LAVASTONE

PROPERTIES

Annual Report 2022

PRESERVING OUR PAST, BUILDING OUR FUTURE.

Welcome to Lavastone Properties' Annual Report

This year, we have chosen to print a concise and simplified version of our Annual Report. We have embarked on a journey to save precious resources and reduce our greenhouse gas emissions — and printing several hundreds of thousands sheets of paper seemed a step in the opposite direction.

Unfortunately, it is mandatory for us to print and send a physical copy of our Annual Report to all shareholders who have not opted for the digital format of our report. For those shareholders who wish to join us in meeting our environmental commitments, we invite you to opt to receive this report digitally. This year, you can discover the digital version of our report by following this link: https://lavastone.mu/annual-report-2022/

This link will also take you to our Investor Brief, which offers additional insights on our performance in the form of the Chairman's and Managing Director's interviews, as well as our ESG report.

Lavastone has always endeavoured to take a long-term view when considering its investments - whether it is our investments in key economic hubs, in quality assets, in reliable tenants or in talented employees. Our work is centred on enhancing the value of our asset base and its income-generating potential; yet, each project is also conceived with the intention to improve the lives of the people occupying the spaces, and to deliver a measurable social and environmental impact.

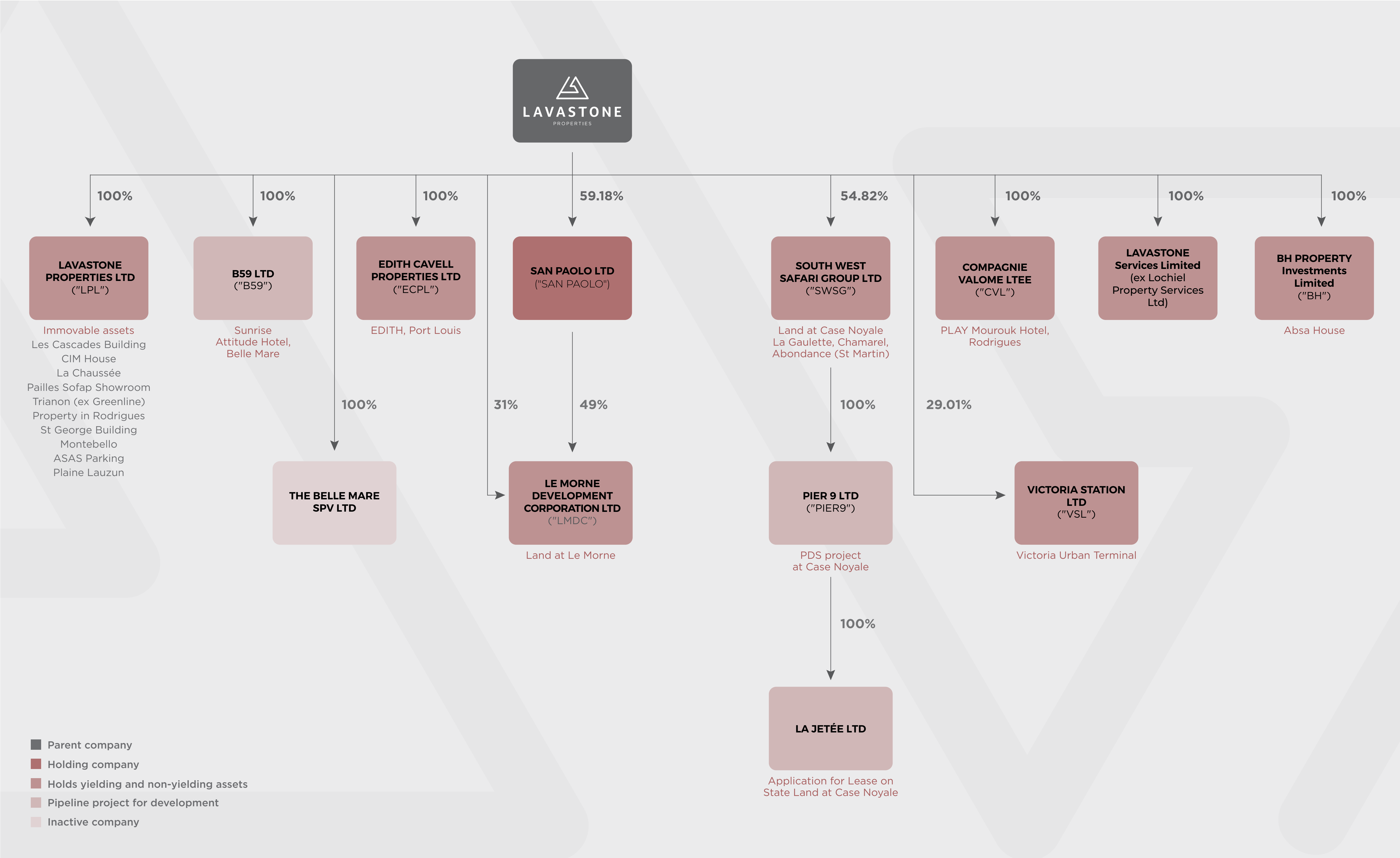
Contents

A distinguished space that unlocks productivity and brings ideas to life — a place for businesses and their employees to call home.

About Lavastone

Absa House

GROUP STRUCTURE



OUR STAKEHOLDERS

At Lavastone, we define our stakeholders as any individual, group or entity that has the potential to influence our activities, or conversely, to be influenced by our activities and decisions. We strive to create sustainable value for all our stakeholders by addressing their short-term and long-term interests, and ensuring our strategies reflect their changing needs and expectations. Active and continuous engagement with our primary stakeholders, as described below, is central to building solid trust-based relationships with them.

Shareholders

We create value by delivering steady growth and sustained long-term income.

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.

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.

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.

Partners

We work and build mutually beneficial relationships with highly reputable banks, building contractors and consultants, providing excellent service and delivering quality projects.

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.

OUR BUSINESS MODEL

Shareholders | Employees | Customers | Tenants | Partners | Communities

INPUTS

Financial capital
The solid real estate assets, significant debt instruments and the funds that enable us to finance our projects and growth ambitions

Manufactured capital
Our investment in and maintenance of equipment, technologies, business processes, systems and infrastructure that enable us to develop and maintain our portfolio of properties and ensure the longevity of our assets

Intellectual capital
Our intangible assets: our values, reputation, policies, frameworks and expertise in the property sector, property development and the management of complex projects

Natural capital
The responsible use of natural resources to develop our lands or redevelop our existing buildings, using the 3'R's approach in all our actions: Reducing, Recycling, Reusing

Social capital
Continuous engagement with all our stakeholders to build and maintain strong relationships rooted in trust and shared values

Human capital
Our people and their collective skills, talent and experience gained through collaboration and training, enabling us to serve our customers and meet our strategic objectives

OUR ACTIVITIES

Investment and development

We source and create opportunities for our tenants. We allocate capital towards the acquisition, development/redevelopment of new or existing properties to attract new tenants or help grow existing tenants' businesses and deliver a good return for our shareholders. To this end, we develop modern, more sustainable buildings, and renovate existing properties to increase their value and create enriching places.

Property management

Through the integration of Lavastone Services Ltd (formerly Lochiel Property Services Ltd), we are able to better evaluate and respond to our tenants' changing needs. Consequently, we increase the use of smart technologies across all our properties, while providing the relevant property management services.

Portfolio management

We actively manage our property portfolio and also make time to investigate new acquisition 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.

STRATEGIC OBJECTIVES

1. **Operational Excellence**
2. **Customer Service and Retention**
3. **Sustainability**
4. **Maximise Shareholder Value**
5. **Employee Engagement**

BUSINESS OBJECTIVES

- **Explore new investment opportunities**
- **Implement current development projects**
- **Adopt 'Green by Design' principles across all projects**
- **Maintain at least 95% occupancy across the portfolio**

VALUE CREATED FOR OUR STAKEHOLDERS

The generation of steady growth and sustained returns for shareholders

Well-maintained assets and infrastructure attracting quality tenants, and leading to high occupancy levels and satisfied customers

Operational efficiency boosting productivity, a customer-focused culture and strong brands that resonate with customers

The transformation of land into enriched places, enabling us to contribute meaningfully to environmental sustainability

Mutually beneficial relationships with our stakeholders, including our communities, resulting in positive interactions, long-term collaborations and the retention of tenants/ customers

A dynamic and inclusive work environment fostering collaboration, productivity and a strong family spirit, and empowering our people to reach their full potential

Easing the flow of people within and between cities, connecting people to opportunities, and helping Port Louis fulfil its natural role as a modern urban hub and capital city.

Performance Review

Victoria Urban Terminal

PERFORMANCE REVIEW

At Lavastone, we assess our performance against the six capitals and our strategic pillars: **Maximise shareholder value, Operational excellence, Customer service and retention, Sustainability, and Employee engagement.**

FINANCIAL CAPITAL

INPUTS

- Absa House Rs 534M
- Acquisition of 7th floor of Les Cascades Building
- Acquisition of the remaining 45% of Lavastone Services Ltd (formely Lochiel Property Services Ltd)
- Availability of Rs 1.15Bn from secured notes programme to finance development projects and future acquisitions

OUTPUTS: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Maximise shareholder value

- Market Capitalisation: Rs 1,701M
- Revenue: Rs 287M
- Profit before tax: Rs 208.8M
- NAV per share: Rs 3.94
- Gearing: 28.4%
- Dividends paid per share: Rs 0.06
- Profit per share: Rs 0.26
- Sale of Medical Suites at Labourdonnais Court
- Officially launched Victoria Urban Terminal in July 2022
- Sale of Riche Terre Industrial Park and land at Riche Terre

Operational excellence

- Rental Collection: 101% (includes collection of rental arrears)

2023 PRIORITIES

- Continue improving rental collection
- Complete and transfer title deeds for morcellements at La Gaulette in the first half of FY2023
- Seek new opportunities for acquisition and development
- Contain operational and administrative costs at the same proportion of revenues

MANUFACTURED CAPITAL

INPUTS

- 21,795m² office space
- 7,971m² industrial space
- 4,470m² retail space
- 11,206m² hotel space
- 4,493m² project under development 'PLAY Mourouk Hotel'

OUTPUTS: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Maximise shareholder value

- Property Assets: Rs 3.8Bn
- Total Assets: Rs 4.2Bn
- Occupancy rate: 95%
- 16 arpents of land at Chamarel ready for sale
- Launched land conversion programme for our land at Case Noyale

Operational excellence

- Renovated the 7th floor of Les Cascades Building ready for tenant fit-out by existing tenant
- The renovation of PLAY Mourouk Hotel has been delayed due to closed borders in Rodrigues. The rate of completion stands at 31% as at October 2022
- Prepared a coherent masterplan which takes into consideration all the latest market updates, as well as changes in laws along with the requirements of local authorities
- Began the process for the obtention of permits and clearances for the masterplan

Customer service and retention

- Assisted the tenant in the renovation of their offices on the 3rd, 5th and 6th floors of Les Cascades Building
- Completed sound isolation partitioning at Montebello and EDITH

2023 PRIORITIES

- Obtain land conversion and masterplan approvals by authorities for Case Noyale development
- Launch of the next phase of development at Case Noyale/La Gaulette
- Launch masterplan for a phased development of Montebello, with a focus on the industrial space
- Successful opening of PLAY Mourouk Hotel planned in Q3 FY2023
- Operational completion of all phases of Victoria Urban Terminal by December 2022
- Renovate and lease 5th and 6th floors of Absa House

PERFORMANCE REVIEW

INTELLECTUAL CAPITAL

INPUTS	OUTPUTS: PERFORMANCE AGAINST STRATEGIC OBJECTIVES
• Diversified team of professionals • Continuous review and improvement of our processes • Corporate culture enhancement programme for all employees • Financial modelling and negotiating skills • Debt/capital raising skills • Digital transformation initiatives	**Maximise shareholder value** • WALE: 6.67 years • Grade A rating from CARE Ratings Africa maintained for MCB Bond and new CARE rating A- for Absa loan **Operational excellence** • Retained clients: 105 (out of 120) • New clients: 12 • New contracts: 12 • Renewed contracts: 11 (out of 13) • Successful opening of Victoria Urban Terminal • Ensured the successful fit-out of tenant spaces at Victoria Urban Terminal as from April 2022 • 6% reduction in emergency and corrective maintenance costs across the portfolio, despite a 22% increase in the cost materials • 2% reduction in electricity cost at Group level with a 27% reduction in our electricity costs at Lavastone Properties Ltd and a 6% decrease in electricity consumption per square foot at EDITH, despite a 15% increase in occupied GLA • The implementation of automatic billing across Lavastone Properties' portfolio of properties was delayed due to global procurement challenges and will be completed in early FY2023

2023 PRIORITIES

- Complete the implementation of automatic billing across our portfolio of properties by Q1 FY2023
- Maintain our A Grade credit rating and improve our risk management and governance frameworks
- Maintain LEED certification at EDITH
- Sign new tenants at EDITH, Plaine Lauzun and Absa House
- Improve operational efficiency through digitalisation and automation
- Further reduce emergency and corrective maintenance costs through a digitised preventative maintenance programme
- Reduce total utilities costs per square metre through improved tenant engagement

NATURAL CAPITAL

INPUTS	OUTPUTS: PERFORMANCE AGAINST STRATEGIC OBJECTIVES
• 1,374 arpents of bare land with approximately 50 arpents at Case Noyale available for development opportunities • 40 arpents of land in joint venture development projects • Ongoing waste recycling processes • Partnership with other landowners to develop strategic locations • Adherence to the 'Green by Design' principles	**Sustainability** • Completed installation of Molok bins (a waste management/recycling solution) at Orchids Car Park • Reduction in water expenses by 42% across our portfolio • Waste collection: Glass | 384 kg Cardboard | 8254 kg, Plastic Polystyrene | 34 kg • Decrease in utilities costs by 7% across the Group • Generated savings of 11m³ of water following the implementation of a rainwater harvesting system at EDITH, to be used for the cleaning of common areas and watering of plants • Determined the carbon footprint of Lavastone Properties in collaboration with Dynamia, revealing that electricity use and employee commute are the top contributors to our carbon footprint • Drafted a carbon footprint reduction roadmap for our new projects, existing assets and business operations • Launched a PV electric vehicle charging project • Shifted to rechargeable batteries and worked with BEM recycling for our electronic waste • Implemented Eco Taps within Lavastone's offices to reduce water consumption (for wash hand basins only) • Recycled 14,292 kg of food waste with BIO Bins, which were then converted as compost

2023 PRIORITIES

- Tackle scope 3 investigations and reduction, namely employee commuting, waste management, and upstream and downstream emissions
- Adopt LEED-based asset management principles for our strategic assets and tackle indirect emissions of the Group through partnerships and engagement with tenants
- Explore the potential for the reforestation of our hunting grounds in the South West

PERFORMANCE REVIEW

SOCIAL CAPITAL

INPUTS	OUTPUTS: PERFORMANCE AGAINST STRATEGIC OBJECTIVES
• Paid Rs 1.52M in CSR contribution in FY 2021 • Adherence and contribution to the Taylor Smith Foundation	**Customer service and retention** • Rs 1.36M of CSR contribution payable in FY 2022 • Contributed funds to the Taylor Smith Foundation, focusing on education & youth development, empowerment of women and families, sports and the protection of the environment • Implemented and carried out a satisfaction survey with key clients to gather valuable feedback • Monthly engagement with our tenants at EDITH regarding their offers, possible partnerships, cross-branding opportunities and events • Communicated a monthly Marketing and Communications report to EDITH tenants • Implemented a structured and sustained communication strategy at Group and EDITH level • Ongoing support to local artists on a monthly basis at EDITH since April 2022 • Successfully positioned La Galerie du Génie & THE BOX to attract local artists for events and exhibitions, with 12 bookings amounting to 74 days of rental since April 2022 • Completed the renovation of the 3rd, 5th, and 6th floors for Les Cascades Building

2023 PRIORITIES

- Improve customer satisfaction index score
- Substantially increase occupancy of La Galerie du Génie/THE BOX
- Continue the implementation of the communication strategy for EDITH and Lavastone Group
- Renovate the lobby and 7th floor of Les Cascades Building for IQ-EQ

HUMAN CAPITAL

INPUTS	OUTPUTS: PERFORMANCE AGAINST STRATEGIC OBJECTIVES
• 42 employees • Off-site team-building activities • Rs 933,000 invested in staff training • 36% women | 64% men employed	**Employee engagement** • Completed transformational culture programme in August 2022 • Completed 343.5 hrs of training • Achieved a 77% Employee Engagement Score • Completed 18 hours of Leadership Programme for Management level in October 2022 • Held quarterly townhall meetings for all staff • Held team-building event focusing on our corporate values and teamwork • Carried out scaffolding training for all technicians and site supervisors to ensure safe working standards (7 technicians attended the 18-hour workshop) • Participated in industry-wide remuneration survey to align staff compensation with market practices

2023 PRIORITIES

- Develop interdepartmental service level agreements to establish expectations and ensure a commitment to high-quality services between departments
- Update business continuity and succession plan
- Implement a technical skills improvement programme
- Keep improving staff engagement scores

Offering a vibrant and modern meeting place for artists, professionals, diners, shoppers and passers-by, while giving them a sense of connection to the past.

Risk Management Report

EDITH

RISK MANAGEMENT REPORT

RISK MANAGEMENT FRAMEWORK

Since 2020, the risk landscape has evolved significantly, pushing low-probability and high-impact risks at the top of the Board's agenda and throwing many businesses into a state of crisis. Today, Boards are required to adapt and align their risk management strategy by focusing on the new reality which includes geopolitical challenges, supply chain restrictions, increased cybersecurity issues and climate-related events.

Risk management is an essential component of Lavastone's governance and leadership strategy. Its purpose is to create and protect organisational value, improve performance, encourage innovation and support the achievement of our strategic objectives. Lavastone has adopted the international risk management standard ISO 31000 and a top-down and bottom-up approach.

Our risk management framework has been developed in accordance with the following ISO principles:

Our risk management process consists of several steps:

This year, in light of the shifts in our operating environment, the risk management framework was reviewed to ensure that our risk assessment and risk management efforts provide the Board with a better oversight of the key risks and vulnerabilities faced by Lavastone in today's context.

STRUCTURE

The **Board** is responsible for risk governance and ensures that the Company develops and executes a comprehensive and robust system of risk management and maintains a sound internal control system.

The **Risk Management and Audit Committee** ("RMAC"), a sub-committee of the Board, is responsible for providing insights into our governance, risk management and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. The committee is guided by a formal and approved charter and performs its role by providing independent insight to the Board and assisting the Board and management by providing advice and guidance on the adequacy of our initiatives.

