Fincorp

Fincorp Investment Ltd

Annual Report

June 30, 2021

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 2021 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.

Corporate Governance Report *(Continued)*

The roles and responsibilities of the Chairperson, the Directors and the Company Secretary are clearly defined in the Board Charter and the Position Statements adopted by the Company.

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.

2. THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

2.1. Board Structure

The Board is a unitary one that currently consists of 2 independent and 3 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	Non Executive Director
Marivonne Oxenham	F	Mauritius	Non-Executive Director
Margaret Wong Ping Lun	F	Mauritius	Independent Director

Mr Jean-Philippe Coulier was appointed director of MCB Group Limited in December 2020.

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.

Mrs Margaret Wong Ping Lun, independent director and Mr Jean-Philippe Coulier are both on the boards of MCB Factors Ltd ('MCB Factors") and Fincorp. However they do not have any vested interest in either MCB Factors or Fincorp. The companies operate in different sectors and it is unlikely that any potential conflict of interest will arise. Therefore their judgement and decisions relating to the affairs of Fincorp are purely professional and in the best interest of the Company.

Same reasoning applies for Mr Jean Pierre Montocchio and Mr Sunil Banymandhub, independent director, who are both on the boards of New Mauritius Hotels Limited and Fincorp.

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. He is a director of a number of listed companies in Mauritius.

Directorship in other listed companies:

Rogers & Co. Limited, New Mauritius Hotels Limited, ENL Limited, Les Moulins de la Concorde Ltée, Semaris Ltd, Happy World Property Ltd.

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 also served the Board of MCB Group Limited from April 2014 to December 2020.

Directorship in other listed companies:
New Mauritius Hotels Limited, Bluelife Limited

Corporate Governance Report *(Continued)*

Jean-Philippe Coulier (Non Executive Director)

Jean-Philippe holds a 'Diplôme d'Etudes Supérieures en Droit' and 'Diplôme de l'Institut d'Etudes Politiques de Paris' (France). During his career, he has accumulated extensive experience in the banking sector, having worked for Société Générale Group for some 40 years, where he has assumed a range of high-level responsibilities, acting as director, chief operating officer and chief executive officer in its various offices 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. In 2012, he joined the Board of The Mauritius Commercial Bank Limited, where he held the Chairmanship from 2014 to 2018. He is currently a Board member in several companies within the MCB Group.

He was appointed director and Chairperson of both, Promotion and Development Ltd and Caudan Development Ltd In December 2018 and director of Hotelest Limited and Constance Hotels Services Limited in January 2021

Directorship in other listed companies:
Caudan Development Limited, Promotion and Development Ltd, MCB Group Limited, Hotelest Limited, Constance Hotels Services Limited

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)

Margaret holds a BA (Hons) in Business Studies (UK) and is a Fellow of the Institute of Chartered Accountants in England and Wales. Prior to her retirement in 2019 as lecturer in Accounting and Finance at the University of Mauritius, she was a Senior Manager at De Chazal Du Mée's Consultancy Department. She was a former 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 currently serves the Board of various subsidiaries of the MCB Group as Chairperson or Director.

Directorship in other listed companies:
Compagnie Des Villages De Vacances De L'Isle De France Limitée, Terra Mauricia Ltd

Corporate Governance Report *(Continued)*

2.4. Attendance at Board and Board Committee meetings during financial year 2020/2021

	Board	Audit Committee
Number of meetings held	**4**	**4**
	Meetings attended	Meetings attended
Jean-Pierre MONTOCCHIO	4/4	N/A
Sunil BANYMANDHUB	2/4	2/4
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.

Corporate Governance Report *(Continued)*

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 (MCBG), the ultimate holding company of Fincorp.

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 2020/2021 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.

Corporate Governance Report *(Continued)*

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 RCGESC of MCB Group Limited.

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

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

4.4. Conflicts of Interest & Related Party Transactions Policy

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

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

Corporate Governance Report *(Continued)*

4.5. Related Party Transactions

For Related Party Transactions, please refer to note 33 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 Limited 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 outcome of the assessment indicated that the governance practices in place generally exceeded 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 Board having resolved to carry out the board evaluation exercise every two years , the next exercise will be held in 2022.

4.8. Statement of Remuneration Philosophy

The RCGESC of MCB Group Limited is responsible for the setting up and developing of the Group's general policy concerning the remuneration of directors. MCBG 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 MCBG 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.

Corporate Governance Report *(Continued)*

4.9. Directors' Remuneration

	From the Holding Company		From Subsidiary	
	2021 Rs	2020 Rs	2021 Rs	2020 Rs
Directors of Fincorp Investment Ltd	**977,600**	959,000	**-**	-
Directors of subsidiary - Non-Executive only	**-**	**-**	**-**	454,200

Details of Directors Remuneration for year 2021:

Directors	**From the Holding Co Rs**	**From Subsidiary**
Jean-Pierre MONTOCCHIO	301,600	-
Sunil BANYMANDHUB	208,000	-
Jean-Philippe COULIER	234,000	-
Marivonne OXENHAM	-	-
Margaret WONG PING LUN	234,000	-
Total	**977,600**	**-**

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.

Corporate Governance Report *(Continued)*

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 note 4 of the financial statements.

Corporate Governance Report *(Continued)*

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 Jean-Philippe Coulier 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 for securities transactions by directors as detailed in Appendix 6 of the Listing Rules of the Stock Exchange of Mauritius Ltd.

The following table gives the interests of the directors in the shares of the Company as at 30th June 2021.

	No. of shares held as at 30th June 2021	
Directors	**Direct**	**Indirect**
Sunil BANYMANDHUB	-	-
Jean-Philippe COULIER	-	-
Jean-Pierre MONTOCCHIO	1,481	-
Marivonne OXENHAM	-	-
Margaret WONG PING LUN	-	10,000

Corporate Governance Report *(Continued)*

Transaction during the year	Sold – Number of shares		Other movements – Number of shares	
	Direct	Indirect	Direct	Indirect
Jean-Pierre Montocchio	1,481	-	-	(9,370)

6.4. Directors of the Subsidiary

<u>MCB Leasing Limited</u>

Simon Pierre REY (Chairperson)
Mulk Raj GUNGAH
Martine IP MIN WAN
Johanne JOSEPH
Jean Michel NG TSEUNG
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 and its subsidiary during the year

6.11. Corporate Social Responsibility

Total contributions with respect to Corporate Social Responsibility ("CSR") made during the year amounted to Rs 18,405 out of which Rs 9,202 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 1,719,231 out of which 50% are remitted to the Mauritius Revenue Authority and 50% to the MCB Forward Foundation.

