SEYCHELLES TRADING COMPANY LIMITED

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

SEYCHELLES TRADING COMPANY LIMITED

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CORPORATE INFORMATION

DIRECTORS	:	Charles Morin (Chairman) (as from November 9, 2012) Veronique Laporte (as from March 27, 2013) Steve Fanny Ronny Brutus (as from November 9, 2012) Mike Laval (as from February 1, 2013) Ashik Hassan (as from November 9, 2012 and up to February 1, 2013) Annie Vidot (as from November 9, 2012) Melanie Stravens (up to November 9, 2012) Audrey Nanon (up to November 9, 2012) Maryline Reginald (up to November 9, 2012) Colin Jean-Louis (up to November 9, 2012) Patrick Vel (up to March 27, 2013)
SECRETARY	:	Patrick Vel (up to May 15, 2013) Vanessa Marie (as from May 15, 2013)
REGISTERED OFFICE	:	P O Box 634, Latanier Road, Latanier House, Victoria, Seychelles
PRINCIPAL PLACE OF BUSINESS	:	Latanier Road, Latanier House, Seychelles
AUDITORS	:	BDO Associates Chartered Accountants Seychelles
BANKERS	:	(1) The Mauritius Commercial Bank (Seychelles) Limited (2) Bank of Baroda (Seychelles) (3) Seychelles International Mercantile Banking Corporation Limited (4) Barclays Bank (Seychelles) Limited (5) Seychelles Savings Bank Limited

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the year ended December 31, 2012.

PRINCIPAL ACTIVITY

The principal activity of the Company comprises of the importation, storage and distribution of essential commodities so as to ensure their continuous provision on the local market at most competitive prices.

The Company started its activities on March 1, 2008 after taking over some of the assets and activities of the Seychelles Marketing Board (SMB) which was in liquidation.

RESULTS

	SR
Profit before tax	3,124,780
Tax expense	(1,263,980)
Profit for the year	1,860,800
Retained earnings brought forward	87,941,900
Retained earnings carried forward	**89,802,700**

DIVIDENDS

The Directors did not propose any dividends for the year under review (2011: Nil).

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment amounted to **SR 11.6 million** during the year ended December 31, 2012 (2011: SR 22.7 million). These are made up mainly of plant and machinery, office and computer equipment, furniture and fittings, motor vehicles and work-in-progress.

Property, plant and equipment are stated at cost less accumulated depreciation. The Directors are of the opinion that the carrying amounts of the assets approximate their fair values and do not require any adjustments for impairment.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors of the Company since the date of the last report and to date are:
Charles Morin (Chairman) (as from November 9, 2012)
Veronique Laporte (as from March 27, 2013)
Steve Fanny
Ronny Brutus (as from November 9, 2012)
Mike Laval (as from February 1, 2013)
Ashik Hassan (as from November 9, 2012 and up to February 1, 2013)
Annie Vidot (as from November 9, 2012)
Melanie Stravens (up to November 9, 2012)
Audrey Nanon (up to November 9, 2012)
Maryline Reginald (up to November 9, 2012)
Colin Jean-Louis (up to November 9, 2012)
Patrick Vel (up to March 27, 2013)

None of the Directors had any interest in the shares of the Company during the year (2011: Nil).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the overall management of the affairs of the Company including the operations of the Company and making investment decisions.

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Seychelles Companies Act, 1972. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies that fall within the accounting policies adopted by the Company; and making accounting estimates that are reasonable in the circumstances. The Directors have the general responsibility of safeguarding the assets, both owned by the Company and those that are held in trust and used by the Company.

The Directors consider they have met their aforesaid responsibilities.

AUDITORS

The retiring auditors, Messrs. BDO Associates, being eligible offer themslves for re-appointment.

Charles Morin Chairman	**Veronique Laporte** Director	**Steve Fanny** Director
Ronny Brutus Director	M. Laval **Mike Laval** Director	**Annie Vidot** Director

Dated:

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P.O. Box 18
The Creole Spirit
Quincy Street, Mahé
Victoria, Seychelles

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the members of Seychelles Trading Company Limited, (the "Company"), as a body, in terms of our engagement to conduct the audit on their behalf. Our audit work has been undertaken so that we might state to the members those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the attached financial statements of Seychelles Trading Company Limited set out on pages 4 to 35 which comprise the Statement of Financial Position at December 31, 2012, the Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Board's Responsibility for the Financial Statements

As stated on page 2 of the Directors' Report, the Board of Directors are responsible for preparation of the financial statements.

Auditors' Responsibility

Our responsibility is to express an opinion on those financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BDO

Basis of Qualified Opinion

Foreign exchange differences

We were unable to validate and ensure completeness of foreign exchange differences due to lack of supporting evidence.

