



annual report 2019

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Corporate Information

DIRECTORATE

CHAIRMAN

M YACOOB RAMTOOLA *FCA*

DIRECTORS

SWALEH RAMJANE *FCIS MCIT*

M S E HAJI ADAM *FCCA*

MASOOD RAMTOOLA

LOCKNAT DABY SEESARAM *CBE*

SECRETARY

LOCKNAT DABY SEESARAM *CBE*

AUDITOR

DELOITTE

REGISTERED OFFICE

LES CASSIS PORT LOUIS

Chairman's Review

On behalf of the Board, I am pleased to submit the annual report of the United Bus Service Ltd ("UBS Ltd" or the "Company") for the year ended 30 June 2019.

The Group's turnover has decreased as compared to last year as the revenue from the sale of property is lower this year; also there has been a decline in the revenue of the transport cluster. Furthermore the activities of the transport cluster continues to be affected by:

- Increasing cost of operations
- The operations of illegal operators

The future of the transport cluster remains to be defined with the introduction of the Metro Express. The impact of the Metro Express project on the operations and activities of the UBS Transport Ltd can only be determined once the metro is fully operational in 2021. However, from meetings held with authorities and in line with the Government policy, we believe that the introduction of feeder lines to supplement the Metro and the new bus routes would help in maintaining our current level activities with minimum disruption. Further the transport cluster would benefit from the Government vision of offering an efficient public transport that connects the island.

I would like to take this opportunity to express my special thanks to my fellow Directors for their valuable support and guidance during the year, the management and employees of the Group and Company for their hard work, dedication and commitment.

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



Yacoob Ramtoola
Chairman

30 September 2019

Board of Directors

Profile of the Board of Directors of UBS Ltd

Mr Yacoob Ramtoola FCA – Chairman

- **Skills and experience**

Mr Yacoob Ramtoola is a fellow of the Institute of Chartered Accountants and has a wide experience in audit and advisory business and is the Chairman of the UBS Ltd since 1996.

- **Other current appointments**

Director of Associated Commercial Co Ltd, Mauritius Secondary Industries Ltd, Lintrabis Investment Co Ltd, UBS Transport Ltd and Orland Ltd.

Mr Swaleh Ramjane FCIS MCIT

- **Skills and experience**

Mr Swaleh Ramjane is a fellow of the Chartered Institute of Secretaries and Administrators and a member of the Chartered Institute of Transport, he has a wide experience in transport, commerce and industry. He joined the Company in 1978 and is currently the Group Managing Director.

- **Other current appointments**

Director of Associated Commercial Co Ltd, Mauritius Secondary Industries Ltd, Lintrabis Investment Co Ltd, UBS Transport Ltd and Orland Ltd.

Mr M S E Haji Adam FCCA

- **Skills and experience**

Mr M S E Haji Adam is a fellow of the Institute of Chartered and Certified Accountants. He had a career in audit and accountancy before joining the Group in 2001. He is currently the Finance Director of the Group and overlooks the finance and administrative functions, and also acts as Deputy Managing Director.

- **Other current appointments**

Director of Associated Commercial Co Ltd, Mauritius Secondary Industries Ltd, Lintrabis Investment Co Ltd, UBS Transport Ltd and Orland Ltd.

Mr L Daby Seesaram CBE

- **Skills and experience**

Mr L Daby Seesaram is holder of an LLM and is an experienced barrister. He is the company secretary since 1984.

Mr Massood A Ramtoola

- **Skills and experience**

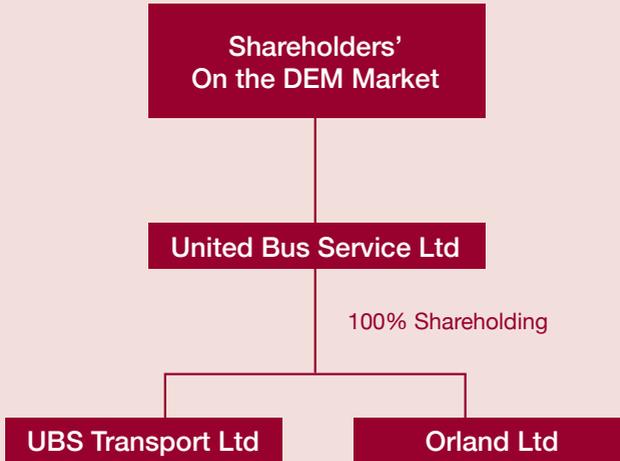
Mr Massood A Ramtoola is an experienced businessman and is the Manager of H A Ramtoola and Sons. He is a Director of the Company since 2013.

- **Other current appointments**

Director of Associated Commercial Co Ltd, Mauritius Secondary Industries Ltd.

UBS Group Structure

Holding Structure

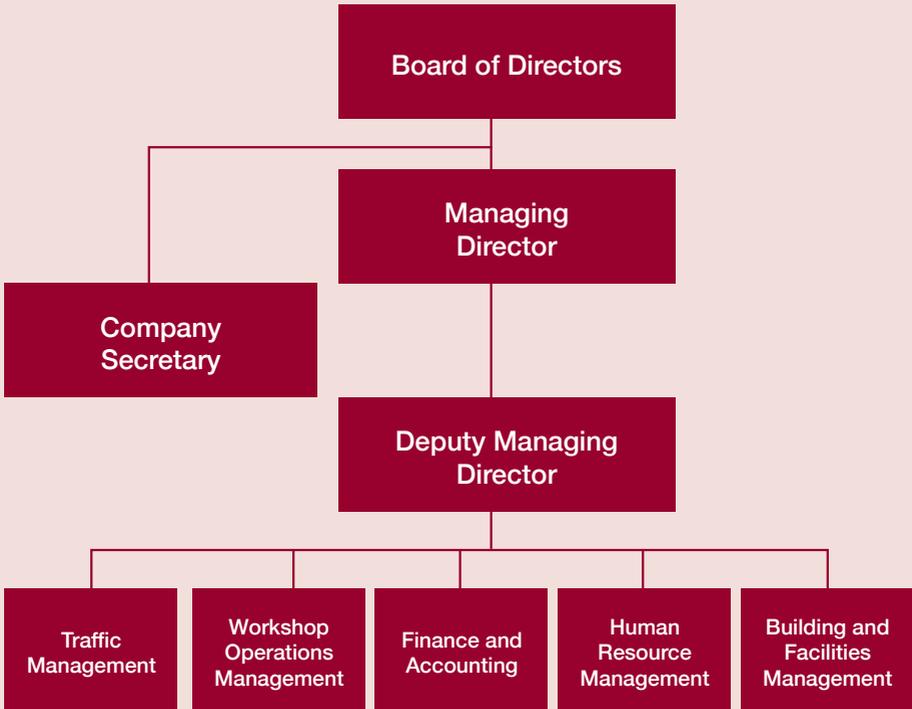


Common Directorships

The below table indicates the Directors common to the United Bus Service Ltd and its subsidiaries:

Directors	UBS Ltd	UBS Transport Ltd	Orland Ltd
Yaccoob Ramtoola	√	√	√
Swaleh Ramjane	√	√	√
M S E Haji Adam	√	√	√
Masood Ramtoola	√	-	-
L D Seesaram	√	-	-

UBS Group Organigram



Corporate Governance Report

Introduction

The United Bus Service Limited (UBS Ltd or the Company) is a public limited company incorporated in 1954 and qualifies as a public interest entity as defined under the Financial Reporting Act 2004. The Board of Directors has the responsibility of managing, leading and having full control over the activities of the Company and is committed to achieving high standards of corporate governance.

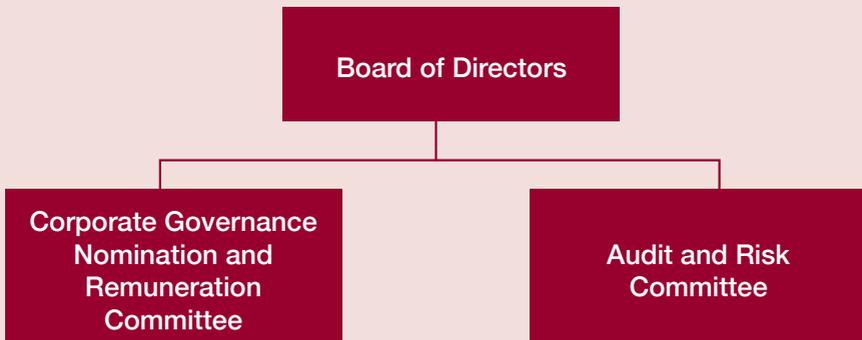
The Company is listed on the Development and Enterprise Market (“DEM”) of the Stock exchange of Mauritius (“SEM”) and is registered with the FSC as a reporting issuer. It is an investment company holding interests in UBS Transport Ltd and Orland Ltd. Orland Ltd is engaged in property development whereas the UBS Transport Ltd is involved in public transport and is the largest private bus fleet operator in Mauritius.

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

The Board of UBS Ltd considers that it has applied in all material respects, all of the principles of the code throughout the financial reporting period from 1 July 2018 to 30 June 2019, and ensured that these principles have been followed and applied across the Group.

Principle 1: Governance Structure

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



Corporate Governance Report

Key Governance documents

Code of ethics

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

The Group is in the process of preparing the code of ethics in line with the recommendations of the Code of Corporate Governance and due to unforeseen circumstances, it now due to be ready within the financial year ending 30 June 2020. This code of ethics shall ensure that Directors and officers of the company have guidance on the ethical, professional and behavior values that they need to adhere and follow.

Board charter

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

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

General organization structure of the Company

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

Key Governance responsibilities

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

These key governance positions and the job descriptions have been duly approved by the Board.

Corporate Governance Report

Key Governance Positions

Chairman of the Board

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

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

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

Group Managing Director (GMD)

The Board is responsible for the appointment of the Group Managing Director, and the Group Managing Director is the most senior member. The authority of the board is conferred to management through the Group Managing Director, so that authority and accountability of management is considered to be the authority and accountability of the Group Managing Director in so far as the board is concerned.

The key responsibilities of the GMD are as follows:

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

Mr Swaleh Ramjane FCIS MCIT is the Group Managing Director of UBS Ltd and a brief profile is found on page 4.

Corporate Governance Report

Chairman of the Corporate Governance, Nomination and Remuneration committee

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

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

Other Key governance positions

Group Finance Director (GFD)

The GFD reports to the Group Managing Director and his main responsibilities is as per below:

- Provide strategic and financial guidance to ensure that the Group and the Company's commitments are met
- Develop all necessary policies and procedures to ensure the sound financial management and control of the Group's business
- Direct and control finance staff to ensure that they are appropriately motivated and developed so that they can carry out their responsibilities to the required standard
- Contribute to the achievement of the Group's business objectives by providing advice and guidance on financial strategy
- Provide financial advice and guidance to the Group's managers and staff to enable them achieve their objectives
- Oversee the preparation of the Group's financial statements to ensure that these are accurately presented on time
- Develop and maintain all necessary systems, policies and procedures to ensure effective and efficient financial management within the company
- Carry out all necessary actions to ensure that the Company meets its financial and legal obligations

Website

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

Corporate Governance Report

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

Principle 2: The structure of the board and its committees

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

The board of UBS Ltd is a unitary board and was at 30 June 2019 made up of 5 members. The Chairperson Mr. Yacoob Ramtoola by definition of the Code of Corporate Governance does not meet the criteria of being an independent chairperson. However, the board can have according to the Code its own definition of independence and consequently it is entirely satisfied that the chairperson is independent in both character and judgement and he has a wide experience and contributes in strategic issues etc.

Mr Swaleh Ramjane and Mr Muhammad Haji Adam are executive directors of the Company.

The executive directors are responsible for managing and running the company, developing and implementing the company's vision and strategy as approved and provided by the board. They manage the relationship between their management responsibilities and their fiduciary duties in the best interests of the company.

For the period ending 30 June 2019 both Messrs. L Daby Seesaram and Massood A Ramtoola have been considered as independently minded Directors even though they have served on the board for several years from the date of their first election. The board is of opinion that these directors have been able to develop over time, insights and knowledge in the Group's business and are therefore able to provide a valuable contribution to the board. The board takes the view that independence cannot be merrily determined solely and arbitrarily on the basis of time. A director's contribution in terms of experience, expertise, objectivity, and independent judgement in engaging and challenging the management in the interests of the Group and Company as he performs his duties are the yard sticks to be used to measure his independence irrespective of the years they have been appointed as directors.

