

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Fair value estimation of financial instruments (continued)

The following unobservable inputs were used to measure the financial assets measured at fair value in the Company's separate financial statements:

THE COMPANY						
Description	Fair value as at 30 June		Valuation techniques	Unobservable input	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value
	2022 MUR '000	2021 MUR '000				
Unquoted investments in subsidiaries	1 175 383	1 268 143	Discounted cash flows	Discount rate	2022: (7.63%) and 2021: (6.11%)	A 5% increase will lead to a decrease of MUR 90.6m (2021: MUR 93.0m). A 5% decrease will lead to an increase of MUR 79.2m (2021: MUR 108.0m).
				Growth rate	2022 and 2021: 2%	A 5% increase will lead to an increase of MUR 17.0m (2021: MUR 113.0m). A 5% decrease will lead to a decrease of MUR 17.6m (2021: MUR 113.0m).
Investment in associate	1 077	1 110	Net assets	Illiquidity discount	Illiquidity discount	A 5% increase in rate will lead to decrease of MUR 18k (2021: MUR 18k). A 5% decrease in rate will lead to an increase of MUR 18k (2021: MUR 18k).
Financial assets at fair value through other comprehensive income	2 091	2 091	Net assets	Cost	Not applicable	Not applicable
THE GROUP						
Financial assets at fair value through other comprehensive income	3 330	3 440	Net assets	Cost	Not applicable	Not applicable

3.3 Capital risk management

The Group's and the Company's objectives when managing capital are:

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

The Group and the Company manage the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to the shareholders, or sell assets to reduce debt.

The Group and the Company monitor capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt adjusted capital. Net debt is calculated as total debt (as shown in the statements of financial position) less cash and bank balances. Capital structure comprises all components of equity (i.e. share capital, share premium, retained earnings and other reserves).

The debt to equity ratio at 30 June 2022 and 30 June 2021 were as follows:

	THE GROUP		THE COMPANY	
	2022 MUR '000	2021 MUR '000	2022 MUR '000	2021 MUR '000
Total debt (note 15 & 19)	650 471	848 246	462 956	588 014
Less: bank and cash balances (note 30(b))	(402 225)	(385 956)	(247 795)	(234 471)
Net debt	248 246	462 290	215 161	353 543
Total equity	5 552 249	5 077 545	5 675 940	5 230 465
Debt-to-equity ratio	0.04:1	0.09:1	0.04:1	0.07:1

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

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

4.1 Critical accounting estimates and assumptions

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

(a) Estimated impairment of goodwill and trademarks

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

The Group tests annually whether goodwill and trademarks have suffered any impairment, in accordance with the accounting policy stated in Note 2e(ii) and 2e(iii), respectively. Refer to Note 6.