We were also unable to obtain the breakdown between realised and unrealised foreign exchange differences.

Opinion

In our opinion, except for the financial effects, if any, of the matter described in the basis for qualified opinion paragraph above and those financial statement areas had we been able to obtain sufficient appropriate audit evidence, the financial statements on pages 4 to 35 give a true and fair view of the financial position of the Company at December 31, 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act, 1972.

Report on Other Legal Regulatory Requirements

Companies Act, 1972

We have no relationship with, or interests, in the Company other than in our capacity as auditors, tax 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 and comply with the provisions of the Seychelles Companies Act, 1972.

Public Enterprise (Monitoring) Act, 2009

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

We have obtained all the information necessary for the purpose of our audit and are satisfied with the information received.

BDO ASSOCIATES
Chartered Accountants

Dated:
Victoria, Seychelles

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2012

	Notes	2012	2011
		SR	SR
ASSETS			
Non-current assets			
Property, plant and equipment	5	**62,469,178**	58,725,594
Intangible assets	6	**506,176**	720,875
Investment in financial assets	7	**25,000**	25,000
		63,000,354	59,471,469
Current assets			
Inventories	8	**168,995,857**	176,217,786
Trade and other receivables	9	**29,153,677**	30,707,179
Cash and cash equivalents	21(b)	**58,253,618**	58,768,716
		256,403,152	265,693,681
Total assets		**319,403,506**	325,165,150
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	**10,000**	10,000
Shareholder's loan	11	**92,209,737**	92,209,737
Retained earnings		**89,802,700**	87,941,900
		182,022,437	180,161,637
LIABILITIES			
Non-current liabilities			
Borrowings	12	**58,666,667**	59,294,000
Deferred tax liabilities	13(a)	**5,280,143**	4,173,163
Retirement benefit obligations	14	**5,480,889**	5,130,176
		69,427,699	68,597,339
Current liabilities			
Trade and other payables	15	**63,807,930**	61,247,174
Borrowings	12	**4,000,000**	1,259,000
Current tax liabilities	16(a)	**145,440**	13,900,000
Total liabilities		**67,953,370**	76,406,174
Total equity and liabilities		**319,403,506**	325,165,150

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

Charles Morin
Chairman

Veronique Laporte
Director

Steve Fanny
Director

Ronny Brutus
Director

M. Laval
Mike Laval
Director

Annie Vidot
Director

The notes on pages 8 to 35 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2012

	Notes	2012	2011
		SR	SR
Revenue	2(k)	**957,466,157**	814,970,484
Cost of sales	17	**(836,970,974)**	(681,473,737)
Gross profit		**120,495,183**	133,496,747
Other income	18	**4,372,996**	4,687,556
Distribution expenses	17	**(10,779,340)**	(11,610,302)
Administrative expenses	17	**(102,699,176)**	(96,703,247)
Operating profit	19	**11,389,663**	32,390,324
Foreign exchange losses		**(7,039,855)**	(689,719)
Finance costs	20	**(1,225,028)**	(135,716)
Profit before tax		**3,124,780**	31,564,889
Tax expense	16(b)	**(1,263,980)**	(9,170,176)
Net profit and total comprehensive income for the year		**1,860,800**	19,875,143

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2012

	Share capital	Shareholder's loan	Retained earnings	Total
	SR	SR	SR	SR
Balance at January 1, 2012	**10,000**	**92,209,737**	**87,941,900**	**180,161,637**
Total comprehensive income for the year	**-**	**-**	**1,860,800**	**1,860,800**
Balance at December 31, 2012	**10,000**	**92,209,737**	**89,802,700**	**182,022,437**
Balance at January 1, 2011	10,000	92,209,737	68,066,757	160,286,494
Total comprehensive income for the year	-	-	19,875,143	19,875,143
Balance at December 31, 2011	10,000	92,209,737	87,941,900	180,161,637

The notes on pages 8 to 35 form an integral part of these financial statements.

Auditors' report on pages 3 and 3(a).

