Fincorp

Fincorp Investment Ltd

Annual Report

30 June 2020

FINCORP INVESTMENT LIMITED
AND ITS SUBSIDIARY

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 2020 to the best of the Board's knowledge, the Company has applied the principles set out in the Code and has explained how these have been applied in this Corporate Governance Report.

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 a regular 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 (the "Group"), the ultimate holding company, has adopted a Code of Ethics which is applicable to all its subsidiaries, its employees and directors and which has been approved by the Board of Directors and 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.

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 shareholders 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 acts 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 operating subsidiaries. Administrative tasks are carried out by the staff of the subsidiaries of MCB Group Limited.

Corporate Governance Report

2. THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

2.1. Board Structure

The Board is a unitary Board that currently consists of 3 independent and 2 non-executive directors including 2 female directors, 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
Jean-Philippe Coulier	M	Mauritius	Independent Director
Marivonne Oxenham	F	Mauritius	Non-Executive Director
Margaret Wong Ping Lun	F	Mauritius	Independent 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 5 directors is appropriate for enabling effective decision-making.

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

2.3. Directors' Profile

Jean-Pierre Montocchio (Non-Executive Director and Chairperson)

Notary Public since 1990, Jean-Pierre, sits on several boards of companies spanning various sectors of the economy. He participated in the National Committee on Corporate Governance as a member of the Board of Directors' Sub-Committee. He has been appointed Director of Fincorp Investment Limited on 27 December 2004 and is presently the Chairperson.

Directorship in other listed companies:

Rogers & Co. Ltd, New Mauritius Hotels Ltd, ENL Land Ltd, Les Moulins de la Concorde Ltée

Sunil Banymandhub (Independent Director)

Holder of 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), Sunil is also an Associate of the Institute of Chartered Accountants of England and Wales. He 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

Jean-Philippe Coulier (Independent Director)

Holder of a Diplôme d'Études Supérieures en Droit' and 'Diplôme de l'Institut d'Études Politiques de Paris' (France), Jean-Philippe has accumulated extensive experience during his career in the banking sector, having worked for the Société Générale Group for some 40 years. Over this period, he has assumed a range of high-level responsibilities within the group, acting as Director, Chief Operating Officer and Chief Executive Officer in its various offices based worldwide. Before his retirement from Société Générale in early 2013, he was the Vice Chairman and Managing Director of the National Société Générale Bank in Cairo, Egypt. He was appointed Director of The Mauritius Commercial Bank Limited in 2012 and held the chairmanship from 2014 until his retirement from its Board in 2018. In 2018, he was appointed director and Chairperson of Promotion and Development Ltd and Caudan Development Ltd. He is also a director of MCB Factors Ltd and MCB Microfinance Ltd.

Directorship in other listed companies:

Caudan Development Limited, Promotion and Development Ltd

Marivonne Oxenham (Non-Executive Director)

Marivonne is the Managing Director of MCB Group Corporate Services Ltd, ("MCBGCS"). She is a fellow Member of The Chartered Governance Institute (previously known as 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 various other subsidiaries of the Group.

Margaret Wong Ping Lun (Independent Director)

Holder of a BA (Honours) in Business Studies (UK), Margaret is also a fellow member of the Institute of Chartered Accountants in England and Wales. Prior to joining the University of Mauritius in 1991 where she was a lecturer in Accounting and Finance until her retirement in August 2019, Margaret was a Senior Manager at De Chazal Du Mée's Consultancy Department. She was formerly a member of the Listing Executive Committee of the Stock Exchange of Mauritius Ltd. She was appointed to the Board of MCB Ltd in 2004 and was a Director thereof until March 2014, after which she joined the Board of MCB Group Ltd following the restructuring of the Group, until November 2019. She is currently the Chairperson of MCB Factors Ltd, MCB Real Assets Ltd and Compagnie Des Villages De Vacances De L'Isle De France Limitée (COVIFRA) and an independent director of MCB Investment Holding Limited.

Directorship in other listed companies:

COVIFRA, Terra Mauricia Ltd

2.4. Attendance at Board and Board Committee meetings during financial year 2019/2020

	Board	Audit Committee
Number of meetings held	4	4
	Meetings attended	**Meetings attended**
Jean-Pierre MONTOCCHIO	4/4	N/A
Sunil BANYMANDHUB	3/4	3/4
Jean-Philippe COULIER	4/4	4/4
Marivonne OXENHAM	4/4	N/A
Margaret WONG PING LUN	4/4	4/4

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 3 members, namely Messrs. Sunil Banymandhub acting as Chairperson, Mr Jean-Philippe Coulier and Mrs Margaret Wong Ping Lun. 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.

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 and Sustainability Committee (RCGESC) of MCB Group Limited, the ultimate holding company of Fincorp Investment Limited (the Company).

The RCGESC identifies suitable candidates after determining whether the potential candidates have the required criteria established by the RCGESC and whether the potential new director/s are fit and proper and are not disqualified from being director/s. The RCGESC 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 materially during the Financial Year 2019/2020 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 subsidiaries 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, Ethics and Sustainability 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.

4.5. Related Party Transactions

For Related Party Transactions, please refer to note 30 of the financial statements.

4.6. Information, Information Technology and Information Security Governance Policy

The Board oversees information governance within the organisation. 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 Board acknowledges the need to regularly review its performance and effectiveness. A board evaluation was carried out in August 2020 for the financial year 2019/2020 by means of a questionnaire filled in by each Director.

The questionnaire covered 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 outcome of the assessment indicates that the governance practices in place generally exceed the minimum performance and compliance requirements. Whilst the results showed that there were a few areas to be reviewed to further enhance performance, no material concerns were identified.

The next exercise will be held in 2022.

4.8. Statement of Remuneration Philosophy

The RCGESC 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 as its ultimate holding company, MCB Group Limited which consist of:

- a monthly basic retainer for membership of the Board and/or Committee
- an attendance fee per sitting of the Board and/or Committee
- a fee for attending the Annual Meeting of Shareholders
- higher remuneration of the Chairperson of the Board, having wider responsibilities;
- ineligibility to share option or bonus to non-executive or independent directors.

4.9. Directors' Remuneration

	From the Holding Company		**From Subsidiary**	
	2020 Rs'000	**2019 Rs'000**	**2020 Rs'000**	**2019 Rs'000**
Directors of Fincorp Investment Ltd	**959.0**	376.3	-	-
Directors of subsidiary - Non-Executive only	**-**	**-**	**454.2**	454.5

Details of Directors Remuneration for year 2020:

Directors	From the Holding Co. Rs'000	From Subsidiary Rs'000
Jean-Pierre MONTOCCHIO	292.8	-
Sunil BANYMANDHUB	211.8	-
Jean-Philippe COULIER	227.2	-
Marivonne OXENHAM	-	-
Margaret WONG PING LUN	227.2	-
Total	**959.0**	-

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 mitigation 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, MCB Leasing Limited has its own:

- Risk Management and Conduct Review Committee, a board sub-committee comprising of 3 independent directors and the Managing Director;
- Audit Committee comprising of 3 independent directors.

Any material issues arising out of these committees are reported to the board of MCB Leasing Limited and subsequently to the board of Fincorp Investment Limited.

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, including compliance with policies 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 MCB Leasing Limited 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.

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.

Mr Sunil Banymandhub is common Director 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 gives the interests of the directors in the shares of the Company as at 30th June 2020.

	No. of shares held as at 30th June 2020	
Directors	**Direct**	**Indirect**
Sunil BANYMANDHUB	-	-
Jean-Philippe COULIER	-	-
Jean-Pierre MONTOCCHIO	-	9,370
Marivonne OXENHAM	-	-
Margaret WONG PING LUN	-	10,000

6.4. Directors of the Subsidiary

<u>MCB Leasing Limited</u>

Marie Joseph Bernard D'HOTMAN DE VILLIERS (up to 15th October 2020)
Mulk Raj GUNGAH
Martine IP MIN WAN
Johanne JOSEPH (as from 15th October 2020)
Alain LAW MIN (up to 15th October 2020)
François MONTOCCHIO (up to 15th October 2020)
Jean Michel NG TSEUNG (as from 15th October 2020)
Simon Pierre REY (as from 15th October 2020)
Anju UMROWSING-RAMTOHUL

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. Charitable Donations

No charitable donation was made by the Company. Rs 18,360 (2019: Rs 10,000) was given to charitable associations by MCB Leasing Limited during the year.

6.11. Corporate Social Responsibility

Total contributions with respect to Corporate Social Responsibility ("CSR") made during the year amounted to Rs 68,130 out of which Rs 34,065 were transferred to the MCB Forward Foundation, the entity set up within the MCB Group for CSR purposes. Contributions applicable for the year for its subsidiary MCB Leasing Limited amounted to Rs 519,391 out of which 50% are remitted to the Mauritius Revenue Authority and 50% to the MCB Forward Foundation.

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 (MCB Leasing Limited) are discussed at the Audit Committee of both the subsidiary and the Company;

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

The Board has however decided that as from the financial year 2020/2021, the internal audit function would be delegated to the Internal Audit Business Unit of The Mauritius Commercial Bank Limited.

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. Deloitte has been appointed as external auditor of the Company at the Annual Meeting of shareholders in December 2019.

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.

7.3. Auditor's Fees

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

	2020			2019		
	Audit Rs'000	**Other services related to audit Rs'000**	**Other services Rs'000**	Audit Rs'000	Other services related to audit Rs'000	Other services Rs'000
Fincorp Investment Limited						
Deloitte	**247**	**-**	**-**	-	-	-
BDO & Co	**-**	**-**	**-**	238	-	-
MCB Leasing Limited						
Deloitte	**522**	**413**	**-**	-	-	-
PricewaterhouseCoopers Ltd	**-**			605	500	275

Fees for other services related to audit incurred by MCB Leasing Limited comprise of Expected Credit Loss Review (Rs 217,000), IT General Controls (Rs 87,000) and Interim Review in relation to dividend declaration (Rs 109,000).

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 2020 is given in the table below.

Size of Shareholding as at 30 June 2020	Number of shareholders	Number of shares owned	% Holding
1 – 500 shares	1,001	195,994	0.19
501 – 1,000 shares	271	215,029	0.21
1,001 – 5,000 shares	715	1,829,608	1.77
5,001 – 10,000 shares	227	1,675,331	1.62
10,001 – 50,000 shares	308	6,820,770	6.60
50,001 – 100,000 shares	54	3,693,027	3.57
Above 100,000 shares	43	88,925,581	86.04
Total	**2,619**	**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 21 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.

8.3. Dividend Policy

The Company aims to supply its shareholders with ongoing returns in the form of stable dividends. However, in the current exceptional circumstances relating to the Covid-19 pandemic and in line with directives issued by our banking regulator in relation to its subsidiary MCB Leasing Limited, the Company has not declared any dividend for the period under review.

8.4. Share price information

The Company's share price started the year at Rs 24.65. It closed at Rs 19.95 on 30th June 2020.

8.5. Calendar of events

November 2020	Release of quarterly results
December 2020	Annual Meeting of shareholders
February 2021	Release of half yearly results
May 2021	Release of results for the 9 months to 31st March 2021
September 2021	Release of full year results to 30th June 2021

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors acknowledge their responsibilities for:

- the maintenance of adequate accounting records and 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 Companies Act 2001 and the Financial Reporting Act 2004;
- the selection of appropriate accounting policies supported by reasonable and prudent judgements;
- the preparation of the financial statements on a going concern basis;
- adherence to The National Code of Corporate Governance for Mauritius.

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, the Companies Act 2001 and the Financial Reporting Act 2004 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 all the requirements of The National Code of Corporate Governance for Mauritius.

