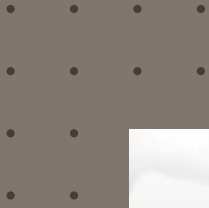




LAVASTONE
PROPERTIES



Annual Report
2020

ABOUT THIS REPORT

TOWARDS INTEGRATED REPORTING

This integrated report of Lavastone Limited (“Lavastone” or “the Company”) provides information relating to its strategy, business model, operating context, material risks and opportunities, governance and operational performance, for the period 1 October 2019 to 30 September 2020. We hope it will provide all stakeholders with sufficient information to help them assess the strength of the Group.

This report covers Lavastone and its subsidiaries and associate (“Lavastone Properties” or “the Group”). More information on the Group can be found on pages 8 & 9.

FRAMEWORK

The Group's financial statements are prepared under the International Financial Reporting Standards (“IFRS”). The integrated report has been prepared based on guidance and requirements contained within the Integrated Reporting Framework provided by the International Integrated Reporting Council (“IRRC”), the National Code on Corporate Governance (“NCCG”) 2016, DEM Rules, the Companies Act 2001 and the Securities Act 2005.

OUR APPROACH TO MATERIALITY

We provide information which we believe is material. A matter is considered material if Lavastone Properties’ senior management and those charged with governance, believe it could significantly impact the value created and delivered in the short, medium and long-term.

BOARD RESPONSIBILITY STATEMENT

Lavastone Properties’ Board of Directors acknowledges its responsibility to ensure the integrity of this report. The Board considers this report fairly represents the Group’s integrated performance.

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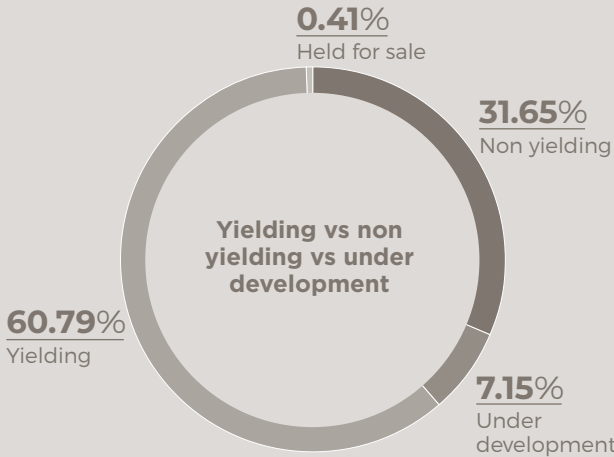
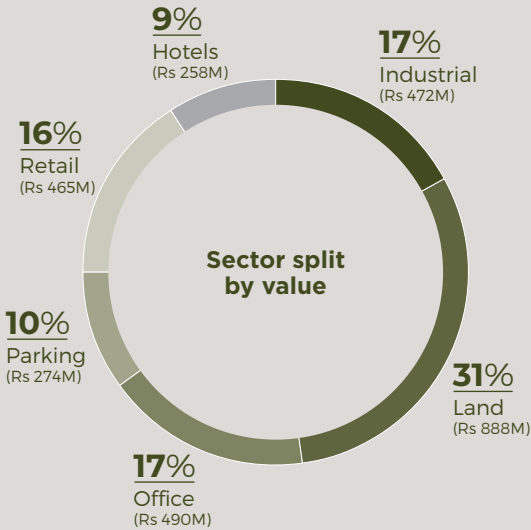
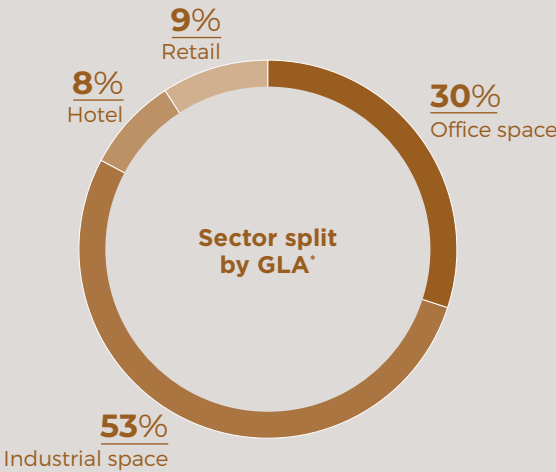
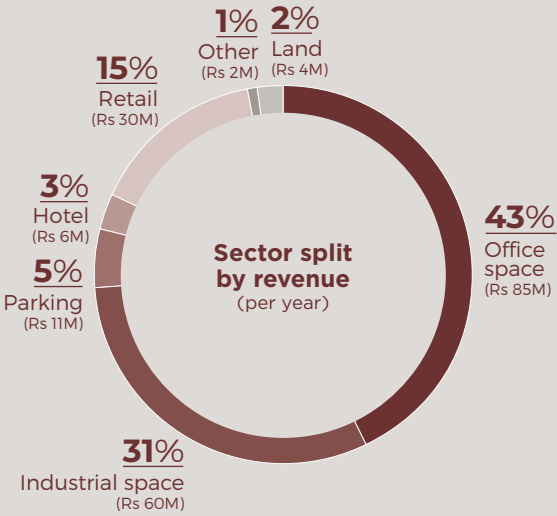
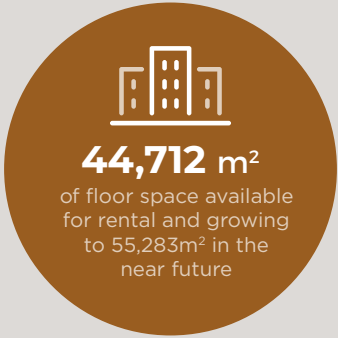
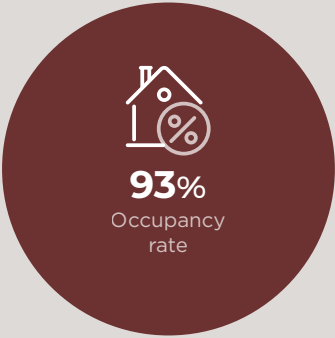
About Lavastone

“Lavastone se enn lekip dinamik ki finn fer mwa evolie ek montre mwa develop mo bann skills depi ki monn komans travay ici 2013. Mo fier ki mo ena sa loportinite travay lor 246 zordi, ek mo mari fier mo form parti sa lekip la.”

Wesley Moutou,
Site Supervisor at Lochiel Property Services Ltd



LAVASTONE AT A GLANCE



OUR MISSION

Partnering with our stakeholders to deliver superior value in design, quality, sustainability and services.

OUR VISION

To be the preferred partner for commercial real estate solutions, while delivering optimum return to our shareholders.

OUR VALUES

AGILITY

We seek to unleash our capacity to quickly and best understand opportunities and threats so we can adapt accordingly, choosing the most appropriate course of action and energetically implementing it.

HUMILITY

We understand we are not perfect and aim to learn from others through each encounter, in order to keep improving.

CARE

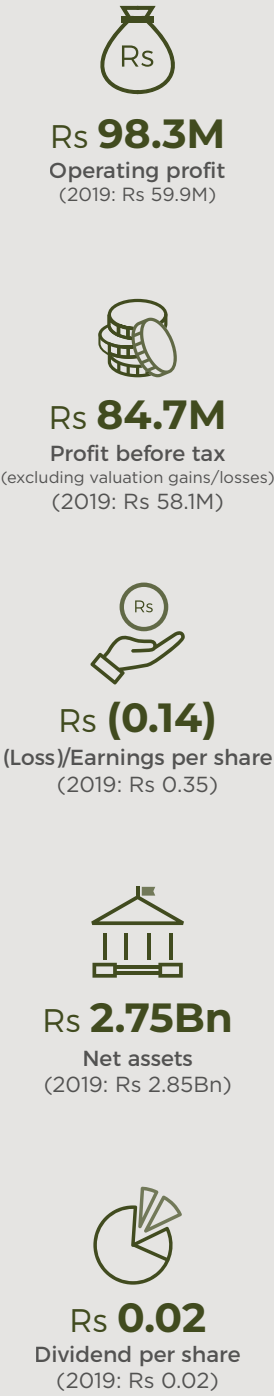
We foster a family spirit built on integrity to encourage sustainable communities.

PASSION

We constantly push beyond our limits, challenging the status quo with innovative solutions.

HIGHLIGHTS

Financial



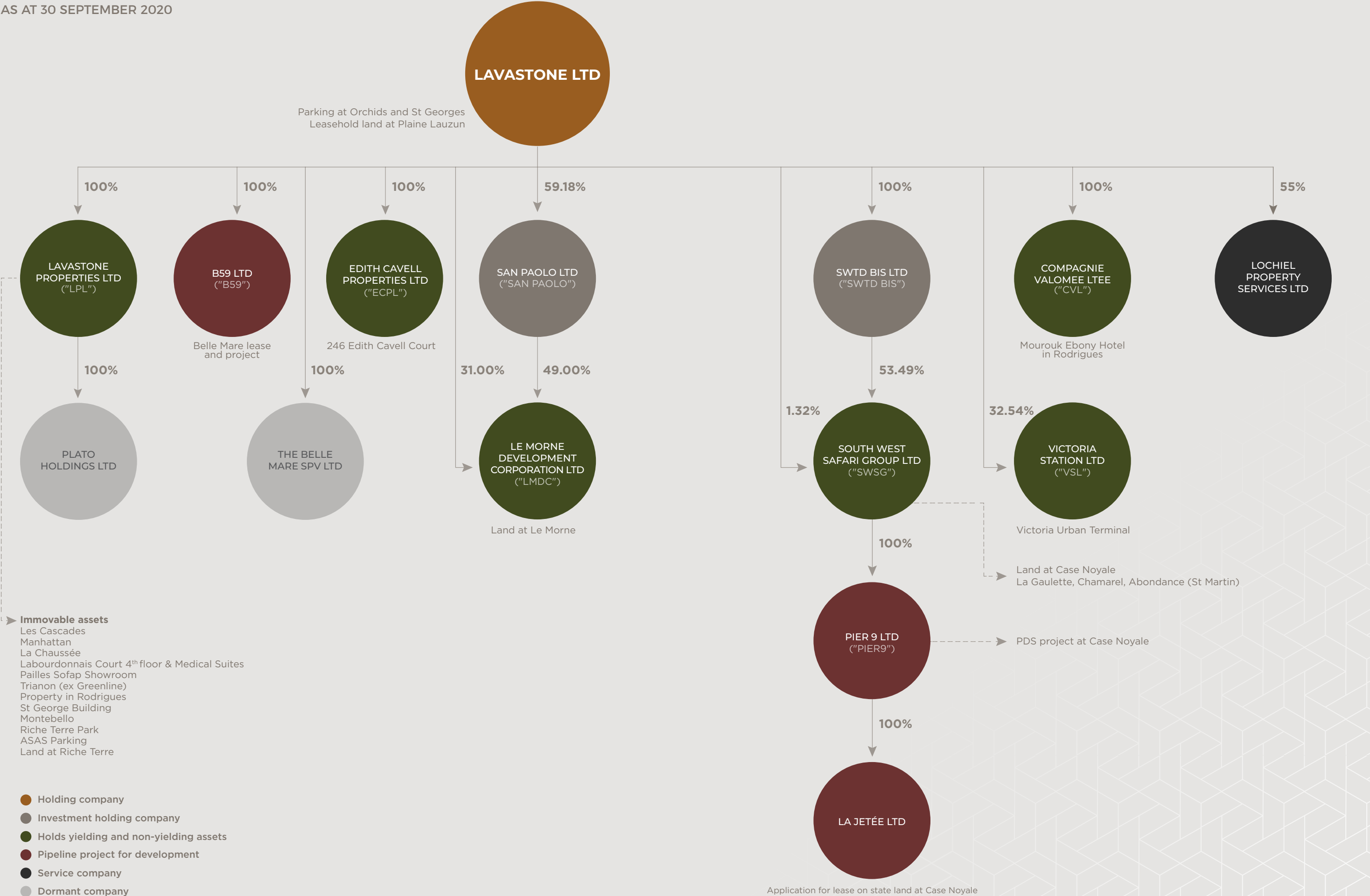
Non-financial



OUR MILESTONES



GROUP STRUCTURE
AS AT 30 SEPTEMBER 2020



“

“As both a tenant and business partner of Lavastone, I’ve noticed professionalism and business acumen are consistent themes of their team. I look forward to carrying on working and growing together.”

Yannick Fok,
Partner at Eversheds Sutherland





Colin Taylor
Chairman

CHAIRMAN'S MESSAGE

Dear shareholders,

As Chairman of Lavastone Properties for the second consecutive year, I am pleased to present the Group's integrated report for the financial year 2020.

Lavastone - as other companies in its industry - has had to face challenges on an unparalleled level, due to the enduring COVID-19 crisis, the lockdown and border closures.

Facing Covid-19

At Lavastone, our priority was the safety of our people, our tenants and their customers. As such, we made sure all sanitary measures were quickly deployed in line with the directives received from the authorities. Overall, our team showed tremendous dedication and commitment throughout the lockdown period, and thereafter working alongside and supporting our tenants.

We decided to take a more prudent approach to preserve our cash flow, putting on hold some of our construction projects and delaying others until we have better visibility. We also deferred our interim dividends, while being sensitive of its importance to many shareholders. Given the lack of visibility, this decision was not taken lightly, but the Board felt it was the most appropriate course of action. These initiatives, along with the Group's performance, were rewarded by the maintenance of our Grade A credit rating from Care Ratings Africa, which allows us to benefit from more attractive interest rates.

Progress and performance

Despite the difficulties caused by COVID-19, the Group maintains a strong balance sheet for the financial year 2020, with a healthy debt to equity ratio of 14.8% and an Average Lease Expiry of 6.64 years, thanks to quality tenants showing their resilience during these challenging times. Furthermore, our Net Operating Income (NOI) stood at Rs 151M, our loss for the year at Rs 103.4M, which includes an impairment of our investment properties of Rs 195M, and our Net Asset Value (NAV) per share stood at Rs 3.56, during the period under review.

As announced in July, Lavastone's shareholders approved the issuance of a Rs 1.5Bn secured notes programme, which will:

- finance existing and forthcoming projects;
- provide the Group with the necessary liquidity to see through the current and longer-term challenges; and
- give us the option to look at opportunistic acquisitions that will further diversify our property portfolio and strengthen our financial performance in the future.

At the time of writing, Lavastone and Lochiel are busy relocating their teams to 246 Edith Cavell Court. I am also pleased to welcome the Investment Support Programme (ISP) Ltd, which devises financial schemes for micro entities, SMEs and MMEs, as another important tenant at 246 Edith Cavell Court in the new year. This goes to show that, despite the uptake of office spaces being affected by Covid-19, the demand for well-connected world-class facilities in a vibrant and attractive location endures.

As for our construction projects, while they have been impacted by the lockdown and ensuing delays in procurement across the globe, projects launched last year are progressing well and this includes the Victoria Urban Terminal project, of which we hold 29.01% (32.54% as at 30 September 2020). Through this project and the launch of 246 Edith Cavell Court, for which we recently obtained the Urban Regeneration Certificate, we remain committed to the redevelopment of Port Louis. We hope that our commitments alongside the financial incentives of the Urban Regeneration Scheme will inspire and encourage our neighbours to renovate, maintain and uplift our capital city's historic buildings and public infrastructure.

Commitment to Corporate Governance

A review of the Board and its committees was undertaken to assess the effectiveness of its members and their contribution to the Board's performance, revealing strong commitment from committee members. The said review showed positive feedback on the composition and structure of the Board and its sub-committees, and also helped in identifying key areas of improvement.

This year's main focus was to become fully compliant with the General Data Protection Regulation (GDPR) and I am pleased to report our team collaborated with Raw IT Services Ltd to accomplish this task.

The non-executive and independent directors visited all our main properties in September 2020, to see first-hand the progress made on several initiatives implemented by management.

Sustainability at Lavastone

This year, we continued our efforts to reduce our carbon footprint across all our buildings and activities, with a special focus towards the "collect, compact and recycle" service offered by Green Ltd on site at 246 Edith Cavell Court and Riche Terre. By doing so, we have allowed our tenants to increase the recycling of their general waste, including cardboard, plastic and other waste items, by over 40%. We maintained our green initiatives through increased use of LED lights and other energy equipment across our properties.

This coming year, we will be upgrading our waste management system across most of our properties, through the use of Molok bins to increase the capacity of waste recycling and reduce CO₂ emissions and transport costs attributed to waste collection. At 246 Edith Cavell Court, we will work with Biobins to cater for the management of food and organic waste from restaurants. As for Mourouk Ebony Hotel in Rodrigues, its renovation and extension will be carried out through an upcycling initiative which is currently under development.

Outlook for financial year 2021

Our main objectives for the financial year 2021 include:

- The completion of the hotel in Belle Mare for Attitude Hotels, which is scheduled to open in the last quarter of 2021;
- The completion of the slip lane and re-launching of the retail warehouse project at Riche Terre;
- The start of renovation works at Mourouk Ebony Hotel in Rodrigues;
- The rental of all available office spaces at Edith Cavell Court; and
- The continued deployment of IT and digital technologies to improve building management and tenants' well-being.

Acknowledgements

I would like to thank Nicolas, our Managing Director, and Doreen Lam, our Chief Finance Officer, for successfully leading our team during this challenging financial year.

I am also grateful for the support of my colleagues on the Board of Directors, without whom Lavastone would not be where it is today.

Finally, I would like to take this opportunity to thank our shareholders for their trust and loyalty in Lavastone.

Colin Taylor
Chairman

DIRECTORS' PROFILES



9 *Missing director:*
Vedanand Singh
(Shyam) Mohadeb

DIRECTORS' PROFILES (Cont'd)



1. Colin Taylor
Non-Executive Director and Chairman

Colin holds an MSc in Management from Imperial College, London, and a BSc (Hons) in Engineering with Business Studies from Portsmouth Polytechnic. He is the Chairman and CEO of Taylor Smith, a diversified group of companies involved in Marine Services, Logistics and Distribution, Manufacturing, Services, and Property. Colin is the Honorary Consul of Sweden in Mauritius.

Directorship in other listed companies: Cim Financial Services Ltd

2. Nicolas Vaudin
Executive Director and Managing Director

Nicolas holds an MBA from Surrey European Management School, University of Surrey, and a Bachelor of Applied Sciences in Hospitality Administration from Southern New Hampshire University, Manchester, USA. After spending 6 years at Ciel Properties Ltd, where he spearheaded the development of Anahita, Nicolas spent another 6 at PricewaterhouseCoopers Ltd, as Associate Director leading the real estate advisory practice. Nicolas joined Cim Group as Managing Director of the property cluster in 2017.

Directorship in other listed companies: None

3. Doreen Lam
Executive Director and Chief Financial Officer

After graduating from a BSc in Management Sciences at the London School of Economics and Political Science, Doreen became a member of the Institute of Chartered Accountants in England and Wales (ICAEW) in 2002. She accumulated 10 years' experience in the UK, working for Ernst & Young LLP and Shell International Limited, before returning to Mauritius in 2009 to join Medine Limited's property cluster as Financial Controller.

Doreen joined Lavastone Properties in October 2018 as Chief Financial Officer, and was appointed Executive Director on 10 July 2020, at the annual shareholders meeting.

Directorship in other listed companies: None

4. Matthew Taylor
Non-Executive Director

Matthew holds a BSc (Hons) in Retail Management from the University of Surrey. He joined Rogers in 2000, as Project Manager in the Planning and Development Department. He was the Executive Director Retail of Scott and Company Ltd from 2007 to 2013, and is currently its CEO.

Directorship in other listed companies: Cim Financial Services Ltd

5. Gaetan Ah Kang
Non-Executive Director

Gaetan is a member of the Institute of Chartered Accountants in England and Wales (ICAEW). He spent the first 6 years of his career working in an audit firm in the UK, before coming back to Mauritius in 1992 to join De Chazal Du Mée in an Audit role. He then moved to Rogers in 1994, where he assumed functions within the Risk and Audit team, before being promoted Finance Manager of the Group's engineering cluster in 1999. Gaetan has been the Group Finance Director and a member of the Audit and Risk Committee of the Taylor Smith Group since 2004.

Directorship in other listed companies: None

6. Sebastian Taylor
Non-Executive Director

Sebastian holds a Bachelor's Degree in Economics and Politics from the University of Western Australia, and a Master's in Business from Bond University, Australia. Sebastian gained international experience in the UK, working for Quilter Cheviot Investment Management before joining Scott Investments Ltd as Investment Manager in 2017. Sebastian is also a Director on the Board of Cim Finance Ltd, Scott and Company Ltd and Scott Health Ltd.

Directorship in other listed companies: None



DIRECTORS' PROFILES (Cont'd)

7. Jose Arunasalom

Independent Director

Jose graduated in Economics and also holds a Master's Degree in International Relations. He has held several senior executive positions in the private sector in Mauritius, before serving 23 years in government at several senior roles, including Minister of Tourism. He has advised governments in Madagascar and Africa, and has also been a Member of the National Assembly for 5 consecutive terms.

Directorship in other listed companies: None

8. Vijaya Lakshmi Anna (Ruby) Saha

Independent Director

Vijaya holds an LLB (Hons) from the University of London and a Diploma in Code Civil Mauricien from Université de La Réunion. She also holds a Bachelor of Arts (Hons) in Geography and an MSC in Town Planning, from the University of Wales.

Vijaya is a qualified Barrister at law in a private legal practice, with 11 years' standing at the bar and presently working on a wide range of civil cases, the majority of which relate to land, land development and property development. Prior to that, she had worked as consultant to the Decentralised Cooperation Programme of the European Union and to the United Nations Development Programme Mauritius. She was also the Chief Technical Officer and Chief Town & Country Planning Officer at the Ministry of Housing & Lands of Mauritius.

