



Associated Commercial Company Ltd

annual report 2022

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Corporate Information

DIRECTORATE

CHAIRMAN

SWALEH RAMJANE FCIS MCIT

DIRECTORS

M YACOOB RAMTOOLA FCA

M S E HAJI ADAM FCCA

MASSOOD A RAMTOOLA

SECRETARY

M YACOOB RAMTOOLA FCA

AUDITOR

DUNCAN MORRIS
SUITE 207, 2ND FLOOR NG TOWER
EBENE

REGISTERED OFFICE

C/o UNITED BUS SERVICE LTD
LES CASSIS PORT LOUIS

BANKS

SBM BANKS (MAURITIUS) LTD
1 QUEEN ELIZABETH II AVENUE
PORT LOUIS

THE MAURITIUS COMMERCIAL BANK LIMITED
9 - 15 SIR WILLIAM NEWTON STREET
PORT LOUIS

ABSA BANK (MAURITIUS) LIMITED
ABSA HOUSE,
68 WALL STREET CYBERCITY 72201
MAURITIUS

Chairman's Review

On behalf of the Board, I am pleased to submit the annual report of Associated Commercial Co Ltd for the year ended 30 June 2022.

The company has achieved a much better performance as compared to 2021 with both an increase in turnover and profitability levels. The line of business recently started namely automotive batteries and lubricants are performing well and we expect an increase in sales in 2023. The company's business strategy remains the same and we are fully confident that profit levels will be much better in 2023.

I would like to take this opportunity to express my appreciation to the Board for their guidance, the management and employees of the company for their dedication and hard work.

I am also thankful to our shareholders for their ongoing support to the company's mission, values and objectives.



Swaleh Ramjane *FCIS MCIT*
Chairman

28th September 2022

Board of Directors

Profile of the Board of Directors of ACC Ltd

Mr Swaleh Ramjane FCIS MCIT (Chairman)

- **Skills and experience**

Mr. Swaleh Ramjane is a fellow of the Chartered Institute of Secretaries and Administrators and a member of the Chartered Institute of Transport; he has a wide experience in transport, commerce and industry.

- **Other current appointments:**

Director of United Bus Service Ltd, Mauritius Secondary Industries Ltd, Lintrabis Investment Co Ltd, UBS Transport Ltd and Orland Ltd

Mr Yacoob Ramtoola FCA

- **Skills and experience**

Mr. Yacoob Ramtoola is a fellow of the Institute of Chartered Accountants and has a wide experience in audit and advisory business

- **Other current appointments:**

Director of United Bus Service Ltd, Mauritius Secondary Industries Ltd, Lintrabis Investment Co Ltd, UBS Transport Ltd and Orland Ltd.

Mr M S E Haji Adam FCCA

- **Skills and experience**

Mr. M S E Haji Adam is a fellow of the Institute of Chartered and Certified Accountants. He had a career in audit and accountancy before joining the company in 2001. He is currently the CEO of the Company.

- **Other current appointments:**

Director of United Bus Service Ltd, Mauritius Secondary Industries Ltd, Lintrabis Investment Co Ltd, UBS Transport Ltd and Orland Ltd.

Mr Massood A Ramtoola

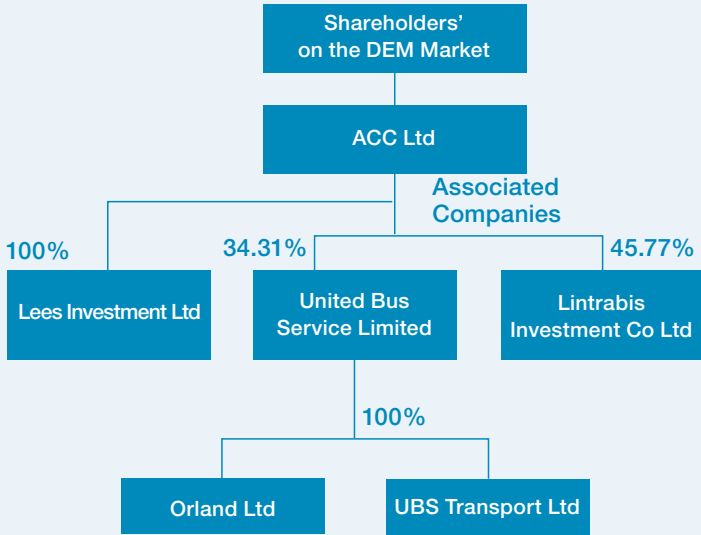
- **Skills and experience**

Mr. Massood A Ramtoola is an experienced businessman; he is the manager of H A Ramtoola and Sons and is the Director of the Company since 1986

- **Other current appointments:**

Director of United Bus Service Ltd, Mauritius Secondary Industries Ltd.

Group Structure

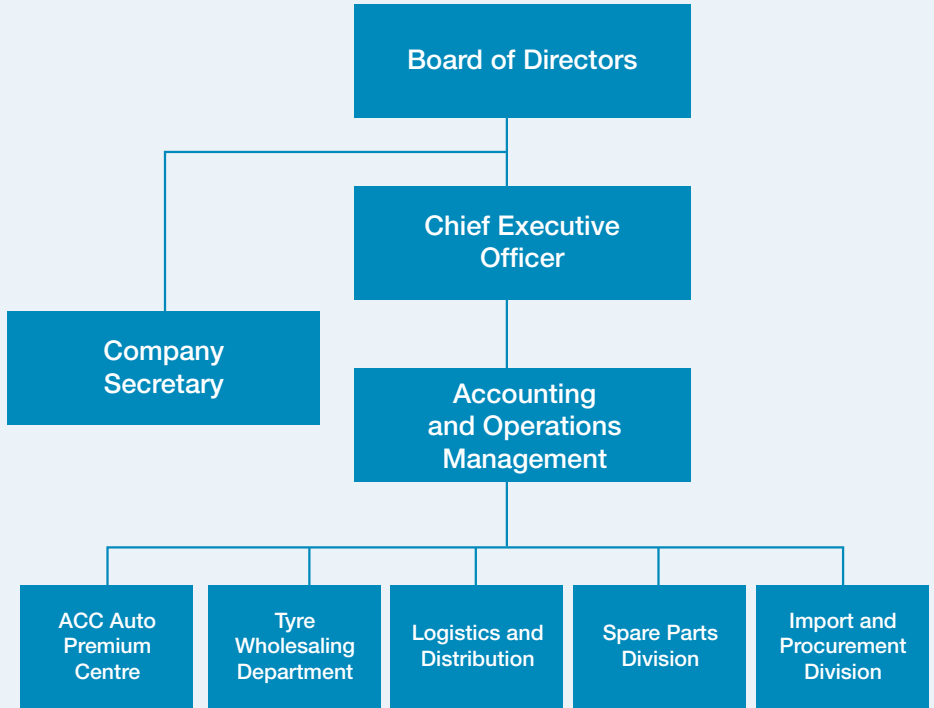


Common Directorships

The below table indicates the Directors common to the Associated Commercial Co Ltd and its associated companies:

Directors	ACC Ltd	UBS Limited	UBS Transport Ltd	Orland Ltd	Lintrabis Ltd
Swaleh Ramjane	✓	✓	✓	✓	✓
M Yacoob Ramtoola	✓	✓	✓	✓	✓
M S E Haji Adam	✓	✓	✓	✓	✓
Massood Ramtoola	✓	✓	-	-	-

Group Organigram



Corporate Governance Report

Introduction

Associated Commercial Co Ltd (“ACC Ltd”) is a public limited company incorporated in 1964 and qualifies as a public interest entity as defined under the Financial Reporting Act 2004. The Board of Directors has the responsibility of managing, leading and having full control over the activities of the Company and is committed to achieving high standards of corporate governance.

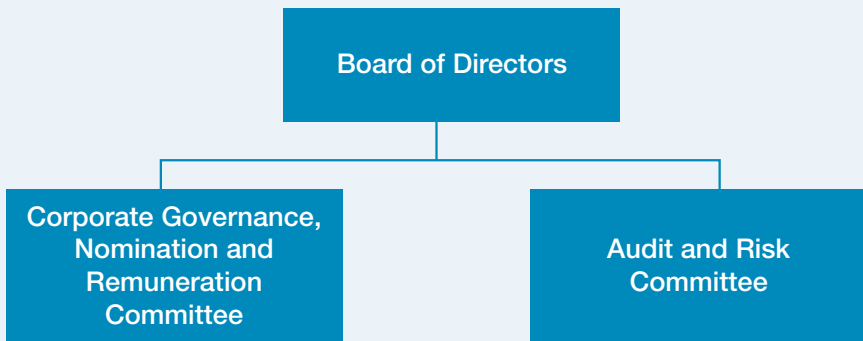
The Company is listed on the Development and Enterprise Market (‘DEM’) of the stock exchange of Mauritius and is registered with the FSC as a reporting issuer. It is a commercial company that trades in tyres and motor vehicle spare parts. It is the authorized dealer for TOYO tires from Japan.

The report outlines the Company’s corporate governance framework under the National Code of Corporate Governance (“the code”) and provides example as needed how the principles have been applied.

The Board of ACC Ltd considers that it has applied in all material respects, the principles of the code throughout the financial reporting period from 1 July 2021 to 30 June 2022.

Principle 1: Governance Structure

The board serves as the focal point and custodian of corporate governance in the organization. The Directors recognize that good governance can create shareholder value by enhancing long-term equity performance. While the board is unwavering in its adherence with legislation, regulation, codes and guidelines, the Company’s commitment to good governance goes beyond a commitment to comply with standards. Each Director is appointed with the understanding of the amount of time and care that they will have to devote to the Board and the organization.



Corporate Governance Report

Principle 1: Governance Structure (Cont'd)

Key Governance documents

Code of ethics

ACC Ltd commits itself to the highest standards in the conduct of its activities on a daily basis. It consists of general principles regarding relations with stakeholders which defines the reference values guiding the Company in carrying out its activities. Among the aforesaid principles, specific mention is made of the following: honesty, impartiality, confidentiality, the creation of value for shareholders, the value of human resources, the transparency and completeness of information, service quality and the protection of the environment.

The Company is in the process of preparing the code of ethics in line with the recommendations of the Code of Corporate Governance, the finalization and publication of same has been delayed due to the COVID 19 pandemic same is expected to be ready in the financial year 2022/2023.

Once ready it will be published on the company's website.

Board charter

The board is of the view that the Company's constitution, the Mauritius Companies Act 2001 and rules and regulations which apply to the Company are sufficiently detailed and elaborate to serve as benchmark and terms of reference. However, if the need arises in the future the Company shall work towards the implementation of a board charter.

The Chairman ensures that each Director understands his role, responsibilities and the authority of the board of Directors both individually and collectively in setting the direction, the management and the control of the organization. He also ensures that the Directors promote efficiency, transparency and ethical functioning within the Company.

General organization structure of the company

The general organization structure of the company is on page 6.

Key Governance Responsibilities

The Board has taken particular note of the following key governance positions that are critical to the Board's performance against its strategy and achievement.

Corporate Governance Report

Principle 1: Governance Structure (Cont'd)

Key Governance Positions

Chairman of the Board

The Chairman is responsible for the leadership of the board; and in particular, he will:

- Ensure effective operation of the board and its committees in conformity with the highest standards of corporate governance
- Ensure communication with shareholders
- Ensure all committees are properly established
- Plan the schedule of meetings and agenda
- Coordinate with the Company secretary and ensure the board receives information on a timely basis
- Call for special meetings whenever needed
- Establish a harmonious and open relationship with the CEO and other Senior staff

Mr. Swaleh Ramjane FCIS MCIT is the Chairman of the board, and a brief profile is provided on page 4.

Chief Executive Officer

The Board is responsible for the appointment of the Chief Executive Officer. The authority of the board that is conferred to management through the CEO, so that authority and accountability of management is considered to be the authority and accountability of the CEO in so far as the board is concerned.

The key responsibilities of the CEO is as follows:

- Formulating and successfully implementing Company policy
- Directing strategy towards the profitable growth and operation of the Company
- Developing strategic operating plans that reflect the long term objectives and priorities established by the board
- Maintaining an ongoing dialogue with the Chair of the board
- Putting in place adequate operational planning and financial control systems
- Closely monitoring the operating and financial results against plans and budgets
- Take remedial action where necessary and inform the board of significant changes
- Maintaining operational performance of the Company
- Assuming full accountability to the board for all the Company's operations
- Building and maintaining an effective executive team

Mr. Muhammad S E Haji Adam is the CEO of ACC Ltd and a brief profile is found on page 4.

Corporate Governance Report

Principle 1: Governance Structure (Cont'd)

Chairman of the Corporate Governance, Nomination and Remuneration Committee

The Chairman of the Corporate Governance, Nomination and Remuneration committee works with close collaboration and provides support and advice to the Chairman of the board. He has the following responsibilities:

- Providing guidance to the board on aspects of corporate governance and for recommending the adoption of policies and best practices
- He has to ensure that no Directors are disqualified from holding office
- Determine and develop general policies as regards to executive and senior management remuneration

Website

The Company's website is already operational, and the following information is already available:

- Annual report
- Quarterly accounts
- Share price information
- Financial highlights etc

The below information will also be available on the Company's website soon:

- The Company's constitution
- The Code of ethics
- Job descriptions
- Organization chart
- Statement of major accountabilities

Principle 2: The Structure of the Board and its Committees

The Board of Directors of ACC Ltd represents the shareholders' interests and is collectively responsible for the long-term success of the Company, its reputation and governance. The board is responsible to all its shareholders and to its stakeholders for leading and controlling the organization and meeting all legal and regulatory requirements and is also accountable for determining that the Company is managed in a way to achieve its objectives.

