



Group Chief Finance Officer's Report

IBL Ltd is a diversified group with many companies operating in a wide spectrum of industries and geographies. In preparing the financial statements for FY2020, the group has had to assess the implications of Covid-19, and to a lesser extent the EU Blacklisting, on each of its businesses and across its investment portfolio.

Whilst the immediate and long term impacts of Covid-19 are uncertain and not uniform across the board, even more than in previous years, it was critical to adopt a consistent approach, judgement, assumptions and process across the group to ensure that the financial statements are coherent.

RISK AND RECOVERY SCENARIOS

In the second half of the financial year, once it was obvious that Covid-19 was spreading and was going to affect many of our markets, it was clear that we would need to closely monitor the various industries and countries that we operate in to ascertain how they would respond to various scenarios of lockdown and recovery, travel restrictions and so on.

The table that follows was derived following both internal and external consultation and underpins the assumptions we have used in our valuation models which drive our valuations of goodwill, investments and properties, as well as IFRS 9 on "expected credit losses" and going concern assessments.

Industry sector	Risk level	IBL's view of potential recovery scenarios
<ul style="list-style-type: none"> · Hospitality – Hotels, Tourism & Associated Services · Property – Sales, Development, Contracting and Supplies · Logistics – Aviation 	High	<p>U-Shape</p> <p>Businesses are projected to face significant slowdowns and challenges for as long as the pandemic lasts on a global scale and a remedy for Covid-19 has not been found.</p>
<ul style="list-style-type: none"> · Financial Services – Banking, Insurance and Global Business · Property – Rental 	Medium	<p>W-Shape</p> <p>Businesses or certain product lines expected to experience a bumpy ride in the medium term (e.g. resulting from default on loans or other challenges and uncertainties) until a new baseline is found.</p>
<ul style="list-style-type: none"> · Agro · Energy · Wholesale consumer goods · Healthcare · Logistics – Warehousing, Shipping & Transport · Life Sciences · Technology · Seafood 	Low	<p>V-Shape</p> <p>Business expected to resume relatively rapidly, albeit some could face doing business under new baseline conditions, e.g. rising import costs, reduced consumer disposable income.</p>



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IBL GROUP – PERFORMANCE SUMMARY FOR FY2020

Summary of the published results of the group

	Year Ended	
	30.06.2020 Rs'000	30.06.2019 Restated Rs'000
Revenue	36,809,312	39,050,468
Profit from operations	452,814	2,211,315
Share of results of associates and joint ventures	568,435	441,306
Impairment of goodwill and investments	(1,049,375)	(171,672)
Other gains and losses	(26,749)	169,900
Net finance costs	(1,212,593)	(889,197)
(Loss)/Profit before taxation	(1,267,468)	1,761,652
Taxation	(136,560)	(427,748)
(Loss)/Profit for the period from continuing operations	(1,404,028)	1,333,904
Discontinued operations		
Loss for the year from discontinued operations	(22,124)	(32,061)
(Loss)/Profit for the year	(1,426,152)	1,301,843
Other comprehensive income/(loss) for the year	318,455	(472,728)
Total comprehensive (loss)/income for the year	(1,107,697)	829,115

IBL's markets operated under reasonably normal business circumstances for the first eight and a half months of the year until the Covid-19-triggered lockdown in mid-March. However, there were earlier signs that a global pandemic was on the cards. We reported this concern in our half-year profit announcement in February 2020 and started planning for the worst.

Inevitably, the group's operations and its results were severely impacted as the pandemic spread across the planet in the second half of the financial year. Covid-19 has affected markets across our supply chain, greatly affected our clients and our suppliers.

Our hardest-hit sectors are Hospitality, Building and Engineering, Property and Logistics, which could take longer to recover to pre-Covid-19 levels of activity.

Furthermore, the group's credit loss exposure has increased due to clients operating in higher-risk industries. This has resulted in increased IFRS9 provisions compared to pre Covid-19 periods.

We have written down the value of some investments as well as goodwill relating to the hospitality sector on our group balance sheet.

Finally, the adoption of IFRS 16 in the current financial year has led to a recognition of "right of use" on leased assets, thereby increasing total assets and lease liabilities on the balance sheet. IFRS 16 has triggered a corresponding higher annual finance cost which in turn is affecting the group's results.

