ANNUAL
REPORT 2021
PAPER CONVERTING CO. LTD

Dear Shareholder,

The Board of Directors has the pleasure to submit the Annual Report of Paper Converting Company Limited together with the Audited Financial Statements for the year ended December 31, 2021.

This report was approved by the Board of Directors on March 31, 2022.

Mr Jadoo Hermann Dookun
Chairman

Mr Aymeric Hermann Dookun
Managing Director

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TRIBUTE

After more than 50 years of existence, we remember them and continue to follow their values and determination.

In loving memory of:

Sir Dewoonarain **Dookun**

Lady Henriette **Dookun**

Deo Rajah **Dookun**

NOTICE OF MEETING

Notice is hereby given that the 56th Annual Meeting of the shareholders of the Company will be held at its Registered Office, Bonne Terre, Vacoas on Thursday June 16, 2022 at 11.00 hours.

AGENDA

1. To approve the minutes of proceedings of the last Annual Meeting of the shareholders held on September 24, 2021.
2. To receive and approve the Group's and Company's Audited Accounts for the Financial Year ended December 31, 2021 and to adopt the Annual Report.
3. To ratify the dividend declared by the Directors for the Financial Year ended December 31, 2021.
4. To re-appoint Messrs. Moore as auditors for the Financial Year ending December 31, 2022 and to authorise the Board of Directors to fix their remuneration.
5. To fix the remuneration of the Directors.
6. To ratify the resolutions passed by the Directors during the year.
7. Shareholders' question time.
8. Any other business.

By order of the Board

St James Secretaries Limited
Corporate Secretary

Date: March 31, 2022

Appointment of Proxy

A member not being able to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote on his behalf. The proxy need not be a member. Proxy Forms duly signed should reach the Registered Office of the Company, Bonne Terre, Vacoas, at least 48 hours before the holding of the meeting.

Paper Converting Company Limited is rightly considered in Mauritius to be the pioneer in the production of toilet tissue rolls since it started operations in October 1967. Now, a wide array of paper products is being manufactured with quality ranging from basic to premium.

STATUTORY DISCLOSURES

OUR BRANDS

Kleenex® BRAND

Carlton®

Scottex®

CORONET®

Pacon Professional

Ballet
PAPIER DE TOILETTE DOUBLE EPAISSEUR

CORPORATE INFORMATION

DIRECTORS

Mr Jadoo Hermann Dookun
(Chairman)

Mr Aymeric Hermann Dookun

Mr Uwe Hollmichel

Mr Navind Kumar Dookun

Mr Assish Kumar Ghanshyam Singh Jugmohun

Mr Anil Kumar Shiwpursad

Mr Seedheshwar Mojee

Mr Vinod Khooshiramsing Bussawah

Mr Preetam Chuttoo

SECRETARY

St James Secretaries Limited

BANKERS

Absa Bank (Mauritius) Limited
Port Louis

State Bank of Mauritius Ltd
Port Louis

Bank of Baroda
Vacoas

The Mauritius Commercial Bank Ltd
Vacoas

AfrAsia Bank Limited
Port Louis

ABC Banking Corporation Ltd

AUDITORS

Moore Mauritius

MANAGING DIRECTOR

Mr Aymeric Hermann Dookun

REGISTERED OFFICE

Bonne Terre, Vacoas, Mauritius
Zip code: 73304

STATUTORY DISCLOSURES

The Directors are pleased to present the annual report and the audited financial statements of Paper Converting Company Limited (The "Company") and its subsidiaries (the "Group") for the year ended December 31, 2021. The financial statements are set out on pages 42 to 108.

PRINCIPAL ACTIVITIES

The Company manufactures "Kleenex" bathroom tissue and other tissue products, under licence of Kimberly Clark Corporation (USA).

RESULTS FOR THE YEAR

Turnover of the Group for the year ended December 31, 2021 is Rs 205,175,350 (2020: Rs 201,174,704). The Group reported a profit before taxation of Rs 6,364,725 (2020: Rs 5,377,361) for the year ended December 31, 2021.

Turnover of the Company for the year ended December 31, 2021 is Rs 204,664,986 (2020: Rs 197,784,686). The Company reported a profit before taxation of Rs 7,757,007 (2020: Rs 6,781,500) for the year ended December 31, 2021.

DIVIDENDS

Dividends of Rs 1,000,000 (2%) were proposed for the financial year ended December 31, 2021 (2020: no dividend was proposed for the financial year ended December 31, 2020).

DIRECTORS

The name of Directors of the Company and each subsidiary at the end of the accounting period are:

Directors	Paper Converting Company Limited (Company)	Gumboots & Protectivewear Manufacturing Ltd	The Green Paper Bag Co Ltd
Mr Jadoo Hermann **DOOKUN**	Chairman	Chairman	Chairman
Mr Aymeric Hermann **DOOKUN**	✓	✓	✓
Mr Uwe Hollmichel	✓	✓	
Mr Assish Kumar Ghanshyam Singh **JUGMOHUN**	✓		
Mr Navind Kumar **DOOKUN**	✓		
Mr Anil Kumar **SHIWPURSAD**	✓	✓	
Mr Seedheshwar **MOJEE**	✓		
Mr Khooshiramsing **BUSSAWAH**	✓		
Mr Preetam **CHUTTOO** (appointed on September 25, 2020)	✓		
Mr Rakesh **DAMREE**		✓	
Mr Arno Ari Jawaheer Robin Ranjiv **DOOKUN**		✓	
Mr Dirk **BENADIE**		✓	

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial year, which present fairly the financial position, financial performance, changes in equity and cash flows of the Company. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether compliance with the Mauritian Companies Act 2001 and International Financial Reporting Standards (IFRS) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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

DIRECTORS' REMUNERATION AND BENEFITS

Director fees paid during the year amounted to:

	2021	2020
	Rs	Rs
Full-time Executive Director (2021: 3 & 2020: 3)	**275,000**	150,000
Non-Executive Directors (2021: 6 & 2020: 5)	**475,000**	150,000

Detailed Director fees are shown on page 29.

DIRECTORS' SHARES INTERESTS

Shares held by the Directors are as follows:

Company	**% IN PAPER CONVERTING COMPANY LIMITED**	
	Direct interests	**Indirect interests**
	%	%
Mr Jadoo Hermann **DOOKUN**	9.562	78.983
Mr Anil Kumar **SHIWPURSAD**	0.290	-

MAJOR SHAREHOLDERS

	Number of shares	**% Holding**	**Amount (Rs)**
Deramann Limited	3,918,985	78.380	39,189,850
Mr Jadoo Hermann Dookun	478,118	9.562	4,781,180

DIRECTORS' SERVICE CONTRACTS

The Directors have no service contract with the Company.

CONTRACTS OF SIGNIFICANCE

There were no contracts of significance during the year to which the Company or one of its subsidiaries is a party and in which a Director is or was materially interested, either directly or indirectly.

DONATIONS AND CSR CONTRIBUTION

Donations and CSR Contribution of Rs 163,480 were made during the year ended December 31, 2021. (2020: Rs 225,401)

AUDITORS' FEES

Auditors fees and other services to Moore Mauritius for the year 2021 were as follows:

	THE GROUP		**THE COMPANY**	
	2021	2020	**2021**	2020
	Rs	Rs	**Rs**	Rs
Audit fees	**390,000**	390,000	**350,000**	350,000

Approved by the Board of Directors on March 31, 2022
And signed on its behalf by:

Mr. Aymeric Hermann **DOOKUN**
Director

Mr. Seedheshwar **MOJEE**
Director

Paper Converting Company Limited (PCCL) is the leading manufacturer of tissue and toilet paper in Mauritius.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

Paper Converting Company Limited (PCCL) is the leading manufacturer of tissue and toilet paper in Mauritius.

It produces the international prestigious brand of toilet and tissue paper "Kleenex" under licence from Kimberly Clark Corporation of USA.

As in almost every part of the globe, "Kleenex" products have consolidated their leadership in the Mauritian market and have established themselves as a household brand today.

Paper Converting Company Limited is rightly considered in Mauritius to be the pioneer in the production of toilet tissue rolls since it started operations in October 1967. Now, a wide array of paper products is being manufactured with quality ranging from basic to premium.

The Company operates under the licence of Kimberly Clark and abides by the International Corporation Policy concerning quality control. Samples are thus sent regularly to USA for stringent laboratory tests. Furthermore, the Company also obtained the AFNOR Certification.

OUR MISSION

'Excellence through quality and responsibility'

Our mission is to meet shareholders' profit expectations and to provide job security for all employees by manufacturing and providing innovative and high-quality products.

We aim to position ourselves as business leaders by continuously improving our processes, productivity, safety and quality.

We adhere to certain principles and standards that will ensure our people are qualified and appropriately trained to meet our high expectations. In return, we reward our employees for their contribution in meeting our business goals.

We are committed to the Mauritian population by being a responsible employer, through wise investments and by choosing environmentally friendly products and manufacturing processes.

We evaluate and measure our success by regular communication with our customers, employees and shareholders to ensure their satisfaction and uphold loyalty.

COMPLIANCE STATEMENT

The Board confirms that the Company is classified as a Public Interest Entity as it satisfies the definition criterion as laid down in the First Schedule of the Financial Reporting Act 2004. Accordingly, the Company is required to comply with the provisions of the National Code of Corporate Governance for Mauritius (2016) (hereinafter the "Code") as stipulated under Section 75 of the Financial Reporting Act 2004.

The Board of Directors and the Management of PCCL are committed to ensuring and maintaining the highest standards of corporate governance and ethical business conduct across all aspects of the Company's operations and decision-making processes. They also recognise the need to adapt and improve the principles and practices in the light of their experience, regulatory requirements, and investor expectations.

Important documents governing the Company's corporate governance practices include, amongst other rules and regulations, its Constitution, the Code of Corporate Governance for Republic of Mauritius, Board Committee Charters, the Mauritian Companies Act 2001, the Securities Act 2005 and Listing Rules and Securities (Disclosure Obligations of Reporting Issuers) Rules 2007.

We confirm as Directors of the Company that throughout the year ended December 31, 2021 to the best of our knowledge and as far as applicable, the Company has complied with the principles of the Code based on the size and complexity of the Group.

PRINCIPLE 1: GOVERNANCE STRUCTURE

The Board of PCCL is responsible for leading and controlling the organisation and meeting all legal and regulatory requirements.

The Group operates within a clearly defined governance framework which provides for delegation of authority and clear lines of responsibility while enabling the Board to retain effective control. As such, the Board is ultimately accountable and responsible for the performance and affairs of the Group.

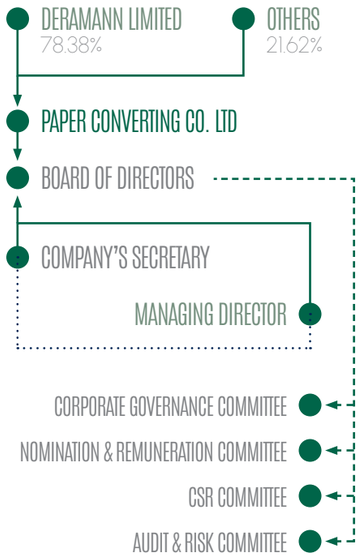
In order to fulfil its obligations, the Board has set up the following subcommittees:

- Corporate Governance;
- Audit and Risk Committee;
- Nomination and Remuneration Committee; and
- Corporate Social Responsibility Committee.

All committees are chaired by an Independent Non-Executive Director.

A reporting mechanism is in place to ensure that matters affecting the affairs and reputation of the Group are escalated to the Board by the Chairpersons of these Committees.

Organisational and Governance Structure



CORPORATE GOVERNANCE REPORT (CONT'D)

PRINCIPLE 1: GOVERNANCE STRUCTURE (CONT'D)

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 for the year under review.

It is governed by the Company's constitution and the prevailing legislation, rules and regulations. If needs arise in the future, the Company shall work towards the implementation of a Board Charter.

Code of Ethics

PCCL is committed to the highest standards of integrity and ethical conduct in dealing with all its stakeholders. The principles consist of – honesty, impartiality, confidentiality, the creation of values for shareholders, the value of human resources, good accounting and management principles and practices, timely communication with shareholders, the transparency and completeness of information and the protection of environment.

The Company is in process of preparing the Code of Ethics in line with recommendations of the Code of Corporate Governance and same will be available soon.

Company's Constitutions

The constitution of the Company is in conformity with the provisions of the Mauritius Companies Act 2001 and the Listing Rules of the Stock Exchange of Mauritius (SEM).

A copy of the constitution is available at the registered office of the Company, Bonne Terre, Vacoas. Any person requesting a copy can do so upon written request to the Company secretary.

Any person requesting a copy can do so upon written request to the Company secretary.

The Group currently has a website: www.deramann.com. It is working towards publishing the requirements of the National Code of Corporate Governance. The documents will include the following:

- The Company's constitution;
- The Code of Ethics;
- Organisational Chart; and
- Statement of accountabilities.

Company Secretary

The Company holds a service agreement with St James Secretaries Ltd for corporate secretarial services. All Directors have access to the advice and services of the Company Secretary. The Company Secretary is responsible to the Board for ensuring proper administration of board proceedings. The Company Secretary provides guidance to Directors on matters of Company law and with regard to their responsibilities in the statutory environment in which the Company operates.

St James Secretaries Ltd is a completely independent company and is directed by a Board of Directors comprised of professionals who value and take to heart every activity that they are involved on behalf of their clients.

CORPORATE GOVERNANCE REPORT (CONT'D)

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

Board diversity

The Board fully appreciates that having a balanced board is critical to ensure satisfactory performance within a framework of good governance in serving the interests of all the stakeholders of the Company. The Board has attempted to create the right balance and composition in such a way as to best serve the Company. The Board has an appropriate mix of experience and diverse professional background, and all Directors wholly endorse the belief in diversity as same will provide better decisions that will positively impact the operations of the Company.

The Board of Directors of the Company is composed of eight members and is committed to achieving success of the Company by building a sustainable business for the long term and generating the highest return on shareholders' investment.

The Board of Directors is the ultimate governing body and has full powers over the affairs of the Company. The Board of PCCL has attempted to create the right balance and composition in such a way as to best serve the Company. The Board is a unitary board.

The Board is made up of 1 Managing Director, 3 Executive Directors and 4 Non-Executive Directors, of which 2 are independent Directors. The Board does not currently have a female director but will consider appointing one in the future following resignation or replacement of one of the Directors.

All the Directors of the Company are resident Directors, except for Mr Uwe Hollmichel.

CORPORATE GOVERNANCE REPORT (CONT'D)

Directors' Profiles

All the Directors of the Company are also the Directors of Mauritius Cosmetics Limited, which is listed on the DEM of the Stock Exchange of Mauritius.

01 MR JADOO HERMANN **DOOKUN**
CHAIRMAN

02 MR AYMERIC JADOO HERMANN **DOOKUN**
EXECUTIVE DIRECTOR

03 MR ANIL KUMAR **SHIWPURSAD**
EXECUTIVE DIRECTOR

04 MR SEEDHESHWAR **MOJEE**
EXECUTIVE DIRECTOR

05 MR NAVIND KUMAR **DOOKUN**
NON-EXECUTIVE DIRECTOR

06 MR UWE **HOLLMICHEL**
INDEPENDENT NON-EXECUTIVE DIRECTOR

07 MR VINOD KHOOSHIRAMSING **BUSSAWAH**
INDEPENDENT NON-EXECUTIVE DIRECTOR

08 DR ASSISH KUMAR GHANSHYAMSINGH **JUGMOHUN**
NON-EXECUTIVE DIRECTOR

09 MR PREETAM **CHUTTOO**
INDEPENDENT NON-EXECUTIVE DIRECTOR

Directors' profiles (Cont'd)

01 MR JADOO HERMANN DOOKUN

CHAIRMAN — *60 YRS*

Born in 1962, Jadoo Dookun terminated his secondary education at Lycée La Bourdonnais before leaving for the United States where he studied International Business. He joined the Deramann Group of companies in early 1984 and has over the years acquired substantial experience in various sectors ranging from manufacturing to the distribution of consumer goods. He was appointed as Managing Director of the Group since 2007 after the demise of his brother Deo Rajah Dookun. He is currently the Chairperson of the Group.

02 MR AYMERIC JADOO HERMANN DOOKUN

EXECUTIVE DIRECTOR — *29 YRS*

After completing his high school education in Australia, Aymeric Dookun attended Schiller International University in Heidelberg where he studied International Business and Marketing. On his return to Mauritius, he was nominated as Chief Marketing Officer for the Deramann Group and was appointed to the Board of Directors in 2014. He is currently the Managing Director of the Group.

03 MR ANIL KUMAR SHIWPURSAD

EXECUTIVE DIRECTOR — *63 YRS*

Mr Anil Kumar Shiwpursad was born in 1958. After completing his secondary education, he did some courses in leadership and management and also courses in shipping line. He joined the Deramann Group of companies in 1976 where he has occupied various positions such as shipping manager, procurement manager and assistant managing director. He was appointed as Director of PCCL in 2013.

04 MR SEEDHESHWAR MOJEE

EXECUTIVE DIRECTOR — *46 YRS*

Mr Seedheshwar Mojee is a graduate of the Association of Chartered Certified Accountants. He started his working career in the audit field where he worked in various audit firms for 8 years. He also worked as accountant for nearly 3 years before joining the Deramann Group of companies in 2007 as financial controller. He was appointed as Director of PCCL in 2013.

05 MR NAVIND KUMAR DOOKUN

NON-EXECUTIVE DIRECTOR — *62 YRS*

Mr Navind Kumar Dookun has a vast experience of over 25 years in the cultivation of sugarcane and other crops and is an elected member of Managing Committee of The Mauritius Sugarcane Planters' Association.
Mr Dookun manages a filling station, and he is a member of The Petroleum Retails Association. Apart from being a member of the Board of PCCL, he is also involved in various social and cultural activities.

Directors' profiles (Cont'd)

06 MR UWE HOLLMICHEL

INDEPENDENT NON-EXECUTIVE DIRECTOR — *65 YRS*

Uwe holds a degree from the Heidelberg Economic School. He started his career at Deutsche Bank AG Germany in 1974 and is a Branch Manager and Director for over 25 years. One of his main concerns in both professional and personal field is Corporate Social Responsibility and the Sustainable use of Nature and Human beings. He is the President of one of the major sport clubs in Heidelberg, Advisor, independent consultant and Board Member of several companies, non-governmental, cultural, and social organisations in the city of Heidelberg and in the Metropolitan region Rhein-Neckar, Germany.