The **Managing Director** and **Management team** are accountable to the Board and the RMAC, and are responsible for the design, implementation, review and report on the risk management process and strategy.

New initiative: A **risk champion** has been formally designated to promote a risk management culture across the Company.

Key components of an effective Risk Management (RM) framework

(i) Policy and Strategy

Our risk management policy is approved by the RMAC and the Board. The policy is currently under review to ensure its alignment with our strategies and context.

Our strategic and business objectives derive from our **vision.**

VISION

Lavastone aims to be the **preferred partner** for commercial real estate solutions, while delivering **optimum value** to its shareholders.

RISK MANAGEMENT REPORT

STRATEGIC OBJECTIVES				
OPERATIONAL EXCELLENCE	CUSTOMER SERVICE AND RETENTION	SUSTAINABILITY	MAXIMISE SHAREHOLDER VALUE	EMPLOYEE ENGAGEMENT

BUSINESS OBJECTIVES			
Explore new investment opportunities	**Implement current development projects**	**Adopt 'Green by Design' principles across all projects**	**Maintain at least 95% occupancy across the portfolio**

Critical success factors have been established to measure our progress and provide a sense of direction and dynamism across the Company.

(ii) Risk appetite

The risk appetite is the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives. The Board, the highest level of organisational governance, is accountable for setting the risk appetite and ensuring it is communicated throughout the Company in a meaningful way.

RISK APPETITE STATEMENT

We will pursue growth whilst continuously improving customer service and operational excellence. To improve our commitment to sustainability, we will strive to meet the criteria for a LEED certification on our new development projects.

However, we will not engage in and tolerate activities which create safety, regulatory and quality concerns.

We will not make decisions which pose a financial risk impact of 10% or more on our revenue or increase our loan to value ratio to above 40%.

Our exposure is limited to:
- 25% of Net Asset Value for any one sector (Retail, Hospitality, Office, Industrial, Residential etc)
- 20% of Investment Property Value for any single building
- 20% of Rental Revenues for a single tenant

Our review:

During the year, the sale of large industrial properties at Riche Terre decreased our portfolio exposure in the industrial sector but subsequently increased our exposure to a level that is above our set risk appetite, i.e 34% in the office sector. The risk appetite is continuously monitored by our board and management team and as such, long-term actions have been identified for implementation to ensure we remain within our risk appetite:

- Acquire and develop industrial properties
- Consider selling some office properties, when opportunities arise
- Rebalance the portfolio

Risk appetite

FINANCIAL IMPACT (REVENUE)		
High	Medium	Low
> 10%	5% - 9%	< 5%

(iii) Risk criteria

As part of the risk management principle for continual improvement, we have reviewed our risk criteria (probability and impact) and assessment methodology, in line with our risk appetite. This provides a better classification of our risks and enables the most appropriate risk responses to be implemented. A scale of 1 to 5 has been adopted to this end.

PROBABILITY	
1	Rare
2	Unlikely
3	Possible
4	Likely
5	Almost certain

IMPACT	
1	Negligible
2	Minor
3	Moderate
4	Major
5	Severe

(iv) Risk register and monitoring

As part of the 'Recording and reporting' process, Lavastone has developed a Business Risk Register (BRR), which consists of risk identification, assessment and response. The BRR is a recording and monitoring tool designed to assist the Management team of Lavastone for informed decision-making.

Our BRR is reviewed and updated on a quarterly basis and reported to the RMAC.

Refer to the risk heatmap and Top 10 risks below.

New initiative: Key risk indicators are determined for each risk identified and monitored.

(v) Training

New initiative: To align with the risk management principle of Inclusiveness and Continued Improvement, a training and awareness session on risk management is planned for the key employees of Lavastone. The purpose of this training is to embed risk management practices in the DNA and culture of the Company.

RISK MANAGEMENT REPORT

OTHER RISK MANAGEMENT INITIATIVES

A Data protection & cybersecurity

Data protection and cybersecurity remains one of the top threats across the world, with more tightened regulations surrounding this topic. Cyberattacks and data breaches not only impact a Company's reputation, but also its financial stability. At Lavastone, we have implemented a data protection framework and cybersecurity controls to mitigate such risks. Our framework is reviewed regularly and has been audited last year and again this year.

An independent IT specialist performed a Vulnerability Assessment and Pentest of Lavastone's IT Infrastructure. The overall risk level was rated as medium out of four possible levels: low, medium, high and very high. Suggestions provided by the consultant are expected to be implemented over the next year and a re-test should be carried out to re-assess the overall IT risk level.

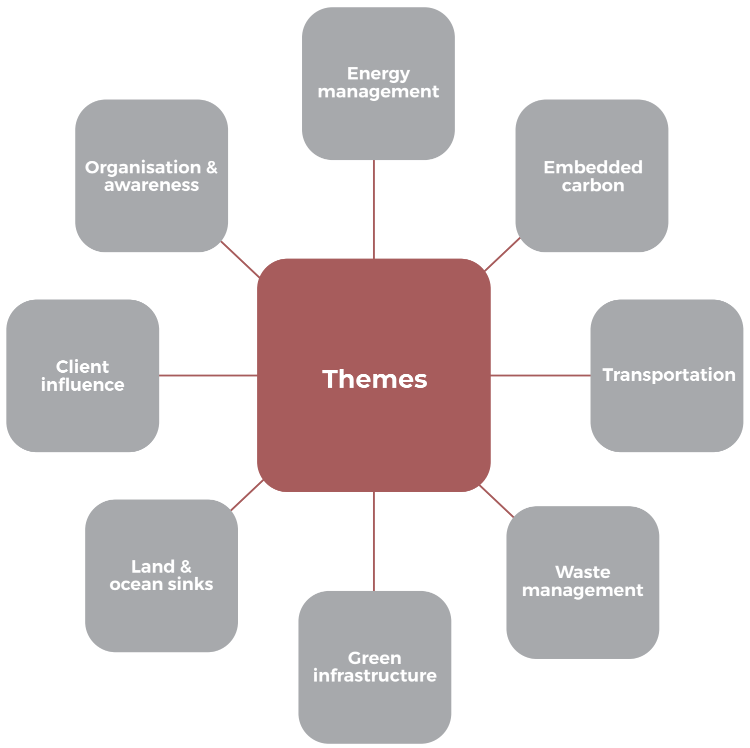
B AML/CFT

The National Risk Assessment on Money Laundering shows that the level of threat in the real estate sector is Medium, and the Money Laundering risk for Mauritius is assessed as Medium-High. At Lavastone, AML risk forms part of the 'Regulatory and Compliance risk' in the Business Risk Register and is assessed as 'Medium'. We have recently reviewed and updated our AML policy and risk matrix, and our AML framework is continuously improved and audited on a yearly basis.

C Carbon footprint (new initiative)

Climate change is becoming an important topic and one of the most dynamic threats facing our world. Today, there is increased pressure from shareholders and stakeholders for companies to report transparently on their climate-related and sustainability initiatives. This year, climate change risk was identified as an emerging risk in the Business Risk Register. In collaboration with Dynamia Associates, Lavastone has engaged on a 'Carbon reduction' pathway, and a first carbon footprint has been assessed. A carbon footprint roadmap has been designed and key priority areas and opportunities have been identified for implementation over a horizon of six months, two years and five years.

Our carbon footprint themes are:

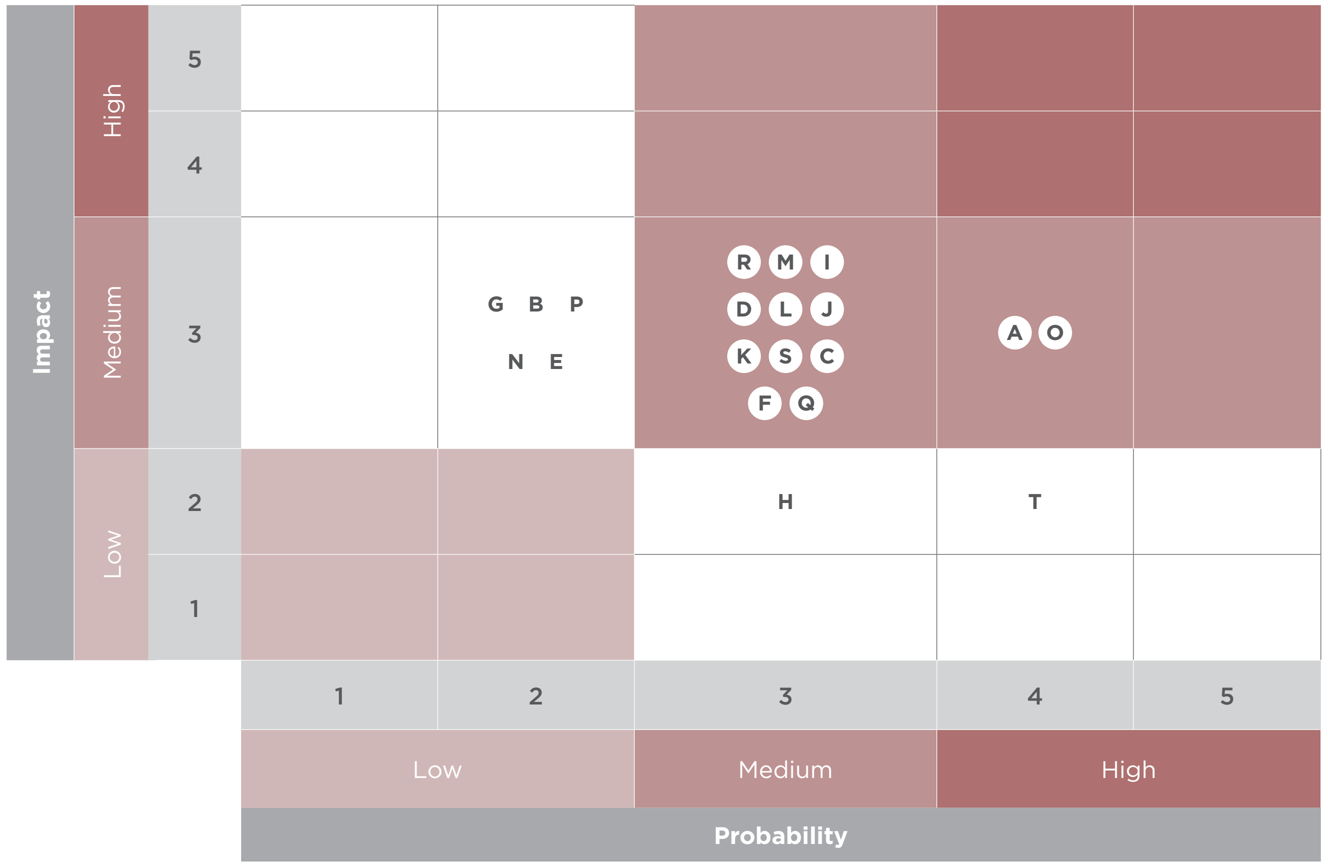


Our carbon-reduction and sustainability themes are aligned with some key Sustainable Development Goals (SDGs).

Lavastone does not view this reporting as a tick-the-box approach, but rather as an opportunity to improve its sustainable development and risk management practices. This first initiative forms part of our overall ESG journey, which is being driven by our development manager, who is also designated as our sustainability champion.

RISK HEAT MAP AND TOP 10 RISKS

Risk Management being a continuous and dynamic process, we are committed to ongoing risk monitoring by regularly reviewing the Business Risk Register (BRR) to cater for changes in existing and emerging risks.



A	Macroeconomic	K	Process / Efficiency
B	Liquidity	L	Business Interruption
C	Valuation	M	Health & Safety
D	Regulatory and Compliance	N	Environmental Development
E	Financing	O	Project
F	Credit	P	Pandemic
G	Tenant concentration	Q	Information security / privacy / cybersecurity
H	Geographical concentration	R	Foreign exchange
I	Third Party	S	Human Resource
J	Competition	T	**[new]** Climate change

RISK MANAGEMENT REPORT

Emerging risks

No.	Risk event and category	Risk description and root cause	Probability			Impact			Overall	Key controls
			High	Med	Low	High	Med	Low	Risk rating	
T	**Climate change** **(Operational)**	Changes in climate, tenant/consumer behaviour and regulations prevent the Company from developing and maintaining sustainable, cost-effective and energy-efficient properties.	■					■	**Medium - Low**	1. Investing in green initiatives for energy-efficient buildings 2. Carbon reduction roadmap and assessment 3. Training and awareness 4. LEED certification requirements 5. Electric car charging facilities

Top 10 risks

No.	#	Risk event and category	Risk description and root cause	Probability			Impact			Overall	Risk response	Key controls
				High	Med	Low	High	Med	Low	Risk rating		
A	1	**Macroeconomic** **(Strategic)**	Changes in economic conditions (including the consequences of COVID-19 and geopolitical risks) may adversely affect the commercial Real Estate industry locally, the Group's NAV and ability to distribute returns to shareholders.	■				■		**Medium - High**	**Treat with controls**	1. Financial stress test 2. Key ratio analysis 3. Lobby and engaging with key stakeholders in the property sector
O	2	**Project** **(Operational)**	Delays in project delivery and/or poor delivery from service providers, leading to an adverse impact on the Group's profitability, reputation and growth.	■				■		**Medium - High**	**Treat with controls** **Transfer (insurance)**	1. Project management framework and procedures 2. Planned procurement 3. Close monitoring of projects at each phase 4. Performance indicators 5. Insurance covers
D	3	**Regulatory and compliance** **(Compliance)**	1. Non-compliance with applicable regulations, leading to fines and penalties and business interruptions. 2. Changing regulations threaten the Company's competitive position and its capacity to efficiently conduct business. **Examples:** - Money laundering (ML) risk in the real estate sector assessed as Medium High in the National Risk Assessment (NRA) - Data protection Act - Stricter regulatory requirements in the Fire code, leading to additional compliance costs - Event-related regulatory requirements (Copyright Act and Broadcasting Act)		■			■		**Medium**	**Treat with controls** **Transfer (insurance)**	1. Lobby authorities 2. Adequate regulatory risk assessment (including for ML) 3. Regulatory framework such as AML/CFT, data protection, Health & Safety 4. Review and monitoring by MLRO 5. Adequate compulsory training for employees 6. Appropriate policies and procedures (Privacy, information security, AML/CFT)

RISK MANAGEMENT REPORT

Top 10 risks

No.	#	Risk event and category	Risk description and root cause	Probability			Impact			Overall	Risk response	Key controls
				High	Med	Low	High	Med	Low	Risk rating		
F	4	**Credit** **(Financial)**	Inability of tenants to pay their contractual obligations, leading to financial constraints and cash flow difficulties.		■			■			**Treat with controls**	1. Close debtors' monitoring and review 2. Adequate and strict onboarding and assessment of clients 3. Regular review of provisioning 4. Increased use of standing orders for client payments
L	5	**Business Interruption** **(Operational)**	Unexpected event resulting in the disruption of the normal business operations. 1. This is due to lack of forward planning in disaster management and preparedness. 2. Natural disasters, such as adverse climatic conditions and flooding in the Port Louis region, preventing the Company from providing services to clients and preventing clients from operating.		■			■		**Medium**	**Treat with controls** **Transfer (insurance)**	1. Business continuity policies and procedures (including emergencies and bomb threats) 2. Insurance covers 3. Remote working policy
Q	6	**Information security / privacy / cybersecurity** **(Operational)**	The potential for cyberattacks or data breaches, unauthorised use, disruption, modification or destruction of information that can violate privacy, disrupt business, damage assets and facilitate other crimes such as fraud.		■			■		**Medium**	**Treat with controls**	1. Information security measures such as: – Antivirus and firewall – Password policy – Backup – Regular scanning – Intrusion prevention – Web protection 2. Access control 3. Two-factor authentication 4. IT policies 5. Training and awareness 6. Cybersecurity audit and penetration testing
R	7	**Foreign exchange** **(Financial)**	The Group may be impacted by: 1. A shortage of foreign currency prevailing in Mauritius, leading to delays in the purchase of key products/materials. 2. A depreciation in the Mauritian Rupee, causing an increase in the costs of imports.		■			■		**Medium**	**Treat with controls**	1. Treasury management 2. Natural hedging

RISK MANAGEMENT REPORT

Top 10 risks

No.	#	Risk event and category	Risk description and root cause	Probability			Impact			Overall	Risk response	Key controls
				High	Med	Low	High	Med	Low	Risk rating		
M	8	**Health & Safety** **(Operational)**	1. The Group is exposed to hazards (for instance Covid-19) that can lead to the illness or death of a worker in a determined workplace. 2. The nature of the business exposes the Group to the risk of accidents, which can impact both people and property.		■			■		**Medium**	**Treat with controls** **Transfer (insurance)**	1. Preventive maintenance 2. H&S policies and procedures 3. H&S inspections 4. Training and awareness 5. Fire drills 6. Fire evacuation plan 7. Insurance covers
I	9	**Third-party** **(Operational)**	The failure of third parties to fulfil their contractual responsibilities could place the business at risk.		■			■		**Medium**	**Treat with controls** **Transfer (insurance)**	1. Regular reviews of third-party performance and KPIs 2. Third party assessment 3. Alternate third parties 4. Contract with third parties
J	10	**Competition** **(Strategic)**	1. Inability of the Group to acquire properties at adequate prices and on satisfactory terms due to direct competition may lead to the loss of market share and possibly key tenants. 2. Difficulty in sustaining rental rates or projected increase in rental rates. 3. New entrants		■			■		**Medium**	**Treat with controls**	1. Ongoing market intelligence and surveys 2. Strategic alliances 3. Continuous customer service improvement 4. Keeping abreast of developments in the real estate sector

RISK MANAGEMENT REPORT

SYSTEM OF INTERNAL CONTROLS

The Board recognises and is committed to its responsibility to keep under review the adequacy and effectiveness of the system of internal controls, at least on an annual basis. The purpose of such a system is to protect the Company, prevent and detect frauds, and enable the achievement of its objectives. The Board, through the RMAC, reviews and challenges the following components:

- Financial statements
- Internal Audit
- External Audit
- Narrative reporting
- Internal control and risk management system

Key features of the internal control system are:

- Governance structure with clear reporting channels
- Strategy review and plan
- Comprehensive financial reporting and business planning systems
- Formal policies and procedures
- Risk assessment and management process
- Continuous monitoring and review by executive management
- Communication and awareness
- Internal Audit

Fraud, Whistleblowing and Code of Ethics

The Group is engaged in preventing and promptly detecting frauds. In line with the National Code of Corporate Governance for Mauritius (2016), a whistleblowing policy has been established.

