Fincorp

Fincorp Investment Ltd

Annual Report

June 30, 2018

Contents

Corporate Governance Report

COMPLIANCE STATEMENT

It is the policy of Fincorp Investment Limited ("the Company" or "Fincorp") to ensure the highest standard of business integrity, transparency and professionalism in all its activities and to ensure that the activities within the Company are managed ethically and responsibly to enhance business value for all stakeholders. As an essential part of this commitment, the board subscribes to and is fully committed to comply with the National Code of Corporate Governance for Mauritius ("the Code").

Throughout the year ended 30th June 2018 to the best of the Board's knowledge, the Company has not complied with certain principles of the Code. Reasons for non-compliance are explained in the table below.

Principle	Reason for non-compliance
2 –Independent Directors	In line with the National Code of Corporate Governance for Mauritius (2016) and upon the recommendation of the Remuneration, Corporate Governance and Ethics Committee ("RCGEC") of MCB Group Limited ("MCB Group" or "the Group" or "the ultimate holding company"), the Board has decided that independent directors who have served on the board of the Company for more than nine consecutive years are to be henceforth considered as non-independent directors. As a result, the Board will recommend the appointment of a number of Independent directors at the next Annual Meeting of shareholders of the Company to comply with the principles of the Code.
2 – Audit Committee	The Audit Committee currently consists of 2 members. Upon the nomination of new independent directors, an additional member will be appointed to this Committee.

The Company is a public interest entity, as defined by law.

1. GOVERNANCE STRUCTURE

1.1. Conduct of affairs

The objective of the Board is to define the Company's purpose, strategy and values and determine all matters relating to the direction, policies, practices, management and operations of the Company.

The Board has adopted a Charter which sets out the objectives, roles and responsibilities and composition of the Board. The Board reviews the Charter on an annual basis. The Board Charter is available for consultation on the Company's website.

1.2. Code of Ethics

The Company is committed to the highest standards of integrity and ethical conduct in dealing with all its stakeholders. The MCB Group Ltd has adopted a Code of Ethics which is applicable to all its subsidiaries, its employees and directors and which is published on the website of the Company. The Group encourages a corporate culture that promotes ethical and responsible decision-making throughout the organisation by way of group-wide awareness of its operating beliefs and principles.

The Code of Ethics is regularly reviewed at MCB Group level and compliance thereto is monitored at both Company and MCB Group level.

Corporate Governance Report *(Continued)*

1.3. Statement of Accountabilities

The Directors have approved the following Statement of Accountabilities:

- The Board assumes the responsibility for leading and controlling the Company and meeting all legal and regulatory requirements. Directors are aware of their legal duties.
- The Board is accountable for the performance and affairs of the Company and for achieving sustainable growth.
- The Board is responsible for ensuring that the Company adheres to high standards of ethical behavior and acts in the best interest of shareholders.
- The Board has the responsibility of reviewing and approving the results announcements of the Company.

Additionally, the Board Charter and the Position Statements, which have been approved by the Board, provide for a clear definition of the roles and responsibilities of the Chairperson, the Directors and the Company Secretary.

Key roles and responsibilities

Chairperson	• Provides overall leadership to the Board • Ensures that the Board is effective in its tasks of setting and implementing the company's direction and strategy • Presides and conducts meetings effectively • Ensures that directors receive accurate, timely and clear information • Ensures that development needs of the directors are identified and that appropriate training is provided to continuously update the skills and knowledge of the directors • Maintains sound relations with shareholders
Directors	• Contribute to the development of the strategy • Ensure that financial information released to the market and shareholder is accurate • Ensure that the Company has adequate and proper financial controls and systems of risk management • Actively participate in Board decision-making • Provide specialist knowledge and experience to the Board • Remain permanently bound by fiduciary duties of care and skill
Company Secretary	• Ensures compliance with all relevant statutory and regulatory requirements • Provides the Board as a whole and directors individually with guidance as to their roles and responsibilities • Assists the Chairperson in governance processes such as Board and Committee evaluation • Develops and circulates agendas for meetings and drafts minutes and ensures follow ups • Ensures that the shareholder's interests are taken care of and act as primary point of contact

1.4. Organisation Chart

The Company has no personnel directly employed by it and all employees are at the level of its subsidiaries and associates. Administrative matters are carried out by the staff of the companies of MCB Group Limited.

Corporate Governance Report *(Continued)*

2. THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

2.1. Board Structure

The Board is a unitary Board that currently consists of 6 directors including 1 female director, as shown below:

NAME	GENDER	COUNTRY OF RESIDENCE	BOARD APPOINTMENT
Jean-Pierre Montocchio	M	Mauritius	Non-Executive Director and Chairperson
Sunil Banymandhub	M	Mauritius	Independent Director
Herbert Coaucaud, C.M.G.	M	Mauritius	Non-Executive Director
Bashirali Abdulla Currimjee, G.O.S.K	M	Mauritius	Non-Executive Director
Michel Doger de Spéville	M	Mauritius	Non-Executive Director
Marivonne Oxenham	F	Mauritius	Non-Executive Director

2.2. Board Size and Composition

The Board regularly reviews its size and composition to ensure that there is an appropriate balance of expertise, skills and experience amongst its members. All members of the Board possess the necessary knowledge, skills, objectivity, intellectual honesty, integrity, experience and commitment to make sound judgements on various key issues relevant to the business of the Company and to protect the interests of shareholders, clients and other stakeholders.

Taking into consideration the size of the Company and the scope and nature of its operations, the Board considers that the current number of 6 directors is appropriate for enabling effective decision-making.

Fincorp having no personnel directly employed by it, has no executive directors.

The Board has considered the new definition of independent directors as set out in the New Code of Corporate Governance, as such Messrs Jean-Pierre Montocchio, Michel Doger de Spéville, Herbert Couacaud and Bashirali Currimjee who have served for more than 9 years are now categorized as non-executive directors.

The Board will recommend the appointment of a number of independent directors at the next Annual Meeting of shareholders of the Company to comply with the principles of the Code.

2.3. Directors' Profile

Jean-Pierre Montocchio

Notary Public since 1990, Jean-Pierre, sits on several boards of companies spanning various sectors of the economy. He has served on the Board of MCB Ltd for several years since 2001 and was a Director thereof until March 2014, after which he was appointed Director of MCB Group Ltd following the Group's restructuring exercise. He joined Fincorp on 27 December 2004 and is presently the Chairperson.

Directorship in other listed companies:

Caudan Development Ltd, Rogers & Co. Ltd, Promotion and Development Ltd, New Mauritius Hotels Ltd, MCB Group Limited, ENL Land Ltd, Les Moulins de la Concorde Ltée

Corporate Governance Report (Continued)

Sunil Banymandhub

Holds a BSc (Honours) First Class in Civil Engineering from the University of Manchester Institute of Science and Technology, a Master's degree in Business Studies from London Business School (UK), and is an Associate of the Institute of Chartered Accountants of England and Wales. Sunil has occupied senior positions in the private sector in Mauritius prior to launching his own transport company in 1990. In 2001, he joined the CIM Group, a company engaged in financial and international services, from which he retired as Chief Executive Officer in 2008. During his career, he has been involved in various private sector organisations. Amongst others, he was President of the Mauritius Employers' Federation. He was a Member of the Presidential Commission on Judicial Reform, headed by Lord Mackay of Clashfern, a former UK Lord Chancellor. He is currently a Director of a number of domestic and global business entities, acting either as Chairperson or board member, and is also Adjunct Professor at the University of Mauritius. He has been appointed Director of MCB Group Limited in April 2014 and Director of Fincorp Investment Ltd in December 2014. He is also the Chairperson of the Audit Committee.

Directorship in other listed companies:

New Mauritius Hotels Ltd, MCB Group Limited, Blue Life Ltd

Herbert Couacaud, C.M.G.

Holder of a BSc in Economics and Mathematics from the University of Cape Town (1971), Herbert has actively contributed to the development of the tourism industry in Mauritius. He was appointed on the Board of Fincorp in 2004.

Directorship in other listed companies:

New Mauritius Hotels Ltd

Bashirali Abdulla Currimjee, G.O.S.K.

Holds a BA Arts, Major in Economics and Government from Tufts University (US) obtained in 1965. He joined Currimjee Jeewanjee & Co. Ltd in 1965 where he is currently the Chairperson.

Directorship in other listed companies:

Compagnie Immobilière Limitée, Margarine Industries Limited, Quality Beverages Limited, Soap & Allied Industries Limited

Michel Doger de Spéville, C.B.E.

Founder of the Mauritius Jaycees, Mr Doger de Spéville is also a member of the Duke of Edinburgh's Award World Fellowship and Honorary Fellow in Agro-Industry of the University of Mauritius. He was the President of the Mauritius Chamber of Commerce and Industry and partner of De Chazal du Mée. He joined the Board of Fincorp Investment Ltd since its incorporation and has been the Chairperson of the Food and Allied Group since 1975. He is also a member of the Audit Committee.

Directorship in other listed companies:

Les Moulins de la Concorde Ltée, Livestock Feed Ltd, Tropical Paradise Co Ltd

Corporate Governance Report *(Continued)*

Marivonne Oxenham (Appointed in December 2017)

Marivonne Oxenham is the Managing Director of MCB Group Corporate Services Ltd, (“MCBGCS”). She is a fellow Member of the Institute of Chartered Secretaries and Administrators and has over 25 years of work experience within the MCB Group. She was the Managing Director of MCB Registry & Securities Ltd which offered both Secretarial and Registrar and Transfer Agent services prior to a restructuring whereby the Secretarial services are now being offered by MCBGCS. She fulfils the Company Secretarial function for MCB Group Limited and The Mauritius Commercial Bank Limited and oversees the company secretarial services of the various other subsidiaries of the Group.

2.4. Attendance at Board meetings during financial year 2017/2018

Number of meetings held	**4**
	Meetings attended
Jean-Pierre MONTOCCHIO	3
Sunil BANYMANDHUB	3
Herbert COUACAUD, C.M.G.	1
Bashirali Abdulla CURRIMJEE, G.O.S.K.	2
Michel Pierre Elysée DOGER DE SPEVILLE, C.B.E.	3
Marivonne OXENHAM (as from December 2017)	1

2.5. Company Secretary

MCB Group Corporate Services Ltd acts as Company Secretary to the Company. The Company Secretary has 3 qualified Chartered Secretaries with more than 20 years of experience each. The Company Secretary also acts as Secretary to the Committee/s of the Board. Profiles of the representatives of the Company Secretary may be viewed on the website of the Company.

2.6. Committees of the Board

There is currently one sub-committee of the Board, namely the Audit Committee.

The Audit Committee currently consists of 2 members, namely Messrs. Sunil Banymandhub acting as Chairperson and Michel Doger de Spéville. Upon the nomination of new independent directors, an additional member will be appointed to this Committee. The Audit Committee is governed by a Charter approved by the Board of Directors and which is reviewed on a regular basis. The Charter of the Audit Committee is available on the website of the Company. Three meetings were held during the financial year 2017/2018 on 29th September 2017, 13th November 2017 and 14th May 2018.

The main roles and responsibilities of the Audit Committee include regular reviews and monitoring of the following:

- Effectiveness of the internal financial control systems.
- Independence of the external audit process and assessment of the external auditor’s performance.
- Compliance with accounting standards, local and international, and with legal requirements.
- Annual financial statements to be submitted to the Board.

3. DIRECTOR APPOINTMENT PROCEDURES

3.1. Appointment Process

The Board of directors may at any time appoint any person to be a director either to fill a casual vacancy or as an addition to the existing directors up to a maximum number permitted by the Memorandum and Articles of Association of the Company. The appointed director remains in office until the next Annual Meeting of Shareholders where the director shall then be eligible for re-election.

The nomination and appointment processes are carried out by the Remuneration, Corporate Governance and Ethics Committee (RCGEC) of MCB Group Limited, the ultimate holding company of Fincorp Investment Limited (the Company).

The RCGEC identifies suitable candidates after determining whether the potential candidates have the required criteria established by the RCGEC and whether the potential new director/s are fit and proper and are not disqualified from being director/s. The RCGEC then proposes the selected candidate/s to the Board of the Company. Once the Board has reviewed and is satisfied with the profile of the candidate/s, the Board shall appoint the director/s either to fill a casual vacancy or as an addition to the existing directors until the next Annual Meeting of Shareholders where the director/s shall then be eligible for re-election.

3.2. Time commitment

Each Director is expected to devote sufficient time and attention to the affairs of the Company. The Board of Directors does not believe that its members should be prohibited from serving on boards of other organisations unless the number of directorships limits the amount of time they are able to dedicate to being a Director of the Company. The Company anticipates a time commitment of around 10 days per year. This will include attendance at Board and committee meetings, the Annual Meeting of Shareholders, meetings as part of the Board evaluation process, trainings and development programmes. There is always the possibility of additional time commitment in respect of ad hoc matters that may arise from time to time, and particularly when the Company is undergoing a period of increased activity.

The external obligations of the Chairperson have not changed during the Financial Year 2017/2018 and those obligations have in no way hindered the discharge of his duties and responsibilities.

3.3. Induction of new directors

Upon appointment, the Company provides a comprehensive, formal and tailored induction to the new directors. The newly appointed directors receives an induction pack which includes a set of the Company's governing documents.

The Chairperson and the Company Secretary are readily available to answer to any further queries that the newly appointed directors may have with respect to the Company.

The programme meets the specific needs of both the Company and the newly appointed directors and enable the latter to participate actively in Board's discussion.

3.4. Professional Development

Directors are encouraged to keep themselves up to date with the professional practices and industry related developments. The Chairperson regularly reviews and comes to an agreement with each director, if necessary, on his or her training and development needs. Upon request from the directors, the Company shall provide the necessary resources for developing and updating the skills and knowledge of the directors so that they fulfill their role on the Board and its committees.