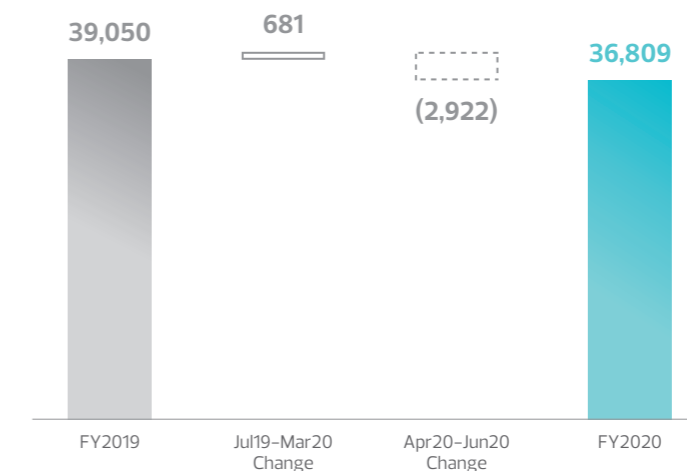
As a result of the above, the group's revenues declined by 6% to Rs 36.8 billion for the full financial year (FY2019: Rs 39.1 billion). This drop compares unfavourably to the 5% upward trend we were experiencing in the first half of the financial year, implying that Covid-19 has adversely affected our annual top-line by approximately 11% over the two financial years.

Profit from operations amounted to Rs 453 million (FY2019: Rs 2,211 million) but the group reported a loss before tax of Rs 1,267 million (FY2019: profit before taxation of Rs 1,762 million). The group's underlying profit/(loss) – defined as profit/loss before tax adjusted for impairment of goodwill and investments, other gains and losses and the impact of IFRS16, a new accounting standard this year – reported a loss of Rs 70 million (FY2019: profit of Rs 1,764 million).

An overview of the group's performance is shown below:

GROUP REVENUE: MOVEMENT YEAR ON YEAR

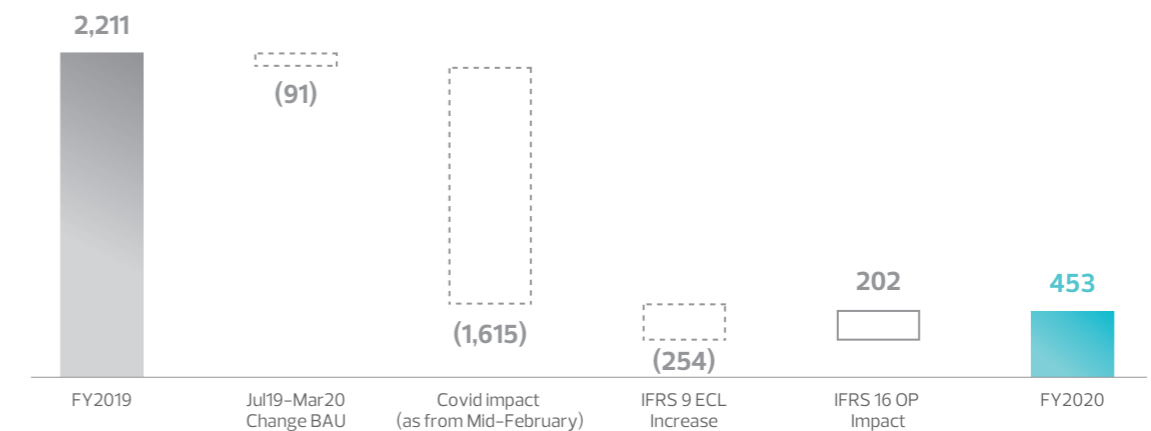
Figures in Rs Millions



Group revenue had been increasing steadily until Covid-19 hit in the last quarter of this year, resulting in an overall decline for the year of 6%.