Whistleblowing is a key defence against management override of internal controls and forms part of the fraud prevention and detection strategy. The RMAC plays a critical role in evaluating the Company culture, and stakeholders will contribute positively if they are confident that the process is transparent and ethical, and if there is evidence that culture is initiated from the top.

A Code of Ethics has been implemented to this end.

Internal Audit

The Board is responsible for determining the need for an internal audit function. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. The internal Audit function of the Group has been outsourced to an independent firm, SmarTree Consulting Ltd (also referred to as 'SCL' or 'the Internal Auditor') since 2018.

The purpose of the internal audit activity is to provide independent, objective assurance and consulting services, designed to add value and improve our operations. The Internal Auditor is not responsible for the implementation of controls or the management and mitigation of risk, responsibilities which remain with the Board and management.

A formal internal audit charter is approved by the RMAC and describes Internal Audit's role, responsibilities, scope, authority and reporting structure, amongst others. The Internal Auditor reports to the RMAC. The responsibilities of the RMAC include, but are not limited to:

- Reviewing and approving the charter
- Reviewing and assessing the annual internal audit plan
- Reviewing and monitoring the effectiveness of the internal audit function
- Reviewing and monitoring management's responses to internal audit findings

Audit reports are circulated to senior management and RMAC members, and the Internal Auditor attends all RMAC meetings where the internal audit findings are reported. The Internal Auditor has unrestricted access to, and communicates and interacts directly with, the RMAC.

The internal audit function is governed by mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing.

Independence being a core value of internal audit, the Internal Auditor confirms the independence of the internal audit function to the RMAC on an annual basis.

Committing to a positive environmental, social and local impact – without compromising comfort and luxury.

Corporate Governance Report

Sunrise Attitude Hotel

CORPORATE GOVERNANCE REPORT

COMPLIANCE STATEMENT

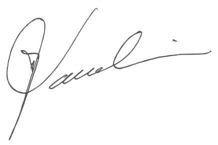
Lavastone Ltd (hereinafter referred to as "Lavastone" or the "Company") is classified as a public interest entity under the Financial Reporting Act 2004.

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. The Company hereby confirms that it has materially applied all the principles of the Code.

On behalf of the Board

Colin Taylor
Non-Executive Director and Chairman



Nicolas Vaudin
Executive Director and Managing Director

GOVERNANCE STRUCTURE

The Board

The governance of Lavastone is led by the Board of Directors (the "Board"), which is fully dedicated to applying the principles of the Code, thus ensuring the Company's commitment to upholding business sustainability and creating value for its stakeholders.

The Board is responsible for promoting a culture of accountability and ethics in order to ensure an efficient and ethical decision-making process.

During the year under review, the Board provided support and guidance to management in its endeavour to address the challenges that arose following the COVID-19 pandemic, while ensuring that the Company was fully committed to meeting its governance obligations.

The Board's size and composition

Lavastone is led by a unitary Board consisting of eight directors under the Chairmanship of Mr Colin Taylor. Following the Annual Meeting of Shareholders held in February 2022, Mrs Ann Charlotte Vallet and Mr Philip Taylor were appointed as non-executive directors of the Company in replacement of Messrs Matthew Taylor and Sebastian Taylor. Hence, as at 30 September 2022, the Board includes eight members, of which four non-executive directors, including the Chairman, one executive director and three independent directors.

Although there is only one executive director on the Board, the Board is of the view that the input of the Financial Controller, who is in attendance at Board meetings, provides an appropriate balance to Board deliberations.

The Board is also of the view that, considering the Company's shareholding structure, 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.

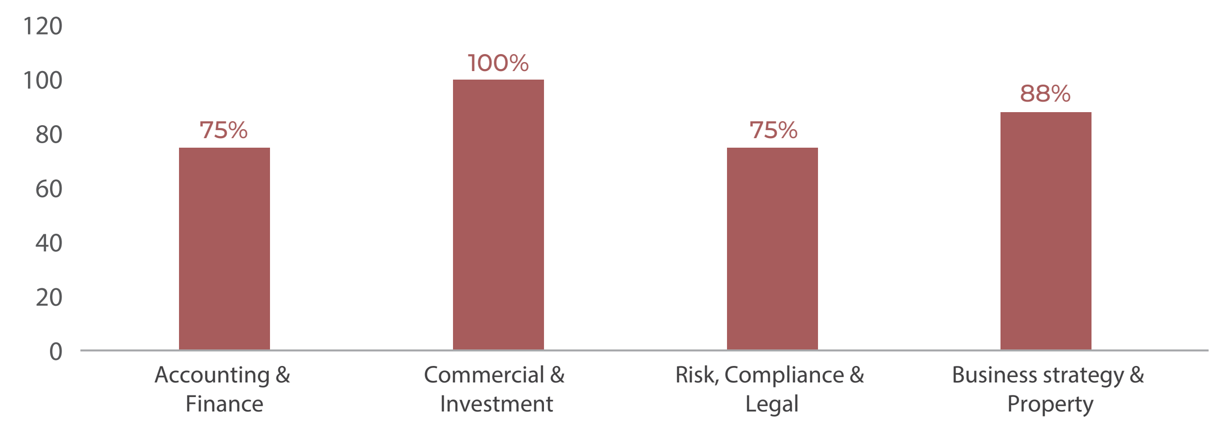
Recognising that a diverse Board helps to produce better quality decisions and bring in innovative insights, the Company has taken another step in improving gender diversity on the Board by appointing another female director, namely Mrs Ann Charlotte Vallet.

The profiles and the full directorship list of the members of the Board are set out on pages 56 to 57. It is to be noted that all directors of the Company reside in Mauritius.

The skillsets of the members of the Board are set out in the chart below.

- Business strategy and property
- Commercial and investment
- Accounting and finance
- Risk, compliance and legal

Skills of Directors



CORPORATE GOVERNANCE REPORT

The Board's responsibilities

The Board assumes collective responsibility for leading and controlling the organisation. It is also committed to providing strategic guidance, reviewing financial plans and monitoring performance, while ensuring that a robust risk management system and internal controls are in place and that good corporate governance practices are being adhered to. Additionally, it is responsible for ensuring the creation of sustainable value for its stakeholders, monitoring the implementation of operational decisions, and providing accurate information to shareholders, the public and regulators. It also ensures that the Company meets all legal and regulatory requirements.

The Constitution of Lavastone complies with the provisions of the Companies Act 2001 and those of the Listing Rules of the Stock Exchange of Mauritius ("SEM"). It is available for consultation on the Company's website: https://www.lavastone.mu.

In line with the Code, the Board has:

- adopted a Board Charter which provides a concise overview of the Board's objectives, role, composition and responsibilities. The Board Charter is subject to the provisions of the Companies Act 2001, the Company's Constitution and any applicable law or regulatory provisions;
- adopted a Code of Ethics which highlights areas such as personal conduct, conflicts of interest, personal dealings in securities and related investments, and employment practices which the Company believes are essential in maintaining fair business practices. The Board monitors and evaluates compliance with its Code of Ethics;
- approved a Statement of Accountabilities and an Organisational Chart which provides for clear lines of responsibility and delegation of authority, while enabling the Board to retain effective control; and
- identified key senior governance positions which provide clear definitions of the roles and responsibilities of the Chairman, the Managing Director ('MD'), the Company Secretary, executive and non-executive directors, as well as the Chairperson of the Board's Committees. The function and role of the Chairman and those of the Managing Director are separate and they each have distinct and well-defined responsibilities.

The above-mentioned documents, as approved by the Board, are available for consultation on the Company's website: https://www.lavastone.mu.

The processes and frequency to review, monitor and approve the Board charter, the organisation's Code of Ethics, the position statements, the organisational chart and the statement of main accountabilities, are determined by the Board on an ad-hoc basis before and may be delegated to sub-committees as appropriate.

The Board believes the Company provides for the promotion of equal opportunity and prohibits discrimination on the ground of status and victimisation. To that effect, the Board approved an Equal Opportunity Policy on 8 August 2019, 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 regularly reviews its procedures and selection criteria to ensure that individuals are selected, promoted and treated according to their individual abilities and merits.

To promote a culture of integrity, the Group has adopted a Whistleblowing policy, which provides a channel of effective communication of concerns. Employees are encouraged to report any malpractice of which they become aware. The policy outlines the reporting mechanism and the defined process on how the reported concerns will be handled and investigated.

Focus Areas of the Board for the financial year 2022

Regular agenda items	- Review of the performance of the Company and its subsidiaries - Take note of reports from sub-committees
Finance	- Quarterly reports from Board and interim results - Preliminary results and Annual Report for the year ended 30 September 2022 - Dividend declarations - Review of budget
Strategy	- Review of projects, including the disposal and acquisition of properties (Absa House) - Review of the Group's funding strategy
Governance	- Recommendation to appoint two additional directors on the Board of the Company - Review and recommendation of changes to the composition of Board sub-committees - Approval of the Corporate Governance report
Other Matters	- Approval of communiques / announcements as statutorily required

Board attendance and remuneration

The directors' attendance at Board and committee meetings, as well as their remuneration during the financial year ended 30 September 2022, are as follows:

	Attendance			Interests (%)		Remuneration
	Board meetings	CGC	RMAC	Direct	Indirect	MUR
TAYLOR Colin	6/6	N/A	N/A	0.1445	10.18	270,000
VAUDIN Nicolas[4]	6/6	4/4	N/A	0.0955	0.009	*[4]
AH KANG, Gaetan	6/6	N/A	6/6	0.0543	-	260,000
ARUNASALOM Jose	6/6	4/4	6/6	0.0015	-	290,000
MOHADEB, Vedanand Singh	6/6	N/A	6/6	NIL	-	272,500
SAHA Vijaya Lakshmi	6/6	4/4	N/A	NIL	-	232,500
TAYLOR, Philip[1]	3/3	1/1	N/A	NIL	10.18	120,000
VALLET, Ann Charlotte[1]	3/3	N/A	N/A	NIL	10.18	120,000
TAYLOR, Matthew[2]	2/2	N/A	N/A	0.0059	0.0024	180,000
TAYLOR, Sebastian[3]	2/2	3/3	N/A	NIL	0.0024	210,000

[1] Mr Philip Taylor and Mrs Ann Charlotte Vallet were appointed as Non-Executive directors on 10 February 2022;
[2] Mr Matthew Taylor was appointed as Non-Executive Director on 12 September 2017 and resigned on 10 February 2022;
[3] Mr Sebastian Taylor was appointed as Non-Executive Director on 28 December 2018 and resigned on 10 February 2022; and
[4] The remuneration of the executive director has been disclosed within Note 32 of the financial statements.

The Board sub-committees

The Board of Lavastone is assisted in its functions by three main sub-committees: (i) Risk Management and Audit Committee ("RMAC"), (ii) Corporate Governance Committee ("CGC") and (iii) Board Investment Committee ("BIC"). These three committees play a key role in supporting the Board and providing focus on particular matters according to their terms of reference. Where appropriate, the committees make recommendations on items requiring the approval of the Board.

CORPORATE GOVERNANCE REPORT

The Chairman of each committee provides regular reports of the proceedings of the committees to the Board. Furthermore, the Board has access to the minutes of the committee meetings. Each committee has its own charter/term of reference, which is reviewed as and when necessary, and any proposed amendments are recommended 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 to the Charter of the Risk Management and Audit Committee. The terms of reference of the Board Investment Committee were updated and approved by the Board on 12 May 2022.

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

Risk Management and Audit Committee ("RMAC")

Composition

The directors who served on the RMAC for the financial year under review are:

Member	Appointment Date	Board Status
Mr Vedanand Singh (Shyam) Mohadeb	28 December 2018	Independent non-executive director (Chairman)
Mr Jose Arunasalom	28 December 2018	Independent non-executive director
Mr Gaetan Ah Kang	28 December 2018	Non-executive director

Meeting schedule

During the year under review, the RMAC met 6 times. The attendance of individual directors at these meetings is disclosed on page 41.

Terms of reference

As per its charter, the RMAC oversees the risk and audit-related issues, and reviews and monitors the 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 regard 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 terms of reference of the RMAC Charter is available on the Company's website: https://www.lavastone.mu.

Focus of the RMAC for the financial year 2022

Regular Financial Matters	- Quarterly Preliminary results - Preliminary results and Annual Report for the year ended 30 September 2022 - Review of dividend proposals - Discussion on the main management letter points received from the external auditor and the remedial actions to be taken
Risk management items	- Consideration of the quarterly risk report on the Company and its subsidiaries - Discussion on the various risks impacting the Group as the Business Risk Register - Consideration of the report following the IT penetration testing carried out and the implementation of the remedial action plans
Internal Audit matters	- Review of the internal audit plans - Discussion on the internal audit reports
Other Matters	- Discussion on the audit plan as proposed by the external auditors

Corporate Governance Committee (CGC)

Composition

The directors who served on the CGC for the financial year under review are:

Member	Appointment Date	Board Status
Mrs Vijaya Lakshmi Saha	28 December 2018	Independent non-executive director (Chairperson)
Mr Jose Arunasalom	28 December 2018	Independent non-executive director
Mr Nicolas Vaudin	15 February 2017	Executive director
Mr Philip Taylor	18 February 2022	Non-executive director
Mr Sebastian Taylor*	28 December 2018	Non-executive director

*Mr Sebastian Taylor resigned as member of the CGC on 10 February 2022

Meeting Schedule

During the year under review, the CGC met 4 times. The attendance of individual directors at these meetings is disclosed on page 41.

Terms of reference

As per its terms of reference, the CGC makes recommendations to the Board on all corporate governance provisions and ensures that the disclosure requirements with regard to corporate governance are in accordance with the principles of the Code. The CGC's responsibilities also encompass the functions of the Remuneration and the Nomination Committees.

The terms of reference of the Terms of Reference of the CGC is available on the Company's website: https://www.lavastone.mu.

Focus of the CGC for the financial year 2022

Corporate Governance	- Approval of the Board evaluation questionnaire and discussion on results obtained and implementation plans - Recommendation to the Board of the Corporate Governance Report and the Statement of Compliance - Review of the gap analysis to assess areas to be addressed to improve the Company's governance
Nomination	- Recommendation of the appointment of Mr Philip Taylor as Non-Executive director to the Board - Recommendation of the appointment of Mrs Ann Charlotte Vallet as Non-Executive director to the Board
Remuneration	- Approve the renumeration/bonus of the executives

CORPORATE GOVERNANCE REPORT

Board Investment Committee ("BIC")

Composition

The BIC is comprised of the following directors:

Member	Appointment Date	Board Status
Mr Colin Taylor	08 April 2015	Non-Executive director
Mr Gaetan Ah Kang	28 December 2018	Non-Executive director
Mr Philip Taylor	10 February 2022	Non-Executive director
Mr Nicolas Vaudin	15 February 2017	Executive director
Mr Vedanand Singh (Shyam) Mohadeb	28 December 2018	Independent Non-Executive director

Meeting schedule

During the year under review, no BIC meeting was held.

Terms of reference

The BIC shall assist the Board of Lavastone in reviewing any investment decision, as well as any related transaction documents with regard to any project within the territory of the Republic of Mauritius and outside the scope of its territorial limit, and recommends worthwhile investment projects to the Board.

The terms of reference of the BIC is available on the Company's website: https://www.lavastone.mu.

Other Board matters

Appointment

Lavastone has implemented a formal and transparent process for the nomination and appointment of directors. When appointing directors, the Board considers its needs in terms of size, experience, skills and diversity. The total number of directors shall not at any time exceed twelve directors, to be in line with the number fixed in accordance with its Constitution.

The CGC, in its capacity as the Nomination Committee of the Company, recommends to the Board the directors to be re-elected/appointed. It is to be noted that any director over the age of 70 is appointed at the Annual Meeting of Shareholders ("AMS"), in accordance with section 138(6) of the Companies Act 2001. Furthermore, all directors appointed by the Board will hold office until the next Annual Meeting of Shareholders, where they will be eligible for re-election. The nomination and appointment process for directors is available for consultation on the Company's website: https://www.lavastone.mu.

All directors will stand for re-election by way of separate resolutions at the Annual Meeting of Shareholders of the Company scheduled in February 2023.

The names of the directors of the Company, their profiles and categories, are listed on pages 56-57.

The Board, with the support of the CGC, assumes responsibility for the implementation of a succession plan in order to ensure appointments to the Board as well as for senior management positions within the organisation, thus guaranteeing business continuity.

Induction and orientation

The Board, with the assistance of the Company Secretary, is responsible for the induction and orientation of new directors to the Board. Upon his or her appointment, each new director is provided with a comprehensive induction pack containing documents relating to directors' legal duties. This induction pack allows newly appointed directors to have an in-depth understanding of the Company's activities, challenges, governance framework, business model and strategy, as well as an overview of compliance and regulatory matters.

Mrs Ann Charlotte Vallet and Mr Philip Taylor were appointed as non-executive directors during the financial year under review.

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 is provided to directors based on the Company's needs and/or training needs.

The directors participated in an AML/CFT training delivered by SmarTree Consulting in December 2022.

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 Company's expense, relating to any aspect of their duties and responsibilities. The Code of Ethics and the Board Charter of Lavastone are documents which provide guidance to the directors in fulfilling their roles.

All directors have a duty to act in the best interests of the Company and are expected to ensure that their other responsibilities do not encroach on their responsibilities as directors of Lavastone.

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.

For the year under review, none of the directors had dealt in the shares of the Company.

CORPORATE GOVERNANCE REPORT

Information, Information Technology and information security policy

The Company has reinforced 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 been appointed to this end, and Lavastone and its subsidiaries are registered with the Data Protection Office (DPO).

The Board oversees information governance within the organisation and ensures that the performance of information and Information Technology (IT) systems leads to business benefits and creates value.

Following the advent of the Covid-19 outbreak, mitigation actions were taken by management to minimise information security risks. Management also ensured that all employees were provided with the appropriate tools to ensure a smooth transition to teleworking, thus guaranteeing business continuity.

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

In December 2021, the Board approved the 'Data Protection / Information Security Policy' to address the IT and cyber security requirements of the business. For confidentiality and security reasons, the 'Data Protection / Information Security Policy' has not been published on the website of the Company.

Board performance review

Lavastone has carried out a review of the performance of the Board and its committees for the year under review. A questionnaire was circulated to all directors to obtain their views on the effectiveness of the Board, to assess their contribution to the Board's performance and to identify areas of improvement.

The Board evaluation process was undertaken in three stages:

A questionnaire was sent to each director by the Company Secretary.

Once the Company Secretary received the completed questionnaire, an analysis was conducted and a report was compiled.