3.5. Succession planning

The Company has no employees and all administrative matters are carried out by the staff of the companies of MCB Group Limited.

The Company, therefore, does not have any formal succession plan of its own. The Chairperson of the Board is responsible for overseeing the succession planning for the Board in collaboration with the Remuneration, Corporate Governance and Ethics Committee of MCB Group Limited, the Company's ultimate holding company.

4. DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE

4.1. Legal duties of Directors

The directors are aware of their legal duties and are responsible for ensuring that the activities of the Company are managed ethically and responsibly, in line with relevant laws and regulations. The directors exercise the required standard degree of care, skill and diligence which a reasonable prudent and competent director in his or her position would exercise.

4.2. Register of Interests

The Company Secretary maintains a Register of Interests that is regularly updated with the information submitted by the directors. The Register is available for consultation by shareholders upon written request to the Company Secretary.

4.3. Whistleblowing Policy

The MCB Group Ltd has adopted a Whistleblowing Policy which is applicable to all its subsidiaries, its employees and directors. This policy aims at providing an avenue for issues to be raised in good faith, concerns of potential breaches of laws, rules, regulations or compliance. The whistle-blowing mechanism is designed to motivate responsible actions to uphold the Group's reputation.

This policy, which has been approved by the Board, is published on the website of the company.

4.4. Conflicts of Interest & Related Party Transactions Policy

The MCB Group Ltd has adopted a Conflicts of Interest & Related Party Transactions Policy which is applicable to all its subsidiaries. The objective of this policy is to define the scope of conflicts of interest and related party transactions and to set out prudent rules and limits for granting credit to related parties.

This policy, which has been approved by the Board, is published on the website of the Company.

Corporate Governance Report *(Continued)*

4.5. Related Party Transactions

For Related Party Transactions, please refer to note 28 of the financial statements.

4.6. Information, Information Technology and Information Security Governance Policy

The Board oversees information governance within the organization. The Information, Information Technology and Information Security Governance Policy of the MCB Group applies to all the subsidiaries of the Group. All policies relating to information security are made accessible to all the employees of the Group without restriction via its intranet system. Appropriate governance arrangements are in place whereby the IT function and function responsible for monitoring adherence to Information Risk and IT are kept separate.

This Information, Information Technology and Information Security Governance Policy, which has been approved by the Board, is published on the website of the Company.

4.7. Board Evaluation

The Company has established an internal annual assessment exercise whereby the effectiveness of the Board as a whole and the contribution of each individual Director and the Chairperson are evaluated.

The evaluation is carried out by means of a questionnaire to be filled in by each Director. Individual meetings with the Chairperson may be organised if required. The questionnaire covers the following areas:

- The Structure of the Board
- Board Efficiency and Effectiveness
- Strategy and Performance
- Risk Management and Governance
- Board Members self-evaluation
- Chairperson's evaluation by Board Members

The results are analysed and an action plan implemented, where necessary.

The Board evaluation for the financial year 2017/2018 was carried out in May 2018 and the review established that the directors consider the Board to be operating effectively and that the Chairperson and the directors are fulfilling their roles as required.

Corporate Governance Report *(Continued)*

4.8. Statement of Remuneration Philosophy

The RCGEC of MCB Group Ltd is responsible for the setting up and developing of the Group's general policy concerning the remuneration of directors. MCB Group Ltd lays significant emphasis on appointing the right people with the right skills and behaviours whilst rewarding them adequately, in line with market practices.

The Company applies the same remuneration philosophy that its ultimate holding company, MCB Group Limited which provides that:

- there should be a retainer fee for each individual director reflecting the workload, the size and the complexity of the business as well as the responsibility involved;
- the Chairperson, having wider responsibilities should have consequential remuneration;
- there may be committee fees for non-executive directors, other than those having an executive role in the entities of MCB Group, with the fees differing in accordance with the time required for preparation, the frequency and the duration of meetings; and
- no share option or bonus should be granted to non-executive or independent directors.

4.9. Directors' Remuneration

	From the Holding Company		From Subsidiary	
	2018 Rs'000	**2017 Rs'000**	**2018 Rs'000**	**2017 Rs'000**
Directors of Fincorp Investment Ltd	**268.5**	262	**-**	-
Directors of subsidiary - Non-Executive only	**-**	**-**	**390**	370

Details of Directors Remuneration for year 2018:

Directors	From the Holding Co. Rs'000	From Subsidiary Rs'000
Jean-Pierre MONTOCCHIO	112.5	-
Sunil BANYMANDHUB	39	-
Herbert COAUCAUD	39	-
Bashirali A. CURRIMJEE	39	-
Michel DOGER DE SPEVILLE	39	-
Marivonne OXENHAM	-	-
Total	**268.5**	**-**

Non-executive directors having an executive role within the entities of MCB Group are not remunerated.

Non-executive directors have not received remuneration in the form of share options or bonuses associated with organisational performance.

Remuneration of the directors is reviewed on an annual basis and the Board is of the opinion that the level and form of remuneration are adequate.

4.10. Share Option Plan

No such scheme currently exists within the Company.

5. RISK GOVERNANCE AND INTERNAL CONTROL

5.1. Risk Management

The Board of Directors is ultimately responsible for risk management, the organisation's systems of internal control, procedures in place within the organisation and for the definition of the overall strategy for risk tolerance. The Company's policy on risk management encompasses all significant business risks including physical, operational, business continuity, financial, compliance and reputational which could influence the achievement of the Company's objectives.

The risk management mechanisms in place include:

- a system for the ongoing identification and assessment of risk;
- development of strategies in respect of risk and definition of acceptable and non-acceptable levels of risk;
- reviewing the effectiveness of the system of internal control; and
- processes to reduce or mitigate identified risks and contain them within the levels of tolerance defined by the Board.

The Company's subsidiary, Finlease, has its Risk Management and Conduct Review Committee, a board sub-committee comprising of 3 independent directors. Any material issues arising out of this committee is reported to the board of the Finlease and subsequently to the board of Fincorp.

The key risks for the Company are legal, regulatory, operational, reputational, performance and financial risks and the Board is directly responsible for the design, implementation and monitoring of all risk, compliance and procedures of the Company.

- Legal risk is managed by the Board, taking advice from the Company's legal advisor where appropriate. The Board also takes out appropriate insurance cover.
- Regulatory risk is managed by the Board and involves the setting out of proper processes and procedures in order to comply with all relevant legislations in force to safeguard the assets of the Company.
- Operational risk is managed by the Board and involves the identification of proper operational and administrative procedures to mitigate the risk of losses through errors or omissions.
- Reputational and performance risks are also managed by the Board.
- Financial risks relate to:
    - equity investment risks comprising of the risks of gains or losses arising from adverse changes in the fair value of the investments of the Company. The Board regularly reviews the financial performance and share performance of the Company's underlying investments; and
    - Credit, foreign currency, interest rate, liquidity and capital adequacy which the Risk Management and Conduct Review Committee of Finlease oversees and which are further described in notes 3 and 4 of the financial statements.

5.2. Internal Control

The Board of Directors has delegated the responsibility to ensure the effectiveness of the internal control systems to the Audit Committee of the Company which has set adequate policies to provide reasonable assurance that risks are identified and managed appropriately. Any serious issue arising is taken at Board level.

Corporate Governance Report *(Continued)*

5.3. Integration of internal control and risk management

The system of internal control, which is embedded in all key operations, provides reasonable rather than absolute assurance that the Company's business objectives will be achieved within the risk tolerance levels defined by the Board. The effectiveness of the internal control systems (including financial, operational, compliance and risk management) are reviewed by the Audit Committee and the review covers all internal control systems.

6. REPORTING WITH INTEGRITY

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations.

The directors are also responsible for ensuring that the accounts present a fair statement of the affairs of the Company and have been prepared in compliance with International Financial Reporting Standards.

Additional information regarding the Company's financial, environmental and performance outlook is set out in the Report of the Directors.

6.1. Material Clauses of the Constitution

There are no clauses of the constitution deemed material enough for special disclosure.

6.2. Company Structure and Common Directors

Fincorp Investment Limited is a subsidiary of MCB Group Limited, which has a 57.73% stake in the Company.

Messrs Jean Pierre Montocchio and Sunil Banymandhub are common Directors of Fincorp Investment Limited and MCB Group Limited.

6.3. Directors' interest and dealings in shares

With regard to directors' dealings in the shares of the Company, the Directors confirm that they have followed the absolute prohibition principles and notification requirements of the model code on securities transactions by directors as detailed in Appendix 6 of the Mauritius Stock Exchange Listing Rules.

The following table give the interests of the directors in the shares of the Company as at 30th June 2018.

	No. of shares held as at 30th June 2018	
Directors	**Direct**	**Indirect**
Sunil BANYMANDHUB	-	-
Herbert COUACAUD, C.M.G.	41,587	76,575
Bashirali Abdulla CURRIMJEE, G.O.S.K.	-	-
Michel DOGER DE SPEVILLE, C.B.E.	-	12,002
Jean-Pierre MONTOCCHIO	-	12,493
Marivonne OXENHAM	-	-

Corporate Governance Report *(Continued)*

6.4. Directors of the Subsidiary

Finlease Company Limited

Sow Man (Claude) AH YUK SHING (up to November 2017)
Late Luc Alain Gurty CHAMARY (up to August 2017)
Marie Joseph Bernard D'HOTMAN DE VILLIERS
Mulk Raj GUNGAH (as from September 2017)
Martine IP MIN WAN (as from October 2017)
Alain LAW MIN
François MONTOCCHIO
Jean Michel NG TSEUNG
Anju UMROWSING-RAMTOHUL (as from July 2018)

6.5. Directors' service contracts

There are no service contracts between the Company and its directors.

6.6. Shareholder agreement affecting the governance of the Company by the Board

There is currently no such agreement.

6.7. Contract of significance

The directors have no contract of significance with the Company and its subsidiary.

6.8. Third party management agreement

At the subsidiary level, there are service level agreements for the provision of technical assistance and other services between sister companies within the MCB Group.

6.9. Political Donations

No political donation was made by the Company and its subsidiary.

6.10. Political and Charitable Donations

No charitable donation was made by the Company. Rs 5,000 was given to charitable associations by Finlease during the year.

Corporate Governance Report *(Continued)*

6.11. Corporate Social Responsibility

Total contributions with respect to Corporate Social Responsibility ("CSR") made during the year amounted to Rs 90,934 out of which Rs 45,467 were given to the MCB Forward Foundation, the entity set up within the MCB Group for CSR purposes. Contributions made during the year by its subsidiary Finlease Company Limited amounted to Rs 1,138,880 out of which Rs 569,540 were given to the MCB Forward Foundation. The remaining amount is payable to the Mauritius Revenue Authority in accordance with new legislations.

6.12. Health and environment safety

The Company and its subsidiary have applied social, safety, health and environmental policies and practices of the MCB Group that in all material respects comply with existing legislative and regulatory frameworks.

6.13. Documents available on the website

The Board of Directors is pleased to announce that the following documents which have been approved by the Board can be viewed on the website of the Company:

- The Annual Report of the Company including the financial statements
- The Memorandum and Articles of Association
- The Board Charter
- The Audit Committee Charter
- The Position Statements
- The Appointment process of Non-Executive Directors
- The terms and conditions of appointment of Non-Executive Directors
- The Conflicts of Interest & Related Party Transactions Policy
- The Statement of accountabilities
- The Code of Ethics
- The Whistle Blowing Policy
- The Information, Information Technology and Information Security Governance Policy

7. AUDIT

7.1. Internal Audit

Given:

- the nature of the activities of the Company (i.e. a holding company); and
- the fact that all material matters arising out of the reviews of the internal audit function of its subsidiary (Finlease) are discussed at the Audit Committee of both the subsidiary and the Company;

the Board is of the opinion that there is no need to establish an internal audit function at the Company level.

Corporate Governance Report *(Continued)*

7.2. External Auditor

The Audit Committee of MCB Group Limited reviews the appointment of the External Auditor and makes recommendations to the Board. The appointment of the external auditors is passed as an ordinary resolution at the Annual Meeting of Shareholders of the Company for approval by shareholders.

The Audit Committee of the Company also reviews the audit plan and meets the External Auditor to discuss the accounting principles applied to the Company as well as to review the financial statements of the Company on a yearly basis.

The Audit Committee of the Company evaluates the performance of the External Auditor against set criteria and reviews the integrity, independence and objectivity of the External Auditor by:

- Confirming that the External Auditor is independent from the Company
- Considering whether the relationships that may exist between the Company and the External Auditor impair the External Auditor's judgement.

Although the External Auditor may provide non-audit services to the Company, the objectivity and independence of the External Auditor is safeguarded through restrictions on the provisions of these services such as:

- where the External Auditor may be required to audit its own work, or
- where the External Auditor participates in activities that should normally be undertaken by the Company.

By virtue of the new legislation whereby listed companies are required to rotate their auditors every seven years, a tender exercise shall be carried out to appoint new auditors for the financial year 2019/2020.

7.3. Auditor's Fees

The fees paid to the auditors for audit and other services were:

	2018		2017	
	Audit Rs'000	**Other Rs'000**	Audit Rs'000	Other Rs'000
Fincorp Investment Limited				
BDO & CO	**230**	**-**	219	-
Finlease Company Limited				
BDO & CO	**-**	**-**	-	1
PricewaterhouseCoopers Ltd	**605**	**155**	585	241

Fees for other services relate to internal control reviews and assignment in relation to dividend declaration by its subsidiary company Finlease Company Limited.

Corporate Governance Report *(Continued)*

8. RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

8.1. Shareholding profile

Ownership of ordinary share capital by size of shareholding as at 30th June 2018 is given in the table below.