Corporate Governance Report *(Continued)*

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

The Board resolved to implement an an internal audit function at the level of the Company as from financial year 2020/2021 and outsourced the function to the Internal Audit Business Unit of The Mauritius Commercial Bank Limited (IA). The Head of IA is independent of the Management of the Company and shall report to the Audit Committee of the Company as well as to the Audit Committee of MCBG.

IA ensures that the quality of internal audit services provided to Fincorp is aligned with recognised best practices. It leverages on a systematic and disciplined approach, notably through the use of well-focused audit work programs and computer aided audit techniques to evaluate the effectiveness of the internal control systems of the Company. The Institute of Internal Auditors requires each internal audit function to have an external quality assessment conducted at least once every five years. Further to the internal audit exercise carried out for the year ending 30th June 2021, areas, systems and processes covered by internal audit including non-financial matters are as follows:

- Governance: Review Board minutes and the role and responsibilities of the Board, appropriate committees exist to sustain the objectives of the organization;
- Accounting: Valuation of Investments, Close the book process; and;

Corporate Governance Report *(Continued)*

- Regulatory framework, Reporting & Compliance Review: Compliance with relevant laws, codes and standards, Returns to regulatory bodies [e.g SEM].

There are no restrictions placed on the internal auditors in conducting their audit exercises.

7.2. External Auditor

The Audit Committee of the Company reviews the appointment of the External Auditor and makes recommendations to the Board of the Company. 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:

	2021			2020		
	Audit	**Other services related to audit**	**Other services**	Audit	Other services related to audit	Other services
	Rs'000	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000
Fincorp Investment Limited	**250**			247	-	-
MCB Leasing Limited	**725**	**300**	**-**	522	413	-

Fees for other services related to audit incurred by MCB Leasing Limited comprise of Interim Review in relation to dividend declaration: Rs 300,000 (2020: Rs 109,000).

Corporate Governance Report (Continued)

8. RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

8.1. Shareholding profile

Ownership of ordinary share capital by size of shareholding as at 30th June 2021 is given in the table below.

Spread	Number of shareholders	Number of shares held	% Holding
1 – 500 shares	1,012	198,459	0.19%
501 – 1,000 shares	272	214,312	0.21%
1,001 – 5,000 shares	710	1,824,968	1.77%
5,001 – 10,000 shares	225	1,659,379	1.61%
10,001 – 50,000 shares	303	6,734,590	6.52%
50,001 – 100,000 shares	56	3,906,812	3.78%
100,001 – 250,000 shares	20	3,304,871	3.20%
250,001 – 500,000 shares	11	3,643,911	3.53%
>=500001 shares	10	81,868,038	79.21%
Total	**2,619**	**103,355,340**	**100%**

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. The Board approved on the 28th September 2021 a final dividend of Re 0.60 per share for the financial year ended 30 June 2021.

Corporate Governance Report *(Continued)*

8.4. Share price information

The Company's share price started the year at Rs 19.50. It closed at Rs 20.50 on 30th June 2021.

8.5. Calendar of events

November 2021	Release of quarterly results to 30th September 2021
December 2021	Annual Meeting of shareholders
February 2022	Release of half yearly results to 31st December 2021
May 2022	Release of results for the 9 months to 31st March 2022
September 2022	Release of full year results to 30th June 2022

8.6. Stakeholder's relations and communication

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

Corporate Governance Report (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of Fincorp Investment Limited ("the Company") and its subsidiary (collectively "the Group").

In preparing those financial statements, the directors are required to:

- ensure that adequate accounting records and an effective system of internal controls and risk management have been maintained;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been adhered to, subject to any material departures disclosed, explained and quantified in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business;
- keep proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group and the Company while ensuring that the financial statements fairly present the state of affairs of the Group and the Company, as at the financial year end, and the results of their operations and cash flows for that period; and
- ensure that the Financial Statements have been prepared in accordance with and comply with International Financial Reporting Standards and the requirements of the Mauritius Companies Act 2001 and Financial Reporting Act 2004.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The external auditors are responsible for reporting on whether the financial statements are fairly presented. The directors are also responsible for safeguarding the assets of the Group and the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities. Other main responsibilities of the directors include the assessment of the Management's performance relative to corporate objectives; overseeing the implementation and upholding of the Code of Corporate Governance; and ensuring timely and comprehensive communication to all stakeholders on events significant to the Group and the Company.

The directors report that:

- adequate accounting records and an effective system of internal controls and risk management have been maintained;
- the Financial Statements fairly present the state of affairs of the Group and the Company, as at the financial year end, and the results of their operations and cash flows for that period;
- appropriate accounting policies supported by reasonable and prudent judgements and estimates have been consistently used;
- International Financial Reporting Standards and the requirements of the Mauritius Companies Act 200 and the Financial Reporting Act 2004 have been adhered to; and
- the financial statements have been prepared on the going concern basis.

For and on behalf of the Board of Directors:

Jean-Pierre MONTOCCHIO	Jean Philippe COULIER
Chairperson	**Director**

Date: 28th September 2021

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 2020 to 30 June 2021

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
Chairman

Jean Philippe COULIER
Director

Date: 28th September 2021

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 June 30, 2021.

MANAGING THE IMPACTS OF THE COVID-19 PANDEMIC

The COVID-19 crisis has materially altered the external environment in which the Group operates, prompting it to navigate cautiously and adapt to the new realities emerging, while continuing to deliver value to its stakeholders amidst the ongoing uncertainties.

On the macro economic front, the pandemic has triggered a historic decline in GDP. Whilst a recovery is expected as from this year, prospects diverge markedly, hinging on vaccine rollout and extent of policy support. The country will continue to navigate through challenging market conditions with certain sectors, more specifically the hospitality sector, badly hit as a result of the closure of our borders whilst the second lockdown during the later part of this financial year also adversely impacted our national economy.

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 continue to 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.

Government continued to provide a range of financial and fiscal support measures during the year, notably:

- the Wage Assistance Scheme affording 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; and
- the provision of a Self-Employed Assistance Scheme for those employed in the informal sector and for the self-employed.

In addition, Mauritius Investment Corporation (MIC), a 100% subsidiary of the Bank of Mauritius, disbursed equity and quasi-equity funding during the year under review 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. A number of financing agreements were signed during the year and partial disbursements have also been effected under these agreements.

The above measures helped considerably to bring stability to the economic environment as well as preserve the financial soundness of the economic operators and agents of the country, including Fincorp's subsidiary and associates.

During the year under review, the Group entities continued to devote significant attention to addressing challenges linked to the exceptional circumstances created by the pandemic with a view to preserving the resilience of their activities, namely:

- Safeguard the health and safety of our employees and clients;
- Increase proximity with customers facing unprecedented hard times and deliver customised solutions and advice;

Report of the Directors *(Continued)*

MANAGING THE IMPACTS OF THE COVID-19 PANDEMIC (CONT'D)

- Foster business continuity and the soundness of our operations;
- Maintain close collaboration with the Central Bank and the Government to implement support measures;
- Widen the range of offerings and revamp existing products such as the introduction of the Green Lease during the year to enrich the value proposition, alongside diversifying the customer base;
- Forge close partnerships with key stakeholders, including car dealers, equipment dealers and fleet management Companies as well as subsidiaries of the MCB Group.