The board of ACC Ltd is a unitary board and was at 30 June 2022 made up of 4 members. The Chairperson Mr. Swaleh Ramjane by definition of the Code of Corporate Governance does not meet the criteria of being an independent chairperson. However, the board can have according to the code its own definition of independence. Consequently, It is entirely satisfied that the chairperson is independent in both character and judgement and he has a wide experience and contributes in strategic issues etc.

Corporate Governance Report

Principle 2: The Structure of the Board and its Committees (Cont'd)

Mr. Muhammad Haji Adam is the only executive director of the Company. The board is of opinion that given the operations of the Company are properly structured and non-complex, the appointment of a second executive director at this stage is not warranted.

For the period ended 30 June 2022, both Yacoob Ramtoola and Massood A Ramtoola have been considered as independent even though they have served on the board for several years from the date of their first election. The board is of opinion that these directors have been able to develop over time, insights and knowledge in the Company's business and are therefore able to provide a valuable contribution to the board. The board takes the view that independence cannot be merely determined solely and arbitrarily on the basis of time. A director's contribution in terms of experience, expertise, objectivity, and independent judgement in engaging and challenging the management in the interests of the company as he performs his duties are the yard sticks to be used to measure his independence irrespective of the years they have been appointed as directors.

After having taken into account all these attributes and taking into account that they have discharged their duties by exercising sound independent business judgement in the interest of the Company the board has therefore considered Messers Yacoob Ramtoola and Massood A Ramtoola as independent directors.

The board after having taken into account the size of the operations of the Company, the spread of operations, the extent of activities which are subject to regulations and the multiplicity of activities is satisfied that its size is sufficient for the management of the affairs of the Company.

Mr Yacoob Ramtoola is the Company Secretary.

The profile of the board members is on page 4.

Powers of the board

The role and responsibilities of the Board of Directors is as per the Company's constitution in compliance of the Mauritius Companies Act 2001 and as per the listing rules of the Stock Exchange of Mauritius. The board also follows the principle of good governance as recommended by the NCCG.

Board meetings

The board normally meets 6 times during the year and special meetings are convened when deemed necessary; the board met 6 times for the financial year ended 30 June 2022.

Corporate Governance Report

Principle 2: The Structure of the Board and its Committees (Cont'd)

Board attendance

	Board	Corporate Governance, Nomination and Remuneration Committee	Audit Committee
Yacoob Ramtoola	6/6	1/1	2/2
Swaleh Ramjane	6/6	1/1	2/2
M Haji Adam	6/6	-	-
Massood Ramtoola	6/6	1/1	2/2

Conflicts of interest and related party transactions

Whenever there is an actual or potential conflict of interest, the director concerned is not present at the part of the meeting in which the conflict of interest is discussed and therefore does not debate or vote on the matter.

Related party transactions are disclosed in note 21 of the notes to the financial statements and are at arm's length and in the normal course of business.

Committees of the board

In order to fulfill its obligations the Board has set up the following sub-committees to assist the Board in discharging its responsibilities; non-executive Directors of the company chair both committees.

The committees are as follows:

- Corporate Governance, Nomination and Remuneration Committee; and
- Audit and Risk Committee

Corporate Governance, Nomination and Remuneration Committee

Composition and purpose

The members of the Corporate Governance, Nomination and Remuneration Committee are as follows:

- Mr Swaleh Ramjane (Chairman)
- Mr Yacoob Ramtoola
- Mr Massood Ramtoola

The committee consists of 3 members and met one time during the year under review. An independent non-executive Director chairs the committee.

Corporate Governance Report

Principle 2: The Structure of the Board and its Committees (Cont'd)

Corporate Governance, Nomination and Remuneration Committee (Cont'd)

The main duties of the committee are as follows:

- Providing guidance to the Board on aspects of Corporate Governance and for recommending the adoption of policies and best practices
- Ensure that no Director is disqualified from holding office
- Ascertain that the right balance of skills, expertise and independence is maintained
- Pay particular attention to potential conflicts of interest and other ethical problems that may arise
- Review the independence of the independent members of the board
- Determine, develop and agree on the Company general policy with respect to executive and senior management remuneration

Audit and risk committee

Composition and purpose

The members of the audit and risk committee are as follows:

Mr Yacoob Ramtoola (Chairman)
Mr Swaleh Ramjane
Mr Massood Ramtoola

The audit and risk committee is the cornerstone of the Company's system of internal control and risk management.

The committee consists of 3 non-executive members of the Company and they have met two times during the year under review.

The roles and responsibilities of the committee is set out below:

Auditors and external audit

- Consider and make appointment to the Board for the appointment, reappointment and removal of external auditors
- Evaluate the performance of external auditors
- Discuss with the external auditors the audit plans, nature and scope of work
- Meet with external auditors at least once yearly and discuss about their audit findings

Financial reporting and internal control

- Review the reliability of the quarterly, half yearly and yearly financial statements prior to their submission to the Board for approval
- Assess the impact of significant accounting and reporting issues and evaluate their impact on the financial statements

Corporate Governance Report

Principle 2: The Structure of the Board and its Committees (Cont'd)

Financial reporting and internal control (Cont'd)

- Meet with executive of the company and the external auditors for discussion of the Company's accounts and results for the audit
- Review the internal control systems and procedures in order to assist the Board of Directors

Internal control function

The Directors of the Company are responsible for maintaining a sound system of internal control. They believe that the managerial and supervisory control put in place are sufficient to protect the Company's income and assets. Hence, it is the responsibility of the members of the audit and risk committee to ensure that the Directors of the Company maintain a sound system of internal control in place.

The members of the audit committee confirms that each and every sitting of the committee they have reviewed the critical components of the internal controls of the Company:

- They have reviewed the systems established to ensure compliance with those policies, plans and procedures, laws and regulations which could have a significant impact on operations and reports and whether the organization is in compliance
- They have reviewed and ensured that the safeguarding of assets is appropriate
- They have reviewed and appraised the economy and efficiency with which resources are employed
- They have also reviewed the operations or programs to ascertain whether results are consistent with established objectives and goals and whether operations are carried out as planned

Currently, the non-executive Chairman of the Board chairs the audit and risk committee. However, given that Committees are only a mechanism to assist the Board in the performance of its duties and ultimate responsibility and accountability still rests with the Board, we believe that the Chairman of the committee has the expertise and experience needed to carry out the duties as required by the NCCG. Further, we believe the Chairman is independent in both character and judgement and demonstrate objectivity in the conduct of the proceedings of the committee.

Annual effectiveness review

The committees confirm that they have discharged their responsibilities for the year under review and it has met the key objectives. However, since the Company has not yet adopted a board charter the committees performance could not be assessed against the board charter.

Corporate Governance Report

Principle 2: The Structure of the Board and its Committees (Cont'd)

Balance and diversity

The Board of ACC Ltd believes that based on its size and its operations, it possesses the right balance. The current Directors possess the appropriate skills, knowledge, independence and experience to enable them to perform their duties. Further, the board is of the view that its current size and composition allows it to meet its business requirements. As regards to the gender balance, the board is working towards achieving same.

All the Directors of the Company are resident Directors.

Principle 3: Director Appointment Procedures

Appointment

The Board is required from time to time, depending on the requirements to fill vacancies that arises in the organization, the following need to be considered prior to the appointment of a new Director onto the board:

- Competence
- Character
- Diligence
- Honesty
- Integrity
- Judgement
- Independence
- Previous experience
- Conflict of interest
- Benefits of diversity, including gender

A transparent procedure is in place before the appointment of a new Director.

It is incumbent to the Corporate Governance, Nomination and Remuneration Committee to review proposals for the appointment as Directors and then make recommendations to the Board. The approval of the Board is required for each appointment and same needs to be put forward to the shareholders at the AGM by way of ordinary resolution for approval.

On appointment to the Board and its Committees, Directors receive a complete induction from the Company Secretary; in addition, new Directors are invited to meet members of the management team in order to rapidly acquire a comprehensive view of the Company's operations, risks and strategy.

A newly elected Director is also requested to sign an appointment letter that clearly highlights his responsibilities etc.

Corporate Governance Report

Principle 3: Director Appointment Procedures (Cont'd)

Appointment (Cont'd)

During the year under review, the Company has not appointed any new Directors as they are of the view that the current composition of the Board is adequate and sufficient for the Company's scale of operations.

Re-election of Directors

The NCCG do provide for Directors to be elected (or re-elected) as the case applies every year at the AGM of shareholders. However, the board does not consider the recommendation within the context of the company as the shareholders are adequately represented on the Board. In addition, the constitution of the company does not make any provision for such practices.

The Board also believes that given the nature of the business, reasonable time should be allowed for a Director to understand/ be accustomed with the business. However, re-election of Directors over the age of 70 years is in compliance with Section 138 (B) of the Mauritius Companies Act 2001.

Professional development

Directors are encouraged to keep themselves up to date with the latest workplace trends, professional practices, and professional development.

Succession planning

The Board of ACC Ltd recognizes the importance of succession planning to provide for continuity in the smooth functioning of the company. There are certain positions in the company that are key to the proper functioning and future growth, and it is critical to fill up such positions well in time to avoid any leadership gap. The Company has therefore put in place a policy on succession planning for the board and senior management.

The Corporate Governance, Nomination and Remuneration Committee shall oversee the succession planning and shall from time to time make recommendations to the board. The objectives of the succession planning are outlined as per below:

- To identify and nominate suitable candidates for the Board's approval to fill the vacancies which arises in the Board of the company from time to time
- To identify the competency requirements of critical and key positions, assess potential candidates and develop required competency through planned development and learning initiatives
- To ensure the systematic and long term development of individuals in the senior management level to replace when the need arises due to death, disabilities, retirements and unexpected occurrence

Corporate Governance Report

Principle 3: Director Appointment Procedures (Cont'd)

Applicability of the policy

The policy shall be applicable for succession planning for the following personnel:

- Chairman
- CEO
- Company Secretary
- Any other positions within the Company at the discretion of the Board of Directors

Principle 4: Directors' Duties, Remuneration and Performance

Legal duties

All Directors owe their fiduciary duty to the company for which they act and all Directors are fully apprised of their responsibilities.

The Directors are required to:

- To act in good faith: at all times, a Director must act in good faith for the overall interests of the Company.
- Exercise reasonable care and skill: a Director must act to exercise reasonable level of care as any prudent person would in the circumstances and on the facts known to him. The required level of knowledge expertise and skill may vary between the Directors be they for instance executive and non-executive. They may rely partially on others when acting collectively for their skills and knowledge in reaching a Board decision.
- Exercise their powers as a Director for a proper purpose: the Director should not abuse any of their executive power to ensure their own position. At all times they should act in good faith for the interest of the Company as a whole.
- Conflict of interest and duties: At all times the Director must declare any potential conflicts of interest. He must not take on any new position that may endanger his existing relationships without the express permission of the officers of the Company.

The Board monitors and evaluate the performance of the Directors and ensures prevention of insider dealing and conflict of interest.

Board evaluation

The company secretary shall during the financial 2022/2023 proceed with the evaluation of the board and such exercise shall then be conducted on a yearly basis. The Directors shall be requested to rate various areas such as the effectiveness of meetings, performance of the committees etc. It shall also cater for the self-evaluation of each Director. The secretary shall also proceed with the interview of each Director and a report shall then be presented to the Corporate Governance Committee which in turn shall make recommendations to the Board.

The Board of Directors feel the composition of the board is stable and efficient in managing the affairs of the Company.

Corporate Governance Report

Principle 4: Directors' Duties, Remuneration and Performance (Cont'd)

Statement of remuneration philosophy

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

The remuneration of the non-executive and independent directors consist of attendance and retainer fees.

In addition, the Company does not make any difference in the payment of remuneration criteria for the payment of remuneration to those Executive Directors approaching retirement as they still play an active role in the day-to-day running of the Company.

The Company clearly differentiates the payment of executive and non-executive remuneration.

The Directors of the Company are not entitled to any variable remuneration and the company has no long-term incentive plan in place. Further, the Directors of the Company have not received shares in lieu of remuneration during the year under review.

Remuneration and benefits paid to the directors are set out in section "Statutory Disclosures". The remuneration has been disclosed by band and not individually due to confidentiality and commercial sensitivity of such information.

Directors interest and dealing in ACC Ltd shares

The Company operates a close period policy in line with DEM rules. During closed periods, Directors and officers of the company are prohibited from dealing in ACC Ltd shares. Parties who may also have access to sensitive information are also cautioned against the possibility of insider trading during these periods.

The table below outlines the interests of the Directors in ACC Ltd shares:

Directors	Direct share holding in ACC Ltd	Indirect share holding in ACC Ltd	Shares purchased during the year
Swaleh Ramjane	246,298	-	375
Yacoob Ramtoola	2	168,787	375
M S E Haji Adam	10,934	64,109	-
Massood Ramtoola	9,685	32,886	91

Corporate Governance Report

Principle 4: Directors' Duties, Remuneration and Performance (Cont'd)

Directors interest and dealing in ACC Ltd shares (Cont'd)

Remuneration paid to the executive and non-executive directors are detailed below:

The fees paid to directors in 2022 were as follows:

	Fees
	Rs 000
Executive Director	
M S E Haji Adam	2,137
Non-Executive Directors	
Swaleh Ramjane	2,949
Yacoob Ramtoola	1,370
Massood Ramtoola	175

	2022	2021
	Rs 000	Rs 000
Executive directors	2,137	2,134
Non-executive directors	4,494	4,489

Interest register

The Company Secretary maintains an interest register, which is updated on an annual basis. Any disclosure of interest as required by the Mauritius Companies Act 2001 is recorded in the interest register, which is available for inspection during normal working hours upon written request made to the Company Secretary.