GROUP PROFIT FROM OPERATIONS: MOVEMENT YEAR ON YEAR

Figures in Rs Millions

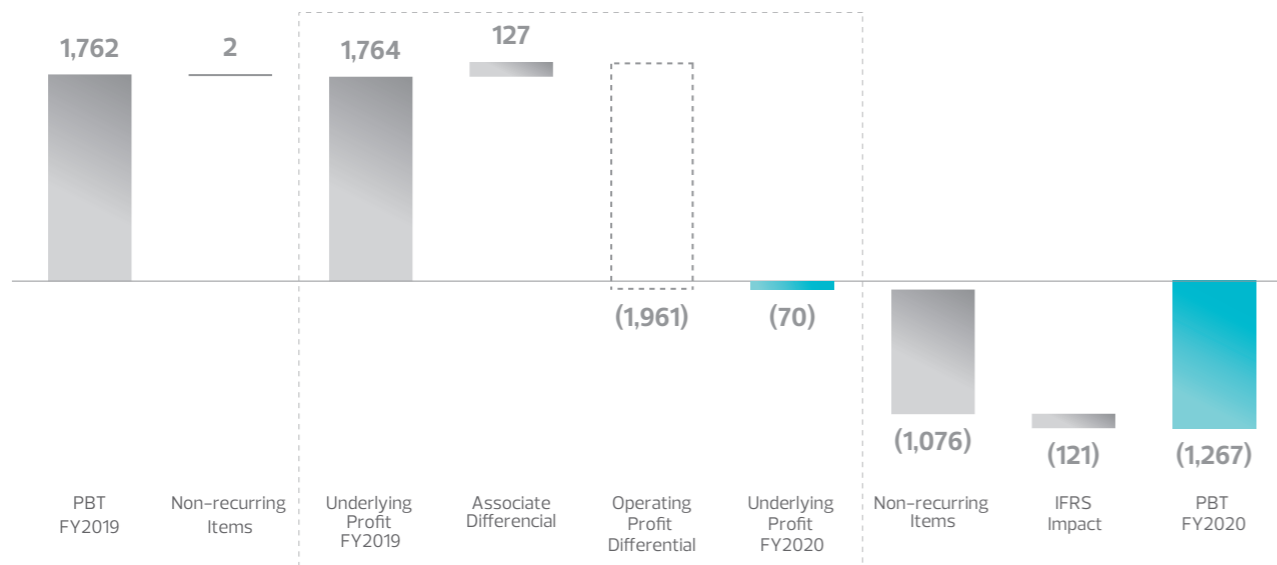


Operating profit had grown slightly over the last few years, peaking in FY2017, an exceptional year with a number of one-off profits resulting from large contracts. In FY2020, the figures reported are much lower, mainly as a result of Covid-19.

Group Chief Finance Officer's Report

GROUP UNDERLYING PROFIT/(LOSS): MOVEMENT YEAR ON YEAR

Figures in Rs Millions



Given the economic backdrop and stalled tourism industry, the group has reported an underlying loss and a loss before taxation for the financial year. The underlying loss is due to the impact of the national lockdown in the last quarter of the financial year and higher expected credit losses as at 30 June 2020, largely exacerbated by the pandemic.

In addition, IBL impaired goodwill on some hotels, other real estate and on certain investments at group level, which are non-recurring items.

SECTORAL ANALYSIS

Agro & Energy:

Alteo's sugar cluster reported better results, with higher sugar prices in both Mauritius and Tanzania as well as reduced costs in Mauritius. Lower tariffs and offtake adversely impacted the profitability of Alteo's energy segment while property sales and the group's hospitality businesses have been significantly impacted by Covid-19.

Results for this financial year show a marked improvement over last year, which had seen significant levels of impairment in the sugar and energy clusters.

Building & Engineering:

The main companies operating within the sector are CNOI, UBP and Manser Saxon Group. All of them reported lower turnover and profitability due to the nature of their activities, which were severely affected by the lockdown in Mauritius in the final quarter of FY2020.

Most shipyard activities came to a halt due to the travel ban preventing shipping crew from flying home and back. The closure of all major construction sites for extended periods affected the delivery of real estate projects and impacted the results of UBP and our Contracting businesses.

While activity picked up after lockdown, much of it related to projects that had begun or had been committed for before Covid-19. The challenge will be to sustain levels of activity should the market for property development and construction in Mauritius decline. Official statistics estimate that the construction industry will contract by 20% for the 2020 calendar year and that the impact could last well into 2021 in the absence of tourists and potential foreign buyers on Mauritian soil.