RESULTS AND DIVIDENDS

Fincorp posted a consolidated profit after tax amounting to Rs 164.3 million for the financial year ended June 30, 2021 compared to a loss of Rs 51.4 million last year.

Operating profit before share of results of associates increased from Rs 26.2 million to Rs 113.0 million, reflecting:

- an improved performance at the level of MCB Leasing Limited despite the adverse impact of the prevailing Covid-19 pandemic with profit before tax up from Rs 54.5 million to Rs 73.7 million for the year ended June 30, 2021;
- higher fair value gains on Fincorp's investments in securities up from Rs 5.6 million to Rs 57.1 million as well as lower net interest expense, down from Rs 30.5 million to Rs 23.1 million and higher dividend income up by Rs 8.6 million at the level of Fincorp.

The contribution of the Company's associates also improved significantly from a loss of Rs 76.6 million last year to a profit of Rs 64.4 million for the current year.

As a result, Fincorp posted a consolidated profit before tax of Rs 177.4 million for the current financial year (2020: loss before tax of Rs 50.4 million).

At the Company level, profit after tax amounted to Rs 57.4 million compared to Rs 35.0 million last year on account of a higher fair value gain on investment in securities up by Rs 51.5 million, lower net interest expense down by Rs 7.5 million whilst dividend pay-out by the Company's subsidiary, associates and other investments dropped by Rs 36.9 million.

(a) MCB Leasing Limited ("MCBL")

During the year under review, MCB Leasing Limited's operations continued to be impacted by the on-going uncertainties resulting from the pandemic as well as the second lockdown that took place in the later part of the financial year. The total lease portfolio of MCBL contracted by 2.5 % to reach Rs 3.9 billion (2020: Rs 4.0 billion), with the finance lease portfolio down by 4.1% to Rs 3.3 billion while operating leases went up by 7.3% to now stand at Rs 0.7 billion.

Report of the Directors *(Continued)*

RESULTS AND DIVIDENDS (CONT'D)

(a) MCB Leasing Limited ("MCBL") (Cont'd)

The planned repayment of some large deposits in December 2020 combined with a low supply of new fixed deposits on the market during the financial year have led to a reduction in the deposit base of 18% to reach Rs 3.4 billion at year end (2020: Rs 4.1 billion). This reduction in deposits has helped to absorb the high level of liquidity held at the end of the previous financial year and significantly reduce the average cost of funds. The combined impact of lower deposit balance and lower interest rates have had a positive impact on net interest income which grew by 29% to reach Rs 105.2 million for the year ended June 30, 2021 (2020: Rs 81.7 million). Other operating income (net of depreciation charges on operating lease assets) also increased by 15.5% to reach Rs 70.6 million (2020: Rs 61.1 million) driven by the increase in the operating lease portfolio. The increase in net interest income and non interest income altogether have led to a 23% growth in Operating Income, from Rs 142.6 million in 2020 to Rs 175.8 million for the current financial year.

Operating expenses (excluding impairment costs) decreased marginally on the back of reduced marketing activities - following the one-off rebranding expenses incurred in 2019, a significant reduction in IT related costs, whilst the Company applied an accelerated amortisation of Rs 7 million on the net book value of the Core Leasing Software as the latter is expected to be replaced at the end of the next financial year to improve MCBL's operational efficiency.

However, the year under review was also highly impacted by:

- additional provisioning for expected credit losses as well as losses incurred on disposal of leased assets, which increased from Rs 9.7 million to Rs 18.7 million on the back of uncertainties in the local economy as well as increased difficulties faced by certain operators in key sectors, especially the Small and Medium Enterprises engaged in tourism related activities. Asset quality deteriorated slightly during the year with NPL rate at 3.2% still within acceptable range and well below industry average as at June 30, 2021 (2020: 2.4%); and
- a significant increase in income tax for the year, up from Rs 0.9 million in 2020 to reach Rs 13.1 million in 2021. Of note, the partial exemption applicable to interest income in accordance with the provision of the Income Tax Act (Item 7 of Sub-Part B of Part II of the Second Schedule) for the financial years 2019 and 2020 was rescinded in 2021.

Net profit after tax increased by 13% to reach Rs 60.6 million for the financial year to June 30, 2021 (2020: Rs 53.7 million). MCBL remains well capitalised with a capital adequacy ratio at 21.0%, well above minimum regulatory requirement of 10%.

MCBL received tax assessments from the Mauritius Revenue Authority for FY18/19 and FY19/20 totalling Rs 18.1 million, disallowing the company's claim for "partial exemption". Based on the advice received from its tax and legal advisers, MCBL has responded to the authorities refuting the claim and has lodged a written representation with the Assessment Review Committee in accordance with section 131B(9) of the Income Tax Act and section 19 of the Mauritius Revenue Authority Act 2004. No provision has been made in these financial statements.

(b) Associated Companies

Promotion and Development Limited ("PAD"), in which Fincorp has a 46.4% stake, is an investment company with strategic assets that include:

Report of the Directors (Continued)

RESULTS AND DIVIDENDS (CONT'D)

(b) Associated Companies (Cont'd)

- 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 improved from a loss of Rs 76.6 million in FY 19/20 to a profit of Rs 64.4 million in FY 20/21. In particular,

- PAD's net results after minority interest and excluding its share of profits from associates improved from a loss of Rs 38.6 million in FY 19/20 to a profit of Rs 14.1 million in FY 20/21. This significant improvement amounting to Rs 52.7 million reflects:
    - the better performance of Caudan which contributed an amount of Rs 40.8 million (2020: Rs 3.7 million) to PAD's profits despite a higher level of vacancy, extended tenants' relief plan to support the retailers and the temporary closure of the craft market. The second lockdown in March 2021 exacerbated an already challenging retail segment and all commercial tenants have been granted a 50% discount on the basic rentals during the lockdown period of this financial year. The above resulted into a drop in the operating profit of Caudan which was more than compensated by a fair value uplift on its investment properties and deferred tax credit recognised during the financial year. Undeveloped land was revalued upwards whilst the value of developed investment properties was adjusted downwards reflecting the lower rental yields being generated. The drop in fair value on the developed properties has led to a deferred tax credit during the financial year;
    - the lower losses generated by PAD (excluding the dividend income from its subsidiaries and associates), down from Rs 42.3 million to Rs 26.7 million, reflecting a drop in finance charges of some Rs 9.8 million following the drop in interest rates during the year and lower operating expenses of Rs 7.9 million.
- PAD's share of results from its associates increased from a loss of Rs 126.5 million in FY19/20 to a profit of Rs 118.8 million in FY20/21. In particular, PAD's share of results in Medine improved from a loss of Rs 193.1 million to a profit of Rs 49.8 million, reflecting an increase in land sales, fair value gains on investment propery and fair value uplifts on Medine's biological assets (standing crop). In spite of reduced revenue largely attributable to the Covid fallout, with reduced business activity and leisure and hospitality operations impacted by closure of borders and absence of tourists, savings realised by the restructuring exercise have led to reduced operating losses posted by the group.