Size of Shareholding as at 30 June 2018	Number of shareholders	Number of shares owned	% Holding
1 – 500 shares	985	194,842	0.19
501 – 1,000 shares	274	214,920	0.21
1,001 – 5,000 shares	775	1,985,914	1.92
5,001 – 10,000 shares	235	1,750,348	1.69
10,001 – 50,000 shares	311	6,987,599	6.76
50,001 – 100,000 shares	53	3,606,729	3.49
Above 100,000 shares	43	88,614,988	85.74
Total	**2,676**	**103,355,340**	**100.00**

The following tables set out the shareholders holding more than 5% of the Company.

Name of shareholder	No. of shares	% Holding
MCB Group Limited	59,667,245	57.73
Pershing Llc Main custody a/c	11,627,700	11.25

8.2. Shareholders' rights

The Company is committed to providing to the shareholders with adequate, timely and sufficient information pertaining to the Company's business.

The Shareholders are entitled to receive the Annual Report of the Company and the notice of Annual Meeting within six months of the end of the financial year and at least 14 days before the Annual Meeting in accordance with the Companies Act 2001.

During the meeting of shareholders, the Shareholders are encouraged to communicate their views and to discuss the activities and performance of the Company with the Board.

Corporate Governance Report *(Continued)*

8.3. Dividend Policy

The Company aims to supply its shareholders with ongoing returns in the form of stable dividends.

The Board approved on the 17 July 2018 a final dividend of Re 0.60 per share for the financial year ended 30 June 2018. (Financial year ended June 30, 2017: Rs0.60 per share declared on 17 July 2017).

8.4. Share price information

The Company's share price started the year at Rs 24.70. It closed at Rs 24.00 on 29th June 2018.

8.5. Calendar of events

November 2018	Release of quarterly results
December 2018	Annual Meeting of shareholders
February 2019	Release of half yearly results
May 2019	Release of results for the 9 months to 31st March 2019
June/July 2019	Declaration of dividend
July/August 2019	Payment of dividend
September 2019	Release of full year results to 30th June 2019

8.6. Stakeholder's relations and communication

The Board aims to properly understand the information needs of all stakeholders and places great importance on an open and meaningful dialogue including outlook and performance with all those involved with the Company. The main stakeholders of the Company are its shareholders, the regulatory authorities and the population at large. The Company's website is used to provide relevant information. Open lines of communication are maintained to ensure transparency and optimal disclosure. All Board members are requested to attend Annual Meeting, to which shareholders are invited.

Corporate Governance Report *(Continued)*

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors acknowledge their responsibilities for:

- adequate accounting records and maintenance of effective internal control systems;
- the preparation of financial statements which fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for that period and which comply with International Financial Reporting Standards (IFRS);
- the selection of appropriate accounting policies supported by reasonable and prudent judgements;
- the preparation of the financial statements on a going concern basis.

The external auditors are responsible for reporting on whether the financial statements are fairly presented.

The Directors report that:

- adequate accounting records and an effective system of internal controls and risk management have been maintained;
- appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently;
- International Financial Reporting Standards have been adhered to;
- the need to have an internal audit function has been reviewed and the Board considered that the Company having no workforce, an internal audit function is not relevant presently;
- the financial statements have been prepared on a going concern basis;
- the Company complies with the requirements of the The National Code of Corporate Governance for Mauritius in all material aspects and reasons have been provided where there has not been compliance.

For and on behalf of the Board of Directors:

Jean-Pierre MONTOCCHIO	Sunil BANYMANDHUB
Chairman	**Director**

Date: 26th September 2018

Report of the Directors

On behalf of the Board of Directors of Fincorp Investment Limited ("Fincorp"), we are pleased to present the Report of the Directors in respect of the financial year ended 30 June 2018.

RESULTS AND DIVIDENDS

Fincorp posted a consolidated loss amounting to Rs 8.7 million for the financial year ended 30 June 2018 compared to a profit of Rs 82.0 million achieved last year.

While operating profit before taking into consideration the share of profits or losses of associates improved from Rs 17.2 million to Rs 49.3 million in view of the better performance of Finlease Company Limited ("Finlease"), the share of losses of the Company's associates amounted to Rs 42.2 million compared to a profit of Rs 70.3 million last year. This resulted into Fincorp generating a consolidated profit before tax of Rs 7.1 million for the financial year ended 30 June 2018 (2017: Rs 87.5 million) and a loss after tax of Rs 8.7 million (2017: profit after tax of 82.0 million).

The losses incurred at the level of the Company's associate, Promotion and Development Limited, were primarily attributable to the significant losses posted by its associated company, Medine Limited.

At company level, profit after tax amounted to Rs 80.9 million compared to Rs 27.4 million last year. It should be noted that last year's profit figure was affected by the fact that the timing for the declaration of dividend by Finlease changed from June to July. The quantum of this dividend remained constant at Rs 40 million in respect of both financial years but no dividend was received by the company in the financial year to June 2017. Dividends received from the Company's other investments increased by Rs 14.0 million compared to last year.

The Board declared on the July 17, 2018 a final dividend of Re0.60 per share for the financial year ended 30 June 2018 (2017: Rs0.60 per share).

FINLEASE COMPANY LIMITED

During the year under review, Finlease's operations continued to be affected adversely by excess liquidity in the market. This resulted into a contraction of 7.6% in its Finance Lease portfolio to Rs 3,503 million (2017: Rs 3,793 million) and of 1.3% in its Operating Lease portfolio to Rs 590.9 million (2017: Rs 598.5 million).

In line with the contraction of some 6.7% in the combined operating and financial leases portfolio, Operating Income, after taking into account the depreciation charges relating to Operating Leases, dropped to Rs 150.7 million, down Rs 10.5 million or 6.5% compared to last year.

On the other hand, impairment charges as well as losses on disposal of leased assets, which had reached exceptionally high levels in the year to 30 June 2017, fell by Rs 32.6 million to Rs 17.6 million.

Operating Costs of Finlease (excluding depreciation charges relating to the Operating Leases) were contained to Rs 57.0 million (a drop of Rs 3.3 million over last year) whilst income tax charge increased by Rs 8.4 million after benefiting from deferred tax credits during the year to 30 June 2017 relating to the significant increase in specific provisions.

As a result of the above, net profit of Finlease increased from Rs 45.9 million to Rs 62.9 million.

Report of the Directors *(Continued)*

ASSOCIATED COMPANIES

PAD, in which Fincorp has a 46.3% stake saw its contribution to Fincorp group profits swinging by some Rs 112.5 million, dropping from a profit contribution of Rs 70.3 million in 2017 to a net loss of 42,2 million this year. This poor performance is attributable exclusively to the poor performance of Medine Limited, in which PAD has a 35% stake and which on account of losses incurred by its sugar operations coupled with limited property sales, saw its contribution to Fincorp's share of profit from associated companies drop from a profit of Rs 12.7 million in 2017 to a net loss of Rs 123.2 million for 2018. The contribution of PAD's other associates and subsidiaries to Fincorp's profit increased from Rs 57.6 million in 2017 to Rs 81.0 million in 2018.

INVESTMENT PORTFOLIO

At company level, Fincorp's portfolio of investments fell by 1.5% during the year to Rs 2,834.1 million at 30 June 2018, with the value of PAD falling by some 3.9% to reach Rs 2,028.2 million and compensated to a lesser extent by an increase in the value of Mauritius Freeport Development Co. Ltd by 17.2% to reach Rs 277.0 million at 30 June 2018.

At Group level, Fincorp's net assets per share (after adjusting for the non-cummulative irredeemable preference shares of Rs 200m issued by Finlease) amounted to Rs 52.65 at 30 June 2018, a decrease of some 0.4% from last year's value of Rs 52.85. The Fincorp share however continues to trade at a substantial discount to net asset value, of 54% (2017: 53%) based on the market value of Rs 24.00 on the Stock Exchange as at 30 June 2018 (2017: Rs 24.70).

	Value of Investments 30.06.2018		Value of Investments 30.06.2017	
	Rs'm	%	Rs'm	%
Subsidiary Company				
Shares in Finlease Co. Ltd.	**200.0**	**7.06**	200.0	6.95
Associated Companies				
Shares in Promotion and Development Ltd.	**2,028.2**	**71.56**	2,111.2	73.41
Shares in Caudan Development Ltd.	**115.3**	**4.07**	112.2	3.90
	2,143.5	**75.63**	2,223.3	77.31
Other Investments				
Shares in Le Refuge du Pêcheur Ltd.	**203.7**	**7.19**	203.7	7.08
Shares in Mauritius Freeport Development Co. Ltd.	**277.0**	**9.77**	236.3	8.22
Other Investments	**9.9**	**0.35**	12.7	0.44
	490.6	**17.31**	452.7	15.74
	2,834.1	**100.00**	2,876.0	100.00

Report of the Directors *(Continued)*

PROSPECTS

The results of the Company's only subsidiary, Finlease, are expected to continue to improve as the pipeline of prospects and approved leases starts to build up whilst better risk management is contributing to an improvement in its NPL ratio (currently below 3%) and impairment charges.

PAD's subsidiary and associated companies are expected to post improved performances going forward. However, the results of PAD will continue to be dependent on the results of its associate Medine Limited. The price of sugar on international markets as well as the timing of the materialisation of its real estate activities will continue to bring volatility to the results of Medine Limited and by extension to those of PAD.

The Board is of the opinion that all of Fincorp's main investments are financially healthy and in a position from which value should be unlocked in the medium term.

Signed by

Jean-Pierre MONTOCCHIO	Sunil BANYMANDHUB
Chairman	**Director**

For and on behalf of the Board of Directors

Date: 26th September 2018

Company Secretary's Certificate

We 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 in terms of section 166(d).

MCB Group Corporate Services Ltd

Company Secretary

Date: 26th September 2018

Statement of Compliance

STATEMENT OF COMPLIANCE

(Section 75(3) of the Financial Reporting Act)

Name of Public Interest Entity ('the PIE'): Fincorp Investment Limited

Reporting Period: 1 July 2017 to 30 June 2018

We, the Directors of Fincorp Investment Limited, confirm that to the best of our knowledge, Fincorp Investment Limited has not complied with certain principles of the National Code of Corporate Governance for Mauritius (2016). Reasons for non-compliance are set out below:

Principle	Reason for non-compliance
2 - Independent Directors	In line with the National Code of Corporate Governance for Mauritius (2016) and upon the recommendation of the Remuneration, Corporate Governance and Ethics Committee ("RCGEC") of MCB Group Limited ("MCB Group" or "the Group" or "the ultimate holding company"), the Board has decided that independent directors who have served on the board of the Company for more than nine consecutive years are to be henceforth considered as non-independent directors. As a result, the Board will recommend the appointment of a number of Independent directors at the next Annual Meeting of shareholders of the Company to comply with the principles of the Code.
2 – Audit Committee	The Audit Committee currently consists of 2 members. Upon the nomination of new independent directors, an additional member will be appointed to this Committee.

Jean -Pierre MONTOCCHIO

Chairman

Sunil BANYMANDHUB

Director

Date: 26th September 2018

Independent Auditor's Report
To the shareholders of Fincorp Investment Limited

Report on the audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Fincorp Investment Ltd and its subsidiary (the Group), and the Company's separate financial statements on pages 27 to 76 which comprise the statements of financial position as at June 30, 2018, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 27 to 76 give a true and fair view of the financial position of the Group and of the Company as at June 30, 2018, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

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 Financial Statements section of our report. We are independent of the Group and of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Mauritius, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment loss on finance lease receivables

Key Audit Matter

The Group is engaged in finance lease activities on which impairment allowances are provided for. Impairment allowances represent management's best estimates of the losses incurred within the leases portfolio at the end of the reporting period. They are calculated on a collective and individual basis. The calculation of both collective and individual impairment allowances is inherently judgemental.

The audit was focused on impairment due to the subjective nature of the calculation.

Related Disclosures

Refer to note 12, note 2(j) accounting policies, note 3(a) Credit risk and note 5 critical accounting estimates and judgements of the accompanying financial statements.

Audit Response

- We assessed the design and operating effectiveness of the controls over impairment data and calculations.
- We checked the adequacy and completeness of ageing report (re past dues) for identification of impaired lease receivables.
- We verified and recomputed the allowances for impairment in compliance with IFRS and Bank of Mauritius guideline.
- We checked the reasonableness of the data and assumptions, including external surveyor's report, discount applied and assessment of recoverability.

Other information

The Directors are responsible for the other information. The other information comprises the report of the directors, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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.

Those charged with governance are responsible for overseeing the Group and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 directors.
- Conclude on the appropriateness of directors' 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 the 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 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 the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 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 those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report
To the shareholders of Fincorp Investment Limited (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with, or interests in, the Company or its subsidiary, other than in our capacity as auditors, and dealings in the ordinary course of business.

We have obtained all 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.

Financial Reporting Act 2004

The Directors are responsible for preparing the corporate governance report. Our responsibility is to report the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the annual report is consistent with the requirements of the Code.

Other matter

This report is made solely to the members of Fincorp Investment Limited (the "Company"), 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.