An action plan to address any gaps was set up once the findings were presented to the Chairman of the Board.

The Board evaluation review concluded that no material concern had been identified and that all Board members were fully committed to furthering the Company's objectives.

Directors' remuneration

The Executive director is not remunerated for serving on the Board of the Company or its committees. His remuneration package as an employee of the Company, including performance bonuses, is in accordance with market rates.

The remuneration of non-executive directors consists of a mix of attendance and retainer fees and are aligned with market norms.

The remuneration of the executive and non-executive directors is reviewed and recommended for approval to the 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 41.

Shareholders and other key stakeholders

Holding structure

Lavastone Ltd is a public company limited by shares. Its shareholding structure as at 30 September 2022 is as follows:

Kingston Asset Management Ltd

60.82%

Others

39.18%

LAVASTONE LTD

Distribution of shareholders as at 30 September 2022

To the best of directors' knowledge, the share ownership analysis per holding percentage and categories of shareholders as at 30 September 2022, is as follows:

Spread	Number of shareholders	Number of shares held	% Holding
1 - 50,000	2,899	20,397,518	2.9973
50,001 – 100,000	138	9,754,624	1.4334
100,001 – 250,000	112	17,430,143	2.5613
250,001 – 500,000	58	20,469,028	3.0078
500,001 – 1,000,000	28	18,579,187	2.7301
Over 1,000,000	35	593,892,810	87.2700
Total	**3,260**	**680,523,310**	**100**

CORPORATE GOVERNANCE REPORT

Spread of shareholders as at 30 September 2022

Category	Number of shareholders	Number of shares held	% Holding
Individuals	2,941	80,505,256	11.8299
Assurance and Insurance	21	67,679,279	9.9452
Pension and Provident	56	78,219,439	11.4940
Investment and Trust	41	425,689,694	62.5533
Other corporate bodies	201	28,429,642	4.1776
Total	**3,260**	**680,523,310**	**100**

Contract between the Company and its substantial shareholders

There is no shareholders' agreement affecting the governance of the Company by the Board for the year under review.

Communication with shareholders and stakeholders

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 the external auditor. The AMS for the year 2022 was held in February 2022. The Company's next AMS is scheduled in February 2023 and shareholders will receive the notice of the AMS at least 21 days prior to the meeting, in accordance with the law.

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 22 to 35.

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. The RMAC approves the Risk-Based Internal Audit plan and evaluates the effectiveness of the Internal Audit function. Moreover, key audit findings are reported to the Board and reports are shared with Board members and Senior Management. In discharging its duties, the Internal Audit function has unrestricted access to all documents, key personnel and management staff.

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:

- Debtors' Management, Anti-Money Laundering Review, Data Protection, Risk Management

The General Manager of SmarTree Consulting Ltd is Ms Aurelie Sevene, who is ACCA-qualified. The qualifications of Ms Aurelie Sevene and other key members of SmarTree Consulting Ltd are listed on its website: https://smartreeconsulting.com.

External Audit

The external auditor of the Company is BDO & Co Ltd (BDO), first appointed as external auditor at the AMS held on 10 July 2020 in replacement of Ernst and Young following a tender issued by the RMAC in January 2020. BDO has been re-appointed as the external auditor by the shareholders of Lavastone at the annual meetings held in March 2021 and February 2022 respectively.

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 51. 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 classes. 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.

The Company's internal control and risk management framework, and the key risks and steps taken to manage them, are detailed on 22 to 35.

Reporting with integrity

This report has been prepared in line with the principles set out by the International Framework established by the International Integrated Reporting Council (IIRC). It provides key information which enables the assessment of the strategy, business model, operating context, material risks and opportunities, governance and operational performance of Lavastone for the period 1 October 2021 to 30 September 2022.

CORPORATE GOVERNANCE REPORT

Corporate Social Responsibility

Lavastone's CSR activities are channelled through the Taylor Smith Foundation, which works in collaboration with different NGOs operating in deprived areas of Mauritius and Rodrigues Island.

The Taylor Smith Foundation focuses on the following areas:

1. Education and Youth
2. Empowerment of Women
3. Sports
4. Protection of the environment

Company Secretary

Cim Administrators Ltd, through its representative Mr Tioumitra Maharahaje, provides corporate secretarial services to Lavastone Ltd and its subsidiaries. The Company Secretary is responsible for ensuring that Board processes and procedures are followed. All directors have access to the advice and services of the Company Secretary who ensures compliance with all applicable rules and regulations for the conduct of the affairs of the Board.

Number of employees and key Senior Officers & Executives

The Group currently has a lean organisational structure, with all 42 full-time employees regrouped under Lavastone Services Ltd. Lavastone Services Ltd is the company taking care of business development and the day-to-day management of the Group's activities, together with project appraisals.

The profiles of the key senior officers and executives are listed on pages 58-59.

Other Matters

Related party transactions

Please refer to 117 and 118 of the Annual Report.

Management agreements

The Company has management contracts with Cim Administrators Ltd for the provision of company secretarial services, and with Raw IT Services Ltd for the management of the Group's IT infrastructure.

Dividend policy

An interim dividend is usually declared in May and paid in June, and a final dividend is declared in December and paid in January. The payment of dividends is subject to the net profits of the Company, its cash flow and its needs, with regard to the capital expenditure.

Donations

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

Tioumitra Maharahaje
For Cim Administrators Ltd
Company Secretary

15 December 2022

OTHER STATUTORY DISCLOSURES

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

Activity of the Company

The activities of Lavastone are disclosed on 10-11.

Group structure with activities of subsidiaries

The Group structure of Lavastone has been disclosed on 6-7.

Directors' remuneration

The remuneration of directors who have held office as at 30 September 2022 has been disclosed on page 41.

Directors' interest in shares

The interests of the directors in the shares of Lavastone as at 30 September 2022 are listed on page 41.

Audit fees as at 30 September 2022

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

	Group		Company	
	30-09-2022	30-09-2021	30-09-2022	30-09-2021
Payable to BDO & Co. for:				
Audit services	1,240,000	898,000	585,000	330,000
Non-audit services	75,000	139,600	75,000	16,800
	1,315,000	**1,037,600**	**660,000**	**346,800**

Donations

During the year under review, no political donations were made by Lavastone Ltd. Moreover, as at 30 September 2022, Lavastone has contributed Rs 1.36M 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.

CORPORATE GOVERNANCE REPORT

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 2022, all such returns as are required of the Company under the Companies Act 2001.

Tioumitra Maharahaje
For Cim Administrators Ltd
Company Secretary

15 December 2022

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 its 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 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 2022. They also acknowledge the responsibility of external auditors to report on these financial statements and to 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 2022. 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
Non-Executive Director and Chairman

Nicolas Vaudin
Executive Director and Managing Director

15 December 2022

Reshaping an office environment that aligns with our tenant's brand values, culture and business objectives.

Leadership

Les Cascades Building

LEADERSHIP
BOARD OF DIRECTORS

Jose Arunasalom
Independent Director

Jose obtained his Bachelor degree in Economics and holds a Master's Degree in International Relations. He has held several senior executive positions in the private sector in Mauritius, before serving in senior roles in the government for 23 years, including Minister of Tourism. Jose is a Director on the Board of two Equity Funds, has advised governments in Madagascar and Africa, and has been a Member of the National Assembly for 5 consecutive terms.

He is Economic Adviser of the Rodrigues Regional Assembly.

Directorship in other listed companies: None

Ann Charlotte Vallet
Non-Executive Director

Ann Charlotte holds a BTEC National Diploma in Travel & Tourism from the College for the Distributive Trades in London. She has held various positions such as commercial coordinator for Mautourco Ltd, assistant to the manager for L'Ile Aux Images, sales coordinator for Air Mauritius and manager of ACV Ltd.

She is currently the Chairperson and Manager of the Taylor Smith Foundation, an entity created in 2010 through the Taylor Smith Group. The aim of the Taylor Smith Foundation is to promote education and youth development, the empowerment of women and families, sports and the protection of the environment.

Directorship in other listed companies: None

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 Investment Ltd, a diversified group of companies involved in marine services, logistics & distribution, cement importation and distribution, manufacturing and property.

Directorship in other listed companies: CIM Financial Services Ltd

Gaetan Ah Kang
Non-Executive Director

Gaetan spent the first 6 years of his career working in an audit firm in the UK, before returning to Mauritius in 1992 to join De Chazal Du Mée in an Audit role. He subsequently moved to the Risk and Audit Team of the Rogers Group in 1994, before he became the Finance Manager of the Rogers Group's Engineering Cluster in 1999. Since 2004, Gaetan has been the Group Finance Director and a member of the Audit and Risk Committee of the Taylor Smith Group. In 2021, Gaetan headed the financial and due diligence aspect of the Group's acquisition of Lafarge Holcim Indian Ocean, now known as Cementis. Gaetan is a member of the Institute of Chartered Accountants in England and Wales (ICAEW).

Directorship in other listed companies: None

Nicolas Vaudin
Executive Director and Managing Director

Nicolas holds a Bachelor of Applied Science in Hospitality Administration from Southern New Hampshire University, Manchester, USA, and an MBA from Surrey European Management School, University of Surrey, Guildford, UK.

He joined the Cim Group as Managing Director of the Cim Property cluster in February 2017. Following the rebranding and restructuring of the cluster, Lavastone Ltd became listed on the DEM in December 2018 and Nicolas was subsequently appointed as the Managing Director of the Group.

Prior to joining the Cim Group, Nicolas spent over 6 years at Ciel Properties Ltd, where he spearheaded the development of Anahita, and another 6 years at PricewaterhouseCoopers Ltd, where he led the real estate advisory practice.

Directorship in other listed companies: None

Philip Simon Taylor
Non-Executive Director

After completing a BSC in Hotel Management at the University of Surrey (England) in 1989 and an MBA in Corporate Finance in 1994 also at the University of Surrey, Philip moved to Mauritius and headed the Rogers Group's international development. In 2010, Philip set up a business development advisory firm with projects spanning property development, energy, logistics, financial services, hospitality and tourism.

Philip currently heads the development of a fast growing hospitality technology service "start-up" by the name of www.hospitality-plus.travel. He also currently serves as non-executive director on the Board of CIM Financial Services Ltd and is also a member of the Corporate Governance and Conduct Review Committee of CIM Financial Services Ltd. Philip is the Honorary Consul of Finland in Mauritius.

Directorship in other listed companies: CIM Financial Services Ltd

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 BA (Hons) degree in Geography and an MSC in Town Planning from the University of Wales.

Vijaya is a qualified Barrister at law in the private legal practice, with 14 years standing at the bar. She has worked as a consultant to the Decentralised Cooperation Programme of the European Union and to the United Nations Development Programme Mauritius. She has performed the function of Chief Technical Officer at the Ministry of Housing and Land Use Planning of Mauritius. Vijaya was also a previous Lead Author on the Review of Impacts of Climate Change on the Intergovernmental Panel on Climate Change (IPCC) based in Geneva and has participated in numerous talks on climate change.

Directorship in other listed companies: None

Vedanand Singh (Shyam) Mohadeb
Independent Director

Shyam, Chartered Accountant and former Senior Assurance Partner at PWC (Mauritius), is a financial consultant specialising in the financial and realty sectors.

Directorship in other listed companies: None

MANAGEMENT AND OPERATIONAL TEAM

François Audibert
Operations Manager

François joined the Taylor Smith Group in 2013, and gained experience in property and facilities management. In 2017, he was promoted to General Manager of Lochiel Properties (which was integrated into Lavastone Properties in 2019), and once again promoted to Operations Manager of Lavastone Properties in October 2022, for which he leads the property and facilities management activities.

François holds a Master's degree in Engineering Management from Curtin University, Australia, and a Civil Engineering Degree from Université Paul Sabatier in France. He has recently completed an Executive MBA from the Analysis Institute of Management in partnership with Université Paris-Dauphine.

Alex Lan Pak Kee
Financial Controller

Alex holds a BA (Hons) in Accounting and Finance from the University of Manchester. He joined Lavastone Properties as Finance Manager in March 2020 and subsequently became the Financial Controller of the Group in October 2021. Before joining Lavastone Properties, he worked as an Accountant within Medine Limited's property cluster from May 2017 to March 2020. Prior to that, from August 2013 to April 2017, Alex was a Senior Associate within the assurance department at PwC Mauritius, where he was in charge of external audit assignments in sectors ranging from property and hospitality to textile, life insurance and petroleum.

Alex is a member of the Institute of Chartered Accountants of England & Wales (ICAEW).

Amaury Tennant
Field & Property Manager

After graduating with a Diploma in Tourism and Hospitality Management in 2009, Amaury gained experience as an Assistant F&B Manager working for several hotels, including La Pirogue and Preskil Island Resort. Amaury spent 2 years in Dubai working in yacht management services, before joining Lochiel Property Services Ltd in 2014.

Amaury joined Lavastone Properties as Field & Property Manager in 2017. In his current role, he is responsible for the land development and maintenance of the Group's land assets in the South and West of Mauritius.

Kursen Valaydon
Development Manager

Kursen holds a BSc (Honours) in Quantity Surveying and an MSc in Property Studies from the University of Cape Town. He began his career as a Professional Quantity Surveyor at RLB in Cape Town for four years, before joining Medine Group in 2018 as a Junior Development Manager for another four years. He was initially responsible for the development and operational strategies for Cascavelle Shopping Mall, before being assigned the masterplanning, development and governance duties of Uniciti Smart City. He also worked on green energy projects and land management for the Group. Over his career, he has acquired a wide range of skills in the financial, legal and technical aspects of the supply side of the property sector.

Kursen joined Lavastone Properties as Development Manager in December 2021. He manages new developments, such as the masterplan for the Group's land bank in the South West, pursues development and acquisition opportunities, and is also involved in the Group's carbon footprint reduction strategy.

Leena Brojmohun
Property Manager

Leena brings over 10 years of experience in real estate. She began her career as Financial Controller at W D King Group in the UK, where she discovered a passion for the property industry while overseeing the finance and asset management department. Being part of the executive team, she played a major role in the development of a holiday resort in the Turks and Caicos Island.

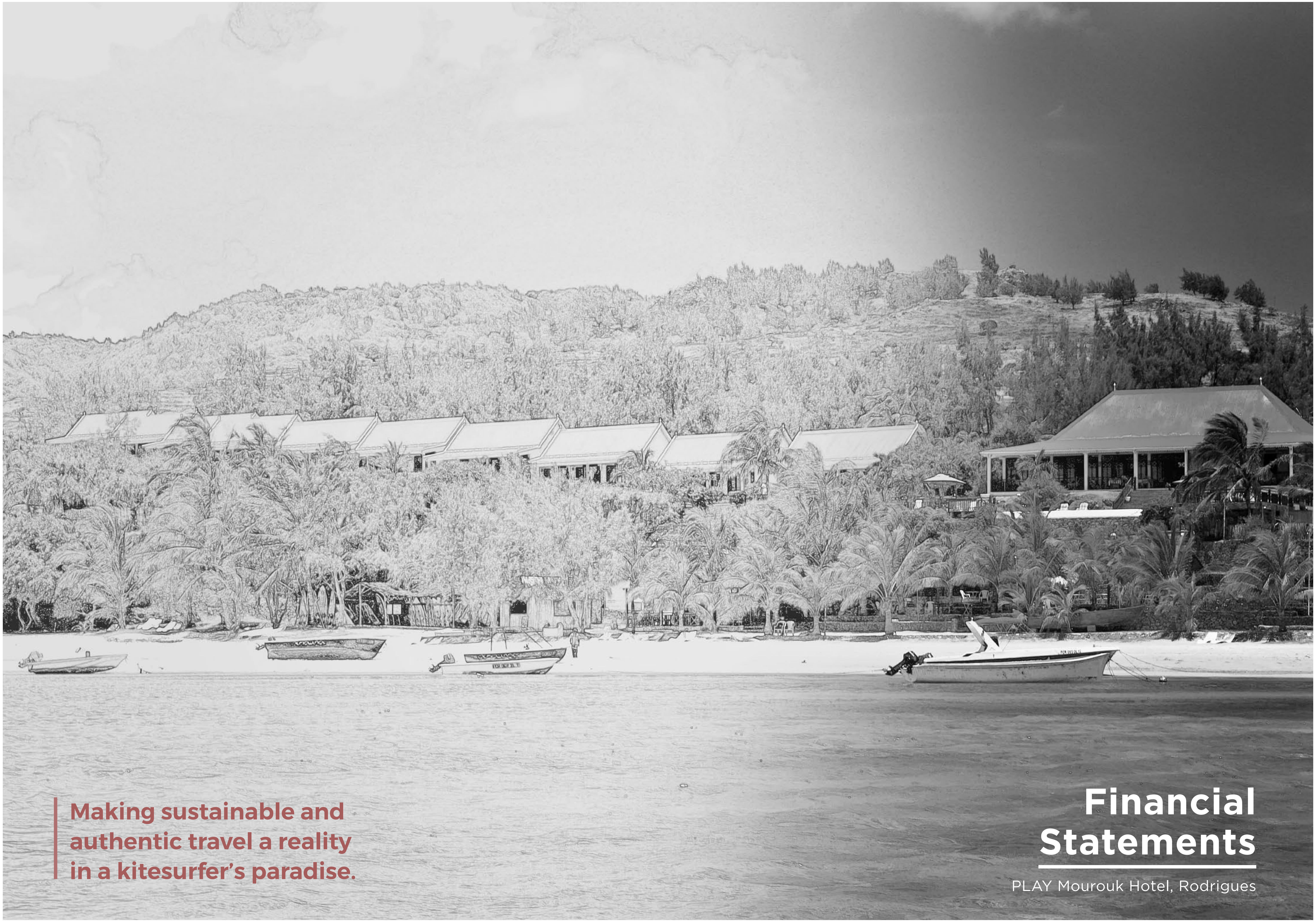
She then spent four years as a Client Account Manager at LaSalle Investment Management, a leading real estate investment management firm investing in UK direct property on behalf of pension funds and other institutional investors.

Leena joined Lavastone as an Accountant and Asset Executive in December 2017, before filling the position of Lead in 2019 and being promoted to her current role of Property Manager in 2021.

David Manargadoo
Facility and Project Manager

David joined Lochiel Property Services Ltd (now Lavastone Services) in 2018 as Facility Manager. A few months later, he was promoted to his current role as Facility and Project Manager.