07 MR VINOD KHOOSHIRAMSING BUSSAWAH

INDEPENDENT NON-EXECUTIVE DIRECTOR — *61 YRS*

Mr Bussawah is a finance professional with over 25 years' experience at senior management level with reputed organisations in Mauritius and the region. He was the Officer in Charge - Finance and Administration at The Mauritius Chamber of Agriculture for 12 years, following which he was appointed as Country Manager for ACCA Mauritius where he spent nine years in making ACCA the most sought-after professional qualification in the field of finance. He was also the General Manager of LCA Mauritius for more than three years. Vinod has gained his experience in the manufacturing sector by working as General Manager of Crestanks Ltd, a leading water tank manufacturer in Uganda. He is an FCCA (Fellow Chartered Certified Accountant) and also holds an MBA Finance and a Diploma in Corporate Governance. Mr Bussawah is a member of Mauritius Institute of Directors (MIOD) and a registered professional accountant with Mauritius Institute of Public Accountants (MIPA).

08 DR ASSISH KUMAR GHANSHYAMSINGH JUGMOHUN

NON-EXECUTIVE DIRECTOR — *51 YRS*

Dr Assish Kumar Jugmohun is a holder of a Doctorate in Business Administration (DBA) (Mauritius), MBA (General Management) from South Africa. In addition, he also has an MSc (Human Resources Management) (Mauritius) and a BSc (Mathematics and Statistics) (South Africa). He is presently continuing his post-doctoral research in the field of Performance Management System, Reward and Training. He has been shouldering responsibilities at managerial level in the sugar and financial sector in Mauritius.

09 MR PREETAM CHUTTOO

INDEPENDENT NON-EXECUTIVE DIRECTOR — *49 YRS*

Mr Preetam Chuttoo is the holder of an LLB (Hons) 1st Class 2nd Division from the University of London. He was awarded the best external student of the University of London for the years 2004 and 2005. In 1993, he started his career in the Judiciary and he practised as Attorney-at-Law since 2008. He served in various Courts including District Court of Grand Port, Intermediate Court and Supreme Court of Mauritius. He has the right of audience before District Courts, the Industrial Court, the Bankruptcy Division of the Supreme Court and the Master's Court. He has considerable experience at local and international level including the Judicial Committee of the Privy Council.

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

Board Meeting and Attendance

Board Meetings are convened by notice given with the approval of the Chairman and the Managing Director. A detailed agenda, management reports and other explanatory statements are circulated in advance to the Directors to facilitate meaningful, informed and focused decisions at meetings. Board meetings can also be called at short notice to address specific urgent business needs.

Under the Company's constitution, a quorum for a Board Meeting shall be fixed by the Board and, if not so fixed, shall be a majority of the Directors. The Chairman has a casting vote whilst every Director has one vote. Other than the Directors, key management personnel and outside consultants are also invited to attend the Board meetings when deemed appropriate.

Directors are expected to attend Board meetings, Committee meetings on which they served and the Annual Meeting of shareholders. Any Director who is unable to attend a meeting is expected to notify either the Company Secretary or the Chairman of the appropriate Committee of his absence.

Board Deliberations

During the year under review, the main deliberations by the Board of Directors included the following:

- Approval of Abridged audited financial statements for the year ended December 31, 2021 for publication;
- Approval of Annual report for the year ended December 31, 2020;
- The unaudited quarterly results of the Company for publication purposes;
- Ongoing review of the strategy of the Group;
- Approval of significant contracts;
- Approval of increase of capital by way of private placement;
- Review performance of the Company and Group;
- Review of Group's operations as reported by Managing Director;
- Approval of various banking facilities availed; and
- Approval of declaration of dividend.

Corporate Governance Committee

The Committee consist of five members out of which there is one Independent Non-Executive Director (Chairperson), two Executive Directors and two Non-Executive Directors. It met twice during the year under review. It is chaired by an independent Non-Executive Director, in compliance with the Code of Corporate Governance.

The Committee operates within a written charter and combines the functions of the Corporate Governance Committee. As a whole, the Committee establishes or assists in the establishment of the Company's governance policies (including policies that govern potential conflicts of interest) and monitors as well as advises the Company as to compliance with those policies.

The members of the Corporate Governance Committee are as follows:

1. Mr Uwe **HOLLMICHEL**
   Independent Non-Executive Director, Chairman
2. Mr Seedheshwar **MOJEE**
   Executive Director
3. Mr Anil Kumar **SHIWPURSAD**
   Executive Director
4. Mr Navind Kumar **DOOKUN**
   Non-Executive Director
5. Mr Assish Kumar **JUGMOHUN**
   Non-Executive Director

CORPORATE GOVERNANCE REPORT (CONT'D)

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

Audit and Risk Committee

The Audit and Risk Committee has been set up in line with the Code of Corporate Governance.
It consists of two Non-Executive Directors and one Independent Non-Executive Director.

The members of the Audit and Risk Committee are as follows:

1. Mr Vinod Khooshiramsingh **BUSSAWAH**
   Independent Non-Executive Director, Chairman
2. Mr Navind Kumar **DOOKUN**
   Non-Executive Director
3. Mr Assish Kumar **JUGMOHUN**
   Non-Executive Director

The terms of reference of the Audit and Risk Committee are as follows:

- Review the effectiveness of the Company's Internal Control and risk management system;
- Monitor and supervise the effective functioning of the internal audit process;
- Oversee the process for selecting the external auditors, assess the continuing independence of the external auditors and approve the audit fees;
- Ensure compliance by the Company with legal and regulatory requirements and business ethics; and
- Review the integrity of the quarterly financial statements and recommend their adoption to the Board of Directors prior to filing and publication.

One of the functions of the Audit and Risk Committee is to assess and review on a regular basis the independence of the external auditor. As part of its role, the Committee ensures that the external auditor's objectivity and independence is safeguarded in order to carry out their professional duties and responsibilities as auditors.

The Audit and Risk Committee meetings are also attended through an invitation by the Chief Executive Officer, the Financial Controller, and the External Auditor. The Company Secretary acts as the Secretary to the Committee.

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

Nomination and Remuneration Committee

This Committee has been set up to:

- Enhance communication and consultation between staff and management;
- Promote the spirit of cooperation between management and staff;
- Consider suggestions for continuous improvement in the Group's operational efficiency; and
- Ensure staff welfare and recognition of staff concerns.

Its functions are as follows:

- Advise management on work matters of interest and of concern to staff;
- Determine, agree and develop the Company's policy on recruitment, remuneration and conditions of employment;
- Co-ordinate with the Board and formulate the Committee's remuneration policy and specific remuneration packages;
- Act as a conduit for two-way communication between staff and management and provide feedback both ways; and
- Share with Management suggestions and ideas to improve operational efficiency and staff welfare.

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

1. Mr Assish Kumar **JUGMOHUN**
   Non-Executive Director, Chairman
2. Mr Navind Kumar **DOOKUN**
   Non-Executive Director

Corporate and Social Responsibility "CSR" Committee

The CSR Committee has been set up to ensure that the Group, as a socially responsible organisation towards the community and the environment, develops a strategy to use the CSR fund to help develop vulnerable groups in the society and the country at large.

The members of the CSR Committee are as follows:

1. Mr Navind Kumar **DOOKUN**
   Non-Executive Director, Chairman
2. Mr Assish Kumar **JUGMOHUN**
   Non-Executive Director
3. Mr Uwe **HOLLMICHEL**
   Independent Non-Executive Director

CORPORATE GOVERNANCE REPORT (CONT'D)

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

Attendance at Board & Committee Meetings

The attendance of the Directors of the Board and Committee meetings of the Company was as follows:

	BOARD	AUDIT AND RISK COMMITTEE	NOMINATION & REMUNERATION COMMITTEE	CORPORATE GOVERNANCE COMMITTEE
Number of meetings held	2	3	1	1

Category	Directors	Attendance			
Executive	Mr Aymeric Hermann **DOOKUN**	2/2	N/A	N/A	N/A
	Mr Seedheshwar **MOJEE**	2/2	N/A	N/A	1/1
	Mr Anil Kumar **SHIWPURSAD**	2/2	N/A	N/A	1/1
Non-Executive	Mr Jadoo Hermann **DOOKUN**	2/2	N/A	N/A	N/A
	Mr Navind Kumar **DOOKUN**	2/2	3/3	1/1	1/1
	Mr Assish Kumar **JUGMOHUN**	2/2	3/3	1/1	1/1
Independent Non-Executive	Mr Uwe **HOLLMICHEL**	2/2	N/A	1/1	1/1
	Mr Vinod Khooshiramsingh **BUSSAWAH**	2/2	3/3	N/A	N/A
	Mr Preetam **CHUTTOO**	1/2	N/A	N/A	N/A

PRINCIPLE 3: DIRECTOR APPOINTMENT PROCEDURE

Appointment and re-election

The Board carefully considers the needs of the Company in appointing Directors. The following factors are considered:

- Skills, knowledge and expertise required on the Board;
- Skills, knowledge and expertise of the proposed Director;
- Previous experience as a Director;
- Specific roles required on the Board such as Chairman of a Committee;
- Balance required on the Board such as gender and age;
- Independence where required;
- Amount of time the proposed director is able to devote to the business of the Board; and
- Conflicts of interests.

The Board may appoint any person to be Director, either to fill a casual vacancy or as an additional Director in so far that the total number of Directors will not at any time exceed the number fixed in accordance with the Company's constitution.

All Directors so appointed will hold office until the next following Annual meeting and will then be eligible for re-appointment.

The Board assumes responsibilities for succession planning and for the appointment and induction of new directors to the Board.

Professional Development

Directors are encouraged to keep themselves up to date with the latest workplace trends, the Company's environment and markets; and of changes and trends in the economic, political, social and legal climate generally.

Succession Planning

The Board considers its succession very carefully and assumes responsibility for succession planning. The Corporate Governance Committee is responsible for considering succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future.

CORPORATE GOVERNANCE REPORT (CONT'D)

PRINCIPLE 4: DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE

Directors Duties

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

Statement and Remuneration Philosophy

The Company's policy is to set remuneration at a suitable level in order to motivate, attract and retain high calibre personnel and directors and to reward them in accordance with their individual as well as collective contribution towards the achievement of the Company's objective and performance, whilst taking into account current market conditions.

Directors' fees consist of a fixed fee which is approved by shareholders of the Company at the annual meeting. The Director's remuneration for the year under review is as follows:

Category	Directors	Directors Fees	Corporate Governance	Audit Committee	HR Committee	Total
		Rs	Rs	Rs	Rs	Rs
Executive	Mr Aymeric Hermann **DOOKUN**	75,000	-	-	-	75,000
	Mr Seedheshwar **MOJEE**	75,000	25,000	-	-	100,000
	Mr Anil Kumar **SHIWPURSAD**	75,000	25,000	-	-	100,000
Non-Executive	Mr Navind Kumar **DOOKUN**	75,000	25,000	25,000	25,000	150,000
	Mr Assish Kumar **JUGMOHUN**	75,000	25,000	25,000	25,000	150,000
Independent Non-Executive	Mr Vinod Khooshiramsingh **BUSSAWAH**	75,000	-	25,000	-	100,000
	Mr Preetam **CHUTTOO**	75,000	-	-	-	75,000
	Total	**525,000**	**100,000**	**75,000**	**50,000**	**750,000**

PRINCIPLE 4: DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE (CONT'D)

Employee Share Option Scheme

The Company has no specific employee share option plan during the year under review.

Interest Register and Conflict of Interest

Directors have a fiduciary duty to conduct themselves to ensure that there are no conflicts of interest. In their capacity as Directors, they must subordinate personal individual business, third-party and other interests to the welfare and best interests of the Group.

A conflict of interest occurs when a present transaction or relationship might conflict with a Director's obligations owed to the Company and the Director's personal, business or other interests.

The Company applies the requirements of the DEM rules pertaining to the Disclosure of Corporate Transactions, including related party transactions.
All Directors are expected to declare direct and indirect interests in the securities of the Company. The Company secretary maintains an interests register which available for consultation to shareholders, upon written request to the Company Secretary. The interests of the Directors in PCCL shares are shown on page 12.

Related Party Transactions

Transactions with related parties are disclosed in detail in note 28 to the financial statements.

Information, information Technology and information Security Governance

The Board is responsible for information governance within the Group and the management of information technology and information security policies. The Board is currently working on the development of the applicable IT policies and procedures.

Board Information

It is the responsibility of the Board Chairman, with the assistance of the Company Secretary, to ensure that Board members receive all information necessary for them to perform their duties and that the Board has sufficient time for consultation and decision-making.

Through either the Board or the established committees, individual Board members have the power of obtaining all information from management and other stakeholders in the discharge of their fiduciary duties. The Board is subject to strict confidentiality rules with regard to information that they obtain as Directors and unless they are required to do so by law, Board members may not disclose any confidential information during or even after their time on the Board.

Board Appraisal

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 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 in managing the affairs of the Company.

PRINCIPLE 5: RISK GOVERNANCE AND INTERNAL CONTROL

The Board of Directors is responsible for determining the overall strategic direction and the appropriate risk management strategy and policies of the Group. It sets the appropriate risk level and tolerance of the Group. The risk strategy covers all the major risk areas in which the Group has significant exposure. The risk management strategy is based on diversification and acceptable levels of exposure/limits to different asset classes, currencies, issuers, regions and risk levels. The risk strategy is periodically assessed relative to changes in market conditions and tactical reallocations. The management is responsible for implementing the risk strategy and policies approved by the Board of Directors. It oversees the day-to-day risk management issues in line with the approved strategy, policies and procedures. The Group has also set up a Risk Register for a clear identification of risks.

In addition, the internal auditors verify that appropriate controls are in place to mitigate all potential risk areas of the Company and their recommendation is considered by the Audit & Risk Committee on a regular basis.

Risk management function

In order to seize market opportunities and leverage the potential for success, risk must be accepted to a reasonable degree. The risk policy is designed to steadily and consistently increase the corporate value, achieve its medium-term financial goals and sustain the Group's ongoing existence in the long term. It is an integral component of the Group's corporate policy.

Risk policy

The risk management measures to be taken are implemented within the operative entities and mapped and supported by means of operational systems. Nevertheless, there is a feedback loop between early risk identification and operational risk management. There is also interaction with the planning and control process.

Risk management is further explained below.

Risk Management

(i) Physical Risks

There are certain risks which are unavoidable such as riots, cyclones and other natural calamities. In order to mitigate these risks the following measures have been done:

- Adoption of cyclone warning procedures;
- Relevant insurance covers;
- Firefighting procedures and rescue services;
- For risks of fraud and thefts etc, these are mitigated through implementation of control procedures and CCTV cameras.

(ii) Financial Risk

The Company is exposed to a wide range of financial risks which include foreign currency risk, interest rate risk and credit risk.

Financial risk management is further explained in note 3 of the financial statements.

(iii) Operational Risk

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

PRINCIPLE 5: RISK GOVERNANCE AND INTERNAL CONTROL (CONT'D)

Risk Management (Cont'd)

(iv) Compliance Risk

There is a very low risk as the Company strives to comply with laws, regulations and policies that are applicable to the Company.

(v) Information Technology risk

Proper back up and access as well as password restrictions procedures have been implemented in order to mitigate this risk. Adequate measures have been taken to cater for any power cut supply through the implementation of generators and UPS.

(vi) 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.

The risk is mitigated by communicating regularly with its stakeholders and constantly striving to build strong business relationships.

Internal Controls

The Internal controls system of the Group includes all those sets of rules, policies, and procedures that have been implemented with the objectives that financial reports are reliable, that protection against fraud and malpractices is provided, that operations are effective and efficient, and that all activities comply with applicable laws and regulations.

Whilst the Board approves the Group's policies and ensures that risks are maintained within approved limits and any deviation is reported timely and duly authorised, the Audit and Risk Committee on the other hand reviews external audit reports on systems and controls in place to manage those risks. The Audit and Risk Committee is therefore, the authority responsible for ensuring that internal controls are in place and for the regular review of the Group's accounts and policies.

Internal audit function

There was no internal audit function within the Group during the year. However, the Group is considering either to contract out the internal audit function to an external accounting firm or to have its own dedicated team to oversee this function.

Assurance on risk management processes

The Board places a degree of reliance on the external audit functions to report on any weaknesses in internal controls, issues with compliance and material misstatements in financial reporting and to make recommendations via the Audit & Risk Committee, the objective being to ensure the effective and efficient use of available resources and having confidence in the accuracy of information used in the preparation of financial statements.

The external auditors report directly to the Audit & Risk Committee on a regular basis for identification of any deficiency noted in internal processes and controls, compliance issues and any material misstatements noted in the financial reports.

During the year under review, there was no major breakdown identified in the internal control systems of the Group.

PRINCIPLE 6: REPORTING WITH INTEGRITY

The Board is committed to present a fair, balanced and understandable assessment of the Group's financial, environmental, social and governance position, performance and outlook in its annual report. The Company uses diverse mechanisms when reporting on its activities such as its annual report, Annual Meeting, website, emails, notice board in its premises, press articles and social media. It is therefore important that not only stakeholders be kept informed of the activities of the Company but also the public in general.

Corporate Social Responsibility and Donations

For its CSR contribution, the Group has paid directly its contribution to the Mauritius Revenue Authority. Donations made and CSR paid during the year Rs 163,480.

Environment Policy

Due to the nature of its activities, the Group's operation has no major impact on environment.

Safety and Health Issues

Management ensures compliance with the Occupational Safety and Health Act 2005 and other related legislative and regulatory frameworks.

Related Party Transactions

As per the definition formulated specifically by the Group, parties are considered to be related if they have the ability, directly or indirectly, to control or exercise significant influence over the Company in making financial and operating decisions.

Related parties reported in the Annual Report include:

- Controlling shareholders, Directors and senior management personnel of the Group; and
- Entities in which Directors, controlling shareholders, and senior management personnel are employed.

As a general rule, all transactions with a related party must be carried out on terms and conditions that are at least as favourable to the Group as market terms and conditions.

Transactions between the Company and its related parties made during the year on an arms-length basis are disclosed in Note 28 to the Financial Statements.

Statement of Directors' Responsibilities

Directors acknowledge their responsibilities for:

- Adequate accounting records and for maintenance of effective internal control systems;
- Preparation of financial statements which fairly present the state of affairs of the Company at end of the financial year and the cash flows for that period, and which comply with International Financial Reporting Standards (IFRS);
- Ensuring that adequate accounting records and an effective system of internal controls and risk management have been maintained;
- Ensuring that appropriate accounting policies supported by reasonable and prudent judgments and estimates have been used consistently;
- Ensuring that the International Financial Reporting Standards have been adhered to. Any departure has been disclosed, explained and quantified in the financial statements; and

PRINCIPLE 6: REPORTING WITH INTEGRITY (CONT'D)

Statement of Directors' Responsibilities (Cont'd)

- Ensuring that the Code of Corporate Governance has been adhered to in all material aspects. Reasons for noncompliance have been provided, where appropriate.

