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.

11. INTANGIBLE ASSETS (CONT'D)

(a) The Group	Computer Software MUR '000	Development Cost MUR '000	Goodwill MUR '000	Total MUR '000
Year ended 30 June 2022				
COST				
At 1 July 2021	769,450	7,235	1,308,484	2,085,169
Additions	45,259	1,613	-	46,872
Transfer from property, plant & equipment (Note 9(a))	901	-	-	901
Disposal	(209)	(172)	-	(381)
Translation adjustment	2,237	2,744	-	4,981
Transfer to non-current assets held for sale (Note 21)	(937)	-	(19,062)	(19,999)
Write offs	(6,610)	(6,346)	-	(12,956)
At 30 June 2022	810,091	5,074	1,289,422	2,104,587
AMORTISATION				
At 1 July 2021	578,636	5,398	32,357	616,391
Charge for the year	114,310	-	-	114,310
Disposal	(7)	(137)	-	(144)
Translation adjustment	1,438	2,744	-	4,182
Write offs	(6,610)	(6,225)	-	(12,835)
Transfer to non-current assets held for sale (Note 21)	(929)	-	-	(929)
At 30 June 2022	686,838	1,780	32,357	720,975
NET BOOK VALUES				
At 30 June 2022	123,253	3,294	1,257,065	1,383,612

11. INTANGIBLE ASSETS (CONT'D)

(a) The Group	Computer Software MUR '000	Development Cost MUR '000	Goodwill MUR '000	Total MUR '000
Year ended 30 June 2021				
COST				
At 1 July 2020	742,264	8,552	1,308,484	2,059,300
Additions	32,652	-	-	32,652
Transfer from property, plant & equipment (Note 9(a))	1,647	-	-	1,647
Translation adjustment	23,211	(1,279)	-	21,932
Transfer to non-current assets held for sale (Note 21)	(16,033)	-	-	(16,033)
Write offs	(14,291)	(38)	-	(14,329)
At 30 June 2021	769,450	7,235	1,308,484	2,085,169
AMORTISATION				
At 1 July 2020	497,213	5,125	32,357	534,695
Charge for the year	92,334	32	-	92,366
Translation adjustment	5,414	241	-	5,655
Write offs	(2,909)	-	-	(2,909)
Transfer to non-current assets held for sale (Note 21)	(13,416)	-	-	(13,416)
At 30 June 2021	578,636	5,398	32,357	616,391
NET BOOK VALUES				
At 30 June 2021	190,814	1,837	1,276,127	1,468,778

11. INTANGIBLE ASSETS (CONT'D)

The breakdown of the goodwill is:

	2022	2021
	MUR '000	MUR '000
Healthcare segment	798,148	798,148
Hotels and resorts segment	225,024	225,024
Financial services segment	233,893	252,955
	1,257,065	1,276,127

Impairment testing of goodwill

Healthcare Segment

The key assumptions used for the impairment calculation are:

Operating profit margin: Operating profit margin is based on average values achieved in the year preceding the start of the budget period.

Discount rate: Discount rate represents the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and specific risk of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on specific circumstances of the Company and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into consideration both debt and equity. The cost of equity is derived by using comparable industries data and adjust for the country risk and size for the company. The cost of debt is based on the interest-bearing borrowings.

Growth rate estimates: Rates are based on management's best estimates of the Group's and industry's growth rate.

Goodwill has been allocated for impairment testing purposes to the following cash generating units:

		2022	2021
		MUR'000	MUR'000
IMG Group	(i)	207,203	207,203
C-Care Group :			
C-Care (Mauritius) Ltd (previously known as Medical and Surgical Centre Ltd)	(ii)	240,378	240,378
Wellkin Hospital	(iii)	343,059	343,059
Department of Cardiac	(iv)	7,508	7,508
		798,148	798,148

(i) IMG Group

The recoverable amount of this cash-generating unit is determined based on the fair value less costs to sell calculations. These calculations use cash flow projections based on financial budgets and forecasts approved by management. Fair value was determined by using an appropriate discount rate to discount future cash flows generated from IMG Group. The discount rate calculation is based on specific circumstances of the cash generating units and a rate of **22.40%** (2021: 20.69%) has been estimated. The terminal value has been computed by capitalising the net income prevailing at the end of the cash flow projections, using a growth rate of **6%** (2021: 6%) and discounting at an appropriate rate.

