MAURITIUS SECONDARY INDUSTRIES LTD

annual report 2020

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Corporate Information

DIRECTORATE

CHAIRMAN

M YACOOB RAMTOOLA *FCA*

DIRECTORS

SWALEH RAMJANE *FCIS MCIT*
M S E HAJI ADAM *FCCA*
MASOOD RAMTOOLA

SECRETARY

SWALEH RAMJANE *FCIS MCIT*

AUDITOR

BAKER TILLY

REGISTERED OFFICE

C/O UNITED BUS SERVICE LTD
LES CASSIS PORT LOUIS

Chairman's letter

Chairman's letter

On behalf of the Board, I am pleased to submit the annual report of the Mauritius Secondary Industries Ltd for the year ended 30 June 2020.

The company has recorded a profit of Rs 3,378,514 which is slightly lower than the previous year.

The activities of the company remain same the renting of commercial and industrial premises.

The company has declared a dividend of Rs1.00 per share for the year ended 30 June 2020.

I would like to express my special thanks to my fellow Directors for their valuable support and guidance during the year.

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

Yacoob Ramtoola
Chairman

30 September 2020.

Directors' Profile

Profile of the Board of Directors of The Mauritius Secondary Industries Limited

Mr. Yacoob Ramtoola FCA (Chairman)

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 Limited, Associated Commercial Co Ltd, Lintrabis Investment Company Limited, UBS Transport Ltd and Orland Ltd.

Mr. Swaleh Ramjane FCIS MCIT

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 Limited, Associated Commercial Co Ltd, Lintrabis Investment Company Limited, 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 Limited, Associated Commercial Co Ltd, Lintrabis Investment Company Limited, UBS Transport Ltd and Orland Ltd.

Massood A Ramtoola

Skills and experience

Mr. Massood A Ramtoola is an experienced businessman.

Other current appointments:

Director of United Bus Service Limited and Associated Commercial Co Ltd.

Shareholding Structure

Introduction

The Mauritius Secondary Industries Limited (MSI Ltd or the "Company") is a public company incorporated in 1961. 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 quoted on the Development Enterprise Market ("DEM") of the Stock Exchange of Mauritius ("SEM") and is a Company engaged in the rental of commercial and industrial buildings.

We confirm as directors of the Company that throughout the year ended 30 June 2020 to the best of the Board's knowledge, the Company has complied in all material respects with the principles of the Code based on the size and complexity of the Company. The Company has thus customized its processes based on its size and complexity of its business to ensure compliance with each principle of the Code.

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 and codes, the group'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.

Key Governance documents

Code of ethics

MSI 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 and same will be available soon.

Board charter

The board is of the view that the responsibilities of the Directors should not be confined in a board charter and has consequently resolved not to adopt a charter.

It is governed by the Company's constitution and the Mauritius Companies Act 2001.

Organization structure of the Company

Given the simple structure of the Company and the fact that the Company's workforce comprises of only 3 employees, the Company has decided not to present an organisational structure.

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.

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. Yacoob Ramtoola is the Chairman of the board and a brief profile is provided at page 4.

Chief Executive Officer

The Board is responsible for the appointment of the Chief Executive Officer, and the CEO is the most senior member. 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.

Corporate Governance Report

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 MSI Ltd and a brief profile is found on page 4.

Website

The Group currently does not have a website to publish the following requirement of the Code; it is working towards achieving same; once the website is ready these documents shall be included thereon:

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

Management has already registered the Group's domain name and it is expected that the website will be operational soon.

Principle 2: The structure of the board and its committees

The Board of Directors of the MSI 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 other 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 MSI Ltd is a unitary board and was at 30 June 2020 made up of 4 members.

Name	Position
Yacoob Ramtoola	Chairman
Swaleh Ramjane	Non-Executive Director
M Haji Adam	Chief Executive Officer/Director
Masood Ramtoola	Non-Executive Director

The board agrees that it is of sufficient size to meet the requirement of the business and thus the appointment of a second executive director at this stage is not warranted. The Board considers that the current Board is appropriate for enabling effective decision making.

The Chairperson Mr. Yacoob Ramtoola by definition of the Code of Corporate Governance does not meet the criteria of being an independent chairperson, however the board is entirely satisfied that he is independent in both character and judgement and he has a wide experience and contributes in strategic issues etc. Further the board can have according to the NCCG its own definition of independence.

For the period ending 30 June 2020 both Messrs Swaleh Ramjane 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 merrily 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.

Also the board can have its own definition of independence as per the NCCG and 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 Messrs Swaleh Ramjane and Massood A Ramtoola as independent directors.

The profile of the board members is on pages 4.

Board diversity

The Board has a non-discriminatory policy and endeavors to have representation at its senior governance position. The Board believes that, based on its size and the industry that it is operating in, the current directors possess the appropriate expertise and knowledge to discharge their duties and responsibilities effectively and to meet the Company's business requirements.

Powers of the board

The role and responsibilities of the Board of Directors is as per the Company's constitution in compliance of the Companies Act 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 2020.

Board attendance

Directors	Board attendance
Yacoob Ramtoola	6/6
Swaleh Ramjane	6/6
M Haji Adam	6/6
Masood Ramtoola	6/6

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 accounts and are at arm's length and in the normal course of business.

Committees of the board

Given the nature of the Company and the relatively small size of its board all the corporate governance functions and that of the audit committee have continued to be discharged by the Board of Directors as a unit.

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 Board to ensure that the Directors of the Company maintain a sound system of internal control in place.

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
- Judgment
- Independence
- Previous experience
- Conflict of interest

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

On appointment to the Board, 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.

During the year under review the Company has appointed no new Directors.

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. Also 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 Companies Act 2001.

Succession planning

The Board of the MSI 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 Board shall oversee the succession planning and shall from time to time make recommendations. 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.

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, 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 conflict 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.

Induction

On appointment to the board and its committees, Directors receive a complete induction pack 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 and strategy.

Continuous Development Program

The board encourages its members to keep on enhancing their knowledge and competencies through personal development programs.

Board evaluation

No board evaluation was conducted for the financial year under review; pursuant to the code, the board affirms the value of board evaluation and agreed to the conduct of such an exercise in the near future to evaluate its performance, that of its committees and

its individual directors with the aim of improving effectiveness.
The Board of Directors feel the composition of the board is stable and efficient in managing the affairs of the Company.