Corporate Governance Report

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

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

Mr. L D Seesaram is the Company Secretary.

The profile of the board members is on page 4.

Powers of the board

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

Board meetings

The board normally meets 5 times during the year and special meetings are convened when deemed necessary; the board met 5 times for the financial year ended 30 June 2019.

Board attendance

	Board	Corporate Governance, Nomination and Remuneration Committee	Audit & Risk Committee
Yacoob Ramtoola	5/5	2/2	3/3
Swaleh Ramjane	5/5		
L Daby Seesaram	5/5	2/2	3/3
M Haji Adam	5/5		
Masood Ramtoola	5/5	2/2	3/3

Corporate Governance Report

The board has approved among others during the year under review the following matters:

Governance

- Monitoring and implementation of the code of corporate governance
- Approval of the corporate governance report to be included in the accounts for the year ended 30 June 2019
- Report from the different committees

Financial

- Approval of the accounts for the year ended 30 June 2019
- Approval of the half yearly and quarterly accounts
- Declaration of dividend
- Review of business activities

Conflicts of interest and related party transactions

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

Related party transactions are disclosed in note 19 of the notes to the accounts and are at arm's length and in the normal course of business.

Committees of the board

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

The committees are as follows:

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

Corporate Governance, Nomination and Remuneration Committee

Composition and purpose

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

- Mr L D Seesaram (Chairman)
- Mr Yacoob Ramtoola
- Mr Massood Ramtoola

Corporate Governance Report

The committee consists of 3 members and met 2 times during the year under review. An independent non-executive Director chairs the committee.

The main duties of the committee are as follows:

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

Audit and risk committee

Composition and purpose

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

- Mr L D Seesaram (Chairman)
- Mr Yacoob Ramtoola
- Mr Massood Ramtoola

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

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

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

Auditors and external audit

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

Corporate Governance Report

Financial reporting and internal control

- Review the reliability of the quarterly, half yearly and yearly financial statements prior to their submission to the Board for approval
- Assess the impact of significant accounting and reporting issues and evaluate their impact on the financial statements
- Meet with executive of the Company and the external auditors for discussion of the Company's accounts and results for the audit
- Review the internal control systems and procedures in order to assist the Board of Directors

Internal control function

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

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

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

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

Corporate Governance Report

Annual effectiveness review

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

Balance and diversity

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

All the Directors of the Company are resident Directors.

Principle 3: Director appointment procedures

Appointment

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

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

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

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

Corporate Governance Report

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

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

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

Re-election of Directors

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

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

Professional development

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

Succession planning

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

Corporate Governance Report

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

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

Applicability of the policy

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

- Chairman and Managing Director
- Group Finance Director
- Company Secretary
- Any other positions within the Company at the discretion of the Managing Director in consultation with the Board

Principle 4: Directors' duties, remuneration and performance

Legal duties

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

The Directors are required to:

- To act in good faith: at all times a Director must act in good faith for the overall interests of the Company
- Exercise reasonable care and skill: a Director must act to exercise reasonable level of care as any prudent person would in the circumstances and on the facts known to him. The required level of knowledge expertise and skill may vary between the Directors be they for instance executive and non-executive. They may rely partially on others when acting collectively for their skills and knowledge in reaching a Board decision.

Corporate Governance Report

- Exercise their powers as a Director for a proper purpose: the Director should not abuse any of their executive power to ensure their own position. At all times they should act in good faith for the interest of the Company as a whole
- Conflict of interest and duties: At all times the Director must declare any potential conflicts of interest. He must not take on any new position that may endanger his existing relationships without the express permission of the officers of the Company

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

Board evaluation

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

It is expected that the first board evaluation will be conducted in the financial year 2019/20.

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

Statement of remuneration philosophy

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

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

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

Corporate Governance Report

The Company clearly differentiates the payment of executive and non-executive remuneration; executive directors' remuneration packages consist of basic salary and other benefits. The structure of the executive remuneration package is reviewed yearly and benchmarked to the industry and market practices. It is the objective of the Group to attract, motivate and retain executive directors as it is an essential for the successful leadership and management of the group's activities. Non-executive directors are paid a fixed retainer fee, a committee fee and any other fees as may be determined from time to time at the sole discretion of the Corporate Governance Nomination and Remuneration committee.

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

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

Directors Interest and dealing in UBS Ltd shares

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

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

Directors	Direct Shareholding in UBS Ltd	Indirect Shareholding in UBS Ltd	Shares purchased during the year
M Yacoob Ramtoola	0.61%	-	-
Swaleh Ramjane	2.89%	-	39,488
M S E Haji Adam	0.02%	0.39%	-
Massood Ramtoola	0.40%	0.52%	-
L Daby Seesaram	0.11%	-	-

Corporate Governance Report

Interest register

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

The information, information technology and information security policies

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

The Chairman with the assistance of the respective teams ensures that Directors receive the necessary information for them to perform their duties.

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

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

Principle 5: Risk Governance and internal control

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

The responsibility of the Board also includes:

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

Corporate Governance Report

Risk Management

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

- **Physical Risks**

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

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

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

- **Financial Risk**

Financial risk management is further explained in note 23 to the Financial Statements and includes a discussion on the following risk.

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

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

- **Operational Risk**

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

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

Corporate Governance Report

- **Compliance risk**

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

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

- **Information Technology Risk**

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

- **Reputational Risk**

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

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

- **Human Resources Risk**

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

The Company has also established a succession planning and in due course a designated Group Managing Director will be nominated.

- **Business Continuity Risk**

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

Corporate Governance Report

In order to reduce the business continuity risk to a minimum level, the Company implements the following procedures:

- The fleet of buses are parked in 3 different locations
- The Company has made provision for office facilities in another bus depot so that in the aftermath of any disaster, administrative functions can resume in a short span of time
- The Company has also made provision for fire extinguishers and also complies with the fire safety rules
- The Company also subscribes to adequate insurance covers
- Proper back up of all the computer systems are performed and kept in different locations

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

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

- Strategic
- Financial
- Operational
- Compliance

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

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

Internal control

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

Corporate Governance Report

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

- Human errors
- Fraud
- Losses
- And other irregularities.

Whistle blowing policy

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

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

Principle 6: Reporting with integrity

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

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

Environment, health and safety

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

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

Corporate Governance Report

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

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

The Company aims to:

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

Environment and sustainability initiatives

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

The following are the initiatives taken by the Company:

- Inculcation of environmental awareness to all staff
- Controlling of air conditioners
- Switching off lights when not needed
- Reduction of photocopying
- Purchase of environment friendly buses
- Recycling of used engine oil
- Use of water recycling plants for the washing and cleaning of buses

Applicable standards

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

Principle 7: Audit

External audit

Appointment process

In line with good governance and as per the requirements of the NCCG the Group and Company shall soon proceed with a request for proposal to reputable audit firms registered with the Financial Reporting Council in view of proceeding with the rotation of auditors.

Corporate Governance Report

As per the enactment of the Finance Act 2016 and subsequent regulation Government notice No 64 of 2017, listed companies are required to rotate their auditors every 7 years. By virtue of the regulation current auditors are allowed to continue in office until the financial ending 30 June 2019. The current auditors Deloitte have been auditing the financial statements of the Company since its incorporation.

Meeting with Audit committee

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

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

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

Evaluation of the auditors

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

Principle 8: Relations with other shareholders and other key stakeholders

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

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

Share Capital structure

The Company has a share capital of MUR 49,694,890 consisting of 4,969,489 shares of Rs 10 each.

Corporate Governance Report

The Group key stakeholders/communication with shareholders

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

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

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

Shareholders

All shareholders have the same voting rights

The major shareholders of the UBS Ltd at 30 June 2019 are as follows:

Shareholders	No.of shares	% shareholding
Associated Commercial Co Ltd	1,704,842	34.31
The Mauritius Secondary Industries Ltd	629,263	12.66
Lintrabis Investment Company Ltd	435,956	8.77

Distribution of shareholding at 30 June 2019

Defined Brackets	No.of Shareholders	No. of Shares Owned	% Holding
1-500	1,055	171,312	3.45
501-1,000	231	160,886	3.24
1001-5,000	296	624,546	12.57
5,001-10,000	37	263,403	5.30
10,001-50,000	45	785,368	15.80
50,001-100,000	1	50,326	1.01
Over 100,000	4	2,913,648	58.63
Total	1669	4,969,489	100

Share price information

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

Corporate Governance Report

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



Dividends

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

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

During the year the Company has declared a dividend of Rs 1.00 per share payable in July 2019.

Suppliers/creditors

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

Employees

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

Corporate Governance Report

Clients (travelling passengers/commuters)

The Group and Company is in constant communication with the travelling passengers/commuters to understand their needs/requirements and it strives towards improving its bus services in a view to improve their daily travelling experience by bus.

Community

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

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

Schedule of events

Some key milestone is as follows:

- | | |
|--|--------------|
| • Approval for accounts and publication of audited abridged Financial Statements | September |
| • Annual meeting | December |
| • Declaration of dividend | May/June |
| • Dividend payment | July |
| • Publication of quarterly accounts | |
| 1 st Quarter ending 30 th September | Mid-November |
| 2 nd Quarter ending 31 st December | Mid-February |
| 3 rd Quarter ending 31 st March | Mid-May |

Annual general meeting of shareholders

The annual general meeting of the UBS Ltd is scheduled in December 2019. Shareholders shall be provided with notice of meeting and they will be given the opportunity to communicate/express their views and engage with members of the board. Shareholders shall also be provided with notice of meeting and proxy forms.

Corporate Governance Report

Donations

Charitable donations and political contributions:

	Group		Company	
	2019	2018	2019	2018
Charitable Donations	Rs 25,000	Rs 5,000	-	-

In line with current legislation the Group has made contribution of Rs 1,566,985 (2018 Rs 1,220,331) to the approved CSR organization. No contribution has been made to any political parties in 2019 and 2018.

Statement of Compliance

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

Name of PIE: United Bus Service Limited

Reporting period 30 June 2019

We, the Directors of United Bus Service Limited confirm to the best of our knowledge that United Bus Service Limited has complied with all of its obligations and requirements under the Code of Corporate Governance, in all material aspects.

Date: 30 September 2019



M Yacoob Ramtoola
Chairman



M S E Haji Adam
Director

Statement of Director's Responsibilities

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

The Directors acknowledge their responsibilities for:

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

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

The Directors report that:

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

On behalf of the Board



M Yacoob Ramtoola
Chairman



M S E Haji Adam
Director

30 September 2019

Statutory Disclosures

Year ended 30 June 2019

The directors have pleasure to submit herewith their Annual Report together with the audit financial statements for the year ended 30 June 2019.

1. Principal Activities

- The principal activity of the United Bus Service Limited is that of an investment holding company
- The principal activities of the subsidiary companies are as follows: -
UBS Transport Ltd - Bus fleet operator
Orland Ltd - Property development
- The consolidated statement of profit and loss and other comprehensive income for the year ended 30 June 2019 is set on page 41.

2. Directors' Remuneration

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

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

	2019		2018	
	Group	Company	Group	Company
Executive Directors	Rs 13,693,202	-	Rs 11,991,114	-
Non Executive Directors	Rs 7,169,936	-	Rs 5,178,986	-

3. Directors Service Contracts

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

4. Contract of Significance

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

5. External auditor's fees

	2019		2018	
	Group	Company	Group	Company
External Audit Services	Rs 813,000	Rs 241,500	Rs 768,000	Rs 230,000
Tax compliance services	Rs 73,600	Rs 25,300	Rs 65,550	Rs 22,425

On behalf of the Board



M Yacoob Ramtooia
Chairman

30 September 2019



M S E Haji Adam
Director

Secretary's Certificate

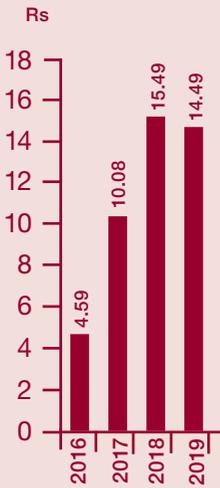
In my capacity as Company Secretary, I hereby confirm that, to the best of my knowledge and belief the Company has filed with Registrar of Companies, as at 30 June 2019 all such returns as are required of the Company under the Mauritius Companies Act 2001.