Directorship in other listed companies: None

9. Vedanand Singh (Shyam) Mohadeb

Independent Director

Shyam is a fellow of the Institute of Chartered Accountants in Ireland. Between 1988 and 2015, he was the Senior Assurance Partner at PricewaterhouseCoopers Ltd, responsible for a large portfolio of offshore clients in the financial and real estate sectors. Shyam is also a director on the Board of other private sector companies.

Directorship in other listed companies: None

PROFILES OF KEY SENIOR OFFICERS AND EXECUTIVES



1. Doreen Lam
Executive Director and Chief Financial Officer
Please refer to the Directors' profiles on pages 16 to 18.

2. Nicolas Vaudin
Executive Director and Managing Director
Please refer to the Directors' profiles on pages 16 to 18.



3. Sandee Teeroovengadum
Head of Commercial & Marketing
Sandee holds a Bachelor of Arts (Hons) in Travel Management from the University of Brighton and an MSc in International Marketing Strategy from the University of Surrey. Sandee joined Lavastone Properties in September 2017 and is responsible for the Group's commercial development. Prior to joining Lavastone Properties, Sandee worked at Ernst & Young Mauritius and the Currimjee Jeewanjee Group, where he was involved in business strategic reviews, business plans, and franchise negotiation in the ICT and hospitality sectors. From 2011 to 2016, Sandee accumulated work experience in the property sector, as the Operations and Business Development Manager of Davyland Properties, and thereafter as Head of Leasing at ENL Property.

4. François Audibert
General Manager (Lochiel Property Services Ltd)
François graduated with a Civil Engineering Degree from Université Paul Sabatier, France, in 2010. He then pursued his studies for a further 2 years, to obtain a Master's in Engineering Management from Curtin University, Australia. François started working for the Taylor Smith Group in 2013, and gained experience in property and facilities management. He was promoted General Manager of Lochiel in 2017, responsible for the property and facilities management of Lavastone Properties and the Taylor Smith Group.

5. Amaury Tennant
Field & Property Manager
After graduating with a Diploma in Tourism and Hospitality Management in 2009, Amaury gained experience as Assistant F&B Manager, working for several hotels, including La Pirogue and Preskil Island Resort. Amaury spent 2 years in Dubai, working as Private Skipper for a very high net worth individual, before joining Lochiel (Taylor Smith Group) in 2014. Amaury joined Lavastone Properties as Field & Property Manager in 2017, responsible for land development and maintenance of the Group's land assets in the South and West of Mauritius.



“

“À quelques mois seulement de la fin des constructions, je suis émerveillé par l'apparence de l'hôtel et n'ai aucun doute que nos clients apprécieront pleinement les expériences quotidiennes qu'offrira Attitude. Notre collaboration avec Lavastone a été remarquable et je me réjouis à l'idée d'entretenir un partenariat à long terme sur ce projet.”

Jean-Michel Pitot,
Chief Executive Officer of Attitude Hotels



Nicolas Vaudin
Managing Director

MANAGING DIRECTOR'S INTERVIEW

Businesses in Mauritius and abroad were greatly affected by the Covid-19 pandemic. What were the challenges faced and the impact of the crisis on Lavastone's activities?

The impact was first felt on our retail operations at 246 Edith Cavell Court, with some tenants not being able to pay their rent. The downturn in business activity and lack of visibility meant new leases for office space did not materialise as planned. Fortunately, tenants who had planned to move in during the second half of the year maintained their commitment.

We also faced some challenges when dealing with Corporate Governance matters, such as attending meetings and getting Board resolutions signed by Directors. Effecting daily banking transactions was also an issue, though we succeeded in overcoming this challenge rather rapidly, once internet banking was set up for all companies.

Another challenge was the need to rely on our security service providers during the lockdown period, while our staff were not permitted to circulate prior to the obtention of Work Access Permits (WAP). Overall, we benefit from a portfolio of properties tenanted by resilient businesses, that continued to pay their rent despite the circumstances. The impact of Covid-19 on our finances was thus not as significant as anticipated.

What approach did you take to ensure the continuity of your business in these difficult times?

Prior to the lockdown, we developed strict protocols to be implemented across all our properties, in line with guidance provided by the authorities and the World Health Organisation (WHO), including:

- enforcement of temperature checks and access control;
- hourly cleaning of common areas;
- distribution of face masks and hand sanitizers to our teams;
- distribution of hand sanitizer to be used in common areas; and
- installation of multiple signages to reinforce social distancing measures.

Once lockdown settled in, the most important thing was to adapt our working processes to ensure our teams could work from home and also that they were comfortable enough to do so. As Lavastone already possessed the hardware and IT infrastructure for remote working at all employee levels, this allowed us to remain operational throughout the lockdown.

In order to boost our team's morale and encourage them to keep up the good work in spite of the challenging circumstances, we held regular video conferences with all staff members. These enabled us to ensure everyone was well and safe and to encourage them to share any difficulties they were facing. Being very open about our individual concerns and the similar challenges faced when working from home greatly contributed to improving team spirit.

“

We held regular video conferences with all staff members. These enabled us to ensure everyone was well and safe and to encourage them to share any difficulties they were facing.

Furthermore, we communicated with all our tenants and identified their operational needs, so as to provide the required support. Consequently, we:

- used CCTV cameras, equipped with remote viewing capabilities on mobile phones and tablets, to have an overview of our properties;
- collaborated with on-site security services provider Brinks, to assist with verifications during lockdown;
- organised for a core facilities team to attend site visits once Work Access Permits (WAPs) were granted.

How would you rate Lavastone's performance for the financial year 2020?

Like many in our industry, we saw an important decrease in the valuation of our properties, driven by the lack of visibility as to the effects of Covid-19 on the economy. This is a non-cash item and our retained earnings are sufficient to cater for this reduction in valuation.

As mentioned before, we were also impacted by direct drop in revenues from retail tenants. As part of our efforts to support them and protect the long-term value of our business, we negotiated deferred payments for the rent during the lockdown period.

Having resilient businesses as tenants proved to be a great asset in these difficult times, allowing us to see continued streams of income which enabled us to continue financing our operations and development projects without incurring the company.

Back in operation for a few months now, I am happy to report Lavastone's performances are satisfying given the challenges we have faced and the current economic situation. For those tenants who face financial difficulties at 246 Edith Cavell Court, we are pleased to see that 88% of the amount due for the Covid period has been settled to date.

Could you give us an update on Lavastone's objectives, stated last year?

Our main objective was the establishment of our new offices at 246 Edith Cavell Court, which was delayed by the lockdown and postponed to November 2020. Our new offices showcase our commitment towards the renovation of historic buildings and provide our employees with an excellent user experience within a work environment that uses technology to reduce energy costs.

The lack of visibility and uncertainties regarding the economy prompted us to rethink our investment priorities over the short-term. As a result, development projects that had not started construction were put on hold and we have decided to wait for more visibility before resuming progress on these developments.

We also postponed the launch of the final design and development process for our properties located in the South West of Mauritius. This decision was made as a result of the current economic situation and its impact on the tourism industry.

Give us an overview of your priorities for the financial year 2021.

Our priorities for 2021 are in line with those stated in last year's annual report, given some were either delayed or postponed altogether.

One of the priorities of Lavastone remains acquisitive opportunities and development projects that will lead to further diversification of our portfolio. To this end, we leveraged our balance sheet to secure Rs 1.5Bn of funding required, while ensuring repayment terms are well within our capacity.

The sale of low/non-yielding assets is also an important objective. At the time of writing, we have closed on the sale of the 4th floor at Labourdonnais Court.

MANAGING DIRECTOR’S INTERVIEW (Cont’d)

With respect to our investments in the hospitality sector, the closing and redevelopment of Mourouk Ebony Hotel is expected in January 2021, subject to obtaining the required permits and clearances from the relevant authorities. Lavastone, together with Attitude Hotels, decided to delay the opening of the hotel in Belle Mare to the last quarter of 2021, as a result of the prevailing Covid-19 pandemic.

While we have achieved the minimum required level of pre-let on the retail warehouse project in Riche Terre prior to lockdown, it was decided together with anchor tenants to postpone construction works until we have better visibility. Following the obtention of permits and clearances from the authorities for the construction of the slip lane, we have decided to move forward with this element of the project in October 2020.

Another priority for 2021 involves using our new offices at 246 Edith Cavell Court as a proof of concept for the adoption of new technologies, including Internet Of Things (IOT) and Artificial Intelligence (AI), to reduce energy usage and improve occupiers’ well-being.

Having completed infrastructure works on the 2 morcellements (84 lots and 11 lots) and closed on the bulk sale of some 11 arpents in Case Noyale, we are revisiting the masterplan and phasing for the remaining morcellements and commercial development.

Acknowledgements


I would like to express my very special thanks to our team members, who have shown great commitment and dedication during what has been a very challenging year.

I would also like to thank my fellow Directors for their continued presence and support, as well as our shareholders, suppliers, contractors, consultants, customers and tenants, for having continued faith in Lavastone Properties.







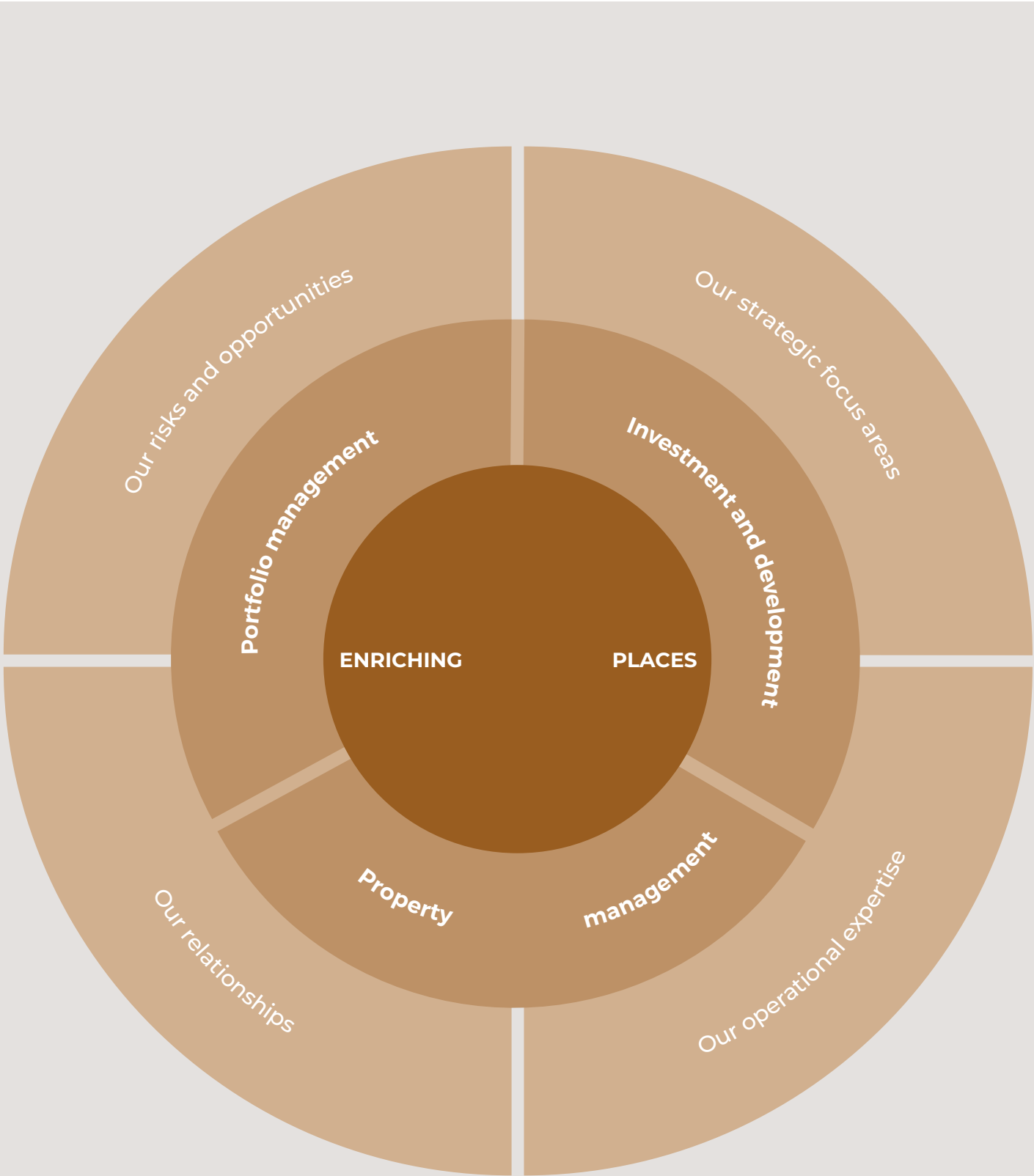








Nicolas Vaudin
Executive Director & Managing Director



OUR BUSINESS MODEL



OUR PILLARS OF VALUE	OUR OPERATIONAL EXPERTISE	OUR STRATEGIC FOCUS AREAS	OUR RISKS AND OPPORTUNITIES	OUR RELATIONSHIPS
<div><div></div><div>Financial capital Solid financial assets, invested to generate future returns on investments for our shareholders. Significant debt instruments negotiated with the banks.</div></div> <div><div></div><div>Manufactured capital Investing in and developing a wide variety of properties for different projects, to create value for our stakeholders.</div></div> <div><div></div><div>Intellectual capital Expertise in the property sector. Solid knowledge of processes and requirements to obtain permits and clearances. Expertise in property development and the management of complex projects.</div></div> <div><div></div><div>Natural capital Using our land to develop our projects, adopting the 3Rs approach in all our actions: Reducing, Recycling, Reusing.</div></div> <div><div></div><div>Social capital Ensuring our actions have a positive impact on all our stakeholders.</div></div> <div><div></div><div>Human capital Creating a homogenous work dynamic, thanks to our wide range of expertise.</div></div>	<p>We provide real estate solutions that are aligned with our tenants' business strategies, while creating value for all our stakeholders.</p> <p>1. Investment and development We source and create opportunities for our tenants and allocate capital to help grow existing businesses and deliver a good return on investment to our customers. To this end, we develop modern, more sustainable buildings, and renovate existing properties to increase their value and contribute to the regeneration of Port Louis.</p> <p>2. Property management Through the integration of Lochiel, we better evaluate and respond to our tenants' changing needs. Consequently, we increase the use of smart technology across all our developments, while providing the relevant property management services.</p> <p>3. Portfolio management We actively manage our property portfolio and also make time to investigate new acquisitive opportunities. We regularly perform building surveys and asset reports to identify assets we can dispose of, using the capital to invest into sites that have better long-term yields and capital growth prospects.</p>	<p>⇒ Customer service</p> <p>⇒ Creation of value for shareholders</p> <p>⇒ Sustainability</p> <p>⇒ Engagement of our Human Capital</p> <p>⇒ Operational excellence</p>	<div><div>A</div>Changes in economic conditions.</div> <div><div>B</div>Illiquidity due to properties' location, age, quality and specification.</div> <div><div>C</div>Inaccurate valuation of property assets.</div> <div><div>D</div>Changes in accounting standards or regulations.</div> <div><div>E</div>Fall of the rental income of the property portfolio.</div> <div><div>F</div>Inability of our tenants to pay their full contractual amount as a result of Covid-19's impact on their operational revenue and cash reserves.</div> <div><div>G</div>Non-renewal of key tenants' lease agreements and inability of the company to find suitable replacement.</div> <div><div>H</div>Relocation of existing and prospective tenants outside of Port Louis.</div> <div><div>I</div>Failure of related and third-party contractors to fulfil their contractual responsibilities and obligations.</div> <div><div>J</div>Competition in the local real estate market.</div> <div><div>K</div>Changes in rental rates and/or occupancy due to competition.</div> <div><div>L</div>Less favorable terms for the renewal of rental contracts.</div> <div><div>M</div>Increases in fees paid to third-party contractors.</div> <div><div>N</div>Unforeseen capital expenditures.</div> <div><div>O</div>Unexpected events resulting in damage or injury to individuals or property.</div> <div><div>P</div>Accidents impacting both people and property.</div> <div><div>Q</div>Impact of company activities on the environment and communities within which the company operates.</div> <div><div>R</div>Delays in project delivery and/or poor delivery from service providers.</div> <div><div>S</div>Slow obtention of permit approvals from local authority, leading to increases in construction costs and possible loss of tenants.</div> <div><div>T</div>Valuation issues considering current economic uncertainties.</div>	<p>We aim to create value for all our stakeholders...</p> <div><div></div><div>Shareholders We create value by delivering steady growth and sustained long-term income.</div></div> <div><div></div><div>Employees We seek to foster a family spirit within the company and provide everyone with a supportive and inclusive culture that empowers our people to develop their full potential.</div></div> <div><div></div><div>Customers We aim to offer individuals the opportunity to thrive. To this end, we provide quality environments that contribute to their growth and well-being.</div></div> <div><div></div><div>Tenants We want our tenants to succeed, which is why we collaborate with them and offer the best opportunities to reach their objectives and/or help them attract and retain the best talents.</div></div> <div><div></div><div>Partners We work and build mutually beneficial relationships with highly reputable banks, building contractors and consultants, providing excellent service and delivering quality projects.</div></div> <div><div></div><div>Communities We strive to create opportunities for, and make a positive impact on the lives of, the communities within which we operate. We do so by developing and/or uplifting key sites, turning them into enriching places.</div></div>


OUR BUSINESS MODEL (Cont'd)

INPUTS	WHAT MAKES OUR BUSINESS WORK	OUTPUTS
<div>Financial capital<ul style="list-style-type: none">• Approx. Rs 500M invested in the hotel in Belle Mare for Attitude Hotels• Approx. Rs 245M to be invested in CVL for the renovation and room extensions of Mourouk Ebony Hotel• Issue of Rs 1.5Bn secured notes programme to finance development projects and future acquisitions</div> <div>Manufactured capital<ul style="list-style-type: none">• 13,361m² office space• 23,623m² industrial space• 4,083m² retail space• 3,645m² hotels• 2 projects under development</div> <div>Intellectual capital<ul style="list-style-type: none">• Diversified team of professionals• Continuous review and improvement of our processes• Alignment of our team vision• Financial modelling and negotiating skills• Successful implementation of smart metering and automatic billing technologies</div> <div>Natural capital<ul style="list-style-type: none">• 1,439 arpents of bare land with great yielding potential• Hundreds of trees and endemic species planted on our lands in the South• On-going recycling processes• Adherence to the Green by Design principles</div> <div>Social capital<ul style="list-style-type: none">• Integration of Lochiel Property Services Ltd• Rs 1.27M of CSR tax payable for FY 2020• Adherence to the National Regeneration Programme (NRP)</div> <div>Human capital<ul style="list-style-type: none">• 34 employees• Off site team building activities• Equal opportunity policy• Whistle blowing policy</div>	<div></div>	<div>Financial capital<ul style="list-style-type: none">• Market capitalisation: Rs 919M• Revenue: Rs 197M• Loss before tax: Rs 106M• NAV per share: Rs 3.6• Gearing: 15%• Dividends declared per share: Rs 0.02• Loss per share: Rs 0.14</div> <div>Manufactured capital<ul style="list-style-type: none">• Property assets: Rs 3.2Bn• Total assets: Rs 3.5Bn• Occupancy rate: 93%</div> <div>Intellectual capital<ul style="list-style-type: none">• Grade A rating from Care Ratings Africa maintained• New long-term leases with office clients at 246 Edith Cavell Court• New long-term tenant at La Chaussée building for 8 years• Sale of Labourdonnais Court 4th floor</div> <div>Natural capital<ul style="list-style-type: none">• Replacement of incandescent lights by LED lights• Continued installation of VRVs at Edith Cavell Court• Installation of solar powered lights for external lighting• 42.8 tonnes of waste collected throughout our portfolio• Redevelopment of Mourouk Ebony Hotel, including an upcycling approach</div> <div>Social capital<ul style="list-style-type: none">• 84 retained clients• 16 new clients• 22 new contracts• 6 renewed contracts• Renovation of the 2nd and 8th floor of Les Cascades building</div> <div>Human capital<ul style="list-style-type: none">• 39% women / 61% men employed• Appointment of a new accounting team• Integration of the property and facilities management team• On-boarding of a Marketing and Communication Executive• Improved collaboration and communication</div>