Commercial & Distribution:

The group's Commercial and Distribution sector has been very active throughout the crisis, with many of the group's businesses classified as "frontliners". These activities include Winner's retail supermarkets, MedActiv pharmacies, BrandActiv and HealthActiv, our wholesale businesses. The cluster posted an increase in turnover but reported a lower operating profit compared to last year due to shifts in buying behaviour during and after the lockdown. PhoenixBev was adversely affected by production, sale and distribution constraints during the lockdown months but resumed to normal activity levels afterwards, except for the segment distributing to hotels, restaurants and cafes.

Financial Services:

Eagle Insurance generated higher revenue and reduced its losses thanks to improvements in its claims ratios. DTOS benefitted from a favourable USD exchange rate and kept results at par. The Bee, the private equity arm of the group, suffered from a decrease in its portfolio valuation. AfrAsia Bank reported slightly lower results than last year due to higher provisioning under IFRS 9.

Hospitality & Services:

Our hospitality activities were on track to deliver strong results for FY2020. However, the cluster saw booking cancellations as from late February 2020 when new Covid-19 cases emerged in Italy, then France and followed by the rest of the world. Mauritius closed its borders and went into lockdown end March 2020 and from that point onwards, our hotels closed for the rest of the financial year.

Closing down for the last quarter of the year resulted in a decrease in turnover of 23% and a decline in operating profit of 76%. The limited visibility across the tourist sector resulted in goodwill impairments for properties in Maldives and the sector has increased its provisions on its debtors. These have had a significant impact on the profitability of the sector and on the group's results.

Lux Island Resorts (LIR) rescheduled its financial commitments. It also successfully negotiated Rs 1bn from the Mauritius Investment Corporation (MIC) and obtained further credit facilities from commercial banks to sustain working capital requirements. At the time of writing, The Lux Collective (TLC) was still in the process of restructuring its balance sheet. It has seen encouraging improvement in demand in China and the Maldives and steady occupancy rates in Reunion. However, activity after the year-end remained subdued, with borders closed worldwide and the Covid-19 situation deteriorating in our main tourism markets, namely Europe and South Africa. The outlook remains very uncertain.

Logistics:

The aviation business within this sector has been the most affected by border closures and a stalled tourism industry. The only flights permitted during the lockdown were for cargo, repatriations and students. Inland transport and international freight volumes fell significantly during and after the lockdown. Our shipping activities nonetheless posted better results overall with the addition of a new vessel to the fleet during the year. FY2020 profits have fallen as a result.

Life & Technologies:

Testing at CIDP's laboratories had to temporarily stop in Mauritius and abroad due to local and international lockdowns and Covid-19-related social distancing. The company triggered cost-reduction initiatives to mitigate the impact of reduced testing activity.

Seafood:

Results for Seafood companies were relatively stable year on year despite the closure of factories during the lockdown period. Many of our products are considered basic commodities and exporters have benefitted from favourable exchange rates. This sector has proven to be resilient and bounced back quickly post-lockdown.

Property:

Bloomage's results reflect the growth in its property portfolio. The company has not been directly impacted by Covid-19, but has agreed to rent deferrals or discounts for certain tenants. BlueLife's hotel activities were at a standstill in the last quarter of the financial year. Sales of properties at the Rive Droite development slowed considerably due to prospective buyers being unable to visit. The company is now reformulating its strategy and financing needs to adapt to the changed environment.

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IBL COMPANY – PERFORMANCE SUMMARY FOR FY2020

