Amendments as a result of the Disclosure initiative (effective January 1, 2017)
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses (effective January 1, 2017)
IAS 39	Financial Instruments: Recognition and Measurement - Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception (effective January 1, 2018)
IFRS 7	Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective January 1, 2018)
IFRS 7	Financial Instruments: Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective January 1, 2018)
IFRS 9	Financial Instruments - Finalized version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition (effective January 1, 2018)
IFRS 9	Financial Instruments – Amendments regarding the interaction of IFRS 4 and IFRS 9 (effective January 1, 2018)
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (deferred indefinitely)
IFRS 12	Disclosure of Interests in Other Entities – Amended by Annual Improvements to IFRS Standards 2014 – 2016 Cycle (Clarification of the scope of the Standard) (effective January 1, 2017)
IFRS 15	Revenue from Contracts with Customers - Original issue (effective January 1, 2018)
IFRS 15	Revenue from Contracts with Customers – Clarifications to IFRS 15 (effective January 1, 2019)
IFRS 16	Leases - Original issue (effective January 1, 2018)
IFRIC 22	Foreign Currency Transactions and Advance Consideration (effective January 1, 2018)
IFRIC 23	Uncertainty over Income Tax Treatments (effective January 1, 2019)

The directors anticipate that these amendments will be applied in the Group's and the Company's financial statements at the above effective dates in future periods. The directors have not yet assessed the potential impact of the application of these amendments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Judgements and Estimates

Judgments

In the process of applying the Group's accounting policies, the directors have made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Consolidation of Laguna Clothing (Mauritius) Ltd (formerly known as New Island Clothing Limited) and Laguna Clothing Private Ltd

Laguna Clothing (Mauritius) Ltd (formerly known as New Island Clothing Limited) and Laguna Clothing Private Ltd have been consolidated in the Group's financial statements, albeit holdings of 50% in each respective company. The directors of the Company have assessed whether or not the Group has control over these entities based on whether the Group has the practical ability to direct the relevant activities of both Laguna Clothing (Mauritius) Ltd and Laguna Clothing Private Ltd. Based on the directors' assessment, the directors have determined that the Group has the power to govern the financial and operating policies of each of those subsidiaries, under an agreement.

Determination of functional currency of the group entities

As described in Note 2 (b), the determination of the functional currency of each group entity is critical since the way in which every transaction is recorded and whether exchange differences arise are dependent on the functional currency selected. In making this judgement, the directors have considered mainly the currency in which selling prices are determined and the currency in which labour, material and other costs are settled. Other factors that have been considered include the currency in which equity have been issued and dividends declared. The directors have determined that the functional currency of the Company as well as that of most subsidiaries is the Mauritian Rupee since this is the currency that most faithfully represents the economic effects of transactions, events and conditions, except for the following subsidiaries:

Subsidiary	Functional currency
Aquarelle Madagascar SARL	MGA
Aquarelle India Private Limited	INR
Laguna Clothing Private Ltd	INR
International Fabrics Ltd	USD
Tropic Madagascar SA	MGA
Societe Bonnetiere Malagasy – (Soboma)	MGA
TKL Knits (India) Private Ltd	INR
Tinka International Ltd	HK$
CielTex SA (Proprietary) Limited	RAND
Societe Textile d'Andraharo SA – (Texaro)	MGA
Ajax Sweaters Limited	TAKA
Floreal Madagascar SA	MGA
Antsirabe Knitwear SA	MGA
Societe Civile Immobilieres des Mascareignes	MGA
New Island Clothing Madagascar SA	MGA

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Judgements and Estimates (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Pension benefits

The present value of the pension obligations depends 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 (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The subsidiaries in their respective countries of operations determine their appropriate discount rates 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 Company considers the interest rates to high-quality 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.

Revaluation of property

Property is measured at revalued amounts with changes in fair value being recognised in 'other comprehensive income'. The Group engages independent valuation specialists to determine the fair value on a regular basis.

Provision for slow-moving inventories

Management is required to exercise significant judgement in estimating the provision for slow-moving inventories.

The following are considered to provide for inventories write-off:
- Apply appropriate procedures to identify slow-moving and obsolete stocks;
- Make reasonable and prudent estimates of the prices obtainable in the market in which the goods are expected to be sold at the time at which they will be available for sale; and
- Take into account projected time to completion and sale (for example, repair costs for damaged stocks and sales commission).

Depreciation and amortisation rates

The Group and the Company depreciate or amortise their assets to their residual values over their estimated useful lives. The estimation of useful lives is based on historical performance and expectation about future use and requires significant degree of judgement. The residual value of an asset is the estimated net amount that the Group and the Company 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 and to forecast the expected residual values of the assets at the end of their expected useful lives.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Judgements and Estimates (continued)

Estimates and assumptions (continued)

Impairment of assets

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on the higher of its fair value less cost to sell and value in use, calculated on the basis of management's assumptions and estimates. Changing the key assumptions, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the value-in-use calculations.

Impairment of unquoted investments

Determining whether investments are impaired requires an estimation of the value in use of the investments. In considering the value in use, the directors have taken into account management accounts and cash flow projections. The actual results could, however, differ from the estimates.

Allowances for bad debts

An allowance for doubtful debts is determined using a combination of factors to ensure that the trade receivables are not overstated due to non-recoverability. The allowance for doubtful debts for all customers is based on a variety of factors, including the overall quality and ageing of the receivables, continuing credit evaluation of the customer's financial conditions. Also, specific provisions for individuals accounts are recorded when the group and the company become aware of the customer's inability to meet its financial obligations such as in the case of deterioration in the customer's operating results or financial position.

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.

Summary of Significant Accounting Policies

a) Segment reporting

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

The Chief Operating Officer (COO) of the different clusters of the Group (Fine Knits, Knitwear, Woven and Retail) and Executive Directors form the Chief Operating Decision Makers (CODM). Management has determined the operating segments based on the information reviewed by the above COOs for the purposes of allocating resources and assessing performance.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (continued)

a) Segment reporting

The COOs consider the business from both a geographic and product perspective. Geographically, management considers the performance in Mauritius, Madagascar, Asia and South Africa. From a product perspective, management separately considers the activities in the Fine Knits, Knitwear, Woven and Retail clusters. The COOs assess performance of the operating segments based on revenue and profit metrics.

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM.

b) Foreign currencies

Functional currency and presentation currency

The companies in the Group prepare their financial reports in the currency used in the primary economic environment in which they operate which is known as the functional currency. These reports provide the basis for the consolidated financial statements. The consolidated financial statements are presented in Mauritian Rupees being the Group's functional currency, and all values are rounded to the nearest thousand (Rs'000), except when otherwise indicated.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are premeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in 'other comprehensive income' as qualifying cash flow hedges.

Foreign exchange gains and losses are presented in profit or loss within 'Earnings before interest, tax, depreciation and amortisation'.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (continued)

b) Foreign currencies (continued)

Transactions and balances (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss and other changes in carrying amount are recognised in 'other comprehensive income'. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the fair value reserve in 'other comprehensive income'.

The statements of financial position and statements of profit or loss and other comprehensive income for all foreign operations (none of which has the currency of a hyperinflationary economy) whose functional currency is not the presentation currency are translated into the presentation currency using the following procedures:

- assets and liabilities for each reporting period presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statements of profit or loss and other comprehensive income presented are translated at the average exchange rate for the respective year, 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 rate on the dates of the transactions;
- equity items are translated at historical rate; and
- all exchange differences that arise are reported in 'other comprehensive income'.

Translation of foreign operations

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. Exchange differences arising are recognised in 'other comprehensive income'.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (continued)

(c) Property, plant and equipment

Land and buildings comprise mainly factories, retail outlets and offices. Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent accumulated depreciation and subsequent accumulated impairment losses for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. 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 is stated at historical cost less accumulated depreciation and subsequent accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to 'other comprehensive income' and shown as revaluation surplus 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. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revaluated amount of the asset.

The land and buildings are revalued by a professional independent valuer. Valuations are performed with sufficient frequency (3 years) to ensure fair value of a revalued asset does not materially differ from its carrying amount.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are included in profit or loss. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to retained earnings.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (continued)

(c) Property, plant and equipment (continued)

Land is not depreciated. Depreciation on other assets is calculated on the straight-line method to write off the cost of assets, or the revalued amounts, to their residual values over their estimated useful life as follows:

Buildings	-	2 %- 10% p.a
Buildings on leasehold land	-	2 %-10% p.a
Plant and machinery	-	4% - 20% p.a
Motor vehicles	-	14.3%- 33.3% p.a
Furniture and equipment	-	5% - 50% p.a
Computer equipment	-	20% - 33.3% p.a
Other items	-	10% - 20% p.a

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

Properties in the course of construction for production, supply or administrative purposed are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(d) Investments in subsidiaries

Separate financial statements of the Company

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (continued)

(d) Investments in subsidiaries (continued)

Consolidated financial statements

(a) Subsidiaries

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.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquirer's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to 'other comprehensive income'. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (continued)

(d) Investments in subsidiaries (continued)

Acquisition-related costs are expensed as incurred. (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured 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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re measured to its fair value at the date when control is lost, 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.

(e) Investments in associates

The income statement reflects the share of the results of operations of the associates. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(f) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (continued)

(g) Intangible assets

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment in accordance with IFRS 8 Operating Segments.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Negative goodwill on a bargain purchase represents the excess of the acquirer's interest in the fair values of the identifiable net assets and liabilities acquired over the cost of acquisition. It is recognised immediately as gain from bargain purchase in profit or loss.

Negative goodwill arising from the acquisition of an associated company is excluded from the carrying amount of the investment and is included as income in the determination of the Group's share of associate's profit or loss in the period the investment was acquired.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (continued)

(g) Intangible assets (continued)

Goodwill (continued)

Other intangible assets

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

(h) Other investments and other financial assets

Classification

The Group and the Company classify their financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (continued)

(h) Other investments and other financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss when the Group's right to receive payments is established.

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 included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

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 the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (continued)

(h) Other investments and other financial assets (continued)

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date –the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in 'other comprehensive income'.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss as gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Offsetting financial instruments

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

(i) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade 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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 - 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (continued)

(i) Trade and other receivables (Continued)

The carrying amount of the asset is reduced through the use of an allowance for credit losses account, and the amount of the loss is recognised in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

(j) Interest-bearing loans, debentures and borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the 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.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as interest expense.

(k) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (continued)

(l) Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Company or the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

- the Company or the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company or the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company or the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company or the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(m) Impairment of financial assets

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (continued)

(m) Impairment of financial assets (continued)

Assets carried at amortised cost

The Group and the Company assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 the consolidated Profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group and the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

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 reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available for sale

The Group and the Company assess 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 also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the 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. Impairment losses recognised profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (continued)

(n) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first in, first out (FIFO) method.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials	purchase cost on a weighted average cost basis;
Finished goods and work in progress	cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(o) Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group and the Company expect some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(p) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently re-measured at their fair value. All derivatives are carried in current assets when amounts are receivable by the Group and in current liabilities when amounts are payable by the Group.

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 the timing of recognition in profit or loss depends on the nature of the hedge relationship.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (continued)

(p) Derivative financial instruments and hedging activities (continued)

Cash flow hedge

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as: hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

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 undertaking 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.

The fair values of derivative instruments used for hedging purposes are disclosed in note 30 and 31. Movements on the hedging reserve in 'other comprehensive income' are shown in note 13. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in 'other comprehensive income'. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of currency forward contracts is recognised in profit or loss.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (continued)

(q) Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment plans.

Pension obligations

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. 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 statement 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.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximately to the terms of the related pension obligation. In countries where there is no deep marketing such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in 'other comprehensive income' in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (continued)

(q) Employee benefits (continued)

Other post-employment obligations

Some retired employees are paid benefits directly by the Group's subsidiaries. The entitlement to these benefits is usually conditional on the employee remaining in-service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in 'other comprehensive income' in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Gratuity on retirement

For 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 Swan Life Ltd and provided for. The obligations arising under this item are not funded

Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and performance based bonuses, based on a formula that takes into consideration the profit attributable to the 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (continued)

(r) Current and deferred income tax

The tax expense for the period comprises 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. In this case, the tax is also recognised in 'other comprehensive income' or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (continued)

(s) Leasing

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor 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, except where another systematic basis is more representative of the fine pattern in which economic benefits from the leased asset are consumed.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement 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. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(t) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(u) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

(v) 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 and value added taxes. The Group and the Company recognise revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's and the Company's activities. The Group and the Company base its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of goods and services

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and upon customer acceptance, if any, or performance of services, net of value added taxes and discounts, and after eliminating sales within the Group. The Group turnover reflects the invoiced values of knitted and woven garments and fabrics, inclusive of insurance and freight when sold on a 'cost, insurance and freight' basis and in other cases on its 'free on board' value for sales on 'free on board' basis.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (continued)

(v) Revenue recognition (continued)

(ii) Other operating income

Other operating income earned by the Group and the Company are recognised on the following basis:

- Interest income - as it accrues (taking into account the effective yield on the asset) unless collectability is in doubt.
- Dividend income - when the shareholder's right to receive payment is established.

(w) Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from proceeds. Where any group company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. When such shares are subsequently reissued, any net consideration received, is included in equity attributable to the Company's equity holders.

(x) 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 approved by the Company's shareholders.

(y) Grant related to income

The Group (foreign subsidiaries) receives grants in relation to income which has been presented as a credit in Profit or loss under the heading 'Other operating income – net'.

(z) Restricted cash

Restricted cash relates to funds held in a bank escrow account in India by TKL Knits (India) Private Ltd for the purpose of acquiring an industrial property in India.

