ANNUAL REPORT 2018

To enhance life and growth

LES GAZ INDUSTRIELS LTD.
UNE VALEUR SÛRE
Est. 1952

OPERATIONS IN MADAGASCAR

Launch of our Oxygen Plant in Madagascar in May 2018

Founded in 2008, Gaz Industriels Madagascar S.A. (GIM) is specialized in the storage and delivery of medical and industrial gases as well as welding accessories.

Being affiliated to Les Gaz Industriels Limited, one of the pioneers in gas manufacturing in the Republic of Mauritius, GIM has the necessary expertise to continuously provide quality service to its clients and partners.

Dear Shareholder,

The Board of Directors is pleased to present the Annual Report of Les Gaz Industriels Limited and its subsidiary for the year ended June 30, 2018, the contents of which are listed below.

This report was approved by the Board of Directors on September 28, 2018.

Antoine L. Harel
Chairman

Christopher Hart de Keating
Chief Executive Officer

Contents

LGI at First Sight

One Stop Shop

Life Saving Products

Team

43 12

Founded in **1952**

Madagascar Growing Presence

Listed on Development & Enterprise Market of the Stock Exchange of Mauritius since **2007**

Rs. 139,056,624 Market Capitalisation

Rs. 90,282,290 Revenue

Rs. 155,093,004 Distributable Reserves

282 Shareholders

Products

Medical Gases

Industrial Gases

Welding Electrodes

Welding Equipment

Welding Accessories

Cutting Equipment

Gas Reticulation Installation

Medical Equipment & Consumables

Our VISION

To be the reference gas solutions provider in our markets

We rely on the Sun's energy to live on Earth and it is our nearest star. It is, as all stars are, a hot ball of gas made up mostly of Hydrogen. The Sun shines because it is turning hydrogen into helium via the process of nuclear fusion in its extremely hot core

Our VALUES

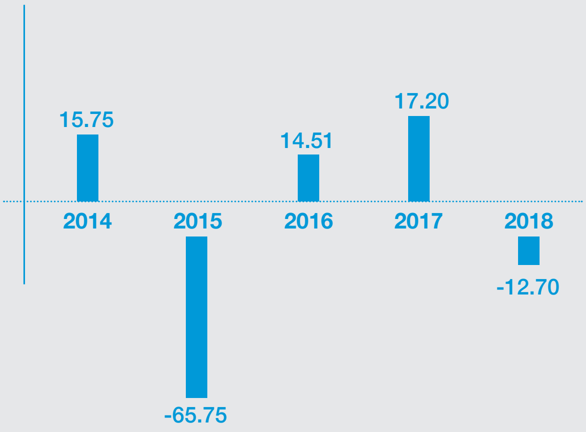
We will...
Value customers through winning attitudes

Baobab trees are widely thought to store large volume of water (H_2O) in their stems for use during the period of droughts. There are nine species of the baobab tree, six are from Madagascar

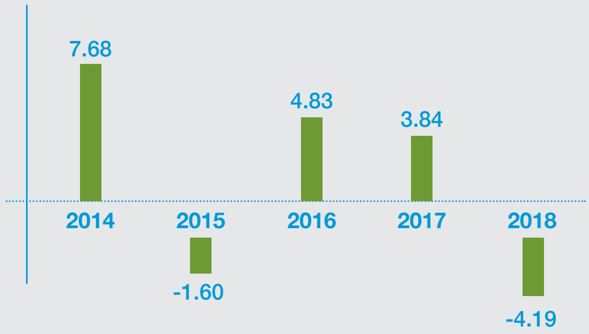
Financial Highlights

June 30, 2018

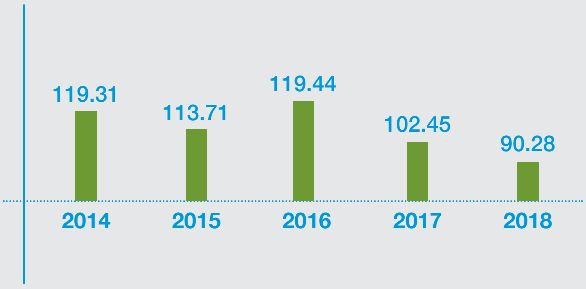
Price Earning Ratio
Number of times



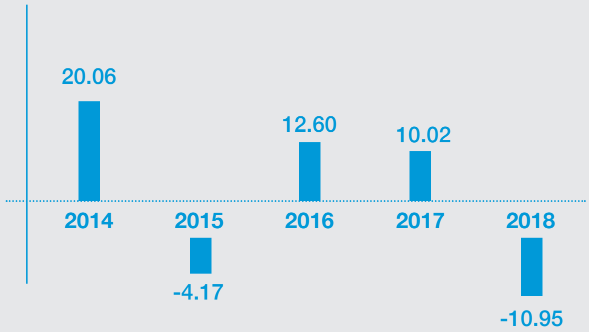
Earnings per Share
Rs.



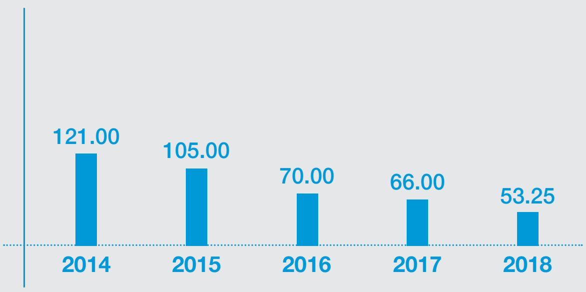
Revenue
Rs. (Million)



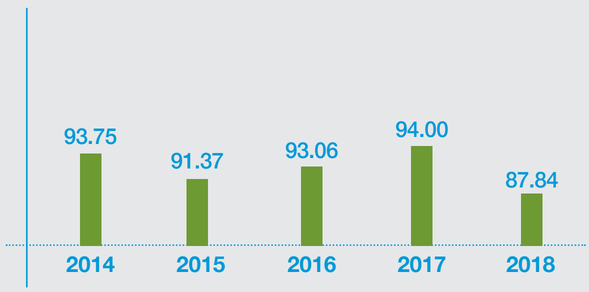
Profit after Taxation
Rs. (Million)



Market Price per Share
Rs.



Net assets per Share
Rs.



Corporate Information

HEAD OFFICE
Pailles Road
G.R.N.W.
P.O.Box 673
Bell Village
Tel: (230) 212 8306
(230) 212 8311
(230) 212 1474
Fax: (230) 212 0235
Hotline: (230) 800 1133
Email: contactus@gaz-industriels.com
Website: www.gaz-industriels.com

REGISTERED OFFICE
18, Edith Cavell Street
Port-Louis
Republic of Mauritius
Tel: (230) 207 3000

SUBSIDIARY
Gaz Industriels Madagascar SA
Lot 4 - Bloc 1, Zone Industrielle Forello
Tanjombato, Antananarivo 101
Madagascar
Tel: (261) 20 22 576 00
Fax: (261) 20 22 576 00
Email: contacternous@gazindmada.com

REGISTRY & TRANSFER OFFICE
Harel Mallac Corporate Services Ltd
18, Edith Cavell Street
Port-Louis
Republic of Mauritius
Tel: (230) 207 3000

SECRETARY
HM Secretaries Ltd
18, Edith Cavell Street
Port-Louis
Republic of Mauritius
Tel: (230) 207 3000

BUSINESS REGISTRATION NUMBER
C07000817

EXTERNAL AUDITORS
BDO & Co.
Chartered Accountants
10, Frère Félix de Valois Street
Port Louis
Republic of Mauritius
Tel: (230) 202 3000
Fax: (230) 202 9993

INTERNAL AUDITORS
PricewaterhouseCoopers Ltd
18 Cybercity
Ebène
Republic of Mauritius
Tel: (230) 404 5000
Fax: (230) 404 5088

ENGINEERING AUDIT
African Oxygen Limited (AFROX)
Afrox House
23 Webber Street, Selby
Johannesburg,
Republic of South Africa
Tel: (+27) 011 490 0400

BANKERS
The Mauritius Commercial Bank Limited
Sir William Newton Street
Port-Louis
Republic of Mauritius
Tel: (230) 202 5000
Fax: (230) 212 2233

Banque des Mascareignes
Maeva Tower Ltd
9ème Etage
Cnr Silicon Avenue & Bank Street
Cybercity 72201
Tel: (230) 207 8600
Fax: (230) 212 4983

Statutory Disclosures

June 30, 2018

DIRECTORS

Directors of the Company and of its subsidiary company at the end of the accounting period are as follows:

Les Gaz Industriels Limited

Messrs./Ms. Antoine L. Harel (Chairman)
Laurent Bourgault du Coudray
Christopher Hart de Keating
Marius Johannes Kruger
Catherine McIlraith
Sivavalan Moodley (Appointed on June 15, 2018)
Basil Miller (Resigned on May 02, 2018)
Michel Guy Rivalland (Alternate to Laurent Bourgault du Coudray)

Gaz Industriels Madagascar SA

Messrs. Antoine L. Harel (Chairman)
Christopher Hart de Keating
Marius Johannes Kruger
Raphaël Jakoba

DIRECTORS' SERVICE CONTRACTS

Mr. Christopher Hart De Keating has a service contract with the Company without expiry date.

None of the other directors has unexpired service contracts with the Company.

DIRECTORS' REMUNERATION

Remuneration and benefits received or due and receivable from the Company and its subsidiary company were as follows:

	From the Company		From Subsidiary	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
Executive Directors				
- Full time	**3,399,871**	3,599,030	**-**	-
- Part time	**-**	-	**-**	-
Non-executive Directors	**1,552,900**	1,465,000	**-**	-
	4,952,771	5,064,030	**-**	-

The directors of the subsidiary company did not receive any remuneration and benefits from the subsidiary during the year ended June 30, 2018 (2017: Nil).

The directors do not have any contract of significance with the Company.

Statutory Disclosures

June 30, 2018

DONATIONS

	The Group		The Company	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
Donations	**50,000**	50,000	**50,000**	50,000

AUDITORS FEES

	The Group		The Company	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
Audit fees paid to:				
BDO & Co	**350,000**	340,000	**350,000**	340,000
Etika	**54,999**	53,015	**-**	-
	404,999	393,015	**350,000**	340,000
Fees paid for other services to:				
BDO & Co	**95,000**	95,000	**95,000**	95,000
PricewaterhouseCoopers Ltd	**250,000**	87,500	**250,000**	87,500
	345,000	182,500	**345,000**	182,500

Approved by the Board of Directors on September 28, 2018 and signed on its behalf by:

Antoine L. Harel
Chairman

Christopher Hart de Keating
Chief Executive Officer

Board of Directors' Report

Year Ended June 30, 2018

Dear Shareholders,

The Board of Directors of Les Gaz Industriels Limited ("LGI") has the pleasure to submit its report for the year ended June 30, 2018.

The report provides an insight of the developments, activities and results of the Company and the Group for the year under review.

As expected, this past year has been tough and challenging for the Group. Fierce competition in our traditional market, namely the medical gas sector, has brought about a sharp drop in prices, which in turn has resulted in lower revenue.

On the other hand, the operations at our subsidiary in Madagascar, Gaz Industriels Madagascar SA ("GIM"), continued to be encouraging in a challenging environment.

The local economy has been fairly stable. Forecasted national growth rate of 3.9% for the year is more or less expected to be achieved.

Our Performance

Group revenue, which amounted to Rs. 94.7m for the year, fell by 9.6% compared to revenue of Rs. 104.8m in 2017.

The Group registered a loss of Rs. 9.7m, as opposed to a profit of Rs. 8.5m in the previous year.

Net Assets of the Group fell from Rs. 241.9m to Rs. 224.1m, resulting in a fall in Net Asset Value per share of Rs. 6.82

Our Operations

Since a few years, non-traditional new entrants in the market have brought about fierce competition, thus affecting negatively the Group's revenue.

Spiralling costs of freight and a depreciating rupee against our main trading currencies, especially in the last few months, have not helped the Group in terms of imported products. Margins have therefore had to be squeezed.

The new strategy mentioned in the last years has reached the final phase of its implementation process. This is helping the Group to address the difficulties it is currently facing.

One of the main axes of the strategy is a diversification programme with regards to revenue stream. This revolves around reducing dependency and exposure on our historical sectors.

We are pleased to report that a new line of business is being developed by LGI. The set-up is almost complete and revenue generation is expected to start very soon.

Our strategic initiatives also include a reduction of the cost base of the organisation. This is also fully under way and the full results are expected to be seen in the next financial year.

The Group is also pursuing its regional development. There are interesting prospects at our subsidiary in Madagascar. To take benefit of these prospects, the Board has approved investments of Rs. 5.5m for the setting up of an oxygen gas filling facility there. The new equipment is fully operational since May 2018. GIM is now equipped to achieve the forecasted results.

The Board is fully committed in supporting the Management and staff of the Group in implementing these strategies. We are also following closely their results and will ensure these will always be in the best interests of the Group and its stakeholders.

In line with long established policies at LGI, the Board is ensuring that the new developments mentioned above, and others to come, fully comply with all safety requirements and that these are sustainable with regards to the environment.

Board of Directors' Report

Year Ended June 30, 2018

Our Worth

Despite the difficulties encountered during this year, LGI is in a good financial condition. Strong reserves built over the years and a consistent prudent approach by the Board ensures that the Group has always been financially well prepared to weather storms such as the one currently hitting us.

Distributable reserves amount to Rs. 147.7m. The Group's Net Asset Value per share was Rs. 85.83. This is 61.2% higher than the share price of Rs. 53.25 at 30 June 2018.

A dividend of Rs. 2.70 per share was paid in October 2017. The cautious approach with regards to dividend payments, which has always been adopted by the Board, shall continue.

Our Board

During the year, one of the main shareholders, African Oxygen Limited ("Afrox"), decided to renew one of its two Nominated Directors on the Board of LGI. Mr. Basil Miller was replaced by Mr. Sivavalan Moodley.

Mr. Miller has been a Board member since October 01, 2015. The Board wishes to put on record its appreciation for his valuable contribution during his tenure.

Mr. Moodley has a wide experience in the gas and gas-related fields. We welcome him on the Board and look forward to benefitting from his vast knowledge.

The Board reiterates its commitment to support the personnel of LGI in their quest to achieve sustainable growth for the Group.

Our Community

The Group values the criticality of Safety, Health, Environment & Quality ("SHEQ") in its daily operations. We ensure that all stakeholders are aware of and abide by our SHEQ regulations and requirements.

To that effect, a SHEQ Sub-Committee of the Board has been set up since many years to assess compliance with safety rules and try to prevent incidents.

LGI also remains committed to applying best practices that preserve the environment. The Board will never seek growth and profitability that are detrimental to the environment.

Our Crew

The personnel of the Group remains its main asset. The Board and Management believe that having skilled and well trained staff can only bring about efficiency.

Management ensures that proper training programmes are in place for staff across the organisation. Such programmes lead to improved operational efficiencies, which in turn lead to the good running of the Group.

The team at our subsidiary in Madagascar is also provided with adequate training. During the year, 2 members of that team were seconded to LGI in order to improve their skills, both on technical and safety aspects.

Investment in our people can only be beneficial to the long term prospects of the Group. We are also committed to retain our staff and will ensure that established career paths for each role within the organisation are in place.

Our Future

The current year has seen some stabilisation on the macroeconomic front. Higher economic growth will largely depend on sustained public and private investments. We are pleased to note that large scale projects, such as smart cities and metro express, are already under way. These will definitely boost the construction sector in the year ahead.

Board of Directors' Report

Year Ended June 30, 2018

LGI is positioning itself to capitalise on these positive prospects. Furthermore, we look forward to positive returns from our new lines of business, such as the medical equipment and consumables department. The Board also expects that the investments made in GIM will enhance the Group's results in the coming years.