The External Auditors are responsible for reporting on whether the financial statements are fairly presented.

PRINCIPLE 7: AUDIT

The external Audit

Moore Mauritius were re-appointed as the external auditors for the financial year ended December 31, 2021 at the Annual General Meeting held on September 24, 2021. They have been responsible for the audit of the financial statements of the Group for the last year.

The external auditors did not carry out non-audit services to ensure that they maintain their independence. The fees paid to the external auditors are shown on page 13.

Meeting with Audit & Risk Committee

The external auditors met with the Chairman and members of the Audit & Risk Committee during the year, during which meetings, the financial statements of the Company, timeline of the audit, the audit approach, the accounting principles and critical policies adopted were discussed.

Evaluation of the Auditors

The Audit & Risk Committee evaluates the external auditor in fulfilling their duty annually, to make an informed recommendation to the Board for the reappointment of the external auditors. The Audit & Risk Committee assesses the qualifications and performance of the external auditors; the quality of the external auditors' communications with the Audit & Risk Committee and the external auditors' independence, objectivity and professional scepticism.

The key issues raised by the external auditors are discussed at the Audit & Risk Committee and management is invited to explain and take remedial measures.

CORPORATE GOVERNANCE REPORT (CONT'D)

PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

The Board is responsible for ensuring that an appropriate dialogue takes place among the organisation, its shareholders and other key stakeholders.

Dialogue with stakeholders

The strategy adopted by the Board of the Company embodies the importance of establishing regular dialogues with stakeholders (e.g. employees, clients, suppliers, government authorities). The Company interacts regularly using emails, visits, advertisement and networking events.

Substantial Shareholders

The shareholders holding more than 5% of the stated capital of the Company after bonus issue exercise are as follows:

Shareholders	No. of shares	% Shareholding
Deramann Ltd	3,918,985	78.38
Jadoo Hermann Dookun	478,118	9.562

Shareholding Profile

The share ownership as at December 31, 2021 is set out below:

Defined brackets	No. of shareholders	% Holding
1 - 1,000	87	0.359
1,001 - 10,000	36	3.311
10,001 - 50,000	20	8.389
> 50,000	2	87.942

PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONT'D)

Shares in Publics Hands

In accordance with Listing Rules of SEM, at least 10% of the shareholding of PCCL is in the hands of the public.

Shareholders' Communication

The Board of Directors of PCCL places great importance on open and transparent communication with all shareholders. It aims to keep them updated on all matters affecting the Company through regular announcements and disclosures in the annual report and the annual meeting of shareholders.

It also produces quarterly, half yearly and annual accounts as per statutory requirements and publishes them immediately once approved by the Board of Directors. These reports are also filed with the Stock Exchange of Mauritius (SEM).

Dividend Policy

The dividend payment is linked to the profit achieved during the year and to the financial performance of the Company and is subject to internal cash flow and the need for future capital investments.

Calendar of Events

Some key events are as follows:

Financial year-end	December 31, 2021
Annual Meeting	September 24, 2021
1st quarter ended March 31, 2021	June 01, 2021
2nd quarter ended June 30, 2021	Mid-August 2021
3rd quarter ended September 30, 2021	Mid-November 2021
Declaration of dividend	March 31, 2022

Dealing in Company's shares

No Director dealt in the Company shares during the year under review. However, when there are dealings, Directors follow the principles of the model code on securities transactions by directors as detailed in Appendix 6 of the Stock Exchange of Mauritius listing rules.

CORPORATE GOVERNANCE REPORT (CONT'D)

PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONT'D)

Share Price Information

The shares of the Company are quoted on the DEM of the stock exchange.

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

Date	Share price (Rs)
December 2021	22.50
November 2021	22.50
October 2021	22.50
September 2021	22.50
August 2021	27.10
July 2021	29.00
June 2021	29.00
May 2021	29.00
April 2021	29.00
March 2021	29.00
February 2021	29.00
January 2021	29.00

Agreements

Shareholders' agreement

There is no shareholders' agreement.

MR AYMERIC HERMANN **DOOKUN**
Director

MR SEEDHESHWAR **MOJEE**
Director

Date: March 31, 2022

STATEMENT OF COMPLIANCE

Name of Company: Paper Converting Company Limited

Reporting Period: Year ended December 31, 2021

We, the undersigned being the Directors of Paper Converting Company Limited (the "Company") confirm that, to the best of our knowledge, the Company has complied with all of its obligations and requirements under the Code of Corporate Governance (the "Code") except for the following:

	AREAS OF NON-APPLICATION OF THE CODE	EXPLANATION FOR NON-APPLICATION
Principle 1	Adoption of Board Charter and Code of Ethics Key governance documents (such as the Company's constitution, Code of Ethics, Board Charter) have not been published on the Group's website.	The Board is accountable to the stakeholders for the performance of the Company. It is responsible for the strategic direction of the Company and its primary objective of creating and building sustainable value for all its stakeholders. The Company is in process of adopting a Board Charter and a Code of Ethics. The Company is working towards publishing the relevant documents on the Group's website (www.deramann.com).
Principle 2	The Code requires Board diversity such that organisation should have directors from both genders as members of the Board i.e., an appropriate balance of male and female directors. The Board does not currently have a female director.	The Board will consider appointing one in the future following resignation or replacement of one of the Directors.
Principle 4	The Company currently does not have an information technology governance framework, an information policy and an information security policy that provides details on the policies and strategies that are in place. Evaluation of the effectiveness of the Board and its individual Directors. The Code requires the Board to consider disclosing details of the remuneration paid to each individual Director in the annual report of the organisation. Remuneration paid to each individual Director has not been disclosed.	The Board is in the process of developing an IT framework and the relevant policies. The Company is in process of adopting a Board Evaluation programme which shall be effective as soon as possible. The Directors consider this information as commercially sensitive in the very competitive market in which the Group operates.
Principle 5	The Company does not currently have whistleblowing procedures.	The Code of Ethics will include a policy in the whistleblowing together with the relevant procedures.
Principle 7	There was no internal audit function within the Group during the year.	The Group is considering either to contract out the internal audit function to an external accounting firm or to have its own dedicated team to oversee this function.

On behalf of the Board.

MR AYMERIC HERMANN **DOOKUN**
Director

MR SEEDHESHWAR **MOJEE**
Director

Date: March 31, 2022

CERTIFICATE FROM THE SECRETARY

UNDER SECTION 166 (D) OF THE COMPANIES ACT 2001

I certify, to the best of my knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required of **Paper Converting Company Limited** under Section 166(d) of the Companies Act 2001.

St James Secretaries Limited
Corporate Secretary

Registered Office:
5th Floor, C&R Court
49 Labourdonnais Street
Port Louis
Mauritius

Date: March 31, 2022

Our mission is to meet shareholders' profit expectations and to provide job security for all employees by manufacturing and providing innovative and high quality products.

FINANCIAL STATEMENTS

PAPER CONVERTING CO. LTD. ANNUAL REPORT 2021 FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PAPER CONVERTING CO. LTD

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Paper Converting Company Limited (the "Company") and its subsidiaries (the "Group"), and the Company's separate financial statements on pages 49 to 108 which comprise the statements of financial position as at December 31, 2021, and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 49 to 108 give a true and fair view of the financial position of The Group and of The Company as at December 31, 2021, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the *Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Mauritius, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONT'D)

TO THE SHAREHOLDERS OF PAPER CONVERTING CO. LTD

Report on the audit of the Financial Statements (Cont'd)

Corporate Governance Report

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

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

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

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

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
1. Valuation of investment properties	
Investment properties, which are significant assets in the Group's and the Company's statement of financial position, are valued at Rs 79,627,000 as at December 31, 2021. The Group and the Company measures its investment properties at fair value. The determination of fair value, which is a significant accounting estimate, is dependent on a range of judgemental assumptions. In 2016, the valuation of investment properties was performed by an independent Chartered Valuation Surveyor. In 2017, 2018, 2019, 2020 and 2021 the valuation of investment properties has been carried out by management. The Group determined the fair value of investment properties as at December 31, 2021 not to be materially different from the last valuation exercise carried out in 2016 by valuation specialists.	As part of our audit procedures to mitigate audit risk to an acceptably low level, we have: · Assessed the design and operating effectiveness of management controls and systems in place around the valuation of investment properties; · Appraised the valuation methodologies used and reviewed the appropriateness of key management assumptions by carrying out a benchmarking exercise based on our knowledge of the property industry; and · Verified on a sample basis the accuracy and relevance of the input data used within the fair value calculations; · Verified the reasonableness of the inputs and assumptions used in the context of the Covid-19 pandemic; and

INDEPENDENT AUDITOR'S REPORT (CONT'D)

TO THE SHAREHOLDERS OF PAPER CONVERTING CO. LTD

Report on the audit of the Financial Statements (Cont'd)

Key Audit Matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
1. Valuation of investment properties (Cont'd)	
The spread of the Covid-19 epidemic during the year and its impact of the economy has added a further degree of uncertainty in predicting future economic outcomes and hence added more complexity in the use of estimates and judgement in determining the fair value in the context of the pandemic. Consequently, the valuation of investment properties has been identified to be a key audit matter due to the significant judgements and estimates involved and its significance to the financial statements with gain or loss impacting profit or loss.	· Reviewed the disclosures about significant estimates and critical judgments made by management in the financial statements in respect of valuation of investment properties. We have also verified the adequacy of the disclosures in accordance with IAS 40 Investment Property and IFRS 13 Fair Value Measurements made in the financial statements. Based on our audit procedures, we consider investment properties to be reasonably valued, properly accounted for and accurately disclosed in the financial statements.
Refer to notes 4 & 6 of the accompanying financial statements.	
2. Trade receivables and other receivables (excluding prepayments)	
Trade receivables and other receivables (excluding prepayments) for year ended December 31, 2021 totalled Rs 141,99,104 for the Group and Rs 164,096,803 for the Holding Company. The main risks identified relate to the high value of the items and their recoverability and the proper application of IFRS 9 to these receivables. The Group's and the Holding Company's disclosure on the credit risk is included in the financial risk management paragraph on page 68 of the financial statements.	Our audit procedures included: · The review of management's evaluation on the recoverability of these receivables and substantiation of cash flow projections relied upon by management; · The assessment of the design and implementation of key controls around the monitoring of recoverability; and · We have evaluated relevance of Expected Credit Losses (ECL) computed under IFRS 9 and discussed with Management to ensure that there is no evidence of Management bias during the selection of forward-looking economic scenarios and forward-looking indicators of changes in credit risk used for the computation of the ECL. From the procedures performed, we have no matters to report.
Refer to notes 12 and 13 of the accompanying financial statements.	

INDEPENDENT AUDITOR'S REPORT (CONT'D)

TO THE SHAREHOLDERS OF PAPER CONVERTING CO. LTD

Report on the audit of the Financial Statements (Cont'd)

Key Audit Matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
3. Impairment of cash generating units, goodwill and investments in subsidiaries	
The outbreak of Covid-19 has caused significant disruption in the economic environment in which the Group operates. Management made an impairment assessment in accordance with IAS 36 over its cash generating units (CGU) and consequently on its investments held in its subsidiaries. Disclosures around the impairment assessment of subsidiaries and cash generating units are set out in notes 4, 7 and 8 of the financial statements. Impairment assessment involves the determination of the recoverable amounts of the asset or the CGU. This process comprises the utilisation of judgement and estimates including the estimation of future cash flow. Variations in the estimates and assumptions may result in significant impact on the reported results and relevant assets.	Our audit procedures to over the impairment assessment included the following: · We reviewed management determination of CGUs for impairment assessment purpose. · We obtained management's impairment assessment and tested the arithmetical accuracy of the computations. · We assessed the adequacy of the disclosures made in the financial statements.
Refer to notes 4 & 7 of the accompanying financial statements.	
4. Valuation of land and buildings under Property, Plant and Equipment (PPE)	
Land and Buildings Valuation as set out in the critical accounting estimates and judgements on page 75 to 76 and in the notes on pages 77 to 79 of the financial statements, the Group measures its land and buildings at fair value and this represents a significant accounting estimate. In 2016, the valuation of Property, Plant and Equipment was performed by an independent Chartered Valuation Surveyor. In 2017, 2018, 2019, 2020 and 2021 the valuation of Property, Plant and Equipment has been carried out by management. The Group determined the fair value of Property, Plant and Equipment as at December 31, 2021 not to be materially different from the last valuation exercise carried out in 2016 by valuation specialists. PPE is valued at Rs 163,513,674 for the Group and Rs 156,189,303 for the Company in the Statements of Financial Position as at December 31, 2021.	As part of our audit procedures, we have: · Assessed the design and operating effectiveness of management controls and systems in place around the valuation of investment properties; · Appraised the valuation methodologies used and reviewed the appropriateness of key management assumptions by carrying out a benchmarking exercise based on our knowledge of the property industry; and · Verified on a sample basis the accuracy and relevance of the input data used within the fair value calculations.
Refer to notes 4 & 5 of the accompanying financial statements.	

INDEPENDENT AUDITOR'S REPORT (CONT'D)

TO THE SHAREHOLDERS OF PAPER CONVERTING CO. LTD

Report on the audit of the Financial Statements (Cont'd)

Key Audit Matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
5. Borrowings	
At December 31, 2021, borrowings amounted to Rs 145,613,598 for the Group and Rs 145,612,224 for the Company. The main risks identified relate to the high-risk value of the items and their repayment.	As part of our audit procedures, we have: · Obtained confirmations from the Group's banks to confirm all significant borrowings, including amounts, tenure and conditions. · We have read the most up-to-date agreements between Paper Converting Company Limited and its financiers to understand the terms associated with the facilities and the amount of facility available for drawdown. Where debt is regarded as non-current, we tested whether the Group has the unconditional right to defer payment such that there were no repayments required within 12 months from the balance sheet date.
Refer to note 17 of the accompanying financial statements.	

INDEPENDENT AUDITOR'S REPORT (CONT'D)

TO THE SHAREHOLDERS OF PAPER CONVERTING CO. LTD

Report on the audit of the Financial Statements (Cont'd)

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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONT'D)

TO THE SHAREHOLDERS OF PAPER CONVERTING CO. LTD

Report on the audit of the Financial Statements (Cont'd)

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

We have obtained all information and explanations we have required.

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

Other matter

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

MOORE MAURITIUS
Chartered Accountants
Port Louis,
Mauritius.

Date: March 31, 2022

Arvin Rogbeer, FCA, FCCA
Signing Partner
Licensed by FRC

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021

		THE GROUP		THE HOLDING COMPANY	
	Notes	2021	2020	2021	2020
		Rs	Rs	Rs	Rs
ASSETS					
Non-current assets					
Property, Plant and Equipment	5	**163,513,674**	176,347,101	**156,189,303**	167,724,210
Right-of-use assets	5A	**12,737,065**	13,892,291	**12,737,065**	8,132,212
Investment properties	6A	**79,627,000**	79,627,000	**79,627,000**	79,627,000
Deposit on investment properties	6B	**89,674,000**	89,674,000	**-**	-
Investments:-					
-Subsidiary companies	7	**-**	-	**108,906,184**	108,906,184
-Jointly controlled entity	8	**1**	294,702	**1**	294,702
Investments in jointly controlled entity					
Financial assets at fair value through other comprehensive income	9	**445,702**	445,702	**445,702**	445,702
		345,997,442	360,280,796	**357,905,255**	365,130,010
Current assets					
Inventories	11	**61,802,231**	45,078,856	**53,665,716**	36,580,324
Trade receivables	12	**102,443,002**	97,669,335	**101,992,817**	97,210,750
Other financial assets at amortised cost	13	**39,556,102**	48,819,731	**62,103,986**	61,773,984
Prepayments		**1,089,645**	1,098,979	**1,089,645**	1,098,979
Cash and cash equivalents	26(c)	**16,674,403**	752,076	**16,644,972**	711,873
		221,565,383	193,418,977	**235,497,136**	197,375,910
Non-current assets classified as held for sale	15	**13,467,358**	-	**9,200,000**	-
Total assets		**581,030,183**	553,699,773	**602,602,391**	562,505,920
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	16	**50,000,000**	50,000,000	**50,000,000**	50,000,000
Share premium	16	**14,900,866**	14,900,866	**14,900,866**	14,900,866
Revaluation reserves		**95,485,555**	95,485,555	**95,485,555**	95,485,555
Retained earnings		**147,919,170**	144,841,459	**170,561,623**	165,988,287
Owners' interest		**308,305,591**	305,227,880	**330,948,044**	326,374,708
Non-controlling interests		**-**	(103,343)	**-**	-
Total equity		**308,305,591**	305,124,537	**330,948,044**	326,374,708
LIABILITIES					
Non-current liabilities					
Borrowings	17	**54,545,674**	48,500,586	**54,545,674**	48,500,586
Lease liabilities	5B	**7,089,063**	3,950,783	**7,089,063**	3,950,783
Deferred tax liabilities	10	**17,481,179**	17,210,033	**17,481,179**	17,210,033
Retirement benefit obligations	18	**4,844,010**	3,349,825	**4,844,010**	3,349,825
		83,959,926	73,011,227	**83,959,926**	73,011,227
Current liabilities					
Trade and other payables	19A	**82,170,469**	85,418,204	**81,101,598**	79,992,048
Current tax liabilities	14	**1,869,776**	973,856	**1,869,776**	973,856
Dividend payable	19B	**1,000,000**	-	**1,000,000**	-
Borrowings	17	**91,067,924**	85,188,754	**91,066,550**	79,314,564
Lease liabilities	5B	**4,829,897**	3,983,195	**4,829,897**	2,839,517
		180,938,066	175,564,009	**179,867,821**	163,119,985
Liabilities directly associated with non-current assets classified as held for sale	15(b)(ii)	**7,826,600**	-	**7,826,600**	-
Total liabilities		**272,724,592**	248,575,236	**271,654,347**	236,131,212
Total equity and liabilities	Rs	**581,030,183**	553,699,773	**602,602,391**	562,505,920

These financial statements have been approved for issue by the Board of Directors on March 31, 2022.

MR. AYMERIC HERMANN DOOKUN
Director

MR. SEEDHESHWAR MOJEE
Director

The notes on pages 54 to 108 form an integral part of these financial statements.
Auditor's report on pages 42 to 48.