Statement of remuneration philosophy

Executive directors are not remunerated for serving on the Board of the Company. 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.

Also 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 Directors' remuneration is disclosed in the statutory disclosures.

Directors' Interest and dealing in MSI 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 MSI 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 MSI Ltd shares.

Directors	Direct shareholding in MSI Ltd	Indirect shareholding in MSI Ltd	Shares purchased during the year
Swaleh Ramjane	157,074	-	513
Yacoob Ramtoola	77,265	30,076	512
M S E Haji Adam	5,578	41,757	-
Massood Ramtoola	14,945	35,580	1

Conflict of interest

Directors must avoid instances that may give rise to conflict of interest or which may be perceived by others as conflicting situations. Full information on any conflict or potential conflict of interest is made known to the Board and recorded accordingly.

Information technology, policy and Information security governance

The Company ensures that all directors have access to information that will enable him or her to make informed decisions to discharge their duties and responsibilities. Information are circulated to the directors in advance for their review and consideration. Insights provided by the Company's auditor and other professionals are discussed at Board meetings, when necessary.

The Company has an information policy in place which includes guidelines on email use policy, internet use policy, systems back-up, etc. The Board believe it is appropriate for a company of its size.

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 usually delegated to the Audit and Risk Committee, in the case of MSI Ltd, 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 Board is responsible for the governance of risk and should ensure that a sound system of risk management and internal controls are maintained to safeguard shareholders' interest and the Company's assets. 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 company hires the services of a full time 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 20 to the Financial Statements and includes a discussion on the following risks:

  (i) Foreign currency risk
  (ii) Interest rate risk
  (iii) Liquidity management risk
  (iv) 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.

- **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.

- **Business Continuity Risk**

  Business continuity risk is the task of identifying, developing, acquiring, documenting and testing procedures and resources 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 possibility of the occurrence of adverse events and business recovery planning in the aftermath of a disaster.

  In order to reduce the risk involved, the Company has made provision for automatic fire hydrants and the Company complies with the fire safety rules. The Company also subscribes to adequate insurance covers. Proper back up of all 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.

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, organization and approval structure in place within 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.

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.

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 on a full time basis 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.

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

Website

The Company do not have a website due to the nature and size of its business.

Principle 7: Audit

Director's responsibilities

The Directors acknowledge their responsibilities for:

- 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 the period and which comply with IFRS.
- The use of appropriate accounting policies supported by reasonable and prudent judgements and estimates.

Internal audit

Taking consideration of the size and complexity of the Company, the board has recommended that there is no need to appoint an internal auditor. The board will continue to make annual assessment whether an internal auditor is required.

External audit

Appointment process

In line with the Finance Act 2016 and subsequent regulation Government notice 64 of 2017 the company proceeded with a request for proposal from audit firms registered with the Financial Reporting Council and the services of Baker Tilly have been retained for the financial year 30 June 2020.

Corporate Governance Report

Evaluation of the auditors

The board reviews the independence of the external auditors. During this process, the board also reviews all non-audit services provided by the external auditor to ensure the nature and extent of such non-audit services do not affect their independence.
The board confirms that after reviewing all non-audit services, if any, by the external auditor, they do not affect the external auditor's independence.
The board also do evaluate the performance of the external auditor taking into account the quality of the audit, their findings and recommendations.

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
- Clients
- Community
- Regulators

Share Capital structure

The Company has a stated capital of MUR 8,000,000 consisting of 800,000 shares of Rs10 each.

The Company's 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.

MSI 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.

Shareholders

All shareholders have the same voting rights.
The major shareholders of MSI Ltd at 30 June 2020 are as follows:

Shareholders	No of shares	% shareholding
Swaleh Ramjane	157,074	19.63
Yacoob Ramtoola	77,265	9.66
Shamina Haji Adam	41,757	5.22

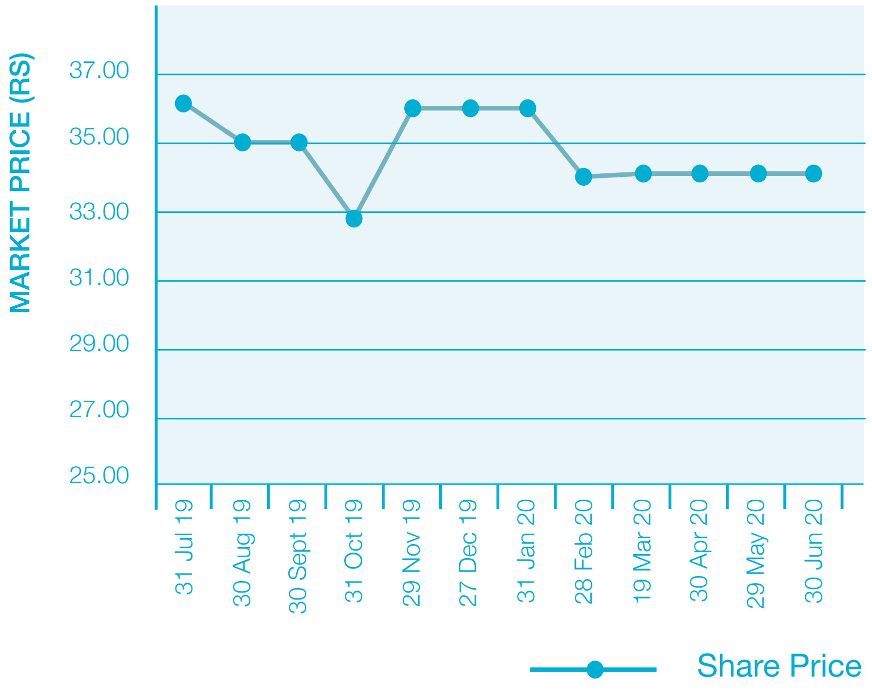
Distribution of shareholding at 30 June 2020

Defined brackets	No of shareholders	No of shares owned	% Holding
1-500	1194	101,947	12.74
501-1,000	74	49,938	6.24
1001-5,000	52	109,585	13.70
5,001-10,000	12	80,812	10.10
10,001-50,000	11	223,379	27.92
50,001-100,000	1	77,265	9.66
Over 100,000	1	157,074	19.64
Total	1,345	800,000	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:



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 1.00 per share payable in June 2020.

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 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 tenants and works towards providing a building which is safe and complies with relevant legislations and regulations.

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.