The Board and Management are confident that the direction taken by LGI will reap benefits in the years to come. We look forward to the Group evolving and adapting with success to the new prevailing conditions.

Our Gratitude

It has been a demanding year for the LGI family. We are pleased to note that everyone remained upbeat despite the difficulties faced. For that, the Board expresses its heartfelt thanks to the Chief Executive Officer and the LGI team for their hard work, resilience and achievements in adverse conditions. The Board looks forward to the team's continued contribution, as we aim for new heights for the Group.

We also wish to highlight the unflinching support of our customers, suppliers and other stakeholders during the year. The Board is grateful to them for their seal of confidence in the Group.

On behalf of the Board,

Antoine L. Harel
Chairman

September 28, 2018

Corporate Governance Report

Year Ended June 30, 2018

INTRODUCTION

Les Gaz Industriels Limited is committed to the highest standard of business integrity, transparency and professionalism to ensure that the activities within the Company are managed ethically and responsibly to enhance business value for all its stakeholders.

The new National Code of Corporate Governance for Mauritius ("the Code") adopted in 2016 employs an 'apply and explain approach'. In this report, the Board endeavours to explain how the Company has applied the Code.

GOVERNANCE STRUCTURE

The Company is a Public Interest Entity ("PIE") as defined under the Financial Reporting Act 2004.

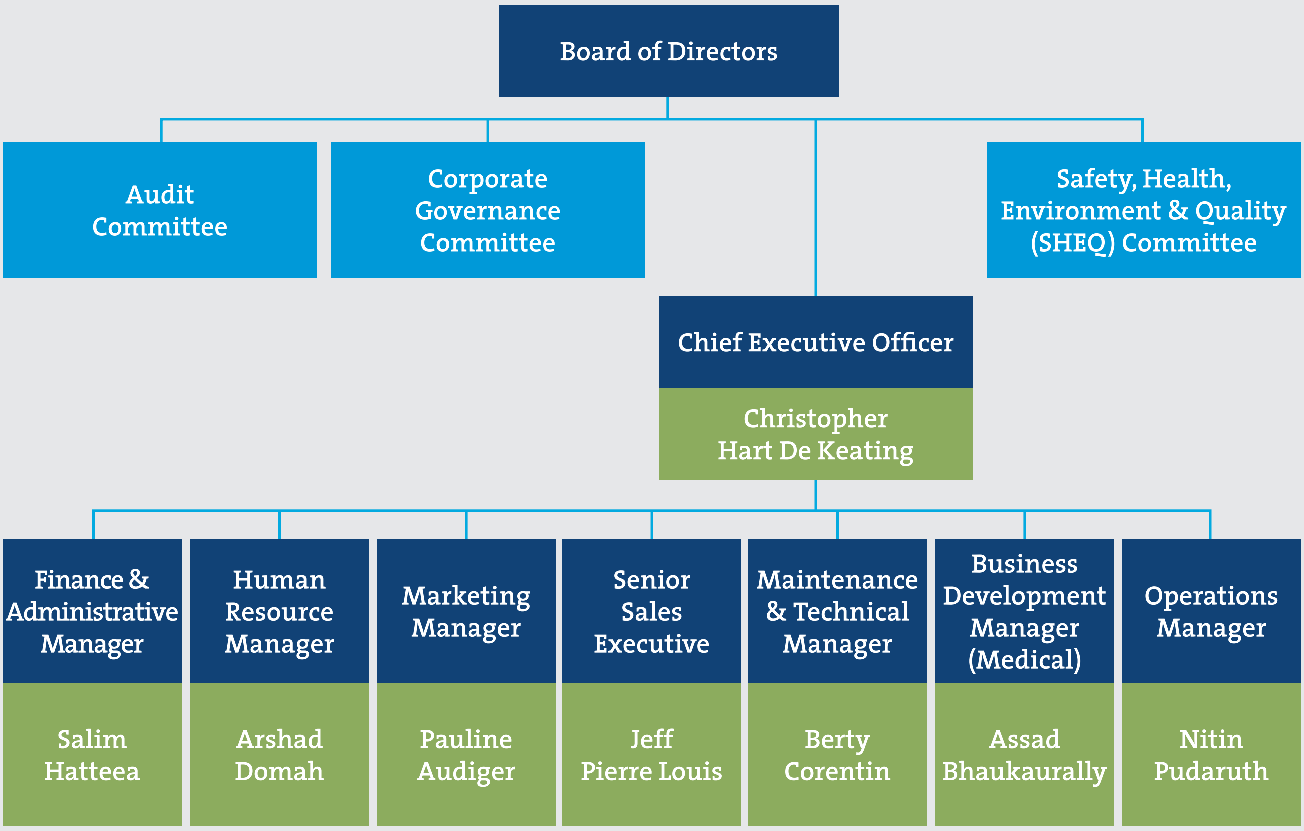
The Company is headed by an effective Board which meets regularly to fulfil its duties and responsibilities as defined in the Company's Memorandum and Articles of Association ("M&A") and in the Companies Act 2001 ("the Act").

The process for the appointment and removal of the directors as well as the latter's duties and responsibilities are clearly defined in the Company's M&A and in the Act. The Company's M&A also provides appropriate framework as to the Board's composition, directors' remuneration and procedures for board meetings. The Board is of the view that a Board Charter is not required given the existing framework.

The Board has set up three board committees namely the Audit Committee, the Corporate Governance Committee and the SHEQ Committee (Safety, Health, Environment and Quality Committee).

The Board of Directors oversees the general operations of the Company, including risk management. It also ensures compliance of all legal and regulatory requirements.

The Board has adopted a delegation of authority matrix to ensure that there is transparency, control and coherence in the functioning of organisation.



The job descriptions of the senior Management members and senior officers of the Company have been reviewed and agreed by the Board.

Code of Ethics

The Company highly values ethics and the Code of Ethics adopted by the Board is at the core of the Company's culture. LGI aims to earn the trust of customers, shareholders, colleagues, suppliers and communities through honesty, performance excellence, good corporate governance and accountability. LGI expects people to respect confidential information, company time and assets. Moreover, the Company believes in open and honest communication, fair treatment and equal opportunities, and supports the fundamental principles of human rights. The effectiveness and efficiency of the Company's Code of Ethics are reviewed regularly by the Board of Directors to ensure the same is applied at all levels. The Code of Ethics is available on our website.

Statement of Accountabilities

The Board of Directors sets the general strategies and policies of the Company, which are then implemented by senior officers with the support of their respective teams. These senior officers are experienced professionals in their fields. The Board also relies on the three specialised committees it has set up, namely the Audit Committee, the Corporate Governance Committee and the Safety, Health, Environment & Quality Committee.

THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

The Board

Les Gaz Industriels Limited has a unitary Board of Directors. The role of the Chairman and that of the CEO are separate. While the Chairman leads the Board and sees to it that the Board acts efficiently, the CEO manages and leads the business.

The Board is responsible for setting the Company's direction through the establishment of strategic objectives and key policies. The Board has the responsibility of discussing and reviewing planning issues, operation and financial performances, acquisitions and disposals, capital expenditure, risk issues, stakeholders' communications and other matters falling within its ambit. It further ensures that proper systems of management and internal controls are in place.

The Directors are entitled to seek independent professional advice at LGI's expense.

Balance

The Board of Directors at June 30, 2018, comprised of one executive member and five non-executive members, of whom two are independent. Board members are of both genders. The Board does not consider it necessary to have more than one executive member in view of the size of LGI and that of the Board. This structure ensures an appropriate and efficient balance of knowledge of the business and independence and objectivity for the effective execution of the Board's responsibilities.

Director's Independence Review

The Board is of the view that a director's independence is not dependent of his term of office. The Board believes that a director's independence is measured by the latter's ability to think, analyse and decide independently and the person's capacity to stand up to contrary views and opposing arguments. The Board has therefore taken the stand that it will ascertain a director's independence on these criteria rather than by the number of years spent on the Board.

Corporate Governance Report

Year Ended June 30, 2018

Board Meetings and Attendance

Board meetings are set well in advance to maximise Directors' attendance. The meetings are prepared by the Chairman, the CEO and the Company Secretary. Board papers are circularised to the Directors generally at least three days before the meetings.

Calendar of meetings for the ensuing year is issued by the Company Secretary

The CEO and the Chairman finalise the Board/Committee agendas

Board and Committee papers are prepared and made available to the Directors usually three clear days prior to the meeting

During the period under review, the Board of Directors met on five occasions.

Attendance of the Directors to the Board meetings is set out below.

Directors	Board Attendance
Antoine L. Harel	5/5
Catherine McIlraith	5/5
Laurent Bourgault de Coudray	4/5
Christopher Hart De Keating	5/5
Marius Kruger	5/5
Basil Miller	3/4

Company Secretary

All the Directors have access to the advice and services of HM Secretaries Ltd., the Company Secretary, who is in turn responsible to the Board for ensuring the proper administration of Board proceedings. The Company Secretary provides guidance to Directors on matters of corporate governance and with regard to their responsibilities as Directors with regard to the statutory environment in which the Company operates.

Board Committees

In order to help it carry out its duties and responsibilities, the Board has set up three committees. The Chairpersons of these committees regularly report to the Board on all matters discussed during the committees meetings and the Board proceeds with appropriate decision making.

Audit Committee

The Audit Committee is chaired by Mrs Catherine McIlraith and comprises Messrs Laurent Bourgault du Coudray and Marius Kruger. The Committee met six times during the period under review. The Chief Executive Officer, the Finance and Administrative Manager, as well as the internal and external auditors, attend the Committee's meetings. The Company Secretary acts as secretary to the Committee.

The Committee fulfilled its responsibilities for the year under review, in compliance with its formal terms of reference that were approved by the Board of Directors.

In discharging its responsibilities, the Audit Committee reviews:

- the quality of financial information and other public and regulatory reporting;
- the Company's internal control systems and procedures for identifying business risks;
- the Company's control system for identifying and mitigating risks;
- the Company's policies for preventing or detecting fraud;
- the Company's policies for ensuring that the Company complies with the relevant regulatory and legal requirements;
- any other duties detailed in the Committee's Terms of Reference approved by the Board of Directors and submits its recommendations to the Board for appropriate decision making.

The Audit Committee is entitled to seek external professional support, if required, at the Company's expense.

Corporate Governance Committee

The Corporate Governance Committee presently comprises three members, namely Mr Antoine L. Harel (Chairman), Mrs Catherine McIlraith and Mr Marius Kruger.

The Committee met three times during the financial year under review. The Chief Executive Officer attends the Committee's meetings whenever required. The Company Secretary acts as secretary to the Committee.

The Committee fulfilled its responsibilities for the year under review, in compliance with its formal terms of reference that were approved by the Board of Directors.

The Committee's terms of reference include key areas that are the remit of a nomination and remuneration committee. The Committee also develops the Company's general policy on corporate governance in accordance with the Code.

The Corporate Governance Committee is authorised to obtain, at the Company's expense, professional advice both within and outside the Company in order for it to perform its duties.

Safety, Health, Environment & Quality (SHEQ) Committee

Les Gaz Industriels Limited's (LGI) commitment to sustainable development as a strategic priority encompasses its commitment towards SHEQ. A SHEQ Committee was set up on September 27, 2013 to assist the Board in overseeing the effectiveness of SHEQ management systems within LGI and its subsidiary and to make recommendations to the Board on SHEQ issues.

The SHEQ Committee presently consists of two members namely Messrs Marius Kruger (Chairman) and Christopher Hart de Keating. Mr. Basil Miller chaired the SHEQ Committee until 2 May 2018, date on which he ceased to be on the Board of LGI. The Committee met four times during the year under review. The SHEQ Executive, the Operations Manager and the Technical and Development Executives attend the Committee's meetings.

Committee Attendance

Directors	Corporate Governance	Audit Committee	SHEQ Committee
Antoine L. Harel	3/3	-	-
Catherine McIlraith	3/3	6/6	-
Laurent Bourgault du Coudray	-	5/6	-
Christopher Hart De Keating	-	-	4/4
Marius Kruger	3/3	6/6	1/1
Basil Miller	-	-	3/3

DIRECTORS' APPOINTMENT PROCEDURES

The appointment of Directors is governed by the Company's M&A and the Act. Directors are appointed by the Company's shareholders with the exception of Nominated Directors who shall be two in numbers when the Board comprises of 6 directors and 3 when the Board consists of 9 members. The Board may, as per the M&A, appoint a director to fill in a casual vacancy.

Board Induction

Newly appointed Directors follow an induction programme to allow them to familiarise themselves with the Company and the Group. The Company Secretary supports the Chairman in this task.

Professional Development

Directors' trainings are organised whenever the need arises to update the board on the latest trends that can affect the governance, the management and the performance of company.

Succession Plan

Succession plan at Board and Management levels is regularly discussed at the Board.

Directors' Profiles and details of external appointments on listed entities and public entities

Antoine L. Harel (61)

Independent Non-Executive Chairman - External - Resident of Mauritius

Antoine L. Harel is a Fellow Member of the Institute of Chartered Accountants in England and Wales. He holds a BA (Hons) degree in Accounting and Computing. He joined Harel Mallac & Co. Ltd in 1987 and launched the Company's Information Technology Division and held the positions of CEO of Harel Mallac & Co. Ltd. from 1998 to 2005. He is since then the Chairman of Harel Mallac & Co Ltd. He was President of the Mauritius Chamber of Commerce & Industry from 1992 to 1993. He chairs the boards of a number of listed and non-listed companies. Antoine L. Harel was first appointed to the Board of LGI in 2003.

External appointments – listed entities:

Bychemex Limited
Chemco Limited
Harel Mallac & Co. Ltd
The Mauritius Chemical and Fertilizer Industry Limited

Skills, expertise and experience:

Accounting and Finance, Information Technology, Strategy and Corporate Governance.

Catherine McIlraith (54)

Independent Non-Executive Director - External - Resident of Mauritius

Catherine McIlraith, holds a Bachelor of Accountancy degree from the University of the Witwatersrand, South Africa and has been a member of the South African Institute of Chartered Accountants since 1992. After serving her Articles at Ernst & Young in Johannesburg, she held various senior positions in the Investment Banking industry in South Africa before returning to Mauritius in 2004 to join Investec Bank as Head of Banking until 2010. Catherine McIlraith is a past President and Fellow Member of the Mauritius Institute of Directors ("MIoD"). She is an Independent Non-Executive Director of a number of public and private companies in Mauritius. Catherine McIlraith was first appointed to the Board of LGI in 2012.

External appointments – listed entities:

CIEL Limited
Astoria Investments Limited
The Mauritius Union Assurance Company Limited
Grit Real Estate Income Group Limited

Skills, expertise and experience:

Audit and risk, Accounting, Corporate Governance, Banking and Corporate Finance

Christopher Hart de Keating (47)

Executive Director - Internal - Resident of Mauritius

Christopher Hart de Keating is the Chief Executive Officer of LGI since July 2015. He holds a 'Maîtrise Audit et Contrôle de Gestion' from the Université of Paris Dauphine and a diploma in Strategy from HEC Paris. This accomplished leader has a track record of more than 10 years in senior management positions. Before joining LGI, he had a fruitful career in renowned companies of different sectors. Christopher Hart de Keating has been involved in the activity of the cluster Textile Madagascar (as Chairperson in 2009) and is the current President of the Association of Mauritian Manufacturers. Christopher Hart de Keating was first appointed to the Board of LGI in 2015.