STATEMENTS OF PROFIT OR LOSS

YEAR ENDED DECEMBER 31, 2021

	Note	THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
		Rs	Rs	**Rs**	Rs
Revenue					
Turnover	20	**205,175,350**	201,174,704	**204,664,986**	197,784,686
Operating Profit		**11,851,749**	9,056,822	**13,008,815**	9,847,114
Other income	21	**1,937,605**	4,145,378	**1,937,605**	4,145,378
Finance costs	23	**(7,129,928)**	(7,742,374)	**(6,894,712)**	(7,128,527)
Profit from ordinary activities		**6,659,426**	5,459,826	**8,051,708**	6,863,965
Share of loss/ impairment loss of jointly controlled entity	8	**(294,701)**	(82,465)	**(294,701)**	(82,465)
Profit before taxation	24	**6,364,725**	5,377,361	**7,757,007**	6,781,500
Taxation: Covid-19 Levy (GWAS Refund)	14	**(849,514)**	(431,094)	**(849,514)**	(431,094)
Others		**(1,334,157)**	(2,428,633)	**(1,334,157)**	(2,428,632)
Profit for the year		**4,181,054**	2,517,635	**5,573,336**	3,921,774
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income for the year		**4,181,054**	2,517,635	**5,573,336**	3,921,774
Results attributable to:					
Owners of the parent		**4,181,054**	2,587,479	**5,573,336**	3,921,774
Non-controlling interests		**-**	(69,844)	**-**	-
		4,181,054	2,517,635	**5,573,336**	3,921,774
Earnings per share (Rs/Cts.)	25	**0.84**	0.52	**1.11**	0.78

The notes on pages 54 to 108 form an integral part of these financial statements.

Auditor's report on pages 42 to 48.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2021

(a) **THE GROUP**	Note	*(Attributable to owners of the parent)*						
		Share capital	**Share premium**	**Revaluation reserves***	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
		Rs	Rs	Rs	Rs	Rs	Rs	Rs
Balance at January 01, 2021		50,000,000	14,900,866	95,485,555	144,841,459	305,227,880	(103,343)	305,124,537
Profit for the year		-	-	-	4,181,054	4,181,054	-	4,181,054
Other comprehensive income for the year		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	4,181,054	4,181,054	-	4,181,054
Transaction with non-controlling interest during the year	27	-	-	-	(103,343)	(103,343)	103,343	-
Dividend	19B	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
Balance at December 31, 2021	**Rs**	**50,000,000**	**14,900,866**	**95,485,555**	**147,919,170**	**308,305,591**	**-**	**308,305,591**
Balance at January 01, 2020		50,000,000	14,900,866	95,485,555	140,253,980	300,640,401	(33,499)	300,606,902
Profit for the year		-	-	-	2,587,479	2,587,479	(69,844)	2,517,635
Other comprehensive income for the year		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	2,587,479	2,587,479	(69,844)	2,517,635
Dividend		-	-	-	2,000,000	2,000,000	-	2,000,000
Balance at December 31, 2020	**Rs**	**50,000,000**	**14,900,866**	**95,485,555**	**144,841,459**	**305,227,880**	**(103,343)**	**305,124,537**

* The revaluation reserves relate to the revaluation of property, plant and equipment.

The notes on pages 54 to 108 form an integral part of these financial statements.

Auditor's report on pages 42 to 48.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2021 (CONT'D)

		Notes	Share capital	Share premium	Revaluation reserves*	Retained earnings	Total
(b)	**THE HOLDING COMPANY**		Rs	Rs	Rs	Rs	Rs
	Balance at January 01, 2021		50,000,000	14,900,866	95,485,555	165,988,287	326,374,708
	Profit for the year		-	-	-	5,573,336	5,573,336
	Other comprehensive income for the year		-	-	-	-	-
	Total comprehensive income for the year		-	-	-	5,573,336	5,573,336
	Dividend	19B	-	-	-	(1,000,000)	(1,000,000)
	Balance at December 31, 2021	**Rs**	**50,000,000**	**14,900,866**	**95,485,555**	**170,561,623**	**330,948,044**
	Balance at January 01, 2020		50,000,000	14,900,866	95,485,555	160,066,513	320,452,934
	Profit for the year		-	-	-	3,921,774	3,921,774
	Other comprehensive income for the year		-	-	-	-	-
	Total comprehensive income for the year		-	-	-	3,921,774	3,921,774
	Dividends		-	-	-	2,000,000	2,000,000
	Balance at December 31, 2020	**Rs**	**50,000,000**	**14,900,866**	**95,485,555**	**165,988,287**	**326,374,708**

* The revaluation reserves relate to the revaluation of property, plant and equipment.

The notes on pages 54 to 108 form an integral part of these financial statements.

Auditor's report on pages 42 to 48.

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021

	Notes	THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
		Rs	Rs	**Rs**	Rs
Cash flow from operating activities					
Cash generated from operations	26(a)	**11,791,443**	23,502,719	**5,694,183**	4,463,978
Interest paid		**(6,104,578)**	(6,877,820)	**(5,919,432)**	(6,558,672)
Tax paid	14	**(1,016,605)**	(1,963,928)	**(1,016,605)**	(1,963,928)
Net cash generated from / (used in) operating activities		**4,670,260**	14,660,971	**(1,241,854)**	(4,058,622)
Cash flow from investing activities					
Deposit received for sales of property, plant and equipment	15	**7,826,600**	-	**7,826,600**	-
Purchase of assets using own funds	26(e)	**(4,740,594)**	(1,167,913)	**(4,740,594)**	(1,167,913)
Proceeds from sale of property, plant and equipment	21	**278,261**	-	**278,261**	-
Disposal of subsidiary, net of cash disposed	15	**-**	7,266,371	**-**	7,266,371
Net cash generated from investing activities		**3,364,267**	6,098,458	**3,364,267**	6,098,458
Cash flow from financing activities					
Proceeds from borrowings		**100,795,578**	36,065,000	**100,795,578**	35,458,328
Payments on borrowings		**(94,441,452)**	(55,133,300)	**(90,441,452)**	(40,899,878)
Proceeds from isssue of preference shares	17	**4,500,000**	17,900,000	**4,500,000**	17,900,000
Principal paid on lease liabilities	5B	**(3,475,340)**	(6,727,205)	**(3,475,340)**	(2,253,799)
Interest paid on lease liabilities	5B	**(561,118)**	(806,024)	**(511,048)**	(511,326)
Net cash generated from / (used in) financing activities		**6,817,668**	(8,701,529)	**10,867,738**	9,693,325
Net increase in cash and cash equivalents		**14,852,195**	12,057,900	**12,990,151**	11,733,161
Movement in cash and cash equivalents					
At January 01,		**(30,448,141)**	(42,506,041)	**(28,614,154)**	(40,347,315)
Increase		**14,852,195**	12,057,900	**12,990,151**	11,733,161
At December 31,	27(d)	**(15,595,946)**	(30,448,141)	**(15,624,003)**	(28,614,154)

The notes on pages 54 to 108 form an integral part of these financial statements.

Auditor's report on pages 42 to 48.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

1. GENERAL INFORMATION

The Paper Converting Co. Ltd (the "Company") is a public company incorporated and domiciled in Mauritius. The constitution of the Company is in conformity with the provisions of the Mauritius Companies Act 2001 and the Listing Rules of the Stock Exchange of Mauritius (SEM). The principal activity of the Company to produce the international prestigious brand of toilet and tissue paper "Kleenex" under licence from Kimberly Clark Corporation of USA. The address of its registered office is Bonne Terre, Vacoas, Mauritius.

The Board of Directors considers Deramann Limited, domiciled in Mauritius, as the holding entity of Paper Converting Co. Ltd.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements include the consolidated financial statements of the parent company and its subsidiary companies (The "Group") and the separate financial statements of the parent company (The "Company"). The financial statements are presented in Mauritian Rupees.

2.1 Basis of preparation

The financial statements comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). Where necessary, comparative figures have been amended to conform with change in presentation in the current year.
The financial statements are prepared under the historical cost convention, except that:

(i) freehold land and buildings are carried at revalued amount;

(ii) investment properties are stated at fair value;

(iii) investments held for trading and relevant financial assets and financial liabilities are stated at their fair value; and

(iv) relevant financial assets and financial liabilities are carried at amortised cost;

New standards and amendments effective in the period on or after January 01, 2021

The following standards and amendments have become effective for the annual periods commencing on or after January 01, 2021.

Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 & IAS 39 - Interest Rate Benchmark Reform – Phase 2

As a result of these amendments, among other matters, an entity:

- Will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- Will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- Will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

Management has assessed the impact of these new and revised standards and interpretation and concluded that none of the above has an impact on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

Standards and amendments to existing standards that are not yet effective and have not been adopted early by the Company

The new and amended standards 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 new and amended standards and interpretations, if applicable, when they become effective.

- *Amendments to IFRS 16 - Covid-19-Related Rent Concessions*

  Amendments to IFRS 16 'Leases' Covid-19 Related Rent Concessions beyond June 30, 2021

  This amendment extends the practical expedient to rent concessions that reduce only lease payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met.

  The amendments are applicable for annual periods commencing on or after April 01, 2021.

- *IFRS 17 - Insurance Contracts*

  IFRS 17 'Insurance contracts' establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. IFRS 17 is effective for annual periods commencing on or after January 01, 2023.

- *Amendments to IAS 1 - Classification of Liabilities as Current or Non-current*

  Amendments to IAS 1 'Presentation of financial statements' clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The meaning of settlement of a liability is also clarified. The amendments are applicable for annual periods commencing on or after January 01, 2023.

- *Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before intended use*

  Amendments to IAS 16 'Property, plant and equipment' require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related costs in profit or loss, instead of deducting the amounts received from the cost of the asset. The amendments are applicable for annual periods commencing on or after January 01, 2022.

- *Amendments to IFRS 3 - Reference to the Conceptual Framework*

  Amendments to IFRS 3 'Business combinations' update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are applicable for annual periods commencing on or after January 01, 2022.

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

  Amendments to IAS 37 'Provisions, contingent liabilities and contingent assets' specify the costs that an entity includes when assessing whether a contract will be loss-making. The amendments are applicable for annual periods commencing on or after January 01, 2022.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

Annual Improvements to IFRS Standards 2018–2020

Annual Improvements to IFRS Standards 2018–2020 amend:

- IFRS 1 to simplify the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences;
- IFRS 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;
- IFRS 16 illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements.
- IAS 41 to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in other accounting standards.

The amendments are applicable for annual periods commencing on or after January 01, 2022.

- *Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture*

  Amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates' clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. Otherwise, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments have been deferred until IASB has finalised its research project on the equity method.

- IFRS 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- IAS 1, to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- IAS 8, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- IAS 34, to identify material accounting policy information as a component of a complete set of financial statements; and
- IFRS Practice Statement 2 Making Materiality Judgements, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction

Amendments to Deferred tax related to assets and liabilities arising from a single transaction modify IAS 12 to clarify the accounting for deferred tax on transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions for which entities recognise both an asset and a liability and that give rise to equal taxable and deductible temporary differences. This may be the case for transactions such as leases and decommissioning, restoration and similar obligations. Entities are required to recognise deferred tax on such transactions.

The Standard amends IFRS 1 to require deferred tax related to leases and decommissioning, restoration and similar obligations to be recognised by first-time adopters at the date of transition to Australian Accounting Standards, despite the exemption set out in IAS 12.

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Property, plant and equipment

Land is stated at its fair value based on periodic valuations carried out by independent valuers. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Properties in the course of construction for production, or administrative purposes or for purposes not yet determined are carried at cost less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Increases in the carrying amount arising on revaluation of land are credited to other comprehensive income and shown as revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation surplus directly in equity; all other decreases are charged to profit or loss.

Depreciation is calculated on the straight-line method to write off their cost to their residual values over their estimated useful lives. It is applied at the following rates:

	Years
Building and resurfacing of yard	50
Furniture and fittings	4 - 10
Motor vehicles	5
Plant and machinery	10

No depreciation is charged on land.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Right-of-use asset

The Group recognises a right-of-use asset and a corresponding lease liability at commencement date at which the leased asset is available for use.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The depreciation period for right-of-use assets held by the Group are as described below:

	Years
Motor vehicles - Rights of Use	5
Plant and machinery - Rights of Use	10

2.4 Investment properties

Investment property, held to earn rentals/or for capital appreciation or both, and not occupied by the Group is carried at fair value, representing open-market value determined periodically by independent valuers. Changes in fair values are included in profit or loss.

2.5 Intangible assets

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Goodwill is tested annually for impairment.

2.6 Non-current assets held for sale

Non-current assets classified as held for sale relate to property, plant and equipment earmarked for sale during the coming year. They are measured at the lower of carrying amount and fair value less costs to sell if the carrying amount is recovered principally through sales.
This condition is regarded as met only when the sales are highly probable and the asset is available for immediate sale in their present condition.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Investments in subsidiary companies

Separate financial statements of the investor

In the separate financial statements of the investors, investments in subsidiary companies are carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments.

Consolidated financial statements

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns though its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree (if any) over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss as a bargain purchase gain.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Investment in jointly controlled entities

A joint venture is a joint arrangement whereby the partiesthat have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint ventures are accounted for using the following method:

Separate financial statements of the investor

In the separate financial statements of the investors, investments in joint ventures are carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments.

Consolidated financial statements

Investment in joint ventures are initially recognised at cost as adjusted by post acquisition charges in the Group's share of the net assets of the associate less any impairment in the value of individual investments.

Any excess of the cost of acquisition and the Group's share of the net fair value of the associate's identifiable assets and liabilities recognised at the date of acquisition is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of identifiable assets and liabilities, after assessment, is included as income in the determination of the Group's share of the associate's profit or loss.

When the Group's share of losses exceeds its interest in associate, the Group discontinues recognising further losses unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, appropriate adjustments are made to the financial statements of associates to bring the accounting policies used in line with those adopted in the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments are recognised in profit or loss.

2.9 Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

(i) Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g., trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets (cont'd)

(i) Amortised cost (cont'd)

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

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

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the statement of profit or loss.

The Group's financial assets measured at amortised cost comprise trade receivables, amount due from related parties and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents includes cash in hand, cash at bank, and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

(ii) Fair value through other comprehensive income

The Group has investments in unlisted entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those investments, the Group has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal, any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial liabilities

Financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.
- Bank borrowings and the Group's loan notes are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

2.11 Leases

(i) Leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Identifying Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;

(b) The Group obtains substantially all the economic benefits from use of the asset; and

(c) The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Leases (cont'd)

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Group if it is reasonable certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- In all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss.
  The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Company/Group to use an identified asset and require services to be provided to the Company/Group by the lessor, the Company/Group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Leases (cont'd)

Accounting for leases - where Group is the lessor.

Lease income from leases where the Company/Group is a lessor is recognised in income on a straight line basis over the lease term. Initial direct costs incurred in obtaining the lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting IFRS 16.

2.12 Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised until such time as the assets are substantially ready for their intended use or sale.

Other borrowing costs are expensed.

2.13 Current and deferred income tax

The tax expense for the period comprises of current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax

The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affect neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting date and are expected to apply in the period when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined under the weighted average cost method. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

2.15 Share capital

Ordinary shares are classified as equity.

2.16 Borrowings

Borrowings are recognised initially at fair value being their issue proceeds net of transaction costs incurred.

Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2.17 Retirement benefit obligations

Defined contribution plans

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company operates a defined contribution retirement benefit plan for all qualifying employees. Payments to defined contribution plan are recognised as an expense when employees have rendered service that entitle them to the contributions.

Gratuity on retirement

The net present value of retirement gratuity payable under the Workers Right Act 2019 is calculated by the Directors and provided for.
The obligations arising under this item are not funded.

2.18 Trade and other payables

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

2.19 Foreign currencies

(i) ***Functional and presentation currency***

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Foreign currencies (cont'd)

(ii) Transactions and balances

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the transaction.

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

2.20 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.21 Revenue recognition

(a) Revenue from contracts with customers

(i) Sales of goods

Revenue derived from selling goods is recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Company no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

Determining the transaction price

Most of the revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

Allocating amounts to performance obligations

For most contracts, there is a fixed unit price for each product sold, with reductions given for bulk orders placed at a specific time. Therefore, there is no judgement involved in allocating the contract price to each unit ordered in such contracts (it is the total contract price divided by the number of units ordered). Where a customer orders more than one product line, the Company is able to determine the split of the total contract price between each product line by reference to each product's standalone selling prices (all product lines are capable of being, and are, sold separately).

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Revenue recognition (cont'd)

(a) Revenue from contracts with customers (cont'd)

(i) Sales of goods (cont'd)

Practical Exemptions

The Company has taken advantage of the practical exemptions:

- Not to account for significant financing components where the time difference between receiving consideration and transferring control of goods (or services) to its customer is one year or less; and
- Expense the incremental costs of obtaining a contract when the amortisation period of the asset otherwise recognised would have been one year or less.

(b) Other revenues earned by the Company is recognised on the following bases:

- Other income is recognised as it accrues unless collectibility is in doubt.
- Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).
- Dividend income - when the shareholder's right to receive payment is established.
- Rental income from investment property is recognised in profit or loss on a straight line basis over the period of the agreement.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are declared.

2.23 Segment reporting

Segment information presented relate to operating segments that engage in business activities for which revenues are earned and expenses incurred.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risk factors, including:

(a) Market risk;

(b) Credit risk;

(c) Liquidity risk; and

(d) Cash flow and fair value interest rate risk.

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

Risk management is carried out by treasury department under policies approved by the Board of Directors. Treasury identifies, evaluates and hedges financial risks in close cooperation with the operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and non-derivative financial instruments and investment of excess liquidity.

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

(a) Market risk

(i) Currency risk

The Group/Company operates internationally and is therefore exposed primarily to foreign exchange risk in currencies such as the Euro, United States Dollars and South African Rand. Foreign exchange risk arises from future commercial transactions, recognised assets and libilities and net investments in foreign operations.

Management has set up a policy to require the Group to manage their foreign exchange risk exposure with treasury.

The Group/Company has certain investments in foreign operation whose net assets are exposeed to foreign currency translation risk. Currency exposure arising from the net assets of the Group/Company foreign operations in Madagascar is managed primarily through borrowings denominated in the relevant foreign currencies.