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	
• 1st quarter ending 30th September	Mid November
• 2nd quarter ending 31st December	Mid February
• 3rd quarter ending 31st March	Mid May

Annual general meeting of shareholders

The annual general meeting of the MSI Ltd is scheduled in December 2018. 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

	2020	2019
	Rs	Rs
Charitable donations	5,000	-

In line with current legislation the Company has made contribution of Rs 88,831 (2019 Rs 86,814) to the approved CSR organization. No contribution has been made to any political parties in 2020 and 2019.

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

Name of Public Interest Entity (PIE): The Mauritius Secondary Industries Limited

Reporting period: 30 June 2020

We, the Directors of The Mauritius Secondary Industries Limited, confirm that to the best of our knowledge, the Group has complied with all its obligations and requirements under the Code of Corporate Governance.

The areas of non-compliance, whose reason has been explained in the Report, is:

- **Principle 4:**

  Details of the remuneration paid to each individual director has not been disclosed as required by the Code. Management has instead disclosed the remuneration paid in total to executive and non-executive directors.

Date: 30 September 2020

Yacoob Ramtoola
Chairman

M S E Haji Adam
Director and CEO

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

Yacoob Ramtoola
Chairman

M S E Haji Adam
Director and CEO

30 September 2020

Statutory Disclosures

Year Ended 30 June 2020

1. The directors have pleasure to submit herewith their Annual Report together with the audit financial statements for the year ended 30 June 2020.

2. Principal Activities

    - The principal activity of MSI Ltd is the renting of industrial and commercial buildings.
    - The statement of profit and loss and other comprehensive income for the year ended 30 June 2020 is set on page 4.

3. Directors' Remuneration and Benefits

    The Board of Directors has agreed not to disclose the emoluments of Directors on an individual basis for confidentiality purpose and commercial sensitivity of such information.

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

	2020	2019
	Rs	Rs
Executive Directors	**916,750**	912,150
Non-Executive Directors	**1,481,750**	1,477,150

4. Directors Service Contracts

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

5. 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.

6. External auditor's fees

	2019	2019
	Rs	Rs
External Audit Services	**57,500**	155,250
Tax compliance services	**17,250**	32,200

On behalf of the Board

Yacoob Ramtoola
Chairman

30 September 2020

M S E Haji Adam
Director and CEO

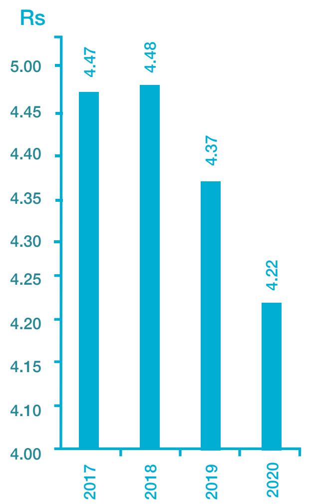
Secretary's Certificate

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 2020 all such returns as are required of the Company under the Mauritius Companies Act 2001.

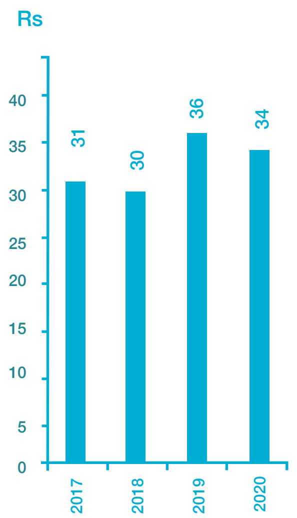
Swaleh Ramjane
Secretary

30 September 2020

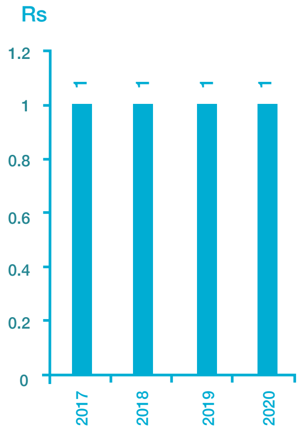
Financial Highlight of the Company



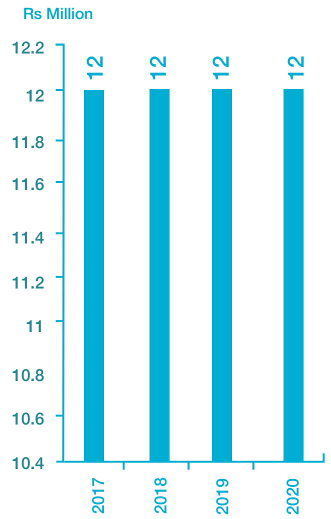
Earnings Per Share



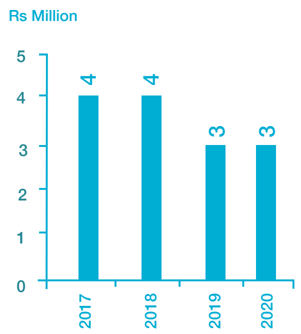
Market Value of Ordinary Shares



Dividend Paid/Share



Turnover



Profit After Tax

Independant Auditor's Report

To the Shareholders of The Mauritius Secondary Industries Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Mauritius Secondary Industries Limited (the "Company") on pages 23 to 46, which comprise the statement of financial position as at 30 June 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2020, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements on pages 23 to 46:

(i) have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS");

(ii) give a true and fair view of the matters to which they relate;

(iii) present fairly the financial position of the Company at 30 June 2020 and their financial performance, changes in equity and cash flows for the year ended on that date; and

(iv) comply with the requirements of 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 Company in accordance with the 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements of the current year. We have determined there are no key matters to communicate in our report.

Emphasis of matter

We draw attention to Note 25 of the financial statements concerning the major events arising during the financial year ended 30 June 2020. On 11 March 2020, COVID-19 was declared a pandemic by the World Health Organisation. The first half of 2020 has seen extreme volatility and limited liquidity in the financial markets, with many markets being subject to government intervention. The threat of the virus still remains and the directors consider it is too early to analyse on any expected recovery of the local economy. Any decline in the market value of the securities held by the Company will have a direct impact on the Company's financial position and revenue in the future. The directors will continue to monitor the market situation and the impact of the Covid 19 on the Company's activities. Our opinion is not modified in this respect.

Other matter

We draw attention to the fact that we were appointed as auditors of the Company for the first time for the year ended 30 June 2020 on 03 February 2020. The financial statements for the year ended 30 June 2019 were audited by another auditor, who expressed an unqualified opinion on those financial statements on 30 September 2019.