External appointments – listed entities:

None

Skills, expertise and experience:

Leadership, Strategy, Management and Economics

Marius Kruger (48)

Non-Executive Director - External - Non-Resident of Mauritius

Marius Kruger has been working in the industrial gases business for the past 22 years in South Africa. Marius Kruger is based at African Oxygen Limited where he is the General Manager for all the Linde Operations in Sub-Saharan Africa outside of South Africa. Marius Kruger holds a post graduate degree in Finance and is an associate member of the Chartered Institute of Management Accountants in the United Kingdom. Marius Kruger was first appointed to the Board of LGI in 2015.

External appointments – listed entities:

None

Skills, expertise and experience:

General management, financial audits and advisory services, business planning, financial and management reporting, strategy formulation, implementation and reviews.

Laurent Bourgault du Coudray (32)

Non-Executive Director - External - Resident of Mauritius

Laurent Bourgault du Coudray graduated in accounting and finance from Curtin University in Perth, Australia and is a member of the Institute of Chartered Accountants in Australia. He has worked over four years in Perth providing corporate and international tax services and is, since January 2013, Project Manager and Business Developer at United Investments Limited. Laurent Bourgault du Coudray was first appointed to the Board of LGI in 2014.

External appointments – listed entities:

Novus Properties Ltd

Skills, expertise and experience:

Management and Leadership

Sivavalan Moodley (55)

Non-Executive Director - External - Non-Resident of Mauritius Appointed on June 15, 2018

Sivavalan Moodley holds a Diploma in both Safety and Production Management and is a member of the South African National Accreditation audit team for Gas Test Stations. He is a professional with over 30 years expertise in the operation field of the gas industry. He is based in South Africa where he is working as Operations Manager at Afrox Ltd. Sivavalan Moodley is a member of the Afrox EMOC committee & Engineering audit team, and of the N2O global ToE team. He is DRI for Acetylene Directives for the African region.

External appointments – listed entities:

None

Skills, expertise and experience:

Safety risk management, operational experience in gas and gas-related fields and internal logistics.

Michel Guy Rivalland (39)

Alternate Director to Laurent Bourgault du Coudray - External - Resident of Mauritius

Michel Guy Rivalland is a graduate in Economics. He started his career at ACMS, as Asset Manager. He was appointed as Director in 2002 and was subsequently appointed CEO of AXYS group in 2006. In July 2010, he was appointed CEO of United Investments Ltd, an investment holding company quoted on the DEM market.

External appointments – listed entities:

United Investments Ltd

Skills, expertise and experience:

Management and Leadership

Basil Miller (61)

Non-Executive Director - External - Non-Resident of Mauritius In office up to May 02, 2018

Basil Miller has been working in the industrial gases business for the past 15 years in South Africa. Basil Miller's last position held at African Oxygen Limited was Emerging Africa Operations Manager for the Linde operations in Sub-Saharan Africa. He has extensive experience in the gases environment on plant installations and operations. Basil Miller holds a mechanical engineering diploma, qualified artisan, diploma in general management with Henley University and risk management diploma with UNISA. Basil Miller was first appointed to the Board of LGI in 2015.

Senior Management Team

Each member of the Senior Management Team has a job description that defines clearly the position's duties, responsibilities and accountabilities.

The Senior Management Team supports the CEO in implementing the strategy and direction set out by the Board and in managing the day-to-day operations of the Company. The job descriptions of Senior Management members and senior officers of the Company have been reviewed and agreed by the Board.

Profiles of Key Senior Management Officers

Christopher Hart de Keating

Chief Executive Officer

Christopher Hart de Keating is the Chief Executive Officer of LGI since July 2015. He holds a 'Maîtrise Audit et Contrôle de Gestion' from the Université of Paris Dauphine and a diploma in Strategy from HEC Paris. This accomplished leader has a track record of more than 10 years in senior management positions. Before joining LGI, he had a fruitful career in renowned companies of different sectors. Christopher Hart de Keating has been involved in the activity of the cluster Textile Madagascar (as Chairperson in 2009) and is the current President of the Association of Mauritian Manufacturers.

Salim Hatteea

Finance and Administrative Manager

Salim Hatteea joined LGI in December 2015 as Finance and Administrative Manager. He holds a BSc (Hons) in Accounting from the University of Mauritius and is a Fellow of the Association of Chartered Certified Accountants (ACCA). He is also a member of the Mauritius Institute of Professional Accountants (MIPA). Salim Hatteea has acquired extensive experience in his field, having worked in both practice and industry in Mauritius and London, in a career spanning over more than 15 years.

Nitin Pudaruth

Operations Manager

Nitin Pudaruth joined Les Gaz Industriels Limited in November 2017 as Operations Manager. He holds an MBA and a degree in Engineering Technology. Nitin Pudaruth has occupied several managerial positions in his career and was the Operations/Production Manager of a large company in the building materials sector before joining Les Gaz Industriels Limited.

DIRECTORS' DUTIES, REMUNERATION AND PERFORMANCE

The Director's duties are set in the Company M&A and in the Act.

The Directors are aware of the provisions of the Act with respect to conflict of interest. At the start of each meeting members are required to declare any interests that may affect the agenda items to be considered at the meeting. Such declarations of interest are recorded in the minutes of the meeting.

The Directors abide by the Company's Code of Ethics and the Company's policies whenever applicable.

Interest of Directors

The interests of Directors and other senior officers in the equity of the Company as at June 30, 2018 are as follows:

	Direct Interest	Indirect Interest
Directors	Number of Ordinary shares	Number of Ordinary shares
Antoine L. Harel	Nil	14,946
Michel Guy Rivalland	Nil	68,418

None of the other directors or senior officers holds direct or indirect interest in the shares of the Company.

The Directors confirm that they have followed the principles set in the DEM rules on restrictions on deals by Directors, with regard to their dealings in the shares of LGI.

During the year under review none of the Directors bought or sold any LGI shares.

Interests Register

An Interests Register, which contains all disclosures of interest required by the Companies Act 2001, is maintained by the Company Secretary and is updated as and when required. The Interests Register can be inspected by any shareholder upon written request made to the Company Secretary.

Related Party Transactions

The Directors confirm that related party transactions are made in the normal course of business and in accordance with the code of ethics. The related party transactions are detailed on pages 70 and 71 of the financial statements.

Information, Information Technology and Information Security Governance

The Board ensures that an appropriate and efficient framework for information management is in place within the Company. Significant emphasis is laid on the confidentiality, integrity, availability and protection of information. IT policies are in place and reviewed periodically.

Board Evaluation

With a view to enhance the Board's effectiveness, the Board's and the committees' performance are evaluated periodically. The evaluation is done in such a way that the Directors can reflect on and evaluate the processes in place for the Board and the Committee meetings, the performance of the Board and its committees and the director's self-performance as a Board member.

Directors' Remuneration

Non-Executive as well as Independent Directors are paid fees in relation to their appointment on the Board and Board Committees. No Directors' fees are paid to the Company's Directors sitting on the Board of the Company's subsidiary.

The Directors' remuneration is given on page 7. It has been disclosed globally due to commercial sensitivity of the information. None of the Directors received remuneration from the subsidiary or for serving as the Company's representatives on boards external to the Group.

Directors' remuneration is reviewed yearly and is periodically benchmarked against market practices as LGI participates in surveys on Directors' remuneration in Mauritius while taking into consideration the industry, the size and the other specificities of LGI.

Remuneration Policy

The Company strives to provide remuneration and incentive arrangements that are market-competitive, consistent with best practice and that support the interests of the shareholders. The reward structure for Directors and senior executives aim at attracting, motivating experienced individuals capable of leading and managing the Company successfully and enhancing shareholder value. Executive and Senior Management remuneration includes base pay and variable performance-related incentives.

Employee Share Option Plan

No employee share option plan is available at Les Gaz Industriels Limited.

RISK GOVERNANCE AND INTERNAL CONTROL

Risk Management

The Directors acknowledge the ultimate responsibility of the Board for the risk management process and the necessity of having the relevant processes in place within LGI. However, management is accountable to the Board for the design, implementation and detailed monitoring of the risk management process. Risk issues relating to safety, health, environment and quality are addressed directly by the Board while the others are discussed at the Audit Committee that makes its recommendations thereon to the Board.

Risk in the widest sense includes market risk, credit risk, liquidity risk, operational risk and commercial risk. The most significant risks currently faced by the Company include those pertaining to the economic environment, the supply chain, regulations, skills and people, technology as well as foreign currency.

LGI has implemented an ongoing risk management process endorsed by the Board to identify and assess risks, develop and implement risk mitigation plans as part of the strategic management process, monitor progress in implementing risk mitigation plans and report company risk management activities to risk governance structure.

- Risk management responsibilities have been defined across LGI.
- The Chief Executive Officer and his management team are responsible for embedding the risk management framework as approved by the Board.

Management is finalising a Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) which will address the business continuity requirements for LGI.

The Company's risk management framework has been reviewed in 2017/2018 and an updated risk register which encompasses all the potential risks faced by the Company has been prepared by Management and approved by the Board. This register is updated and presented to the Board on a quarterly basis.

Management of Key Risks

Strategic Risks

Les Gaz Industriels Limited is operating in a highly competitive industry. There is now fierce competition in our traditional medical gas market, resulting in a loss of revenue. The Company is addressing this by diversifying its revenue stream to reduce exposure on the public medical healthcare sector.

Operational Risks

Operational risks may result from the execution of the Company's business functions and arise from systems, processes and people through which the Company operates. It includes physical and fraud risks.

Among the physical risks identified are unavoidable events such as riots, cyclones and other natural calamities. Other occurrences such as fire or equipment failure can also cause significant damage and losses. The Company has set up adequate safety and security systems and has implemented a business continuity and disaster recovery plan. Besides, the Company has subscribed to appropriate insurance policies for the aforesaid events.

The Company regularly performs internal control audits and employees' education and training to mitigate such risks.

Technology Risks

Key processes used to develop, deliver and manage our products and services, and support our operations are highly dependent on technology. Thus the Company's activities may be severely impacted by a failure in the use, integrity or availability of our information systems.

Control processes and systems, as well as extensive back-up systems, have been implemented. The Company also holds employee education programmes on a regular basis. Furthermore, our Employees Handbook, consulted by all the employees, covers the handling of information with a view to mitigating the above-mentioned threats.

Reputational Risks

The reputational risks arise from adverse perception on the part of customers, counterparties, shareholders, investors or regulators. To control the reputational risks with the same firmness as risks to our tangible assets, the Company has opted for optimizing the reputation of its brands through implementation of quality systems. Besides, the Company has implemented strong corporate governance practices to enhance transparency and business integrity.

Financial risks

The Company is exposed to various financial risks namely credit, liquidity and currency risks. These may be defined as the risk that cash flows and financial assets are not managed in a cost-effective way. The policies adopted to minimize those risks are summarized below:

Credit risk

Given our current business environment, the credit control procedures have been reinforced to further improve debtors' management.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company finances its operations through cash generated by the business and short-term bank credit facilities. Liquidity risk faced by the Company is mitigated by having diverse sources of finance available to it and maintaining substantial unutilized bank facilities.

Currency risk

The current business environment in which the Company operates is subject to some major foreign currency risks. The Company has remained prudent in its approach with regard to its foreign currency risk and has opened different foreign currency accounts in the main currencies the Company trades namely United States Dollars, Euros and South African Rands. The objective of doing this was to match foreign currency receipts against foreign currency payments so as to minimise the impact of foreign exchange variations. However, the Company shall use forward exchange contracts to hedge large foreign transactions so as to further reduce its foreign currency risks in situations where it does not have sufficient foreign currency to match its foreign commitments.

Other information on financial risks management is given on note 3 to the Financial Statements on pages 51 to 53.

Compliance Risk

Compliance risks are those risks arising from potential changes in laws and regulations in all territories where Les Gaz Industriels Limited operate. Management continuously monitors any announced changes that can impact the operations of the Company and make any relevant recommendation to the Board to ensure the Company is law compliant.

Internal Control

Internal control is a process designed to provide reasonable assurance regarding the achievement of the Company's objectives and is performed by the Board of Directors, the management and other personnel. It is applicable to, and is built into, various business processes so as to cover all significant enterprise areas.

Systems and processes have been implemented and are regularly reviewed by the internal audit function to ensure that they are effective and are being adhered to. Several reviews were performed by the Internal Audit during the year. Internal audit reports are reviewed by the Audit Committee which makes its recommendations for modifications or upgrading of systems and processes as and when necessary to enhance their effectiveness.

During the year, the Board has not come across any deficiencies or risks related to the Company's internal control systems.

Whistle-blowing

The Company's whistle-blowing policy is reviewed on an annual basis. This service has been outsourced to Transparency Mauritius, a reputable NGO, who handles this function in a professional manner. All employees are encouraged to report anonymously any malpractice or other issues that they might encounter or come across while on duty.

REPORTING WITH INTEGRITY

The Directors are responsible for preparing financial statements that give a true and fair view of the state of affairs of the Company. Those financial statements are in accordance with applicable laws and regulations and comply with International Financial Reporting Standards.

This Annual Report is published on the Company's website.

Safety, Health, Environment and Sustainability Reporting

LGI complies with the Occupational Safety and Health Act 2005 and other legislative and regulatory frameworks. It is committed to sustainable development and ensures that its operations are conducted in a way that minimizes its impact on the environment and on the society at large. LGI is fully dedicated to occupational health, safety and environmental management.

It spares no effort to ensure the health and safety of all stakeholders, and the protection of the environment. The Directors recognise that the above issues are fundamental for sustaining the growth of the Company.

In LGI's dedication to occupational health, safety and environmental management, it will:

- Comply with all occupational health, safety and environment legislations in force in the country;
- Provide and maintain a safe and healthy working environment for the employees, customers and the public at large;
- Train the employees in all aspects of occupational health, safety, fire prevention and emergency procedures;
- Enforce health and safety measures and discipline in the workplace;
- Provide sufficient support and encouragement at all levels in the Company to ensure that continuous improvement is achieved in health, safety and environmental protection;
- Ensure all line managers have responsibility and SHEQ accountability for occupational health, safety and environmental management;
- Promote the principles of Responsible Care to all the employees;
- Help the customers who use the Company's products to do so in a safe and environmentally acceptable manner;
- Learn from incidents and share the lessons with stakeholders.

LGI's Safety, Health, Environment and Quality (SHEQ) policy commits to the safety of people and preservation of the environment.

LGI's vision for SHEQ reflects its corporate commitment to "SHEQ, 100% of our behaviour, 100% of the time".

The safety of employees and contractors, suppliers and the local communities within which operations function, is a prerequisite to any business that the Company undertakes. The protection of the environment is a high priority. LGI is committed to minimise the environmental impact of products, to conserve natural resources, to prevent pollution and to comply with all internal company standards and external regulations.

Company standards cover all operational aspects and activities that could affect the safety and health of people and the environment. Critical SHEQ interventions are tracked and measured by means of leading and lagging indicators. Performance targets are agreed with the business and set at the beginning of the financial year and then monitored and reported to the Top Management.

LGI strives to be a sustainable enterprise that is profitable, cares about the health and welfare of its employees and acknowledges the importance of environmental protection.

Safety, Health, Environment and Quality (SHEQ) is an integral part of how LGI does business, and is encompassed in LGI's spirit as one of our values. LGI is committed to excellence in managing all activities in such a way that it ensures the protection of the health and safety of colleagues, contractors, suppliers, customers and local communities, as well as the protection of the environment.

Sustainability is closely related to issues connected with SHEQ. The inspirational goal of zero harm to people or the environment motivates us at LGI to continually improve performance.

Underpinning this, LGI has a well-developed Integrated Management System Standards (IMSS), which is based on total quality management principles and ensures compliance with the relevant legislative requirements. The system allows for integrated audit risks assessments and management reviews.

Over and above the system, LGI has a series of specific audits namely the Engineering audits done by professional consultants.

Audit findings are then rated based on their potential impact on the business and management has a specific number of days to close these findings, depending on their importance and urgencies.