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2012

	Notes	2012	2011
		SR	SR
Cash flow from operating activities			
Cash generated from operations	21(a)	**23,922,740**	34,114,285
Interest paid		**(1,225,028)**	135,716
Net cash generated from operations		**22,697,712**	34,250,001
Tax paid	16(a)	**(13,911,560)**	(17,983,505)
Net cash generated from operating activities		**8,786,152**	16,266,496
Cash flows from investing activities			
Purchase of property, plant and equipment	5	**(11,561,221)**	(22,743,476)
Purchase of intangible assets	6	**(66,450)**	(740,784)
Purchase of investment in financial assets	7	-	(25,000)
Interest received		**212,754**	112,288
Net cash outflow in investing activities		**(11,414,917)**	(23,396,972)
Financing activities			
Repayment of borrowings		**(2,333,333)**	-
Proceeds from borrowings		**4,447,000**	15,553,000
Net cash inflow from financing activities		**2,113,667**	15,553,000
Net (decrease) /increase in cash and cash equivalents		**(515,098)**	8,422,524
Movement in cash and cash equivalents			
At January 1,		**58,768,716**	50,346,192
(Decrease) / Increase		**(515,098)**	8,422,524
At December 31,	21(b)	**58,253,618**	58,768,716

The notes on pages 8 to 35 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

1. GENERAL INFORMATION

Seychelles Trading Company Limited is a limited liability company, incorporated and domiciled in the Republic of Seychelles with its registered office located at Latanier Road, Victoria Seychelles. It is fully owned by the Government of Seychelles and started its activities on March 1, 2008 after taking over some of the activities and assets of the Seychelles Marketing Board (SMB).

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

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act 1972. The financial statements of the Company have been prepared under the historical cost convention, except that relevant financial assets and financial liabilities are measured at fair value or amortised cost.

Standards, Amendments to published Standards and Interpretations effective in the reporting period but not expected to have any impact on the Company's financial statements are as follows:

Disclosures - Transfers of Financial Assets (Amendments to IFRS 7). These amendments improve the disclosure requirements in relation to transferred financial assets.

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS1).These amendments replace references to a fixed transition date with 'the date of transition to IFRSs' and set out the requirements for how an entity resumes presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12), introduces a presumption that investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are recovered entirely through sale for the purposes of measuring deferred taxes. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

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, 2013 or later periods, but which the Company has not early adopted.

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

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (Effective July 1, 2012)
IFRS 9 Financial Instruments
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IAS 19 Employee Benefits (Revised 2011)
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
Amendment to IFRS 1 (Government Loans)
Annual Improvements to IFRSs 2009-2011 Cycle
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

Where relevant, the Company 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 company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(b) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost consists of purchase cost, together with any incidental expenses of acquisition and installation.

Subsequent costs are included in the asset's 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 and the cost can be reliably measured. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation is calculated on the straight line method to write off the cost of each asset to their residual values over their expected useful lives as follows:

Freehold buildings	4%
Plant & Machinery	10%
Office equipment	20%
Computer equipment	20%
Furniture and fittings	10%
Motor vehicles	25%

Land is not depreciated.

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

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

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the statement of comprehensive income.

(c) Intangible assets

Computer software

Acquired computer software licenses 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 the estimated useful life of 10 years.

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

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(d) Inventories

Inventories are stated at the lower of cost and net realisable value. In general cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes the borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. Provisions are made for obsolete inventories based on management's appraisal.

(e) Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured in the currency of the primary economic environment in which the Company operates. The financial statements are presented in Seychelles Rupees (SR) which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated in the functional currency using the exchange rates approximating those ruling on the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in a currency other than the presentation currency, are recognised in the statement of comprehensive income. Such monetary assets and liabilities are translated into presentation currency using the exchange rates ruling at the end of the reporting period.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other (losses)/gains - net'.

Non-monetary assets which are denominated in a currency other than the presentation currency are translated at exchange rates prevailing at the date these assets were recognised in the financial statements.

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

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(e) Foreign currencies (Cont'd)

Transactions and balances (cont'd)

As at year end, the main exchange rates against Seychelles Rupees were as follows:

	2012	2011
	SR	SR
Closing Rates:		
1 United States Dollar	**13.2700**	13.6192
1 Euro	**17.2029**	17.7123
1 GBP	**21.0014**	21.0909

(f) Taxation

Current tax

Taxation on the statement of comprehensive income comprises current and deferred tax. Current tax is the expected amount of taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the end of each reporting period.

Deferred tax

Deferred 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. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. 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 tax is determined using tax rates that have been enacted by the end of the reporting period and are expected to apply in the period when the related deferred tax asset is realised or deferred tax liability is settled.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments

(i) Financial assets

Categories of financial assets

The Company classifies its financial assets as available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Available-for-sale financial assets

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

Initial measurement

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Subsequent measurement

Available-for-sale financial assets are subsequently carried at their fair values.

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

Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in equity. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as gains and losses on financial assets.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

Subsequent measurement (Cont'd)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by considering various valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flows analysis, option pricing models refined to reflect the issuer's specific circumstances, cost and dividend basis.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in equity is removed from equity and recognised in the statement of comprehensive income. Impairment losses for an investment in an equity instrument are not reversed through the statement of comprehensive income.