For and on behalf of the Board of Directors:

Jean-Pierre MONTOCCHIO	Jean Philippe COULIER
Chairperson	Director

Date: 16th October 2020

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 2019 to 30 June 2020

We, the Directors of Fincorp Investment Limited, confirm that to the best of our knowledge, Fincorp Investment Limited has complied with all of its obligations and requirements under the National Code of Corporate Governance for Mauritius (2016).

Jean-Pierre MONTOCCHIO Chairperson	Jean Philippe COULIER Director

Date: 16th October 2020

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 2020.

MANAGING THE IMPACTS OF THE COVID-19 PANDEMIC

The key highlight of the financial year has been the propagation of the COVID-19 pandemic which has been exerting significant pressures on both the economic and market environments in Mauritius. The operating conditions faced by Fincorp and its subsidiary company (MCB Leasing Limited) have been unprecedented, thus prompting immediate measures to be taken to preserve the soundness and resilience of their activities. As matters stand, high uncertainty levels prevail as stakeholders seek to find ways and means to confront economic and sanitary challenges, with limited visibility as to when the situation will improve and get back to pre-pandemic levels.

(a) Economic measures announced by the authorities

Government introduced a range of financial and fiscal support measures, notably:
- the implementation of a Wage Assistance Scheme to provide financial support to employers who no longer have the financial means to pay their employees;
- the provision of financial, leasing and factoring schemes to businesses by the Investment Support Programme Ltd, which operates under the aegis of the Ministry of Finance, Economic Planning and Development;
- the provision of a Self-Employed Assistance Scheme for those employed in the informal sector and for the self-employed.

In addition, a special purpose vehicle (Mauritius Investment Corporation (MIC), a 100% subsidiary of the Bank of Mauritius) was incorporated during the year. Its core mandate is to provide equity and quasi-equity funding to support affected domestic systemic economic operators, to ensure that they are kept afloat and preserve jobs. MIC has been engaged in discussions with eligible companies with a view to appraising and approving funding requests received, notably from the tourism and textile industries.

(b) Accompanying measures provided by MCB Leasing Limited

At the level of MCB Leasing Limited, we have initiated and implemented a special and circumstantial "Covid-19 Support Scheme". The closure of our frontiers has impacted heavily on the tourism sector, as well as on other indirectly related businesses, such as tour operators, companies involved in the transport of employees, car rental companies, distributors of consumables, and dry cleaning service operators, to name a few.

The scheme comprises several measures in an attempt to provide appropriate support to our customers operating in vulnerable sectors. By June 2020, we had approved and implemented the "Covid-19 Support Scheme" impacting more than 1,400 contracts. The financial assistance offered by MCB Leasing Limited has been in the form of capital moratorium for a period of 6 months. We have also entertained requests for lease extensions, by applying secondary lease periods, in view of decreasing the monthly rentals.

(c) Responding to Covid-19: working practices adopted by MCB Leasing Limited

The organisation took prompt measures to preserve the health and safety of its employees during and after the lockdown period. It provided them with dedicated facilities that helped them undertake their activities, backed by clear policies and guidelines.

In particular, MCB Leasing Limited adopted a phased implementation of Work From Home (WFH) practices and reorganisation of work processes with the operation of split/rotating teams as soon as lockdowns were announced, underpinned by the delivery of dedicated technological and infrastructure support. The key objective pursued is to maintain continuity of business operations, uphold the delivery of minimum service to customers and reduce risks of contamination.

Consequently, some adjustments were successfully implemented to our operating model, favouring a remote workforce, combined with the "Work-In-Office" planning, video conference meetings and online training sessions. Our staff rapidly adapted positively with these changes and we also noted an increase in employee engagement and efficiency with the implementation of 'flexi-time' and 'split' teams.

RESULTS AND DIVIDENDS

Fincorp posted a consolidated loss after tax amounting to Rs 51.4 million for the financial year ended June 30, 2020 compared to a profit of Rs 213.0 million last year.

Operating profit before share of results of associates deteriorated from Rs 68.3 million to Rs 26.2 million, reflecting a difficult year at the level of MCB Leasing Limited which was heavily impacted by the Covid-19 pandemic. The contribution of the Company's associates also dropped significantly from a profit of Rs 152.0 million last year to a loss of Rs76.6 million for the current year. As a result, Fincorp posted a consolidated loss before tax of Rs 50.5 million for the financial year to 30 June 2020 (2019: profit before tax of Rs 220.3 million).

At the company level, profit after tax amounted to Rs 35.0 million compared to Rs 83.1 million last year on account of lower dividend pay-out by the Company's associates.

In the current exceptional circumstances relating to the Covid-19 pandemic and in view of the fact that our subsidiary and associated companies have not declared any dividends, the Company has not declared any dividend for the period under review.

(a) MCB Leasing Limited

During the year under review, MCB Leasing Limited's operations were adversely impacted by the economic slump resulting from the Covid-19 pandemic and the three months lockdown, squeezed margins as well as a highly competitive commercial environment. The lease portfolio contracted by 5.4% to reach Rs 3,954.7 million (2019: Rs 4,180.5 million), with the finance lease portfolio down by 5.8% to Rs 3,283.8 million and operating leases down by 3.3% to now stand at Rs 670.9 million.

The reduction in disbursement of new leases during the year caused by the 3 months of national lockdown also led to an increase in liquidity which was invested in financial instruments yielding negative margins as a result of the significant drop in interest rates during the last quarter of the financial year.

The combined impact of lower financial lease portfolio and the significant reduction in interest income resulting from the investment of our excess liquidity led to a decrease in net interest income of 17% to reach Rs 81.5 million (2019: Rs98.1 million).

Other income (comprising principally of operating lease income net of depreciation charges on leased assets) also decreased by Rs 14.2 million to reach Rs 62.4 million in line with the reduction in the operating lease portfolio and reduced margins in that business segment.

The company proceeded with a rebranding exercise and marketing campaign to advertise its new identity. The cost of this campaign coupled with continued capacity building initiatives during the year led to an increase of 11.8% in operating costs which reached Rs 79.6 million. The year under review was also highly impacted by additional provisioning for Expected Credit Losses of Rs9.7 million on its performing lease portfolio on the back of uncertainties in the local economy as well as the capacity of the company's lessees to face the current economic difficulties.

As a result of the above, with decreasing operating income and increase in operating expenses, the contribution to Fincorp's Group results fell by 40.8% to Rs 53.7 million (2019: 90.6 million).

(b) Associated Companies

PAD, in which Fincorp has a 46.4% stake, is an investment company with strategic assets that include:

- A 71% stake in Caudan Development Ltd ("Caudan"), a quoted company which owns and manages a large waterfront property in Port Louis. Fincorp also has a direct shareholding of 5.3% in Caudan, which together with its indirect holding through PAD, give rise to a net effective shareholding of 38.1%; *and*
- a minority holding of 35% in Medine Ltd ("Medine"), a sugar-based entity with substantial real estate interests.

The contribution of the associated companies to Fincorp Group's results shifted from a profit of Rs 152.0 million in FY 2018/19 to a loss of Rs 76.6 million in FY 2019/20. In particular,

- PAD's net results after minority interest and excluding its share of profits from associates dropped from a profit of Rs 169.9 million in FY 2018/19 to a loss of Rs50.9 million in FY 19/20. This significant deterioration amounting to Rs 220.8million reflects:
    - The adverse performance of Caudan whose operations have been impacted by the COVID-19 pandemic as well as a difficult start in respect of its Phase 3 building amidst higher financing charges. In addition, Caudan benefited from significant gains from fair value adjustment on investment property during the last financial year. The share of Caudan's profits after minority interest and after taking into consideration fair value gains on investment properties dropped from Rs 154.5 million in FY 18/19 to Rs 0.5 million in FY 19/20;
    - A drop in PAD's other income and dividend income from its various investments.

- PAD's share of results from its associates dropped significantly from a profit of Rs132.7 million in FY18/19 to a loss of Rs 114.3 million in FY19/20. In particular, PAD's share of results in Medine dropped from a profit of Rs 93.4 million to a loss of Rs 193.0 million, reflecting:
    - losses posted during the year from its agricultural activities as a result of the challenging operating environment characterising the sugar industry;
    - a significant drop in profits from the sale of land;
    - fair value losses registered in the current financial year as opposed to fair value gains from the revaluation of its investment properties in the prior year;
    - the adverse impact of the Covid-19 pandemic on certain operations (namely Casela, the hospitality sector and the retail activities).

INVESTMENT PORTFOLIO

At company level, Fincorp's portfolio of investments fell by 5.2% during the year to Rs 2,408.2 million at 30 June 2020, with the value of PAD falling by some 10.3% to reach Rs 1,624.0 million and that of MFD Group Limited increasing by 24.7% to reach Rs 255.4 million at 30 June 2020.

At Group level, Fincorp's net assets per share amounted to Rs 53.0 at 30 June 2020, a drop of some 5.7% from last year's value of Rs 56.2. The Fincorp share continues to trade at a substantial discount to net asset value, of 62.3% (2019: 56.2%) based on the market value of Rs19.95 on the Stock Exchange as at 30 June 2020 (2019: Rs 24.70).

Report of the Directors

	Value of Investments 30.06.2020		Value of Investments 30.06.2019	
	Rs'm	%	Rs'm	%
Subsidiary Company				
Shares in MCB Leasing Limited	**200.0**	**8.30**	**200.0**	**7.88**
Associated Companies				
Shares in Promotion and Development Ltd.	1,624.0	67.43	1,810.7	71.30
Shares in Caudan Development Ltd.	108.9	4.52	110.0	4.33
	1,732.9	**71.96**	**1,920.7**	**75.63**
Other Investments				
Shares in Le Refuge du Pêcheur Ltd.	203.7	8.46	203.7	8.02
MFD Group Limited	255.4	10.60	204.8	8.06
Other Investments	16.2	0.67	10.6	0.41
	475.3	**19.74**	**419.1**	**16.49**
	2,408.2	**100.00**	**2,539.9**	**100.00**

OUTLOOK

The operating context remains particularly challenging, with low visibility on the evolution of the situation going forward. Difficult market and economic conditions are expected to continue taking their toll across economic sectors, albeit to varying degrees.

Pressures on asset quality are likely to intensify at the level of MCB Leasing Limited with the degree of the impact remaining highly dependent on the duration and severity of the COVID-19 pandemic and the effectiveness of the support measures from the authorities, including financial assistance from the Mauritius Investment Corporation to mitigate the effects of the pandemic on economic operators. Pressures on earnings will also be felt across the subsidiaries and associates of PAD until such time that the economic activities start to pick up again, especially those linked to the tourism sector.

Against this backdrop, we will monitor the situation closely with regular assessment of potential scenarios. We will seek to maintain adequate buffers in terms of capital adequacy as well as funding and liquidity, thus preserving our financial soundness.

Signed by

Jean-Pierre MONTOCCHIO Chairman	Jean Philippe COULIER Director

For and on behalf of the Board of Directors

Date: 16th October 2020

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: 16th October 2020

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Independent Auditor's Report to the Shareholders of Fincorp Investment Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and financial statements of **Fincorp Investment Limited** (the "Company" or the "Public Interest Entity") and its subsidiary (collectively referred to as the "Group") set out on pages 28 to 80, which comprise the consolidated and separate statements of financial position as at 30 June 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 2020, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

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

Other Matter

The consolidated and separate financial statements of Fincorp Investment Limited for the year ended 30 June 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated and separate financial statements on 26 September 2019.