INVESTMENT PORTFOLIO

At Company level, Fincorp's portfolio of investments fell by 4.5% during the year to Rs 2,299.8 million at June 30, 2021, with the value of PAD falling by some 9.4% to reach Rs 1,470.6 million and that of MFD Group Limited decreasing by 3.1% to reach Rs 247.5 million at June 30, 2021.

At Group level, Fincorp's net assets per share amounted to Rs 61.79 at June 30, 2021, an increase of some 16.6% from last year's value of Rs 52.99 .The Fincorp share continues to trade at a substantial discount to net asset value, of 66.7% (2020: 62.3%) based on the market value of Rs 20.50 on the Stock Exchange as at June 30, 2021 (2020: Rs 19.95).

Report of the Directors (Continued)

INVESTMENT PORTFOLIO (CONT'D)

	Value of Investments 30.06.2021		Value of Investments 30.06.2020	
	Rs'm	%	Rs'm	%
Subsidiary Company				
Shares in MCB Leasing Ltd.	**200**	**8.70**	200	8.30
Associated Companies				
Shares in Promotion and Development Ltd.	**1,470.6**	**63.95**	1,624.0	67.43
Shares in Caudan Development Ltd.	**104.7**	**4.55**	108.9	4.52
	1,575.3	**68.50**	1,732.9	71.96
Other Investments				
Shares in Le Refuge du Pêcheur Ltd.	**203.7**	**8.86**	203.7	8.46
Shares in Mauritius Freeport Development Co. Ltd.	**247.5**	**10.76**	255.4	10.60
Other Investments	**73.3**	**3.18**	16.2	0.67
	524.5	**22.80**	475.3	19.74
	2,299.8	**100.00**	2,408.2	100.00

OUTLOOK

The operating context remains challenging, with limited visibility on the evolution of the situation going forward, especially in relation to the rebound of the tourism industry pursuant to the opening of our borders, the spread of the new variants of the coronavirus and continued lockdowns in many countries despite the progress made with the widening vaccination campaigns. Against this backdrop, we will continue to monitor the situation closely in order to preserve the financial resilience of the Group, through a diligent and pragmatic approach adopted to pursue our business expansion as well as a reinforcement of our risk and compliance framework to address emerging risks.

Signed by

Jean-Pierre MONTOCCHIO

Chairman

Jean Philippe COULIER

Director

For and on behalf of the Board of Directors

Date: 28th September, 2021

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 28th September 2021

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 separate financial statements of Fincorp Investment Limited (the "Company" and the "Public Interest Entity") and its subsidiary (the "Group") set out on pages 30 to 80, which comprise the consolidated and separate statements of financial position as at 30 June 2021, 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 consolidated and separate notes to the 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 Company as at 30 June 2021, and of their consolidated and separate financial performance and consolidated and separate 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 Standard Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code"), and we have fulfilled our other ethical responsibilities 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.

Key audit matters

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

Key audit matters (Cont'd)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Provision for expected credit losses</td></tr>
<tr><td>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 is the application 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.
• 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.</td><td>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;
• 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; and
• Performed substantive tests of details on Stage 3 provisioning including validation of valuation of collateral securities and future cash flows.</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information comprises the corporate governance report, the statement of compliance, the report of the directors, the company secretary's certificate and the five-year financial summary, but, 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 2004 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

Other information (Cont'd)

Corporate Governance Report (Cont'd)

annual report, the Public Interest Entity has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

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 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit

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

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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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 period 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.

Report on other legal and regulatory requirements

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 subsidiaries 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 as far as appears from our examination of those records.

Use of this report

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.

Deloitte
Chartered Accountants
28 September 2021

Agrawal.

Vishal Agrawal, FCA
Licensed by FRC

Statements of Financial Position

As at 30 June 2021

	Notes	GROUP 2021 Rs' 000	GROUP 2020 Rs' 000	COMPANY 2021 Rs' 000	COMPANY 2020 Rs' 000
ASSETS					
Cash and cash equivalents	6	**55,694**	393,127	**-**	-
Deposits with financial institutions	7	**-**	57,677	**-**	-
Net lease receivables	8	**3,151,121**	3,294,472	**-**	-
Loan receivable	9	**386,282**	342,937	**386,282**	342,937
Investment securities	10	**828,630**	921,579	**524,497**	475,319
Investments in associates	11	**6,032,764**	5,193,719	**1,575,265**	1,732,914
Investment in subsidiary	12	**-**	-	**200,000**	200,000
Plant and equipment	13	**722,473**	674,034	**-**	-
Intangible assets	14	**11,830**	21,294	**-**	-
Current tax assets	18	**191**	10,786	**191**	185
Other assets	15	**56,949**	75,986	**18,342**	334
Total assets		**11,245,934**	10,985,611	**2,704,577**	2,751,689
LIABILITIES					
Deposits from customers	16	**3,395,373**	4,142,772	**-**	-
Borrowings	17	**1,175,917**	1,030,334	**1,046,883**	985,670
Current tax liabilities	18	**4,917**	-	**-**	-
Deferred tax liabilities	19	**14,637**	17,050	**-**	-
Other liabilities	20	**69,214**	118,631	**2,568**	2,733
Total liabilities		**4,660,058**	5,308,787	**1,049,451**	988,403
SHAREHOLDERS' EQUITY					
Share capital	21(a)	**103,355**	103,355	**103,355**	103,355
Retained earnings		**2,139,113**	1,993,687	**110,583**	53,221
Other components of equity		**4,343,408**	3,579,782	**1,441,188**	1,606,710
Total equity		**6,585,876**	5,676,824	**1,655,126**	1,763,286
Total equity and liabilities		**11,245,934**	10,985,611	**2,704,577**	2,751,689

These financial statements were approved for issue by the Board of Directors on 28 September 2021.

Jean-Pierre MONTOCCHIO
Director

Jean-Philippe COULIER
Director

The notes on pages 36 to 80 form part of these financial statements.

Auditor's report on pages 26 to 29.