(ii) *Trade other receivables*

Trade and other receivables are initially recognised 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 Company will not be able to collect all amounts due according to the original terms of receivables. The amount of 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 the statement of comprehensive income.

(iii) *Trade and other payables*

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

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (Cont'd)

(iv) *Cash and cash equivalents*

Cash comprises cash in hand, at bank and demand deposits.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, against which the bank overdrafts, if any are deducted. Bank overdrafts are shown within the borrowings under current liabilities on the statement of financial position.

(v) *Borrowings*

Borrowings are recognised initially at fair value being their issue proceeds, net of transaction costs. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption rate is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

(vi) *Share capital*

Ordinary shares are classified as equity.

(h) Impairment of 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. An 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).

(i) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Company has a legal enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and liability simultaneously.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(j) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(k) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of consideration received. Revenue is recognised according to the following criteria:

(i) *Sales and services revenue*

Sale of goods are recognised when goods are delivered and title has passed.

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

(ii) *Other revenue*

Other revenues earned by the Company are recognised on the following basis:

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(l) Retirement benefit obligation

(i) Defined benefit plans

The Company provides for a payment of gratuity to permanent employees. Gratuities are paid every five years (except in the case of early retirement) as from March 2008, for continuous service. The amount provisioned every year is based on the number of years the employee has worked after the last payment date. This type of employee benefits has the characteristics of a defined benefit plan. The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined obligation at the reporting date less fair value of plan assets together with adjustments for unrecognised actuarial gains and losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

The Company does not do any actuarial valuation since the Directors have based themselves on the method as prescribed by the Seychelles Employment Act and they have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks :

- Market risk including:
  - Currency risk
  - Interest rate risk
- Credit risk, and
- Liquidity risk

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

(a) <u>Market risk</u>

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in foreign currency exchange rates and interest rates.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(a) Market risk (cont'd)

(i) *Currency risk*

Foreign exchange risk arises from future commercial transactions and liabilities.

The Company imports goods from foreign countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and the US dollar.

At December 31, 2012, if the Seychelles Rupee had weakened/strengthened by 5% against the US Dollar and Euro with all variables held constant, post tax profit would have been mainly as a result of foreign exchange losses/gains as depicted below.

	US Dollar		Euro	
	2012	2011	**2012**	2011
	SR'000	SR'000	**SR'000**	SR'000
Impact on results:				
- Trade and other receivables	**± 218**	± 180	**± 48**	± 115
- Trade and other payables	**± 505**	± 829	**± 623**	± 583

(ii) *Interest rate risk*

The Company's income and operating cash flows are substantially independent of changes in market rates as the company has no significant interest bearing assets.

However, the Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk.

At December 31, 2012, if the interest rates on rupee-denominated borrowings had been 1% lower/higher with all other variables held constant, post-tax profit for the year would have been **SR126,273** (2011: SR20,879) higher/lower, mainly as a result of lower/higher interest expense on floating rate borrowings.

(b) Credit risk

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and the current economic environment.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

Cash transactions are limited to high credit quality financial institutions. The company has policies that limit the amount of credit exposure to any one financial position.

The table below shows the credit concentration of the company at the end of the reporting period.

	2012	**2011**
	%	%
10 major counterparties	**52**	61
Others (diversified risk)	**48**	39
	100	100

Management does not expect any losses from non-performance of these customers.

(c) Liquidity risk

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

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow and do not foresee any major liquidity risk over the short term.

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	No fixed repayment term	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
At December 31, 2012					
Borrowings from Government of Seychelles	-	-	-	**45,000**	**45,000**
Bank loan	-	**4,000**	**9,667**	-	**13,667**
Trade and other payables	**63,808**	-	-	-	**63,808**

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	No fixed repayment term	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
At December 31, 2011					
Borrowings from Government of Seychelles	-	-	-	45,000	45,000
Bank loan	1,259	3,164	11,130	-	15,553
Trade and other payables	61,247	-	-	-	61,247

3.2 FAIR VALUE ESTIMATION

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

The fair value of available-for-sale investments is based on the cost of acquisition.

Instruments included in level 1 comprise primarily quoted equity investments.

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

As there is no observable market data for the available-for-sale financial assets, the financial instrument is classified under level 3.

The carrying amount of financial assets would be an estimated SR2,500 lower/higher for the company were the discounted cash flow analysis to differ by 10% of from management estimates.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Capital risk management

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

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

The Company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash in hand and at bank. Adjusted capital comprises all components of equity (i.e. share capital, retained earnings and reserves).