Key Audit Matters

Key audit matters are those matters, 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. The key audit matters noted below relate to the consolidated and separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of lease receivables	
IFRS 9 Financial Instruments requires recognition of expected credit losses ('ECL') on financial instruments, which involves significant judgement and estimates. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the implementation of IFRS 9 are: • Model estimations – Statistical modelling is used to estimate ECLs which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD and LGD models used in the lease portfolios are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach.	Our procedures included the following amongst others: • Involved a team of specialists to validate the model; • Evaluated the appropriateness of the IFRS 9 impairment methodologies; • Assessed the completeness and accuracy of the key inputs and assumptions into the IFRS 9 impairment models; • Assessed the appropriateness of the macro-economic forecasts used; • Independently assessed probability of default, loss given default and exposure at default assumptions; • Assessed the reasonableness of the model predictions by comparing them against actual results;

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Independent Auditor's Report to the Shareholders of Fincorp Investment Limited (Cont'd)

Key Audit Matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Impairment of lease receivables (Cont'd)	
• Macro-Economic Forecasts – IFRS 9 requires to measure ECLs on a forward-looking basis using the most appropriate macro- economic forecasts. The macro-economic forecasts are estimates of future economic conditions. • Qualitative adjustments – Adjustments to the model-driven ECL results are raised by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts. The effect of these matters is that, as part of our risk assessment, we determined that the impairment of lease receivables has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the consolidated and separate financial statements as a whole.	• Inspected the minutes of Risk Management Review Committee to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment; • Challenged the methodologies applied by using our industry knowledge and experience; • Obtained audit evidence of management judgments and assumptions, especially focusing on the consistency of the approach; • Performed substantive tests of details on Stage 3 provisioning including validation of valuation of collateral securities and future cash flows.

The Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interest in, the Company and its subsidiary other than in our capacity as auditor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Company and its subsidiary as far as appears from our examination of those records.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report, Statement of Management's Responsibility for financial reporting, Corporate Governance Report, Report from the secretary. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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.

Corporate Governance Report

Our responsibility under the Financial Reporting Act is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Public Interest Entity has, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.

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Independent Auditor's Report to the Shareholders of Fincorp Investment Limited (Cont'd)

Responsibilities of directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004 and they are also responsible for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate 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/or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate 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's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the 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's 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 consolidated and separate 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/or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Independent Auditor's Report to the Shareholders of Fincorp Investment Limited (Cont'd)

Auditor's responsibilities for the audit of the consolidated and separate financial statements (Cont'd)

- 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current year and are therefore the key audit matters. We describe those matters in our auditor's report unless laws 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.

This report is made solely to the Company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte

Chartered Accountants

16 October 2020

Vishal Agrawal, FCA

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FINCORP INVESTMENT LIMITED
AND ITS SUBSIDIARY

Statements of Financial Position

As at 30 June 2020

	Notes	GROUP			COMPANY	
		As at 30 June 2020	As at 30 June 2019	As at 01 July 2018	**As at 30 June 2020**	As at 30 June 2019
		Rs' 000	Rs' 000 (Restated)	Rs' 000 (Restated)	**Rs' 000**	Rs' 000
ASSETS EMPLOYED						
NON-CURRENT ASSETS						
Intangible assets	6	**21,294**	24,706	26,048	**-**	-
Plant and equipment	7	**674,034**	694,910	592,372	**-**	-
Investments in associates	8	**5,193,719**	5,602,434	5,445,388	**1,732,914**	1,920,740
Investment in subsidiary	9	**-**	-	-	**200,000**	200,000
Investment securities	10	**726,954**	521,439	490,642	**475,319**	419,123
Loan receivable	11	**342,937**	308,868	308,914	**342,937**	308,868
Net lease receivables	12	**2,230,566**	2,214,331	2,181,949	**-**	-
Deposits with financial institutions	13	**-**	55,842	104,268	**-**	-
		9,189,504	9,422,530	9,149,581	**2,751,170**	2,848,731
CURRENT ASSETS						
Net lease receivables	12	**1,063,906**	1,264,845	1,303,865	**-**	-
Deposits with financial institutions	13	**57,677**	55,089	123,271	**-**	-
Investment securities	10	**194,625**	96,389	-	**-**	-
Other assets	14	**75,986**	69,722	47,009	**334**	59,577
Current tax assets		**10,786**	7,676	-	**185**	288
Cash balances	15	**393,127**	98,801	393,508	**-**	-
		1,796,107	1,592,522	1,867,653	**519**	59,865
CURRENT LIABILITIES						
Bank overdrafts	16(a)	**642,733**	669,557	684,217	**642,733**	669,557
Deposits from customers	17	**1,949,858**	650,338	603,388	**-**	-
Borrowings	16(b)	**33,667**	132,798	210,357	**-**	-
Other liabilities	18	**118,631**	82,430	105,655	**2,733**	2,652
Current tax liabilities		**-**	-	9,074	**-**	-
		2,744,889	1,535,123	1,612,691	**645,466**	672,209
NET CURRENT (LIABILITIES)/ASSETS		**(948,782)**	57,399	254,962	**(644,947)**	(612,344)
		8,240,722	9,479,929	9,404,543	**2,106,223**	2,236,387
FINANCED BY						
Share capital	19(a)	**103,355**	103,355	103,355	**103,355**	103,355
Retained earnings		**1,993,687**	2,110,286	1,902,231	**53,221**	80,253
Other components of equity		**3,579,782**	3,793,546	3,845,925	**1,606,710**	1,743,911
SHAREHOLDERS' INTERESTS		**5,676,824**	6,007,187	5,851,511	**1,763,286**	1,927,519
NON-CURRENT LIABILITIES						
Deposits from customers	17	**2,192,914**	3,122,089	3,115,335	**-**	-
Borrowings	16(b)	**353,934**	334,414	423,018	**342,937**	308,868
Deferred tax liabilities	26	**17,050**	16,239	14,679	**-**	-
		2,563,898	3,472,742	3,553,032	**342,937**	308,868
		8,240,722	9,479,929	9,404,543	**2,106,223**	2,236,387

These financial statements were approved for issue by the Board of Directors on 16 October 2020.

Jean-Pierre MONTOCCHIO
Director

Jean-Philippe COULIER
Director

The notes on pages 34 to 80 form part of these financial statements.
Auditor's report on pages 24 to 27.

FINCORP INVESTMENT LIMITED
AND ITS SUBSIDIARY

Statements of Profit or Loss

For the year ended 30 June 2020

			GROUP		COMPANY	
			2020	2019	**2020**	2019
	Notes		**Rs' 000**	Rs' 000	**Rs' 000**	Rs' 000
Revenue	2(d)		**487,742**	501,423	**71,985**	128,360
Other income	20		**224,253**	220,318	**69,853**	121,631
(Loss)/Profit on exchange			**(540)**	68	**(540)**	68
Finance income	21		**269,060**	281,812	**7,703**	7,434
Finance costs	21		**(218,106)**	(218,466)	**(38,236)**	(42,173)
Operating expenses	22		**(238,791)**	(209,374)	**(3,642)**	(3,233)
Operating profit before impairment			**35,876**	74,358	**35,138**	83,727
Net impairment of financial assets	23		**(9,718)**	(6,105)	**-**	-
Operating profit			**26,158**	68,253	**35,138**	83,727
Share of (losses)/profits of associates			**(76,608)**	152,044	**-**	-
(Loss)/Profit before tax			**(50,450)**	220,297	**35,138**	83,727
Income tax expense	24		**(965)**	(7,323)	**(157)**	(579)
(Loss)/Profit attributable to equity holders of the parent			**(51,415)**	212,974	**34,981**	83,148
(Loss)/Earnings per share	27	Rs.	**(0.50)**	2.06	**0.34**	0.80

The notes on pages 34 to 80 form part of these financial statements.
Auditor's report on pages 24 to 27.

FINCORP INVESTMENT LIMITED
AND ITS SUBSIDIARY

Statements of Other Comprehensive Income

For the year ended 30 June 2020

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
(Loss)/Profit attributable to equity holders of the parent	**(51,415)**	212,974	**34,981**	83,148
Other comprehensive (expense)/income:				
Items that will not be reclassified to profit or loss:				
Net fair value loss on investments in associates	**-**	-	**(187,826)**	(222,773)
Net fair value gain/(loss) on equity investments	**50,625**	(72,225)	**50,625**	(72,225)
Share of other comprehensive (expense)/income of associates	**(254,711)**	69,138	**-**	-
	(204,086)	(3,087)	**(137,201)**	(294,998)
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive (expense)/income of associates	**(26)**	4,441	**-**	-
	(26)	4,441	**-**	-
Other comprehensive (expense)/income for the year	**(204,112)**	1,354	**(137,201)**	(294,998)
Total comprehensive (expense)/income attributable to equity holders of the parent	**(255,527)**	214,328	**(102,220)**	(211,850)

The notes on pages 34 to 80 form part of these financial statements.
Auditor's report on pages 24 to 27.

FINCORP INVESTMENT LIMITED
AND ITS SUBSIDIARY

Statements of Changes in Equity

For the year ended 30 June 2020

THE GROUP	Notes	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	Total Rs' 000
At 01 July 2018, before restatement		103,355	200,000	1,902,231	377,792	2,944,193	95,584	5,623,155
Prior year adjustment by associate	33	-	-	-	228,356	-	-	228,356
As restated		103,355	200,000	1,902,231	606,148	2,944,193	95,584	5,851,511
Profit for the year		-	-	212,974	-	-	-	212,974
Other comprehensive income/(expense) for the year		-	-	68	4,280	(2,994)	-	1,354
Total comprehensive income/(expense) for the year		-	-	213,042	4,280	(2,994)	-	214,328
Share of transfer by associate		-	-	64,479	-	(64,479)	-	-
Effect of employee share options exercised in associate		-	-	6,804	-	-	-	6,804
Share of other movements in reserves of associate		-	-	-	-	(2,779)	-	(2,779)
Share of impact of change in shareholding in associates		-	-	(664)	-	-	-	(664)
Dividends	25	-	-	(62,013)	-	-	-	(62,013)
Transfer to statutory reserve		-	-	(13,593)	-	-	13,593	-
At 30 June 2019		103,355	200,000	2,110,286	610,428	2,873,941	109,177	6,007,187
Loss for the year		-	-	(51,415)	-	-	-	(51,415)
Other comprehensive expense for the year		-	-	(329)	-	(203,783)	-	(204,112)
Total comprehensive expense for the year		-	-	(51,744)	-	(203,783)	-	(255,527)
Share of transfer by associate		-	-	10,836	-	(10,836)	-	-
Effect of employee share options exercised in associate		-	-	(3,011)	-	-	-	(3,011)
Share of other movements in reserves of associate		-	-	-	-	(7,195)	-	(7,195)
Share of impact of change in shareholding in associates		-	-	8,383	-	-	-	8,383
Dividends	25	-	-	(73,013)	-	-	-	(73,013)
Transfer to statutory reserve		-	-	(8,050)	-	-	8,050	-
At 30 June 2020		103,355	200,000	1,993,687	610,428	2,652,127	117,227	5,676,824

The notes on pages 34 to 80 form part of these financial statements.
Auditor's report on pages 24 to 27.

FINCORP INVESTMENT LIMITED
AND ITS SUBSIDIARY

Statements of Changes in Equity (Continued)

For the year ended 30 June 2020

THE COMPANY	Note	Share Capital Rs' 000	Retained Earnings Rs' 000	Capital Reserve Rs' 000	Revaluation & Other Reserve Rs' 000	Total Rs' 000
At 01 July 2018		103,355	59,118	100,596	1,938,313	2,201,382
Profit for the year		-	83,148	-	-	83,148
Other comprehensive expense for the year		-	-	-	(294,998)	(294,998)
Total comprehensive income/(expense) for the year		-	83,148	-	(294,998)	(211,850)
Dividends	25	-	(62,013)	-	-	(62,013)
At 30 June 2019		103,355	80,253	100,596	1,643,315	1,927,519
Profit for the year		-	34,981	-	-	34,981
Other comprehensive expense for the year		-	-	-	(137,201)	(137,201)
Total comprehensive income/(expense) for the year		-	34,981	-	(137,201)	(102,220)
Dividends	25	-	(62,013)	-	-	(62,013)
At 30 June 2020		103,355	53,221	100,596	1,506,114	1,763,286

The notes on pages 34 to 80 form part of these financial statements.
Auditor's report on pages 24 to 27.