(aa) Non-recurring items

Non-recurring items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

3. PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP

	Land and Buildings	Plant and Machinery	Motor Vehicles	Furniture and Equipment	Computer Equipment	Assets Under Construction	Other Items	**Total**
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	**Rs'000**
At June 30, 2017								
COST OR VALUATION								
At July 1, 2016	2,400,965	3,413,471	147,344	447,393	102,371	203,309	40,375	**6,755,228**
Additions	126,830	403,033	10,087	26,975	24,973	44,048	3,456	**639,402**
Disposals	-	(84,964)	(16,991)	(1,782)	(159)	(2,861)	-	**(106,757)**
Assets written off	(469)	(98,228)	(134)	(23,030)	(1,479)	-	-	**(123,340)**
Revaluation adjustments	(27,595)	-	-	-	-	-	-	**(27,595)**
Transfer to intangibles	-	-	-	-	-	(4,714)	-	**(4,714)**
Transfer from asset under contructions	4,336	3,412	-	221	-	(7,969)	-	**-**
Transfer from other items	4,102	13,569	-	-	-	-	(17,671)	**-**
Translation adjustments	41,497	17,866	1,332	1,043	1,424	5,359	(961)	**67,560**
At June 30, 2017	**2,549,666**	**3,668,159**	**141,638**	**450,820**	**127,130**	**237,172**	**25,199**	**7,199,784**
ACCUMULATED DEPRECIATION								
At July 1, 2016	279,949	2,358,926	84,761	350,793	65,847	-	6,586	**3,146,862**
Charge for the year	44,706	140,321	18,867	20,356	15,384	-	1,323	**240,957**
Disposals	-	(84,872)	(16,562)	(1,776)	(112)	-	-	**(103,322)**
Revaluation adjustments	(57,347)	-	-	-	-	-	-	**(57,347)**
Assets written off	(465)	(94,570)	(134)	(22,993)	(1,431)	-	-	**(119,593)**
Translation adjustments	3,139	7,576	721	904	869	-	(331)	**12,878**
At June 30, 2017	**269,982**	**2,327,381**	**87,653**	**347,284**	**80,557**	**-**	**7,578**	**3,120,435**
NET BOOK VALUES								
At June 30, 2017	**2,279,684**	**1,340,778**	**53,985**	**103,536**	**46,573**	**237,172**	**17,621**	**4,079,349**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) THE GROUP

	Land and Buildings	Plant and Machinery	Motor Vehicles	Furniture and Equipment	Computer Equipment	Assets Under Construction	Other Items	**Total**
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	**Rs'000**
At June 30, 2016								
COST OR VALUATION								
At July 1, 2015	2,109,834	3,031,880	129,624	427,909	82,036	138,417	28,630	**5,948,330**
Additions	271,391	453,830	26,405	27,421	22,167	85,096	18,861	**905,171**
Disposals	-	(33,351)	(7,932)	(4,233)	(597)	-	-	**(46,113)**
Assets written off	(487)	(39,481)	(398)	(3,416)	(1,062)	-	-	**(44,844)**
Reclassification	20,197	370	-	-	-	(20,567)	-	**-**
Transfer from other items	1,181	5,900	-	-	175	-	(7,256)	**-**
Translation adjustments	(1,151)	(5,677)	(355)	(288)	(348)	363	140	**(7,316)**
At June 30, 2016	**2,400,965**	**3,413,471**	**147,344**	**447,393**	**102,371**	**203,309**	**40,375**	**6,755,228**
ACCUMULATED DEPRECIATION								
At July 1, 2015	236,530	2,302,565	73,440	340,247	55,745	7,190	4,856	**3,020,573**
Charge for the year	36,280	122,956	18,370	17,405	12,052	-	1,696	**208,759**
Disposals	-	(26,638)	(6,552)	(3,696)	(597)	-	-	**(37,483)**
Reclassification	6,820	370	-	-	-	(7,190)	-	**-**
Assets written off	(487)	(39,481)	(398)	(3,416)	(1,062)	-	-	**(44,844)**
Translation adjustments	806	(846)	(99)	253	(291)	-	34	**(143)**
At June 30, 2016	**279,949**	**2,358,926**	**84,761**	**350,793**	**65,847**	**-**	**6,586**	**3,146,862**
NET BOOK VALUES								
At June 30, 2016	**2,121,016**	**1,054,545**	**62,583**	**96,600**	**36,524**	**203,309**	**33,789**	**3,608,366**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) THE COMPANY

	Buildings on Leasehold Land	Plant and Machinery	Total
	Rs'000	Rs'000	Rs'000
At June 30, 2017			
COST OR VALUATION			
At July 1, 2016	**156,481**	**5,748**	**162,229**
Assets written off	**-**	**(5,748)**	**(5,748)**
Revaluation adjustments	**15,787**	**-**	**15,787**
At June 30, 2017	**172,268**	**-**	**172,268**
ACCUMULATED DEPRECIATION			
At July 1, 2016	40,244	5,748	45,992
Charge for the year	3,089	-	3,089
Assets written off	-	(5,748)	(5,748)
At June 30, 2017	**43,333**	**-**	**43,333**
NET BOOK VALUES			
At June 30, 2017	**128,935**	**-**	**128,935**

	Buildings on Leasehold Land	Plant and Machinery	Total
	Rs'000	Rs'000	Rs'000
At June 30, 2016			
COST OR VALUATION			
At July 1, 2015 and at June 30, 2016	**156,481**	**5,748**	**162,229**
ACCUMULATED DEPRECIATION			
At July 1, 2015	37,155	5,748	42,903
Charge for the year	3,089	-	3,089
At June 30, 2016	**40,244**	**5,748**	**45,992**
NET BOOK VALUES			
At June 30, 2016	**116,237**	**-**	**116,237**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Fair value of land and buildings

An independent valuation of the Group's and the Company's land and buildings was carried out during the year ended June 30, 2017 by professional independent valuers to determine the fair value of the land and buildings. The revaluation surplus was credited to other comprehensive income and is shown in 'revaluation surplus' in statements of changes in equity. The following table analyses the non-financial assets carried at fair value. The different levels have been defined as follows:

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

	Fair value measurements	
	2017	2016
	Level 3	Level 3
	Rs'000	Rs'000
THE GROUP		
Recurring fair value measurements		
Freehold land and buildings	**1,633,283**	1,526,602
Buildings on leasehold land	**646,401**	594,414
	2,279,684	2,121,016
THE COMPANY		
Recurring fair value measurements		
Buildings on leasehold land	**128,935**	116,237
	128,935	116,237

(i) Fair value measurements using significant unobservable inputs (Level 3)

THE GROUP

	Manufacturing sites			
	Mauritius	**Madagascar**	**Asia**	**Total**
	Rs'000	Rs'000	Rs'000	Rs'000
At 01 July 2015	1,180,874	477,022	215,408	1,873,304
Additions	17,233	15,741	238,417	271,391
Depreciation	(27,561)	(5,784)	(2,935)	(36,280)
Reclassifications	14,559	-	-	14,559
Assets written off	(487)	-	-	(487)
Translation adjustments	-	(4,421)	2,950	(1,471)
At 30 June 2016	1,184,618	482,558	453,840	2,121,016
Additions	54,738	65,205	6,887	126,830
Depreciation	(7,774)	(33,435)	(3,497)	(44,706)
Reclassifications	236	4,100	-	4,336
Assets written off	(4)	-	-	(4)
Revaluation adjustments	16,008	(19,328)	33,072	29,752
Disposal	-	-	-	-
Transfer from work-in-progress	4,102	-	-	4,102
Translation adjustments	3,086	42,012	(6,740)	38,358
At 30 June 2017	**1,255,010**	**541,112**	**483,562**	**2,279,684**

THE COMPANY

	Manufacturing site Mauritius	
	2017	2016
	Rs'000	Rs'000
Opening balance	**116,237**	119,326
Revaluation surplus	**15,787**	-
Depreciation	**(3,089)**	(3,089)
Closing balance	**128,935**	116,237

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(ii) **Valuation processes of the Group**

The Group engages external, independent and qualified valuers to determine the fair value of the Group's and the Company's land and buildings on a regular basis. The last valuation was performed during the year ended June 30, 2017 and the fair value of the land and buildings have been determined by CDDS Land Surveyors and Property Valuer; Ratsimbazafy Ihanta Evelyne; Kumar & Associates and Jorip O Paridarshan Company Limited for land and buildings held in Mauritius, Madagascar, India and Bangladesh respectively.

The external valuations of level 3 land and buildings have been performed using:
(i) a sales comparison approach, and
(ii) replacement cost less depreciation approach,
Given that there are limited or no similar sites in the vicinity in which the land and buildings of the Group are located, the external valuers have determined the unobservable inputs based on the size, age and condition of the land and buildings, the state of the local economy and comparable prices where relevant.

A slight increase in the depreciation factor would result in a significant decrease in the fair value of the buildings and a slight increase in the estimated construction costs would result in a significant increase in the fair value of the buildings and vice versa.

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	**Fair value at June 30,**					
	2017	2016	**Valuation techniques**	**Unobservable inputs**	**Range of unobservable inputs (probability – weighted average)**	**Relationship of unobservable inputs to fair value**
	Rs'000	Rs'000				
Manufacturing sites – Mauritius	**1,255,010**	1,184,618	Sales comparison and replacement cost less depreciation approach	Price per square metre	Rs. 995 - Rs. 3,435/ square metre (land) and Rs. 400 - Rs. 25,708/ square metre (buildings)	The higher the price per square metre, the higher the fair value
Manufacturing sites – Madagascar	**541,112**	482,558	Sales comparison and replacement cost less depreciation approach	Price per square metre	MGA 45,000 - MGA 1,010,000/ square metre (land) and MGA 30,090 - MGA 1,102,200 (buildings)	The higher the price per square metre, the higher the fair value
Manufacturing sites – Asia	**483,562**	453,840	Sales comparison and replacement cost less depreciation approach	1 bigha equivalent to 33 decimals and square feet for land and square feet for building	Tk. 1,515,151.51 / decimal for the land and Tk. 850-Tk. 1,075 per sq.ft for the building. INR. 600/sq ft for land and INR. 500-INR. 1,500 per sq.ft for the building	The higher the price per bigha/ square feet, the higher the fair value
	2,279,684	2,121,016				

There were no transfers between Levels 1, 2 and 3 during the year.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(ii) **Valuation processes of the Group (cont'd)**

(d) If the land and 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	**1,960,812**	1,784,516	**18,364**	18,364
Accumulated depreciation	**(1,140,183)**	(1,100,967)	**(12,044)**	(11,677)
Net book values	**820,629**	683,549	**6,320**	6,687

(e) Property, plant and equipment above include leased assets as follows:

THE GROUP	**Plant and Machinery**	**Motor Vehicles**	**Furniture and fitting**	**2017 Total**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Cost	**124,361**	**20,247**	**1,606**	**146,214**
Accumulated depreciation	**(16,444)**	**(15,598)**	**(482)**	**(32,524)**
Net book values at June 30, 2017	**107,917**	**4,649**	**1,124**	**113,690**

THE GROUP	**Plant and Machinery**	**Motor Vehicles**	**Furniture and fitting**	**2016 Total**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Cost	144,462	46,467	1,606	192,535
Accumulated depreciation	(34,865)	(36,274)	(321)	(71,460)
Net book values at June 30, 2016	**109,597**	**10,193**	**1,285**	**121,075**

Leased assets are pledged as security for the related finance lease liabilities.

(f) Borrowings are guaranteed by fixed and floating charges over the assets of the Group.

(g) The acquisition of property, plant and equipment includes purchases under finance leases amounting to Rs. 40,849,497 (2016: Rs. 1,479,707).

(h) Land and buildings include buildings on leasehold land as follows:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Cost	**2,244,054**	1,974,615	**172,268**	156,481
Accumulated depreciation	**(202,113)**	(190,507)	**(43,333)**	(40,244)
Net book values	**2,041,941**	1,784,108	**128,935**	116,237

4. INTANGIBLE ASSETS

THE GROUP	Computer Software Rs'000	Software Licence Rs'000	Total Rs'000
COST			
At July 1, 2016	**59,331**	**4,542**	**63,873**
Additions	**14,130**	**7,874**	**22,004**
Transfer from property, plant and equipment	**4,714**	**-**	**4,714**
Translation adjustment	**197**	**(6)**	**191**
At June 30, 2017	**78,372**	**12,410**	**90,782**
At July 1, 2015	47,875	4,542	52,417
Additions	11,700	-	11,700
Write off	(67)	-	(67)
Translation adjustment	(177)	-	(177)
At June 30, 2016	**59,331**	**4,542**	**63,873**
ACCUMULATED AMORTISATION			
At July 1, 2016	**40,109**	**2,893**	**43,002**
Charge for the year	**8,383**	**878**	**9,261**
Translation adjustment	**46**	**-**	**46**
At June 30, 2017	**48,538**	**3,771**	**52,309**
At July 1, 2015	34,176	2,015	36,191
Charge for the year	6,091	878	6,969
Write off	(64)	-	(64)
Translation adjustment	(94)	-	(94)
At June 30, 2016	**40,109**	**2,893**	**43,002**
NET BOOK VALUES at June 30, 2017	**29,834**	**8,639**	**38,473**
NET BOOK VALUES at June 30, 2016	19,222	1,649	20,871

The average remaining useful life of the computer software range between 1 and 5 years.

Impairment assessment

The directors are of the opinion that there has been no indication that intangible assets have been impaired during the year.

5. INVESTMENTS IN SUBSIDIARY COMPANIES

		Unquoted	
		2017	2016
	THE COMPANY	**Rs'000**	Rs'000
(a)	**COST**		
	At July 1,	**1,212,515**	1,201,801
	Additions	**-**	10,714
	At June 30,	**1,212,515**	1,212,515

The Directors have carried out an impairment assessment as at June 30, 2017 and no impairment indicator has been identified.

5. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

(b) The subsidiary companies are as follows:

YEAR 2017

Name of Company	Class of Shares Held	Year ended	Currency of country of incorporation	Stated Capital	Country of Incorporation	Direct percentage holding and voting power	Indirect percentage holding and voting power	Proportion of ownership interest held by non-controlling interest	Main Business
				000's		%	%	%	
Ajax Sweaters Limited	Ordinary	June 30,	Taka	61,636	Bangladesh	-	**100.00**	-	Knitwear
Floreal Knitwear Ltd	Ordinary	June 30,	Rs.	216,450	Mauritius	**100.00**	-	-	Knitwear
Floreal Madagascar SA	Ordinary	June 30,	MGA	300,000	Madagascar	-	**99.70**	0.30	Knitwear
Ferney Spinning Mills Limited	Ordinary	June 30,	Rs.	15,314	Mauritius	**100.00**	-	-	Knitwear
Floreal International Ltd	Ordinary	June 30,	Rs.	14,000	Mauritius	**100.00**	-	-	Knitwear
Floreal Property Ltd	Ordinary	June 30,	Rs.	1	Mauritius	-	**100.00**	-	Knitwear
Société Civile Immobilières des Mascareignes	Ordinary	June 30,	MGA	2,000	Madagascar	-	**100.00**	-	Knitwear
Société Textile d'Andraharo SA - (Texaro)	Ordinary	June 30,	MGA	260,000	Madagascar	-	**83.53**	16.47	Knitwear
Antsirabe Knitwear SA	Ordinary	June 30,	MGA	1,000,000	Madagascar	**100.00**	-	-	Knitwear
Floreal Trading Ltd (3)	Ordinary	June 30,	Taka	800,000	Bangladesh	-	**100.00**	-	Knitwear
CielTex SA (Proprietary) Limited	Ordinary	June 30,	ZAR	1	South Africa	-	**100.00**	-	Retail
CTL Retail Ltd	Ordinary	June 30,	Rs.	10,001	Mauritius	-	**100.00**	-	Retail
Tropic Knits Limited	Ordinary	June 30,	Rs.	115,000	Mauritius	**100.00**	-	-	Knits
Tropic Madagascar SA	Ordinary	June 30,	MGA	3,000,000	Madagascar	-	**100.00**	-	Knits
CDL Knits Limited	Ordinary	June 30,	Rs.	173,000	Mauritius	**17.03**	**82.97**	-	Knits
TKL International Ltd	Ordinary	June 30,	Rs.	3,814	Mauritius	**100.00**	-	-	Knits
TKL Knits (India) Private Ltd (2)	Ordinary	March 31,	INR	100,000	India	-	**99.99**	0.01	Knits
Societe Bonnetiere Malagasy - (Soboma)	Ordinary	June 30,	MGA	150,000	Madagascar	-	**100.00**	-	Knits
Aquarelle Clothing Limited	Ordinary	June 30,	Rs.	180,000	Mauritius	**100.00**	-	-	Woven
Aquarelle Madagascar SARL	Ordinary	June 30,	MGA	225,000	Madagascar	-	**100.00**	-	Woven
Aquarelle International Limited	Ordinary	June 30,	Rs.	7,404	Mauritius	**100.00**	-	-	Woven
Aquarelle India Private Limited (2)	Ordinary	March 31,	INR	24,000	India	-	**100.00**	-	Woven
Consolidated Fabrics Ltd	Ordinary	June 30,	Rs.	25,743	Mauritius	-	**100.00**	-	Woven
International Fabrics Ltd	Ordinary	June 30,	USD	11,328	Mauritius	-	**100.00**	-	Woven
Laguna Clothing Private Ltd (1) (2)	Ordinary	March 31,	INR	74,900	India	-	**50.00**	50.00	Woven
Tinka International Ltd (2)	Ordinary	March 31,	HKG	100	Hong Kong	-	**100.00**	-	Woven
Laguna Clothing (Mauritius) Ltd (1)	Ordinary	June 30,	Rs.	20,000	Mauritius	-	**50.00**	50.00	Woven
New Island Clothing Madagascar SA	Ordinary	June 30,	MGA	10,000	Madagascar	-	**98.80**	1.20	Woven

(1) The companies are deemed to be subsidiaries of the Group, since the Group maintains control over those companies.