During 2011, the Company's strategy, which has been unchanged from 2010, was to maintain the debt-to-adjusted capital ratio at a level in order to secure access to finance at a reasonable cost. The debt-to-adjusted capital ratios at December 31, 2011 and 2010 were as follows:

	2012	2011
	SR'000	SR'000
Total debt (note 12)	62,667	60,553
Less: Cash and cash equivalents (note 22(b))	(58,254)	(58,769)
	4,413	1,784
Total equity	182,022	200,037
Debt-to-adjusted capital ratio	2.4%	0.9%

The change in the debt-to-adjusted capital ratio is mainly due to the bank loan acquired 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.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, in the financial statements, 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and assumptions (Cont'd)

(a) Impairment of assets

Property, plant and equipment 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.

Cash flows which are utilised in these assessments are extracted from the yearly budget.

(b) 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.

(c) 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 Company would currently obtain from the 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 asset at the end of their expected useful lives.

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

(d) Limitation of sensitivity analysis

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

The sensitivity analyses do not take into consideration that the Bank's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's views of possible near-term market changes that cannot be predicted with any certainty.

PROPERTY, PLANT AND EQUIPMENT

	Land	Freehold Buildings	Plant and Machinery	Office Equipment	Computer Equipment	Furniture & Fittings	Motor Vehicles	Work in Progress	Total
COST	SR	SR	SR	SR	SR	SR	SR	SR	SR
At January 1, 2011	3,076,323	23,936,588	6,425,454	2,739,038	1,647,425	4,384,751	7,579,344	712,315	50,501,238
Reclassification	-	-	540,452	-	-	4,507,026		(5,047,478)	-
Additions	-	163,100	3,304,757	2,355,989	1,106,975	5,058,012	2,571,159	8,183,484	22,743,476
Assets scrapped	-	-	-	-	-	(19,700)	-	-	(19,700)
At December 31, 2011	**3,076,323**	**24,099,688**	**10,270,663**	**5,095,027**	**2,754,400**	**13,930,089**	**10,150,503**	**3,848,321**	**73,225,014**
Additions	-	-	**5,855,719**	**1,596,379**	**183,582**	**429,264**	**1,790,897**	**1,705,380**	**11,561,221**
At December 31, 2012	**3,076,323**	**24,099,688**	**16,126,382**	**6,691,406**	**2,937,982**	**14,359,353**	**11,941,400**	**5,553,701**	**84,786,235**
DEPRECIATION									
At January 1, 2011	-	2,583,460	1,075,639	821,788	385,975	881,445	2,764,897	-	8,513,204
Charge for the year	-	924,569	782,429	960,254	406,724	807,520	2,104,720	-	5,986,216
At December 31, 2011	-	**3,508,029**	**1,858,068**	**1,782,042**	**792,699**	**1,688,965**	**4,869,617**	-	**14,499,420**
Charge for the year	-	**926,200**	**1,291,522**	**1,220,987**	**560,000**	**1,326,646**	**2,492,282**	-	**7,817,637**
At December 31, 2012	-	**4,434,229**	**3,149,590**	**3,003,029**	**1,352,699**	**3,015,611**	**7,361,899**	-	**22,317,057**
NET BOOK VALUE									
At December 31, 2012	**3,076,323**	**19,665,459**	**12,976,792**	**3,688,377**	**1,585,283**	**11,343,742**	**4,579,501**	**5,553,701**	**62,469,178**
At December 31, 2011	3,076,323	20,591,659	8,412,595	3,312,985	1,961,701	12,241,124	5,280,886	3,848,321	58,725,594

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

(a) Depreciation has been charged to the statement of comprehensive income under the following headings:

	2012	2011
	SR	SR
Cost of sales	**2,633,490**	1,756,113
Distribution expenses	**1,471,308**	1,265,053
Administrative expenses	**3,712,839**	2,965,050
	7,817,637	5,986,216

(b) Property, plant and equipment have been pledged as security for bank borrowings.

6. INTANGIBLE ASSETS

	Computer Software	
	2012	2011
COST	SR	SR
At January 1,	**846,239**	105,455
Additions	**66,450**	740,784
At December 31,	**912,689**	846,239
AMORTISATION		
At January 1,	**125,364**	20,041
Amortisation charge	**281,149**	105,323
At December 31,	**406,513**	125,364
NET BOOK VALUE		
At December 31,	**506,176**	720,875

Amortisation charge of **SR 250,600** (2011: SR105,323) has been charged to administrative expenses.

7. INVESTMENT IN FINANCIAL ASSETS

	2012 & 2011
	SR
Available for sales - Unquoted - (Seychelles Savings Bank Ltd)	
Additions during the year and **at December 31,**	**25,000**

(a) The Directors consider the cost of the unquoted investment to represent its fair value at the end of the reporting period.