The information, information technology and information security policies

The Board is ultimately solely responsible for the governance/management of information within the Company, the management of information technology and information security policies.

The Board of Directors is conscious that in today's world of technology, it is important to have a strategic plan for information security aligned with the business strategy to achieve the goals set. The Board of ACC Ltd ensures that it has allocated sufficient resources for the implementation of information and IT security plan within the Company. Risks are identified and the company allocates resources to ensure that proper policies are put in place to ensure that it is mitigated to minimize the impact on information resources.

The Company is also investing in IT to have digital information properly secured and safeguarded in different location to ensure business continuity. In addition, the company ensures that access rights are granted to authorized personnel only and passwords changed regularly together with back up of digital information.

There are no significant expenditures in respect of information technology to be undertaken in the next financial years.

Corporate Governance Report

Principle 5: Risk Governance and Internal Control

The Directors are responsible for maintaining an effective system of internal control and risk management. Whilst these 2 functions are delegated to the Audit and Risk Committee, the governance of risk, the nature and risk appetite remain the ultimate responsibility of the Board.

The responsibility of the Board also includes:

- Ensuring that structures and processes are in place for management of risks
- Identifying the principal risks and uncertainties
- Ensuring that management has developed and implemented the relevant framework
- Ensuring that systems and processes are in place for implementing and monitoring internal controls
- Identifying any deficiency in the system of internal control

Risk Management

The Company is exposed with a variety of risks, which could affect its performance and financial condition; the below is a series of key risks:

- **Physical risks**

Among the physical risks identified are unavoidable events such as riots, cyclones and other natural calamities. The following have been undertaken to mitigate the risks of such natural calamities; adoption of cyclone and fire procedures, relevant insurance covers have been contracted by the Company. A disaster recovery plan has also been prepared.

For the prevention of on-site accidents, the Company implements adherence to all occupational and health and safety regulations and in addition the services of a health and safety officer to ensure that all health and safety regulations are observed.

The risks of theft, fraud etc. is mitigated through the implementation of control procedures and CCTV cameras are in place.

- **Financial risk**

Financial risk management is further explained in note 22 to the Financial Statements and includes a discussion on the following risk.

- Foreign currency risk
- Interest rate risk
- Liquidity management
- Equity price risk

The Board of Directors regularly monitors the liquidity risk management to ensure that the Company has sufficient cash and the availability of funding through credit facilities through financial institutions so that it can meet its commitments in respect of obligations towards different stakeholders.

Corporate Governance Report

Principle 5: Risk Governance and Internal Control (Cont'd)

- **Operational risk**

These risks are monitored through the establishment of planning and control systems to ensure that the risks of loss from inadequate or failed processes people and from external events are mitigated.

The Company monitors and evaluates the processes regularly to ensure their proper effectiveness. Managers are required at every level to fulfill their respective duties to ensure that the controls are kept effective over time.

- **Compliance risk**

This risk is defined as the risk that the Company does not comply with laws, regulations, and policies as set by the Government.

The operations of the Company is fully compliant with all the rules, regulations and policies as laid down by the Authorities and furthermore the Company regularly reviews its position towards any new regulation as set by the Authorities to ensure strict compliance.

- **Information Technology risk**

This refers to the risk of loss of data, information or eventually the IT systems of the Company being hacked. In order to mitigate this risk the Company has invested in back-up systems and the necessary software and hardware to ensure that no such losses actually occur.

- **Reputational risk**

This risk arises as a result of the Company being unable to meet its professional obligation towards its stakeholders due to unintentional or negligent action.

In order to mitigate this risk the Company communicates regularly with its stakeholders and constantly strives to build strong business relationships with its stakeholders.

- **Human Resources risk**

The management of human resource risk is an ongoing activity that involves careful planning and constant fluidity to enable the Company to tackle any potential change in the human resources sector. On the basis of the controls that are in place, we believe that the likelihood of a potential human resource risk is negligible.

The Company has also established a succession planning and in due course a designated deputy CEO will be nominated.

Corporate Governance Report

Principle 5: Risk Governance and Internal Control (Cont'd)

• **Business Continuity risk**

Business continuity risk is the task of identifying, developing documenting and testing procedures that will ensure continuity of the Company's key operation in the event of an accident, disaster and emerging threat. It involves risk mitigation planning, i.e. reducing the possibility of the occurrence of adverse events and business recovery planning in the aftermath of a disaster.

In order to reduce the business continuity risk to a minimum the inventory of the Company are stored at 5 different locations; hence in the event of a mishap the likeliness of losses is reduced to a minimum and activities can be resumed soon. The Company has made provision for fire extinguishers and complies with the fire safety rules. The Company also subscribes to adequate insurance covers. Also proper back up of the computer systems are performed and kept in different locations so that in the aftermath of a disaster normal operations can resume in a short span of time.

The Company also operates 2 point of sales and in the likely event of any disaster, operations can resume without any major disruption.

The Directors also confirm that they have assessed the different risks the Company faces and they have reasonable expectations to believe that the Company will be a going concern and they will be in a position to pay the liabilities when they fall due.

In their risk assessment, they have taken into account the following risks:

- Strategic
- Financial
- Operational
- Compliance

There are also some typical risks over which the Company has little influence or they form part of the inherent nature of the business activities, these risks are as follows:

- Foreign exchange risk
- Interest rate risk
- Risk that personnel needed is not obtained
- Changes in regulations that may affect the business activities.

Internal control

The Company did not during the year under review have an internal audit function, as this was not considered essential given the nature of the company's business, and the central control and organization and approval structure in place across the company with clear defined levels of authority and division of responsibilities. The Company has clear and robust internal control procedures for the approval of all transactions, no matter what the size. However, in order to be in line with the requirements of the NCCG the Company is strongly considering the setting up of an internal audit function.

Corporate Governance Report

Principle 5: Risk Governance and Internal Control (Cont'd)

Internal control (Cont'd)

The board has delegated the authority to the audit and risk committee for monitoring and reviewing the effectiveness of the company's internal control and compliance systems, whilst the board is also aware that a system of internal control can only provide reasonable but not complete assurance against the risk of the following:

- Human errors
- Losses
- Fraud
- And other irregularities

Whistle blowing policy

The Company has established a Whistle blowing policy which set out the procedures for whistle blowing. A copy of the policy will be available on the company's website once same is ready.

Staff may report allegations and any concern via email or by post depending on their choice or through their immediate supervisor.

Principle 6: Reporting with Integrity

The Directors are responsible for preparing the report and financial statements in accordance with applicable law and regulations. Company law further requires the Directors to prepare financial statements in accordance with International Financial Reporting Standards for each financial year.

The Directors are also responsible for keeping adequate accounting records, explaining the Company's transactions and disclosing with reasonable accuracy at any given point in time the financial position of the Company. They also have the duty to safeguard the assets of the company and to prevent and detect frauds. The Directors have confirmed same as disclosed in the Statement of Directors' responsibilities.

Environment, health and safety

The Company strives to maintain a safe working environment that is free from hazards and risk of injury to all employees.

The Company complies with the Occupational Safety and Health Act 2005 and other legislations.

The Company hires the services of a health and safety officer to ensure that all health and safety regulations are observed.

A health and safety committee has been set up and meets regularly to discuss about problems and grievances that may arise.

Corporate Governance Report

Principle 6: Reporting with Integrity (Cont'd)

Environment, health and safety (Cont'd)

The Company aims to:

- Promote an environment that recognizes environment achievement as one of the main core values
- Create a sense of awareness among employees to be more pro-active rather than reactive in all activities with regards to the environment

Environment and sustainability initiatives

The Company is committed to sustainable development and strives to ensure that its operations are conducted in a way that minimizes the impact on the environment and the society at large.

The following are the initiatives taken by the company:

- Inculcation of environmental awareness to all staff
- Controlling of air conditioners
- Switching off lights when not needed
- Reduction of photocopying

Applicable standards

The accounts of the Company are prepared in accordance with International Financial Reporting Standards.

Principle 7: Audit

Audit committee

The external auditors meet with the members of the audit committee without the presence of the executives/management to discuss the financial statements and other audit matters.

The following matters are normally discussed during the meeting with the auditors:

- Scope of the audit work
- Audit findings
- Views on the control environment including fraud risk management
- Free access to the accounting records of the Company

Evaluation of the auditors

The members of the audit committee do evaluate the performance of the external auditor taking into account the quality of the audit, their findings and recommendations.

Corporate Governance Report

Principle 7: Audit (Cont'd)

Audit fees and other services

The fees paid to the external auditors for the year 2021 and 2022 are as follows:

	2022	2021
Statutory audit	Rs 212,500	Rs 240,000
Other services	Rs 21,000	Rs 20,000

The non audit work is performed by a different team that holds the necessary expertise and is independent of the audit team and supervised by different managers and partners

Principle 8: Relations with other Shareholders and other Key Stakeholders

The Company has defined its stakeholder as any group/person that has an interest in the success or failure of the company's business. The stakeholders can have a significant impact on decisions regarding operations and finances of the organization. The Company's main stakeholders are as per below:

- Shareholders
- Suppliers/creditors
- Employees
- Commuters/travelling passengers
- Community
- Regulators

Share Capital structure

The Company's stated capital comprises of MUR 11,429,620 consisting of 1,142,962 shares at a par value of Rs 10 each and Rs 9,084,576 share premium.

The Company key stakeholders/communication with shareholders

The Company continuously engages with its stakeholders through an open and transparent communication. It also aims to keep them updated on a regular basis on all matters affecting the Company through announcements and disclosures in the annual report and at the annual meeting of shareholders.

ACC Ltd produces quarterly, half yearly and annual accounts as per statutory requirements and it publishes the accounts immediately after their approval by the Board of Directors.

The Company's Annual General Meeting provides an opportunity for shareholders to meet discuss with the Board relating to the Company and its performance.

Corporate Governance Report

Principle 8: Relations with other Shareholders and other Key Stakeholders (Cont'd)

Shareholders

All shareholders have the same voting rights.

The major shareholders of the ACC Ltd at 30 June 2022 are as follows:

Shareholders	No of shares	% Shareholding
Swaleh Ramjane	246,298	21.55
H.A.R Investments Ltd	126,422	11.06
Shamina Haji Adam	64,109	5.61

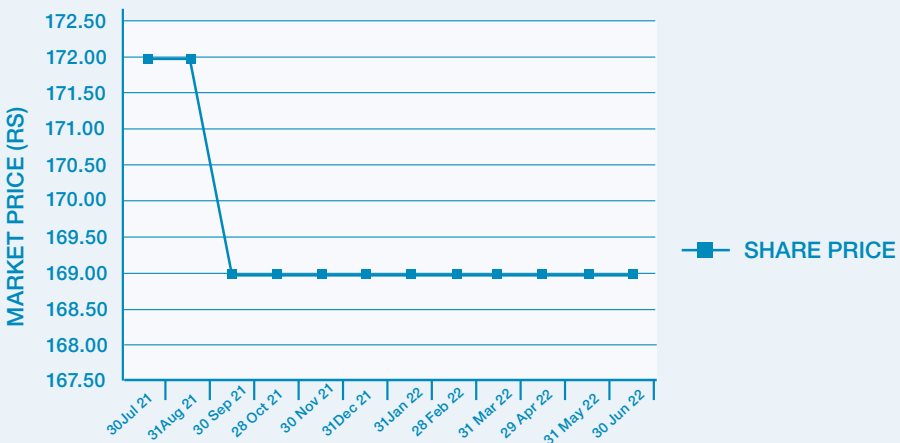
Distribution of shareholding at 30 June 2022

Define brackets	No of shareholders	No of shares owned	% Holding
1-500	1,197	122,668	10.73
501-1,000	101	74,105	6.48
1001-5,000	59	109,326	9.57
5,001-10,000	15	106,056	9.28
10,001-50,000	15	293,978	25.72
50,001-100,000	1	64,109	5.61
Over 100,000	2	372,720	32.61
Total	1,390	1,142,962	100

Share price information

The shares of the Company are quoted on the Development Enterprise Market of the Stock Exchange of Mauritius.

The share price of the Company over the year has been as follows:



Corporate Governance Report

Principle 8: Relations with other Shareholders and other Key Stakeholders (Cont'd)

Dividends

The Board has agreed over a dividend policy to the effect that a reasonable amount of the recurrent profits after tax is paid as dividends.

Dividends are normally declared in June and are paid in July subject to the performance of the Company, availability of funds and future capital commitments or as otherwise decided by the Board. Directors ensure that the company satisfies the solvency test for each declaration of dividend.

During the year, the company has declared a dividend of Rs 4.20 per share payable in July 2022.

Suppliers/creditors

The Company ensures that it is given value for money services and as far as possible, it engages with local suppliers.

Employees

The Company considers its employees as their most value assets/ their brand ambassadors and it is actively involved in giving them training etc with a view of improving their knowledge/personal development so that they deliver the best service on a daily basis.

Clients

The Company is in constant communication with its customers and works towards providing a product and service, which satisfies the customer requirement at a reasonable price.

Community

The Company engages with the community through various CSR commitments such as socio economic development, education and training, child and healthcare. These are met through the UBS Charitable Trust and Movement Social de Plaine Lauzun with the following objectives:

- To reduce poverty
- To promote self-help projects
- To provide formal and non-formal education courses
- To organize cultural, social and economic activities

Corporate Governance Report

Principle 8: Relations with other Shareholders and other Key Stakeholders (Cont'd)

Schedule of events

Some key milestones are as follows:

- Approval of accounts and publication of audited abridged financial statements – September
- Annual meeting – December
- Declaration of dividend – May/June
- Dividend payment – July
- Publication of quarterly accounts
 - ▷ 1 quarter ending 30 September – Mid November
 - ▷ 2 quarter ending 31 December – Mid February
 - ▷ 3 quarter ending 31 March – Mid May

Annual general meeting of shareholders

The annual general meeting of the ACC Ltd is scheduled in December 2022. Shareholders shall be provided with notice of meeting and they will be given the opportunity to communicate/express their views and engage with members of the board. Shareholders shall also be provided with notice of meeting and proxy forms.