(2) The companies having as year end 31 March, have been consolidated for the 12 months up to June 30, 2017, to be coterminous with the financial year end of the Group.

(3) Floreal Trading Ltd was incorporated on January 12, 2017.

5. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

.ry companies are as follows: (continued)

YEAR 2016

Name of Company	Class of Shares Held	Year ended	Currency of country of incorporation	Stated Capital	Country of Incorporation	Direct percentage holding and voting power	Indirect percentage holding and voting power	Proportion of ownership interest held by non-controlling interest	Main Business
				000's		%	%	%	
Ajax Sweaters Limited	Ordinary	June 30,	Taka	61,636	Bangladesh	-	**100.00**	-	Knitwear
Floreal Knitwear Ltd	Ordinary	June 30,	Rs.	216,450	Mauritius	**100.00**	-	-	Knitwear
Floreal Madagascar SA	Ordinary	June 30,	MGA	300,000	Madagascar	-	**99.70**	0.30	Knitwear
Ferney Spinning Mills Limited	Ordinary	June 30,	Rs.	15,314	Mauritius	**100.00**	-	-	Knitwear
Floreal International Ltd	Ordinary	June 30,	Rs.	14,000	Mauritius	**100.00**	-	-	Knitwear
Floreal Property Ltd	Ordinary	June 30,	Rs.	1	Mauritius	-	**100.00**	-	Knitwear
Société Civile Immobilières des Mascareignes	Ordinary	June 30,	MGA	2,000	Madagascar	-	**100.00**	-	Knitwear
Société Textile d'Andraharo SA - (Texaro)	Ordinary	June 30,	MGA	260,000	Madagascar	-	**83.53**	16.47	Knitwear
Antsirabe Knitwear SA	Ordinary	June 30,	MGA	1,000,000	Madagascar	**100.00**	-	-	Knitwear
CielTex SA (Proprietary) Limited	Ordinary	June 30,	ZAR	1	South Africa	-	**100.00**	-	Retail
CTL Retail Ltd	Ordinary	June 30,	Rs.	10,001	Mauritius	-	**100.00**	-	Retail
Tropic Knits Limited	Ordinary	June 30,	Rs.	115,000	Mauritius	**100.00**	-	-	Knits
Tropic Madagascar SA	Ordinary	June 30,	MGA	3,000,000	Madagascar	-	**100.00**	-	Knits
CDL Knits Limited	Ordinary	June 30,	Rs.	173,000	Mauritius	**17.03**	**82.97**	-	Knits
TKL International Ltd	Ordinary	June 30,	Rs.	3,814	Mauritius	**100.00**	-	-	Knits
TKL Knits (India) Private Ltd (2)	Ordinary	March 31,	INR	100,000	India	-	**99.99**	0.01	Knits
Societe Bonnetiere Malagasy - (Soboma)	Ordinary	June 30,	MGA	150,000	Madagascar	-	**100.00**	-	Knits
Aquarelle Clothing Limited	Ordinary	June 30,	Rs.	180,000	Mauritius	**100.00**	-	-	Woven
Aquarelle Madagascar SARL	Ordinary	June 30,	MGA	225,000	Madagascar	-	**100.00**	-	Woven
Aquarelle International Limited	Ordinary	June 30,	Rs.	7,404	Mauritius	**100.00**	-	-	Woven
Aquarelle India Private Limited (2)	Ordinary	March 31,	INR	24,000	India	-	**100.00**	-	Woven
Consolidated Fabrics Ltd	Ordinary	June 30,	Rs.	25,743	Mauritius	-	**100.00**	-	Woven
International Fabrics Ltd	Ordinary	June 30,	USD	11,328	Mauritius	-	**100.00**	-	Woven
Laguna Clothing Private Ltd (1) (2)	Ordinary	March 31,	INR	74,900	India	-	**50.00**	50.00	Woven
Tinka International Ltd (2)	Ordinary	March 31,	HKG	100	Hong Kong	-	**100.00**	-	Woven
Laguna Clothing (Mauritius) Ltd (1)	Ordinary	June 30,	Rs.	20,000	Mauritius	-	**50.00**	50.00	Woven
New Island Clothing Madagascar SA	Ordinary	June 30,	MGA	10,000	Madagascar	-	**98.80**	1.20	Woven

(1) The companies are deemed to be subsidiaries of the Group, since the Group maintains control over those companies.

(2) The companies having as year end 31 March, have been consolidated for the 12 months up to June 30, 2016, to be coterminous with the financial year end of the Group.

5. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

(c) Subsidiaries with material non-controlling interests

Details for subsidiaries that have non-controlling interests that are material to the entity are disclosed below:

Name	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests during the year	Accumulated non-controlling interests at June 30
		2017	2016		
2017		**%**	%	**Rs'000**	**Rs'000**
Laguna Clothing Private Ltd	India	**50**	50	66,244	264,060
Laguna Clothing (Mauritius) Ltd	Mauritius	**50**	50	36,621	27,441
2016		**%**	%	**Rs'000**	**Rs'000**
Laguna Clothing Private Ltd	India	**50**	50	71,938	338,703
Laguna Clothing (Mauritius) Ltd	Mauritius	**50**	50	5,654	(9,318)

(d) **Summarised financial information on subsidiaries with material non-controlling interests**

(i) Summarised statement of financial position and statement of profit or loss and other comprehensive income.

Name	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit for the year	Other Comprehensive Income
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
2017							
Laguna Clothing Private Ltd	**877,941**	**125,712**	**(517,837)**	**(10,950)**	**1,513,584**	**132,488**	**-**
Laguna Clothing (Mauritius) Ltd	**369,665**	**30,212**	**(332,704)**	**(12,292)**	**945,796**	**73,242**	**275**
2016							
Laguna Clothing Private Ltd	957,402	133,793	(439,373)	(10,094)	1,419,106	143,876	-
Laguna Clothing (Mauritius) Ltd	285,491	25,491	(315,365)	(14,254)	756,552	11,307	73

(ii) Summarised cash flow information:

	2017				2016			
	Operating activities	**Investing activities**	**Financing activities**	**Net (decrease)/ increase in cash and cash equivalent**	**Operating activities**	**Investing activities**	**Financing activities**	**Net increase/ (decrease) in cash and cash equivalent**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Laguna Clothing Private Ltd	**63,084**	**(6,970)**	**(204,920)**	**(148,806)**	125,501	(9,726)	(19,563)	96,212
Laguna Clothing (Mauritius) Ltd	**15,306**	**(8,384)**	**(3,075)**	**3,847**	(19,781)	(7,316)	(2,578)	(29,675)

The summarised financial information for Laguna Clothing Private Ltd disclosed above have been prepared under Indian GAAP and is before intra-group eliminations.

(e) All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

(f) The total non-controlling interest for the year ended June 30, 2017 is Rs. 292,053,070 (2016:Rs. 329,915,816), of which, Rs. 291,500,451 (2016:Rs. 329,384,433) is for minority shareholders of Laguna Clothing Private Ltd and Laguna Clothing (Mauritius) Ltd. The non-controlling interests in respect of Floreal Madagascar SA, Société Textile d'Andraharo SA - (Texaro), TKL Knits (India) Private Ltd and New Island Clothing Madagascar SA are not material.

6. AVAILABLE FOR SALE INVESTMENTS

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
At July 1, and at June 30,	**6,712**	6,712	**6,712**	6,712

The directors believe that the fair value of the available-for-sale investments approximates the cost of these investments. The available for sale investments consist of unquoted private equity instruments.

All investments are denominated in Mauritian Rupees.

7. NON CURRENT RECEIVABLES

	THE GROUP	
	2017	2016
	Rs'000	Rs'000
Long-term deposits	**12,521**	22,637

All non-current receivables are due within 2 to 5 years from the end of the reporting period. The fair value of the non-current receivables does not differ significantly from its carrying amount.

8. DEFERRED TAX LIABILITIES/(ASSETS)

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Deferred tax liabilities	**267,491**	254,233	**21,332**	19,173
Deferred tax assets	**(64,031)**	(63,196)	**-**	-
Net deferred tax liabilities	**203,460**	191,037	**21,332**	19,173

(a) The movement in deferred tax during the year is as follows:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
At July 1,	**191,037**	166,196	**19,173**	19,698
Translation adjustment	**2,195**	(475)	**-**	-
Other comprehensive income	**12,974**	(8,495)	**2,684**	-
(Credit)/charge to profit or loss (Note 17(b))	**(2,746)**	33,811	**(525)**	(525)
At June 30,	**203,460**	191,037	**21,332**	19,173

8. DEFERRED TAX LIABILITIES/(ASSETS) (CONTINUED)

(b) Deferred tax assets and liabilities, deferred tax (credit)/charge in Profit or Loss and other comprehensive income are attributable to the following items:

(i) **THE GROUP - 2017**

	At July 01, 2016	Translation Adjustment	Profit or Loss	Other Comprehensive Income	**At June 30, 2017**
	Rs'000	Rs'000	Rs'000	Rs'000	**Rs'000**
Deferred tax liabilities					
Accelerated tax depreciation	141,735	**67**	**(1,851)**	**-**	**139,951**
Revaluation of properties	112,498	**2,269**	**-**	**12,773**	**127,540**
	254,233	**2,336**	**(1,851)**	**12,773**	**267,491**
Deferred tax assets					
Retirement benefit obligations	22,684	**-**	**1,776**	**2,078**	**26,538**
Tax losses	250	**-**	**97**	**-**	**347**
Provisions	7,504	**8**	**1,314**	**-**	**8,826**
Investment tax credit	1,704	**117**	**2,395**	**-**	**4,216**
Cash flow hedge reserves	6,058	**-**	**(138)**	**(2,279)**	**3,641**
Accelerated tax depreciation	12,413	**-**	**-**	**-**	**12,413**
Others	12,583	**16**	**(4,549)**	**-**	**8,050**
	63,196	**141**	**895**	**(201)**	**64,031**
Net deferred tax liabilities	191,037	**2,195**	**(2,746)**	**12,974**	**203,460**

(ii) **THE GROUP - 2016**

	At July 01, 2015	Translation Adjustment	Profit or Loss	Other Comprehensive Income	**At June 30, 2016**
	Rs'000	Rs'000	Rs'000	Rs'000	**Rs'000**
Deferred tax liabilities					
Accelerated tax depreciation	127,227	(245)	14,753	-	**141,735**
Revaluation of properties	112,855	(357)	-	-	**112,498**
	240,082	(602)	14,753	-	**254,233**
Deferred tax assets					
Retirement benefit obligations	22,832	-	(364)	216	**22,684**
Tax losses	755	-	(505)	-	**250**
Provisions	613	7	6,884	-	**7,504**
Investment tax credit	381	(5)	1,328	-	**1,704**
Cash flow hedge reserves	(1,598)	-	(623)	8,279	**6,058**
Accelerated tax depreciation	30,351	-	(17,938)	-	**12,413**
Others	20,552	(129)	(7,840)	-	**12,583**
	73,886	(127)	(19,058)	8,495	**63,196**
Net deferred tax liabilities	166,196	(475)	33,811	(8,495)	**191,037**

8. DEFERRED TAX LIABILITIES/(ASSETS) (CONTINUED)

(iii) THE COMPANY – 2017

	At July 1, 2016 Rs'000	Profit or Loss Rs'000	Other Comprehensive Income Rs'000	**At June 30, 2017 Rs'000**
Deferred tax liabilities				
Accelerated tax depreciation	11,409	(525)	-	**10,884**
Revaluation of property	7,764	-	2,684	**10,448**
Net deferred tax liabilities	19,173	(525)	2,684	**21,332**

(iv) THE COMPANY – 2016

	At July 1, 2015 Rs'000	Profit or Loss Rs'000	Other Comprehensive Income Rs'000	**At June 30, 2016 Rs'000**
Deferred tax liabilities				
Accelerated tax depreciation	11,934	(525)	-	**11,409**
Revaluation of property	7,764	-	-	**7,764**
Net deferred tax liabilities	19,698	(525)	-	**19,173**

		THE GROUP	
		2017 Rs'000	2016 Rs'000
(c)	Unused tax losses available for offset against future taxable profits	**226,045**	31,825

The tax losses are available for set off against future taxable profits of the Group are as follows:

Up to year ending:	**THE GROUP Rs'000**
June 30, 2018	**334**
June 30, 2019	**416**
June 30, 2020	**8,323**
June 30, 2021	**48,813**
June 30, 2022	**127,364**
	185,250
No expiry	**40,795**
	226,045

(d) At the end of the reporting period, the Group had unused tax losses of Rs. 226,044,906 (2016: Rs. 31,824,881) available to offset against future profits. A deferred tax assets has been recognised in respect of Rs. 2,041,176 (2016: Rs. 1,470,588) of such losses. No deferred tax assets has been recognised in respect of the remaining Rs. 224,003,730 (2016: Rs. 30,354,293) due to unpredictability of future profit streams.

9. INVENTORIES

	THE GROUP	
	2017 Rs'000	2016 Rs'000
Raw materials	**1,131,495**	1,062,677
Other stocks	**102,452**	126,400
Work in progress	**944,511**	1,200,341
Finished goods	**597,796**	263,319
Goods in transit	**163,343**	155,224
Less: provision for obsolescence	**(30,413)**	(62,546)
	2,909,184	2,745,415

The amount of inventories recognised as an expense during the year is Rs. 4,861,488,063 (2016: Rs. 4,882,372,370).

10. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Trade receivables	**1,995,207**	2,132,115	**-**	-
Less: provision for impairment	**(7,388)**	(359)	**-**	-
Trade receivables - net	**1,987,819**	2,131,756	**-**	-
Amount receivable from related companies	**671**	4	**204,608**	232,070
Advances to Executive Directors	**500**	500	**-**	-
Fair value asset on forward contracts	**8,011**	61,727	**-**	-
Other receivables and prepayments (Note 10 (viii))	**595,171**	604,241	**570**	609
	2,592,172	2,798,228	**205,178**	232,679

Included in amount receivable from related companies, for the Company, is an amount of Rs. 181,726,547 (2016: Rs. 207,687,481) representing dividend receivable from subsidiaries at June 30, 2017. The dividends have been received after year end.