(b) The financial instrument is classified under level 3, as there is no observable market data for the available-for-sale investments.

(c) The investments are denominated in Seychelles Rupees and are neither past due nor impaired.

8. INVENTORIES

		2012	2011
		SR	SR
(a)	Finished goods (at net realisable value)	**110,187,621**	124,231,195
	Work in progress (at cost)	**70,924**	91,614
	Raw materials (at net realisable value)	**8,489,892**	7,157,700
	Goods in transit (at cost)	**50,247,420**	44,737,277
		168,995,857	176,217,786

(b) Inventories have been pledged as security for bank borrowings.

(c) The cost of inventories recognised as expense and included in cost of sales for the year amounted to **SR802,403,506** (2011: SR652,244,024).

9. TRADE AND OTHER RECEIVABLES

	2012	2011
	SR	SR
Trade receivables	**26,329,803**	30,083,940
Other receivables and prepayments	**2,823,874**	623,239
	29,153,677	30,707,179

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

(b) As at December 31, 2012, no trade receivables was impaired (2011: Nil) and no provision for credit impairment was required.

(c) As at December 31, 2012, trade receivables that were past due but not impaired amounted to **SR 1,770,143** (2011: SR1,585,223). These receivables are above 3 months.

(d) There was no provision for impairment as of December 31, 2012 (2011: Nil).

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

	2012	2011
	SR	SR
Seychelles Rupee	**20,914,108**	20,265,613
Euro	**1,335,027**	1,494,614
US Dollar	**6,510,905**	5,367,770
Other currencies	**393,637**	3,579,182
	29,153,677	30,707,179

(f) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collaterals as securities.

9. TRADE AND OTHER RECEIVABLES (CONT'D)

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

10. SHARE CAPITAL

	2012 & 2011
	SR
Issued and fully paid	
100 ordinary shares of SR.100 each	**10,000**

11. SHAREHOLDER'S LOAN

	2012 & 2011
	SR
At January 1 & **December 31,**	**92,209,737**

(a) Details of assets taken over from SMB were as follows:

	SR
Property, plant and equipment	40,555,653
Inventories	61,173,670
Cash floats taken over	19,900
	101,749,223
Less : Amount credited to share capital	(10,000)
Assets taken over on March 1, 2008	101,739,223
In 2009: Transfer from property, plant and equipment	(6,837,477)
: Transfer from inventories	(2,692,009)
	92,209,737

(b) The loan from the Government of Seychelles represents the carrying amounts of net assets taken over from Seychelles Marketing Board on March 1, 2008 and subsequent transfers in 2009. This is an interest free and non-refundable loan which has been recognised as quasi equity.

(c) The carrying amount has been assumed to approximate its fair value.

12. BORROWINGS

	2012	2011
	SR	SR
Non-current		
Borrowings from the Government of Seychelles (note (a))	**45,000,000**	45,000,000
Bank loan (note (b) and (c))	**13,666,667**	14,294,000
	58,666,667	59,294,000
Current		
Bank loan (note (b) and (c))	**4,000,000**	1,259,000
	62,666,667	60,553,000

12. BORROWINGS (CONT'D)

(a) The loan from Government of Seychelles is interest free with no fixed repayment terms and is denominated in Seychelles Rupees. The carrying amount of the loan has been assumed to approximate its amortised cost. It has been classified as non current based on Directors' opinion.

(b) The bank loan is secured by floating charges on the assets of the company including property, plant and equipment (note 5) and inventories (note 8). The rate of interest on the bank loan is 6.5% (2011: 6.5%).

(c) The maturity and exposure of the Company'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
	SR	SR	SR	SR	SR
At December 31, 2012	**2,000,000**	**2,000,000**	**13,666,667**	**-**	**17,666,667**
At December 31, 2011	2,000,000	2,000,000	11,553,000	-	15,553,000

(d) The carrying amounts of the Company's borrowings are denominated in Seychelles Rupee.

(e) The carrying amounts of the Company's borrowings approximate their amortised costs.

13. DEFERRED TAX LIABILITIES

(a) Deferred taxes are calculated on all temporary differences under the liability method at applicable rates as mentioned in note 16 (c).