FINCORP INVESTMENT LIMITED
AND ITS SUBSIDIARY

Statements of Cash Flows

For the year ended 30 June 2020

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
OPERATING ACTIVITIES				
Cash received from investments	**82,929**	78,463	**122,933**	118,463
Interest received	**18,665**	36,465	**7,313**	4,544
Net cash inflow from leasing activities	**634,777**	358,745	**-**	-
Net increase in deposits	**330,308**	17,875	**-**	-
Other cash payments	**(3,353)**	(2,357)	**(3,353)**	(2,357)
Cash inflow generated from operations	**1,063,326**	489,191	**126,893**	120,650
Interest paid	**(177,835)**	(185,501)	**(38,002)**	(42,163)
Net cash flows from operating activities	**885,491**	303,690	**88,891**	78,487
TAXATION				
Income tax paid	**(3,264)**	(22,510)	**(54)**	(1,814)
INVESTING ACTIVITIES				
Purchase of plant and equipment	**(209,901)**	(305,794)	**-**	-
Purchase of intangible assets	**(597)**	(2,275)	**-**	-
Purchase of Government of Mauritius bonds	**(149,347)**	(102,316)	**-**	-
Purchase of Government of Mauritius treasury bills	**(98,208)**	(96,389)	**-**	-
Proceeds from financial institutions	**-**	100,000	**-**	-
Proceeds from sale of plant and equipment	**77,061**	67,433	**-**	-
Proceeds from sale of repossessed leased assets	**6,608**	5,345	**-**	-
Net cash flows used in investing activities	**(374,384)**	(333,996)	**-**	-
NET CASH FLOWS BEFORE FINANCING ACTIVITIES	**507,843**	(52,816)	**88,837**	76,673
FINANCING ACTIVITIES				
Net decrease in borrowings	**(113,680)**	(166,117)	**-**	-
Dividends paid	**(73,013)**	(62,013)	**(62,013)**	(62,013)
Net cash flows used in financing activities	**(186,693)**	(228,130)	**(62,013)**	(62,013)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**321,150**	(280,946)	**26,824**	14,660
CASH AND CASH EQUIVALENTS AT 01 JULY	**(570,756)**	(289,810)	**(669,557)**	(684,217)
CASH AND CASH EQUIVALENTS AT 30 JUNE	**(249,606)**	(570,756)	**(642,733)**	(669,557)
Cash and Cash Equivalents are made up as follows:				
Bank balances	**393,127**	98,801	**-**	-
Bank overdrafts	**(642,733)**	(669,557)	**(642,733)**	(669,557)
	(249,606)	(570,756)	**(642,733)**	(669,557)

The notes on pages 34 to 80 form part of these financial statements.
Auditor's report on pages 24 to 27.

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 had net current liabilities MUR 949M and the Company MUR 645M (2019: MUR 612M) at 30 June, 2020. The Board is satisfied that the Group and the Company have 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) financial assets and liabilities are stated at their fair value,

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

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

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

In the current year, the Group and the company have applied the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 01 July 2019.

The following relevant revised Standards have been applied in these financial statements, their application has not had any significant impact on the amounts reported for the current and prior periods but may affect the accounting treatment for future transactions or arrangements.

IAS12 - Income Taxes - Amendments resulting from Annual Improvements 2015-2017 Cycle (income tax consequences of dividends)
IAS19 - Employee Benefits - Amendments regarding plan amendments, curtailments or settlements
IFRS3 - Business Combinations - Amendments resulting from Annual Improvements 2015-2017 Cycle (remeasurement previously held interest)
IFRS9 - Financial Instruments - Amendments regarding pre-payment features with negative compensation and modifications of financial liabilities
IFRS16 - Leases - Original issue
IFRIC23 - Uncertainty over Income Tax Treatments

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)

Impact of initial application of IFRS 16 Leases

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or modified before 01 July 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applied the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or modified on or after 01 July 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in IFRS 16 has not significantly changed the scope of contracts that meet the definition of a lease for the Group.

(a) Impact on Lessee Accounting (former operating leases)

IFRS 16 changes how an entity accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except as noted below), an entity:

(i)Recognise right-of-use assets and lease liabilities in the consolidated and separate statements of financial position, initially measured at the present value of the future lease payments, with the right-of-use adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii)

(ii)Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated and separate statements of profit or loss;

(iii) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated and separate statements of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, Impairment of assets.

For short-term leases (lease term of 12 months or less), The Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other operating expenses in profit or loss.

(b) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

2. Basis of preparation (cont'd)

Standards, Amendments to published standard and interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following relevant Standards were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 1 - Presentation of Financial Statements - Amendments regarding the definition of material (effective 01 January 2020)

IAS 1 - Presentation of Financial Statements - Amendments regarding the classification of liabilities (effective 01 January 2023)

IAS 1 - Presentation of Financial Statements - Amendments to defer the effective date of the January 2020 amendments (effective 01 January 2023)

IAS 8 - Accounting Policies, Change in Accounting Estimates and Errors - Amendments regarding the definition of material (effective 01 January 2020)

IAS 16 -Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produces while the company is preparing the asset for its intended uses (effective 01 January 2022)

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous (effective 01 January 2022)

IAS 39 - Financial instruments: Recognition and measurement - Amendments regarding replacement issues in the context of IBOR reform (effective 01 January 2021)

IFRS 7 - Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform (effective date 01 January 2021)

IFRS 9 - Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform (effective date 01 January 2021)

IFRS 9 - Financial Instruments - Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (fees in the '10 per cent' test for derecognition of financial liabilities) (effective date 01 January 2022)

IFRS 16 - Leases - Amendment to provide lessees with an exemption from assessing whether a COVID- 19-related concession is a lease modification (effective 01 June 2020)

IFRS 16 - Leases - Amendments regarding replacement issues in the context of the IBOR reform (effective 01 January 2021)

Amendments to references to the Conceptual Framework in IFRS standards - Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regards to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework (effective 01 January 2020)

The directors anticipate that these Standards and Interpretations will be applied in the Group's and the Company's financial statements at the above effective dates in future periods. The directors have not yet had the opportunity to consider the potential impact of the application of these amendments.

(b) Basis of consolidation

Investment in subsidiary

Separate financial statements of the Company

In the separate financial statements of the Company, investment 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.

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.

2.SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) **Investments in associates (cont'd)**

Consolidated financial statements (cont'd)

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**

(i) Revenue from contracts with customers

The Group adopted IFRS 15 Revenue from contracts with customers as from 01 July 2018. IFRS 15 deals with the revenue recognition and establishes principles to reporting useful information to users of financial statements about 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 adoption did not have a significant effect on the current year or prior period.

(ii) Other revenue

Other revenue earned by the Group are recognised on the following bases:

- Interest income - Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).
- Finance lease income - 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 - Operating lease income is recognised over the term of the lease using the straight line method.
- Dividend income - when the shareholders' right to receive payment is established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Processing fees

Processing fees on leases 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.

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 profit/(loss) 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) 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.

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

2.SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) **Plant and equipment (Cont'd)**

(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.

The estimated useful lives of significant equipment are as follows:

Office equipment, furniture and fittings	5 years
Computer equipment	3 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 necessary.

(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.

2.SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Plant and equipment (Cont'd)

(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.

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 criteria 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

(i) Classification and subsequent measurement

From 01 July 2018, the Group has applied IFRS 9 and has the option to classify its financial assets in the following measurement categories:
- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI) or
- Amortised cost.

A description of each of the measurement category is given below:

• Under the amortised cost model, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in 2(d). Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

2.SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial assets (Cont'd)

- Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. They are recognised on the trade date when the Group enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the statement of profit or loss as 'Other income'.

- Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented within 'Other income' in the period in which it arises. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

In order to determine the classification and subsequent measurement of its financial assets, IFRS 9 introduces the concept of SPPI and business model.

Business model

The business model reflects how the Group manages its assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these is applicable (e.g. financial assets being held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL as described above. Factors which have been considered by the Group in determining its business model includes past experience on how the cash flows for the assets were collected, amongst others.

SPPI

Where the business model is to hold assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows, represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk and other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

2.SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial assets (cont'd)

(i) Classification and subsequent measurement (cont'd)

SPPI

The Group classifies its financial assets, comprising cash and cash equivalents, deposits with financial institutions, investment securities, net lease receivables and other receivables under the amortised cost measurement model. As per the Group's own assessment for the classification of financial assets under IFRS 9 under the SPPI test, the classification of the financial assets has been determined as follows:

Financial instrument	SPPI met	Business model	Classification
Cash and cash equivalents	Yes	Hold to collect	At amortised cost
Deposits with financial institutions	Yes	Hold to collect	At amortised cost
Investment securities	Yes	Hold to collect	At amortised cost
Other assets (excluding non-financial assets)	Yes	Hold to collect	At amortised cost

The Group, as a lessor recognises and measures the rights and obligations under a lease as per the general requirements of IAS 17 *Leases* 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 Group are subject to the derecognition and impairment requirements of IFRS 9 which is described in note 2(j)(ii) and 2(j)(iii).

(ii) Derecognition

Financial assets 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 risks and rewards of ownership.

(iii) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with financial assets at amortised cost and with exposures arising from lease commitments. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability- weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

This note further provides details about how ECL is computed, along with the 'three-stage' model for impairment adopted by the Group in line with IFRS 9 requirements.

2.SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial assets (cont'd)

'Three-Stage' model

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group;
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Details of SICR is further described below.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

The following diagram summarises the impairment requirements under IFRS 9

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
	Lifetime expected credit	

SICR

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

Quantitative criteria:

The Group has applied the backstop as prescribed under IFRS 9 and a financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments, i.e. would move from Stage 1 to Stage 2.

Qualitative criteria:
For retail customers, if the borrower meets one of more of the following criteria:

Qualitative criteria :

- Short term forbearance;
- Standing order or direct debit cancellation;
- Extension to terms granted;

2.SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial assets (cont'd)

(iii) Impairment of financial assets (cont'd)

For wholesale customers, if the borrower is on the watchlist or if the instrument meets one or more of the below criteria:

• Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
• Actual or expected forbearance or restructuring
• Actual or expected significant adverse change in operating results of the borrower
• Significant change in collateral value (secured facilities only) which is expected to increase risk of default
• Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/leases.

ECL measurement

The ECL is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether the asset is considered credit-impaired. Expected credit losses are the discounted product of Probability of Default (PD), Exposure at Default (EAD) and the Loss Given Default (LGD).

ECL = PD x LGD x EAD

• The PD represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.
• EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12-month EAD) or over the remaining lifetime (Lifetime EAD).
• LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the lease.

Forward economic information

The assessment of SICR incorporates forward-looking information. In the case of the Group, management has determined average consumer price index and nominal gross value added to be appropriate macro-economic conditions.

The forward-looking variable is estimated as a ratio of the forward-looking Probability of Default ('PD') to the historical 12-month PD for the year. In order to calculate the forward-looking PD, the weighted average of the three scenarios namely the Baseline, Upside and Downside PDs.

Definition of default

The Group considers a financial instrument or lease defaulted and Stage 3 credit-impaired for ECL computations when the borrower becomes 90 days past due on its contractual payments.

Movement between stages

Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. Except for renegotiated leases, financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above.

2.SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial assets (cont'd)

(iii) Impairment of financial assets (cont'd)

Leases to customers (continued)

The Bank of Mauritius Guideline on Credit Impairment Measurement and Income Recognition, effective as from 01 July 2017, also directs financial institutions to stand guided by the following minimum requirements with regards to classification and

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 realisable 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 realisable 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 realisable value of applicable collateral)

Statutory and other regulatory loan loss reserve requirements that exceed the amounts to be provided under IFRS 9 are dealt with in the general risk reserve as an appropriation of retained earnings.