A handwritten signature in black ink, appearing to read 'L. D. Seesaram', with a long horizontal line extending to the right from the end of the signature.

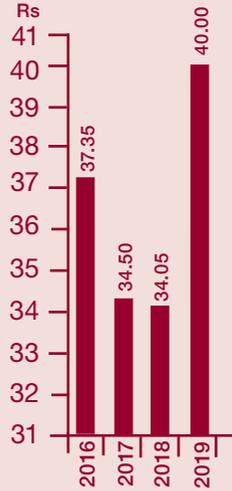
L D Seesaram CBE
Secretary

30 September 2019

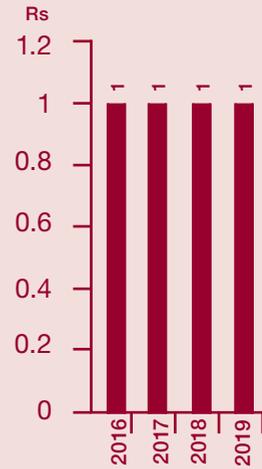
Financial Highlights of the Group



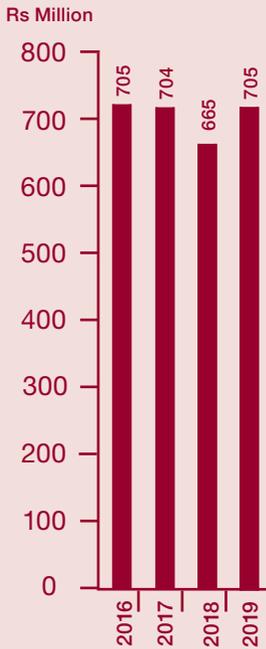
EARNINGS PER SHARE



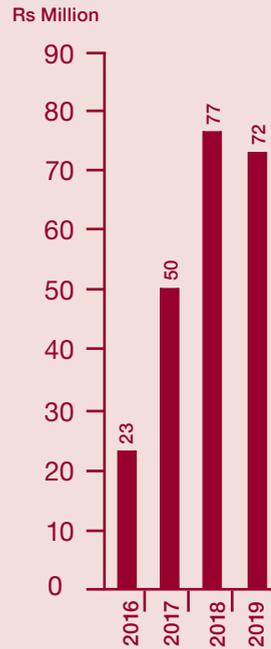
MARKET VALUE OF ORDINARY SHARES



DIVIDEND PAID / SHARE



TURNOVER



PROFIT AFTER TAX

Independent Auditor's Report to the shareholders of United Bus Service Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of United Bus Service Limited (the "Company" and the "Public Interest Entity") and its subsidiaries (the "Group") set out on pages 40 to 93, which comprise the consolidated and separate statements of financial position as at 30 June 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and Company as at 30 June 2019, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

Basis for opinion

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Retirement benefit obligations	
<p>The Group has recognised retirement benefit obligations of Rs 438,239,605 as at 30 June 2019.</p> <p>Management has applied independent judgement in choosing appropriate actuarial assumptions to determine the retirement benefit obligations and has involved an actuary to calculate the obligations. These assumptions can have a material impact on the liability.</p> <p>The significant assumptions used have been disclosed in note 21.</p> <p>Accordingly the valuation of retirement benefit obligations is considered to be a key audit matter due to the significance of the balance in the consolidated financial statements as a whole, combined with the judgment associated for determining the appropriate actuarial assumptions.</p>	<p>The procedures performed included the following:</p> <ul style="list-style-type: none"> • Assessed the competence, capabilities and objectivity of the independent actuary and verified the qualifications of the actuary; • Assessed and discussed the assumptions that management, in conjunction with actuary, made in determining the present value of the liabilities and fair value of plan assets; • Compared the significant assumptions used such as discount rate and annual salary increase with historical data; • Verified the data used by the actuary with the payroll report for completeness and accuracy; and • Utilised our internal experts who have assessed the reasonableness and appropriateness of the actuarial assumptions. <p>We found the assumptions used to be reasonable.</p>

Independent Auditor's Report (cont'd)

to the shareholders of United Bus Service Limited

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interest in, the Company and its subsidiaries other than in our capacities as auditor and tax advisor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Other information

The directors are responsible for the other information. The other information comprises the Corporate Information, Chairman's Letter, Statement of Directors' Responsibilities, Statutory Disclosures, Secretary's Certificate and Financial Highlights of the Group. The other information does not include the Corporate Governance Report, the consolidated and separate financial statements and our auditor's report thereon.

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

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

Corporate governance report

Our responsibility under Financial Reporting Act 2004 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 2004, complied with the requirements of the Code.

Responsibilities of directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, and in compliance with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004 and they are also responsible for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

Independent Auditor's Report (cont'd)

to the shareholders of United Bus Service Limited

Auditor's responsibilities for the audit of the consolidated and separate financial statements (Cont'd)

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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



Deloitte
Chartered Accountants

30 September 2019



L. Yeung Sik Yuen, ACA
Licensed by FRC

Statements of Financial Position

AT 30 JUNE 2019

Notes	GROUP		COMPANY		
	2019	2018	2019	2018	
	Rs	Rs	Rs	Rs	
ASSETS					
NON-CURRENT ASSETS					
	5	165,653,296	185,776,034	66,500,000	55,500,000
	6	584,962,400	545,501,110	-	-
	7	-	-	256,182,090	256,182,090
	8	3,883,620	370,020	3,881,620	368,020
	18(c)	76,533,830	71,485,404	80,036	80,036
		831,033,146	803,132,568	326,643,746	312,130,146
CURRENT ASSETS					
	9	70,421,364	124,740,484	-	-
	10	9,269,290	29,470,943	34,507,585	37,444,118
	8	40,199,318	-	-	-
	18(a)	4,754,625	-	-	-
		51,150,426	36,932,351	287,008	74,006
		175,795,023	191,143,778	34,794,593	37,518,124
		1,006,828,169	994,276,346	361,438,339	349,648,270
TOTAL ASSETS					
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
	14	49,737,832	49,737,832	49,737,832	49,737,832
		45,931,670	35,331,670	45,931,670	35,331,670
		3,513,600	-	3,513,600	-
		225,827,996	174,607,477	114,732,827	118,317,932
		325,011,098	259,676,979	213,915,929	203,387,434
NON-CURRENT LIABILITIES					
	11	-	63,142,857	-	-
	25	3,492,068	4,886,613	-	-
	21	438,239,605	411,534,499	-	-
	18(c)	3,992,030	4,825,504	-	-
		445,723,703	484,389,473	-	-
CURRENT LIABILITIES					
	13	187,789,860	191,122,521	142,552,921	141,291,347
	11	-	14,857,143	-	-
	25	1,394,545	1,320,771	-	-
	18(a)	6,039,474	1,539,970	-	-
	12	35,900,000	36,400,000	-	-
	22	4,969,489	4,969,489	4,969,489	4,969,489
		236,093,368	250,209,894	147,522,410	146,260,836
		1,006,828,169	994,276,346	361,438,339	349,648,270
TOTAL EQUITY AND LIABILITIES					

Approved by the Board of Directors and authorised for issue on 30 September 2019



Yacoob Ramtoola
Chairman



Swaleh Ramjane
Director



M S E Haji Adam
Director

The notes on pages 45 to 93 form an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	GROUP		COMPANY	
		2019 Rs	2018 Rs	2019 Rs	2018 Rs
REVENUE	27	704,832,415	742,100,331	1,573,667	1,761,017
DIRECT COSTS		(550,838,137)	(606,415,693)	-	-
OPERATING PROFIT		153,994,278	135,684,638	1,573,667	1,761,017
ADMINISTRATIVE EXPENSES		(71,584,816)	(63,919,471)	(589,283)	(581,593)
PROFIT FROM OPERATIONS	15	82,409,462	71,765,167	984,384	1,179,424
FINANCE INCOME	16	614,452	359,830	-	-
OTHER INCOME		7,526,936	32,971,271	-	3,500,000
FINANCE COSTS	17	(5,898,470)	(13,814,198)	-	-
PROFIT BEFORE TAX		84,652,380	91,282,070	984,384	4,679,424
TAX EXPENSE	18(b)	(12,630,582)	(14,280,985)	-	-
PROFIT FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF THE COMPANY		72,021,798	77,001,085	984,384	4,679,424
Other comprehensive income / (loss)					
<u>Items that will not be reclassified subsequently to profit or loss:</u>					
Remeasurement of defined benefit obligations	21	(19,556,373)	(26,858,362)	-	-
Deferred tax relating on remeasurement of defined benefit obligations	18(b)	3,324,583	4,565,922	-	-
Gain on property revaluation	5	11,000,000	-	11,000,000	-
Fair value gain on investments designated at FVTOCI	8	188,306	-	188,306	-
Total other comprehensive (loss)/ income for the year, net of income tax		(5,043,484)	(22,292,440)	11,188,306	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF THE COMPANY		66,978,314	54,708,645	12,172,690	4,679,424
EARNINGS PER SHARE	20	14.49	15.49		

The notes on pages 45 to 93 form an integral part of these financial statements.

Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2019

GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

		Stated Capital	Properties Revaluation Reserve	Bus Replacement Reserve	Fair Value Reserve*	Retained Earnings	Total
	Notes	Rs	Rs	Rs	Rs	Rs	Rs
At 1 July 2017		49,737,832	34,931,670	400,000	-	124,868,321	209,937,823
Profit for the year		-	-	-	-	77,001,085	77,001,085
Other comprehensive income/(loss) for the year, net of income tax		-	-	-	-	(22,292,440)	(22,292,440)
Total comprehensive income for the year		-	-	-	-	54,708,645	54,708,645
Dividend	22	-	-	-	-	(4,969,489)	(4,969,489)
At 30 June 2018		<u>49,737,832</u>	<u>34,931,670</u>	<u>400,000</u>	<u>-</u>	<u>174,607,477</u>	<u>259,676,979</u>
At 1 July 2018 (as previously reported)		49,737,832	34,931,670	400,000	-	174,607,477	259,676,979
IFRS 9 adjustment	8	-	-	-	3,325,294	-	3,325,294
At 1 July 2018 (as restated)		49,737,832	34,931,670	400,000	3,325,294	174,607,477	263,002,273
Transfer		-	-	(400,000)	-	400,000	-
Profit for the year		-	-	-	-	72,021,798	72,021,798
Other comprehensive loss for the year, net of income tax		-	11,000,000	-	188,306	(16,231,790)	(5,043,484)
Total comprehensive income for the year		-	11,000,000	-	188,306	55,790,008	66,978,314
Dividend	22	-	-	-	-	(4,969,489)	(4,969,489)
At 30 June 2019		<u>49,737,832</u>	<u>45,931,670</u>	<u>-</u>	<u>3,513,600</u>	<u>225,827,996</u>	<u>325,011,098</u>

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

The notes on pages 45 to 93 form an integral part of these financial statements.

Statements of Changes in Equity (cont'd)

FOR THE YEAR ENDED 30 JUNE 2019

COMPANY

		Stated Capital	Properties Revaluation Reserve	Bus Replacement Reserve	Fair Value Reserve*	Retained Earnings	Total
	Notes	Rs	Rs	Rs	Rs	Rs	Rs
At 1 July 2017		49,737,832	34,931,670	400,000	-	118,607,997	203,677,499
Profit for the year		-	-	-	-	4,679,424	4,679,424
Other comprehensive income for the year		-	-	-	-	-	-
Other comprehensive income for the year		-	-	-	-	4,679,424	4,679,424
Dividend	22	-	-	-	-	(4,969,489)	(4,969,489)
At 30 June 2018		<u>49,737,832</u>	<u>34,931,670</u>	<u>400,000</u>	<u>-</u>	<u>118,317,932</u>	<u>203,387,434</u>
At 1 July 2018 (as previously reported)		49,737,832	34,931,670	400,000	-	118,317,932	203,387,434
IFRS 9 adjustment	8	-	-	-	3,325,294	-	3,325,294
At 1 July 2018 (as restated)		49,737,832	34,931,670	400,000	3,325,294	118,317,932	206,712,728
Transfer		-	-	(400,000)	-	400,000	-
Profit for the year		-	-	-	-	984,384	984,384
Other comprehensive income for the year		-	11,000,000	-	188,306	-	11,188,306
Total comprehensive income for the year		-	11,000,000	-	188,306	984,384	12,172,690
Dividend	22	-	-	-	-	(4,969,489)	(4,969,489)
At 30 June 2019		<u>49,737,832</u>	<u>45,931,670</u>	<u>-</u>	<u>3,513,600</u>	<u>114,732,827</u>	<u>213,915,929</u>

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

The notes on pages 45 to 93 form an integral part of these financial statements.

Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2019

Notes	GROUP		COMPANY	
	2019 Rs	2018 Rs	2019 Rs	2018 Rs
Cash flows from operating activities				
Profit before taxation				
	84,652,380	91,282,070	984,384	4,679,424
Adjustments for:				
Interest expense	17 5,898,470	13,814,198	-	-
Interest income	(614,452)	(359,830)	-	-
Retirement benefits obligations	21 35,768,942	36,082,469	-	-
Depreciation of property, plant and equipment	5 39,191,342	42,434,022	-	-
Profit on disposal of plant and equipment	16 (2,030,000)	(3,545,577)	-	-
Profit on disposal of investment property	16 -	(10,106,939)	-	-
Depreciation of investment property	6 30,350,915	10,859,743	-	-
Operating profit before working capital changes				
	193,217,597	180,460,156	984,384	4,679,424
Decrease/(increase) in trade and other receivables				
	20,201,653	14,967,980	(1,563,467)	(5,152,804)
(Increase)/decrease in inventories				
	(9,930,243)	28,916,785	-	-
(Decrease)/increase in trade and other payables				
	(2,924,211)	(20,038,880)	1,261,574	844,240
Increase in current account with subsidiary				
	-	-	4,500,000	4,488,855
	<u>7,347,199</u>	<u>23,845,885</u>	<u>4,198,107</u>	<u>180,291</u>
Cash generated from operations				
	200,564,796	204,306,041	5,182,491	4,859,715
Net tax paid				
	(15,443,020)	(7,579,447)	-	-
Retirement benefits paid				
	(28,620,208)	(19,589,204)	-	-
Interest paid				
	(6,306,920)	(13,814,198)	-	-
Net cash generated from operating activities				
	150,194,648	163,323,192	5,182,491	4,859,715
Cash flows from investing activities				
Interest received				
	411,643	359,830	-	-
Purchase of financial assets				
	(79,701,510)	-	-	-
Proceeds from matured treasury bills				
	39,705,000	-	-	-
Purchase of plant and equipment				
	(8,448,604)	(2,523,483)	-	-
Proceeds from disposal of plant and equipment				
	2,410,000	4,430,000	-	-
Proceeds from disposal of investment property				
	-	19,052,000	-	-
Purchases of investment property				
6	(5,562,842)	(19,713,055)	-	-
Net cash (used in)/generated from investing activities				
	(51,186,313)	1,605,292	-	-
Cash flows from financing activities				
Repayment of finance lease				
	(1,320,771)	(24,928,819)	-	-
Loan repayment				
	(78,000,000)	(148,215,667)	-	-
(Repayments to)/advances from related parties				
	(500,000)	19,700,000	-	-
Dividend paid				
	(4,969,489)	(4,969,489)	(4,969,489)	(4,969,489)
Net cash used in financing activities				
	(84,790,260)	(158,413,975)	(4,969,489)	(4,969,489)
Net increase/(decrease) in cash and cash equivalents				
	14,218,075	6,514,509	213,002	(109,774)
Cash and cash equivalents at 1 July				
	36,932,351	30,417,842	74,006	183,780
Cash and cash equivalents at 30 June				
	51,150,426	36,932,351	287,008	74,006
Represented by:-				
Cash and bank balances				
	51,150,426	36,932,351	287,008	74,006

The notes on pages 45 to 93 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2019

1. INCORPORATION AND ACTIVITIES

United Bus Service Limited (the “Company”) is a public company incorporated in Mauritius and listed on the Development & Enterprise Market (DEM) of the Stock Exchange of Mauritius. Its registered office and principal place of business is situated at Royal Road, Les Cassis, Port Louis.

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

- United Bus Service Limited is engaged in investment holding.
- UBS Transport Ltd provides bus transport services to the public.
- Orland Ltd is engaged in property development.

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

In the current year, the Group and the Company have applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2018.

2.1 New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 9 Financial instruments

In the current year, the Group and the Company have applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow the entity not to restate comparatives. The Company has elected to apply the transition provision and not restating the comparatives. The reclassification and the adjustment arising from the new impairment rules are therefore not reflected in the statement of financial position as at 30 June 2018, but are recognised in the opening fair value reserve on 1 July 2018.

Additionally, the Group and the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosure for 30 June 2019 and to the comparative period.

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities;
- 2) Impairment of financial assets; and
- 3) General hedge accounting.

The Group and the Company have not applied hedge accounting to its financial instruments during the years ended 30 June 2018 and 2019.

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

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

2.1 New and amended IFRS Standards that are effective for the current year (Cont'd)

Details of these new requirements as well as their impact on the Group and the Company's financial statements are described below.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group and the Company have assessed their existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 July 2018. Accordingly, the Group and the Company have applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 July 2018 and have not applied the requirements to instruments that have already been derecognised as at 1 July 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 July 2018 have not been restated.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

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

- the Group and the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Group and the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Group and the Company has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (b) below.

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

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

2.1 New and amended IFRS Standards that are effective for the current year (Cont'd) Impact of initial application of IFRS 9 Financial instruments (Cont'd)

(a) Classification and measurement of financial assets (cont'd)

The directors of the Group and the Company reviewed and assessed the Group's and the Company's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group and the Company's financial assets as regard to their classification and measurements:

- the Group's and the Company's investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at cost less impairment at each reporting date under IAS 39 have been designated as at FVTOCI. The change in fair value on these equity instruments continues to be accumulated in investment revaluation reserve;
- financial assets classified as "loans and receivables" under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

In summary, upon adoption of IFRS 9, the Group and the Company had the following required or elected reclassifications as at 1 July 2019:

GROUP

	Measurement Category		Carrying Amount		
	IAS 39	IFRS 9	IAS 39	IFRS 9	Fair value reserve effect on 1 July 2018
			Rs	Rs	
Financial assets	Available-for-sale	FVTOCI	370,020	3,695,314	3,325,294
Trade and other receivables	Loans and receivables at amortised cost	Financial assets at amortised cost	29,470,943	29,470,943	-
Cash and bank balances	Loans and receivables at amortised cost	Financial assets at amortised cost	36,932,351	36,932,351	-

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

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

2.1 New and amended IFRS Standards that are effective for the current year (Cont'd) Impact of initial application of IFRS 9 Financial instruments (Cont'd)

(a) Classification and measurement of financial assets (cont'd)

COMPANY

	Measurement Category		Carrying Amount		
	IAS 39	IFRS 9	IAS 39	IFRS 9	Fair value reserve effect on 1 July 2018
			Rs	Rs	
Financial assets	Available-for-sale	FVTOCI	368,020	3,693,314	3,325,294
Trade and other receivables	Loans and receivables at amortised cost	Financial assets at amortised cost	37,444,118	37,444,118	-
Cash and bank balances	Loans and receivables at amortised cost	Financial assets at amortised cost	74,006	74,006	-

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group and the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group and the Company to recognise a loss allowance for expected credit losses on:

1. Debt investments measured subsequently at amortised cost or at FVTOCI;
2. Trade receivables and contract assets; and
3. Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Group and the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group and the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

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

2.1 New and amended IFRS Standards that are effective for the current year (Cont'd) Impact of initial application of IFRS 9 Financial instruments (Cont'd)

(b) Impairment of financial assets (cont'd)

The Group and the Company have the following financial assets that are subject to IFRS 9's new ECL model and the impact of the change in impairment methodology:

Items that existed at 1 July 2018 that are subject to impairment provisions of IFRS 9	Credit risk attributes at 1 July 2018	Cumulative additional loss allowance recognised on 1 July 2018	
		The Group	The Company
Trade and other receivables	The Group and the Company applied the simplified approach and recognised lifetime ECL for these assets.	No material impact	No material impact
Cash and bank balances	All bank balances are assessed to have low credit risk at reporting date since they are held with reputable banking institutions.	No material impact	No material impact
Financial assets	The directors have considered the nature and the credit risk arising from these assets and have concluded that no ECL impairment is needed.	No material impact	No material impact

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the the Group's and the Company's financial liabilities.

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Group and the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 July 2018. IFRS 15 introduced a 5-Step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's and the Company's financial statements are described below.

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

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

2.1 New and amended IFRS Standards that are effective for the current year (Cont'd)

Impact of application of IFRS 15 Revenue from Contracts with Customers (cont'd)

IFRS 15 introduced a 5 step approach to revenue recognition and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group and the Company has applied IFRS 15 and it did not have any impact on the financial position and/or financial performance of the Group and the Company. The Group's and the Company's accounting policies for recognition of revenue are disclosed in note 3 (b).

2.2 New and revised Standards that are effective but with no material effect on the financial statements

The following relevant revised Standards have been applied in these financial statements. Their application has not had any significant impact on the amounts reported for current and prior periods but may affect the accounting for future transactions or arrangements.

IAS 39 Financial Instruments: Recognition and Measurement - Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception

IFRIC 22 Foreign currency transactions and Advance considerations

2.3 New and revised Standards and Interpretations in issue but not yet effective

At the date of the authorisation of the financial statements, management anticipates that the following relevant new and revised standards that were issued but effective only in the future periods will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

IAS 1 Presentation of Financial Statements - Amendments regarding the definition of material (effective 1 January 2020)

IAS 8 Accounting policies, changes in Accounting Estimates and Errors - Amendments regarding the definition of material (effective 1 January 2020)

IAS 12 Income Taxes - Amendments resulting from Annual Improvements 2015-2017 Cycle (income tax consequences of dividends) (effective 1 January 2019)

IAS 19 Employee Benefits - Amendments regarding plan amendments, curtailments or settlements (effective 1 January 2019)

IFRS 9 Financial Instruments - Amendments regarding prepayment features with negative compensation and modification of financial liabilities (effective 1 January 2019)

IFRS 16 Leases - Original issue (effective 1 January 2019)

IFRIC 23 Uncertainty over Income Tax Treatments issued (effective 1 January 2019)

The directors anticipate that these Standards and Interpretation will be applied on their effective dates in future periods. Except as detailed below, the directors have not yet had an opportunity to consider the potential impact of the application of these amendments.

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

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

2.3 New and revised Standards and Interpretations in issue but not yet effective (Cont'd)

Impact of application of IFRS 16 leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 July 2019. The date of initial application of IFRS 16 for the Group will be 1 July 2019.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The only exceptions are short-term and low-value leases.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of Rs 22,572,272. A preliminary assessment indicates that all these arrangements relate to leases other than short-term leases. Management has not yet assessed the amounts for right of use asset and corresponding liability in respect of these leases to be recognised in the statement of financial position.

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) **Basis of preparation**

The financial statements have been prepared under the historical cost basis except for freehold land that are measured at revalued amounts and for investments which are measured at fair value at the end of each reporting period. Revaluations are performed with sufficient regularity.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or a liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Basis of consolidation

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

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

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

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

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

(c) Investments in subsidiaries

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

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Traffic receipts and private hire revenue are recognised upon performance of services and represents receipts from sale of tickets and hire of buses.

Revenue is measured based on the consideration to which an entity expects to be entitled in a contract with a customer. Revenue is recognised when or as an entity satisfies a performance obligation by transferring control of a promised service or asset to a customer. Control is either transferred over time or at a point in time. The Group derives revenue from sales of shops and apartments which are recognised at point in time. Room revenue derived from rental of apartments are recognised as and when the services are provided and are recognised over time. Syndic fees are recognised as and when the services are provided and are recognised over time. Rental income is recognised on a straight and accrual basis over the lease terms.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Revenue recognition (cont'd)

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Other revenues earned by the company are recognised on the following basis:

- Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective rate applicable.
- Other income is recognised on accrual basis.

