9.(A) PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(c) Fair value of land and buildings (Cont'd)

Textile Segment (Cont'd)

Description	2022 MUR'000	2021 MUR'000	Valuation Technique	Unobservable inputs	Range of Unobservable Inputs (probability – weighed Average)	Relationship Of unobservable inputs to fair value
Manufacturing sites – Asia	811,354	802,667	Sales comparison and replacement cost less depreciation approach	1 bigha equivalent to 33 decimals and square feet for land and square feet for building	Tk. 1742424 / decimal for the land and Tk.850-Tk.1,450 per sq.ft for the building. INR.12,500,000/acre for land and INR.1,800 per sq.ft for the building. INR 3,250,000/acre for land and INR.432-INR.19,250 per sqm for the building	The higher the price per bigha/ square feet, the higher the fair value
	2,571,507	2,512,685				

There were no transfers between Levels 1, 2 and 3 during the year.

10. INVESTMENT PROPERTIES

ACCOUNTING POLICIES

Investment properties, held to earn rentals or for capital appreciation or both and not occupied by the Group are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value, representing open-market value as determined periodically by the directors subsequent to the valuation carried out by external valuer. Changes in fair values are included in profit or loss. When the use of property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

10. INVESTMENT PROPERTIES (CONT'D)

	THE GROUP	
	2022	2021
Fair value model	MUR '000	MUR '000
At 1 July	2,741,592	1,780,315
Additions	-	-
Disposals	(9,225)	(6,341)
Transfer from property, plant and equipment (Note 9(a))	315,173	-
Transfer from/to non-current assets held for sale (Note 21)	379,700	-
Increase in fair value	185,052	959,638
Exchange differences	1,950	7,980
At 30 June	3,614,242	2,741,592
The investment properties relate mainly to those of BNI Madagascar, CIEL Textile Group and Ferney Limited.		
BNI Madagascar	229,828	212,566
CIEL Textile Group	698,577	-
Ferney Group	2,685,837	2,529,026
	3,614,242	2,741,592

BNI Madagascar

The investment properties were fair valued by Cabinet Razafindratandra, an independent professionally qualified valuer. The fair value was determined based on the replacement cost method whereby the valuation of the properties is discounted based on the future evolution of the zone in which the properties are found, the surrounding constructions access to infrastructure and the topography of the land.

(a) Valuation inputs and relationships to fair value

Valuation model	Replacement Cost
Unobservable inputs	Obsolescence Rate/ Unobservable sale price per square meter
Range of inputs	**4.28% to 31.24%** (2021: 6.02% to 53.22%)

(b) Sensitivity analysis

A 5% increase or decrease in the obsolescence rate would lead to a decrease/increase of **MUR 11.7M** (2021: MUR 10.6M) in the fair value of investment properties.

10. INVESTMENT PROPERTIES (CONT'D)

Ferney Group

(a) The investment properties of Ferney Limited ("FL") comprise sugarcane land and agricultural land held for rental purposes as well as land earmarked for the Ferney Integrated Development Project under a Smart City Scheme developed through Ferney Development Limited ("FDL"). These lands were valued by CDDS Land Surveyors and Property Valuer, an independent and professionally qualified valuer, as at 30 June 2021. The valuation of land was derived using the residual approach and sales comparison approach by reference to land transactions in the vicinity.

(b) Ferney Integrated Development Project: On 17 November 2020, the Economic Development Board issued a letter of intent to FDL pursuant to Regulation 9(3) of the SCS Regulations. The letter of intent is issued on the basis that FDL will develop a Smart City Project based on five pillars - Sustainability, Agri-Hub, Nature and Science Economy, Eco-Tourism, of an extent of 500 Hectares under the Smart City Scheme (the "Scheme").

(c) The land (the "earmarked land") that has been earmarked for the purposes of carrying out the smart city development is currently owned by FL: the extent of the earmarked land is 500 Hectares so that a change in the ownership of the earmarked land from FL to FDL is required to enable FDL to develop the earmarked land in accordance with the Investment Promotion (Smart City Scheme) Regulations 2015. The earmarked land was previously valued at MUR0.6M per acre and the objective is to revalue the land based on the Smart City project. In May 2022, Ferney Development Ltd obtained its smart city certificate from the Economic Development Board.

