

2020

# ANNUAL REPORT

YEAR ENDED JUNE 30, 2020

Multi-Media Group specialist in Medias,  
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DISTRIBUTION &  
LOGISTIQUE

LA SENTINELLE LTD AND ITS SUBSIDIARIES

# **ANNUAL REPORT**

YEAR ENDED JUNE 30, 2020

**Conception & Page Layout :**  
**Business Publications Ltd**

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LA SENTINELLE LTD AND ITS SUBSIDIARIES

YEAR ENDED JUNE 30, 2020

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DIRECTORS & MANAGEMENT

**BOARD OF DIRECTORS**

PHILIPPE ALAIN **FORGET**  
JEAN MICHEL CARLO **FELIX**  
JACQUES PIERRE **FORGET**  
MARIE ANTOINE JEAN DENIS **ITHIER**  
JEAN NOEL **HUMBERT**  
ELMER LOÏC **FORGET** (alternate Director to both  
Messrs. Philippe Alain FORGET and Jacques Pierre FORGET)

**MANAGEMENT**

Philippe Alain **FORGET**  
**Non-Executive Chairman**

Marie Antoine Jean Denis **ITHIER**  
**Chief Executive Officer**

Nadarajen **SIVARAMEN**  
**Group Publications Manager**

Jack Edward **DACRUZ**  
**Group Finance Manager**

Areff **SALAUROO**  
**Group Human Resource Manager**

Clifford **COLIMALAY**  
**Group Publishing Manager**

Ejaz **GOBINDRAM**  
**Group Production and Technical Manager**

Vincent **VIBERT**  
**Group Marketing and Strategies Manager**

## DIRECTORS & MANAGEMENT

### **COMPANY SECRETARY**

Navitas Corporate Services Ltd

### **AUDITORS**

Ernst & Young

### **BANKERS**

The Mauritius Commercial Bank Ltd  
State Bank of Mauritius Ltd  
Absa Bank (Mauritius) Limited

### **REGISTERED OFFICE**

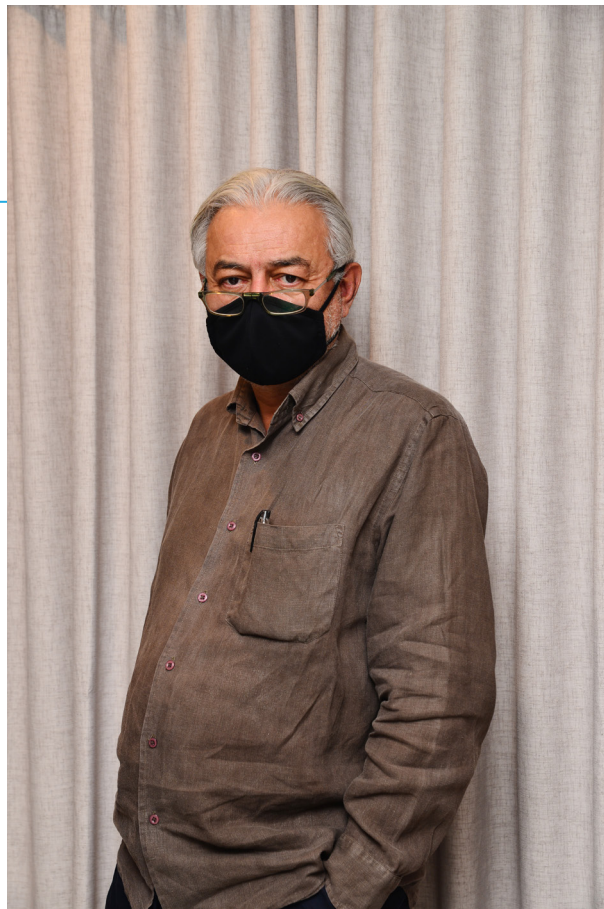
Rue des Oursins, Baie du Tombeau  
Republic of Mauritius  
Tel. : 206 8200 - Fax : 247 1061  
Email : corporate@lasentinelle.mu

# CHAIRMAN'S REPORT

Chers co-actionnaires,

D'abord et avant tout, mes excuses quant au retard de la publication des comptes annuels de votre compagnie et, partant, la tenue très tardive de notre Assemblée Générale de fin d'année financière. Ces retards malheureux sont principalement le fait de la Covid-19, nos auditeurs étant tenus de vérifier les chiffres avec d'autant plus de précision et à provisionner méticuleusement là où ils le pensaient nécessaire. Le contrôle de qualité de ces comptes par EY en Afrique du Sud a aussi ajouté aux délais.

Sur le plan strictement financier, l'année au 30 juin 2020 aura été une vraie *Annus Horribilis*, le chiffre d'affaires étant réduit d'un peu plus que 15%, conséquence directe de la pandémie et du *Lockdown*. Votre compagnie qui a été continuellement profitable depuis plus de cinquante ans maintenant, affiche cette année une perte de Rs 183 millions, ce qui efface du coup, les profits du groupe pour les six dernières années !



Il est important cependant de souligner que presque Rs 130 millions de ces pertes de Rs 183 millions sont, en fait, des « non cash items » ; provisions et dépréciation comprises. Avec l'aide de nos banquiers qui accordaient des moratoires sur le remboursement de prêts ainsi que quelques accommodements sur le fond de roulement, nous pensons avoir passé le pire quand le 1<sup>er</sup> *Lockdown* fut terminé le 1<sup>er</sup> juin 2020. Cependant, la reprise des activités dans un pays déconfiné n'a pas été simple non plus, la plupart de nos clients jouant de prudence sur la publicité et les commandes d'impression. Le boycott gouvernemental pernicieux s'étend maintenant même aux permis pour organiser des foires commerciales, ce qui ne va pas aider. Le *Lockdown* de 75 jours l'an dernier a, par ailleurs, aussi cassé les habitudes d'achat de nos publications et si une partie des réductions de vente a été récupérée par les journaux et magazines électroniques, il était déjà clair que remonter la pente serait compliqué lors de l'année financière au 30 juin 2021. D'autant que le deuxième *Lockdown*, intervenant sur un peu plus que 50 jours et se terminant le 1<sup>er</sup> mai 2021 a été un coup d'arrêt additionnel, même s'il a été plus facile d'opérer et de produire grâce à des WAPs plus souples que l'année précédente

De tels bouleversements ont évidemment des conséquences et rendent certaines décisions nécessaires. Il n'y a pas eu de dividendes, le budget capex a été réduit à sa plus simple expression, des lignes de métier déficitaires ont été arrêtées et certaines rationalisations ont été effectuées sous la contrainte. L'impact de ces mesures devrait être plus visible dans les comptes des résultats 2020/21, mais il est probable qu'ils soient largement défaits par le deuxième *Lockdown*.

La rationalisation du groupe se poursuit activement, mais nous sommes conscients que notre activité de production est elle-même confrontée à un environnement économique frileux et plus cher à la fois. Ainsi, la plupart de nos lignes de métier sont liées au prix mondial du papier qui aura progressé d'entre 50% (pour le *newsprint*) et 75 % (pour du *White Board*) en un an ! De plus, le fret est plus cher et les connections maritimes moins fréquentes, forçant à des stocks supplémentaires alors que la roupie s'affaiblit. Tout cela a forcément un impact sur les prix pratiqués avec nos clients, à qui nous passons, de toute manière, une partie des gains d'efficacité que nous sommes en mesure de concrétiser.

Les projets dont je vous parlais en 2019 et qui étaient en retard n'ont pas été faciles à mettre en place et à activer en période de pandémie, mais sont aujourd'hui lancées : l'emménagement de l'entrepôt nous économise environ Rs 3 millions par an et les produits de Eco-planète ou nous sommes en partenariat avec un grand groupe de distribution alimentaire réunionnais vers qui on exportera, sont maintenant déjà sur le marché local. Au niveau des opérations industrielles de chez Caractère, notre activité demeure solide et un nouveau créneau pour des conditionnements « *food grade* », en papier, conforme aux demandes des clients, portent certains de nos espoirs au moment où l'on s'achemine vers l'élimination du plastique à usage unique en janvier 2022.

Par contre, 125 jours de *Lockdown* ont sérieusement fait souffrir la vente de nos journaux et de nos magazines et Mc Easy affiche à nouveau des pertes au 30 juin 2020.

Les résultats pour 2020/21 ne seront pas bons, mais du moins jusqu'à tout récemment étaient en amélioration matérielle par rapport à l'année précédente.

"*Let us be grateful for small mercies*" aurait dit l'autre, en ces circonstances. J'ajouterais, tout en remerciant notre personnel qui a été très largement exemplaire, que nous nous battons évidemment pour renouer avec des profits le plus tôt possible. C'est la priorité absolue.

*Philippe A. Forget*

laSENTINelle

*Four devancer demain*

LA SENTINELLE LTD AND ITS SUBSIDIARIES



# ANNUAL REPORT

YEAR ENDED JUNE 30, 2020



MEDIAS



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# ANNUAL REPORT

LA SENTINELLE LTD AND ITS SUBSIDIARIES  
YEAR ENDED JUNE 30, 2020

The Board of Directors of LA SENTINELLE LTD (the "Company" or "LSL") is pleased to present the Annual Report of the Company and its subsidiaries for the financial year ended June 30, 2020.

## NATURE OF BUSINESS

The principal activities of the Group consist of publishing newspapers and specialized magazines, designing commercial packaging, sales of prime advertising space and providing printing and freight forwarding services. The Group also proposes news in visual and audio format.

## RESULTS AND DIVIDENDS

The statements of comprehensive income for the financial year ended June 30, 2020, is shown on page 8.

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Turnover	<u>1,017,558,817</u>	<u>1,203,525,265</u>	<u>210,919,234</u>	<u>305,284,725</u>
(Loss)/Profit for the year	<u>(183,872,952)</u>	<u>9,666,014</u>	<u>(21,044,600)</u>	<u>10,791,646</u>

During the year under review, a final dividend for the year ended June 30, 2019 of Rs. 4,496,000/- has been declared and paid in February 2020.

## DIRECTORS

The Directors of the Company as at June 30, 2020 were:

Mr. Philippe Alain FORGET (Non-Executive Chairman)

Mr. Jacques Pierre FORGET

Mr. Marie Antoine Jean Denis ITHIER

Mr. Jean Michel Carlo FELIX

Mr. Jean Noël HUMBERT

Mr. Elmer Loic FORGET (alternate Director to both Messrs. Philippe Alain FORGET and Jacques Pierre FORGET)

The Directors of the subsidiaries have been disclosed on page 40.

## DIRECTORS' SERVICE CONTRACT

Mr. Marie Antoine Jean Denis ITHIER, Director of the Company, has a service contract with the Company with no expiry terms

Messrs. Clifford COLIMALAY, Jack DACRUZ and Nadarajen SIVARAMEN, Directors of subsidiary companies, have a service contract with the Company with no expiry terms

Mr. Elmer Loic FORGET, Director of subsidiary companies, has a service contract with LSL Digital Ltd.

Messrs. Désiré Thierry Marino MARTIN and Guiliano Clarel Jean Marie MICHAUD, Directors of MC Easy Freight Co. Ltd, have a service contract with the said subsidiary company with no expiry terms.

Mr. Patrick OLIVER, Director of Caractere Reunion, has a service contract with Caractere Limitée.

## DIRECTORS' SHARE INTEREST

The Directors' direct and indirect interests in the stated capital of the Company or its subsidiaries are detailed on page 28.

# ANNUAL REPORT

## DIRECTORS' REMUNERATION AND BENEFITS

Remuneration and benefits received by the Directors from the Company and its subsidiaries were as follows:

	2020	2019
	Rs.	Rs.
<b>Executive Director</b>		
Marie Antoine Jean Denis Ithier	<b>4,053,814</b>	4,695,107
<b>Non Executive Directors</b>		
Philippe Alain FORGET	<b>2,019,880</b>	2,017,080
Jacques Pierre FORGET	<b>60,000</b>	60,000
Jean Michel Carlo FELIX	<b>30,000</b>	30,000
Jean Noël HUMBERT	<b>45,000</b>	45,000
	<b>6,208,694</b>	6,847,187

None of the Directors received any remuneration and benefits from the subsidiaries of the Company.

## DONATIONS (INCLUDING CSR)

Donations made during the financial year by the Company and its subsidiaries are as follows:

	2020	2019
	Rs.	Rs.
La Sentinelle Ltd	<b>203,888</b>	206,870
Caractère Limitée	<b>43,000</b>	181,200
5-Plus Ltd	<b>27,000</b>	49,000
MC Easy Freight Co Ltd	<b>86,670</b>	20,000
Business Publications Ltd	<b>19,000</b>	-
Mediatiz Ltd	<b>30,000</b>	7,259
	<b>409,558</b>	464,329

During the year under review, neither the Company nor its subsidiaries made any political contribution.

## AUDITOR'S FEES

The fees paid to the external auditor, Ernst & Young, for the audit and other services were:

	2020		2019	
	Audit Rs.	Other Services Rs.	Audit Rs.	Other Services Rs.
La Sentinelle Ltd	700,000	539,000	1,023,750	600,267
Caractère Limitée	550,000	97,000	529,200	150,265
MC Easy Freight Co Ltd	500,000	80,000	367,500	30,000
Business Publications Ltd	340,000	111,500	245,000	80,000
5-Plus Limited	192,000	107,500	190,050	85,000
Mediatiz Ltd	68,000	14,000	68,250	20,400
Health Publications Ltd	-	11,000	-	-
Eye-Catch Limited	-	10,000	-	-
LSL Digital Ltd	-	5,000	-	-
Graphic Press Limited	-	5,000	-	-
La Sentinelle Training Centre Ltd	-	5,000	-	-
One Advertising Limited	-	5,000	-	-
	<b>2,350,000</b>	<b>990,000</b>	<b>2,423,750</b>	<b>965,932</b>

The fees for other services are in respect of accounting, taxation and consultancy services.

Approved by the Board of Directors on **June 09, 2021** and signed on its behalf by:



**Philippe Alain FORGET**  
Non-Executive Chairman

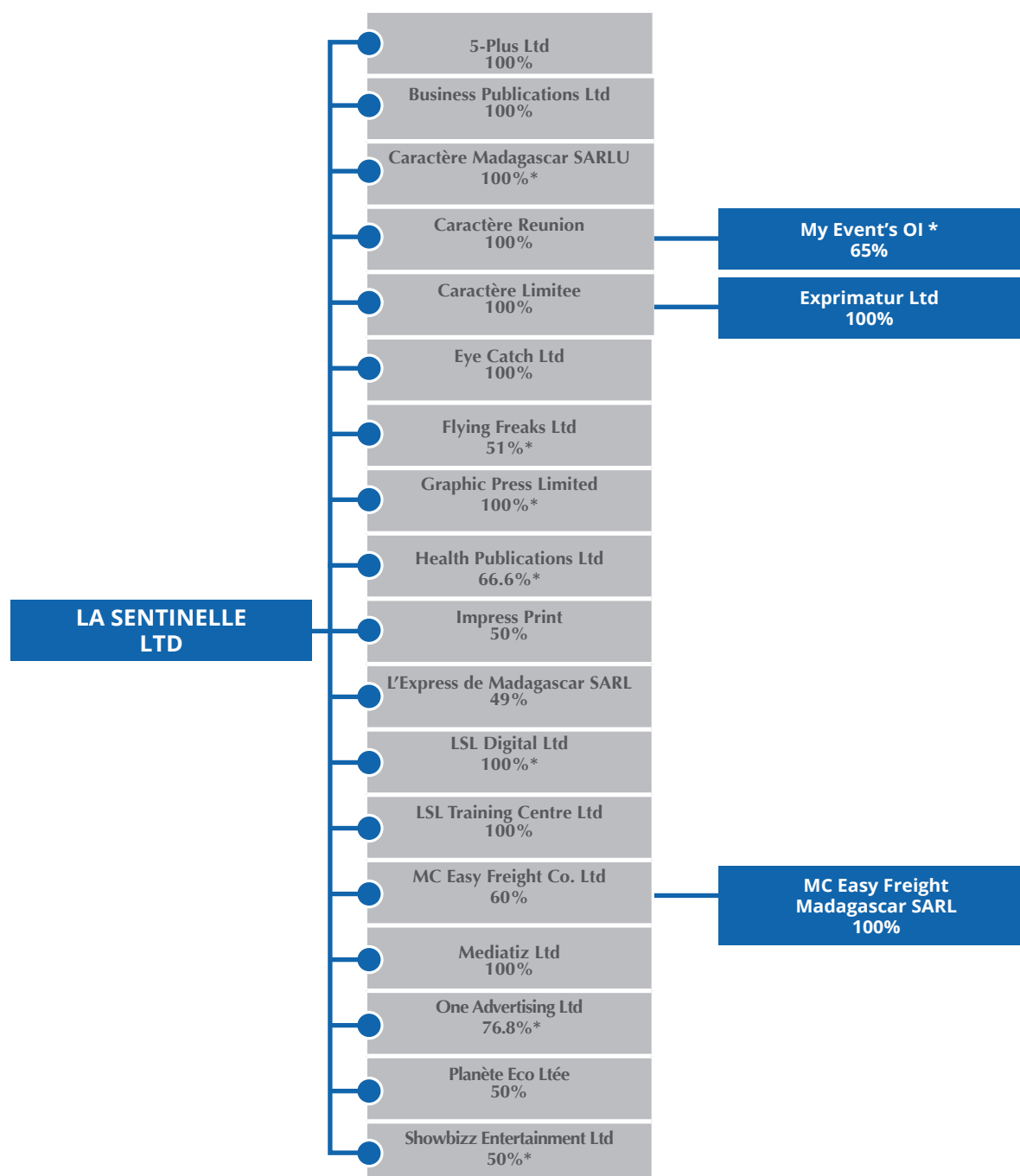


**Marie Antoine Jean Denis ITHIER**  
Executive Director

# ANNUAL REPORT

## GROUP STRUCTURE

The detailed group structure of the Group as at June 30, 2020 is as per below:



\* These companies have ceased trading activities.

# STATEMENT OF COMPLIANCE

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## **Section 75(3) of The Financial Reporting Act 2004)**

**Name of the Public Interest Entity:** LA SENTINELLE LTD ("LSL")

**Reporting Period:** June 30, 2020

On behalf of the Board of Directors of LSL, we confirm that, to the best of our knowledge, the Company is applying with all the obligations and requirements of the National Code of Corporate Governance for Mauritius (2016) (the 'Code'), save for the independence of Chairman and Board Diversity. The reasons for non-compliance are included in this Report.



**Philippe Alain FORGET**  
*Non-Executive Chairman*



**Marie Antoine Jean Denis ITHIER**  
*Executive Director*

**June 09, 2021**

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 1: Governance Structure

### **COMPLIANCE WITH THE NATIONAL CODE OF CORPORATE GOVERNANCE FOR MAURITIUS(2016)**

La Sentinelle Ltd (the “Company” or “LSL”), a company incorporated in the Republic of Mauritius, is a Public Interest Entity as defined by the Financial Reporting Act 2004. The Board of Directors and management of the Company are committed to the highest standards of business integrity, transparency and professionalism to ensure that the activities within the Company are managed ethically and responsibly to enhance business value for all stakeholders.

The Board of Directors (the “Board”) assumes full responsibility for leading and controlling the organisation and meeting all legal and regulatory requirements. Besides, the Board is collectively responsible for the long term success, reputation and governance of the Company. The Board also determines the Company’s mission, vision, values and strategy.

This report describes, amongst others, the main corporate governance framework and compliance requirements of the Company which are laid down in the following:

- LSL’s Constitution;
- LSL’s Board Charter;
- LSL’s Audit & Risk Committee Charter;
- the Companies Act 2001;
- the Financial Reporting Act 2004;
- the Securities Act 2005;
- the Disclosures required under the National Code of Corporate Governance for Mauritius (2016) (“the Code”).

LSL has adopted a Board Charter that provides for the terms of reference for the Board and describes how the Board operates, as suggested in the generic guidance of the Code.

Moreover, the Group is committed to ethical practices in the conduct of its business. The Group has a ‘Code de Déontologie’ for its editorial staff as well as an Ethics Policy for all the employees at large.

The Group has also a Complaints Committee constituted of independent external members to address editorial complaints received from the public.

Additionally, LSL has ensured that a written job description/position statement for each senior governance position, a written description of the major accountabilities within the organisation, as well as the organisational chart have been formalised.

The above-mentioned documents are presently not published on the website of the Company but same are available upon request in writing to the Company Secretary. Henceforth, these will be soon available on the company’s website.

### **COMPANY’S CONSTITUTION**

LSL’s Constitution is in conformity with the provisions of the Companies Act 2001 and there are no clauses of the Constitution deemed material enough for special disclosure.

A copy of LSL’s Constitution is available upon request in writing to the Company Secretary.

## PRINCIPLE 2: The Structure of the Board and its Committees

### BOARD STRUCTURE

LSL is led by an effective unitary Board which is the favoured structure for companies in Mauritius.

During the year under review, the Board was composed of five (5) members under the Chairmanship of Mr. Philippe Alain FORGET as follows:

- One (1) Executive Director;
- One (1) Non-Executive Directors; and
- Three (3) Independent Non-Executive Directors.

The notion of independent directors is based on the criteria provided under the Generic Guidance of the Code.

### BOARD SIZE

The LSL's Constitution specifies that the Board of Directors shall consist of not less than five (5) and not more than eight (8) Directors.

As per the provisions of LSL's Constitution, Directors are appointed from time to time by ordinary resolutions of the Shareholders. Besides, the Directors shall have power at any time to appoint any person to be a Director either to fill a casual vacancy or as addition to the existing Directors.

Furthermore, each Director may offer himself/herself for re-election at each Annual Meeting of Shareholders of the Company.

### BOARD COMPOSITION

As at June 30, 2020, the Board of LSL was composed as follows:

<b>Directors</b>	<b>Categories</b>
Philippe Alain FORGET	Non-Executive Chairman
Jacques Pierre FORGET	Independent Director Non-Executive
Marie Antoine Jean Denis ITHIER	Executive Director
Jean Michel Carlo FELIX	Independent Non-Executive Director
Jean Noël HUMBERT	Independent Non-Executive Director

The Board is of the view that its present composition is adequately balanced and the size is appropriate for the current scope and the nature of the Group's operations. The current Directors have the range of skills, expertise and experience to carry out their duties properly. The Board is however undertaking the necessary steps for the appointment of an additional female Non-Executive Director.

All the Directors are residents and citizens of Mauritius.

The names of all Directors, their profiles and their categorisation as well as their directorship details in other listed companies are set out in the Profiles of the Directors' section of this report.

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 2: The Structure of the Board and its Committees (Continued)

### **BOARD DIVERSITY**

The Board Members of LSL are of the same gender and are all ordinarily residents of Mauritius.

LSL believes in promoting Gender Equality and in order to be compliant with the provisions of the Companies Act 2001, the Company is currently taking the steps for the appointment of a female candidate as a Non-Executive Director of the Company.

LSL is also an equal opportunity employer which has a non-discrimination policy that covers its senior governance positions and includes diverse professional backgrounds with a broad mix of skills and competencies.

Notwithstanding the fact that female non-executive director will be appointed to the Board at the earliest, LSL believes that the current Directors possess the appropriate expertise and knowledge to discharge their duties and responsibilities effectively and to meet the Company's business requirements.

### **BOARD OF DIRECTORS**

The Board of Directors is LSL's ultimate decision-making entity and exercises leadership, entrepreneurship, integrity and sound judgement in directing the Company so as to achieve continuing prosperity for the organisation while ensuring both performance and compliance.

It is ultimately accountable and responsible for the performance and affairs of the Company namely, the review and adoption of strategic plans, the overview of business performance, the adoption of appropriate risk management systems and the establishment of proper internal control systems.

Besides, it is also the Board's responsibility to provide effective corporate governance and to be the focal point of the corporate governance system.

Other roles of the Board of Directors are, inter alia:

- To define the Company's strategic goals and objectives and to ensure that necessary resources are in place to achieve the set goals;
- To keep proper accounting records, and ensure that a true and fair set of financial statements are prepared;
- To review management performance;
- To review and approve the system of internal controls, compliance with appropriate laws and regulations including the Code; and
- To ensure communication with the shareholders and relevant stakeholders (internal & external) openly and promptly with substance prevailing over form.



## PRINCIPLE 2: The Structure of the Board and its Committees (Continued)

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Members of the Board of Directors believe that it is in the interest of the Company that Mr. Philippe FORGET, acts as Non-Executive Chairman of the Board of Directors.

The titles, functions and roles of the Non-Executive Chairman of the Board of Directors and Chief Executive Officer are kept separate as per the Code.

In his role as Chairman of LSL, Mr. Philippe FORGET is responsible for leading the Board and ascertaining its effectiveness. He is also responsible for ensuring that the Directors receive accurate, timely and clear information and he encourages the active participation of all Board members in discussions and decisions.

On the other hand, Mr. Marie Antoine Jean Denis ITHIER in his capacity as Chief Executive Officer of LSL is responsible for the executive management of the LSL's operations and for developing the long-term strategy and vision of the Company.

### BOARD MEETINGS

The Board meetings are held once each quarter and at any additional times as the Company requires. Decisions taken between meetings are confirmed by way of resolutions in writing, agreed and signed by all Directors then entitled to receive notice.

The Board meetings are conducted in accordance with the Company's Constitution and the Companies Act 2001 and are convened by giving appropriate notice to the Directors.

Detailed agenda, as determined by the Chairman, together with other supporting documents are circularised in advance to the Directors to enable them to deliberate in a focused and informed manner at Board meetings. To address specific urgent business needs, meetings are at times called at shorter notice. Furthermore, the Directors have the right to request independent professional advice at the expense of LSL.

A quorum of four (4) Directors is currently required for a Board Meeting of LSL and in case of equality of votes, the Chairman has a casting vote.

During the year under review, the Board met three (3) times (including an e-meeting). Decisions were also taken by way of resolutions in writing, agreed and signed by all Directors then entitled to receive notice of the meeting.

The minutes of the proceedings of each Board meeting are recorded by the Company Secretary and are entered in the Minutes Book of the Company. The minutes of each Board meeting are submitted for confirmation at its next meeting and these are then signed by the Chairman and the Company Secretary.

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 2: The Structure of the Board and its Committees (Continued)

### BOARD COMMITTEES

The Code provides that Board committees are a mechanism to assist the Board of Directors in discharging its duties and responsibilities through a more comprehensive evaluation of specific issues, followed by well-considered recommendations to the Board.

As such, an Audit & Risk Committee has been set up to oversee the financial reporting process, internal control policies, internal audit function, external audit performance and risk management system of the Company.

The said Committee operates within a defined Charter and independently of the Board.

The Board of Directors reviews the composition and assesses the terms of reference of the above mentioned Committee on an annual basis to ensure that same are being applied correctly and that the said terms of reference are still compliant with the various regulations.

The Board Charter is assessed on an annual basis, unless there is a change in any law that requires the Board to reassess the Charter.

#### **Audit & Risk Committee**

The composition of the Audit & Risk Committee has remained unchanged during the year under review.

At the date of this report, the membership of the said Committee is as follows:

<b>Members</b>	<b>Category</b>
Jean Michel Carlo FELIX (Chairman)	Independent Non-Executive Director
Jacques Pierre FORGET	Non-Executive Director
Jean Noël HUMBERT	Independent Non-Executive Director
In attendance (when deemed appropriated)	
Philippe Alain FORGET	Non-Executive Chairman
Marie Antoine Jean Denis ITHIER	Executive Director
Jack Edward DACRUZ	Group Finance Manager
Ernst & Young	External Auditors – Independent Service Provider

## PRINCIPLE 2: The Structure of the Board and its Committees (Continued)

### BOARD COMMITTEES (CONTINUED)

#### Audit & Risk Committee (Continued)

The Audit & Risk Committee operates under the terms of reference approved by the Board.

The main functions of the Audit & Risk Committee are as follows:

- reviewing the effectiveness of the Group's internal control and reporting systems;
- monitoring the effectiveness of the internal audit function;
- overseeing the financial reporting procedures in line with the relevant accounting standards;
- recommending the Board of Directors on the appointment of external auditors, reviewing their scope of work and their remuneration;
- monitoring the effectiveness and independence of external auditors;
- recommendation of the condensed unaudited quarterly financial statements; and
- maintaining the integrity of the financial statements.