(e) Government grants

Grants from the National Transport Authority are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grant whose primary condition is that the Group should acquire non-current assets are deducted in calculation of the carrying amount of the asset in which the grant is recognised in profit or loss over the life of a depreciable asset by way of a reduced depreciation expense.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(f) Property, plant and equipment

Freehold land is stated at its revalued amounts in the statement of financial position, being the fair value at the date of revaluation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Any revaluation increase arising on the revaluation of freehold land is recognised in other comprehensive income and accumulated in equity.

Building on freehold land are carried at cost, less accumulated depreciation and any recognised impairment losses. Cost includes professional fees and borrowing costs capitalised under qualifying assets.

Other items of the property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

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

(g) Investment property

Investment property is held to earn rentals and/or for capital appreciation.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and impairment losses.

The annual depreciation rate for investment properties is on a range of 2% to 5% on a straight line basis.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised. Freehold land is not depreciated and stated at cost.

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Depreciation

Freehold land is not depreciated. Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. In the year of purchase, depreciation is calculated on a pro-rata basis.

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

The annual depreciation rates applied on straight line method are:-

Buildings on leasehold land	10.00%
Buses	15.00%
Plant and machinery	10.00%
Other vehicles	20.00%
Furniture, fittings and equipment	10.00%
Computer equipment	20% - 33.33%
Ticket issue machines	33.33%

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(j) Inventories

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

(k) Taxation

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

Current tax

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

Deferred tax

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

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

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

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) **Taxation (cont'd)**

Current and deferred tax for the year

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

(l) **Cash and cash equivalents**

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

(m) **Financial instruments**

Financial assets and liabilities are recognised on the statement of financial position when the Group and the Company become party to the contractual provisions of the financial instruments.

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

Financial assets

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

Classification of financial assets

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial instruments (Cont'd)

(i) *Amortised cost and effective interest method*

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

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

For purchased or originated credit-impaired financial assets, the Group and the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

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

Interest income is recognised in profit or loss and is included in the "finance income" line item.

(ii) *Equity instruments designated as at FVTOCI*

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

A financial asset is held for trading if:

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

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

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

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

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial instruments (Cont'd)

Impairment of financial assets

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

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

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

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

(i) *Significant increase in credit risk*

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

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

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

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial instruments (Cont'd)

Impairment of financial assets (Cont'd)

(i) *Significant increase in credit risk (cont'd)*

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

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

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

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

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

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

(ii) *Definition of default*

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

(iii) *Write-off policy*

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

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial instruments (Cont'd)

Impairment of financial assets (Cont'd)

(iv) Measurement for expected credit losses

The measure of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

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

Derecognition of financial assets

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

Financial liabilities measured subsequently at amortised cost.

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

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial instruments (Cont'd)

Financial liabilities and equity (cont'd)

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

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(n) Impairment of assets

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

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

(o) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

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

(p) Retirement benefit obligations

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

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

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Retirement benefit obligations (cont'd)

Defined benefit costs are categorised as follows:

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

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

Other retirement benefits

The present value of other retirement benefits in respect of Employment Rights Act 2008 gratuities at the end of the reporting period is also recognised as a non-current liability.

State plan

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

(q) Operating leases

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern on which economic benefits from the leased assets are consumed.

(r) Provisions

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

(s) Related parties

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

(t) Segmental reporting

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

(u) Comparative figures

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

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Credit risk

The directors have assessed the credit risk for the financial assets by taking into consideration the quantitative and qualitative reasonable and supporting forward looking information.

Key sources of estimation uncertainty

Property, plant and equipment

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

Allowance for slow-moving inventories

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

Financial instruments

The Group holds financial instruments that are not quoted on active markets and investment in subsidiaries. Determining whether the investment is impaired requires estimate of the value in use of the investment. In considering the value in use, the directors have considered the most recent available audited accounts. The actual results could, however, differ from the estimates. Changes in assumptions could affect the reported value of the investment.

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

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

Key sources of estimation uncertainty (Cont'd)

Retirement benefit obligations

Retirement benefit obligations are determined by actuarial report on the basis detailed in note 21. Changes in assumptions about these factors could affect the provision to be made in the financial statements.

Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward looking information, which is based on the assumptions for the future movement of economic drivers and how these drivers will affect each other.

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

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

Deferred tax assets

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

Investment property

Management determines the estimated useful lives and related depreciation charge for the Group's investment property. Management will revise the depreciation charge where useful lives are different to previously estimated, or it will write-off or write-down technically obsolete or non-strategic asset that have been abandoned or sold.

Notes to the Financial Statements (cont'd)
For the year ended 30 June 2019

5. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Freehold land	Buildings on leasehold land	Buses
	Rs	Rs	Rs
COST OR VALUATION			
At 1 July 2017	55,500,000	67,304,259	544,587,010
Additions	-	-	-
Disposal	-	-	(21,742,548)
Written off	-	-	(2,209,824)
At 30 June 2018	55,500,000	67,304,259	520,634,638
Additions	-	279,850	-
Disposal	-	-	(5,589,760)
Written off	-	-	-
Revaluation increase	11,000,000	-	-
At 30 June 2019	66,500,000	67,584,109	515,044,878
ACCUMULATED DEPRECIATION			
At 1 July 2017	-	64,233,434	399,766,441
Charge for the year	-	1,307,944	35,878,432
Disposal	-	-	(21,509,278)
Written off	-	-	(2,209,824)
At 30 June 2018	-	65,541,378	411,925,771
Charge for the year	-	1,290,049	31,648,923
Disposal	-	-	(5,589,760)
Written off	-	-	-
At 30 June 2019	-	66,831,427	437,984,934
NET BOOK VALUE			
At 30 June 2019	66,500,000	752,682	77,059,944
At 30 June 2018	55,500,000	1,762,881	108,708,867

Plant and machinery	Other vehicles	Furniture fittings and equipment	Computer equipment	Ticket issue machines	Total
Rs	Rs	Rs	Rs	Rs	Rs
17,571,262	16,988,476	16,118,875	9,264,770	7,082,005	734,416,657
109,468	8,494,990	1,430,988	263,173	670,864	10,969,483
-	(864,660)	-	-	-	(22,607,208)
-	(1,400,239)	-	-	(1,297,986)	(4,908,049)
17,680,730	23,218,567	17,549,863	9,527,943	6,454,883	717,870,883
2,667,635	4,475,487	373,159	421,740	230,733	8,448,604
-	(1,625,000)	-	-	-	(7,214,760)
(2,975,639)	-	-	-	(383,356)	(3,358,995)
-	-	-	-	-	11,000,000
17,372,726	26,069,054	17,923,022	9,949,683	6,302,260	726,745,732
13,558,140	11,813,671	10,983,245	8,867,862	7,068,868	516,291,661
1,143,132	2,737,676	928,251	295,020	143,567	42,434,022
-	(213,507)	-	-	-	(21,722,785)
-	(1,400,239)	-	-	(1,297,986)	(4,908,049)
14,701,272	12,937,601	11,911,496	9,162,882	5,914,449	532,094,849
1,118,257	3,603,727	945,093	297,608	287,685	39,191,342
-	(1,245,000)	-	-	-	(6,834,760)
(2,975,639)	-	-	-	(383,356)	(3,358,995)
12,843,890	15,296,328	12,856,589	9,460,490	5,818,778	561,092,436
4,528,836	10,772,726	5,066,433	489,193	483,482	165,653,296
2,979,458	10,280,966	5,638,367	365,061	540,434	185,776,034

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

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

COMPANY

	Freehold land	
	2019	2018
	Rs	Rs
At 1 July	55,500,000	55,500,000
Revaluation adjustment	11,000,000	-
At 30 June	66,500,000	55,500,000

Included in the Group's property, plant and equipment are other vehicles with net book value of Rs 6,451,952 (2018: Rs 9,310,084) respectively held under finance lease.

A review of the residual values and useful lives of plant and equipment is carried out by management at each financial year end and are adjusted prospectively, if appropriate.

Fair value measurement of the Group's and the Company's freehold land

Details of the Group's and the Company's freehold land and information about the fair value hierarchy as at reporting date are as follows:

	2019			
	Level 1	Level 2	Level 3	Total
	Rs	Rs	Rs	Rs
Freehold land	-	66,500,000	-	66,500,000

	2018			
	Level 1	Level 2	Level 3	Total
	Rs	Rs	Rs	Rs
Freehold land	-	55,500,000	-	55,500,000

Had the freehold land been stated at cost, the carrying amount would have been as follows:

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
Freehold land	20,568,330	20,568,330	20,568,330	20,568,330

The freehold land has been fair valued at Rs 36,000,000 and Rs 30,500,000 by an independent valuer, N. Jeetun, for the year ended 30 June 2019. N. Jeetun is a chartered Valuation Surveyor and has appropriate qualifications and experience in the valuation of properties. The valuation which conforms to International Valuation Standards was arrived at based on the market value. The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties within close vicinity of the freehold land. The directors consider that the fair value of the freehold land remained unchanged at reporting date.

The Group's property, plant and equipment have been pledged as security for bank facilities which have been fully repaid during the year ended 30 June 2019 (see note 11). The directors have assessed the carrying amount of the property, plant and equipment and are of opinion that it has not suffered any impairment as at 30 June 2019.

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

6. INVESTMENT PROPERTY GROUP

	Freehold Land Rs	Freehold Building Rs	Total Rs
COST			
At 1 July 2017	34,429,686	538,119,678	572,549,364
Additions	-	19,713,055	19,713,055
Disposal	-	(9,557,756)	(9,557,756)
At 30 June 2018	34,429,686	548,274,977	582,704,663
Additions	-	5,562,842	5,562,842
Transfer from inventories	-	64,249,363	64,249,363
At 30 June 2019	34,429,686	618,087,182	652,516,868
DEPRECIATION			
At 1 July 2017	-	26,956,505	26,956,505
Charge for the year	-	10,859,743	10,859,743
Disposal	-	(612,695)	(612,695)
At 30 June 2018	-	37,203,553	37,203,553
Charge for the year	-	30,350,915	30,350,915
At 30 June 2019	-	67,554,468	67,554,468
NET BOOK VALUE			
At 30 June 2019	34,429,686	550,532,714	584,962,400
At 30 June 2018	34,429,686	511,071,424	545,501,110

The fair value of the investment property at the reporting date was Rs 693M and was determined by the directors based on income approach. The rental contracts are open and cancellable. Rental income earned amount to Rs 84,601,781 (2018: Rs 76,853,542). Direct operating expenses generating rental income amount to Rs 45,083,559 (2018: Rs 48,002,311).

7. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2019 Rs	2018 Rs
At cost		
At 30 June	256,182,090	256,182,090

Details of the Company's subsidiaries at 30 June are as follows:-

Name of subsidiary	Country of incorporation and operation	Principal activity	Ownership %		2019 and 2018 Rs
			Direct	Indirect	
UBS Transport Ltd	Mauritius	Bus transport services	100	-	20,000,000
Orland Ltd	Mauritius	Property development	100	-	236,182,090
Pasteur Management and Corporate Services Ltd*	Mauritius	Secretarial support services	-	100	-
Naz Management and Corporate Services Ltd*	Mauritius	Secretarial support services	-	100	-
					256,182,090

*Pasteur Management and Corporate Services Ltd and Naz Management and Corporate Services Ltd are dormant companies.

At the reporting date, the directors reviewed the carrying value of the investments in subsidiaries. In their opinion, there is no objective evidence that the investments in subsidiaries are impaired.

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

8. FINANCIAL ASSETS

	GROUP		COMPANY	
	2019 Rs	2018 Rs	2019 Rs	2018 Rs
At fair value through other comprehensive income (FVTOCI)	3,883,620	370,020	3,881,620	368,020
At amortised cost	40,199,318	-	-	-
	<u>44,082,938</u>	<u>370,020</u>	<u>3,881,620</u>	<u>368,020</u>
Included in financial statements as:				
Non-current assets	3,883,620	370,020	3,881,620	368,020
Current assets	40,199,318	-	-	-
	<u>44,082,938</u>	<u>370,020</u>	<u>3,881,620</u>	<u>368,020</u>

Investment in equity instrument designated at FVTOCI

	GROUP		COMPANY	
	2019 Rs	2018 Rs	2019 Rs	2018 Rs
At 1 July	370,020	370,020	368,020	368,020
IFRS 9 adjustment	3,325,294	-	3,325,294	-
At 30 June (as restated)	3,695,314	370,020	3,693,314	368,020
Fair value movement	188,306	-	188,306	-
At 30 June	<u>3,883,620</u>	<u>370,020</u>	<u>3,881,620</u>	<u>368,020</u>

The Group and the Company hold unquoted equity investment which were stated at cost less impairment. With the application of IFRS 9, the equity instruments have been classified as fair value through other comprehensive income (FVTOCI). The fair value of the unquoted investments has been based on the net asset value of the investee as at 30 June 2019.