BDO & Co

BDO & CO
Chartered Accountants

Ameenah Ramdin, FCCA, ACA
Licensed by FRC

Port Louis,
Mauritius.
September 26, 2018

Statements of Financial Position

As at 30th June 2018

	Notes	GROUP 2018 Rs' 000	GROUP 2017 Rs' 000	COMPANY 2018 Rs' 000	COMPANY 2017 Rs' 000
ASSETS EMPLOYED					
NON-CURRENT ASSETS					
Intangible assets	6	**26,048**	30,077	**-**	-
Property, plant and equipment	7	**592,372**	600,287	**-**	-
Investments in associates	8	**5,219,097**	5,317,033	**2,143,513**	2,223,313
Investment in subsidiary	9	**-**	-	**200,000**	200,000
Investment securities - available-for-sale	10	**490,642**	452,703	**490,642**	452,703
Loan receivable	11	**308,914**	299,908	**308,914**	405,479
Finance lease receivables	12	**2,199,442**	2,485,310	**-**	-
Deposits with financial institutions		**104,787**	220,803	**-**	-
		8,941,302	9,406,121	**3,143,069**	3,281,495
CURRENT ASSETS					
Finance lease receivables	12	**1,303,865**	1,307,431	**-**	-
Deposits with financial institutions		**123,271**	-	**-**	-
Other receivables	13	**47,009**	62,297	**57,859**	49,704
Current tax asset		**-**	-	**-**	41
Bank balances		**394,407**	284,000	**-**	-
		1,868,552	1,653,728	**57,859**	49,745
CURRENT LIABILITIES					
Bank overdrafts	14(a)	**684,217**	804,406	**684,217**	804,406
Deposits		**603,388**	760,738	**-**	-
Borrowings	14(b)	**210,357**	252,800	**-**	-
Other payables	15	**104,909**	107,605	**5,468**	2,614
Current tax liabilities		**9,074**	1,657	**947**	-
		1,611,945	1,927,206	**690,632**	807,020
NET CURRENT ASSETS/(LIABILITIES)		**256,607**	(273,478)	**(632,773)**	(757,275)
		9,197,909	9,132,643	**2,510,296**	2,524,220
FINANCED BY					
SHARE CAPITAL	16(a)	**103,355**	103,355	**103,355**	103,355
RETAINED EARNINGS		**1,894,834**	1,968,113	**52,989**	34,058
OTHER COMPONENTS OF EQUITY		**3,643,356**	3,391,187	**2,045,038**	2,086,899
SHAREHOLDERS' INTERESTS		**5,641,545**	5,462,655	**2,201,382**	2,224,312
NON-CURRENT LIABILITIES					
Deposits		**3,115,335**	3,041,260	**-**	-
Borrowings	14(b)	**423,018**	609,401	**308,914**	299,908
Deferred tax liabilities	23	**18,011**	19,327	**-**	-
		3,556,364	3,669,988	**308,914**	299,908
		9,197,909	9,132,643	**2,510,296**	2,524,220

These financial statements were approved for issue by the Board of Directors on 26th September 2018.

Jean-Pierre MONTOCCHIO
Chairman

Sunil BANYMANDHUB
Director

The notes on pages 34 to 77 form part of these financial statements.

Auditors' report on pages 24 to 27.

Statements of Profit or Loss

Year ended 30th June 2018

			GROUP		COMPANY	
			2018	2017	**2018**	2017
	Notes		**Rs' 000**	Rs' 000	**Rs' 000**	Rs' 000
Revenue	2(d)		**504,298**	497,234	**135,749**	82,173
Other income	17		**208,526**	195,341	**122,331**	71,232
(Loss)/profit on exchange			**(362)**	99	**(362)**	99
Finance income	18		**296,195**	304,595	**13,418**	13,643
Finance costs	18		**(244,979)**	(254,099)	**(49,939)**	(53,892)
Operating expenses	19		**(192,261)**	(185,988)	**(3,008)**	(2,809)
Operating profit before impairment			**67,119**	59,948	**82,440**	28,273
Net impairment of financial assets	12(c)		**(17,846)**	(42,793)	**-**	-
Operating profit			**49,273**	17,155	**82,440**	28,273
Share of (losses)/profits of associates			**(42,201)**	70,337	**-**	-
Profit before tax	20		**7,072**	87,492	**82,440**	28,273
Income tax expense	21		**(15,800)**	(5,508)	**(1,496)**	(818)
(Loss)/profit attributable to equity holders of the parent			**(8,728)**	81,984	**80,944**	27,455
(Loss)/earnings per share	24	Re.	**(0.08)**	0.79	**0.78**	0.27

The notes on pages 34 to 77 form part of these financial statements.
Auditors' report on pages 24 to 27.

Statements of Comprehensive Income

Year ended 30th June 2018

		GROUP		COMPANY	
		2018	2017	2018	2017
	Note	Rs' 000	Rs' 000	Rs' 000	Rs' 000
(Loss)/profit attributable to equity holders of the parent		**(8,728)**	81,984	**80,944**	27,455
Other comprehensive income/(expense):					
Items that will not be reclassified to profit or loss:					
Share of other comprehensive expense of associates	8	**(18,470)**	(7,286)	**-**	-
Items that may be reclassified subsequently to profit or loss:					
Net fair value (loss)/gain on investments in associates		**-**	-	**(79,800)**	547,991
Net fair value gain on available-for-sale investments		**37,939**	10,082	**37,939**	10,082
Share of other comprehensive income of associates	8	**29,019**	242,148	**-**	-
		66,958	252,230	**(41,861)**	558,073
Other comprehensive income/(expense) for the year		**48,488**	244,944	**(41,861)**	558,073
Total comprehensive income attributable to equity holders of the parent		**39,760**	326,928	**39,083**	585,528

The notes on pages 34 to 77 form part of these financial statements.
Auditors' report on pages 24 to 27.

Statement of Changes in Equity

Year ended 30th June 2018

	Note	Share Capital Rs'000	Capital Contribution Rs'000	Retained Earnings Rs'000	Capital Reserve Rs'000	Revaluation & Other Reserve Rs'000	Statutory Reserve Rs'000	General Risk Reserve Rs'000	Total Rs'000
At 1st July 2016		**103,355**	**-**	**1,824,343**	**377,832**	**2,663,858**	**79,255**	**19,658**	**5,068,301**
Profit for the year		-	-	81,984	-	-	-	-	81,984
Other comprehensive (expense)/income for the year		-	-	(8,024)	(38)	253,006	-	-	244,944
Total comprehensive income/ (expense) for the year		-	-	73,960	(38)	253,006	-	-	326,928
Share of transfer by associate		-	-	10,306	-	(10,306)	-	-	-
Share of changes in ownership interests of associate's subsidiary		-	-	69,616	-	-	-	-	69,616
Effect of employee share options exercised in associate		-	-	(2,955)	-	856	-	-	(2,099)
Share of other movements in reserves of associate		-	-	(91)	-	-	-	-	(91)
Transfer to statutory reserve		-	-	(7,066)	-	-	7,066	-	-
At 30th June 2017		**103,355**	**-**	**1,968,113**	**377,794**	**2,907,414**	**86,321**	**19,658**	**5,462,655**
Loss for the year		**-**	**-**	**(8,728)**	**-**	**-**	**-**	**-**	**(8,728)**
Other comprehensive income/ (expense) for the year		**-**	**-**	**5,973**	**(2)**	**42,517**	**-**	**-**	**48,488**
Total comprehensive (expense)/income for the year		**-**	**-**	**(2,755)**	**(2)**	**42,517**	**-**	**-**	**39,760**
Share of transfer by associate		**-**	**-**	**407**	**-**	**(407)**	**-**	**-**	**-**
Effect of employee share options exercised in associate		**-**	**-**	**(2,319)**	**-**	**798**	**-**	**-**	**(1,521)**
Share of other movements in reserves of associate		**-**	**-**	**2,664**	**-**	**-**	**-**	**-**	**2,664**
Issue of irredeemable preference shares by subsidiary		**-**	**200,000**	**-**	**-**	**-**	**-**	**-**	**200,000**
Dividends	22	**-**	**-**	**(62,013)**	**-**	**-**	**-**	**-**	**(62,013)**
Transfer to statutory reserve		**-**	**-**	**(9,263)**	**-**	**-**	**9,263**	**-**	**-**
At 30th June 2018		**103,355**	**200,000**	**1,894,834**	**377,792**	**2,950,322**	**95,584**	**19,658**	**5,641,545**

The notes on pages 34 to 77 form part of these financial statements.
Auditors' report on pages 24 to 27.

Statement of Changes in Equity

Year ended 30th June 2018

	Note	Share Capital Rs' 000	Retained Earnings Rs' 000	Capital Reserve Rs' 000	Revaluation & Other Reserve Rs' 000	Total Rs' 000
At 1st July 2016		**103,355**	**6,603**	**100,596**	**1,428,230**	**1,638,784**
Profit for the year		-	27,455	-	-	27,455
Other comprehensive income for the year		-	-	-	558,073	558,073
Total comprehensive income for the year		-	27,455	-	558,073	585,528
At 30th June 2017		**103,355**	**34,058**	**100,596**	**1,986,303**	**2,224,312**
Profit for the year		**-**	**80,944**	**-**	**-**	**80,944**
Other comprehensive expense for the year		**-**	**-**	**-**	**(41,861)**	**(41,861)**
Total comprehensive income/(expense) for the year		**-**	**80,944**	**-**	**(41,861)**	**39,083**
Dividends	22	**-**	**(62,013)**	**-**	**-**	**(62,013)**
At 30th June 2018		**103,355**	**52,989**	**100,596**	**1,944,442**	**2,201,382**

The notes on pages 34 to 77 form part of these financial statements.
Auditors' report on pages 24 to 27.

Statements of Cash Flows

Year ended 30th June 2018

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
OPERATING ACTIVITIES				
Cash received from investments	**73,277**	63,522	**113,277**	113,522
Interest received	**11,945**	12,083	**13,847**	10,656
Net cash inflow from leasing activities	**669,369**	484,664	**-**	-
Net (decrease)/increase in deposits	**(83,275)**	361,701	**-**	-
Other cash payments	**(2,491)**	(1,182)	**(2,491)**	(1,182)
Cash inflow generated from operations	**668,825**	920,788	**124,633**	122,996
Interest paid	**(212,564)**	(242,843)	**(49,939)**	(53,893)
Net cash flows from operating activities	**456,261**	677,945	**74,694**	69,103
TAXATION				
Income tax paid	**(9,699)**	(11,870)	**(508)**	(1,141)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(188,105)**	(285,605)	**-**	-
Purchase of intangible assets	**-**	(245)	**-**	-
Proceeds from sale of available-for-sale investment	**-**	11,500	**-**	11,500
Exercise of rights in associate	**-**	(53,395)	**-**	(53,395)
Proceeds from sale of plant and equipment	**63,274**	38,439	**-**	-
Proceeds from sale of repossessed leased assets	**6,267**	18,655	**-**	-
Net cash flows used in investing activities	**(118,564)**	(270,651)	**-**	(41,895)
NET CASH FLOWS BEFORE FINANCING ACTIVITIES	**327,998**	395,424	**74,186**	26,067
FINANCING ACTIVITIES				
Refund of loan by subsidiary	**-**	-	**108,016**	-
Net decrease in borrowings	**(235,389)**	(224,864)	**-**	-
Issue of irredeemable preference shares by subsidiary	**200,000**	-	**-**	-
Dividends paid	**(62,013)**	(62,013)	**(62,013)**	(62,013)
Net cash flows (used in)/from financing activities	**(97,402)**	(286,877)	**46,003**	(62,013)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**230,596**	108,547	**120,189**	(35,946)
CASH AND CASH EQUIVALENTS AT 1ST JULY	**(520,406)**	(628,953)	**(804,406)**	(768,460)
CASH AND CASH EQUIVALENTS AT 30TH JUNE	**(289,810)**	(520,406)	**(684,217)**	(804,406)
Cash and Cash Equivalents are made up as follows:				
Bank balances	**394,407**	284,000	**-**	-
Bank overdrafts	**(684,217)**	(804,406)	**(684,217)**	(804,406)
	(289,810)	(520,406)	**(684,217)**	(804,406)

The notes on pages 34 to 77 form part of these financial statements.
Auditors' report on pages 24 to 27.

Notes to the Financial Statements

Year ended 30th June 2018

1. INCORPORATION AND ACTIVITIES

Fincorp Investment Limited ("the Company") is a public company incorporated in Mauritius and listed on the Stock Exchange of Mauritius. Its registered office is situated at 9-15, Sir William Newton Street, Port Louis, Mauritius. The main activities of the Company and its subsidiary ("the Group") are those of a group which invests in priority in the financial services sector, provide leases for equipment and motor vehicles and takes deposit.

These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of shareholders of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements include the consolidated financial statements of the parent company and its subsidiary company ("the Group") and the separate financial statements of the parent company ("the Company"). The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs 000), except when otherwise indicated.

The Group and the Company had net current liabilities of MUR Nil (2017: MUR 273M) and MUR 633M (2017: MUR 757M) respectively at 30 June, 2018. The Board is satisfied that the Company has the resources to meet its liabilities in foreseeable future. Furthermore, the Board is not aware of any uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. The financial statements are prepared on a going concern basis.

Where necessary, comparative figures have been amended to conform with change in presentation in the current year. The financial statements are prepared under the historical cost convention, except that:

(i) available-for-sale securities are stated at their fair value,

(ii) certain class of property, plant and equipment namely agricultural land, factory buildings and other specific assets held through associates are carried at revalued amounts/deemeed costs.

Standards, Amendments to published Standards and Interpretations effective in the reporting period

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12). The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendment has no impact on the Group's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Standards, Amendments to published Standards and Interpretations effective in the reporting period (cont'd)

Disclosure Initiative (Amendments to IAS 7). The amendments require the entity to explain changes in its liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. The amendment has no impact on the Group financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 12 Disclosure of Interests in Other Entities. The amendments clarify that entities are not exempt from all of the disclosure requirements in IFRS 12 when entities have been classified as held for sale or as discontinued operations. The amendment has no impact on the Group's financial statements.

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2018 or later periods, but which the Group has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

IFRS 16 Leases

Clarifications to IFRS 15 Revenue from Contracts with Customers

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

Annual Improvements to IFRSs 2014-2016 Cycle

IFRIC 22 Foreign Currency Transactions and Advance Consideration

Transfers of Investment Property (Amendments to IAS 40)

IFRS 17 Insurance Contracts

IFRIC 23 Uncertainty over Income Tax Treatments

Prepayment Features with negative compensation (Amendments to IFRS 9)

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

Annual Improvements to IFRSs 2015-2017 Cycle

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

Where relevant, the Group is still evaluating the effect of these Standards, Amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Standards, Amendments to published Standards and Interpretations issued but not yet effective (cont'd)

New and amended standards not yet adopted by the Group

(i) IFRS 9 Financial Instruments

IFRS 9 Financial Instruments ("IFRS 9") addresses the classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income and not recycling.