Donations

Charitable donations and political contributions

	2022	2021
	Rs	Rs
Charitable donations	-	-

In line with current legislation, the Company has made contribution of Rs 112,098 (2021: Rs 74,203) to the approved CSR organization. No contribution has been made to any political parties in 2022 and 2021.

Statement of Compliance

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

Name of Public Interest Entity: Associated Commercial Co Ltd

Reporting period 30 June 2022

We, the Directors of Associated Commercial Co Ltd, confirm that to the best of our knowledge, the Group has complied with all of its obligations and requirements under the Code of Corporate Governance, except for the areas explained in the Corporate Governance Report.



Swaleh Ramjane FCIS MCIT
Chairman



M S E Haji Adam FCCA
Director and CEO

28th September 2022

Statement of Director's Responsibilities

The Directors are responsible for preparing the corporate governance report and financial statements in accordance with applicable laws and regulations.

The Directors acknowledge their responsibilities for:

- Keeping adequate accounting records and maintenance of effective internal control systems;
- The preparation of financial statements which fairly present the state of affairs of the Company as at the end of the financial year and the cash flows for that period and which comply with International Financial Reporting Standards (IFRS);
- The use of appropriate accounting policies supported by reasonable and prudent judgements and estimates.

The external auditors are responsible for reporting whether the financial statements are fairly presented.

The Directors report that:

- Adequate accounting records and an effective system of internal controls and risk management have been maintained;
- Appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently;
- International Financial Reporting Standards have been adhered to. Any departure has been disclosed, explained and quantified;
- The Code of Corporate Governance has been adhered to in all material aspects and reasons provided for areas of non-compliance.

On behalf of the Board



Swaleh Ramjane *FCIS MCIT*
Chairman



M S E Haji Adam *FCCA*
Director and CEO

28th September 2022

Statutory Disclosures

The directors have pleasure to submit herewith their Annual Report together with the audited consolidated and separate financial statements for the year ended 30 June 2022.

1. Principal Activities

- The principal activity of Associated Commercial Co Ltd is the import and distribution tyres, tubes, flaps and spare parts for commercial vehicles
- The consolidated and separate statement of profit and loss and other comprehensive income for the year ended 30 June 2022 is set on page 4.

2. Directors' Remuneration and Benefits

The Board of Directors has agreed not to disclose the emoluments of Directors on an individual basis because of the commercially sensitive nature of this data.

Remuneration and benefits received by the Directors from the Company are disclosed below:

	2022	2021
	Rs	Rs
Executive Directors	2,137,280	2,134,880
Non-Executive Directors	4,494,696	4,489,896

3. Directors Service Contracts

There were no service contracts between the Company or its subsidiaries and any of its Directors during the year.

4. Contract of Significance

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

5. External auditor's fees

	2022	2021
	Rs	Rs
External Audit Services	212,500	240,000
Tax compliance services	21,000	20,000

On behalf of the Board



Swaleh Ramjane FCIS MCIT
Chairman

28th September 2022



M S E Haji Adam FCCA
Director and CEO

Secretary's Certificate

To The Members Of Associated Commercial Co Ltd
Under Section 166 (D) Of The Mauritius Companies Act 2001

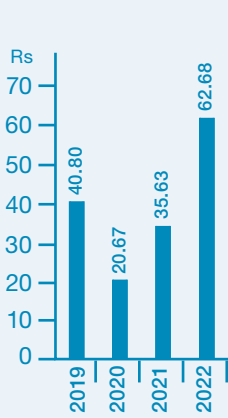
In my capacity as Company secretary, I hereby confirm that, to the best of my knowledge and belief the Company has filed with Registrar of Companies, as at 30 June 2022 all such returns as are required of the Company under the Mauritius Companies Act 2001.



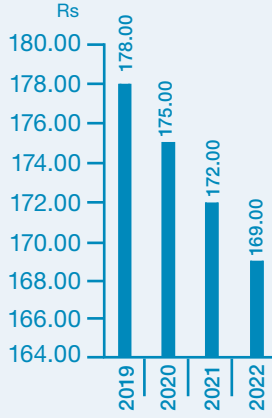
M Yacoob Ramtoola FCA
Secretary

28th September 2022

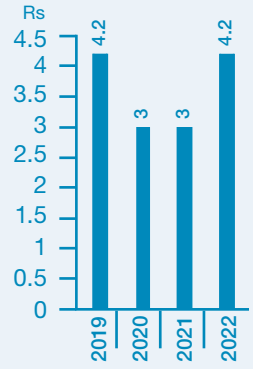
Financial Highlights of The Company



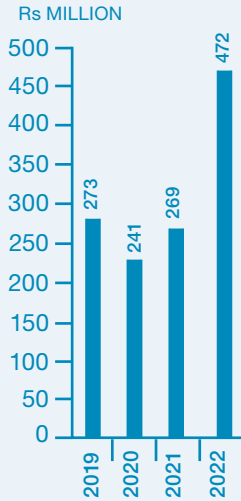
EARNINGS PER SHARE



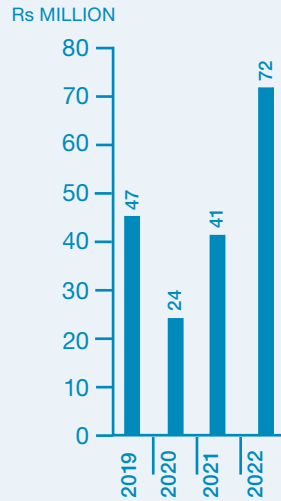
MARKET VALUE OF ORDINARY SHARES



DIVIDEND PAID/SHARE



TURNOVER



PROFIT AFTER TAX

Independent Auditor's Report

to the shareholders of Associated Commercial Company Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Associated Commercial Co Ltd (the "Company") and its subsidiary (together the "Group") which comprise the consolidated and separate statements of financial position as at 30 June 2022, the 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 the notes to the consolidated and separate financial statements, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements on pages 39 to 85 give a true and fair view of the financial position of the Group and the Company as at 30 June 2022, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in compliance with the requirements of the Mauritius Companies Act 2001.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and 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.

Other Matter

We draw attention to the fact that we were appointed as auditor for the Group and the Company for the first time for the year ended 30 June 2022 on 04 January 2022. The financial statements of the Company for the year ended 30 June 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 September 2021.

Key audit matters

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

Independent Auditor's Report (Cont'd)

to the shareholders of Associated Commercial Company Limited

Key audit matters (Continued)

The key audit matter	How the matter was addressed in our audit
<p><i>Determination of expected credit losses on trade and other receivables</i></p> <p>The Group have applied IFRS 9 'Financial Instruments' which requires the recognition of Expected Credit Losses (ECL) on financial assets at amortised cost.</p> <p>The Group use the 'simplified approach' to determine the size of the impairment allowance for trade and other receivables. The ECL methodology incorporates the expected future credit losses due to forward looking macro-economic variables. The Group's ECL model uses certain judgements and assumptions such as:</p> <ul style="list-style-type: none"> • The probability of trade and other receivables becoming past due and subsequently defaulting (probability of default 'PD'), • The magnitude of the likely loss if there is default (loss given default 'LGD'); • The expected exposure in the event of a default (exposure at default 'EAD') • The determination of the Group's definition of default; • The criteria for assessing significant increase in credit risk (SICR); • The rate of recovery on trade and other receivables that are past due and in default; • The incorporation of forward-looking information used in determining the expected credit losses on the amount receivable <p>Due to the significance of trade and other receivables to the financial position of the Group and the level of judgement applied in determining the ECL, the expected credit loss allowance was considered a key audit matter</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Assessing and testing the design and operating effectiveness of the controls over credit origination and monitoring; • Obtained and assessed historical information as well as collections post the financial reporting date of amount receivable in order to determine the risk of defaults and whether a significant increase in credit risk has occurred. We also considered the appropriateness of forward looking factors used to determine expected credit losses; • Assessing whether the Group's credit policies are aligned with IFRS 9, Financial Instruments; • Using available external and independent information to challenge management's assumptions and judgements in determining expected credit losses; • Verified the computation of the ECL for accuracy; • Assessing the adequacy of the disclosures in respect of ECL as required in terms of IFRS 9, Financial Instruments.

Independent Auditor's Report (Cont'd)

to the shareholders of Associated Commercial Company Limited

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Key audit matters (Continued)

The key audit matter	How the matter was addressed in our audit
<p><i>Retirement benefit obligations</i></p> <p>The Group have recognised retirement benefit obligations of Rs 4,488,470 as at 30 June 2022.</p> <p>Management has estimated the retirement benefit obligations arising and has not involved an actuary to calculate the obligations at reporting date.</p> <p>Accordingly, the estimation of retirement benefit obligations is considered to be a key audit matter due to the significance of the balance in the financial statements as a whole.</p> <p>The significant assumptions used have been disclosed in note 10.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Assessed and discussed the assumptions that management, considered in determining the present value of the liabilities and fair value of the plan assets; Compared the significant assumptions used by management such as discount rates and annual salary increases with historical data. Verified data used, with the payroll report for completeness and accuracy.

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 IFRSs, and that comply with the requirements of the Mauritius Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of 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 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.

Independent Auditor's Report (Cont'd)

to the shareholders of Associated Commercial Company Limited

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

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

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

This opinion has been prepared for and only for the Company's shareholders, as a body, in accordance with Section 205 of the Mauritius Companies Act 2001 and for no other purposes.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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.

Independent Auditor's Report (Cont'd)

to the shareholders of Associated Commercial Company Limited

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

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

Other information

The Directors are responsible for the other information. The other information comprises of corporate information, chairman's review, board of directors, group structure and common directorships, group organigram, statement of director's responsibilities, statutory disclosures, secretary's certificate and financial highlights of the Company.

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.

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act 2001

We have no relationship with or interests in the Company or of its subsidiary other than in our capacity as auditor and tax advisor of the Company and its subsidiary.

We have obtained all the information and explanations we have required.

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

Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report on the extent of the compliance with the Code of Corporate Governance ("the Code") as disclosed in the corporate governance report and on whether the disclosure is consistent with the principles of the Code.

The directors have given explanations on the principles of the Code which have not been complied with.

In our opinion, except for areas of non-application of the Code for which the directors have given satisfactory explanation, the disclosure in the consolidated and separate financial statements is consistent with the principles of the Code.



Duncan Morris

28 September 2022



Vivek Gujadhur, FCCA
Licensed by FRC

Consolidated And Separate Statements Of Financial Position

As At 30 June 2022

	Notes	THE GROUP	THE COMPANY	
		2022 Rs	2022 Rs	2021 Rs
ASSETS				
Non-current assets				
Property, plant and equipment	5	103,918,602	35,268,784	37,388,040
Investments in associates	6(a)	190,556,966	190,556,966	164,618,946
Other financial assets	6(b)	49,708,944	49,708,944	45,401,169
Investment in subsidiary	6(c)	-	10,000,000	-
Deposit on shares	6(c)	-	55,000,000	-
Total non-current assets		344,184,512	340,534,694	247,408,155
Current assets				
Inventories	7	145,075,364	145,075,364	110,594,520
Trade and other receivables	8	51,980,023	55,629,841	47,463,818
Cash and bank balances		88,720,313	88,720,313	150,661,017
Total current assets		285,775,700	289,425,518	308,719,355
Total assets		629,960,212	629,960,212	556,127,510
EQUITY AND LIABILITIES				
Equity				
Stated capital	9	20,514,196	20,514,196	20,514,196
Fair value reserve		59,998,929	59,998,929	54,744,696
Property revaluation reserve		6,128,802	6,128,802	6,128,802
Retained earnings		445,900,449	445,900,449	379,062,313
Total equity		532,542,376	532,542,376	460,450,007
Liabilities				
Non-current liabilities				
Retirement benefit obligations	10	4,488,470	4,488,470	3,910,799
Deferred tax liabilities	11(c)	978,875	978,875	1,360,133
Obligations under finance lease	15	-	-	291,022
Loans	13	7,182,080	7,182,080	8,606,462
Total non-current liabilities		12,649,425	12,649,425	14,168,416
Current liabilities				
Bank overdraft	12	994,330	994,330	8,671,105
Loans	13	36,367,957	36,367,957	1,311,531
Obligations under finance lease	15	291,000	291,000	1,017,939
Trade and other payables	14	36,503,155	36,503,155	12,471,673
Amount due to related party	21(b)(ii)	-	-	53,000,000
Dividend payable	19	4,800,440	4,800,440	3,428,886
Current tax liabilities	11(b)	5,811,529	5,811,529	1,607,953
Total current liabilities		84,768,411	84,768,411	81,509,087
Total liabilities		97,417,836	97,417,836	95,677,503
Total equity and liabilities		629,960,212	629,960,212	556,127,510

Approved by the Board of Directors and authorised for issue on 28 September 2022


Swaleh Ramjane
Chairman


Yacoob Ramtoola
Director


M S E Haji Adam
Director and CEO

The notes on pages 44 to 85 form an integral part of these consolidated and separate financial statements.