Statements of Profit or Loss

For the year ended 30 June 2021

	Notes	GROUP 2021 Rs' 000	GROUP 2020 Rs' 000	COMPANY 2021 Rs' 000	COMPANY 2020 Rs' 000
Interest income	22(a)	**249,036**	269,060	**8,376**	7,703
Interest expense	22(b)	**(166,880)**	(218,106)	**(31,435)**	(38,236)
Net interest income/(expense)		**82,156**	50,954	**(23,059)**	(30,533)
Fee and commission income		**11,505**	8,487	**438**	700
Other income					
Loss arising from dealing in foreign currencies		**(382)**	(540)	**(382)**	(540)
Net gain from financial instruments at fair value through profit or loss		**57,051**	5,572	**57,051**	5,572
		56,669	5,032	**56,669**	5,032
Operating lease income		**188,102**	196,864	**-**	-
Dividend income		**8,618**	124	**26,662**	63,581
Other operating income	23	**16,194**	13,206	**-**	-
		269,583	215,226	**83,331**	68,613
Operating income		**363,244**	274,667	**60,710**	38,780
Non-interest expense					
Salaries and human resource costs	24	**(42,422)**	(44,750)	**-**	-
Depreciation and amortisation	13, 14	**(155,222)**	(160,430)	**-**	-
Loss on disposal of assets		**(3,901)**	(511)	**-**	-
Other expenses	25	**(30,031)**	(33,100)	**(3,345)**	(3,642)
		(231,576)	(238,791)	**(3,345)**	(3,642)
Operating profit before impairment		**131,668**	35,876	**57,365**	35,138
Net impairment of financial assets	26	**(18,680)**	(9,718)	**-**	-
Operating profit		**112,988**	26,158	**57,365**	35,138
Share of profits/(losses) of associates		**64,442**	(76,608)	**-**	-
Profit/(Loss) before tax		**177,430**	(50,450)	**57,365**	35,138
Income tax expense	27	**(13,108)**	(965)	**(3)**	(157)
Profit/(Loss) attributable to equity holders of the parent		**164,322**	(51,415)	**57,362**	34,981
Earnings/(Loss) per share	29 Rs	**1.59**	(0.50)	**0.55**	0.34

The notes on pages 36 to 80 form part of these financial statements.

Auditor's report on pages 26 to 29.

Statements of Other Comprehensive Income

For the year ended 30 June 2021

	GROUP		COMPANY	
	2021 Rs' 000	2020 Rs' 000	**2021 Rs' 000**	2020 Rs' 000
Profit/(Loss) attributable to equity holders of the parent	**164,322**	(51,415)	**57,362**	34,981
Other comprehensive income/(expense):				
Items that will not be reclassified to profit or loss:				
Net fair value loss on investments in associates	**-**	-	**(157,649)**	(187,826)
Net fair value (loss)/gain on equity investments	**(7,873)**	50,625	**(7,873)**	50,625
Share of other comprehensive income/(expense) of associates	**790,719**	(254,711)	**-**	-
	782,846	(204,086)	**(165,522)**	(137,201)
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive expense of associates	**(29)**	(26)	**-**	-
	(29)	(26)	**-**	-
Other comprehensive income/(expense) for the year	**782,817**	(204,112)	**(165,522)**	(137,201)
Total comprehensive income/(expense) attributable to equity holders of the parent	**947,139**	(255,527)	**(108,160)**	(102,220)

The notes on pages 36 to 80 form part of these financial statements.

Auditor's report on pages 26 to 29.

Statements of Changes in Equity

For the year ended 30 June 2021

THE GROUP	Note	Share Capital Rs' 000	Capital Contribution Rs' 000	Retained Earnings Rs' 000	Capital Reserve Rs' 000	Revaluation & Other Reserve Rs' 000	Statutory Reserve Rs' 000	Total Equity Rs' 000
At 01 July 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 to ordinary shareholders	28	-	-	(62,013)	-	-	-	(62,013)
Dividends to non-cumulative preference shareholders	28	-	-	(11,000)	-	-	-	(11,000)
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**
Profit for the year		**-**	**-**	**164,322**	**-**	**-**	**-**	**164,322**
Other comprehensive income for the year		**-**	**-**	**245**	**663,895**	**118,677**	**-**	**782,817**
Total comprehensive income for the year		**-**	**-**	**164,567**	**663,895**	**118,677**	**-**	**947,139**
Share of other movements in reserves of associate		**-**	**-**	**28,030**	**-**	**(28,030)**	**-**	**-**
Share of impact of change in shareholding in associates		**-**	**-**	**(16,087)**	**-**	**-**	**-**	**(16,087)**
Dividends to non-cumulative preference shareholders	28	**-**	**-**	**(22,000)**	**-**	**-**	**-**	**(22,000)**
Transfer to statutory reserve		**-**	**-**	**(9,084)**	**-**	**-**	**9,084**	**-**
At 30 June 2021		**103,355**	**200,000**	**2,139,113**	**1,274,323**	**2,742,774**	**126,311**	**6,585,876**

The notes on pages 36 to 80 form part of these financial statements.

Auditor's report on pages 26 to 29.

Statements of Changes in Equity *(Continued)*

For the year ended 30 June 2021

THE COMPANY	Note	Share Capital Rs' 000	Retained Earnings Rs' 000	Capital Reserve Rs' 000	Revaluation & Other Reserve Rs' 000	Total Equity Rs' 000
At 01 July 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	28	-	(62,013)	-	-	(62,013)
At 30 June 2020		**103,355**	**53,221**	**100,596**	**1,506,114**	**1,763,286**
Profit for the year		**-**	**57,362**	**-**	**-**	**57,362**
Other comprehensive expense for the year		**-**	**-**	**-**	**(165,522)**	**(165,522)**
Total comprehensive income/(expense) for the year		**-**	**57,362**	**-**	**(165,522)**	**(108,160)**
At 30 June 2021		**103,355**	**110,583**	**100,596**	**1,340,592**	**1,655,126**

The notes on pages 36 to 80 form part of these financial statements.

Auditor's report on pages 26 to 29.