At December 31, 2021 if the Rupee had weakened/strengthened by 5% against the foreign currencies with all variables held constant, the Group's and the Company's post tax profit for the year would have been Rs 1,334,281 (2020: Rs 119,003) and Rs 1,334,282 (2020: Rs 120,468) higher/lower mainly as a result of foreign exchange gains/losses on translation of Euro/USD denominated cash and cash equivalents and payables respectively.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (cont'd)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

Currency profile

The tables below summarise the currency profiles of the Group's Financial assets and liabilities:

	THE GROUP				
	MUR	EURO	USD	ZAR	TOTAL
As at December 31, 2021	Rs	Rs	Rs	Rs	Rs
Financial assets					
Trade receivables	**102,443,002**	**-**	**-**	**-**	**102,443,002**
Other financial assets at amortised cost	**39,556,102**	**-**	**-**	**-**	**39,556,102**
Cash in hand and at bank	**8,867,208**	**7,805,733**	**1,462**	**-**	**16,674,403**
	150,866,312	**7,805,733**	**1,462**	**-**	**158,673,507**
Financial liabilties					
Trade & other payables	**50,795,009**	**1,720,160**	**11,522,961**	**18,132,339**	**82,170,469**
Borrowings	**145,613,598**	**-**	**-**	**-**	**145,613,598**
Lease liabilities	**11,918,960**	**-**	**-**	**-**	**11,918,960**
Liabilities directly associated with non-current assets classified as held for sale	**-**	7,826,600	-	-	**7,826,600**
	208,327,567	**9,546,760**	**11,522,961**	**18,132,339**	**247,529,627**
As at December 31, 2020					
Financial assets					
Trade receivables	97,669,335	-	-	-	97,669,335
Other financial assets at amortised cost	48,819,731	-	-	-	48,819,731
Cash in hand and at bank	210,499	25,839	515,738	-	752,076
	146,699,565	25,839	515,738	-	147,241,142
Financial liabilties					
Trade & other payables	76,390,818	-	9,027,386	-	85,418,204
Borrowings	133,689,340	-	-	-	133,689,340
Lease liabilities	7,933,978	-	-	-	7,933,978
	223,699,874	-	9,027,386	-	227,041,522

	THE HOLDING COMPANY				
	MUR	EURO	USD	ZAR	TOTAL
As at December 31, 2021	Rs	Rs	Rs	Rs	Rs
Financial assets					
Trade receivables	**101,992,817**	**-**	**-**	**-**	**101,992,817**
Other financial assets at amortised cost	**62,103,986**	**-**	**-**	**-**	**62,103,986**
Cash in hand and at bank	**8,837,777**	**7,805,733**	**1,462**	**-**	**16,644,972**
	172,934,580	**7,805,733**	**1,462**	**-**	**180,741,775**
Financial liabilties					
Trade & other payables	**49,726,138**	**1,720,160**	**11,522,961**	**18,132,339**	**81,101,598**
Borrowings	**145,612,224**	**-**	**-**	**-**	**145,612,224**
Lease liabilities	**11,918,960**	**-**	**-**	**-**	**11,918,960**
Liabilities directly associated with non-current assets classified as held for sale	**-**	**7,826,600**	**-**	**-**	**7,826,600**
	207,257,322	**9,546,760**	**11,522,961**	**18,132,339**	**246,459,382**
As at December 31, 2020					
Financial assets					
Trade receivables	97,210,750	-	-	-	97,210,750
Other financial assets at amortised cost	61,773,984	-	-	-	61,773,984
Cash in hand and at bank	204,773	17,775	489,325	-	711,873
	159,189,507	17,775	489,325	-	159,696,607
Financial liabilties					
Trade & other payables	70,964,662	-	9,027,386	-	79,992,048
Borrowings	127,815,150	-	-	-	127,815,150
Lease liabilities	6,790,300	-	-	-	6,790,300
	211,255,850	-	9,027,386	-	214,597,498

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021 (CONT'D)

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (cont'd)

(a) Market risk (cont'd)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified in the statements of financial position as financial assets at fair value through other comprehensive income. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Sensitivity analysis

The table below summarises the impact of increases/decreases in the fair value of the investments on the Group's equity.

The analysis is based on the assumption that the fair value had increased/decreased by 5%.

	Impact on equity			
	THE GROUP		THE HOLDING COMPANY	
	2021	2020	**2021**	2020
	Rs	Rs	**Rs**	Rs
	+/-5%	+/-5%	**+/-5%**	+/-5%
Financial assets at fair value through other comprehensive income	**22,285**	22,285	**22,285**	22,285

(b) Credit risk

Credit risk arises principally from the Group's trade receivables and leases as well as other credit facilities made to customers, other financial assets carried at amortised cost and cash and cash equivalents. The Group's credit risk concentration is spread mainly between trade receivables and amounts receivable from related companies.

In view of managing its credit risk, the group establishes credit policy whereby new customers are analysed for credit worthiness for each business activity before offering any standard payment delivery terms and conditions. Customers that fail to meet the Group's benchmark credit worthiness may transact with the Group upon lodging of a bank guarantee or a security document or prepaid basis. The related companies have no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Group makes advances and loans to related companies with sound financial background. Further disclosures on credit risk and expected credit losses ("ECL") are provided in the following notes:

Note 12(i) - Trade and other receivables;
Note 13 - Other financial assets at amortised cost; and
Note 26(c) - Cash and cash equivalents.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial assets. Prudent liquidity risk management implies maintaining sufficient cash in hand, marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims at maintaining flexibility in funding by keeping committed credit lines available.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (cont'd)

(c) Liquidity risk (cont'd)

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

THE GROUP	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
At December 31, 2021	Rs	Rs	Rs	Rs
Bank overdrafts	**32,270,349**	**-**		**32,270,349**
Bank loans - secured	**18,741,292**	**37,064,126**	**2,466,169**	**58,271,587**
Lease liabilities	**4,829,897**	**7,089,063**	**-**	**11,918,960**
Import loan	**34,744,973**	**-**		**34,744,973**
Preference shares	**5,311,310**	**15,015,379**	**-**	**20,326,689**
Trade and other payables	**82,170,469**	**-**	**-**	**82,170,469**
Liabilities directly associated with non-current assets classified as held for sale	**7,826,600**	**-**	**-**	**7,826,600**
At December 31, 2020				
Bank overdrafts	31,200,217	-		31,200,217
Bank loans - secured	11,194,710	18,524,475	15,411,610	45,130,795
Lease liabilities	3,983,195	3,950,783	-	7,933,978
Import loan	40,065,000	-	-	40,065,000
Preference shares	2,728,826	5,780,753	8,783,749	17,293,328
Trade and other payables	85,418,204	-	-	85,418,204

THE HOLDING COMPANY	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
At December 31, 2021	Rs	Rs	Rs	Rs
Bank overdrafts	**32,268,975**	**-**		**32,268,975**
Bank loans - secured	**18,741,292**	**37,064,126**	**2,466,169**	**58,271,587**
Lease liabilities	**4,829,897**	**6,612,849**	**476,214**	**11,918,960**
Import loan	**34,744,973**	**-**		**34,744,973**
Preference shares	**5,311,310**	**15,015,379**	**-**	**20,326,689**
Trade and other payables	**81,101,598**	**-**	**-**	**81,101,598**
Liabilities directly associated with non-current assets classified as held for sale	**7,826,600**	**-**	**-**	**7,826,600**
At December 31, 2020				
Bank overdrafts	29,326,027	-	-	29,326,027
Bank loans - secured	11,194,710	33,936,085	15,411,610	45,130,795
Lease liabilities	2,839,517	3,950,783	-	6,790,300
Import loan	36,065,000	-	-	36,065,000
Preference shares	2,728,826	5,780,753	8,783,749	17,293,328
Trade and other payables	79,992,048	-	-	79,992,048

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021 (CONT'D)

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (cont'd)

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's bank loans and preference shares as shown in the financial statements are exposed to interest rate risks as it borrows mainly at variable rates.

The Group's operating cash flows are exposed to interest risk as it borrows at variable rates. At December 31, 2021, if interest rates on Rupee denominated borrowings had been 50 basis points higher/lower with all variables held constant, post-tax profit for the year would have decreased/increased by Rs 9,453 (2020: Rs 7,741) for the Group and Rs 9,242 (2020: Rs 7,284) for the Company mainly as a result of higher/lower interest rate expense on floating rate borrowings. The Group manages its interest rate risk by close market monitoring.

3.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as financial assets at fair value through other comprehensive income.

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

If fair value is based on unobservable inputs, it is classified as Level 3.

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

3.3 Capital Risk Management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefit for other stakeholders; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

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

Consistent with others in the industry, the Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt adjusted capital. Net debt is calculated as total debt (as shown in the statements of financial position) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, non-controlling interests, retained earnings, and revaluation and other reserves) other than amounts recognised in equity relating to cash flow hedges, and includes some forms of subordinated debt.

During 2021, the Group's strategy was to reduce the debt-to-capital ratio to a reasonable level in order to secure access to finance at a reasonable cost.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Capital Risk Management (cont'd)

The debt-to-capital ratios at December 31, 2021 and December 31, 2020 were as follows:

	THE GROUP		THE HOLDING COMPANY	
	2021	2020	**2021**	2020
	Rs	Rs	**Rs**	Rs
Total debt (note 17)	**145,613,598**	133,689,340	**145,612,224**	127,815,150
Lease liabilities (note 5B)	**11,918,960**	7,933,978	**11,918,960**	6,790,300
Less: cash in hand and at bank (note 26 (c))	**(16,674,403)**	(752,076)	**(16,644,972)**	(711,873)
Net debt (note 26 (b))	**140,858,155**	140,871,242	**140,886,212**	133,893,577
Total equity	**308,305,591**	305,124,537	**330,948,044**	326,374,708
Debt-to-capital ratio	**46%**	46%	**43%**	41%

The net debt to equity ratio remained fairly stable at 46% in 2020 and 2021 for the Group and improved from 41% in 2020 to 43% in 2021 for the Holding Company respectively following an improvement in the Group's and Holding Company's results and susbtantial repayments of debts and leases during the year.

There were no changes in the Group's approach to capital risk management during the year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of financial assets

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

(b) Depreciation policies

Property, plant and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Group would currently obtain from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life.

The Directors therefore make estimates based on historical experience and use best judgement to assess the useful lives of assets and to forecast the expected residual values of the assets at the end of their expected useful lives.

(c) Asset lives and residual values

Property, plant and equipment are depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

(d) Revaluation of property, plant and equipment and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the profit or loss. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Group had engaged valuation specialists to determine fair value at December 31, 2016. During the year 2021, Elevante Property Services Ltd, a chartered valuation surveyor has carried out a valuation of the properties which are higher than those shown in the financial statements. However, as a prudence measure, the Directors have decided not to show any revaluation gain in the financial statements.

The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long term vacancy rate.

(e) Fair value of securities not quoted in an active market

The fair value of securities not quoted in an active market may be determined by the Group using valuation techniques including third party transaction values, earnings, net asset value or discounted cash flows, whichever is considered to be appropriate. The Group would exercise judgement and estimates on the quantity and quality of pricing sources used. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical accounting estimates and assumptions

(f) Impairment of assets

Goodwill is considered for impairment at least annually. Property, plant and equipment, and intangible assets are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the assets or cash-generating units are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value. The impairment loss is first allocated to goodwill and then to the other assets of a cash-generating unit.

Cash flows which are utilised in these assessments are extracted from formal five-year business plans which are updated annually. The Group utilises the valuation model to determine asset and cash-generating unit values supplemented, where appropriate, by discounted cash flow and other valuation techniques.

(g) Limitations of sensitivity analysis

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

Sensitivity analysis does not take into consideration that the Group's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty.

(h) Deferred tax on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties the Directors reviewed the Group's investment property portfolio and concluded that certain of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sales. Therefore, in determining the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted for certain of the Group's investment properties. As a result, the Group has not recognised deferred taxes on changes in fair value of such investment properties.

(g) Going concern

The Group's and the Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021 (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP

	Freehold land	Freehold buildings	Plant & machinery	Furniture & fittings	Motor vehicles (Owned)	Total
	Rs	Rs	Rs	Rs	Rs	Rs
COST/VALUATION						
At January 01, 2021	31,277,000	118,104,150	246,785,687	21,924,684	11,690,667	429,782,188
Transfer from rights of use assets (note 5A)	-	-	18,284,050	-	-	18,284,050
Transfer to non-current asset held for sale (note 15(b))	-	-	(26,340,237)	-	-	(26,340,237)
Additions (note 26(e))	-	-	3,480,955	187,354	-	3,668,309
Disposal	-	-	-	-	(737,250)	(737,250)
At December 31, 2021	**31,277,000**	**118,104,150**	**242,210,455**	**22,112,038**	**10,953,417**	**424,657,060**
DEPRECIATION						
At January 01, 2021	-	10,799,687	215,447,631	19,154,457	8,033,312	253,435,087
Transfer from rights of use assets (note 5A)	-	-	9,826,316	-	-	9,826,316
Transfer to Non-current asset held for sale (note 15(b))	-	-	(12,872,879)	-	-	(12,872,879)
Charge for the year (note 24)	-	2,362,083	7,451,045	646,720	1,032,264	11,492,112
Disposal adjustments	-	-	-	-	(737,250)	(737,250)
At December 31, 2021	**-**	**13,161,770**	**219,852,113**	**19,801,177**	**8,328,326**	**261,143,386**
NET BOOK VALUE						
At December 31, 2021 Rs	**31,277,000**	**104,942,380**	**22,358,342**	**2,310,861**	**2,625,091**	**163,513,674**

(b) THE GROUP

	Freehold land	Freehold Buildings	Plant & Machinery	Furniture & fittings	Motor vehicles (Owned)	Total
	Rs	Rs	Rs	Rs	Rs	Rs
COST/VALUATION						
At January 01, 2020	31,277,000	118,104,150	248,304,298	19,239,746	7,681,537	424,606,731
Transfer	-	-	(1,365,260)	2,306,130	(940,870)	-
Transfer to rights of use assets (note 5A)	-	-	(6,128,240)	-	-	(6,128,240)
Transfer from rights of use assets (note 5A)	-	-	5,185,784	-	-	5,185,784
Additions (note 26(e))	-	-	789,105	378,808	4,950,000	6,117,913
At December 31, 2020	**31,277,000**	**118,104,150**	**246,785,687**	**21,924,684**	**11,690,667**	**429,782,188**
DEPRECIATION						
At January 01, 2020	-	8,437,605	209,696,967	18,564,487	7,614,453	244,313,512
Transfer	-	-	662,376	1,536	(663,912)	-
Transfer to rights of use assets (note 5A)	-	-	(3,605,977)	-	-	(3,605,977)
Transfer from rights of use assets (note 5A)	-	-	2,445,478	-	-	2,445,478
Charge for the year (note 24)	-	2,362,082	6,248,787	588,434	1,082,771	10,282,074
At December 31, 2020	**-**	**10,799,687**	**215,447,631**	**19,154,457**	**8,033,312**	**253,435,087**
NET BOOK VALUE						
At December 31, 2020 Rs	**31,277,000**	**107,304,463**	**31,338,056**	**2,770,227**	**3,657,355**	**176,347,101**

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

(c) THE HOLDING COMPANY

		Freehold land	Freehold Buildings	Plant & Machinery	Furniture & fittings	Motor vehicles (Owned)	Total
		Rs	Rs	Rs	Rs	Rs	Rs
COST/VALUATION							
At January 01, 2021		31,277,000	118,104,150	224,644,995	15,690,787	11,568,667	401,285,599
Transfer from right-of-use asset (note 5A)		-	-	3,443,815	-	-	3,443,815
Transfer to non-current asset held for sale (note 15(b))		-	-	(11,500,000)	-	-	(11,500,000)
Additions (note 26(e))		-	-	3,480,955	187,354	-	3,668,309
Disposal		-	-	-	-	(737,250)	(737,250)
At December 31, 2021		**31,277,000**	**118,104,150**	**220,069,765**	**15,878,141**	**10,831,417**	**396,160,473**
DEPRECIATION							
At January 01, 2021		-	10,799,687	200,177,264	15,019,672	7,564,766	233,561,389
Transfer from right-of-use asset (note 5A)		-	-	746,160	-	-	746,160
Transfer to non-current asset held for sale (note 15(b))			-	(2,300,000)	-	-	(2,300,000)
Charge for the year (note 24)		-	2,362,083	4,987,605	318,919	1,032,264	8,700,871
Disposal adjustments			-	-	-	(737,250)	(737,250)
At December 31, 2021		**-**	**13,161,770**	**203,611,029**	**15,338,591**	**7,859,780**	**239,971,170**
NET BOOK VALUE							
At December 31, 2021	**Rs**	**31,277,000**	**104,942,380**	**16,458,736**	**539,550**	**2,971,637**	**156,189,303**

(d) THE HOLDING COMPANY

		Freehold land	Freehold Buildings	Plant & Machinery	Furniture & fittings	Motor vehicles (Owned)	Total
		Rs	Rs	Rs	Rs	Rs	Rs
COST/VALUATION							
At January 01, 2020		31,277,000	118,104,150	218,670,106	15,311,979	6,618,667	389,981,902
Transfer from rights of use Asset (note 5A)		-	-	5,185,784	-	-	5,185,784
Additions (note 26(e))		-	-	789,105	378,808	4,950,000	6,117,913
At December 31, 2020		**31,277,000**	**118,104,150**	**224,644,995**	**15,690,787**	**11,568,667**	**401,285,599**
DEPRECIATION							
At January 01, 2020		-	8,437,605	192,491,118	14,701,576	6,552,766	222,183,065
Transfer from Rights of Use Asset (note 5A)		-	-	2,445,478	-	-	2,445,478
Charge for the year (note 24)		-	2,362,082	5,240,668	318,096	1,012,000	8,932,846
At December 31, 2020		**-**	**10,799,687**	**200,177,264**	**15,019,672**	**7,564,766**	**233,561,389**
NET BOOK VALUE							
At December 31, 2020	**Rs**	**31,277,000**	**107,304,463**	**24,467,731**	**671,115**	**4,003,901**	**167,724,210**

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021 (CONT'D)

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

(e) Land and buildings of the Group have been revalued on December 31, 2016 by JBA & Partners Ltd, an external Independent Chartered Quantity Surveyor and Valuer. Valuations were made on the basis of its open market value. The book value of land had been adjusted to the revalued amount and the resultant surplus had been credited to to revaluation surplus in shareholders' equity. During the year 2021, Elevante Property Services Ltd, a chartered valuation surveyor has carried out a valuation of the properties which are higher than those shown in the financial statements. However, as a prudence measure, the Directors have decided not to show any revaluation gain in the financial statements.

Details of the Group's freehold land and buildings measured at fair value and information about the fair value hierarchy are as follows:

		THE GROUP & THE HOLDING COMPANY	
		2021	2020
		Level 2	Level 2
		Rs	Rs
Freehold land		**31,277,000**	31,277,000
Buildings		**104,942,380**	107,304,463
Total	**Rs**	**136,219,380**	138,581,463

(f) There were no transfers between the hierarchy levels as defined by IFRS 13 during the year.