The protection of the environment is also another important aspect of how we conduct our business. The Company is committed to minimise the environmental impact of its products, to conserve natural resources, to prevent pollution and to comply with all internal company standards and external regulations. Company standards cover all operational aspects and activities that could affect the safety and health of people and the environment.

LGI's objective is to be profitable in such a manner that it is accountable to the Company's employees, the broader society, communities in which the Company operates and other stakeholders. Engagement with its stakeholders internally and externally is important for developing constructive relationships. LGI works closely with government bodies, communities and industry associations to meet the challenges of sustainable development.

Corporate Social Responsibility

LGI has a strong culture of social responsibility. The objective is to assist wisely and constructively by building on the commitment of our people and our community-based projects, thereby making a sustainable difference to society. This is reflected by our selection of Non-Governmental Organisations (NGOs), whereby each of them has been carefully evaluated in terms of the activities it performs and how these fit with the Company's core values and CSR Strategy to long-term business objectives. At LGI, we believe that the Corporate Social Responsibility is a continuing commitment to behave ethically and contribute to economic development while improving the quality of life of our workforce and their families as well as of the local community and society at large.

The specific objectives of the CSR Fund are to:

(a) Ensure that all beneficiaries have a decent shelter and enhance their living conditions;
(b) Encourage children to be at school and have necessary pedagogical materials to improve their academic performance;
(c) Enhance social awareness and skills among low-income households;
(d) Increase employability prospects and enable beneficiaries to get out of absolute poverty;
(e) Promote an eco-friendly awareness;
(f) Address health problems of people living in vulnerability;
(g) Reduce social ills by channelling beneficiaries towards sports and leisure activities.

The CSR Fund for the year is calculated at two per cent of the previous year's chargeable income.

LGI has a CSR Committee which involves its employees. The CSR Committee met several times during the year 2017/2018 and liaised with the different NGOs of the locality. The CSR Committee gave priority to NGOs which through their specific actions also promote universal values such as tolerance, non-discrimination and equal opportunity. The Committee, whenever possible and relevant, invited NGOs to provide training and awareness on their objectives to the personnel of LGI who voluntarily participated in some of the above mentioned NGOs' programmes.

Donations

Charitable Donations

Charitable donations made by LGI during the year ended June 30, 2018 to 1 organisation amounted to Rs.50,000 (2017: Rs. 50,000 to 1 organisation).

Political Contributions

No political contributions were made by LGI or its subsidiary operating in Madagascar during the year under review (2017: Nil).

AUDIT

Internal Audit

The scope of the internal audit function is to maintain and improve the process by which risks are identified and managed. It also helps the Board of Directors to discharge its responsibilities to maintain and strengthen the internal control framework. The internal audit function is performed by Messrs PricewaterhouseCoopers (PWC), Public Accountants, and is led by an engagement partner. The Internal Auditor has unrestricted access to the records, management and employees of LGI.

The internal auditors have a direct reporting line to the Audit Committee and maintain an open and constructive communication channel with the executive management. They also have direct access to the Chairperson of the Audit Committee.

The internal audit plan which is approved by the Audit Committee is based on the principles of risk management to align coverage and effort with the degree of risk attributable to the areas audited.

During the year under review, the Internal Auditor performed the following audit visits during which the system controls listed below have been audited:

(a) Debtor Management Review
(b) Cylinder Management Review

Proposed recommendations in respect to issues identified were discussed with management and internal audit reports submitted to the Audit Committee.

Different significant areas are covered by internal audit assignments on a rotation basis, based on 2 or 3 audit assignments yearly. Over time, the Directors do not consider that any significant area within Les Gaz Industriels Limited has been left uncovered. Furthermore, the internal auditors perform a regular review to ensure that recommendations of previous assignments have been put in place.

External Audit

The current external auditors of Les Gaz Industriels Limited is BDO & Co. There has been no change in external auditors for more than 15 years. The Finance Act 2016 and regulation Government Notice No 64 of 2017, request listed companies to rotate auditors every seven years at most. In line with this Regulation, BDO & Co is allowed to continue in office until year end 30 June 2019. A tender exercise will be carried out for the appointment of the new auditors.

The external auditors have direct access to the Chairperson and members of the Audit Committee and meetings can be organised between them without the presence of Management. Discussions between the Audit Committee members and external auditors include, but are not limited to, accounting policies and new or amended accounting principles (IFRS and IAS).

The Management Letter issued by the external auditors and their work in general is the subject of discussions within the Audit Committee. The Audit Committee also bases itself on the reports, management letter and feedback given by the external auditors to assess the value added that they bring to the Company.

Non-audit services rendered by external auditor

Services rendered	2018	2017
	Rs.	Rs.
Review of quarterly reporting and corporate governance report	**95,000**	95,000

The Directors ascertain that the external auditor's objectivity and independence are safeguarded despite these non-audit services provided due to the relative low complexity of the services rendered. In fact the external auditors are only reviewing reports without having any say in their contents.

RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

The key stakeholders of Les Gaz Industriels Limited, as identified by the Board, are:

- Shareholders
- Employees
- Customers
- Suppliers
- Regulatory authorities
- Providers of finance
- Technical partner

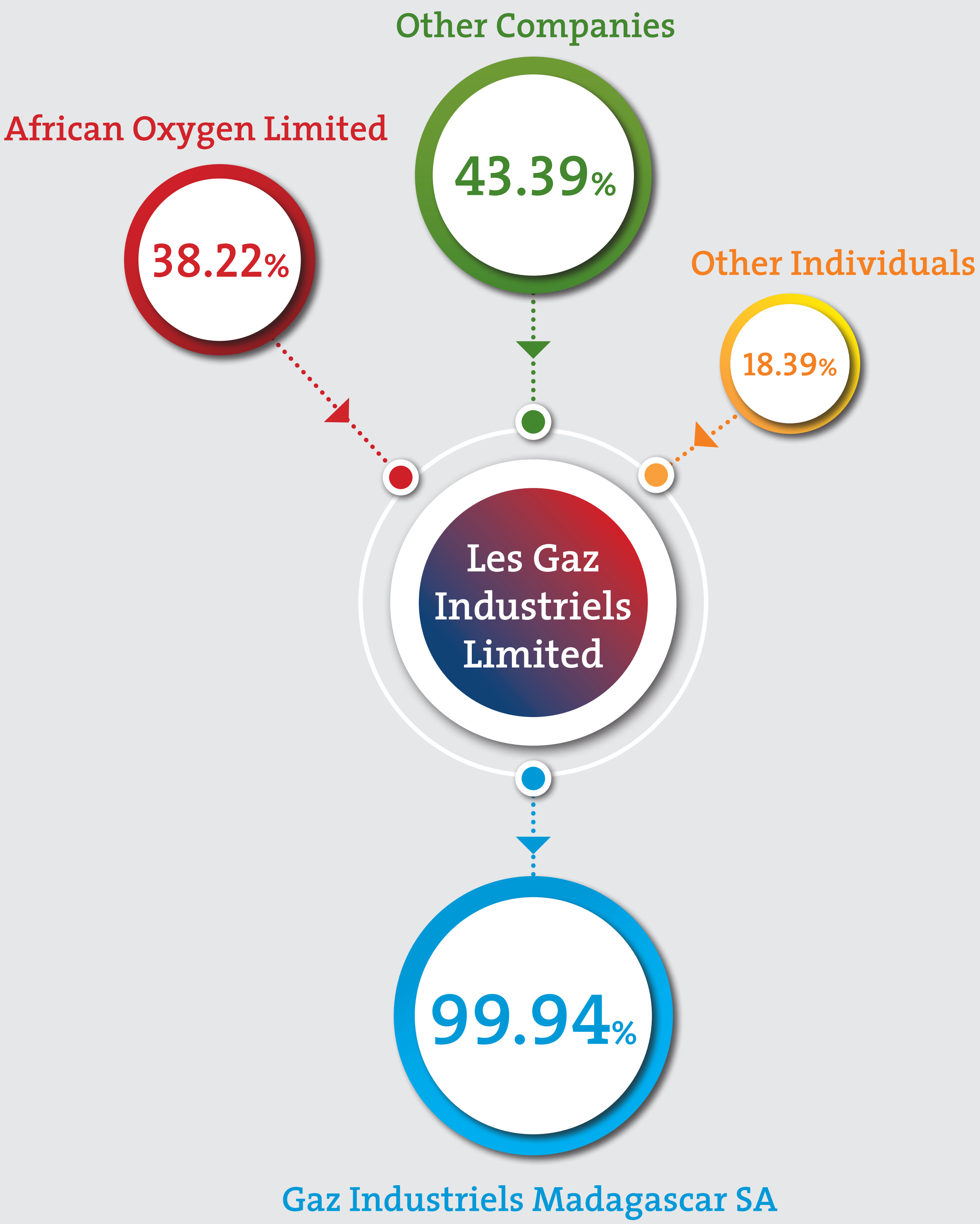
The Board of Directors believes that an efficient flow of information between the Company, its shareholders and other stakeholders is essential in order to achieve an inclusive management approach.

Shareholding Structure

The stated capital of the Company is made up of 2,611,392 shares with a par value of Rs. 10 per share. The breakdown of the shareholding of the Company and its Subsidiary is illustrated below.

Corporate Governance Report

Year Ended June 30, 2018



Shareholding Profile

Profile of Company's Shareholders as at June 30, 2018

Ownership of ordinary share capital at June 30, 2018 was as follows:

Size of Shareholding	Number of Shareholders	Number of Shares Owned	% Holding
1–500	160	21,141	0.81
501–1,000	34	26,712	1.02
1,001–5,000	53	129,415	4.95
5,001–10,000	13	90,315	3.46
10,001–50,000	16	339,922	13.02
50,001–100,000	1	50,963	1.95
100,001–250,000	2	285,871	10.95
250,001–500,000	2	669,035	25.62
Over 500,000	1	998,018	38.22
Total	**282**	**2,611,392**	**100.00**

Category of Shareholders	Number of Shareholders	Number of Shares Owned	% Holding
Individual	234	480,355	18.39
Insurance and assurance companies	2	17,189	0.66
Pension and provident funds	1	3,900	0.15
Investment and Trust Companies	5	503,023	19.26
Other corporate bodies	40	1,606,925	61.54
Total	**282**	**2,611,392**	**100.00**

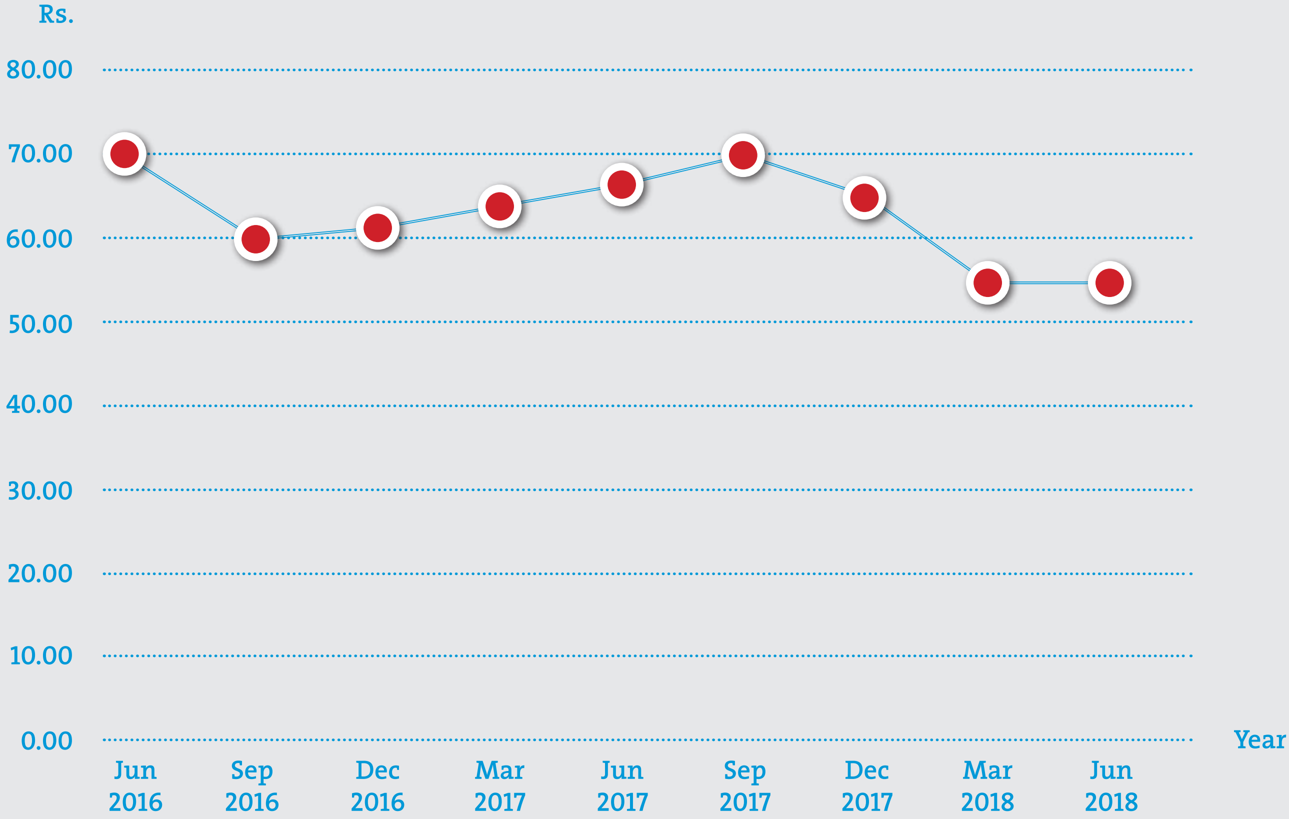
Substantial Shareholders

Substantial shareholders are those who exercise at least 5% of voting rights at shareholders' meetings.

The substantial shareholders of Les Gaz Industriels Limited as at 30 June 2018 are detailed below.

Name of Shareholder	Number of Shares Owned	% Holding
African Oxygen Limited	998,018	38.22
United Investments Ltd	503,015	19.26
Brista & Cie	332,320	12.72

Share Price Information



Dividend Policy

No formal dividend policy has been determined by the Board. Dividends are distributed after considering the Company's performance and profitability, gearing, investment needs, capital expenditure requirements and growth opportunities.

The dividend per share, dividend cover and dividend yield over the last 5 years are given in the table below:

Financial Year	Interim / Final	Date Declared	Dividend per share	Dividend cover	Dividend yield
			(Rs.)	(times)	(%)
2014	Interim	February 14, 2014	3.00	2.56	2.48
2015	Final	September 11, 2015	1.50	(1.06)	1.43
2016	Interim	June 03, 2016	1.50	3.22	2.14
2016	Final	September 21, 2016	1.20	4.02	1.71
2017	Final	September 01, 2017	2.70	1.42	4.09

Material Clauses of the Company's M&A

The Company's M&A do not provide any ownership restriction or pre-emption right and other material clause that needs to be disclosed.

Shareholders' Agreement Affecting the Governance of the Company by the Board

To the knowledge of the Board, there has been no such agreement with any of its Shareholders for the year under review.

Shareholder Information

Forthcoming annual meeting

A proxy form is enclosed for those shareholders unable to attend.

Calendar of planned events

Planned Events	Month
Publication of condensed results for first quarter to 30 September 2018	November 2018
Consider declaration of dividend – Interim	November 2018
Annual Meeting of Shareholders	November 2018
Publication of condensed results for half year to 31 December 2018	February 2019
Publication of condensed results for third quarter to 31 March 2019	May 2019
Consider declaration of dividend – Final	May 2019
Financial year end	June 30
Publication of condensed audited results for year ended 30 June 2019	September 2019

Third Party Management Agreement

There was no agreement between third parties and the Company or its subsidiary during the year under review.