	2012	2011
	SR	SR
At January 1,	**4,173,163**	2,830,120
Charged to statement of comprehensive income (note 16 (b))	**1,106,980**	1,343,043
At December 31,	**5,280,143**	4,173,163

(b) There is a legally enforceable right to offset deferred tax assets and deferred tax liabilities when the deferred taxes relate to the same fiscal authority on the same entity. The following net amounts are shown in the statement of financial position:

	2012	2011
	SR	SR
Deferred tax liability	**7,088,836**	5,866,121
Deferred tax asset	**(1,808,693)**	(1,692,958)
Net deferred tax liability	**5,280,143**	4,173,163

13. DEFERRED TAXES LIABILITIES (CONT'D)

(c) Deferred tax assets and liabilities and deferred tax (credit)/charge in the statement of comprehensive income are attributable to the following:

(i) Deferred tax liabilities

	Accelerated tax depreciation
	SR
At January 1, 2011	4,223,167
Charged for the year	1,642,954
At December 31, 2011	**5,866,121**
Charged for the year	**1,222,715**
At December 31, 2012	**7,088,836**

(ii) Deferred tax assets

	Retirement benefit obligations
	SR
At January 1, 2011	(1,393,047)
Credited for the year	(299,911)
At December 31, 2011	**(1,692,958)**
Creditedfor the year	**(115,735)**
At December 31, 2012	**(1,808,693)**

14. RETIREMENT BENEFIT OBLIGATIONS

	2012	2011
	SR	SR
Statement of financial position		
Non-current		
At January 1,	**5,130,176**	4,221,355
Charge to the statement of comprehensive income (note 5(a)/ 20(b))	**350,713**	908,821
At December 31,	**5,480,889**	5,130,176

(a) **Other post retirement benefits**

Other post retirement benefits comprise mainly of length of service compensation payable under Act and other benefits.

15. TRADE AND OTHER PAYABLES

	2012	2011
	SR	SR
Trade payables	**58,485,597**	57,297,309
Accruals and other payables	**5,322,333**	3,949,865
	63,807,930	61,247,174

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

	2012	2011
	SR	SR
Seychelles Rupee	**27,574,394**	15,658,667
Euro	**18,587,274**	17,410,764
US Dollar	**16,086,537**	25,657,889
Other currencies	**1,559,725**	2,519,854
	63,807,930	61,247,174

(b) The carrying amounts of trade and other payables approximate their amortised cost.

16. CURRENT TAX LIABILITIES

	2012	2011
(a) Statement of financial position	SR	SR
At January 1,	**13,900,000**	24,056,372
Current tax on the adjusted profit for the year ended at applicable rates (see note (c))	**157,000**	8,500,000
Over provision in previous years	**-**	(672,867)
Less: Provisional tax paid	**(13,911,560)**	(17,983,505)
At December 31,	**145,440**	13,900,000

	2012	2011
(b) Statement of comprehensive income		
Current tax on the adjusted profit for the year at applicable tax rates (see note (c))	**157,000**	8,500,000
Over provision in previous years	**-**	(672,867)
Deferred taxes (note 13 (a))	**1,106,980**	1,343,043
Tax expense	**1,263,980**	9,170,176

16. CURRENT TAX LIABILITIES (CONT'D)

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

	2012	2011
	SR	SR
Profit before taxation	**3,124,780**	29,045,319
Tax calculated at applicable tax rates (see note (c) below)	**781,195**	9,504,955
Income not subject to tax	**(53,189)**	(37,055)
Expenses not deductible for tax purposes	**108,000**	435,153
Excess of capital allowance over depreciation	**(902,233)**	(1,391,493)
Provision for tax contingency	**223,227**	(11,560)
	157,000	8,500,000

(c) Applicable tax rates under Business Tax Act, 2009 are as follows:

Taxable income

	2012 & 2011
Tax rates - %	
≤ SR. 1,000,000	25%
> SR. 1,000,000	33%

17. EXPENSES BY NATURE

	2012	2011
	SR	SR
Cost of inventories (note 8)	**802,403,506**	652,244,024
Depreciation of property, plant and equipment (note 5)	**7,817,637**	5,986,216
Amortisation of intangible assets (note 6)	**281,149**	105,323
Electricity and water charges	**21,038,828**	16,596,308
Packing expenses	**4,389,187**	3,676,279
Rental expenses	**8,686,640**	6,710,270
Repairs and maintenance	**6,053,608**	13,314,208
Stock written off	**4,648,706**	8,029,289
Telephone and faxes	**2,352,199**	2,111,519
Employee benefit expense (note 20(b))	**52,405,372**	44,308,004
Security expenses	**2,089,669**	2,062,822
Vehicle expenses	**2,205,153**	2,583,305
Other expenses	**35,136,490**	32,059,719
	949,508,144	789,787,286

17. EXPENSES BY NATURE (CONT'D)

	2012	2011
	SR	SR
Summarised as follows:		
- Cost of sales	**836,970,974**	681,473,737
- Distribution expenses	**10,779,340**	11,610,302
- Administrative expenses	**102,699,176**	96,703,247
	950,449,490	789,787,286