Financial assets at amortised cost

	Group
	Treasury bills Rs
At 1 July 2017 to 30 June 2018	-
Additions	79,701,510
Interest	497,808
Disposals	<u>(40,000,000)</u>
At 30 June	<u>40,199,318</u>

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

8. FINANCIAL ASSETS (CONT'D)

Financial assets at amortised cost (Cont'd)

The treasury bills have a maturity dates ranging between 5 to 6 months and carry fixed rates of interest. The interest rates on these securities are 2.48% and 3.18% per annum. The treasury bills are held by the Group within a business model whose objective is to collect their contractual cash flows which are solely payments of principal and interest on the principal amount outstanding. Hence, the treasury bills are classified and presented at amortised cost.

Due to the short term nature of the treasury bills, the directors have assessed and concluded that the carrying amount at the reporting date approximated its fair value. For the purpose of impairment assessment, the treasury bills are considered to have low credit risk as the Government of Mauritius is the counterparty of these bills. Accordingly, the loss allowance for the treasury bills is measured at an amount equal to 12 month expected credit loss. The impairment loss is considered to be immaterial.

9. INVENTORIES

	GROUP	
	2019	2018
	Rs	Rs
AT COST		
Citadelle Mall		
- Shops and Mezzanine	22,790,922	21,698,035
- Parking	10,316,861	14,041,260
- Apartments	13,640,713	76,281,730
	46,748,496	112,021,025
Loose tools	673,108	684,968
Spares and coach work materials	19,663,610	9,507,681
Tyres and tubes	2,207,595	1,147,439
Fuel, gas, uniforms, stationery and others	1,128,555	1,379,371
	23,672,868	12,719,459
Total	70,421,364	124,740,484

The cost of inventories recognised as an expense during the year was Rs 251,587,852 (2018: Rs 290,112,847).

The Group's inventories were pledged as security for bank facilities which have been fully repaid during the year ended 30 June 2019 (see note 11).

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

10. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
Trade receivables	4,476,748	24,912,353	-	-
Provision for expected credit loss	(28,600)	(28,600)	-	-
	4,448,148	24,883,753	-	-
Other receivables and prepayments	4,821,142	4,587,190	5,428,925	3,865,458
Current account with subsidiary	-	-	29,078,660	33,578,660
	9,269,290	29,470,943	34,507,585	37,444,118

Included under Group's other receivables and prepayments are amounts of Rs 187,262 (2018: Rs 189,107) due by related companies. These balances are interest free and are repayable within one year.

Group's other receivables and prepayments include loan to staff amounting to Rs 645,275 (2018: Rs 391,292) which carries interest at 7% (2018: 7%) per annum and repayable within one year.

Current account with subsidiary is unsecured, repayable on demand and is interest bearing at the rate of an interest of 5.35% per annum (2018: 5.35%). Interest due from subsidiary amounts to Rs 5,422,175 (2018: Rs 3,858,708).

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits which are reviewed regularly. The past due debtors at the reporting date have not been provided as the amounts are still considered recoverable.

The average credit period is 30 days. The Group does not hold any collateral over the trade receivables balances.

Ageing of past due but not impaired

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
31-60 days	323,286	248,518	-	-
61-90 days	45,711	169,664	-	-
Over 90 days	78,093	566,238	-	-
	447,090	984,420	-	-

The average credit period on sales is 30 days. No interest is charged on outstanding trade receivables. The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. To measure the expected credit losses, trade receivables have been individually assessed based on their credit risk characteristics and their history of default due to its limited number of trade debtors at the reporting date. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

10. TRADE AND OTHER RECEIVABLES (CONT'D)

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier.

The Group's historical shows a recoverability of more than 95% of its trade receivables within 90 days. After the reporting date, 96% (2018: 98%) of the trade receivables has been recovered and therefore, no further provision for expected credit losses is required.

The Group's trade receivables were pledged as security for bank facilities which have been fully repaid during the year ended 30 June 2019 (see note 11).

11. LOANS

	GROUP		COMPANY	
	2019 Rs	2018 Rs	2019 Rs	2018 Rs
5.35% bank loan repayable by monthly instalments (2018: 5.35%)	-	78,000,000	-	-
	-	78,000,000	-	-
Repayable as follows:				
- Within one year	-	14,857,143	-	-
- Between one and five years	-	59,428,572	-	-
- More than 5 years	-	3,714,285	-	-
	-	63,142,857	-	-
	-	78,000,000	-	-

The loans are secured by fixed and floating charges over the assets of the Group. During the year, the Group fully repaid the above bank loan and the pledging was not yet removed by the bank at reporting date.

12. AMOUNTS DUE TO RELATED PARTIES

	GROUP	
	2019 Rs	2018 Rs
Parties under common management	35,900,000	36,400,000

Amounts due to parties under common management are unsecured, repayable on demand and bear interest at the rate of 5.35% (2018: 5.35%) per annum.

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

13. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2019 Rs	2018 Rs	2019 Rs	2018 Rs
Trade payables	29,133,800	32,610,384	-	-
Other payables and accruals	158,706,060	158,512,137	7,742,443	7,065,341
Current account with subsidiary	-	-	134,810,478	134,226,006
	<u>187,839,860</u>	<u>191,122,521</u>	<u>142,552,921</u>	<u>141,291,347</u>

The average credit period is 30 days. No interest is charged on trade payables. The Group and the Company have financial risk management policies in place to ensure that all payables are paid within the credit timeframe. Included under the Group's trade payables are amounts of Rs 7,759,367 (2018: Rs 5,050,581) due to related companies. These are non-interest bearing and are repayable within 30 days.

Included under the Group's other payables and accruals are amounts of Rs 32,201,700 (2018: Rs 31,360,000) due to related companies. The amounts due to related companies carry an interest of 5.35% (2018: 5.35%) per annum and have no fixed terms of repayment. Interest payable on amount due to company under common management included in other payables and accruals amounts to Rs 78,402 (2018: Rs 486,852).

The current account with subsidiary is interest free with no fixed terms of repayment and is unsecured. Group's other payables includes deposits from clients of Rs 29,566,046 (2018: Rs 26,957,590).

14. STATED CAPITAL

Issued and fully paid

4,969,489 Ordinary shares of Rs10 each
Share premium account

GROUP & COMPANY 2019 & 2018 Rs
49,694,890
42,942
<u>49,737,832</u>

The ordinary share is not redeemable, carries voting rights, entitlements to dividends or distributions and on winding up to any surplus on assets of the Company.

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

15. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging/(crediting) the following items:

	GROUP		COMPANY	
	2019 Rs	2018 Rs	2019 Rs	2018 Rs
<u>Included in operating expenses</u>				
Cost of inventories expensed:				
- Uniforms and footwears	4,785,290	4,777,532	-	-
- Fuel and lubrication	180,403,361	179,963,107	-	-
- Tyres and tubes	15,660,960	16,909,694	-	-
- Overhauls and spart parts	49,546,595	60,582,545	-	-
- Shops, mezzanine, parking and apartments	1,191,646	27,879,969	-	-
Staff cost	435,174,215	450,624,613	-	-
Depreciation of property, plant and equipment	36,655,429	39,899,736	-	-
Depreciation of investment property	30,350,915	10,859,742	-	-
Insurances	13,143,254	14,828,693	-	-
Cleaning, repairs, maintenance, fitness and other vehicles expenses	4,051,105	6,796,293	-	-
Telephone, electricity and water	2,984,797	2,202,382	-	-
Legal and professional fees	902,550	830,429	-	-
Rent	7,411,022	7,411,022	-	-
Security service	660,625	560,700	-	-
Cleaning	1,433,551	932,961	-	-
Support from Government of Mauritius	(242,409,867)	(225,137,130)	-	-
<u>Included in administrative expenses</u>				
Staff cost	23,547,802	17,852,102	-	-
Directors' fees	20,863,138	17,170,100	-	-
Repairs and maintenance	6,416,010	7,245,034	-	-
Electricity, water and telephone	4,218,934	4,203,283	-	-
Rent and rates	2,390,273	2,413,358	-	-
Legal and professional fees	2,907,053	3,164,542	434,061	404,707
Management and secretarial fees	3,736,792	3,732,424	120,000	120,000
Depreciation of property, plant and equipment	2,535,913	2,534,286	-	-

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

16. OTHER INCOME

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
<i>Finance income:</i>				
Interest income	614,452	359,830	-	-
<i>Other income:</i>				
Insurance claims receivable	2,547,450	3,382,084	-	-
Profit on disposal of property, plant and equipment	2,030,000	3,545,577	-	-
Profit on disposal of investment property	-	10,106,939	-	-
Recovery of financial assets previously impaired	-	12,250,000	-	3,500,000
Other receipts	2,949,484	3,686,671	-	-
	7,526,934	32,971,271	-	3,500,000
	8,141,386	33,331,101	-	3,500,000

17. FINANCE COSTS

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
Interest on:				
- bank loans	2,834,066	8,885,438	-	-
- bank overdrafts	-	14,553	-	-
- finance lease	304,003	1,419,742	-	-
- amount due to related companies	2,760,401	3,494,465	-	-
	5,898,470	13,814,198	-	-

18. TAXATION

(a) Income tax

Income tax is calculated at the rate of 17% (2018: 17%) on the profit for the year as adjusted for tax purposes and it also includes CSR charge which is calculated at the rate of 2% (2018: 2%) on the chargeable income of the preceding year. At 30 June 2019, the Company had accumulated tax losses of Rs 426,230 (2018: Rs 1,014,974), which can be carried forward for set off against taxable income derived in the five succeeding income year up as follows:

Available for set-off up to year ending

	Rs
30 June 2020	257,798
30 June 2021	168,432
	426,230

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

18. TAXATION (CONT'D)

(a) Income tax (Cont'd)

	GROUP		COMPANY	
	2019 Rs	2018 Rs	2019 Rs	2018 Rs
Current tax liabilities/(assets)				
At 1 July	1,539,970	357,073	-	-
Provision for the year	13,505,184	11,611,438	-	-
Under/(over)provision of income tax in prior year	115,729	(4,069,425)	-	-
Tax already paid under APS	(8,814,294)	(6,864,360)	-	-
Tax refund/(paid)	(1,655,699)	3,712,352	-	-
Tax Deducted at Source	(3,601,919)	(3,359,647)	-	-
Corporate Social Responsibility provision for the year	1,566,986	1,220,331	-	-
Corporate Social Responsibility paid	(1,371,108)	(1,067,792)	-	-
At 30 June	1,284,849	1,539,970	-	-
Represented by:				
Current tax liabilities	6,039,474	1,539,970	-	-
Current tax assets	(4,754,625)	-	-	-
	1,284,849	1,539,970	-	-

(b) Tax expense

	GROUP		COMPANY	
	2019 Rs	2018 Rs	2019 Rs	2018 Rs
Provision for the year	13,505,184	11,611,438	-	-
Under/(over)provision of income tax in prior year	115,729	(4,069,425)	-	-
Corporate Social Responsibility provision for the year	1,566,986	1,220,331	-	-
Deferred tax movement	(2,557,317)	5,518,641	-	-
Income tax expense recognised in profit or loss	12,630,582	14,280,985	-	-
Deferred tax recognised in other comprehensive income	3,324,583	4,565,922	-	-

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

18. TAXATION (CONT'D)

(c) Deferred tax assets /(Liabilities)

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
At 1 July	66,659,900	67,612,619	80,036	80,036
Deferred tax income				
- recognised in profit or loss:				
Release for the year	2,557,317	(163,476)	-	-
Overprovision in previous year	-	(5,355,165)	-	-
	2,557,317	(5,518,641)	-	-
- recognised in other comprehensive income	3,324,583	4,565,922	-	-
At 30 June	72,541,800	66,659,900	80,036	80,036
Represented by:				
Deferred tax assets	76,533,830	71,485,404	80,036	80,036
Deferred tax liabilities	(3,992,030)	(4,825,504)	-	-
At 30 June	72,541,800	66,659,900	80,036	80,036

At the reporting date, the Company has recognised deferred tax assets only to the extent of future available taxable profits. The Company has maintained the provision of Rs 80,036 as at 30 June 2019 since the movement for the year is immaterial.