Statements of Cash Flows

For the year ended 30 June 2021

	Notes	GROUP 2021 Rs' 000	GROUP 2020 Rs' 000	COMPANY 2021 Rs' 000	COMPANY 2020 Rs' 000
Operating Activities					
Operating profit		**112,988**	26,158	**57,365**	35,138
Adjustments for:					
Profit on disposal of operating leases		**(220)**	(2,704)	**-**	-
Loss on disposal of repossessed leased assets		**4,121**	3,215	**-**	-
Amortisation		**10,965**	4,009	**-**	-
Depreciation		**144,257**	156,421	**-**	-
Net impairment of financial assets		**18,680**	9,718	**-**	-
Operating profit before working capital changes		**290,791**	196,817	**57,365**	35,138
Movement in working capital:					
(Increase)/Decrease in interest receivable		**(2,513)**	53,254	**-**	-
(Decrease)/Increase in interest payable		**(130,230)**	40,034	**-**	-
(Increase)/Decrease in other assets		**(10,403)**	36,004	**(18,008)**	59,243
(Decrease)/Increase in other liabilities		**(31,375)**	36,202	**(165)**	81
Changes in operating assets and liabilities:					
Net decrease in investment in leases		**124,670**	174,987	**-**	-
Net (decrease)/increase in deposits		**(617,166)**	330,308	**-**	-
Net decrease in investment at fair value through profit or loss		**(57,051)**	(5,571)	**(57,052)**	(5,571)
Net cash flows from operations		**(433,277)**	862,035	**(17,860)**	88,891
Income tax paid	18	**(9)**	(3,264)	**(9)**	(54)
Net cash flows from operating activities		**(433,286)**	858,771	**(17,869)**	88,837
Cash flows from investing activities					
Investment in securities		**144,640**	(247,555)	**-**	-
Proceeds from financial institutions		**57,677**	-	**-**	-
Proceeds from sale of repossessed leased assets		**7,273**	6,607	**-**	-
Proceeds from sale of plant and equipment		**118,744**	77,060	**-**	-
Purchase of intangible assets		**(1,501)**	(597)	**-**	-
Purchase of plant and equipment		**(311,220)**	(209,901)	**-**	-
Dividends received from associate		**-**	23,458	**-**	-
Net cash flows from investing activities		**15,613**	(350,928)	**-**	-
Cash flows from financing activities					
Dividends paid		**(22,000)**	(73,013)	**-**	(62,013)
Payments on long term borrowings		**(35,294)**	(113,680)	**-**	-
Payments from short term borrowings		**(510,000)**	-	**-**	-
Proceeds from short term borrowings		**610,000**	-	**-**	-
Proceeds from long term borrowings		**19,665**	-	**-**	-
Net cash flows from financing activities		**62,371**	(186,693)	**-**	(62,013)
(Decrease)/Increase in cash and cash equivalents		**(355,302)**	321,150	**(17,869)**	26,824
Movement in cash and cash equivalents					
At 01 July		**(249,606)**	(570,756)	**(642,733)**	(669,557)
(Decrease)/Increase		**(355,302)**	321,150	**(17,869)**	26,824
At 30 June	6	**(604,908)**	(249,606)	**(660,602)**	(642,733)

The notes on pages 36 to 80 form part of these financial statements.

Auditor's report on pages 26 to 29.

Notes to the Financial Statements

Year ended 30 June 2021

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 and provides both finance and operating leases for equipment and motor vehicles.

The subsidiary, MCB Leasing Limited, holds a leasing licence from the Financial Services Commission and a deposit-taking licence from the Bank of Mauritius.

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) and in compliance with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

The financial statements have been prepared on a historical cost basis, except where otherwise stated. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, which is the Group's and the Company's presentation and functional currency, and all values are rounded to the nearest thousand (Rs 000), except when otherwise indicated.

Where necessary, comparative figures have been amended to conform with change in presentation in the current year.

Going concern

The Board at the time of approving the financial statements has a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. The directors are 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 thus prepared on a going concern basis.

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 Company has applied all of 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 2020.

The following relevant revised standards have been applied in these financial statements, their application has not had any material impact on the disclosures.

Amendments to IAS 1 and IAS 8 Definition of material	The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.
	The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

New and revised Standards in issue 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 classification of liabilities (effective 1 January 2023)
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 produced while the company is preparing the asset for its intended use (effective 1 January 2022)
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous (effective 1 January 2022)
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 1 January 2022)

The directors anticipate that these Standards and Interpretations will be applied in the Company's financial statements at the above effective dates in future periods. The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods.

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of consolidation (Cont'd)

Investment in subsidiary (Cont'd)

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.

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.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are accounted using the equity method of accounting except when classified as held-for-sale. On acquisition of the investment in the associates, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment, in accordance with IAS 36 as a single asset by comparing the recoverable amount (higher of value in use less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9.

The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Investments in associates (Cont'd)

Consolidated financial statements (Cont'd)

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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.

(d) Foreign currencies

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.

Transactions and balances

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(e) Financial assets and liabilities

(i) Initial recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Under IFRS 9, immediately after initial recognition, an expected credit loss allowance ("ECL") is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial assets and liabilities (Cont'd)

(i) Initial recognition (cont'd)

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income or expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

(ii) Classification and subsequent measurement

The Group 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 Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

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 and other comprehensive income as 'Other operating 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 operating 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial assets and liabilities (Cont'd)

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

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.

The Group classifies its financial assets, comprising cash and cash equivalents, deposits with financial institutions, investment securities-debt instruments, 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
Loan receivable	Yes	Hold to collect	At amortised cost
Investment securities – Debt Instruments	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 IFRS 16 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(f).

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings. Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'dividend income' in profit or loss. The Group designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial assets and liabilities (Cont'd)

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

Equity instruments at fair value through profit or loss

A financial asset is held for trading if it has been acquired principally for the purpose of selling it in the near term. Investments in equity instruments which are held for trading are classified as at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

(iii) 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.

(iv) 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.

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial assets and liabilities (Cont'd)

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

Qualitative criteria:

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

- Short term forbearance,
- Standing order or direct debit cancellation;
- Extension to terms granted;
- Previous arrears within the last 12 months;

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.

The criteria used to identify SICR is reviewed periodically by management for appropriateness and have been adapted accordingly during the COVID-19 period to reflect the new credit risk profile of clients and specific circumstances.

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).

$$ECL = PD \times LGD \times EAD$$

- 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 annual GDP at constant prices 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial assets and liabilities (Cont'd)

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

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.

(f) Leases

The Group as a Lessee

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.

Operating leases - Group acting as the Lessor

Assets leased out under operating leases are included in plant and equipment in the statement of financial position. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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

Finance leases - Group acting as the Lessor

The Group is engaged in the provision of leases to both individuals and corporates. The Group's portfolio is made up of principally motor vehicles and equipment. As part of the wider risk management principles of the Group, the risks associated with the lease portfolio was monitored through rigorous credit assessment, determining the financed amount as part of the cost of the asset based on the customers' credit risk profile, setting up buy back agreements with suppliers for assets with high residual values, amongst others.

(i) Recognition and initial measurement

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 and any reduction in respect of amounts accrued is recognised immediately.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

Impairment of lease receivables have been disclosed in Note 8(c).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Leases (Cont'd)

(iii) Repossessed assets

Assets repossessed from non-performing clients pending disposals are stated at their net realisable value under "Other Assets" in the statement of financial position.

(g) Cash and cash equivalents

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

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in the statement of financial position.

(h) Plant and equipment

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.

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.