During the year under review, the Audit & Risk Committee has not met.

Ernst & Young have been re-appointed as external auditors at the Annual Meeting of the Company held on December 27, 2019.

Upon recommendation of the Board, the re-appointment of Ernst & Young will be recommended for approval at the forthcoming Annual Meeting of shareholders.

The Audit & Risk Committee confirms that it has fulfilled its responsibilities for the year under review, in accordance with its Terms of Reference.

### ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Attendance at Board and Committee meetings for the year under review is as follows:

<b>BOARD AND BOARD COMMITTEE</b>	<b>Categories</b>	<b>Board Meetings</b>	<b>Audit &amp; Risk Committee</b>
<b>Directors</b>			
Philippe Alain FORGET	Non-Executive Chairman	2/2	-
Jacques Pierre FORGET	Non-Executive Director	2/2	-
Marie Antoine Jean Denis ITHIER	Executive Director	2/2	-
Jean Michel Carlo FELIX	Independent Non-Executive Director	1/2	-
Jean Noël HUMBERT	Independent Non-Executive Director	2/2	-
<b>In attendance</b>			
Jack Edward DACRUZ	Group Finance Manager	2/2	-
Areff SALAUROO	Group Human Resource Manager	1/1	-
Andre LAI	Partner at Ernst & Young	1/1	-
Winda CHEVALIER	Manager at Ernst & Young	1/1	-

\* In attendance – not a member

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 3: Director's Appointment Procedures

The Board assumes responsibilities for appointment, induction of new directors and succession planning of Directors.

### PROFILES OF THE DIRECTORS

The names of the Directors, their categories and their profiles as well as their details in listed companies are provided hereafter.

#### **Philippe Alain FORGET – Non-Executive Chairman**

Philippe A. Forget holds a First Class (Honours) BSc in Computational & Statistical Analysis from the University of Liverpool as well as an MSc (with distinction) in Management and operational Research from Imperial College, London. He was an Executive Director at the Mauritius Commercial Bank Ltd between 2005 and March 2013 and a Director of Rogers and Company Limited from September 2015 to February 2018. In addition, he is a Director at Clavis Primary School, Le Bocage International School and Ruth Residence, an old people's residence, since their very inception. He is also a member of Special Educational Needs Society (SENS) which takes care of and supports children with special needs, namely dyslexic children.

*Directorship in other companies: 5-Plus Ltd; Business Publications Ltd; Caractère Limitée; Eye Catch Ltd; Graphic Press Ltd; Health Publications Ltd; LSL Training Centre Ltd; Mc Easy Freight Ltd; Mediatiz Ltd; Planète Eco Ltée; Clavis Primary School; Le Bocage International School; Ruth Residence.*

#### **Jean Michel Carlo FELIX – Independent Non-Executive Director**

Jean Michel Carlo Felix is a fellow of the Association of Chartered Certified Accountants (ACCA), a Certified Internal Auditor (CIA) from the Institute of Internal Auditors (IIA) as well as a Risk and Information Systems Control specialist CRISC (qualification from the Information Systems Audit and Control Association). He has more than 25 years of audit, advisory and consulting experience in African, Middle East, Asian and European countries, having also held multiple senior positions in a leading local group operating in the financial sector. As at date, he spearheads a locally based international consulting company.

*Directorship in other companies: 5-Plus Ltd; Business Publications Ltd; Caractère Limitée; Eye Catch Ltd; Graphic Press Ltd; LSL Training Centre Ltd.*

## PRINCIPLE 3: Director's Appointment Procedures (Continued)

### PROFILES OF THE DIRECTORS (Continued)

#### **Jacques Pierre FORGET – Non-Executive Director**

Jacques Forget holds a combined diploma in sugar cane agronomy and sugar technology with distinction from the University of Mauritius. He worked 37 years in the Mauritian Sugar Industry. During the last 14 years, he managed the Medine Sugar Estate and its associated companies. From 2006 until his retirement in 2011, he was appointed as a managing director of Medine Ltd.

*Directorship in other companies: 5-Plus Ltd; Business Publications Ltd; Caractère Limitée; Eye Catch Ltd; Graphic Press Ltd, LSL Training Centre Ltd; Vox Pop Ltd.*

#### **Marie Antoine Jean Denis ITHIER – Executive Director**

Denis Ithier holds a BA (Admin) from the University of Mauritius. He started his career in teaching, then shifted to Sales and Marketing in 1986. He joined La Sentinelle Ltd in 1990 as Marketing Manager. From 1995 to 2007, he was the Commercial Manager for the Group. He has also exercised as the General Manager of the Prey Group in Madagascar. He then returned to La Sentinelle Group as Chief Operating Officer in 2009 and was promoted to Chief Executive Officer in 2010.

*Directorship in other companies: 5-Plus Ltd; Business Publications Ltd; Caractère Limitée; Eye Catch Ltd; Flying Freaks Ltd; Graphic Press Ltd; Health Publications Ltd; LSL Digital Ltd; LSL Training Centre Ltd; Mc Easy Freight Ltd; Mediatiz Ltd; One Advertising Ltd; Planète Eco Ltée; Vox Pop Ltd.*

#### **Jean Noël HUMBERT - Independent Non-Executive Director**

Jean Noël Humbert is currently holding the position of Senior Consultant within the Eclasia Group. He has a wide experience in the field of agro-industry, having managed different companies in the sector and has been working closely with the business community in Mauritius in his previous capacities as General Secretary of the Mauritius Chamber of Agriculture (1997-2005) and Chief Executive Officer of the Mauritius Sugar Syndicate (2005-2015). He has also acted as President of the National Productivity and Competitiveness Council, and is the holder of an Honours Degree in Agriculture and a Diploma in Agriculture & Sugar Technology.

*Directorship in other companies Caractere Limitée; Aquarium Management Services Ltd; Eclasia Corporate Services Ltd; Eclasia Secretarial Services Ltd; ENL Limited; Livestock Feed Ltd; Maurilait Production Ltée; New Maurifoods Ltd; Oceanarium (Mauritius) Ltd.*

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 3: Director's Appointment Procedures (Continued)

### PROFILES OF THE SENIOR MANAGEMENT TEAM

#### **Nadarajen SIVARAMEN – Group Publications Manager**

Nad Sivaramen holds a master's degree in Communication Studies from the University of Reunion/Paris-Sorbonne. He also trained at the "Ecole des métiers de l'Information" in Paris and has done graduate-level research at Harvard on the *militarisation* of the Indian Ocean during the post-Cold-War period. He was the 2006 recipient for the best news story in Africa from Radio France International/Reporters without Borders/International Organisation of "La Francophonie". Nad was the editor in chief of "l'Express-Dimanche"(2005-2008), then left for the United States where he worked as a researcher in Human Security for private and US government organizations. Nad came back to La Sentinelle in April 2013 as Director of Publications.

#### **Jack Edward DACRUZ – Group Finance Manager**

Jack Edward Dacruz is a Chartered Certified Accountant and holds a Master degree in Risk Management from Monash University, Australia. He has many years of experience in various sectors. He started his careers in England. He then joined a big four audit firm in Mauritius before being head of finance of the IT business unit of a leading group of companies. His career then led him to Australia where he worked for the professional body for General Practitioners. Once back in Mauritius he joined one of the telecommunication operators. He then joined a high-end international telecommunication operator that owns and operates a submarine cable along eastern and southern coasts of Africa. He is a fellow member of the Association of Chartered Certified Accountant (UK), member of the Mauritius Institute of Professional Accountants and member of the Mauritius Institute of Directors. He joined the Group in April 2015.

#### **Areff SALAUROO - Group Human Resource Manager**

Areff Salauroo holds an MBA and a PGD in Quality Management. He is a Chartered Fellow of the Chartered Institute of Personnel & Development (CIPD, UK) and other Professional Associations, as well as a Fellowship from Indian Institute of Quality Management (IIQM) and the Institute of Leadership and Management (U.K). He started his career as Group H.R Director for Mauri-Garments which was taken over by CIEL and Coats Viyella, U.K. He then joined Air Mauritius before exercising as Group HR Director for the State Investment Corporation (SIC). He joined the Group in September 2007.

## PRINCIPLE 3: Director's Appointment Procedures (Continued)

### PROFILES OF THE SENIOR MANAGEMENT TEAM (Continued)

#### **Clifford COLIMALAY - Group Publishing Manager**

Clifford Colimalay is the holder of a 'Licence en Lettres' from Reunion University. He has also had various training opportunities with the 'Centre Africain de Formation à l'Édition et à la Diffusion' Tunisia. He started his career as language teacher, then joined Editions de l'Océan Indien as Publishing Officer and was finally promoted as Senior Manager Publishing and Printing. He was the Planning Manager of Circus Advertising in 1999. He then joined the Group as Manager of Graphic Press in May 2001. He is the Group Publishing Manager since 2010.

#### **Ejaz GOBINDRAM - Group Production and Technical Manager**

Ejaz Gobindram holds a BTS in Electro-Technic, a Diploma in Management Studies and an MBA. He has 15 years of experience in the electro technical field and 10 years' experience in engineering project management. He joined the Group in October 2002 as a Technician, was promoted in 2005 as Assistant Technical Manager. In 2008, he was promoted as Group Production and Technical Manager. He also holds a Project Leadership Certification.

#### **Vincent VIBERT - Group Marketing and Strategies Manager**

Vincent Vibert holds a master's degree in communication at the International Institute of Communication in Paris, and he began his advertising career at Euros RSCG France. Seven years later, he joined the Master group at Reunion and took on the deputy general management of the Facto Saatchi agency and launched the digital agency Adplay in Reunion and Mauritius. Later, he joined Circus Advertising as director of the digital division La Ola. In 2018 he joined Mediatiz as Managing Director and promoted as Group Marketing and Strategies Manager in 2019.

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 3: Director's Appointment Procedures (Continued)

### GROUP COMPANY SECRETARY

Navitas Corporate Services Ltd provides a wide range of corporate secretarial, administration and advisory services to domestic clients ranging from small stand-alone to large conglomerates listed on the Stock Exchange of Mauritius.

All Directors of LSL have access to the advice and services of the Company Secretary who is responsible for providing detailed guidance to the Chairman and the Directors as to their fiduciary duties, responsibilities and powers. The Company Secretary also ensures that the Company is at all times complying with its Constitution, Terms of Reference, applicable laws, rules and regulations.

Moreover, the Company Secretary assists the Chairman and the Board in implementing and strengthening good governance practices and processes with a view to enhance long-term stakeholders' value. The Company Secretary also administers, attends and prepares minutes of all Board meetings, Board Committee meetings and Shareholders' meetings.

The Company Secretary is also the primary channel of communication between the Company and its shareholders as well as the regulatory bodies.

### APPOINTMENT AND RE-ELECTION

The responsibility of selecting a new Director forms part of the responsibility of the Board and the re-election of all the Directors is tabled at each Annual Meeting of Shareholders of LSL.

### DIRECTOR'S INDUCTION

On appointment to the Board, the Chairman ensures that necessary information is disseminated to the new Director with respect to the business, products and services and how the Company operates. The Chairman also attends to any queries which may arise and the Company Secretary helps in the process by providing appropriate advices with regards to the Directors' duties and other legal responsibilities.

Furthermore, the new Director is invited to meet members of the management team in order to rapidly acquire a comprehensive view of the Company's current operations practices, acceptable risks level and medium and long term strategy. They are also made aware of their fiduciary duties and responsibilities.

### PROFESSIONAL DEVELOPMENT

LSL ensures that the necessary resources for developing and updating its Directors' knowledge and capabilities are provided as and when required.

The Board reviews regularly the professional development and ongoing education of all Directors for improved Board performance.



## PRINCIPLE 3: Director's Appointment Procedures (Continued)

### SUCCESSION PLANNING

The Board of Directors believes that suitable plans are in place for the orderly succession of appointments to the Board and to senior management positions in order to maintain an appropriate balance of knowledge, skills and experience within the organisation and on the Board.

## PRINCIPLE 4: Directors Duties, Remuneration and Performance

### LEGAL DUTIES

The Directors of LSL are aware of their legal duties and responsibilities as listed in the Companies Act 2001.

The Directors further confirm that they exercise their duties with a degree of care, skill and diligence.

### CODE OF ETHICS

The Group is firmly committed to public enlightenment, freedom of the press, equality, justice, professionalism, meritocracy and democracy and as such has set up a *'Code de Déontologie'* for its editorial staff as well as an Ethics Policy for all the employees at large. The Group also has a Complaints Committee constituted of independent external members to address editorial complaints received from the public.

The Board regularly monitors and evaluates compliance with its *'Code de Déontologie'* and its Ethics Policy and in its endeavour to promote safety for its employees, the Group has also set up a Health and Safety Policy, a Gender Policy and an Equal Opportunities Policy Statement.

### CONFLICT OF INTEREST

The Board of Directors strictly believes that a Director should make his best effort to avoid conflict of interest or situation where others might reasonably perceive such a conflict.

However, should any conflicts of interests arise, it is crucial for Directors to disclose them and the Interest Register is updated accordingly. The Interest Register is available for consultation by the shareholders upon written request to the Company Secretary.

It is the responsibility of each director to ensure that any conflicts of interests be recorded in the Interest Register, which is maintained by the Company Secretary.

As per LSL's Constitution, a Director who has declared his interest shall not vote on any matter relating to transaction or proposed transaction in which he is interested and shall not be counted in the quorum present for the purpose of that decision.

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 4: Directors Duties, Remuneration and Performance (Continued)

### **RELATED PARTY TRANSACTIONS**

Related party transactions are outlined in Note 32 to the Financial Statements.

Conflict of interest and related party transactions, if any, are conducted in accordance with LSL's Ethics policy.

### **INFORMATION, INFORMATION TECHNOLOGY AND INFORMATION SECURITY GOVERNANCE**

The Board is responsible to oversee information governance within the Company and ensures that the performance of information and information technology (IT) systems lead to business benefits and create value.

The Group emphasises on the confidentiality, integrity, availability and protection of information, backed by an adapted information and information technology (IT) system.

The Board has decided to delegate to Management the implementation of a framework on information, information technology and information security governance.

The Board will also ensure that the information security policy be regularly reviewed and monitored and that sufficient resources be allocated in the annual budget towards the IT expenditure.

### **BOARD INFORMATION**

The Chairman, with the assistance of the Company Secretary, ensures that Directors receive all information necessary for them to perform their duties and that the Board has sufficient time for consultation and decision-making.

The Board members of LSL ensure that matters relating to the Company, learned in their capacity as Directors, are strictly confidential and private and shall not be divulged to anyone without the authority of the Board.

Besides as already mentioned above, the Directors have the right to request independent professional advice at the expense of the Company in cases where the directors judge it necessary.

### **DIRECTORS' AND OFFICERS' INDEMNITY AND INSURANCE**

LSL has subscribed to a liability insurance policy for the Directors and Officers.

## PRINCIPLE 4: Directors Duties, Remuneration and Performance (Continued)

### **BOARD EVALUATION AND DEVELOPMENT**

The Chairman ensures that the performance of the Directors is evaluated on a regular basis to ascertain that each Director continues to contribute effectively and demonstrate commitment to the role, including dedication of time to Board and Committee meetings and any other duties.

The Annual Meeting of Shareholders is also considered as part of the evaluation process.

The Directors forming part of the Board of the Company have been appointed in the light of their wide range of skills and competence acquired through several years of working experience and professional background.

The Board of the Company is of the view that its composition is adequately balanced and that the current Directors have the range of skills, expertise and experience to carry out their duties properly.

Furthermore, the Directors are chosen for their business experience and their ability to provide a blend of knowledge, skills, objectivity, integrity, experience and commitment to the Board. The Directors of LSL are free from any business or other relationships which would materially affect their ability to exercise independent judgement and are critical observers.

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 4: Directors Duties, Remuneration and Performance (Continued)

### STATEMENT OF REMUNERATION PHILOSOPHY

The remuneration philosophy of the Company is focused on setting an appropriate level of remuneration for the Directors as well as Senior Managers and staff in order to encourage optimal performance and contribution towards the realisation of the Company's objectives.

The Board of Directors is ultimately responsible for determining and bring up to date the Executive Directors' salaries (and any fringe benefit and annual bonuses) as well as the Non-Executive Directors' attendance fee. The Human Resource department has the delegated authority to determine, in conjunction with the Chief Executive Officer, the senior managers' and staff remunerations and benefits in line with prevailing market conditions.

### INTERESTS OF DIRECTORS AND OFFICERS IN THE SHARES OF THE COMPANY

The table below gives the direct and indirect interests of the directors in the shares of the Company as at June 30, 2020:

<b>Directors</b>	<b>Direct Interest (%)</b>	<b>Indirect Interest (%)</b>
Philippe Alain FORGET ( <i>Non-Executive Chairman</i> )	18.09	-
Jacques Pierre FORGET	0.20	-
Marie Antoine Jean Denis ITHIER (CEO)	0.34	-
Jean Michel Carlo FELIX	0.39	-
Jean Noël HUMBERT	0.20	-
Elmer Loic FORGET ( <i>Alternate Director to both Philippe Alain FORGET and Jacques Pierre FORGET</i> )	0.20	-
<b>Senior Management Team</b>		
Clifford COLIMALAY	0.10	-
Jack Edward DACRUZ	-	-
Ejaz GOBINDRAM	0.04	-
Areff SALAUROO	0.07	-
Nadarajen SIVARAMEN	0.10	-

None of the Directors and Officers had any interest in the equity of subsidiaries of LSL.

### SHARE DEALINGS BY DIRECTORS AND OFFICERS OF THE COMPANY

During the year under review, none of the Directors and Officers of the Company has dealt in the shares of LSL.

## PRINCIPLE 5: Risk Governance and Internal Control

The Board has overall responsibility for risk management and internal control.

### **INTERNAL CONTROL**

The Directors are responsible for ensuring that the whole systems of controls, financial and otherwise, in place is sufficient and appropriate to enable the Group to carry on business in an orderly and efficient manner, ensure adherence to management policies, safeguard assets and secure as far as possible the completeness and accuracy of records.

The system of internal controls can provide only a reasonable and not an absolute assurance against material misstatement or loss. It is the responsibility of Management to ensure that the internal control system is implemented and operated effectively.

### **FINANCIAL RISKS**

The financial risks of the Group are those linked to liquidity, interest rates, foreign currency exchange rates, credit, capital structure and profitability. The financial risks are further outlined in Note 3 to the Financial Statements.

The Group is also exposed to the fluctuation in the price of paper but it reduces this risk through close monitoring of the market prices and competitive bidding. It also ensures an efficient stock management.

The Group is addressing the risk of increased competition in the market by diversifying and adding value to its products.

### **OPERATIONAL RISKS**

The Group has a comprehensive insurance cover for all its assets against material damage, loss of profit and public liability. It has reliable suppliers which can restore the operations with least disruption in the event of unforeseen disasters.

### **BUSINESS CONTINUATION PLAN**

For critical operations, the Group has established maintenance contracts with service providers. The Group has assessed its business continuation and disaster capabilities strategy. The Business Continuity Plan has been approved by the Board and it was put to the test during the recent lockdown. The Group functioned properly during the lockdown. The Group is committed to always review and update its Continuity Plan.

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 5: Risk Governance and Internal Control (Continued)

### WHISTLE-BLOWING PROCEDURES

The Board is committed to its Whistle Blowing Policy which has set out La Sentinelle Group's written, formal whistle-blowing policy, consisting of responsible and effective procedures for disclosure or reporting of misconduct and impropriety so that appropriate actions are taken. It is intended to encourage employees and other relevant stakeholders to report unethical or illegal conduct of employees, management, and other stakeholders to appropriate parties in a confidential manner without any fear of harassment, intimidation, victimization or reprisal of any kind. The specific objectives of the policy are to:

- Encourage veracious reporting of alleged malpractices/misconduct.
- Provide a means for discreet and confidential channel for reporting without fear of reprisal.
- Ensure consistent and timely response to reported improprieties and awareness by whistle-blowers of their options and rights.
- Ensure appropriate oversight by the Board of Directors.
- Serve as a means of preventing and deterring misconduct.
- Protect the rights of the Group and that of its stakeholders.
- Instil a culture of openness, accountability and integrity.

## PRINCIPLE 6: Reporting with Integrity

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF THE FINANCIAL

#### STATEMENTS

The Directors affirm their responsibilities for preparing the Annual Report and Financial Statements of LSL that fairly present the state of affairs of the Company and the results of its operations.

The Statement of Directors' Responsibilities is found on page 45 of the Annual Report.

#### ORGANISATIONAL OVERVIEW

LSL Group employs some 650 people locally. It was originally created in 1963 as a newspaper company. It has expanded its operations which now includes designing, printing, publishing of specialised magazines, freight forwarding and distribution, among others. It has completed business in Mauritius, Reunion Island, Madagascar, Nepal, India, Turkey and Egypt. The Board gives strategic direction to the various business units. The Board also monitors executive management's effectiveness in implementing strategic decisions.

LSL has built its brand on the established « Précis, Sûr et Fiable » values that have filtered down deeply in the Group. As the daily newspaper, L'express remains the flagship of the Group, these values have been deep-rooted in the different units. Other important values such as ethics, transparency, accountability, equality and freedom have naturally found their way into its businesses. LSL is rightly and generally viewed as promoting business ethics, democracy and fairness.

The Board is responsible for the preparation of accounts that fairly present the state of affairs of the business. The accounts adhere to International Financial Reporting Standards (IFRS), International Auditing Standards (IAS), the Companies Act 2001 and the Financial Reporting Act 2004.

#### EXTERNAL ENVIRONMENT

LSL operates in a highly competitive environment. To this effect, it is pursuing a strategy of vertical integration. The acquisition of MC Easy Freight is evidence of that. However, the Group believes in fair competition and has always built its comparative advantage by favoring differentiation. It is significantly affected by changes in the political, economic, social, technological, legal and environmental issues, not only locally, but also internationally. The Board regularly scans its external environment to assess its strategies and to propose actions that would ensure business success and sustainable results.

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 6: Reporting with Integrity (Continued)

### **BUSINESS MODEL**

The Group has always been inspired by value-creation. Its model is one that transforms inputs, through efficient activities, into outputs that aim to assist the Group in the realisation of its strategic objectives. The Board is conscious that it has to propose models that ensure the successful operation of its business units by constantly identifying sources of revenue, the intended customer base, quality products and services, as well as financing capacity. The Board also has the duty to discontinue non profitable business/line if corrective measures failed and/or if a greater good is not furthered. The Directors are concerned about the Group's capability to create, deliver and capture value.

### **RISKS**

The Board is constantly scanning its internal and external environment to identify risks that could affect the businesses. It considers that an effective risk management process is an important activity in ensuring business continuity and sustained results. The Board considers the relative importance of different sources of risks and prioritise risks that would affect the Group's ability to create value.

The Group has identified the following risks that are affecting its businesses:

- i) Price of raw materials as it depends on volatile markets. A warehouse is being built to purchase raw materials in bulk and in advance to secure competitive prices.
- ii) Market-size as it operates in a highly competitive market. New markets are being explored in the Indian Ocean region.
- iii) Production capacity for voluminous production. Production is now partly delocalized and countries like Turkey and Egypt are offering additional production capacity.
- iv) Technological advances modifying consumer preferences. Investments in digital platforms are on-going.
- v) Investments for state-of-the-art technology to improve quality and customer responsiveness.
- vi) Non-payment risks in new and less well-known markets.



## PRINCIPLE 6: Reporting with Integrity (Continued)

### KEY PERFORMANCE INDICATORS

The Board of Directors has consistently been relying on financial and non-financial performance indicators. The readership and circulation of its publications are closely monitored. The share of markets in which it operates are constantly scanned. The wastes that are generated and the capacity to recycle the wastes are recorded. One of the Key Performance Indicators that the Board closely monitors is profitability.

This is compared to past figures and projections are made for the future. Equally important are gross profit margin, net profit margin, operating cash flow, gearing ratio, return on equity and variances with regards to planned budget v/s actual budget. The Board has also agreed with Departmental Managers for KPI's for each function in the Group and these are also closely monitored. The Directors consider the KPI's to be quantifiable measures that are used to measure the judiciousness of its strategies and to determine how well the Group's goals are met.

### ENVIRONMENTAL ISSUES

LSL focuses on three main areas namely energy efficiency, waste management and chemicals used for production processes and maintenance.

Energy consumption is one of the main criteria driving the selection of new equipment. The air-conditioning system for the new building, offices and factory is of VRF (Variable Refrigerant Flow) type which uses electronic drive technology to adapt the energy consumption to the demand for cooling.

The use of LED lighting has also been extended to all areas of the building. A SCADA (Supervisory Control And Data Acquisition) system is also being installed to monitor energy consumption and minimize loss in CEB transformers.

Solid waste is managed at source by placing orders for paper and boards in customized formats to minimize production wastes. Recycled papers are also used as far as possible depending on availability and costs. Handling of solid waste is done by a specialist company which separates different categories of waste for recycling purposes.

All the new equipment are fitted with latest technology for print quality control using automation which regulates and optimizes the use of chemicals. The preventive maintenance policy also ensures that equipment are kept within tolerance for good performance. We are also progressively switching to eco-friendly chemicals and lubricating products manufactured from vegetal ingredients.



# CORPORATE GOVERNANCE REPORT

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## PRINCIPLE 6: Reporting with Integrity (Continued)

### **HEALTH AND SAFETY ISSUES**

LSL Group prides itself to be a caring employer that values the health and safety of its employees and has the best practices in ensuring their health, safety and security. Since quite a while, the Group has enforced a programme that improves the work environment, prevents injuries and illnesses, identifies safety risks and hazards, averts accidents and promotes good and safe work practices. This system is part of the overall business operations of the Group and the values of health and safety are upheld by all and everyone.

Each year, a Health and Safety Audit is carried out to clearly identify and eliminate risks and hazards. LSL Group supports a culture of safety. And this is reflected in the yearly audits, and more specifically in this year's audits, where evidence is shown that the system is being continually improved. Also, the Health and Safety log-book shows a no work-related accident, two accidents were reported for slippery floors and one accident for a collision. This enables us to record the costs and effects of accidents.

With a view to enhance and demonstrate its commitment to a safer workplace, each year a Health and Safety Week is organised to sensitize everyone on the importance and responsibilities for promoting fitness and good health. The Group has designed and implemented a strategy for the prevention of workplace accidents, injuries and illnesses.

## PRINCIPLE 6: Reporting with Integrity (Continued)

### HEALTH AND SAFETY ISSUES (CONTINUED)

This is the prime focus of the Health and Safety Committee that has, as its members, representatives from all departments and units under the chairmanship of the Group Human Resource Director, and has a pioneering approach to pre-empt, track and manage emerging health, safety and security challenges.

#### Covid-19 Preparedness

In light of the pandemic Covid-19, the Business Continuity Plan was activated and all the different Business Units have been able to operate; even during the lockdown. As a caring employer, LSL has been assisting its employees for food supply and has also distributed basic food items to some needy people.

Besides, as Caractère Limitee, one of the subsidiaries of LSL, is producing safe food packaging and is YUM, BRC, ISO 9001:2014, P.F.C. and P.E.F.C. certified, measures were already in place well before the pandemic Covid-19.

The following measures have been and are still in place:

#### (i) Sanitary protocols for the staff and guests of the group

All visitors entering LSL's premises have to comply with hygiene procedures at the entrance as per the Covid-19 protocol for working and guidelines, as follows:

- Visitors need to wash and sanitize their hands at the main gate of LSL's premises;
- Gloves and protective masks are delivered at the main gate to all visitors; and
- LSL's premises have been equipped with sufficient hand sanitizers at different locations for regular use.

Furthermore, all the premises are sanitized with appropriate products on a daily basis.

#### (ii) Procedures in place to detect and isolate any Covid-19 cases by client

A special procedure and isolation room has been established and a team has been designated to deal with the captioned situation.