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

The maximum exposure to credit risk at the end of the reporting period is equal to the carrying value of each class of trade and other receivables mentioned above.

(i) Trade receivables are unsecured, non interest bearing and are generally on 60 days term. Dressmann accounts for 11% (2016:7%) of trade receivables. There are no other customers who represent more than 10% of the total balance of trade receivables.

(ii) At June 30, 2017 and 2016, the ageing analysis of trade receivables net of provision for impairment is as follows:

	Total	< 30 days	30 - 60 days	60 - 90 days	> 90 days
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At June 30, 2017	**1,987,819**	**1,897,743**	**34,844**	**10,853**	**44,379**
At June 30, 2016	2,131,756	2,026,164	32,458	24,836	48,298

The credit quality of those receivables have been assessed by management who is satisfied as to their recoverability.

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

(iii) The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Rupee	**157,890**	106,217	**205,178**	232,679
US Dollar	**953,230**	1,126,953	**-**	-
UK Pound	**178,528**	381,395	**-**	-
Euro	**458,959**	330,480	**-**	-
ZAR	**331,165**	290,335	**-**	-
INR	**455,197**	389,594	**-**	-
Other currencies	**57,203**	173,254	**-**	-
	2,592,172	2,798,228	**205,178**	232,679

(iv) Movements on the provision for impairment of trade receivables are as follows:

	THE GROUP	
	2017	2016
	Rs'000	Rs'000
At July 1,	**(359)**	(12,605)
Receivables written off during the year as uncollectible	**359**	10,245
Amounts reversed	**-**	2,001
Increase in provision for the year	**(7,388)**	-
At June 30,	**(7,388)**	(359)

At June 30, 2017, trade receivables were impaired due to financial difficulties of the customers.

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

(vi) All other classes of trade and other receivables are neither past due nor impaired. No collaterals are held in respect of those receivables.

(vii) The advances to Executive Directors are unsecured, interest free and do not have any terms and conditions.

(viii) Other receivables and prepayments

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Other receivables and prepayments consist of:				
Deposits	**31,465**	10,943	**-**	-
Taxes and grants	**271,763**	210,581	**-**	-
Advance payments to suppliers	**250,169**	233,274	**-**	-
Advances to employees	**23,299**	24,976	**-**	-
Income tax receivable	**9**	14	**9**	14
Others	**18,466**	124,453	**561**	595
	595,171	604,241	**570**	609

11. STATED CAPITAL

	THE GROUP AND THE COMPANY	
	2017	2016
	Rs'000	Rs'000
Authorised, issued and fully paid stated capital		
101,807,589 of no par value ordinary shares	**685,865**	685,865

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

12. BORROWINGS

		THE GROUP		THE COMPANY	
		2017	2016	**2017**	2016
		Rs'000	Rs'000	**Rs'000**	Rs'000
(a)	**Non-current**				
	Bank loans - Note (b)	**1,261**	12,890	**-**	-
	Obligations under finance leases - Note (c)	**50,592**	53,087	**-**	-
	Vendors financing - Note (g)	**75,950**	83,555	**-**	-
		127,803	149,532	**-**	-
	Current				
	Bank overdrafts - Note (d)	**1,020,411**	879,956	**-**	43
	Bills discounted - Note (d)	**1,109,767**	750,705	**-**	-
	Bank loans - Note (b)	**6,413**	4,934	**-**	-
	Import loan - Note (d)	**968,660**	816,221	**-**	-
	Obligations under finance leases - Note (c)	**35,947**	28,412	**-**	-
	Vendors financing - Note (g)	**24,861**	41,777	**-**	-
		3,166,059	2,522,005	**-**	43
	Total borrowings	**3,293,862**	2,671,537	**-**	43

		THE GROUP		THE COMPANY	
		2017	2016	**2017**	2016
		Rs'000	Rs'000	**Rs'000**	Rs'000
(b)	**Bank loans**				
	Within one year	**6,413**	4,934	**-**	-
	After one year and before two years	**1,261**	5,210	**-**	-
	After two years and before three years	**-**	2,793	**-**	-
	After three years and before five years	**-**	3,252	**-**	-
	After five years	**-**	1,635	**-**	-
		7,674	17,824	**-**	-

The loans are secured by fixed and floating charges over the assets of the Group and the Company and bear interest as disclosed in note 30.

12. BORROWINGS (CONTINUED)

(c) **Obligations under finance leases**

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Finance lease liabilities - minimum lease payments:				
Within one year	**38,494**	30,468	**-**	-
After one year and before two years	**35,804**	28,742	**-**	-
After two years and before three years	**11,491**	25,856	**-**	-
After three years and before five years	**5,655**	881	**-**	-
	91,444	85,947	**-**	-
Finance charges allocated to future periods	**(4,905)**	(4,448)	**-**	-
Present value of finance lease liabilities	**86,539**	81,499	**-**	-

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

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Within one year	**35,947**	28,412	**-**	-
After one year and before two years	**33,503**	27,239	**-**	-
After two years and before three years	**11,524**	25,075	**-**	-
After three years and before five years	**5,565**	773	**-**	-
	86,539	81,499	**-**	-

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

The Group leases plant and machinery, motor vehicles and equipment under finance leases. The leases have varying terms and purchase options. There are no restrictions imposed on the Group by lease arrangements other than in respect of the specific assets being leased.

(d) The bank overdrafts, bills discounted and import loans are secured by fixed and floating charges over the assets of the Group and the Company and bear interest as disclosed in note 30.

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

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Rupee	**139,804**	182,224	**-**	30
US Dollar	**2,236,947**	1,818,359	**-**	13
Euro	**420,960**	282,379	**-**	-
UK Pound	**337,697**	311,378	**-**	-
INR	**136,993**	52,940	**-**	-
Other currencies	**21,461**	24,257	**-**	-
	3,293,862	2,671,537	**-**	43

(f) The fair values of the non-current borrowings are approximately equal to their carrying value as the impact of discounting is not significant.

(g) Creditors financing was contracted for the purchase of plant and machinery and are payable over a period of 3 years.

13. OTHER COMPREHENSIVE INCOME

(a) THE GROUP

2017	Revaluation Surplus Rs'000	Actuarial (losses)/ gains Rs'000	Translation of foreign operations Rs'000	Cash Flow Hedge Reserve Rs'000	Total Rs'000
Items that will not be reclassified subsequently to profit or loss					
Revaluation surplus of land and buildings	29,752	-	-	-	**29,752**
Deferred tax on revaluation of land and buildings	(12,773)	-	-	-	**(12,773)**
Remeasurements of post retirement benefit obligations	-	(29,896)	-	-	**(29,896)**
Deferred tax on remeasurements of post retirement benefit obligations (Note 8(b))	-	2,078	-	-	**2,078**
Items that may be subsequently reclassified subsequently to profit or loss					
Amount recognised in cash flow hedge reserve	-	-	-	(27,785)	**(27,785)**
Deferred tax on cash flow hedge reserve (Note 8(b))	-	-	-	(2,279)	**(2,279)**
Translation differences on foreign subsidiaries	-	-	(26,634)	-	**(26,634)**
Other comprehensive income/(loss) for year 2017	**16,979**	**(27,818)**	**(26,634)**	**(30,064)**	**(67,537)**
2016					
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of post retirement benefit obligations	-	(1,195)	-	-	**(1,195)**
Deferred tax on remeasurements of post retirement benefit obligations (Note 8(b))	-	216	-	-	**216**
Items that may be subsequently reclassified subsequently to profit or loss					
Amount recognised in cash flow hedge reserve	-	-	-	(430)	**(430)**
Deferred tax on cash flow hedge reserve (Note 8(b))	-	-	-	8,279	**8,279**
Translation differences on foreign subsidiaries	-	-	1,361	-	**1,361**
Other comprehensive (loss)/income for year 2016	**-**	**(979)**	**1,361**	**7,849**	**8,231**

(b) THE COMPANY

2017	Revaluation Surplus Rs'000	Total Rs'000
Items that will not be reclassified subsequently to profit or loss		
Revaluation surplus of land and buildings	**15,787**	**15,787**
Deferred tax on revaluation of land and buildings	**(2,684)**	**(2,684)**
	13,103	**13,103**

14. RETIREMENT BENEFIT OBLIGATIONS

	THE GROUP	
	2017	2016
Amounts recognised in the statement of financial position:	**Rs '000**	Rs '000
Pension benefits (Note (a))	**60,204**	53,301
Other post retirement benefits (Note (b))	**174,060**	140,383
	234,264	193,684
Amounts charged to profit or loss		
Pension benefits (Note (a))	**13,333**	22,398
Other post retirement benefits (Note (b))	**19,148**	18,066
	32,481	40,464
Amounts charged to other comprehensive income		
Pension benefits (Note (a))	**(3,300)**	(2,246)
Other post retirement benefits (Note (b))	**(26,596)**	1,051
	(29,896)	(1,195)

14. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(a) Pension benefits

Some of the Group's subsidiaries have defined benefit plans, funded and unfunded for existing and former employees, both being administered separately.

The following tables summarise the funded status and amounts recognised in the statements of financial position and the component of net benefit expense recognised in the statements of comprehensive income for the respective plans.

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

	Funded retirement benefit plan for existing employees		Unfunded retirement benefit plan for existing employees		Unfunded retirement benefit plan for former employees		**Total**	
Benefit liability	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	Rs '000	Rs '000	**Rs '000**	Rs '000	**Rs '000**	Rs '000	**Rs '000**	Rs '000
Defined benefit obligation	**(174,105)**	(147,121)	**(4,499)**	(4,179)	**(12,662)**	(12,874)	**(191,266)**	(164,174)
Fair value of plan assets	**131,062**	110,873	**-**	-	**-**	-	**131,062**	110,873
Benefit liability	**(43,043)**	(36,248)	**(4,499)**	(4,179)	**(12,662)**	(12,874)	**(60,204)**	(53,301)

(ii) Amounts recognised in Profit or loss are as follows:

	Funded retirement benefit plan for existing employees		Unfunded retirement benefit plan for existing employees		Unfunded retirement benefit plan for former employees		**Total**	
Net benefit expense	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	Rs '000	Rs '000	**Rs '000**	Rs '000	**Rs '000**	Rs '000	**Rs '000**	Rs '000
Current service cost	**7,861**	6,055	**97**	135	**-**	-	**7,958**	6,190
Scheme expenses	**679**	958	**-**	-	**-**	-	**679**	958
Cost of insuring risk benefits	**1,014**	889	**-**	-	**-**	-	**1,014**	889
Interest cost on benefit obligation	**6,463**	6,563	**278**	269	**780**	803	**7,521**	7,635
Expected return on plan assets	**(3,839)**	(3,995)	**-**	-	**-**	-	**(3,839)**	(3,995)
Past service cost	**-**	10,721	**-**	-	**-**	-	**-**	10,721
Net benefit expense (Note 19)	**12,178**	21,191	**375**	404	**780**	803	**13,333**	22,398

(iii) Actual return on plan assets	**17,568**	(63)

14. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(a) Pension benefits (continued)

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

	Funded retirement benefit plan for existing employees	Unfunded retirement benefit plan for existing employees	Unfunded retirement benefit plan for former employees	Total
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
At July 1, 2016	(36,248)	(4,179)	(12,874)	**(53,301)**
Total expense	(12,178)	(375)	(780)	**(13,333)**
Actuarial losses recognised in other comprehensive income	(3,178)	55	(177)	**(3,300)**
Employer contributions	8,561	-	1,169	**9,730**
At June 30, 2017	(43,043)	(4,499)	(12,662)	**(60,204)**
At July 1, 2015	(38,654)	(3,999)	(13,007)	**(55,660)**
Total expense	(21,191)	(404)	(803)	**(22,398)**
Actuarial losses recognised in other comprehensive income	(2,237)	224	(233)	**(2,246)**
Employer contributions	25,834	-	1,169	**27,003**
At June 30, 2016	(36,248)	(4,179)	(12,874)	**(53,301)**

(v) Changes in the present value of the defined benefit obligation are as follows:

	Funded retirement benefit plan for existing employees	Unfunded retirement benefit plan for existing employees	Unfunded retirement benefit plan for former employees	Total
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
At June 30, 2015	**(130,282)**	**(3,999)**	**(13,007)**	**(147,288)**
Interest cost	(8,706)	(269)	(803)	**(9,778)**
Current service cost	(6,055)	(135)	-	**(6,190)**
Past service cost	(10,721)	-	-	**(10,721)**
Experience losses/(gains)	3,964	224	(233)	**3,955**
Benefits paid	4,679	-	1,169	**5,848**
At June 30, 2016	(147,121)	(4,179)	(12,874)	**(164,174)**
Interest cost	(9,935)	(278)	(780)	**(10,993)**
Current service cost	(7,861)	(97)	-	**(7,958)**
Experience losses/(gains)	(13,436)	55	(177)	**(13,558)**
Benefits paid	4,248	-	1,169	**5,417**
At June 30, 2017	**(174,105)**	**(4,499)**	**(12,662)**	**(191,266)**

14. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(a) Pension benefits (continued)

(vi) Changes in the fair value of plan assets of the funded retirement benefit plan are as follows:

	THE GROUP	
	2017	2016
	Rs'000	Rs'000
At July 1,	**110,873**	91,628
Implied return on plan assets	**3,472**	2,143
Remeasurements:		
– Return on plan assets, excluding amounts included in interest expense	**3,839**	3,995
– Experience (gains)/losses	**10,258**	(6,201)
Contributions by employer	**8,561**	25,834
Scheme expenses	**(679)**	(958)
Benefits paid	**(4,248)**	(4,679)
Cost of insuring risk benefits	**(1,014)**	(889)
At June 30,	**131,062**	110,873

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

	THE GROUP			
	2017	**2017**	2016	2016
	Rs'000	**%**	Rs'000	%
Local equities	**39,319**	**30%**	22,175	20%
Overseas equities	**58,978**	**45%**	55,437	50%
Fixed interest	**32,765**	**25%**	33,261	30%
Total market value of assets	**131,062**	**100%**	110,873	100%

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets.

The assets of the plan are invested in the CIEL Group Segregated Fund. The breakdown of the assets above correspond to a notional allocation of the underlying investments based on the long term strategy of the Fund.

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

In terms of the individual expected returns, the expected return on equities has been based on an equity risk premium above a risk free rate. The risk free rate has been measured in accordance to the yields on government bonds at the measurement date.

The fixed interest portfolio includes local and foreign deposits. The expected return for this asset class has been based on these fixed deposits at the measurement date.

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

	THE GROUP	
	2017	2016
	Rs'000	Rs'000
(Gains)/losses on pension scheme assets	**10,257**	(6,201)
Experience losses/(gains) on liabilities	**(5,896)**	3,955
Changes in assumptions underlying the present value of the scheme	**(7,661)**	-
	(3,300)	(2,246)

(ix) The Group expects to contribute Rs. 9.1M to the pension scheme for the year ending June 30, 2018.

14. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(a) Pension benefits (continued)

(x) The principal assumptions used in determining pension for the Group are shown below:

	2017	2016
Discount rates	**6.0%**	6.5%
Expected rate of return on assets	**6.0%**	6.5%
Future salary increases	**4.0%**	4.5%
Future pension increases	**0.0%**	0.0%

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

At June 30, 2017	**Increase Rs'000**	**Decrease Rs'000**
Discount rate (1% increase)	**-**	**26,955**
Future long term salary assumption (1% increase)	**12,024**	**-**

At June 30, 2016	Increase Rs'000	Decrease Rs'000
Discount rate (1% increase)	-	22,862
Future long term salary assumption (1% increase)	10,184	-

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 has 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.

(xii) The weighted average duration of the defined benefit obligations ranges between 8 to 25 years at the end of the reporting period.

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

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

(xv) Amounts for the current and previous years are as follows:

	2017 Rs '000	2016 Rs '000
Defined benefit obligation	**(191,266)**	(164,174)
Plan assets	**131,062**	110,873
Deficit	**(60,204)**	(53,301)
Experience losses on plan liabilities	**(3,300)**	(2,246)

14. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Other post retirement benefits

Other post retirement benefits comprise mainly retirement gratuities payable under the Employment Rights Act 2008 and residual liabilities for employees under defined contribution scheme.

(i) The amounts recognised in the statement of financial position are as follows:

	THE GROUP	
	2017	2016
	Rs'000	Rs'000
Present value of plan liability	**(174,060)**	(140,383)
Liability in the statement of financial position	**(174,060)**	(140,383)

(ii) The amounts recognised in the income statement are as follows:

	THE GROUP	
	2017	2016
	Rs'000	Rs'000
Current service cost	**20,255**	11,161
Effect of curtailments/settlements	**(10,205)**	(2,530)
Interest cost	**9,098**	9,435
Total, included in employee benefit expense	**19,148**	18,066

(iii) Movement in the liability recognised in the statements of financial position:

	THE GROUP	
	2017	2016
	Rs'000	Rs'000
At July 1,	**(140,383)**	(134,277)
Total expense as above	**(19,148)**	(18,066)
Actuarial (losses)/gains recognised in other comprehensive income	**(26,596)**	1,051
Benefits paid	**12,067**	10,909
At June 30,	**(174,060)**	(140,383)

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

	THE GROUP	
	2017	2016
	Rs'000	Rs'000
Experience (losses)/gain on liabilities	**(26,596)**	1,051
	(26,596)	1,051

	THE GROUP	
	2017	2016
Movement in other comprehensive income	**Rs'000**	Rs'000
At July 1,	**(45,730)**	(46,781)
Actuarial gains recognised in other comprehensive income	**(26,596)**	1,051
At June 30,	**(72,326)**	(45,730)

(v) The movement in the defined benefit obligation over the year is as follows:

	THE GROUP	
	2017	2016
	Rs'000	Rs'000
At July 1,	**(140,383)**	(134,277)
Current service cost	**(18,046)**	(11,161)
Effect of curtailments/settlements	**10,744**	2,530
Interest Cost	**(11,846)**	(9,435)
Actuarial (loss)/gain recognised during the year	**(26,596)**	1,051
Benefits paid	**12,067**	10,909
At June 30,	**(174,060)**	(140,383)

14. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Other post retirement benefits (continued)

(vi) Amounts for the current and previous years are as follows:

	2017	2016
	Rs '000	Rs '000
Defined benefit obligation	**(174,060)**	(140,383)

(vii) The principal actuarial assumptions used for accounting purposes were:

	THE GROUP	
	2017	2016
Discount rates	**6.0%**	6.5%
Future long term salary increases	**4.0%**	4.5%
Retirement Age	**60 years**	60 years

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

At June 30, 2017	**Increase Rs'000**	**Decrease Rs'000**
Discount rate (1% increase)	**-**	**10,907**
Future long term salary assumption (1% increase)	**12,586**	**-**

At June 30, 2016	Increase	Decrease
	Rs'000	Rs'000
Discount rate (1% increase)	-	10,534
Future long term salary assumption (1% increase)	12,273	-

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 has 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.

(ix) The weighted average duration of the defined benefit obligations ranges between 9 to 20 years at the end of the reporting period.

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

Investment risk: The present value of liablities of the plan are calculated using a discount rate. Should the returns on the assets of the plan of the plan be lower than the discount rate, a deficit will arise (for funded benefits only).

Interest risk: If the bond interest rate decreases, the liabilities would be calculated using the lower discount rate, and would therefore increase.

Longevity risk: The liabilities disclosed are based on the mortality rate A90 and PA92 rated down by three years. Should the experience of the pension plans be less favourable that the standard mortality tables, the liabilities will increase.

Salary risk: If salary increases are higher than assumed in our basis, the liabilities would increase giving rise to acturial losses.

15. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Trade payables	**632,124**	638,050	**-**	-
Amount payable to related parties	**86,449**	92,016	**366,069**	369,841
Fair value liability on forward contracts	**28,474**	56,293	**-**	-
Other payables and accruals (Note 15(a))	**861,834**	879,389	**4,427**	6,050
	1,608,881	1,665,748	**370,496**	375,891

(a) **Other payables and accruals**

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
Other payables and accruals consist of:	**Rs'000**	Rs'000	**Rs'000**	Rs'000
Accrued expenses	**135,258**	168,382	**-**	-
Deposits from customers	**17,931**	23,846	**-**	-
Goods in transit	**77,926**	73,733	**-**	-
Employees related expenses	**497,600**	484,457	**-**	-
Other payables	**133,119**	128,971	**4,427**	6,050
	861,834	879,389	**4,427**	6,050

(b) The carrying amount of the Group's and the Company's trade and other payables are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Rupee	**582,109**	677,821	**370,496**	375,891
US Dollar	**412,125**	325,799	**-**	-
UK Pound	**30,687**	71,683	**-**	-
Euro	**35,564**	50,163	**-**	-
INR	**372,879**	416,557	**-**	-
Other currencies	**175,517**	123,725	**-**	-
	1,608,881	1,665,748	**370,496**	375,891

(c) The carrying amounts of trade and other payables approximate their fair values.

(d) The average credit period on purchase of certain goods and services is 60 days. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

16. PROVISIONS

	THE GROUP	
	2017	2016
Movement in provisions during the year is as follows:	**Rs'000**	Rs'000
At July 1,	**25,250**	26,368
Additional provisions	**1,628**	2,250
Amounts incurred and charged against provisions	**(418)**	(3,381)
Exchange differences	**-**	13
At June 30,	**26,460**	25,250

Provisions consist mainly of legal claims.

The provision represents the present value of the director's best estimate of the future outflow of economic benefits that will be required under the Group's obligations. The actual results could, however, differ from the estimates.

17. INCOME TAX

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
(a) Income Tax – Statements of financial position				
At July 1,	**38,778**	20,985	**-**	36
Current tax on adjusted profits for the year	**143,806**	116,587	**11**	29
Investment tax credit	**(43,086)**	-	**-**	-
Exchange differences	**159**	(404)	**-**	-
(Over)/ under provision of prior years	**(1,836)**	3,758	**-**	-
Corporate Social Responsibility	**7,015**	3,781	**2**	13
Paid during the year	**(137,590)**	(105,943)	**(8)**	(92)
Transfer to other receivables	**(6)**	14	**(5)**	14
At June 30,	**7,240**	38,778	**-**	-

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
(b) Income Tax – Statement of profit or loss				
Current tax on adjusted profits for the year	**143,806**	116,587	**11**	29
Investment tax credit	**(43,086)**	-		
Corporate Social Responsibility	**7,015**	3,781	**2**	13
(Over)/ under provision of prior years	**(1,836)**	3,758	**-**	-
	105,899	124,126	**13**	42
Deferred tax (Note 8)	**(2,746)**	33,811	**(525)**	(525)
	103,153	157,937	**(512)**	(483)

(c) The tax on the Group's and Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of 15% and CSR of 2% of the Group as follows:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Profit before tax	**664,664**	861,578	**305,485**	384,548
Tax calculated at a rate of 17% (2016: 17%)	**112,993**	146,468	**51,932**	65,373
Adjustments for:				
Non-deductible expenses	**34,499**	21,041	**11**	41
Exempt income	**(6,724)**	(9,254)	**(51,931)**	(65,373)
Investment tax credit	**(43,691)**	-	**-**	-
Effect of different tax rate	**18,443**	16,863	**-**	-
(Under)/over provision of deferred tax in prior years	**(3,853)**	7,810	**(524)**	(524)
Utilisation of tax losses	**(2,857)**	(3,673)	**-**	-
Effect of tax losses unrecognised	**40,597**	14,008	**-**	-
(Over)/under provision of prior years	**(1,836)**	3,758	**-**	-
Foreign tax credit	**(38,107)**	(26,082)	**-**	-
Investment tax relief	**(12,743)**	(4,963)	**-**	-
Others	**6,432**	(8,039)	**-**	-
	103,153	157,937	**(512)**	(483)

18. EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION

(a)

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Revenue	**10,509,069**	10,482,208	**311,531**	337,492
Cost of goods produced	**(5,056,218)**	(5,264,293)	**-**	-
Logistics	**(437,387)**	(387,399)	**-**	-
Utilities	**(303,500)**	(287,665)	**-**	-
Repairs and maintenance	**(166,116)**	(168,657)	**-**	-
Employee benefit expense (note 19)	**(3,002,242)**	(2,764,329)	**-**	-
Transport expenses	**(84,552)**	(75,256)	**-**	-
International business	**(256,860)**	(231,312)	**-**	-
Rental and leases	**(100,930)**	(97,210)	**-**	-
Office expenses	**(173,079)**	(154,107)	**(45)**	(23)
Services	**(136,108)**	(108,567)	**-**	(16)
Social and events	**(25,970)**	(31,396)	**-**	-
Fees and commission	**(103,376)**	(118,739)	**36**	(89)
Other operating income (including non-recurring items (b))	**334,271**	334,584	**3,084**	56,778
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**997,002**	1,127,862	**314,606**	394,142

(b) Non recurring item

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Profit on winding up of Floreal Creation SA	**-**	25,983	**-**	53,700
	-	25,983	**-**	53,700

Non recurring items is an exceptional item that relate to gain on winding up of a subsidiary, Floreal Creation SA, which is considered to be a one-off item.

19. EMPLOYEE BENEFIT EXPENSE

	THE GROUP	
	2017	2016
	Rs'000	Rs'000
Wages and salaries	**2,498,659**	2,334,194
Social security costs	**128,717**	113,959
Other post retirement benefits (Note 14(b))	**19,148**	18,066
Pension costs-defined benefit plans (Note 14(a))	**13,333**	22,398
Pension costs- defined contribution plans	**15,050**	16,441
Others*	**327,335**	259,271
	3,002,242	2,764,329

* Included in others is an amount of Rs. 53.4M incurred during the year for restructuration of knitwear cluster activities in Mauritius and Madagascar.

20. PROFIT BEFORE TAXATION

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
Profit before taxation is arrived at after	**Rs'000**	Rs'000	**Rs'000**	Rs'000
crediting:				
Profit on disposal of property, plant and equipment	**4,453**	4,136	**-**	-
and charging:				
Depreciation on property, plant and equipment				
- owned assets	**231,157**	173,069	**3,089**	3,089
- leased assets	**9,800**	35,690	**-**	-
Amortisation of intangible assets	**9,261**	6,969	**-**	-
Cost of inventories	**4,861,488**	4,882,372	**-**	-
No. of employees at year end	**20,671**	21,489	**-**	-

21. NET FINANCE COSTS

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
Interest expense on:	**Rs'000**	Rs'000	**Rs'000**	Rs'000
- Bank overdrafts	**(35,867)**	(20,079)	**(1)**	(87)
- Bills discounted	**(24,373)**	(22,934)	**-**	-
- Bank and other loans	**(1,143)**	(6,203)	**(22)**	(4,787)
- Import loans	**(25,731)**	(16,815)	**-**	-
- Finance leases	**(3,241)**	(3,518)	**-**	-
- B shares dividends	**(6,108)**	(6,618)	**(6,108)**	(6,618)
- Money market lines	**(3,337)**	-	**-**	-
- Loans from related parties	**-**	-	**-**	(49)
Finance costs	**(99,800)**	(76,167)	**(6,131)**	(11,541)
Interest income on:				
- Loans and advances	**-**	49	**-**	-
- Bank balances	**17,632**	24,452	**77**	81
- Loans to related parties	**-**	-	**22**	4,955
- Others	**48**	1,110	**-**	-
Finance income	**17,680**	25,611	**99**	5,036
Net finance costs	**(82,120)**	(50,556)	**(6,032)**	(6,505)

22. EARNINGS PER SHARE

		THE GROUP	
		2017	2016
		Rs'000	Rs'000
Profit attributable to owners of the Company		**458,645**	626,050
Number of shares in issue		**101,807,589**	101,807,589
Basic earnings per share	Rs.	**4.51**	6.15

23. DIVIDENDS

		THE GROUP		THE COMPANY	
		2017	2016	**2017**	2016
		Rs'000	Rs'000	**Rs'000**	Rs'000
(a)	Amounts recognised as distribution to owners of the parent in the year:				
	Interim dividend of Rs. 1.25 (2016: Rs. 1.25) per share	**127,260**	127,260	**127,260**	127,260
	Final dividend of Rs. 1.75 (2016: Rs. 2.00) per share	**178,163**	203,615	**178,163**	203,615
		305,423	330,875	**305,423**	330,875

(b) Dividends payable to ordinary shareholders at year ended June 30:

	THE GROUP AND THE COMPANY	At July 1, 2016	Declared during the year	Paid during the year	**At June 30, 2017**
		Rs'000	Rs'000	Rs'000	**Rs'000**
(i)	**At June 30, 2017**	**203,615**	**305,423**	**(330,875)**	**178,163**
	At June 30, 2016	178,163	330,875	(305,423)	203,615

(c) Dividend and tax paid by foreign subsidiary

		THE GROUP	
		2017	2016
		Rs'000	Rs'000
(i)	Dividend declared by foreign subsidiary		
	Owners of the parent	**-**	-
	Non controlling interest	**127,405**	-
		127,405	-
(ii)	Dividend distribution tax		
	Owners of the parent	**25,766**	-
	Non controlling interest	**25,938**	-
		51,704	-
	Total dividend and tax paid	**179,109**	-

24. NOTES TO THE STATEMENTS OF CASH FLOWS

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
(a) **Cash generated from operations**				
Profit before taxation	**664,664**	861,578	**305,485**	384,548
Adjustments for:				
- Depreciation of property, plant and equipment	**240,957**	208,759	**3,089**	3,089
- Profit on disposal of property, plant and equipment	**(4,453)**	(4,136)	**-**	-
- Property, plant and equipment written off	**3,747**	-	**-**	-
- Amortisation of intangible assets	**9,261**	6,969	**-**	-
- Retirement benefit obligations	**10,684**	2,552	**-**	-
- Provisions	**1,210**	(1,118)	**-**	-
- Impairment loss recognised on trade receivables	**(359)**	(10,245)	**-**	-
- Reversal of impairment loss recognised on trade receivables	**-**	(2,001)	**-**	-
- Provision for bad debts	**7,388**	-	**-**	-
- Unrealised foreign exchange differences	**(78,708)**	32,250	**-**	-
- Interest income	**(17,680)**	(25,611)	**(99)**	(5,036)
- Interest expense	**99,800**	76,167	**6,131**	11,541
Cash generated from operations before changes in working capital	**936,511**	1,145,164	**314,606**	394,142
Changes in working capital:				
- Inventories	**(163,769)**	(154,918)	**-**	-
- Trade and other receivables	**174,530**	(196,537)	**27,503**	(25,097)
- Trade and other payables	**(60,161)**	129,257	**(5,402)**	(46,626)
Cash generated from operations	**887,111**	922,966	**336,707**	322,419

(b) Cash and cash equivalents

	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Cash in hand and at bank	**647,048**	511,107	**1,429**	1,680
Bank overdrafts (Note 12 - Borrowings)	**(1,020,411)**	(879,956)	**-**	(43)
	(373,363)	(368,849)	**1,429**	1,637

25. CONTINGENT LIABILITIES

At June 30, 2017, the Group had bank guarantees amounting to Rs. 19.2M (2016: Rs. 14.5M) to third parties in respect of expatriates.