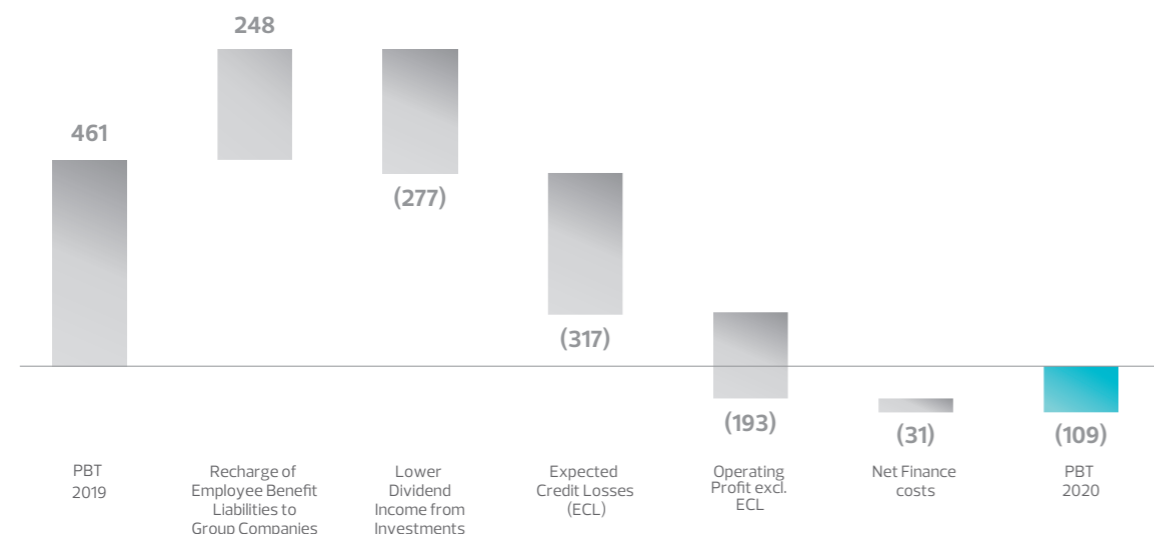
Summary of the published results of the Company

	Year Ended	
	30.06.2020 Rs'000	30.06.2019 Restated Rs'000
Dividend Income	601,904	879,116
Other revenues and income	4,376,679	4,227,173
Total Revenue	4,978,583	5,106,289
Cost of sales	(3,435,925)	(3,254,739)
Gross Profit	1,542,658	1,851,550
Other Income	300,799	222,385
Administrative expenses	(1,528,075)	(1,457,255)
Expected Credit Losses	(335,421)	(18,021)
Operating Profit	(20,039)	598,659
Other Gains and losses	241,012	155,626
Net finance costs	(305,031)	(273,558)
Profit before taxation	(84,058)	480,727
Taxation	(25,238)	(20,164)
Profit for the year	(109,296)	460,563

COMPANY PROFIT BEFORE TAX: MOVEMENT YEAR ON YEAR

The chart below shows the main factors that drove a drop in the company's profits before tax this year.

Figures in Rs Millions

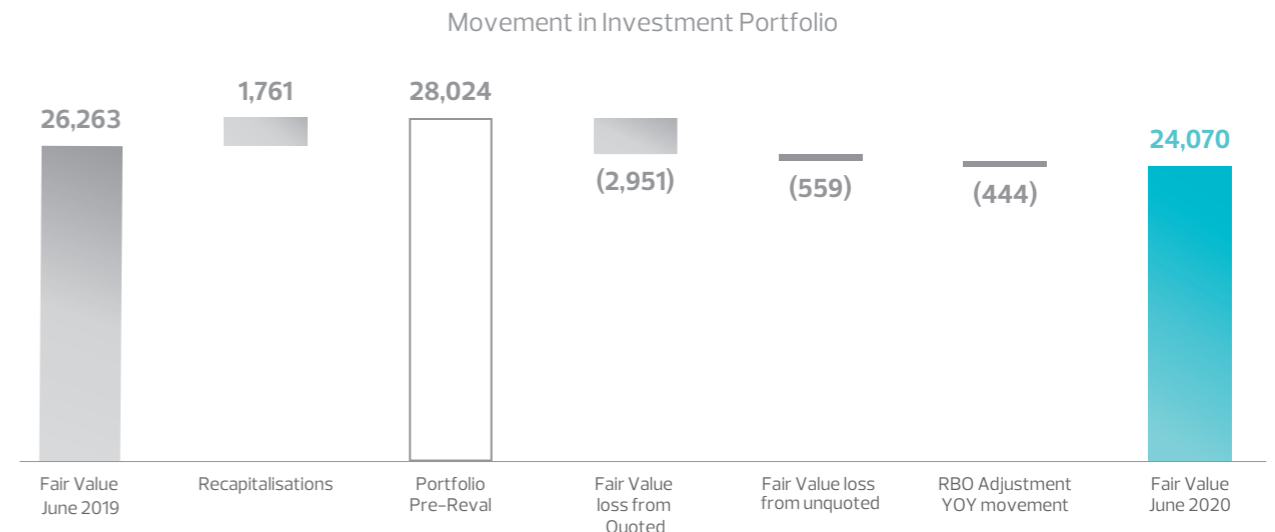


Many of our group companies, particularly in the hardest-hit sectors described in the risk and recovery scenarios, curtailed the distribution of dividends at the end of FY2020 due to Covid-19. Operations throughout the company were also impacted by increased costs and a more challenging operating environment. During the year, a number of IBL Group companies started facing difficulties of their own prompting IBL to recognise that some of its inter-company loans or working capital facilities may be impaired. Many of these companies were capitalised during the year to give them additional financial muscle to continue operating.