(g) The fair value of the freehold land was derived using the sales comparison approach. Sales prices of comparable land in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per arpent.

(h) If land and buildings were stated on the historical cost basis, the amount would be as follows:

		THE GROUP & THE HOLDING COMPANY	
		2021	2020
		Rs	Rs
Cost		**110,651,468**	110,651,468
Accumulated depreciation		**(11,367,252)**	(9,327,223)
Net book value	**Rs**	**99,284,216**	101,324,245

(g) Borrowings are secured on the assets of the Group including property, plant and equipment.

(h) Depreciation charge to profit or loss amounts to Rs 11,492,112 (2020: Rs 10,282,074) for the Group and Rs 8,700,871 (2020: Rs 8,932,846) for the Company.

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

5A. RIGHT TO USE ASSETS

	THE GROUP		
(i) Year 2021	Plant and machinery	Motor vehicles	Total
	Rs	Rs	Rs
Cost			
At January 01,	18,284,050	12,151,252	30,435,302
Additions (note 26(e))	-	10,306,285	10,306,285
Transfer to property, plant and equipment (note 5)	(18,284,050)	-	(18,284,050)
At December 31,	**-**	**22,457,537**	**22,457,537**
Amortisation			
At January 01,	9,826,316	6,716,695	16,543,011
Charge for the year (note 24)	-	3,003,777	3,003,777
Transfer to property, plant and equipment (note 5)	(9,826,316)	-	(9,826,316)
At December 31,	**-**	**9,720,472**	**9,720,472**
Net book value	**-**	**12,737,065**	**12,737,065**

	THE GROUP		
(ii) Year 2020	Plant and machinery	Motor vehicles	Total
	Rs	Rs	Rs
Cost			
At January 01,	17,341,594	12,151,252	29,492,846
Transfer from property, plant and equipment (note 5)	6,128,240	-	6,128,240
Transfer to property, plant and equipment (note 5)	(5,185,784)	-	(5,185,784)
At December 31,	**18,284,050**	**12,151,252**	**30,435,302**
Amortisation			
At January 01,	6,876,952	4,286,445	11,163,397
Charge for the year (note 24)	1,788,865	2,430,250	4,219,115
Transfer from property, plant and equipment (note 5)	3,605,977	-	3,605,977
Transfer to property, plant and equipment (note 5)	(2,445,478)	-	(2,445,478)
At December 31,	**9,826,316**	**6,716,695**	**16,543,011**
Net book value	**8,457,734**	**5,434,557**	**13,892,291**

5A. RIGHT TO USE ASSETS (CONT'D)

	THE HOLDING COMPANY		
(iii) Year 2021	Plant and machinery	Motor vehicles	Total
	Rs	Rs	Rs
Cost			
At January 01,	3,443,815	12,151,252	15,595,067
Additions (note 26(e))	-	10,306,285	10,306,285
Transfer to property, plant and equipment (note 5)	(3,443,815)	-	(3,443,815)
At December 31,	**-**	**22,457,537**	**22,457,537**
Amortisation			
At January 01,	746,160	6,716,695	7,462,855
Charge for the year (note 24)	-	3,003,777	3,003,777
Transfer to property, plant and equipment (note 5)	(746,160)	-	(746,160)
At December 31,	**-**	**9,720,472**	**9,720,472**
Net book value	**-**	**12,737,065**	**12,737,065**

	THE HOLDING COMPANY		
(iv) Year 2020	Plant and machinery	Motor vehicles	Total
	Rs	Rs	Rs
Cost			
At January 01,	8,629,599	12,151,252	20,780,851
Transfer to property, plant and equipment (note 5)	(5,185,784)	-	(5,185,784)
At December 31,	**3,443,815**	**12,151,252**	**15,595,067**
Amortisation			
At January 01,	2,881,827	4,286,445	7,168,272
Charge for the year (note 24)	309,811	2,430,250	2,740,061
Transfer to property, plant and equipment (note 5)	(2,445,478)	-	(2,445,478)
At December 31,	**746,160**	**6,716,695**	**7,462,855**
Net book value	**2,697,655**	**5,434,557**	**8,132,212**

5B. LEASE LIABILITIES

	THE GROUP		
	Plant and machinery	Motor vehicles	Total
	Rs	Rs	Rs
(i) Year 2021			
At January 01,	2,115,469	5,818,509	7,933,978
Additions	-	8,604,000	8,604,000
Interest expense (note 23)	126,410	434,708	561,118
Lease payments	(2,241,879)	(2,938,257)	(5,180,136)
At December 31,	**-**	**11,918,960**	**11,918,960**
Analysed as follows:			
- Current	-	4,829,897	4,829,897
- Non-current	-	7,089,063	7,089,063
	-	11,918,960	11,918,960

	THE GROUP		
	Plant and machinery	Motor vehicles	Total
	Rs	Rs	Rs
(ii) Year 2020			
At January 01,	7,214,781	7,446,402	14,661,183
Interest expense (note 23)	362,716	443,308	806,024
Lease payments	(5,462,028)	(2,071,201)	(7,533,229)
At December 31,	**2,115,469**	**5,818,509**	**7,933,978**
Analysed as follows:			
- Current	1,575,914	2,407,281	3,983,195
- Non-current	539,556	3,411,227	3,950,783
	2,115,470	5,818,508	7,933,978

	THE HOLDING COMPANY		
	Plant and machinery	Motor vehicles	Total
	Rs	Rs	Rs
(iii) Year 2021			
At January 01,	971,791	5,818,509	6,790,300
Additions	-	8,604,000	8,604,000
Interest expense (note 23)	76,340	434,708	511,048
Lease payments	(1,048,131)	(2,938,257)	(3,986,388)
At December 31,	**-**	**11,918,960**	**11,918,960**
Analysed as follows:			
- Current	-	4,829,897	4,829,897
- Non-current	-	7,089,063	7,089,063
	-	11,918,960	11,918,960

5B. LEASE LIABILITIES (CONT'D)

	THE HOLDING COMPANY		
	Plant and machinery	Motor vehicles	Total
	Rs	Rs	Rs
(iv) Year 2020			
At January 01,	1,597,697	7,446,402	9,044,099
Interest expense (note 23)	68,018	443,308	511,326
Lease payments	(693,924)	(2,071,201)	(2,765,125)
At December 31,	**971,791**	**5,818,509**	**6,790,300**
Analysed as follows:			
- Current	432,235	2,407,282	2,839,517
- Non-current	539,556	3,411,227	3,950,783
	971,7921	5,818,509	6,790,300

(a) Nature of leasing activities (in the capacity as lessee)

The Group and the Company leases a number of vehicles on lease. The rate of interest on leased vehicles ranges between 5.2% to 8%.

(b) Variable lease payments

The Group and the Company were not exposed to variable lease payment as at December 31, 2021.

(c) The total interest relating to lease liabilities included under finance cost amounted to Rs 561,118 (2020: Rs 806,024) for the Group and Rs 511,048 (2020: Rs 511,326) for the Company.

(d) The total cash outflows for leases in 2021 was Rs 4,036,458 (2020: Rs 7,533,229) for the Group and Rs 3,986,388 (Rs 2,765,125) for the Company respectively.

6A. INVESTMENT PROPERTIES

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
(i) **Fair value**		**Rs**	Rs	**Rs**	Rs
At January 01 & December 31	Rs.	79,627,000	79,627,000	79,627,000	79,627,000

Investment properties were last revalued by an external independent qualified valuer, JBA & Partners Ltd, Chartered Quantity Surveyor and Valuer, in December 31, 2016 and the basis of the valuation carried out was on market value. During the year 2021, Elevante Property Services Ltd, a chartered valuation surveyor has carried out a valuation of the properties which are higher than those shown in the financial statements. However, as a prudence measure, the Directors have decided not to show any revaluation gain in the financial statements.

6A. INVESTMENT PROPERTIES (CONT'D)

(ii) Details of the Group's and the Company's investment properties and information about the fair value hierarchy are as follows:

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
		Level 2	Level 2	**Level 2**	Level 2
		Rs	Rs	**Rs**	Rs
Freehold land		**13,717,000**	13,717,000	**13,717,000**	13,717,000
Building on freehold land		**65,910,000**	65,910,000	**65,910,000**	65,910,000
	Rs	**79,627,000**	79,627,000	**79,627,000**	79,627,000

There were no transfers between levels during the year.

(iii) The Group has pledged all its investment property to secure general banking facilities.

(iv) The following amounts have been recognised in profit or loss:-

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
		Rs	Rs	**Rs**	Rs
Rental income (note 21)	**Rs**	**1,331,261**	1,331,261	**1,331,261**	1,331,261

No operating expenses relating to investment properties was incurred during the year for the Group and the Holding Company (2020: nil).

6B. DEPOSIT ON INVESTMENT PROPERTIES

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
		Rs	Rs	**Rs**	Rs
Deposit on investment properties (note 28)	**Rs**	89,674,000	89,674,000	-	-

Following a pre-sale agreement dated October 17, 2019, it was mutually agreed that properties owned by Mauritius Cosmetics Ltd with a fair value of Rs 89.674 million would be transferred after year end to "PCCL Properties" (a subsidiary of Paper Converting Co. Ltd) at a consideration price of Rs 89.674 million. Given that the properties were available for immediate sale in their present conditions and that the sale was earmarked after year end, the Group has classified the building as deposit on investment property. As at December 31, 2021, the transfer had not taken place yet due to sanitary restrictions as a result of Covid-19. Even though the sale was delayed, management has the firm intention to complete the transfer as business activity resumes.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021 (CONT'D)

7. INVESTMENTS IN SUBSIDIARY COMPANIES

		THE HOLDING COMPANY	
		2021	2020
		Unquoted	Unquoted
		Rs	Rs
	Cost		
(a)	At January 01 & December 31	**108,906,184**	108,906,184

(b) The impairment assessment of each cash generating unit is based mainly on the projected discounted future cash flows and also takes in account the economic environment.

(c) The subsidiaries details and the % shareholding are as follows:

Name of Company	Class of shares held	Year end	Stated capital	Cost of Investment (before impair-ment losses)	Proportion of direct ownership interest		Proportion of indirect ownership interest		Country of incorporation and operation	Main business
					2021	2020	2021	2020		
			Rs	Rs	% Holding	% Holding	% Holding	% Holding		
Gumboots & Protectivewear Manufacturing Ltd*	Ordinary shares	December 31	10,409,320	13,532,116	95	95	-	-	Mauritius	Manufacturing of boots, gloves and safety equipment
The Green Paper Bag Co Ltd*	Ordinary shares	December 31	15,000,000	10,000,068	100	95	-	-	Mauritius	Manufacturing of recycling paper bags
PCCL Properties Co Ltd**	Ordinary shares	December 31	89,774,000	89,774,000	100	100	-	-	Mauritius	Investment properties
			115,183,320	113,306,184						

*These companies have no statutory requirement to prepare audited financial statements however audited financial summary have been presented.

**The financial statements of PCCL Properties Co Ltd have not been audited as the Company is dormant.

***The outbreak of Covid-19 has caused disruption in the Group's operations and consequently the Company performed an impairment assessment on all its investments in subsidiaries.

8. INVESTMENTS IN JOINTLY CONTROLLED ENTITY

(a) Joint Venture

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	2021	2020
		Rs	Rs	Rs	Rs
At January 01		**294,702**	377,167	**294,702**	377,167
Share of loss/impairment loss		**(294,701)**	(82,465)	**(294,701)**	(82,465)
At December 31	**Rs**	**1**	294,702	**1**	294,702

(b) The results of the following joint ventures, all of which are unlisted, have been included in the financial statements:

Company name	Year end	Nature of business	Country of incorporation and operation	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	(Loss)	Proportion of ownership interest	
										Direct	Indirect
				Rs	Rs	Rs	Rs	Rs	Rs	%	%
2021											
Big Technologies*	**December 31**	**IT services**	**Mauritius**	**812,078**	**23,286**	**230,537**	**-**	**-**	**-**	**50.0**	**-**
Bonne Terre management Company Ltd	**December 31**	**Management services**	**Mauritius**	**4,086,775**	**2,943,676**	**1,984,115**	**5,826,428**	**25,452,000**	**(831,567)**	**50.0**	**-**
2020											
Big Technologies*	December 31	IT services	Mauritius	812,078	23,286	230,537	-	-	(15,425)	50.0	-
Bonne Terre management Company Ltd	December 31	Management services	Mauritius	47,754,093	4,215,528	61,985,968	5,826,428	25,452,000	(688,817)	50.0	-

(c) The above Jointly controlled entity is accounted for using the equity method.

(d) Results for the year and accumulated losses not recognised were as follows:

	Results for the year		Accumulated losses	
	2021	2020	2021	2020
	Rs	Rs	Rs	Rs
Big Technologies*	(15,425)	(15,425)	(556,727)	(541,302)
Bonne Terre Management Co. Ltd	(831,567)	(688,817)	(167,674,342)	(166,842,775)

*Big Technologies has been a dormant company and is in the process of winding up as at December 31, 2021.

8. INVESTMENTS IN JOINTLY CONTROLLED ENTITY (CONT'D)

(e) Reconciliation of summarised financial position

Reconciliation of the above summarised financial information to the carrying amount recognised in the financial statements.

	Big Technologies Ltd		Bonne Terre Management Co. Ltd*	
	2021	2020	2021	2020
	Rs	Rs	Rs	Rs
Operating net (liabilities)/assets	**589,402**	604,827	**(15,842,775)**	(15,153,958)
(Loss)/ profit for the year	**-**	(15,425)	**(831,567)**	(688,817)
Closing net liabilities	**589,402**	589,402	**(16,674,342)**	(15,842,775)
Ownership interest (%)	**50**	50	**50**	50
	294,701	294,701	**(8,337,171)**	(7,921,387)
Impairment loss	**(294,701)**	-	**-**	-
Carrying value*	**-**	294,701	**1**	1

*The carrying value of Bonne Terre Management Co. Ltd has been limited to Rs 1 (2020: Rs 1). The Group's share of loss is limited to initial investment cost while that of Big Technologies have been brought down to nil value given that the entity is in the process of winding up.

**The outbreak of Covid-19 has caused disruption in the Group's operations and consequently the Company performed an impairment assessment on all its investments in subsidiaries.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(i) Equity investments at fair value through other comprehensive income

	THE GROUP		THE HOLDING COMPANY	
	2021	2020	2021	2020
	Rs	Rs	Rs	Rs
At January 01 & December 31	445,702	445,702	445,702	445,702

(ii) Fair value through other comprehensive income financial assets include the following:

	THE GROUP		THE HOLDING COMPANY	
	2021	2020	2021	2020
	Rs	Rs	Rs	Rs
Unquoted:				
Ecocentre Limitee & Les Lycees Associes Ltee	325,701	325,701	325,701	325,701
Bonne Terre Investment	120,001	120,001	120,001	120,001
At December 31	445,702	445,702	445,702	445,702

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(iii) The Directors are of the opinion that the cost of the unquoted securities represent their fair values since these represent the price that the Group will obtain.

(iv) Financial assets measured at fair value through other comprehensive income include the Group's equity investments not held for trading and debt securities held to collect and sell. The Group has made an irrevocable election to classify the equity investments at fair value through other comprehensive income rather than through profit or loss because this is considered to be more appropriate for these investments.

(v) The fair value of the unquoted securities are based on expected cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities.

(vi) This investment is classified as level 3 fair value hierarchy under the fair value estimation and there is no movement as compared to prior year. As at reporting date, management considers the fair values of the investments to approximate the costs.

(vii) Financial assets at fair value through other comprehensive income are denominated in Mauritian Rupees.

10. DEFERRED INCOME TAX

Deferred income taxes are calculated on all temporary differences under the liability method at 17% (2020: 17%).

(a) There is a legally enforceable right to offset current tax assets against current tax liabilities and deferred income taxes and liabilities when the deferred income taxes relate to the same fiscal authority on the same entity.

The following amounts are shown in the statements of financial position:

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
		Rs	Rs	**Rs**	Rs
Net deferred tax liabilities	**Rs**	**17,481,179**	17,210,033	**17,481,179**	17,210,033

(b) The movement on the deferred income tax account is as follows:

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
		Rs	Rs	**Rs**	Rs
At January 01		**17,210,033**	15,425,616	**17,210,033**	15,425,616
Charged to profit or loss (note 14(b))		**271,146**	1,784,417	**271,146**	1,784,417
At December 31	**Rs**	**17,481,179**	17,210,033	**17,481,179**	17,210,033

10. DEFERRED INCOME TAX (CONT'D)

(c) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same fiscal authority on the same entity, is as follows:

			THE GROUP & THE HOLDING COMPANY		
(i)	**Year 2021**		**At January 01, 2021**	**Charged/(credited) to profit or loss**	**At December 31, 2021**
			Rs	Rs	Rs
	Accelerated tax depreciation		17,779,503	660,411	**18,439,914**
	Retirement benefit obligations		(569,470)	(389,265)	**(958,735)**
	Net deferred tax liabilities	**Rs**	17,210,033	271,146	**17,481,179**

			THE GROUP & THE HOLDING COMPANY		
(ii)	**Year 2020**		**At January 01, 2020**	**Charged to profit or loss**	**At December 31, 2020**
			Rs	Rs	Rs
	Accelerated tax depreciation		16,067,590	1,711,913	**17,779,503**
	Retirement benefit obligations		(642,064)	72,594	**(569,470)**
	Net deferred tax liabilities	**Rs**	15,425,616	1,784,417	**17,210,033**

(d) Unused tax losses at the end of the reporting date that were available for offset against future profits were as follows:

		THE GROUP		THE HOLDING COMPANY	
		2021	**2020**	**2021**	**2020**
		Rs	**Rs**	**Rs**	**Rs**
Unused tax losses	**Rs**	27,214,578	32,129,189	-	-

No deferred tax asset has been recognised in respect of the above tax losses due to unpredictability of future profit streams. Except for unused capital allowance, trade losses expire on a rolling basis over 5 years.

11. INVENTORIES

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
		Rs	Rs	**Rs**	Rs
Raw materials (at cost)		**20,746,770**	29,760,578	**12,781,933**	21,658,460
Finished goods (at net realisable value)		**2,298,157**	3,209,880	**2,298,157**	2,985,144
Packing materials (at net realisable value)		**32,971,822**	6,604,442	**32,800,144**	6,432,764
Spare parts (at cost)		**5,785,482**	5,503,956	**5,785,482**	5,503,956
	Rs	**61,802,231**	45,078,856	**53,665,716**	36,580,324

(a) The carrying amounts of inventories arrived at as follows:

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
		Rs	Rs	**Rs**	Rs
At cost:					
Finished goods		**4,098,157**	4,909,880	**4,098,157**	4,185,144
Packing materials		**38,800,144**	12,604,442	**38,800,144**	12,432,764
Raw materials		**21,418,448**	29,760,578	**12,781,933**	21,658,460
Spare parts		**5,785,482**	5,503,956	**5,785,482**	5,503,956
		70,102,231	52,778,856	**61,465,716**	43,780,324
Fall in value of stock		**(8,300,000)**	(7,700,000)	**(7,800,000)**	(7,200,000)
At net realisable value	**Rs**	**61,802,231**	45,078,856	**53,665,716**	36,580,324

(iii) Fall in value charged relates to finished goods and packing materials.