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 & Fittings	5 years
Computer equipment	3 years
Motor vehicles	5-7 years
Plant and equipment	3-7 years

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Plant and equipment (Cont'd)

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

Assets under operating leases

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

(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) 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.

Notes to the Financial Statements (Continued)

Year ended 30 June 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Income tax

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at 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 tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted by the end of the reporting period.

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 Mauritius Revenue Authority.

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

(l) Other assets

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

(m) Financial liabilities

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

Notes to the Financial Statements (Continued)

Year ended 30 June 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) 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.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

(p) Other liabilities

Provisions, including legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. 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.

(q) Share capital and equity reserves

Ordinary shares

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

Capital contribution

The subsidiary of 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 comprises 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)

(r) 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.

(s) 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.

(t) Revenue recognition

Finance lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return on the net investment amount outstanding on the finance leases.

Operating lease income is recognised over the term of the lease using the straight-line method.

(u) Interest income and expense

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

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

(v) Fee and commission income

Fee and commission income are mainly processing fees on leases which 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.

(w) Pension benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Pension benefits (Cont'd)

Termination benefits

Termination benefits are recognised when the Group is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy when it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. A liability is recognised for the termination benefit representing the best estimate of the amount payable and the termination benefits are recognised as an expense.

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 Workers Rights Act 2019 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.

State pension plan

Contributions to the Contribution Sociale Generalisée (CSG) are recognised in profit or loss in the period in which they fall due.

(x) 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 32 to the financial statements.

3 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 IFRS16 Leases 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 2.2 m (2020: Rs 2.9 m). 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.

4. 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 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 2021, amount written off was Rs 19.0 m. (2020: Rs 15.1 m)

4. FINANCIAL RISK FACTORS (CONT'D)

(a) Credit Risk (Cont'd)

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:

	2021	2020
	Rs' 000	Rs' 000
Leases		
Up to 3 months	57,794	32,169
Over 3 months and up to 6 months	47,752	56,013
Over 6 months and up to 1 year	16,771	6,522
Over 1 year	13,681	1,796
Total	135,998	96,500

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.

	2021	2020	Collaterals held
	Rs' 000	Rs' 000	
Leases			
Gross Amount	103,778	81,274	Vehicles and
Stage 3	68,366	60,154	other equipment

The fair value of collateral for the impaired facilities amounts to Rs 35 m (2020: Rs 25 m). A provision of Rs 68 m (2020: Rs 60.2 m) has been made on the impaired receivables.

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:

	2021	2020
	Rs' 000	Rs' 000
Vehicles	9,146	3,654

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

4. FINANCIAL RISK FACTORS (CONT'D)

(a) Credit Risk (Cont'd)

Analysis of credit quality

	2021 Rs' 000	2020 Rs' 000
Neither past due nor impaired	**3,025,878**	3,230,745
Past due but not impaired	**135,998**	96,500
Individually impaired	**103,778**	81,274
Gross	**3,265,654**	3,408,519
Less: Allowance for impairment		
Stage 1 & 2 ECL	**(46,167)**	(53,893)
Stage 3 ECL	**(68,366)**	(60,154)
Net lease receivables	**3,151,121**	3,294,472

Maximum exposure to credit risk before collateral and other credit enhancements

The following table presents the maximum exposure at 30 June 2021 and 2020 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	
	2021 Rs' 000	2020 Rs' 000
Cash and cash equivalents	**55,694**	393,127
Investment securities	**304,133**	446,260
Deposits with financial institutions	**-**	57,677
Net lease receivables	**3,151,121**	3,294,472
Subordinated loan	**386,282**	342,937
Other assets	**53,872**	74,851
	3,951,102	4,609,324

For financial assets recognised in the statement of financial position, the exposure to credit risk equals their carrying amount. Credit risk from balances with banks and financial institutions is considered negligible, since the counterparty is The Mauritius Commercial Bank Limited, which is a reputable bank with high quality external credit rating.

Notes to the Financial Statements *(Continued)*
Year ended 30 June 2021

4. FINANCIAL RISK FACTORS (CONT'D)

(a) Credit Risk (Cont'd)

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	3,265,654	(114,533)	3,151,121
Other financial assets measured at amortised cost			
– cash and cash equivalents	55,805	(111)	55,694
– investment securities	304,181	(48)	304,133
– other assets	60,141	(6,269)	53,872
Total gross carrying amount on balance sheet	3,685,781	(120,961)	3,564,820
Off balance sheet lease commitments	367,131	(861)	366,270
At 30 June 2021	4,052,912	(121,822)	3,931,090

	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 and cash equivalents	393,334	(207)	393,127
– deposits with financial institutions	57,683	(6)	57,677
– investment securities	446,310	(50)	446,260
– other assets	81,600	(6,749)	74,851
Total gross carrying amount on balance sheet	4,387,446	(121,059)	4,266,387
Off balance sheet lease commitments	268,187	(1,126)	267,061
At 30 June 2020	4,655,633	(122,185)	4,533,448

4. FINANCIAL RISK FACTORS (CONT'D)

(a) Credit Risk (Cont'd)

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	**3,025,878**	**135,998**	**103,778**	**3,265,654**	**(28,229)**	**(17,938)**	**(68,366)**	**(114,533)**	**0.93%**	**13.19%**	**65.88%**	**3.51%**
Cash and cash equivalents	**55,805**	**-**	**-**	**55,805**	**(111)**	**-**	**-**	**(111)**	**0.20%**	**-**	**-**	**0.20%**
Investment securities	**304,181**	**-**	**-**	**304,181**	**(48)**	**-**	**-**	**(48)**	**0.02%**	**-**	**-**	**0.02%**
Other assets	**54,091**	**-**	**6,050**	**60,141**	**(219)**	**-**	**(6,050)**	**(6,269)**	**0.40%**	**-**	**100.00%**	**10.42%**
Lease commitments	**367,131**	**-**	**-**	**367,131**	**(861)**	**-**	**-**	**(861)**	**0.23%**	**-**	**-**	**0.23%**
At 30 June 2021	**3,807,086**	**135,998**	**109,828**	**4,052,912**	**(29,468)**	**(17,938)**	**(74,416)**	**(121,822)**	**0.77%**	**13.19%**	**67.76%**	**3.01%**

	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 and cash equivalents	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 assets	78,279	-	3,321	81,600	(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	4,474,538	96,500	84,595	4,655,633	(36,288)	(22,423)	(63,474)	(122,185)	0.81%	23.24%	75.03%	2.62%

4. FINANCIAL RISK FACTORS (CONT'D)

(a) Credit Risk (Cont'd)

Modification of leases

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of leases. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate or change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition. If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

In 2020, the Group implemented a Support Programme during the year under review as a response to the effect of the COVID-19 pandemic on its portfolio. Through that programme, leases of a value of Rs 1.4 bn were given a moratorium on Capital of 3 to 6 months. During the year under review, no specific COVID moratorium was granted. The gross carrying amount of the leases after moratoriums at 30 June 2021 stood at Rs 752.4 m.