#### (iii) Covid-19 protocol for working during lockdown

During the lockdown period, the following guidelines were followed, namely:

- Employees had to attend work with their Identity Card and Work Access Permit;
- Body Temperature (using Forehead Non-Contact Infrared Thermometer) were taken and recorded on arrival, at mid-day and before leaving the LSL premises.
- Body temperature had to be below 37.5°;
- Employees with temperature above 37.5° were not allowed access. Those with temperature above acceptable level on leaving in the afternoon were asked not to attend work on the following day;
- Employees had to wear masks and gloves at all times;
- Employees had to maintain social distancing (1.5 meters) at all times;
- Disinfection was carried out every hour;
- Those using their bicycle or motorcycle were not allowed to carry passengers; and
- In cars, only one driver and one passenger were allowed.

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 6: Reporting with Integrity (Continued)

### SOCIAL ISSUES

LSL Group recognises the importance of all its stakeholders in its business model. It is committed to use the power of business to address and solve social and environmental problems; and prides itself of being a responsible business.

To this effect, the Group has set up La Sentinelle Solidarity Trust (*which operated previously under the name of Radio One Solidarity Trust*) and championed two popular projects: “Prendre Un Enfant Par La Main” (a schooling project) and “La Petite Maison du Bonheur” (a housing project). The purposes of the Solidarity Trust are to alleviate poverty, to advance education and to undertake any purpose beneficial to the public in general. The Trust has been registered and an application has been submitted to the National CSR Foundation.

LSL Group has always and will always have a role to play in promoting societal, ethical and moral values. It regards its relationship to society as important as its relationship to its customers, investors and employees. It is firmly believed that LSL Group has a great positive impact on society.

### SUSTAINABILITY REPORT

La Sentinelle Group has recently constructed an additional building of 40,000 sq.ft. to cater for its increasing space requirements. It is noted that all manufacturing activities for one of its subsidiaries, namely Caractère Ltée, relating to Flexography and Lithography, have been centralised at Riche Terre. An Environmental Assessment has been conducted and the facilities do not have any risk affecting the environment. The treatment of waste water is closely monitored and the water available throughout the facility is tested on a regular basis at recognised laboratories to ensure that it is safe and free of coliform. The chemicals that are used in the buildings are also tested to ensure that they do not cause harm.

A social impact of the business has also been conducted and it confirms that La Sentinelle Group is very concerned about the communities around the head-office. Regular cleanliness campaigns are conducted to keep the region clean and the employees of the Group also plant flowers along the roads adjacent to the building. The Group also supports local activities, such as football tournaments, fund-raising activities and social events, among others.

La Sentinelle Group recognises the fact that the sustainability challenges of today are unprecedented and the interdependence of economic, social and environmental factors.

## PRINCIPLE 6: Reporting with Integrity (Continued)

### **CORPORATE SOCIAL RESPONSIBILITY (“CSR”)**

La Sentinelle Group has confirmed its commitment to corporate social responsibility through various CSR initiatives. Many projects have been funded by La Sentinelle Ltd and its subsidiaries. The major projects funded are in the educational fields. In fact, many schools in the vicinity of the Head-Office have benefited CSR funds to help improve their building and teaching equipment. Also, the Group's employees have been very active in promoting a new concept of EMPLOYEES' SOCIAL RESPONSIBILITY where they have contributed in two projects “ELAN de SOLIDARITE” and “NOEL DE L'ESPOIR” and have distributed food to needy people in Baie du Tombeau, Roche Bois, Cité La Cure, Canal Dayot, and to some homes for elderly people.

### **CHARITABLE & POLITICAL CONTRIBUTIONS**

Charitable and non-charitable contributions amounted to **Rs. 409,558** (2019: Rs. 464,329).

Besides, it has and will always be the board policy not to contribute to any political donation.



# CORPORATE GOVERNANCE REPORT

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## PRINCIPLE 7: Audit

The role of the Audit & Risk Committee is defined under Principle 2.

### **EXTERNAL AUDIT**

For the last years, Ernst & Young (“EY”) have been the external auditors of the Company and subsidiary companies. EY were re-appointed as the external auditors of the Company during the Annual Meeting of Shareholders held on December 27, 2019 for the ensuing year.

The Board is aware that the external audit contract should be put out to tender at least every seven (7) years.

To ensure the independence of the external auditors, a rotation of the audit partner was done regularly.

The Audit & Risk Committee monitors the effectiveness and the independence of the external auditors before making a recommendation to the Board for their appointment and re-appointment. The evaluation involves an assessment of the qualifications and performance of the auditor and the auditors’ independence, objectivity and professional scepticism. To further ensure that there is no threat to the objectivity and independence of external auditors in the conduct of the audit, the Audit Committee approves any non-audit services by them.

## PRINCIPLE 8: Relations with Shareholders and other Key Stakeholders

### RESPONSIVENESS TO SHAREHOLDERS AND STAKEHOLDERS CONCERNS

The key stakeholders of the Group are as follows:

- Shareholders
- Employees
- Customers
- Suppliers
- Financing institutions
- Regulatory authorities
- Communities

The Board ensures that all Directors are made aware of the concerns of shareholders and key stakeholders. The views and concerns of the shareholders and stakeholders are given due consideration when the Board discusses strategy and governance. LSL frequently enters into dialogue with its key stakeholders on a variety of topics, including the organisational position, performance and outlook. The Directors are encouraged to have face-to-face contact with key stakeholders.

#### **Shareholders**

The Company holds an annual meeting of the shareholders and all the shareholders are requested to vote for the approval of the accounts, approval of dividend, appointment/ re-appointment of directors, etc.

#### **Employees**

Directors always have a listening ear for employees and are committed to promote sound industrial relations and best practices in human resource management. The Company maintains a constant dialogue with its employees through departmental meetings on a frequent basis. Training needs of employees are regularly assessed and addressed. However, employment stability and capacity to pay remain to a large extent dependent on the macroeconomic environment and market conditions.

#### **Customers and suppliers**

The Company works closely with its suppliers so as to have an effective relationship that would ensure that suppliers adopt best management practices. Debtors and creditors are offered opportunities to suggest ways of improving the services to them.

#### **Financing institutions**

Regular communication with financial institutions in general is actively pursued and usually take place through meetings and presentations. The annual report, which provides good information flow on the business and its performance, is provided to them.

#### **Regulatory authorities**

Relationship with the regulators is critical to the success of the Group to ensure that global best practices will full transparency are maintained.

#### **Communities**

LSL pays great attention to the communities where it operates. By nature of its businesses, LSL has an impact on the local communities and society as a whole. The Group constantly displays information to the attention of the public.

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 8: Relations with Shareholders and other Key Stakeholders (Continued)

### DIRECTORS OF SUBSIDIARIES / COMMON DIRECTORS

The Directors of the subsidiaries / common Directors as at June 30, 2020 were as follows:

Directors	CL	GPL	5-Plus	ECL	BPL	FF	OAL	ML	SEL	LSTC	LSLD	CR	HP	MCEF
Philippe Alain FORGET	✓	✓	✓	✓	✓			✓		✓			✓	✓
Jacques Pierre FORGET	✓	✓	✓	✓	✓					✓				
Marie Antoine Jean Denis ITHIER	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓
Jean Michel Carlo FELIX	✓	✓	✓	✓	✓					✓				
Jean Noel HUMBERT	✓													
Dr. Sidharth SHARMA									✓					
Van Man (Ah Van) SIN KWOKWONG									✓					
Clifford COLIMALAY									✓					
Naderajen SIVARAMEN											✓			
Elmer Loic FORGET						✓					✓			
Jack Edward DACRUZ						✓						✓		✓
Patrick OLIVER												✓		
Elza Beatrice RAMBERT													✓	
Marie Desiré Pierre DINAN														✓
Desire Thierry Marino MARTIN														✓
Guiliano Clarel Jean Marie MICHAUD														✓
Manveesh SEENAUTH						✓								
Joel Vincent Expedit GENCE														
Danie Joseph LEVENEUR														

#### Abbreviations:

CL : Caractère Limitée

GPL : Graphic Press Limited

5-Plus : 5-Plus Ltd

ECL : Eye-Catch Ltd

BPL : Business Publications Ltd

FF : Flying Freaks Ltd

OAL : One Advertising Ltd

ML : Mediatiz Ltd

SEL : Showbizz Entertainment Ltd

LSTC : LSL Training Centre Ltd

LSLD : LSL Digital Ltd

CR : Caractère Réunion

HP : Health Publications Ltd

MCEF : MC Easy Freight Co. Ltd



## PRINCIPLE 8: Relations with Shareholders and other Key Stakeholders (Continued)

### STATED CAPITAL

As at June 30, 2020, the stated capital of the Company was Rs.1,023,340/- divided as follows:

- (i) 600 Promoter A shares of Rs. 1,000/- each;
- (ii) 3,200 Ordinary B shares of Rs. 100/- each; and
- (iii) 10,334 Ordinary C shares of Rs. 10/- each.

### SUBSTANTIAL SHAREHOLDERS

The Shareholders holding more than 5% of the voting rights of the stated capital of the Company as at June 30, 2020 were as follows:

<b>Name of Shareholders</b>	<b>% Shareholding</b>
Philippe Alain FORGET	18.09
LSL Shares held in Treasury	12.13
BCM Properties & Investments Co. Ltd	5.72

### DIVIDEND POLICY

Payment of dividends varies currently around 25% of profits after tax subject to satisfaction of the solvency test and is subject to the profitability of the Company, its cash flows and capital expenditure requirements and is approved by the Board of Directors.

Dividends are normally declared and paid once yearly. Directors ensure that the Company satisfies the solvency test for each declaration of dividend and a certificate of compliance with the solvency test is signed by all Directors when a dividend is declared by the Board.

During the year under review, a final dividend of Rs. 4,496,000/- related to 30 June 2019 has been declared and paid in February 2020 to the Shareholders of the Company.

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 8: Relations with Shareholders and other Key Stakeholders (Continued)

### SHAREHOLDERS' AGREEMENTS

The current Shareholders' Agreements are as follows:

<b>Company Name</b>	<b>Percentage holding held by LSL</b>
L'Express de Madagascar SARL	49%
Impress Print Ltd	50%
Planète Eco Ltd	50%
Mc Easy Freight Co Ltd	60%

**L'Express de Madagascar SARL** - La Sentinelle Ltd and the other shareholders are allowed to have 2 directors each in L'Express de Madagascar SARL. The Chairman is elected by the Board members and has a casting vote. La Sentinelle Ltd has expressed its intention to divest its shares from L'Express de Madagascar SARL and as such, the investment has been classified as held for sale as at year-end.

**Impress Print Ltd** - La Sentinelle Ltd and the other shareholder shall be entitled to appoint three (3) Directors as long as they each hold fifty percent (50%) of the Stated Capital of the company. The Chairman of the Board of Directors shall be appointed by mutual agreement between the Shareholders and the Chairmanship shall rotate every two (2) years at the discretion of the Shareholders. The Chairman does not have a casting vote.

**Mc Easy Freight Co Ltd** - La Sentinelle Ltd, as long as it holds at least sixty percent (60%) of the shares, has the right to appoint three (3) Directors and the other shareholders shall be entitled to appoint one (1) Director each as long as they each hold at least forty percent (40%) of the stated capital of the company. The Board may jointly appoint one (1) further Director as an independent director. The Board will normally be chaired by a director of La Sentinelle Ltd, who will hold, in case of necessity, a casting vote.

## PRINCIPLE 8: Relations with Shareholders and other Key Stakeholders (Continued)

### SHAREHOLDERS' AGREEMENTS (CONTINUED)

**Planète Eco Ltd** - La Sentinelle Ltd and the other shareholder shall be entitled to nominate a Chairperson for a period of 2 years. During his chairmanship, the General Director, elected unanimously by the Shareholders, shall hold office for a period of 2 years. Should the Chairman resign from his duties before the 2 years have lapsed, the General Director, shall resign from his duties as well. The Chairman shall also not hold office for 2 consecutive mandates.

### EMPLOYEE SHARE OPTION PLAN

At a Special Meeting of shareholders of LSL held on December 13, 2013, the Class C shareholders unanimously approved the setting up of an Employee Share Scheme ("Scheme") through the issue of 5,000 Class C Ordinary Shares. These new 5,000 Class C Ordinary Shares were placed under the control of the Board and the rules of the Scheme were defined on January 30, 2015. As a result of same, the said shares were issued and allotted to the subscribing employees as per the aforementioned rules.

The main rationale with respect to above is to renew the bond of interest between employees and the Company and thus at least partly align the thinking of employees to those of shareholders.

### THIRD PARTY MANAGEMENT AGREEMENT

LSL provides to its subsidiaries and associated companies a range of management, administrative, financial, marketing and communication services.

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 8: Relations with Shareholders and other Key Stakeholders (Continued)

### SHAREHOLDERS RELATIONS AND COMMUNICATION

The Board of Directors ensures that the shareholders are informed about all material developments of the Company and communicates with its shareholders through the annual report, publication of unaudited quarterly and audited abridged financial statements, press releases and the annual meeting.

Shareholders are strongly encouraged to attend the Company's Annual Meeting, which provides an opportunity for them to raise and discuss matters with the Board relating to the Company's performance and also to keep abreast of the overall strategy and goals.

The Chairman, Chief Executive Officer and other Board Members assist the Annual Meeting and invite shareholders to raise questions on different aspects of the Company's activities and directions the business will take in the future.

The Annual Report, including the Notice of the Annual Meeting of Shareholders, is sent to each shareholder of the Company at least twenty one (21) days before the meeting and the Notice of Annual Meeting is published in two daily newspapers as well.

### CALENDAR OF IMPORTANT EVENTS

<b>December 2020</b>	Annual Meeting of Shareholders
<b>May 2021</b>	Publication of abridged audited financial statements – June 30, 2020
<b>June 2021</b>	Financial year end
<b>June 2021</b>	Special Meeting of Shareholders
<b>June 2021</b>	Declaration of final dividend*

\* Subject to the approval of the Board of Directors.



**Philippe Alain FORGET**  
Non-Executive Chairman



**Marie Antoine Jean Denis ITHIER**  
Executive Director

**June 09, 2021**

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

## IN RESPECT OF FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Financial Statements in accordance with International Financial Reporting Standards ('IFRS') for each financial year, which present fairly the financial position, financial performance and cash flows of the Group and the Company.

The Directors confirm that, in preparing the Financial Statements, they have to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that IFRS have been adhered to, subject to any material departures being disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business; and
- ensure compliance with the Code of Corporate Governance (the 'Code') and provide reasons in case of non-compliance with any requirements of the Code.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2001, IFRS and the Financial Reporting Act 2004.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors hereby confirm that they have complied with the above requirements.

Approved by the Board of Directors on **June 09, 2021** and signed on its behalf by:



**Philippe Alain FORGET**  
*Non-Executive Chairman*



**Marie Antoine Jean Denis ITHIER**  
*Executive Director*



# CERTIFICATE FROM THE COMPANY SECRETARY

IN RESPECT OF FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020

*Pursuant to Section 166 (d) of the Companies Act 2001*

We, Navitas Corporate Services Ltd, certify that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001.



.....  
**Navitas Corporate Services Ltd**  
**Company Secretary**

**June 09, 2021**



# INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2020



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# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF LA SENTINELLE LTD AND ITS SUBSIDIARIES (CONTINUED)

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### REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

#### **Opinion**

We have audited the consolidated and separate financial statements of La Sentinelle Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 53 to 138 which comprise the consolidated and separate statements of financial position as at June 30, 2020, and the consolidated and separate statements of 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 significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and Company as at June 30, 2020, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the 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 and the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") and other independence requirements applicable to performing audits of financial statements of the Group and Company and in Mauritius. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits of the Group and Company and in Mauritius. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the document titled "La Sentinelle Ltd and its subsidiaries Audited Annual Financial Statements for the year ended June 30, 2020", which includes the Annual Report, Corporate Governance Report, Statement of Directors' responsibilities and Certificate from the Company secretary as required by the Companies Act 2001. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### ***Other Information (Continued)***

#### Corporate Governance Report

The Directors are responsible for preparing the Corporate Governance Report. Our responsibility under the Financial Reporting Act is to report on the compliance with the Code of Corporate Governance ("the Code") disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Group has, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.

### **Responsibilities of the 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 the requirements of the Companies Act 2001 and the Financial Reporting Act 2004, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and 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.



# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF LA SENTINELLE LTD AND ITS SUBSIDIARIES (CONTINUED)

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### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF LA SENTINELLE LTD AND ITS SUBSIDIARIES (CONTINUED)

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### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### **Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (Continued)**

- 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 and separate 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 the directors 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.

#### **Use of our report**

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

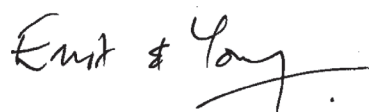
#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

##### **Companies Act 2001**

We have no relationship with or interests in the Company other than in our capacity as auditor, tax advisors and dealings in the ordinary course of business.

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

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



**ERNST & YOUNG**  
Ebène, Mauritius

Date: 09 June, 2021



**ANDRE LAI WAN LOONG, F.C.A.**  
Licensed by FRC

laSENTINelle

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LA SENTINELLE LTD AND ITS SUBSIDIARIES



# FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020



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## LA SENTINELLE LTD AND ITS SUBSIDIARIES

## STATEMENTS OF FINANCIAL POSITION AS AT JUNE 30, 2020

	Notes	THE GROUP		THE COMPANY	
		2020	2019	2020	2019
		Rs.	Rs.	Rs.	Rs.
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	546,493,067	563,716,704	343,970,380	360,306,172
Right of use assets	5	36,320,043	-	15,396,713	-
Investment properties	6	5,500,000	51,300,000	5,500,000	51,300,000
Intangible assets	7	102,120,436	110,937,153	17,667,257	25,718,046
Interest in subsidiaries	8	-	-	128,739,233	128,780,233
Investment in associates	9	-	16,880,520	-	11,334,884
Interest in joint ventures	10	22,237,308	24,937,890	22,345,807	22,345,807
Financial assets at fair value through other comprehensive income	11	10,220,776	18,243,036	10,220,776	18,243,036
Long term receivables	32	1,175,000	1,105,000	1,175,000	1,105,000
Deferred tax assets	12(a)	10,629,414	4,508,503	-	-
		<b>734,696,044</b>	<b>791,628,806</b>	<b>545,015,166</b>	<b>619,133,178</b>
<b>Current assets</b>					
Inventories	13	167,302,743	146,271,349	16,973,866	20,252,791
Trade and other receivables	14	249,620,054	375,791,069	201,213,525	200,907,544
Cash and cash equivalents	15	34,770,992	37,563,118	2,381,341	3,776,656
Income tax receivable	12(b)	2,168,604	-	854,902	502,457
		<b>453,862,393</b>	<b>559,625,536</b>	<b>221,423,634</b>	<b>225,439,448</b>
Assets held for sale	16	55,550,000	-	55,550,000	-
		<b>509,412,393</b>	<b>559,625,536</b>	<b>276,973,634</b>	<b>225,439,448</b>
		<b>1,244,108,437</b>	<b>1,351,254,342</b>	<b>821,988,800</b>	<b>844,572,626</b>
<b>TOTAL ASSETS</b>					
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Issued capital	17	1,023,340	1,023,340	1,023,340	1,023,340
Other reserves		104,534,777	113,510,836	113,014,774	121,037,034
Retained earnings		162,326,052	364,555,828	215,422,332	247,451,042
Treasury shares		(3,070,000)	(3,070,000)	(3,070,000)	(3,070,000)
		<b>264,814,169</b>	<b>476,020,004</b>	<b>326,390,446</b>	<b>366,441,416</b>
Equity attributable to owners of the parent					
Non-controlling interests		(20,003,836)	(11,814,186)	-	-
		<b>244,810,333</b>	<b>464,205,818</b>	<b>326,390,446</b>	<b>366,441,416</b>
<b>Total equity</b>					
<b>Non-current liabilities</b>					
Interest-bearing loans and borrowings	18	330,215,003	313,985,559	184,518,856	191,044,443
Government grant	19	384,000	691,200	-	-
Employee benefit liabilities	20	72,107,706	51,691,673	34,854,000	30,202,968
Deferred tax liabilities	12(a)	13,351,212	17,974,262	11,965,742	11,830,778
		<b>416,057,921</b>	<b>384,342,694</b>	<b>231,338,598</b>	<b>233,078,189</b>
<b>Current liabilities</b>					
Trade and other payables	21	181,788,167	178,955,621	100,787,682	110,189,838
Interest-bearing loans and borrowings	18	393,654,672	316,737,666	163,472,074	134,863,183
Government grant	19	307,200	307,200	-	-
Income tax liability	12(b)	7,490,144	6,705,343	-	-
		<b>583,240,183</b>	<b>502,705,830</b>	<b>264,259,756</b>	<b>245,053,021</b>
		<b>999,298,104</b>	<b>887,048,524</b>	<b>495,598,354</b>	<b>478,131,210</b>
<b>Total liabilities</b>					
<b>TOTAL EQUITY AND LIABILITIES</b>					
		<b>1,244,108,437</b>	<b>1,351,254,342</b>	<b>821,988,800</b>	<b>844,572,626</b>

These financial statements have been approved by the board of directors on **June 09, 2021**.

Philippe Alain FORGET

Marie Antoine Jean Denis ITHIER

The notes set out on pages 58 to 138 form part of these financial statements.  
Auditors' report on pages 48 to 51.




LA SENTINELLE LTD AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2020

	Notes	THE GROUP		THE COMPANY	
		2020	2019	2020	2019
		Rs.	Rs.	Rs.	Rs.
Revenue from contract with customers	25	<b>1,017,558,817</b>	1,203,525,265	<b>210,919,234</b>	305,284,725
Cost of sales		<b>(826,819,278)</b>	(851,517,188)	<b>(179,515,717)</b>	(214,225,413)
<b>Gross profit</b>		<b>190,739,539</b>	352,008,077	<b>31,403,517</b>	91,059,312
Other income	26	<b>47,737,609</b>	30,734,675	<b>94,052,486</b>	64,317,338
Selling and distribution costs		<b>(77,799,976)</b>	(96,294,766)	<b>(35,930,030)</b>	(45,987,718)
Administrative expenses		<b>(301,649,680)</b>	(222,652,373)	<b>(87,964,011)</b>	(80,114,135)
<b>Operating (loss)/profit</b>	23	<b>(140,972,508)</b>	63,795,613	<b>1,561,962</b>	29,274,797
Finance income	27	<b>982,413</b>	1,362,474	<b>931,290</b>	1,362,474
Finance costs	28	<b>(39,632,471)</b>	(34,199,153)	<b>(19,259,803)</b>	(16,893,373)
Expected credit loss allowances	14	<b>(5,619,865)</b>	(11,508,482)	<b>(2,814,195)</b>	(4,177,753)
Share of profit of associates	9(a)	-	1,176,563	-	-
Share of loss of joint venture	10	<b>(2,700,582)</b>	(505,238)	-	-
<b>(Loss)/profit before tax</b>		<b>(187,943,013)</b>	20,121,777	<b>(19,580,746)</b>	9,566,145
Income tax credit/ (charge)	12(c)	<b>4,070,061</b>	(10,455,763)	<b>(1,463,854)</b>	1,225,501
<b>(Loss)/profit for the year</b>		<b>(183,872,952)</b>	9,666,014	<b>(21,044,600)</b>	10,791,646
<b>Other comprehensive income:</b>					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Retranslation of foreign operations		<b>(953,799)</b>	(648,238)	-	-
<i>Net other comprehensive loss to be reclassified to profit or loss in subsequent periods</i>		<b>(953,799)</b>	(648,238)	-	-
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>					
Re-measurement of defined benefit obligations	20(a)(iii) & (b)(i)	<b>(21,679,622)</b>	(10,632,000)	<b>(7,817,000)</b>	(6,009,000)
Income tax effect on re-measurement of defined benefit obligations	12	<b>325,148</b>	(928,278)	<b>1,328,890</b>	1,021,530
Fair value loss on financial assets at FVOCI	11	<b>(8,022,260)</b>	(2,710,017)	<b>(8,022,260)</b>	(2,710,017)
<i>Net other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods</i>		<b>(29,376,734)</b>	(14,270,295)	<b>(14,510,370)</b>	(7,697,487)
<b>Other comprehensive loss for the year</b>		<b>(30,330,533)</b>	(14,918,533)	<b>(14,510,370)</b>	(7,697,487)
<b>Total comprehensive (loss)/income for the year</b>		<b>(214,203,485)</b>	(5,252,519)	<b>(35,554,970)</b>	3,094,159
<b>(Loss)/profit attributable to:</b>					
Owners of the parent		<b>(176,667,146)</b>	(9,659,709)		
Non-controlling interests		<b>(7,205,806)</b>	6,305		
		<b>(183,872,952)</b>	9,666,014		
<b>Total comprehensive loss attributable to:</b>					
Owners of the parent		<b>(206,709,835)</b>	(4,724,611)		
Non-controlling interests		<b>(7,493,650)</b>	(527,908)		
		<b>(214,203,485)</b>	(5,252,519)		

The notes set out on pages 58 to 138 form part of these financial statements.  
Auditors' report on pages 48 to 51.

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2020

	Attributable to equity holders of the parent										
	Other reserves										Total
	Issued capital (Note 17)	Share premium (Note 17)	Treasury shares (Note 17)	Fair value reserves (Note 17)	Revaluation reserves (Note 17)	Foreign currency translation reserves (Note 17)	Retained earnings	Non-interesting	Total	Rs.	
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
At July 01, 2018	1,023,340	3,728,070	(3,070,000)	12,945,628	107,073,353	(6,877,960)	374,914,184	489,736,615	(11,286,278)	478,450,337	
Profit for the year	-	-	-	-	-	-	9,659,709	9,659,709	6,305	9,666,014	
Other comprehensive income for the year	-	-	-	(2,710,017)	-	(648,238)	(11,026,065)	(14,384,320)	(534,213)	(14,918,533)	
Total comprehensive loss for the year	-	-	-	(2,710,017)	-	(648,238)	(1,366,356)	(4,724,611)	(527,908)	(5,252,519)	
Dividends (Note 22)	-	-	-	-	-	-	(8,992,000)	(8,992,000)	-	(8,992,000)	
At June 30, 2019	1,023,340	3,728,070	(3,070,000)	10,235,611	107,073,353	(7,526,198)	364,555,828	476,020,004	(11,814,186)	464,205,818	
<b>At July 01, 2019</b>	<b>1,023,340</b>	<b>3,728,070</b>	<b>(3,070,000)</b>	<b>10,235,611</b>	<b>107,073,353</b>	<b>(7,526,198)</b>	<b>364,555,828</b>	<b>476,020,004</b>	<b>(11,814,186)</b>	<b>464,205,818</b>	
<b>Loss for the year</b>	-	-	-	-	-	-	(176,667,146)	(176,667,146)	(7,205,806)	(183,872,952)	
<b>Other comprehensive Loss for the year</b>	-	-	-	(8,022,260)	-	(953,799)	(21,066,630)	(30,042,689)	(287,844)	(30,330,533)	
<b>Total comprehensive loss for the year</b>	-	-	-	(8,022,260)	-	(953,799)	(197,733,776)	(206,709,835)	(7,493,650)	(214,203,485)	
<b>Dividends (Note 22)</b>	-	-	-	-	-	-	(4,496,000)	(4,496,000)	(696,000)	(5,192,000)	
<b>At June 30, 2020</b>	<b>1,023,340</b>	<b>3,728,070</b>	<b>(3,070,000)</b>	<b>2,213,351</b>	<b>107,073,353</b>	<b>(8,479,997)</b>	<b>162,326,052</b>	<b>264,814,169</b>	<b>(20,003,836)</b>	<b>244,810,333</b>	

The notes set out on pages 58 to 138 form part of these financial statements.  
Auditor's report on pages 48 to 51.