Website

LGI has a website on which the Annual Report is published, as well as other info relating to our business and corporate governance. We aim to continually improve our website to include corporate governance information not already available.

Statement of Directors' Responsibilities

Year Ended June 30, 2018

The 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 for that period and which comply with International Financial Reporting Standards (IFRS);

(iii) the selection of appropriate accounting policies supported by reasonable and prudent judgements.

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 judgements and estimates have been used consistently;

a) International Financial Reporting Standards have been adhered to.

b) The Code of Corporate Governance has been adhered to. Reasons have been provided where there has not been compliance.

(iii) the annual report is published in full on the Company's website.

Signed on behalf of the Board of Directors:

Antoine L. Harel
Chairman

Christopher Hart de Keating
Chief Executive Officer

Statement of Compliance

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

Name of PIE:
Les Gaz Industriels Limited

Reporting Period:
Year end June 30, 2018

We, the Directors of Les Gaz Industriels Limited, confirm that to the best of our knowledge, the Company has complied with all of its obligations and requirements under the Code of Corporate Governance.

The areas of non-compliance, whose reasons have been explained in the Report, are as follows, namely:

Principle 1:
Board charter

Principle 4:
Details of the remuneration paid to each individual director

Besides, in order to comply with the provisions of the Code, LGI will revamp its website to communicate with its shareholders and stakeholders.

Antoine L. Harel
Chairman

Christopher Hart de Keating
Chief Executive Officer

September 28, 2018

Our VALUES

We will...
Fuel commitment with
team work & discipline

Lemurs are a clade of strepsirrhine primates endemic to the island of Madagascar. They live in groups that usually include fewer than 15 individuals

Secretary's Certificate

Year Ended June 30, 2018

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

For HM Secretaries Ltd
SECRETARY

September 28, 2018

Our VALUES

We will...
Inspire confidence
through competence

At 12,000 feet there are only 65% of the number of oxygen molecules in the air versus at sea level and at 30,000 feet, there are only 30%

Value Added Statement

Year Ended June 30, 2018

	2018	2017	2016	2015	2014
	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue	**90,282,290**	102,447,835	119,443,880	113,708,908	119,307,353
Paid to suppliers for materials and services	**(61,158,050)**	(47,421,954)	(60,760,448)	(74,588,063)	(57,826,070)
Value added	**29,124,240**	55,025,881	58,683,432	39,120,845	61,481,283
Distributed as follows:					
Salaries, wages and other benefit to employees	**30,559,430**	32,105,002	30,076,740	27,034,541	24,177,661
Government taxes on earnings					
Taxation	**(1,715,038)**	1,453,957	3,434,350	3,209,457	3,406,765
Providers of capital					
Dividend to shareholders	**7,050,757**	3,133,670	7,834,176	-	7,834,176
Retained to ensure future growth					
Depreciation	**11,232,227**	11,451,595	12,572,139	13,049,899	13,840,967
Profit retained for the year	**(18,003,136)**	6,881,657	4,766,027	(4,173,052)	12,221,714
	(6,770,909)	18,333,252	17,338,166	8,876,847	26,062,681
Total wealth distributed and retained	**29,124,240**	55,025,881	58,683,432	39,120,845	61,481,283

Distributed as follows:	2018	2017	2016	2015	2014
	Rs.	Rs.	Rs.	Rs.	Rs.
Salaries, Wages, and other benefit to employees	**30,559,430**	32,105,002	30,076,740	27,034,541	24,177,661
Government taxes on earnings	**(1,715,038)**	1,453,957	3,434,350	3,209,457	3,406,765
Providers of capital	**7,050,757**	3,133,670	7,834,176	-	7,834,176
Retained to ensure future growth	**(6,770,909)**	18,333,252	17,338,166	8,876,847	26,062,681
	29,124,240	55,025,881	58,683,432	39,120,845	61,481,283
Paid to suppliers for materials and services					
Cost of sales	**55,409,372**	47,796,303	46,488,833	50,880,518	52,342,602
Sellling and distribution expenses	**19,973,159**	19,410,895	17,611,800	17,640,376	15,415,606
Administrative expenses	**27,064,671**	25,556,277	38,014,816	35,730,268	30,308,645
Less staff cost	**(30,559,430)**	(32,105,002)	(30,076,740)	(27,034,541)	(24,177,661)
Less depreciation	**(11,232,227)**	(11,451,595)	(12,572,139)	(13,049,899)	(13,840,967)
Other operating income	**(1,068,881)**	(47,750)	(1,723,050)	(2,642,073)	(2,499,526)
Share of (profit)/loss from Joint Venture	**9,341**	43,773	2,534	38,900	(46,010)
Finance costs	**(858,463)**	(1,780,947)	3,014,394	1,512,386	323,381
Exceptional item	**2,420,508**	-	-	11,512,128	-
	61,158,050	47,421,954	60,760,448	74,588,063	57,826,070

Independent Auditor's Report

To the Shareholders of Les Gaz Industriels Limited

Report on the audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Les Gaz Industriels Limited and its subsidiary (the Group), and the Company's separate financial statements on pages 40 to 71 which comprise the statements of financial position as at June 30, 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 40 to 71 give a true and fair view of the financial position of the Group and of the Company as at June 30, 2018, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for Opinion

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

Key Audit Matters

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

KEY AUDIT MATTER	AUDIT RESPONSE
1. Recoverability of amount receivables from subsidiary company	
At June 30, 2018, the investment and amount receivables from subsidiary Company amounted to Rs.787,244 and Rs.8,693,760 respectively. Due to the difficult economic situation prevailing in Madagascar, the activity of the subsidiary company has picked up slowly over the years and profitability is yet to be achieved. Recoverability of the above amounts is doubtful in case there is no turnaround of the result and performance of the subsidiary company.	Following major investments in a filling plant made at the subsidiary, a 2-year business plan has been provided by management to sustain viability of operation in Madagascar. We have discussed with management, reviewed and challenged their strategies in respect of assumptions used in the preparation of the business plan.

Independent Auditor's Report

To the Shareholders of Les Gaz Industriels Limited

Report on the audit of the Financial Statements (cont'd)

KEY AUDIT MATTER

2. Contracts

The company is dependant on medical contract to supply medical gases.

The contract to supply such gases expired in December 2016 and the new contract was awarded to one of the Company's competitors, with the exception of liquid oxygen, with effect from January 2017 to December 2017 and has been renewed for a further 2-year period from April 1, 2018 to March 31, 2020 for medical oxygen. Liquid oxygen, medical air and nitrous oxide which is being supplied by the Company up to March 2020.

Failure to obtain new clients in a competitive market or to increase level of business with existing clients and diversify revenue, may result in turnover failing to pick up in future years.

This has been illustrated by a continous fall in turnover to reach Rs. 90.3m during the year ended June 30, 2018 (2017: Rs. 102.4m, 2016: Rs. 119.4m).

AUDIT RESPONSE

Management's forecasts include a number of assumptions on future cash flows and associated risks. Our audit work was focused on evaluating and assessing the reasonableness of these assumptions and their impact on the forecast period. Specifically, we obtained, reviewed and assessed management's forecasts and performed procedures, including:

- challenging management as to the reasonableness of obtaining new clients and new contracts;
- verifying the consistency of key inputs relating to future costs and production to other financial and operational information obtained during our audit; and
- performing sensitivity analysis on management's ''base case", including applying potential downside scenarios.

Management has concluded that the going concern basis remains appropriate after performing a detailed forecast for the 12 months period ending June 30, 2019. In reaching their conclusion, they have considered the impact of possible downside scenarios and their ability to mitigate actions, if required.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.

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

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Independent Auditor's Report

To the Shareholders of Les Gaz Industriels Limited

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with, or interests in the Company or any of its subsidiaries, other than in our capacity as auditors and business advisers and dealings in the ordinary course of business.

We have obtained all information and explanations we have required.

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

Financial Reporting Act 2004

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

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

Other Matter

This report is made solely to the members of Les Gaz Industriels Limited (the "Company"), as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO & Co

BDO & Co
Chartered Accountants

Per Marie Louise Teng Hin Voon A.C.A.
Licensed by FRC

Port Louis,
Mauritius

September 28, 2018

Statements of Financial Position

As at June 30, 2018

	Notes	The Group		The Company	
		2018	2017	**2018**	2017
ASSETS		**Rs.**	Rs.	**Rs.**	Rs.
Non-current assets					
Property, plant and equipment	5	**257,095,885**	253,166,158	**257,095,885**	253,166,158
Intangible assets	6	**827,741**	1,466,728	**827,741**	1,466,728
Investment in subsidiary company	7	**-**	-	**787,244**	1,513,931
		257,923,626	254,632,886	**258,710,870**	256,146,817
Current assets					
Inventories	8	**13,269,016**	15,458,010	**13,150,071**	14,338,385
Trade and other receivables	9	**27,420,737**	41,912,568	**31,888,155**	47,703,398
Cash and cash equivalents	26(b)	**3,326,057**	17,142,633	**2,099,354**	15,620,580
		44,015,810	74,513,211	**47,137,580**	77,662,363
Total assets	Rs.	**301,939,436**	329,146,097	**305,848,450**	333,809,180
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	10	**26,114,079**	26,114,079	**26,114,079**	26,114,079
Revaluation and other reserves	11	**50,347,999**	51,399,732	**48,172,542**	46,253,244
Retained earnings		**147,674,807**	164,434,212	**155,093,004**	173,096,140
Owners' interest		**224,136,885**	241,948,023	**229,379,625**	245,463,463
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	12	**24,998,158**	26,374,497	**24,998,158**	26,374,497
Retirement benefit obligations	13	**7,101,324**	9,012,966	**7,101,324**	9,012,966
		32,099,482	35,387,463	**32,099,482**	35,387,463
Current liabilities					
Trade and other payables	14	**45,206,415**	47,579,066	**43,872,689**	48,726,709
Borrowings	15	**496,654**	4,231,545	**496,654**	4,231,545
		45,703,069	51,810,611	**44,369,343**	52,958,254
Total liabilities		**77,802,551**	87,198,074	**76,468,825**	88,345,717
Total equity and liabilities	Rs.	**301,939,436**	329,146,097	**305,848,450**	333,809,180

These financial statements have been approved for issue by the Board of Directors on September 28, 2018

Antoine L. Harel
Chairman

Christopher Hart de Keating
Chief Executive Officer

The notes on pages 45 to 71 form an integral part of these financial statements.
Auditor's report on pages 36 to 39.

Statements of Profit or Loss

Year Ended June 30, 2018

	Notes		The Group		The Company	
			2018	2017	**2018**	2017
			Rs.	Rs.	**Rs.**	Rs.
Revenue	16		**94,656,011**	104,802,966	**90,282,290**	102,447,835
Cost of sales	17		**(57,752,810)**	(48,451,355)	**(55,409,372)**	(47,796,303)
Gross profit			**36,903,201**	56,351,611	**34,872,918**	54,651,532
Other income	18		**1,152,171**	115,600	**1,068,881**	47,750
Selling and distribution expenses	17		**(21,131,013)**	(20,265,737)	**(19,973,159)**	(19,410,895)
Administrative expenses	17		**(29,197,167)**	(27,568,678)	**(27,064,671)**	(25,556,277)
			(12,272,808)	8,632,796	**(11,096,031)**	9,732,110
Finance income	19		**858,463**	1,322,269	**858,463**	1,780,947
(Loss)/profit from ordinary activities			**(11,414,345)**	9,955,065	**(10,237,568)**	11,513,057
Share of loss from joint venture	20		**(9,341)**	(43,773)	**(9,341)**	(43,773)
(Loss)/profit before exceptional items			**(11,423,686)**	9,911,292	**(10,246,909)**	11,469,284
Exceptional items	21		**-**	-	**(2,420,508)**	-
(Loss)/profit before taxation	22		**(11,423,686)**	9,911,292	**(12,667,417)**	11,469,284
Taxation	23(a)		**1,715,038**	(1,453,957)	**1,715,038**	(1,453,957)
(Loss)/profit for the year		Rs.	**(9,708,648)**	8,457,335	**(10,952,379)**	10,015,327
(Loss)/earnings per share	24	Rs.	**(3.72)**	3.24		

The notes on pages 45 to 71 form an integral part of these financial statements.
Auditor's report on pages 36 to 39.

Statements of Profit or Loss and Other Comprehensive Income

Year Ended June 30, 2018

	Notes	The Group 2018 Rs.	The Group 2017 Rs.	The Company 2018 Rs.	The Company 2017 Rs.
(Loss)/profit for the year		**(9,708,648)**	8,457,335	**(10,952,379)**	10,015,327
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurement of post employment benefit obligations	11	**2,257,997**	(5,208,889)	**2,257,997**	(5,208,889)
Deferred tax relating to components of other comprehensive income	11	**(338,699)**	781,333	**(338,699)**	781,333
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	11	**(2,971,031)**	2,417,463	**-**	-
Other comprehensive income for the year		**(1,051,733)**	(2,010,093)	**1,919,298**	(4,427,556)
Total comprehensive income for the year	Rs.	**(10,760,381)**	6,447,242	**(9,033,081)**	5,587,771

The notes on pages 45 to 71 form an integral part of these financial statements.
Auditor's report on pages 36 to 39.

Statements of Changes in Equity

Year Ended June 30, 2018

	Note		Share Capital	Share Premium	Translation Reserve	Revaluation Surplus	Actuarial gains/ (losses) reserve	Retained Earnings	Total
THE GROUP			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance at July 1, 2017			26,113,920	159	5,146,488	55,813,691	(9,560,447)	164,434,212	241,948,023
Loss for the year			-	-	-	-	-	(9,708,648)	(9,708,648)
Other comprehensive income for the year			-	-	(2,971,031)	-	1,919,298	-	(1,051,733)
Total comprehensive income for the year			-	-	(2,971,031)	-	1,919,298	(9,708,648)	(10,760,381)
Dividends - 2018	25		-	-	-	-	-	(7,050,757)	(7,050,757)
Balance at June 30, 2018		Rs.	**26,113,920**	**159**	**2,175,457**	**55,813,691**	**(7,641,149)**	**147,674,807**	**224,136,885**
Balance at July 1, 2016			26,113,920	159	2,729,025	55,813,691	(5,132,891)	159,110,547	238,634,451
Profit for the year			-	-	-	-	-	8,457,335	8,457,335
Other comprehensive income for the year			-	-	2,417,463	-	(4,427,556)	-	(2,010,093)
Total comprehensive income for the year			-	-	2,417,463	-	(4,427,556)	8,457,335	6,447,242
Dividends - 2017	25		-	-	-	-	-	(3,133,670)	(3,133,670)
Balance at June 30, 2017		Rs.	**26,113,920**	**159**	**5,146,488**	**55,813,691**	**(9,560,447)**	**164,434,212**	**241,948,023**

	Note		Share Capital	Share Premium	Revaluation Surplus	Actuarial gains/ (losses) reserve	Retained Earnings	Total
THE COMPANY			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance at July 1, 2017			26,113,920	159	55,813,691	(9,560,447)	173,096,140	245,463,463
Loss for the year			-	-	-	-	(10,952,379)	(10,952,379)
Other comprehensive income for the year			-	-	-	1,919,298	-	1,919,298
Total comprehensive income for the year			-	-	-	1,919,298	(10,952,379)	(9,033,081)
Dividends - 2018	25		-	-	-	-	(7,050,757)	(7,050,757)
Balance at June 30, 2018		Rs.	**26,113,920**	**159**	**55,813,691**	**(7,641,149)**	**155,093,004**	**229,379,625**
Balance at July 1, 2016			26,113,920	159	55,813,691	(5,132,891)	166,214,483	243,009,362
Profit for the year			-	-	-	-	10,015,327	10,015,327
Other comprehensive income for the year			-	-	-	(4,427,556)	-	(4,427,556)
Total comprehensive income for the year			-	-	-	(4,427,556)	10,015,327	5,587,771
Dividends - 2017	25		-	-	-	-	(3,133,670)	(3,133,670)
Balance at June 30, 2017		Rs.	**26,113,920**	**159**	**55,813,691**	**(9,560,447)**	**173,096,140**	**245,463,463**

The notes on pages 45 to 71 form an integral part of these financial statements.
Auditor's report on pages 36 to 39.