PERFORMANCE REVIEW

Focus area	2019 priorities	2020 performance	Performance KPIs	Risk indicators	Priorities for the next financial year
 Customer service	<ul style="list-style-type: none"> • Sending out Customer Satisfaction Surveys. • Implementing a client intimacy programme. <p><i>These two initiatives will allow Lavastone to get closer to its customers and better understand their business needs and strategy, as well as help us provide them with strategy-aligned real estate solutions.</i></p> <ul style="list-style-type: none"> • Improving our digital presence and online communication. 	<ul style="list-style-type: none"> • We have launched MyLavastone campaign in July 2020, with its first event held on 30 July. Events will be organised for Lavastone clients every quarter. • The client intimacy programme included one on one meetings with tenants at the senior executives' level, to face Covid-19 challenges. • We have improved our digital presence and established a clear marketing and communications plan. • We have secured a new 8-year lease agreement with Perfect Day Ltd, to occupy 100% of La Chaussee building. • We signed lease agreements with Eversheds Sutherland and Investment Support Programme (ISP) Ltd, making them two major office tenants at 246 Edith Cavell Court. • Renovation of the 2nd and 8th floors of Les Cascades building have been completed. 	<ul style="list-style-type: none"> • WALE stood at 6.64. • Occupancy sits at 93% as at 30 September 2020. Improved to 96.5% after year end. • 84 tenants. • 19% of new clients. • 2% churn.* • Scored 72.7% on the satisfaction index. <p><small>* Measured by GLA</small></p>	<ul style="list-style-type: none"> • Non-renewal or replacement of key tenants' rental contracts. • Competition in the local real estate market. • Changes in rental rates and/or occupancy, due to competition and the Covid-19 pandemic. • Less favourable terms on the renewal of rental contracts. • Accidents impacting both people and property. • Delays in project delivery and/or poor delivery from service providers. • Uncertainty of the Covid-19 pandemic effects and intensity of the economic crisis. 	<ul style="list-style-type: none"> • Improving our customer satisfaction and engagement results. • Maintaining the regularity of our events to a quarterly basis, and increasing total number of participants. • Achieving a minimum of 75% respondent score on the annual Satisfaction Survey and improving our satisfaction index scores to 80%. • Carrying on improving our digital presence. • Assisting IQ-EQ in the renovation of the 4th floor of Les Cascades Building.
 Creation of value for shareholders	<ul style="list-style-type: none"> • Investing in major repairs and maintenance to ensure longevity of our assets. • Investing into the digitalisation of security systems to reduce rising operating costs associated with guarding. • Investing into energy saving devices. • Rolling out digital metering across multiple tenant properties, to help reduce our tenants' energy consumption. • Completing the construction of the hotel in Belle Mare for Attitude Hotels, which opening is scheduled for November 2020. • Kick starting planning for renovation works at Mourouk and increasing capacity with an additional 35 rooms, by March 2020. • Launching the construction of a retail/industrial building at Riche Terre, in line with the new criteria issued by local authorities regarding access to and from the highway. • Completing land parceling projects of 11 and 81 lots at Case Noyale for SWSG. • Completing bulk sale or development of 7 arpents of land at Case Noyale. • Completing debt raising through secured notes programme and reducing cost of debt to 5% at Group level. • Maximum loan to value ratios target: 45%. • Maintaining growth in operating profit to at least 5%. • Improving our Integrated Report's content to give stakeholder better insight into our business and achievements. • Conducting a 6-month review and presenting our Group's half year results to shareholders, institutional investors and financial press. 	<ul style="list-style-type: none"> • We have replaced water pumps and installed new inverter type air conditioners at St Georges building. • We have uplifted Les Cascades building's electrical connection. • Sale of low yielding office spaces at Labourdonnais Court in Port-Louis. (closing in November 2020). • We have agreed on a secured notes programme of Rs 1.5Bn with the Mauritius Commercial Bank (MCB), to fund the development of our portfolio at lower interest rates. • Digital CCTV camera and centralised monitoring have been implemented to reduce guarding costs. • We have merged with Lochiel and re-enforced operating procedures at all levels. • Use of digital solutions to improve and speed up administrative processes. • Installation of solar lights at 246 Edith Cavell Court and maximisation of LED lights across our portfolio. • Implemented a cloud-based automatic utility billing system, to improve monitoring and real time billing. • Planning and design for renovation works and extensions at Mourouk are well under way, with constructions earmarked in early 2021, subject to receiving permits and clearances. • The slip lane and infrastructure works at Riche Terre have started, but construction works for the retail warehouse have been put on hold. • We have completed infrastructure works for both morcellement projects in Case Noyale. SWSG awaits final clearances to conclude the transfer of title for individual plots. • We successfully completed the bulk sale of 11.2 arpents in November 2020. 	<ul style="list-style-type: none"> • Loss per share: Rs 0.14. • NAV per share: Rs 3.56. • Split of portfolio: <ul style="list-style-type: none"> - Yielding 61%. - Non-yielding 32%. - Under development properties 7%. • Balanced split across portfolio between industries: <ul style="list-style-type: none"> - Office: 17%. - Industrial: 17%. - Parking: 10%. - Retail: 16%. - Hospitality: 9%. • Land for development: 2.82%. • Loan to value ratio: 14%. • Cost of debt: 3.19%. • Dividends per share: Rs 0.02. • 21% growth in revenues. • 10% reduction in operating costs at LPL level. 	<ul style="list-style-type: none"> • Discounted rental income to support tenants following the Covid-19 pandemic. • Changes in economic conditions. • Illiquidity due to properties' location, age, quality and specification. • Accurate valuation of property assets. • Failure of related and third-party contractors to fulfil their contractual responsibilities and obligations. • Competition in the local real estate market. • Changes in rental rates and/or occupancy due to competition and the Covid-19 pandemic. • Unexpected events resulting in damage or injury to individuals or property. • Accidents impacting both people and property. • Delays in project delivery and/or poor delivery from service providers. • Slow obtention of permit approvals from local authority, leading to increases in construction costs and possible loss of tenants. • Uncertainty of the Covid-19 pandemic effects and intensity of the economic crisis. 	<ul style="list-style-type: none"> • Implementing the Sprinkler works project at Riche Terre, to remain compliant with new laws and regulations. • Uplifting the electrical system at Riche Terre. • Implementing our smart utility management system on all multiple tenant buildings. • Carrying on investing in major repairs and maintenance to ensure longevity of our assets. • Supervising the post-construction fitting out of the hotel in Belle Mare for Attitude Hotels, to ensure it can open at the end of September 2021. • Launching constructions, subject to permit clearances and improved visibility of tourist arrivals. • Completing the slip lane and core infrastructure for the Riche Terre project. • Launching the construction of the warehouse in Riche Terre, subject to minimum pre-let requirement. • Maintaining our A grade Care rating. • Completing the transfer of 11 and 81 lots for the morcellement in Case Noyale. • Reviewing the masterplan and focusing on commercial developments in Case Noyale. • Improving our property management efficiency with a prime focus on debt collection.

Focus area	2019 priorities	2020 performance	Performance KPIs	Risk indicators	Priorities for the next financial year
<div> Sustainability</div>	<p>Energy efficiency</p> <ul style="list-style-type: none">• Reducing water consumption by 5%.• Reducing electricity across the portfolio by 5%.• Refurbishing electrical infrastructure network at Riche Terre Park.• Rolling out online billing via digital meters at 246 Edith Cavell Court, allowing for real-time monitoring of energy, water and aircons consumption.• Implementing similar systems across multiple tenant properties once trial is completed. <p>Building techniques</p> <ul style="list-style-type: none">• Carrying on exploring new techniques, equipment and products which reduce construction timelines, wastage on site and energy usage of buildings. <p>Recycling</p> <ul style="list-style-type: none">• Through our client intimacy programme, supporting our clients in implementing recycling programmes to substantially reduce waste generated by their activities.• Increasing the amount of materials collected for recycling by 40%.	<p>Energy efficiency</p> <ul style="list-style-type: none">• We have installed VRV aircons in our tenants' offices at 246 Edith Cavell Court, allowing real time monitoring of energy consumption and helping our tenants reduce their total CO₂ production.• We have closely monitored the tenant coordination process and encouraged the use of LED panels at 246 Edith Cavell Court and La Chaussée building.• We maximised the use of LED lights and aircon inverters throughout our portfolio, to minimise our buildings' energy consumption. <p>Building techniques</p> <ul style="list-style-type: none">• We have prioritised easy to clean materials for finishes, to reduce maintenance costs and maximise efficiency during construction works.• Favoured WiFi to reduce cable costs, manpower and transport costs, henceforth reducing total CO₂ emissions. <p>Recycling</p> <ul style="list-style-type: none">• We work with Green Ltd to provide a "collect, compact and recycle" services.	<ul style="list-style-type: none">• 5 AC units replaced with inverters at St Georges building.• Recycling of a total 38.6 tonnes of waste items at Riche Terre (41% improvement from 2019) and 4.2 tonnes at Edith Cavell Court, including cardboard, plastic and other waste items.• Installed 11 solar lights in the parking lot of 246 Edith Cavell Court.• Electricity cost reduced by 26%, excluding new buildings.• Water charges reduced by 13.5%, excluding new buildings	<ul style="list-style-type: none">• Unexpected events resulting in damage or injury to individuals or property.• Accidents impacting both people and property.• Impact of the Group's activities on the environment and communities within which the Group operates.	<p>Energy efficiency</p> <ul style="list-style-type: none">• Implementing solar lights for all public infrastructure at Riche Terre. <p>Building techniques</p> <ul style="list-style-type: none">• Carrying on our research on innovative building techniques to minimise CO₂ emission and reduce wastage.• Implementing smart sensors in our new offices and carrying out a test use of AI as proof of concept to improve user experience (lighting, temperature, humidity, etc.). <p>Recycling</p> <ul style="list-style-type: none">• Installing Molok bins at Riche Terre, Asas parking and Edith Cavell Court.
<div> Engagement of our Human Capital</div>	<ul style="list-style-type: none">• Reviewing job tasks for all members to ensure focus and reduce duplication between team members.• Implementing the Stretch programme, in collaboration with Taylor Smith, to improve the existing management team's and aspiring managers' managerial skills.	<ul style="list-style-type: none">• All members' job tasks have been reviewed to ensure all aspects of property, facilities and leasing management are clarified.• Onboarding of Lochiel team within Lavastone's offices.• We have onboarded a new finance team and a Marketing and Communication Executive.• The commercial and property teams benefited from the Stretch programme.• We organised a team building event to reinforce employees' relationships, improve communication and strengthen collaboration.	<ul style="list-style-type: none">• 2 employees taking part and continuing to progress in the Stretch programme.• 1 full day of team building off site.	<ul style="list-style-type: none">• Changes in economic conditions.• Competition in the local real estate market.• Unexpected events resulting in damage or injury to individuals or property.• Accidents impacting both people and property.• Impact of the Group's activities on the environment and communities within which the Group operates.	<ul style="list-style-type: none">• Organising team buildings to improve collaboration and productivity.• Developing and sustaining employee engagement through performance scorecards.• Establishing clear training programmes on money laundering and risk management, at appropriate levels.

Focus area	2019 priorities	2020 performance	Performance KPIs	Risk indicators	Priorities for the next financial year
<div><p>Operational excellence</p></div>	<ul style="list-style-type: none">• Further improving Lochiel's newly implemented digitalised method of tracking repairs and maintenance, to ensure improved efficiency, reduced downtime and maintenance and repairs costs over time.	<ul style="list-style-type: none">• We have implemented a digital inspection app which helps our facilities team to track and plan their daily, weekly and monthly inspections.• Lochiel has been integrated within Lavastone Ltd in May 2020, to ensure improved efficiency, closer collaboration and a shared vision of success and alignment.• We have completed renovation works at Les Cascades Building for IQ-EQ, on the 8th floor during first quarter and on the 2nd floor during last quarter.• We conducted a close monitoring of our construction projects and generated monthly reviews of cost reports, to ensure project costs were contained and delivery occurred according to our programme.	<ul style="list-style-type: none">• 40+ Service Level Agreements (SLAs) reviewed and agreed with Lochiel, including IT, health and safety, security and maintenance plans, among others.• 500m² of office space rented at 246 Edith Cavell Court in August 2020.	<ul style="list-style-type: none">• Failure of related and third-party contractors to fulfil their contractual responsibilities and obligations.• Competition in the local real estate market.• Unexpected events resulting in damage or injury to individuals or property.• Accidents impacting both people and property.• Delays in project delivery and/or poor delivery from service providers.• Slow obtention of permit approvals from local authority, leading to increases in construction costs and possible loss of tenants.• Unexpected cas de force majeure, including pandemics.	<ul style="list-style-type: none">• Completing the construction of the hotel in Belle Mare for Attitude Hotels, to ensure it can open at the end of September 2021.• Analysing intervention time and areas where improvement is required.• Analysing debtors' days and amounts to reduce collection time.• Maximising standing order payments across our portfolio.• Introducing target review for our facility team, to clarify and work towards monthly targets.

— Our case study —

Integrating Lochiel Property Services Ltd within Lavastone



Who is Lochiel?

Lochiel comprises a small team of professionals who value trust and relationships in their daily routine. They offer property and facilities management services, as well as project development and tenant coordination services.

Lochiel is split between three key departments, working closely together in regularly re-evaluating their processes, to see whether any areas can be improved.

Lochiel empowers its staff members by giving them responsibilities from the get-go and contributing to their professional and individual growth through expert training.

What is their expertise?

Lochiel's expertise lies on long-term preventative maintenance and upkeep of buildings to reduce repairs and maintenance costs over time.

“Working at Lavastone has given me the opportunity to thrive as a young professional. The dynamic environment we work in helps us all benefit from constant support at all levels, enabling us to grow as individuals.”

—
1 David Manargadoo

Digitalisation is one of Lochiel's focus. To this end, they have recently implemented a new inspection App that helps the team better monitor their everyday verifications, thereby facilitating the planning and monitoring of maintenance, repair and construction works.

Furthermore, their close relationship with our security service provider enabled Lochiel to set up a successful mixed security programme, that improves efficiency and delivers significant cost savings.

Tell us more about the merge of Lochiel and Lavastone.

To focus its energy and resources on strategy and business development, Lavastone Ltd used to outsource property and facilities management to Lochiel. Given the number of projects and improvements earmarked, both companies needed to work together in closer proximity.

“Tackling my daily challenges and responsibilities within a fun and dynamic work environment is an opportunity that is truly aligned with my beliefs!”

—
2 Adhish Bholah

The first step was to welcome Lochiel's Administrative team to work with our Chief Financial Officer and our Leasing and Administrative teams. This was closely followed by the relocation of Lochiel's Facilities, Development and Property Management teams, in November 2019. Transitions can be challenging, fortunately adapting to the new work environment and different work dynamics went better than expected.

The final step involved acquiring a majority stake (55%) in Lochiel, thereby fully integrating Lochiel Property Services Ltd into Lavastone Ltd. Integrating property and facilities management expertise within Lavastone brought significant cost savings at Group level and improved efficiency and focus across the board to deliver operational excellence.

“Maintaining a close relationship with our tenants throughout the duration of their lease is one of Lavastone's core values. In addition to being my passion, caring for them increases the likelihood of a long-term tenancy.”

—
3 Leena Brojmohun

Why this merge?

Focused on becoming the preferred partner for commercial real estate solutions, we thought it was important for our team to be completely integrated with that of Lochiel, giving us the opportunity to fully understand our tenants' business activity and allowing us to work with them to find adequate building solutions for our clients, at competitive rates.

“Integrating Lochiel under Lavastone has been a real milestone for us. It feels good to be part of a team that values strong relationships with its stakeholders and works to guarantee only the best service!”

—
4 François Audibert

For instance, we recently worked together to implement an automated utility billing system at 246 Edith Cavell Court, providing real-time monitoring support to our clients, thereby helping them track their utilities consumption and ultimately save on costs.

“By living Lavastone's values every day, I've learned to be more passionate about my work and agile in all situations - two skillsets that are fundamental to succeed as a Facility Coordinator.”

—
5 Christopher Sara

In addition to benefiting both parties, we believe this integration will add great value to our tenants' businesses in the long run.

Conclusion

While Lochiel is currently responsible for the property and facilities management of Lavastone's assets, their ambition to grow and take on new clients remains strong - and we will encourage and support them every step of the way to reaching their goals!

Risk Management Report



“

“Being the main tenant of Les Cascades Building in Port Louis, we have developed a good relationship and smooth interaction with Lavastone. The team is always ready to help and their support during the renovation of our offices has been valuable.”

Premila Dewoo,
Head of Finance at IQ-EQ

RISK GOVERNANCE AND MANAGEMENT

The successful management of risks is critical for Lavastone Ltd to deliver on its strategic priorities. While the ultimate responsibility for internal control and risk management rests with the Board, the effective day-to-day management of risks is integral to the way we do business and to the culture of our team, whose attitude to risks is that of collective responsibility.

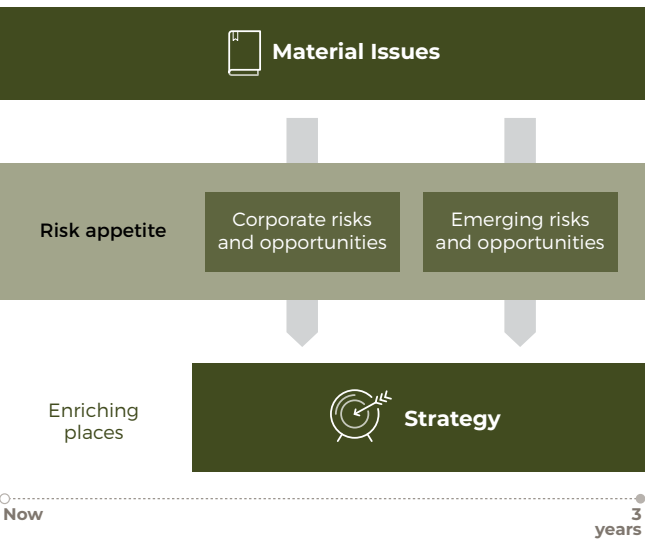
The Risk Management & Audit Committee (RMAC), as a subcommittee of the Board, has been established to assist the Board in fulfilling its oversight role. The RMAC, guided by a formally approved charter, reviews the financial statements, risk philosophy, strategy and policies recommended by management, and monitors internal and external audit activities.

Our organisational structure, including the close involvement of senior management in all significant decisions, combined with our prudent and analytical approach, is designed to align the Group’s interests to those of shareholders.

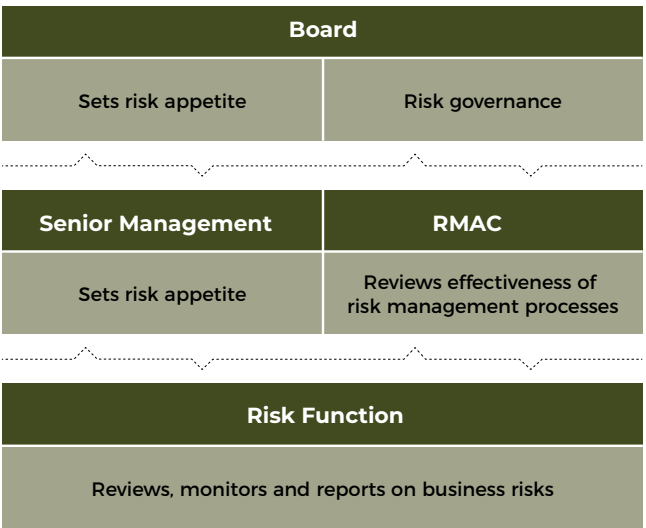
Together, the RMAC and the Board are responsible for ensuring the Group has an effective internal control and risk management system, and that the annual report provides a fair reflection of the Group’s activities during the year.

During the financial year 2020, we have streamlined our approach, driven excellence among our staff and committed ourselves to reviewing our risk governance, by paying close attention to any emerging risks that might impair the Group’s ability to meet its strategic targets. This also extends to prominent risks which, despite having a low probability of occurrence, could have negative effects on the Group’s business targets. Lavastone Ltd’s current risk appetite is set in the context that we focus solely on the Mauritian market. The firm foundation set on our risk and strategy architecture (as shown below) has enabled the Group to better manage the Covid-19 crisis.

Our risk and strategy architecture



Risk management framework



Our risk culture and how we manage our risks

We believe the effective management of risks is based on a “top-down” and “bottom-up” approach comprising inherent lines of defence, including:

- Our strategy setting process.
- The quality of our people and culture.
- Established procedures and internal controls.
- A policy for identifying and controlling risks.
- Regular oversight by the RMAC and the Board.
- A clear reading of market conditions.

Risk management is an integral part of all our activities. Risks and opportunities are considered in every business decision, as are their impact on the achievement of our strategic priorities and the performance of our business. As highlighted in last year’s annual report, the risk identification, evaluation and monitoring process has been reviewed, aligned with ISO 31000/2018 benchmark, formalised and approved in the form of a risk management guideline by the RMAC.

Our focus during the year

Due to uncertain and continued challenging market conditions resulting from the Covid-19 outbreak, the focus on our strategy and business model, with a clear link to overarching strategic priorities and operational parameters, have been revisited at all our scheduled RMAC and Board meetings.

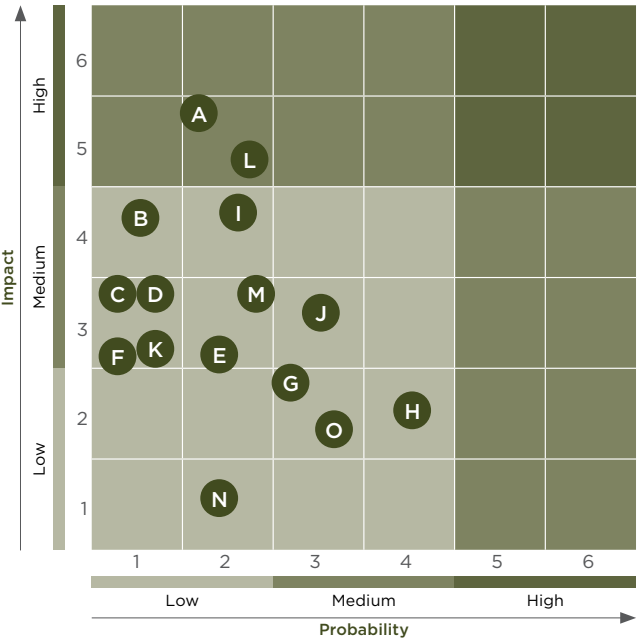
Furthermore, the evolution and changes in our risk profile were closely monitored, laying emphasis on the Covid-19 risk impact and trend assessment. The immediate effect of the Covid-19 crisis was a general increase in our risk profile, with two new risks being identified: the human resources risk, and the information security risk. Mitigating actions were thereafter taken, leading to a stabilised risk profile trend. For more information, please refer to the risk charts on pages 45 to 48.