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

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and comply with the requirements of Mauritius Companies Act 2001, and for such internal control as the directors determines are necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the 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 intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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.

Independant Auditor's Report

To the Shareholders of The Mauritius Secondary Industries Limited

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 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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

Other information

The directors are responsible for the other information. The other information comprises statutory disclosures and secretary's certificate.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act 2001

We have no relationship with or interest in the Company other than in our capacity as auditor and tax advisor.
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 as disclosed in the corporate governance report and on whether the disclosure is consistent with the requirement 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 non–application of the Code for which directors have given satisfactorily explanation, the disclosure in the financial statements is consistent with the principles of the Code.

Baker Tilly

Vivek Gujadhur, FCCA
Licensed by FRC

Date: 30 September 2020

Statement of Financial Position

at 30 June 2020

	Notes	2020 Rs	2019 Rs
ASSETS			
Non-current assets			
Property, plant and equipment	5	33,464,530	33,989,107
Investment property	6	-	430,286
Financial assets	7	35,991,822	37,332,162
Total non-current assets		69,456,352	71,751,555
Current assets			
Trade and other receivables	8	134,008	932,170
Current tax assets	11	383,485	438,745
Cash and bank balances		8,696,489	7,506,407
Total current assets		9,213,982	8,877,322
Total assets		78,670,334	80,628,877
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	13	8,000,000	8,000,000
Retained earnings		37,394,618	34,816,104
Fair value reserve		28,107,775	29,883,516
Total equity		73,502,393	72,699,620
Non-current liabilities			
Retirement benefit obligations	19	269,842	195,478
Deferred tax liabilities	11	240,840	240,840
Loan	12	-	1,329,463
Total non-current liabilities		510,682	1,765,781
Current liabilities			
Bank overdraft	9	290,996	890,037
Loan	12	1,326,723	2,494,429
Other payables	10	2,239,540	1,979,010
Dividend payable	14	800,000	800,000
Total current liabilities		4,657,259	6,163,476
		5,167,941	7,929,257
Total equity and liabilities		78,670,334	80,628,877

Approved by the Board of Directors and authorised for issue on 30 September 2020

Yacoob Ramtoola
Chairman

Swaleh Ramjane
Director

M S E Haji Adam
Director

The notes on pages 27 to 46 form an integral part of these financial statements.

Statement of Profit or Loss and other Comprehensive Income
For the year ended 30 June 2020

	Notes	2020	2019
		Rs	Rs
RENTAL INCOME	22	11,793,912	11,793,912
OPERATING EXPENSES		(7,677,110)	(8,463,523)
OPERATING PROFIT	15	4,116,802	3,330,389
OTHER INCOME	16	185,689	995,045
		4,302,491	4,325,434
FINANCE COST	17	(145,912)	(292,349)
PROFIT BEFORE TAX		4,156,579	4,033,085
TAX EXPENSE	11	(778,065)	(536,302)
PROFIT FOR THE YEAR		3,378,514	3,496,783
Other comprehensive income for the year			
Items that will not be reclassified subsequently to profit or loss:			
Fair value gain on investments in equity instruments designated at fair value through other comprehensive income	7	(1,775,741)	4,901,426
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,602,773	8,398,209
EARNINGS PER SHARE	18	4.22	4.37

The notes on pages 27 to 46 form an integral part of these financial statements.

Statement of Changes in equity
For the year ended 30 June 2020

	Notes	Stated Capital	Retained Earning	Fair value reserve	Total
		Rs	Rs	Rs	Rs
At 01 July 2018 (as previously stated)		8,000,000	32,119,321	21,131,857	61,251,178
IFRS 9 adjustment	2.1	-	-	3,850,233	3,850,233
		8,000,000	32,119,321	24,982,090	65,101,411
Profit for the year		-	3,496,783	-	3,496,783
Other comprehensive loss for the year		-	-	4,901,426	4,901,426
Total comprehensive income for the year		-	3,496,783	4,901,426	8,398,209
Dividends	14	-	(800,000)	-	(800,000)
At 30 June 2019		8,000,000	34,816,104	29,883,516	72,699,620
Profit for the year		-	3,378,514	-	3,378,514
Other comprehensive income for the year	7	-	-	(1,775,741)	(1,775,741)
Total comprehensive income for the year		-	3,378,514	(1,775,741)	1,602,773
Dividends	14	-	(800,000)	-	(800,000)
At 30 June 2020		**8,000,000**	**37,394,618**	**28,107,775**	**73,502,393**

Fair value reserve represents the cumulative gains and losses arising on the revaluation of investments in equity investments designated at fair value through other comprehensive income, net of cumulative gain/loss reclassified to retained earnings upon disposal.

Statement of Cash Flows
For the year ended 30 June 2020

	Notes	2020	2019
		Rs	Rs
Cash flows from operating activities			
Profit before tax		4,156,579	4,033,085
Adjustments for:			
Investment income	16	(184,773)	(995,045)
Interest expense	17	145,912	292,349
Interest income	16	(916)	-
Depreciation on property, plant and equipment	5	696,504	674,294
Depreciation on investment property	6	430,286	851,376
Retirement benefit obligations	19	74,364	74,364
Operating profit before working capital changes		5,317,956	4,930,423
Decrease/(increase) in trade and other receivables		798,162	1,483,759
Increase/(decrease) in trade and other payables		260,530	482,825
		1,058,692	1,966,584
Cash generated from operations		6,376,648	6,897,007
Interest paid		(145,912)	(292,349)
Tax refunded	11(ii)	438,745	667,975
Tax paid	11(ii)	(1,161,550)	(1,191,791)
Net cash generated from operating activities		5,507,931	6,080,842
Cash flows from investing activities			
Payment for plant and equipment	5	(171,927)	(352,147)
Payment to acquire financial assets	7	(435,401)	(560,934)
Interest received		916	-
Dividend received		184,773	225,000
Net cash used in investing activities		(421,639)	(688,081)
		5,086,292	5,392,761
Cash flows from financing activities			
Repayment of loan		(2,497,169)	(2,330,806)
Dividend paid		(800,000)	(800,000)
Net cash used in financing activities		(3,297,169)	(3,130,806)
Net increase in cash and cash equivalents		1,789,123	2,261,955
Cash and cash equivalents at 1 July		6,616,370	4,354,415
Cash and cash equivalents at 30 June		8,405,493	6,616,370
Represented by:			
Cash and bank balances		8,696,489	7,506,407
Bank overdraft		(290,996)	(890,037)
		8,405,493	6,616,370

The notes on pages 27 to 46 form an integral part of these financial statements.