Notes to the Financial Statements (Continued)

Year ended 30 June 2020

2.SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Financial liabilities

Financial liabilities carried at amortised cost consist mainly of deposits from customers, borrowings, shareholders' 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.

(l) 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.

(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) 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 contribution

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

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

- 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 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 which represents 15% of the profit for the year which is transferred in accordance with Section 21 (1) of the Mauritian Banking Act 2004; until the reserve is equal to the stated capital.

2.SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) **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.

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.
Other tax exposures
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.

2.SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) 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 29 to the financial statements.

(r) 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.

(s) 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.

(t) 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.

2.SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) **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.

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.

(v) ***Leases***

<u>Operating leases – Group acting as the Lessor</u>

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.

2.SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) ***Leases (cont'd)***

(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.

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 Group'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 realisable value under "Other Receivables" in the statement of financial position.

(w) ***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;
- Liquidity risk; and
- Currency 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.

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.

At 30 June 2020, amount written off was Rs 16.8 m. (2019: nil)

3. FINANCIAL RISK FACTORS

(a) Credit Risk (Continued)

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:

	2020	2019
	Rs' 000	Rs' 000
Leases		
Up to 3 months	**32,169**	1,959
Over 3 months and up to 6 months	**56,013**	23,191
Over 6 months and up to 1 year	**6,522**	4,447
Over 1 year	**1,796**	21,905
Total	**96,500**	51,502

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.

	2020	2019	Collaterals held
	Rs' 000	Rs' 000	
Leases			
Gross Amount	**81,274**	97,614	Vehicles and
Stage 3	**60,154**	68,318	other equipment

The fair value of collateral for the impaired facilities amounts to Rs 25 million (2019: Rs 29.1 million). A provision of Rs 60.2 million (2019: Rs 68.3 million) has been made on the impaired receivables.

3. FINANCIAL RISK FACTORS

(a) Credit Risk (Continued)

Repossessed assets

As a last resort, management would consider repossessing the leased asset for impaired exposures.

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

	2020	2019
	Rs' 000	Rs' 000
Vehicles	**2,871**	2,746

These repossessed collaterals are sold to third parties to recover the investment in the leases.

Analysis of credit quality

	2020	2019
	Rs' 000	Rs' 000
Neither past due nor impaired	**3,230,745**	3,445,345
Past due but not impaired	**96,500**	51,502
Individually impaired	**81,274**	97,614
Gross	**3,408,519**	3,594,461
Less allowance for impairment		
Stage 1 & 2 ECL	**(53,893)**	(46,967)
Stage 3 ECL	**(60,154)**	(68,318)
Net lease receivables	**3,294,472**	3,479,176

3. FINANCIAL RISK FACTORS

(a) Credit Risk (Continued)

Maximum exposure to credit risk before collateral and other credit enhancements

The following table presents the maximum exposure at 30 June 2020 and 2019 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 2020 Rs' 000	2019 Rs' 000
Cash balances	393,127	98,801
Investment securities	446,260	198,705
Deposits with financial institutions	57,677	110,931
Net finance lease receivables	3,294,472	3,479,176
Subordinated loan	342,937	308,868
Other receivables	75,986	54,922
	4,610,459	4,251,403

For financial assets recognised in the statement of financial position, the exposure to credit risk equals their carrying amount. Other assets exclude prepayment and VAT receivables amounting to Rs 2.4m (2019: Rs 14.8m).
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.

Summary of credit risk

The disclosure below presents the gross carrying/nominal amount of financial instruments to which the impairment requirements in IFRS 9 are applied and the associated allowance for expected credit losses ('ECL').

	Gross carrying / nominal amount	Allowance for ECL	Net carrying amount
	Rs' 000	Rs' 000	Rs' 000
Net lease receivables	3,408,519	(114,047)	3,294,472
Other financial assets measured at amortised cost			
– cash balances	393,334	(207)	393,127
– deposits with financial institutions	57,683	(6)	57,677
– investment securities	446,310	(50)	446,260
– other receivables	82,735	(6,749)	75,986
Total gross carrying amount on balance sheet	4,388,581	(121,059)	4,267,522
Off balance sheet lease commitments	268,187	(1,126)	267,061
At 30 June 2020	4,656,768	(122,185)	4,534,583

	Gross carrying / nominal amount	Allowance for ECL	Net carrying amount
	Rs' 000	Rs' 000	Rs' 000
Net lease receivables	3,594,461	(115,285)	3,479,177
Other financial assets measured at amortised cost			
– cash balances	98,997	(196)	98,801
– deposits with financial institutions	111,151	(220)	110,931
– investment securities	198,727	(22)	198,705
– other receivables	56,589	(9,027)	47,562
Total gross carrying amount on balance sheet	4,059,925	(124,750)	3,935,176
Off balance sheet lease commitments	693,870	(2,912)	690,958
At 30 June 2019	4,753,795	(127,662)	4,626,134

3. FINANCIAL RISK FACTORS

(a) Credit Risk (Continued)

The following table further summarises credit risk by staging and ECL coverage.

	Gross carrying/nominal amount				Allowance for ECL				ECL coverage %			
	Stage 1	Stage 2	Stage 3	Total	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1	Stage 2	Stage 3	Total
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	%	%	%	%
Net lease receivables	3,230,745	96,500	81,274	3,408,519	(31,470)	(22,423)	(60,154)	(114,047)	0.97%	23.24%	74.01%	3.35%
Cash balances	393,334	-	-	393,334	(207)	-	-	(207)	0.05%	-	-	0.05%
Investment securities	446,310	-	-	446,310	(50)	-	-	(50)	0.01%	-	-	0.01%
Deposits with financial institutions	57,683	-	-	57,683	(6)	-	-	(6)	0.01%	-	-	0.01%
Other receivables	79,414	-	3,321	82,735	(3,429)	-	(3,320)	(6,749)	4.32%	-	99.97%	8.16%
Lease commitments	268,187	-	-	268,187	(1,126)	-	-	(1,126)	0.42%	-	-	0.42%
At 30 June 2020	**4,475,673**	**96,500**	**84,595**	**4,656,768**	**(36,288)**	**(22,423)**	**(63,474)**	**(122,185)**	**0.81%**	**23.24%**	**75.03%**	**2.62%**

	Gross carrying/nominal amount				Allowance for ECL				ECL coverage %			
	Stage 1	Stage 2	Stage 3	Total	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1	Stage 2	Stage 3	Total
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	%	%	%	%
Net lease receivables	3,334,242	162,605	97,614	3,594,461	(19,645)	(27,322)	(68,318)	(115,285)	0.60%	16.80%	70%	3.20%
Cash balances	98,997	-	-	98,997	(196)	-	-	(196)	0.20%	-	-	0.20%
Investment securities	198,727	-	-	198,727	(22)	-	-	(22)	0.01%	-	-	0.01%
Deposits with financial institutions	111,151	-	-	111,151	(220)	-	-	(220)	0.20%	-	-	0.20%
Other receivables	50,991	-	5,598	56,589	(3,429)	-	(5,598)	(9,027)	6.70%	-	100%	16.00%
Lease commitments	693,870	-	-	693,870	(2,912)	-	-	(2,912)	0.40%	-	-	0.40%
At 30 June 2019	**4,487,978**	**162,605**	**103,212**	**4,753,795**	**(26,424)**	**(27,322)**	**(73,916)**	**(127,662)**	**0.60%**	**16.80%**	**75.70%**	**2.80%**

3. FINANCIAL RISK FACTORS

(a) Credit Risk (Continued)

Modification of leases

The Group sometimes modifies the terms of leases provided to customers due to commercial renegotiations, or for distressed leases, with a view to maximising recovery. Such restructured activities include extended payment term arrangements or payment holidays (moratoriums). Restructuring policies and practices are based on indicators or criteria, which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under regular review.

The risk of default on such leases after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and does not result in the derecognition of the original lease. The Group monitors the subsequent performance of the modified lease in line with the requirements of the Bank of Mauritius set out in the *Guideline on Credit Impairment Measurement and Income Recognition*.

The Group implemented a Support Programme during the year under review as a response to the effect of the COVID pandemic on its protfolio. Through that Programme, leases of a value of Rs 1,433. m were given a moratotium of 3 to 6 months.

The Group may determine that the credit risk has significantly improved after restructuring. The gross carrying amount of such restructured leases at 30 June 2020 was Rs 1,433 m. (2019: Rs 25.0m).

Collateral and other credit enhancements

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is ensuring right from the offset, that the customer's profile fits into the Group's risk appetite and has the right profile to service the borrowing without distress. It is the Group's policy to establish that leases are within the customer's capacity to repay, rather than rely excessively on security.

In the case of finance leases, the ownership of the vehicles and equipment financed remain the property of the Group until full settlement of the lease and after which the title is transferred to the lessee. Collaterals for impaired leases are reviewed regularly by the Group by obtaining the fair value of the collaterals through independent qualified surveyors. Where the collateral values have decreased, an additional ECL is booked.

	Gross exposure	Impairment allowance	Fair value of collateral held
	Rs' 000	Rs' 000	Rs' 000
Credit impaired leases	81,274	60,154	24,971

3. FINANCIAL RISK FACTORS (continued)

(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 Rs 100.2m (2019: Rs106.8m).

(c) Interest rate risk

Interest rate risk is the risk that a movement in interest rates will have a significant adverse effect on the financial condition of the Group. This is controlled by ensuring that there are no mismatches or gaps in amounts of financial assets and financial liabilities.

The principal source of funding of the Group is from fixed deposits by the public, whereby the majority of same bears fixed interest rate. On the other hand, the majority of leases granted by the Group are also at fixed rate hence ensuring a constant differential. Very few contracts are on variable terms. Therefore the Group is not significantly exposed to interest rate risk.

(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.

Liquid assets equivalent to not less than 10 per cent of deposit liabilities are maintained at all times. This is monitored continually and a weekly return of liquid assets and deposits is submitted to the Bank of Mauritius. The Group has complied with this requirement at 30 June 2020.

Notes to the Financial Statements (Continued)

Year ended 30 June 2020

3. FINANCIAL RISK FACTORS (continued)

(d) Liquidity risk (continued)

	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, 2020					
Assets					
Intangible assets	-	-	-	21,294	21,294
Plant and equipment	-	-	-	674,034	674,034
Investments in associates	-	-	-	5,193,719	5,193,719
Investment securities	194,625	251,635	-	475,319	921,579
Loan receivable	-	-	342,937	-	342,937
Net lease receivables	1,063,906	2,105,122	125,444	-	3,294,472
Deposits with financial institutions	57,677	-	-	-	57,677
Other receivables	75,986	-	-	-	75,986
Current tax assets	10,786	-	-	-	10,786
Cash balances	393,127	-	-	-	393,127
Total assets	1,796,107	2,356,757	468,381	6,364,366	10,985,611
Liabilities					
Bank overdrafts	642,733	-	-	-	642,733
Deposits	1,949,858	2,192,914	-	-	4,142,772
Borrowings	33,667	10,997	342,937	-	387,601
Other payables	118,631	-	-	-	118,631
Deferred tax liabilities	-	-	-	17,050	17,050
Total liabilities	2,744,889	2,203,911	342,937	17,050	5,308,787
Net liquidity gap	(948,782)	152,846	125,444	6,347,316	5,676,824

3. FINANCIAL RISK FACTORS (continued)

(d) Liquidity risk (continued)

	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, 2019 (Restated)					
Assets					
Intangible assets	-	-	-	24,706	24,706
Plant and equipment	-	-	-	694,910	694,910
Investments in associates	-	-	-	5,602,434	5,602,434
Investment securities	96,389	102,316	-	419,123	617,828
Loan receivable	-	-	308,868	-	308,868
Net lease receivables	1,264,845	2,088,356	125,975	-	3,479,176
Deposits with financial institutions	55,089	55,842	-	-	110,931
Other receivables	69,722	-	-	-	69,722
Current tax assets	7,676	-	-	-	7,676
Cash balances	98,801	-	-	-	98,801
Total assets	1,592,522	2,246,514	434,843	6,741,173	11,015,052
Liabilities					
Bank overdrafts	669,557	-	-	-	669,557
Deposits	650,338	3,122,089	-	-	3,772,427
Borrowings	132,798	25,546	308,868	-	467,212
Other payables	82,430	-	-	-	82,430
Deferred tax liabilities	-	-	-	16,239	16,239
Total liabilities	1,535,123	3,147,635	308,868	16,239	5,007,865
Net liquidity gap	57,399	(901,121)	125,975	6,724,934	6,007,187

(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 a 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.