Areas of significant focus included:

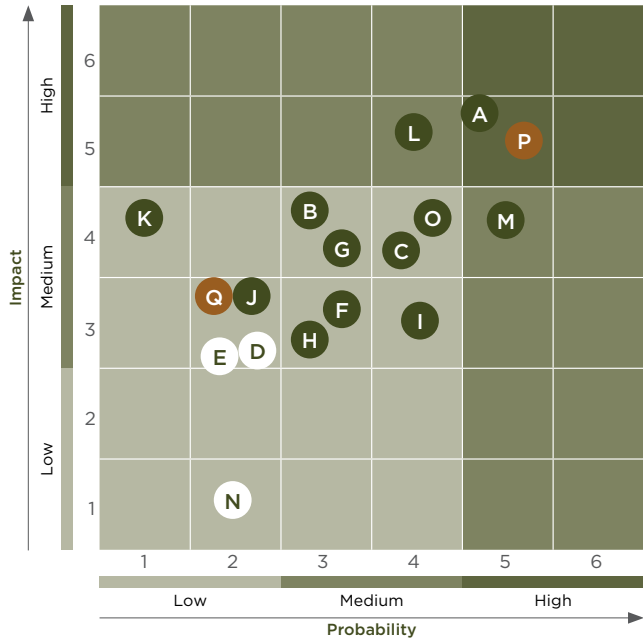
- Carrying out strong and pragmatic leasing activities across our development portfolio, including on-going engagement with our stakeholders.
- Securing our cashflow position.
- Revisiting our health & safety procedures.
- Having the appropriate tools for teleworking.
- Revisiting our business continuity plans.
- Increasing our business resilience after the Covid-19 crisis.

Risk charts

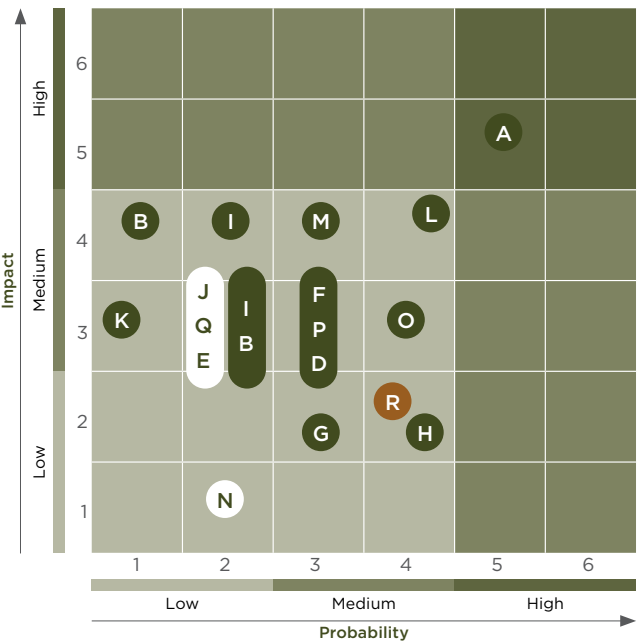
Pre-lockdown



Lockdown



Post-lockdown



Risk events			
A	Macroeconomic	J	Competition
B	Liquidity	K	Operational
C	Valuation	L	Business interruption
D	Regulatory	M	Health & safety
E	Financing	N	Environmental development
F	Credit	O	Project
G	Tenant concentration	P	Human resources
H	Geographical concentration	Q	Information security
I	Contracting	R	Foreign exchange

Legend		
●	Changes in risk profile	●
○	No change in risk profile	●
●		New

KEY RISKS AND MITIGATION

As part of a robust assessment of the main risks facing the Group throughout the year, the RMAC and Board conducted a review of those risks - including those that would threaten the Group's business model, future performance, solvency and liquidity, and the controls in place to mitigate them.

A description of the Group's key risks and the steps taken to mitigate them, are shown in the table below. A comparison of year end change in likelihood and impact, against 2018/19, was also made.

				Change in likelihood compared to prior year	Change in impact compared to prior year
Risk no.	Risk events	Description	Mitigating controls		
STRATEGIC	1	Macroeconomic A	1. Changes in economic conditions, due to the lockdown policy implemented by the government to counter the spread of Covid-19 in Mauritius, may adversely affect the property sector. The current situation may thus have an impact on the company's NAV, as well as on its ability to make distributions to shareholders. 2. B2B communication with core customer segments to anticipate the needs and actions that fall within Lavastone's capacity. 3. Financial stress testing.	↑	↔
	2	Valuation C	1. Property assets are inherently difficult to value, as there is an illiquid market and different standard pricing mechanisms. Moreover, valuations are subject to substantial uncertainty. 2. Valuations take into consideration lease terms and the ability of the Group's tenants to meet the terms of their leases over time. Adverse events such as Covid-19 may impact tenants' abilities to meet their lease obligations, and as such negatively affect valuations.	↑	↑

KEY RISKS AND MITIGATION (Cont'd)

	Risk no.	Risk events	Description	Mitigating controls	Change in likelihood compared to prior year	Change in impact compared to prior year
OPERATIONAL	3	Business interruption L	1. The Group may experience unexpected events, resulting in the disruption of normal business operations. This is due to a lack of forward planning and preparedness to disaster management.	1. Emergency (including fire drills and bomb threats) and lockdown (including teleworking as well as health and safety) procedures. 2. Business continuity and crisis management plans. 3. Insurance policy with coverage and compensation limits for accident liability, including environmental risks, events triggered by terrorist attacks, or sabotage against company-managed facilities and infrastructure.	↑	↓
	4	Project O	1. Delays in project delivery and/or poor delivery from service providers may lead to adverse impacts on the Group's profitability, reputation and growth.	1. High service level specification embodied in agreement with contractors and consultants through construction and project management contracts. 2. B2B communication with service providers to assess the extent of delays. 3. Close supervision with service providers, to produce required project deliverables (scope, time and quality).	↑	↑

	Risk no.	Risk events	Description	Mitigating controls	Change in likelihood compared to prior year	Change in impact compared to prior year
OPERATIONAL	5	Health & safety M	1. The Group is exposed to hazards (for instance Covid-19) that can lead to illness or death. 2. The nature of the business exposes the Group to accidents, which can impact both people and property.	1. Adopting employee protection measures. For example, providing the necessary tools (laptops and WiFi dongles) to encourage employees to work from home. 2. Preventative maintenance and servicing performed on plants and equipment. 3. Insurance policies to cover public liability/ contractors all risks/ fire and allied perils. 4. Training/drill as per plan with tenants. 5. Implementation of adequate health & safety systems to safeguard company activities under a "zero accidents" vision. 6. Continuous training in occupational risk prevention, in line with tenants' plans. 7. Permanent insourced and outsourced monitoring of management systems.	↑	↑
	6	Geographical concentration H	1. Over 50% of the Group's rental revenue is generated by the 6 properties located in Port Louis. The financial performance of the Company may thus be impacted should existing and prospective tenants decide to relocate outside of Port Louis.	1. Pursuing the Group's expansion and diversification strategy. 2. Continued communication with tenants to grasp and meet their needs. 3. Longer term contracts including lock-in provisions with key tenants. 4. Improvement of public transport and infrastructure to make Port Louis more attractive to host businesses.	↔	↔

KEY RISKS AND MITIGATION (Cont'd)

	Risk no.	Risk events	Description	Mitigating controls	Change in likelihood compared to prior year	Change in impact compared to prior year
FINANCIAL	7	Foreign exchange R	The group may be impacted by: 1. A shortage of foreign currency, leading to delays in the purchase of key products/materials. 2. A depreciation in the rupee, causing an increase in import costs.	1. The Company has a loan in Euro, that could be used for procurement. 2. A proportion of income is denominated in USD and it can be used for procurement as well. 3. Effective treasury management.	NEW	NEW
COMPLIANCE	8	Regulatory D	1. An adverse change in accounting standards or regulations (e.g. pension reform/CSG) can lead to an increase in operating costs, reduce the attractiveness of investment, and/or change the competitive landscape.	1. Lobbying with authorities and keeping abreast of new policies/legislations.	↑	↔
FINANCIAL	9	Credit F	1. Given the current economic situation, the Group may be subject to one or more tenants being unable to pay their contractual debt obligations.	1. Having regular conversations with our tenants to understand their current business situation and, when able, provide payment solutions which benefit both parties. 2. Closely monitoring debtors.	↑	↔
OPERATIONAL	10	Human resources P	1. The spread of Covid-19 may cause the Group to face human resources constraints if team members are forced into confinement, as the number of experienced managers and staff members is limited.	1. Planning for team segregation into 3 groups, with specific guidelines to follow and roster schedules implemented, in case of resurgence of similar pandemic, in order to ensure business continuity. 2. Open lines of communication at all levels to ensure awareness of key decisions and required actions. 3. Encouraging delegation with adequate supervision, and compensating control measures. 4. Strict adherence to cleaning and health protocols.	NEW	NEW

Internal control and on-going risk management

The Board recognises it is responsible for maintaining and monitoring the Group's system of internal control, and for reviewing its effectiveness at least once a year. Such a system can only provide reasonable, and not absolute, assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

Key features of our internal control system include:

- Comprehensive financial reporting and business planning systems.
- A defined schedule of reserved matters for review by the Board on a yearly basis.
- An organisational structure with clearly defined levels of authority and highlighting a division of responsibilities.
- Formal documentation procedures.
- The close involvement of executive directors in all aspects of day-to-day operations, including regular meetings with senior management to review all operational aspects of the business and risk management systems.
- Board reviews of the Group's strategy, including forecasts of its future performance and progress on the Group's development projects, at each scheduled Board meeting.
- A review of internal audit reports by the RMAC.

The RMAC regularly carries out a review of the Group's risks framework and evaluates how these risks are managed through operational management procedures and authorisations, as well as through on-going Board reviews and the oversight of key controls. The Group's internal controls system involves the identification of property and financial market risks, which may impact on the Group's objectives, together with the controls and reporting procedures designed to minimise those risks.

Fraud and whistleblowing

The RMAC takes its role of oversight in the prevention and detection of fraud very seriously.

Suspected frauds can be reported through a dedicated whistleblowing channel.

The whistleblowing policy is under review, to be shortly made available to customers, suppliers and members of the public, as well as staff.

Internal audit

As highlighted in last year's annual report, internal auditing services have been outsourced to SmarTree Consulting Ltd (hereafter referred to as the internal auditor). An internal audit charter approved by the RMAC governs the internal audit responsibilities and provides the framework for the conduct of the internal audit function. The RMAC specifically considers the independence of the internal auditor in reviewing and approving the internal audit plan on a yearly basis, an action that is closely aligned to the Group's risk management framework. Audit reports are circulated to senior management and RMAC members.

The internal auditor attends all RMAC meetings where the findings of internal audit activities are being reported. A follow-up mechanism is available to facilitate the monitoring of progress on remedial actions.

Internal audit activities are separate and distinct from those of the external auditor. They are designed in accordance with international standards on auditing. The audit scope attempts to cover the significant risk areas and, after discussion with management, it was extended to non-financial areas like data protection. The internal auditor has unrestricted access to employees and records.

Outlook for the next financial year and beyond

Effective risk management is key to achieving the Group's strategic ambitions and operational strategies, and to detecting new business opportunities and competitive edges. Lavastone Ltd will pursue its risk journey by:

- Carrying out on-going risk monitoring in line with Lavastone Ltd's risk management guidelines.
- Ensuring the risk appetite statement is a living document and that it is embedded in Lavastone Ltd's operations.
- Carrying on embedding a sound risk culture, whereby all employees see themselves as risk ambassadors and consider the risks in their everyday decision-making.
- Raising awareness of the whistleblowing policy through e-learning.
- Revamping the business continuity plan to adapt to unexpected challenges.
- Implement a policy manual on the prevention of Money Laundering & Terrorism Financing risks.
- Reinforcing our compliance with the General Data Protection Regulations (GDPR).



“

Depi plis ki 3 banane, mo p travay sekirikor lor Asas parking. Mo tia kontan partaze ki Lavastone so bann dimounn inn touzour bien akey mwa, ek depi komansman, nou inn reisi fer bon travay ansam.”

Kooshal Dhut Nuncoo,
Security Guard at Brinks

COMPLIANCE STATEMENT

Lavastone Ltd (hereinafter referred to as “Lavastone” or “the Company”) is classified as a public interest entity under the Financial Reporting Act 2004. As a company listed on the Development and Enterprise Market (DEM) of the Stock Exchange of Mauritius, it is required to adopt, and report on, its corporate governance practices, in accordance with the National Code of Corporate Governance (2016) (the Code).

This corporate governance report sets out how the Code’s principles have been applied by Lavastone Ltd. The Company has materially applied all the principles of the Code.


Colin Taylor
Chairman


Nicolas Vaudin
Director

GOVERNANCE STRUCTURE

The Board

According to the Company’s Constitution, the Board shall consist of a minimum of six and a maximum of twelve directors. During the year under review, the Company was headed by a unitary board, comprising nine members, under the chairmanship of Mr Colin Taylor. As of 30 September 2020, the Board was composed of four non-executive directors, including the Chairman, two executive directors and three independent directors.

The Board is of the view that there is an adequate balance between independent and non-executive directors on the Board, and that Board members have the necessary skills, expertise and experience to discharge their respective duties and responsibilities effectively.

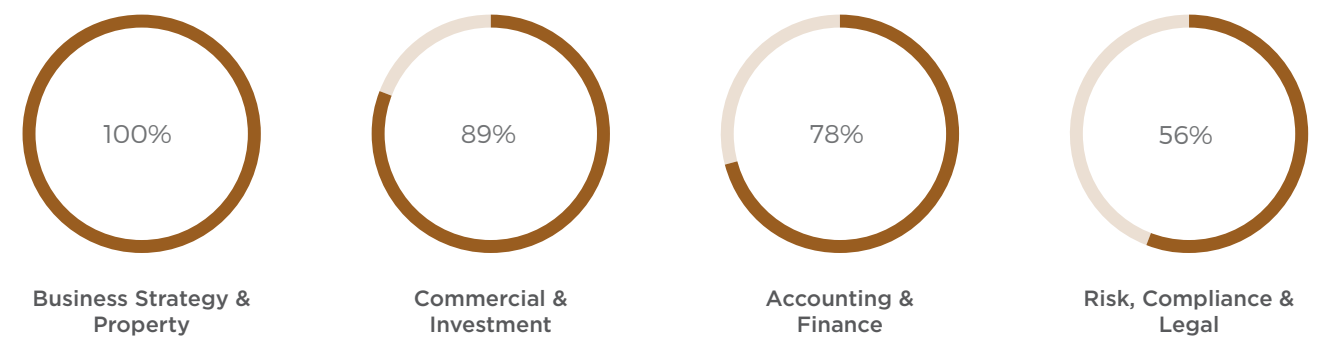
In terms of diversity, as a step to further improve its gender balance, the shareholders have approved the appointment of Mrs Doreen Lam as Executive Director on the Board of the Company. For the next financial year, the Board endeavours to implement other initiatives to improve its gender balance.

The Board assumes responsibility for leading and controlling the organisation. It is also committed to providing strategic guidance, reviewing financial plans and monitoring performance, ensuring that a robust risk management system and internal controls are in place, adhering to corporate governance practices, creating sustainable value for its stakeholders, and providing accurate information to shareholders, the public and regulators. It also ensures that the Company meets all legal and regulatory requirements.

The Board is also of the view that the Company provides for the promotion of equal opportunity between persons and prohibits discrimination on the ground of status and by victimisation. To that effect, the Board has approved, on 8 August 2019, an Equal Opportunity Policy which is in line with the “Guidelines for Employers” issued by the Equal Opportunity Commission in April 2013. The said policy sets out the Company’s position on equal opportunity in each and every stage of the employment process, and is applicable to all Board members and employees. The Company will regularly review its procedures and selection criteria to ensure that individuals are selected, promoted and treated according to their individual abilities and merits.

The profiles and the full directorship lists of the members of the Board are set out on pages 16 to 18. It is to be noted that all directors of the Company reside in Mauritius.

The skillset of the members of the Board is set out below.



The Board of Directors’ Charter, which was approved by the Board on 8 August 2019, defines the Board’s governance role and provides an outline of the responsibilities, objectives and composition of the Board.

In accordance with the requirements of the Code, the following documents, as approved by the Board, are available for consultation purposes on the website of the Company, <https://www.lavastone.mu>:

- Organisational chart
- Board charter
- Position statements of the Chairman and Company Secretary
- Statement of accountabilities
- Code of Ethics
- Company’s Constitution
- Terms of reference of the Corporate Governance Committee
- Charter of the Risk Management & Audit Committee
- Position statement of the Chairperson of the Corporate Governance Committee
- Position statement of the Chairperson of the Risk Management & Audit Committee
- Nomination and appointment process of Directors

The Board determines the processes and frequency to review, monitor and approve the organisational chart, Board charter, position statements, statement of accountabilities and Code of Ethics, and may delegate these matters to sub-committees, as appropriate.

Board committees

In its commitment to apply the principles of the Code, the Board has set up a Corporate Governance Committee (CGC) and a Risk Management & Audit Committee (RMAC), to assist it in the discharge of its duties and provide support and an in-depth focus on particular matters. The minutes of proceedings of each committee are recorded and submitted to the Board for noting. For the year under review, the Board is satisfied that both committees have effectively honoured their responsibilities and assisted the Board in dealing with existing and new challenges.

The CGC oversees all governance issues relating to the Company’s business activities. It also assists the Board with regards to the remuneration aspect and the nomination of directors. The CGC is composed of two independent directors, namely Mrs Vijaya Lakshmi Saha (Chairperson) and Mr Jose Arunasalom, one non-executive director, namely Mr Sebastian Taylor, and one executive director, namely Mr Nicolas Vaudin.

The RMAC oversees the risk and audit-related issues, and reviews and monitors financial statements of the Company and its subsidiaries. It also monitors the implementation of internal audit recommendations, as well as the integrity of the annual report and financial statements. Furthermore, the RMAC makes recommendations to the Board with regards to the appointment or removal of the external auditor. It also reports to the Board on significant financial reporting issues and judgements relating to financial statements. The committee is composed of two independent directors, namely Mr Shyam Mohadeb (Chairman) and Mr Jose Arunasalom, and one non-executive director, namely Mr Gaetan Ah Kang. Two executive directors, namely Mrs Doreen Lam and Mr Nicolas Vaudin, also attend the RMAC, providing feedback and explanations as to financial reporting and other issues to be considered by committee members.

The terms of reference and charter of these committees are reviewed on an annual basis by each committee. Any proposed amendments are submitted to the Board for approval. For the year under review, no changes were made to the terms of reference of the Corporate Governance Committee and the charter of the Risk Management & Audit Committee.

When necessary, other committees are set up by the Board on an ad-hoc basis, to consider specific matters.

In order to ensure business continuity while observing safety precautions, following the measures implemented by the Government to tackle the COVID-19 pandemic, Board and committee meetings were conducted via video conferences during lockdown.

Directors’ attendance at Board and committee meetings, as well as their remuneration during the financial year ended 30 September 2020, were as follows:

	ATTENDANCE			INTERESTS (%)		REMUNERATION
	Board meetings	CGC	RMAC	Direct	Indirect	MUR
TAYLOR Colin	4/4	N/A	N/A	0.0416	5.02	297,000
VAUDIN Nicolas	4/4	2/2	N/A	NIL	0.009	-
LAM Doreen ¹	3/3	N/A	N/A	0.0007	-	-
TAYLOR Matthew	3/4	N/A	N/A	0.0059	1.20	225,000
AH KANG Gaetan	4/4	N/A	4/5	0.0396	-	265,000
TAYLOR Sebastian	4/4	2/2	N/A	NIL	1.20	245,000
ARUNASALOM Jose	4/4	2/2	5/5	0.0015	-	295,000
SAHA Vijaya Lakshmi	4/4	2/2	N/A	NIL	-	250,000
MOHADEB, Vedanand Singh	4/4	N/A	5/5	NIL	-	287,000

¹Mrs Doreen Lam was appointed as executive director on 11 December 2019.

Appointment

The Board assumes the responsibilities for succession planning and the appointment of new directors to the Board. A formal succession plan will be developed to ensure the continuity of operations and leadership of the Company. It is to be noted that the process for the nomination and appointment of directors is made in a transparent and formal manner.

All directors will stand for re-election by way of separate resolutions at the Annual Meeting of Shareholders (AMS) of the Company, scheduled in March 2021.

The names of the directors of the Company, their profiles and categories, are listed on pages 16 to 18.

Induction and orientation

The Board is responsible for the induction and orientation of new directors to the Board. With the assistance of the Company Secretary, the Board provides the necessary documents which make directors fully aware of their legal duties, and offer an in-depth understanding of the Company’s activities, challenges, governance framework and strategy. The Board deems on-site visits (including on active construction sites) are important as part of induction training. To this end, two half-day on-site visits were organised in September.

Professional development

The Board reviews the professional development needs of directors during the board evaluation process, and directors are encouraged to develop their skills and expertise continuously. They also receive regular updates on the latest trends and legislations affecting business, from management and/or other industry experts. Training will be provided to directors based on the Company’s needs and/or training needs.

Board access to information and advice

All directors can meet with the Company Secretary to discuss issues or obtain information on specific areas or items to be considered at Board meetings or any other areas they consider appropriate.

Furthermore, directors have access to the Company’s records and hold the right to request independent professional advice at the Company’s expense.

Directors’ duties, remuneration and performance

The directors are aware of their legal duties and may seek independent professional or legal advice, at the expense of the Company, in respect of any aspect of their duties and responsibilities.

Interests of directors and conflicts of interest

All directors, including the Chairman, declare their direct and indirect interests in the shares of the Company, as well as their interests in any transaction undertaken by the Company. They also follow the Model Code for Securities Transactions, as detailed in Appendix 6 of the Stock Exchange of Mauritius Listing Rules, whenever they deal in the shares of the Company. The interests register of the Company is maintained by the Company Secretary and is available for consultation by shareholders, upon written request to the Company Secretary.

The Code of Ethics of the Company sets out instances which could lead to a conflict of interest and the procedure for dealing with such potential conflicts.

The Board is also responsible for instituting and applying appropriate policies on related party transactions. In this respect, it has adopted a Related Party Policy which sets out the basic framework of risk management and ensures compliance with the law.