Notes to the Financial Statements
For the year ended 30 June 2020

1 INCORPORATION AND ACTIVITIES

The Mauritius Secondary Industries Limited (the "Company") is a public company incorporated in Mauritius and listed on the Development Enterprise Market (DEM) of the Stock Exchange of Mauritius. The principal activities of the Company are the retreading of motor vehicle tyres and renting of commercial building. The retreading of tyres activity has been ceased as from July 2014. Its registered office and principal place of business is situated at Royal Road, Les Cassis, Port Louis.

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

In the current year, the Company has applied all of the new and revised standard and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2019.

2.1 New and revised IFRSs that are effective for the current year

IFRIC 23 - Uncertainty Over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

1) judgments made;
2) assumptions and other estimates used; and
3) the potential impact of uncertainties that are not reflected.

The standard does not have any major impact on the Company's financial statements.

IFRS 16 - Leases

The Company applied IFRS 16 with a date of initial application of 1 January 2019. As a result, the Company has considered its accounting policy for lease contracts as detailed below.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to the contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 July, 2019.

A. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 or IAS 17. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Company applied IFRS 16 to contracts that were previously issued as lease. Therefore, the definition of a lease under IFRS 16 was applied to the contracts entered into or changed on or after 1 July 2019.

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

2.1 New and revised IFRSs that are effective for the current year (cont'd)

IFRS 16 - Leases (cont'd))

B. As a lessee

As a lessee, the Company previously classified leases as operating leases based on its assessment of since the lease did not transfer significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for such leases – i.e. these leases are on-balance sheet.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

Amendments to IFRS 9 – Prepayments Features with Negative Compensation

The narrow-scope amendments made to IFRS 9 Financial Instruments in December 2017 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss.

To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

The standard does not have any major impact on the Company's financial statements.

2.2 New and revised Standards in issue but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to IAS 1 and IAS 8 - Definition of Material (effective for annual period beginning on or after 01 January 2020)
- Amendments to IFRS 7 and IFRS 9 - Interest rate benchmark reform (effective for annual period beginning on or after 01 January 2020)

Amendments to IAS 1 and IAS 8 – Definition of Material

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole; and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The directors anticipate that the adoption of these standards and interpretations will not have a material impact on the financial statements of the Company in the current or future reporting periods and on foreseeable future transactions.

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

2.2 New and revised Standards in issue but not yet effective (cont'd)

Amendments to IFRS 7 and IFRS 9 – Interest rate benchmark reform

The amendments modify some specific hedge accounting requirements to provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving LIBOR-based contracts, the reliefs will affect companies in all industries.

The directors anticipate that the adoption of these standards and interpretations will not have a material impact on the financial statements of the Company in the current or future reporting periods and on foreseeable future transactions.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company are as follows:

(a) Basis of preparation

The financial statements are prepared under the historical cost basis except for financial instruments that are measured at revalued amount or fair values at the end of each reporting period and in accordance with International Financial Reporting Standards (IFRSs).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or a liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 and 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

(b) Revenue recognition

Revenue represents rental income from the letting of building and is recognised on an accrual basis as invoice is raised.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and 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 profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Depreciation

Depreciation is provided on a straight line basis over the expected useful lives of assets. In the year of purchase, depreciation is calculated on a proportionate basis. The annual depreciation rates used for the purpose are as follows:

Freehold building	-	2%
Furniture and equipment	-	10%
Plant and machinery	-	10%
Motor vehicles	-	20%

No depreciation is charged on freehold land.

(e) Investment property

Investment property is property held to earn rentals or for capital appreciation and is carried at cost less accumulated depreciation and impairment losses.

The annual depreciation rate for investment property is 5% on a straight line basis.

(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 statement 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 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 assets and liabilities are offset if there is a legally enforceable right to current tax assets and liabilities and they relate to income taxes levied by the same tax authority and the company intend to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity respectively.

(g) Cash and cash equivalents

Cash comprises cash at bank net of bank overdrafts. Cash equivalents are short term highly liquid investment that are readily convertible to amount of cash and which are subject to an insignificant risk of change in value.

(h) Retirement benefits obligations

Employee Right Act

The present value of retirement benefits in respect of The Employment Rights Act 2008 gratuities is recognised in the statement of financial position as a non-current liability and is computed as stipulated in the Act.

State Plan

Contributions to the National Pension Scheme are charged to profit or loss in the year in which they fall due.

(i) Financial instruments

Financial assets and financial liabilities are recognised in the Company' statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial instruments (cont'd)

Financial assets and financial liabilities are recognised in the Company' statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

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 profit or loss.

Financial assets

All regular way of purchase or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchase or sales are purchased or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

Classification of financial assets

Debt instrument 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.

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

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

- 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 (iii) below); 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

For financial assets other than purchased or originated credit impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit loss through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit adjusted effective interests rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial instruments (Cont'd)

(i) Amortised cost and effective interest method (cont'd)

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 Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

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 Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative.

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 fair value reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9.

Impairment of financial assets

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

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instruments has increased significantly since initial recognition, the Company compares 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 Company considers both quantitative and qualitative information that is 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 Company's operate as well as consideration of various sources of actual and forecast economic information that relate to the Company's core operations.

Despite the foregoing, the Company assumes 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:

1) The financial instrument has a low risk of default,
2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
3) Adverse changes in economic and business condition in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial instruments (Cont'd)

Impairment of financial assets (cont'd)

(i) Significant increase in credit risk

Definition of default

The Company considers the following as a constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors in full.

Irrespective of the above analysis, the Compny considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(ii) Credit–impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) Significant financial difficulty of the issuer or the borrower;
(b) A breach of contract, such as a default or past due event;
(c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) The disappearance of an active market for that financial asset because of financial difficulties.

(iii) Write off policy

The Company write off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iv) Measurement and recognition of expected credit losses

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

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial assets measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial instruments (Cont'd)

Financial liabilities and equity

Classification as debt or 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 instruments

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

Repurchase of the Fund's own equity instruments is recognised and deducted directly in equity. No gains or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Fund's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Financial liabilities measured subsequently at amortised cost

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 effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, 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 profit or loss.