Consolidated And Separate Statements Of Profit Or Loss And Other Comprehensive Income

For the year ended 30 June 2022

		THE GROUP AND THE COMPANY	
Notes	2022	2021	
	Rs	Rs	
Revenue			
- Sale of tyres	24 330,426,790	227,210,184	
- Sale of spare parts	62,407,141	40,201,353	
- Sale of batteries and lubricants	10,651,622	1,456,157	
- Sale of vehicles	68,091,600	-	
	<u>471,577,153</u>	<u>268,867,694</u>	
Profit from operations	16 52,497,521	22,081,109	
Other income	17 1,552,225	3,532,876	
	54,049,746	25,613,985	
Share of profit of associates	6(a) 26,687,301	19,310,938	
Finance costs	18 (720,630)	(615,535)	
Profit before tax	80,016,417	44,309,388	
Tax expense	11(a) (8,377,841)	(3,585,055)	
PROFIT FOR THE YEAR	71,638,576	40,724,333	
Other comprehensive income			
<u>Items that will not be reclassified subsequently to profit or loss:</u>			
Net fair value gain on financial assets at fair value through other comprehensive income	6(b) 4,298,673	4,083,580	
Share of fair value gain on financial assets at fair value through other comprehensive income of associate	6(a) 955,560	717,944	
	5,254,233	4,801,524	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	76,892,809	45,525,857	
EARNINGS PER SHARE	20 62.68	35.63	

The notes on pages 44 to 85 form an integral part of these consolidated and separate financial statements.

Consolidated And Separate Statements Of Changes In Equity

For the year ended 30 June 2022

THE GROUP	Notes	Stated capital	Fair value reserve	Property revaluation reserve *	Retained earnings	Total equity
		Rs	Rs	Rs	Rs	Rs
At 1 July 2020		20,514,196	49,943,172	6,128,802	341,766,866	418,353,036
<i>Comprehensive income</i>						
Profit for the year		-	-	-	40,724,333	40,724,333
Other comprehensive income for the year, net of income tax		-	4,801,524	-	-	4,801,524
Total comprehensive income for the year		-	4,801,524	-	40,724,333	45,525,857
<i>Transactions with owners</i>						
Dividends	19	-	-	-	(3,428,886)	(3,428,886)
At 30 June 2021		20,514,196	54,744,696	6,128,802	379,062,313	460,450,007
<i>Comprehensive income</i>						
Profit for the year		-	-	-	71,638,576	71,638,576
Other comprehensive income/(loss) for the year, net of income tax		-	5,254,233	-	-	5,254,233
Total comprehensive income for the year		-	5,254,233	-	71,638,576	76,892,809
<i>Transactions with owners</i>						
Dividends	19	-	-	-	(4,800,440)	(4,800,440)
At 30 June 2022		<u>20,514,196</u>	<u>59,998,929</u>	<u>6,128,802</u>	<u>445,900,449</u>	<u>532,542,376</u>

* Property revaluation reserve relates to share of revaluation of freehold land held by associate - United Bus Service Limited.

The notes on pages 44 to 85 form an integral part of these consolidated and separate financial statements.

Consolidated And Separate Statements Of Changes In Equity (Cont'd)

For the year ended 30 June 2022

THE COMPANY	Notes	Stated capital	Fair value reserve	Property revaluation reserve *	Retained earnings	Total equity
		Rs	Rs	Rs	Rs	Rs
At 1 July 2020		20,514,196	49,943,172	6,128,802	341,766,866	418,353,036
<i>Comprehensive income</i>						
Profit for the year		-	-	-	40,724,333	40,724,333
Other comprehensive income for the year, net of income tax		-	4,801,524	-	-	4,801,524
Total comprehensive income for the year		-	4,801,524	-	40,724,333	45,525,857
<i>Transactions with owners</i>						
Dividends	19	-	-	-	(3,428,886)	(3,428,886)
At 30 June 2021		20,514,196	54,744,696	6,128,802	379,062,313	460,450,007
<i>Comprehensive income</i>						
Profit for the year		-	-	-	71,638,576	71,638,576
Other comprehensive income for the year, net of income tax		-	5,254,233	-	-	5,254,233
Total comprehensive income for the year		-	5,254,233	-	71,638,576	76,892,809
<i>Transactions with owners</i>						
Dividends	19	-	-	-	(4,800,440)	(4,800,440)
At 30 June 2022		20,514,196	59,998,929	6,128,802	445,900,449	532,542,376

* Property revaluation reserve relates to share of revaluation of freehold land held by associate - United Bus Service Limited.

The notes on pages 44 to 85 form an integral part of these consolidated and separate financial statements.

Consolidated And Separate Statements Of Cash Flows

For the year ended 30 June 2022

	THE GROUP	THE COMPANY	
	2022 Rs	2022 Rs	2021 Rs
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	80,016,417	80,016,417	44,309,388
Adjustments for:			
Depreciation	2,855,462	2,855,462	2,652,856
Dividend income	(1,372,225)	(1,372,225)	(265,747)
Share of profit of associates	(26,687,301)	(26,687,301)	(19,310,938)
Interest expense	501,554	501,554	615,535
Loss allowance on trade receivables	-	-	19,588
Retirement benefit obligations	577,671	577,671	137,128
Gain on disposal of property, plant and equipment	-	-	(425,000)
Operating profit before working capital changes	55,891,578	55,891,578	27,732,810
(Increase)/decrease in trade and other receivables	(4,393,205)	(8,043,023)	(5,812,761)
Decrease in inventories	(34,480,844)	(34,480,844)	(1,860,957)
(Decrease)/increase in trade and other payables	24,031,482	24,031,482	3,963,194
Net cash generated from operations	41,049,011	37,399,193	24,022,286
Cash generated from operations	41,049,011	37,399,193	24,022,286
Interest paid	(501,554)	(501,554)	(615,535)
Retirement benefit Paid	-	-	(593,059)
Net tax paid	(4,678,523)	(4,678,523)	(3,039,823)
Net cash generated from operating activities	35,868,934	32,219,116	19,773,869
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	(69,386,024)	(736,206)	(2,492,785)
Proceed from disposal of property, plant and equipment	-	-	425,000
Payments for acquisition of investment in subsidiary	-	(10,000,000)	-
Deposit on shares	-	(55,000,000)	-
Payments for acquisition of other financial assets	(19,195)	(19,195)	-
Dividend received	3,077,066	3,077,066	264,317
Proceeds from disposal of shares	10,093	10,093	-
Net cash used in investing activities	(66,318,060)	(62,668,242)	(1,803,468)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans paid	(67,367,956)	(67,367,956)	(1,407,121)
Repayment of finance lease	(1,017,961)	(1,017,961)	(1,012,800)
Dividends paid	(3,428,886)	(3,428,886)	-
Loan received from related party	48,000,000	48,000,000	53,000,000
Net cash (used in)/generated from financing activities	(23,814,803)	(23,814,803)	50,580,079
Net increase in cash and cash equivalents	(54,263,929)	(54,263,929)	68,550,480
Cash and cash equivalents at 1 July	141,989,912	141,989,912	73,439,432
Cash and cash equivalents at 30 June	87,725,983	87,725,983	141,989,912
<u>Represented by:</u>			
Cash and bank balances	88,720,313	88,720,313	150,661,017
Bank overdraft	(994,330)	(994,330)	(8,671,105)
	87,725,983	87,725,983	141,989,912

The notes on pages 44 to 85 form an integral part of these consolidated and separate financial statements.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

1. INCORPORATION AND ACTIVITIES

Associated Commercial Co Ltd (the “Company”) is a public company incorporated in Mauritius and listed on the Development Enterprise Market (DEM) of the Stock Exchange of Mauritius. The Company trades as dealer in tyres and motor vehicle spare parts. The Company’s registered office and principal place of business is situated at Royal Road, Les Cassis, Port Louis.

The main activities of the Company and its subsidiary (collectively referred to as the “Group”) are:

- Associated Commercial Co Ltd is engaged in the trading of dealer in tyres and motor vehicle spare parts.
- Lees Investment Ltd is involved in investment property.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

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

2.1 Changes in accounting policies

The following standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning on 1 July 2021 were adopted by the Group and the Company. However, these did not have a material impact on the consolidated and separate financial statements:

New and amended standards and interpretations effective for the current year

Up to the date of issue of these consolidated and separate financial statements, the IASB has issued a number of amendments, new standards and interpretations which are effective for annual periods beginning on or after 1 July 2021.

Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

Interest Rate Benchmark Reform – Phase 2 introduces amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 and is not mandatorily effective until annual periods beginning on or after 1 January 2021, however, many entities were expected to adopt the amendments early.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONT'D)

2.1 Changes in accounting policies (Cont'd)

New and amended standards and interpretations effective for the current year (Cont'd)

The Standard did not have any major impact on the consolidated and separate financial statements for the year ended 30 June 2022.

Annual Improvements to IFRS Standards 2018–2020

- IFRS 9 Financial Instruments - The amendment clarifies that for the purpose of performing the “10 per cent test” for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent’s books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted. The directors have not yet assessed the impact the standard will have on the consolidated and separate financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

The International Accounting Standards Board (IASB) has published ‘Definition of Accounting Estimates (Amendments to IAS 8) to help entities to distinguish between accounting policies and accounting estimates.

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONT'D)

2.1 Changes in accounting policies (Cont'd)

New and amended standards and interpretations effective for the current year (Cont'd)

- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments are effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

The directors have not yet assessed the impact the standard will have on the consolidated and separate financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The International Accounting Standards Board (IASB) has issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their consolidated and separate financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways:

- An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- the amendments clarify that accounting policy information is material if users of an entity's consolidated and separate financial statements would need it to understand other material information in the consolidated and separate financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONT'D)

2.1 Changes in accounting policies (Cont'd)

New and amended standards and interpretations effective for the current year (Cont'd)

The amendments are applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2.

The directors have not yet assessed the impact the standard will have on the consolidated and separate financial statements.

Property, plant and equipment: Proceeds before intended use - Amendments to IAS 16

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts.

Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

IFRS 3 Business Combinations (Amendment - Reference to the Conceptual Framework)

IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.

IAS 12 Income Taxes (Amendment - Deferred Tax related to Assets and Liabilities arising from a Single Transaction).

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated and separate financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The consolidated and separate financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities, certain classes of property, plant and equipment - measured at fair value or revalued amount,
- defined benefit pension plans - plan assets measured at fair value.

(b) Revenue recognition

The Group and the Company recognise revenue from the sales of tyres and motor vehicles spare parts.

Revenue is recognised when control of the products has been transferred, being when the products are delivered and accepted by the customers i.e. point in time. There is no unfulfilled obligation that could affect the customers' acceptance of the products.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for rebates and other similar allowances.

There is no right of return policy on the sale of goods.

Other revenue is recognised on the following basis:

- Dividend income from investments is recognised when the shareholder's right to receive payment has been established.
- Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.
- Other income is recognised on an accrual basis.

During the year under review, the subsidiary has not generated any revenue.

(c) Property, plant and equipment

Freehold land is stated at cost and is not depreciated.

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

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

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Depreciation

Depreciation is recognised so as to write off the cost of asset less their residual values over their useful lives, using the straight line method. In the year of purchase, depreciation is calculated on a pro-rata basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The annual depreciation rates are as follows:

Freehold building	- 2.5%
Office building	- 2.5%
Motor vehicles	- 20%
Computer equipment	- 10%
Office and other equipment	- 10%
Furniture, fixtures and fittings	- 5%

(d) Inventories

Inventories are stated at the lower of cost (determined on average cost basis) and net realisable value. Cost of inventories comprises all costs of purchase, and other costs incurred in bringing such inventories to their present condition and location. Net realisable value represents the estimated selling price for inventories less selling expenses.

(e) Foreign currencies

In preparing the consolidated and separate financial statements, transactions in currencies other than the Group and the Company's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognised in consolidated and separate statements of profit or loss and other comprehensive income. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(i) Functional and presentation currency

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

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Foreign currencies (Cont'd)

(ii) Transactions and balances

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

(f) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated and separate statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated and separate financial statements and the corresponding tax bases in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in consolidated and separate statements of profit or loss and other comprehensive income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(g) 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 or joint control over those policies.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investment in associates (Cont'd)

The results and assets and liabilities of associates are incorporated in these consolidated and separate financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated and separate statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

The carrying amount of the investment in associates is tested for impairment in accordance with IAS 36 Impairment of Assets by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

The Group discontinues the use of the equity accounting from the date the investment ceases to be an associate or when the investment is classified as held for sale. The difference between the carrying amount of the associate at the date the equity method was discontinued, the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. If the ownership in an associate is disposed of, the proportionate share of amount previously recognised in other comprehensive income is reclassified to consolidated and separate statements of profit or loss and other comprehensive income.

(h) Retirement benefit obligations

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated and separate statements of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to consolidated and separate statements of profit or loss. Past service cost is recognised in the consolidated and separate statements of profit or loss and other comprehensive income in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The Group and the Company present the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Retirement benefit obligations

State plan

Contributions to the National Pension Scheme are recognised in consolidated and separate statements of profit or loss and other comprehensive income in the year in which they fall due.

(i) Cash and cash equivalents

Cash comprises of cash at bank, cash in hand and bank overdrafts. Cash equivalent are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(j) Financial instruments

Financial assets and liabilities are recognised in the consolidated and separate statements of financial position when the Group and the Company become party to the contractual provisions of the financial instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated and separate statements of profit or loss and other comprehensive income.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is 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.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial instruments (Cont'd)

Financial assets (Cont'd)

Classification of financial assets (Cont'd)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group and the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group and the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (ii) below); and
- the Group and the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) *Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. For purchased or originated credit-impaired financial assets, the Group and the Company recognise interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised in the consolidated and separate statements of profit or loss and other comprehensive income and is included in the "Other income" line item.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial instruments (Cont'd)

Financial assets (Cont'd)

Classification of financial assets (Cont'd)

(i) *Amortised cost and effective interest method (Cont'd)*

On initial recognition, the Group and the Company may make an irrevocable election (on an instrument- by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

(ii) *Equity instruments designated as at FVTOCI*

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group and the Company manage together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in investment revaluation reserve. The cumulative gain or loss is not be reclassified to consolidated and separate statements of profit or loss and other comprehensive income on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in consolidated and separate statements of profit or loss and other comprehensive income in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'Investment income' line item in consolidated and separate statements of profit or loss and other comprehensive income.