Valuation techniques used to estimate the fair values of unquoted equity securities include models based on earnings/ dividend growth, discounted cash flows and net asset values, whichever is considered to be appropriate. The Group has made certain assumptions for inputs in the models, including earnings before interest, depreciation, tax and amortisation (EBIDTA), risk free rate, risk premium, dividend growth rate, weighted average cost of capital, appropriate discounts for lack of liquidity and expected cash flows which may be different from actual. As such, fair value estimates may differ given the subjectivity of underlying assumptions used as model inputs. Inputs were based on information available at the reporting date.

3. FINANCIAL RISK FACTORS (continued)

(g) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. It is the Group's policy to ensure that it is not significantly exposed to currency risk by ensuring that borrowings denominated in foreign currencies are contracted in order to grant leases in the same currency. The Group is not exposed to fluctuations in exchange rates and any fluctuation in the exchange rate of EURO/GBP/USD against the rupee will have an immaterial impact on the Group.

The foreign currency profile is as follows:

Group	2020			2019		
	EURO	**GBP**	**USD**	**EURO**	**GBP**	**USD**
	Rs' 000	**Rs' 000**	**Rs' 000**	**Rs' 000**	**Rs' 000**	**Rs' 000**
Assets						
Bank balances	-	-	1,458	-	2	4,030
Loan receivable	342,937	-	-	308,868	-	-
Net lease receivables	40,944	-	36,374	49,174	-	84,338
	383,881	-	37,832	358,042	2	88,368
Liabilities						
Other liabilities	34,398	1	8,520	11,390	1	3,180
Borrowings	346,949	-	25,548	357,354	-	72,453
	381,347	1	34,068	368,744	1	75,633

Company	2020			2019		
	EURO	**GBP**	**USD**	**EURO**	**GBP**	**USD**
	Rs' 000	**Rs' 000**	**Rs' 000**	**Rs' 000**	**Rs' 000**	**Rs' 000**
Assets						
Loan receivable	342,937	-	-	308,868	-	-
Liabilities						
Borrowings	342,937	-	-	308,868	-	-

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	
	2020	2019	**2020**	2019
	Rs' 000	Rs' 000 (Restated)	**Rs' 000**	Rs' 000
Long term debt	353,934	334,414	342,937	308,868
less cash balances	(393,127)	(98,801)	-	-
Net debt	(39,193)	235,613	342,937	308,868
Total Equity	5,676,824	6,007,187	1,763,286	1,927,519
Adjustments	(3,262,555)	(3,484,369)	-	-
Adjusted Equity	2,414,269	2,522,818	1,763,286	1,927,519
Debt to equity ratio	(0.02)	0.09	0.19	0.16

The long term debt comprises of borrowings (refer to note 16(b)).

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial statements, the directors have made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) 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 (up to 30 June 2019) and IFRS16 Leases (as from 01 July 2019) to classify leases between finance and operating leases.

(b) Impairment losses on lease receivables

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

In addition, the estimation of ECL should take into account the time value of money. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as determining the criteria for significant increase in credit risk and determine the level of management overlays.

The directors estimate that a 0.1% change in lease loss rate will lead to a change in impairment of Rs 2.9m (2019 – Rs 4.1m). 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.

6. INTANGIBLE ASSETS

GROUP

	Computer software	
	2020	2019
	Rs' 000	Rs' 000
COST		
At 01 July	**66,219**	63,944
Additions	**597**	2,275
At 30 June	**66,816**	66,219
AMORTISATION		
At 01 July	**41,513**	37,896
Charge for the year	**4,009**	3,617
At 30 June	**45,522**	41,513
NET BOOK VALUES	**21,294**	24,706

Notes to the Financial Statements (Continued)

Year ended 30 June 2020

7. 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 01 July 2019	198,494	868,799	6,667	6,330	302	1,080,592
Additions	40,775	166,062	124	506	2,434	209,901
Disposals	(18,055)	(154,560)	-	-	(302)	(172,917)
At 30 June 2020	221,214	880,301	6,791	6,836	2,434	1,117,576
DEPRECIATION						
At 01 July 2019	94,491	279,049	5,836	6,151	155	385,682
Charge for the year	28,198	127,303	353	185	382	156,421
Disposals adjustment	(14,259)	(84,129)	-	-	(173)	(98,561)
At 30 June 2020	108,430	322,223	6,189	6,336	364	443,542
COST						
At 01 July 2018	210,218	700,068	6,593	6,207	302	923,388
Additions	19,912	285,685	74	123	-	305,794
Disposals	(31,636)	(116,954)	-	-	-	(148,590)
At 30 June 2019	198,494	868,799	6,667	6,330	302	1,080,592
DEPRECIATION						
At 01 July 2018	89,649	229,755	5,475	6,042	95	331,016
Charge for the year	25,592	109,326	361	109	60	135,448
Disposals adjustment	(20,750)	(60,032)	-	-	-	(80,782)
At 30 June 2019	94,491	279,049	5,836	6,151	155	385,682
NET BOOK VALUES						
At 30 June 2020	**112,784**	**558,078**	**602**	**500**	**2,070**	**674,034**
At 30 June 2019	104,003	589,750	831	179	147	694,910

8. INVESTMENTS IN ASSOCIATES

	GROUP 2020 Rs' 000	GROUP 2019 Rs' 000 (Restated)
At 01 July	5,602,434	5,445,388
Share of (losses)/profits	(76,608)	152,044
Share of other comprehensive income:		
- Revaluation and other reserve	(254,711)	69,138
- Fair value reserve	(26)	4,441
Share of other movements in reserves of associates	(7,195)	(2,779)
Impact of change in shareholding by associates	8,383	(664)
Effect of employee share options exercised in associate	(3,011)	6,804
Dividends	(75,547)	(71,938)
At 30 June	5,193,719	5,602,434

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

	Nature of Business	Principal place of Business and Country of Incorporation	2020 Percentage held Direct %	2020 Percentage held Total %	2019 Percentage held Direct %	2019 Percentage held Total %
Promotion and Development Limited	Investment and Property development	Mauritius	46.36	46.36	46.39	46.39
Caudan Development Limited	Property development, investment and provision of security services	Mauritius	5.34	38.08	5.34	38.10

(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 (Expense)/ Income	Total Comprehensive (Expense)/ Income	Dividend Received
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
2020	168,104	14,063,606	828,137	1,470,035	1,202,347	587,307	(165,158)	(549,490)	(714,648)	71,275
2019 (Restated)*	250,723	14,716,052	758,001	1,410,954	1,200,881	599,075	302,583	158,561	461,144	67,666

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

	Opening Net assets	(Loss)/ Profit	Other Comprehensive (Expense)/ 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
2020	11,596,939	(165,158)	(549,490)	(100,507)	(50,593)	10,731,191	46.36%	4,975,471
2019 (Restated)*	11,292,544	302,583	158,561	(8,882)	(147,867)	11,596,939	46.39%	5,379,913

(ii) Information of associate that is not material:

	GROUP 2020 Rs' 000	GROUP 2019 Rs' 000
Carrying amount of interest	218,248	222,521
Share of (loss)/profit	(33)	11,681
Share of other comprehensive income/(expense)	32	(222)

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

(iv) As at June 30, 2020, 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 Rs1,623,987,630(2019:Rs1,810,746,207) and Rs108,925,874(2019:Rs109,993,774) respectively based on the quoted market price available, which is a level 1 input in terms of IFRS 13.

	COMPANY 2020 Rs' 000	COMPANY 2019 Rs' 000
At 01 July	1,920,740	2,143,513
Fair value adjustment	(187,826)	(222,773)
At 30 June	1,732,914	1,920,740

The Group has pledged 18,044,307 shares held in Promotion and Development Ltd for banking facilities.

* Refer to note 33.

9. INVESTMENT IN SUBSIDIARY

	COMPANY
	Rs' 000
At 01 July 2019 and 30 June 2020 - cost	200,000

	Country of Incorporation and Operation	Class of Shares	Cost of Investment Rs' 000	Nominal Value of Investment Rs' 000	Percentage Held	Main Business
2019 & 2020						
MCB Leasing Limited	Mauritius	Ordinary	200,000	200,000	100%	Leasing

The Directors are of the opinion that there is no indication of impairment to the carrying value of the investment in subsidiary.

10. INVESTMENT SECURITIES

	GROUP		COMPANY	
	2020	2019	2020	2019
	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Non-current assets				
Amortised cost	251,685	102,338	-	-
Fair value through other comprehensive income	459,199	408,574	459,199	408,574
Fair value through profit or loss	16,120	10,549	16,120	10,549
	727,004	521,461	475,319	419,123
Current assets				
Amortised cost	194,625	96,389	-	-
Less allowance for credit impairment	(50)	(22)	-	-
	921,579	617,828	475,319	419,123

Investment securities are denominated in rupees.

The Group and the Company holds more than 10% interest in the following companies which are classified as fair value through other comprehensive income

	Nature	2020	2019
		Percentage held	
		%	%
MFD Group Limited	Ordinary	15.00	15.00
Le Refuge du Pêcheur Ltd	Ordinary	11.00	11.00

10. INVESTMENT SECURITIES (CONTINUED)

(a) Amortised cost

	GROUP	
	2020	2019
	Rs' 000	Rs' 000
Government of Mauritius bonds	**251,685**	102,338
Government of Mauritius Treasury bills	**194,625**	96,389
	446,310	198,727
Less: Allowance for credit impairment	**(50)**	(22)
	446,260	198,705

(b) Fair value through other comprehensive income

	GROUP & COMPANY	
	2020	2019
	Rs' 000	Rs' 000
Quoted - Level 1	**255,374**	204,749
Unquoted - Level 3	**203,825**	203,825
	459,199	408,574

The dividend recognised in the statement of profit or loss for the year ended 30 June 2020 was Rs 0.1m (2019:Rs7.3m)

(c) Fair value through profit or loss

Quoted - Level 1		
Development and Enterprise Market : shares	**16,120**	10,549
	16,120	10,549

11. LOAN RECEIVABLE

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Subordinated loans	**342,937**	308,868	**342,937**	308,868

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. NET LEASE RECEIVABLES

	GROUP	
	2020	2019
	Rs' 000	Rs' 000
(a) Gross investment in finance leases:		
Within one year	**1,161,718**	1,391,029
After one year and before five years	**2,510,514**	2,491,507
After five years	**120,879**	129,444
	3,793,111	4,011,980
Unearned future finance income on finance leases	**(509,270)**	(525,263)
	3,283,841	3,486,717
(b) Rental receivables on finance lease and operating lease	**124,678**	107,744
Total gross investment in finance lease	**3,408,519**	3,594,461
Less allowances for credit impairment	**(114,047)**	(115,285)
Net lease receivables	**3,294,472**	3,479,176
Finance lease receivables may be analysed as follows:-		
Receivable within one year	**1,063,906**	1,264,845
Receivable after one year and before five years	**2,219,169**	2,203,641
Receivable after five years	**125,444**	125,975
	3,408,519	3,594,461
Less: Allowances for credit impairment	**(114,047)**	(115,285)
Net lease receivables	**3,294,472**	3,479,176
Non-current assets	**2,230,566**	2,214,331
Current assets	**1,063,906**	1,264,845
Net investment in finance leases	**3,294,472**	3,479,176