Statements of Cash Flows

As at June 30, 2018

	Notes		The Group 2018 Rs.	The Group 2017 Rs.	The Company 2018 Rs.	The Company 2017 Rs.
Cash flows from operating activities						
Cash generated from operations			**13,510,620**	6,550,593	**10,834,939**	8,519,913
Interest received	26(a)		**27,586**	124,393	**27,586**	124,393
Interest paid			**(116,431)**	(578,247)	**(116,431)**	(578,247)
Net cash generated from operating activities			**13,421,775**	6,096,739	**10,746,094**	8,066,059
Cash flows used in investing activities						
Purchase of property, plant and equipment			**(14,462,010)**	(6,327,929)	**(14,462,010)**	(6,327,929)
Purchase of intangible assets			**(182,400)**	(380,877)	**(182,400)**	(380,877)
Proceeds from sale of property, plant and equipment			**1,162,738**	1,165,273	**1,162,738**	1,165,273
Net cash used in investing activities		Rs.	**(13,481,672)**	(5,543,533)	**(13,481,672)**	(5,543,533)
Cash flows used in financing activities						
Dividends paid			**(7,050,757)**	(7,050,758)	**(7,050,757)**	(7,050,758)
Payment on long term borrowings			**(3,792,340)**	(8,590,403)	**(3,792,340)**	(8,590,403)
Net cash used in financing activities			**(10,843,097)**	(15,641,161)	**(10,843,097)**	(15,641,161)
Net decrease in cash and cash equivalents			**(10,902,994)**	(15,087,955)	**(13,578,675)**	(13,118,635)
Movement in cash and cash equivalents						
At July 1,			**16,703,428**	29,373,920	**15,181,375**	28,300,010
Decrease			**(10,902,994)**	(15,087,955)	**(13,578,675)**	(13,118,635)
Effect of foreign exchange rate changes			**(2,971,031)**	2,417,463	**-**	-
At June 30,	26(b)	Rs.	**2,829,403**	16,703,428	**1,602,700**	15,181,375

The notes on pages 45 to 71 form an integral part of these financial statements.
Auditor's report on pages 36 to 39.

Notes to the Financial Statements

Year Ended June 30, 2018

1. GENERAL INFORMATION

Les Gaz Industriels Limited is a public company incorporated and domiciled in Mauritius. The principal activity of the Company and the subsidiary company is the manufacture and distribution of medical and industrial gases (in bulk and in cylinders) and of welding electrodes. The Company also provides welding and cutting equipment and accessories as well as installation of gas reticulation. The address of its registered office is 18, Edith Cavell Street, Port Louis and its place of operations is at Pailles Road, G.R.N.W.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of Les Gaz Industriels Limited comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements include the consolidated financial statements of the parent company and its subsidiary company (The Group) and the separate financial statements of the parent company (The Company). The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest unit, except when otherwise indicated.

Where necessary, comparative figures have been amended to conform with change in presentation in the current year. The financial statements are prepared under the historical cost convention, except that freehold land and buildings are carried at revalued amounts and plant and machinery are stated at deemed cost.

Amendments to published Standards effective in the reporting period

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

Disclosure Initiative (Amendments to IAS 7). The amendments require the entity to explain changes in its liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.

Annual Improvements to IFRSs 2014-2016 Cycle

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

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

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

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

IFRS 9 Financial Instruments
IFRS 15 Revenue from Contracts with Customers
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
IFRS 16 Leases
Clarifications to IFRS 15 Revenue from Contracts with Customers
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

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

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
Annual Improvements to IFRSs 2014-2016 Cycle
IFRIC 22 Foreign Currency Transactions and Advance Consideration
Transfers of Investment Property (Amendments to IAS 40)
IFRS 17 Insurance Contracts
IFRIC 23 Uncertainty over Income Tax Treatments
Prepayment Features with negative compensation (Amendments to IFRS 9)
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
Annual Improvements to IFRSs 2015-2017 Cycle
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

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

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

(b) Property, plant and equipment

Land and buildings, held for use in the production or supply of goods or for administrative purposes, are stated at their fair value, based on periodic, but at least trennial valuations by external independent valuers, less subsequent depreciation for buildings. Plant and machinery is stated at deemed cost less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income. Decreases that offset previous increases of the same asset are charged against revaluation surplus directly in equity; all other decreases are charged to profit and loss.

Properties in the course of construction for production, or for administrative purposes or for purposes not yet determined are carried at cost including professional fees less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated on the straight-line method to write off the cost or revalued amounts of the asset to their residual values over their estimated useful lives as follows:

	Per annum
Buildings	2% - 25%
Plant and machinery	2% - 7.5%
Motor vehicles	20%
Furniture and fittings	10%
Office equipment	25%

Land is not depreciated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Property, plant and equipment (cont'd)

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

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

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in profit or loss. On disposal of revalued assets, the amounts included in revaluation surplus are transferred to retained earnings.

(c) Intangible assets

Computer software
Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised using the straight line method over their estimated useful life of 4 years.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred.

The carrying amount of each intangible asset is reviewed annually and adjusted for permanent impairment where it is considered necessary.

(d) Investment in subsidiary company

Separate financial statements of the investor
In the separate financial statements of the investor, investment in subsidiary company is carried at cost. The carrying amount is reduced to recognise any impairment in the value of the investment.

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

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

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

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

Unrealised losses are also eliminated. Accounting policies of subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial instruments

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in profit or loss.

(ii) Trade and other payables

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

(iii) Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statements of financial position.

(iv) Ordinary shares

Ordinary shares are classified as equity.

(f) Deferred income tax

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

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

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

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads but excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

(h) Retirement benefit obligations

(i) Defined contribution plans

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

Payments to defined contribution plans are recognised as an expense when employees have rendered service that entitle them to the contributions.

(ii) Defined benefit plans

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Retirement benefit obligations (cont'd)

(ii) Defined benefit plans (cont'd)

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

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

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

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

(iii) 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 a qualified actuary and provided for. The obligations arising under this item are not funded.

(i) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to cash and cash equivalents are recognised in profit or loss within finance income or cost.

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

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

(iii) Group company

The results and financial position of the subsidiary that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rates at the date of that statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Foreign currencies (cont'd)

(iii) Group company (cont'd)

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

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

On the disposal of a foreign operation, the cumulative amount of the exchange differences deferred in the separate components of equity relating to that foreign operation is recognised in profit or loss as part of the gain or loss on disposal.

(j) Impairment of non-financial assets

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

(k) 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, rebates and other similar allowances and after eliminating sales within the Group.

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

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

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

(iii) Other revenues earned by the Group are recognised on the following bases:

- Interest income - on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.
- Other income - on an accrual basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Dividend distribution

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

(m) Joint venture

The interest in the jointly controlled entity is accounted for by the equity method. The investment is initially recognised at cost and adjusted by post-acquisition changes in the Group's share of the net assets of the joint venture less any impairment in the value of individual investments.

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

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

(n) Segment reporting

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to the following financial risks:

- Currency risk;
- Credit risk; and
- Liquidity risk.

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

(a) Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, ZAR, Singaporean dollar and the US dollar. Foreign exchange risk arises mainly from future commercial transactions. The Group has bank accounts denominated in foreign currencies to hedge its exposure to foreign currency risk when future commercial transactions crystallise.

At June 30, 2018, if the rupee had weakened/strengthened by 5% against US dollar, ZAR, Singaporean dollar and Euro with all other variables held constant, post-tax profit for the year would have been Rs.656,074 (2017: Rs.563,087) higher/lower, mainly as a result of foreign exchange gains/losses on transaction of US dollar, ZAR, Singaporean dollar and Euro denominated cash and cash equivalents, trade receivables and trade payables.

(b) Credit risk

Credit risk arises from financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and relates principally to the Group's trade receivables. The amounts presented in the statements of financial position are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment. The Group has no significant concentration of credit risk, 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.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(b) Credit risk (cont'd)

The table below shows the percentage balances of its major counterparties at the end of the reporting period:

	The Group		The Company	
	2018	2017	**2018**	2017
6 major counterparties	**64%**	59%	**69%**	63%
Others	**36%**	41%	**31%**	37%
	100%	100%	**100%**	100%

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

(c) Liquidity risk

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

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

The table below analyses the Company's 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	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At June 30, 2018				
Bank overdraft	**496,654**	-	-	-
Trade and other payables	**45,206,415**	-	-	-
At June 30, 2017				
Bank overdraft	439,205	-	-	-
Bank borrowings	3,792,340	-	-	-
Trade and other payables	47,579,066	-	-	-

THE COMPANY	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At June 30, 2018				
Bank overdraft	**496,654**	-	-	-
Trade and other payables	**43,872,689**	-	-	-
At June 30, 2017				
Bank overdraft	439,205	-	-	-
Bank borrowings	3,792,340	-	-	-
Trade and other payables	48,726,709	-	-	-

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(d) Cash flow and fair value interest rate risk

At June 30, 2018, if interest rates on rupee-denominated borrowings had been 10 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been Rs.1,767 (2017: Rs.8,087) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

3.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

The fair value of instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant inputs required for fair value an instrument are observable, the instrument is included in Level 2.

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

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

3.3 Capital risk management

The Group's objectives when managing capital are:

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

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

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

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Total debt		**496,654**	4,231,545	**496,654**	4,231,545
Less: Cash and cash equivalents		**(3,326,057)**	(17,142,633)	**(2,099,354)**	(15,620,580)
Net debt	Rs.	**(2,829,403)**	(12,911,088)	**(1,602,700)**	(11,389,035)
Total equity	Rs.	**224,136,885**	241,948,023	**229,379,625**	245,463,463
Debt-to-capital ratio		**N/A**	N/A	**N/A**	N/A

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

(a) 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 Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate 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 liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 13.

(b) Revaluation of property, plant and equipment

The Group measures land and buildings at revalued amounts with changes in fair value being recognised in profit or loss. The Group engaged valuation specialists to determine fair value as at April 30, 2013.

(c) Asset lives and residual values

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

(d) Depreciation policies

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

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

(e) Revenue recognition

Management exercises judgement in assessing whether significant risks and rewards have been transferred to the customer to permit revenue to be recognised.

Revenue arising from maintenance and repair work in progress is recognised on the percentage of completion basis.

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

4.1 Critical accounting estimates and assumptions (cont'd)

(f) Impairment of assets

Property, plant and equipment and intangible assets are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the assets or cash-generating units are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value.

5. PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP AND THE COMPANY

	Freehold land & buildings	Plant and machinery	Motor vehicles	Furniture, fittings and office equipment	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
(i) COST/VALUATION					
At July 1, 2017	75,688,440	211,685,241	8,347,398	43,511,809	339,232,888
Additions	3,999,425	6,105,928	2,335,708	2,020,949	14,462,010
Disposals	-	(172,520)	(1,306,243)	(916,917)	(2,395,680)
At June 30, 2018					
Cost	**25,137,865**	**217,618,649**	**9,376,863**	**44,615,841**	**296,749,218**
Valuation	**54,550,000**	**-**	**-**	**-**	**54,550,000**
	79,687,865	**217,618,649**	**9,376,863**	**44,615,841**	**351,299,218**
DEPRECIATION					
At July 1, 2017	9,134,351	42,202,502	8,228,425	26,501,452	86,066,730
Charge for the year	1,537,167	4,951,637	393,276	3,528,760	10,410,840
Disposal adjustments	-	(71,717)	(1,306,243)	(896,277)	(2,274,237)
At June 30, 2018	**10,671,518**	**47,082,422**	**7,315,458**	**29,133,935**	**94,203,333**
NET BOOK VALUES					
At June 30, 2018	**69,016,347**	**170,536,227**	**2,061,405**	**15,481,906**	**257,095,885**

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

(a) THE GROUP AND THE COMPANY

	Freehold land & buildings	Plant and machinery	Motor vehicles	Furniture, fittings and office equipment	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
(ii) COST/VALUATION					
At July 1, 2016	75,652,396	215,021,343	8,428,352	36,615,773	335,717,864
Additions	-	1,531,684	-	4,796,245	6,327,929
Disposals	-	(2,476,616)	(49,753)	(286,536)	(2,812,905)
Reclassification	36,044	(2,391,170)	(31,201)	2,386,327	-
At June 30, 2017					
Cost	**21,138,440**	**157,894,738**	**8,347,398**	**43,511,809**	**230,892,385**
Valuation	**54,550,000**	**53,790,503**	**-**	**-**	**108,340,503**
	75,688,440	**211,685,241**	**8,347,398**	**43,511,809**	**339,232,888**
DEPRECIATION					
At July 1, 2016	7,223,477	38,471,493	7,914,573	22,629,480	76,239,023
Charge for the year	1,895,732	4,820,444	394,806	3,526,620	10,637,602
Disposal adjustments	-	(498,884)	(49,753)	(261,258)	(809,895)
Reclassification	15,142	(590,551)	(31,201)	606,610	-
At June 30, 2017	**9,134,351**	**42,202,502**	**8,228,425**	**26,501,452**	**86,066,730**
NET BOOK VALUES					
At June 30, 2017 Rs.	**66,554,089**	**169,482,739**	**118,973**	**17,010,357**	**253,166,158**

(b) The Company's plant and machinery were last revalued at June 30, 2005 by Consultec Ltd, an independent valuer. Valuations were made on the basis of open market value. The gain in revaluation net of deferred income taxes was credited to revaluation surplus in shareholders' equity (note 11). It is no longer the Company's policy to revalue plant and machinery. The revalued amount at June 30, 2005 is considered to be the 'Deemed Cost'.

(c) The Company's freehold land and buildings were revalued on April 30, 2013 by Gexim Real Estate Ltd, an independent valuer. Valuations were made on the basis of open market value. The revaluation surplus net of deferred income taxes was credited to revaluation surplus in shareholders' equity (note 11).

(d) Details of the Group's land and buildings and plant and machinery measured at fair value and information about the fair value hierarchy as at June 30, 2018 are as follows:

	Level 2
	Rs.
Freehold land and buildings	**69,016,347**
Plant and machinery Rs.	**172,536,227**

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

(e) If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

		The Group		The Company	
		2018	2017	**2018**	2017
Freehold land and buildings		**Rs.**	Rs.	**Rs.**	Rs.
Cost		**53,674,997**	49,675,572	**53,674,997**	49,675,572
Accumulated depreciation		**(11,263,979)**	(10,190,479)	**(11,263,979)**	(10,190,479)
Net book value	Rs.	**42,411,018**	39,485,093	**42,411,018**	39,485,093

(f) If plant and machinery were stated on the historical cost basis, the amounts would be as follows:

		The Group		The Company	
		2018	2017	**2018**	2017
Plant and machinery		**Rs.**	Rs.	**Rs.**	Rs.
Cost		**223,269,790**	217,336,382	**223,269,790**	217,336,382
Accumulated depreciation		**(85,207,618)**	(76,269,926)	**(85,207,618)**	(76,269,926)
Net book value	Rs.	**138,062,172**	141,066,456	**138,062,172**	141,066,456

(g) Depreciation charge for the year has been included in:

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Cost of sales		**7,987,924**	7,450,362	**7,987,924**	7,450,362
Selling and distribution expenses		**1,051,125**	1,962,438	**1,051,125**	1,962,438
Administrative expenses		**1,371,791**	1,224,802	**1,371,791**	1,224,802
	Rs.	**10,410,840**	10,637,602	**10,410,840**	10,637,602

(h) Bank borrowings were secured by fixed charge on the assets of the Group including property, plant and equipment.