(b) The movement on the fall of value in inventories is as follows:

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
		Rs	Rs	**Rs**	Rs
At January 01		**7,700,000**	600,000	7,200,000	600,000
Fall in value of stock charged to Profit & Loss		**600,000**	7,100,000	600,000	6,600,000
At December 31	**Rs**	**8,300,000**	7,700,000	7,800,000	7,200,000

(c) The cost of inventories recognised as expense and included in supplies and services amounted to **Rs 128,584,997** (2020: Rs 133,404,936) for the Group and **Rs 128,222,981** (2020: Rs 131,113,376) for the Company.

(d) Borrowings are secured by fixed/floating charges on the assets of the Group and the Company, including inventories.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021 (CONT'D)

12. TRADE AND OTHER RECEIVABLES

		THE GROUP		THE HOLDING COMPANY	
		2021	**2020**	**2021**	**2020**
		Rs	**Rs**	**Rs**	**Rs**
Trade receivables - related parties (note 28)		**100,869,707**	97,106,421	**100,869,707**	97,106,421
Trade receivables - third parties		**3,410,752**	2,285,201	**2,960,567**	1,826,616
		104,280,459	99,391,622	**103,830,274**	98,933,037
Provision for credit loss allowance (note (i))		**(1,837,457)**	(1,722,287)	**(1,837,457)**	(1,722,287)
Trade receivables - net	**Rs**	**102,443,002**	97,669,335	**101,992,817**	97,210,750

(i) ***Impairment of trade receivables***

The Group and Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2021 or January 01, 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the Country in which it sells its goods to the most relevant factors and accordingly the historical loss rate based on expected changes in these factors.

On that basis, the loss allowance as at December 31, 2020 and January 01, 2020 (on adoption of IFRS 9) was determined as follows for trade receivables:

THE GROUP	**2018**	**2019**	**2020**	**Average**
Expected loss rate (%)	1.02%	0.45%	0.81%	0.76%
Credit sales (Rs)	227,455,981	218,050,194	212,936,313	219,480,829
Loss allowance (Rs)	2,326,019	987,598	1,722,287	1,678,635

THE HOLDING COMPANY	**2018**	**2019**	**2020**	**Average**
Expected loss rate (%)	0.07%	0.46%	0.82%	0.48%
Credit sales (Rs)	159,412,794	214,752,141	210,625,949	194,930,295
Loss allowance (Rs)	111,958	987,598	1,722,287	940,614

The closing loss allowances for trade receivables as at December 31, 2021 reconcile to the opening loss allowances as follows:

		THE GROUP		THE HOLDING COMPANY	
		2021	**2020**	**2021**	**2020**
		Rs	**Rs**	**Rs**	**Rs**
At January 01		**1,722,287**	987,598	**1,722,287**	987,598
Loss allowance recognised during the year (note 24)		**115,170**	734,689	**115,170**	734,689
At December 31	**Rs**	**1,837,457**	1,722,287	**1,837,457**	1,722,287

(ii) Trade and other receivables are denominated in Mauritian Rupee as shown in note 3.1(a).

(iii) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

13. OTHER FINANCIAL ASSETS AT AMORTISED COST

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
		Rs	Rs	**Rs**	Rs
Receivable from related parties (note 28)		**39,466,602**	46,778,716	**62,014,486**	61,620,984
Other receivables (see note (d) below)		**89,500**	2,041,015	**89,500**	153,000
		39,556,102	48,819,731	**62,103,986**	61,773,984
Credit Loss allowances		**-**	-	**-**	-
	Rs	**39,556,102**	48,819,731	**62,103,986**	61,773,984

(a) The financial assets at amortised are interest free, unsecured and repayable on demand.

(b) Fair values of financial assets at amortised cost

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. Directors consider the carrying amount of non-current receivables to approxmate their fair value.

(c) *Impairment and risk exposure*

(i) Financial assets at amortised cost did not include any loss allowance as at December 31, 2021.

(ii) Financial assets at amortised cost are denominated in Mauritian Rupee and Euro as shown in note 3.1.

(iii) There is no exposure to price risk as the investments will be held to maturity.

(iv) An amount of Rs 584,000 has been written down as uncollectible in respect of the defunct of Kripa Ipex Ltd.

(d) These amounts generally arise from transactions outside the usual operating activities of the Group. Collateral is not normally obtained.

14. TAXATION

(a) Amounts recognised in the statements of financial position:

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
		Rs	Rs	**Rs**	Rs
At January 01		**973,856**	1,862,475	**973,856**	1,862,475
Current tax on the adjusted profit for the year at 15% (2020: 15%)		**849,514**	431,094	**849,514**	431,094
Underprovision charged to profit or loss		**42,749**	-	**42,749**	-
Tax paid during the year		**(1,016,605)**	(1,963,928)	**(1,016,605)**	(1,963,928)
CSR contribution		**170,748**	213,121	**170,748**	213,121
Covid-19 levy payable under the Government Wage Assistance Scheme*		**849,514**	431,094	**849,514**	431,094
At December 31	**Rs**	**1,869,776**	973,856	**1,869,776**	973,856

14. TAXATION (CONT'D)

(b) Amounts recognised in the statements of profit or loss:

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
		Rs	Rs	**Rs**	Rs
Current tax on the adjusted profit for the year at 15% (2020: 15%)		**849,514**	431,094	**849,514**	431,094
Underprovision		**42,749**	-	**42,749**	-
Covid-19 levy charge under the Government Wage Assistance Scheme*		**849,514**	431,094	**849,514**	431,094
CSR contribution		**170,748**	213,121	**170,748**	213,121
Deferred income taxes (note 10(b))		**271,146**	1,784,417	**271,146**	1,784,417
Charge for the year	**Rs**	**2,183,671**	2,859,726	**2,183,671**	2,859,726

(c) Tax reconciliation

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

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
		Rs	Rs	**Rs**	Rs
Profit before taxation		**6,364,725**	5,377,361	**7,757,007**	6,781,500
Tax calculated at a rate of 15% (2020: 15%)		**954,709**	806,604	**1,163,551**	1,017,225
Expenses not deductible for tax purposes		**558,463**	55,584	**535,477**	58,084
Underprovision		**42,749**	-	**42,749**	-
Tax losses on which no deferred tax were recognised		**185,856**	-	**-**	-
CSR contribution		**170,748**	213,121	**170,748**	-
Deferred tax charge (note 10(b))		**271,146**	1,784,417	**271,146**	1,784,417
Tax charge (Note 12)	**Rs**	**2,183,671**	2,859,726	**2,183,671**	2,859,726

*The Covid-19 levy payable relates to Covid-19 levy which is an obligatory event arising upon the making of taxable profit. The Covid-19 levy is only applicable if an entity applied for the wage assistance scheme. The Covid-19 levy payable needs to be refunded to the Mauritius Revenue Authority if the Group is profitable in the next year of assessment

15. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

		THE GROUP		THE HOLDING COMPANY	
(a) ***Investment held for sale***		**2021**	2020	**2021**	2020
		Rs	Rs	**Rs**	Rs
At January 01,		**-**	6,019,970	**-**	6,019,970
Disposals		**-**	(6,019,970)	**-**	(6,019,970)
At December 31,	**Rs**	**-**	-	**-**	-

15. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (CONT'D)

(i) During the year ended December 31, 2018, the Company entered into an agreement with a third party in respect of the disposal of its investment in Madatrade Ltée. The disposal was scheduled in various stages over a three-year period and a number of conditions have to be satisfied. For the year ended December 31, 2021 and December 31, 2020, the Group and the Holding Company disposed its shares as follows:

	THE GROUP AND THE HOLDING COMPANY	
	2021	2020
	Rs	Rs
Proceeds on disposal	**-**	7,266,371
Cost of assets	**-**	(6,019,970)
Profit on disposal recognised during the year (note 21) **Rs**	**-**	1,246,401

	THE GROUP		THE HOLDING COMPANY	
(b) ***Non-current assets held for sale:***	**2021**	2020	**2021**	2020
(i) *Machineries under Property, plant and equipment*	**Rs**	Rs	**Rs**	Rs
At January 01	**-**	-	**-**	-
Transfer from property plant and equipment				
- Cost (note 5)	**26,340,237**	-	**11,500,000**	-
- Accumulated depreciation (note 5)	**(12,872,879)**	-	**(2,300,000)**	
At December 31 **Rs**	**13,467,358**	-	**9,200,000**	-

During December 2021, the Group and the Holding Company entered into an agreement with a third party in respect of the disposal of its machines. The disposal was effected in order to generate cashflow for the expansion of the Group's/Company's other operations. The completion date is expected to occur in the next financial year during which control will pass to the acquirer.

(ii) Liabilities directly associated with non-current assets classified as held for sale:

	THE GROUP		THE HOLDING COMPANY	
	2021	2020	**2021**	2020
	Rs	Rs	**Rs**	Rs
Deposit received in advance	**7,826,600**	-	**7,826,600**	-

16. STATED CAPITAL

	THE GROUP AND THE HOLDING COMPANY			
	Number of ordinary shares	**Ordinary shares**	**Share Premium**	**Total**
		Rs	Rs	Rs
At December 31, 2020 & 2021	**5,000,000**	**50,000,000**	**14,900,866**	**64,900,866**

(i) The Company has one class of shares and each share carries a right to:

(a) One vote on a poll at a meeting of the Company on any resolution;

(b) An equal share in Dividends authorised by the Board; and

(c) An equal share in the distribution of surplus assets of the Company.

17. BORROWINGS

	THE GROUP		THE HOLDING COMPANY	
	2021	2020	**2021**	2020
	Rs	Rs	**Rs**	Rs
Bank loans-secured (note (a))	**58,271,587**	45,130,795	**58,271,587**	45,130,795
Redeemable preference shares (note (b))	**20,326,689**	17,293,328	**20,326,689**	17,293,328
Bank overdrafts (note 26(d))	**32,270,349**	31,200,217	**32,268,975**	29,326,027
Import loan (note (a))	**34,744,973**	40,065,000	**34,744,973**	36,065,000
Total borrowings	**145,613,598**	133,689,340	**145,612,224**	127,815,150

Analysed as follows:	THE GROUP		THE HOLDING COMPANY	
	2021	2020	**2021**	2020
Non-current	**Rs**	Rs	**Rs**	Rs
Bank loans-secured (note (a))	**39,530,295**	33,936,085	**39,530,295**	33,936,085
Redeemable preference share	**15,015,379**	14,564,501	**15,015,379**	14,564,501
	54,545,674	48,500,586	**54,545,674**	48,500,586
Current				
Bank overdrafts (note 26(d))	**32,270,349**	31,200,217	**32,268,975**	29,326,027
Bank loans-secured (note (a))	**18,741,292**	11,194,710	**18,741,292**	11,194,710
Import loan (note (a))	**34,744,973**	40,065,000	**34,744,973**	36,065,000
Redeemable preference shares	**5,311,310**	2,728,827	**5,311,310**	2,728,827
	91,067,924	85,188,754	**91,066,550**	79,314,564

17. BORROWINGS (CONT'D)

(a) The bank borrowings are secured by fixed and floating charges on the assets of the Group including property, plant and equipment, investment property and inventories (notes 5, 6 and 11). Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. There are no other restrictions imposed on the Group or on the Company by lease arrangements other than in respect of the specific assets being leased.

The rates of interest are as follows:-

- Bank overdraft is at 4.6%.
- Bank loans are at 4.95%.
- Import loans is at 4.85% to 4.95%.
- Preference shares is at loans is at repo rate + 1.85%.

(b) The Company issued 976 (2020: 716) cumulative redeemable preference shares as at December 31, 2021 to its holding company at Rs 25,000 per share during the financial year 2021. The shares are mandatorily redeemed after 72 months from the date of issue, and pay annual number of shares interests of 1.85% plus repo rate.

(c) The exposure of the Group's and the Holding Company's borrowings to interest rate changes and the contractual repricing dates are as follows:

(i) THE GROUP	6 months or less	6 - 12 months	1 - 5 years	Over 5 years	Total
Total borrowings:	Rs	Rs	Rs	Rs	Rs
At December 31, 2021	**145,613,598**	**-**	**-**	**-**	**145,613,598**
At December 31, 2020	**133,689,340**	**-**	**-**	**-**	**133,689,340**

(ii) THE COMPANY	6 months or less	6 - 12 months	1 - 5 years	Over 5 years	Total
Total borrowings:	Rs	Rs	Rs	Rs	Rs
At December 31, 2021	**145,612,224**	**-**	**-**	**-**	**145,612,224**
At December 31, 2020	**127,815,150**	**-**	**-**	**-**	**127,815,150**

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021 (CONT'D)

17. BORROWINGS (CONT'D)

(d) The maturity of non-current borrowings is as follows:

(i) Non-current borrowings:

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	2021	2020
		Rs	Rs	Rs	Rs
After one year and before five years		**52,079,505**	24,305,227	**52,079,505**	24,305,227
After five years		**2,466,169**	24,195,359	**2,466,169**	24,195,359
	Rs	**54,545,674**	48,500,586	**54,545,674**	48,500,586

(ii) Non-current borrowings can be analysed as follows:

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	2021	2020
		Rs	Rs	Rs	Rs
After one year and before five years					
- Bank loans		**37,064,126**	18,524,474	**37,064,126**	18,524,474
- Preference shares		**15,015,379**	5,780,753	**15,015,379**	5,780,753
	Rs	**52,079,505**	24,305,227	**52,079,505**	24,305,227
After five years					
- Bank loans		2,466,169	15,411,610	2,466,169	15,411,610
- Preference shares		-	8,783,749	-	8,783,749
	Rs	2,466,169	24,195,359	2,466,169	24,195,359

(e) The carrying amounts of current and non-current borrowings approximates their fair values.

(f) The carrying amounts of the Group's and the Company's borrowings are denominated in Mauritian Rupee.

18. RETIREMENT BENEFIT OBLIGATIONS

Retirement benefits comprise mainly of retirement gratuity payable under the Workers' Rights Act 2019

(i) Movement in retirement gratuity:

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	2021	2020
		Rs	Rs	Rs	Rs
At January 01,		**3,349,825**	3,776,846	**3,349,825**	3,776,846
Benefits paid during the year		**(67,580)**	-	**(67,580)**	-
Total current service cost (credited)/charged to profit or loss (note 22)		**1,561,765**	(427,021)	**1,561,765**	(427,021)
At December 31,	**Rs**	**4,844,010**	3,349,825	**4,844,010**	3,349,825

(ii) It has been assumed that the rate of future salary increases will be equal to the discount rate.

19A. TRADE AND OTHER PAYABLES

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	2021	2020
		Rs	Rs	**Rs**	Rs
Trade payables		**36,338,607**	18,377,683	**34,236,065**	16,274,137
Amounts due to related parties (note 28)		**21,160,204**	29,144,859	**22,199,995**	28,136,026
Trade terms payable		**17,405,827**	29,489,082	**17,405,827**	25,930,350
Other payables		**7,265,831**	8,406,580	**7,259,711**	9,651,535
	Rs	**82,170,469**	85,418,204	**81,101,598**	79,992,048

(i) The carrying amounts of trade and other payables approximate their fair values.

19B. DIVIDEND PAYABLE

	THE GROUP		THE HOLDING COMPANY	
	2021	2020	**2021**	2020
	Rs	Rs	**Rs**	Rs
Dividend payable (see note (i) below)	**1,000,000**	-	**1,000,000**	-

(i) Dividend of Rs 0.2 per share was proposed during the year under review amounting to Rs 1,000,000.

20. TURNOVER

(a) The following is an analysis of the Group's and Company's turnover for the year.