26. COMMITMENTS

(a) Capital commitments

Capital commitments amounting to Rs. 704M (2016: Rs. 942M) have been approved by the Board of Directors but not yet contracted for.

(b) Operating lease commitments

The Group leases motor vehicles and other equipment under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Payments recognised as an expense

	2017	2016
	Rs'000	Rs'000
Mininum lease payments	**18,020**	21,503
	18,020	21,503

	THE GROUP	
	2017	2016
Operating lease commitments -where a group company is the lessee	**Rs'000**	Rs'000
Not later than one year	**9,156**	10,073
Later than one year and not later than five years	**14,842**	16,233
After five years	**5,000**	7,500
	28,998	33,806

The average lease terms range from three to five years.

	THE GROUP	
	2017	2016
Operating lease commitments -where a group company is the lessor	**Rs'000**	Rs'000
Not later than one year	**3,528**	3,360
	3,528	3,360

27. SEGMENTAL INFORMATION – GROUP

THE GROUP

Segment information

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

June 30, 2017	Knitwear Rs'000	Fine Knits Rs'000	Woven Rs'000	Retail Rs'000	Total Rs'000
Total segment revenues (note (b))	**1,938,482**	**2,329,882**	**6,190,281**	**50,424**	**10,509,069**
Earnings before interest and tax (note (a))	(71,608)	116,060	702,722	(390)	746,784
Net finance costs	(31,969)	(21,317)	(28,090)	(744)	(82,120)
Profit from ordinary activities before taxation	(103,577)	94,743	674,632	(1,134)	664,664
Income tax (expense)/credit	(5,114)	(11,985)	(86,227)	173	(103,153)
Profit after taxation	**(108,691)**	**82,758**	**588,405**	**(961)**	**561,511**
Non-controlling interests	-	-	(102,866)	-	(102,866)
Profit attributable to owners of the parent	**(108,691)**	**82,758**	**485,539**	**(961)**	**458,645**

June 30, 2016	Knitwear Rs'000	Fine Knits Rs'000	Woven Rs'000	Retail Rs'000	Total Rs'000
Total segment revenues (note (b))	**2,418,619**	**2,261,024**	**5,752,179**	**50,386**	**10,482,208**
Earnings before interest and tax (note (a))	97,816	184,911	603,642	25,765	912,134
Net finance costs	(27,268)	(11,054)	(11,498)	(736)	(50,556)
Profit from ordinary activities before taxation	70,548	173,857	592,144	25,029	861,578
Income tax (expense)/credit	(13,591)	(37,861)	(106,648)	163	(157,937)
Profit after taxation	**56,957**	**135,996**	**485,496**	**25,192**	**703,641**
Non-controlling interests	-	-	(77,591)	-	(77,591)
Profit attributable to owners of the parent	**56,957**	**135,996**	**407,905**	**25,192**	**626,050**

(a) Included in the earnings before interest and tax of 2016 of the retail segment is an amount of Rs. 25,982,934 representing a one off gain on winding up of a foreign subsidiary.

(b) Segment revenue reported above represents revenue generated from external customers.

(c) The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profit of associates, share of profit of a joint venture, gain recognised on disposal of interest in former associate, investment income, other gains and losses, as well as finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

27. SEGMENTAL INFORMATION – GROUP (CONTINUED)

June 30, 2017

	Knitwear	Fine Knits	Woven	Retail	Consolidation Adjustments	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
ASSETS						
Other segment assets	2,928,755	2,183,324	4,695,812	36,167	(205,647)	9,638,411
Deferred income tax assets	8,839	34,177	19,478	1,537	-	64,031
Cash in hand and at bank	120,506	59,786	466,059	697	-	647,048
Consolidated total assets	**3,058,100**	**2,277,287**	**5,181,349**	**38,401**	**(205,647)**	**10,349,490**
LIABILITIES						
Other segment liabilities	551,157	605,511	1,088,412	19,092	(209,164)	2,055,008
Deferred income tax liabilities	108,794	40,116	118,581	-	-	267,491
Borrowings	1,239,247	674,569	1,369,622	13,051	(2,627)	3,293,862
Consolidated total liabilities	**1,899,198**	**1,320,196**	**2,576,615**	**32,143**	**(211,791)**	**5,616,361**
Equity attributable to shareholders of parent						4,441,076
Non-controlling interests						292,053
						10,349,490
OTHER INFORMATION						
Capital additions	**134,019**	**131,133**	**371,467**	**2,783**	**-**	**639,402**
Depreciation and amortisation	**77,140**	**54,909**	**116,702**	**1,467**	**-**	**250,218**

27. SEGMENTAL INFORMATION – GROUP (CONTINUED)

June 30, 2016

	Knitwear	Fine Knits	Woven	Retail	Consolidation Adjustments	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
ASSETS						
Other segment assets	3,107,811	1,945,925	4,314,011	28,607	(194,125)	9,202,229
Deferred income tax assets	16,266	18,324	27,272	1,334	-	63,196
Cash in hand and at bank	77,682	33,115	399,959	351	-	511,107
Consolidated total assets	**3,201,759**	**1,997,364**	**4,741,242**	**30,292**	**(194,125)**	**9,776,532**
LIABILITIES						
Other segment liabilities	613,303	537,692	1,122,756	12,501	(159,177)	2,127,075
Deferred income tax liabilities	105,034	14,302	134,897	-	-	254,233
Borrowings	1,152,012	518,049	993,490	10,374	(2,388)	2,671,537
Consolidated total liabilities	**1,870,349**	**1,070,043**	**2,251,143**	**22,875**	**(161,565)**	**5,052,845**
Equity attributable to shareholders of parent						4,393,771
Non-controlling interests						329,916
						9,776,532
OTHER INFORMATION						
Capital additions	322,770	364,980	217,233	188	-	905,171
Depreciation and amortisation	63,522	45,132	105,558	1,516	-	215,728

27. SEGMENTAL INFORMATION – GROUP (CONTINUED)

Geographical information

	Revenues from External Customers		Non-current assets		Capital Additions	
	2017	2016	**2017**	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000	**Rs'000**	Rs'000
Mauritius	**7,855,350**	7,990,217	**2,490,491**	2,284,970	**420,288**	511,134
Madagascar	**11,121**	6,682	**1,095,800**	871,797	**127,757**	299,052
Asia	**2,122,158**	2,068,598	**550,026**	501,397	**91,102**	94,547
South Africa	**520,440**	416,711	**738**	422	**255**	438
Total	**10,509,069**	10,482,208	**4,137,055**	3,658,586	**639,402**	905,171

Revenues from external customers are presented based on the respective subsidiaries' country of domicile.

The cluster CEO's and executive directors form the Group's Chief Operating Decision Makers (CODM). They have determined operating segments based on the information reviewed by the business units meetings (BUM) for the purpose of allocating resources and assessing performance.

The BUM considers business from a cluster and geographic perspective. Geographically, the CODM considers the revenue from Mauritius, Madagascar, Asia and South Africa. From a product perspective, the CODM separately considers Knitwear, Knits, Woven and Retail clusters.

The CODM assesses the performance of the operating segments based on a measure of 'Earnings before interest and tax' and 'Profit after tax'.

28. REVENUE

All revenue of the Group relate to sale of textile products and services.

The revenue for the Company comprises dividend income from subsidiary companies.

29. RELATED PARTY TRANSACTIONS

As at June 30, 2017, the Group is controlled by CIEL Limited which owns 56.31% of the Company's shares. The remaining shares are widely held. The following transactions were carried out with related parties.

THE GROUP

June 30, 2017

	Related Companies	Key Management Personnel
	Rs'000	Rs'000
Treasury and corporate management fees (fellow subsidiaries)	**31,203**	**-**
Purchase of goods (shareholder of a subsidiary)	**441,775**	**-**
Amount due to (shareholder of a subsidiary) (Note 15)	**67,687**	**-**
Amount due to (Note 15)	**18,762**	**-**
Amount due from (Note 10)	**671**	**500**
Short term benefits	**-**	**179,556**
Post employment benefits	**-**	**3,007**
Dividend	**-**	**6,108**

June 30, 2016

	Related Companies	Key Management Personnel
	Rs'000	Rs'000
Treasury and corporate management fees (fellow subsidiaries)	33,263	-
Purchase of goods (shareholder of a subsidiary)	348,546	-
Amount due to (shareholder of a subsidiary) (Note 15)	79,929	-
Amount due to (Note 15)	12,087	-
Amount due from (Note 10)	4	500
Short term benefits	-	198,538
Post employment benefits	-	2,465
Dividend	-	6,618

THE COMPANY

	2017	2016
	Rs'000	Rs'000
Amount due from subsidiaries (Note 10)	**204,608**	232,070
Amount due to subsidiaries (Note 15)	**366,069**	369,841
Dividend received from subsidiaries	**311,531**	337,492

Terms and conditions:

Outstanding balances at the year-end are unsecured, interest free, are repayable on demand and settlement occurs in cash. There have been no guarantees provided except for the advances made to the Executive Directors or received for any related party receivables or payables.

For the years ended June 30, 2017 and 2016, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates.

30. FINANCIAL RISK MANAGEMENT AND POLICIES

The Group's and Company's principal financial liabilities comprise bank loans and overdrafts, bills discounted, finance leases and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's and the Company's operations. The Group and Company have various financial assets, such as trade and other receivables and cash and cash equivalent which arise directly from its operations.

Categories of financial instruments

	THE GROUP		THE COMPANY	
	2017 Rs'000	2016 Rs'000	**2017 Rs'000**	2016 Rs'000
Financial assets				
Loans and receivables (excluding prepayments)	**2,062,230**	2,292,644	**205,178**	232,679
Cash and cash equivalents	**647,048**	511,107	**1,429**	1,680
Available -for-sale financial assets	**6,712**	6,712	**6,712**	6,712
Fair value asset on forward contracts	**8,011**	61,727	**-**	-
	2,724,001	2,872,190	**213,319**	241,071
Financial liabilities				
Borrowings (excluding finance lease liabilities)	**3,207,323**	2,590,038	**-**	43
Finance lease liabilities	**86,539**	81,499	**-**	-
Fair value liabililty on forward contracts	**28,474**	56,293	**-**	-
Trade and other payables	**1,580,407**	1,609,455	**370,496**	375,891
Dividend payable	**178,163**	203,615	**178,163**	203,615
	5,080,906	4,540,900	**548,659**	579,549

The Group's and the Company's activities, therefore, expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk), credit risk and liquidity risk. The Group's and Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and Company's financial performance. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

30.1. Financial risk factors

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

(a) **Currency risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to British pound, Euro, US Dollar, SA Rand and IndianRupee. Foreign exchange risk arises from future commercial transactions. The Group hedges its foreign currency risk of sales by entering into forward contracts.

(b) **Cash flow and fair value interest rate risk**

The Group borrows at fixed and variable rates. In respect of the latter, it is exposed to risk associated with effect of fluctuations in the prevailing label of market interest rates on its financial position and cash flows. The interest rate risk profile is on the following main liabilities:

Bank Overdrafts Floating	**2017**	2016
Mauritian Rupee	**PLR + 6.15%**	6.65%
Euro	**Euribor + 1.5%/+ 2.75%**	Euribor + 1.5%/+ 2.75%
US Dollar	**Libor + 1.5%/+ 2.75%**	Libor + 1.5%/+ 2.75%
Indian Rupee	**10.15%**	11%
Loans - Fixed		
Mauritian Rupee	**Prime lending rate + 1%**	Prime lending rate + 1%
Euro	**Euribor + 3%**	Euribor + 3%
Finance Lease		
Mauritian Rupee	**7.5% - 10.5%**	7.5% - 10.5%
US Dollar	**2.9% - 5.08%**	2.9%
Euro	**2.75%**	2.75%
Bills Discounted		
Mauritian Rupee	**PLR + 6.15%**	Prime lending rate
Euro	**Euribor + 1.5%/+ 2.75%**	Euribor + 1.5%/+ 2.75%
US Dollar	**Libor + 1.5%/+ 2.75%**	Libor + 1.5%/+ 2.75%
Indian Rupee	**9.60% -10.25%**	10.00 % - 12.00 %
Creditors financing		
US Dollar	**2.3 % - 3.0 %**	2.3 % - 3.0 %
GBP	**2.3 % - 3.0 %**	2.3 % - 3.0 %

30. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

30.1. Financial risk factors (continued)

(b) **Cash flow and fair value interest rate risk (continued)**

At June 30, 2017, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been lower/higher as shown in the table below, mainly as a result of higher/lower interest expense on floating rate borrowings as shown below. Management believes that a 50 basis point movement is a reasonable basis to determine the sensitivity for the Group's liquidity risk.

	THE GROUP		THE COMPANY	
Effect higher/lower on pre-tax profit	**2017**	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Rupee	**678**	771	**-**	-
USD	**10,806**	8,859	**-**	-
Euro	**2,082**	1,377	**-**	-
UK Pound	**1,688**	1,557	**-**	-
INR	**685**	265	**-**	-
Other currencies	**98**	121	**-**	-
	16,037	12,950	**-**	-

(c) **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group and the Company aims at maintaining flexibility in funding by keeping reliable credit lines available. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The table below analyses the non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

THE GROUP

	At call	Less than 3 months	Between 3 months and 1 year	Over 1 year
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
At June 30, 2017				
Borrowings	**1,020,411**	**1,544,519**	**601,129**	**127,803**
Trade and other payables	**-**	**1,247,712**	**332,695**	**-**
Dividend payable	**-**	**178,163**	**-**	**-**
At June 30, 2016				
Borrowings	879,956	813,295	828,754	149,532
Trade and other payables	-	1,330,910	278,545	-
Dividend payable	-	203,615	-	-

The amounts in relation to forward exchange contracts for a contract value of Rs. 2.284bn (2016:Rs. 2.103bn) will be settled in the short term for an expected net cash inflow of Rs. 20.463M (2016:outflow of Rs. 5.434M).

30. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

30.1. Financial risk factors (continued)

THE COMPANY

	At call	Less than 3 months	Between 3 months and 1 year	Over 1 year
	Rs'000	Rs'000	Rs'000	Rs'000
At June 30, 2017				
Trade and other payables	**-**	**4,427**	**366,069**	**-**
Dividend payable	**-**	**178,163**	**-**	**-**
At June 30, 2016				
Borrowings	43	-	-	-
Trade and other payables	-	6,050	369,841	-
Dividend payable	-	203,615	-	-

(d) **Credit risk**

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement 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 no other significant concentration of credit risk, except as highlighted in Note 10(i), with exposure spread over a large number of counterparties and customers. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

The maximum exposure to credit risk at the end of the reporting period is equal to the carrying value of each financial asset.

(e) **Fair value risk**

Financial assets and liabilities, which are accounted for at historical cost, are not significantly different from their fair values.

30. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

30.1 Financial risk factors (continued)

The following table details the forward foreign currency (FC) contracts outstanding at the end of the reporting period:

	2017	2016	2017		2016		Contract value		Fair value	
	Average exchange rate		Sell	Buy	Sell	Buy	2017	2016	2017	2016
			FC'000	FC'000	FC'000	FC'000	Rs '000	Rs '000	Rs '000	Rs '000
Outstanding contracts										
Sell currency EUR and buy currency USD	**1.08**	1.12	**600**	**646**	3,625	4,075	**21,999**	143,370	**(1,422)**	1,652
Sell currency EUR and buy currency MUR	**38.96**	-	**2,350**	**91,557**	-	-	**91,557**	-	**(353)**	-
Sell currency MUR and buy currency EUR	**-**	39.68	**-**	**-**	55,151	1,390	**-**	55,151	**-**	(798)
Sell currency GBP and buy currency USD	**1.25**	1.51	**1,196**	**1,491**	7,799	11,810	**50,772**	415,489	**(2,380)**	48,254
Sell currency GBP and buy currency MUR	**44.98**	52.24	**770**	**34,632**	1,787	93,355	**34,632**	93,355	**224**	8,991
Sell currency ZAR and buy currency USD	**13.88**	16.20	**243,306**	**17,530**	278,081	17,166	**596,884**	603,908	**(28,592)**	(40,703)
Sell currency ZAR and buy currency MUR	**2.59**	2.26	**205,820**	**532,291**	226,562	510,992	**532,291**	510,992	**8,567**	(13,600)
Sell currency USD and buy currency MUR	**34.82**	37.06	**12,885**	**448,604**	1,539	57,023	**448,604**	57,023	**9,705**	2,830
Sell currency USD and buy currency EUR	**1.14**	-	**1,418**	**1,243**	-	-	**48,427**	-	**167**	-
Sell currency USD and buy currency ZAR	**13.06**	-	**4,562**	**59,579**	-	-	**156,096**	-	**(159)**	-
Sell currency USD and buy currency INR	**65.53**	69.16	**350**	**22,935**	4,300	297,403	**12,385**	153,876	**(25)**	(737)
Sell currency GBP and buy currency INR	**84.77**	-	**2,150**	**182,256**	-	-	**98,418**	-	**(874)**	-
Sell currency EUR and buy currency INR	**73.53**	77.81	**5,485**	**403,330**	1,750	136,173	**217,798**	70,456	**(5,321)**	(455)
Total							**2,309,864**	2,103,620	**(20,463)**	5,434

	2017	2016
	Rs '000	Rs '000
Recognised as follows:		
On statement of financial position		
Fair value asset on forward contracts	**8,011**	61,727
Fair value liability on forward contracts	**(28,474)**	(56,293)
	(20,463)	5,434
In statement of profit or loss		
Loss on financial derivatives	**1,054**	(3,113)
In statement of other comprehensive income		
(Loss)/gain on financial derivatives	**(21,517)**	8,547
	(20,463)	5,434

At June 30, 2017, if rupee had weakened/strengthened by 5% against Euro/UK Pound/US Dollar with all other variables held constant, pre-tax profit for the year would have been Rs. 94,164,000 (2016: Rs. 50,493,000) higher/lower as a result of foreign exchange gains/losses on translation of Euro/UK Pound/US Dollar denominated trade receivables, trade payables and borrowings and is as follows:

	2017	2016
	Rs '000	Rs '000
Euro	**122**	(103)
UK Pound	**(9,493)**	(83)
US Dollar	**(84,792)**	(50,860)
	(94,163)	(51,046)

30. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

30.2 Fair value estimation of financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods namely the capitalised earnings, net asset basis and dividend yield and makes assumptions that are based on market conditions existing at the end of each reporting date.

The nominal value less estimated credit adjustments of trade receivables and debit adjustments to payables are assumed to approximate their fair values.

The fair value of those financial assets and liabilities not presented on the Group's statements of financial position at the fair values are not materially different from their carrying amounts.

The Valuation method used to determine the fair values of the foreign currency contracts outstanding at the end of the reporting date is the Replacement Cover Method.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;

•Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

•Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

THE GROUP

	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000
As at June 30, 2017			
Available-for-sale financial assets	**-**	**-**	**6,712**
Forward exchange contracts (Hedged items)	**-**	**8,011**	**-**
Total	**-**	**8,011**	**6,712**
As at June 30, 2016			
Available-for-sale financial assets	-	-	6,712
Forward exchange contracts (Hedged items)	-	61,727	-
Total	-	61,727	6,712

THE COMPANY

As at June 30, 2017			
Available-for-sale financial assets	**-**	**-**	**6,712**
As at June 30, 2016			
Available-for-sale financial assets	-	-	6,712

30. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

30.3 Capital risk management

The primary objectives of the Group and Company, when managing capital, are to safeguard the entity's ability to continue as a going concern in order 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 and the Company manage their capital structure and make adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the years ended June 30, 2017 and June 30, 2016.

The Group and the Company monitor capital on the basis of the debt-to-capital ratio. This ratio is calculated as net debt adjusted capital. Total debt comprise of borrowings and bills discounted. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and bank balances.

Adjusted capital comprises all components of equity (i.e. share capital, non-controlling interests, retained earnings, revaluation surplus and the redeemable preference shares).

The gearing ratios at June 30, 2017 and June 30, 2016 were as follows:

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	Rs'000	Rs'000	**Rs'000**	Rs'000
Total debt	**3,293,862**	2,671,537	**-**	43
Less: cash and cash equivalents (Note 24(b))	**(647,048)**	(511,107)	**(1,429)**	(1,680)
Net Debt	**2,646,814**	2,160,430	**(1,429)**	(1,637)
Total equity	**4,733,129**	4,723,687	**984,778**	971,101
Gearing Ratio	**55.92%**	45.74%	**N/A**	N/A

31. CASH FLOW HEDGE

The Group is involved in the production and sale of textile apparel, most of which is done through exports to foreign countries. The Group is made up of Knitwear Cluster; Fine knits Cluster and Woven Cluster and is exposed to foreign exchange risk on the sale of textile products denominated in foreign currency. The Group exports almost all of its production in foreign currencies (South African Rand 'ZAR', United States Dollars 'USD', Great Britain Pound 'GBP' and Euro 'EUR').

The Group is mainly faced to the following foreign exchange exposures:

Pre-transaction foreign currency risk

This arises before the transaction ('sales') becomes contractual while a quote is given to the client in foreign currency. Even though the transaction is not confirmed, movement in exchange rate to the disfavour of the Group signifies a potential risk. If a customer later accepts the quote received, there is a risk that the foreign currency price then converted to MUR will not bring the desired margin.

Transaction foreign currency risk

Transactional foreign currency risk arises as soon as a there is a contractual obligation between the Group and the foreign customers. If nothing is done, there is a certain risk that the foreign exchange rate may weaken and if it so happens, the Group may only lose the intended margin on the transaction and may even incur losses if the exchange rate variations are drastically in disfavour of the Group.

The Group adopted the following strategy:

The treasury Committee/Chief Executive of the Group are responsible for the decision making, with the intention to take cover, through forward exchange contracts with a view to cover for sale transactions that are judged as being highly probable. The intention is to cover for transactional exposures as they are unveiled. Prerogative is given to the treasury Committee/Chief Executive of the Group to decide if they would keep part of this position uncovered with the view of benefiting from potential currency appreciation against the MUR.

The Group enters into forward covers to manage its foreign exchange risk on foreign denominated sales. Forward exchange covers are taken for orders received and which are highly probable and this is designated as a cash flow hedge. Forward covers are used as a mechanism to fix the amount of foreign currency denominated sales which are used to modify cashflow between financial instrument and sales receipts upon realisation.

Financial instruments taken to hedge the Group's sales are fair valued and recognised in the statement of financial position as financial assets /liability. For those sales on which a forward has been taken and which has materialised, the resulting fair value gain/loss on re-measurement is accounted for in profit or loss while for those transactions for which the underlying sale has not yet materialised, the fair value gain/loss is recorded in other comprehensive income. The latter is then recycled to profit or loss as soon as the sale materialise and the goods are shipped.

The Group enters into forward contracts (hedge instrument) to buy or to sell foreign currencies at a specified future time at a price agreed upon the contract date. The price is locked until delivery of sales order which normally will not exceed 9 months.

31. CASH FLOW HEDGE (CONTINUED)

Hedge instruments, in this case forward exchange contracts, are expected to be highly effective to mitigate the foreign currency risk exposure on sales (hedge item). By selling forward, the Group expects to mitigate long term currency exchange risk and will revalue in the opposite direction to the underlying transaction.

The objective of the Group is to cover identified exposures (i.e. confirmed orders or highly probable sales orders) to the minimum of 75% and a maximum of 125%. However, this bench mark is determined on a case to case basis by the CEO and treasury committees of the respective business clusters while taking into consideration the specific transaction requirements.

For all sales not yet shipped and for which a forward exchange contract cover has been taken, the Group performs a revaluation of outstanding forward contracts relating to cash flow hedges which is then recorded in the statement of other comprehensive income.

Revaluation of outstanding forex contracts relating to transaction for which an asset has already crystallised in the statement of financial position (sales already shipped and debtors raised) will be recorded in profit or loss.

Subsequently, the cash flow hedge recognised in other comprehensive income will be reversed in profit or loss in the following year, as an underlying asset would already have crystallised upon the orders being shipped (Sales not shipped last year would have been shipped this year).

Hedge instruments in the form of forward foreign exchange contracts is expected to be highly effective as the unshipped sales, which represents the hedged item, has a direct economic relationship to the forward foreign exchange contract entered into to mitigate the foreign exchange exposure on the Group's unshipped and confirmed sales orders at year end.

Although effectiveness is certain to be 100 % as long as plain vanilla forward contracts are used, a 10 % error margin in the hedge effectiveness is considered as acceptable. To determine effectiveness of the hedge, the list of hedge instruments (Forward contracts) are matched with list of sales not yet shipped/highly probable sales (hedge items).

The Group has a single risk category which is the foreign exchange risk on foreign denominated sales.

The Group does not have any forecast transaction for which hedge accounting had been used in the previous period but which is no longer expected to occur.

32. THREE YEAR SUMMARY

(a) THE GROUP

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Stated capital/Issued and paid up share capital	**685,865**	685,865	685,865
Retained earnings	**3,050,177**	2,922,721	2,627,546
Other reserves	**705,034**	785,185	768,082
Amount attributable to owners	**4,441,076**	4,393,771	4,081,493
Profit before taxation	**664,664**	861,578	857,203
Profit for the year	**561,511**	703,641	305,997
Dividends to Ordinary Shareholders	**305,423**	330,875	254,519

(b) THE COMPANY

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Stated capital/Issued and paid up share capital	**685,865**	685,865	685,865
Revaluation surplus	**144,977**	131,874	131,874
Retained earnings	**153,936**	153,362	99,206
Total equity	**984,778**	971,101	916,945
Profit before taxation	**305,485**	384,548	254,850
Profit for the year	**305,997**	385,031	255,639
Dividends to Ordinary Shareholders	**305,423**	330,875	254,519

33. FINANCIAL INSTRUMENTS

THE GROUP

Financial instruments by category

	June 30, 2017			
	Loans and receivables	**Derivatives used for hedging**	**Available for sale**	**Total**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Assets as per statements of financial position				
Available-for-sale financial assets	**-**	**-**	**6,712**	**6,712**
Derivative financial instruments	**-**	**8,011**	**-**	**8,011**
Trade and other receivables (excluding prepayments)	**2,062,230**	**-**	**-**	**2,062,230**
Cash and cash equivalents (excluding bank overdrafts)	**647,048**	**-**	**-**	**647,048**
Total	**2,709,278**	**8,011**	**6,712**	**2,724,001**

	Derivatives used for hedging	**Other financial liabilities at amortised cost**	**Total**
	Rs'000	**Rs'000**	**Rs'000**
Liabilities as per statements of financial position			
Borrowings (excluding finance lease liabilities)	-	3,207,323	**3,207,323**
Finance lease liabilities	-	86,539	**86,539**
Derivative financial instruments	28,474	-	**28,474**
Trade and other payables	-	1,580,407	**1,580,407**
Dividend payable	-	178,163	**178,163**
Total	**28,474**	**5,052,432**	**5,080,906**

33. FINANCIAL INSTRUMENTS (CONTINUED)

THE GROUP

Financial instruments by category

	June 30, 2016			
	Loans and receivables	Derivatives used for hedging	Available for sale	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Assets as per statements of financial position				
Available-for-sale financial assets	-	-	6,712	**6,712**
Derivative financial instruments	-	61,727	-	**61,727**
Trade and other receivables (excluding prepayments)	2,292,644	-	-	**2,292,644**
Cash and cash equivalents (excluding bank overdrafts)	511,107	-	-	**511,107**
Total	**2,803,751**	**61,727**	**6,712**	**2,872,190**

	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
	Rs'000	Rs'000	Rs'000
Liabilities as per statements of financial position			
Borrowings (excluding finance lease liabilities)	-	2,590,038	**2,590,038**
Finance lease liabilities	-	81,499	**81,499**
Derivative financial instruments	56,293	-	**56,293**
Trade and other payables	-	1,609,455	**1,609,455**
Dividend payable	-	203,615	**203,615**
Total	**56,293**	**4,484,607**	**4,540,900**

THE COMPANY

Financial instruments by category

	June 30, 2017		
	Loans and receivables	Available for sale	Total
	Rs'000	Rs'000	Rs'000
Assets as per statements of financial position			
Available-for-sale financial assets	-	6,712	**6,712**
Trade and other receivables (excluding prepayments)	205,178	-	**205,178**
Cash and cash equivalents (excluding bank overdrafts)	1,429	-	**1,429**
Total	**206,607**	**6,712**	**213,319**

	Other financial liabilities at amortised cost	Total
	Rs'000	Rs'000
Liabilities as per statements of financial position		
Borrowings	-	**-**
Trade and other payables	370,496	**370,496**
Dividend payable	178,163	**178,163**
Total	548,659	**548,659**

33. FINANCIAL INSTRUMENTS (CONTINUED)

THE COMPANY

Financial instruments by category

	June 30, 2016		
	Loans and receivables Rs'000	Available for sale Rs'000	Total Rs'000
Assets as per statements of financial position			
Available-for-sale financial assets	-	6,712	**6,712**
Trade and other receivables (excluding prepayments)	232,679	-	**232,679**
Cash and cash equivalents (excluding bank overdrafts)	1,680	-	**1,680**
Total	234,359	6,712	**241,071**

	Other financial liabilities at amortised cost Rs'000	Total Rs'000
Liabilities as per statements of financial position		
Borrowings	43	**43**
Trade and other payables	375,891	**375,891**
Dividend payable	203,615	**203,615**
Total	579,549	**579,549**

34. EMPLOYEE BENEFIT LIABILITY

Redeemable B Shares

The Company issued redeemable shares for executives pursuant to resolutions of the Board approved on February 28, 2005 and approved by the shareholders on April 13, 2005. Under the scheme, a fixed number of Redeemable B shares shares were issued at a fixed price per share. These shares have the following specificities:

100 redeemable shares were issued to the Chief Executive Officer of the Woven Cluster at a consideration of Rs. 35,001 each. The shares are not transferable, carry no voting rights and are redeemable at subscription price at the option of the Company.