COMPANY INVESTMENT PORTFOLIO: MOVEMENT YEAR ON YEAR

The Company's overall portfolio of investments dropped by 8% during the year, to Rs 24.1bn.

Figures in Rs Millions



To begin with, we recapitalised some companies to the tune of Rs 1.76 billion to support them and give them the working capital required to navigate the difficult lockdown periods. In note 11 of the Financial Statements, this is shown as Rs 1.35bn and is net of Rs 0.41bn of receivables which had been previously impaired.

Following the Covid-19 outbreak, we saw a sharp decline in the value of some of our listed stock. This included a 52% drop in LUX* (Lux Island Resorts) share price, and a 47% decline in that of Blue life. These businesses operate in hospitality and real estate development respectively, both higher-risk sectors in today's operating context. The rest of the Company's portfolio experienced a drop in value of 6%.

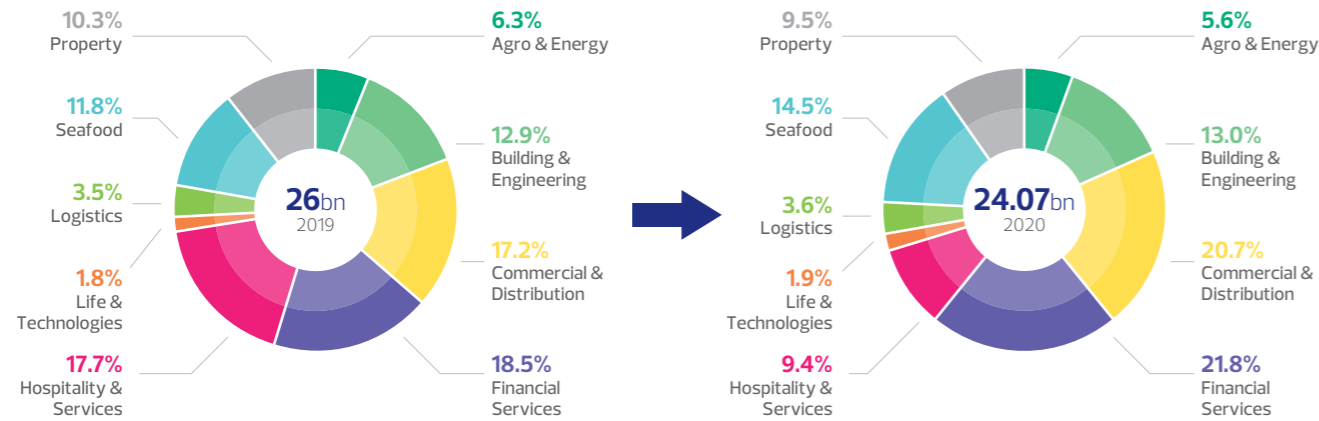
Figures in Rs Millions

Movement in Value for Listed investments	No of shares held	Share price June 2019 (Rs)	Share price June 2020 (Rs)	Fair value 2019 (Rs M)	Fair value 2020 (Rs M)	Gain/(Drop) in Portfolio (Rs M)	Gain/(loss) on quoted
LUX* (LIR)	77,425,389	58.00	28.00	4,491	2,168	(2,323)	-52%
BlueLife	320,865,201	2.38	1.27	764	407	(356)	-47%
High risk industries				5,254	2,575	(2,679)	-51%
Alteo	88,033,272	18.80	15.20	1,655	1,338	(317)	-19%
UBP	8,785,100	131.25	128.50	1,153	1,129	(24)	-2%
PICL	1,488,130	385.00	420.00	573	625	52	9%
Eagle Insurance	4,800,000	117.25	122.00	563	586	23	4%
PhoenixBev	527,659	580.00	614.00	306	324	18	6%
The Bee Equity	3,083,292	31.70	24.10	98	74	(23)	-24%
Lower and medium risk industries				4,348	4,076	(272)	-6%
Total				9,602	6,651	(2,951)	-31%