He obtained his PFE in Value Engineering from Université des Mascareignes (Limoges) in 2014 and brings several years of experience in Civil Engineering. He began his career at PAD& Co Construction, where he chaperones several large-scale projects. He then joined Cogir Ltd for the So'Flo project and the extension of Charles Telfair Institute, after which he joined Enatt/Ascencia Ltd as the Operations Manager for the Phoenix Mall and Bagatelle Mall projects.



Making sustainable and authentic travel a reality in a kitesurfer's paradise.

Financial Statements

PLAY Mourouk Hotel, Rodrigues

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Lavastone Ltd

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated financial statements of Lavastone Ltd and its subsidiaries (the "Group"), and the Company's separate financial statements on pages 68 to 121 which comprise the consolidated and separate statements of financial position as at 30 September 2022, consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements on pages 68 to 121 give a true and fair view of the financial position of the Group and of the Company as at 30 September 2022, 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 Mauritian 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 Consolidated and Separate Financial Statements section* of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code")*. We have fulfilled our other ethical responsibilities in accordance with 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 consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Valuation of Investment Properties

The Group has investment properties of Rs 3.67bn as at 30 September 2022. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value with the corresponding changes in fair values being recognised in the consolidated statement of profit or loss in accordance with IAS 40. The fair value losses on the investment properties for the year ended 30 September 2022 amounted to Rs 16.9m.

The fair values of the investment properties are determined by an external independent valuation specialist using valuation techniques which involve significant judgements and assumptions. Inappropriate estimates made in the fair valuation of investment properties would result in a significant impact on the results and on the carrying amount of the properties.

As a result, the valuation of investment properties has been identified to be a key audit matter due to the significant judgements and estimates involved and its significance on the consolidated financial statements.

Related Disclosure

Refer to notes 3(f) (accounting policies), note 5 (significant accounting judgements, estimates and assumptions) and note 15 (Investment properties) of the accompanying financial statements.

BDO & Co, a firm of Chartered Accountants in Mauritius, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Lavastone Ltd

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

Key Audit Matters (cont'd)

Audit Response

Our procedures in relation to the valuation of investment properties are described below:

- We assessed the design and implementation of the key controls relating to the valuation of investment properties;
- We have obtained, read and understood all the reports from the external independent valuation specialist;
- We assessed the qualifications, competence, capabilities and objectivity of the external independent valuation specialist;
- We engaged with our Corporate Finance specialist team to ensure the valuation process, valuation methodology used, inputs to the model and the significant judgements and assumptions applied , including yields and capitalisation rates are appropriate and reasonable;
- We tested the data inputs against supporting documentation to ensure it is accurate, reliable and reasonable;
- We discussed with the external independent valuation specialist and challenged the key assumptions comprising the discount rates and capitalisation rates adopted in the valuation;
- We benchmarked and challenged the key assumptions to external industry data and comparable property valuation;
- Where recent transaction price has been used for valuing remaining plot of bare land, we have recomputed the value based on latest sales price; We tested the mathematical accuracy of the underlying conditions used in the valuation models;
- We ensured that the measurement basis for the valuation and valuation methods used were in accordance with International Financial Reporting Standards; and
- We evaluated whether disclosures in the financial statements in respect of valuation of investment properties were in accordance with the requirements of International Financial Reporting Standards, including disclosure on significant inputs and sensitivity analysis.

2. Impairment of Investment in Subsidiaries

As at 30 September 2022, the Company's investment in subsidiaries amounted to Rs 1.26bn net of impairment, representing 49% of total assets of the Company. In the Company's separate financial statements, investment in subsidiaries are carried at cost less impairment in accordance with IAS 27. At each reporting date, when there is indication of impairment based on management assessment the recoverable amount of the subsidiaries is determined in line with the requirements of IAS 36. An impairment loss arises when the recoverable amount is less than the carrying amount of the investment in subsidiaries and is recognised in profit or loss.

The recoverable amount is the higher of the value in use and fair value less costs to sell. The determination of the recoverable amounts involves a high level of judgement and estimates, particularly when Discounted Cash Flow (DCF) valuations are used in arriving at the recoverable amount.

We focused on this area due to the significance of the investment in subsidiaries on the Company's assets and because the Company's determination of the recoverable amount of investment in subsidiaries involves significant assumptions and judgements about the future results of the business and the discount rates applied to future cash flow forecasts.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Lavastone Ltd

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

Key Audit Matters (cont'd)

2. Impairment of Investment in Subsidiaries (cont'd)

Audit Response

Our audit procedures include the following:

- We assessed the design and implementation of the key controls relating to the impairment assessment of the investment in subsidiaries.
- We compared the carrying amount of the investments held for each investee companies with the net asset value of the subsidiaries to identify whether there was any indication to impairment.
- For investment in subsidiaries where indicators were identified, we compared the carrying amount of the investments with the discounted cash flow forecasts of these subsidiaries provided by management. We obtained, understood, evaluated and challenged the composition of management's cash flow forecasts and the process by which they were developed, including test the mathematical accuracy of the underlying calculations.
- We assessed the reliability of cash flow forecasts through a review of actual performance compared to previous forecasts.
- We assessed the reasonableness of the key assumptions used in the cash flow forecasts such as growth rates and discount rate.
- We also assessed the adequacy of the disclosures made in the financial statements in accordance with the requirements of International Financial Reporting Standards.

3. Recoverability of Receivables from Related Parties

As at 30 September 2022, the Company had receivables from related parties amounting to Rs 1bn, representing 39% of the total assets of the Company. Receivables from related parties are measured at amortised cost less expected credit loss allowance in accordance with IFRS 9 Financial Instruments.

IFRS 9 requires the Company to recognise expected credit losses (ECL) on financial assets measured at amortised cost, which involves significant judgement and estimates to be made by the Company.

Given the significant judgements and estimates involved in the determination of ECL on receivables from related parties and the significance of the amount of receivables from related parties on the Company's total assets, this audit area is considered a key audit matter.

Related disclosures

Refer to notes 3(n) and 3(q) (accounting policies), note 5 (significant accounting judgements, estimates and assumptions), note 6.1(b) (credit risk) and note 24 (Trade and other receivables) of the accompanying financial statements for details of the receivables from related parties.

Audit Response

Our audit procedures included the following:

- We carried out discussions with management to understand the process around the ECL calculation;
- Obtained confirmations for amounts owed by related parties at the end of the reporting period;
- Discussion with management over future prospects of the Group and the Company;
- We ensured that the current impairment methodology is consistent with the requirements of IFRS 9 principles and best practice;
- We assessed the appropriateness of management's determination of credit risk and expected credit loss;
- We also examined management's estimate of future cash flows when determining recoverability of the amount receivable and assessed the reasonableness of the inputs included in the cash flow forecasts; and
- We reviewed the completeness and adequacy of the disclosures in the financial statements for compliance with IFRS 7 *Financial Instruments: Disclosures.*

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Lavastone Ltd

Other information

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

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

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

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

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

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

Auditors's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors;

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Lavastone Ltd

Auditors's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (cont'd)

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Lavastone Ltd

Report on Other Legal and Regulatory Requirements

Mauritian Companies Act 2001

The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report on the following matters. We confirm that:

- We have no relationship with, or interests in, the Company or any of its subsidiaries, other than in our capacity as auditor and dealings in the ordinary course of business.
- We have obtained all information and explanations we have required.
- In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Mauritian Financial Reporting Act 2004

Our responsibility under the Mauritian Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance ("Code") 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 public interest entity has, pursuant to section 75 of the Mauritian Financial Reporting Act 2004, complied with the requirements of the Code.

Other matter

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

BDO & CO

Chartered Accountants

Port Louis,
Mauritius

Rookaya Ghanty, FCCA

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STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022

		GROUP		COMPANY	
ASSETS	Notes	**2022**	2021	**2022**	2021
Non-current assets		**Rs 000**	Rs 000	**Rs 000**	Rs 000
Investment properties	15	**3,672,802**	2,899,451	**177,265**	177,835
Investment properties under development	16	**106,717**	551,301	**-**	-
Net investment in lease	17	**6,303**	6,775	**-**	-
Plant, property and equipment	18	**23,079**	17,099	**-**	-
Intangible assets	19	**426**	581	**-**	-
Investment in subsidiaries	21	**-**	-	**1,261,223**	1,229,233
Investment in associate	20	**142,626**	146,908	**150,000**	150,000
Loan receivable	24	**24,436**	24,436	**226,557**	24,436
		3,976,389	3,646,551	**1,815,045**	1,581,504
Current assets					
Consumable biological assets	22	**4,579**	3,675	**-**	-
Asset held for sale		**-**	2,445	**-**	-
Inventory properties	23	**69,557**	64,787	**-**	-
Net investment in lease	17	**681**	634	**-**	-
Trade and other receivables	24	**37,625**	46,805	**774,364**	560,360
Cash in hand and at bank	25	**80,028**	63,209	**4,919**	17,779
		192,470	181,555	**779,283**	578,139
Total assets		**4,168,859**	3,828,106	**2,594,328**	2,159,643
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	26	**131,053**	131,053	**(13,974)**	(13,974)
Retained earnings		**831,486**	698,873	**414,922**	67,770
Equity attributable to equity holders of the parent		**2,683,620**	2,551,007	**2,122,029**	1,774,877
Non controlling interests		**330,137**	325,787	**-**	-
Total equity		**3,013,757**	2,876,794	**2,122,029**	1,774,877
Non-current liabilities					
Lease liabilities	31	**73,803**	66,850	**1,900**	2,140
Deferred tax liability	12	**70,451**	62,261	**-**	-
Retirement benefit obligations	28	**3,590**	1,913	**-**	-
Borrowings	27	**786,349**	604,366	**408,672**	378,117
		934,193	735,390	**410,572**	380,257
Current liabilities					
Trade and other payables	29	**99,326**	112,791	**3,772**	2,937
Lease liabilities	31	**3,527**	2,473	**337**	337
Contract liabilities	29	**37,503**	37,176	**-**	-
Income tax payable	12	**9,566**	2,559	**1,414**	726
Borrowings	27	**14,783**	60,923	**-**	509
Bank overdraft	25	**56,204**	-	**56,204**	-
		220,909	215,922	**61,727**	4,509
Total equity and liabilities		**4,168,859**	3,828,106	**2,594,328**	2,159,643

These financial statements have been approved for issue by the Board of Directors on 15 December 2022 and signed on its behalf by:

Colin Taylor
Non-Executive Director and Chairman

Nicolas Vaudin
Executive Director and Managing Director

The notes on pages 72 to 121 form an integral part of these financial statements.
Independent Auditor's report on pages 62 -67

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2022

		GROUP		COMPANY	
	Notes	**2022**	2021	**2022**	2021
		Rs 000	Rs 000	**Rs 000**	Rs 000
Revenue					
Rental income		**234,497**	175,260	**2,140**	2,119
Recoveries		**42,761**	32,016	**-**	-
Other operating income		**10,065**	8,730	**-**	3
Total revenue	7(a)	**287,323**	216,006	**2,140**	2,122
Operating expenses	8	**(50,866)**	(43,592)	**(123)**	(54)
Net operational income		**236,457**	172,414	**2,017**	2,068
Investment and other income	7(b)	**-**	-	**375,000**	71,200
Administrative expenses	9	**(67,271)**	(59,960)	**(9,190)**	(7,281)
Reversal of impairment losses/ (Impairment losses)	24(b)	**3,947**	(4,516)	**(1,524)**	-
Operating profit		**173,133**	107,938	**366,303**	65,987
Profit/(loss) on disposal of investment properties		**28,943**	(4,319)	**-**	-
Other gains and losses	11	**1,275**	123,902	**428**	1,622
Share of results in associate	20	**(4,282)**	(2,834)	**-**	-
Profit before interest income and finance costs		**199,069**	224,687	**366,731**	67,609
Interest income	10(b)	**1,755**	962	**22,503**	15,256
Net finance income/(costs)	10(a)	**8,003**	(27,971)	**(13,782)**	(11,041)
Profit before tax		**208,827**	197,678	**375,452**	71,824
Income tax expense	12	**(28,616)**	(35,455)	**(1,079)**	(723)
Profit for the year		**180,211**	162,223	**374,373**	71,101
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Remeasurement of post employment benefit obligations, net of tax	28	**(702)**	(490)	**-**	-
Total comprehensive income		**179,509**	161,733	**374,373**	71,101
Attributable to:					
Equity holders of the parent		**172,200**	159,070		
Non-controlling interests		**7,309**	2,663		
Basic/diluted earnings per share (Rs)	13	**0.25**	0.23		

The notes on pages 72 to 121 form an integral part of these financial statements.
Independent Auditor's report on pages 62 -67

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2022

GROUP	Notes	Share capital	Retained earnings	Capital and other reserves	Total	Non controlling interests	Total equity
		Rs 000	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
At 1 October 2021		**1,721,081**	**698,873**	**131,053**	**2,551,007**	**325,787**	**2,876,794**
Profit for the year		-	172,588	-	172,588	7,623	180,211
Other comprehensive income for the year		-	(388)	-	(388)	(314)	(702)
Total comprehensive income for the year		-	172,200	-	172,200	7,309	179,509
Dividend	13(b)	-	(27,221)	-	(27,221)	-	(27,221)
Changes in ownership interest in subsidiaries that do not result in a loss of control		-	(12,366)	-	(12,366)	(2,959)	(15,325)
At 30 September 2022		**1,721,081**	**831,486**	**131,053**	**2,683,620**	**330,137**	**3,013,757**
At 1 October 2020	40	1,721,081	567,024	131,053	2,419,158	324,924	2,744,082
Profit for the year		-	159,354	-	159,354	2,869	162,223
Other comprehensive income for the year		-	(284)	-	(284)	(206)	(490)
Total comprehensive income for the year		-	159,070	-	159,070	2,663	161,733
Dividend	13(b)	-	(27,221)	-	(27,221)	(1,800)	(29,021)
At 30 September 2021		**1,721,081**	**698,873**	**131,053**	**2,551,007**	**325,787**	**2,876,794**

COMPANY	Notes	Share capital	Retained earnings	Capital and other reserves	Total
		Rs 000	**Rs 000**	**Rs 000**	**Rs 000**
At 1 October 2021		**1,721,081**	**67,770**	**(13,974)**	**1,774,877**
Profit for the year		**-**	**374,373**	**-**	**374,373**
Total comprehensive income for the year		**-**	**374,373**	**-**	**374,373**
Dividend	13(b)	**-**	**(27,221)**	**-**	**(27,221)**
At 30 September 2022		**1,721,081**	**414,922**	**(13,974)**	**2,122,029**
At 1 October 2020		1,721,081	24,225	-	1,745,306
Profit for the year		-	71,101	-	71,101
Total comprehensive income for the year		-	71,101	-	71,101
Dividend	13(b)	-	(27,221)	-	(27,221)
Amalgamation adjustment		-	(335)	(13,974)	(14,309)
At 30 September 2021		1,721,081	67,770	(13,974)	1,774,877

The notes on pages 72 to 121 form an integral part of these financial statements.
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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Operating activities		**Rs 000**	Rs 000	**Rs 000**	Rs 000
Profit before tax		**208,827**	197,678	**375,452**	71,824
Adjustments for:					
Provision for loss allowance	24(b)	**(3,947)**	4,516	**-**	-
Foreign exchange (gain)/loss		**(42,906)**	12,402		
Share of results in associate	20	**4,282**	2,834	**-**	-
Amortisation of intangible assets	19	**155**	119	**-**	-
Depreciation and write back	18	**5,083**	2,213	**-**	-
Dividend income	7(b)	**-**	-	**(375,000)**	(71,200)
Retirement benefit obligations		**975**	(126)	**-**	-
Interest income	10(b)	**(1,755)**	(962)	**(22,503)**	(15,256)
Interest expense		**34,903**	15,598	**15,306**	11,040
Investment properties written off	15	**-**	264	**-**	-
Other (gains) and losses	11	**(371)**	(123,603)	**428**	(1,622)
Movement in biological assets	11	**(904)**	(299)	**-**	-
Changes in working capital:					
Trade and other receivables		**6,003**	(10,622)	**(214,004)**	(33,202)
Trade and other payables		**(17,005)**	(25,120)	**978**	616
Cash generated from/(used in) operations		**193,340**	74,892	**(219,343)**	(37,800)
Income tax paid	12	**(5,663)**	(7,167)	**(391)**	(481)
Net cash generated from/(used in) operating activities		**187,677**	67,725	**(219,734)**	(38,281)
Investing activities					
Dividends received	7(b)	**-**	-	**375,000**	71,200
Loan granted	24	**-**	(24,436)	**(202,121)**	(24,436)
Interest received	10(b)	**-**	962	**22,503**	15,256
Addition to investment properties	15,16	**(121,578)**	(216,426)	**-**	(998)
Addition through asset acquisition	15	**(532,925)**	-	**-**	-
Expenditure on inventory properties	23	**(4,770)**	(8,580)	**-**	-
Purchase of property, plant and equipment	18	**(11,063)**	(15,210)	**-**	-
Purchase of intangible assets	19	**-**	(628)	**-**	-
Purchase of investment in subsidiary	21	**(15,325)**	-	**(31,990)**	-
Proceeds from disposal of investment properties	15	**341,847**	51,132	**-**	-
Proceeds from disposal of assets held for sale		**2,445**	9,300	**-**	-
Net cash (used in)/from investing activities		**(341,369)**	(203,886)	**163,392**	61,022
Financing activities					
Loan received net of repayment	33	**177,718**	561,499	**30,046**	378,626
Lease liabilities payment	33	**(6,121)**	(4,139)	**(338)**	(338)
Interest paid		**(30,384)**	(12,726)	**(15,209)**	(10,934)
Dividends paid to shareholders of company		**(27,221)**	(29,021)	**(27,221)**	(27,221)
Net cash generated from/(used in) financing activities		**113,992**	515,613	**(12,722)**	340,133
Net (decrease)/increase in cash and cash equivalents		**(39,700)**	379,452	**(69,064)**	362,874
Cash and cash equivalents at 1 October		**63,209**	(316,214)	**17,779**	(345,095)
Effect of foreign exchange rate changes		**315**	(29)	**-**	-
Cash and cash equivalents at 30 September	25	**23,824**	63,209	**(51,285)**	17,779

The notes on pages 72 to 121 form an integral part of these financial statements.
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1. CORPORATE INFORMATION

Lavastone Ltd 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 of the Group is to hold investment properties and its registered office is at 1st Floor, EDITH, 6 Edith Cavell Street, Port Louis..

2. ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The consolidated financial statements comprise the financial statements of Lavastone Ltd and its subsidiaries ("the Group") as at 30 September 2022.

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 Mauritian Companies Act 2001 and Mauritian Financial Reporting Act 2004.