The new impairment model, under IFRS 9, requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 *Revenue from Contracts with Customers*, lease receivables, lease commitments and certain financial guarantee contracts.

The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening statement of financial position at the date of initial application, with no requirement to restate comparative periods.

As per the Group's own assessment for the classification of financial assets under IFRS 9 under the *Solely Payments of Principal and Interest* (SPPI) test, the below were noted:

Composition	**IAS 39 treatment**	**IFRS 9 classification**
Cash and cash equivalents (Current Accounts at The Mauritius Commercial Bank Limited)	Amortised cost	As cash at amortised cost
Fixed deposits with financial institutions	Amortised cost	Amortised cost

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Standards, Amendments to published Standards and Interpretations issued but not yet effective (cont'd)

New and amended standards not yet adopted by the Group (cont'd)

(i) IFRS 9 Financial Instruments (effective as from 1 January 2018) (cont'd)

The subsidiary company, as a lessor recognises and measures the rights and obligations under a lease as per the requirement of IAS 17 and consequently those rights and obligations are not subject to the general recognition and measurement requirements of IFRS 9. However, the lease receivables recognised by the entity are subject to the derecognition and impairment requirement of IFRS 9. Rental income receivable and other receivables will be measured at amortised cost. The classification of financial liabilities under IFRS 9 is mostly unchanged.

With respect to impairment, as part of the IFRS 9 adoption, the Group categorise its facilities according to the 'three-stage' model for impairment based on changes in credit quality since initial recognition as follows:

- Stage 1 includes financial instruments with no significant increase in credit risk since initial recognition, or financial instruments that have low credit risk at the reporting date.
- Stage 2 includes financial instruments with significant deterioration in credit quality since initial recognition, but with no objective evidence of impairment.
- Stage 3 comprises financial instruments for which objective evidence indicates impairment at the reporting date and will be subject to the specific provisioning requirements under IAS 39.

In order to define the IFRS 9 impairment stages, the Group has to determine if there has been a significant increase in credit risk by comparing the credit quality at origination and at reporting. The Group will use IFRS 9 rebuttable presumption that credit risk on a financial instrument has increased significantly when payments are more than 30 days past due after having investigated the sensibility of this fixed presumption for different portfolio segments and whether there are grounds for rebutting it. If the Group has reasonable grounds to identify that a significant increase in credit risk has occurred on a facility prior to it reaching 30 days past due, it is allowed to move that facility from Stage 1 to Stage 2. However, if no increase in credit risk has been identified at 30 days past due, it is compulsory to move that account into Stage 2 according to IFRS 9 guidelines.

In accordance with the Bank of Mauritius' Guideline on Credit Impairment Measurement and Income Recognition (paragraph 6.1), management's judgment is allowed when determining the allowance for credit losses. With regards to management overlays, these will be incorporated into the ECL tool manually by changing the stage of the accounts. The subsidiary company has developed a Governance Framework for qualitative overlays.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Standards, Amendments to published Standards and Interpretations issued but not yet effective (cont'd)

New and amended standards not yet adopted by the Group (cont'd)

(i) IFRS 9 Financial Instruments (effective as from 1 January 2018) (cont'd)

The individually assessed allowances for impairment instruments recognised under IAS 39 will generally be replaced by stage 3 allowances under IFRS 9, while the collective allowances for non-impaired financial instruments will generally be replaced by either stage 1 or stage 2 allowances under IFRS 9.

Also, an entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at reporting date (IFRS 9.5.5. 10). In order to ensure the consistent application of the IFRS 9 provision on low credit risk instrument, the Grouphas developed an approach to determine which instruments are 'low credit risk'. Those financial assets that are most likely to fall within the low credit risk assumption are within Cash and cash equivalents and Deposits with financial institutions. The threshold applied by the Groupis equivalent to 'Investment Grade' of external rating agencies such as Moody's, Standard & Poor's and Fitch.

As part of the transition towards IFRS 9, a Service Level Agreement will be set up with the Credit Modelling Business Unit (BU) of The Mauritius Commercial Bank Limited to produce reliable and timely data-driven management insights that will help the Subsidiary company:

(i) Meet its IFRS 9 disclosure requirements at agreed intervals and ensure viability of models

(ii) Recalibrate the models and conduct timely analyses to improve/support credit decisions.

The current ECL model designed for the Subsidiary company incorporated forward looking information which will impact the ECLs. These assumptions and economic conditions are reviewed by the Economics Team at The Mauritius Commercial Bank Limited through the Governance Framework in place.

The application of IFRS 9 is expected to reduce our shareholder's equity by an amount ranging between Rs10m to Rs15m as at 30 June 2018. The impact on our regulatory capital is also not expected to be material.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Standards, Amendments to published Standards and Interpretations issued but not yet effective (cont'd)

New and amended standards not yet adopted by the Group (cont'd)

IFRS 15 Revenue from contracts with customers

IFRS 15 *Revenue from contracts with customers* ("IFRS 15") deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The directors are currently assessing the impact of IFRS 15 and expect that the standard will have no significant effect, when applied on the financial statements of the Group.

IFRS 16 Leases

IFRS 16 *Leases* ("IFRS 16") was issued in January 2016 and will be effective for financial years commencing on or after 1 January 2019. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low –value leases. The accounting for lessors will not significantly change. At this stage, the Group has not yet determined the impact of these amendments and does not intend to adopt them before its effective date.

(b) Basis of consolidation

Investment in subsidiary

Separate financial statements of the Company

In the separate financial statements of the Company, investments in subsidiary company is carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments.

Consolidated financial statements

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has 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 de-consolidated from the date that control ceases.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of consolidation (cont'd)

Investment in subsidiary (cont'd)

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 values 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 interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree (if any) over the fair value of the Group's share of identifiable net assets acquired is 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.

Transactions and 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.

(c) Investments in associates

Separate financial statements of the Company

In the separate financial statements of the Company, investments in associated companies are carried at fair value. The carrying amount is reduced to recognise any impairment in the value of individual investments.

Consolidated financial statements

An associate is an entity over which the Group has significant influence but not control, or joint control, generally accompanying a shareholding between 20% and 50% of voting rights.

Investments in associates are accounted using the equity method of accounting except when classified as held-for-sale. Investments in associates are initially recognised at cost as adjusted by post acquisition changes in the Group's share of net assets of the associate less any impairment in the value of individual investments.

Notes to the Financial Statements (Continued)

Year ended 30th June 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Investments in associates (cont'd)

Consolidated financial statements (cont'd)

Any excess of the cost of acquisition and the Group's share of the net fair value of the associate's identifiable assets and liabilities recognised at the date of acquisition is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of acquisition, after assessment, is included as income in the determination of the Group's share of the associate's profit or loss.

When the Group's share of losses exceeds its interest in an associate, the Group discontinues recognising further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group profit or loss reflects the Group's share of post-tax profits of associates.

Where necessary, appropriate adjustments are made to the financial statements of associates to bring the accounting policies used in line with those adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in the other comprehensive income are reclassified to the profit or loss where appropriate. Dilution gains and losses arising in associates are recognised in profit or loss.

(d) Revenue

Revenue includes investment income, gross rental income under finance and operating leases and management fees receivable.

- Gross rental income receivable under finance leases and income receivable from operating leases are net of value added taxes and discounts, after deducting the relevant amounts for cancelled leases.
- Interest income is recognised in the profit or loss for all interest bearing instruments on an accrual basis taking into account the effective yield on the asset or liability.
- Interest income includes interest on finance leases, coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills.
- Finance lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return on the net investment amount outstanding on the finance leases.
- Operating lease income is recognised over the term of the lease using the straight line method.
- Other revenues earned by the Group are recognised on the following bases:

Fees and commissions:	on an accrual basis
Dividend income:	where the Group's rights to receive payment is established

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Revenue (cont'd)

Interest income and expense

Interest income is recognised using the effective interest method, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(e) Processing fees

Processing fees are generally recognised on an accrual basis when the service has been provided. Lease commitment fees for leases that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the lease.

(f) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using Mauritian rupee , the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Mauritian rupees, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Foreign currencies (cont'd)

(ii) Transactions and balances (cont'd)

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within finance income or cost. All other foreign exchange gains or losses are presented in profit or loss within (loss)/profit on exchange.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(g) Property, Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

If significant parts of an item of plant and equipment have different useful lives, then they are accounted for as separate items (major components) of equipment.

Any gain or loss on disposal of an item of plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the statement of profit or loss and other comprehensive income.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

(ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Property, Plant and equipment (cont'd)

(iii) Depreciation (cont'd)

The estimated useful lives of significant equipment are as follows:

Office equipment	5 years
Computer equipment	3 years
Furniture & Fittings	5 years
Motor vehicles	5 – 7 years
Plant and equipment	3 – 7 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

(iv) Assets under operating leases

Assets under operating leases are depreciated over their expected useful lives net of any residual value.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Intangible assets

Software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 10 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Intangible assets (cont'd)

Software (cont'd)

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criterias are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Other development expenditure that does not meet these criteria are recognised as an expense and are not recognised as an asset in a subsequent year.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Financial assets

(a) Categories of financial assets

Financial assets are recognised on the Group's statement of financial position when the Group has become a party to the contractual provisions of the instrument. The Group classifies its financial assets as held-to-maturity investments, cash and cash equivalent, fixed deposits and other assets such as loans and receivable. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

a. those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the Group upon initial recognition designates as at fair value through profit or loss;

b. those that the Group upon initial recognition designates as available-for-sale and;

c. those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Notes to the Financial Statements *(Continued)*

Year ended 30th June 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial assets (cont'd)

(i) Loans and receivables (cont'd)

This classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at the end of every reporting period.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

(iii) Available -for-sale financial assets

Available -for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the end of the reporting period.

(b) Recognition and measurement

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially measured at fair value plus transaction costs.

The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

(i) Recognition and derecognition of financial assets

Regular purchases or sales of financial assets are recognised on the trade date on which the Group commits to purchase or sell the asset. The Group's loans and receivables are initially recognised at fair value - which is the cash consideration to originate or purchase the loan - plus transaction costs. They are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial assets (cont'd)

(ii) Impairment of financial assets (carried at amortised cost)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or the obliger;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- Significant cash flow or financial difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of lease agreements or conditions;
- The lender for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- Initiation of bankruptcy proceedings by the borrower;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Observable data indicating that there is a reasonable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - Adverse change in the payment status of borrowers in the portfolio; and
  - Natural or local economic conditions that correlate with defaults in the assets of that portfolio.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Notes to the Financial Statements (Continued)

Year ended 30th June 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial assets (cont'd)

(ii) Impairment of financial assets (carried at amortised cost) (cont'd)

Leases to customers

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

An allowance for impairment is established if there is objective evidence that the Group will not be able to collect the amount due according to the original contractual terms of the lease. The amount of impairment loss on loans and receivables, comprising mainly of financial leases to customers carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.

The calculation of present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining or selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (e.g. by sector). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Under the Bank of Mauritius Guideline on Credit Impairment Measurement and Income Recognition, collective impairment provision shall not be less than one percent of aggregate amount of portfolio assessed leases except if dispensed by the Bank of Mauritius.

Notes to the Financial Statements (Continued)

Year ended 30th June 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial assets (cont'd)

(ii) Impairment of financial assets (carried at amortised cost) (cont'd)

Leases to customers (cont'd)

When a lease is uncollectible, it is written off against the related provision for lease impairment. Such leases are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for leases impairment in the statement of profit or loss.

The Bank of Mauritius Guideline on Credit Impairment Measurement and Income Recognition, updated in July 2016, also directs financial institutions to stand guided by the following minimum requirements with regards to classification and assessment of credit impairment:

Classified Credits	**Specific Provisioning Requirement**
(i) Sub - standard Credit Credit that is currently performing but has weaknesses that throw doubt on the customer's ability to comply with the terms and conditions of the credit, may warrant to be classified as sub-standard. However, when it is impaired and is past due between 90 and 180 days, it must, as a minimum, be classified as sub-standard.	20 per cent of (outstanding amount of credit less any net realizable value of applicable collateral)
(ii) Doubtful Credit Credit that is not in arrears or in arrears for less than 180 days, but has weaknesses that make collection in full highly improbable, may warrant to be classified as doubtful. However, when it is impaired and is past due for a period exceeding 180 days but less than one year, it must, as a minimum, be classified as doubtful.	50 per cent of (outstanding amount of credit less any net realizable value of applicable collateral)
(iii) Loss Credit classified as loss and uncollectible although there may be some salvage or recovery value of security available. Such credit should not be kept on the books of the financial institution for the reason that there might be some recoveries in the long term. An impaired credit that is past due in excess of a year, must be classified as loss.	100 per cent of (outstanding amount of credit less any net realizable value of applicable collateral)

Statutory and other regulatory loan loss reserve requirements that exceed the amounts to be provided under IAS 39 are dealt with in the general risk reserve as an appropriation of retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Investment Securities

Investments are classified as available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates are classified as available-for-sale.

Purchases and sales of investments are recognised on the trade date which is the date where the Group commits to purchase or sell the asset. Investments are initially measured at fair value plus transaction costs. Available for sale investments are subsequently carried at fair value.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques, including use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

Unrealised gains and losses arising from changes in fair value of securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit or loss as gains and losses from investment securities.

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as available-for-sale a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

(l) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the profit or loss.

Notes to the Financial Statements *(Continued)*

Year ended 30th June 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Borrowings

Borrowings are recorded initially at fair value being their issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Borrowing costs are recognised in the statement of profit or loss in the period in which they occur.

(n) Other payables

Other payables are stated at fair value and subsequently measured at amortised cost using the effective method.