For the year under review, the following directors dealt in the shares of the Company:

Name of Directors	Number of shares acquired (indirect)	Number of ordinary shares in issue (direct)
Nicolas Vaudin	30,000	-
Gaetan Ah Kang	-	77,000

Information, information technology and information security policy

The Company has reinforced the safety and security measures in place to protect the data it collects, stores and processes, in order to comply with the Data Protection Act 2017. A Data Controller has thus been appointed, and Lavastone and its subsidiaries have been registered with the Data Protection Office (DPO).

The Board oversees information governance within the organisation and ensures the performance of information and information technology (IT) systems lead to business benefits and create value.

The Board approves material investments in information technology and security, as set out in the annual budget, according to the Company’s business needs.

Board performance review

Lavastone has carried out a review of the performance of the Board and its committees for its second year of listing. A questionnaire has been circulated to each director to obtain their perspective on the effectiveness of the Board, to assess their contribution to the Board’s performance, using a pre-determined scale, and to identify areas of improvement. Once the results had been analysed by the Corporate Governance Committee, they were reported at Board level. The outcome of the Board’s performance review indicated that no material concern has been identified.



Directors’ remuneration

Executive directors are not remunerated for serving on the Board of the Company or its committees. Their remuneration packages as employees of the Company, including performance bonuses, are in accordance with market rates.

The remuneration of non-executive directors consists of a mix of attendance and retainer fees.

The remuneration of the executive and non-executive directors is reviewed and recommended for approval to Board on an annual basis, by the Corporate Governance Committee. The non-executive directors are not paid any performance bonuses, and there are no long-term incentive plans in force within the Company.

The remuneration paid to executive and non-executive directors and/or committee members is set out in the table on page 55.

RELATIONS WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

Lavastone Ltd is a public company limited by shares. Its shareholding structure as at 30 September 2020 is as follows:



Following a restructuring exercise in November 2020 at the level of Cim Holdings Ltd, the latter transferred the shares it held in Lavastone to Elgin, which in turn transferred the shares to Scott Investments Ltd and Kingston Asset Management Ltd, by way of a dividend in specie.

RELATIONS WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

(Cont'd)

The share ownership analysis per holding percentage and categories of shareholders as at 30 September 2020 is as follows:

SPREAD	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	% HOLDING
1 - 50,000	3106	23,021,650	3.383
50,001 - 100,000	155	11,186,278	1.6438
100,001 - 250,000	124	19,570,512	2.8758
250,001 - 500,000	58	21,589,672	3.1725
Over 500,000	77	605,155,198	88.9250
Total	3,520	680,523,310	100

CATEGORY	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	% HOLDING
Individuals	3,167	88,280,744	12.9725
Insurance and assurance	31	67,309,649	9.8909
Investment and trust	45	59,337,268	8.7194
Pension and provident	57	62,996,740	9.2571
Other corporate bodies	220	402,598,909	59.1602
Total	3,520	680,523,310	100

To the best of the knowledge of the Company and its directors, there is no shareholders' agreement which affects the governance of the Company by the Board for the year under review.

Communication with shareholders and stakeholders has been mainly through the annual report, the published unaudited results, the AMS, dividends declarations, press communiqués and the website.

The external stakeholders of the Company, namely its customers, suppliers, shareholders, the Government/regulators and the public, are reached via social media platforms like Facebook and LinkedIn, as well as through advertisements. As and when required, focus groups are held with clients to assess their expectations from the Company. Regular channels of communication are also maintained with the Government/regulators.

In addition, shareholders are invited annually to the AMS, to approve the financial statements and vote on the (re)appointment of directors and external auditors. The Company's next AMS is scheduled in March 2021. Shareholders will receive the notice of the AMS at least 21 days prior to the meeting, in accordance with law. It is to be noted that the AMS was held in July 2020 instead of March 2020, due to the lockdown imposed by Government as a result of the Covid-19 pandemic.

The annual report, which also includes the notice of annual meeting, is published in full on the Company's website, <https://www.lavastone.mu>.

INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT

The Company's internal control and risk management framework, and the key risks and steps taken to manage them, are detailed on pages 40 to 49.

The internal audit function is outsourced to SmarTree Consulting Ltd, which provides independent and objective assurance on the adequacy and effectiveness of the system of internal controls, which have been put in place to manage the significant risks of the business down to an acceptable level. In line with good governance principles, internal auditors report to the Risk Management & Audit Committee on a quarterly basis. Moreover, key audit findings are reported to the Board and reports are shared with Board members and senior management.

All audit activities are performed in accordance with the International Standards for the Professional Practice of Internal Auditing, as provided by the Institute of Internal Auditors (IIA).

During the year under review, areas covered by SmarTree Consulting Ltd were:

- I. Data Protection
- II. Lease Management

The Managing Director of SmarTree Consulting Ltd is Mrs Sheila Ujoodha, a fellow member of the Chartered Institute of Certified Accountants and the Mauritius Institute of Directors (MlOD). Sheila's membership also extends to the Chartered Institute of Internal Auditors in the UK and the Mauritius Institute of Professional Accountants. The qualifications of Mrs Sheila Ujoodha and other key members of SmarTree Consulting Ltd are listed on the Company's website.

EXTERNAL AUDIT

The external auditors of the Company are BDO & Co Ltd (BDO), appointed as external auditors on 10 July 2020, during the Company's AMS.

The RMAC discusses critical policies and external audit issues with BDO as and when necessary, and meets them at least once a year.

The RMAC assesses the effectiveness of the external audit process via feedback received from the management team. Areas of improvement are thereafter discussed with external auditors.

For the year under review, the fees paid to external auditors for non-audit work are set out on page 61. These prices include tax and valuation or advisory fees. To guarantee objectivity and independence, the Board ensures the team providing non-audit services is different from the one providing audit services.

RISK MANAGEMENT

Several factors may affect Lavastone's operations, financial performance and growth prospects. Although property is often considered a low risk asset over the long-term, significant short- and medium-term risk factors are inherent in such asset class. The Company's performance may be materially and adversely affected by changes in the market and/or economic conditions, and by changes in laws and regulations (including any tax laws and regulations) relating to, or affecting, the Company or the interpretation of such laws and regulations.

One of the commitments of the Board of Lavastone is to establish a robust framework of risk oversight and management, to identify, assess, monitor and manage potential setbacks related to the Company's activities.

Risk management forms an integral part of the Company's culture as it is fully embedded into the day-to-day management and operation of the business.

For more information, please refer to the Risk Management Report, which can be found on pages 40 to 49.

PROFILES OF KEY SENIOR OFFICERS AND EXECUTIVES

The Company currently has a lean organisational structure, with 12 full-time employees working at Lavastone Properties Ltd and taking care of business development and the day-to-day management of the Company’s activities, together with project appraisals. Altogether, Lavastone Ltd and its subsidiaries employ a total of 34 employees.

The profiles of the senior officers and executives are listed on pages 16 to 18.

OTHER MATTERS

Related party transactions

Please refer to page 116 of the annual report.

Management agreements

The Company has management contracts with Cim Administrators Ltd for the provision of company secretarial services, with Lochiel Property Services Ltd for the management of the Company’s immovable properties and with Raw IT Services Ltd for the management of the Company’s IT infrastructure.

Donations

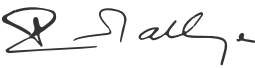
The Company did not make any political donations during the year under review.

Corporate Social Responsibility (CSR) and environmental issues

Lavastone’s CSR activities are channelled through the Cim CSR Fund Ltd, a not-for-profit company limited by guarantee, which was set up on 12 April 2016 under the laws of Mauritius, pursuant to the Companies Act 2001. The total contribution of Lavastone towards CSR activities for this financial year amounted to Rs 669,069.42.

Cim CSR Fund Ltd focuses on the following 6 main areas:

- 1. Financial Literacy and Education
- 2. Investing in programmes to prepare children, teenagers and adults for economic self-reliance
- 3. Environmental sustainability
- 4. Investing in the protection and rehabilitation of the environment
- 5. Social engagement
- 6. Making a positive impact on the communities we serve



Tioumitra Maharajahje
For Cim Administrators Ltd
Company Secretary

18 December 2020

OTHER STATUTORY DISCLOSURES

(Pursuant to Section 221 of the Mauritius Companies Act 2001)

Activity of the Company

The activities of Lavastone Properties are disclosed on pages 4 to 7.

Group structure with activities of subsidiaries

The structure of Lavastone Properties has been disclosed on pages 8 and 9.

Directors’ remuneration

The remuneration of directors who have held office as at 30 September 2020 has been disclosed on page 55.

Directors’ interest in shares

The interests of the directors in the shares of Lavastone as at 30 September 2020 are listed on pages 55 and 56.

Audit fees as at 30 September 2020

The fees paid to auditors for audit and other services are as follows:

	GROUP		COMPANY	
	30-09-2020	30-09-2019	30-09-2020	30-09-2019
Payable to Ernst & Young:				
Audit services	-	726,000	-	300,000
Other services	-	475,000	-	50,000
	-	1,201,000	-	350,000
Payable to BDO & Co.:				
Audit services	845,000	75,000	300,000	-
Non-audit services	98,000	25,000	14,000	-
	943,000	100,000	314,000	-

Donations

During the year under review, no political donations were made by Lavastone Ltd. Moreover, as at 30 September 2020, Lavastone has contributed Rs 669,069.42 to CSR activities.

Directors’ service contracts

None of the directors of the Company and its subsidiaries have service contracts that need to be disclosed under Section 221 of the Companies Act 2001.

SECRETARY’S CERTIFICATE

In my capacity as Company Secretary of Lavastone Ltd (the “Company”), I hereby confirm that, to the best of my knowledge and belief, the Company has filed with the Registrar of Companies, for the financial year ended 30 September 2020, all such returns as are required of the Company under the Companies Act 2001.



Tioumitra Maharahaje
For Cim Administrators Ltd
Company Secretary

18 December 2020

STATEMENT OF DIRECTORS’ RESPONSIBILITIES

Statement of Directors’ Responsibilities in respect of the preparation of Financial Statements and Internal Control

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position, financial performance and cash flows of the Company. In so doing, they are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with the provisions of the Companies Act 2001 and the International Financial Reporting Standards (IFRS), and explain any material departure thereto;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business in the foreseeable future.

The Directors are also responsible for the proper maintenance of accounting records, which disclose, at any time and with reasonable accuracy, the financial position and performance of the Company. They are also responsible for maintaining an effective system of internal control and risk management, for safeguarding the assets of the Company and for taking all reasonable steps to prevent and detect fraud and other irregularities.

The Directors acknowledge that they have exercised their responsibilities as described above, and confirm they have complied with the above requirements in preparing the financial statements for the year ended 30 September 2020. They also acknowledge the responsibility of external auditors to report on these financial statements and express an opinion as to whether they are fairly presented.

The Directors confirm they have established an internal audit function and report that proper accounting records have been maintained during the year ended 30 September 2020. They also declare nothing has come to their attention which could indicate any material breakdown in the functioning of internal control systems and have a material impact on the trading and financial position of the Company.

On behalf of the Board



Colin Taylor
Chairman



Nicolas Vaudin
Director

18 December 2020

Financial Statements



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“Lavastone is a great team of highly effective professionals who share the same vision towards excellence, innovation and sustainability. 246 Edith Cavell Court is the latest property development project which we have worked on together, I am happy to say our collaboration was a success and we’re looking forward to the next challenge on their warehouse project at Riche Terre.”

Niraj Boodhoo,
Director at ProDesign

INDEPENDENT AUDITORS’ REPORT

To the shareholders of Lavastone Ltd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Lavastone Ltd (the Group), and the Company’s separate financial statements on pages 70 to 119 which comprise the statements of financial position as at 30 September 2020, 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 70 to 119 give a true and fair view of the financial position of the Group and of the Company as at 30 September 2020, 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 (JESBA 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 judgement, 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 Matters for the Group

Key Audit Matters	Audit Response
<p>Fair value of investment properties</p> <p>The Group’s investment properties of Rs 2.84Bn, representing 82% of its total assets, have been carried at fair value, with changes in fair value being recognised in profit or loss.</p> <p>When determining the valuation of investment properties, estimates have been developed by the independent valuation specialists based on the most appropriate source data and are subject to significant judgement.</p> <p>Related disclosures</p> <p>Refer to note 16 of the accompanying financial statements.</p>	<p>Audit response</p> <p>We reviewed the data used by the valuer in their valuation by:</p> <ul style="list-style-type: none">• Comparing the current period’s (2020) actual results with the figures included in the prior year (2019) forecast, to consider whether any forecasts included assumptions that, with hindsight, had been optimistic.• Challenging the assumptions used by the independent valuation specialists.• Recomputing the value based on latest sales price, where recent transaction price have been used for valuing remaining plot of bare land.

INDEPENDENT AUDITORS’ REPORT

To the shareholders of Lavastone Ltd

Key Audit Matters for the Company

Key Audit Matters	Audit Response
<p>Assessment of Impairment - Investment of Subsidiaries</p> <p>The Company’s investment in subsidiaries amounted to Rs 1.13Bn net of impairment, representing 54% of total assets of the Company. We focused on this area due to the size of the investment balance and because the Company’s assessment of the ‘value in use’ of the subsidiaries involves judgements about the future results of the business and the discount rates applied to future cash flow forecasts.</p> <p>Related disclosures</p> <p>Refer to note 21 of the accompanying financial statements.</p> <p>Recoverability of receivables from related parties</p> <p>As at September 30, 2020, the Company has group receivables amounting to Rs.635m, representing 30% of the total assets of the Company.</p> <p>The company exercises significant judgement using subjective assumptions over both when and how much to record as impairment and estimation of the amount of impairment loss relating to group receivables. Because group receivables form a major portion of the Company’s assets and due to the significance of the judgements used in determining the related impairment loss requirements, this audit area is considered a key audit matter.</p> <p>Related disclosures</p> <p>Refer to note 24 of the accompanying financial statements.</p>	<p>Our audit procedures include the following:</p> <ul style="list-style-type: none">• Comparing some subsidiaries’ book values with their net asset values.• Comparing some subsidiaries’ book values with the enterprise value derived from valuation of these subsidiaries using the Discounted Cash Flow technique.• Reviewing and evaluating the data used in the subsidiaries’ cashflow forecasts and the process by which they were developed, including considering the mathematical accuracy of the underlying calculations. <p>Challenging management with:</p> <ul style="list-style-type: none">• the key assumptions for growth rates in the forecasts by comparing them to historical results;• the discount rate used in the model and comparing it to market data and industry research. <p>We ensured that the current impairment methodology for the Group is consistent with the requirements of IFRS 9;</p> <p>We checked appropriateness of the Company’s determination of credit risk and expected credit loss;</p> <p>We also examined management’s estimate of future cash flows and assessed their reasonableness.</p>

Other information

The Directors are responsible for the other information. The other information comprises the information in the Annual Report (but does not include the Corporate Governance Report, 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.

Corporate governance report

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

INDEPENDENT AUDITORS’ REPORT

To the shareholders of Lavastone Ltd

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.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 judgement 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.

INDEPENDENT AUDITORS’ REPORT

To the shareholders of Lavastone Ltd

Auditors’ Responsibilities for the Audit of the Financial Statements (Continued)

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Companies Act 2001

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

We have obtained all the 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.

Other matter

The consolidated and separate financial statements of Lavastone Ltd for the year ended 30 September 2019 were audited by another auditor, who expressed an unmodified opinion on 26 December 2019.

This report is made solely to the members of Lavastone Ltd (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 auditors’ report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members, as a body, for our audit work, for this report, or for the opinions we have formed.

BDO & CO

BDO & CO
Chartered Accountants

Port Louis,
Mauritius

Rookaya Ghanty

Rookaya Ghanty, FCCA
Licensed by FRC

STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	GROUP		COMPANY	
		2020	2019	2020	2019
		Rs 000	Rs 000	Rs 000	Rs 000
ASSETS					
Non-current assets					
Investment properties	16	2,835,622	2,545,512	175,215	160,000
Investment properties under development	17	336,221	344,120	-	-
Plant, property and equipment	18	2,468	1,296	-	-
Intangible assets	19	72	115	-	-
Investment in subsidiaries	21	-	-	1,128,613	1,109,694
Investment in associate	20	148,364	19,956	150,000	19,990
		3,322,747	2,910,999	1,453,828	1,289,684
Current assets					
Consumable biological assets	22	3,376	3,112	-	-
Asset held for sale	35	11,745	-	-	-
Inventory properties	23	55,857	33,278	-	-
Income tax receivable	13	-	-	-	511
Trade and other receivables	24	47,001	137,150	642,087	458,281
Cash in hand and at bank	25	28,881	37,885	-	14,380
		146,860	211,425	642,087	473,172
Total assets		3,469,607	3,122,424	2,095,915	1,762,856
EQUITY AND LIABILITIES					
Share capital and reserves					
Share capital	26	1,721,081	1,721,081	1,721,081	1,721,081
Capital and other reserves		131,053	131,053	-	-
Retained earnings		567,326	664,997	24,225	41,387
Equity attributable to equity holders of the parent		2,419,460	2,517,131	1,745,306	1,762,468
Non controlling interests		324,924	337,071	-	-
Total equity		2,744,384	2,854,202	1,745,306	1,762,468
Non-current liabilities					
Lease liabilities	31	67,593	-	2,690	-
Deferred tax liability	13	39,178	51,497	-	-
Retirement benefit obligations	28	1,550	221	-	-
Borrowings	27	91,417	35,694	-	-
		199,738	87,412	2,690	-
Current liabilities					
Trade and other payables	29	137,911	86,684	2,321	388
Lease liabilities	31	1,235	-	19	-
Contract liabilities	29	37,176	14,271	-	-
Income tax payable	13	4,068	2,765	484	-
Borrowings	27	345,095	77,090	345,095	-
		525,485	180,810	347,919	388
Total equity and liabilities		3,469,607	3,122,424	2,095,915	1,762,856

These financial statements have been approved for issue by the Board of Directors on 18 December 2020 and signed on its behalf by:

Colin Taylor
Director

Nicolas Vaudin
Director

The notes on pages 74 to 119 form an integral part of these financial statements.
Auditor's report on pages 66 to 69.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2020

	Notes	GROUP		COMPANY	
		2020	2019	2020	2019
		Rs 000	Rs 000	Rs 000	Rs 000
Revenue					
Rental income		161,059	133,533	1,036	-
Recoveries		29,026	21,795	-	-
Other operating income		7,122	7,121	-	-
Total revenue	8(a)	197,207	162,449	1,036	-
Direct operating expenses	9	(46,237)	(51,462)	(66)	(20)
Net operational income/(loss)		150,970	110,987	970	(20)
Investment and other income	8(b)	-	-	13,613	43,090
Administrative expenses	10	(52,683)	(51,090)	(8,150)	(4,740)
Operating profit		98,287	59,897	6,433	38,330
Profit on disposal of investment properties		3,371	104	-	-
Other gains and losses	12	(190,567)	128,158	(21,046)	-
Share of results in associates	20	(4,626)	(34)	-	-
(Loss)/profit before net finance (cost)/income		(93,535)	188,125	(14,613)	38,330
Interest income		5,416	-	21,498	17,383
Finance costs	11	(17,706)	(1,877)	(10,018)	-
(Loss)/profit before tax		(105,825)	186,248	(3,133)	55,713
Income tax credit/(expense)	13	2,385	(29,872)	(419)	(1,086)
(Loss)/profit for the year		(103,440)	156,376	(3,552)	54,627
Other comprehensive income		(275)	-	-	-
Total comprehensive income		(103,715)	156,376	(3,552)	54,627
Attributable to:					
Equity holders of the parent		(95,940)	167,039		
Non-controlling interests		(7,775)	(10,663)		
Basic/diluted (loss)/earnings per share (Rs)	14	(0.14)	0.35		

The notes on pages 74 to 119 form an integral part of these financial statements.
Auditor's report on pages 66 to 69.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2020

GROUP	Share capital	Share application monies	Retained earnings	Capital and other reserves	Total	Non controlling interests	Total equity
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
At 1 October 2019	1,721,081	-	664,997	131,053	2,517,131	337,071	2,854,202
Impact of IFRS 16	-	-	9,534	-	9,534	4,110	13,644
Loss for the year	-	-	(95,834)	-	(95,834)	(7,606)	(103,440)
Other comprehensive income for the year	-	-	(106)	-	(106)	(169)	(275)
Total comprehensive income for the year	-	-	(95,940)	-	(95,940)	(7,775)	(103,715)
Changes in ownership interest in subsidiaries that do not result in a loss of control	-	-	2,345	-	2,345	(8,482)	(6,137)
Dividend	-	-	(13,610)	-	(13,610)	-	(13,610)
At 30 September 2020	1,721,081	-	567,326	131,053	2,419,460	324,924	2,744,384
At 1 October 2018	450,000	575,000	511,568	-	1,536,568	-	1,536,568
Profit for the year	-	-	167,039	-	167,039	(10,663)	156,376
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income	-	-	167,039	-	167,039	(10,663)	156,376
Issue of share capital (Note 26,30)	1,271,081	(575,000)	-	-	696,081	-	696,081
On internal restructuring (Note 30)	-	-	-	131,053	131,053	319,747	450,800
On purchase of subsidiaries	-	-	-	-	-	27,987	27,987
Dividend	-	-	(13,610)	-	(13,610)	-	(13,610)
At 30 September 2019	1,721,081	-	664,997	131,053	2,517,131	337,071	2,854,202

COMPANY	Share capital	Share application monies	Retained earnings	Total
	Rs 000	Rs 000	Rs 000	Rs 000
At 1 October 2019	1,721,081	-	41,387	1,762,468
Loss for the year	-	-	(3,552)	(3,552)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income	-	-	(3,552)	(3,552)
Dividends	-	-	(13,610)	(13,610)
At September 2020	1,721,081	-	24,225	1,745,306
At 1 October 2018	450,000	575,000	370	1,025,370
Profit for the year	-	-	54,627	54,627
Other comprehensive income for the year	-	-	-	-
Total comprehensive income	-	-	54,627	54,627
Issue of shares (Note 26,30)	1,271,081	(575,000)	-	696,081
Dividends	-	-	(13,610)	(13,610)
At 30 September 2019	1,721,081	-	41,387	1,762,468

The notes on pages 74 to 119 form an integral part of these financial statements.
Auditor's report on pages 66 to 69.