(j) Foreign currencies

In preparing the financial statements, transactions in currencies other that the entity'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 of exchange ruling at that date. Exchange differences arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(k) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable the Company will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of each reporting period. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

(l) Impairment of non-financial assets

At each end of the reporting period, the Company reviews 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. 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 profit or loss.

(m) 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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Related parties (cont'd)

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.

(n) Leases

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 statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

(o) 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.

4 ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

There are no critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Fair value of unquoted equity investments

The Company hold unquoted equity investments that are not quoted on active markets and which are required to be fair valued at each reporting date. The fair value of unquoted equity investments is based on the Net Assets Value of the investee based on their latest available management accounts as at reporting date.

Retirement benefit obligations

Retirement benefit obligations are determined by the directors on the basis as detailed in note 19. Changes in assumptions about these factors could affect the provision to be made in the financial statements.

5 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Freehold building	Furniture and equipment	Plant and machinery	Motor vehicle	Total
	Rs	Rs	Rs	Rs	Rs	Rs
Cost						
At 1 July 2018	28,068,593	4,647,828	17,875,031	5,068,804	1,043,150	56,703,406
Additions	-	-	352,147	-	-	352,147
At 30 June 2019	28,068,593	4,647,828	18,227,178	5,068,804	1,043,150	57,055,553
Additions	-	-	171,927	-	-	171,927
At 30 June 2020	28,068,593	4,647,828	18,399,105	5,068,804	1,043,150	57,227,480
ACCUMULATED DEPRECIATION						
At 1 July 2018	-	1,799,541	14,480,657	5,068,804	1,043,150	22,392,152
Charge for the year	-	92,957	581,337	-	-	674,294
At 30 June 2019	-	1,892,498	15,061,994	5,068,804	1,043,150	23,066,446
Charge for the year	-	92,957	603,547	-	-	696,504
At 30 June 2020	-	1,985,455	15,665,541	5,068,804	1,043,150	23,762,950
NET BOOK VALUE						
At 30 June 2020	28,068,593	2,662,373	2,733,564	-	-	33,464,530
At 30 June 2019	28,068,593	2,755,330	3,165,184	-	-	33,989,107

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

6 INVESTMENT PROPERTY

	2020	2019
	Rs	Rs
COST		
At 1 July and 30 June	**23,851,663**	23,851,663
DEPRECIATION		
At 1 July	**23,421,377**	22,570,001
Charge for the year	**430,286**	851,376
At 30 June	**23,851,663**	23,421,377
NET BOOK VALUE		
At 30 June	-	430,286

The fair value of the investment property at the reporting date was Rs **67.7M** and was determined by the directors based on recent investment property construction cost, land acquisitions and fair value of properties.

The rental contract is non-cancellable. Rental income earned amount to **Rs 11,793,912** (2019: Rs 11,793,912). Direct operating expenses generating rental income amount to **Rs 7,677,108** (2019: Rs 8,463,523).

Details of the Company's investment property and information about the fair value hierarchy as at 30 June 2020 and 2019 are as follows:

	Level 2	
	2020	2019
	Rs	Rs
Investment property	**67,650,000**	60,000,000

7 FINANCIAL ASSETS

Investments in equity instruments designated as at FVTOCI

	--------- Listed ---------			
	SEM	DEM	Unquoted	Total
	Rs	Rs	Rs	Rs
At 30 June 2018 (as previously stated)	6,210,000	21,621,994	4,037,808	31,869,802
IFRS 9 adjustment (note 2.1)	-	-	-	-
At 30 June 2018 (as restated)	6,210,000	21,621,994	4,037,808	31,869,802
Additions	-	544,804	16,130	560,934
Fair value movement	292,500	3,820,920	788,006	4,901,426
At 30 June 2019	6,502,500	25,987,718	4,841,944	37,332,162
At 30 June 2019	**6,502,500**	**25,987,718**	**4,841,944**	**37,332,162**
Additions	**-**	**430,651**	**4,750**	**435,401**
Fair value movement	**(1,192,500)**	**(648,353)**	**65,112**	**(1,775,741)**
At 30 June 2020	**5,310,000**	**25,770,016**	**4,911,806**	**35,991,822**

The quoted investments have been valued on the basis of prices quoted on the Stock Exchange of Mauritius at reporting date.

8 TRADE AND OTHER RECEIVABLES

The Company holds unquoted equity investments which were stated at cost less impairment. With the application of IFRS 9, the unquoted equity investments have been classified as fair value through other comprehensive income. The fair value of the unquoted equity investments has been based on net asset value of the investee as at 30 June 2019, using its audited financial statements.

	2020	2019
	Rs	Rs
Rent receivables	**56,191**	70,798
Prepayments	**57,042**	72,235
Dividend receivable	**13,773**	770,045
TDS	**2**	8
Other receivables	**7,000**	19,084
	134,008	932,170

Included under other receivables is an amount of **Rs 13,773** (2019: Rs 770,045) due by related company which is unsecured and non-interest bearing. The balance has been recovered subsequent to year end.

Before accepting any new client an assessment is made of the potential customer's credit quality. No interest is charged on trade receivables.

The average credit period on renting of commercial building is **60 days** (2019: 60 days). No interest is charged on the trade receivables. Loss allowance for trade receivables is measured at an amount equal to lifetime ECL by reference to past debtor's default experience. There is no past due rent receivables balance at reporting date as the amount has been fully settled subsequently and there is no ECL impact.

9 BANK OVERDRAFT

The bank overdraft bears interest of 4.85% p.a (2019: 6.50% p.a.) and is secured by a floating charge over the fixed assets of the Company.

10 OTHER PAYABLES

	2020	2019
	Rs	Rs
Accruals	2,103,122	1,868,971
VAT	136,418	110,039
	2,239,540	1,979,010

At 30 June 2020, an amount of Rs 15,080 (2019: Rs 255,528) due to related parties was included under accruals. These were unsecured, non-interest bearing and repayable on demand.

11 TAXATION

(i) Income tax

Income tax is calculated at the rate of **15%** (2019: 15%) on the profit for the year as adjusted for tax purposes and it also includes CSR charge which is calculated at the rate of **2%** (2019: 2%) on the chargeable income of the preceding year.