## LA SENTINELLE LTD AND ITS SUBSIDIARIES

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2020

	Other reserves										
	Issued capital (Note 17)	Share premium	Treasury shares	Fair value reserves (Note 17)	Revaluation reserves (Note 17)	Retained earnings	Total				
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At July 01, 2018	1,023,340	3,728,070	(3,070,000)	12,945,628	107,073,353	250,638,866	372,339,257				
Profit for the year	-	-	-	-	-	10,791,646	10,791,646				
Other comprehensive income	-	-	-	(2,710,017)	-	(4,987,470)	(7,697,487)				
Total comprehensive loss	-	-	-	(2,710,017)	-	5,804,176	3,094,159				
Dividends (Note 22)	-	-	-	-	-	(8,992,000)	(8,992,000)				
At June 30, 2019	1,023,340	3,728,070	(3,070,000)	10,235,611	107,073,353	247,451,042	366,441,416				
<b>At July 01, 2019</b>	<b>1,023,340</b>	<b>3,728,070</b>	<b>(3,070,000)</b>	<b>10,235,611</b>	<b>107,073,353</b>	<b>247,451,042</b>	<b>366,441,416</b>				
<b>Profit for the year</b>	-	-	-	-	-	(21,044,600)	(21,044,600)				
<b>Other comprehensive loss</b>	-	-	-	(8,022,260)	-	(6,488,110)	(14,510,370)				
<b>Total comprehensive loss</b>	-	-	-	(8,022,260)	-	219,918,332	(35,554,970)				
<b>Dividends (Note 22)</b>	-	-	-	-	-	(4,496,000)	(4,496,000)				
<b>At June 30, 2020</b>	<b>1,023,340</b>	<b>3,728,070</b>	<b>(3,070,000)</b>	<b>2,213,351</b>	<b>107,073,353</b>	<b>215,422,332</b>	<b>326,390,446</b>				

The notes set out on pages 58 to 138 form part of these financial statements.  
Auditor's report on pages 48 to 51.



LA SENTINELLE LTD AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

	Notes	THE GROUP		THE COMPANY	
		2020	2019	2020	2019
		Rs.	Rs.	Rs.	Rs.
<b>Operating activities</b>					
<b>Net cash flows generated from/(used in) operating activities</b>					
	29(a)	<b>55,841,209</b>	66,049,836	<b>(28,549,357)</b>	4,813,565
Benefits paid	20 b(i)	<b>(6,184,000)</b>	(894,510)	<b>(6,184,000)</b>	(894,510)
Contributions paid	20a(iii)	<b>(805,000)</b>	(1,185,906)	-	-
Income tax paid	12(b)	<b>(7,732,558)</b>	(5,827,682)	-	120,606
		<b>41,119,651</b>	58,141,738	<b>(34,733,357)</b>	4,039,661
<b>Investing activities</b>					
<b>Net cash flows generated from / (used in) investing activities</b>					
Proceeds from sale of property, plant and equipment		<b>2,169,851</b>	1,631,343	<b>611,566</b>	1,249,233
Purchase of property, plant and equipment	4(a)	<b>(92,135,108)</b>	(120,869,741)	<b>(13,077,292)</b>	(56,937,093)
Purchase of intangible assets	7	<b>(7,251,960)</b>	(22,519,026)	<b>(4,198,280)</b>	(20,123,889)
Proceeds from sale of intangible assets		-	1,633,717	-	-
Acquisition of joint venture, net of cash		-	(5,017,500)	-	(5,017,500)
Interest received	27	<b>982,413</b>	1,362,474	<b>931,290</b>	1,362,475
Dividends received	26	<b>16,041,966</b>	16,301,930	<b>64,345,966</b>	45,301,929
		<b>(80,192,838)</b>	(127,476,802)	<b>48,613,250</b>	(34,164,845)
<b>Financing activities</b>					
<b>Net cash flows generated from (used in) financing activities</b>					
Payment of lease liabilities*		<b>(6,547,168)</b>	(4,616,819)	<b>(3,656,994)</b>	(2,998,018)
Proceeds from borrowings		<b>216,002,373</b>	279,237,556	<b>28,131,346</b>	125,000,516
Repayment of borrowings		<b>(167,082,359)</b>	(169,929,937)	<b>(43,868,276)</b>	(75,513,616)
Dividend paid to equity holders of the parent	22	<b>(4,496,000)</b>	(8,992,000)	<b>(4,496,000)</b>	(8,992,000)
Interest paid		<b>(37,550,701)</b>	(34,199,153)	<b>(18,876,470)</b>	(16,893,373)
		<b>326,145</b>	61,499,647	<b>(42,766,394)</b>	20,603,509
		<b>(38,747,042)</b>	(7,835,417)	<b>(28,886,501)</b>	(9,521,675)
<b>Movement in cash and cash equivalents</b>					
Cash and cash equivalents at July 01,		<b>(142,824,824)</b>	(134,289,066)	<b>(77,696,365)</b>	(68,666,571)
Decrease in cash and cash equivalents		<b>(38,747,042)</b>	(7,835,417)	<b>(28,886,501)</b>	(9,521,675)
Net foreign exchange differences		<b>829,651</b>	(700,341)	<b>903,464</b>	491,881
<b>Cash and cash equivalents at June 30</b>	15	<b>(180,742,215)</b>	(142,824,824)	<b>(105,679,402)</b>	(77,696,365)

\* The comparatives were disclosed as finance leases in line with IAS 17

The notes set out on pages 58 to 138 form part of these financial statements.  
Auditor's report on pages 48 to 51.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

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### 1. CORPORATE INFORMATION AND ACTIVITIES

La Sentinelle Ltd (the "Company") is a public company incorporated and domiciled in Mauritius. Its registered office is situated at Rue des Oursins, Baie du Tombeau, Mauritius. The main activities of the Company are that of publishing newspapers, advertising and printing services.

La Sentinelle Ltd as a group has investments in subsidiaries, associates and joint ventures. The principal activities of the Group consist of publishing newspapers and specialized magazines, designing commercial packaging, sales of prime advertising space, land, distribution and logistics and providing printing services. The Group also proposes news in visual and audio format.

The financial statements of La Sentinelle Ltd and its subsidiaries (together referred as the 'Group') for the year ended June 30, 2020 were authorised for issue by the Board of Directors on the date stamped on page 7. The consolidated financial statements will be submitted to the shareholders for approval at the shareholders special meeting.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION

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

- land and buildings, classified as property, plant and equipment, which are carried at revalued amounts,
- investment properties which are carried at fair value,
- investment at fair value through other comprehensive income

The financial statements are presented in Mauritian rupees ("Rs"), and are rounded to nearest Rs, except where otherwise indicated.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

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 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 financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, 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. In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 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, that are observable for the asset or liability, either directly or indirectly; and • Level 3 inputs are unobservable inputs for the asset or liability.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at June 30, 2020.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee, if and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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

#### 2.3.1 New and revised IFRSs applied on the financial statements

##### Changes in accounting policies

##### IFRS 16 Leases

The Group and Company applied IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2019 but did not have an impact on the consolidated financial statements of the Group. The Group and Company has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

#### 2.3.1 New and revised IFRSs applied on the financial statements (Continued)

##### Changes in accounting policies (Continued)

	<b>Effective for accounting period beginning on or after</b>
IFRS 16 – Leases	1 January 2019

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The adoption of this new Standard has resulted in the Group and the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as having a remaining lease term of less than 12 months from the date of initial application.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. A lessee can choose to apply the Standard using either a full or modified retrospective approach. The Group and the Company has elected to apply the modified retrospective approach.

##### Classification and measurement

The Group and the Company has lease contracts for motor vehicles, computer equipment, office space and plant and equipment. Before the adoption of IFRS 16, the Group and the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group and the Company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group and the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

##### Leases previously classified as finance leases

The Group and the Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to all leases from 1 July 2019.

##### Leases previously accounted for as operating leases

The Group and the Company recognised right-of-use assets and lease liabilities for all leases previously classified as operating leases, except for short-term leases and leases of low-value assets. For the Group's operating leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

#### 2.3.1 New and revised IFRSs applied on the financial statements (Continued)

##### Changes in accounting policies (Continued)

##### Leases previously accounted for as operating leases (Continued)

The Group also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- relied on its assessment of whether leases are onerous immediately before the date of initial application;
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The significant estimates were the determination of incremental borrowing rates in the respective economic environments.

##### The Group and the Company as a lessee

##### Right-of-use assets

The Group and the Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group and the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

##### Short-term leases and low value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

##### Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

#### 2.3.1 New and revised IFRSs applied on the financial statements (Continued)

##### Changes in accounting policies (Continued)

##### Lease liabilities (Continued)

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The significant estimates were the determination of incremental borrowing rates in the respective economic environment. The weighted average discount rate applied to lease liabilities under transition date 01 July 2019 was 4.94% for the Company and 5.22% for the Group.

The below table reconciles the previously disclosed operating lease commitments to the lease liabilities recognised on 01 July 2019.

	<b>Consolidated</b>	<b>Separate</b>
	<b>Rs'000</b>	<b>Rs'000</b>
Operating lease commitments as at 30 June 2019	7,388,715	5,486,219
Weighted average incremental borrowing rate as at 1 July 2019	5.22%	4.94%
Discounted operating lease commitments at 1 July 2019	6,300,642	4,511,907
Less: Commitments relating to short-term leases	(3,346,796)	(3,346,796)
Add: Commitments relating to leases previously classified as finance leases	19,060,154	10,819,618
Lease liabilities as at 1 July 2019	22,014,000	11,984,729

#### 2.3.2 New and revised IFRSs and IFRICs in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant IFRS and IFRICs were in issue but not yet effective on annual periods beginning on or after the respective dates as indicated:

	<b>Effective for accounting period beginning on or after</b>
IFRS 3 - Business Combinations - Amendments regarding definition of a business	1 January 2020
IFRS 3 - Business Combinations - Amendments updating a reference to the Conceptual Framework	1 January 2022
IFRS 4 - Insurance Contracts - Amendments regarding replacement issues in the context of the IBOR reform	1 January 2021
IFRS 7 - Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2020
IFRS 7 - Financial Instruments: Disclosures - Amendments regarding replacement issues in the context of the IBOR reform	1 January 2021
IFRS 9 - Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2020

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

#### 2.3.2 New and revised IFRSs and IFRICs in issue but not yet effective (Continued)

IFRS 9	Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform (1 January 2021)
IFRS 9	Financial Instruments - Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities) (1 January 2022)
IFRS 16	Leases - Amendment to provide lessees with an exemption from assessing whether a Covid-19-related rent concession is a lease modification (1 June 2020)
IFRS 16	Leases - Amendments regarding replacement issues in the context of the IBOR reform (1 January 2021)
IFRS 17	Insurance Contracts - Original issue (1 January 2023)
IAS 1	Presentation of Financial Statements – Amendments regarding the definition of material (1 January 2020)
IAS 1	Presentation of Financial Statements – Amendments regarding the classification of liabilities (1 January 2023)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors – Amendments regarding the definition of material (1 January 2020)
IAS 16	Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (1 January 2022)
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous (1 January 2022)
IAS 39	Financial Instruments: Recognition and Measurement - Amendments regarding pre-replacement issues in the context of the IBOR reform (1 January 2020)
IAS 39	Financial Instruments: Recognition and Measurement - Amendments regarding replacement issues in the context of the IBOR reform (1 January 2021)
IAS 41	Agriculture - Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (taxation in fair value measurements) (1 January 2020)
IFRS 3	Business Combinations - Amendments regarding definition of a business (1 January 2020)
IFRS 3	Business Combinations - Amendments updating a reference to the Conceptual Framework (1 January 2022)
IFRS 4	Insurance Contracts - Amendments regarding replacement issues in the context of the IBOR reform (1 January 2021)
IFRS 7	Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform (1 January 2020)
IFRS 7	Financial Instruments: Disclosures - Amendments regarding replacement issues in the context of the IBOR reform (1 January 2021)
IFRS 9	Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform (1 January 2020)
IFRS 9	Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform (1 January 2021)
IFRS 9	Financial Instruments - Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities) (1 January 2022)
IFRS 16	Leases - Amendment to provide lessees with an exemption from assessing whether a Covid-19-related rent concession is a lease modification (1 June 2020)
IFRS 16	Leases - Amendments regarding replacement issues in the context of the IBOR reform (1 January 2021)
IFRS 17	Insurance Contracts - Original issue (1 January 2023)
IAS 1	Presentation of Financial Statements – Amendments regarding the definition of material (1 January 2020)

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

#### 2.3.2 New and revised IFRSs and IFRICs in issue but not yet effective (Continued)

		<b>Effective for accounting period beginning on or after</b>
IAS 1	Presentation of Financial Statements – Amendments regarding the classification of liabilities	1 January 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors – Amendments regarding the definition of material	1 January 2020
IAS 16	Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	1 January 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous	1 January 2022
IAS 39	Financial Instruments: Recognition and Measurement - Amendments regarding pre replacement issues in the context of the IBOR reform	1 January 2020
IAS 39	Financial Instruments: Recognition and Measurement - Amendments regarding replacement issues in the context of the IBOR reform	1 January 2021
IAS 41	Agriculture - Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (taxation in fair value measurements)	1 January 2020

The Group and the Company are still assessing the potential impact of those standards and amendments to existing standards on its financial statements. The Group and the Company have not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### 2.3.2 New and revised IFRSs and IFRICs in issue but not yet effective (continued)

##### Conceptual framework

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework (effective January 01, 2020).

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Group and the Company.

The above new standards and interpretations are not applicable to these financial statements and management does not expect these to have any significant impact on the financial performance of the Group and the Company when they become effective. No early adoption is intended by the board of directors.



# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's and the Company's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### **Judgements**

In the process of applying the Group's and the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

#### **Going Concern assessment**

The group is in the business of publishing newspapers and specialized magazines, designing commercial packaging, sales of prime advertising space, land, distribution and logistics and providing printing services. The Group also proposes news in visual and audio format.

The Group and the Company have recognised a net loss after tax on continuing operations of Rs 184m and Rs21m for the year ended June 30, 2020. There is a net current liability position for the Group of Rs74m and a net current asset position of Rs 13m for the Company.

The COVID-19 pandemic has developed rapidly in 2020. The resulting impact of the virus on the operations and measures taken by various governments to contain the virus have negatively affected the group's and the company's results in the reporting period. The currently known impacts of COVID-19 on the group are:

- During the lockdown period from mid-March to End of May 2020, only the media companies of the Group were in production with outputs of about 30% of normal production.
- The logistic cluster as well as manufacturing have been impacted post lockdown due to limited freight capacity and decline in orders.

In response to these matters the group has taken the following measures:

1. The Group and the Company had recourse to the Wage Assistance Scheme ("WAS") in these periods and was allocated a total of Rs 29,746,041 and Rs14,377,209 respectively. Wage Assistance Scheme ("WAS") was introduced by the Government of Mauritius in March 2020 to assist local companies during the lock down period in the payment of salaries to employees. See below for more details regarding WAS.
2. Restructuring of operations, in line with current level of business, resulting in important reduction in overheads.
3. Review of the costs structure and renegotiation of the payment terms with main suppliers
4. Negotiation with the bank for banking facilities regarding the repayment of the loans and additional financing
5. Realisation plans for the non-performing assets to settle its current liabilities

Management believes that the repayment of the facilities will be met out of operating cash flows and the immediate and significant mitigating actions taken by management to reduce costs and optimise the Group's and the Company's cash flow and liquidity. Among these are the following mitigating actions: reducing capital and investment expenditure through postponing or pausing projects and change activity; deferring or cancelling discretionary spend; freezing non-essential recruitment; and reducing marketing spend. Management anticipates that any additional cash flow needs will be met out of asset sales. Based on these factors, management has a reasonable expectation that the Group and the Company have and will have adequate resources to continue in operational existence for the foreseeable future.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

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### 2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### *Judgements (Continued)*

##### **Going Concern assessment (Continued)**

Directors have made an assessment of the Group's and the Company's ability to continue as a going concern. When making that assessment the Directors have taken into consideration the existing and longer term effects of the pandemic of the Group's and the Company's activities and their ability to post profitable results and positive cashflows in the years to come. The Directors are therefore satisfied that the Group and the Company have the resources to continue in business for the foreseeable future and be able to discharge its liabilities including the mandatory repayment terms of the banking facilities and other loans as disclosed in Note 18.

##### **Leases**

##### ***Determining the lease term of contracts with renewal and termination options –Company as lessee***

The Group and the Company determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group and the Company have one lease as part of the management fees contract agreement that include extension and termination options. The Group and the Company apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group and the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvement or significant customisation to the leased asset).

The Group and the Company included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period (12 months). The Group and the Company typically exercise its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised.

##### **Assets held for sale**

The Board of Directors announced its decision to dispose L'Express Madagascar S.A.R.L, an associate and an investment property. The Board considered the associate and the investment property to meet the criteria to be classified as held for sale at that date for the following reasons:

- L'Express Madagascar S.A.R.L and the investment property are available for immediate sale and can be sold to the buyer in its current condition.
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification.
- There are interested parties and efforts to sell these assets have started.

Refer to note 16.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### *Estimates and assumptions*

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

#### *Employee benefit obligations*

The cost of defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature, such estimates are subject to significant uncertainty. Further details are given in note 20.

#### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used to determine any impairment of goodwill are further explained in Note 7.

#### *Leases - Estimating the incremental borrowing rate*

The Group and the Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group and the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group and the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group and the Company estimate the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates such as credit rating. Further details are contained in note 5.

#### *Leases - Valuation of lease liabilities and right of use assets*

The Group and Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group and Company have the option, under some of its leases to lease the assets for additional terms of three to five years. The Group and Company apply judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal.

The Group and Company included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e. three to five years).

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### Estimates and assumptions (Continued)

##### *Wage Assistance Scheme*

In light of the COVID-19 pandemic, Wage Assistance Scheme ("WAS") was introduced by the Government of Mauritius in March 2020 to assist local companies during the lock down period in the payment of salaries to employees. The scheme was extended till May 2020 and did not have any pre-conditions attached to it. Hence, the Group and the Company had recourse to the WAS in these periods and was allocated a total of Rs 29,746,041 and Rs 14,377,209 respectively. In May 2020, the Government introduced a levy through the COVID-19 (Miscellaneous Provisions) Act that would apply to all companies that have a chargeable income during the year the WAS was received.

The levy payable is the lower of the total amount received under the WAS or 15% of the chargeable income. The chargeable income for the purposes of the levy excludes tax losses brought forward from previous years. The levy for a company having an accounting period ending between 01 January 2021 and 30 April 2021 shall be payable in respect of the year of assessment commencing on 01 July 2021. A company is exempted from the payment of the levy if it is not liable to any income tax in the following years of assessment 2020-2021 and 2021-2022.

Depending on the income tax computations and projections of the entities within the Group, amount received under WAS has been accounted as other income in the statement of comprehensive Income or as amount payable to the Mauritius Revenue Authority in the statement of financial position as applicable.

##### *Revaluation of land and buildings*

The Group and the Company measure land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. Revaluation of land and buildings was last performed on June 30, 2018 by independent valuers and reviewed annually by directors. The valuation is strictly based on the definition of the open market value taking full cognisance of transaction taking place in the locality. It is the group policy to revalue its land and buildings on a regular basis. Further details in respect of land and buildings are contained in Notes 4 (b).

##### *Deferred tax assets*

In relation to Note 12 in the note to the financial statements, deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. 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.

##### *Provision for expected credit losses (ECL) of trade and other receivables*

The Group and the Company apply a simplified approach in calculating ECLs on the trade receivables. Therefore the Group and the Company do not track changes in credit risks, but instead recognises a loss allowance based on life time ECLs at each reporting date. The Group and the Company use a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due of customers.

The provision matrix is initially based on the Company's and the Group's historical observed default rates. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience with forward looking information if any material impact in the future. At the reporting date, the historical observed default rates are updated taking into consideration the impact of Covid-19 and changes in the forward- looking estimates are analysed. Further details in respect are contained in Notes 3 (d) and 2.5 (m).

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### (b) Foreign currencies

The Group's consolidated financial statements are presented in Mauritian Rupees (Rs.), which is also the Parent's functional and presentation currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using the functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

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### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **(b) Foreign currencies**

##### *Transactions and balances*

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items are treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

##### *Group companies*

On consolidation, the assets and liabilities of foreign operations are translated into Mauritian rupees at the rate of exchange prevailing at the reporting date and their profit or loss is translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustment to the carrying amount of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

#### **(c) Property, plant and equipment**

Except for land and buildings which are measured at fair value, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred, if the recognition criteria are met. When significant parts of the plant and equipment are required to be replaced at intervals, the Group and the Company depreciate them separately based on their specific useful lives. Likewise, when a major inspection is performed, the cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenances costs are recognised in profit or loss as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of the revaluation. Valuations are performed frequently (every three years) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Property, plant and equipment (Continued)

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life. Residual value is the estimated amount that the Group and the Company would currently obtain from disposal of the asset after deducting the estimated cost of disposal and if the asset was already at the age and in condition expected at the end of its useful life.

<i>The principal annual rates used are:</i>		%
	Buildings	2.5
	Plant, machinery and equipment	10
	Furniture and fittings	10
	Motor vehicles	20
	Computer equipment	20 – 33.3

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised. The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial year end.

#### (d) Leases

*Policy effective before 1 July 2019 (IAS 17)*

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.

Asset held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter the term of the relevant lease.

The Group and the Company as lessee

Assets held under finance leases are recognised as assets of the Group and the Company at their value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessee is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

The Group and the Company as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's and the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's and the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Leases (Continued)

##### **Policy effective as from 1 July 2019 (IFRS 16)**

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*The Group and the Company as a lessee.*

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### **Right-of-use assets**

The Group and the Company recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

##### **Lease liabilities**

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's and the Company's lease liabilities are included in interest-bearing loans and borrowings (see Note 18).

Short-term leases and leases of low-value assets



# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Leases (Continued)

##### ***Lease liabilities (Continued)***

The Group and the Company apply the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

##### ***The Group and the Company as a lessor***

Leases in which the Group and the Company do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

#### (e) Investment properties

Investment properties are measured initial at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International valuation Standards Committee.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of asset is recognized in profit or loss in the period of derecognition.

In determining the amount of consideration from the derecognition of investment property the Group and the Company consider the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfer are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group and the Company account for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### (f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (g) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and related expenditures are reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

#### (h) Intangible assets

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised. The useful economic life of the intangible assets has been assessed as follows:

	%
Brand	5
Customer list	10
Marketing rights	10
Computer software	20-33.3

#### (i) Investments in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

#### Separate financial statements

Investments in subsidiaries in the separate financial statements of the Company are carried at cost, net of any impairment. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is recognised in profit or loss. Upon disposal of the investment, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) Investment in associates and joint ventures

An associate is an entity over which the Group and the Company have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associates and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the profit or loss outside operating profit and represents profit or loss after tax

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (k) Non-current assets held for sale and discontinued operations

The Group and the Company classify non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations Or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in Note 16. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

#### (l) Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

The Group and the Company base its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group CGU to which individual assets are allocated. These budgets and forecasts calculations generally cover a period of five years. A long term growth rate is calculated and applied to project future cash flows after the fifth year.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (l) Impairment of non-financial assets (Continued)

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to OCI. For such properties the impairment is also recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Company make an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited to that carrying amount does not exceed its recoverable amount nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

##### *Goodwill*

Goodwill is tested for impairment, annually as at June 30 and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

##### *Intangible assets*

Intangible assets with indefinite useful lives are tested for impairment annually as at June 30, either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

#### (m) Financial instruments

##### i) Financial assets

###### **Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

###### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

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### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Financial instruments (Continued)

##### i) Financial assets (Continued)

##### Initial recognition and measurement (Continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's and Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and Company commit to purchase or sell the asset.

##### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

##### Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and Company's financial assets at amortised cost include trade and other receivables, and cash and short term deposits.

##### Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group and Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Financial instruments (Continued)

##### i) Financial assets (Continued)

##### Subsequent measurement (Continued)

##### Financial assets designated at fair value through OCI (equity instruments) (Continued)

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Equity instruments that are not traded in an active market and cannot be reliably measured at fair value are measured at cost. Cost is deemed to be an appropriate estimate of fair value if recent information is not available to measure fair value or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range. Indicators that cost is representative of fair value include limited change in the performance of the investee compared with budget, plans or milestones, limited change in the market for the investee's products, global economy, economic environment in which the entity operates amongst others.

The Group elected to classify irrevocably its non-listed equity investments under this category.

##### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Group and the Company have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group and the Company have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Financial instruments (continued)

##### i) Financial assets (Continued)

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 2.5
- Trade receivables and other receivables Note 14

The Group and the Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables including trade receivables with subsidiaries and with related parties, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and Company have established a provision matrix that is based on its historical credit loss experience. In the current year, forward looking information has not had a material impact on the assessment of ECL.

For the other receivables principally on staff loans, ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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 Company may also consider a financial asset to be in default when internal (days past due) or external (qualitative information on the clients capacity to service their debts) information indicates that the Group and 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows (clients are liquidated).



# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Financial instruments (Continued)

##### ii) Financial liabilities

###### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

###### Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

###### Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group and Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 18.

###### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

##### iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Financial instruments (Continued)

##### iv) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group and the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's and the Company's directors determine the policies and procedures for both recurring fair value measurement, such as financial assets at FVOCI, investment properties and for non-recurring measurements such as assets held for sale. External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is determined annually by directors.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (n) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials -	purchase cost and other related charges on a weighted average cost basis;
Work in progress and Finished goods -	Finished goods are based on the weighted average cost of inventory. The costs include cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs; and
Goods in transit -	actual costs incurred as per invoices.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### (o) Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash at banks and in hand.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consists of cash at bank and in hand, net of bank overdrafts as they are considered an integral part of the Group's cash management.

#### (p) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit and loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration. If reissued, is recognised in the share premium.

#### (q) Employee benefits

The benefits of employees of the Group and the Company fall under two different types of arrangements:

- A defined benefit scheme in the form of deferred annuity contract held with Swan Life Ltd.
- An unfunded retirement gratuities scheme as per the Workers' Rights Act 2019. In accordance with the Workers' Rights Act 2019, employees are entitled to retirement benefit obligation which works as a defined benefit obligation pension plan. These benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent periods. However, the Group may transfer those amount recognised in other comprehensive income within equity.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (q) Employee benefits (Continued)

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group and the Company recognise related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The rate used for discounting was determined by reference to yield at the end of the reporting period from corporate bonds. The Group recognises the following changes in the net defined benefit obligation under 'administration expenses' in the statement of comprehensive income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements;
- Net interest expense or income.

The Group and the Company also operate a defined contribution pension plan which is administered by Swan Life. Payments are recognised as an expense when the employees have rendered service entitled them to the contribution. The assets which are held separately from the Group and the Company are administered by an independent fund administrator.

#### (r) Revenue recognition

##### i) Revenue from contracts with customers

The Group is involved in publishing newspapers and specialized magazines, designing commercial packaging, sales of prime advertising space, land, distribution and logistics and providing printing services. The Group also proposes news in visual and audio format.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services. The Group and the Company have generally concluded that it is the principal in its revenue arrangements, except for the sub-agent freight forwarding services below, because it typically controls the goods or services before transferring them to the customer.

##### *Sale of goods*

Revenue from the sale of goods is recognised when the goods are delivered and title has passed at which time the following conditions are satisfied:

- a) The Group and the Company have transferred to the buyer the significant risks and rewards of the ownership of the goods;
- b) The Group and the Company retained neither continuing management involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The cost incurred or to be incurred in respect of the transactions can be measured reliably.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (r) Revenue recognition (Continued)

##### i) Revenue from contracts with customers (Continued)

###### *Sale of goods (Commercial packaging and printing materials)*

Revenue from sale of commercial packaging products and printing materials is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The normal credit term is 30 to 90 days upon delivery.

The Group and the Company consider whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of Newspapers and magazines, the Group and the Company consider the effects of variable consideration, existence of a significant financing component, noncash consideration, and consideration payable to the customer. None of the factors mentioned before had a material impact on the revenue recognised for the sale of goods.

###### *Rendering of freight forward services*

The Group and the Company have determined whether the nature of its promise is a performance obligation to provide the specified services itself (i.e. it is acting as a principal) or to arrange for those services to be provided by other party (i.e. it is acting as an agent). Main factors considered are control over fulfilling the promise to provide the specified service and discretion over establishing the pricing as well as the ability to direct the party to provide the service to the customer on the entity's behalf. The revenue contracts in relation to freight forwarding include factors indicating that the Group and the Company act as either principal or agent depending on nature of promise and revenue and has been recognised as either gross or net wherever applicable. A non-significant amount is considered as agent.