The Group and the Company have designated its investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically, for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial instruments (Cont'd)

Financial assets (Cont'd)

Classification of financial assets (Cont'd)

(ii) *Equity instruments designated as at FVTOCI*

Impairment of financial assets

The Group and the Company recognise a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI and trade receivables. The amount of expected credit losses are updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group and the Company apply the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group and the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group and the Company recognise lifetime ECL until they are derecognised due to short-term nature of the receivables and have been assessed to have credit risk other than low.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Definition of default

The Group and the Company consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company.

(ii) Write-off policy

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Financial assets written off may still be subject to enforcement activities under the Company's and the Group's recovery procedures. Any recoveries made are recognised in consolidated and separate statements of profit or loss.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets

(iii) Recognition of expected credit losses

The Group and the Company recognise an impairment gain or loss in the consolidated and separate statements of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated and separate statements of financial position.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group and the Company compare the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group and the Company consider both quantitative and qualitative information that are reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group and the Company's debtors operate, obtained from economic expert reports, financial analysts, government bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group and the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition.

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(iii) Recognition of expected credit losses (Cont'd)

Significant increase in credit risk

Irrespective of the outcome of the above assessment, the Group and the Company presume that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group and the Company have reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group and the Company assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) the financial instrument has a low risk of default;
- (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group and the Company consider a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group and the Company become a party to the irrecoverable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group and the Company consider the changes in the risk that the specified debtor will default on the contract.

The Group and the Company regularly monitor the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revise them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Measurement and recognition of expected credit losses

The measure of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(iii) Recognition of expected credit losses (Cont'd)

Measurement and recognition of expected credit losses (Cont'd)

adjusted by forward-looking information as described above. As for exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group and the Company in accordance with the contract and all cash flows that the Group and the Company expect to receive, discounted at the original interest rate.

Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognise its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated and separate statements of profit or loss and other comprehensive income. In contrast, on derecognition of an investment in equity instrument which the Group and the Company have elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to consolidated and separate profit or loss and other comprehensive income, but is transferred to retained earnings.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the asset of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recorded at the proceeds received, net of direct issue costs.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial instruments (Cont'd)

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group and the Company, are measured in accordance with the specific accounting policies set out below.

(i) *Borrowings*

Interest bearing loans and bank overdrafts are initially recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instalment to the extent that they are not settled in the period in which they arise. Borrowings are subsequently measured at amortised cost.

(ii) *Accounts payable*

Accounts payable are stated at their amortised cost using the effective interest method.

Financial liabilities measured subsequently at amortised cost.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

(iii) *Effective interest method*

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

(iv) *Derecognition of financial liabilities*

Financial liabilities are derecognised when, and only when, the Group's and the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated and separate statements of profit or loss and other comprehensive income.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of a past events, it is probable that the Group and the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

(l) Basis of consolidation

The consolidated financial statements incorporate the financial statements of United Bus Service Limited and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

(m) Investments in subsidiaries

In the separate financial statements, investments in subsidiaries are recognised at cost less impairment. When the recoverable amount of an investment is less than its carrying amount, the investment is written down immediately to its recoverable amount and the impairment loss is recognised as an expense in the statement of profit or loss and other comprehensive income.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management personnel of the reporting entity. An entity is related to a reporting entity if both of them are members of the same group or one of them is either an associate or joint venture of the other entity. Related party can also arise if the entity is a post-employment benefit plan for the employee of the reporting entity.

(o) Impairment of assets

At each end of the reporting period, the Group and the Company review the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount of an asset is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated and separate statements of profit or loss and other comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in consolidated and separate statements of profit or loss and other comprehensive income.

(p) Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(q) Leasing

Assets held under leases are initially recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated and separate statements of financial position as a finance lease obligation.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Comparative figures

Comparative figures have been regrouped, where necessary, to conform to the current year's presentation.

4. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated and separate financial statements in accordance with IFRS requires the directors and management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the consolidated and separate financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

Where applicable, the notes to the consolidated and separate financial statements set out areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the consolidated and separate financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Key sources of estimation uncertainty

Property, plant and equipment

The cost of the property, plant and equipment is depreciated over the estimated useful life of the asset. The estimated useful life is based on expected usage of the asset and expected physical wear and tear, which depends on operational factors. Management has not considered any residual value as it is deemed immaterial.

Calculation of loss allowance

The Group and the Company use 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.

The provision matrix is initially based on the Group's and the Company's historical observed defaults rates. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

When measuring ECL, the Group and the Company use reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The Group and the Company did not provide detailed information on how the forecast economic conditions have been incorporated in the determination of ECL because the impact is not significant.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

4. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group and the Company would expect to receive, taking into account cash flows from credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group and the Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Allowance for slow-moving inventories

Inventories are stated at the lower of cost or net realisable value. Adjustments to reduce the cost of inventory to its realisable value, if required, are made at the product level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, technological changes, physical deterioration and quality issues.

Retirement benefit obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate.

Further information on the carrying amounts of the Group's and the Company's defined benefit obligations and the sensitivity of those amounts to changes in discount rate are provided in note 10.

Deferred tax assets

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The outcome of their actual utilisation may be different.

Functional currency

The determination of the functional currency of the Group and the Company are critical since recording of transactions and exchange differences arising are dependent on the selected functional currency. As described in the accounting policies, the directors have considered those factors therein and have determined that the functional currency of the Group and the Company are Rupees.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

5. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	Freehold land	Freehold building	Office building	Motor vehicles
	Rs	Rs	Rs	Rs
COST				
At 1 July 2021	8,400,000	22,804,509	168,867	11,020,213
Additions	68,649,818	-	-	545,000
At 30 June 2022	<u>77,049,818</u>	<u>22,804,509</u>	<u>168,867</u>	<u>11,565,213</u>
DEPRECIATION				
At 1 July 2021	-	2,707,186	168,867	7,730,506
Charge for the year	-	570,112	-	1,389,863
At 30 June 2022	<u>-</u>	<u>3,277,298</u>	<u>168,867</u>	<u>9,120,369</u>
NET BOOK VALUE				
At 30 June 2022	<u>77,049,818</u>	<u>19,527,211</u>	<u>-</u>	<u>2,444,844</u>

Included under property, plant and equipment are motor vehicles and equipment with a net book value of Rs 108,200 and Rs 1,012,240 respectively held under finance lease.

THE COMPANY	Freehold land	Freehold building	Office building	Motor vehicles
	Rs	Rs	Rs	Rs
COST				
At 01 July 2020	8,400,000	22,804,509	168,867	10,167,244
Additions	-	-	-	2,177,559
Disposals	-	-	-	(1,324,590)
At 30 June 2021	8,400,000	22,804,509	168,867	11,020,213
Additions	-	-	-	545,000
At 30 June 2022	<u>8,400,000</u>	<u>22,804,509</u>	<u>168,867</u>	<u>11,565,213</u>
DEPRECIATION				
At 01 July 2020	-	2,137,073	168,867	7,976,692
Charge for the year	-	570,113	-	1,078,404
Disposals	-	-	-	(1,324,590)
At 30 June 2021	-	2,707,186	168,867	7,730,506
Charge for the year	-	570,112	-	1,389,863
At 30 June 2022	<u>-</u>	<u>3,277,298</u>	<u>168,867</u>	<u>9,120,369</u>
NET BOOK VALUE				
At 30 June 2022	<u>8,400,000</u>	<u>19,527,211</u>	<u>-</u>	<u>2,444,844</u>
At 30 June 2021	<u>8,400,000</u>	<u>20,097,323</u>	<u>-</u>	<u>3,289,707</u>

Included under property, plant and equipment are motor vehicles and equipment with a net book value of Rs 108,200 (2021: Rs 757,400) and Rs 1,012,240 (2021: Rs 1,199,115) respectively held under finance lease.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

Computer equipment	Office and other equipment	Furniture, fixtures and fittings	Total
Rs	Rs	Rs	Rs
15,108,989	10,167,715	6,932,486	74,602,779
191,206	-	-	69,386,024
15,300,195	10,167,715	6,932,486	143,988,803
12,707,228	8,123,648	5,777,304	37,214,739
415,542	338,033	141,912	2,855,462
13,122,770	8,461,681	5,919,216	40,070,201
2,177,425	1,706,034	1,013,270	103,918,602

Computer equipment	Office and other equipment	Furniture, fixtures and fittings	Total
Rs	Rs	Rs	Rs
14,916,103	10,045,375	6,932,486	73,434,584
192,886	122,340	-	2,492,785
-	-	-	(1,324,590)
15,108,989	10,167,715	6,932,486	74,602,779
191,206	-	-	736,206
15,300,195	10,167,715	6,932,486	75,338,985
12,295,345	7,718,184	5,590,312	35,886,473
411,883	405,464	186,992	2,652,856
-	-	-	(1,324,590)
12,707,228	8,123,648	5,777,304	37,214,739
415,542	338,033	141,912	2,855,462
13,122,770	8,461,681	5,919,216	40,070,201
2,177,425	1,706,034	1,013,270	35,268,784
2,401,761	2,044,067	1,155,182	37,388,040

The Group and the Company's property, plant and equipment have been pledged as security for bank facilities.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

6. INVESTMENTS

(a) Investments in associates

Details of investments in associates are as follows: _

			THE GROUP AND THE COMPANY	
Name of Company	Activities	% holding	2022	2021
			Rs	Rs
United Bus Service Limited	Investment holding	34.31%	166,268,311	141,746,584
Lintrabis Investment Company Limited	Investment holding	45.77%	24,288,655	22,872,362
			190,556,966	164,618,946

Movement in investments in associates

	2022	2021
	Rs	Rs
Balance at 1 July 2021	164,618,946	144,590,064
Share of profit from associates	26,687,301	19,310,938
Share of other comprehensive income from associates	955,560	717,944
Dividend received	(1,704,841)	-
	190,556,966	164,618,946
Share of profit from associates		
United Bus Service Limited	26,282,011	19,155,082
Lintrabis Investment Company Limited	405,290	155,856
	26,687,301	19,310,938
Share of other comprehensive income from associates		
United Bus Service Limited		
Net fair value loss on financial assets at fair value through other comprehensive income	(55,444)	40,884
Lintrabis Investment Company Limited		
Net fair value gain on financial assets at fair value through other comprehensive income	1,011,004	677,060
	955,560	717,944

All of the above associates are accounted for using the equity method in these consolidated and separate financial statements.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

6. INVESTMENTS (CONT'D)

(a) Investments in associates (Cont'd)

Summarised financial information of each of the associates is set out below. The summarised financial information below represents amounts shown in the associate's consolidated and separate financial statements prepared in accordance with IFRSs.

United Bus Service Limited

	2022	2021
	Rs	Rs
Non-current assets	834,977,754	789,659,643
Current assets	389,868,601	367,737,562
Non-current liabilities	(493,165,445)	(513,892,923)
Current liabilities	(247,021,015)	(230,323,435)
Net assets	484,659,895	413,180,847
Revenue	806,473,517	547,103,522
Profit for the year	76,610,152	55,835,656
Other comprehensive loss for the year	(161,616)	119,161
Total comprehensive income for the year	76,448,536	55,954,817

Reconciliation of the above summarised financial information to the carrying amount of the interest in United Bus Service Limited recognised in the consolidated and separate financial statements:

	2022	2021
	Rs	Rs
Net assets of associate	484,659,895	413,180,847
Proportion of the Group's and the Company's ownership	34.31%	34.31%
Carrying amount of the Group's and the Company's interest	166,268,311	141,746,584

The market value of the quoted shares in United Bus Service Limited at 30 June 2022, based on the latest available quotations on the Stock Exchange was Rs 69,898,522 (2021: Rs 67,449,845). The investment in United Bus Service Limited is classified within Level 1 of the fair value hierarchy.

Lintrabis Investment Company Limited

	2022	2021
	Rs	Rs
Non-current assets	38,567,897	35,958,647
Current assets	14,563,176	14,091,368
Current liabilities	(64,315)	(77,628)
Net assets	53,066,758	49,972,387
Revenue	1,236,933	609,882
Profit for the year	885,492	340,518
Other comprehensive income for the year	2,208,879	1,479,266
Total comprehensive income for the year	3,094,371	1,819,784

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

6. INVESTMENTS (CONT'D)

(a) Investments in associates (Cont'd)

Lintrabis Investment Company Limited (Cont'd)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Lintrabis Investment Company Limited recognised in the consolidated and separate financial statements:

	2022	2021
	Rs	Rs
Net assets of associate	53,066,758	49,972,387
Proportion of the Group's and the Company's ownership	45.77%	45.77%
Carrying amount of the Group's and the Company's interest	24,288,655	22,872,362

(b) Other financial assets

Financial assets at fair value through other comprehensive income

	Listed	Quoted	Unit Trust	Unquoted	Total
	Rs	Rs	Rs	Rs	Rs
THE GROUP AND COMPANY					
At 1 July 2020	36,933,517	3,984,962	396,650	1,030	41,316,159
Additions	-	-	-	1,430	1,430
Fair value movement	3,037,738	965,202	80,640	-	4,083,580
At 30 June 2021	39,971,255	4,950,164	477,290	2,460	45,401,169
Addition	19,195	-	-	-	19,195
Disposal	(10,093)	-	-	-	(10,093)
Fair value movement	4,298,673	-	-	-	4,298,673
At 30 June 2022	44,279,030	4,950,164	477,290	2,460	49,708,944

The investments are valued at market prices prevailing on Development & Enterprise Market, Stock Exchange of Mauritius and National Investment Trust at the end of the reporting period. The unquoted investments are measured at net assets of the investee at reporting date as it approximates its fair value.