	2022	2021
	MUR '000	MUR '000
Sensitivity to changes in assumptions - IMG Group		
Discount factor +0.5% point	(20,000)	(27,000)
Discount factor -0.5% point	21,000	30,000
Terminal Growth rate +0.5% point	6,000	10,400
Terminal Growth rate -0.5% point	(6,000)	(9,700)

11. INTANGIBLE ASSETS (CONT'D)

Impairment testing of goodwill (Cont'd)

Healthcare Segment (Cont'd)

(ii) C-Care (Mauritius) Limited

C-Care is listed on the Development Enterprise Market (DEM) on the Stock Exchange of Mauritius. As at 30 June 2022, the investment in C-Care has been valued using the Volume Weighted Average Price ("VWAP") model as management considers it is a more appropriate valuation of the Company. The share price as at 30 June 2022 was **MUR 17.20** (2021: MUR 19.70) and the VWAP used for valuing the investment was **MUR 18.82** (2021: MUR 10.35).

(iii) Wellkin Hospital

The recoverable amount of this cash generating unit is Rs. 5.4bn. This has been based on the overall contribution of Wellkin to C-Care- the valuation of C-Care being explained above.

(iv) Department of Cardiac

The recoverable amount of Department of Cardiac Cash Generating Unit of MUR7.5M has been determined based on its fair value less cost to sell. These calculations use cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to the cash flow projections is **9.3%** (2021: 9.25%). Management has used its past experience in determining the value of each assumption. As a result of the analysis, management did not identify any impairment.

	2022	2021
	MUR '000	MUR '000
Sensitivity to changes in assumptions - Department of Cardiac		
Discount factor +0.5% point	(6,000)	(6,000)
Discount factor -0.5% point	24,000	24,000
Terminal Growth rate +0.5% point	7,000	7,000
Terminal Growth rate -0.5% point	(7,000)	(7,000)

Financial services segment

Goodwill has been allocated for impairment testing purposes to the following cash generating units.

	2022	2021
	MUR '000	MUR '000
Indian Ocean Financial Holdings Limited (Group)	163,378	163,378
Investment Professionals Ltd	-	19,062
Mitco Group Ltd	70,515	70,515
	233,893	252,955

Goodwill is attributable to the above-named companies' strong position and profitability in their respective market and to their workforce. The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of the cash generating units (CGUs) was determined based on the higher of the fair value and the value in use computed using either a dividend discount model or a discounted cash flow model. The use of both methods requires the use of assumptions, which have been disclosed below for the value in use.

11. INTANGIBLE ASSETS (CONT'D)

Impairment testing of goodwill (Cont'd)

Financial services segment (Cont'd)

2022	BNI Madagascar SA	Investment Professionals Ltd	MITCO Group Ltd
Risk-free rate (%)	8.63%	-	5.31%
Equity beta	0.70	-	0.71
Specific risk premium (%)	4.00%	-	4.00%
Equity market risk premium (%)	10.67%	-	6.12%
Cost of equity / Weighted Average Cost of Capital (%)	18.89%	-	13.66%
Growth (%)	3.00%	-	3.00%
Model	Dividend Discount Model	-	Discounted Cash Flow Model
Number of years	4	-	3
2021	BNI Madagascar SA	Investment Professionals Ltd	MITCO Group Ltd
Risk-free rate (%)	9.50%	4.31%	4.31%
Equity beta	0.74	0.7	0.7
Specific risk premium (%)	4.00%	3.00%	3.00%
Equity market risk premium (%)	9.84%	5.98%	5.98%
Cost of equity / Weighted Average Cost of Capital (%)	19.67%	10.60%	10.60%
Growth (%)	3.00%	3.00%	3.00%
Model	Dividend Discount Model	Dividend Discount Model	Discounted Cash Flow Model
Number of years	4	3	3

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Risk-free rate (%)	Reflects the risk-free rate applicable to the country, for instance, the 20-year (2021: 20-year) bond rate or 3 year in the case of Madagascar
Equity beta	Volatility of a stock compared to the market. Applicable rate in country used.
Specific risk premium (%)	Return in excess of the risk-free rate that an asset is supposed to yield based on country in which the investment operates as well as its segment.
Cost of equity/ Weighted Average Cost of Capital (%)	Firm's cost of capital and is not determined by management but rather by external factors. However, this is validated against the general risk appetite framework put in place by the controlling shareholder.
Growth (%)	Based on forecasts and business plans of the investee company

11. INTANGIBLE ASSETS (CONT'D)

Impairment testing of goodwill (Cont'd)

(c) Significant estimate: Impact of possible changes in key assumptions

	BNI Madagascar SA	Investment Professionals Ltd	Mitco Group Ltd
2022			
Cost of equity / Weighted Average Cost of Capital (%)	+ 5%	+ 5%	+ 5%
Impact on Goodwill	(MUR 13M)	Nil	Nil
2021			
Cost of equity / Weighted Average Cost of Capital (%)	+ 5%	+ 5%	+ 5%
Impact on Goodwill	Nil	(MUR 5M)	Nil

Hotels and resorts segment

Below is an overview of the methods and key assumptions used at the end of the reporting period, to determine recoverable amounts for CGUs or groups of CGUs.