18. OTHER INCOME

	2012	2011
	SR	SR
Rental income	**3,816,574**	3,776,217
Interest income	**212,754**	112,288
Sundry income	**343,668**	799,051
	4,372,996	4,687,556

19. OPERATING PROFIT

Operating profit is arrived after charging:

	2012	2011
	SR	SR
Depreciation on property, plant and equipment (note 5)	**7,817,637**	5,986,216
Amortisation of intangible assets (note 6)	**281,149**	105,323
Directors' emoluments (note 20 (a))	**721,084**	734,016
Employee benefit expense (note 20 (b))	**52,405,373**	44,308,004
Auditors' remuneration	**780,000**	780,000

(a) Directors' remuneration are as follows:

	2012	2011
	SR	SR
Colin Jean-Louis	**35,294**	42,353
Charles Morin	**7,059**	-
Patrick Vel	**537,555**	550,487
Steve Fanny	**35,294**	35,294
Audrey Nanon	**29,412**	35,294
Maryline Reginald	**29,412**	35,294
Melanie Stravens	**29,412**	35,294
Annie Vidot	**5,882**	-
Ashik Hassan	**5,882**	-
Ronny Brutus	**5,882**	-
	721,084	734,016

19. OPERATING PROFIT (CONT'D)

(b) Employee benefit expense is analysed as follows:

	2012	2011
	SR	SR
Salaries & wages	**44,787,855**	35,908,528
Employee benefits and related expenses	**2,570,173**	3,786,007
Retirement benefits (note 13)	**350,713**	908,821
Staff welfare	**4,696,632**	3,704,648
	52,405,373	44,308,004

20. FINANCE COSTS

	2012	2011
	SR	SR
Interest on loan	**1,225,028**	135,716

21. NOTES TO CASH FLOW STATEMENT

	Notes	2012	2011
		SR	SR
(a) Cash generated from operations			
Profit before taxation		**3,124,780**	29,045,319
Adjustments for:			
Depreciation on property, plant and equipment	5	**7,817,637**	5,986,216
Asset scrapped	5	**-**	19,700
Amortisation of intangible assets	6	**281,149**	105,323
Retirement benefit obligation	14	**350,713**	908,821
Interest receivable	18	**(212,754)**	(112,288)
Interest payable	20	**1,225,028**	(135,716)
		12,586,553	35,817,375
Changes in working capital			
Inventories		**7,221,929**	(30,020,733)
Trade and other receivables		**1,553,502**	(272,007)
Trade and other payables		**2,560,756**	28,589,650
		23,922,740	34,114,285

(b) **Cash and cash equivalents**

	2012	2011
	SR	SR
Cash in hand	**825,198**	410,439
Bank balance	**57,428,420**	58,358,277
	58,253,618	58,768,716

22. RELATED PARTY TRANSACTIONS

	2012	2011
	SR	SR
Shareholder's loan	**92,209,737**	92,209,737
Borrowings (note 12)	**45,000,000**	45,000,000
Directors' remuneration & benefits	**721,084**	734,016

Transactions with related parties are made at normal market prices.

Outstanding balances at the end of the reporting period are unsecured and interest-free. There has been no guarantees provided or received for any related party payables or receivables. For the year ended December 31, 2012, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2011: Nil). This assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the related party operates.

23. CAPITAL COMMITMENT

	2012	2011
	SR	SR
Capital expenditure approved but not yet contracted	-	45,000,000

24. CONTINGENT LIABILITIES

	2012	2011
	SR	SR
Letters of credit	-	2,200,000
Bank guarantees for bonded warehouse	-	5,000,000
	-	7,200,000

25. FIVE YEAR FINANCIAL SUMMARY

	2012	2011	2010	2009	2008
	SR'000	SR'000	SR'000	SR'000	SR'000
Profit before taxation	**3,125**	29,045	29,045	55,607	18,157
Taxation	**(1,264)**	(9,170)	(9,170)	(20,378)	(5,300)
	1,861	19,875	19,875	35,229	12,857
Retained earnings brought forward	**87,942**	68,067	48,192	12,963	106
Retained earnings carried forward	**89,803**	87,942	68,067	48,192	12,963

	2012	2011	2010	2009	2008
	SR'000	SR'000	SR'000	SR'000	SR'000
EQUITY					
Share capital	**10**	10	10	10	10
Shareholder loan	**92,210**	92,210	92,210	92,210	92,210
Retained earnings	**89,803**	87,942	68,067	48,192	12,963
	182,022	180,162	160,287	140,412	105,183