(c) Allowances for credit impairment

	GROUP		
	Stage 1 & 2 ECL Rs'000	**Stage 3 ECL Rs'000**	**Total Rs'000**
At 01 July 2019	**46,967**	**68,318**	**115,285**
Provision written off	**-**	**(15,195)**	**(15,195)**
Provision for the year	**6,926**	**7,031**	**13,957**
At 30 June 2020	**53,893**	**60,154**	**114,047**

	GROUP		
	Stage 1 & 2 ECL Rs'000	Stage 3 ECL Rs'000	Total Rs'000
At 01 July 2018	55,334	64,059	119,393
(Release)/Provision for the year	(8,367)	4,259	(4,108)
At 30 June 2019	46,967	68,318	115,285

12. NET LEASE RECEIVABLES (CONTINUED)

(c) Allowances for credit impairment (continued)

	GROUP			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	Rs' 000	**Rs' 000**	**Rs' 000**	**Rs' 000**
At 01 July 2019	**19,645**	**27,322**	**68,318**	**115,285**
Transfer to Stage 1	**17,929**	**(10,990)**	**(6,939)**	**-**
Transfer to Stage 2	**(481)**	**2,837**	**(2,356)**	**-**
Transfer to Stage 3	**(280)**	**(1,023)**	**1,303**	**-**
Additional provision	**-**	**5,329**	**12,288**	**17,617**
Provision released	**(5,343)**	**(1,052)**	**(12,460)**	**(18,855)**
At 30 June 2020	**31,470**	**22,423**	**60,154**	**114,047**

	GROUP			
	Stage 1	Stage 2	Stage 3	Total
	Rs' 000	Rs' 000	Rs' 000	Rs' 000
At 01 July 2018	23,488	31,846	64,059	119,393
Transfer to Stage 1	11,990	(952)	(11,038)	-
Transfer to Stage 2	(3,218)	6,239	(3,021)	-
Transfer to Stage 3	(2,980)	(9,840)	12,820	-
Additional provision	-	29	5,498	5,527
Provision released	(9,635)	-	-	(9,635)
At 30 June 2019	19,645	27,322	68,318	115,285

13. DEPOSITS WITH FINANCIAL INSTITUTIONS

	GROUP	
	2020	2019
	Rs' 000	Rs' 000
Remaining term to maturity:		
Up to one year	**57,683**	55,089
Over 1 year and up to 3 years	**-**	56,062
Allowance for credit impairment	**(6)**	(220)
	57,677	110,931

The above consists of deposits with The Mauritius Commercial Bank Limited which carries interest rates of 3.9% p.a and have maturity date of 11 May 2021 (2019 : 2.95% - 3.90% p.a).

Allowance for credit impairment	**GROUP Stage 1 ECL**
	Rs'000
Balance at 01 July 2018	519
Provision released	(299)
At 30 June 2019	**220**
Provision released	**(214)**
At 30 June 2020	**6**

Notes to the Financial Statements (Continued)

Year ended 30 June 2020

14. OTHER ASSETS

	GROUP		COMPANY	
	2020	2019	2020	2019
	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Investment and other receivable from group company	-	-	-	52,089
Other investment and rental income receivable	124	7,386	124	7,386
Assets repossessed pending disposals	3,654	1,168	-	-
Fees and residual value receivable	17,867	38,555	-	-
Others	61,090	31,640	210	102
	82,735	78,749	334	59,577
Less: Allowance for credit impairment	(6,749)	(9,027)	-	-
	75,986	69,722	334	59,577

The carrying amounts of other assets approximate their fair value.

Allowance for credit impairment	GROUP Stage 1 & 2 ECL Rs' 000	Stage 3 ECL Rs' 000	Total Rs' 000
Additional provision	3,429	5,598	9,027
At 30 June 2019	3,429	5,598	9,027
Provision released	-	(2,278)	(2,278)
At 30 June 2020	3,429	3,320	6,749

15. CASH BALANCES

	GROUP	
	2020	2019
	Rs' 000	Rs' 000
Cash in hand	2	3
Balances and deposits with banks in Mauritius	393,332	98,994
	393,334	98,997
Allowance for credit impairment	(207)	(196)
	393,127	98,801

Allowance for credit impairment	GROUP Stage 1 ECL Rs' 000
At 01 July 2018	899
Provision released	(703)
At 30 June 2019	196
Provision for the year	11
At 30 June 2020	207

16(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.

16(b) BORROWINGS

	GROUP		COMPANY	
	2020	2019	2020	2019
	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Current				
Bank loans	31,921	101,916	-	-
Other loans	1,746	30,882	-	-
	33,667	132,798	-	-
Non-current				
Bank loans	353,934	333,557	342,937	308,868
Other loans	-	857	-	-
	353,934	334,414	342,937	308,868
	387,601	467,212	342,937	308,868
Analysed as follows:				
Within a period of 1 year	33,667	132,798	-	-
Within a period of more than 1 year but not exceeding 2 years	6,946	15,623	-	-
Within a period of more than 2 years but not exceeding 5 years	4,051	9,923	-	-
Within a period of more than 5 years	342,937	308,868	342,937	308,868
	387,601	467,212	342,937	308,868

The carrying amounts of borrowings are not materially different from their fair values.
The short-term bank loans are secured by a floating charge on the Group's assets for Rs 262m.
The other bank loans are secured by a floating charge on the Company's assets for Rs 170 m and shares held in Promotion and Development Ltd.
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.

17. DEPOSITS FROM CUSTOMERS

	GROUP	
	2020	2019
	Rs' 000	Rs' 000
Retail customers		
Within 3 months	603,250	240,328
Over 3 up to 6 months	294,638	59,515
Over 6 up to 12 months	350,672	244,462
Over 1 up to 5 years	1,931,605	2,396,521
	3,180,165	2,940,826
Corporate customers		
Within 3 months	118,932	38,164
Over 3 up to 6 months	550,741	5,152
Over 6 up to 12 months	31,625	62,717
Over 1 up to 5 years	261,309	725,568
	962,607	831,601
	4,142,772	3,772,427
Analysed as follows:		
Current	1,949,858	650,338
Non-current	2,192,914	3,122,089
	4,142,772	3,772,427

The above consists of deposits bearing interest at the rates of 1.7% - 6% per annum. Deposits are denominated in rupees.

18. OTHER PAYABLES

	GROUP		COMPANY	
	2020	2019	2020	2019
	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Registration duty payable to government	12,440	7,425	-	-
Advances received from customers	9,904	13,491	-	-
Amounts payable to car distributors	6,906	1,004	-	-
Others	88,255	57,598	2,733	2,652
Allowance for credit impairment on undrawn commitments	1,126	2,912	-	-
	118,631	82,430	2,733	2,652

The carrying amounts of other payables equal their fair value.

Allowance for credit impairment on undrawn commitments	GROUP Stage 1 ECL Rs' 000
At 01 July 2018	746
Provision for the year	2,166
At 30 June 2019	2,912
Provision released	(1,786)
At 30 June 2020	**1,126**

19. SHARE CAPITAL AND RESERVES

(a) SHARE CAPITAL

	COMPANY 2020 & 2019 Rs' 000
AUTHORISED:	
250,000,000 ordinary shares of Re.1 each	250,000
ISSUED AND FULLY PAID:	
At 01 July 2019 and 30 June 2020	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-cumulative 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 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.

20. OTHER INCOME

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Dividend income from quoted investments	**-**	7,200	**23,458**	80,040
Dividend income from unquoted investments	**124**	186	**40,123**	40,186
Operating lease income	**196,864**	185,214	**-**	-
Other processing fees	**7,787**	9,348	**-**	-
Other operating income	**13,206**	16,964	**-**	-
Others	**6,272**	1,406	**6,272**	1,405
	224,253	220,318	**69,853**	121,631

21. FINANCE INCOME/(COSTS)

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Finance income:				
Finance leases	**246,773**	261,482	**-**	-
Other interest income	**22,287**	20,330	**7,703**	7,434
	269,060	281,812	**7,703**	7,434
Finance costs:				
Borrowings	**40,928**	50,627	**38,236**	42,173
Deposits	**177,178**	167,839	**-**	-
	218,106	218,466	**38,236**	42,173
Net Finance income/(costs)	**50,954**	63,346	**(30,533)**	(34,739)

22. OPERATING EXPENSES

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Wages and salaries	**36,003**	32,301	**-**	-
Defined benefit plan	**3,043**	2,909	**-**	-
Defined contribution plan	**1,550**	847	**-**	-
Other personnel expenses	**4,154**	2,446	**-**	-
Depreciation charge	**156,421**	135,448	**-**	-
Amortisation of intangible assets	**4,009**	3,617	**-**	-
Other expenses	**33,611**	31,806	**3,642**	3,233
	238,791	209,374	**3,642**	3,233

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

23. NET IMPAIRMENT OF FINANCIAL ASSETS

The tables below provide the reconciliation in balance sheet movement and profit or loss charge :

2020	GROUP (Rs' 000)			
	Opening impairment provisions at 01 July 2019	Closing impairment provisions at 30 June 2020	Provision written off against bad debts 30 June 2020	Impairment charge/ (reversal)
Lease receivables - Specific provisioning Stage 3 - ECL	68,318	60,154	(15,195)	7,031
Lease receivables - General provision Stages 1&2 - ECL	46,967	53,893	-	6,926
ECL on Cash balances	196	207	-	11
Other assets Stage 3 - ECL	5,598	3,320	-	(2,278)
Other assets Stages 1&2 - ECL	3,429	3,429	-	-
ECL on Deposits with financial institutions	220	6	-	(214)
ECL on Investment securities	22	50	-	28
ECL on Undrawn commitments	2,912	1,126	-	(1,786)
Total Impairment charge to profit or loss	127,662	122,185	(15,195)	9,718

2019	GROUP (Rs' 000)		
	Opening impairment provisions at 01 July 2018	Closing impairment provisions at 30 June 2019	Impairment charge/ (reversal)
Lease receivables - Specific provisioning Stage 3 - ECL	64,059	68,318	4,259
Lease receivables - General provision Stages 1&2 - ECL	55,334	46,967	(8,367)
ECL on Cash balances	899	196	(703)
Other assets Stage 3 - ECL	-	5,598	5,598
Other assets Stages 1&2 - ECL	-	3,429	3,429
ECL on Deposits with financial institutions	519	220	(299)
ECL on Investment securities	-	22	22
ECL on Undrawn commitments	746	2,912	2,166
Total Impairment charge to profit or loss	121,557	127,662	6,105

24. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2020	2019	2020	2019
	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Income tax (credit)/charge on adjusted profits	(954)	3,745	139	511
Deferred tax	811	1,563	-	-
Corporate Social Responsibility contribution	1,108	2,015	18	68
Charge for the year	965	7,323	157	579

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

(Loss)/Profit before tax	(50,450)	220,297	35,138	83,727
Less: Share of losses/(profits) of associates	76,608	(152,044)	-	-
	26,158	68,253	35,138	83,727
Tax calculated at a tax rate of 15%	3,924	10,238	5,271	12,559
Impact of:				
Income not subject to tax	(10,232)	(11,462)	(11,297)	(18,580)
Expenses not deductible for tax purposes	6,165	6,532	6,165	6,532
Corporate Social Responsibility contribution	1,108	2,015	18	68
Tax charge	965	7,323	157	579

25. DIVIDENDS

Amounts not recognised as distribution to owners:

The Company has not declared any dividend for the period under review.
At 30 June 2019, 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 at company level.