(d) Basis of valuation of the earmarked land: The residual method of valuation is to estimate the possible revenue of the developable land and assuming all Smart City permits are granted net of all the costs of developing the entire Smart City, mostly being the cost of construction of the buildings and services, to end up with a value of bare developable land.

(e) In the year ended 30 June 2021, the earmarked land had been valued at MUR 1,576M giving rise to a fair value increase of MUR 942M. This represented an average estimated price per acre is MUR 1.5M. There has been no further increase/decrease in the valuation of investment property in the year ended 30 June 2022 following the desktop review done in 2022.

(f) The investment properties are classified as level 3 on the fair value hierarchy.

Significant valuation input:	Fair value	Range
	MUR	MUR
Price per hectare – Smart City	1,911,549	8,292 – 2,200,000
Price per hectare - remaining land	774,288	533 - 17,769

	THE GROUP	
	2022	2021
	MUR '000	MUR '000
Rental income	16,924	15,759
Direct operating expenses arising from investment properties that generate recurring rental income	1,520	1,250

(g) The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

10. INVESTMENT PROPERTIES (CONT'D)

(h)

Description	Fair value at 2022 MUR '000	Fair value at 2021 MUR '000	Unobservable inputs	Range of inputs 2022 %	Range of inputs 2021 %	Relationship of unobservable inputs to fair value
Smart City	**1,911,549**	1,576,610	Capitalisation rate	**1% - 9%**	1% - 9%	The higher the capitalisation rate and expected vacancy rate, the lower the fair value
			Expected vacancy rate	**0% - 7.5%**	0% - 7.5%	
Remaining land	**774,288**	810,979	Years purchase	**3% - 5%**	3% - 5%	The higher the capitalisation rate and expected vacancy rate, the lower the fair value
			Expected vacancy rate	**5%**	5%	
			Discount rate	**5%**	5%	The higher the discount rate and terminal yield, the lower the fair value
			Terminal yield	**3% - 5%**	3% - 5%	
			Rental growth rate	**6.70%**	6.70%	The higher the rental growth rate and terminal yield, the higher the fair value

(i) There were no transfers between levels during the year.

(j) Sensitivity analysis

A 1% increase/decrease in the capitalisation rate and years purchase rate would lead to a decrease/increase of **MUR 97.2M/ MUR 127.6M** in the fair value of the investment properties.

CIEL Textile Group

The investment properties were fair valued by CDDS Land Surveyors and Property Valuer, an independent professionally qualified valuer, as at 30 June 2022. The value was derived using the sales comparison approach by reference to land transactions in the vicinity and direct income approach.

	Fair value MUR' 000	Range MUR' 000
Price per hectare - land	236,230	1.8 to 5.6
Price per m² - Building	877,150	13 to 300

10. INVESTMENT PROPERTIES (CONT'D)

Valuation inputs and relationships to fair value

Description	Fair value MUR'000	Valuation model	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
- Industrial buildings / Manufacturing sites	549,000	Direct income approach	All risk yield Equated yield Vacancies	8% 11.1% 5-12.5%	The higher the all risk yield, the higher the equated yield which leads to a lower fair value. The higher the vacancy rate, the lower the fair value.
- Office buildings	557,140	Sales comparison	Capitalisation rate Expected vacancy rate	7.5%	The higher the capitalisation rate and expected vacancy rate, the lower the fair value
- Other buildings	7,240	Direct comparison	Years purchase (YP) to perpetuity	6.25%	The higher the YP to perpetuity rate, the lower the fair value

Sensitivity analysis

1% increase/decrease in the capital would lead to a decrease/increase of **MUR 29.9M/MUR 32.0M** in the fair value of the properties.

The investment properties are classified as level 3 on the fair value hierarchy. There was no transfer between levels during the year.

11. INTANGIBLE ASSETS

ACCOUNTING POLICIES

Goodwill

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

Goodwill with an indefinite life is not subject to amortisation and is tested annually for impairment or more frequently if events and changes in circumstances indicate that they might be impaired. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gains and losses on disposal.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Any impairment is presented separately on the face of the statement of profit or loss and other comprehensive income.

Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised using the straight-line method over their estimated useful lives (1 - 8 years).

- Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software controlled by the Group and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.
- Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs, recognised as assets, are amortised over their estimated useful lives, not exceeding 3 years.