(o) Long term loan receivables

Long term loan receivables with fixed maturity terms are measured at amortised cost using the effective interest rate method, less provision for impairment. The carrying amount of the asset is reduced by the difference between the asset's carrying amount and the present value of estimated cash flows discounted using effective interest rate. The amount of loss is recognised in the profit or loss. Long term receivables without fixed maturity terms are measured at cost.

(p) Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents include balances held with banks deposits held at call with financial institutions, cash on hand and bank overdrafts.

(q) Share capital and equity reserves

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as deduction, net of tax, from proceeds.

Capital contibution

The company has on the 28 June 2018 issued 20,000,000 5.5% Non-Cumulative Preference Shares of Rs 10 each to MCB Group Limited.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Share capital and equity reserves (cont'd)

The terms and conditions of the issue were as follows:

- The preference shareholders shall have no right to receive notice of, or attend, or vote on a poll at the general meetings of the Company.
- The preference shares are not redeemable at the option of the preference shareholders and shall rank for repayment of capital in a winding-up in priority to the Ordinary Shares but shall not be entitled to any surplus.
- The preference share shal entitle the preference shareholder to a dividend of 5.5% per annum calculated on the issure price, payable each semester.
- The Company has all times the full discretion to cancel distribution.

The reserves recorded in equity in the Company's statement of financial position include:

- Statutory reserve which represents 15% of the profit for the year which is transferred in accordance with Section 21 (1) of the Mauritian Banking Act 2004; and
- General Risk Reserve which comprises of amounts set aside to meet the Prudential Norms set out by the Bank of Mauritius Guideline on Credit Impairment Measurement and Income Recognition.

(r) Current and Deferred income tax

The tax expense for the period comprises of current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax

The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantially enacted by the end of the reporting period.

The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted at the reporting date and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Current and Deferred income tax (cont'd)

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In line with the definition within the Income Tax Act 1995, Corporate Social Responsibility (CSR) is regarded as a tax and is therefore subsumed with the income tax shown within profit or loss and the income tax liability on the statement of financial position. The Corporate Social Responsibility (CSR) charge for the current period is measured at the amount expected to be paid to the Mauritian Tax Authorities.

The Group is subject to the Advanced Payment System (APS) whereby it pays income tax on a quarterly basis.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Board to make decisions about resources to be allocated to the segment and assesses its performance, and for which discrete financial information is available.

Detailed analysis of operating segments are shown in Note 27 to the financial statements.

(t) Provisions

Provisions, including legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Deposits from customers

Deposits are received from individual and corporate clients. Deposits are repayable and derecognised on demand or when the deposits come to maturity.

Deposits are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

(v) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared.

(w) Financial liabilities

Financial liabilities carried at amortised cost consist mainly of deposits from customers, borrowings, shareholder's loan and other liabilities. All financial liabilities are recognised initially at fair value and in the case of borrowings, net of transaction costs incurred.

They are subsequently stated at amortised cost; using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well through the effective interest rate method (EIR) amortisation process.

Financial liabilities are derecognised only when the obligation is discharged, cancelled or expired.

(x) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

(y) Employee benefits

(i) Pension benefits

The Group provides retirement benefits for its employees through a defined contribution plan which is funded by contributions from the Group. Under the defined contribution plan, the Group has no legal or constructive obligation to contribute further to what has been contributed into the fund as defined in the rules of the scheme. Pension contributions are charged to the statement of comprehensive income in the year to which they relate. The Group has an obligation under the current labour laws to pay a severance allowance on retirement of its employees and is allowed to deduct from this severance allowance up to five times the amount of any annual pension granted at retirement age from the said fund.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(y) Employee benefits (cont'd)

(i) Pension benefits (cont'd)

The present value of the severance allowance payable under the Employment Rights Act 2008 is calculated annually by independent actuaries using the projected unit credit method. The present value of the severance allowance is determined by the estimated future cash outflows using a discount rate by reference to current interest rates and the yield on bonds and treasury bills and recent corporate debenture issues. Where the present value of the severance allowance payable on retirement is greater than five years of pension payable under the pension plan, the additional severance allowance payable is recognised as a liability and disclosed as unfunded obligations under retirement benefits obligations.

(ii) State pension plan

Contributions to the National Pension Scheme are recognised in profit or loss in the period in which they fall due.

(z) Leases

Operating leases – Group acting as the Lessor

Assets leased out under operating leases are included in plant and equipment in the statement of financial position.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Assets classified as operating leases are depreciated over their useful lives on a basis consistent with similar fixed assets.

Finance leases – Group acting as the Lessor

(i) Recognition and initial measurement

Assets held under finance leases are derecognised, and a receivable is recognised in the statement of financial position at an amount equal to the net investment in the lease.

Under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred by the Group, and thus the lease payment receivable is treated by the Group as repayment of principal and interest income to reimburse and reward the lessor for its investment and services.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(z) Leases (cont'd)

Finance leases – Group acting as the Lessor (cont'd)

(i) Recognition and initial measurement (cont'd)

Initial direct costs such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, but excluding general overheads, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable; there is no need to add them separately.

(ii) Subsequent measurement

The recognition of interest income shall be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

The Group aims to allocate interest income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Group's finance lease receivable.

Lease repayments relating to the period, excluding cost for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

Estimated unguaranteed residual values used in computing the Company's gross investment in a lease are reviewed regularly. If there has been a reduction in the estimated unguaranteed residual value, the income allocation over the lease is revised any reduction in respect of amounts accrued is recognised immediately.

Repossessed assets

Assets repossessed from non-performing clients pending disposals are stated at their net realizable value.

(aa) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year.

3. FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks, including:

- Credit risk;
- Market risk;
- Interest rate risk; and
- Liquidity risk.

A description of the significant risk factors is given below together with the risk management policies applicable.

(a) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's credit risk is primarily attributable to its receivables. The amounts presented in the Statements of Financial Position are net of allowances for impairment, estimated by management based on prior experience and the current economic environment.

The Group has policies in place to ensure that leases are granted to customers with appropriate credit history.

The Group has policies that limit the amount of credit exposure to any one financial position.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Lease facilities to customers are monitored and the Group has policies in place to identify defaults and recover amounts due. Leases granted are also effectively secured as the rights to the leased assets revert to the lessor in the event of default. The maximum exposure to credit risk at the reporting date is the fair value of the receivables. Specific provision and portfolio provision are made according to the requirements of the Bank of Mauritius.

(i) Impairment assessment

The main considerations for impairment assessment include whether any payments of principal or interest is overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties or infringements of original terms of contract.

The Group carries out both specific and collective impairment assessments.

Specific assessment

The Group determines the allowances appropriate for each specifically identified lease on an individual basis. Items considered when determining allowance amounts include the ability of the counterparty to meet any repayment plans, availability of future cash flows, the net realizable value of collateral and the timing of the expected cash flows. Impairment losses are evaluated at each quarter end.

The Group has complied with the requirements laid out by the *Bank of Mauritius Guideline on Credit Impairment Measurement and Income Recognition* in making its specific assessment.

Notes to the Financial Statements (Continued)

Year ended 30th June 2018

3. FINANCIAL RISK FACTORS (CONT'D)

(a) Credit Risk (cont'd)

Collective assessment

Allowances are assessed collectively for losses on leases where there is not yet objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the following information amongst others: historical losses on the portfolio and current economic conditions.

The portfolio provision for credit losses in respect of finance leases is 1% of the exposure in leases, excluding those leases individually impaired.

(ii) Analysis of credit quality

Leases are summarised as follows:

	2018	2017
	Rs' 000	Rs' 000
Neither past due nor impaired	3,384,304	3,669,378
Past due but not impaired	100,659	85,953
Individually impaired	120,244	125,438
Gross	3,605,207	3,880,769
Less allowance for impairment		
Portfolio allowance	(37,841)	(37,841)
Individual allowance	(64,059)	(50,187)
Net lease receivables	3,503,307	3,792,741

Leases past due but not impaired

These are leases where contractual payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/ or the stage of collection of amounts owed.

Gross amount of leases that were past due but not impaired were as follows:

	2018	2017
	Rs' 000	Rs' 000
Leases		
Up to 3 months	66,193	35,618
Over 3 months and up to 6 months	28,572	29,587
Over 6 months and up to 1 year	536	6,399
Over 1 year	5,358	14,349
Total	100,659	85,953

3. FINANCIAL RISK FACTORS (CONT'D)

(a) Credit Risk (cont'd)

(ii) Analysis of credit quality (cont'd)

Leases individually impaired

Impaired leases are those leases for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the lease agreement(s).

The table below shows the gross amount of individually impaired assets.

	2018	2017	Collateral held
Leases	**Rs' 000**	Rs' 000	
Gross Amount	**120,249**	125,439	Vehicles and
Individual allowance	**64,059**	50,187	other equipment

The above amounts have been determined individually based on the probability of default and past experience. Also, there are objective evidences that the Group will not be able to collect all amounts due according to the original terms of the lease agreement. The fair value of collateral for the impaired facilities amounts to Rs 72.8 million (2017: Rs 105.3 million). A specific provision of Rs 64.0 million (2017: Rs 50.2 million) has been made on the impaired receivables.

Write-off policy

The Group writes off a lease balance (and any related allowances for impairment losses) when the Group's management determines that the leases are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller leases, charge off decisions generally are based on a product specific past due status.

The Group also holds fixed and floating charges on assets for exposures. For the vast majority of leases, the underlying collateral is the leased asset itself, i.e. the leased equipment and vehicles. The lease facilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are updated every year when a lease is individually assessed as impaired.

Finance leases restructured

The table below shows the carrying amount for restructured leases:

	2018	2017
	Rs' 000	Rs' 000
Finance leases	**11,813**	8,014

The Group has complied with the requirements of the Bank of Mauritius *Guideline on Credit Impairment Measurement and Income Recognition* for the treatment of its restructured facilities.

3. FINANCIAL RISK FACTORS (CONT'D)

(a) Credit Risk (cont'd)

(ii) Analysis of credit quality (cont'd)

Repossessed assets

Collaterals on finance leases repossessed during the year were as follows:

	2018	2017
	Rs' 000	Rs' 000
Vehicles	4,190	11,340
	4,190	11,340

These repossessed collaterals are sold to third parties to recover the investment in the leases. Collaterals possessed are readily convertible into cash.

(iii) Maximum exposure to credit risk before collateral and other credit enhancements

The following table presents the maximum exposure at 30 June 2018 and 2017 to credit risk on financial instruments in the statement of financial position, before taking account of any collateral held or other credit enhancements after allowance for impairment and netting where appropriate.

	Maximum exposure	
	2018	2017
	Rs' 000	Rs' 000
Bank balances	394,407	284,000
Deposits with financial institutions	228,058	220,803
Net finance lease receivables	3,503,307	3,792,741
Subordinated loan	308,914	299,908
Other receivables	47,009	62,297
	4,481,695	4,659,749

For financial assets recognised in the statement of financial position, the exposure to credit risk equals their carrying amount.

Credit risk from balances with banks and financial institutions is considered negligible, since the counterparty is The Mauritius Commercial Bank Limited, which is a reputable bank with high quality external credit rating.

3. FINANCIAL RISK FACTORS (CONT'D)

(b) Market Risk - price risk

The Group is exposed to equity securities price risk because of investments held by the Group. This risk is managed by having a diversified portfolio.

A 5% change in the fair value of the Group's quoted investments would impact the Group's equity by Rs121.5m (2017: Rs123.2m).

(c) Interest rate risk

For existing interest bearing assets and liabilities, the Group's income and operating cash flows are mostly independent of changes in market interest rates as the implicit interest rates on leases, interest rates offered to depositors and debenture holders are mostly fixed.

For new ones, the Group ensures that the losses that may be created or reduced following interest margins change are not significant by setting limits on the level of mismatch in interest rate repricing that may be undertaken.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding and the ability to close out market positions.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow and does not foresee any major liquidity risk over the next two years. The objective of liquidity management is to ensure that funds are available or there is assurance of the availability of funds, to honour the Group's cash flow commitments as they fall due, including off-balance sheet outflow commitments in a timely and cost effective manner.

3. FINANCIAL RISK FACTORS (CONT'D)

(d) *Liquidity risk (cont'd)*

	Up to 1 year	1 to 5 years	Over 5 years	Non-maturity items	Total
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Maturities of assets and liabilities					
At June 30, 2018					
Assets					
Intangible assets	-	-	-	26,048	26,048
Property, plant and equipment	-	-	-	592,372	592,372
Investments in associates	-	-	-	5,219,097	5,219,097
Investment securities - available-for-sale	-	-	-	490,642	490,642
Loan receivable	-	-	308,914	-	308,914
Finance lease receivables	1,303,865	2,199,442	-	-	3,503,307
Deposits with financial institutions	123,271	104,787	-	-	228,058
Other receivables	47,009	-	-	-	47,009
Bank balances	394,407	-	-	-	394,407
Total assets	1,868,552	2,304,229	308,914	6,328,159	10,809,854
Liabilities					
Bank overdrafts	684,217	-	-	-	684,217
Deposits	603,388	3,115,335	-	-	3,718,723
Borrowings	210,357	114,104	308,914	-	633,375
Other payables	104,909	-	-	-	104,909
Current tax liabilities	9,074	-	-	-	9,074
Deferred tax liabilities	-	-	-	18,011	18,011
Total liabilities	1,611,945	3,229,439	308,914	18,011	5,168,309
Net liquidity gap	256,607	(925,210)	-	6,310,148	5,641,545
At June 30, 2017					
Total assets	1,653,728	2,706,113	299,908	6,400,100	11,059,849
Total liabilities	1,927,206	3,347,165	303,496	19,327	5,597,194
Net liquidity gap	(273,478)	(641,052)	(3,588)	6,380,773	5,462,655

(e) *Fair values of financial assets and liabilities*

The fair values of those financial assets and liabilities not presented on the Group's and the Company's Statements of Financial Position at fair values are not materially different from their carrying amounts.