6. INTANGIBLE ASSETS

			The Group		The Company	
			2018	2017	**2018**	2017
	Computer software		**Rs.**	Rs.	**Rs.**	Rs.
(a)	**COST**					
	At July 1,		**11,290,519**	10,909,642	**11,290,519**	10,909,642
	Additions		**182,400**	380,877	**182,400**	380,877
	At June 30,		**11,472,919**	11,290,519	**11,472,919**	11,290,519
	AMORTISATION					
	At July 1,		**9,823,791**	9,009,798	**9,823,791**	9,009,798
	Charge for the year		**821,387**	813,993	**821,387**	813,993
	At June 30,		**10,645,178**	9,823,791	**10,645,178**	9,823,791
	NET BOOK VALUES	Rs.	**827,741**	1,466,728	**827,741**	1,466,728

(b) Amortisation charge of Rs.4,594 (2017: Rs.80,089) has been included in cost of sales, Rs.807,793 (2017: Rs.724,904) in administrative expenses and Rs.9,000 (2017: Rs.9,000) in selling and distribution expenses.

7. INVESTMENT IN SUBSIDIARY COMPANY - COST

		2018	2017
		Rs.	Rs.
THE COMPANY			
At July 1,		**1,513,931**	1,513,931
Impairment losses		**(726,687)**	-
At June 30,	Rs.	**787,244**	1,513,931

(a) Details of the subsidiary company are as follows:

Name of Company	Class of shares held	Year end	Stated Capital	Proportion of direct ownership interest		Country of incorporation and operation	Main business
				2018	2017		
			Rs.				
Gaz Industriels Madagascar SA	Ordinary	June 30,	787,777	**99.9%**	99.9%	Madagascar	Production and sale of gases

8. INVENTORIES

		The Group		The Company	
		2018	2017	2018	2017
		Rs.	Rs.	**Rs.**	Rs.
Finished goods		**7,667,588**	10,096,635	**7,548,643**	8,977,010
Raw materials		**620,408**	818,832	**620,408**	818,832
Spare parts		**4,981,020**	4,542,543	**4,981,020**	4,542,543
	Rs.	**13,269,016**	15,458,010	**13,150,071**	14,338,385

(a) The cost of inventories recognised as expense and included in cost of sales amounted to Rs. 36,461,170 (2017: Rs.24,168,489) and Rs.33,328,719 (2017: Rs.23,274,167) for the Group and for the Company respectively.

9. TRADE AND OTHER RECEIVABLES

		The Group		The Company	
		2018	2017	2018	2017
		Rs.	Rs.	**Rs.**	Rs.
Trade receivables		**30,847,398**	29,123,001	**27,748,773**	26,361,629
Provision for bad debts		**(13,119,687)**	(13,780,108)	**(13,119,687)**	(13,780,108)
Trade receivables net of provision		**17,727,711**	15,342,893	**14,629,086**	12,581,521
Receivable from joint venture (note 29)		**3,858,042**	5,665,875	**3,858,042**	5,665,875
Receivable from subsidiary (note 29)		**-**	-	**8,693,760**	9,530,240
Insurance refundable		**-**	9,088,377	**-**	9,088,377
Prepayments		**1,885,272**	8,578,782	**1,853,991**	8,544,431
Other receivables		**3,949,712**	3,236,641	**2,853,276**	2,292,954
	Rs.	**27,420,737**	41,912,568	**31,888,155**	47,703,398

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

As of June 30, 2018, trade receivables of Rs.13,119,687 (2017: Rs.13,780,108) were impaired for the Group and the Company. The amounts of the provision for the Group and the Company were Rs.13,119,687 as of June 30, 2018 (2017: Rs.13,780,108). The individually impaired receivables relate mainly to rental charges of cylinders for which customers are not agreeable.

The ageing of these receivables is as follows:		The Group		The Company	
		2018	2017	2018	2017
		Rs.	Rs.	**Rs.**	Rs.
Over 3 months	Rs.	**13,119,687**	13,780,108	**13,119,687**	13,780,108

9. TRADE AND OTHER RECEIVABLES (CONT'D)

As of June 30, 2018, trade receivables of Rs.4,783,617 (2017: Rs.5,231,722) for the Group and the Company were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
1 to 3 months		**3,062,169**	3,284,117	**3,062,169**	3,284,117
Over 3 months		**1,721,448**	1,947,605	**1,721,448**	1,947,605
	Rs.	**4,783,617**	5,231,722	**4,783,617**	5,231,722

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

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
USD		**1,957,484**	1,947,356	**10,651,244**	11,477,596
Malagasy Ariary		**3,098,625**	2,761,372	**-**	-
Mauritian rupee		**22,364,628**	37,203,840	**21,236,911**	36,225,802
	Rs.	**27,420,737**	41,912,568	**31,888,155**	47,703,398

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

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
At July 1,		**13,780,108**	18,460,111	**13,780,108**	18,460,111
Provision for receivable impairment		**-**	104,767	**-**	104,767
Unused amounts reversed		**(660,421)**	-	**(660,421)**	-
Receivables written off during the year as uncollectible		**-**	(4,784,770)	**-**	(4,784,770)
At June 30,	Rs.	**13,119,687**	13,780,108	**13,119,687**	13,780,108

The other classes within trade and other receivables do not contain impaired assets (2017: Nil).

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

10. STATED CAPITAL

	The Group and The Company			
	Number of shares	Ordinary shares	Share Premium	Total
	2018 & 2017	2018 & 2017	2018 & 2017	2018 & 2017
		Rs.	Rs.	Rs.
At July 1, 2017 and June 30, 2018	2,611,392	26,113,920	159	**26,114,079**

The total authorised number of ordinary share is 6,000,000 (2017: 6,000,000 shares) with a par value of Rs.10 per share (2016: Rs.10 per share). All issued shares are fully paid. The Company has one class of ordinary share and each share carries a right to vote and to dividend.

11. REVALUATION AND OTHER RESERVES

		Translation reserve	Revaluation surplus	Actuarial gains/ (losses) reserve	Total
(a)	**THE GROUP**	Rs.	Rs.	Rs.	Rs.
	At July 1, 2017	5,146,488	55,813,691	(9,560,447)	51,399,732
	Remeasurement of defined benefit obligations	-	-	2,257,997	2,257,997
	Deferred tax relating to components of other comprehensive income	-	-	(338,699)	(338,699)
	Currency translation differences	(2,971,031)	-	-	(2,971,031)
	At June 30, 2018 Rs.	**2,175,457**	**55,813,691**	**(7,641,149)**	**50,347,999**

		Translation reserve	Revaluation surplus	Actuarial gains/ (losses) reserve	Total
(a)	**THE GROUP**	Rs.	Rs.	Rs.	Rs.
	At July 1, 2016	2,729,025	55,813,691	(5,132,891)	53,409,825
	Remeasurement of defined benefit obligations	-	-	(5,208,889)	(5,208,889)
	Deferred tax relating to components of other comprehensive income	-	-	781,333	781,333
	Currency translation differences	2,417,463	-	-	2,417,463
	At June 30, 2017 Rs.	**5,146,488**	**55,813,691**	**(9,560,447)**	**51,399,732**

		Revaluation surplus	Actuarial gains/ (losses) reserve	Total
(b)	**THE COMPANY**	Rs.	Rs.	Rs.
	At July 1, 2017	55,813,691	(9,560,447)	46,253,244
	Remeasurement of defined benefit obligations	-	2,257,997	2,257,997
	Income tax relating to components of other comprehensive income	-	(338,699)	(338,699)
	At June 30, 2018 Rs.	**55,813,691**	**(7,641,149)**	**48,172,542**

		Revaluation surplus	Actuarial gains/ (losses) reserve	Total
(b)	**THE COMPANY**	Rs.	Rs.	Rs.
	At July 1, 2016	55,813,691	(5,132,891)	50,680,800
	Remeasurement of defined benefit obligations	-	(5,208,889)	(5,208,889)
	Income tax relating to components of other comprehensive income	-	781,333	781,333
	At June 30, 2017 Rs.	**55,813,691**	**(9,560,447)**	**46,253,244**

Translation reserve

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

Revaluation surplus

The revaluation surplus relates to the revaluation of property, plant and equipment.

Actuarial gains/(losses) reserve

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

12. DEFERRED INCOME TAXES

(a) Deferred income taxes are calculated on all temporary differences under the liability method at 15% (2017: 15%).

There is a legally enforceable right to offset current tax assets against current tax liabilities and deferred income tax assets and liabilities when the deferred income taxes relate to the same fiscal authority on the same entity.

The following amounts are shown in the statements of financial position:

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Deferred tax liabilities		**26,446,859**	28,029,199	**26,446,859**	28,029,199
Deferred tax assets		**(1,448,701)**	(1,654,702)	**(1,448,701)**	(1,654,702)
Net deferred tax liabilities	Rs.	**24,998,158**	26,374,497	**24,998,158**	26,374,497

At the end of the reporting date, the Company had unused tax losses of Rs.2,556,682 (2017: Rs.2,018,380) available for offset against future profits. Deferred tax asset has been recognised in respect of tax losses.

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

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
At July 1,		**26,374,497**	25,701,873	**26,374,497**	25,701,873
(Credited)/charged to profit or loss (note 23(a))		**(1,715,038)**	1,453,957	**(1,715,038)**	1,453,957
Charged/(credited) to other comprehensive income		**338,699**	(781,333)	**338,699**	(781,333)
At June 30,	Rs.	**24,998,158**	26,374,497	**24,998,158**	26,374,497

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

		THE GROUP AND THE COMPANY		
(i) Deferred tax liabilities		**Accelerated tax depreciation**	**Revaluation of assets**	**Total**
		Rs.	Rs.	Rs.
At June 30, 2016		22,459,574	5,514,324	27,973,898
Charged to profit or loss		55,301	-	55,301
At June 30, 2017		**22,514,875**	**5,514,324**	**28,029,199**
Credited to profit or loss		(1,582,340)	-	(1,582,340)
At June 30, 2018	Rs.	**20,932,535**	**5,514,324**	**26,446,859**

12. DEFERRED INCOME TAXES (CONT'D)

(c) (ii) Deferred tax assets

		Retirement benefit obligations	Tax losses	Total
		Rs.	Rs.	Rs.
At June 30, 2016		(496,741)	(1,775,284)	(2,272,025)
(Credited)/charged to profit or loss		(73,871)	1,472,527	1,398,656
Credited to other comprehensive income		(781,333)	-	(781,333)
At June 30, 2017		**(1,351,945)**	**(302,757)**	**(1,654,702)**
Credited to profit or loss		(51,953)	(80,745)	(132,698)
Charged to other comprehensive income		338,699	-	338,699
At June 30, 2018	Rs.	**(1,065,199)**	**(383,502)**	**(1,448,701)**

13. RETIREMENT BENEFIT OBLIGATIONS

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Amounts recognised in the statements of financial position:					
- Pension benefits	Rs.	**7,101,324**	9,012,966	**7,101,324**	9,012,966
Amounts charged to profit or loss:					
- Pension benefits	Rs.	**346,355**	492,476	**346,355**	492,476
Amounts charged to other comprehensive income:					
- Pension benefits	Rs.	**2,257,997**	(5,208,889)	**2,257,997**	(5,208,889)

Pension benefits

(i) The Group operates a defined benefit pension plan. The plan is a final salary plan, which provides benefits to members in the form of a guaranteed level of pension payable for 5 years. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

The assets of the fund are invested in the Deposit Administration Policy underwritten by Swan Life Ltd.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at June 30, 2018 by Swan Life Ltd (Actuarial Valuer). The present value of the defined benefit obligations and the related current service cost and past service cost were measured using the Unit Credit Method.

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

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Present value of funded obligations		**21,339,595**	22,768,029	**21,339,595**	22,768,029
Fair value of plan assets		**(14,238,271)**	(13,755,063)	**(14,238,271)**	(13,755,063)
Liability in the statements of financial position	Rs.	**7,101,324**	9,012,966	**7,101,324**	9,012,966

13. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Pension benefits (cont'd)

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

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
At July 1,		**(9,012,966)**	(3,311,601)	**(9,012,966)**	(3,311,601)
Charged to profit or loss		**(346,355)**	(492,476)	**(346,355)**	(492,476)
Credited/(charged) to other comprehensive income		**2,257,997**	(5,208,889)	**2,257,997**	(5,208,889)
At June 30,	Rs.	**(7,101,324)**	(9,012,966)	**(7,101,324)**	(9,012,966)

(iii) The movement in the net defined benefit obligations over the year is as follows:

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
At July 1,		**22,768,029**	16,615,425	**22,768,029**	16,615,425
Interest cost		**1,124,089**	1,093,341	**1,124,089**	1,093,341
Current service cost		**9,845**	260,303	**9,845**	260,303
Benefits paid		**(579,549)**	(110,172)	**(579,549)**	(110,172)
Actuarial (gains)/losses		**(1,982,819)**	4,909,132	**(1,982,819)**	4,909,132
At June 30,	Rs.	**21,339,595**	22,768,029	**21,339,595**	22,768,029

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

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
At July 1,		**13,755,063**	13,303,824	**13,755,063**	13,303,824
Expected return on plan assets		**807,579**	861,168	**807,579**	861,168
Scheme expenses		**(20,000)**	-	**(20,000)**	-
Actuarial gains/(losses)		**275,178**	(299,757)	**275,178**	(299,757)
Benefits paid		**(579,549)**	(110,172)	**(579,549)**	(110,172)
At June 30,	Rs.	**14,238,271**	13,755,063	**14,238,271**	13,755,063

(v) The amounts recognised in profit or loss are as follows:

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Current service cost		**29,845**	260,303	**29,845**	260,303
Net interest cost		**316,510**	232,173	**316,510**	232,173
Total included in employee benefit expense (Note 22(a))	Rs.	**346,355**	492,476	**346,355**	492,476
Actual return on plan assets	Rs.	**1,062,757**	561,411	**1,062,757**	561,411

13. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	The Group		The Company	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
Experience gains/(losses) on the liabilities	**1,982,819**	(4,909,132)	**1,982,819**	(4,909,132)
Gains/(losses) on pension scheme assets	**275,178**	(299,757)	**275,178**	(299,757)
Total in other comprehensive income Rs.	**2,257,997**	(5,208,889)	**2,257,997**	(5,208,889)

(vii) The principal actuarial assumptions used for the purposes of the actuarial valuations were:

	The Group		The Company	
	2018	2017	**2018**	2017
Discount rate	**6.50%**	5.00%	**6.50%**	5.00%
Future long-term salary increase	**3.00%**	4.50%	**3.00%**	4.50%

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

		The Group and The Company	
		2018	2017
		Rs.	Rs.
Discount rate (1% movement)	Rs.	**1,195,518**	1,010,019
Future long-term salary increase (1% movement)	Rs.	**332,453**	192,597.00

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 incur in isolation of one another as some of the key assumptions may be correlated.

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

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

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

(xi) No contribution is expected to be made by the Group and the Company to post-employment benefit plans for the year ending June 30, 2019.

(xii) The weighted average duration of the defined benefit obligation is 14 years for the Group and the Company.