	2020	2019
	Rs	Rs
Provision for the year	648,272	666,233
Underprovision of tax assets in prior years	-	(158,168)
Deferred tax charge	-	(91,851)
Under/(over) provision of deferred tax in prior years	-	33,275
Corporate Social Responsibility	88,831	86,813
Covid-19 levy	40,962	-
Tax expense	778,065	536,302

(ii) Current tax assets

	2020	2019
	Rs	Rs
At 1 July	(438,745)	(509,807)
Underprovision of tax assets in prior years	-	(158,168)
Refunded during the year	438,745	667,975
Provision for the year	648,272	666,233
Corporate Social Responsibility	88,831	86,813
Corporate Social Responsibility paid	(72,176)	(75,963)
Tax Deducted at Source	(589,700)	(627,506)
Advance Payment System (APS) paid	(499,674)	(488,322)
Covid-19 Levy	40,962	-
At 30 June	(383,485)	(438,745)

Notes to the Financial Statements
For the year ended 30 June 2020

11 TAXATION (CONT'D)

(iii) Tax reconciliation

	2020	2019
	Rs	Rs
Profit before tax	4,156,579	4,033,085
Tax at the rate of 15% (2019: 15%)	623,487	604,963
Tax effect of:		
- Non-taxable income	(169,086)	(169,158)
- Expenses not deductible for tax purposes	193,871	138,577
- Underprovision of tax assets in prior years	-	(158,168)
- Overprovision in deferred tax in prior years	-	33,275
- Covid-19 levy	40,962	-
- Corporate Social Responsibility	88,831	86,813
Tax expense	778,065	536,302

(iv) Deferred tax liabilities

The Company calculates deferred tax at 17% (the actual corporate tax rate prevailing in Mauritius which is at 15% plus 2% Corporate Social Responsibility (CSR) Contribution).

	2020	2019
	Rs	Rs
At 1 July	240,840	299,416
Charge for the year	-	(91,851)
Under/(over) provision of deferred tax in prior year	-	33,275
At 30 June	240,840	240,840

Deferred tax liabilities is analysed as follows:

	2020	2019
	Rs	Rs
Accelerated capital allowances	544,371	544,371
Retirement benefit obligations	(33,231)	(33,231)
Provisions	(270,300)	(270,300)
	240,840	240,840

The Company has not recognised a deferred tax credit of Rs 2,768 as same is deemed to be immaterial

12 LOAN

	2020	2019
	Rs	Rs
4.1% - 5.75% bank loan repayable by monthly instalment (2019: 5.75% p.a.)	1,326,723	3,823,892
Repayable as follows:		
- Within one year	1,326,723	2,494,429
- Between one and five years	-	1,329,463
	1,326,723	3,823,892

The bank loan is secured by fixed and floating charges over the assets of the Company.

13 STATED CAPITAL

	2020	2019
	Rs	Rs
<u>Issued and fully paid up</u>		
800,000 ordinary shares of Rs10 each	8,000,000	8,000,000

The ordinary shares are not redeemable, carries voting rights, entitlement to dividends or distributions and on winding up to any surplus on assets of the Company.

14 DIVIDEND

	2020	2019
	Rs	Rs
A final ordinary dividend of Rs 1 per share was declared on 3 June 2020 (2019: Rs 1 per share).	800,000	800,000

15 OPERATING PROFIT

This is arrived at after charging:

	2020	2019
	Rs	Rs
Staff costs	1,197,759	1,744,884
Government wage assistance	(40,962)	-
Depreciation on furniture and equipment	603,547	581,337
Depreciation on investment property	430,286	851,376
Depreciation of freehold building	92,957	92,957
Director's emoluments	2,398,500	2,243,692
Auditor's remuneration	80,000	138,000

16 OTHER INCOME

	2020	2019
	Rs	Rs
Dividend income	184,773	995,045
Interest income	916	-
	185,689	995,045

17 FINANCE COST

	2020	2019
	Rs	Rs
Interest is payable on loan and bank overdraft	145,912	292,349

18 EARNINGS PER SHARE

Earnings per share is based on profit for the year of **Rs 3,378,514** (2019: Rs 3,496,783) and on the number of ordinary shares of **800,000** for the year (2019: 800,000).

19 RETIREMENT BENEFIT OBLIGATIONS

	2020	2019
	Rs	Rs
<u>Amounts recognised in the statement of financial position:</u>		
Present value of unfunded obligation	269,842	195,478
<u>Amounts recognised in profit or loss:</u>		
30 June 2020	74,364	74,364
<u>Movement in the liability recognised in the statement of financial position:</u>		
At 1 July	195,478	121,114
Total recognised as above	74,364	74,364
At 30 June	269,842	195,478

The above figures are based on the gratuity calculation as per Employment Rights Act 2008. The principal assumptions used for accounting purposes were:

	2020	2019
	%	%
30 June 2019		
Future salary increase	1.00	1.00

20 FINANCIAL INSTRUMENTS

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of net debt, which includes the borrowings disclosed in notes 9 and 12 offset by cash and cash equivalents and total equity comprising of stated capital, retained earnings and fair value reserve.

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 financial statements.

Categories of financial instruments

30 June 2020	Financial assets	Financial liabilities
	Rs	Rs
At amortised cost:		
Trade and other receivables	76,964	-
Cash and bank balances	8,696,489	-
Bank overdraft	-	290,996
Loan	-	1,326,723
Other payables	-	2,103,122
Dividend payable	-	800,000
Designated as at FVTOCI		
Investments	35,991,822	-
	44,765,275	4,520,841

20 FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments (cont'd)

30 June 2019	Financial assets	Financial liabilities
	Rs	Rs
Trade and other receivables	859,927	-
Cash and bank balances	7,506,407	-
Bank overdraft	-	890,037
Loan	-	3,823,892
Other payables	-	1,868,971
Dividend payable	-	800,000
Designated as at FVTOCI		
Investments	37,332,162	-
	45,698,496	7,382,900

(i) Financial assets exclude the following:

	2020	2019
	Rs	Rs
Prepayment	57,042	72,235
TDS	2	8
	57,044	72,243

(ii) Financial liabilities exclude the following:

	2020	2019
	Rs	Rs
Financial liabilities		
VAT payable	136,418	110,039

Foreign currency risk

As at 30 June 2020 and 2019, there were no financial assets and liabilities denominated in foreign currencies and thus the Company is not exposed to currency risk.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company does not have significant concentration of credit risk.

The Company's exposure and credit ratings of its counterparties are monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. In relation to securities transaction is managed effectively by the Directors. The credit risk on cash and cash equivalents is limited because the counterparties are reputable financial institutions.