Dividend payable to the ultimate holding Company by MCB Leasing Limited on 5.5% non-cumulative preference shares amounted to Rs 11.0 millio

26. DEFERRED TAX LIABILITIES

	GROUP	
	2020	2019
	Rs' 000	Rs' 000
At 01 July	**16,239**	18,011
Statement of profit or loss and other comprehensive income	**-**	(3,335)
Accelerated tax depreciation and provision	**811**	1,563
At 30 June	**17,050**	16,239

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

27. (LOSS)/EARNINGS PER SHARE

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	
	2020	2019	**2020**	2019
(Loss)/Profit attributable to equity holders of the parent (Rs'000)	**(51,415)**	212,974	**34,981**	83,148
Number of shares in issue and ranking for dividend (thousands)	**103,355**	103,355	**103,355**	103,355
(Loss)/Earnings per share (Rs.)	**(0.50)**	2.06	**0.34**	0.80

28. CONTINGENT LIABILITIES

(a) Lease commitments

At June 30, 2020, the Group had commitments amounting to Rs 268 million in respect of future leases (2019: Rs 694 million).

(b) Partial Tax Exemption

During the year, MCB Leasing Limited, our subsidiary received a tax assessment from the MRA for the financial year ended 30 June 2019 disallowing the company's claim for "partial exemption" as in their view the activities of the company did not qualify for the exemption as per the requirements of the Income Tax Act (the "Act"). The company has received independent legal opinion confirming that the activities of the company are covered by the relevant guidelines of the Act and thus entitled to claim the exemption based on extant tax regulations. The company has accordingly responded to the authorities refuting the claim and provided necessary explanations. Based on the advice received from its tax advisors and the legal opinion, no provision has been made for the liability of Rs 8.3 million in these financial statements as the company is of the view that no liability will devolve it.

Based on the advice received, the company has also claimed the partial exemption while determining the tax expense for the current year on the basis that there has been no change in the tax laws or any clarification provided by the authorities in this matter up to the date of approval of these financial statements.

Notes to the Financial Statements (Continued)

Year ended 30 June 2020

29. OPERATING SEGMENTS

Year ended 30 June 2020

	Group	Leasing	Investing	Eliminations
	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Revenue from external customers	487,742	479,215	8,527	-
Revenue from associates	-	-	23,458	(23,458)
Inter segment revenue	-	-	40,000	(40,000)
Total revenue	487,742	479,215	71,985	(63,458)
Operating profit before impairment	35,876	64,198	35,135	(63,457)
Net impairment of financial assets	(9,718)	(9,718)	-	-
Operating profit	26,158	54,480	35,135	(63,457)
Share of losses of associates	(76,608)			
Loss before tax	(50,450)			
Income tax expense	(965)			
Loss attributable to equity holders of the parent	(51,415)			
Other segment items:				
Segment assets	5,791,892	4,973,117	1,018,775	(200,000)
Investments in associates	5,193,719		1,732,914	
Total assets	10,985,611		2,751,689	
Segment liabilities	5,308,787	4,320,384	988,403	-
Unallocated liabilities	-			
Total liabilities	5,308,787			
Capital expenditure	210,498	210,498		
Depreciation charge	156,421	156,421		
Amortisation	4,009	4,009		

29. OPERATING SEGMENTS (CONTINUED)

Year ended 30 June 2019

	Group	Leasing	Investing	Eliminations
	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Revenue from external customers	501,423	485,903	15,520	-
Revenue from associates	-	-	72,840	(72,840)
Inter segment revenue	-	-	40,000	(40,000)
Total revenue	501,423	485,903	128,360	(112,840)
Operating profit before impairment	74,358	103,470	83,727	(112,839)
Net impairment of financial assets	(6,105)	(6,105)	-	-
Operating profit	68,253	97,365	83,727	(112,839)
Share of profits of associates	152,044			
Profit before tax	220,297			
Income tax expense	(7,323)			
Profit attributable to equity holders of the parent	212,974			
Other segment items:				
Segment assets	5,412,618	4,677,140	987,856	(252,378)
Investments in associates	5,602,434		1,920,740	
Total assets	11,015,052		2,908,596	
Segment liabilities	5,007,865	4,026,788	981,077	-
Unallocated liabilities	-			
Total liabilities	5,007,865			
Capital expenditure	308,069	308,069		
Depreciation charge	135,448	135,448		
Amortisation	3,617	3,617		

30. 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
2020						
Entity under common control	-	7,814	58,890	1,053,588	645,429	-
Directors and close family members	-	-	-	-	22,545	1,192
Enterprises in which directors/key management personnel have significant interest	880	1,744	-	-	-	17,471
2019						
Entity under common control	-	10,866	62,827	1,080,030	209,732	-
Directors and close family members	-	-	-	-	18,035	2,132
Enterprises in which directors/key management personnel have significant interest	766	2,828	-	-	-	35,978

(b) Company

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

	2020	2019
	Rs' 000	Rs' 000
Entity under joint control		
Loan/amount due to	985,670	978,425
Expenses/financial charges	38,236	42,173

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

	2020	2019
Directors and key management personnel : Salaries and short term employee benefits	5,626	4,808

31. SUBSEQUENT EVENT

COVID-19 pandemic

The key highlight of the financial year has been the propagation of the COVID-19 pandemic which is exerting significant pressures on the economic and market environments in Mauritius. The operating conditions faced by MCB Leasing Limited have been unprecedented, thus fuelling our priority attention. We took prompt measures to preserve the soundness and resilience of our activities, while capitalising on support provided by the authorities. As matters stand, high uncertainty levels prevail as stakeholders seek to find ways and means to confront economic and sanitary challenges, with limited visibility as to when the situation will improve and get back to pre-pandemic levels.

Accompanying measures taken by Fincorp Group

At the level of the Group, we have initiated and implemented a special and circumstantial "Covid- 19 Support Scheme". The scheme comprises several measures in an attempt to provide appropriate support to our customers operating in vulnerable sectors. The closure of our frontiers has impacted heavily on the tourism sector, as well as on other indirectly related business lines, such as tour operators, transport of employees, car rental companies, distributors of consumables, and dry cleaning services, to name a few. We have performed a vulnerability assessment on our portfolio, and identified three levels of potential impact by industry. 57% of our customer base was impacted by the pandemic situation, out of which 20% was highly impacted.

By June 2020, we had approved and implemented the "Covid-19 Support Scheme" impacting more than 1,400 contracts. The financial assistance offered by The Group was in the form of capital moratorium for a period not exceeding 6 months. We even extended our support to a few highly vulnerable customers with capital and interest moratorium facilities. We have also entertained requests for lease extensions, by applying secondary lease periods, in view of decreasing the monthly rentals.

Going forward, we expect the various economic and financial measures announced by Government and the Bank of Mauritius as explained further above, to mitigate the effects of the pandemic on the economic operators of the country and provide some cushion to financial institutions like MCB Leasing Limited. We also foresee a decrease in the number of new requests for equipment and renewal of large fleet of vehicles. The automobile sector has also experienced unprecedented impact with no sales of new vehicles during the confinement period, and the measures announced on 04 June 2020 during the budget speech with regards to excise duty exemption have brought some oxygen to this sector after the confinement.

The Group took prompt measures to preserve the health and safety of its employees during and after the lockdown period. It provided them with dedicated facilities that helped them undertake their activities, backed by clear policies and guidelines.

In particular, The Group adopted a phased and thoughtful implementation of Work From Home (WFH) practices and prompt reorganisation of work processes with the operation of split/rotating teams as soon as lockdowns were announced, underpinned by the delivery of dedicated technological and infrastructure support. The key objective pursued is to maintain continuity of business operations, uphold the delivery of minimum service to customers and reduce risks of contamination.

Consequently, some adjustments were successfully implemented to our operating model, favouring a remote workforce, combined with the "Work-In-Office" planning, video conference meetings and online training sessions. Our staff rapidly adapted positively with these changes and we also noted an increase in employee engagement and efficiency with the implementation of 'flexi-time' and 'split' teams.

32.HOLDING COMPANY

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

33. RESTATEMENT

In the current year, the Group recognised retrospectively its share of the prior year adjustment by one of its associates in respect of revaluation surplus not previously recorded. The opening balances as at 01 July 2018 and the comparatives for the year ended 30 June 2019 have been restated to reflect this impact.

The following table provides the impact of this restatement.

Impact at 30 June 2019

	As at 30 June 2019	Impact of prior year adjustment	As at 30 June 2019 (Restated)
	Rs'000	Rs'000	Rs'000
Impacted items:			
Investment in associates	5,374,078	228,356	5,602,434
Other components of equity	3,565,190	228,356	3,793,546

Impact at 01 July 2018

	As at 01 July 2018	Impact of prior year adjustment	As at 01 July 2018 (Restated)
	Rs'000	Rs'000	Rs'000
Impacted items:			
Investment in associates	5,217,032	228,356	5,445,388
Other components of equity	3,617,569	228,356	3,845,925

FINCORP INVESTMENT LIMITED
AND ITS SUBSIDIARY

Five-year Financial Summary

Year ended 30 June 2020

		GROUP					COMPANY				
		2020 Rs' m	2019 Rs' m (Restated)***	2018 Rs' m	2017 Rs' m	2016 Rs' m	2020 Rs' m	2019 Rs' m	2018 Rs' m	2017 Rs' m	2016 Rs' m
STATEMENTS OF FINANCIAL POSITION											
Non-current assets		9,190	9,423	8,941	9,406	8,993	2,751	2,849	3,143	3,281	2,677
Current assets		1,796	1,592	1,869	1,654	1,502	-	60	58	50	96
Current liabilities		2,745	1,535	1,612	1,927	1,856	645	673	691	807	833
Net current (liabilities)/assets		(949)	57	257	(273)	(354)	(645)	(613)	(633)	(757)	(737)
		8,241	9,480	9,198	9,133	8,639	2,106	2,236	2,510	2,524	1,940
Share capital		103	103	103	103	103	103	103	103	103	103
Retained earnings		1,994	2,110	1,895	1,968	1,824	53	80	53	34	7
Other components of equity		3,580	3,794	3,643	3,392	3,141	1,607	1,744	2,045	2,087	1,529
Shareholders' interests		5,677	6,007	5,641	5,463	5,068	1,763	1,927	2,201	2,224	1,639
Non-current liabilities		2,564	3,472	3,557	3,670	3,571	343	309	309	300	301
		8,241	9,479	9,198	9,133	8,639	2,106	2,236	2,510	2,524	1,940
STATEMENTS OF PROFIT OR LOSS											
Revenue		488	501	504	497	464	72	128	136	82	117
(Loss)/Profit before tax		(50)	220	7	87	399	35	84	82	28	65
(Loss)/Profit attributable to equity holders of the parent		(51)	213	(9)	82	382	35	83	81	27	64
Dividends*		-	62.0	62.0	62.0	62.0	-	62.0	62.0	62.0	62.0
DATA PER SHARE											
(Loss)/Earnings per share	Rs	(0.50)	2.06	(0.08)	0.79	3.70	0.34	0.80	0.78	0.27	0.62
Dividend per share*	Re	-	0.60	0.60	0.60	0.60	-	0.60	0.60	0.60	0.60
Net assets per share**	Rs	52.99	56.19	52.65	52.85	49.04	17.06	18.65	21.30	21.52	15.86

* Dividends for the financial years ended 30 June 2018 and 30 June 2019 were declared after year end.
** After adjusting for the non-cumulative irredeemable preference shares.
*** The prior year adjustment is in respect of an adjustment by one of our associates - Refer to note 33.

Fincorp

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