For unquoted investments, the net overall drop in fair value was Rs 559m which represents 5% compared to last year and includes an amount of Rs 0.41bn which was recapitalised during the year. This decline was driven mainly by downward revisions of future cashflow projections for certain companies, offset by increases in value for businesses providing essential products and services. The resulting fair value impact has been thoroughly cross-checked against the movement in value of listed companies operating in similar industries and against other industry benchmarks as at 30 June 2020.

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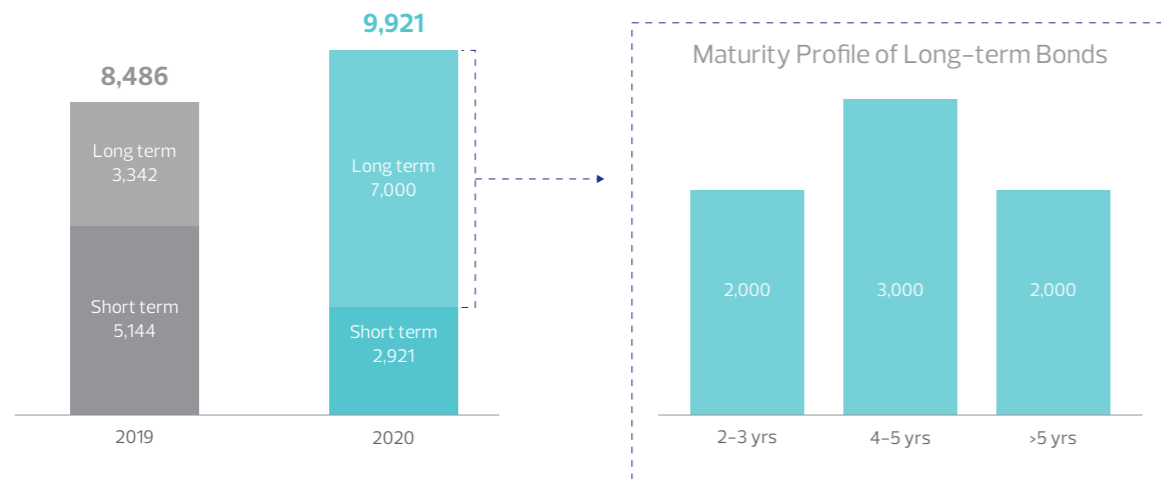
The movements above resulted in the following changes to the mix of IBL's overall portfolio:



THE COMPANY'S CHANGES IN BORROWING PROFILE

Finally, I would like to highlight that during the year, IBL successfully raised Rs 4bn mostly in the form of bonds and notes from banks and institutional investors to change the balance sheet funding profile to more longer term notes. This follows the successful raising of Rs 3bn in 2017, an exercise where the initial issue was over-subscribed by a factor of five.

Figures in Rs Millions



COMPANY SHAREHOLDER INFORMATION

Figures in Rs



Price 49.00 30 June 2020		No of Shares	Capitalisation at 30 June 2020
Highest 58.50	Lowest 40.00	680,224,040	33,330,977,960

OVERALL OUTLOOK

Several factors will influence Mauritius' emergence from the Covid-19 pandemic.

Mauritius did well in containing the first wave of Covid-19 through a nationwide lockdown and its population was largely spared. The assumption is that Mauritius will remain Covid-19-free as long as strict quarantine measures stay in place.

On the other hand, there is growing anxiety about the economic fallout of continued restrictions on foreign travel and a delayed restart to the tourism industry. It is feared that the domestic economy will become increasingly fragile, resulting in rising unemployment over the next 12-18 months, unless a Covid-19 vaccine is rapidly deployed. If unemployment were to rise, general consumption and investment would become increasingly strained.

We are watching the evolution of the health and economic crisis closely. Although we expect some level of contraction in local and global consumption in FY2021, we are confident that our group will remain resilient, and we therefore intend to continue to invest for the future.

Dipak Chummun
Group Chief Finance Officer