The Group's and the Company's investments have been pledged as security for bank facilities.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

6. INVESTMENTS (CONT'D)

(c) Investment in subsidiary

THE COMPANY

Details of investments in associates are as follows:

Name of Company	Activities	% holding	Type of shares	Carrying Amount	
				2022	2021
				Rs	Rs
Lees Investment Ltd	Property	100%	Ordinary	10,000,000	-

Movement in investment in subsidiary is as follows:

	2022	2021
	Rs	Rs
Balance at 1 July	-	-
Additions during the year	10,000,000	-
Balance at 30 June	10,000,000	-

The Company made additional capital contribution amounting to Rs 55,000,000 against which share are yet to be allotted.

The directors have assessed the carrying amount of the investment in subsidiary and are of the opinion that the investment is not impaired at the reporting date.

7. INVENTORIES

	THE GROUP AND THE COMPANY	
	2022	2021
	Rs	Rs
<u>At cost</u>		
Motor vehicle spare parts and tyres	107,911,239	99,155,454
Goods in transit	37,164,125	11,439,066
	<u>145,075,364</u>	<u>110,594,520</u>

The cost of inventories recognised as an expense during the year in respect of continuing operations was Rs 389,694,180 (2021: Rs 219,274,569). The Group and the Company's inventories have been pledged as security for bank facilities.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

8. TRADE AND OTHER RECEIVABLES

	THE GROUP	THE COMPANY	
	2022	2022	2021
	Rs	Rs	Rs
Trade receivables	42,395,252	42,395,252	38,841,519
Loss allowance	(842,033)	(842,033)	(842,033)
Bad debts written off	-	-	(111,611)
	41,553,219	41,553,219	37,887,875
Other receivables and prepayments	10,426,804	14,076,622	9,575,943
	51,980,023	55,629,841	47,463,818

Included under trade and other receivables are amounts of Rs 6,567,890 (2021: Rs 5,341,003) receivable from related companies. These amounts are unsecured, interest free and repayable on demand.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The average credit period on sales of goods is 30 days. No interest is charged on trade receivables. Before accepting any new client, an assessment is made of the potential customer's credit quality. The most significant debtor (a related company) accounts for 15.49% (2021: 13.75%) of the trade receivables. There are no other customers who represent more than 10% of the total balance of trade receivable.

The Group and the Company measure the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and on analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group and the Company have recognised a loss allowance of 100% against all receivables over 90 days past due because historical experience has indicated that these receivables are generally not recoverable.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9.

Group and Company	Collectively assessed	Individually assessed	Total
	Rs	Rs	Rs
Balance at 30 June 2020	16,008	806,437	822,445
Increase in loss allowance recognised in profit or loss during the year	-	19,588	19,588
Balance at 1 July 2021	16,008	826,025	842,033
Increase in loss allowance recognised in profit or loss during the year	-	-	-
Balance at 30 June 2022	16,008	826,025	842,033

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

8. TRADE AND OTHER RECEIVABLES (CONT'D)

The following table details the risk profile of local trade receivables based on the Group and the Company's provision matrix at 30 June 2022. As the Group's and the Company's historical credit loss experience does not show significantly different loss patterns for different local customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's and the Company's different customer base.

As at 30 June 2022

	Not past due	1 to 30 days	31 to 60 days	61 to 90 days	> 90 days	Total
Estimated total gross carrying amount at default (Rs)	21,944,542	12,128,678	5,543,653	1,943,475	834,906	42,395,254
Expected loss rate	0.00%	0.00%	0.00%	14.02%	68.21%	
Lifetime ECL (Rs)	-	-	-	272,561	569,472	842,033

As at 30 June 2021

Estimated total gross carrying amount at default (Rs)	17,605,460	10,437,800	6,028,883	2,505,364	2,264,012	38,841,519
Expected loss rate	0.43%	1.02%	2.14%	6.00%	16.80%	
Lifetime ECL (Rs)	75,861	106,481	129,206	150,229	380,256	842,033

9. STATED CAPITAL

	THE GROUP AND THE COMPANY	
	2022	2021
	Rs	Rs
Issued and fully paid		
1,142,962 ordinary shares of Rs10 each	11,429,620	11,429,620
Share premium	9,084,576	9,084,576
	<u>20,514,196</u>	<u>20,514,196</u>

Ordinary shares are not redeemable, carry voting rights, entitlement to dividends or distributions and on winding up to any surplus on assets of the Group and the Company.

10. RETIREMENT BENEFIT OBLIGATIONS

The liability relates to Retirement Gratuities under the Employment Rights Act (ERA). The Group and the Company provides for a lump sum at retirement based on final salary and years of service.

Amount recognised in the consolidated and separate statements of financial position:

	THE GROUP AND THE COMPANY	
	2022	2021
	Rs	Rs
Present value of unfunded obligations	4,488,470	3,910,799

The figures are based on management's assessment of Retirement Gratuities under the Employment Rights Act (ERA) for the year ended 30 June 2021.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

10. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The main assumptions used for accounting purposes are as:

	THE GROUP AND THE COMPANY	
	2022	2021
	%	%
Discount rate	5.30	5.30
Future long-term salary increase	3.00	3.00

Movement in liability recognised in the consolidated and separate statements of financial position are as follows:

	THE GROUP AND THE COMPANY	
	2022	2021
	Rs	Rs
At 1 July	(3,910,799)	(4,366,730)
Gratuity payment during the year	-	593,059
Total expenses recognised in profit or loss	(577,671)	(137,128)
At 30 June	(4,488,470)	(3,910,799)
<u>Amount recognised in statement of profit or loss:</u>		
Current service cost	577,671	137,128
	577,671	137,128

Significant assumptions for the determination of the defined benefit plan are discount rate and future long-term salary increase. The sensitivity analysis below have been determined based on the sensibly possible changes of the discount rate or future long-term salary increase rate occurring at the end of reporting if all other assumption remained unchanged.

- The sensitivity analysis is not applicable given that there is no defined benefit plan

11. TAXATION

(a) Income tax

Income tax is calculated at the rate of 15% (2021: 15%) on the profit for the year as adjusted for tax purposes and it also includes Corporate Social Responsibility (CSR) charge which is calculated at the rate of 2% (2021: 2%) on the chargeable income of the preceding year.

	THE GROUP	THE COMPANY	
	2022	2022	2021
	Rs	Rs	Rs
Current tax provision	8,176,668	8,176,668	3,333,888
(Over)/Under-provision in prior year	134,042	134,042	(122,573)
Covid 19 levy	-	-	52,083
CSR provision for the year	448,389	448,389	296,813
Deferred tax movement (Note 11(c))	(381,258)	(381,258)	24,844
Tax expense charged to profit or loss	8,377,841	8,377,841	3,585,055

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

11. TAXATION

(b) Current tax liabilities

	THE GROUP	THE COMPANY	
	2022	2022	2021
	Rs	Rs	Rs
At 1 July	1,607,953	1,607,953	1,087,564
Current tax provision	8,176,668	8,176,668	3,333,888
(Over)/Under-provision in prior year	134,042	134,042	(122,573)
Covid 19 levy	-	-	52,083
Tax Deducted at Source	-	-	(123,000)
Tax refund / (paid) including Advance Payment System	(4,264,203)	(4,264,203)	(2,627,810)
Withholding tax	(56,750)	(56,750)	(47,853)
CSR provision for the year	448,389	448,389	296,813
CSR paid during the year	(357,570)	(357,570)	(241,159)
Reversal of tax deducted at source	123,000	123,000	-
At 30 June	5,811,529	5,811,529	1,607,953

(c) Deferred tax liabilities

	THE GROUP	THE COMPANY	
	2022	2022	2021
	Rs	Rs	Rs
At 1 July	(1,360,133)	(1,360,133)	(1,335,289)
Charged to profit or loss:			
Current year charge	381,258	381,258	(24,844)
Under provision of deferred tax in prior year	-	-	-
	381,258	381,258	(24,844)
At 30 June	(978,875)	(978,875)	(1,360,133)
Deferred tax assets arise from:			
Retirement benefit obligations	763,040	763,040	664,836
Provision for bad debts	143,146	143,146	143,146
Temporary difference arising from tax base and carrying amount of qualifying assets	(1,885,061)	(1,885,061)	(2,168,115)
	(978,875)	(978,875)	(1,360,133)

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

11. TAXATION (CONT'D)

(d) Tax reconciliation

	THE GROUP	THE COMPANY	
	2022	2022	2021
	Rs	Rs	Rs
Profit before tax	80,016,417	80,016,417	44,309,388
Tax at the rate of 15% (2020: 15%)	12,002,463	12,002,463	6,646,408
Tax effect of:			
- Non-taxable income	(4,387,496)	(4,387,496)	(3,810,585)
- Expenses not deductible for tax purposes	561,701	561,701	498,065
- Covid-19 levy	-	-	52,083
- CSR charge	448,389	448,389	296,813
- (Over)/Underprovision of income tax in prior year	134,042	134,042	(122,573)
- Underprovision of deferred tax in prior year	-	-	-
- Deferred tax charge for the year	(381,258)	(381,258)	24,844
Income tax expense recognised in profit or loss	8,377,841	8,377,841	3,585,055

12. BANK OVERDRAFT

The bank overdraft bears interest at rates of 4.35% (2021: 4.35%) per annum and is secured by floating charges on the assets of the Company.

13. LOANS

	THE GROUP	THE COMPANY	
	2022	2022	2021
	Rs	Rs	Rs
Bank loan	8,550,037	8,550,037	9,917,993
Loan from related party	35,000,000	35,000,000	-
	43,550,037	43,550,037	9,917,993
Included in financial statements as:			
Current liabilities	36,367,957	36,367,957	1,311,531
Non-current liabilities	7,182,080	7,182,080	8,606,462
	43,550,037	43,550,037	9,917,993

Bank loans bear interest at rates of 4.35% (2021: 4.35%) per annum and are secured by floating charges on the assets of the Group and the Company.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

14. TRADE AND OTHER PAYABLES

(d) Tax reconciliation

	THE GROUP		THE COMPANY	
	2022		2022	2021
	Rs	Rs	Rs	Rs
Bills payables	23,001,939	23,001,939	1,732,901	
Trade payables	677,958	677,958	627,263	
Other payables and accruals	12,823,258	12,823,258	10,111,509	
	36,503,155	36,503,155	12,471,673	

The average credit period of trade payables is 30 days (2021: 30 days). The Group and the Company have financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

15. OBLIGATIONS UNDER FINANCE LEASE

The bank overdraft bears interest at rates of 4.35% (2021: 4.35%) per annum and is secured by floating charges on the assets of the Company.

THE GROUP AND COMPANY	Minimum lease payments		Present value of minimum lease payments	
	2022	2021	2022	2021
	Rs	Rs	Rs	Rs
Amount payable under finance leases:				
Within one year	293,711	1,089,692	291,000	1,017,931
In the second to fifth years inclusive	-	298,428	-	291,030
	293,711	1,388,120	291,000	1,308,961
<u>Less: Future finance charges</u>	<u>(2,711)</u>	<u>(79,159)</u>	<u>-</u>	<u>-</u>
Present value of minimum lease payments	291,000	1,308,961	291,000	1,308,961
Included in financial statements as:				
Current liabilities			291,000	1,017,939
Non-current liabilities			-	291,022
			291,000	1,308,961

Finance leases relate to motor vehicles and equipment with lease terms between one and five years. The Group and the Company have options to purchase the motor vehicles for a nominal amount at the conclusion of the lease agreements. The Group and the Company's obligations under the finance leases are secured by the lessors' title to the leased assets.

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

Interest rates underlying all obligations under finance leases carry interest at the rate of Prime Landing Rate minus 0.50% per annum. Presently the interest rate vary between 4.35% - 5.85% (2021: 4.35% - 5.85%) per annum.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

16. PROFIT FROM OPERATIONS

This is arrived at after charging:

	THE GROUP AND THE COMPANY	
	2022	2021
	Rs	Rs
Cost of inventories recognised as an expense during the year	389,694,180	219,274,569
Administrative expenses	29,385,452	27,401,920

Included in administrative expenses

	2022	2021
	Rs	Rs
Staff cost	15,823,437	15,658,381
Government wage assistance	-	(52,083)
Depreciation of property, plant and equipment	2,855,462	2,652,856
Rent, rates and taxes	1,892,933	1,891,217
Legal and professional charges	1,080,157	1,121,572
Motor vehicle running expenses	1,150,844	971,425

17. OTHER INCOME

	2022	2021
	Rs	Rs
Dividend income	1,372,225	265,747
Rent receivable	180,000	180,000
Unrealised gain of revaluation of bank balance	-	2,295,975
Profit on disposal of PPE	-	425,000
Sundry income	-	333,885
Other Income	-	32,269
	<u>1,552,225</u>	<u>3,532,876</u>

18. FINANCE COSTS

	2022	2021
	Rs	Rs
Interest is payable on:		
- Bank loan	688,648	546,426
- Finance lease	31,982	69,109
	<u>720,630</u>	<u>615,535</u>

19. DIVIDENDS

	2022	2021
	Rs	Rs
Dividend of Rs 4.20 per share declared on 13 May 2022 (2021: Rs 3.00 paid on 02 June 2021)	4,800,440	3,428,886

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

20. EARNINGS PER SHARE

The earnings and number of ordinary shares used in the calculation of basic earnings per share are as follows:

	THE GROUP AND THE COMPANY	
	2022	2021
	Rs	Rs
Profit for the year (Rs)	71,638,576	40,724,333
Number of ordinary shares	1,142,962	1,142,962
Earnings per share (Rs)	62.68	35.63

21. RELATED PARTY TRANSACTIONS

	2022	2021
	Rs	Rs
(a) Transactions during the year		
(i) Sales of goods:		
- Associate	158,056,380	60,800,989
(ii) Rent receivable:		
- Associate	180,000	180,000
(iii) Dividend received		
- Company under common management	1,704,847	-
(iv) Management fees		
- Company under common management	660,000	660,000

	2022	2021
	Rs	Rs
(b) Outstanding balances		
(i) Receivables from related parties:		
- Associates	5,667,890	5,341,003
- Dividend receivable	1,704,847	-
(ii) Amount due to related party:		
- Associates	-	(53,000,000)

The amount due to and from related parties are interest free, repayable on demand and unsecured.