Deferred tax assets/(liabilities) arise from:

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
Retirement benefit obligations	74,500,733	69,960,865	-	-
Temporary difference arising from tax base and carrying amount of qualifying assets	(1,963,795)	(3,305,827)	80,036	80,036
Provision for bad debts	4,862	4,862	-	-
	72,541,800	66,659,900	80,036	80,036

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

18. TAXATION (CONT'D)

(d) Tax reconciliation

	GROUP		COMPANY	
	2019 Rs	2018 Rs	2019 Rs	2018 Rs
Profit before tax	84,652,380	91,282,070	984,384	4,679,424
Tax at the rate of 17% (2018: 17%)	14,390,905	15,517,952	167,345	795,502
Tax effect of:				
- Non-taxable income	(1,352,623)	(2,308,630)	(107,522)	(597,754)
- Expenses not deductible for tax purposes	487,067	365,433	40,263	-
- Overprovision of income tax in prior year	115,729	(4,069,425)	-	-
- Over/(under)provision in deferred tax in prior year	-	5,355,165	-	-
- Corporate Social Responsibility	1,566,986	1,220,331	-	-
- Deferred tax assets derecognised	(777,459)	-	-	-
- Tax rate differential	(1,699,937)	(1,602,093)	-	-
- Tax loss utilised	(100,086)	(197,748)	(100,086)	(197,748)
Income tax expense recognised in profit or loss	12,630,582	14,280,985	-	-

19. RELATED PARTY TRANSACTIONS

The Group and Company are making the following disclosures in accordance with IAS 24 Related Party Disclosures:

	GROUP		COMPANY	
	2019 Rs	2018 Rs	2019 Rs	2018 Rs
(i) Purchases of tyres and spare parts				
- Significant shareholder	75,450,845	71,451,342	-	-
(ii) Purchases of services				
- Significant shareholder	207,000	897,000	-	-
(iii) Purchases of plant and equipment				
- Significant shareholder	2,493,114	-	-	-
(iv) Other income				
- Company under common management	312,171	549,229	-	-
(v) Investment income				
- Interest income from subsidiary	-	-	1,563,467	1,744,817
(vi) Interest expense				
- Company under common management	2,760,401	3,494,665	-	-

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

19. RELATED PARTY TRANSACTIONS (CONT'D)

	GROUP		COMPANY	
	2019 Rs	2018 Rs	2019 Rs	2018 Rs
(vii) Management fees				
- Company under common management	3,856,792	3,852,424	120,000	120,000
(viii) Outstanding balances				
Receivables from related parties:				
- Company under common management	187,262	189,107	-	-
- Subsidiary	-	-	29,078,660	33,578,660
Payables from related parties:				
- Significant shareholder	7,759,367	5,050,581	-	-
- Company under common management	68,180,102	68,246,852	-	-
- Subsidiary	-	-	134,810,478	134,226,006
Interest receivable				
- Subsidiary	-	-	5,422,175	3,858,708

“The terms and conditions of the above outstanding balances have been disclosed in the respective notes (12 and 13).

(ix) Compensation of key management personnel	20,863,138	17,170,100	-	-
(x) Contribution in welfare fund	707,150	884,729	-	-

20. EARNINGS PER SHARE

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

	GROUP	
	2019 Rs	2018 Rs
Profit for the year	72,021,798	77,001,085
Number of ordinary shares	4,969,489	4,969,489
Earnings per share	14.49	15.49

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

21. RETIREMENT BENEFIT OBLIGATIONS - GROUP

Amounts recognised in statement of financial position

	2019 Rs	2018 Rs
Defined benefit plan (Note(a))	12,860,095	11,955,915
Other retirement benefits (Note(b))	425,379,510	399,578,584
	<u>438,239,605</u>	<u>411,534,499</u>

(a) Defined benefit plan

The Group operated a defined benefit plan and was wholly funded. The plan is a defined benefit arrangement, with benefits based on final salary. It provides for a pension at retirement and a benefit on death or disablement in service before retirement. The Group has stopped providing pension benefits to the employees as from 1 July 2012.

The figures are based on the report submitted by Swan Life Ltd for the year ended 30 June 2019.

The pension plans typically expose the Group to investment risk and interest rate risk.

Investment risk	The present value of the liabilities of the plan are calculated using a discount rate. Should the returns on the assets of the plan be lower than the discount rate, a deficit will arise.
Longevity risk	The liabilities disclosed are based on the mortality tables PA (92). Should the experience of the pension plans be less favourable than the standard mortality tables, the liabilities will increase.
Interest risk	If the Bond interest rate decreases, the liabilities would be calculated using a lower discount rate, and would therefore increase.

The main actuarial assumptions used for accounting purposes:

	2019	2018
Discount Rate	% 4.40%	% 5.20%
Post retirement mortality	Swan Current Annuity Rates	

The notional return on plan assets was Rs 252,220 for the year ended 30 June 2019 (2018: Rs 293,619).

The amount included in the statement of financial position arising from the entity's obligation in respect of its defined benefit plan is as follows:

	2019 Rs	2018 Rs
Total market value of assets	(7,914,763)	(9,141,194)
Present value of plan liability	20,774,858	21,097,109
	<u>12,860,095</u>	<u>11,955,915</u>

The market value of assets is based on the reserves held for the Deferred Annuity Policies for statutory purposes.

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined benefit plan (Cont'd)

Amount recognised in statement of profit or loss are as follows:

	2019	2018
	Rs	Rs
Net interest cost	621,708	531,883

Movement in liability recognised in statement of financial position:

	2019	2018
	Rs	Rs
At 1 July	11,955,915	10,637,664
Actuarial losses recognised in other comprehensive income	282,472	786,368
Total expense as above	621,708	531,883
At 30 June	12,860,095	11,955,915

Change in defined benefit obligation:

	2019	2018
	Rs	Rs
Present value of defined benefit obligation at 1 July	21,097,109	20,424,961
Interest cost	1,059,092	1,021,248
Actuarial losses	97,308	590,622
Benefits paid	(1,478,651)	(939,722)
Present value of defined benefit obligation at 30 June	20,774,858	21,097,109

Change in plan assets

	2019	2018
	Rs	Rs
Fair value of plan assets at 1 July	(9,141,194)	(9,787,297)
Expected return on plan assets	(437,384)	(489,365)
Actuarial losses	185,164	195,746
Benefits paid	1,478,651	939,722
Fair value of plan assets at 30 June	(7,914,763)	(9,141,194)

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined benefit plan (Cont'd)

Analysis of amount recognised in other comprehensive income

	2019	2018
	Rs	Rs
Losses on pension scheme assets	185,164	195,746
Experience gains on the liabilities	(733,186)	817,713
Changes in assumptions underlying the present value of the scheme	830,494	(227,091)
Actuarial loss recognised in other comprehensive income	282,472	786,368
Cumulative actuarial at 1 July	907,818	1,694,186
Actuarial losses recognised this year	(282,472)	(786,368)
Cummulative actuarial gains at 30 June	625,346	907,818

	2019	2018
	Rs	Rs
Defined benefit obligation	20,774,858	21,097,109
Plan assets	(7,914,763)	(9,141,194)
Deficit	12,860,095	11,955,915
Actuarial losses on plan liabilities	97,308	590,622
Actuarial losses on plan assets	185,164	195,746

The Group is not expected to make any contribution unless there is a shortfall for a retiring member.

Significant actuarial assumptions for the determination of the defined benefit plan is discount rate. The sensitivity analysis below have been determined based on sensibly possible change of the discount rate occurring at the end of the reporting period if all other assumptions remained unchanged.

- If the discount rate is 1% higher, the defined benefit obligation would decrease by Rs 1,026,543 (2018: Rs 1,061,835).
- If the discount rate is 1% lower, the defined benefit obligation would increase by Rs 1,153,539 (2018: Rs 1,189,802).

The weighted average duration of the liabilities as at 30 June 2019 is 5 years.

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(b) Other retirement benefits

The liability relates to Retirement Gratuities payable under the Employment Rights Act (ERA). The latter provides for a lump sum at retirement based on final salary and years of service. The figures are based on the report submitted by SWAN Life Ltd for the year ended 30 June 2019.

The main actuarial assumptions used for accounting purposes:

	2019	2018
	%	%
Discount rate	4.90	5.20
Future long-term salary increase	3.50	3.50

The amount included in the statement of financial position arising from the entity's obligation in respect of other retirement benefits is as follows:

	2019	2018
	Rs	Rs
Present value of unfunded defined benefit obligation	425,379,510	399,578,584

Amount recognised in statement of profit or loss :

	2019	2018
	Rs	Rs
Service cost	15,103,843	18,157,082
Net interest cost	20,043,391	17,393,504
	35,147,234	35,550,586

Movement in liability recognised in statement of financial position are as follows:

	2019	2018
	Rs	Rs
At 1 July	399,578,584	357,545,209
Total expense as above	35,147,234	35,550,586
Actuarial losses recognised in other comprehensive income	19,273,901	26,071,994
Benefit paid	(28,620,208)	(19,589,205)
At 30 June	425,379,511	399,578,584

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined benefit plan (Cont'd)

Analysis of amount recognised in other comprehensive income:

	2019	2018
	Rs	Rs
Experience losses on the liabilities	11,490,305	6,374,353
Changes in assumptions underlying the present value of the scheme	7,783,596	19,697,641
Actuarial loss recognised in other comprehensive income	19,273,901	26,071,994

	2019	2018
	Rs	Rs
Cumulative actuarial at 1 July	135,636,206	109,564,213
Actuarial losses recognised this year	19,273,901	26,071,994
Cummulative actuarial gains at 30 June	154,910,107	135,636,207
Unfunded defined benefit obligation	425,379,511	399,578,584
Actuarial losses on plan liabilities	19,273,901	26,071,994

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

- Increase in defined benefit obligations due to 1% decrease in discount rate Rs 28,548,132 (2018: Rs 27,268,087).
- Decrease in defined benefit obligations due to 1% increase in discount rate Rs 24,707,660 (2018: Rs 23,606,857).
- Increase in defined benefit obligations due to 1% increase in future long-term salary assumption Rs 28,665,754 (2018: Rs 27,464,712).
- Decrease in defined benefit obligations due to 1% decrease in future long-term salary assumption Rs 25,245,626 (2018: Rs 24,185,082).

The weighted average duration of the defined benefit obligation as at 30 June 2019 is 7 years.

(c) State pension plan

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
National pension scheme contributions charged	11,747,804	11,932,670	-	-

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

22. DIVIDEND

Dividend declared on 3 June 2019 (1 June 2018) and paid on 17 July 2019 (16 July 2018) - Rs 1 per share

GROUP AND COMPANY	
2019	2018
Rs	Rs
4,969,489	4,969,489

23. FINANCIAL INSTRUMENTS

Capital risk management

The Group and the Company manage its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholder. The Group's and the Company's overall strategy remained unchanged. The capital structure of the Group and the Company consist of net debt (which includes borrowings disclosed in note 11,12 and 25, net off by cash and bank balances) and equity comprising issued capital and reserves.

Significant accounting policies

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

Gearing ratio

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

The gearing ratio of the Group at the year-end was as follows:

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
Debt (i)	40,786,613	120,607,384	-	-
Cash and bank balances	(51,150,426)	(36,932,351)	(287,008)	(74,006)
Net debt	(10,363,813)	83,675,033	(287,008)	(74,006)
Equity (ii)	325,011,098	259,676,979	213,915,929	203,387,434
Net debt to equity ratio	-	32%	-	-

(i) Debt is defined as long and short term borrowings, as detailed in notes 11, 12 and 25.