20 FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (cont'd)

The Company's exposure to credit risk are continuously monitored. The maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at reporting date, as summarised below:

	2020	2019
	Rs	Rs
Financial assets		
Trade and other receivables	76,964	859,927
Cash and cash balances	8,696,489	7,506,407
Investments designated at FVTOCI	35,991,822	37,332,162
	44,765,275	45,698,496

Interest rate risk

The Company is exposed to risks associated with the effects of fluctuation in the prevailing levels of market interest rates on its financial position and cash.

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

	Floating	
	2020	2019
	%	%
Loans	4.1 - 5.75	5.75
Bank overdraft	4.85	6.50

Interest rate sensitivity analysis

The following table details the Company's sensitivity if interest rates had been 50 basis points higher. A positive number below indicates an increase in profit and equity where interest rates increase by 50 basis points. There would be an equal and opposite impact on the profit and equity, had the interest rates been 50 basis point lower and all other variables were held constant.

	2020	2019
	Rs	Rs
Impact on profit and equity	8,089	23,570

Liquidity risk management

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

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

2020	Less than 1 year	Between 1 to 5 years	Total
	Rs	Rs	Rs
Financial liabilities			
Bank overdraft	290,996	-	290,996
Loan	1,326,723	-	1,326,723
Other payables	2,103,122	-	2,103,122
Dividend payable	800,000	-	800,000
	4,520,841	-	4,520,841

20 FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk management (cont'd)

2019	Less than 1 year	Between 1 to 5 years	Total
	Rs	Rs	Rs
Financial liabilities			
Bank overdraft	890,037	-	890,037
Loan	2,494,429	1,329,463	3,823,892
Dividend payable	800,000	-	800,000
Other payables	1,868,971	-	1,868,971
	6,053,437	1,329,463	7,382,900

Equity price risk

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

Equity price sensitivity analysis

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

If equity prices had been 5% higher/lower:

- Profit for the year ended 30 June 2020 and 30 June 2019 would have been unaffected as the quoted equity investments are classified as FVTOCI; and
- Other comprehensive income would increase/decrease by **Rs 1,554,000** (2019: Rs 1,624,511) for the Company as a result of the changes in fair value of the investments in equity instruments.

The methods and assumptions used in preparing the sensitivity analysis above have not changed significantly from prior year.

The Company's sensitivity to equity prices have changed significantly due to fair value loss recognised during the year on quoted equity investments.

Fair value measurement

Except for financial assets which are measured at fair value at end of each reporting period, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

With respect to long term loans, the directors consider the carrying values of these financial assets and liabilities approximate their fair values due to their commercial terms.

This note provides information about how the Company determines fair values of financial assets.

Fair value of 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 asset is determined.

Financial asset	Fair value hierarchy	Valuation technique(s) and key input(s)	Fair value at 2020	Fair value at 2019
		Rs	Rs	Rs
Listed investments	Level 1	Quoted bid prices on market	31,080,016	32,490,218
Unlisted investments	Level 3	Net Assets Value	4,911,806	4,841,943

21 RELATED PARTY TRANSACTIONS

	2020	2019
	Rs	Rs
(a) Outstanding balances		
Receivables from company under common management (note 8)	13,773	770,045
Amounts due to companies under common management (note 10)	15,080	255,528
(b) Transactions with companies under common management during the year		
Rental income	1,800,000	1,800,000
Dividend income	13,773	770,045
Corporate Social Responsibility	22,208	86,813
Management fees	420,000	420,000
(c) Compensation of key management personnel (directors)		
Short term benefits	2,398,500	2,243,692

22 REVENUE

	2020	2019
	Rs	Rs
Rental Income	**11,793,912**	11,793,912

	2020	2019
Timing of revenue recognition:	Rs	Rs
- At a point in time		
- Over time	**11,793,912**	11,793,912

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
Rental Income	Rental is charged for the usage of investment property	Revenue is recognised on a monthly basis

Investment properties are leased to tenants under operating leases with rental payable monthly.The lease agreement covers a period of 1 year and are subject to renewal on an annual basis.

At the end of the reporting period the Company had contracted with tenants for the following future minimum lease payments:

	2020	2019
	Rs	Rs
Not later than 1 year	**11,793,912**	11,793,912

23 SEGMENTAL REPORTING

The Company is only engaged in property rental activity locally. As such, no segmental reporting has been disclosed.

24 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Company's liabilities arising from financing activities. Liabilities from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows from financing activities.

	Opening balance	Financing Cash flows	Closing balance
	Rs	Rs	Rs
30 June 2020			
Loan	**3,823,892**	**(2,497,169)**	**1,326,723**
30 June 2019			
Loan	6,154,698	(2,330,806)	3,823,892

25. MAJOR EVENTS ARISING DURING THE YEAR - COVID 19

Most countries around the world have suffered and continue to suffer outbreaks of COVID-19 and are likely to suffer continued increases in recorded cases. The COVID-19 outbreak has seen a sudden and rapid decline in global economic growth.

During the first half of 2020, we have seen extreme volatility and limited liquidity in securities markets with many markets subject to governmental intervention. Certain Governments have imposed restrictions on the manufacture of goods and the provision of services, in addition to the free movement of persons. This has had a material impact on the activities of businesses, their profitability and their ability to generate positive cash flow. In such market conditions there is a much higher risk of credit defaults and bankruptcies.

Much of the developed world appeared to have the virus under some sort of control at the end of June 2020; however from an overall global perspective, the threat still remains. Reminders of this are evident from localised outbreaks in countries even where the original threat had been brought under control. As a result, it is still too soon to say when a sustained recovery will come or whether that recovery will be faster or slower than normal, as much will depend on how quickly individual countries are able to keep the virus under control and their ability to continue to reopen and then remain open for business. As a result, this may have a material impact on the performance of the investee entities in which the Company holds investmentsm, which in turn affects the ability to declare dividends in future, which is one of the main source of income for the Company.

The possibility remains that with a further severe decline in economic activity and reintroduction of restrictions, of disruption of public utilities or network services, as well as system failures at facilities or otherwise affecting businesses, the performance of the Company could be adversely affected. COVID-19 has resulted in adjusted working practices, work remotely for prolonged periods of time or to be potentially absent from work due to illness as a result of the disease which may adversely impact the day to day operations of the Company. The directors continue to monitor the impact of the COVID-19 on the Company's activities.

26. 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 financial statement.