(f) *Fair value hierarchy*

The Group uses hierarchy of valuation techniques based on whether the inputs to these valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions.

These two types of inputs have created the following fair value hierarchy:

Level 1 : Quoted prices(unadjusted) for identical assets. This level includes listed equity securities.
Level 2 : Inputs other than quoted prices that are observable for the assets.
Level 3 : Inputs for the assets that are not based on observable market data.

Notes to the Financial Statements *(Continued)*

Year ended 30th June 2018

3. FINANCIAL RISK FACTORS (CONT'D)

(g) Currency risk

The Group's foreign currency profile is as follows:

	2018			2017		
	EURO	GBP	USD	EURO	GBP	USD
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Assets						
Bank balances	13,017	3	5,207	6,195	2	6,791
Net lease receivables	80,405	-	161,198	145,689	-	251,052
	93,422	3	166,405	151,884	2	257,843
Liabilities						
Other liabilities	51	-	954	-	-	465
Borrowings	400,149	-	156,162	452,360	-	246,196
	400,200	-	157,116	452,360	-	246,661

4. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

- to comply with the capital requirements set by the Bank of Mauritius for its leasing activities.
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for its shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Quantitative data about what the Group manages as capital:

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Long term debt	423,018	609,401	308,914	299,908
less Cash and cash equivalents	(394,407)	(284,000)	-	-
Net debt	28,611	325,401	308,914	299,908
Total Equity	5,641,545	5,462,655	2,201,382	2,224,312
Adjustments	(3,328,114)	(3,285,208)	-	-
Adjusted Equity	2,313,431	2,177,447	2,201,382	2,224,312
Debt to equity ratio	0.01	0.15	0.14	0.13

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) *Impairment losses on leases*

The Group reviews its lease portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of leases before the decrease can be identified with an individual lease in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of lessees, or national or local economic conditions that correlate with defaults on assets in the group.

The directors use estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experienced.

To determine the amount of impairment losses on impaired leases, the directors take into account the recoverable amount of collaterals for impaired leases as determined by professional valuers. Impaired leases relate to leases that have instalments due for more than 3 months and that have been considered in the specific provision for impairment losses on finance leases.

The directors estimate that a 0.1% change in lease loss rate will lead to a change in impairment of Rs 3.7m (2017 – Rs 3.1m). Management believes that a 0.1% shift in loss rate is adequate to determine the sensitivity of impairment as a result of a change in loss rate.

(b) *Asset lives, residual values and depreciation policies*

Plant and equipment are depreciated over their useful lives taking into account residual values. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors (maintenance, future market conditions, projected disposal values, among other things). The directors make estimates based on historical experience and use best judgement to assess the useful lives of assets and to forecast the expected residual values of the assets at the end of their expected useful lives.

(c) *Judgements*

In preparing the financial statements, the directors had to consider whether the significant risks and rewards of ownership are transferred to the lessees in determining whether the leases should be classified as finance or operating lease. The Board of Directors makes use of the guidance as set out in IAS17 leases to classify leases between finance and operating leases.

6. INTANGIBLE ASSETS

GROUP

	2018 Rs' 000	2017 Rs' 000
COST		
At 1st July	**63,944**	63,699
Additions	**-**	245
At 30th June	**63,944**	63,944
AMORTISATION		
At 1st July	**33,867**	29,866
Charge for the year	**4,029**	4,001
At 30th June	**37,896**	33,867
NET BOOK VALUES	**26,048**	30,077

Notes to the Financial Statements (Continued)

Year ended 30th June 2018

7. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Assets under operating leases					
	Plant and Equipment	Motor Vehicles	Office Equipment	Computer Equipment	Motor Vehicle	Total
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
COST						
At 1st July 2017	**270,940**	**612,840**	**6,418**	**6,116**	**302**	**896,616**
Additions	**10,429**	**177,410**	**175**	**91**	**-**	**188,105**
Disposals	**(69,426)**	**(91,666)**	**-**	**-**	**-**	**(161,092)**
Reclassification	**(1,725)**	**1,484**	**-**	**-**	**-**	**(241)**
At 30th June 2018	**210,218**	**700,068**	**6,593**	**6,207**	**302**	**923,388**
DEPRECIATION						
At 1st July 2017	**106,301**	**178,941**	**5,109**	**5,943**	**35**	**296,329**
Charge for the year	**30,032**	**102,006**	**366**	**99**	**60**	**132,563**
Disposals adjustment	**(46,322)**	**(51,313)**	**-**	**-**	**-**	**(97,635)**
Reclassification	**(362)**	**121**	**-**	**-**	**-**	**(241)**
At 30th June 2018	**89,649**	**229,755**	**5,475**	**6,042**	**95**	**331,016**
COST						
At 1st July 2016	254,540	444,789	5,390	6,000	-	710,719
Additions	36,654	247,505	1,028	116	302	285,605
Disposals	(20,254)	(79,454)	-	-	-	(99,708)
At 30th June 2017	270,940	612,840	6,418	6,116	302	896,616
DEPRECIATION						
At 1st July 2016	86,810	140,720	4,626	5,867	-	238,023
Charge for the year	33,797	82,975	483	76	35	117,366
Disposals adjustment	(14,306)	(44,754)	-	-	-	(59,060)
At 30th June 2017	106,301	178,941	5,109	5,943	35	296,329
NET BOOK VALUES						
At 30th June 2018	**120,569**	**470,313**	**1,118**	**165**	**207**	**592,372**
At 30th June 2017	164,639	433,899	1,309	173	267	600,287

Notes to the Financial Statements *(Continued)*

Year ended 30th June 2018

8. INVESTMENTS IN ASSOCIATES

	GROUP	
	2018	2017
	Rs' 000	Rs' 000
At 1st July	**5,317,033**	4,949,657
Share of (losses)/profits	**(42,201)**	70,337
Share of other comprehensive income:		
- Revaluation and other reserve	**(18,470)**	(7,286)
- Fair value reserve and prior year adjustments	**29,019**	242,148
Share of other movements in reserves of associates	**2,664**	(91)
Exercise of rights in associate	**-**	53,395
Share of changes in ownership of associate's subsidiary	**-**	69,616
Effect of employee share options exercised in associate	**(1,521)**	(2,099)
Dividends	**(67,427)**	(58,644)
At 30th June	**5,219,097**	5,317,033

The following are associated companies of Fincorp Investment Limited. Both companies are listed.

	Nature of Business	**Principal place of Business and Country of Incorporation**	**2018 Percentage held Direct %**	**2018 Percentage held Total %**	2017 Percentage held Direct %	2017 Percentage held Total %
Promotion and Development Limited	Investment and Property development	Mauritius	**46.33**	**46.33**	46.35	46.35
Caudan Development Limited	Property development, investment and provision of security services	Mauritius	**5.34**	**38.06**	5.34	38.07

(i) Summarised financial information of the material associate, Promotion and Development Ltd, is set out below:

	Current assets	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Non-controlling Interest**	**Revenue**	**(Loss)/ Profit**	**Other Comprehensive Income**	**Total Comprehensive Income**	**Dividend Received**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
2018	**278,992**	**13,224,518**	**680,418**	**859,889**	**1,162,901**	**563,779**	**(102,871)**	**22,824**	**(80,047)**	**63,155**
2017	259,678	13,130,739	385,176	841,029	1,154,111	571,065	142,988	506,774	649,762	58,644

Reconciliation of the above summarised financial information to the carrying amount recognised in the financial statements:

	Opening Net Assets	**(Loss)/ Profit**	**Other Comprehensive Income**	**Other Movements in Reserves**	**Dividends**	**Closing Net Assets**	**Ownership Interest**	**Carrying Value**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**%**	**Rs'000**
2018	**11,010,101**	**(102,871)**	**22,824**	**10,467**	**(140,219)**	**10,800,302**	**46.33%**	**5,003,478**
2017	10,335,981	142,988	506,774	150,887	(126,529)	11,010,101	46.35%	5,103,012

Notes to the Financial Statements (Continued)

Year ended 30th June 2018

8. INVESTMENTS IN ASSOCIATES (CONT'D)

(ii) Information of associate that is not material:

	GROUP	
	2018	2017
	Rs' 000	Rs' 000
Carrying amount of interest	**215,619**	214,021
Share of profit	**5,520**	4,064
Share of other comprehensive expense	**-**	(21)

(iii) The above associates are accounted using the equity method.

(iv) As at June 30, 2018, the fair value of the Company's interest in Promotion and Development Limited and Caudan Development Ltd which are listed on the Stock Exchange of Mauritius Ltd was Rs2,028,180,106 (2017: Rs2,111,183,919) and Rs115,333,277 (2017: Rs112,129,576) respectively based on the quoted market price available, which is a level 1 input in terms of IFRS 13.

	COMPANY	
	2018	2017
	Rs' 000	Rs' 000
At 1st July	**2,223,313**	1,621,927
Fair value adjustment	**(79,800)**	547,991
Exercise of rights in associate	**-**	53,395
At 30th June	**2,143,513**	2,223,313

Notes to the Financial Statements *(Continued)*

Year ended 30th June 2018

9. INVESTMENT IN SUBSIDIARY

	COMPANY
	Rs' 000
At 1st July 2017 and 30th June 2018 - cost	**200,000**

	Country of Incorporation and Operation	Class of Shares	Cost of Investment	Nominal Value of Investment	Percentage Held	Main Business
			Rs' 000	Rs' 000		
2017 & 2018						
Finlease Company Limited	Mauritius	Ordinary	200,000	200,000	100%	Leasing

10. INVESTMENT SECURITIES

Available-for-sale

	GROUP & COMPANY		
	Quoted	Unquoted	Total
	Level 1	Level 3	
	Rs' 000	Rs' 000	Rs' 000
At 1st July 2016	238,796	212,623	451,419
Disposal	-	(8,798)	(8,798)
Fair value increase	10,082	-	10,082
At 30th June 2017	**248,878**	**203,825**	**452,703**
Fair value increase	**37,939**	**-**	**37,939**
At 30th June 2018	**286,817**	**203,825**	**490,642**

Available-for-sale securities are denominated in rupees.

Fincorp Investment Limited holds more than a 10% interest in the following companies:

		2018	2017
	Nature	Percentage held	
		%	%
MFD Group Limited	Ordinary	**15.00**	15.00
Le Refuge du Pêcheur Ltd	Ordinary	**11.00**	11.00

Notes to the Financial Statements (Continued)

Year ended 30th June 2018

11. LOAN RECEIVABLE

	GROUP		COMPANY	
	2018 Rs' 000	2017 Rs' 000	**2018 Rs' 000**	2017 Rs' 000
Amount due by subsidiary	**-**	-	**-**	105,571
Subordinated loans	**308,914**	299,908	**308,914**	299,908
	308,914	299,908	**308,914**	405,479

The loans are unsecured and are denominated in Mur and Euro and attract interest at commercial rates.
The loans have no defined repayment date.

12. FINANCE LEASE RECEIVABLES

	GROUP	
	2018	2017
(a) Gross investment in finance leases:	**Rs' 000**	Rs' 000
Within one year	**1,462,278**	1,476,968
After one year and before five years	**2,487,992**	2,834,463
After five years	**69,120**	57,147
	4,019,390	4,368,578
Unearned future finance income on finance leases	**(517,879)**	(566,716)
	3,501,511	3,801,862
(b) Rent receivables:		
Rental receivables on finance and operating leases	**103,696**	78,907
Less Net impairment of financial assets	**(101,900)**	(88,028)
Net lease receivables	**3,503,307**	3,792,741
Finance lease receivables may be analysed as follows:-		
Receivable within one year	**1,303,865**	1,307,431
Receivable after one year and before five years	**2,232,845**	2,520,215
Receivable after five years	**68,497**	53,123
	3,605,207	3,880,769
Less Net impairment of financial assets	**(101,900)**	(88,028)
Net lease receivables	**3,503,307**	3,792,741
Non-Current assets	**2,199,442**	2,485,310
Current assets	**1,303,865**	1,307,431
Net investment in finance leases	**3,503,307**	3,792,741
(c) Net impairment of financial assets:		
At 1st July	**88,028**	55,143
Provision for the year	**17,846**	42,793
Release/Amounts written off	**(3,974)**	(9,908)
At 30th June	**101,900**	88,028

Notes to the Financial Statements *(Continued)*

Year ended 30th June 2018

13. OTHER RECEIVABLES

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Amount due by subsidiary	**-**	-	**-**	168
Investment and other receivable from group company	**-**	-	**51,188**	49,382
Other investment and rental income receivable	**13,050**	6,474	**6,525**	-
Assets repossessed pending disposals	**1,784**	2,564	**-**	-
Fees and residual value receivable	**7,502**	19,166	**-**	-
Others	**24,673**	34,093	**146**	154
	47,009	62,297	**57,859**	49,704

The carrying amounts of other receivables approximate their fair value.

14(a) BANK OVERDRAFTS

Bank overdrafts are secured by a floating charge on the Company's assets for Rs 170m and shares held in Promotion and Development Ltd. The rates of interest varied from 1% to 7% during the year.

14(b) BORROWINGS

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Current				
Other loans	**151,772**	179,465	**-**	-
Bank loans	**58,585**	73,335	**-**	-
	210,357	252,800	**-**	-
Non-current				
Other loans	**25,462**	167,978	**-**	-
Bank loans	**397,556**	441,423	**308,914**	299,908
	423,018	609,401	**308,914**	299,908
	633,375	862,201	**308,914**	299,908
Analysed as follows:				
Within a period of 1 year	**210,357**	252,800	**-**	-
Within a period of more than 1 year but not exceeding 2 years	**88,685**	197,873	**-**	-
Within a period of more than 2 years but not exceeding 5 years	**25,419**	108,032	**-**	-
Within a period of more than 5 years	**308,914**	303,496	**308,914**	299,908
	633,375	862,201	**308,914**	299,908

The carrying amounts of borrowings are not materially different from their fair values.