###### *Rendering of other services (sale of advertising and 'petites annonces')*

Revenue from rendering of services is recognised in the period in which the services are rendered. Each service is considered as distinct and represent a performance obligation and price for each service are agreed with customers and defined in respective contracts.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, returns and value added taxes. The Group and the Company have concluded that it is principal in all of its revenue arrangement since it is the primary obligator in all revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks. The following specific recognition criteria must also be met before revenue is recognized:

###### *Rendering of services*

Revenue for the sale of advertising and 'petites annonces' is recognised upon delivery of the service. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses incurred that are recoverable.

###### *Interest income*

Interest income is recognised as interest accrued (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

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### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (r) Revenue recognition (Continued)

##### *Rental income*

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms and is included in other income as per Note 26.

##### *Dividend income*

Dividends are recognised when the Group's and the Company's right to receive the payment is established, which is when the shareholders approve the dividend.

##### *Management fee income*

Management fee income is recognised when the Group's and the Company's right to receive the payment is established.

#### (s) Taxes

##### *Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where group operates and generates taxable income. Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss.

##### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:
- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (s) Taxes (Continued)

##### *Deferred tax (Continued)*

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority

##### *Value Added Tax*

Revenues, expenses and assets are recognised net of the amount of value added taxes except:

- where the value added taxes incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added taxes recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

##### *Corporate Social Responsibility*

In line with the definition within the Income Tax Act 1995, Corporate Social Responsibility (CSR) is regarded in profit or loss as a tax and is therefore subsumed with the income tax expense shown and the income tax liability in the statement of financial position.

The CSR charge for the current period is measured at the amount expected to be paid to the Mauritian tax authorities. The CSR rate and laws used to compute the amount are those charged or substantively enacted by the reporting date.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

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### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (t) Current versus non-current classification

The Group and the Company present assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
  - It is held primarily for the purpose of trading.
  - It is due to be settled within twelve months after the reporting period; or
  - There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period
- The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group and the Company classify all other liabilities as non-current.

#### (u) Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's and the Company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company and the Group.

#### (v) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group and the Company receive non-monetary grants, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant.

#### (w) Comparative figures

Where necessary, prior year figures have been reclassified to conform with current year presentation.



# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's financial liabilities comprise interest bearing loans and borrowings, lease liabilities and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's and Company's operations. The Group and the Company have various financial assets such as trade and other receivables, financial assets at FVOCI and cash and bank balances which arise directly from its operations.

The main risks arising from the Group's and the Company's financial instruments are interest rate risk, foreign currency risk, equity price risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

#### Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

#### (a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group's and the Company's policy is to manage its interest cost using a mix of fixed and variable rate debts.

#### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's and Company's profit/(loss) before tax is affected through the impact on floating rate borrowings as follows:

Increase/decrease in basis points	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
+50	(2 080 788)	(2 900 243)	(1 754 299)	(1 505 572)
-25	1 077 478	1 450 121	877 149	752 786

#### (b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group and the Company have transactional currency exposures. Such exposure arises from sales or purchases by the Group and the Company in currencies other than the unit of its functional currency. Revenue is generated mainly in Rs except for its export business which is in Euro. Some expenditures are incurred in US Dollars, Euro and Great Britain Pound (GBP). The Group uses foreign currency swap to hedge against foreign currency risk.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Market risk (Continued)

#### (b) Foreign currency risk (Continued)

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

	THE GROUP			
	Financial assets 2020	Financial liabilities 2020	Financial assets 2019	Financial liabilities 2019
	Rs	Rs	Rs	Rs
Mauritian Rupee (Rs)	480,644,517	333,330,417	428,436,724	496,878,722
EURO (EUR)	19,124,517	88,629,678	98,267,653	158,723,142
United States Dollar (USD)	16,788,333	183,687,046	40,132,836	51,411,095
Great Britain Pound (GBP)	103,616	-	2,318,030	10,970,487
Malagasy Ariary (MGA)	-	-	16,050,288	930,244
South African Rand (ZAR)	65,772	105,328	-	-
Switzerland Fares	-	-	-	178,235
	<b>516,726,755</b>	<b>605,752,469</b>	585,205,531	719,091,925

	THE COMPANY			
	Financial assets 2020	Financial liabilities 2020	Financial assets 2019	Financial liabilities 2019
	Rs	Rs	Rs	Rs
Mauritian Rupee (Rs)	284,709,960	457,084,828	266,924,859	481,209,011
EURO (EUR)	8,354,892	7,945,454	5,649,110	5,113,750
United States Dollar (USD)	5,146,613	19,253,486	19,957	13,467,422
Great Britain Pound (GBP)	103,616	-	13,150	-
	<b>298,315,081</b>	<b>484,283,768</b>	272,607,076	499,790,183

Prepayments of **Rs 3,187,260** (2019: Rs 50,058,425) for the Group and **Rs 7,706,484** (2019: Rs. 5,325,796) for the Company have been excluded from the above table as they are not considered to be financial assets.

#### Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in Euro and USD exchange rates, with all other variables held constant, for the Group and the Company. The Group's and the Company's exposure to foreign currency changes for all other currencies is not material.

	Increase in rates	%	THE GROUP		THE COMPANY	
			2020	2019	2020	2019
			Effect on profit before tax	Effect on profit before tax	Effect on profit before tax	Effect on profit before tax
			Rs	Rs	Rs	Rs
EURO	5%		(3,022,774)	417,744	26,768	
USD	5%		(563,913)	5,180	(672,373)	

A decrease of 5% in the rate will have the same but opposite effect on the profit before tax.

#### (c) Equity price risk

Equity price risk is the risk of unfavourable changes in fair values of equities as the result of changes in the value of individual shares. The Group and the Company are exposed to equity price risk because of quoted investments held by the Group and the Company classified as financial assets at fair value through other comprehensive income in the statement of financial position.

The group and the company manage the equity risk through regular monitoring of share prices. The Board of directors reviews and approves all equity investment decisions.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Market risk (Continued)

#### (c) Equity price risk (Continued)

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date. Its effect on equity for the year would have been as follows:

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Increase/decrease in basis points				
+50	28,104	58,215	28,104	58,215
-25	(14,052)	(29,108)	(14,052)	(29,108)

#### (d) Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk is managed on a Group basis and arises principally from the Group's and the Company's operating activities (primary trade receivables).

#### Trade receivables

The Group and the Company trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and credit insurance.

Since the Group trades only with recognised third parties, there is no requirement for collateral.

"For trade receivables, an analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. In addition, the Group considers individual debtors for specific impairment when it becomes aware of the debtors' inability to meet the financial obligation or when the trade receivable is referred to attorneys. Receivables are written off when there is no reasonable expectation of recovery.

The Group and the Company considered the impact of COVID-19 on its trade receivables and concluded that the impact was not significant. The Group segmented its trade receivables balances into categories pertaining to the different industries. Where the Group and Company considered there to be an increase in credit risks, they made adjustments to the receivable balances of these respective trade debtors to reflect the situation."

The Group and the Company have no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of the trade receivables in the consolidated and separate statements of financial position.

At 30 June 2020, the credit risk exposure on the Group's and Company's trade receivables was as follows

THE GROUP	Total	Neither past due nor impaired	Past due but not impaired			
			<30 days	30-60 days	61-90 days	>90 days
2020	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Expected credit loss rate	25.28 %	0.00 %	2.34 %	1.36 %	0.49 %	42.81 %
Estimated total gross carrying amount at default	215,197,637	3,066,525	66,241,416	18,489,796	4,601,251	122,798,649
Expected credit loss	(54,392,264)	-	(1,548,423)	(250,980)	(22,669)	(52,570,192)
	<u>160,805,373</u>	<u>3,066,525</u>	<u>64,692,993</u>	<u>18,238,816</u>	<u>4,578,582</u>	<u>70,228,457</u>

The gross balance has declined by 21% while the ECL balance raised by 67% during the year ended June 30, 2020. The reason is with respect the defaulted client that increased significantly in FY2020 as compared to FY2019.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (d) Credit risk (Continued)

##### *Trade receivables (Continued)*

THE GROUP	Total	Neither past due nor impaired	Past due but not impaired			
			<30 days	30-60 days	61-90 days	>90 days
<b>2019</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Expected credit loss rate	11.94 %	0.00 %	16.18 %	6.27 %	6.11 %	58.41 %
Estimated total gross carrying amount at default	272,441,503	-	162,270,062	26,516,636	39,449,992	44,204,813
Expected credit loss	(32,519,294)	-	(26,252,380)	(1,663,199)	(2,409,637)	(25,821,220)
	<u>239,922,209</u>	<u>-</u>	<u>136,017,682</u>	<u>24,853,437</u>	<u>37,040,355</u>	<u>18,383,593</u>

THE COMPANY	Total	Neither past due nor impaired	<30 days	30-60 days	61-90 days	>90 days
Expected credit loss rate	34.84 %	0.00 %	3.47 %	0.00 %	0.00 %	52.67 %
Estimated total gross carrying amount at default	28,259,328	-	9,241,905	43,417	890,351	18,083,655
Expected credit loss	(9,846,152)	-	(320,819)	-	-	(9,525,333)
	<u>18,413,176</u>	<u>-</u>	<u>8,921,086</u>	<u>43,417</u>	<u>890,351</u>	<u>8,558,322</u>

THE COMPANY	Total	Neither past due nor impaired	<30 days	30-60 days	61-90 days	>90 days
Expected credit loss rate	25.28 %	0.00 %	1.81 %	11.40 %	33.29 %	58.18 %
Estimated total gross carrying amount at default	41,795,724	-	23,008,040	3,404,740	816,844	14,566,100
Expected credit loss	(9,549,756)	-	(415,786)	(388,118)	(271,890)	(8,473,962)
	<u>32,245,968</u>	<u>-</u>	<u>22,592,254</u>	<u>3,016,622</u>	<u>544,954</u>	<u>6,092,138</u>

Refer to note 14 for the movement in allowance for impairment in respect of trade receivables and intercompany trade receivables during the year.

##### *Loans and advances to staff and intercompany loans*

The Company manages its credit risk with regards to loans to subsidiaries by actively monitoring the operations and financial performance of its subsidiaries. Loan to staff are repaid directly through payroll limiting the credit risk of the Group and the Company. The impairment assessment done for this category of financial assets resulted in a non significant amount and therefore has not been disclosed separately.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (d) Credit risk (Continued)

##### Cash and cash equivalents

With respect to cash and cash equivalents, the Group's and the Company's exposure to credit risk arises from the default of the counter party with a maximum exposure equal to the carrying value of the instrument of **Rs 34,770,992** (2019: Rs 37,563,118) for Group and **Rs 2,381,341** (2019: Rs 3,776,656) for Company. Cash at banks are held with reputable financial institutions.

##### Definition of default

The Group and the Company consider a financial instrument defaulted and therefore stage 3 (credit-impaired) for ECL calculations in all cases above the borrower becomes 90 days past due on its contract payments.

#### (e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities due to shortage of funds.

The Group and the Company monitor the risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables and other financial assets), the maturity of its financial obligations and projected cash flows from operations. Moreover, the Group and the Company have access to various types of funding like leasing and loans.

The unprecedented pandemic has resulted in a net loss Rs 183.8m (profit of 9.7m in 2019) for the group, a net loss of Rs 21.0m (profit of Rs 9.6m in 2019) and net cash outflow of Rs 30.5m for the financial year end 2020.

As a result the Group and the Company are monitoring the cash-flows tightly. The Group and the Company have capitalised on the different financial assistance schemes put in place by the government to manage its cash-flows. New loans, with moratorium on interest and capital payments, have been obtained from the banks. In case of any unforeseen shortfall in liquidity in the near future the Group and the Company will consider the realisation of the non-performing assets to settle the current liabilities.

Management has determined that the above actions are sufficient to mitigate the uncertainty and has therefore prepared the financial reporting on a going concern basis.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases.

The following table summarises the maturity profile of the Group's and Company's financial liabilities at June 30, based on the contractual undiscounted payment.

#### THE GROUP

At June 30, 2020

	On demand	0 to 3 Months	3 to 12 Months	1 to 5 years	Above 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest-bearing loans and borrowings	223,913,026	115,592,584	9,254,704	288,025,386	56,246,820	693,032,520
Lease liabilities		286,483	10,418,271	20,132,405		30,837,159
Trade and other payables	89,843,833	67,768,870	24,175,464	-	-	181,788,167
	<u>313,756,859</u>	<u>183,647,937</u>	<u>43,848,439</u>	<u>308,157,791</u>	<u>56,246,820</u>	<u>905,657,846</u>

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Liquidity risk (Continued)

##### THE GROUP

At June 30, 2019	On demand	0 to 3 Months	3 to 12 Months	1 to 5 years	Above 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest-bearing loans and borrowings	251,845,027	20,127,922	61,927,239	219,365,672	78,087,361	631,353,221
Trade and other payables	59,467,524	61,243,314	55,188,954	-	-	175,899,792
	<u>311,312,551</u>	<u>81,371,236</u>	<u>117,116,193</u>	<u>219,365,672</u>	<u>78,087,361</u>	<u>807,253,013</u>

##### THE COMPANY

At June 30, 2020

	On demand	0 to 3 Months	3 to 12 Months	1 to 5 years	Above 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Interest-bearing loans and borrowings</b>	<b>108,060,743</b>	<b>4,694,464</b>	<b>28,813,495</b>	<b>124,242,950</b>	<b>44,087,824</b>	<b>309,899,476</b>
<b>Lease liabilities</b>	-	<b>118,442</b>	<b>7,140,133</b>	<b>13,621,591</b>	-	<b>20,880,166</b>
<b>Trade and other payables</b>	<b>29,216,466</b>	<b>9,999,741</b>	<b>62,960,802</b>	-	-	<b>102,177,009</b>
	<u><b>137,277,209</b></u>	<u><b>14,812,647</b></u>	<u><b>98,914,430</b></u>	<u><b>137,864,541</b></u>	<u><b>44,087,824</b></u>	<u><b>432,956,651</b></u>

At June 30, 2019	On demand	0 to 3 months	3 to 12 Months	1 to 5 years	Above 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest-bearing loans and borrowings	81,473,021	9,063,801	47,936,590	122,302,835	65,131,379	325,907,626
Trade and other payables	21,250,587	8,383,547	77,156,344	-	-	106,790,478
	<u>102,723,608</u>	<u>17,447,348</u>	<u>125,092,934</u>	<u>122,302,835</u>	<u>65,131,379</u>	<u>432,698,104</u>

#### Capital management

The primary objective of the Group's and the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value.

The Group and the Company manage the capital structure and make adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment or return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended June 30, 2020 and 2019.

The Group and the Company are not subject to any externally imposed capital requirements.

The Group and the Company monitor capital using a gearing ratio which is interest bearing loans and borrowings divided by equity and interest-bearing loans and borrowings. Capital comprises of equity attributable to the equity holders of the parent.

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Interest bearing loans and borrowings	<b>723,869,67</b>	630,723,225	<b>347,990,930</b>	352,907,626
Equity and interest bearing loans and borrowings	<b>988,683,844</b>	1,106,743,229	<b>642,053,904</b>	652,298,072
Gearing ratio	<b>0.73</b>	0.57	<b>0.54</b>	0.50

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 4. PROPERTY, PLANT AND EQUIPMENT

#### (a) THE GROUP

	Freehold land and buildings		Plant, machinery and equipment		Furniture and fittings		Motor vehicles		Computer equipment		Assets in progress *		Total	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>COST OR VALUATION</b>														
At July 01, 2018	274,595,515	361,768,189	102,928,228	36,260,431	72,107,231	1,913,115	849,572,709							
Additions	38,458,674	3,087,644	8,375,830	8,234,641	9,528,644	53,184,313	120,869,741							
Disposals	-	-	(61,838)	(2,516,170)	(30,435)	-	(2,608,443)							
Exchange differences	(825)	-	(7,355)	(1,838)	(33,984)	-	(44,002)							
Adjustments	-	-	(9,907)	996,594	-	-	986,687							
Transfers **	287,826	1,132,864	227,311	30,800	252,130	(1,930,931)	-							
<b>At June 30, 2019</b>	<b>313,341,190</b>	<b>365,988,697</b>	<b>111,452,269</b>	<b>43,004,458</b>	<b>81,823,586</b>	<b>53,166,497</b>	<b>968,776,692</b>							
Additions	11,089,209	14,540,469	2,986,278	1,286,559	3,345,780	58,886,813	92,135,108							
Disposals	(536,800)	-	-	(4,517,011)	(105,800)	-	(5,159,611)							
Exchange differences	(270)	-	(2,407)	(601)	(11,359)	-	(14,637)							
Impairment loss	-	(31,840,434)	-	-	-	(321,609)	(32,162,043)							
Transfer to Intangibles	-	-	-	-	-	(227,500)	(227,500)							
Transfer to right-of-use asset (note 5)	-	(44,680,615)	(400,000)	(29,495,052)	(2,547,642)	-	(77,123,309)							
Transfers **	3,391,340	106,069,768	1,685,378	-	-	(111,146,486)	-							
<b>At June 30, 2020</b>	<b>327,284,669</b>	<b>410,077,885</b>	<b>115,721,518</b>	<b>10,278,353</b>	<b>82,504,565</b>	<b>357,715</b>	<b>946,224,700</b>							
<b>DEPRECIATION AND IMPAIRMENT</b>														
At July 01, 2018	1,918,280	204,050,277	67,956,993	16,385,503	64,677,892	-	354,988,945							
Charge for the year	5,048,289	28,737,498	6,382,446	6,828,892	5,104,363	-	52,101,488							
Disposals	-	-	(34,351)	(2,253,443)	(5,072)	-	(2,292,866)							
Adjustments	-	-	-	270,649	11,686	-	282,335							
Exchange differences	-	-	(1,840)	253	(18,327)	-	(19,914)							
<b>At June 30, 2019</b>	<b>6,966,569</b>	<b>232,787,775</b>	<b>74,303,248</b>	<b>21,231,854</b>	<b>69,770,547</b>	<b>-</b>	<b>405,059,988</b>							
Charge for the year	5,731,722	26,924,021	6,451,211	1,014,046	6,507,238	-	46,628,238							
Disposals	(277,008)	-	-	(3,174,912)	(61,408)	-	(3,513,328)							
Exchange differences	-	-	(932)	(453)	(5,787)	-	(7,172)							
Impairment loss	-	(6,944,370)	-	-	-	-	(6,944,370)							
Transfer to right-of-use asset (note 5)	-	(28,473,083)	(178,392)	(10,250,740)	(2,547,642)	-	(41,449,857)							
Adjustments	(428)	(3,027,936)	2,390,164	967	594,996	371	(41,866)							
<b>At June 30, 2020</b>	<b>12,420,855</b>	<b>221,266,407</b>	<b>82,965,299</b>	<b>8,820,762</b>	<b>74,257,944</b>	<b>371</b>	<b>399,731,633</b>							
<b>NET CARRYING AMOUNT</b>														
<b>At June 30, 2020</b>	<b>314,863,814</b>	<b>188,811,478</b>	<b>32,756,219</b>	<b>1,457,591</b>	<b>8,246,621</b>	<b>357,344</b>	<b>546,493,067</b>							
At June 30, 2019	306,374,621	133,200,922	37,149,021	21,772,604	12,053,039	53,166,497	563,716,704							

Assets in progress relate to assets purchased but not yet available for use.

The transfers for 2019 and 2020 relate to cost reclassified to different class of assets as per the table above.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### THE COMPANY

#### COST OR VALUATION

	Freehold land and buildings	Plant, machinery and equipment	Furniture and fittings	Motor vehicles	Computer equipment	Assets in progress*	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At July 01, 2018	240,399,315	208,495,557	78,557,804	20,078,532	51,253,525	1,100,209	599,884,942
Additions	38,458,674	1,912,008	6,717,569	1,890,114	6,433,437	1,525,291	56,937,093
Disposal	-	-	(61,838)	(1,036,821)	(30,435)	-	(1,129,094)
Transfers	287,826	137,142	227,311	30,800	252,130	(935,209)	-
	<u>279,145,815</u>	<u>210,544,707</u>	<u>85,440,846</u>	<u>20,962,625</u>	<u>57,908,657</u>	<u>1,690,291</u>	<u>655,692,941</u>
<b>At June 30, 2019</b>	<b>279,145,815</b>	<b>210,544,707</b>	<b>85,440,846</b>	<b>20,962,625</b>	<b>57,908,657</b>	<b>1,690,291</b>	<b>655,692,941</b>
Additions	10,071,194	168,200	1,574,368	28,461	877,775	357,294	13,077,292
Disposal	-	-	-	(666,022)	-	-	(666,022)
Transfer to right-of-use asset (note 5)	-	-	-	(17,222,998)	(2,547,642)	-	(19,770,640)
Transfers	1,690,291	-	-	-	-	(1,690,291)	-
	<u>290,907,300</u>	<u>210,712,907</u>	<u>87,015,214</u>	<u>3,102,066</u>	<u>56,238,790</u>	<u>357,294</u>	<u>648,333,571</u>
<b>At June 30, 2020</b>	<b>290,907,300</b>	<b>210,712,907</b>	<b>87,015,214</b>	<b>3,102,066</b>	<b>56,238,790</b>	<b>357,294</b>	<b>648,333,571</b>
<b>DEPRECIATION</b>							
At July 01, 2018	-	160,206,404	55,316,730	5,748,729	47,411,272	-	268,683,135
Charge for the year	4,188,783	11,569,072	4,502,168	4,330,082	2,939,590	-	27,529,695
Disposal	-	-	(34,351)	(786,638)	(5,072)	-	(826,061)
	<u>4,188,783</u>	<u>171,775,476</u>	<u>59,784,547</u>	<u>9,292,173</u>	<u>50,345,790</u>	<u>-</u>	<u>295,386,769</u>
At June 30, 2019	4,188,783	171,775,476	59,784,547	9,292,173	50,345,790	-	295,386,769
<b>At July 01, 2019</b>	<b>4,188,783</b>	<b>171,775,476</b>	<b>59,784,547</b>	<b>9,292,173</b>	<b>50,345,790</b>	<b>-</b>	<b>295,386,769</b>
Charge for the year	4,877,576	4,616,792	4,614,396	445,277	3,890,710	-	18,444,751
Disposal	-	-	-	(551,983)	-	-	(551,983)
Transfer to right-of-use asset (note 5)	-	-	-	(6,368,704)	(2,547,642)	-	(8,916,346)
	<u>9,066,359</u>	<u>176,392,268</u>	<u>64,398,943</u>	<u>2,816,763</u>	<u>51,688,858</u>	<u>-</u>	<u>304,363,191</u>
At June 30, 2020	9,066,359	176,392,268	64,398,943	2,816,763	51,688,858	-	304,363,191
<b>NET CARRYING AMOUNT</b>							
<b>At June 30, 2020</b>	<b>281,840,941</b>	<b>34,320,639</b>	<b>22,616,271</b>	<b>285,303</b>	<b>4,549,932</b>	<b>357,294</b>	<b>343,970,380</b>
At June 30, 2019	274,957,032	38,769,231	25,656,299	11,670,452	7,562,867	1,690,291	360,306,172

\* Assets in progress relate to assets purchased but not yet available for use.

\*\* The transfers for 2019 relate to cost reclassified to different class of assets as per the table above.



# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (b) External valuers are involved for valuation of land and building and any involvement of external valuers is determined annually by the directors. External Valuers are normally appointed every three years. The directors decide, after discussions with the external valuer, which valuation techniques and inputs to use for each case. At each reporting date, the directors assess the values of the land and buildings which are required to be remeasured or re-assessed as per the accounting policies. For this analysis, the directors verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to relevant documents including the contracts. The directors also compare the change in the value of the Group's and the Company's land and buildings with relevant external sources to determine whether the change is reasonable. A director's valuation was performed for land and buildings classified as property, plant and equipment as at 30 June 2020 and 30 June 2019. The last independent valuation of these land and buildings was performed as at June 30, 2018. For the quantitative disclosure for the land and buildings under revaluation model are disclosed in the note 31.

The revalued land and buildings consist of manufacturing and office buildings. Management determined that these constitute one class of asset under IFRS 13, based on the nature, characteristics and risks of the property.

- (c) Property, plant and equipment are included in assets given as collateral for bank borrowings (see note 18).  
 (d) Assets under finance lease

The Group leases a number of items of production equipment. These leases were classified as finance leases under IAS 17 at June 30, 2019. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date. For more details regarding the carrying amount of right-of-use asset at July 1, 2019 refer to note 5 (a).

The carrying amount of assets included in note 4 (a) that are held under finance lease as at June 30, 2019 were as follows:

#### THE GROUP

	Plant, machinery and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
2019					
Cost	49,699,885	391,285	2,547,642	19,244,312	71,883,124
Accumulated depreciation	(29,833,378)	(391,285)	(2,547,642)	-	(32,772,305)
Net carrying amount	19,866,507	-	-	19,244,312	39,110,819

#### THE COMPANY

	Plant, machinery and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
2019					
Cost	930,000	391,285	2,547,642	10,854,294	14,723,221
Accumulated depreciation	(930,000)	(391,285)	(2,547,642)	-	(3,868,927)
Net carrying amounts	-	-	-	10,854,294	10,854,294

- (c) In financial year 30 June 2020, the management approved not to go ahead with the activity relating to the publication of school books and, the plant located at Riche Terre amounting to Rs 63,840,434 at cost be partially impaired. The recoverable amount was based on the fair value less cost to sell. In determining the fair value, the physical conditions of the plant was considered and, it was estimated to be Rs 32,000,000. The impairment of this plant was recognised in the statement of profit or loss as an expense.

The recoverable amount has been determined based on the expected value to be received upon disposal of the machinery as approved by senior management and is classified in level 3 of the fair value hierarchy.

The Group's does not have a specific valuation process in place for determining the recoverable amount of the machinery and this is undertaken on an ad hoc basis. It is the Group's technical manager who makes an assessment of the physical conditions of the plant, taking into consideration the prevailing market value and potential buyers in formulating the recoverable amount. Management makes its assessment against relevant external sources to determine reasonableness of the recoverable amount and the recoverable amount is subsequently ratified by management. The Group's management approves the policies and procedures in place for determining the recoverable amount.