	THE GROUP		THE HOLDING COMPANY	
	2021	2020	**2021**	2020
	Rs	Rs	**Rs**	Rs
Sales of goods:				
- related parties (note 28)	**199,649,489**	196,309,180	**199,649,489**	193,058,762
- third parties	**5,525,861**	4,865,524	**5,015,497**	4,725,924
Total sales of goods	**205,175,350**	201,174,704	**204,664,986**	197,784,686

(b) Primary geographic markets

	THE GROUP		THE HOLDING COMPANY	
	2021	2020	**2021**	2020
	Rs	Rs	**Rs**	Rs
Mauritius	**202,809,721**	199,781,567	**202,299,357**	**196,391,549**
Other countries	**2,365,629**	1,393,137	**2,365,629**	**1,393,137**
Rs	**205,175,350**	201,174,704	**204,664,986**	**197,784,686**

	THE GROUP		THE HOLDING COMPANY	
	2021	2020	**2021**	2020
	Rs	Rs	**Rs**	Rs
(c) Timing of revenue recognition:				
At a point in time	**205,175,350**	201,174,704	**204,664,986**	197,784,686
Over time	**-**	-	**-**	-
Rs	**205,175,350**	201,174,704	**204,664,986**	197,784,686

21. OTHER INCOME

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
		Rs	Rs	**Rs**	Rs
Rental income from investment properties:					
- related party (note 28)		**1,193,261**	1,331,261	**1,193,261**	**1,331,261**
- third parties		**138,000**	-	**138,000**	-
Profit on disposal of investment (note 15 (a))		**-**	1,246,401	**-**	1,246,401
Grant received under the "Wage Assistance Scheme"		**328,083**	1,567,716	**328,083**	1,567,716
Profit on disposal of property, plant and equipment		**278,261**	-	**278,261**	-
	Rs	**1,937,605**	4,145,378	**1,937,605**	4,145,378

22. EMPLOYEE BENEFIT EXPENSE

	THE GROUP		THE HOLDING COMPANY	
	2021	2020	**2021**	2020
	Rs	Rs	**Rs**	Rs
Employee benefit expense can be analysed as follows:				
Wages and salaries including Directors' fees	**12,520,265**	12,386,062	**12,520,265**	12,638,619
Social security cost	**2,064,115**	1,612,383	**2,064,115**	1,359,826
Other post retirement benefits (note 18)	**1,561,765**	(427,021)	**1,561,765**	(427,021)
Pension costs-defined contribution plans	**323,804**	372,133	**323,804**	372,133
Rs	**16,469,949**	13,943,557	**16,469,949**	13,943,557

23. FINANCE COSTS

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
		Rs	Rs	**Rs**	Rs
Interest expense:					
- bank and other loans repayable by instalments		**3,880,448**	5,056,518	**3,744,777**	4,844,710
- preference shares		**766,142**	155,041	**766,142**	155,041
- bank overdrafts		**1,457,988**	1,666,261	**1,408,513**	1,558,920
- leases liabilities (note 5(b))		**561,118**	806,024	**511,048**	511,326
		6,665,696	7,683,844	**6,430,480**	7,069,997
- Net foreign exchange losses		**464,232**	58,530	**464,232**	58,530
Net finance costs	**Rs**	**7,129,928**	7,742,374	**6,894,712**	7,128,527

24 PROFIT BEFORE TAXATION

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
		Rs	Rs	**Rs**	Rs
	Profit before taxation is arrived at after				
(i)	**crediting:**				
	Profit on disposal of property, plant and equipment (note 21)	**278,261**	-	**278,261**	-
	Profit on disposal of investment (note 15)	**-**	1,246,401	**-**	1,246,401
	Rental income from investment properties (note 6A(iv))	**1,331,261**	1,331,261	**1,331,261**	1,331,261
(ii)	**and charging:**				
	Fall in value of stock	**600,000**	7,100,000	**600,00**	6,600,000
	Depreciation on property, plant and equipment (note 5)	**11,492,112**	10,282,074	**8,700,871**	8,932,846
	Amortisation of right of use:				
	- Motor Vehicles (note 5A)	**3,003,777**	2,430,250	**3,003,777**	2,430,250
	- Plant and machinery (note 5A)	**-**	1,788,865	**-**	309,811
	Cost of inventories recognised as expenses (note 11)	**128,584,997**	133,404,936	**128,222,981**	131,113,376
	Impairments losses:				
	- Credit loss allowance (note 12(i))	**115,170**	734,689	**115,170**	734,689
	Share of loss of jointly controlled entities (note 8(a))	**82,465**	82,465	**82,465**	82,465
	Employee benefit expense (note 22)	**16,469,949**	13,943,557	**16,469,949**	13,943,557

25. EARNING PER SHARE

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
Profit attributable to equity holders of the Company	**Rs**	**4,181,054**	2,587,479	**5,573,336**	3,921,774
Number of ordinary shares in issue		**5,000,000**	5,000,000	**5,000,000**	5,000,000
Profit per share (Cts/Rs)		**0.84**	0.52	**1.11**	0.78

26. NOTES TO THE STATEMENTS OF CASH FLOWS

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
(a)	**Cash generated from operations**	**Rs**	Rs	**Rs**	Rs
	Profit before taxation	**6,364,725**	5,377,361	**7,757,007**	6,781,500
	Adjustments:				
	Share of result of joint venture (note 8)	**294,701**	82,465	**294,701**	82,465
	Depreciation on property, plant and equipment (note 5)	**11,492,112**	10,282,074	**8,700,871**	8,932,846
	Amortisation:				
	- Motor Vehicles (note 5A)	**3,003,777**	2,430,250	**3,003,777**	2,430,250
	- Plant & Machinery (note 5A)	**-**	1,788,865	**-**	309,811
	Retirement benefit obligations (note 18)	**1,494,185**	(427,021)	**1,494,185**	(427,021)
	"Profit on disposal of property, plant and equipment (note 22)"	**(278,261)**	-	**(278,261)**	-
	Profit on disposal of investment (note 15)	**-**	(1,246,401)	**-**	(1,246,401)
	Interest expense (note 23)	**6,665,696**	7,683,844	**6,430,480**	7,069,997
		29,036,935	25,971,437	**27,402,760**	23,933,447
	Changes in working capital:				
	- inventories	**(16,723,375)**	20,994,610	**(17,085,392)**	18,120,423
	- trade receivables	**(4,773,667)**	(26,767,133)	**(4,782,067)**	(28,118,856)
	- other financial assets at amortised cost	**8,119,951**	(22,231,478)	**(330,002)**	(33,830,799)
	- prepayments	**9,334**	1,959,323	**9,334**	1,959,323
	- trade and other payables	**(3,877,735)**	23,575,960	**479,550**	22,400,440
	Cash generated from operations	**Rs 11,791,443**	23,502,719	**5,694,183**	4,463,978

26. NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)

(b) **Reconciliation of liabilities arising from financing activities**

THE GROUP

(i) **Year 2021**

	January 01, 2021	Cash flows	Non-cash changes: Acquisition under finance lease	Non-cash changes: Other non-cash changes	December 31, 2021
	Rs	Rs	Rs	Rs	Rs
Bank loans	85,195,795	7,820,765	-	-	**93,016,560**
Redeemable preference shares	17,293,328	3,033,361	-	-	**20,326,689**
Lease liabilities	7,933,978	(4,036,458)	8,604,000	(582,560)	**11,918,960**
Liabilities arising from financing activities	110,423,101	6,817,668	8,604,000	(582,560)	**125,262,209**
Cash & cash equivalents and bank overdraft	30,448,141	(14,852,195)	-	-	**15,595,946**
Net debt (note 3.3)	140,871,242	(8,034,527)	8,604,000	(582,560)	**140,858,155**

THE GROUP

(ii) **Year 2020**

	January 01, 2020	Cash flows	Non-cash changes: Acquisition under finance lease	Non-cash changes: Other non-cash changes	December 31, 2020
	Rs	Rs	Rs	Rs	Rs
Bank loans	90,057,423	(4,861,628)	-	-	**85,195,795**
Shareholders loan	13,600,000	(13,600,000)	-	-	**-**
Redeemable preference shares	-	17,293,328	-	-	**17,293,328**
Lease liabilities	14,661,183	(7,533,229)	-	806,024	**7,933,978**
Liabilities arising from financing activities	118,318,606	(8,701,529)	-	806,024	**110,423,101**
Cash & cash equivalents and bank overdraft	42,506,041	(12,057,900)	-	-	**30,448,141**
Net debt (note 3.3)	160,824,647	(20,759,429)	-	806,024	**140,871,242**

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021 (CONT'D)

26. NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)

(b) **Reconciliation of liabilities arising from financing activities (cont'd)**

THE HOLDING COMPANY

(iii) **Year 2021**

	January 01, 2021	Cash flows	Non-cash changes: Acquisition under finance lease	Non-cash changes: Other non-cash changes	Decembre 31, 2021
	Rs	Rs	Rs	Rs	Rs
Bank loans	81,195,795	11,820,765	-	-	**93,016,560**
Preference shares	17,293,328	3,033,361	-	-	**20,326,689**
Lease liabilities	6,790,300	(3,986,388)	8,604,000	511,048	**11,918,960**
Liabilities arising from financing activities	105,279,423	10,867,738	8,604,000	511,048	**125,262,209**
Cash & cash equivalents and bank overdraft	28,614,154	(12,990,151)	-	-	**15,624,003**
Net debt (note 3.3)	133,893,577	(2,122,413)	8,604,000	511,048	**140,886,212**

THE GROUP

(iv) **Year 2020**

	January 01, 2020	Cash flows	Non-cash changes: Acquisition under finance lease	Non-cash changes: Other non-cash changes	December 31, 2020
	Rs	Rs	Rs	Rs	Rs
Bank loans	86,030,673	(4,834,878)	-	-	**81,195,795**
Preference shares	-	17,293,328	-	-	**17,293,328**
Lease liabilities	9,044,099	(2,765,125)	-	511,326	**6,790,300**
Liabilities arising from financing activities	95,074,772	9,693,325	-	511,326	**105,279,423**
Cash & cash equivalents and bank overdraft	40,347,315	(11,733,161)	-	-	**28,614,154**
Net debt (note 3.3)	135,422,087	(2,039,836)	-	511,326	**133,893,577**

26. NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)

(c) Cash and cash equivalents

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
		Rs	Rs	**Rs**	Rs
Cash in hand and at bank	**Rs**	**16,674,403**	752,076	**16,644,972**	711,873

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(d) Cash and cash equivalents and bank overdrafts include the following for the purpose of the statements of cash flows:

		THE GROUP		THE HOLDING COMPANY	
		2021	2020	**2021**	2020
		Rs	Rs	**Rs**	Rs
Cash and cash equivalents		**16,674,403**	752,076	**16,644,972**	711,873
- Current cash and cash equivalents		**16,674,403**	752,076	**16,644,972**	711,873
Bank overdrafts (note 17)		**(32,270,349)**	(31,200,217)	**(32,268,975)**	(29,326,027)
	Rs	**(15,595,946)**	(30,448,141)	**(15,624,003)**	(28,614,154)

(e) Non-cash transactions

The principal non-cash transactions are the acquisition of property, plant and equipment and right-of-use assets financed by related party and lease:

		THE GROUP		THE COMPANY	
		2021	2020	**2021**	2020
Total additions under:		**Rs**	Rs	**Rs**	Rs
- property, plant and equipment (note 5)		**3,668,309**	6,117,913	**3,668,309**	6,117,913
- right-of-use assets (note 5A)		**10,306,285**	-	**10,306,285**	-
Additions financed by related party (note 28)		**(630,000)**	(4,950,000)	**(630,000)**	(4,950,000)
Financed by lease (note 5)		**(8,604,000)**	-	**(8,604,000)**	-
Cash transactions	**Rs**	**4,740,594**	1,167,913	**4,740,594**	1,167,913

27. TRANSACTION WITH NON-CONTROLLING INTEREST DURING THE YEAR

During the year, the owners of the parent acquired 750,000 shares in its subsidiary, The Green Paper Bag Co Ltd, representing the 5% of non-controlling interest for Rs 1, hence, increasing its shares to 100%. There was no gain or loss arising on the transaction.

28. RELATED PARTY TRANSACTIONS

(a) THE GROUP	Purchase of goods or services	Rental expenses	Sales of good or services	Management fees paid	Rental income	Impairment loss/ share of results of joint venture	Trade receivables	Amount owed by related parties	Amount owed to related parties	Preference shares	Deposit on investment property
	Rs	Rs	Rs	Rs	Rs	Rs		Rs	Rs	Rs	Rs
(i) 2021											
Trading transactions											
Holding Company	**-**	**-**	**7,957,163**	**-**	**-**	**-**	**5,901,989**	**1,266,950**	**84,186**	**20,326,689**	**-**
Joint venture	**-**	**-**	**-**	**7,608,000**	**1,193,261**	**294,701**	**-**	**-**	**-**	**-**	**-**
Enterprise over which Directors have significant influence	**815,014**	**544,200**	**191,692,327**	**-**	**-**	**-**	**94,967,718**	**38,199,652**	**21,076,018**	**-**	**89,674,000**
	815,014	**544,200**	**199,649,490**	**7,608,000**	**1,193,261**	**294,701**	**100,869,707**	**39,466,602**	**21,160,204**	**20,326,689**	**89,674,000**
(i) 2020											
Trading transactions											
Holding Company	-	-	2,877,063	-	-	-	2,015,694	910,050	1,748,681	17,293,328	-
Joint venture	-	-	-	5,448,000	-	82,465	-	-	-	-	-
Enterprise over which Directors have significant influence	263,200	-	196,309,180	-	1,331,261	-	95,090,727	45,710,387	27,068,803	-	89,674,000
Individual shareholder with significant influence	-	544,200	-	-	-	-	-	158,279	327,375	-	-
	263,200	544,200	209,845,995	5,448,000	1,331,261	82,465	97,106,421	46,778,716	29,144,859	17,293,328	89,674,000

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021 (CONT'D)

28. RELATED PARTY TRANSACTIONS (CONT'D)

(b) THE HOLDING COMPANY	Purchase of goods or services	Rental expenses	Sales of good or services	Management fees paid	Rental income	Impairment loss/ share of results of joint venture	Trade receivables	Amount owed by related parties	Amount owed to related parties	Preference shares	Deposit on investment property
	Rs	Rs	Rs	Rs	Rs	Rs		Rs	Rs	Rs	Rs
(i) 2021											
Trading transactions											
Holding Company	-	-	7,957,163	-	-	-	5,901,989	1,266,950	84,186	20,326,689	-
Subsidiary companies	-	1,800,000	-	-	1,193,261	-	-	31,975,866	5,588,296	-	-
Joint venture	-	-	-	7,608,000	-	294,701	-	-	-	-	-
Enterprise over which Directors have significant influence	815,014	544,200	191,692,327	-	-	-	94,967,718	28,771,670	16,527,513	-	89,674,000
	815,014	2,344,200	199,649,490	7,608,000	1,193,261	294,701	100,869,707	62,014,486	22,199,995	20,326,689	89,674,000
(i) 2020											
Trading transactions											
Holding Company	-	-	2,877,063	-	-	-	2,015,694	910,050	-	17,293,328	-
Subsidiary companies	-	1,800,000	-	-	-	-	-	20,554,473	3,309,685	-	-
Joint venture	-	-	-	5,448,000	-	82,465	-	-	-	-	-
Enterprise over which Directors have significant influence	263,200	-	193,058,762	-	1,331,261	-	95,090,727	39,998,182	24,550,091	-	89,674,000
Individual shareholder with significant influence	-	544,200	-	-	-	-	-	158,279	276,250	-	-
	263,200	2,344,200	206,595,577	5,448,000	1,331,261	82,465	97,106,421	61,620,984	28,136,026	17,293,328	89,674,000

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021 (CONT'D)

28. RELATED PARTY TRANSACTIONS (CONT'D)

(c) (i) The above transactions have been made at arm's length, on normal commercial terms and in the normal course of business.

(ii) No provision made for doubtful debts in respect of amounts owed by related parties for the year 2021 (2020: Nil).

(iii) The amounts outstanding from related parties are unsecured and will be settled in cash.

(iv) An amount of Rs 584k has been written down as uncollectible in respect of the defunct of Kripa Ipex Ltd.

(d) Key management personnel compensation, including Directors remuneration and benefits

	THE GROUP		THE HOLDING COMPANY	
	2021	2020	**2021**	2020
	Rs	Rs	**Rs**	Rs
Board attendance fees (note 22)	**799,352**	638,850	**799,352**	638,850

29. HOLDING COMPANY

The holding company of Paper Converting Co. Ltd is, Deramann Ltd, which is incorporated in Mauritius. The address of its registered office is Bonne Terre, Vacoas. The Company is controlled by Deramann Ltd which owns 78.244% of the Company's shares. The remaining 21.756% of the shares is widely held.

30. SEGMENTAL INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker of the Company to allocate resources to the segments and to assess their performance. The strategy of the Group is to produce and sell consumer goods. Information reported to the Board is on an integrated basis, which is how decisions over resource allocation are made. The Group itself has only one product being consumer goods. As such, the Group considers there to be one operating segment being the production, import and sale of consumer goods.

31. CONTINGENCIES

(i) At December 31, 2021, there were contingent liabilities arising in the ordinary course of business in respect of bank guarantees and fixed and floating charges on the assets of the Group. No provision has been made in the financial statements as the Directors anticipate that no material liabilities would arise in respect of the above.

(ii) The Company has contingent liability amounting to Rs 724K in respect of claims made by an ex-employee. The outcome of these legal cases are still uncertain. The Directors strongly believe that these claims are not justified and consequently, no proviion has been made in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021 (CONT'D)

32. COVID-19 AND GOING CONCERN ASSESSMENT

Impact of Covid-19 on the Financial statements

The coronavirus disease 2019 ("Covid-19") outbreak has caused extensive disruptions to business operations around the globe. On March 11, 2020, Covid-19 was labelled as pandemic by the World Health Organisation.

Mauritius had successfully contained the community spread of Covid-19 in 2020 and the population resumed to a "new normal" with a range of restrictions enshrined in the Covid-19 bill. The Government rolled out a national vaccination programme in an attempt to achieve herd immunity.

However, in response to the recent resurgence of local cases in Mauritius, and an effort to avoid a second wave of infections, the Prime Minister has announced on March 09, 2021 a national lockdown to be implemented from 6am on Wednesday March 10, 2021, until April 30, 2021.

The general outlook of the manufacturing industry is varied, and uncertainty is likely to persist until the duration and overall impact of Covid-19 can be determined.

The Board of Directors have made an assessment of the Group's and the Company's ability to continue as going concern.

As at December 31, 2021, the Group reported a profit of Rs 4,181,054 (2020: Rs 2,517,635). The Group meets its day-to-day working capital requirements through bank overdraft facilities which, in common with all such facilities, is repayable on demand. At the end of the reporting period, the Group's overdraft was Rs 32,270,349 (2020: Rs 31,200,217).

Furthermore, the Group has secured loans of Rs 58,271,587 (2020: Rs 45,130,795), excluding import loans, of which Rs 18,741,292 (2020: Rs 11,194,710) are repayable within one year.

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continued financial support of the Company's shareholders, to meet liquidity requirements for the next twelve months from approval of the financial statements and by agreeing to any additional short-term financing facilities that the Company may require.

PROXY FORM

I/We .....
of .....
being a shareholder of Paper Converting Company Limited, do hereby appoint

.....
of .....
failing him, ...
of .....
as my/our proxy to vote for me/us and on my/our behalf at the **56th Annual Meeting of Paper Converting Company Limited** to be held at its Registered Office, Bonne Terre, Vacoas on **Thursday June 16, 2022 at 11.00 hours** and at any adjournment thereof.

I/We desire my/our vote(s) to be cast on the resolutions as follows:

		FOR	AGAINST
1.	To approve the minutes of proceedings of the last Annual Meeting of the shareholders held on September 24, 2021.		
2.	To receive and approve the Group's and Company's Audited Accounts for the Financial Year ended December 31, 2021 and to adopt the Annual Report.		
3.	To ratify the dividend declared by the Directors for the Financial Year ended December 31, 2021.		
4.	To re-appoint Messrs. Moore as auditors for the Financial Year ending December 31, 2022 and to authorise the Board of Directors to fix their remuneration.		
5.	To fix the remuneration of the Directors.		
6.	To ratify the resolutions passed by the Directors during the year.		
7.	Shareholders' question time.		
8.	Any other business.		

Signed this ..... day of ..... 2022.

Signature(s) .....

Notes:

- *A member of the Company entitled to attend and vote at this meeting may appoint a Proxy to his/her own choice (whether a member or not) to attend and vote on his/her behalf.*
- *Please mark [X] in the appropriate box how you wish to vote. If no specific direction as to voting is given, the Proxy will exercise his/her own discretion as to how he/she votes.*
- *The instrument appointing a Proxy or any General Power of Attorney shall be deposited at the Registered Office of the Company, not less than 48 hours before the day fixed for the meeting or else the instrument of Proxy shall not be treated as valid.*

NOTES

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Republic of Mauritius
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Web: www.deramann.com