The bank loans are secured by a floating charge on the Group's assets for Rs 250m.

The rate of interest varied between 1% and 6% during the year.

Other loans consist of loans from State Investment Corporation Limited obtained in order to finance leasing facilities granted under the different Leasing Equipment Modernisation Schemes.

Notes to the Financial Statements *(Continued)*

Year ended 30th June 2018

15. OTHER PAYABLES

	GROUP		COMPANY	
	2018 Rs' 000	2017 Rs' 000	**2018 Rs' 000**	2017 Rs' 000
Registration duty payable to government	**10,723**	8,812	**-**	-
Advances received from customers	**16,161**	14,112	**-**	-
Amounts payable to car distributors	**18,364**	38,443	**-**	-
Others	**59,661**	46,238	**5,468**	2,614
	104,909	107,605	**5,468**	2,614

The carrying amounts of other payables equal their fair value.

16. SHARE CAPITAL AND RESERVES

(a) SHARE CAPITAL

	COMPANY 2018 & 2017 Rs' 000
AUTHORISED:	
250,000,000 ordinary shares of Re.1 each	**250,000**
ISSUED AND FULLY PAID:	
At 1st July 2017 and 30th June 2018	**103,355**

The issued share capital consists of 103,355,340 ordinary shares of Re.1 each.

(b) CAPITAL CONTRIBUTION:

20,000,000 5.5% non-cummulative irredeemable preference shares issued by subsidiary at Rs10. each to MCB Group Limited.

(c) NATURE AND PURPOSE OF RESERVES

Capital reserve:

Capital reserve comprise mainly of movements arising in the reserves of associates.

Revaluation and Other reserve:

Fair value adjustments, which comprise of the cumulative net change in the fair value of available-for-sale financial assets that has been recognised in other comprehensive income until the investments are derecognised or impaired. Other reserve comprise of all the movements arising in the reserves of associates.

Statutory reserve:

15% of the profit after tax is transferred to the Statutory reserve in compliance with the requirements of the Banking Act 2004.

General risk reserve:

The general risk reserve consists of amounts set aside in respect of impairment of the lease portfolio, in addition to the specific and portfolio provision.

Notes to the Financial Statements *(Continued)*

Year ended 30th June 2018

17. OTHER INCOME

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Dividend	**12,375**	4,729	**121,606**	67,645
Operating lease income	**175,697**	155,116	**-**	-
Other processing fees	**7,606**	9,996	**-**	-
Other operating income	**11,700**	22,081	**-**	-
Profit on disposal of financial assets	**423**	2,702	**-**	2,702
Others	**725**	717	**725**	885
	208,526	195,341	**122,331**	71,232

18. FINANCE INCOME/(COSTS)

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Finance income:				
Finance leases	**276,996**	284,350	**-**	-
Other interest income	**19,199**	20,245	**13,418**	13,643
	296,195	304,595	**13,418**	13,643
Finance costs:				
Borrowings	**64,702**	72,825	**49,939**	53,892
Deposits	**180,277**	181,274	**-**	-
	244,979	254,099	**49,939**	53,892
Net Finance income/(costs)	**51,216**	50,496	**(36,521)**	(40,249)

19. OPERATING EXPENSES

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Wages and salaries	**26,097**	24,586	**-**	-
Defined benefit plan	**1,832**	1,856	**-**	-
Defined contribution plan	**478**	353	**-**	-
Other personnel expenses	**2,262**	683	**-**	-
Depreciation charge	**132,563**	117,366	**-**	-
Amortisation of intangible assets	**4,029**	4,001	**-**	-
Other expenses	**25,000**	37,143	**3,008**	2,809
	192,261	185,988	**3,008**	2,809

The Group has a multi-employer plan and contributions made have been accounted as a defined contribution plan.

20. PROFIT BEFORE TAX

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
The profit for the year before taxation is arrived at after crediting:				
Investment income				
Quoted	**12,375**	4,611	**81,606**	67,527
Unquoted	**-**	118	**40,000**	118

Notes to the Financial Statements *(Continued)*

Year ended 30th June 2018

21. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Income tax on adjusted profits	**14,857**	9,493	**1,240**	682
Deferred tax (Note 23)	**(1,316)**	(5,322)	**-**	-
Corporate Social Responsibility contribution	**2,259**	1,337	**256**	136
Charge for the year	**15,800**	5,508	**1,496**	818

The tax on the Group and the Company's profit differs from the theoretical amount that would arise using the basic rate as follows:

	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Profit before tax	**7,072**	87,492	**82,440**	28,273
Share of (losses)/profits of associates	**42,201**	(70,337)	**-**	-
	49,273	17,155	**82,440**	28,273
Tax calculated at a tax rate of 15%	**7,391**	2,573	**12,366**	4,241
Impact of:				
Income not subject to tax	**(1,162)**	(6,390)	**(18,241)**	(10,552)
Expenses not deductible for tax purposes	**7,312**	7,988	**7,115**	6,993
Corporate Social Responsibility contribution	**2,259**	1,337	**256**	136
Tax charge	**15,800**	5,508	**1,496**	818

22. DIVIDENDS

Amounts not recognised as distribution to owners:

Before the financial statements were authorised for issue, the Board of Directors of Fincorp Investment Limited declared final dividends of Re 0.60 per share for the financial years ended 30th June 2017 & 30th June 2018.

23. DEFERRED TAX LIABILITIES

	GROUP	
	2018	2017
	Rs' 000	Rs' 000
At 1st July	**19,327**	24,649
Movement for the year (Note 21)	**(1,316)**	(5,322)
At 30th June	**18,011**	19,327

Deferred income taxes are calculated on all temporary differences under the liability method at 17%.

Notes to the Financial Statements (Continued)

Year ended 30th June 2018

24. (LOSS)/EARNINGS PER SHARE

(Loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the parent by the number of equity shares in issue and ranking for dividend.

		GROUP		COMPANY	
		2018	2017	**2018**	2017
		Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
(Loss)/profit attributable to equity holders of the parent		**(8,728)**	81,984	**80,944**	27,455
Number of shares in issue and ranking for dividend (thousands)		**103,355**	103,355	**103,355**	103,355
(Loss)/earnings per share	Re.	**(0.08)**	0.79	**0.78**	0.27

25. CAPITAL COMMITMENTS

	GROUP	
	2018	2017
	Rs' 000	Rs' 000
Capital commitments at 30th June are as follows :		
Future leases	**327,219**	370,368

26. OPERATING LEASES

	GROUP	
	2018	2017
	Rs' 000	Rs' 000
Future minimum lease receivables under non-cancellable operating leases may be analysed as follows:		
Less than 1 year	**156,983**	157,009
More than 1 year and less than 5 years	**286,106**	310,830
More than 5 years	**1,040**	5,002
	444,129	472,841

Notes to the Financial Statements *(Continued)*

Year ended 30th June 2018

27. OPERATING SEGMENTS

Year ended 30th June 2018

	Group	Leasing	Investing	Eliminations
	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Revenue from External Customers	**504,298**	483,684	20,614	-
Revenue from associates	**-**	-	69,231	(69,231)
Inter segment revenue	**-**	-	45,904	(45,904)
Total revenue	**504,298**	483,684	135,749	(115,135)
Operating Profit before impairment	**67,119**	93,909	82,440	(109,230)
Net impairment of financial assets	**(17,846)**	(17,846)	-	-
Operating Profit	**49,273**	76,063	82,440	(109,230)
Share of losses of associates	**(42,201)**			
Profit before tax	**7,072**			
Income tax expense	**(15,800)**			
Loss attributable to equity holders of the parent	**(8,728)**			
Other segment items:				
Segment assets	**5,590,757**	4,787,403	1,057,415	(254,061)
Investments in associates	**5,219,097**		2,143,513	
Total assets	**10,809,854**		3,200,928	
Segment liabilities	**5,159,235**	4,163,509	998,599	(2,873)
Unallocated liabilities	**9,074**			
Total liabilities	**5,168,309**			
Capital expenditure	**188,105**	188,105		
Depreciation charge	**132,563**	132,563		
Amortisation	**4,029**	4,029		

Notes to the Financial Statements *(Continued)*

Year ended 30th June 2018

27. OPERATING SEGMENTS (CONT'D)

Year ended 30th June 2017

	Group	Leasing	Investing	Eliminations
	Rs' 000	**Rs' 000**	**Rs' 000**	**Rs' 000**
Revenue from External Customers	497,234	484,490	12,744	-
Revenue from associates	-	-	62,916	(62,916)
Inter segment revenue	-	-	6,513	(6,513)
Total revenue	497,234	484,490	82,173	(69,429)
Operating Profit before impairment	59,948	94,591	28,273	(62,916)
Net impairment of financial assets	(42,793)	(42,793)	-	-
Operating Profit	17,155	51,798	28,273	(62,916)
Share of profits of associates	70,337			
Profit before tax	87,492			
Income tax expense	(5,508)			
Profit attributable to equity holders of the parent	81,984			
Other segment items:				
Segment assets	5,742,816	4,990,012	1,107,927	(355,123)
Investments in associates	5,317,033		2,223,313	
Total assets	11,059,849		3,331,240	
Segment liabilities	5,595,537	4,594,347	1,106,928	(105,738)
Unallocated liabilities	1,657			
Total liabilities	5,597,194			
Capital expenditure	285,850	285,850		
Depreciation charge	117,366	117,366		
Amortisation	4,001	4,001		

28 RELATED PARTY TRANSACTIONS

(a) GROUP

The following transactions were carried out by the Group with related parties:

	Lease Rental Income	Interest Income	Expenses/ Financial Charges	Loan/ Amount Due	Deposit Balance/ Amount due	Net Finance Lease Receivables
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
2018						
Entity under common control	**-**	**11,685**	**79,766**	**1,140,357**	**627,439**	**-**
Directors and close family members	**-**	**-**	**-**	**-**	**18,032**	**3,884**
Enterprises in which directors/key management personnel have significant interest	**514**	**4,372**	**-**	**-**	**20,179**	**42,787**
2017						
Entity under common control	-	12,946	68,455	1,323,762	509,401	-
Directors and close family members	-	-	-	-	18,037	4,527
Enterprises in which directors/key management personnel have significant interest	372	6,548	-	-	20,177	70,649

(b) COMPANY

The following transactions were carried out by the Company with related parties:

	2018 Rs' 000	2017 Rs' 000
Entity under joint control		
Loan/amount due to	**993,130**	1,104,314
Expenses/financial charges	**49,939**	53,892
Subsidiary Company (Finlease)		
Loan due from	**-**	105,571
Rent receivable	**-**	168

The above transactions have been made on normal commercial terms and in the normal course of business.
The loans are unsecured and will be settled according to the terms of the loans.
The Group/Company has not recorded any impairment of receivables relating to the amount owed by related parties.
Collaterals are held for the Net finance lease receivables.

(c) REMUNERATION

	2018	2017
Directors and key management personnel : Salaries and short term employee benefits	**4,858**	4,596

29. HOLDING COMPANY

The directors regard MCB Group Limited as its holding company. The MCB Group Limited is incorporated in Mauritius.

Five-year Financial Summary

Year ended 30th June 2018

		GROUP					COMPANY				
		2018	2017	2016	2015	2014	**2018**	2017	2016	2015	2014
		Rs' m	Rs' m	Rs' m	Rs' m	Rs' m	**Rs' m**	Rs' m	Rs' m	Rs' m	Rs' m
STATEMENTS OF FINANCIAL POSITION											
Non-current assets		**8,941**	9,406	8,993	7,370	7,072	**3,143**	3,281	2,677	2,780	2,637
Current assets		**1,869**	1,654	1,502	1,522	1,247	**58**	50	96	92	88
Current liabilities		**1,612**	1,927	1,856	2,703	1,661	**691**	807	833	785	751
Net current liabilities		**257**	(273)	(354)	(1,181)	(414)	**(633)**	(757)	(737)	(693)	(663)
		9,198	9,133	8,639	6,189	6,658	**2,510**	2,524	1,940	2,087	1,974
Share capital		**103**	103	103	103	103	**103**	103	103	103	103
Retained earnings		**1,895**	1,968	1,824	1,572	1,585	**53**	34	7	5	4
Other components of equity		**3,643**	3,392	3,141	2,063	2,025	**2,045**	2,087	1,529	1,679	1,552
Shareholders' interests		**5,641**	5,463	5,068	3,738	3,713	**2,201**	2,224	1,639	1,787	1,659
Non-current liabilities		**3,557**	3,670	3,571	2,451	2,945	**309**	300	301	300	315
		9,198	9,133	8,639	6,189	6,658	**2,510**	2,524	1,940	2,087	1,974
STATEMENTS OF PROFIT OR LOSS											
Revenue		**504**	497	464	422	412	**136**	82	117	114	102
Profit before tax		**7**	87	399	85	175	**82**	28	65	64	46
(Loss)/profit attributable to equity holders of the parent		**(9)**	82	382	67	158	**81**	27	64	63	45
Dividends*		**62.0**	62.0	62.0	62.0	46.5	**62.0**	62.0	62.0	62.0	46.5
DATA PER SHARE											
(Loss)/earnings per share	Rs	**(0.08)**	0.79	3.70	0.65	1.52	**0.78**	0.27	0.62	0.61	0.44
Dividend per share*	Re	**0.60**	0.60	0.60	0.60	0.45	**0.60**	0.60	0.60	0.60	0.45
Net assets per share**	Rs	**52.65**	52.85	49.04	36.17	35.93	**21.30**	21.52	15.86	17.29	16.05

* Dividends for the financial years ended 30th June 2017 and 30th June 2018 were declared after year end.

** After adjusting for the non-cummulative irredeemable preference shares.

Fincorp

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