14. TRADE AND OTHER PAYABLES

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Trade payables		**4,028,915**	9,256,408	**2,956,759**	10,417,353
Deposits from customers		**27,947,629**	24,624,821	**27,947,629**	24,624,821
Accrued expenses		**5,680,701**	5,825,591	**5,680,701**	5,825,591
Amount due to related parties (note 29)		**5,060,756**	4,693,743	**5,060,756**	4,693,743
Other payables		**2,488,414**	3,178,503	**2,226,844**	3,165,201
	Rs.	**45,206,415**	47,579,066	**43,872,689**	48,726,709

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

15. BORROWINGS

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Current					
Bank overdrafts		**496,654**	439,205	**496,654**	439,205
Bank borrowings		**-**	3,792,340	**-**	3,792,340
Total borrowings	Rs.	**496,654**	4,231,545	**496,654**	4,231,545

(a) The borrowings are secured by floating charges on the assets of the Group including property, plant and equipment. The rate of interest on those borrowings varies between 6.25% and 6.75% per annum.

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

		6 months or less	6-12 months	1-5 years	Over 5 years	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
(i) THE GROUP						
At June 30, 2018	Rs.	**496,654**	**-**	**-**	**-**	**496,654**
At June 30, 2017	Rs.	4,231,545	-	-	-	4,231,545
(ii) THE COMPANY						
At June 30, 2018	Rs.	**496,654**	**-**	**-**	**-**	**496,654**
At June 30, 2017	Rs.	4,231,545	-	-	-	4,231,545

(c) The borrowings are denominated in Mauritain Rupees and the carrying amounts are not materially different from their fair values.

16. REVENUE

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Sales of goods		**90,722,866**	98,465,748	**86,349,145**	96,122,718
Sales of services		**3,933,145**	6,337,218	**3,933,145**	6,325,117
	Rs.	**94,656,011**	104,802,966	**90,282,290**	102,447,835

Notes to the Financial Statements

Year Ended June 30, 2018

17. EXPENSES BY NATURE

	The Group		The Company	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
Employee benefit expense (note 22(a))	**31,833,227**	33,265,328	**30,559,430**	32,105,002
Raw materials and consumables used	**36,461,170**	24,168,489	**33,328,719**	23,274,167
Depreciation of property, plant and equipment	**10,410,840**	10,637,602	**10,410,840**	10,637,602
Amortisation of intangible assets	**821,387**	813,993	**821,387**	813,993
Professional fees	**12,298,878**	9,875,397	**10,765,016**	8,355,662
Repairs & maintenance	**4,234,531**	5,611,033	**4,234,306**	5,611,033
Motor vehicle running expenses	**3,859,573**	3,748,320	**3,859,573**	3,748,320
Electricity	**4,594,371**	2,423,757	**4,587,530**	2,416,715
Advertising costs	**298,192**	547,951	**298,192**	547,951
Provision for bad debts	**-**	104,767	**-**	104,767
Reversal of provision for bad debts	**(660,421)**	-	**(660,421)**	-
Reversal of provision for stock obsolescence	**(520,469)**	(2,654,601)	**(520,469)**	(2,654,601)
Other expenses	**4,449,711**	7,743,734	**4,763,099**	7,802,864
Rs.	**108,080,990**	96,285,770	**102,447,202**	92,763,475

Other expenses comprise of miscellaneous expenses incurred during the year.

18. OTHER INCOME

	The Group		The Company	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
Profit/(loss) on disposal of property, plant and equipment	**1,041,295**	(837,737)	**1,041,295**	(837,737)
Interest income	**27,586**	124,393	**27,586**	124,393
Management fees	**-**	-	**-**	120,000
Others	**83,290**	828,944	**-**	641,094
Rs.	**1,152,171**	115,600	**1,068,881**	47,750

19. FINANCE INCOME

	The Group		The Company	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
Net foreign transactions gains	**974,894**	1,900,516	**974,894**	2,359,194
Interest expense	**(116,431)**	(578,247)	**(116,431)**	(578,247)
Rs.	**858,463**	1,322,269	**858,463**	1,780,947

20. INTEREST IN JOINT VENTURE

	The Group		The Company	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
At July 1,	**(48,764)**	(4,991)	**(48,764)**	(4,991)
Share of loss	**(9,341)**	(43,773)	**(9,341)**	(43,773)
At June 30, Rs.	**(58,105)**	(48,764)	**(58,105)**	(48,764)

(a) The Group has an interest in a joint venture, Medical Gases JV. The joint venture is incorporated and operates in Maurtius. The main activity of the joint venture is to supply medical gases (liquid oxygen, nitrous oxide and compressed air) to the Ministry of Health and Quality of Life during the period April 01, 2018 to March 31, 2020.

20. INTEREST IN JOINT VENTURE (CONT'D)

According to the joint venture agreement, revenue for the goods provided is being split and attributed to each party according to the goods supplied by them to Medical Gases JV. Assets and liabilities are split in the proportion of sales revenue whilst all expenses are being shared equally.

Medical Gases JV is a private company and there is no quoted market price for its shares.

The above joint venture is accounted for using the equity method.

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements.

(i) Summarised statement of financial position of Medical Gases JV:

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Current assets	Rs.	**9,406,142**	8,926,411	**9,406,142**	8,926,411
Current liabilities	Rs.	**9,446,199**	8,947,787	**9,446,199**	8,947,787
The above amounts of assets and liabilities include the following:					
Cash and cash equivalents	Rs.	**1,156,399**	89,034	**1,156,399**	89,034

(ii) Summarised statement of profit or loss of Medical Gases JV:

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Revenue	Rs.	**16,835,787**	41,711,964	**16,835,787**	41,711,964
Loss for the year	Rs.	**(41,878)**	(99,268)	**(41,878)**	(99,268)

The Group does not have any commitments and contingent liabilities relating to its joint venture.

21. EXCEPTIONAL ITEMS

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Impairment of investment in subsidiary		**-**	-	**726,687**	-
Impairment of receivable from subsidiary		**-**	-	**1,693,821**	-
	Rs.	**-**	-	**2,420,508**	-

22. (LOSS)/PROFIT BEFORE TAXATION

	The Group		The Company	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
(Loss)/profit before taxation is arrived at after:				
crediting:				
Profit/(loss) on disposal of property, plant and equipment	**1,041,295**	(837,737)	**1,041,295**	(837,737)
and charging:				
Depreciation on property, plant and equipment	**10,410,840**	10,637,602	**10,410,840**	10,637,602
Amortisation of intangible assets	**821,387**	813,993	**821,387**	813,993
Cost of inventories recognised as expense	**36,461,170**	24,168,489	**33,328,719**	23,274,167
Employee benefit expense (note (a) below) Rs.	**31,833,227**	33,265,328	**30,559,430**	32,105,002

(a) Employee benefit expense

	The Group		The Company	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
Wages and salaries	**28,287,633**	29,973,826	**27,013,836**	28,813,500
Social security costs	**1,145,945**	1,139,480	**1,145,945**	1,139,480
Pension costs - defined contributions plans	**2,053,294**	1,659,546	**2,053,294**	1,659,546
Pension costs - defined benefit plans (note 13(v))	**346,355**	492,476	**346,355**	492,476
Rs.	**31,833,227**	33,265,328	**30,559,430**	32,105,002

23. TAXATION

(a) Charged to profit or loss:

	The Group		The Company	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
Deferred tax (note 12(b)) Rs.	**(1,715,038)**	1,453,957	**(1,715,038)**	1,453,957

(b) Tax reconciliation

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

	The Group		The Company	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
(Loss)/profit before taxation	**(11,423,686)**	9,911,292	**(12,667,417)**	11,469,284
Tax calculated at the rate of 15% (2017: 15%)	**(1,713,553)**	1,486,694	**(1,900,113)**	1,720,393
Income not subject to tax	**(156,194)**	(283,589)	**(156,194)**	(283,589)
Expenses not deductible for tax purposes	**236,466**	453,253	**423,026**	219,554
Excess of capital allowance over depreciation	**1,633,281**	(177,990)	**1,633,281**	(177,990)
Utilisation of tax losses	**-**	(1,478,368)	**-**	(1,478,368)
Deferred tax	**(1,715,038)**	1,453,957	**(1,715,038)**	1,453,957
Rs.	**(1,715,038)**	1,453,957	**(1,715,038)**	1,453,957

24. (LOSS)/EARNINGS PER SHARE

		The Group	
		2018	2017
		Rs.	Rs.
(Loss)/profit attributable to ordinary shareholders	Rs.	**(9,708,648)**	8,457,335
Number of ordinary shares in issue		**2,611,392**	2,611,392
(Loss)/earnings per share	Rs.	**(3.72)**	3.24

25. DIVIDENDS

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Amounts recognised as distributions to equityholders in the year:					
Paid and distributed during the year - Rs.2.70 per share (2017: Rs.1.20 per share)	Rs.	**7,050,757**	3,133,670	**7,050,757**	3,133,670

26. NOTES TO THE STATEMENTS OF CASH FLOWS

		The Group		The Company	
		2018	2017	**2018**	2017
(a) Cash generated from operations		**Rs.**	Rs.	**Rs.**	Rs.
(Loss)/profit before taxation		**(11,423,686)**	9,911,292	**(12,667,417)**	11,469,284
Adjustments for:					
Depreciation of property, plant and equipment		**10,410,840**	10,637,602	**10,410,840**	10,637,602
Amortisation of intangible assets		**821,387**	813,993	**821,387**	813,993
Impairment of investment in subsidiary		**-**	-	**726,687**	-
Interest income		**(27,586)**	(124,393)	**(27,586)**	(124,393)
Interest expense		**116,431**	578,247	**116,431**	578,247
(Profit)/loss on disposal of property, plant and equipment		**(1,041,295)**	837,737	**(1,041,295)**	837,737
Retirement benefit obligations		**346,355**	492,476	**346,355**	492,476
		(797,554)	23,146,954	**(1,314,598)**	24,704,946
Changes in working capital:					
Inventories		**2,188,994**	(1,739,711)	**1,188,314**	(2,219,559)
Trade and other receivables		**14,491,831**	(15,012,265)	**15,815,243**	(15,922,573)
Trade and other payables		**(2,372,651)**	155,615	**(4,854,020)**	1,957,099
Cash generated from operations	Rs.	**13,510,620**	6,550,593	**10,834,939**	8,519,913

		The Group		The Company	
		2018	2017	**2018**	2017
(b) Cash and cash equivalents		**Rs.**	Rs.	**Rs.**	Rs.
Cash in hand and at bank		**3,326,057**	17,142,633	**2,099,354**	15,620,580
Bank overdrafts		**(496,654)**	(439,205)	**(496,654)**	(439,205)
Cash and cash equivalents	Rs.	**2,829,403**	16,703,428	**1,602,700**	15,181,375

Notes to the Financial Statements

Year Ended June 30, 2018

27. SEGMENT INFORMATION

(a) The Group is engaged in the manufacture and distribution of medical and industrial gases (in bulk and in cylinders). The Company also provides welding and cutting equipment and accessories as well as gas reticulation. The Board of Directors considers the business as a single reportable segment.

The internal reporting provided to the Chief Executive Officer for the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles under IFRS.

There were no changes in the reportable segment during the year.

(b) **Geographical information**

		Revenues from external customers		Non-current assets	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Local		**83,580,598**	93,521,577	**257,923,626**	254,632,886
Foreign		**11,075,413**	11,281,389	**-**	-
	Rs.	**94,656,011**	104,802,966	**257,923,626**	254,632,886

The Group's customer database is highly diversified, with no individual significant customer.

28. COMMITMENTS

Capital expenditure contracted for at the end of the reporting date but not recognised in the financial statements:

		The Group		The Company	
		2018	2017	**2018**	2017
		Rs.	Rs.	**Rs.**	Rs.
Property, plant and equipment	Rs.	**-**	1,136,845	**-**	1,136,845

29. RELATED PARTY TRANSACTIONS

	Technical fees	Management fees	Sales of goods and services	Purchase of goods	Dividends paid	Amount owed by related parties	Amount owed to related parties
(a) **THE GROUP**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trading transactions							
Year ended June 30, 2018							
Major shareholder	**587,869**	**-**	**-**	**4,165,922**	**2,694,800**	**-**	**5,060,756**
Joint Venture	**-**	**-**	**15,151,625**	**-**	**-**	**3,858,042**	**-**
Rs.	**587,869**	**-**	**15,151,625**	**4,165,922**	**2,694,800**	**3,858,042**	**5,060,756**
Trading transactions							
Year ended June 30, 2017							
Major shareholder	605,101	-	-	5,180,854	2,694,800	-	4,693,743
Joint Venture	-	-	25,878,762	-	-	5,665,875	-
Rs.	605,101	-	25,878,762	5,180,854	2,694,800	5,665,875	4,693,743

29. RELATED PARTY TRANSACTIONS (CONT'D)

	Technical fees	Management fees	Sales of goods and services	Purchase of goods	Dividends paid	Amount owed by related parties	Amount owed to related parties
(b) THE COMPANY							
(i) Trading transactions							
Year ended June 30, 2018							
Major shareholder	**587,869**	**-**	**-**	**4,165,922**	**2,694,800**	**-**	**5,060,756**
Subsidiary	**-**	**-**	**1,545,784**	**-**	**-**	**8,693,760**	**-**
Joint Venture	**-**	**-**	**15,151,625**	**-**	**-**	**3,858,042**	**-**
Rs.	**587,869**	**-**	**16,697,409**	**4,165,922**	**2,694,800**	**12,551,802**	**5,060,756**
(ii) Trading transactions							
Year ended June 30, 2017							
Major shareholder	605,101	-	-	5,180,854	2,694,800	-	4,693,743
Subsidiary	-	120,000	2,345,896	-	-	9,530,240	-
Joint Venture	-	-	25,878,762	-	-	5,665,875	-
Rs.	605,101	120,000	28,224,658	5,180,854	2,694,800	15,196,115	4,693,743

(c) (i) The above transactions have been made at arm's length, on normal commercial terms and in the normal course of business.

(ii) The major shareholder is African Oxygen Limited.

(iii) Technical fees payable are in accordance with the substance of the relevant agreements.

(iv) Provision made for doubtful debts in respect of amounts owed by related parties amounts to Rs. 11,693,821 (2017: Rs. 10,000,000).

(d) **Key management personnel compensation**

	The Group		The Company	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
Short-term employee benefits	**9,593,470**	11,059,971	**9,593,470**	11,059,971
Termination benefits	**569,600**	-	**569,600**	-
Post-employment benefits	**588,987**	641,900	**588,987**	641,900
Rs.	**10,752,057**	11,701,871	**10,752,057**	11,701,871

Notice of Meeting

66th Annual Meeting

NOTICE IS HEREBY GIVEN that the Annual Meeting of LES GAZ INDUSTRIELS LIMITED ('the Company') will be held at the offices of the Company, Pailles Road, GRNW, on November 29, 2018 at 12.15 hrs. to transact the following business:

1. To approve the minutes of proceedings of the 65th Annual Meeting of the shareholders of the Company held on November 28, 2017.
2. To consider the annual report of the Company for the year ended June 30, 2018.
3. To consider and approve the Audited Financial Statements of the Company for the year ended June 30, 2018 and the report of the Directors and Auditors thereon.
4. To re-elect Mr Antoine L. Harel who retires by rotation and being re-eligible offers himself for re-election as director of the Company.
5. To re-elect Mr Christopher Hart de Keating who retires by rotation and being re-eligible offers himself for re-election as director of the Company.
6. To appoint the Company's Auditors to hold office until the conclusion of the next Annual Meeting, and authorise the Board of Directors to fix their remuneration.
7. To approve the Company's directors' emoluments.

By order of the Board
HM Secretaries Ltd.
SECRETARY

Port Louis, this 28 September 2018

Note: The profiles of the directors sitting for re-election are available on pages 16 and 17 of the 2018 Annual Report of the Company.

Map Gases
(Modified Atmospheric Packaging)

Diversifying our product range
Fresh food preservation

LES GAZ INDUSTRIELS LTD.

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