The financial statements have been prepared on a historical cost basis, except that:

(i) investment property have been measured at fair value; and

(ii) consumable biological assets 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. Where necessary, comparative figures have been amended to conform with change in presentation in the current year.

2.2. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Lavastone Ltd and its subsidiaries as at 30 September 2022.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

2. ACCOUNTING POLICIES (CONTINUED)

2.2 BASIS OF CONSOLIDATION (CONTINUED)

Going concern

At 30 September 2022, the Group had net current liabilities of Rs 28,439,000 (2021: Rs 34,367,000). The Board of Directors made an assessment of the Group's ability to continue as a going concern in the foreseeable future. In the light of the above assessment, the Directors, having considered the adequacy of the Group's funding and operating cash flows for at least the next 12 months, are satisfied that the financial statements are prepared on a going concern basis based on the future operations of the Group.

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.

Where such acquisitions are not determined to be an acquisition of a business, they are not treated as business combinations. Rather, they are treated as an asset acquisition. In such cases, the Company ("acquirer") identifies and recognises the individual identifiable assets acquired and liabilities assumed. The Company does not recognise any goodwill in an asset acquisition transaction. Acquisition related cost are capitalised.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 an operating 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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment properties under development

Investment properties under development are assets that are being constructed or developed for future use as investment properties. Investment properties under development are measured at fair value through profit or loss. In the event that the fair value of an investment property under construction is not reliably determinable but can be reliably determinable when construction is completed, that investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed. When the investment property under development is completed, there is a transfer from investment properties under development to investment properties at fair value at the date of transfer. Any difference between the fair value at the date of transfer and it previous carrying amount is recognised in profit or loss.

(h) 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.

(i) Cash and cash equivalents

Cash in hand and at bank in the statement of financial position comprise cash at banks and on hand, bank overdraft 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.

(j) 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.

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:

Plant and Machinery and motor vehicles	3 to 5 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leases (Continued)

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. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term, 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. Accrued rental income is the aggregate difference between the scheduled rents which vary during the lease term and the income recognized on a straight-line basis.

(k) Rent receivables

Rent receivables are recognised at fair value and subsequently measured at amortised cost.

(l) 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 a straight-line basis over the lease term 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 IFRS 16. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Revenue recognition (continued)

ii) Revenue from services to tenants (continued)

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 completed inventory property

The Group enters into contracts with customers to sell properties. Inventory property relates to land parcels which are being developed by the Group. Revenue will be recognised at a point in time when development is completed, and the land parcels are delivered to clients.

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. For more information, please refer to note 5-significant accounting judgements, estimates and assumptions.

(m) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. Repair and maintenance costs are recognised in profit or loss as incurred. Depreciation is calculated on the straight-line method to write off the cost of assets to their residual values over their estimated useful lives as follows:

The annual rates used are:

Equipment	2% - 5%
Motor vehicles	10% - 25%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively, if appropriate, at the end of each reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal.

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

(n) Trade and other 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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

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:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Financial Assets (continued)

- The rights to receive cash flows from the asset 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 of financial assets

Impairment provision for expected credit losses of trade receivables and contract assets is recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process, the probability of the non-payment of trade receivables is assessed. This probability is then multiplied by the amount of expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables which is reported net, such provisions are recorded in a separate provision account with the loss being recognised within profit or loss. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those for which credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

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.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Group and Company determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated cash flows of the financial assets have occurred. Evidence that a financial asset is credit impaired includes the following observable data: significant financial difficulty of the debtor, a breach of contract such as a default or being past due the agreed credit term or it is probable that the debtor will enter bankruptcy or other financial reorganisation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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 net of directly attributable transaction costs.

Financial Liabilities (continued)

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.

(r) Share Capital

Ordinary Shares are classed as equity.

(s) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Investment in associates (continued)

The financial statements of the associate are prepared for the same reporting period as the Group. Where 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.

Separate financial statements

Investments in associate 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.

(t) 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.

(u) 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.

(v) 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. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Non-current assets held for sale and discontinued operations (continued)

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.

(w) 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 Workers' Rights Act 2019 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.

(x) Amalgamation reserve

Common control transactions fall outside the scope of IFRS 3 Business combinations because there is no change in control over the assets by the ultimate parent. As a result, the Company adopted accounting principles like the pooling-of-interest method based on the predecessor values. The assets, liabilities and reserves of the transferor company are recorded by the transferee company at their existing carrying amounts. The difference between the purchase consideration and the equity interest acquired is presented as a separate amalgamation reserve within equity.

(y) 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.

(z) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Amendments to published Standards effective in the reporting period

Interest Rate Benchmark Reform Phase 2

IFRS 4 Insurance Contracts: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. The amendment to IFRS 4 enables an insurer applying the temporary exemption from IFRS 9 to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the effective interest rate to reflect any change arising from the reform. The amendments have no impact on the Group's financial statements.

IFRS 7 Financial Instruments - Disclosures: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. The amendment to IFRS 7 requires a company to make additional disclosures in its financial statements so that investors can better understand the effects of IBOR reform on that company. The amendments have no impact on the Group's financial statements.

IFRS 9 Financial Instruments: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. The amendments to IFRS 9 enable a company to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the effective interest rate to reflect any change arising from the reform. The amendments to IFRS 9 enable (and require) companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the IBOR reform, by requiring companies to amend their hedging relationships to reflect:

- designating an alternative benchmark rate as the hedged risk; or
- changing the description of the hedged item, including the designated portion, or of the hedging instrument.

The amendments have no impact on the Group's financial statements.

IFRS 16 Leases: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. The amendment to IFRS 16 enables a company to apply a practical expedient to account for a lease modification required by the IBOR reform. The amendments have no impact on the Group's financial statements.

IFRS 16 Leases: Covid 19 related rent concessions: Effective June 1, 2021, further to IFRS 16 amendment to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic. The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendments have no impact on the Group's financial statements.

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2022 or later periods, but which the Group has not early adopted.

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

IFRS 1 First-time Adoption of International Financial Reporting Standards

Annual Improvements to IFRS Standards 2018-2021: Extension of an optional exemption permitting a subsidiary that becomes a first-time adopter after its parent to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. A similar election is available to an associate or joint venture.

IFRS 3 Business Combinations

Reference to the Conceptual Framework: The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

IFRS 9 Financial Instruments

Annual Improvements to IFRS Standards 2018-2021: The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

IAS 16 Property, Plant and Equipment

Property, Plant and Equipment: Proceeds before Intended Use: The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Onerous Contracts-Cost of Fulfilling a Contract: The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making.

IAS 41 Agriculture

Annual Improvements to IFRS Standards 2018-2021: The amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

Effective date January 1,2023

IFRS 17 Insurance contracts

IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. Insurance contracts are required to be measured based only on the obligations created by the contracts. An entity will be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums. This standard replaces IFRS 4-Insurance Contracts.

IAS 1 Presentation of Financial Statements

Classification of Liabilities as Current or Noncurrent: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.

Disclosure of Accounting Policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.

IAS 12 Income Taxes

Deferred Tax related to Assets and Liabilities arising from a Single Transaction: The amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations, by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Amendment for which effective date has been deferred indefinitely until further notice

IFRS 10 Consolidated Financial Statements:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

IAS 28 Investments in Associates and Joint Ventures:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The Directors anticipate that these amendments will be applied in the annual financial statements for the annual periods beginning on the respective dates as indicated above. The Directors are still evaluating the application and the potential impact of these amendments.

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 (e.g construction of significant leasehold improvements or significant customisation to the leased asset). Refer to note 31 for disclosure on the lease liabilities of the Group.

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. Refer to note 36 for disclosure on operating lease commitments of the Group as a lessor.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

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

Judgements (Continued)

Leases (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. Note 7(a) and Note 7(b) detail the Group's revenue and other income for the year.

Deferred taxation on investment property

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment property that is measured using the fair value model, the directors have reviewed the Company's investment property and have concluded that the Company's Investment property is held under a business model whose objective is to consume substantially all of the economic benefits embodies in the investment property over time, rather than through sale, hence rebutting the sale presumption. As a result, the Company has recognised deferred taxes on changes in fair value of the investment property.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

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

Judgements (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 15. Investment properties under development, Note 16.

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.

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. The Group's ECL provision is set out in Note 24.

Estimation of net realisable value for inventory properties

At year end, the Group holds inventory property with a carrying value of Rs 69,557,000 (2021: Rs 64,787,000). Inventory property, as set out in note 23, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

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

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.

(a) Market Risk

Market risk include foreign currency risk and interest rate risk.

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 following table demonstrate the sensitivity to a reasonably possible change in interest rates based on historical observation, with all other variables held constant, of the Group's and the Company's profit before tax.

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Net Exposure				
Increase of 0.5% in interest rates	**(4,006)**	(3,326)	**(1,736)**	1,736
Decrease of 0.5% in interest rates	**4,006**	3,326	**1,736**	1,736

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (Continued)

(a) Market Risk (Continued)

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.

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Financial Asset				
IN EUR				
Total financial asset	**30,799**	6,366	**3,744**	66
IN USD				
Total financial asset	**21,515**	11,165	**-**	-
Financial Liabilities				
IN EUR				
Total financial liabilities	**453,905**	283,108	**-**	-

Sensitivity analysis on financial assets and financial liabilities at end of period. To note that the 0.5% sensitivity analysis has been based on historical observations.

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Net Exposure				
Increase of 0.5% in EUR/MUR exchange rate	**(2,115)**	(13,881)	**19**	3
Decrease of 0.5% in EUR/MUR exchange rate	**2,115**	13,881	**(19)**	(3)
Increase of 0.5% in USD/MUR exchange rate	**108**	13,653	**-**	-
Decrease of 0.5% in USD/MUR exchange rate	**(108)**	(13,653)	**-**	-

(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 Group'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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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.

According to IFRS 9, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Group has rebutted this presumption due to the availability of reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due. At 30 September 2022, the impairment losses on trade receivables was Rs 3,730,000 (2021: Rs 7,677,000). The impairment losses reflect the increase in credit risk on the financial assets of the Group since initial recognition. 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 23,824,000 (2021: Rs 63,209,000) for the Group and Rs (51,285,000) (2021: 17,779,000) for the Company. Cash at banks are held with reputable financial institutions.

(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 that fall due. The Group aims at maintaining flexibility in funding by keeping committed credit lines available and monitors its cash flow though forecasting tools.

The Group's/Company'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 Group's and Company's financial liabilities is:

	GROUP		COMPANY	
	Sep-22	Sep-21	**Sep-22**	Sep-21
	Rs 000	Rs 000	**Rs 000**	Rs 000
Trade and other payables				
On demand	**99,326**	112,791	**3,772**	2,937
Borrowings				
3 to 12 months	**14,783**	60,923	**-**	509
Between 1 to 5 years	**786,349**	604,366	**408,672**	378,117
Lease liabilities				
Current	**3,527**	2,473	**337**	337
Non Current	**73,803**	66,850	**1,900**	2,140
	977,788	847,403	**414,681**	384,040

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Capital management

The primary objective of the Group's capital management is to maximise shareholders' value. The Group 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 Group 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 Group's approach to capital management during the year.

	GROUP		COMPANY	
	Sep-22	Sep-21	**Sep-22**	Sep-21
	Rs 000	Rs 000	**Rs 000**	Rs 000
Borrowings (note 27)	**801,132**	665,289	**408,672**	378,626
Lease liabilities (note 31)	**77,330**	69,323	**2,237**	2,477
Less: cash and cash equivalents (note 25)	**(23,824)**	(63,209)	**51,285**	(17,779)
Total borrowings net of cash	**854,638**	671,403	**462,194**	363,324
Total Equity	**3,013,757**	2,876,794	**2,122,029**	1,774,877
Debt to equity ratio	**28.40%**	23.34%	**21.80%**	20.47%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

7. REVENUE AND OTHER INCOME

(a) Total revenue

	GROUP		COMPANY	
	30-Sep-22	30-Sep-21	**30-Sep-22**	30-Sep-21
	Rs 000	Rs 000	**Rs 000**	Rs 000
Rental income and recoveries	**277,258**	207,276	**2,140**	2,119
Other operating income	**10,065**	8,730	**-**	3
	287,323	216,006	**2,140**	2,122

Disaggregation of revenue from contract with customers

	GROUP		COMPANY	
	30-Sep-22	30-Sep-21	**30-Sep-22**	30-Sep-21
Over time:	**Rs 000**	Rs 000	**Rs 000**	Rs 000
Other operating income	**10,065**	8,730	**-**	3
Recoveries	**42,761**	32,016	**-**	-
Revenue from contracts with customers	**52,826**	40,746	**-**	3
Total revenue from contracts with customers	**52,826**	40,746	**-**	3

The period of leases whereby the Group leases out its properties under operating lease is more than 1 year. Revenue is recognised over the life of the operating leases. Refer to note 35 for minimum lease rentals receivable under non-cancellable operating lease.

Other operating income pertains to other expenses such as water and electricity recharged to tenants. These expenses form part of the lease contract with the tenants. Revenue from contract with customers occur over time.

(b) Other Income

	GROUP		COMPANY	
	30-Sep-22	30-Sep-21	**30-Sep-22**	30-Sep-21
	Rs 000	Rs 000	**Rs 000**	Rs 000
Dividend income	**-**	-	**375,000**	71,200
	-	-	**375,000**	71,200

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

8. OPERATING EXPENSES

	GROUP		COMPANY	
	30-Sep-22	30-Sep-21	**30-Sep-22**	30-Sep-21
	Rs 000	Rs 000	**Rs 000**	Rs 000
Direct operating expenses				
Property and centre management fees	**1,157**	-	**-**	-
Syndic fees	**7,950**	7,955	**-**	-
Security fees	**8,701**	8,606	**-**	-
Utilities	**8,397**	7,668	**-**	-
Repairs and maintenance	**11,913**	10,173	**-**	-
	38,118	34,402	**-**	-
Indirect operating expenses				
Depreciation (Note 18)	**4,903**	2,800	**-**	-
Amortisation of intangible assets (Note 19)	**155**	119	**-**	-
Rent (Note 31)	**1,775**	1,569	**-**	-
Taxes and licences	**1,762**	1,635	**123**	54
Others	**4,153**	3,067	**-**	-
	12,748	9,190	**123**	54
Total operating expenses	**50,866**	43,592	**123**	54

"Others" consist primarily of insurance costs.

	GROUP		COMPANY	
	30-Sep-22	30-Sep-21	**30-Sep-22**	30-Sep-21
	Rs 000	Rs 000	**Rs 000**	Rs 000
Operating expenses segregated as:				
Expenses arising from investment property that generate rental income	**47,839**	41,264	**-**	-
Expenses arising from investment property that did not generate rental income	**3,027**	2,328	**123**	54
	50,866	43,592	**123**	54

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

9. ADMINISTRATIVE EXPENSES

	GROUP		COMPANY	
	30-Sep-22	30-Sep-21	**30-Sep-22**	30-Sep-21
	Rs 000	Rs 000	**Rs 000**	Rs 000
Legal and professional fees	**6,058**	4,747	**2,640**	1,959
Marketing fees	**3,694**	1,287	**-**	15
Staff costs	**46,282**	42,744	**2,333**	2,157
IT expenses	**1,872**	1,125	**34**	29
Others	**9,365**	10,057	**4,183**	3,121
	67,271	59,960	**9,190**	7,281

Included in staff costs is an amount of Rs 2.97m (2021: Rs 3.28m) pertaining to contribution towards a defined contribution plan managed by Rogers Pension Fund.

10. (a) NET FINANCE INCOME/(COST)

	GROUP		COMPANY	
	30-Sep-22	30-Sep-21	**30-Sep-22**	30-Sep-21
	Rs 000	Rs 000	**Rs 000**	Rs 000
Interest on bank loans and overdrafts	**(30,384)**	(12,726)	**(15,209)**	(10,934)
Effect of exchange difference	**42,906**	(12,373)	**1,963**	-
Interest on lease liabilities	**(4,519)**	(2,872)	**(97)**	(107)
Interest expense on loan from holding company	**-**	-	**(439)**	-
Net finance income/(cost)	**8,003**	(27,971)	**(13,782)**	(11,041)

10. (b) NET FINANCE INCOME/(COST)

	GROUP		COMPANY	
	30-Sep-22	30-Sep-21	**30-Sep-22**	30-Sep-21
	Rs 000	Rs 000	**Rs 000**	Rs 000
Finance income	**1,755**	962	**22,503**	15,256
Total interest income	**1,755**	962	**22,503**	15,256

11. OTHER GAINS AND LOSSES

	GROUP		COMPANY	
	30-Sep-22	30-Sep-21	**30-Sep-22**	30-Sep-21
	Rs 000	Rs 000	**Rs 000**	Rs 000
(Decrease)/Increase in fair value of investment properties	**(16,938)**	105,876	**428**	1,622
Effect of straight lining	**17,309**	16,349	**-**	-
Increase in fair value of biological assets	**904**	299	**-**	-
Gain on deemed disposal of shares in associate	**-**	1,378	**-**	-
	1,275	123,902	**428**	1,622

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

12. INCOME TAX

	GROUP		COMPANY	
	30-Sep-22	30-Sep-21	**30-Sep-22**	30-Sep-21
	Rs 000	Rs 000	**Rs 000**	Rs 000
(a) Income tax expense				
Income tax charge/(credit) on the adjusted profit/(loss) for the year at 15% (2021: 15%)	**17,959**	12,373	**952**	638
Overprovision of income tax in previous years	**543**	(487)	**-**	-
Deferred tax (d)	**8,190**	22,738	**-**	-
Under/(Over) provision of deferred tax in previous years	**-**	345	**-**	-
Corporate Social responsibility tax (2%)	**1,924**	486	**127**	85
	28,616	35,455	**1,079**	723

(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-22	30-Sep-21	**30-Sep-22**	30-Sep-21
	Rs 000	Rs 000	**Rs 000**	Rs 000
Profit before tax	**208,827**	197,678	**375,452**	71,824
Tax calculated at a rate of 15% (2021: 15%)	**31,324**	29,652	**56,318**	10,774
Corporate Social responsibility adjustment	**4,177**	3,954	**7,509**	1,436
Income not subject to tax*	**(10,368)**	(22,928)	**(66,951)**	(14,512)
Expenses not deductible for tax purposes**	**5,090**	19,974	**4,203**	3,025
Overprovision in previous years	**543**	(487)	**-**	-
Under/(Over)provision of deferred tax in previous years	**-**	345	**-**	-
Deferred tax not recognised	**(2,150)**	4,946	**-**	-
	28,616	35,455	**1,079**	723

* Income not subject to tax purpose comprise of dividend income from companies incorporated in mauritius and also includes the partial exemption on interest income.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

12. INCOME TAX (CONTINUED)

(c) Current tax liabilities

	GROUP		COMPANY	
	30-Sep-22	30-Sep-21	**30-Sep-22**	30-Sep-21
	Rs 000	Rs 000	**Rs 000**	Rs 000
At 1 October	**2,559**	4,068	**726**	484
Charge during the year	**17,959**	12,373	**952**	638
Paid during the year	**(5,663)**	(7,167)	**(237)**	(26)
Overprovision in previous year	**(89)**	(487)	**-**	-
Tax deducted at source	**(7,124)**	(6,714)	**(154)**	(455)
Corporate social responsibility	**1,924**	486	**127**	85
At 30 September	**9,566**	2,559	**1,414**	726

(d) Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method at 17% (2021: 17%).