STATEMENT OF CASH FLOWS

For the year ended 30 September 2020

		GROUP		COMPANY	
	Notes	2020	2019	2020	2019
		Rs 000	Rs 000	Rs 000	Rs 000
Operating activities					
(Loss)/Profit before tax		(105,825)	186,248	(3,133)	55,713
Share of results in associate	20	4,626	34	-	-
Adjustments for:					
Consolidation adjustment		(6,137)	-	-	-
Amortisation of intangible assets	19	43	43	-	-
Depreciation	18	1,498	206	-	-
Dividend income		-	-	(13,610)	(43,090)
Retirement benefit obligations		1,054	-	-	-
Interest income		-	-	(21,498)	(17,383)
Interest expense	11	2,776	1,877	28	-
Write off of development costs	10	-	11,482	-	-
Other (gains) and losses	12	192,225	(126,955)	21,046	-
Movement in biological assets	22	(265)	121	-	-
Changes in working capital:					
Trade and other receivables		90,149	(85,709)	(183,806)	(114,261)
Trade and other payables		74,132	24,346	1,933	(2,758)
Cash generated from operations		254,276	11,693	(199,040)	(121,779)
Interest received		-	-	-	998
Income tax paid	13	(11,424)	(10,118)	576	(4,074)
Net cash generated from/(used in) operating activities		242,852	1,575	(198,464)	(124,855)
Investing activities					
Dividends received		-	-	13,610	43,090
Purchase of investment properties	16,17	(428,975)	(279,462)	(33,496)	-
Purchase of property, plant and equipment	18	(1,019)	(724)	-	-
Purchase of investment in associate	20	(130,010)	(19,990)	(130,010)	(19,990)
Purchase of investment in subsidiary	7	-	(93,409)	(18,919)	(121,264)
Proceeds from disposal of investment properties	16,17	1,381	30,896	-	-
Cash on internal restructuring	7,30	-	14,321	-	-
Net cash used in investing activities		(558,623)	(348,368)	(168,815)	(98,164)
Financing activities					
Loan received	27	56,417	35,000	-	-
Lease liabilities payment	31	(4,045)	-	(84)	-
Issue of shares		-	203,451	-	203,451
Interest received		-	-	21,498	-
Interest paid		-	(2,873)	-	-
Dividends paid to shareholders of company		(13,610)	(13,610)	(13,610)	(13,610)
Net cash generated from financing activities		38,762	221,968	7,804	189,841
Net decrease in cash and cash equivalents		(277,009)	(124,825)	(359,475)	(33,178)
Cash and cash equivalents at 1 October		(39,205)	85,620	14,380	47,558
Cash and cash equivalents at 30 September	25	(316,214)	(39,205)	(345,095)	14,380

The notes on pages 74 to 119 form an integral part of these financial statements.
Auditor's report on pages 66 to 69.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

1. CORPORATE INFORMATION

Lavastone Limited is a public company and listed on the Development & Enterprise Market (“DEM”) of the Stock Exchange of Mauritius Ltd incorporated in Mauritius. The main activity is to hold investment properties and its registered office is at Cnr Edith Cavell Street and Mere Barthelemy Street, Port Louis.

2. ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The consolidated financial statements comprise the financial statements of Lavastone Limited and its subsidiaries as at 30 September 2020.

The consolidated and separate financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and complied with the Companies Act 2001 and Financial Reporting Act 2004.

The financial statements have been prepared on a historical cost basis, except for investment property and consumable biological assets that have been measured at fair value. The consolidated financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs’ 000), except where otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

2.2. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Lavastone Ltd and its subsidiaries as at 30 September 2020.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group’s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of financial position and statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.2. BASIS OF CONSOLIDATION (CONTINUED)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Property acquisitions and business combinations

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. The basis of the judgement is set out in Note 5.

Where such acquisitions are not determined to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity or assets and liabilities is allocated between the identifiable assets and liabilities of the entity based on their relative values at the acquisition date.

(b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, the gain is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (b) Business combinations and goodwill (Continued)
- Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.
- (c) Current versus non-current classification
- The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
 - Held primarily for the purpose of trading;
 - Expected to be realised within twelve months after the reporting period.
- Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- All other assets are classified as non-current.
- A liability is current when:
- It is expected to be settled in the normal operating cycle;
 - It is held primarily for the purpose of trading;
 - It is due to be settled within twelve months after the reporting period.
- Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.
- The Group classifies all other liabilities as non-current.
- Deferred tax assets and liabilities are classified as non-current assets and liabilities.
- (d) Foreign currencies
- The Group's consolidated financial statements are presented in Mauritian rupees, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.
- Transactions and balances
- Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.
- Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (d) Foreign currencies (Continued)
- Transactions and balances (Continued)
- In determining the spot exchange rate to use on initial recognition of the related asset, liability, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.
- (e) Borrowing costs
- Borrowing costs directly attributable to the acquisition or construction of an inventory property that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Capitalisation commences when: (1) the Group incurs expenditures for the asset; (2) the Group incurs borrowing costs; and (3) the Group undertakes activities that are necessary to prepare the asset for its intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs should be capitalised for construction of any qualifying assets.
- The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.
- (f) Investment properties
- Investment properties comprises completed properties and properties under development or re-development that are held, or to be held, to earn rentals or for capital appreciation or both. Properties held under a lease is classified as investment properties when they are held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.
- Investment properties comprises principally offices, commercial warehouse and retail properties that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.
- Investment properties are measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and (only in case of investment properties held under a lease) initial leasing commissions to bring the properties to the condition necessary for it to be capable of operating.
- Subsequent to initial recognition, investment properties are stated at fair values, which reflect market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. For the purposes of these financial statements, in order to avoid double counting, the fair values reported in the financial statements are:
- Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments;
 - In the case of investment properties held under a lease, increased by the carrying amount of any liability to the head lessor that has been recognised in the statement of financial position as a finance lease obligation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investment properties (Continued)

Transfers are made to (or from) investment properties only when there is evidence of a change in use (such as commencement of development or inception of an operating lease to another party). For a transfer from investment properties to inventories, the deemed cost for subsequent accounting is the fair value at the date of change in use. If inventory properties becomes an investment properties, the difference between the fair value of the properties at the date of transfer and its previous carrying amount is recognised in profit or loss. The Group considers as evidence the commencement of development with a view to sale (for a transfer from investment property to inventories) or inception of an operating lease to another party (for a transfer from inventories to investment properties).

Investment properties is derecognised either when it has been disposed of (i.e., at the date the recipient obtains control) or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

(g) Inventory properties

Inventory properties is principally made up of property previously held as investment property which has been transferred on evidence of change in use, start of development in view of sale. Inventory property is measured at the lower of cost and net realisable value (NRV).

Principally, this is residential property that the Group develops and intends to sell before, or on completion of, development.

Cost incurred in bringing each property to its present location and condition includes:

- Freehold rights for land;
- Amounts paid to contractors for development;
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, development overheads and other related cost.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs necessary to make the sale.

When an inventory property is sold, the carrying amount of the property is recognised as an expense in the period in which the related revenue is recognised. The carrying amount of inventory property recognised in profit or loss is determined with reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

(h) Cash and cash equivalents

Cash in hand and at bank in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

(i) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leases (Continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets:

Motor vehicles and other equipment	3 to 5 years
Leasehold Land	10 to 60 years

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. IFRS 16 requires certain adjustments to be expensed, while others are added to the cost of the related right-of-use asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. In addition, the Group subleases investment property acquired under head leases with lease terms exceeding 12 months at commencement. Subleases are classified as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying investment property. All the Group's subleases are classified as operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (j) Rent receivables
Rent receivables are recognised at fair value and subsequently measured at amortised cost.
- (k) Revenue recognition
The Group's key sources of income include: rental income, services to tenants and sale of completed property and inventory property. The accounting for each of these elements is discussed below.

i) Rental income
The Group earns revenue from acting as a lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on an accrual basis, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

ii) Revenue from services to tenants
For investment property held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of IAS 17. These agreements include certain services offered to tenants (i.e., customers) including CAM services (such as cleaning, security, landscaping. The consideration charged to tenants for these services includes fees charged based on a percentage of the rental income and reimbursement of certain expenses incurred.

The Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The Group allocates the consideration in the contract to the separate lease and revenue (non-lease) components on a relative stand-alone selling price basis.

In respect of the revenue component, these services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Group. The Group applies the time elapsed method to measure progress.

The consideration charged to tenants for these services is based on a percentage of the rental income.

The Group arranges for third parties to provide certain of these services to its tenants. The Group concluded that it acts as a principal in relation to these services as it controls the specified services before transferring them to the customer. Therefore, the Group records revenue on a gross basis. For more information, please refer to note 5-significant accounting judgements, estimates and assumptions.

iii) Revenues from the sale of inventory property
The Group enters into contracts with customers to sell properties.

Completed inventory properties
The sale of completed property constitutes a single performance obligation and the Group has determined that is satisfied at the point in time when control transfers. For unconditional exchange of contracts, this generally occurs when legal title transfers to the customer.

Payments are received when legal title transfers which is usually within two months from the date when contracts are signed.

The Group assesses, at each reporting date, whether the carrying amount of inventory properties exceeds the remaining amount of consideration that the entity expects to receive in exchange for the residential development less the costs that relate directly to completing the development and that have not been recognised as expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (l) Trade receivables
A trade receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Revenue earned from property development activities, but yet to be billed to customers, is initially recognised as contract assets and reclassified to trade receivables when the right to consideration becomes unconditional. Refer to the accounting policies on financial assets in this note for more information.

The trade receivables are presented in the statement of financial position under 'Trade and other trade receivables'. For more information, see Note 24.
- (m) Taxes
Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in OCI or in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:
• When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.
• In respect of taxable temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:
• When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
• In respect of deductible temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (m)

Taxes (Continued)

Deferred tax (Continued)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if there is new information about changes in facts and circumstances. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.
- (n)

Fair value measurements

The Group measures financial instruments such as investment properties and biological assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
 - In the principal market for the asset or liability.Or
 - In the absence of a principal market, in the most advantageous market for the asset or liability.The principal or the most advantageous market must be accessible by the Group at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities, for which fair value is measured or disclosed in the financial statements, are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (n)

Fair value measurements (Continued)

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:
 - Accounting policy disclosures;
 - Disclosures for valuation methods, significant estimates and assumptions;
 - Investment properties and biological assets;
 - Quantitative disclosures of fair value measurement hierarchy.
- (o)

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. As the Group's rent and other trade receivables do not contain a significant financing component or for which the Group has applied the practical expedient, they are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income (OCI), it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

Subsequent measurement

For purposes of subsequent measurement, the Group's financial assets are classified in two categories:
 - Financial assets at fair value through profit or loss (derivative financial instruments).
 - Financial assets at amortised cost (rent and other trade receivables, contract assets and cash and short-term deposits).

Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Financial assets at amortised cost

For purposes of subsequent measurement, the Group measures financial assets at amortised cost if both of the following conditions are met:
 - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

And
 - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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For the year ended 30 September 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial instruments – initial recognition and subsequent measurement (Continued)

Financial Assets (Continued)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Since the Group’s financial assets (rent and other trade receivables, contract assets, cash and short-term deposits) meet these conditions, they are subsequently measured at amortised cost.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- The rights to receive cash flows from the assets that have expired.
- Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instrument except those held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For rent and other trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date (i.e., a loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default). The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial instruments – initial recognition and subsequent measurement (Continued)

Financial Liabilities

Initial recognition and measurement

The Group’s financial liabilities comprise interest-bearing loans and borrowings, lease liabilities, derivative financial instruments and trade and other payables.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Refer to the accounting policy on leases for the initial recognition and measurement of lease liabilities, as this is not in the scope of IFRS 9.

All financial liabilities are recognised initially at fair value and, with the exception of derivative financial instruments, net of directly attributable transaction costs.

Subsequent measurement

For the purposes of subsequent measurement, all financial liabilities, except derivative financial instruments, are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(p) Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group’s investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group’s share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group’s in other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (p) Investment in associates (Continued)
- Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and noncontrolling interests in the subsidiaries of the associate.
- The financial statements of the associate are prepared for the same reporting period as the Group. When necessary adjustments are made to bring the accounting policies in line with those of the Group.
- After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associates. At each reporting date, the Group determines whether there is objective evidence that the investment in the associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'impairment loss on associates' in profit or loss.
- Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.
- (q) Investment in subsidiaries
- Subsidiaries are those entities controlled by the Company. Control is achieved when the Company is exposed to, or has right to, variable returns from its investment with the entity and has the ability to affect those returns through its power over the entity.
- Separate financial statements
- Investments in subsidiaries in the separate financial statements of the Company are carried at cost, net of any impairment. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is recognised in profit or loss. Upon disposal of the investment, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.
- (r) Consumable Biological Asset
- Consumable biological assets represent animals on hunting grounds and are stated at fair value less costs to sell. The fair value is measured as the expected net cash flows from the sale of the deer less cost to sell. The changes in fair value less cost to sell of the consumable biological assets is recognised in the statement of profit or loss.
- (s) Non-current assets held for sale and discontinued operations
- The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.
- The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.
- Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (s) Non-current assets held for sale and discontinued operations (Continued)
- Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position. A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:
- Represents a separate major line of business or geographical area of operations;
 - Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.
- Or
- Is a subsidiary acquired exclusively with a view to resale.
- Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.
- (t) Retirement benefit obligations
- Severance allowance on retirement
- For employees that are not covered under any pension plan, the net present value of severance allowances payable under the Employee Rights Act 2008 is calculated independently by a qualified actuary, AON Hewitt Ltd. The expected cost of these benefits is accrued over the service lives of employees on a similar basis to that for the defined benefit plan. The present value of severance allowances has been disclosed as unfunded obligations under employee benefit liability.
- Defined contribution plans
- Employees in the Group are under a defined contribution scheme, the assets of which are held and administered by an independent fund administrator. All new employees of the Group from that date become members of the defined contribution plan. Payments by the Company to the defined contribution retirement plan are charged as an expense as they fall due.
- (u) Segmental reporting
- An operating segment is a component of an entity:
- (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
 - (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
 - (c) for which discrete financial information is available.
- The Group's business segments consist of core business (which is holding properties for capital appreciation) and development of residential units for sale. Most of its activity is performed in Mauritius.
- (v) Other income
- Dividend income
- Dividend income is recognised when the Company's right to receive the payment is established, which is generally when the Board of Directors of the investees declare the dividend.
- (x) Intangible Asset
- Computer software ae capitalised based on costs incurred to acquire and bring to use the specific software and are amortised using the straight-line method at their estimated useful life of 5 years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Group applied IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

There were several other new and amendments to standards and interpretations which are applicable for the first time in 2019, but either not relevant or do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

New or revised standards	Effective for accounting period beginning on or after
IFRS 16 Leases	1 January 2019

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of Financial Position.

Lessor accounting under IFRS 16 is, however, substantially unchanged from present accounting under IAS 17. Lessors continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating leases and finance leases. One exception is that IFRS 16 requires the intermediate lessor to classify the sublease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. However, this change does not have an impact on the Company’s classification of the subleases. Therefore, IFRS 16 does not have an impact for leases where the Company is the lessor.

a) Transition to IFRS 16

The Group adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 October 2019 with recognition of transitional adjustments on the date of initial application (1 September 2019) without restatement of comparative figures. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 October 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

New and amended standards and interpretations (continued)

a) Transition to IFRS 16 (continued)

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). The Group has leases of certain office equipment such as photocopying machines that are considered of low value.

	30 September 2019 as originally presented	IFRS 16	01-Oct-19
	Rs 000	Rs 000	Rs 000
Assets			
Property, plant and equipment	1,296	1,651	2,947
Investment property	2,545,512	84,190	2,629,702
Equity			
Retained earnings	664,997	9,534	674,531
Non Controlling interest	337,071	4,110	341,181
Liabilities			
Lease liabilities		69,403	69,403
Deferred tax liabilities	51,947	2,794	54,741
Borrowings	112,784	-	112,784

As a lessee, the company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred all the risks and rewards of ownership. Under IFRS 16, the company recognises right of use assets and lease liabilities for most leases on adoption of IFRS 16, the company recognised right of use assets and lease liabilities as follows:

Classification Under IAS 17	Right of Use Assets	Lease Liabilities
Operating Leases that meet definition of Investment in IAS 40	Fair Value as at 1 October 2019.	Measured at present value of the remaining lease payments, discounted using the company's incremental borrowing rate as at 1 October 2019. The incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions, the rate applied are as follows: (i) Buildings: 4.1% (ii) Motor Vehicles: 6.35 %
All other operating Leases	Motor Vehicles: Right of use assets are measured at an amount equal to the lease liability adjusted by the amount of ay prepaid or accrued lease payments.	

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 Uncertainty over Income Tax Treatments explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. There are no new disclosure requirements but requirement to provide information about judgements and estimates made in preparing the financial statements. The interpretation has no impact on the Group’s/Company’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

New and amended standards and interpretations (continued)
Prepayment Features with negative compensation (Amendments to IFRS 9)

Prepayment Features with negative compensation (Amendments to IFRS 9) enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be ‘reasonable compensation for early termination of the contract’ and the asset must be held within a ‘held to collect’ business model. The amendments have no impact on the Group’s/Company’s financial statements.

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

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 before applying the loss allocation and impairment requirements in IAS 28. The amendments have no impact on the Group’s/Company’s financial statements.

Annual Improvements to IFRSs 2015–2017 Cycle

- IFRS 3 – clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
- IFRS 11 – clarified that party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
- IAS 12 – clarified that income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23 – clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The amendments have no impact on the Group’s/Company’s financial statements.

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

- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) clarify that entities must:
- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change;
- recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling;
- separately recognise any changes in the asset ceiling through other comprehensive income.
- The amendments have no impact on the Group’s/Company’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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 1 January 2020 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:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
- IFRS 17 Insurance Contracts;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8);
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Annual Improvements 2018–2020;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
- Reference to the Conceptual Framework (Amendments to IFRS 3);
- Covid-19-Related Rent Concessions (Amendment to IFRS 16);
- Amendments to IFRS 17;
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4);
- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

Where relevant, the Group/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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group’s consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Leases

The Group applied the following judgements that significantly affect the determination of the amount and timing of income from lease contracts:

Determination of the lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

As a lessor, the Group enters into lease agreements that contain options to terminate or to extend the lease. These options are generally exercisable after an initial period of 4 to 6 years. At commencement date, the Group (supported by the advice of the independent valuation expert) determines whether the lessee is reasonably certain to extend the lease term or not to terminate the lease. To make this analysis, the Group takes into account any difference between the contract terms and the market terms, any significant investments made by the lessee in the property, costs relating to the termination of the lease and the importance of the underlying asset to the lessee’s operations. In many cases, the Group does not identify sufficient evidence to meet the required level of certainty.

As a lessee, the Group has a lease contract for the use of office space that includes an extension and a termination option. The Group applies judgement in evaluating whether or not it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise, or not to exercise, the option to renew or to terminate (eg construction of significant leasehold improvements or significant customisation to the leased asset).

Property lease classification – the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- Determination of performance obligations

In relation to the services provided to tenants of investment property (such as cleaning, security, landscaping, reception services, catering) as part of the lease agreements into which the Group enters as a lessor, the Group has determined that the promise is the overall property management service and that the service performed each day is distinct and substantially the same. Although the individual activities that comprise the performance obligation vary significantly throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day to day. Therefore, the Group has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consumes the benefits provided by the Group.

- Principal versus agent considerations – services to tenants

The Group arranges for certain services provided to tenants of investment property included in the contract the Group enters into as a lessor, to be provided by third parties. The Group has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Group has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with tenants’ complaints and it is primarily responsible for the quality or suitability of the services. In addition, the Group has discretion in establishing the price that it charges to the tenants for the specified services.

Therefore, the Group has concluded that it is the principal in these contracts. In addition, the Group has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and at the same time, consume the benefits from these services.

- Determining the timing of revenue recognition on the sale of property

The Group has evaluated the timing of revenue recognition on the sale of property based on a careful analysis of the rights and obligations under the terms of the contract and legal advice from the Group’s external counsel.

The Group has generally concluded that contracts relating to the sale of completed property are recognised at a point in time when control transfers. For unconditional exchanges of contracts, control is generally expected to transfer to the customer together with the legal title. For conditional exchanges, this is expected to take place when all the significant conditions are satisfied.

For contracts relating to the sale of property under development, the Group has generally concluded that the over time criteria are not met and, therefore, recognises revenue at a point in time. These consist mostly of parcels of land being sold once relevant permits have been obtained.

Assets held for sale

On 30 September 2020, the Board of Directors announced its decision to dispose of the 4th floor and medical suite at Labourdonnais building. These are classified as a disposal group held for sale. The Board considered the assets to meet the criteria to be classified as held for sale at that date for the following reasons:

- The buildings are available for immediate sale and can be sold to the buyer in its current condition.
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification.
- A potential buyer has been identified and negotiations as at the reporting date are at an advance stage.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates and assumptions

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Valuation of investment properties

The fair value of investment property is determined by independent real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 Fair Value Measurement.

Investment properties are measured based on estimates prepared by independent real estate valuation experts. The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 16. Investment properties under development, Note 17.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Estimation of net realisable value for inventory properties

At year end, the Group holds inventory property with a carrying value of Rs 55,857,000 (2019: Rs 33,278,000). Inventory property is stated at the lower of cost and net realisable value (NRV).