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

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

23. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
Financial assets				
Investments at FVTOCI	3,883,620	370,020	3,881,620	368,020
Amortised cost:				
Cash and bank balances	51,150,426	36,932,351	287,008	74,006
Trade and other receivables	7,159,755	26,371,797	34,500,835	37,437,368
Treasury bills	40,199,318	-	-	-
	<u>102,393,119</u>	<u>63,674,168</u>	<u>38,669,463</u>	<u>37,879,394</u>
Financial liabilities				
Amortised cost:				
Trade and other payables	155,084,319	162,362,133	142,552,921	141,291,347
Dividend payable	4,969,489	4,969,489	4,969,489	4,969,489
Loans	-	78,000,000	-	-
Amounts due to related parties	35,900,000	36,400,000	-	-
Obligations under finance lease	4,886,613	6,207,384	-	-
	<u>200,840,421</u>	<u>287,939,006</u>	<u>147,522,410</u>	<u>146,260,836</u>

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
Financial assets				
Prepayments	918,208	1,396,650	6,750	6,750
Deposits and advances	1,191,327	43,948	-	-
TDS	-	1,658,548	-	-
	<u>2,109,535</u>	<u>3,099,146</u>	<u>6,750</u>	<u>6,750</u>
Financial liabilities				
VAT	739,183	716,642	-	-
PAYE	309,812	311,676	-	-
Deposits and advances	31,656,546	27,732,070	-	-
	<u>32,705,541</u>	<u>28,760,388</u>	<u>-</u>	<u>-</u>

Market risk

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

Foreign currency risk management

The Group and the Company have no financial assets and liabilities denominated in foreign companies and thus are not significantly exposed to foreign currency risk.

Interest rate risk management

The Group and the Company are exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. The risk is managed by the Group and the Company by maintaining an appropriate mix between fixed and floating rate borrowings.

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

23. FINANCIAL INSTRUMENTS (CONT'D)

Market risk (cont'd)

Interest rate risk management (cont'd)

The interest rate profile of the financial assets and financial liabilities of the Group and the Company as at 30 June was:

	GROUP		COMPANY	
	2019	2018	2019	2018
	% p.a.	% p.a.	% p.a.	% p.a.
Financial assets				
Treasury bills (fixed)	2.48 & 3.18	-	-	-
Loans to staff (fixed)	7.00	7.00	-	-
Current account with subsidiary (fixed)	-	-	5.35	5.35
Financial liabilities				
Amount due to related and other parties (fixed)	5.35	5.35	-	-
Loans (floating)	-	5.35	-	-
Obligation under finance lease (fixed)	5.35 - 5.85	5.35 - 6.25	-	-

Interest rate sensitivity analysis

The following table details the Group's and the Company's sensitivity if interest rates had been 50 basis points higher. A negative number below indicates a decrease in profit and equity where interest rates increase by 50 basis points. There would be an equal and opposite impact on the profit and equity had interest rates decreased by 50 basis points.

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
Impact on profit and equity	-	(390,000)	-	-

Credit risk management

The Group's and the Company's credit risk are primarily attributable to its trade receivables and cash, bank balances and treasury bills. The concentration of credit risk is limited due to the fact that the customer base being unrelated and the banks are reputable banking institutions. The amounts presented in the statement of financial position are net of provision for expected credit losses, if any.

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

The Group and the Company have adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group and the Company do not have significant concentration of credit risk.

Liquidity risk management

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

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

23. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk management (cont'd)

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

	GROUP		
	Less than 1 year	More than 1 year	Total
	Rs	Rs	Rs
2019			
Financial liabilities			
Trade and other payables	155,084,319	-	155,084,319
Dividend payable	4,969,489	-	4,969,489
Amounts due to related and other parties	35,900,000	-	35,900,000
Obligations under finance lease	1,394,545	3,492,068	4,886,613
	<u>197,348,353</u>	<u>3,492,068</u>	<u>200,840,421</u>
2018			
Financial liabilities			
Trade and other payables	162,362,133	-	162,362,133
Dividend payable	4,969,489	-	4,969,489
Loans	14,857,143	63,142,857	78,000,000
Amounts due to related and other parties	36,400,000	-	36,400,000
Obligations under finance lease	1,320,771	4,886,613	6,207,384
	<u>219,909,536</u>	<u>68,029,470</u>	<u>287,939,006</u>
	COMPANY		
	Less than 1 Year	More than 1 Year	Total
	Rs	Rs	Rs
2019			
Financial liabilities			
Other payables and accruals	142,552,921	-	142,552,921
Dividend payable	4,969,489	-	4,969,489
	<u>147,522,410</u>	<u>-</u>	<u>147,522,410</u>
2018			
Financial liabilities			
Other payables and accruals	141,291,347	-	141,291,347
Dividend payable	4,969,489	-	4,969,489
	<u>146,260,836</u>	<u>-</u>	<u>146,260,836</u>

Equity price risk

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

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

23. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk management (cont'd)

Equity price sensitivity analysis

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

If equity prices had been 5% higher/lower:

- Profit for the year ended 30 June 2019 and 30 June 2018 would have been unaffected as the quoted equity investments are classified as FVTOCI (2018: available-for-sale); and
- Other comprehensive income would increase/decrease by Rs 194,181 (2018: Rs 18,501) and Rs 194,081 (2018: Rs 18,401) for the Group and the Company respectively as a result of the changes in fair value of the investments in equity instruments.

The methods and assumptions used in preparing the sensitivity analysis above have not changed significantly from prior year. The Group's and the Company's sensitivity to equity prices have changed significantly due to fair value loss recognised during the year on quoted equity investments.

Fair value measurements

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

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

The following table gives information about how the fair values of financial assets are determined for both the Group and the Company:

Financial assets	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs of fair value	Fair values as at	
					2019	2018
					Rs	Rs
GROUP						
Unquoted investments	Level 3	Net asset value	N/A	N/A	3,883,620	370,020
COMPANY						
Unquoted investments	Level 3	Net asset value	N/A	N/A	3,881,620	368,020

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

24. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases. Operating lease relates to the rental facilities of motor vehicle with lease terms between 5 and 7 years which expired in 2018 and leases of land with lease terms ranging between 5 to 20 years which expired in 2018, 2019 and 2037. Operating lease also relates to the rental of space and parking facilities with lease term of 3 years with renewal option for further 3 years. The lease was expired in 2019 and at the reporting date, the lease has not yet been renewed. At the expiry of the lease period, the Group does not have an option to purchase the leased assets. The lease contracts contain market review clauses in the event that the Group exercises its option to renew.

	2019 Rs	2018 Rs
Payments recognised as an expense		
Minimum lease payments	9,185,813	8,505,884
Non-cancellable operating lease commitments		
Within one year	8,622,272	8,674,234
In the second to fifth years inclusive	4,800,000	1,494,810
Later than 5 years	9,150,000	4,153,973
	<u>22,572,272</u>	<u>14,323,017</u>

25. OBLIGATION UNDER FINANCE LEASE

The Group leased certain of its vehicles and buses under finance leases. The lease term is five years. The Group has option to purchase the equipment for a nominal amount at the end of the lease terms. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Interest rates underlying all obligations under finance lease at respective contract date from 5.35% to 5.85% per annum (2018: 5.35% to 6.25%).

	Minimum lease payments		Present value of minimum lease payments	
	2019 Rs	2018 Rs	2019 Rs	2018 Rs
Amount payable under finance leases:				
Within one year	1,624,774	1,624,774	1,394,545	1,320,771
In the second to fifth years inclusive	3,728,967	5,353,741	3,492,068	4,886,613
	5,353,741	6,978,515	4,886,613	6,207,384
Less: Future finance charges	(467,128)	(771,131)	-	-
Present value of minimum lease payments	<u>4,886,613</u>	<u>6,207,384</u>	<u>4,886,613</u>	<u>6,207,384</u>
Included in financial statements as:-			2019	2018
			Rs	Rs
Current liabilities			1,394,545	1,320,771
Non-current liabilities			3,492,068	4,886,613
			<u>4,886,613</u>	<u>6,207,384</u>

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

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

26. CONTINGENT LIABILITIES

There are contingent liabilities not provided for in the financial statements in respect of bank guarantees amounting to Rs 10,000 (2018: Rs 10,000) for the Group and the Company respectively. The directors consider that no liabilities will arise as the probability of default in respect of the guarantee is remote.

27. REVENUE

The following is an analysis of the Group's and the Company's revenue for the year from continuing operations:

	GROUP		COMPANY	
	2019 Rs	2018 Rs	2019 Rs	2018 Rs
Revenue from traffic receipts	603,689,518	615,566,452	-	-
Revenue from private hire	13,884,695	12,392,527	-	-
Rental income	76,746,512	69,549,280	-	-
Syndic fees	7,855,269	7,304,267	-	-
Sales of shops, apartments and parkings	2,646,221	37,271,605	-	-
Interest income	-	-	1,563,467	1,744,817
Dividend income	10,200	16,200	10,200	16,200
	<u>704,832,415</u>	<u>742,100,331</u>	<u>1,573,667</u>	<u>1,761,017</u>

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

28. SEGMENTAL REPORTING

Group

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

- Bus transport services to the public
- Property development
- Investment holding

Segment assets and liabilities

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

	SEGMENT ASSETS		SEGMENT LIABILITIES	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
Bus transport services to the public	265,028,922	243,124,811	597,544,070	649,878,387
Property development	671,043,833	695,122,723	71,561,069	72,686,150
Investment holding	70,755,414	56,028,812	12,711,932	12,034,830
Consolidated total assets/liabilities	1,006,828,169	994,276,346	681,817,071	734,599,367

For the purpose of monitoring segment performance and including resources between segments:

- All assets are allocated to reportable segments. There are no assets jointly used by reportable segments; and
- All liabilities are allocated to reportable segments. There are no liabilities for which reportable segments are jointly liable.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	SEGMENT REVENUE		SEGMENT RESULTS	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
Bus transport services to the public	617,574,213	627,958,979	56,652,322	25,671,767
Property development	87,248,002	114,125,152	28,579,141	62,675,696
Investment holding	10,200	16,200	(579,083)	2,934,607
	704,832,415	742,100,331	84,652,380	91,282,070

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales in the current year (2018: Rs Nil). The accounting policies of the reportable segments are the same as the accounting policies described in note 3(t). Segment profit represents profit after taxation earned by each segment.

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

28. SEGMENTAL REPORTING - GROUP (CONT'D)

Other segmental reporting

	Bus Transport Services	Property Development	Investment Holding	Total
	Rs	Rs	Rs	Rs
2019				
Interest income	510,209	104,243	-	614,452
Interest expense	4,455,068	1,443,402	-	5,898,470
Depreciation and amortisation	39,092,603	30,449,654	-	69,542,257
Income tax expense	(10,957,632)	(2,032,950)	-	(12,990,582)
Additions to investment property	-	5,562,842	-	5,562,842
Additions to property, plant and equipment	8,431,082	17,522	-	8,448,604
2018				
Interest income	7,864	351,966	-	359,830
Interest expense	10,620,052	3,194,146	-	13,814,198
Depreciation and amortisation	42,341,562	10,952,203	-	53,293,765
Income tax expense	(5,511,734)	(8,769,251)	-	(14,280,985)
Additions to investment property	-	19,713,055	-	19,713,055
Additions to property, plant and equipment	10,690,209	279,274	-	10,969,483

Geographical information and information about major customers

Since all the operations are carried out locally, the geographical reporting disclosure is therefore not applicable. There are no single customer which contributes 10% or more to the Group's revenue in either 2019 or 2018.

Notes to the Financial Statements (cont'd)

For the year ended 30 June 2019

29. NON-CASH TRANSACTION

During the year, the Group and Company entered into the following non-cash transactions which are not reflected in the statements of cash flows:

	GROUP		COMPANY	
	2019 Rs	2018 Rs	2019 Rs	2018 Rs
Property, plant and equipment acquired under finance lease	-	8,446,000	-	-

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At 1 July 2017 Rs	Financing cash flows Rs	At 30 July 2018 Rs	Financing cash flows Rs	At 30 June 2019 Rs
Bank loans	226,215,667	(148,215,667)	78,000,000	(78,000,000)	-
Amounts due to related parties	16,700,000	19,700,000	36,400,000	(500,000)	35,900,000
Obligations under finance lease	6,207,384	(1,320,771)	4,886,613	(1,320,771)	3,565,842
	<u>249,123,051</u>	<u>(129,836,438)</u>	<u>119,286,613</u>	<u>(79,820,771)</u>	<u>39,465,842</u>

The cash flows from bank loans, amounts due to related parties, finance leases and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement.

United Bus Service Ltd
Les Cassis - Port Louis
Mauritius