The shares will entitle the holder to a non-cumulative annual dividend equivalent to 0.02% of the dividend paid to ordinary shareholders.

As the overall contract does not evidence any residual interest to the shareholder, the directors are thus of opinion that the contract is a financial liability. Dividends payable are recognised as an expense in profit or loss over the term of the contract.

35. SUBSEQUENT EVENTS

Following the voluntary offer made by CIEL Limited to the shareholders of CIEL Textile Limited and closed by July 20, 2017, the percentage shareholding of CIEL Limited increased from 56.31% to 88.48%.

Following Mauritius Government budget 2017/2018 presentation, the corporate tax for export companies has been reduced from 15% to 3% on profits derived from exports of goods. This finance bill was voted on July 18, 2017 and gazetted on July 26, 2017.

36. HOLDING COMPANY

The holding company is CIEL Limited, a public company incorporated in the Republic of Mauritius. It is listed on the Stock Exchange of Mauritius. Its registered office is situated on the 5th Floor Ebène Skies, Rue de L'Institut, Ebène.

Corporate Information

REGISTERED OFFICE
5th Floor, Ebène Skies
Rue de l'Institut
Ebène
Tel: +230 404-2200
Fax: +230 404-2201
Email: info@cielgroup.com

FINANCIAL & SECRETARIAL SERVICES
CIEL Corporate Services Ltd
5th Floor, Ebène Skies,
Rue de l'Institut, Ebène
Mauritius
Tel : +230 404 2200
Fax: +230 404 2201

REGISTRAR & TRANSFER OFFICE
If you are a shareholder and have inquiries regarding your account, wish to change your name and address, or have questions about lost certificates, share transfers or dividends, please contact our Registrar & Transfer Office:

MCB Registry & Securities Limited
2nd Floor MCB Centre
Sir William Newton Street
Port Louis
Tel: +230 202 5397
Fax: +230 208 1167

MAIN BANKERS
The Mauritius Commercial Bank Ltd
The Hong Kong and Shanghai Banking Corporation Limited
Barclays Bank Plc
Bank One Ltd
Standard Bank (Mauritius) Ltd
The State Bank of Mauritius Ltd

EXTERNAL AUDITORS
Deloitte

INTERNAL AUDITORS
Ernst & Young

NOTARY
Etude Montocchio – d'Hotman

LEGAL ADVISORS
Thierry Koenig SA, ENSafrica (Mauritius)
Maxime Sauzier SC, ENSafrica (Mauritius)
Patrice Doger de Spéville, De Spéville Desvaux

WEBSITE
http://www.cielgroup.com

HOW TO CONTACT OUR MAIN SUBSIDIARIES?

Aquarelle Group Companies
Boundary Road, Quatre-Bornes
Mauritius
Tel: +230 402 1100
Fax: +230 466 0007

Consolidated Fabrics Limited
Royal Road, Solitude
Mauritius
Tel: +230 204 1670
Fax: +230 261 5845

Tropic Knits Group
Royal Road, Forest Side
Mauritius
Tel: +230 602 1000
Fax: +230 675 2501

CDL Knits Limited
Royal Road, Forest Side
Mauritius
Tel: +230 602 3800
Fax: +230 675 3348

Floreal Knitwear Limited
Mangalkhan, Floreal
Mauritius
Tel: +230 601 1000
Fax: +230 686 2337

CTL Retail Limited
Mangalkhan, Floreal
Mauritius
Tel: +230 601 1000
Fax: +230 686 2337

Ferney Spinning Mills Limited
Royal Road, Forest Side
Mauritius
Tel: +230 601 3000
Fax: +230 675 6100

Notice of **Annual Meeting**

Notice is hereby given that the Annual Meeting ("the Meeting") of the Shareholders of CIEL Textile Limited ("the Company") will be held on December 11, 2017, at 10.30 hours at the Registered Office of the Company, 5th floor, Ebène Skies, rue de l'Institut, Ebène, to transact the following business in the manner required for passing Ordinary Resolutions:

AGENDA

1. To receive, consider and approve the Group's and the Company's audited Financial Statements for the year ended June 30, 2017, including the Annual Report and the Auditors' Report, in accordance with section 115(4) of the Companies Act 2001.
2. To elect, as Director of the Company to hold office until the next Annual Meeting, Mrs. Hélène Echevin, who has been nominated by the Board of Directors on September 22, 2017 and who offers herself for election.

3-12. To re-elect, on the recommendation of the Corporate Governance, Nomination & Remuneration Committee, as Directors of the Company to hold office until the next Annual Meeting, the following persons who offer themselves for re-election (as separate resolutions):
   3. Mr. P. Arnaud Dalais
   4. Mr. Jean-Pierre Dalais
   5. Mr. L. J. Jérôme De Chasteauneuf
   6. Mr. Antoine Delaporte
   7. Mr. Henri de Simard de Pitray
   8. Mr. Eric Dorchies
   9. Mr. Roger Espitalier Noël
   10. Mr. J. Harold Mayer
   11. Mr. Alain Rey
   12. Mr. Eddy Yeung Kan Ching

13. To appoint PricewaterhouseCoopers Ltd as auditors of the Company for the financial year ending June 30, 2018 and to authorise the Board of Directors of the Company to fix their remuneration.
14. To ratify the remuneration paid to the auditors for the year ended June 30, 2017.

By Order of the Board

Clothilde de Comarmond, ACIS
Per CIEL Corporate Services Ltd
Company Secretary

October 23, 2017

Notes:

(a) A shareholder of the Company entitled to attend and vote at the Meeting may appoint a proxy, whether a member or not, to attend and vote in his/her stead. A proxy need not be a shareholder of the Company.
(b) Proxy Forms should be deposited at the Company's Share Registry and Transfer Office, MCB Registry & Securities Limited, 2nd Floor, MCB Centre, Sir William Newton Street, Port Louis, not less than 24 hours before the Meeting, and in default, the instrument of proxy shall not be treated as valid.
(c) Postal votes shall reach the Company's Share Registry & Transfer Office, MCB Registry & Securities Limited, 2nd Floor, MCB Centre, Sir William Newton Street, Port Louis, not less than 48 hours before the Meeting, and in default, the postal vote shall not be treated as valid.
(d) A proxy form and postal vote are included in this Annual Report and are also available at the Registered Office of the Company.
(e) For the purpose of this Meeting, the shareholders who are entitled to receive notice and attend the Meeting shall be those shareholders whose names are registered in the share register of the Company as at November 13, 2017.
(f) The minutes of the Annual Meeting held on December 14, 2016 are available for consultation by the shareholders of the Company during normal trading office hours, at the Registered Office of the Company.
(g) The profiles and categories of Directors proposed for re-election/appointment are set out under the Corporate Governance section of the Annual Report.

Proxy Form

I/We

of

being a shareholder(s) of CIEL Textile Limited (''the Company'') hereby appoint

of

or, failing him/her

of

or, failing him/her the Chairman of the Meeting, as my/our proxy to represent me/us and vote for me/us and on my/our behalf at the Annual Meeting of the Shareholders of the Company to be held on December 11, 2017, at 10.30 hours at the Company's Registered Office, 5th Floor, Ebène Skies, rue de l'Institut, Ebène and at any adjournment thereof.

I/We direct my/our proxy to vote in the following manner (Please vote with a tick):

	RESOLUTIONS	FOR	AGAINST	ABSTAIN
1.	To receive, consider and approve the Group's and the Company's audited Financial Statements for the year ended June 30, 2017, including the Annual Report and the Auditors' Report, in accordance with section 115(4) of the Companies Act 2001.			
2.	To elect, as Director of the Company to hold office until the next Annual Meeting, Mrs. Hélène Echevin, who has been nominated by the Board of Directors on September 22, 2017 and who offers herself for election.			
3-12.	To re-elect, on the recommendation of the Corporate Governance, Nomination & Remuneration Committee, as Directors of the Company to hold office until the next Annual Meeting, the following persons who offer themselves for re-election (as separate resolutions):			
	3. Mr. P. Arnaud Dalais			
	4. Mr. Jean-Pierre Dalais			
	5. Mr. L. J. Jérôme De Chasteauneuf			
	6. Mr. Antoine Delaporte			
	7. Mr. Henri de Simard de Pitray			
	8. Mr. Eric Dorchies			
	9. Mr. Roger Espitalier Noël			
	10. Mr. J. Harold Mayer			
	11. Mr. Alain Rey			
	12. Mr. Eddy Yeung Kan Ching			
13.	To appoint PricewaterhouseCoopers Ltd as auditors of the Company for the financial year ending June 30, 2018 and to authorise the Board of Directors of the Company to fix their remuneration.			
14.	To ratify the remuneration paid to the auditors for the year ended June 30, 2017.			

Signed this _____ day of _____ 2017

Signature/s _____

Notes:

(a) Any shareholder entitled to attend and vote at the Meeting may appoint a proxy, whether a member or not, to attend and vote in his/her stead.

(b) If the instrument appointing the proxy is returned without any indication as how the proxy shall vote on any particular reason, the proxy will exercise his/her discretion as to whether, and if so, how he/she votes.

(c) Proxy forms should be deposited at the at the Company's Share Registry & Transfer Office, MCB Registry & Securities Limited, 2nd Floor, MCB Centre, Sir William Newton Street, Port Louis, not less than 24 hours before the Meeting, and in default, the instrument of proxy shall not be treated as valid.

Postal Vote

I/We

of

being a shareholder(s) of CIEL Textile Limited ("the Company"), do hereby cast my/our* vote by post, by virtue of section 19.10 of the Constitution of the Company, for the Annual Meeting of the Shareholders of the Company to be held on December 11, 2017, at 10.30 hours at the Company's Registered Office, 5th Floor, Ebène Skies, rue de l'Institut, Ebène and at any adjournment thereof.

I/We desire my/our vote to be cast on the Resolutions as follows: (Please vote with a tick).

RESOLUTIONS		FOR	AGAINST	ABSTAIN
1.	To receive, consider and approve the Group's and the Company's audited Financial Statements for the year ended June 30, 2017, including the Annual Report and the Auditors' Report, in accordance with section 115(4) of the Companies Act 2001.			
2.	To elect, as Director of the Company to hold office until the next Annual Meeting, Mrs. Hélène Echevin, who has been nominated by the Board of Directors on September 22, 2017 and who offers herself for election.			
3-12.	To re-elect, on the recommendation of the Corporate Governance, Nomination & Remuneration Committee, as Directors of the Company to hold office until the next Annual Meeting, the following persons who offer themselves for re-election (as separate resolutions):			
	3. Mr. P. Arnaud Dalais			
	4. Mr. Jean-Pierre Dalais			
	5. Mr. L. J. Jérôme De Chasteauneuf			
	6. Mr. Antoine Delaporte			
	7. Mr. Henri de Simard de Pitray			
	8. Mr. Eric Dorchies			
	9. Mr. Roger Espitalier Noël			
	10. Mr. J. Harold Mayer			
	11. Mr. Alain Rey			
	12. Mr. Eddy Yeung Kan Ching			
13.	To appoint PricewaterhouseCoopers Ltd as auditors of the Company for the financial year ending June 30, 2018 and to authorise the Board of Directors of the Company to fix their remuneration.			
14.	To ratify the remuneration paid to the auditors for the year ended June 30, 2017.			

Signed this _____ day of _____ 2017

Signature/s _____

Note:

Duly signed postal votes shall reach the Company's Share Registry & Transfer Office, MCB Registry & Securities Limited, 2nd Floor, MCB Centre, Sir William Newton Street, Port Louis, not less than 48 hours before the Meeting, and in default, the postal vote shall not be treated as valid.

Application Form

Should you wish to receive by e-mail, future notice of shareholders' meetings, annual reports, accounts, credit advices and other shareholder documents made available to you in your capacity as shareholder of CIEL Textile Limited, kindly fill in that section and return to:

CIEL Textile Limited
C/o MCB Registry & Securities Ltd
9th Floor, MCB Centre
Sir William Newton Street
Port Louis, Mauritius

Dear Sir/Madam,

Re: Authorisation to receive electronic communications

I/We,

_____

Name of shareholder *(primary shareholder in case of joint holding)*

National Identity Card Number/Passport Number
(for individuals)

Business Registration Number
(for corporate bodies)

agree to receive by e-mail, notice of shareholders' meetings, annual reports, accounts, credit advices and other shareholder documents made available to me/us in my/our capacity as shareholder of CIEL Textile Limited ("CIEL Textile") and also agree to receive notification that documents such as annual reports and circulars have been posted on CIEL Textile's website for consultation. I/We also agree to abide to the Terms and Conditions defined below.

Email address

Yours faithfully,

_____
Name of signatory

Signature/s

Contact number: _____

Date: _____

Terms and Conditions:

- Upon approval of my/our request, issuance of paper notice of meetings, annual reports, accounts, credit advices and other shareholder documents shall be discontinued. However, in particular circumstances, I/we understand that CIEL Textile reserves the right to send documents or other information to the shareholders in hard copy rather than by e-mail.
- CIEL Textile cannot be held responsible for any failure in transmission beyond its control any more than it can for postal failures.
- My/our instruction will also apply to any shares that I/we may hold jointly.
- In case of joint holders, the person named first in the share register will be eligible to fill in and sign this document.
- In case of companies, the person/s authorised will be eligible to fill in and sign this document, and, as a corporate shareholder, we shall ensure that the e-mail address provided shall easily be read by/accessible to employees responsible for our shareholding in CIEL Textile and that any de-activation of the said e-mail address will be notified promptly to CIEL Textile, C/o MCB Registry & Securities Ltd, 2nd floor, MCB Centre, Sir William Newton Street, Port Louis, Mauritius.
- I/We shall be responsible for updating the designated e-mail address details, as and when necessary, to CIEL Textile, C/o MCB Registry & Securities Ltd, 2nd floor, MCB Centre, Sir William Newton Street, Port Louis, Mauritius.
- I/We further undertake to hold CIEL Textile and/or its agents harmless in the execution of my/our present instructions and not to enter any action against the aforesaid parties and hereby irrevocably renounce to any rights I/We might have accordingly.
- The present authorisation shall remain valid until written revocation by me/us is sent to CIEL Textile, C/o MCB Registry & Securities Ltd, 2nd floor, MCB Centre, Sir William Newton Street, Port Louis, Mauritius.
- This instruction supersedes any previous instruction given to CIEL Textile regarding the despatch of the documents mentioned above.

Notes

CIEL Textile Limited
5th floor, Ebène Skies
Rue de l'Institut, Ebène
Mauritius

www.cielgroup.com

BRN: C06001871

100%
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