## 5. (a) RIGHT OF USE ASSETS THE GROUP

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Cost	Motor vehicles		Computer equipment		Plant and equipment		Computer software		Office space		Premises		Other fixed assets		Total	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At July 01, 2019	-	-	-	-	-	-	-	-	2,117,134	572,782	263,930	2,953,846	-	-	-	-
Transfer from property, plant and equipment	19,244,312	-	16,429,140	-	-	-	-	-	-	-	-	-	-	-	35,673,452	-
Transfer from intangible asset	-	-	-	566,744	-	-	-	-	-	-	-	-	-	-	566,744	-
Additions	6,569,205	3,558,770	-	-	-	-	-	-	-	-	-	-	-	-	10,127,975	-
<b>At June 30, 2020</b>	<b>25,813,517</b>	<b>3,558,770</b>	<b>16,429,140</b>	<b>566,744</b>	<b>2,117,134</b>	<b>572,782</b>	<b>263,930</b>	<b>49,322,017</b>								
<b>DEPRECIATION</b>																
At July 01, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	6,764,729	539,541	4,507,809	-	768,740	177,527	243,628	13,001,974	-	-	-	-	-	-	-	-
<b>At June 30, 2020</b>	<b>6,764,729</b>	<b>539,541</b>	<b>4,507,809</b>	<b>-</b>	<b>768,740</b>	<b>177,527</b>	<b>243,628</b>	<b>13,001,974</b>								
<b>NET BOOK VALUE</b>																
<b>At June 30, 2020</b>	<b>19,048,788</b>	<b>3,019,229</b>	<b>11,921,331</b>	<b>566,744</b>	<b>1,348,394</b>	<b>395,255</b>	<b>20,302</b>	<b>36,320,043</b>								
<b>THE COMPANY</b>																
<b>Cost</b>																
At July 01, 2019	-	-	-	-	-	-	-	-	941,652	223,459	1,165,111	-	-	-	-	-
Additions	4,484,116	3,558,770	-	-	-	-	-	-	-	-	-	-	-	-	8,042,886	-
Transfer from property, plant and equipment	10,854,294	-	-	-	-	-	-	-	-	-	-	-	-	-	10,854,294	-
Transfer from Intangible Asset	-	-	-	566,744	-	-	-	-	-	-	-	-	-	-	566,744	-
Disposals	-	(2,547,642)	-	-	-	-	-	-	-	-	-	-	-	-	(2,547,642)	-
<b>At June 30, 2020</b>	<b>15,338,410</b>	<b>1,011,128</b>	<b>566,744</b>	<b>941,652</b>	<b>223,459</b>	<b>18,081,393</b>										
<b>DEPRECIATION</b>																
At July 01, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	4,323,947	539,541	282,334	86,500	5,232,322	(2,547,642)	-	-	-	-	-	-	-	-	-	-
Disposals	-	(2,547,642)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>At June 30, 2020</b>	<b>4,323,947</b>	<b>(2,008,101)</b>	<b>282,334</b>	<b>86,500</b>	<b>2,684,680</b>											
<b>NET BOOK VALUE</b>																
<b>At June 30, 2020</b>	<b>11,014,463</b>	<b>3,019,229</b>	<b>566,744</b>	<b>659,318</b>	<b>136,959</b>	<b>15,396,713</b>										

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 5. (b) LEASE LIABILITIES

	<b>THE GROUP</b>	<b>THE COMPANY</b>
	<b>2020</b>	<b>2020</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Recognition of lease liability on initial application of IFRS 16 on July 1, 2019</b>	<b>2,953,846</b>	<b>1,165,111</b>
<b>Transfer from borrowings (Note 18)</b>	<b>19,060,154</b>	<b>10,819,617</b>
<b>Additions</b>	<b>12,649,492</b>	<b>10,639,130</b>
<b>Accretion of interest</b>	<b>1,492,969</b>	<b>723,596</b>
<b>Payments</b>	<b>(8,040,137)</b>	<b>(4,380,590)</b>
<b>Foreign exchange difference</b>	<b>45,005</b>	<b>-</b>
<b>At June 30, 2020</b>	<b>28,161,329</b>	<b>18,966,864</b>
<b><i>Analysed as:</i></b>		
<b>Current</b>	<b>9,370,157</b>	<b>6,283,236</b>
<b>Non current</b>	<b>18,791,172</b>	<b>12,683,628</b>
<b>At June 30, 2020</b>	<b>28,161,329</b>	<b>18,966,864</b>

***The following are the amounts recognised in profit or loss:***

	<b>THE GROUP</b>	<b>THE COMPANY</b>
	<b>2020</b>	<b>2020</b>
	<b>Rs.</b>	<b>Rs.</b>
Depreciation expense of right-of-use assets	<b>1,189,895</b>	<b>5,225,230</b>
Interest expense on lease liabilities (included in finance cost)	<b>1,492,969</b>	<b>723,596</b>
Expense relating to short term leases and leases of low-value assets	<b>2,206,146</b>	<b>1,974,901</b>
<b>Total amount recognised in profit or loss</b>	<b>4,889,010</b>	<b>7,923,727</b>

The Group and Company had total cash flows for leases of Rs 10,246,283 and Rs 6,355,491 respectively. These include cash flows related to low value and short term leases not included within the lease liabilities.

#### **The Company as a lessor**

The Company has entered into operating leases for its investment properties consisting of office buildings. These leases have terms between 2 and 5 years. Future minimum rentals receivables under non-cancellable operating leases as at June 30, 2020 are as follows:

	<b>THE COMPANY</b>
	<b>Rs.</b>
Within one year	<b>22,046,363</b>
After one year but not more than five year	<b>59,266,106</b>
More than five year	<b>-</b>
	<b>81,312,468</b>

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 6. INVESTMENT PROPERTIES

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
At July 1,	<b>51,300,000</b>	51,300,000	<b>51,300,000</b>	51,300,000
Transfer to assets held for sale (Note 16)	<b>(45,800,000)</b>	-	<b>(45,800,000)</b>	-
<b>At June 30,</b>	<b>5,500,000</b>	51,300,000	<b>5,500,000</b>	51,300,000

The Group's and the Company's investment properties consist of office buildings. Management determined that the investment properties consist of one class of asset based on the nature, characteristic and risk of each property.

External valuers are involved for valuation of the investment properties and any involvement of external valuers is determined annually by the directors. External Valuers are normally appointed every three years. The directors decide, after discussions with the external valuer, which valuation techniques and inputs to use for each case. At each reporting date, the directors assess the values of the investment properties which are required to be remeasured or re-assessed as per the accounting policies. For this analysis, the directors verify the major inputs applied in the latest valuation by agreeing the information in the valuation computation to relevant documents including the contracts. The directors also compare the change in the value of the Group's and the Company's Properties with relevant external sources to determine whether the change is reasonable. A director's valuation was performed for land and buildings classified as investment property as at 30 June 2020 and 30 June 2019. The last independent valuation of these land and buildings was performed as at June 30, 2018. For the quantitative disclosure for the land and buildings under revaluation model are disclosed in the note 31.

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Rental income derived from investment properties	<b>311,000</b>	3,804,912	<b>13,877,957</b>	3,804,912
Direct operating expenses (including repairs and maintenance) generating rental income (included in cost of sales)	<b>(552,476)</b>	(1,106,509)	<b>(552,476)</b>	(1,106,509)
Direct operating expenses (including repairs and maintenance) that did not generate rental income (included in cost of sales)	<b>(177,613)</b>	(112,265)	<b>(177,613)</b>	(112,265)
(Loss)/ profit arising from investment properties carried at fair value	<b>(419,089)</b>	2,586,138	<b>13,147,868</b>	2,586,138

The Group has no restriction on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 7. INTANGIBLE ASSETS

#### (a) THE GROUP

Cost	Goodwill		Marketing rights		Other intangibles		Computer software		Assets in progress *		Brand/Masthead		Customers list		Total	
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.	
At July 01, 2018	74,742,593		2,400,000		1,073,308		71,593,024		1,414,484		25,130,000		10,740,000		187,093,409	
Additions	-		-		-		18,611,619		3,907,407		-		-		22,519,026	
Disposals	-		-		-		(1,612,900)		(160,000)		-		-		(1,772,900)	
Transfers**	-		-		-		187,280		(187,280)		-		-		-	
At June 30, 2019	74,742,593		2,400,000		1,073,308		88,779,023		4,974,611		25,130,000		10,740,000		207,839,535	
<b>At July 01, 2019</b>	<b>74,742,593</b>		<b>2,400,000</b>		<b>1,073,308</b>		<b>88,779,023</b>		<b>4,974,611</b>		<b>25,130,000</b>		<b>10,740,000</b>		<b>207,839,535</b>	
Additions	-		-		1,425,158		3,440,302		2,386,500		-		-		7,251,960	
Impairment	-		-		-		(1,843,363)		(2,156,204)		-		-		(3,999,567)	
Transfers	-		-		-		1,736,238		(1,736,238)		-		-		-	
Transfer from PPE	-		-		-		-		227,500		-		-		227,500	
Transfer to right of use asset	-		-		-		(660,100)		-		-		-		660,100	
<b>At June 30, 2020</b>	<b>74,742,593</b>		<b>2,400,000</b>		<b>2,498,466</b>		<b>91,452,100</b>		<b>3,696,169</b>		<b>25,130,000</b>		<b>10,740,000</b>		<b>210,659,328</b>	
<b>Amortisation</b>																
At July 01, 2018	13,213,851		2,400,000		-		60,073,258		-		5,492,750		7,339,000		88,518,859	
Disposals	-		-		-		(139,183)		-		-		-		(139,183)	
Charge for the year	-		-		-		6,192,206		-		1,256,500		1,074,000		8,522,706	
At June 30, 2019	13,213,851		2,400,000		-		66,126,281		-		6,749,250		8,413,000		96,902,382	
<b>At July 01, 2019</b>	<b>13,213,851</b>		<b>2,400,000</b>		<b>-</b>		<b>66,126,281</b>		<b>-</b>		<b>6,749,250</b>		<b>8,413,000</b>		<b>96,902,382</b>	
Transfer to right of use asset	-		-		-		(93,356)		-		-		-		(93,356)	
Charge for the year	-		-		-		9,399,366		-		1,256,500		1,074,000		11,729,866	
<b>At June 30, 2020</b>	<b>13,213,851</b>		<b>2,400,000</b>		<b>-</b>		<b>75,432,291</b>		<b>-</b>		<b>8,005,750</b>		<b>9,487,000</b>		<b>108,538,892</b>	
<b>NET CARRYING AMOUNT</b>																
<b>At June 30, 2020</b>	<b>61,528,742</b>		<b>-</b>		<b>2,498,466</b>		<b>16,019,809</b>		<b>3,696,169</b>		<b>17,124,250</b>		<b>1,253,000</b>		<b>102,120,436</b>	
At June 30, 2019	61,528,742		-		1,073,308		22,652,742		4,974,611		18,380,750		2,327,000		110,937,153	

\* Assets in progress relate to costs incurred for enhancing software. However the work has not yet been completed and hence not available for use.

\*\* The transfers relate to purchase of a operating application that have been transferred from asset in progress to computer software in 2019 and in 2020.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 7. INTANGIBLE ASSETS (CONTINUED)

Goodwill represents the excess of the consideration transferred over the fair value of identifiable net assets of 5-Plus Ltd, Business Publications Ltd, Mediatiz Ltd and Mc Easy Freight Co Ltd as at the date of acquisition. In accordance with IAS 36, goodwill acquired has been assessed for impairment based on the cash generating units. The recoverable amounts have been determined based on a value in use calculation using cash flow assumptions and financial budgets approved by management. The key assumptions for preparing the cash flow forecasts are based on management past experience of the industry and the ability of the cash generating units to at least maintain their market shares.

Other intangibles represent digital films and photos with an indefinite useful life.

#### THE COMPANY

	Computer software	Other intangibles	Assets in progress *	Total
COST	Rs.	Rs.	Rs.	Rs.
At July 01, 2018	59,028,156	1,026,703	1,254,484	61,309,343
Additions	16,362,982	-	3,760,907	20,123,889
Transfer to intangible assets	187,280	-	(187,280)	-
At June 30, 2019	75,578,418	1,026,703	4,828,111	81,433,232
<b>At July 01, 2019</b>	<b>75,578,418</b>	<b>1,026,703</b>	<b>4,828,111</b>	<b>81,433,232</b>
Impairment	(1,843,363)	-	(2,156,204)	(3,999,567)
Transfer to right of use	(660,100)	-	-	(660,100)
Additions	1,811,780	-	2,386,500	4,198,280
Transfers	1,736,241	-	(1,736,241)	-
<b>At June 30, 2020</b>	<b>76,622,976</b>	<b>1,026,703</b>	<b>3,322,166</b>	<b>80,971,845</b>
<b>AMORTISATION</b>				
At July 01, 2018	50,697,328	-	-	50,697,328
Charge for the year	5,017,858	-	-	5,017,858
At June 30, 2019	55,715,186	-	-	55,715,186
<b>At July 01, 2019</b>	<b>55,715,186</b>	<b>-</b>	<b>-</b>	<b>55,715,186</b>
Transfer to right of use	(93,356)	-	-	(93,356)
Charge for the year	7,682,758	-	-	7,682,758
<b>At June 30, 2020</b>	<b>63,304,588</b>	<b>-</b>	<b>-</b>	<b>63,304,588</b>
<b>NET CARRYING AMOUNT</b>				
<b>At June 30, 2020</b>	<b>13,318,388</b>	<b>1,026,703</b>	<b>3,322,166</b>	<b>17,667,257</b>
At June 30, 2019	19,863,232	1,026,703	4,828,111	25,718,046

#### (b) Impairment testing of goodwill

Goodwill represents the surplus of consideration transferred over the fair value of the assets acquired at the date of acquisition. Goodwill has been assessed as having an indefinite life and has been allocated to the following cash generating unit for impairment testing.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 7. INTANGIBLE ASSETS (CONTINUED)

#### (b) Impairment testing of goodwill (Continued)

##### Carrying amount of goodwill:

5-Plus Ltd  
Business Publications Ltd  
Mc Easy Freight Co Ltd

2020	2019
Rs.	Rs.
36,418,459	36,418,459
9,796,993	9,796,993
15,313,290	15,313,290
<b>61,528,742</b>	<b>61,528,742</b>

The recoverable amount of 5-Plus Ltd, Business Publications Ltd and Mc Easy Freight Co Ltd have been determined based on value in use. These calculations use cash flows projections based on financial budgets approved by senior management covering a five year period. This discount rate applied to the cash flows projection is 6.1% (2019: 6.1%) for 5-Plus Ltd and Business Publications Ltd and 15% (2019: 15%) for Mc Easy Freight Co Ltd. The Group performed its annual impairment test as at June 30, 2020. The recoverable amount exceeds carrying amount and therefore no impairment for goodwill has been recognised.

#### (c) Key assumptions used in value in use calculation

The calculation of value in use of the cash generating unit is most sensitive to the following assumptions:

##### Operating profit margin

Operating profit margin are based on average value achieved in the year preceding the start of budget period.

##### Discount rate

Discount rate reflect management's estimate of the risks specific to the unit. In determining appropriate discount rate, regard has been given to the equity factor of the cash generating unit.

##### Growth rate estimates

Rates are based on management's best estimates of the industry's growth rate, which is at 2% for 2020 and 2019.

#### (d) Sensitivity to changes in assumptions

With regards to the assessment of the value in use of 5-Plus Ltd, Business Publications Ltd and Mc Easy Freight Co Ltd cash generating unit, management believes that no reasonable possible change in any of the above key assumptions would cause the carrying value of the units to materially exceed its recoverable amount.

### 8. INTEREST IN SUBSIDIARIES

#### (a) Equity shares

At July 01, (net)  
Impairment  
At June 30,

THE COMPANY	
2020	2019
Rs.	Rs.
118,680,233	119,180,233
(41,000)	(500,000)
<b>118,639,233</b>	<b>118,680,233</b>

#### (b) Interest in subsidiary

At June 30,  
Total

<b>10,100,000</b>	10,100,000
<b>128,739,233</b>	128,780,233

The interest in subsidiary relates to a shareholder loan provided to Mc Easy Freight Co Ltd. The loan bears no interest and has no repayment term. Management considers this amount as part of its long term investment in the investee.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 7. INTEREST IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of investee company	Principal activities	Class of shares held	Country of incorporation	Nominal value of investments		Direct Holding		Indirect Holding	
				Direct Holding	Indirect Holding	2020	2019	2020	2019
				Rs'000	Rs'000	%	%	%	%
Graphic Press Limited	Dormant	Ordinary	Mauritius	500	-	100	100	-	-
Caractère Limitée	Printing and packaging	Ordinary	Mauritius	20,000	-	100	100	-	-
5-Plus Ltd	Publishing, editing and advertising	Ordinary	Mauritius	34,703	-	100	100	-	-
Eye-Catch Limited	Billboard advertising	Ordinary	Mauritius	100	-	100	100	-	-
Business Publications Ltd	Publishing, editing and advertising	Ordinary	Mauritius	40,000	-	100	100	-	-
One Advertising Limited	Dormant	Ordinary	Mauritius	5,476	-	77	77	-	-
Showbizz Entertainment Ltd	Dormant	Ordinary	Mauritius	6,000	-	50	50	-	-
La Sentinelle Training Centre Ltd	Dormant	Ordinary	Mauritius	50	-	100	100	-	-
LSL Digital Ltd	Dormant	Ordinary	Mauritius	100	-	100	100	-	-
Mediatiz Ltd	Real estate advertising	Ordinary	Mauritius	16,100	-	100	100	-	-
Caractère Reunion	Publishing of journals and periodical	Ordinary	Reunion	41	-	100	100	-	-
Health Publications Ltd	Publishing and editing	Ordinary	Mauritius	6	-	67	67	-	-
Mc Easy Freight Co Ltd	Freight company	Ordinary	Mauritius	6,733	-	60	60	-	-
Caractère Madagascar	Printing and packaging	Ordinary	Madagascar	11	-	100	100	-	-
Mc Easy Freight Madagascar	Freight company	Ordinary	Madagascar	-	23	-	-	60	60
Exprimatur Ltd	Media	Ordinary	Mauritius	-	50	-	-	100	-
				<b>129,820</b>	<b>73</b>				

#### Reporting dates of the Subsidiaries

The subsidiaries have the same reporting date as the holding company and operate on the local market except for Caractère Reunion and Caractère Madagascar.

#### Impairment of the investment in subsidiaries with direct Holding

	Rs'000
One Advertising Limited-partially impaired since June 2009	4,540
Showbizz Entertainment Ltd- Impaired since June 2010	6,000
Eye Catch - Impaired	100
Graphic Press Investment -impaired since June 2019	500
Caractere Reunion- Impaired during June 2020	41
	<u>11,181</u>
<b>Carrying amount as at 30.06.2020</b>	<b><u>118,639</u></b>



# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 8. INTEREST IN SUBSIDIARIES (CONTINUED)

#### (c) Summarised financial information of the subsidiaries with material non-controlling interests:

##### Proportion of equity interest held by non-controlling interests:

Name of company	Country of incorporation	Status	2020	2019
One Advertising Limited	Mauritius	Dormant	23%	23%
Showbizz Entertainment Ltd	Mauritius	In liquidation	50%	50%
Health Publications Ltd	Mauritius	Active	33%	33%
Mc Easy Freight Co Ltd Group	Mauritius	Active	40%	40%

##### Accumulated balances of material non-controlling interest:

	2020	2019
	Rs.	Rs.
One Advertising Limited	(149,904)	941,258
Showbizz Entertainment Ltd	-	(9,602,787)
Health Publications Ltd	(1,465,759)	(1,542,378)
Mc Easy Freight Co Ltd	(1,141,468)	8,219,603

##### (Loss)/profit allocated to material non-controlling interest:

One Advertising Limited	70	(1,218)
Showbizz Entertainment	-	47,471
Health Publications Ltd	79,919	(370,162)
Mc Easy Freight Co Ltd	(5,309,204)	6,060,478

Dividend was paid to non-controlling interest for the year ended June 30, 2020 amounting to Rs 696,000 (2019: Nil).

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 8. INTEREST IN SUBSIDIARIES (CONTINUED)

#### (c) Summarised financial information of subsidiaries with material non-controlling interests (Continued):

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

#### Summarised statement of profit or loss:

	One Advertising Limited		Showbizz Entertainment Ltd		Health Publications Ltd		Mc Easy Freight Co Ltd	
	2020	2019	2020	2019	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(Loss)/ Profit before tax	306	(60,889)	-	94,942	242,178	(1,121,703)	(14,106,915)	15,151,194
Income tax expense	-	-	-	-	-	-	833,904	(28,041)
<b>(Loss)/Profit after tax</b>	<b>306</b>	<b>(60,889)</b>	<b>-</b>	<b>94,942</b>	<b>242,178</b>	<b>(1,121,703)</b>	<b>(13,273,011)</b>	<b>15,123,153</b>
Other comprehensive income	-	-	-	-	-	-	(719,610)	1,428,260
<b>Total comprehensive (loss)/Income</b>	<b>306</b>	<b>(60,889)</b>	<b>-</b>	<b>94,942</b>	<b>242,178</b>	<b>(1,121,703)</b>	<b>(13,992,621)</b>	<b>16,551,413</b>

#### Summarised statement of financial position:

	One Advertising Limited		Showbizz Entertainment Ltd		Health Publications Ltd		Mc Easy Freight Co Ltd	
	2020	2019	2020	2019	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Non-current assets	-	-	-	-	14,533	15,031	38,407,280	38,567,993
Current assets	2,300,311	4,606,574	-	31,603	890,052	599,737	54,637,068	78,969,580
Non-current liabilities	-	-	-	-	-	-	(9,959,029)	(15,675,823)
Current liabilities	(538,967)	(514,150)	-	(19,237,176)	(5,336,281)	(5,288,640)	(92,692,208)	(81,312,742)
<b>Net assets/(liabilities)</b>	<b>1,761,344</b>	<b>4,092,424</b>	<b>-</b>	<b>(19,205,573)</b>	<b>(4,431,696)</b>	<b>(4,673,872)</b>	<b>(9,606,889)</b>	<b>20,549,008</b>

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 8. INTEREST IN SUBSIDIARIES (CONTINUED)

#### (c) Summarised financial information of subsidiaries with material non-controlling interests (Continued):

##### Summarised cash flows information for year ended June 30:

	One Advertising Limited		Showbiz Entertainment Ltd		Health Publications Ltd		Mc Easy Freight Ltd	
	2020	2019	2020	2019	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Operating	2,263	(2,233)	-	(2,233)	(284,095)	53,573	(20,767,666)	(2,835,635)
Financing	2,304,000	-	-	-	-	-	15,403,412	2,254,647
Investing	-	-	-	-	-	-	(1,091,481)	(407,572)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>2,306,263</b>	<b>(2,233)</b>	<b>-</b>	<b>(2,233)</b>	<b>(284,095)</b>	<b>53,573</b>	<b>(6,455,735)</b>	<b>(988,560)</b>

### 9. INVESTMENT IN ASSOCIATES

- (a) At July 01,  
 Impairment loss (Note i)  
 Share of profit  
 Transfer to assets held for sale investment (Note 16 )  
 Share of exchange differences on translation of foreign operation \*

#### At June 30,

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
	16,880,520	16,505,463	11,334,884	11,538,884
	(7,130,520)	-	(1,584,884)	(204,000)
	(9,750,000)	1,176,563	-	-
	-	(801,506)	-	-
	-	16,880,520	-	11,334,884

Note i Impairment losses of 1.5m (2019- Rs 0.2 m) for write-downs of the investment in Express Madagascar (2020) and Flying Freaks Ltd (2019) to the lower of its carrying amount and its fair value less costs to sell have been included in administrative expenses. The impairment losses have been applied to reduce the carrying amount of the investment in associate within the disposal group.

Management has decided to streamline its operations and divest from its investments in Madagascar. The recoverable amount has been determined based on expected proceeds from disposal and has been classified in the level 3 of the fair value hierarchy. The other shareholder of the associate has indicated its ability and willingness to purchase the shares of the Group. The recoverable amount has been determined following negotiation between management and the buyer and an agreement reached thereon.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 9. INVESTMENT IN ASSOCIATES (CONTINUED)

(b) The results of the following associates have been included in the consolidated financial statements.

	Types of shares	Country of incorporation	Principal activity	Nominal values of investment Rs.	Proportion of ownership interest and voting rights held by the Group	
					2020 %	2019 %
L'Express de Madagascar S.A.R.L	Ordinary	Republic of Madagascar	Publishing	11,334,884	49	49
Flying Freaks Ltd*	Ordinary	Mauritius	Media	204,000	51	51

\* Management has assessed that the Group does not have control over Flying Freaks despite having 51 % shares and has classified the investment as an associate. The Group does not have control over the operations of the investee and has only one director out of 3 on the board of Flying Freaks Ltd.

### (c) Summarised financial information of the Group's associates

The above associates are accounted using the equity method in these consolidated financial statements.

	THE GROUP	
	2020 Rs.	2019 Rs.
Current assets	-	93,567,268
Non-current assets	-	4,903,512
Current liabilities	-	69,510,694
Revenue	-	65,207,854
Profit after tax for the year	-	2,373,875
Other comprehensive income	-	-
Total comprehensive income	-	2,373,875

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements :

	THE GROUP	
	2020 Rs.	2019 Rs.
Net assets of the associates as at June 30,	-	28,960,086
Carrying amount of the Group's interest in the associates	-	14,187,351
Goodwill on associate	-	2,693,169
Total interests in associates	-	16,880,520

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 10. INTEREST IN JOINT VENTURES

(a) The movement in interest in joint ventures is as follows:

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
At July 01,	<b>24,937,890</b>	20,425,628	<b>22,345,807</b>	17,328,307
Addition	-	5,017,500	-	5,017,500
Share of loss	<b>(2,700,582)</b>	(505,238)	-	-
<b>At June 30,</b>	<b>22,237,308</b>	24,937,890	<b>22,345,807</b>	22,345,807

(b) Details of the joint ventures are as follows:

	Types of shares	Country of incorporation	Principal activity	Value of investment	Proportion of ownership interest and voting rights held by the Group	
					2020	2019
				Rs.	%	%
Impress Print Ltd	Ordinary	Mauritius	Printing services	<b>17,328,307</b>	<b>50</b>	50
Planete Eco Ltd	Ordinary	Mauritius	Manufacturing of Bio Bags	<b>5,017,500</b>	<b>50</b>	50

The above joint venture is accounted for using the equity method in these consolidated financial statements.

(c) Summarised financial information in respect of the Group's material joint venture:

	THE GROUP	
	2020	2019
	Rs.	Rs.
Current assets	<b>12,918,591</b>	6,638,662
Non-current assets	<b>62,870,756</b>	54,770,021
Current liabilities	<b>17,141,390</b>	17,069,044
Non-current liabilities	<b>12,337,341</b>	4,498,861
Revenue	<b>37,467,540</b>	42,803,923
Loss for the year	<b>(5,401,164)</b>	(1,010,476)
Other comprehensive income	-	-
Total comprehensive loss	<b>(5,401,164)</b>	(1,010,476)

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 10. INTEREST IN JOINT VENTURE (CONTINUED)

(c) Summarised financial information in respect of the Group's material joint venture (Continued):

The above profit for the year includes the following:

Depreciation

Interest expense

THE GROUP	
2020	2019
Rs.	Rs.
<b>182,865</b>	9,295,708
<b>870,107</b>	2,042,491

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements :

Net assets of the joint ventures

Proportion of the Group's ownership interest in the joint ventures

Carrying amount of the Group's interest in the joint ventures

THE GROUP	
2020	2019
Rs.	Rs.
<b>46,907,696</b>	39,840,778
<b>50%</b>	50%
<b>23,453,848</b>	19,920,389

As at June 30, 2020, the joint ventures has no contingent liabilities and has no capital commitment (2019: Rs Nil).

### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

#### THE GROUP AND THE COMPANY

	Quoted (i)	Unquoted (ii)	Total	
			2020	2019
	Rs.	Rs.	Rs.	Rs.
At July 01,	<b>11,643,036</b>	<b>6,600,000</b>	<b>18,243,036</b>	20,953,053
Fair value adjustments *	<b>(6,022,260)</b>	<b>(2,000,000)</b>	<b>(8,022,260)</b>	(2,710,017)
<b>At June 30,</b>	<b>5,620,776</b>	<b>4,600,000</b>	<b>10,220,776</b>	18,243,036

- (i) Quoted financial assets at fair value through other comprehensive income represent investment in equity shares whose fair value is determined by reference to published price quotations in an active market.
- (ii) Unquoted financial assets at fair value through other comprehensive income represent investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured and are therefore measured at cost. In 2020, the fair value is an appropriate estimate of fair value as there was insufficient, more recent information available to measure at fair value.