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

Deferred tax liability/(asset)	**Tax losses**	**Fair value gains**	**Accelerated tax depreciation**	**Total**
	Rs 000	**Rs 000**	**Rs 000**	**Rs 000**
At 1 October 2020	(6,950)	9,001	37,127	39,178
Charged to profit or loss	1,694	20,019	4,164	25,877
Credited to other comprehensive income	-	(2,794)	-	(2,794)
At 1 October 2021	(5,256)	26,226	41,291	62,261
(Credited)/charged to profit or loss	**(1,064)**	**4,701**	**4,358**	**7,995**
Charged to other comprehensive income	**-**	**195**	**-**	**195**
At 30 September 2022	**(6,320)**	**31,122**	**45,649**	**70,451**

Unused tax losses of the Group that have not been recognised as deferred tax asset amounted to Rs 40.3m (2021: Rs 73.4m). Deferred tax asset has not been recognised in respect of these losses due to the unpredictability of future profit streams to utilise these losses. Deferrred tax liability arose on the investment properties.

	GROUP	
	30-Sep-22	30-Sep-21
	Rs 000	Rs 000
2022	**-**	15,023
2023	**-**	15,313
2024	**5,813**	13,664
2025	**7,522**	13,559
2026	**7,051**	15,846
2027	**19,924**	-
	40,310	73,405

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

13. (a) EARNINGS PER SHARE

	GROUP	
	30-Sep-22	30-Sep-21
	Rs 000	Rs 000
Profit attributable to equity shareholder (Rs 000)	**172,200**	159,070
Weighted average number of ordinary shares	**680,523,310**	680,523,310
	Rs	Rs
Basic/diluted earnings per share (Rs)	**0.25**	0.23

13. (b) DIVIDEND

	GROUP AND COMPANY	
	30-Sep-22	30-Sep-21
	Rs 000	Rs 000
Dividend paid	**27,221**	29,021
Interim dividend per share (Rs)	**0.02**	0.02
Final dividend per share (Rs)	**0.02**	0.02

14. 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.

30 September 22	**Core Business**	**Residential development**	**TOTAL**
	Rs'000	**Rs'000**	**Rs'000**
Revenue	**287,323**	**-**	**287,323**
Cost and others			
Property operating expenses	**(50,866)**	**-**	**(50,866)**
Other gains and losses	**(19,035)**	**20,310**	**1,275**
Share of results in associates	**(4,282)**	**-**	**(4,282)**
Profit on disposal of investment properties	**28,943**	**-**	**28,943**
Segment profit	**242,083**	**20,310**	**262,393**
Administrative expenses	**(66,205)**	**(1,066)**	**(67,271)**
Reversal of impairment losses	**3,947**	**-**	**3,947**
Net finance income/(cost)	**9,291**	**(1,288)**	**8,003**
Finance income	**1,755**	**-**	**1,755**
Profit before tax	**190,871**	**17,956**	**208,827**
Income tax charge	**(28,616)**	**-**	**(28,616)**
Profit for the year	**162,255**	**17,956**	**180,211**
Assets			
Non-current assets	**3,976,390**	**-**	**3,976,390**
Inventory property	**-**	**69,557**	**69,557**
Other assets	**122,912**	**-**	**122,912**
Total assets	**4,099,302**	**69,557**	**4,168,859**
Segment liabilities			
Loans and borrowings	**801,132**	**-**	**801,132**
Current liabilities	**111,725**	**56,898**	**168,623**
Contract liabilities	**-**	**37,503**	**37,503**
Other non-current liabilities	**147,844**	**-**	**147,844**
Total liabilities	**1,060,701**	**94,401**	**1,155,102**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

14. SEGMENTAL REPORTING (CONTINUED)

30 September 21	**Core Business**	**Residential development**	**TOTAL**
	Rs'000	**Rs'000**	**Rs'000**
Revenue	216,006	-	216,006
Cost and others			
Property operating expenses	(43,592)	-	(43,592)
Other gains and losses	106,662	17,240	123,902
Share of results in associates	(2,834)	-	(2,834)
Profit on disposal of investment properties	233	(4,552)	(4,319)
Segment profit	276,475	12,688	289,163
Administrative expenses	(59,096)	(864)	(59,960)
Impairment losses	(4,516)	-	(4,516)
Finance income	962	-	962
Finance costs	(26,274)	(1,697)	(27,971)
Profit before tax	187,551	10,127	197,678
Income tax charge	(35,455)	-	(35,455)
Profit for the year	152,096	10,127	162,223
Assets			
Non-current assets	3,646,551	-	3,646,551
Inventory property	-	64,787	64,787
Other assets	116,768	-	116,768
Total assets	3,763,319	64,787	3,828,106
Segment liabilities			
Loans and borrowings	665,289	-	665,289
Current liabilities	117,823	-	117,823
Contract liabilities	-	37,176	37,176
Other non-current liabilities	131,024	-	131,024
Total liabilities	914,136	37,176	951,312

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

15. INVESTMENT PROPERTIES

	GROUP		COMPANY	
	30-Sep-22	30-Sep-21	**30-Sep-22**	30-Sep-21
	Rs 000	Rs 000	**Rs 000**	Rs 000
At 1 October	**2,899,451**	2,827,753	**177,835**	175,215
Right of use assets (Note 30)	**15,740**	-	**-**	-
Additions	**61,047**	3,462		998
Acquisition through asset acquisition	**532,925**	-	**-**	-
Disposals	**(341,847)**	(51,132)	**-**	-
Reclassification from/(to) investment property under development (Note 16)	**505,115**	(2,116)	**-**	-
Transfer to plant, property and equipment	**-**	(127)	**-**	-
Write off	**-**	(264)	**-**	-
Transfer to inventory properties	**-**	(350)	**-**	-
Straight lining accrued rental income	**17,309**	16,349	**-**	-
(Decrease)/increase in fair value	**(16,938)**	105,876	**(570)**	1,622
At 30 September	**3,672,802**	2,899,451	**177,265**	177,835

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 past, management had earmarked some plot of land on which it shall develop residential unit for sale. The land was not ready for sale immediately and has been classified as inventory properties as set out in Note 23.

During the year, the Group acquired 100% of shares of BH Property Investments Ltd where the main asset is Absa House. The final purchase consideration was Rs 207.3m. The Company reckons among its assets, immovable property valued at Rs 513.7m and leasehold rights valued at Rs16.3m. Based on its judgement, management deemed this transaction to be an asset acquisition (note 3(a)).

Valuation method

(a) The Group's investment properties are accounted for at their fair value based on a valuation done during the year by CDDS Land Surveyors and Property Valuer, 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.

Details of the Group's investment properties are as follows:

	30-Sep-22	30-Sep-21
	Rs 000	Rs 000
Land & building	**2,362,453**	1,502,949
Land	**1,242,670**	1,336,705
Right of Use Asset	**67,679**	59,797
	3,672,802	2,899,451

Valuation techniques

The different methods used are:

i) Market comparison approach
ii) Depreciated replacement cost approach and
iii) Discount cash flow method (DCF method).

b) For properties with development potential, the market comparison approach. The comparative method of valuation involves the assessment of the space based on comparison of sales of office, retail and commercial spaces within the building in close proximity to the property, adjusted to reflect its characteristics, condition, floor and size.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

15. INVESTMENT PROPERTIES (CONTINUED)

Main inputs used in the valuation of the properties

	2022	2021
	Rs	Rs
Land (Price per square metre)	**104-43,000**	77-43,000
Buildings (Price per square metre)	**13,000-68,000**	13,000-68,000

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. The most significant inputs into the valuation approach is the price per metre square and the rental income per square metre respectively.

The fair value of land is classified in level 2 of the fair value hierarchy as it has been valued using observable market data but there is no active market while the fair value of buildings is classified in level 3 of the fair value hierarchy as it has been valued by management using the DCF technique. There were no transfers made between hierarchy levels.

The movements in the opening balance and closing balance of the investment properties categorised within level 2 and level 3 of the fair value hierarchy during the year are as follows:

GROUP	2022		
	Level 2	**Level 3**	**Total**
	Rs 000	Rs 000	Rs 000
At 1 October	**1,361,954**	**1,537,497**	**2,899,451**
Additions	**-**	**856,688**	**856,688**
Disposal	**(66,399)**	**-**	**(66,399)**
Fair value movement	**27,530**	**(44,468)**	**(16,938)**
At 30 September	**1,323,084**	**2,349,718**	**3,672,802**

	2021		
	Level 2	**Level 3**	**Total**
	Rs 000	Rs 000	Rs 000
At 1 October	1,380,642	1,447,111	2,827,753
Disposal	(34,308)	130	(34,178)
Fair value movement	15,620	90,256	105,876
At 30 September	**1,361,954**	**1,537,497**	**2,899,451**

COMPANY	Level 2	
	30-Sep-22	30-Sep-21
	Rs 000	Rs 000
At 1 October	**177,835**	175,215
Additions	**-**	998
Fair value movement	**(570)**	1,622
At 30 September	**177,265**	177,835

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022

15. INVESTMENT PROPERTIES (CONTINUED)

Sensitivity analysis on Investment Properties at End of Period

	GROUP		COMPANY	
	30-Sep-22	30-Sep-21	**30-Sep-22**	30-Sep-21
Increase due to 0.5% decrease in discount rate	**30,820**	33,100	**900**	800
Decrease due to 0.5% increase in discount rate	**(30,820)**	33,100	**(900)**	(800)

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

Reversionary rate	7.5% - 9.5%
Discount rate	9.0%-13.0%
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.

Rental income from the investment properties amounted to Rs 234,497,000 (2021 Rs 175,260,000) for the Group and Rs 2,140,000 (2021 Rs 2,119,000) for the Company (Note 7(a)).

16. INVESTMENT PROPERTY UNDER DEVELOPMENT

	GROUP	
	30-Sep-22	30-Sep-21
	Rs 000	Rs 000
At 1 October	**551,301**	336,221
Capital expenditure	**60,531**	207,252
Capitalised interest	**-**	5,712
Transfer (to)/from investment property (Note 15)	**(505,115)**	2,116
At 30 September	**106,717**	551,301

The investment property under development has been maintained at cost and will be carried to fair value following the full completion of project since its fair value could not be reliably measured for partial completion of the project.The cost has been determined by external quantity surveyor. At reporting date, management determined the cost to approximates fair value given that its fair value could not be reliably determined at partial completion of the project. The investment property under development is classified as level 3 under the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022

17. NET INVESTMENT IN LEASE

	GROUP	
	30-Sep-22	30-Sep-21
	Rs 000	Rs 000
At 1 October	**7,409**	7,793
Repaid	**(425)**	(384)
At 30 September	**6,984**	7,409

Maturity analysis of lease payments	GROUP	
	30-Sep-22	30-Sep-21
	Rs 000	Rs 000
Within one year	**681**	634
After one year but not more than five years	**3,011**	2,684
More than 5 years	**3,292**	4,091
	6,984	7,409

18. PLANT, PROPERTY AND EQUIPMENT

	Equipment	Motor vehicles		Total
		Right of use	Own	
GROUP	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Cost				
At 1 October 2020	**1,438**	**1,651**	**1,083**	**4,172**
Transfers	127	-	-	127
Additions	14,860	1,507	350	16,717
At 1 October 2021	**16,425**	**3,158**	**1,433**	**21,016**
Additions	2,007	8,999	57	11,063
At 30 September 2022	**18,432**	**12,157**	**1,490**	**32,079**
Depreciation				
At 1 October 2020	**1,300**	**275**	**129**	**1,705**
Written back	(587)	-	-	(587)
Charge for the year	1,873	632	295	2,800
At 1 October 2021	**2,586**	**907**	**424**	**3,917**
Charge for the year	2,555	1,585	942	5,083
At 30 September 2022	**5,141**	**2,492**	**1,367**	**9,000**
Net Book Value as at 30 September 2022	**13,291**	**9,665**	**123**	**23,079**
Net Book Value as at 30 September 2021	13,839	2,251	1,009	17,099

Depreciation charge has been charged in direct operating expenses and has been recognised as part of Profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

19. INTANGIBLE ASSETS

	Computer software
GROUP	**Rs 000**
Cost	
At 1 October 2020	1,375
Additions	628
At 30 September 2021	2,003
Additions	-
At 30 September 2022	**2,003**
Amortisation	
At 1 October 2020	1,303
Charge for the year	119
At 30 September 2021	1,422
Charge for the year	**155**
At 30 September 2022	**1,577**
Net Book Value as at 30 September 2022	**426**
Net Book Value as at 30 September 2021	581

20. INVESTMENT IN ASSOCIATE

	GROUP		COMPANY	
	30-Sep-22	30-Sep-21	**30-Sep-22**	30-Sep-21
	Rs 000	Rs 000	**Rs 000**	Rs 000
At 1 October	**146,908**	148,364	**150,000**	19,990
Additions	**-**	-	**-**	130,010
Share of results in associate	**(4,282)**	(2,834)	**-**	-
Gain on deemed disposal	**-**	1,378	**-**	-
At 30 September	**142,626**	146,908	**150,000**	150,000

Details of investment in associate

Investment	Country of incorporation	Activity	Class of shares held	**30-Sep-22** Proportion of ownership interest	30-Sep-21 Proportion of ownership interest
Victoria Station Ltd	**Mauritius**	**Property**	**Ordinary Shares**	**29.01%**	29.01%

The directors believe that investment 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 and its reporting date is 30 June.

For the purposes of applying the equity method of accounting, the financial statements of Victoria Station Ltd for the year ended 30 June 2022 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 30 September 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

20. INVESTMENT IN ASSOCIATE (CONTINUED)

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

	30-Sep-22	30-Sep-21
	Rs 000	Rs 000
Current assets	**62,747**	34,846
Non current assets	**1,970,141**	1,278,013
Current liabilities	**(24,731)**	(11,463)
Non current liabilities	**(1,516,514)**	(794,992)
Proportion of Group's ownership	**142,626**	146,908
Equity attributable to other shareholders	**349,018**	359,496
Loss for the period	**(14,760)**	(9,769)
Group's share of loss for the period of the associated company	**(4,282)**	(2,834)
Group's share of loss for previous period for the associated company	**-**	-
Group's total share of loss in associate	**(4,282)**	(2,834)

Dividend income from the associates for the reporting period is Nil.

21. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	30-Sep-22	30-Sep-21
	Rs 000	Rs 000
At 1 October	**1,229,233**	1,128,613
Amalgamation adjustment	**-**	(14,109)
Additions	**31,990**	114,729
At 30 September	**1,261,223**	1,229,233

Investment in subsidiaries were assessed for impairment at 30 September 2022. Since the recoverable amount of each investment was higher than their carrying amount, no impairment loss was recorded.

Details of investment in subsidiaries

Investment	Activity	Class of shares held	Stated Capital Rs000	**30-Sep-22** Indirect proportion of ownership interest	30-Sep-21 Indirect proportion of ownership interest
*Plato Holdings Ltd (Note 1)	Property	Ordinary	10	**N/A**	100%
Le Morne Development Corporation Ltd	Property	Ordinary	47,025	**29.0%**	29.0%
Pier9 Ltd	Property	Ordinary	1	**54.82%**	54.82%
La Jetee Ltd	Property	Ordinary	1	**54.82%**	54.82%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

21. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Investment	Activity	Class of shares held	Stated Capital Rs000	Direct proportion of ownership interest 30-Sep-22	30-Sep-21
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%
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	**31.00%**	31.00%
South West Safari Group Ltd	Property	Ordinary	321,354	**54.82%**	54.82%
Compagnie Valome Ltee	Property	Ordinary	-	**100%**	100%
**BH Property Investments Ltd	Property	Ordinary	0.1	**100%**	-
Lavastone Services Ltd (formerly Lochiel Property Services Ltd)	Property and Facility Management	Ordinary	275	**100%**	55%

All the subsidiaries listed above are incorporated in Mauritius.

*Note 1: Plato Holdings Ltd has been amalgamated into Lavastone Properties Ltd during the year.

**Note 2: During the year, Lavastone Ltd acquired 100 ordinary shares in BH Property Investments Limited

The Group structure is set out on Page 48 of the annual report.

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-22
Le Morne Development Corporation Ltd ("LMDC")	Mauritius	71%
South West Safari Group Ltd ("SWSG")	Mauritius	45%

	30-Sep-22
Accumulated balances of material non-controling interest	Rs 000
Le Morne Development Corporation Ltd ("LMDC")	(121,875)
South West Safari Group Ltd ("SWSG")	(193,493)
Profit/(loss) allocated to material non-controlling interest	
Le Morne Development Corporation Ltd ("LMDC")	384
South West Safari Group Ltd ("SWSG")	5,267

No dividend was paid to non-controlling interest for this financial year (2021: Rs 1.8m)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

21. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised statement of profit or loss for 2022:

	SWSG	LMDC
	Rs 000	Rs 000
Revenue	785	1,551
Cost of sales	(716)	(156)
Administrative	(4,406)	(862)
Other gains and losses	21,214	7
Finance cost	(5,219)	-
Profit before tax	11,658	540
Income tax	-	-
Profit for the year from continuing operations	11,658	540
Total comprehensive income	11,658	540
Attributable to non-controlling interests	5,267	384

Summarised statement of financial position as at 30 September 2022:

	SWSG	LMDC
	Rs 000	Rs 000
Total assets	567,076	326,699
Total liabilities	(138,898)	(2,112)
Total equity	428,177	324,587
Attributable to:		
Equity holders of parent	-	94,130
Non-controlling interest	428,177	230,457

Summarised cashflow information for the year ended 30 September 2022

	SWSG	LMDC
	Rs 000	Rs 000
Operating	(8,807)	457
Financing	13,139	(1,000)
Investing	(3,866)	-
Net increase/(decrease) in cash	466	(543)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

22. CONSUMABLE BIOLOGICAL ASSETS

	GROUP	
	30-Sep-22	30-Sep-21
	Rs 000	Rs 000
At 1 October	3,675	3,376
Transfer to cost of sales	(1,819)	(1,638)
Profit arising from changes in fair value	2,723	1,937
At 30 September	4,579	3,675

The Group has leased hunting grounds together with livestock to a third party. The livestocks have been classified as consumable biological assets. 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.