		2022		2021	
		Sun managed resorts*	Resorts managed by external operators**	Sun managed resorts*	Resorts managed by external operators**
Carrying value of Goodwill	MUR'000	-	223,689	-	223,689
Carrying value of property, plant and equipment	MUR'000	8,396,191	8,514,657	6,594,571	7,344,170
Recoverable amount method		Value in use and Market value	Value in use and Market value	Value in use	Value in use
Period of projected cash flows	Years	10	10	5 - 7	7 - 10
Terminal capitalisation rate	%	9.50%	9.00%	6.00%	6.00% - 7.25%
Discount rates	%	12.00%	11.50%	10.80%	10.80% - 11.25%

*Sun managed resorts refer to Wolmar Sun Hotels Limited, Long Beach Resort Ltd, City and Beach Hotels (Mauritius) Limited and Loisirs des Iles Ltée. Wolmar Sun Hotels Limited, Long Beach Resort Ltd and City and Beach Hotels (Mauritius) Limited were valued based on projected cash flows and Loisirs des Iles Ltée was valued based on sales comparison approach.
**Resorts managed by external operators refer to Anahita Hotel Limited and SRL Touessrok Hotel Ltd, of which Sun Limited owns 100% and 74% respectively. These resorts were valued based on present value of projected cash flows.

11. INTANGIBLE ASSETS (CONT'D)

Impairment testing of goodwill (Cont'd)

The recoverable amounts of the CGUs would equal their carrying amounts if the key assumption, i.e. discount rate, was to change as follows:

	2022		2021	
	From	To	From	To
Change in discount rate				
Anahita Hotel Limited	11.50%	16.16%	10.80%	14.13%
City and Beach Hotels (Mauritius) Limited	12.00%	26.57%	10.80%	22.53%
Long Beach Resort Ltd	12.00%	22.91%	10.80%	11.80%
Wolmar Sun Hotels Limited	12.00%	24.23%	10.80%	26.23%
SRL Touessrok Hotel Ltd	11.50%	15.60%	11.25%	11.98%

Sensitivity Analysis	Decrease of 0.5% in discount rate	Increase of 0.5% in terminal value	Increase of 1% in occupancy rate
	MUR'000	MUR'000	MUR'000
2022	1,010,004	619,724	423,724
2021	1,760,984	851,079	890,683

12. INVESTMENTS IN SUBSIDIARY COMPANIES

ACCOUNTING POLICIES

Separate financial statements

In the separate financial statements of the investor, investments in subsidiary companies are carried at fair value. On adoption of IFRS 9, the Group made an irrevocable election at the time of initial recognition to account for equity investments at fair value through OCI ('FVOCI'). There is no subsequent reclassification of fair value gains and losses to profit and loss following the derecognition of these investments. On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

Consolidated financial statements

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

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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

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

11. INTANGIBLE ASSETS (CONT'D)

Transactions with non-controlling interests

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

Disposal of subsidiaries

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

Fair value hierarchy

This section explains the judgements and estimates made in determining fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its investments in subsidiaries into the three levels prescribed under the accounting standards.

(a) The Company	MUR '000	MUR '000	MUR '000	MUR '000
	Level 1	Level 2	Level 3	Total
VALUATION				
At 1 July 2021	-	2,963,017	15,280,617	18,243,634
Fair value adjustment	-	1,666,407	3,730,109	5,396,516
Redemptions	-	-	(129,345)	(129,345)
At 30 June 2022	-	4,629,424	18,881,381	23,510,805

	MUR '000	MUR '000	MUR '000	MUR '000
	Level 1	Level 2	Level 3	Total
VALUATION				
At 1 July 2020	496,764	1,422,671	11,009,482	12,928,917
Additions	-	-	54,018	54,018
Fair value adjustment	687,914	355,668	4,217,117	5,260,699
Transfers	(1,184,678)	1,184,678	-	-
At 30 June 2021	-	2,963,017	15,280,617	18,243,634