NRV for completed inventory property is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Group, based on comparable transactions identified by the Group for property in the same geographical market serving the same real estate segment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates and assumptions (Continued)

NRV in respect of inventory property under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the development and the estimated costs necessary to make the sale, taking into account the time value of money, if material.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in leases where it is the lessee, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

6. FINANCIAL RISK MANAGEMENT

Whilst risk is inherent in normal activities, it is managed through an integrated risk management framework, including ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and control, and to monitor the risks and adherence to limits by means of reliable and up-to-date administrative and information systems.

The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. The Board recognises the critical importance of having efficient and effective risk management policies and systems in place. To this end, there is a clear organisational structure with delegated authorities and responsibilities from the Board, executives and senior management. Individual responsibility and accountability are designed to deliver a disciplined, conservative and constructive culture of risk management and control.

6.1 Financial risk factors

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

The Group's activities expose it to a variety of financial risks, which consist of market risks, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Written principles have been established throughout the Group for overall risk management.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (Continued)

(a) Market Risk

Market risk include foreign currency risk, interest rate risk and equity price risk. The Group is not exposed to significant currency risk and equity price risk at the reporting date.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair value of financial instruments. The Group did not have significant floating interest rate bearing financial assets and liabilities at the reporting date.

Price risk

Equity price risk is the risk that the fair value of equity securities fluctuates as a result of the changes in the prices of those securities. The Group is not exposed to significant equity price risks as it does not have any significant equity financial assets.

Foreign Exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not exposed to foreign exchange risk as it does not have any significant financial instrument in foreign currencies at the reporting date.

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its trade and other receivables and cash and cash equivalent.

Trade and other receivables

The Group manages and control its credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties. The Group has policies in place to ensure that credit facilities are granted to customers with appropriate credit history. Credit facilities to customers are monitored and the Group identifies defaults and recovers amounts due according to its policies.

Credit quality of a customer is assessed based on internally defined criteria including the financial position of the counterparties and the business sector they operate. Outstanding customer receivables are regularly monitored. The Group's receivables include amounts due from related entities which are disclosed in note 24. The maximum exposure to credit risk at the reporting date equals the carrying amount of the respective financial assets.

The Group adopted a simplified approach to assess the allowance for expected credit loss on its financial assets. The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. Customer type). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. At 30 September 2020, the ECL on trade receivables was minimal. Accordingly, management did not adjust the accounts.

The aged analysis of trade receivables is disclosed in Note 24.

With respect to cash and cash equivalents, the Group's exposure to credit risk arises from the default of the counter party with a maximum exposure equal to the carrying value of the instrument of Rs 28,881,000 (2019: Rs 37,885,000) for the Group and Nil (2019: Rs 14,380,000) for the Company. Cash at banks are held with reputable financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

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

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of credit facilities to settle amounts as they fall due. The Group aims at maintaining flexibility in funding by keeping committed credit lines available and monitors its cash flow through forecasting tools.

The Group's financial liabilities are classified into relevant maturity based on the remaining year at the end of the reporting year to the contractual maturity date.

The maturity of the Company's financial liabilities is:

	GROUP		COMPANY	
	Sep-20	Sep-19	Sep-20	Sep-19
	Rs 000	Rs 000	Rs 000	Rs 000
Trade and other payables*				
On demand	137,911	86,684	2,321	389
Within 3 months	-	-	-	-
Borrowings**				
3 to 12 months	345,095	77,090	345,095	-
Between 1 to 5 years	91,417	35,694	-	-
	574,423	199,468	347,416	389

Capital management

The primary objective of the Company's capital management is to maximise shareholders' value. The company aim at distributing an adequate dividend whilst ensuring that sufficient resources are maintained to continue as a going concern and for expansion.

The Group and the Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The ratio of net debt to equity is used to monitor capital and the ratio is kept at a reasonable level. For the purpose of capital management, net debt consists of borrowings net of cash and cash equivalent. Equity consists of stated capital, retained earnings and other reserves. There were no changes in the Company's approach to capital management during the year.

	GROUP		COMPANY	
	Sep-20	Sep-19	Sep-20	Sep-19
	Rs 000	Rs 000	Rs 000	Rs 000
Total borrowings	436,512	112,784	345,095	-
Less: Cash and cash equivalents (note 25)	(28,881)	(37,885)	-	(14,380)
Borrowings Net of cash	407,631	74,899	345,095	(14,380)
Total Equity	2,744,384	2,854,202	1,745,306	1,762,468
Debt to Equity ratio	14.85%	2.62%	19.77%	-0.82%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

7. BUSINESS COMBINATIONS

Acquisition of additional interest in subsidiary

During the financial year, the Group has acquired an additional interest of 25% interest in Compagnie Valome Ltd for Rs16,483,852 in cash, increasing its ownership from 75% to 100%. The carrying amount of Compagnie Valome Ltd's net assets on the consolidated financial statements on the date of acquisition was Rs 111,949,000. The Group recognised a decrease in non-controlling interest of Rs 26,461,101 and a decrease in retained earnings of Rs 1,297,822.

The following summarises the effect of changes in the Group's ownership interest in Compagnie Valome Ltd:

	Rs 000
Parent's ownership interest at beginning of period	93,089
Impact of IFRS 16	13,644
Effect of increase in parent's ownership	2,345
Share of comprehensive income	4,947
Parent's ownership interest at end of period	114,025

8. REVENUE AND OTHER INCOME

(a) Total revenue

	GROUP		COMPANY	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	Rs 000	Rs 000	Rs 000	Rs 000
Rental income and recoveries	190,085	155,329	1,036	-
Other operating income	7,122	7,121	-	-
	197,207	162,449	1,036	-
Rental income	161,059	133,533	1,036	-
Other operating income	7,122	7,121	-	-
Services to tenants	29,026	21,795	-	-
Revenue from contracts with customers	36,148	28,916	-	-
Total rental income and revenue from contracts with customers	197,207	162,449	1,036	-

The period of leases whereby the Group leases out its properties under operating lease is more than 1 year. Refer to note 36 for minimum lease rentals receivable under non-cancellable operating lease.

Other operating income pertains to other services recharged to tenants. These services form part of the lease contract with the tenants.

(b) Other Income

	GROUP		COMPANY	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	Rs 000	Rs 000	Rs 000	Rs 000
Dividend income	-	-	13,613	43,090
	-	-	13,613	43,090

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

9. DIRECT OPERATING EXPENSES

	GROUP		COMPANY	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	Rs 000	Rs 000	Rs 000	Rs 000
Property and centre management fees	10,676	16,639	-	-
Syndic fees	7,818	7,740	-	-
Security fees	7,779	5,601	-	-
Utilities	6,129	3,176	-	-
Repairs and maintenance	4,465	7,995	-	20
Depreciation	851	206	-	-
Amortisation of intangible assets	43	43	-	-
Rent	1,350	3,449	-	-
Rent, taxes and licences	1,672	914	66	-
Others	5,454	5,699	-	-
	46,237	51,462	66	20
"Others" consist primarily of insurance and licence costs.				
Direct operating expenses segregated as:				
Direct expenses arising from investment property that generate rental income	41,347	46,798	-	-
Direct expenses arising from investment property that did not generate rental income	4,890	4,664	66	20
	46,237	51,462	66	20

10. ADMINISTRATIVE EXPENSES

	GROUP		COMPANY	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	Rs 000	Rs 000	Rs 000	Rs 000
Legal and professional fees	4,325	5,627	1,132	1,674
Management fees	80	1,550	-	-
Marketing fees	2,199	1,683	-	-
Staff costs	31,757	22,132	1,865	1,518
IT expenses	1,287	2,183	38	23
Others	13,035	6,433	5,115	1,525
Write off of development costs	-	11,482	-	-
	52,683	51,090	8,150	4,740

Included in staff costs is an amount of Rs 1.37m (2019: Rs 0.98m) pertaining to contribution towards a define contribution plan managed by Rogers Pension Fund.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

11. FINANCE COSTS

	GROUP		COMPANY	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	Rs 000	Rs 000	Rs 000	Rs 000
Interest on bank loans and overdrafts	22,282	2,873	9,990	-
Less: amounts capitalised (see note 17)	(7,352)	(996)	-	-
Total interest on bank loans and overdrafts	14,930	1,877	9,990	-
Interest on lease liabilities	2,776	-	28	-
Total finance cost	17,706	1,877	10,018	-

12. OTHER GAINS AND LOSSES

	GROUP		COMPANY	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	Rs 000	Rs 000	Rs 000	Rs 000
(Decrease)/Increase in fair value of investment properties	(195,249)	126,955	(21,046)	-
Increase in fair value of biological assets	1,658	1,203	-	-
Gain on deemed disposal of shares in associate	3,024	-	-	-
	(190,567)	128,158	(21,046)	-

13. INCOME TAX

	GROUP		COMPANY	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	Rs 000	Rs 000	Rs 000	Rs 000
(a) Income tax (credit)/expense				
Income tax charge/(credit) on the adjusted profit/(loss) for the year at 15% (2019: 15%)	13,468	10,065	419	962
Overprovision of income tax in previous years	(738)	(163)	-	(4)
Deferred tax (d)	(14,657)	19,231	-	-
Overprovision of deferred tax in previous years	(456)	(378)	-	-
Corporate Social Responsibility tax (2%)	304	1,342	-	128
Corporate Social Responsibility tax over provided in previous year	(306)	(225)	-	-
	(2,385)	29,872	419	1,086

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

13. INCOME TAX (CONTINUED)

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

	GROUP		COMPANY	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	Rs 000	Rs 000	Rs 000	Rs 000
(Loss)/Profit before tax	(105,825)	186,248	(3,133)	55,713
Tax calculated at a rate of 15% (2019: 15%)	(15,874)	27,937	(470)	8,357
Corporate Social Responsibility adjustment	(2,117)	3,725	(63)	1,114
Income not subject to tax*	(6,000)	(7,860)	(5,238)	(9,098)
Expenses not deductible for tax purposes**	17,815	3,321	6,190	717
Overprovision in previous years	(738)	(163)	-	(4)
Corporate Social Responsibility tax over provided in previous year	(306)	(225)	-	-
Overprovision of deferred tax in previous years	(456)	(378)	-	-
Utilisation of tax losses	-	(8,189)	-	-
Deferred tax not recognised	5,290	11,704	-	-
	(2,385)	29,872	419	1,086

* Income not subject to tax purpose comprise of dividend income from companies incorporated in mauritius and interest income.

** Expenses not deductible comprise of numerous expenses incurred by the Group which are not exempt under the tax act.

- (c) Current tax liabilities/(assets)

	GROUP		COMPANY	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	Rs 000	Rs 000	Rs 000	Rs 000
At 1 October	2,765	1,862	(511)	2,477
On internal restructuring	-	2	-	-
Charge during the year	13,468	10,065	419	962
Paid during the year	(7,188)	(4,997)	-	(4,074)
Over provision of Corporate Social Responsibility	(306)	(225)	-	-
Overprovision in previous year	(738)	(163)	-	(4)
Tax deducted at source	(6,347)	(5,121)	-	-
Refund during the year	2,111	-	576	-
Corporate Social Responsibility	304	1,342	-	128
At 30 September	4,068	2,765	484	(511)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

13. INCOME TAX (CONTINUED)

(d) Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method at 17% (2019: 17%).

The movement in deferred tax liability during the period is as follows:

	Tax losses	Fair value gains	Accelerated tax depreciation	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Deferred tax liability/(asset)				
At 1 October 2018	-	10,076	18,527	28,603
On business acquisition (note 7)	-	-	4,042	4,042
Charged to profit or loss	-	14,367	4,485	18,852
At 1 October 2019	-	24,443	27,054	51,497
Impact of IFRS 16	-	2,794	-	2,794
Charged to profit or loss	(6,950)	(18,236)	10,073	(15,113)
At 30 September 2020	(6,950)	9,001	31,127	39,178

Unused tax losses of the Group that have not been recognised as deferred tax asset amounted to Rs 66.2m (2018: Rs Nil). Deferred tax asset has not been recognised in respect of these losses due to the unpredictability of future profit streams to utilise these losses. Deferred tax liability arose on the investment properties.

	GROUP
	Rs 000
2021	7,898
2022	14,318
2023	18,815
2024	18,814
2025	18,764
	77,009

14. (LOSS)/EARNINGS PER SHARE

	GROUP
	(Rs 000)
(Loss)/Profit attributable to equity shareholder (Rs 000)	(95,940) 167,039
Weighted average number of ordinary shares	680,523,310 479,522,496
Basic/diluted (loss)/earnings per share (Rs)	(0.14) 0.35

15. SEGMENTAL REPORTING

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

15. SEGMENTAL REPORTING (CONTINUED)

	Others	Residential development	TOTAL
	Rs 000	Rs 000	Rs 000
30 September 20			
Revenue	197,207	-	197,207
Cost and others			
Property operating expenses	(46,237)	-	(46,237)
Other gains and losses	(190,567)	-	(190,567)
Share of results in associates	(4,626)	-	(4,626)
Profit on disposal of investment properties	3,371	-	3,371
Segment loss	(40,852)	-	(40,852)
Administrative expenses			(52,683)
Finance costs			(17,706)
Finance income			5,416
Loss before tax			(105,825)
Assets			
Non-current assets	3,322,747	-	3,322,747
Inventory property	-	55,857	55,857
Other assets	91,003	-	91,003
Total assets	3,413,750	55,857	3,469,607
Segment liabilities			
Loans and borrowings	436,512	-	436,512
Current liabilities	98,512	44,702	143,214
Contract liabilities	-	37,176	37,176
Other non-current liabilities	108,321	-	108,321
Total liabilities	643,345	81,878	725,223
30 September 19			
	Others	Residential development	TOTAL
	Rs 000	Rs 000	Rs 000
Revenue	162,449	-	162,449
Cost and others			
Property operating expenses	(51,462)	-	(51,462)
Other gains and losses	128,158	-	128,158
Share of results in associates	(34)	-	(34)
Profit on disposal of investment properties	104	-	104
Segment profit	239,215	-	239,215
Administrative expenses			(51,090)
Finance costs			(1,877)
Profit before tax			186,248
Assets			
Non-current assets	2,910,999	-	2,910,999
Inventory property	-	33,278	33,278
Other assets	178,147	-	178,147
Total assets	3,089,146	33,278	3,122,424
Segment liabilities			
Loans and borrowings	112,784	-	112,784
Current liabilities	69,058	20,391	89,449
Contract liabilities	-	14,271	14,271
Other non-current liabilities	51,718	-	51,718
Total liabilities	233,560	34,662	268,222

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

16. INVESTMENT PROPERTIES

	GROUP		COMPANY	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	Rs 000	Rs 000	Rs 000	Rs 000
At 1 October	2,545,512	1,237,029	160,000	160,000
Right of use assets (note 30)	84,190	-	2,765	-
Acquisitions arising from group restructuring	-	1,043,149	-	-
Acquisitions arising from business combination	-	145,747	-	-
Additions	120,192	24,336	33,496	-
Disposals	(1,381)	(30,896)	-	-
Reclassification from/(to) investment property under development	294,103	(24,187)	-	-
Transfer to PPE	-	(115)	-	-
Transfer from intangibles	-	45,145	-	-
Transfer to inventory properties*	-	(21,650)	-	-
Less:Classified current assets held for sale (note 35)	(11,745)	-	-	-
(Decrease)/Increase in fair value	(195,249)	126,955	(21,046)	-
At 30 September	2,835,622	2,545,512	175,215	160,000

Investment properties held to earn rentals or for capital appreciation or both and not occupied by the Group are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value representing open-market value determined annually by the directors or independent external valuers with sufficient regularity to ensure that investment property is always stated at its fair value. Changes in fair values are included in profit or loss in the year in which they arise.

* In the prior year, management had earmarked some plot of land on which it shall develop residential unit for sale. As at 30 September 2020, Rs 45m has been received as deposit for these plot of land. The land was not ready for sale immediately and has been classified as inventory properties.

Valuation method

- (a) The Group's investment properties are accounted for at their fair value based on a valuation done during the year by JPW International Property Consultants, an independent chartered valuer which has a recognised and relevant professional qualification and numerous years of experience in locations and categories of the investment properties being valued.

Valuation techniques

The different methods used are:

- Market comparison approach
- Depreciated replacement cost approach and
- Discount cash flow method (DCF method).

In the prior year, investment properties was principally valued using the market comparison approach for land and depreciated replacement cost approach for building. The Group believes that the DCF method is most suitable for those buildings to have their highest and best use, as such valuation technique has been changed for these properties.

- b) For properties with development potential, the market comparison approach and depreciated cost approach for building is used.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

16. INVESTMENT PROPERTIES (CONTINUED)

Main inputs used in the valuation of the properties

	Range 2020	Range 2019
	Rs	Rs
Land (Price per square metre)	1,000 - 45,000	1,000 - 45,000
Buildings (Price per square metre)	12,000 - 57,500	12,000 - 57,500

Any increase/decrease in the price per square metre would result in a corresponding effect on the fair value of the investment properties. The price per square metre referred to is the market price of similar properties where available.

For the market comparison approach, an insignificant discount rate has been used to value the properties.

For properties which are being rented out on full capacity, the DCF method has been used.

Under the DCF method, the fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

All the investment properties are classified as level 3 on the fair value hierarchy. There were no transfers made between hierarchy levels.

Main assumptions used in the valuation of the properties under the DCF method are:

Reversionary rate	7.0% - 8.5%
Discount rate	13-14%
Market rental growth	3% - 5%
Expense growth	3.50%
DCF period	5 years

Some of the investment properties are subject to fixed and floating charges in favour of lenders for borrowings taken by the Group.

17. INVESTMENT PROPERTY UNDER DEVELOPMENT

	GROUP	
	30-Sep-20	30-Sep-19
	Rs 000	Rs 000
At 1 October	344,120	-
Capital expenditure	278,852	255,126
Capitalised interest	7,352	996
Transfer from other receivables	-	63,811
Transfer to/(from) investment property	(294,103)	24,187
At 30 September	336,221	344,120

The investment property under development are stated at cost. The cost has been determined by external quantity surveyor. At reporting date, management determined the cost to approximates fair value. The investment property under development is classified as level 3 under the fair value hierachy.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

18. PLANT, PROPERTY AND EQUIPMENT

	Equipment	Motor vehicles		Total
		Right of use	Own	
	Rs 000	Rs 000	Rs 000	Rs 000
GROUP				
Cost				
At 1 October 2019	419	-	1,083	1,502
Impact of IFRS 16	-	1,651	-	1,651
Additions	1,019	-	-	1,019
At 30 September 2020	1,438	1,651	1,083	4,172
Depreciation				
At 1 October 2019	206	-	-	206
Charge for the year	1,094	275	129	1,498
At 30 September 2020	1,300	275	129	1,704
Net Book Value as at 30 September 2020	138	1,376	954	2,468
Net Book Value as at 30 September 2019	213	-	1,083	1,296

Refer to note 30, leases for additional notes regarding right of use asset under plant, property and equipment.

19. INTANGIBLE ASSETS

	Leasehold rights	Computer software	Total
	Rs 000	Rs 000	Rs 000
GROUP			
Cost			
At 1 October 2018	45,800	1,375	47,175
Transfer to investment properties	(45,800)	-	(45,800)
At 30 September 2019	-	1,375	1,375
At 30 September 2020	-	1,375	1,375
Amortisation			
At 1 October 2018	655	1,217	1,872
Transfer to investment properties	(655)	-	(655)
Charge for the year	-	43	43
At 30 September 2019	-	1,260	1,260
Charge for the year	-	43	43
At 30 September 2020	-	1,303	1,303
Net Book Value as at 30 September 2020	-	72	72
Net Book Value as at 30 September 2019	-	115	115

20. INVESTMENT IN ASSOCIATE

	GROUP		COMPANY	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	Rs 000	Rs 000	Rs 000	Rs 000
At 1 October	19,956	-	19,990	-
Additions	130,010	19,990	130,010	19,990
Share of results in associates	(4,626)	(34)	-	-
Gain on deemed disposal	3,024	-	-	-
At 30 September	148,364	19,956	150,000	19,990

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

20. INVESTMENT IN ASSOCIATE (CONTINUED)

Details of investment in associate				30-Sep-20	30-Sep-19
Investment	Country of incorporation	Activity	Class of shares held	Proportion of ownership interest	Proportion of ownership interest
Victoria Station Ltd	Mauritius	Property	Ordinary Shares	32.54%	40.64%

The directors believe that investments in Victoria Station Limited is fairly stated.

The above associated company is accounted for using the equity method in the consolidated financial statements.

Victoria Station Ltd was incorporated on 31 January 2019.

The table below presents a summary of financial information in respect of Victoria Station Ltd.

	30-Sep-20	30-Sep-19
Current assets	58,941	13,098
Non current assets	706,824	47,608
Current liabilities	(191,899)	(11,602)
Non current liabilities	(117,893)	-
Proportion of Group's ownership	148,364	19,956
Equity attributable to other shareholders	307,609	29,148
Loss for the period	(2,820)	(84)
Group's share of loss for the period of the associated company	(918)	(34)
Group's share of loss for previous period for the associated company	(3,708)	-
Group's total share of loss in associate	(4,626)	(34)

Revenue of the associate for the period is Nil. Dividend income from the associates for the reporting period is Nil.

21. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	30-Sep-20	30-Sep-19
	Rs 000	Rs 000
At 1 October	1,109,694	495,800
Transfer(a)	-	492,630
Additions(b)	18,919	121,264
At 30 September	1,128,613	1,109,694

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

21. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of investment in subsidiaries

Investment	Activity	Class of shares held	Stated capital	30-Sep-20	30-Sep-19
				Proportion of ownership interest	
			Rs 000		
Lavastone Properties Ltd	Property	Ordinary	450,000	100%	100%
Belle Mare SPV Ltd	Property	Ordinary	36,000	100%	100%
B59 Ltd	Property	Ordinary	1	100%	100%
Plato Holdings Ltd	Property	Ordinary	10	100%	100%
Edith Cavell Properties Ltd	Property	Ordinary	176,231	100%	100%
San Paolo Ltd	Property	Ordinary	28,052	59.18%	59.18%
Le Morne Development Corporation Ltd	Property	Ordinary	47,025	60.01%	60.01%
SWTD Bis Ltd	Property	Ordinary	163,350	100%	100%
South West Safari Group Ltd	Property	Ordinary	321,354	54.81%	54.81%
Pier9 Ltd	Property	Ordinary	1	54.81%	54.81%
La Jetée Ltd	Property	Ordinary	1	54.81%	54.81%
Compagnie Valome Ltée	Property	Ordinary	13,000	100%	75%
Lochiel Property Service Ltd	Property and Facility Management	Ordinary	275	55%	0%

All the subsidiaries listed above are incorporated in Mauritius.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

21. INVESTMENT IN SUBSIDIARIES (CONTINUED)

MATERIAL PARTLY OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	30-Sep-20
Le Morne Development Corporation Ltd ("LMDC")	Mauritius	40%
South West Safari Group Ltd ("SWSG")	Mauritius	45%
Lochiel Property Services Ltd ("LPSL")	Mauritius	45%
		30-Sep-20
		Rs 000
Accumulated balances of material non-controlling interest		
Le Morne Development Corporation Ltd ("LMDC")		122,001
South West Safari Group Ltd ("SWSG")		186,218
Lochiel Property Services Ltd ("LPSL")		(1,551)
Profit/(loss) allocated to material non-controlling interest		
Le Morne Development Corporation Ltd ("LMDC")		(886)
South West Safari Group Ltd ("SWSG")		(3,235)
Lochiel Property Services Ltd ("LPSL")		(1,326)

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss for 2020:

	LPSL	SWSG	LMDC
	Rs 000	Rs 000	Rs 000
Revenue	11,300	3,015	1,202
Cost of sales	(930)	(4,157)	(36)
Administrative	(6,807)	(3,806)	(1,451)
Other gains and losses	-	1,658	-
Profit on disposal of investment properties	-	2,525	-
Finance cost	-	(6,393)	(1,930)
Profit/(Loss) before tax	3,563	(7,159)	(2,214)
Income tax	(618)	-	-
Profit/(Loss) for the year from continuing operations	2,946	(7,159)	(2,214)
Total comprehensive income/(loss)	2,946	(7,159)	(2,214)
Attributable to non-controlling interests	1,326	(3,235)	(886)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

21. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised statement of financial position as at 30 September 2020:

	LPSL	SWSG	LMDC
	Rs 000	Rs 000	Rs 000
Total assets	7,323	567,601	330,937
Total liabilities	(3,635)	(155,206)	(2,435)
Total equity	3,688	412,395	328,502
Attributable to:			
Equity holders of parent	2,029	226,034	197,127
Non-controlling interest	1,660	186,361	131,374

Summarised cashflow information for the year ended 30 September 2020:

	LPSL	SWSG	LMDC
	Rs 000	Rs 000	Rs 000
Operating	3,543	(4,937)	(6,106)
Financing	532	22,112	6,096
Investing	(626)	(20,617)	-
Net (decrease)/increase in cash	3,449	(3,442)	(10)

22. CONSUMABLE BIOLOGICAL ASSETS

	GROUP	
	30-Sep-20	30-Sep-19
	Rs 000	Rs 000
At 1 October	3,112	-
Movement in biological assets	-	3,233
Transfer to cost of sales	(1,393)	(1,203)
Profit arising from changes in fair value	1,657	1,082
At 30 September	3,376	3,112

The Group is engaged in the rearing of livestock. The livestock have been classified as consumable biological assets. As at 30 September 2020, the Group held an estimated number of 820 deers. During the year under review, 9,018kg of meat were produced and sold. The consumable biological assets pertain to livestock and are measured in accordance with level 3 of the fair value hierarchy. Livestock are measured at their fair value less costs to sell. The fair value of livestock is based on local prices of livestock of similar age, breed, and genetic merit in the principal (or most advantageous) market for the livestock.

Description of significant inputs to valuation:

	Valuation technique	Significant input	Sensitivity
Livestock	Income approach	Price of deer (Rs160/kg)	5% increase in the price of deer would lead to an increase in fair value of Rs169,000
		Average weight (33kgs)	5% increase in weight would increase the fair value by Rs169,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

23. INVENTORY PROPERTY

	GROUP		COMPANY	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	Rs 000	Rs 000	Rs 000	Rs 000
At 1 October	33,278	-	-	-
Development costs	22,579	11,628	-	-
Transfer of land cost from investment property	-	21,650	-	-
At 30 September	55,857	33,278	-	-

The Group is involved in the development of residential property (land parcelling), which it plans to sell in the ordinary course of business. During the year, it entered into contracts to sell these properties at completion and obtention of the relevant permits from the authorities.

Deposits received from customers in respect of the land parcelling projects amount to Rs 37.2M (2019 - Rs 14.3M).

24. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	Rs 000	Rs 000	Rs 000	Rs 000
Trade receivables	12,534	4,787	-	-
Amount owed by related parties	679	57,659	634,972	455,377
Prepayments	2,730	2,950	1,852	-
Income tax deducted at source receivable	-	3,338	-	-
Other receivables	31,058	68,416	5,263	2,904
	47,001	137,150	642,087	458,281

The amount receivable from group companies are unsecured, bearing interest rate 4.35% per annum and receivable on demand. The Group trades only with recognised, creditworthy related parties. It is the Group's policy that all related parties who wish to trade on credit terms are subject to credit verification procedures.

- (a) The ageing analysis of these receivables is as follows:

	GROUP		COMPANY	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	Rs 000	Rs 000	Rs 000	Rs 000
Current - Neither past due nor impaired	2,375	1,941	-	-
1 to 3 months - Past due but not impaired	4,867	406	-	-
Over 3 months - Past due but not impaired	5,292	2,440	-	-
	12,534	4,787	-	-

- (b) The carrying amount of trade and other receivables approximate their fair value due to their short term nature. Trade receivables are non interest bearing and are generally on terms of 30 to 90 days.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

25. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents included in the statement of cash flows comprise of the following:

	GROUP		COMPANY	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	Rs 000	Rs 000	Rs 000	Rs 000
Cash in hand and at bank	28,881	37,885	-	14,380
Bank overdraft (note 27)	(345,095)	(77,090)	(345,095)	-
	(316,214)	(39,205)	(345,095)	14,380

(b) Non-cash transactions

The following non-cash transactions occurred during the year:

	GROUP		COMPANY	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	Rs 000	Rs 000	Rs 000	Rs 000
Transfer of companies in return for shares (i)	-	492,630	-	492,630

(i) This pertain to issue of shares in exchange of investments in subsidiaries across the Group. Please refer to note 30.

26. (a) SHARE CAPITAL

	30-Sep-20		30-Sep-19	
	Number of shares	Rs 000	Number of shares	Rs 000
GROUP AND COMPANY				
Authorised and issued share capital				
At 1 October	680,523,310	1,721,081	450,000	450,000
Issue of shares	-	-	680,073,310	1,271,081
At 30 September	680,523,310	1,721,081	680,523,310	1,721,081

Capital Reserves

In 2019, the Group carried out an internal restructuring and all entities pertaining to the property cluster in the Cim Financial Services Ltd group were transferred to Lavastone Ltd.

27. BORROWINGS

	GROUP		COMPANY	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	Rs 000	Rs 000	Rs 000	Rs 000
Current				
Bank overdraft	345,095	77,090	345,095	-
	345,095	77,090	345,095	-
Non-current				
Bank loan	91,417	35,000	-	-
Finance lease	-	694	-	-
	91,417	35,694	-	-
Total borrowings	436,512	112,784	345,095	-

Undrawn bank overdraft facilities amounted to Rs 154,904,000 (2019 Rs 222.9M).

During the financial year, the group has increased its existing temporary overdraft facility from Rs 300M to Rs 500M for the purpose of bridging finance pending drawdown of the Note Program of Rs 1.5Bn. The revised temporary Overdraft facility of Rs 500M shall be repaid on or before 30 November 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

27. BORROWINGS (CONTINUED)

The Security covering the Temporary Overdraft facility will be:

1. Exsiting floating charges inscribed on all assets of the Group for Rs 300M.
2. New floating charge ot be inscribed on all assets of the Group for Rs 1.5Bn.

(a) The carrying amount of the long term loans approximates their fair values and the rates of interest vary between 2.35% and 4.85% (2019 - 5.6-6.5%).

28. RETIREMENT BENEFIT OBLIGATIONS

	GROUP	
	30-Sep-20	30-Sep-19
	Rs 000	Rs 000
Reconciliation of net defined benefit liability		
At 1 October	221	221
Amount recognised in the profit & loss	1,060	-
Amount recognised in OCI	275	-
Less employer contributions	(6)	-
At 30 September	1,550	221
Reconciliation of present value of defined benefit obligation		
At 1 October	221	221
Current service cost	968	-
Past service cost	55	-
Interest expense	36	-
Liability experience (gain)/loss	17	-
Liability (gain)/loss due to change in financial assumptions	253	-
At 30 September	1,550	221
Components of amount recognised in P&L		
Current service cost	974	-
Past service cost	55	-
Net Interest on net defined benefit liability	31	-
	1,060	-
Components of amount recognised in OCI		
Liability experience loss	17	-
Return on plan assets (above)/below interest income	5	-
Liability loss due to change in financial assumptions	253	-
Total	275	-
Principal assumptions used at End of Period		
Discount rate	3.2%	5.6%
Rate of salary increases	1.5%	3.8%
Rate of pension increases	0.0%	0.8%
Average retirement age (ARA)	65	65
Average life expectancy for:		
Male at ARA	15.9 years	15.9 years
Female at ARA	20.0 years	20.0 years
Sensitivity analysis on Defined Benefit Obligation at End of Period		
Increase due to 1% decrease in discount rate	261	172
Decrease due to 1% increase in discount rate	87	108

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

28. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. The results are particularly sensitive to a change in discount rate due to the nature of the liabilities being the difference between the pure retirement gratuities under the Worker's Rights Act 2019 and the deductions allowable, being five times the annual pension provided and half the lump sum received by the member at retirement from the pension fund with reference to the Group's share of contributions. The latter amounts to Rs 2,852,000 as at 30 September 2020. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation. There has been no change in the Group's pension liability compared to previous reporting period.

Future cash flows

The funding policy is to pay benefits out of the entity's cash flow as and when due.

Expected employer contribution for the next year	0
Weighted average duration of the defined benefit obligation	21 years

29. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	Rs 000	Rs 000	Rs 000	Rs 000
Trade payables	9,451	2,225	483	19
Deposits	7,526	6,120	-	-
Accruals	107,833	63,104	1,801	369
Amount owed to related parties	25	-	20	-
Other payables	13,076	15,235	17	-
	137,911	86,684	2,321	388

Trade payables are non interest bearing and are generally settled on an average term of 30 to 90 days.

Deposits pertain to a deposit from the tenant which will be repaid to the tenant at the end of the lease term. The Deposit is initially recognised and measured at fair value, and then subsequently at amortised cost using the effective interest method. On initial recognition there was no difference between the carrying amount (present value) of the financial liability and the actual consideration received.

Amounts due to related parties are unsecured, repayable on demand and bear interest at the rate of 6.00% per annum.

The carrying amounts of payables approximate their fair values due to their short term nature.

Other payables consist of accrual for management fees and VAT payable.

	GROUP	
	30-Sep-20	30-Sep-19
	Rs 000	Rs 000
CONTRACT LIABILITIES		
Contract liabilities-customer deposits	37,176	14,271

Contract liabilities include non-refundable deposits received from customers on conditional exchange of contracts relating to sale of completed unit of property as part payment towards the purchase at completion date. This gives the Group protection if the customer withdraws from the conveyancing transaction. If this were to happen, the customers would forfeit their deposits. The standard conditions of sale provide for a 10% to 20% deposit to be paid on exchange of contracts, based on the purchase price and the value of the property and other items that have been agreed to be sold under the contract.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

30. RIGHT OF USE ASSETS

	Land and buildings	Plant machinery and motor vehicles	Total
	Rs 000	Rs 000	Rs 000
GROUP			
At 1 October	-	-	-
Recognition of right-of-use asset on initial application of IFRS 16	84,190	1,651	85,841
Amortisation	-	(275)	(275)
At 30 September	84,190	1,376	85,566
COMPANY			
At 1 October	-	-	-
Recognition of right-of-use asset on initial application of IFRS 16	2,765	-	2,765
At 30 September	2,765	-	2,765

As per IFRS 16, right of use for land and buildings has been classified under Note 16 Investment Properties.

31. LEASE LIABILITIES

	Land and buildings	Plant machinery and motor vehicles	Total
	Rs 000	Rs 000	Rs 000
GROUP			
At 1 October	-	694	694
Recognition of lease liabilities on initial application of IFRS 16	67,752	1,651	69,403
Interest expense	2,693	83	2,776
Lease payments	(3,398)	(647)	(4,045)
At 30 September 2020	67,047	1,781	68,828
COMPANY			
At 1 October	-	-	-
Recognition of lease liabilities on initial application of IFRS 16	-	2,765	2,765
Interest expense	-	28	28
Lease payments	-	(84)	(84)
At 30 September 2020	-	2,709	2,709
	GROUP	COMPANY	
	Rs 000	Rs 000	
Current	1,235	19	
Non current	67,593	2,690	
	68,828	2,709	

- (a) Nature of leasing activities (in the capacity as lessee)
The Group has land lease agreements with the government at Plaine Lauzun, Belle Mare and Mourouk that it classifies as investment property. These leases typically have lease terms between 10 to 60 years. As at 30 September 2020, Rs 59.3m of the lease liabilities related to right of use assets accounted for as investment property. Increase in rental occurs every 3 years as stipulated in the agreement.
- (b) Lease term
The Group's lease with the government typically varies between a period of 10 to 60 years. Lease term for the motor vehicle is 5 years.
- (c) Interest rate
The incremental borrowing rate for the land lease has been determined based on current prime lending rate of 4.1%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

32. RELATED PARTY DISCLOSURES

The following table provides the details of transactions that have been entered with related parties for the relevant financial year:

THE GROUP

	Rental income	Other income	Management & secretarial fees payable	Other services	Amount owed by related parties	Amount owed to related parties	Loan from related party
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
30-Sep-20							
Associate	-	-	-	-	-	-	-
Companies with common shareholders	53,944	69,479	(925)	11,030	679	-	-

30-Sep-19

Associate	-	-	-	-	1,137	-	-
Companies with common shareholders	52,258	14,081	(2,678)	23,847	57,659	-	-

THE GROUP

	30-Sep-20 Rs 000	30-Sep-19 Rs 000
Short-term employee benefit	29,783	20,822
Post-employment benefit	1,974	1,309
	31,757	22,131

THE COMPANY

	Investment & other income	Rental income	Interest income	Interest expense	Amount owed by related parties	Amount owed to related parties	Loan to related party
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
30-Sep-20							
Subsidiaries	13,613	1,036	-	(1)	636,009	(20)	-
30-Sep-19							
Subsidiaries	43,090	-	17,383		332,039	-	122,074

- (a) The terms and conditions in respect of receivables and payables have been disclosed under respective notes.

All sales and purchases made within the Group are made at commercial rates. Outstanding balances at the year-end are unsecured and settlement occurs in cash. For the year ended 30 September 2020, no provision has been recognised in relation to impairment of related party. This assessment is undertaken each financial year through examining the financial position of each related party and the market in which the related party operates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

33. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

THE GROUP

	1 October 2019	New lease	Cash inflows	Cash outflows	Other movement	At 30 September 2020
Borrowings (excluding bank overdraft)	35,694	-	55,723	-	-	91,417
Interest payable	-	-	-	(9,169)	-	(9,169)
Lease liabilities	-	69,403	-	(4,045)	2,776	68,134
	35,694	69,403	55,723	(13,214)	2,776	150,382

	1 October 2018	Cash inflows	Cash outflows	Other movement	At 30 September 2019
Borrowings (excluding bank overdraft)	-	35,000	-	694	35,694
Interest payable	-	-	(2,873)	2,873	-
	-	35,000	(2,873)	3,567	35,694

Other movement pertain to non-cash transactions such as interest accrued and not yet paid at year end accounted in borrowings.

34. HOLDING AND ULTIMATE HOLDING COMPANY

The ultimate holding company is Elgin Ltd as at 30 September 2020. Following a restructuring in November 2020 of Cim Holdings Ltd, the latter transferred the shares it held in Lavastone to Elgin, which in turn transferred the shares to Scott Investments Ltd and Kingston Asset Management Ltd, by way of a dividend in specie.

35. EVENTS AFTER THE REPORTING DATE

Investment property held for sale

As at 30 September 2020, the Group held two investment properties at Labourdonnais court that were under offer from a third party. The assessed fair value of these properties as at 30 September 2020 was Rs 11,745,000 and they are classified as 'held for sale' in the statement of financial position (note 16).

36. COMMITMENTS

Operating lease commitments - Group as a lessor

The Group has entered into operating lease for investment properties consisting of buildings for business rental. These leases have terms ranging from one to 10 years. The leases include escalation clause to enable upward revision of the rental charge. The escalation relates to Consumer Price Index (CPI) only. Future minimum rental receivable under non-cancellable operating leases as at the reporting date are as follows:

THE GROUP

	30-Sep-20 Rs 000	30-Sep-19 Rs 000
Within one year	198,415	160,391
After one year but not more than five years	688,996	820,358
More than five years	538,615	512,528
	1,426,026	1,493,277

Operating lease commitments - Group as a lessee

	30-Sep-20 Rs 000	30-Sep-19 Rs 000
Within one year	-	3,506
After one year but not more than five years	-	14,026
More than five years	-	121,229
	-	138,761

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

37. CAPITAL COMMITMENTS

The Group entered into contractual commitments amounting to Rs 224.4M (2019: Rs 433M) for ongoing developments projects at 246 Edith Cavell Court and the hotel project at Belle Mare.

246 Edith Cavell Court, a mixed office and retail development opened its door to the public at the end of November 2019.

38. GOING CONCERN

The outbreak of COVID-19 caused significant volatility and disruption to the retail and hospitality portfolio. As a result of the COVID-19 impact, the Group made an assessment of impairment of its investment properties, whereby it has recorded a decrease in fair value. Please refer to note 16.

Management has been working with tenants which have been most impacted by COVID-19 and has finalised plans which have been tailored to their specific needs. The secured notes programme has been approved by shareholders during the special meeting of shareholders held on 10th July 2020. The notes programme is expected to be in place by the end the year. Management continues to monitor the impact of COVID-19 on its operations and its development plans, thus allowing the Board to reassess the Group's growth strategy and make decisions in order to adapt them to any change in market conditions in the best interest of the Group and its stakeholders.

Based on the above, the directors concluded that the going concern assumptions are appropriate in the preparation of the financial statements for the year ended September 30, 2020. Other than described above, there were no other material event after the reporting date to the date that these financial statements were authorised for issue that warrants adjustments or disclosures in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

39. FINANCIAL REVIEW

	30-Sep-20	30-Sep-19
	Rs M	Rs M
THE GROUP		
Share capital	1,721.08	1,721.08
Reserves	698.38	796.05
Equity attributable to shareholders of the parent	2,419.46	2,517.13
Assets	3,469.61	3,122.42
Liabilities	725.22	268.22
Revenue	197.21	162.45
(Loss)/profit before taxation	(105.83)	186.25
Income tax expense	2.39	(29.87)
(Loss)/profit for the year	(103.44)	156.38
Dividend	(13.61)	(13.61)
	30-Sep-20	30-Sep-19
	Rs	Rs
Basic net assets value per share	3.56	3.70
Basic (loss)/earnings per share	(0.14)	0.35
Dividend per share	0.02	0.02
	30-Sep-20	30-Sep-19
	Rs M	Rs M
THE COMPANY		
Share capital	1,721.1	1,721.1
Reserves	24.2	41.4
Equity attributable to shareholders of the parent	1,745.3	1,762.5
Assets	2,095.9	1,762.9
Liabilities	350.6	0.4
(Loss)/profit before taxation	(3.1)	55.7
Income tax expense	(0.4)	(1.1)
(Loss)/profit for the year	(3.6)	54.6
Dividend	(13.6)	(13.6)
	30-Sep-20	30-Sep-19
	Rs	Rs
Basic net assets value per share	2.56	2.59
Basic (loss)/earnings per share	(0.01)	0.08
Dividend per share	0.02	0.02

DIRECTORS OF SUBSIDIARY COMPANIES

	Al-Kang Jean France Gaetan	Arunasalom Jose	Capdevilla El Idrissi Jangeerkhan Heba	Espitalier-Noël M.M.Hector	Espitalier-Noël M. H. Philippe	Harel Jerome Guy Antoine	Hart de Keating Christopher	Lioong Pheow Leung Yung Doreen Lam Ka Li	Mohadeb Vedanand Singh	Pilot Jacques Christian Jerome	Saha Vijaya Lakshmi (Ruby)	Taylor Colin Geoffrey	Taylor Alexander Matthew	Taylor Sebastian Callum	Taylor Timothy	Vaudin Marie Joseph Nicolas	Vitry Audibert Louis François
Lavastone Ltd	X	X						A	X		X	C	X	X		X	
Lavastone Properties Ltd												C	X			X	
B59 Ltd												X				X	
Edith Cavell Properties Ltd												X	X			X	
La Jetee Ltd												X				X	
Le Morne Development Corporation Ltd				X	X							C		A	R	X	
Lochiel Property Services Ltd			A					A				C				A	A
The Belle Mare SPV Ltd																X	
Pier9 Ltd												X				X	
Plato Holdings Ltd																X	
San Paolo Ltd												C			X	X	
South West Safari Group Limited						X	X	A		X		C		A	R	X	
SWTD Bis Ltd												X			X	X	
Compagnie Valome Ltee								X								X	

C-Chairman X-In office as director A-Appointed as director R-Resigned as director