\* There is no tax effect on fair value adjustment.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

#### THE GROUP AND THE COMPANY (CONTINUED)

Details of those companies incorporated in the Republic of Mauritius, in which the Company holds 10% interest or more are set out below:

2020	Types of shares held	Nominal value of investment	Percentage holding
		Rs.	%
EM Vision Ltd Footfive Co Ltd	Ordinary	4,500,000	10.00
	Ordinary	2,000,000	16.67
2019	Types of shares held	Nominal value of investment	Percentage holding
		Rs.	%
EM Vision Ltd Footfive Co Ltd	Ordinary	4,500,000	10.00
	Ordinary	2,000,000	16.67

### 12. TAXATION

#### (a) Deferred taxation

##### Deferred tax assets

At July 01,  
Charge for the year to profit or loss  
Charge/(credit) for the year to OCI  
Reclassified  
Under provision

At June 30,

#### THE GROUP

2020	2019
Rs.	Rs.
4,508,498	3,783,996
7,818,745	787,440
1,939,988	(131,964)
(3,973,540)	-
335,723	69,031
<b>10,629,414</b>	<b>4,508,503</b>

##### Deferred tax liabilities

At July 01,  
(Over)/Under provision in previous years  
Credit/ (charge) for the year to profit or loss  
Reclassified  
(Credit)/charge for the year to OCI

At June 30,

Net deferred tax (assets)/ liabilities

THE GROUP		THE COMPANY	
2020	2019	2020	2019
Rs.	Rs.	Rs.	Rs.
17,974,262	16,559,692	11,830,779	13,256,963
(2,204,951)	1,683,407	1,120,918	416,244
(59,399)	(1,065,151)	342,935	(820,899)
(3,973,540)	-	-	-
1,614,840	796,314	(1,328,890)	(1,021,530)
<b>13,351,212</b>	<b>17,974,262</b>	<b>11,965,742</b>	<b>11,830,778</b>
<b>2,721,798</b>	<b>13,465,759</b>	<b>11,965,742</b>	<b>11,830,778</b>

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 12. TAXATION (CONTINUED)

#### (a) Deferred taxation (continued)

Deferred tax assets and liabilities are attributable to the following:

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
<b>Deferred income tax liabilities</b>				
Accelerated capital allowances	(36,126,531)	(33,143,100)	(21,532,358)	(20,488,057)
<b>Deferred income tax assets</b>				
Provisions and tax losses	33,404,733	19,677,336	9,566,616	8,657,278
<b>Net deferred tax liabilities</b>	<b>(2,721,798)</b>	<b>(13,465,764)</b>	<b>(11,965,742)</b>	<b>(11,830,779)</b>

#### (b) Income tax (receivables)/ liabilities

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
At July 01,	6,705,343	2,638,293	(502,457)	197,783
(Paid)/ Refunded during the year	(7,374,995)	(5,827,682)	-	120,606
Under/ (over) provision of income tax	(1,575,432)	329,607	(352,445)	(820,846)
Income tax expense	7,818,136	9,565,125	-	-
TDS paid	(357,563)	-	-	-
Income tax expense	106,051	-	-	-
<b>At June 30,</b>	<b>5,321,540</b>	<b>6,705,343</b>	<b>(854,902)</b>	<b>(502,457)</b>
Income tax receivable	(2,168,604)	-	(854,902)	(502,457)
Income tax liabilities	7,490,144	6,705,343	-	-
<b>Net amount at June 30,</b>	<b>5,321,540</b>	<b>6,705,343</b>	<b>(854,902)</b>	<b>(502,457)</b>

#### (c) Income tax credit/(charge)

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Current income tax charge	7,818,136	9,565,125	-	-
(Over)/under provision of income tax in previous year	(1,575,432)	329,607	-	(820,846)
CSR provision	106,051	-	-	-
Deferred tax credit	(7,878,142)	(1,852,591)	342,935	-
(Over)/ under provision of deferred tax asset in previous year	(2,540,674)	1,614,376	1,120,919	416,244
Relating to origination and reversal of temporary differences	-	799,246	-	(820,899)
<b>Income tax credit/(charge)</b>	<b>(4,070,061)</b>	<b>10,455,763</b>	<b>1,463,854</b>	<b>(1,225,501)</b>

#### (i) Deferred tax item included in other comprehensive income during the year:

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Remeasurement (gain)/loss on actuarial gains/(losses)	3,554,828	865,345	(1,328,890)	(1,021,530)



# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 12. TAXATION (CONTINUED)

(d) The tax on (loss) / profit before tax differs from the theoretical amount that would arise using the basic corporate tax rate as follows:

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
<b>Tax reconciliation</b>				
(Loss)/profit before tax	<b>(187,943,013)</b>	20,121,777	<b>(19,580,746)</b>	9,566,145
Tax at the rate of 3% - 15%	<b>(29,613,905)</b>	3,018,267	<b>(2,937,112)</b>	1,434,922
Corporate social responsibility (2%)	<b>(2,272,863)</b>	456,287	<b>(391,615)</b>	191,323
(Over)/ under provision of deferred tax asset in previous year	<b>(2,540,674)</b>	694,976	<b>1,120,919</b>	416,244
Over provision of income tax in previous year	<b>(1,575,432)</b>	(188,796)	-	(820,846)
Difference in effective tax rate of associate and joint venture	-	329,607	-	-
Other deductibles	<b>(1,606,285)</b>	-	-	-
Non-allowable expenses	<b>34,011,649</b>	10,531,613	<b>3,604,405</b>	955,119
Non-taxable income	<b>(14,932,707)</b>	(9,204,639)	<b>(14,429,618)</b>	(8,169,723)
Exempt income *	<b>25,187</b>	-	-	-
Utilisation of tax losses brought forward	<b>14,434,969</b>	4,818,448	<b>14,496,875</b>	4,767,460
Tax (credit)/ charge	<b>(4,070,061)</b>	10,455,763	<b>1,463,854</b>	(1,225,501)

\* Exempt income consist of dividend income from Mauritian entities, while non-allowable expenses relate mainly to entertainment expenses and interest on certain loans.

The unused tax losses that arose in the Group and the Company that are available for offsetting against future profits of the companies/ company in which they arise are as follows:

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Tax losses	<b>216,963,815</b>	115,437,885	<b>128,128,727</b>	50,363,371

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in the Company and the subsidiaries that have been loss-making for some time and there are no tax planning opportunities or other evidence of recoverability in the near future. There are no tax consequences attached to the payment of dividends in either 2020 or 2019 by the Group to its shareholder.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 13. INVENTORIES

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Raw materials	<b>153,157,280</b>	135,435,725	<b>16,973,866</b>	20,252,791
Work in progress	<b>8,598,694</b>	4,977,586	-	-
Finished goods	<b>5,546,769</b>	5,858,038	-	-
	<b>167,302,743</b>	146,271,349	<b>16,973,866</b>	20,252,791

Inventories have been pledged as security for bank loans and overdrafts taken by the Group (see note 18). The value of inventory recognised in cost of sales have been disclosed in note 23.

#### THE GROUP

During the year, inventories were written down to net realisable value by **Rs 2,237,418** (2019: Rs. 4,155,779) and recognised on cost of sales .

#### THE COMPANY

During the year, there was no amount written down on inventories (2019: Nil).

### 14. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Trade receivables	<b>160,805,373</b>	239,922,209	<b>18,413,176</b>	32,245,958
Other receivables	<b>74,270,463</b>	109,422,480	<b>19,383,610</b>	15,888,646
Trade receivables from subsidiaries	-	-	<b>154,280,621</b>	128,123,729
Trade receivables from other related companies	<b>14,544,218</b>	26,446,380	<b>9,136,118</b>	24,649,211
	<b>249,620,054</b>	375,791,069	<b>201,213,525</b>	200,907,544

- (i) Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms;
- (ii) Other receivables are non-interest bearing and have an average term of 3 months. These relate mainly to prepayments, advances to staffs and VAT recoverable. Included in the other receivables are **Rs.73.1m** (Rs.94.0m in 2019) out of scope of IFRS 9 for the Group and **Rs. 19.2m** (Rs.12.4m in 2019) for the Company;
- (iii) The receivables from other related companies represent balances with related parties, other than subsidiaries. The balances are repayable on demand. For terms and conditions relating to related party receivables, refer to Note 32.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the provision for impairment of receivables were as follows:

<b>THE GROUP</b>	<b>Trade and other receivables Rs.</b>
At July 30, 2018	37,263,917
Charge for the year	17,297,534
Reversal for the year	<u>(5,789,052)</u>
At June 30, 2019	48,772,399
<b>Charge for the year</b>	<b>8,316,951</b>
<b>Reversal for the year</b>	<b><u>(2,697,086)</u></b>
<b>At June 30, 2020</b>	<b><u>54,392,264</u></b>

### THE COMPANY

	<b>Intercompany Trade receivables Rs.</b>	<b>Trade receivables Rs.</b>	<b>Total Rs.</b>
At July 01, 2018	22,969,537	5,372,003	28,341,540
Provision for the year	-	4,177,753	<u>4,177,753</u>
At June 30, 2019	22,969,537	9,549,756	32,519,293
<b>Provision for the year</b>	<b>2,517,800</b>	<b>2,400,000</b>	<b>4,917,800</b>
<b>Reversal for the year</b>	<b>-</b>	<b>(2,103,605)</b>	<b><u>(2,103,605)</u></b>
<b>At June 30, 2020</b>	<b><u>25,487,337</u></b>	<b><u>9,846,151</u></b>	<b><u>35,333,488</u></b>

### 15. CASH AND CASH EQUIVALENTS

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>Rs.</b>	Rs.	<b>Rs.</b>	Rs.
Cash at banks and in hand	<b>34,770,992</b>	37,563,118	<b>2,381,341</b>	3,776,656
Bank overdrafts (Note 18)	<b><u>(215,513,207)</u></b>	<u>(180,387,942)</u>	<b><u>(108,060,743)</u></b>	<u>(81,473,021)</u>
	<b><u>(180,742,215)</u></b>	<u>(142,824,824)</u>	<b><u>(105,679,402)</u></b>	<u>(77,696,365)</u>

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 16. ASSETS HELD FOR SALE

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
At July 01,	-	-	-	-
Transfer from investment property (Note 6)	<b>45,800,000</b>	-	<b>45,800,000</b>	-
Transfer from investment in associates (Note 9)	<b>9,750,000</b>	-	<b>9,750,000</b>	-
<b>At June 30,</b>	<b>55,550,000</b>	-	<b>55,550,000</b>	-

(a) During Year End 30 June 2020, the directors of the Group and Company decided to sell the land and building which was originally acquired for Rs 21,028,479. The directors of the Group and the Company also committed to a plan to sell the investment in L'express de Madagascar S.A.R.L, an associate. There are interested parties and efforts to sell these assets have started and, the sale is expected to be completed before the end of June 2021. Accordingly these assets were classified as held for sale.

(b) Non-recurring fair value measurements

Land and building classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification resulting to a recognition of a write-down of Rs.7.7m for the group and Rs.1.5m for the Company as administrative expenses in statement of comprehensive income.

Financial performance for the year ended 30 June 2020 and 30 June 2019 for the associate transferred to held for sale are as follows:

	THE GROUP	
	2020	2019
	Rs.	Rs.
Share of results of associate transferred to held for sale	-	1,176,563
<b>At June 30,</b>	-	1,176,563

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 17. ISSUED CAPITAL AND RESERVES

THE GROUP AND THE COMPANY Authorised, issued and fully paid	2020		2019	
	Number of shares	Rs.	Number of shares	Rs.
Promoters' shares of Rs. 1,000 each	600	600,000	600	600,000
Ordinary shares of Rs. 100 each	3,200	320,000	3,200	320,000
Ordinary shares of Rs. 10 each	10,334	103,340	10,334	103,340
	<b>14,134</b>	<b>1,023,340</b>	14,134	1,023,340

#### Nature and purpose of reserves

The nature and purpose of reserves as stated in the statements of changes in equity are as follows:

##### *Financial assets at fair value through other comprehensive income (IFRS 9)*

This reserve records fair value changes on financial assets at fair value through other comprehensive income.

##### *Asset revaluation reserves*

The asset revaluation reserve is used to record increases in the revalued amount of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

##### *Foreign currency translation reserves*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the foreign associate and subsidiaries.

##### *Treasury shares*

Following the share buy back that occurred in 2015 for a consideration of Rs 3,070,000, the Company now holds 3,603 shares (22 Promoters' shares of Rs 1,000, 737 Ordinary shares of Rs 100 and 2,844 Ordinary shares of Rs 10) of its own shares as treasury shares.

#### Rights attached to the different class of shares

##### *Promoters' shares of Rs. 1,000 each*

These shares confers to the holder the right to vote at meetings of shareholders and on poll to cast 100 votes for each share held as well as pre-emptive rights to subscribe for all new issue of shares.

##### *Ordinary shares of Rs. 100 each*

These shares confers to the holder the right to vote at the meetings of shareholders and on poll to cast 10 votes for each share held.

##### *Ordinary shares of Rs. 10 each*

These shares confers to the holder the right to vote at the meetings of shareholders and on poll to cast 1 vote for each share held.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 18. INTEREST-BEARING LOANS AND BORROWINGS

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
<b>Current</b>				
Bank overdrafts (Note (a))	<b>215,513,207</b>	180,387,942	<b>108,060,743</b>	81,473,021
Loans from other third parties (Note (c))	-	6,733,333	-	-
Import loans (Note (b))	<b>71,236,114</b>	60,957,088	<b>15,513,001</b>	12,791,099
Bank loans (Note (d))	<b>97,535,194</b>	63,522,986	<b>33,615,094</b>	37,475,501
Lease liabilities (Note 5.(b))	<b>9,370,157</b>	-	<b>6,283,236</b>	-
Obligations under finance leases (Note (e))	-	5,136,317	-	3,123,562
	<b>393,654,672</b>	316,737,666	<b>163,472,074</b>	134,863,183
<b>Non-current</b>				
Loans from other third parties (Note (c))	-	10,500,000	-	-
Bank loans (Note (d))	<b>311,423,831</b>	289,561,722	<b>171,835,228</b>	183,348,387
Lease liabilities (Note 5.(b))	<b>18,791,172</b>	-	<b>12,683,628</b>	-
Obligations under finance leases (Note (e))	-	13,923,837	-	7,696,056
<b>Total</b>	<b>330,215,003</b>	313,985,559	<b>184,518,856</b>	191,044,443

- (a) Bank overdrafts are secured by the floating charges on the assets of the Group and the Company and bear interest at the rate of 4.6 % per annum (2019: 6.25%);
- (b) Import loans are short term loans used to pay foreign suppliers. Import loans are secured by the floating charges on the assets of the Group and the Company and bear interest at the rates of 3% - 4.905% per annum (2019: 0.75% - 5.711% per annum) and 3.705% - 4.905% per annum (2019: 5.525% - 5.711% per annum).
- (c) The loans from other third parties relate to borrowings taken by Mc Easy Freight Co Ltd. The loans are interest bearing and repayable within one year.
- (d) Bank loans can be analysed as follows:

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Within one year	<b>97,535,194</b>	61,006,864	<b>33,615,094</b>	34,959,379
After one year and before five years	<b>126,217,563</b>	225,482,179	<b>113,786,158</b>	120,733,131
After five years	<b>185,206,267</b>	66,595,665	<b>58,049,070</b>	65,131,379
	<b>408,959,024</b>	353,084,708	<b>205,450,322</b>	220,823,889

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 18. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

	Maturity	THE GROUP		THE COMPANY	
		2020	2019	2020	2019
		Rs.	Rs.	Rs.	Rs.
MUR 21,600,000 bank loan	February 2020	-	2,264,643	-	2,264,643
MUR 65,000,000 bank loan	February 2021	<b>11,425,993</b>	19,513,089	<b>11,425,993</b>	19,513,089
MUR 16,900,000 bank loan	September 2026	<b>6,937,672</b>	8,820,733	<b>6,937,672</b>	8,820,733
MUR 16,000,000 bank loan	October 2026	<b>6,964,787</b>	8,727,842	<b>6,964,787</b>	8,727,842
MUR 75,000,000 bank loan	July 2027	<b>61,207,578</b>	64,949,762	<b>61,207,578</b>	64,949,762
MUR 14,000,000 bank loan	July 2027	<b>7,446,483</b>	8,923,229	<b>7,446,483</b>	8,923,229
MUR 17,100,000 bank loan	July 2027	<b>11,258,045</b>	12,959,054	<b>11,258,045</b>	12,959,054
MUR 16,000,000 bank loan	October 2024	<b>11,413,179</b>	12,963,130	<b>11,413,179</b>	12,963,130
MUR 8,000,000 bank loan	October 2024	<b>5,619,356</b>	6,398,396	<b>5,619,356</b>	6,398,396
MUR 5,800,000 bank loan	October 2020	<b>370,411</b>	1,820,411	-	-
MUR 6,000,000 bank loan	February 2023	<b>3,232,608</b>	4,011,916	-	-
EURO 1,500,000 bank loan	March 2025	<b>44,697,311</b>	46,023,744	-	-
MUR 45,000,000 bank loan	March 2034	<b>43,494,765</b>	37,190,261	<b>43,494,765</b>	37,190,261
MUR 25,000,000 bank loan	October 2026	<b>24,028,621</b>	25,000,000	<b>24,028,621</b>	25,000,000
MUR 8,000,000 bank loan	June 2026	<b>7,376,820</b>	8,000,000	<b>7,376,820</b>	8,000,000
EURO 125,000 bank loan	April 2027	<b>5,688,750</b>	5,113,750	<b>5,688,750</b>	5,113,750
MUR 2,000,000 bank loan	February 2023	-	1,333,334	-	-
MUR 2,000,000 bank loan	February 2023	<b>1,333,333</b>	1,833,334	-	-
EURO 1,400,000 bank loan	March 2025	<b>57,957,053</b>	43,017,479	-	-
EURO 930,000 bank loan	April 2025	<b>36,154,496</b>	34,220,601	-	-
MUR 15,000,000 bank loan	April 2025	<b>14,131,703</b>	-	-	-
MUR 6,500,000 bank loan	August 2030	<b>2,588,273</b>	-	<b>2,588,273</b>	-
		<b>363,327,237</b>	353,084,708	<b>205,450,322</b>	220,823,889

#### Security on bank loans

**(i) MUR 21,600,000 bank loan**

The loan is secured by way of fixed charges of Rs. 21.6m on the Company's properties. The loan bears interest at the rate of PLR + margin of 1% per annum.

**(ii) MUR 65,000,000 bank loan**

The loan is secured by way of floating charges of Rs. 73m on the Company's assets. The loan bears interest at the rate of PLR + margin of 1% per annum.

**(iii) MUR 16,900,000 bank loan**

The loan is secured by way of floating charges on all assets of the Company totalling Rs 20,000,000. The loan bears interest at the rate of PLR + margin of 0.5% per annum.

**(iv) MUR 16,000,000 bank loan**

The loan is secured by way of floating charges on all assets of the Company totalling Rs 16,000,000. The loan bears interest at the rate of PLR + margin of 0.5% per annum.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

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### 18. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

#### Security on bank loans (Continued)

(v) **MUR 75,000,000 bank loan**

The loan is secured by way of floating charges of Rs 75,000,000 on all assets of the Company. The loan bears interest at the rate of PLR + margin of 0.5% per annum.

(vi) **MUR 14,000,000 bank loan**

The loan is secured by way of floating charges on all assets of La Sentinelle Ltd as well as a fixed charge on the fixed property acquired. The loan bears interest at the rate of PLR + margin of 0.5% per annum.

(vii) **MUR 17,100,000 bank loan**

The loan is secured by way of existing floating charges of Rs 75,000,000 on all assets of the Company. The loan bears interest at the rate of PLR + margin of 0.5% per annum.

(viii) **MUR 16,000,000 bank loan**

The loan is secured by way of existing floating charges of Rs88,000,000 on all assets of the Company. The loan bears interest at the rate of PLR + margin of 0.5% per annum.

(ix) **MUR 8,000,000 bank loan**

The loan is secured by way of existing floating charges of Rs 53,000,000 on all assets of the Company. The loan bears interest at the rate of PLR + margin of 0.5% per annum.

(x) **MUR 5,800,000 bank loan**

The loan is secured by way of existing floating charges on all assets of Mc Easy Freight Co Ltd. The loan bears interest at the rate of PLR + margin of 1.25%.

(xi) **MUR 6,000,000 bank loan**

The loan is secured by way of floating charges of Rs 6,000,000 on all assets of Caractere Limitee. The loan bears interest at the rate of PLR + margin of 0.5% per annum.

(xii) **EURO 1,500,000 bank loan**

The loan is secured by way of floating charges of Euro 1,500,000 on all the assets of Caractere Limitee. The loan bears interest at the rate of Libor 3 months + margin of 4.5% per annum.

(xiii) **MUR 45,000,000 bank loan**

The loan is secured by way of floating charges on all assets for Rs 45,000,000 and fixed charged of Rs 100,000. The loan bears interest at the rate of PLR + margin of 0.5% per annum.

(xiv) **MUR 25,000,000 bank loan**

The loan is secured by the way of floating charge on all assets for Rs 53,000,000. The loan bears interest at the rate of PLR + margin of 0.5% per annum.

(xv) **MUR 8,000,000 bank loan**

The loan is secured by an existing fixed charges inscribed on the property. The loan bears interest at the rate of PLR + margin of 0.5% per annum.



# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 18. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

#### Security on bank loans (Continued)

(xvi) **EURO 125,000 bank loan**

The loan is secured by way of floating charges of on all assets for Rs 160,000,000. The loan bears interest at the rate of Euribor + margin of 4% per annum.

(xvii) **MUR 2,000,000 bank loan**

The loan is secured by way of existing floating charges on all assets of MC Easy Freight Co. Ltd. The loan bears interest at the rate of PRL + margin of 0.35%.

(xviii) **MUR 2,000,000 bank loan**

The loan is secured by way of existing floating charges on all assets of MC Easy Freight Co. Ltd. The loan bears interest at the rate of PRL + margin of 0.35%.

(xxi) **EURO 1,400,000 bank loan and EURO 930,000**

The loan of Euro 1,400,000 and Euro 930,000 are secured by way of floating charges of on all assets for Rs 130,000,000.

(xxi) **MUR 15,000,000 bank loan**

The loan of MUR 15,000,000 are secured by way of floating charges for EUR 1,500,000 (equivalent to Rs 68,265,000).

(xxi) **MUR 6,500,000 bank loan**

The loan of MUR 6,500,000 are secured by way of floating charges of on assets for Rs 21,600,000.

(e) Finance lease liabilities - minimum lease payments

	<u>THE GROUP</u>	<u>THE COMPANY</u>
	2019	2019
	Rs.	Rs.
<i>Minimum lease payments</i>		
Within one year	5,754,603	3,260,479
After one year and before five years	15,894,773	8,966,661
	<u>21,649,376</u>	<u>12,227,140</u>
Less: future finance charges on Lease liabilities/ finance lease liabilities	(2,589,222)	(1,407,523)
Present value of lease liabilities/ finance lease liabilities	<u>19,060,154</u>	<u>10,819,617</u>
<i>The present value of finance lease liabilities may be analysed as follows:</i>		
Within one year	5,136,317	3,123,562
After one year and before five years	13,923,837	7,696,055
	<u>19,060,154</u>	<u>10,819,617</u>

The finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. The rates of interest on these leases vary between 6.5% to 8.75 % per annum for the Company and between 2.8% to 9% per annum for the Group.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 19. GOVERNMENT GRANT

At July 01,  
Released to statement of comprehensive income

**At June 30,**

Current  
Non-current

THE GROUP	
2020	2019
Rs.	Rs.
<b>998,400</b> <b>(307,200)</b>	1,305,600 (307,200)
<b>691,200</b>	998,400
<b>307,200</b> <b>384,000</b>	307,200 691,200
<b>691,200</b>	998,400

Grant has been received for the purchase of an item of plant and machinery. There are no unfulfilled conditions or contingencies attached to this grant.

### 20. EMPLOYEE BENEFIT LIABILITIES

The benefits of employees of the Group and the Company fall under two different types of arrangements:

- A defined benefit scheme which is funded. The plan assets are held independently by the Swan life Ltd.
- An unfunded retirement gratuities scheme as per the Workers Rights Act 2019.

**The liabilities in respect of the two schemes above are analysed as follows:**

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Funded obligations (note a)	<b>14,037,000</b>	8,239,000	-	-
Unfunded obligations (note b)	<b>58,070,706</b>	43,452,673	<b>34,854,000</b>	30,202,968
	<b>72,107,706</b>	51,691,673	<b>34,854,000</b>	30,202,968

#### (a) Funded obligations

**The amounts recognised in the statements of financial position in respect of funded obligation are as follows:**

	THE GROUP	
	2020	2019
	Rs.	Rs.
Present value of funded obligation	<b>22,416,000</b>	15,533,000
Fair value of plan assets	<b>(8,379,000)</b>	(7,294,000)
	<b>14,037,000</b>	8,239,000

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 20. EMPLOYEE BENEFIT LIABILITIES (CONTINUED)

#### (a) Funded obligations (Continued)

##### (i) Movement in present value of funded obligations:

At July 01,

##### **Amount recognised in profit or loss:**

Interest cost  
Current service cost

##### **Amount recognised in other comprehensive income ('OCI'):**

Remeasurement recognised in OCI- Losses

**At June 30,**

#### THE GROUP

2020	2019
Rs.	Rs.
<b>15,533,000</b>	10,762,305
<b>946,000</b>	753,000
<b>830,000</b>	679,000
<b>5,107,000</b>	3,338,695
<b>22,416,000</b>	15,533,000

##### (ii) Movement in fair value of plan assets:

At July 01,

##### **Amount recognised in profit or loss:**

Return on plan assets  
Contributions to plan assets

##### **Amount recognised in other comprehensive income:**

Remeasurement recognised in OCI- losses

**At June 30,**

#### THE GROUP

2020	2019
Rs.	Rs.
<b>7,294,000</b>	5,911,399
<b>468,000</b>	455,094
<b>805,000</b>	1,185,906
<b>(188,000)</b>	(258,399)
<b>8,379,000</b>	7,294,000

##### (iii) Movement in liability recognised in statement of financial position:

At July 01

Net current cost recognised in profit or loss  
Net actuarial (gains)/losses recognised in OCI  
Contributions to plan assets

**At June 30,**

#### THE GROUP

2020	2019
Rs.	Rs.
<b>8,239,000</b>	4,850,906
<b>1,308,000</b>	977,000
<b>5,295,000</b>	3,597,000
<b>(805,000)</b>	(1,185,906)
<b>14,037,000</b>	8,239,000

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 20. EMPLOYEE BENEFIT LIABILITIES (CONTINUED)

#### (a) Funded obligations (Continued)

#### (iv) The main categories of plan assets are as follows:

Deferred Annuity policies

THE GROUP	
2020	2019
%	%
100	100

#### (v) The principal actuarial assumptions used for accounting purposes were:

Discount rate

Future salary increases

Annual proportion of employees leaving service

Actuarial table for employee mortality

A quantitative sensitivity analysis for significant assumption as at June 30 is shown as follows below:

THE GROUP	
2020	2019
%	%
2.8	6.1
0.2	1.5

5% up to age 40, nil thereafter

A1967/70(2) Ultimate

#### Assumptions

#### Sensitivity level

Assumptions	Sensitivity level	Discount rate		Future salary increase	
		1% increase	1% decrease	1% increase	1% decrease
		Rs.	Rs.	Rs.	Rs.
Impact on defined benefit obligation	2020	(1,887,000)	2,123,000	2,305,000	(2,041,000)
	2019	(1,347,000)	1,554,000	1,850,000	(1,629,000)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The expected contribution to be paid to the defined benefit plan obligation in future years is Rs Nil (2019: Rs Nil).

The average duration of the defined benefit plan obligation at the end of the reporting period is 19 years (2019: 19 years).

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. Management assessment of the expected returns is based on historical returns trends and analysts predictions of the market for the asset in the next twelve months.

#### (b) Unfunded obligations

The amounts recognised in the statements of financial position in respect of unfunded obligation are as follows:

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Present value of unfunded obligation	58,070,706	7,817,000	34,854,000	30,202,968

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 20. EMPLOYEE BENEFIT LIABILITY (CONTINUED)

#### (b) Unfunded obligations (continued)

##### (i) Movement in the liability recognised in the statements of financial position:

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
At July 01	43,453,163	30,387,277	30,202,968	19,745,478
Benefits paid	(6,184,000)	(894,510)	(6,184,000)	(894,510)
<b>Amount recognised in profit or loss:</b>				
Past service cost	103,000	2,818,000	(112,000)	-
Interest cost	2,440,543	2,079,000	1,657,032	3,992,000
Current service cost	2,654,000	2,406,000	1,473,000	1,351,000
Curtailment/settlement gain on obligation	-	(378,000)	-	-
<b>Amount recognised in other comprehensive income:</b>				
Actuarial loss recognised in OCI	15,604,000	7,035,396	7,817,000	6,009,000
<b>At June 30,</b>	<b>58,070,706</b>	<b>43,453,163</b>	<b>34,854,000</b>	<b>30,202,968</b>

##### (ii) The principal actuarial assumptions used for accounting purposes were:

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
Discount rate	2.8%	6.1%	2.8%	7.0%
Future salary increase	0.2%	1.5%	0.2%	2.0%
Annual proportion of employees leaving service	5% up to age 40, nil thereafter		5% up to age 40, nil thereafter	
Actuarial table for employee mortality	A1967/70(2)		A1967/70(2)	

The Group does not expect any contribution to be paid in 2020 in respect of unfunded obligations.