	2022	2021
	Rs	Rs
(c) Compensation to key management personnel (Directors)		
Short term benefits	6,955,059	6,865,243

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

22. FINANCIAL INSTRUMENTS

Capital risk management

The Group and the Company manage their capital to ensure that it will be able to continue as a going concern while maximising the returns of the stakeholders. The capital structure of the Group and the Company consist of net debt and equity comprising issued capital, reserves and retained earnings.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the consolidated and separate financial statements.

Gearing ratio

The Group and the Company review the capital structure on a regular basis and as part of this review, management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio of the Group and the Company at the year-end were as follows:

	THE GROUP	THE COMPANY	
	2022	2022	2021
	Rs	Rs	Rs
Debt (i)	44,835,367	44,835,367	19,898,059
Cash and bank balances	(88,720,313)	(88,720,313)	(150,661,017)
Net debt	(43,884,946)	(43,884,946)	(130,762,958)
Equity (ii)	532,542,376	532,542,376	460,450,007
Net debt to equity ratio	N/A	N/A	N/A

(i) Debt is defined as long and short term borrowings, as detailed in notes 12, 13 and 15.

(ii) Equity includes all capital and reserves of the Group and the Company.

Categories of financial instruments

	THE GROUP	THE COMPANY	
	2022	2022	2021
	Rs	Rs	Rs
Financial assets			
<u>Financial assets at amortised cost</u>			
- Cash and bank balances	88,720,313	88,720,313	150,661,017
- Trade and other receivables	41,553,219	41,553,219	37,887,875
<u>Financial assets at fair value through other comprehensive income</u>			
- Investments in securities	49,708,944	49,708,944	45,401,169
	179,982,476	179,982,476	233,950,061

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For the year ended 30 June 2022

22. FINANCIAL INSTRUMENTS (CONT'D)

Financial liabilities

	THE GROUP		THE COMPANY	
	2022		2021	
	Rs	Rs	Rs	Rs
<i>At amortised cost</i>				
Trade and other payables	32,910,714	32,910,714	10,508,450	
Obligations under finance leases	291,000	291,000	1,308,961	
Loans	43,550,037	43,550,037	9,917,993	
Bank overdraft	994,330	994,330	8,671,105	
Amount due to related party	-	-	53,000,000	
Dividend payable	4,800,440	4,800,440	3,428,886	
	82,546,521	82,546,521	86,835,395	

The following has been excluded from financial assets and financial liabilities:

	2022		2021	
	2022		2021	
	Rs	Rs	Rs	Rs
<i>Financial assets</i>				
Prepayment and advanced deposit	10,426,804	14,076,622	9,575,943	
<i>Financial liabilities</i>				
VAT	3,592,441	3,592,441	1,963,223	

Market risk

Market risk represents the potential loss that can be caused by a change in market value of financial instruments. The Group's and the Company's activities are exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group and the Company make use of proper mix in their financial instruments to manage their exposure to interest rate and foreign currency risk.

Foreign currency risk management

The Group and the Company undertake transactions denominated in foreign currencies and are consequently exposed to the risk that the carrying amounts of these foreign currency denominated assets and liabilities may change due to fluctuations in foreign exchange.

The currency profile of the Group's and the Company's financial assets and financial liabilities are summarised as follows:

	2022		2021	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
	Rs	Rs	Rs	Rs
<i>Currency</i>				
Mauritian Rupee	177,713,440	59,544,578	176,801,298	85,102,494
United States Dollar	2,269,036	23,001,943	57,148,763	1,732,901
	179,982,476	82,546,521	233,950,061	86,835,395

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

22. FINANCIAL INSTRUMENTS (CONT'D)

Market risk (Cont'd)

The Group and the Company are mainly exposed to United States Dollar.

The following table details the Group's and the Company's sensitivity to a 5% increase in the relevant currencies against the Mauritian Rupee. A negative number below indicates a decrease in profit and equity where relevant currencies strengthen 5% against Mauritian Rupee. For a 5% weakening of relevant currencies against the Mauritian Rupees, there would be an equal and opposite impact on the profit and equity.

	2022	2021
	Rs	Rs
Impact on profit and equity	(1,036,645)	2,770,793

Interest rate risk

The Group and the Company are exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial position and cash flows.

The interest rate profile of the Group's and the Company's financial liabilities as at 30 June is as follows:

	Interest	2022	2021
		% p.a	% p.a
<u>Financial liabilities</u>			
Bank overdraft	Floating	4.35	4.35
Obligations under finance lease	Fixed	4.35 - 5.85	4.35 - 5.85
Bank loan	Floating	4.35	4.35

The following table details the Group's and the Company's sensitivity to an increase in interest rate by 50 basis points. A negative number indicates a decrease in profit and equity where the interest rate is 50 basis points higher for a decrease in interest rate by 50 basis point, there would be an equal and opposite impact on the profit and equity.

	2022	2021
	Rs	Rs
Impact on profit and equity	224,177	125,007

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's and the Company's short, medium and long-term funding and liquidity management requirements. The Group and the Company manage liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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For the year ended 30 June 2022

22. FINANCIAL INSTRUMENTS (CONT'D)

Market risk (Cont'd)

Liquidity risk management (cont'd)

Liquidity risk tables

The maturity profile of the financial liabilities is summarised as follows:

<u>2022</u>	Less than 1 year	1 - 5 years	Total
	Rs	Rs	Rs
Financial liabilities			
<u>Amortised cost:</u>			
Trade and other payables	32,910,714	-	32,910,714
Obligations under finance lease	291,000	-	291,000
Loans	36,367,957	7,182,080	43,550,037
Bank overdraft	994,330	-	994,330
Dividend payable	4,800,440	-	4,800,440
	75,364,441	7,182,080	82,546,521
<u>2021</u>	Less than 1 year	1 - 5 years	Total
	Rs	Rs	Rs
Financial liabilities			
<u>Amortised cost:</u>			
Trade and other payables	10,508,450	-	10,508,450
Obligations under finance lease	1,017,939	291,022	1,308,961
Loans	1,311,531	8,606,462	9,917,993
Bank overdraft	8,671,105	-	8,671,105
Dividend payable	3,428,886	-	3,428,886
Amount due to related party	53,000,000	-	53,000,000
	77,937,911	8,897,484	86,835,395

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by management. The Group and the Company's credit risk exposure are as disclosed in note 8.

Equity price risk

The Group and the Company are exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group and the Company do not actively trade these investments.

Equity price sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date.

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22. FINANCIAL INSTRUMENTS (CONT'D)

Equity price risk (Cont'd)

Equity price sensitivity analysis (Cont'd)

If equity prices had been 5% higher/lower

- profit for the year ended 30 June 2022 would have been unaffected as the equity investments are classified as financial assets at fair value through other comprehensive income and no investments were disposed of or impaired; and
- other comprehensive income for the year ended 30 June 2022 would increase/decrease by Rs 214,934 (2021: increase/decrease by Rs 204,179) for the Company as a result of the changes in fair value of financial assets at fair value through other comprehensive income.

The Group's and the Company's sensitivity to equity prices have not changed significantly from the prior year.

Fair value measurements

Except where stated elsewhere, the carrying amounts of the Group's and the Company's financial assets and financial liabilities approximate their fair values due to the short-term nature of the balances involved.

Fair value of the Group and the Company's financial assets that are measured at fair value on a recurring basis

The following table gives information about how the fair values of financial assets are determined:

<u>Financial assets</u>	Fair values as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	2022	2021		
	Rs	Rs		
Listed and quoted investments	49,229,194	44,921,419	Level 1	Quoted bid prices in an active market
Unit trust investments	477,290	477,290	Level 2	Based on the net asset value of the investee
Unquoted investments	2,460	2,460	Level 3	Based on the net asset value of the investee*

There were no transfers between level 1 and 2 during the year.

* The unquoted investment was measured at cost at 30 June 2022 as the cost approximated the fair value at 30 June 2022.

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

23. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated and separate statements of cash flows as cash flows from financing activities.

30 June 2022					
THE GROUP AND COMPANY	1 July 2021	Interest expense	Interest Paid	Loans and leases repayment	30 June 2022
	Rs	Rs	Rs	Rs	Rs
Loans	9,917,993	469,572	(469,572)	33,632,044	43,550,037
Finance lease	1,308,961	31,982	(31,982)	(1,017,961)	291,000
	<u>11,226,954</u>	<u>501,554</u>	<u>(501,554)</u>	<u>32,614,083</u>	<u>43,841,037</u>
30 June 2021					
	1 July 2020	Interest expense	Interest Paid	Loans and leases repayment	30 June 2021
	Rs	Rs	Rs	Rs	
Loans	11,325,114	546,426	(546,426)	(1,407,121)	9,917,993
Finance lease	2,321,761	69,109	(69,109)	(1,012,800)	1,308,961
	<u>13,646,875</u>	<u>615,535</u>	<u>(615,535)</u>	<u>(2,419,921)</u>	<u>11,226,954</u>

24. SEGMENTAL REPORTING

The directors of the Group and the Company have chosen to organise the Group and the Company into different types of revenue streams. Specifically, the main Group's and the Company's reportable segments under IFRS 8 are as follows:

- > Tyres
- > Spare parts
- > Batteries and Lubricants
- > Vehicles

Segment revenues and results

	THE GROUP AND THE COMPANY	
	Segment revenue	
	2022	2021
	Rs	Rs
Tyres	330,426,790	227,210,184
Spare parts	62,407,141	40,201,353
Batteries and Lubricants	10,651,622	1,456,157
Vehicles	68,091,600	-
Timing of revenue recognition:		
- At a point in time	471,577,153	268,867,694
- Over time	-	-

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

24. SEGMENTAL REPORTING

Segment assets and liabilities

The following is an analysis of the Group's and the Company's assets and liabilities by reportable segment:

THE GROUP AND THE COMPANY	
Segment revenue	
2022	2021
Rs	Rs
-	-
-	-

Contract assets and liabilities:

- Contract assets
- Contract liabilities

Performance obligations and revenue recognition policies

The following table provides information about the revenue recognition policies:

Type of service	Nature and timing of performance obligation, including significant payment terms	Revenue recognition policy
Sales of tyres and spareparts	Revenue recognised at point in time based on agreed quote with customers.	Revenue is recognised on sale

Geographical information

Since all the operations are carried out locally, the geographical reporting disclosure is therefore not applicable.

Information about major customer

Included in sale from tyres and spares is a total amount of Rs 158,236,380 (2021: Rs 60,800,989) which arose from sale to a related party which is the Group's and the Company's largest customer. No other single customers contributed to 10% or more to the Group's or Company's revenue in either 2021 or 2022.

25. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	THE GROUP	THE COMPANY	
	2022	2022	2021
	Rs	Rs	Rs
Cash disbursed	69,386,024	736,206	2,492,785
Finance lease	-	-	-
	69,386,024	736,206	2,492,785

Financed as follows:

- Cash disbursed
- Finance lease

Notes To The Consolidated And Separate Financial Statements

For the year ended 30 June 2022

26. CONTINGENT LIABILITIES

As at reporting date, the Company has no contingent liabilities and has not provided any corporate or financial guarantees to any of its affiliates.

27. IMPACT OF UKRAINE /RUSSIAN WAR

The geopolitical situation in Eastern Europe intensified since the end of February 2022 with Russia's invasion of Ukraine. The war between the two countries continues to evolve as military activity proceeds and additional sanctions are being imposed.

In addition to the considerable human toll and impact of the events on entities that have operations in Russia, Ukraine, or neighbouring countries, or that conduct business with their counterparties, the war is increasingly affecting economic and global financial markets and exacerbating ongoing economic challenges, including inflation and global supply chain disruption.

Political events and sanctions are continually changing and differ across the globe. Some impacts arising from the war that many countries across the globe have been currently facing include:

- Interruptions and/or stoppage of production in affected areas and neighbouring countries
- Supply chain and travel disruptions in Eastern Europe
- Volatility in commodity prices and currencies
- Increased costs and expenditures

Though the true impact of war is still unclear, businesses worldwide can feel its financial effects. In addition to the impact of the war on entities that have operations in Russia, Ukraine, or neighbouring countries (e.g., Belarus) or that conduct business with their counterparties, the war is increasingly affecting economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption.

The directors have concluded that the war in Ukraine has no significant impact on the Group and the Company as no potential financial impact is envisaged in the year ahead and beyond.

28. EVENT AFTER THE REPORTING PERIOD

Except for the continuous monitoring of the impact of the COVID-19 disclosed in the above note, there has been no other material event after the reporting date that requires disclosure and amendment to the consolidated and separate financial statements.



Associated Commercial Company Ltd

Associated Commercial Company Ltd
C/O United Bus Service Ltd
Les Cassis - Port Louis