An Increase/(decrease) in the following significant inputs would result in significantly higher/lower fair value as follows:

	Valuation technique	Significant input	Sensitivity
Livestock	Income approach	Price of deer (Rs200/kg)	5% increase in the price of deer would lead to an increase in fair value of Rs228,960
		Average weight (34kgs)	5% increase in weight would increase the fair value by Rs228,960

23. INVENTORY PROPERTIES

	GROUP	
	30-Sep-22	30-Sep-21
	Rs 000	Rs 000
At 1 October	64,787	55,857
Development costs	4,770	8,580
Transfer of land cost from investment property	-	350
At 30 September	69,557	64,787

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 upon receipt of the relevant permits from the authorities.

Deposits received from customers in respect of the land parcelling projects amount to Rs 37.2 m (2021 - Rs 37.2m).

During the year, no write down was identified.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

24. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	30-Sep-22	30-Sep-21	30-Sep-22	30-Sep-21
	Rs 000	Rs 000	Rs 000	Rs 000
Trade and other receivables analysed as follows:				
Current				
Trade receivables	5,000	10,439	-	-
Amount owed by related parties	2,738	1,277	773,021	555,435
Prepayments	4,949	1,917	560	542
Income tax deducted at source receivable	2,510	431	133	157
Other receivables	22,428	32,741	650	4,226
	37,625	46,805	774,364	560,360
Non-current				
Loan receivable from related party	24,436	24,436	226,557	24,436

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.

Amount owed by related parties was assessed for impairment under the expected credit losses model and no impairment was recognised.

The loan receivable carries interest at 6.0% ,is unsecured and is repayable in November 2023. The loan receivable from related party was assessed for impairment under the expected credit losses model and no impairment loss has been recognised at year end. The carrying amount of the loan receivable approximates its fair value.

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

	GROUP	
	30-Sep-22	30-Sep-21
	Rs 000	Rs 000
Current - Neither past due nor impaired	766	7,036
1 to 3 months - Past due but not impaired	4,063	2,282
Over 3 months - Past due but not impaired	171	1,121
	5,000	10,439

(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.

Impairment losses

	GROUP	
	30-Sep-22	30-Sep-21
At 1 October	7,677	3,161
(Reversal of Impairment)/Impairment losses during the year	(3,947)	4,516
At 30 September	3,730	7,677

Impairment losses as at 30 September 2022 was Rs 3,730,000 and was deducted against the trade receivables balance as at 30 September 2022. The impairment losses of Rs 3,730,000 (2021: Rs 7,677,000) relates to trade receivables that were over 3 months past due both at 30 September 2022 and 30 September 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

25. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	30-Sep-22	30-Sep-21	**30-Sep-22**	30-Sep-21
	Rs 000	Rs 000	**Rs 000**	Rs 000
Cash in hand and at bank	**80,028**	63,209	**4,919**	17,779
Bank overdraft (note 27)	**(56,204)**	-	**(56,204)**	-
	23,824	63,209	**(51,285)**	17,779

The principal non-cash transactions during the year relate to the addition of investment in subsidiaries which were acquired through the capitalisation of current accounts with the subsidiaries.

26. (a) SHARE CAPITAL

GROUP AND COMPANY	30-Sep-22		30-Sep-21	
	Number of shares	**Rs 000**	Number of shares	Rs 000
Authorised, issued and fully paid ordinary share capital of no par value				
At 1 October	**680,523,310**	**1,721,081**	680,523,310	1,721,081
At 30 September	**680,523,310**	**1,721,081**	680,523,310	1,721,081

The rights attaching to the ordinary shares are as follows:

(a) Income: each holder of ordinary shares shall have the right to an equal share in dividends and other distributions made by the Company;

(b) Capital and surplus: each holder of ordinary shares shall have the right to an equal share in the repayment of the capital and the surplus assets of the Company upon liquidation; and

(c) Voting: each holder of the ordinary shares shall have the right to vote at meetings of Shareholders and on a poll to cast one (1) vote for each ordinary share held.

(b) CAPITAL RESERVES

	GROUP		COMPANY	
	30-Sep-22	30-Sep-21	**30-Sep-22**	30-Sep-21
	Rs 000	Rs 000	**Rs 000**	Rs 000
At 1 October	**131,053**	131,053	**(13,974)**	-
Amalgamation	**-**	-	**-**	(13,974)
At 30 September	**131,053**	131,053	**(13,974)**	(13,974)

In 2021, SWTD Bis Ltd, a 100% subsidiary of Lavastone Ltd, was amalgamated with Lavastone Ltd. An amalgamation reserve, arising from a difference between the carrying amount of the investment in Lavastone Ltd and the share capital of the subsidiary, was carried forward. The reserve is non-distributable.

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. Capital reserves arose from the restructuring and are non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

27. BORROWINGS

	GROUP		COMPANY	
	30-Sep-22	30-Sep-21	**30-Sep-22**	30-Sep-21
	Rs 000	Rs 000	**Rs 000**	Rs 000
Current				
Bank notes	**-**	509	**-**	509
Bank loan	**14,783**	60,414	**-**	-
	14,783	60,923	**-**	509
Non-current				
Bank notes	**347,228**	346,673	**347,228**	346,673
	439,121	257,693	**61,444**	-
	-	-	**-**	31,444
	786,349	604,366	**408,672**	378,117
Total borrowings	**801,132**	665,289	**408,672**	378,626

During the financial year, no drawdown was made out of the bilateral notes programme of Rs 1.5bn (2021: Rs 358m).

During the financial year, an additional EUR 1.4m was drawn out of the facility of EUR 8m (2021: EUR 5.7m) to finance the construction of a hotel in Belle Mare.

Moerover, the Group has also drawn facilities of EUR3.3m for the purchase of Absa House.

The fixed and floating charges covering the facilities are

1. First rank floating charge over all assets for an amount of Rs 1.5 bn in principal
2. First rank fixed charge on leased land and floating charge amounting to EUR 8m on all assets

The carrying amount of the long term notes and loans approximates their fair values. The rate of interest of the bank loan ranges from 2.35% to 4.25% (2021: 2.35%) and the rate of interest of the bank note as at 30 September 2022 is 4.25% (2021: 3.10%). The interest on the bank note is at a floating rate. The loan due to related party was repaid during the year. The repayment dates of borrowings are disclosed within Note 6.

28. RETIREMENT BENEFIT OBLIGATIONS

	GROUP	
	30-Sep-22	30-Sep-21
Reconciliation of net defined benefit liability	**Rs 000**	Rs 000
At 1 October	**1,913**	1,550
Amount recognised in the profit & loss	**982**	197
Amount recognised in OCI	**702**	490
Less employer contributions	**(7)**	(6)
Transfer to related party	**-**	(318)
At 30 September	**3,590**	1,913
Reconciliation of present value of defined benefit obligation		
At 1 October	**1,913**	1,550
Current service cost	**263**	160
Employer contributions	**2**	(6)
Past service cost	**622**	-
Interest expense	**102**	37
Liability experience (gain)/loss	**157**	106
Return on plan assets excluding interest income	**(7)**	(13)
Liability (gain)/loss due to change in financial assumptions	**538**	397
Transfer to related party	**-**	(318)
At 30 September	**3,590**	1,913

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

28. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	GROUP	
	30-Sep-22	30-Sep-21
Components of amount recognised in P&L	**Rs 000**	Rs 000
Current service cost	**263**	160
Past service cost	**622**	-
Net Interest on net defined benefit liability	**97**	37
	982	197
Components of amount recognised in OCI		
Liability experience loss	**157**	106
Return on plan assets (above)/below interest income	**7**	(13)
Liability loss due to change in financial assumptions	**538**	397
Total	**702**	490
Principal Assumptions used at End of Period		
Discount rate	**5.2%-5.4%**	4.7%-4.8%
Rate of salary increases	**3.8%-4.1%**	3.3%-3.6%
Rate of pension increases	**2.0%**	1.0%
Average retirement age (ARA)	**60-65**	60-65
Average life expectancy for:		
Male at ARA	**15.9-17.4 years**	15.9-19.5 years
Female at ARA	**18.3-20.0 years**	20.0-24.2 years
Sensitivity analysis on Defined Benefit Obligation at End of Period		
Increase due to 1% decrease in discount rate	**629**	478
Decrease due to 1% increase in discount rate	**533**	290

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. An increase/ decrease of 1% in other principal actuarial assumptions would not have a material impact on defined benefit obligations at the end of the reporting period. The 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 4,868,000 as at 30 September 2022. 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. The plan exposes the Company to normal risks as detailed below associated with defined benefit pension plans:

Investment risk: the plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on the plan assets is below this rate, it will create a plan deficit and if it is higher it will create a surplus;

Interest risk: a decrease in the bond interest rate will increase the plan liability;

Longevity risk: the plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment; and

Salary risk: the plan liability is caculated by reference to the future projected salaries of plan participants.

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

The allocation of plan assets at the end of the reporting period for each category are as follows:

	GROUP	
	30-Sep-22	30-Sep-21
	%	%
Equity- Overseas quoted	**17**	19
Equity: Local Quoted	**61**	54
Debt Overseas unquoted	**19**	23
Cash and Other	**3**	4
	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

29. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	30-Sep-22	30-Sep-21	**30-Sep-22**	30-Sep-21
	Rs 000	Rs 000	**Rs 000**	Rs 000
Trade payables	**3,089**	12,082	**460**	957
Deposits	**38,069**	18,032	**-**	-
Accruals	**32,225**	65,904	**2,713**	1,818
Amount owed to related parties	**-**	-	**484**	45
Other payables	**25,943**	16,773	**115**	117
	99,326	112,791	**3,772**	2,937

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.

CONTRACT LIABILITIES	GROUP	
	30-Sep-22	30-Sep-21
	Rs 000	Rs 000
Contract liabilities-customer deposits	**37,503**	37,176

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.

30. RIGHT OF USE ASSETS

	Land and buildings	Plant machinery and motor vehicles	Total
GROUP	**Rs 000**	**Rs 000**	**Rs 000**
At 1 October 2020	67,273	1,376	68,649
Addition	-	1,505	1,505
Amortisation	-	(330)	(330)
Fair value movement	(733)	-	(733)
At 1 October 2021	**66,540**	**2,551**	**69,091**
Amortisation	**-**	**(1,885)**	**(1,885)**
Addition	**15,740**	**8,999**	**24,739**
Fair value movement	**(14,601)**	**-**	**(14,601)**
At 30 September 2022	**67,679**	**9,665**	**77,344**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

30. RIGHT OF USE ASSETS (CONTINUED)

	Land and buildings	Plant machinery and motor vechicles	Total
COMPANY	**Rs 000**	**Rs 000**	**Rs 000**
At 1 October 2020	2,765	-	2,765
Amortisation	-	-	-
At 1 October 2021	**2,765**	**-**	**2,765**
Amortisation	**-**	**-**	-
At 30 September	**2,765**	**-**	**2,765**

As per IFRS 16, right of use for land and buildings has been classified under Note 15 Investment Properties

31. LEASE LIABILITIES

GROUP

	Land and buildings	Plant machinery and motor vechicles	Total
	Rs 000	**Rs 000**	**Rs 000**
At 1 October 2020	67,273	1,781	69,054
Addition	-	1,507	1,507
Interest expense	2,751	150	2,901
Lease payments	(3,484)	(655)	(4,139)
At 1 October 2021	**66,540**	**2,783**	**69,323**
Addition	**2,332**	**8,613**	**10,945**
Interest expense	**2,822**	**361**	**3,183**
Lease payments	**(4,015)**	**(2,106)**	**(6,121)**
At 30 September 2022	**67,679**	**9,651**	**77,330**

COMPANY

	Land and buildings	Total
	Rs 000	**Rs 000**
At 1 October 2020	**2,709**	**2,709**
Interest expense	106	106
Lease payments	(338)	(338)
At 1 October 2021	**2,477**	**2,477**
Interest expense	98	98
Lease payments	(338)	(338)
At 30 September 2022	**2,237**	**2,237**

GROUP

	30-Sep-22	30-Sep-21
	Rs 000	Rs 000
Current	**3,527**	2,473
Non current	**73,803**	66,850
	77,330	69,323

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

31. LEASE LIABILITIES (CONTINUED)

COMPANY

	30-Sep-22	30-Sep-21
	Rs 000	Rs 000
Current	**337**	337
Non current	**1,900**	2,140
	2,237	2,477

(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 2022, Rs 70.8m (2021: Rs 66.5m) 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%

(d) In 2022, Rs 1.8m has been expensed as operating expenses under rent from short term lease (2021: Rs 1.6m). Please refer to Note 8 Operating expenses.

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 to related party
30-Sep-22	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Associate	**-**	**7,385**	**-**	**-**	**2,738**	**-**	**24,436**
Companies with common shareholders	**4,751**	**599**	**(120)**	**(1,861)**	**24,436**	**-**	**-**

30-Sep-21	Rental income	Other income	Management & Secretarial fees payable	Other services	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
Associate	**938**	**-**	**-**	**-**	**1,277**	**-**	**24,436**
Companies with common shareholders	**21,012**	**5,990**	**(120)**	**(2,137)**	**-**	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

32. RELATED PARTY DISCLOSURES (CONTINUED)

KEY MANAGEMENT PERSONNEL

THE GROUP	30-Sep-22	30-Sep-21
	Rs000	Rs000
Short-term employee benefit	14,840	15,300
Post-employment benefit	851	919
	15,691	16,219

The remuneration benefits of the executive director for the year amounts to Rs 10.0m of the Group's key management personnel remuneration.

THE COMPANY	30-Sep-22	30-Sep-21
	Rs000	Rs000
Short-term employee benefit	2,257	2,180
Post-employment benefit	-	-
	2,257	2,180

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-22							
Subsidiaries	375,000	2,140	21,043	(440)	773,021	(484)	226,557
30-Sep-21							
Subsidiaries	71,200	2,119	14,619	(78)	555,435	(45)	24,436

(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 2022, 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 2022

33. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

GROUP	1 October 2021	New lease	Cash inflows	Cash outflows	Other movement	At 30 September 2022
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Borrowings	665,289	-	228,732	(51,014)	(41,875)	801,132
Lease liabilities	69,323	14,128	-	(6,121)	-	77,330
	734,612	14,128	228,732	(57,135)	(41,875)	878,462

	1 October 2020	New lease	Cash inflows	Cash outflows	Other movement	At 30 September 2021
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Borrowings	91,417	-	561,499	-	12,373	665,289
Lease liabilities	68,134	1,507	-	(4,139)	3,820	69,322
	159,551	1,507	561,499	(4,139)	16,193	734,611

COMPANY	1 October 2021	New lease	Cash inflows	Cash outflows	Other movement	At 30 September 2022
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Borrowings (excluding bank overdraft)	378,626	-	30,046	-	-	408,672
Lease liabilities	2,476	-	-	(338)	99	2,237
	381,102	-	30,046	(338)	99	410,909

	1 October 2020	New lease	Cash inflows	Cash outflows	Other movement	At 30 September 2021
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Borrowings	-	-	378,626	-	-	378,626
Lease liabilities	2,709	-	-	(338)	105	2,476
	2,709	-	378,626	(338)	105	381,102

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

34. ULTIMATE HOLDING COMPANY

The ultimate holding company is Kingston Asset Management Ltd which controls more than 50% of the rights attached to the voting shares of Lavastone Ltd.

35. 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-22**	30-Sep-21
	Rs 000	Rs 000
Within one year	**215,999**	214,064
After one year but not more than five years	**847,308**	813,188
More than five years	**544,280**	487,869
	1,607,587	1,515,121

36. CAPITAL COMMITMENTS

The Group entered into contractual commitments amounting to Rs 189M for ongoing development projects. During the year, Lavastone Properties Ltd acted as a guarantor following the secured Notes Programme which its parent company, Lavastone Ltd, entered into with the Mauritius Commercial Bank Ltd.

37. GOING CONCERN

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.

On February 24, 2022, Russian Federation launched a full-scale invasion into the Ukraine sovereign state. The potential impacts from the emerging Ukraine and Russian conflict remain uncertain, including but not limited to, on global economic conditions, asset valuations, interest rate expectations and exchange rates. The degree to which these impact on the Group largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets. The directors have made an assessment of the key potential impacts arising from the Russia-Ukraine war and have concluded that no material impact is expected on the Group and its going concern ability.

Based on the above, the directors concluded that the going concern assumptions is appropriate in the preparation of the financial statements for the year ended September 30, 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

38 FINANCIAL REVIEW

	30-Sep-22	30-Sep-21
	Rs'M	Rs'M
GROUP		
Share capital	**1,721.1**	1,721.1
Reserves	**962.5**	829.9
Equity attributable to shareholders of the parent	**2,683.6**	2,551.0
Assets	**4,168.9**	3,828.1
Liabilities	**1,155.1**	951.3
Revenue	**287.3**	216.0
Profit before taxation	**208.8**	197.7
Income tax expense	**(28.6)**	(35.5)
Profit for the year	**180.2**	162.2
Dividend	**(27.2)**	(27.2)

	30-Sep-22	30-Sep-21
	Rs	Rs
Basic net assets value per share	**3.94**	3.75
Basic earnings per share	**0.25**	0.24
Dividend per share	**0.06**	0.04

	30-Sep-22	30-Sep-21
	Rs'M	Rs'M
COMPANY		
Share capital	**1,721.1**	1,721.1
Reserves	**400.9**	53.8
Equity attributable to shareholders of the parent	**2,122.0**	1,774.9
Assets	**2,594.3**	2,159.6
Liabilities	**472.3**	384.8
Profit before taxation	**375.5**	71.8
Income tax expense	**(1.1)**	(0.7)
Profit for the year	**374.4**	71.1
Dividend	**(27.2)**	(27.2)

	30-Sep-22	30-Sep-21
	Rs	Rs
Basic net assets value per share	**3.12**	2.61
Basic earnings per share	**0.55**	0.10
Dividend per share	**0.06**	0.04

NOTES

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Lavastone Properties

1st floor, EDITH
6 Edith Cavell Street
Port Louis, 11302, Mauritius

T. (230) 213 7695
F. (230) 214 1589
www.lavastone.mu