The average duration of the unfunded defined benefit obligation at the reporting period is 18 years.

A quantitative sensitivity analysis for significant assumptions as at June 30, is shown below :

#### THE GROUP:

##### Assumptions

##### Sensitivity level

		Discount rate		Future salary increase	
		1% increase	1% decrease	1% increase	1% decrease
	Rs.	Rs.	Rs.	Rs.	
Impact on defined benefit obligation	2020	(7,365,000)	8,818,000	9,324,000	(7,908,000)
	2019	(3,463,000)	4,274,000	4,196,000	(3,439,000)

#### THE COMPANY:

##### Assumptions

##### Sensitivity level

		Discount rate		Future salary increase	
		1% increase	1% decrease	1% increase	1% decrease
	Rs.	Rs.	Rs.	Rs.	
Impact on defined benefit obligation	2020	(4,055,000)	4,804,000	5,142,000	(4,400,000)
	2019	(2,642,000)	3,231,000	3,577,000	(2,960,000)

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 21. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Trade payables (note i)	<b>119,645,051</b>	94,048,481	<b>29,216,466</b>	19,571,884
Other payables (note ii)	<b>60,160,793</b>	71,698,611	<b>40,144,341</b>	37,219,913
Payables to subsidiaries	-	-	<b>26,339,747</b>	50,721,663
Payables to other related companies (note iii)	<b>1,982,323</b>	13,208,529	<b>5,087,128</b>	2,676,378
	<b>181,788,167</b>	178,955,621	<b>100,787,682</b>	110,189,838

note i Trade payables are non-interest bearing and have an average term of 30 to 90 days;

note ii Other payables are non-interest bearing and have an average term of 3 months. These relate to accruals, VAT payable.

note iii The payables to other related parties are balances with related parties other than subsidiaries. For terms and conditions relating to related party payables, refer to Note 32.

### 22. DIVIDENDS

THE COMPANY	PER SHARE		TOTAL	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
(a) Declared during the year				
Equity dividend on:				
Promoters' shares of Rs. 1,000 each	<b>4,817.00</b>	9,633.33	<b>2,890,000</b>	5,780,000
Ordinary shares of Rs. 100 each	<b>384.84</b>	769.69	<b>1,231,500</b>	2,463,000
Ordinary shares of Rs. 10 each	<b>36.23</b>	72.48	<b>374,500</b>	749,000
			<b>4,496,000</b>	8,992,000

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 23. OPERATING (LOSS)/ PROFIT

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
<i>Included in cost of sales</i>				
Cost of inventories recognised as expense	<b>341,031,304</b>	290,233,595	<b>56,783,254</b>	59,111,557
Depreciation of property, plant and equipment	<b>32,660,296</b>	30,800,476	<b>5,730,699</b>	13,278,957
Amortisation of intangible assets	<b>608,072</b>	610,937	-	-
Staff costs (note 24)	<b>185,186,972</b>	181,033,580	<b>90,197,537</b>	90,192,448
Minimum lease payments recognised as an operating lease expense	-	1,154,950	-	1,154,950
Expense relating to short term leases and leases of low-value assets (note 5 (b))	<b>583,616</b>	-	<b>475,616</b>	-
<i>Included in selling and distribution costs</i>				
Depreciation of property, plant and equipment	<b>161,816</b>	341,338	-	-
Staff costs (note 22)	<b>45,772,771</b>	39,954,894	<b>17,803,308</b>	19,580,907
Expense relating to short term leases and leases of low-value assets (note 5 (b))	<b>1,003,908</b>	-	<b>1,003,908</b>	-
<i>Included in administrative expenses</i>				
Depreciation of property, plant and equipment	<b>13,806,126</b>	20,959,681	<b>12,714,052</b>	14,250,738
Amortisation of intangible assets	<b>11,121,794</b>	5,581,276	<b>7,682,758</b>	5,017,858
Depreciation expense of right-of-use assets (note 5.(c))	<b>13,001,974</b>	-	<b>5,232,322</b>	-
Staff costs (note 22)	<b>104,879,713</b>	93,892,194	<b>47,823,741</b>	47,273,862
Expense relating to short term leases and leases of low-value assets (note 5 (b))	<b>618,622</b>	-	<b>495,377</b>	-

### 24. EMPLOYEE BENEFIT EXPENSES

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Wages, salaries and other costs	<b>298,663,560</b>	278,855,848	<b>136,759,274</b>	137,118,233
Defined contribution costs	<b>17,756,421</b>	19,550,238	<b>8,887,957</b>	6,863,707
Social security costs	<b>14,711,879</b>	14,335,708	<b>7,101,300</b>	6,599,132
Termination benefits	<b>5,363,528</b>	-	<b>3,731,987</b>	1,123,145
Defined benefit plan	<b>6,506,000</b>	2,184,434	<b>3,018,000</b>	5,343,000
	<b>343,001,388</b>	314,926,228	<b>159,498,518</b>	157,047,217

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 25. REVENUE FROM CONTRACTS WITH CUSTOMERS

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Sales of goods	<b>591,660,063</b>	579,929,739	<b>82,630,220</b>	129,128,649
Rendering of services	<b>425,898,754</b>	623,595,526	<b>128,289,014</b>	176,156,076
	<b>1,017,558,817</b>	1,203,525,265	<b>210,919,234</b>	305,284,725
Disaggregation of Revenue				
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
<b>Sales of goods</b>				
Commercial packaging and printing materials	<b>487,292,322</b>	442,972,514	<b>30,381,362</b>	66,762,710
Sales of Newspapers & Magazines	<b>99,353,239</b>	111,167,450	<b>47,976,169</b>	62,365,939
Sales of paper Reels and others goods	<b>5,014,502</b>	25,789,775	<b>4,272,689</b>	-
	<b>591,660,063</b>	579,929,739	<b>82,630,220</b>	129,128,649
<b>Rendering of services</b>				
Advertising	<b>240,889,812</b>	329,498,799	<b>128,289,014</b>	172,943,918
Freight forward and logistics	<b>185,008,942</b>	290,884,569	-	-
Other rendering of services	-	3,212,158	-	3,212,158
	<b>425,898,754</b>	623,595,526	<b>128,289,014</b>	176,156,076

### 26. OTHER INCOME

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Profit on disposal plant and equipment	<b>523,568</b>	1,315,766	<b>497,527</b>	946,201
Gain on disposal of financial assets at FVOCI	-	730,992	-	-
Management fees	<b>550,000</b>	599,820	<b>550,000</b>	13,347,600
Rental income	<b>311,000</b>	3,495,826	<b>13,871,000</b>	3,468,000
Amount received under WAS	<b>27,218,713</b>	-	<b>14,377,209</b>	-
Sundry income	<b>3,092,362</b>	2,709,319	<b>410,784</b>	143,098
Dividend income	<b>16,041,966</b>	16,301,930	<b>64,345,966</b>	45,301,930
Foreign exchange differences	-	5,581,022	-	1,110,509
	<b>47,737,609</b>	30,734,675	<b>94,052,486</b>	64,317,338

The Group and the Company applied for the Government Wage Assistance Scheme ("WAS") during the year due. The WAS is an economic measure by the Government of Mauritius to provide a wage subsidy to employers as a response to the Covid-19 pandemic and to ensure that all employees are duly paid their salary.

### 27. FINANCE INCOME

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Interest income using EIR	<b>982,413</b>	1,362,474	<b>931,290</b>	1,362,474
	<b>982,413</b>	1,362,474	<b>931,290</b>	1,362,474

### 28. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Interest on bank and other loans	<b>26,691,151</b>	21,712,227	<b>13,162,002</b>	11,448,972
Interest on bank overdrafts	<b>9,366,581</b>	10,229,392	<b>4,990,872</b>	4,208,124
Interest expense on lease liability (note 5.(c))	<b>1,492,969</b>	-	<b>723,596</b>	-
Interest on finance leases	-	1,414,005	-	851,783
Bank Fees	<b>2,081,770</b>	843,529	<b>383,333</b>	384,494
	<b>39,632,471</b>	34,199,153	<b>19,259,803</b>	16,893,373



# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 29. STATEMENT OF CASH FLOWS

	Notes	THE GROUP		THE COMPANY	
		2020	2019	2020	2019
		Rs.	Rs.	Rs.	Rs.
<b>(a) Operating activities</b>					
(Loss)/profit before tax		<b>(187,943,013)</b>	20,121,777	<b>(19,580,746)</b>	9,566,145
<i>Adjustment for non-cash items:</i>					
Depreciation of property, plant and equipment		<b>46,628,238</b>	52,101,488	<b>18,444,751</b>	27,529,695
Amortisation of intangible assets		<b>11,729,866</b>	8,522,706	<b>7,682,758</b>	5,017,858
Depreciation of Right of Use		<b>13,001,974</b>	-	<b>5,232,322</b>	-
Impairment of property, plant and equipment		<b>25,217,673</b>	-	-	-
Impairment of intangible assets		<b>3,999,567</b>	-	<b>3,999,567</b>	-
Impairment of associates		<b>7,130,520</b>	-	<b>1,584,884</b>	-
Impairment of subsidiaries		-	-	<b>41,000</b>	-
Interest income		<b>(982,413)</b>	(1,362,474)	<b>(931,290)</b>	(1,362,474)
Interest expense		<b>37,550,701</b>	34,199,153	<b>18,876,470</b>	16,893,373
Release of government grant	19	<b>(307,200)</b>	(307,200)	-	-
Net foreign exchange differences		<b>7,465</b>	(412,620)	<b>2,716,405</b>	2,605,017
Profit on disposal of property, plant and equipment		<b>(523,568)</b>	(1,315,766)	<b>(497,527)</b>	(946,201)
Gain on disposal of Financial assets at FVOCI/ available-for-sale investments		-	(730,992)	-	-
Provision for impairment of trade receivables		<b>5,619,865</b>	-	<b>296,395</b>	(4,177,753)
Impairment of intercompany balances		-	-	<b>2,517,800</b>	1,679,857
Dividends received	27	<b>(16,041,966)</b>	(16,301,930)	<b>(64,345,966)</b>	(45,301,930)
Employee benefit liabilities	20	<b>5,700,543</b>	7,902,000	<b>3,018,032</b>	5,343,000
Share of loss in joint ventures	10	<b>2,700,582</b>	505,238	-	-
Share of profit in associates	9	-	(1,176,563)	-	-
<i>Working capital adjustments:</i>					
(Increase)/decrease in inventories		<b>(21,031,321)</b>	4,244,536	<b>3,278,925</b>	10,198,978
Decrease/(increase) in trade and other receivables		<b>120,551,150</b>	(39,379,024)	<b>(1,480,981)</b>	(17,942,346)
(Decrease)/ increase in trade and other payables		<b>2,832,546</b>	(560,493)	<b>(9,402,156)</b>	(4,289,654)
<b>Cash generated from/(used in) operations</b>		<b>55,841,209</b>	66,049,836	<b>(28,549,357)</b>	4,813,565

### (b) Non-cash transactions

Part of the acquisition of property, plant and equipment was financed by the following finance leases:

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Total acquisition cost (note 4 and 5(a))	<b>102,263,083</b>	120,869,741	<b>21,120,178</b>	56,937,093
Financed by cash	<b>17,922,221)</b>	(120,869,741)	<b>(13,077,292)</b>	(56,937,093)
Financed by loan	<b>(74,212,887)</b>	-	-	-
<b>Non-cash additions to rights-of-use of assets</b>	<b>10,127,975</b>	-	<b>8,042,886</b>	-

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 30. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

THE GROUP	July 01, 2019	Cash flows	Foreign exchange movement	Acquisition of subsidiary	New leases	June 30, 2020
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Interest bearing loans and borrowings</i>						
Bank and other loans	370,318,041	38,640,984	-	-	-	408,959,025
Import loans	60,957,084	10,279,030	-	-	-	71,236,114
Lease liabilities	19,060,154	(6,547,168)	45,005	-	15,603,338	28,161,329
<b>Total liabilities from financing activities</b>	<b>450,335,279</b>	<b>42,372,846</b>	<b>45,005</b>	<b>-</b>	<b>15,603,338</b>	<b>508,356,468</b>

	July 01, 2018	Cash flows	Foreign exchange movement	Acquisition of subsidiary	New leases	June 30, 2019
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Interest bearing loans and borrowings</i>						
Bank and other loans	248,679,506	121,687,766	(49,231)	-	-	370,318,041
Import loans	77,097,696	(16,140,612)	-	-	-	60,957,084
Finance leases	20,279,899	(4,616,819)	-	-	3,397,074	19,060,154
<b>Total liabilities from financing activities</b>	<b>346,057,101</b>	<b>100,930,335</b>	<b>(49,231)</b>	<b>-</b>	<b>3,397,074</b>	<b>450,335,279</b>

THE COMPANY	July 01, 2019	Cash flows	New leases	June 30, 2020
	Rs.	Rs.	Rs.	Rs.
<i>Interest bearing loans and borrowings</i>				
<b>2020</b>				
Bank and other loans	220,823,889	(15,373,567)	-	205,450,322
Import loans	12,791,098	2,721,903	-	15,513,001
Lease liabilities	10,819,617	(3,656,994)	11,804,241	18,966,864
<b>Total liabilities from financing activities</b>	<b>244,434,604</b>	<b>(16,308,658)</b>	<b>11,804,241</b>	<b>239,930,187</b>

	July 01, 2018	Cash flows	New leases	June 30, 2019
	Rs.	Rs.	Rs.	Rs.
<i>Interest bearing loans and borrowings</i>				
<b>2019</b>				
Bank and other loans	176,568,103	44,255,786	-	220,823,889
Import loans	9,079,383	3,711,715	-	12,791,098
Finance leases	12,298,235	(2,998,018)	1,519,400	10,819,617
<b>Total liabilities from financing activities</b>	<b>197,945,721</b>	<b>44,969,483</b>	<b>1,519,400</b>	<b>244,434,604</b>

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 31. FAIR VALUE MEASUREMENTS

The Group's and the Company's financial assets and liabilities include investments at fair value through OCI, trade and other receivables, cash and short term deposits, interest bearing loans and borrowings and trade and other payables. Except where otherwise stated, the carrying amounts of these assets and liabilities approximate their fair values.

(a) *Fair value of the Group's and the Company's assets and liabilities that are measured at fair value on a recurring basis*

Some of the Group and Company's assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these assets and liabilities are determined (in particular the valuation technique(s) and the inputs used).

#### FAIR VALUE HIERARCHY

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for assets or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that includes inputs for the asset or liability that are not based on observation market data (unobservable inputs).

	THE GROUP AND THE COMPANY			
	Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.
<b>June 30, 2020</b>				
<b>Financial assets at fair value through other comprehensive income</b>	<b>5,620,776</b>	<b>-</b>	<b>4,600,000</b>	<b>10,220,776</b>
	THE GROUP AND THE COMPANY			
	Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.
June 30, 2019				
Financial assets at fair value through other comprehensive income	11,643,036	-	6,600,000	18,243,036

During the year there were no transfers between Level 1 and Level 2 fair value measurements.

	Fair value as at		Fair Value Hierarchy	Valuation technique(s) and key input(s)
	June 30, 2020	June 30, 2019		
	Rs.	Rs.		
<b>THE GROUP AND THE COMPANY</b>				
<b><i>Financial assets at FVOCI</i></b>				
Investment:				
Quoted securities:				
Leisure and hotels	5,620,776	11,643,036	Level 1	Quoted Market Value
Unquoted - others	4,600,000	6,600,000	Level 3	
	<b>10,220,776</b>	<b>18,243,036</b>		
<b><i>Investment properties/Assets Held for sale</i></b>				
Office and Parking slots	5,500,000	5,500,000	Level 2	Sales comparison approach
Land	16,200,000	16,200,000	Level 2	Sales comparison approach
Building	29,600,000	29,600,000	Level 3	Depreciated replacement cost

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 31. FAIR VALUE MEASUREMENTS (CONTINUED)

#### FAIR VALUE HIERARCHY (CONTINUED)

	Fair value as at		Fair Value Hierarchy	Valuation technique(s) and key input(s)
	June 30, 2020	June 30, 2019		
	Rs.	Rs.		
<b>THE GROUP</b>				
<b><i>Property, plant and equipment:</i></b>				
Land	<b>80,299,855</b>	80,299,855	Level 2	Sales comparison approach and Depreciated replacement cost
Building	<b>226,074,766</b>	226,074,766	Level 3	Sales comparison approach and Depreciated replacement cost

#### THE COMPANY

#### ***Property, plant and equipment:***

Land	<b>72,099,855</b>	72,099,855	Level 2	Sales comparison approach
Building	<b>209,741,086</b>	202,857,177	Level 3	Depreciated replacement cost

#### THE GROUP AND THE COMPANY

The Group and the Company have assessed that the highest and best use of its properties do not differ from their current use.

The land was valued using the sales comparison method, that is, the fair value is determined on the basis of adjusted market value relying on sales of other properties in the nearby location, while the buildings were valued using the depreciated replacement cost.

Below are the significant unobservable valuation input for both the Group and the Company:

Significant unobservable valuation input

Property, plant and equipment:	Significant unobservable inputs	Sensitivity
Freehold land	Sales comparison	Rs 800- Rs 1,400 per m2
Buildings	Depreciation	+5%/-5% Rs (1,800,000)/1,800,000
<b>Investment properties</b>		
Freehold land	Sales comparison	Rs 37,500- Rs 80,000 per m2
Buildings	Depreciation	+5%/-5% Rs (800,000)/700,000

Significant increase/(decrease) in estimated price per square metre in isolation would result in a significantly higher/(lower) fair value.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 31. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Fair value of the Group's and Company's assets and liabilities that are not measured at fair value on a recurring basis (but fair values are required).

#### THE GROUP

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	Rs.	Rs.	Rs.	Rs.
<b>Financial liabilities:</b>				
Interest-bearing loans and borrowings	<b>697,596,590</b>	<b>697,596,590</b>	611,663,067	611,663,067

#### Fair value hierarchy as at June 30, 2020

	Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.
<b>Financial liabilities:</b>				
Interest-bearing loans and borrowings	-	<b>697,596,590</b>	-	<b>697,596,590</b>

#### Fair value hierarchy as at June 30, 2019

	Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.
<b>Financial liabilities:</b>				
Interest-bearing loans and borrowings	-	611,663,067	-	611,663,067

#### THE COMPANY

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	Rs.	Rs.	Rs.	Rs.
<b>Financial assets:</b>				
Loan to subsidiary	<b>10,100,000</b>	<b>10,100,000</b>	10,100,000	10,100,000
<b>Financial liabilities:</b>				
Interest-bearing loans and borrowings	<b>329,024,066</b>	<b>329,024,066</b>	315,088,007	315,088,007

#### Fair value hierarchy as at June 30, 2020

	Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.
<b>Financial assets:</b>				
Loan to subsidiary	-	<b>10,100,000</b>	-	-
<b>Financial liabilities:</b>				
Interest-bearing loans and borrowings	-	<b>329,024,066</b>	-	<b>329,024,066</b>

#### Fair value hierarchy as at June 30, 2019

	Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.
<b>Financial assets:</b>				
Loan to subsidiary	-	10,100,000	-	-
<b>Financial liabilities:</b>				
Interest-bearing loans and borrowings	-	315,088,007	-	315,088,007

Valuation technique used is the present value of future cash flows, with discount rate being at market rate.

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 32. RELATED PARTY DISCLOSURES

#### THE GROUP

During the year ended June 30, 2020 and June 30, 2019, the Group transacted with related parties. The details of the nature, volume of transactions and the balances with the entities were as follows:

	Volume of transactions			Balance as at year end	
	Sales	Purchases	Management fees and expenses recharge	Amounts receivable from	Amounts payable to
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>June 30, 2020</b>					
<i>Entities over which the Group has significant influence</i>					
L'Express de Madagascar S.A.R.L	2,116,050	-	550,000	9,937,635	-
My Event's OI	-	-	-	44,160	-
Rose Hill Transport Ltd	-	-	-	-	(9,553,864)
Loan to Directors of McEasy Freight Co Ltd (Short term)	-	-	-	2,937,500	-
<i>Entity over which the Group has joint control</i>					
Impress Print Ltd	-	-	-	-	(5,231,897)
Planet Eco Ltee	-	-	300,000	1,000,410	-
	<b>2,116,050</b>	<b>-</b>	<b>850,000</b>	<b>13,919,705</b>	<b>(14,785,761)</b>
<b>June 30, 2019</b>					
<i>Entities over which the Group has significant influence</i>					
L'Express de Madagascar S.A.R.L	23,464,900	-	600,000	21,287,049	-
Flying Freaks Ltd	-	-	-	-	-
<i>Other related parties</i>					
Rose Hill Transport Ltd	-	-	-	-	(9,553,864)
Footfive Co Ltd	-	603,284	-	2,000,000	-
Loan to Directors of McEasy Freight Co Ltd (Short term)	-	-	-	2,705,739	-
Loan to Directors of McEasy Freight Co Ltd (Long term)	-	-	-	1,105,000	-
<i>Entity over which the Group has joint control</i>					
Impress Print Ltd	160,350	27,212,054	-	-	(3,654,665)
Planet Eco Ltee	-	-	-	110,294	-
	<b>23,625,250</b>	<b>27,815,338</b>	<b>600,000</b>	<b>27,208,082</b>	<b>(13,208,529)</b>

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 32. RELATED PARTY DISCLOSURES (CONTINUED)

During the year ended June 30, 2020, the Company transacted with related parties. The details of the nature, volume of transactions and the balances with the entities were as follows:

	Volume of transactions			Balance as at year end	
	Sales / Other income	Purchases	Management fees and expenses recharge	Amounts receivable from	Amounts payable to
June 30, 2020	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Subsidiaries companies</i>					
Graphic Press Limited	-	-	-	-	(5,912,266)
Caractère Limitée	19,176,584	6,177,225	21,062,812	122,123,724	-
5-Plus Ltd	13,378,903	91,918	8,079,353	-	(20,332,670)
One Advertising Limited	-	-	-	240,521	-
Eye Catch Ltd	151,452	-	-	880,621	-
Business Publications Ltd	2,713,504	398,004	8,350,987	5,529,250	-
Mediatiz Ltd	338,817	48,886	-	-	(40,540)
LSL Digital Ltd	-	-	-	14,840,175	-
La Sentinelle Training Center Ltd	-	-	-	-	(50,000)
Mc Easy Freight Co Ltd	5,568	-	-	1,622,759	-
Mc Easy Freight Co Ltd - Long Term	-	-	-	10,100,000	-
Health Publications Ltd	-	-	-	5,133,657	-
Caractère Reunion	1,114	-	-	-	(31,857)
<i>Entities over which the Group has significant influence</i>					
L'Express de Madagascar S.A.R.L	-	-	550,000	8,135,707	-
<i>Other related parties</i>					
Loan to Directors of McEasy Freight Co Ltd (Short term)	-	-	-	2,937,500	-
<i>Entity over which the Group has joint control</i>					
Planete Eco	-	-	300,000	1,000,410	-
Impress Print Ltd	-	-	-	-	(5,087,128)
	<u>-</u>	<u>-</u>	<u>850,000</u>	<u>172,544,324</u>	<u>(31,454,461)</u>

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 32. RELATED PARTY DISCLOSURES (CONTINUED)

During the year ended June 30, 2019, the Company transacted with related parties. The details of the nature, volume of transactions and the balances with the entities were as follows:

	Volume of transactions			Balance as at year end	
	Sales / Other income	Purchases	Management fees and expenses recharge	Amounts receivable from	Amounts payable to
June 30, 2019	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Subsidiaries companies</i>					
Graphic Press Limited	-	-	-	-	(15,912,266)
Caractère Limitée	23,455,940	8,923,639	37,706,292	97,403,871	-
5-Plus Ltd	17,766,372	245,368	7,006,092	-	(34,759,397)
One Advertising Limited	-	-	-	226,685	-
Eye Catch Ltd	-	-	-	1,980,621	-
Business Publications Ltd	4,402,240	2,165,857	4,609,296	1,849,896	-
Mediatiz Ltd	295,001	-	404,448	1,380,428	-
LSL Digital Ltd	-	-	-	15,036,878	-
La Sentinelle Training Center Ltd	-	-	-	-	(50,000)
Mc Easy Freight Co Ltd	-	212,309	133,200	5,268,671	-
Mc Easy Freight Co Ltd - Long Term	-	-	-	10,100,000	-
Health Publications Ltd	39,996	-	240,000	4,887,879	-
Caractère Madagascar	-	-	-	88,800	-
<i>Entities over which the Group has significant influence</i>					
L'Express de Madagascar S.A.R.L	23,464,900	-	600,000	19,776,417	-
<i>Other related parties</i>					
Footfive Co Ltd	-	-	-	2,000,000	-
Loan to Directors of McEasy Freight Co Ltd (Short term)	-	-	-	1,657,500	-
Loan to Directors of McEasy Freight Co Ltd (Long term)	-	-	-	1,105,000	-
<i>Entity over which the Group has joint control</i>					
Planete Eco	-	-	-	110,294	-
Impress Print Ltd	-	-	-	-	(2,676,378)
	<u>69,424,449</u>	<u>11,547,173</u>	<u>50,699,328</u>	<u>162,872,940</u>	<u>(53,398,041)</u>



# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

### 32. RELATED PARTY DISCLOSURES (CONTINUED)

#### Compensation of key management personnel

	THE GROUP AND THE COMPANY	
	2020	2019
	Rs.	Rs.
Short-term benefits	23,489,121	23,987,656
Defined contribution plan	1,591,275	1,501,016
	<b>25,080,396</b>	<b>25,488,672</b>

#### Terms and conditions of transactions with related parties:

All sales and purchases made within the Group are made at commercial rates with a varying discount.

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. For the year ended June 30, 2020, **Rs. 2.5m** of additional provision has been recognised in relation to impairment of related party (2019: Nil). Refer to Note 14 with respect to intercompany trade receivables. This assessment is undertaken each financial year through examining the financial position of each related party and the market in which the related party operates. The impairment assessment done for loans and advances to staff and intercompany loans resulted in a non significant amount and therefore has not been disclosed separately.

### 33. COMMITMENTS AND CONTINGENCIES

#### Capital commitments

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Capital expenditure contracted for at reporting date but not recognised in the financial statements:				
Equipment	-	-	-	-
Plant and Machinery	-	20,190,681	-	-
Building	-	14,070,000	-	14,070,000

#### Contingent liabilities

There are currently a number of lawsuits that have been filed against the Group for diverse reasons, namely defamation/damaged claims against newspapers. The outcome of these claims is dependent upon the court decisions and cannot be reasonably assessed. For those claims, where the Directors, following legal advice, believe that the outcome will not be in favour of the Group, no liabilities were made as at June 30, 2020 (2019: Rs Nil).

As at 30 June 2020, the Group has bank guarantees of **Rs 190,540** (2019: Rs 884,200).

# LA SENTINELLE LTD AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

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### 34. EVENTS AFTER THE REPORTING DATE

There are no significant events after the reporting date which require adjustments or additional disclosures in the financial statements for the Company. As for the Group, the following subsequent events were noted which did not result in any adjustments to the figures as at reporting date:

#### *Financial Assistance*

- Rescheduling the repayment of loans and import loan facilities by the commercial banks.
- The Group has applied and received the Bank of Mauritius COVID Loan. These loans have a moratorium period of 9 month on capital and interest, repayable over 39 months after the moratorium period.

#### *Covid-19 Outlook*

Financial year 2020 was marked by the Covid-19 pandemic which affected all areas of the economy and brought about a high level of uncertainty. La Sentinelle Limited Group operated under normal business circumstances until mid March and the ensuing lockdown. The full extent of the impact of the COVID-19 pandemic on the financial performance of the Group will depend on future developments, including the duration and spread of the outbreak and the impact on the financial markets and the overall economy. Management is still assessing the potential impact of the above on the performance of the Group.

LA SENTINELLE LTD AND ITS SUBSIDIARIES

# **ANNUAL REPORT**

YEAR ENDED JUNE 30, 2020



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