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.

The Group closely monitors collaterals held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of the collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collaterals held in order to mitigate potential losses are shown below:

	Gross exposure	Impairment allowance	Fair value of collateral held
	Rs' 000	Rs' 000	Rs' 000
Credit impaired leases:			
2021	**103,778**	**68,366**	**38,569**
2020	81,274	60,154	24,970

4. FINANCIAL RISK FACTORS (CONT'D)

(b) Market Risk - price risk

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

A 5% change in the fair value of the quoted investments would impact the equity by Rs 94.8 m (2020: Rs 100.2 m).

(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.

At year end, the impact of any fluctuation in interest rate was not significant to the Company.

(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% 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 subsidiary of the Group has complied with this requirement as at 30 June 2021.

Notes to the Financial Statements (Continued)

Year ended 30 June 2021

4. FINANCIAL RISK FACTORS (CONT'D)

(d) Liquidity risk (Cont'd)

	GROUP				
	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, 2021					
Assets					
Cash and cash equivalents	55,694	-	-	-	55,694
Net lease receivables	1,103,122	1,948,954	99,045	-	3,151,121
Loan receivable	-	-	386,282	-	386,282
Investment securities	49,934	254,199	-	524,497	828,630
Investments in associates	-	-	-	6,032,764	6,032,764
Current tax assets	191	-	-	-	191
Other assets	53,872	-	-	-	53,872
Total assets	1,262,813	2,203,153	485,327	6,557,261	10,508,554
Liabilities					
Deposits from customers	1,141,968	2,253,405	-	-	3,395,373
Borrowings	771,360	18,276	386,281	-	1,175,917
Current tax liabilities	-	-	-	4,917	4,917
Other liabilities	69,214	-	-	-	69,214
Total liabilities	1,982,542	2,271,681	386,281	4,917	4,645,421
Net liquidity gap	(719,729)	(68,528)	99,046	6,552,344	5,863,133

4. FINANCIAL RISK FACTORS (CONT'D)

(d) Liquidity risk (Cont'd)

	GROUP				
	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					
Cash and cash equivalents	393,127	-	-	-	393,127
Deposits with financial institutions	57,677	-	-	-	57,677
Net lease receivables	1,063,906	2,105,122	125,444	-	3,294,472
Loan receivable	-	-	342,937	-	342,937
Investment securities	194,625	251,635	-	475,319	921,579
Investments in associates	-	-	-	5,193,719	5,193,719
Current tax assets	10,786	-	-	-	10,786
Other assets	74,851	-	-	-	74,851
Total assets	1,794,972	2,356,757	468,381	5,669,038	10,289,148
Liabilities					
Deposits from customers	1,949,858	2,192,914	-	-	4,142,772
Borrowings	676,400	10,997	342,937	-	1,030,334
Other liabilities	118,631	-	-	-	118,631
Total liabilities	2,744,889	2,203,911	342,937	-	5,291,737
Net liquidity gap	(949,917)	152,846	125,444	5,669,038	4,997,411

Notes to the Financial Statements (Continued)

Year ended 30 June 2021

4. FINANCIAL RISK FACTORS (CONT'D)

(d) Liquidity risk (Cont'd)

	COMPANY				
	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, 2021					
Assets					
Loan receivable	**-**	**-**	**386,282**	**-**	**386,282**
Investment securities	**-**	**-**	**-**	**524,497**	**524,497**
Investments in associates	**-**	**-**	**-**	**1,575,265**	**1,575,265**
Investment in subsidiary	**-**	**-**	**-**	**200,000**	**200,000**
Current tax assets	**191**	**-**	**-**	**-**	**191**
Other assets	**18,342**	**-**	**-**	**-**	**18,342**
Total assets	**18,533**	**-**	**386,282**	**2,299,762**	**2,704,577**
Liabilities					
Borrowings	**660,602**		**386,282**	**-**	**1,046,884**
Other liabilities	**2,568**	**-**	**-**	**-**	**2,568**
Total liabilities	**663,170**	**-**	**386,282**	**-**	**1,049,452**
Net liquidity gap	**(644,637)**	**-**	**-**	**2,299,762**	**1,655,125**
At June 30, 2020					
Assets					
Loan receivable	-	-	342,937	-	342,937
Investment securities	-	-	-	475,319	475,319
Investments in associates	-	-	-	1,732,914	1,732,914
Investment in subsidary	-	-	-	200,000	200,000
Current tax assets	185	-	-	-	185
Other assets	334	-	-	-	334
Total assets	519	-	342,937	2,408,233	2,751,689
Liabilities					
Borrowings	642,733		342,937	-	985,670
Other liabilities	2,733	-	-	-	2,733
Total liabilities	645,466	-	342,937	-	988,403
Net liquidity gap	(644,947)	-	-	2,408,233	1,763,286

4. FINANCIAL RISK FACTORS (CONT'D)

(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.

Notes to the Financial Statements (Continued)

Year ended 30 June 2021

4. FINANCIAL RISK FACTORS (CONT'D)

(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:

	2021		2020		
Group	**EURO**	**USD**	EURO	GBP	USD
	Rs' 000	**Rs' 000**	Rs' 000	Rs' 000	Rs' 000
Assets					
Bank balances	**77**	**3,526**	-	-	1,458
Loan receivable	**386,282**	**-**	342,937	-	-
Net lease receivables	**24,585**	**-**	40,944	-	36,374
	410,944	**3,526**	383,881	-	37,832
Liabilities					
Other liabilities	**209**	**-**	34,398	1	8,520
Borrowings	**401,487**	**-**	346,949	-	25,548
	401,696	**-**	381,347	1	34,068

	2021		2020		
Company	**EURO**	**USD**	EURO	GBP	USD
	Rs' 000	**Rs' 000**	Rs' 000	Rs' 000	Rs' 000
Assets					
Loan receivable	**386,282**	**-**	342,937	-	-
Liabilities					
Borrowings	**386,282**	**-**	342,937	-	-

5. 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	
	2021	2020	**2021**	2020
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Long term debt	**404,557**	353,934	**386,281**	342,937
Less cash and cash equivalents	**(55,694)**	(393,127)	**-**	-
Net debt	**348,863**	(39,193)	**386,281**	342,937
Total Equity	**6,585,876**	5,676,824	**1,655,126**	1,763,286
Adjustments	**(4,017,097)**	(3,262,555)	**-**	-
Adjusted Equity	**2,568,779**	2,414,269	**1,655,126**	1,763,286
Debt to equity ratio	**0.16**	(0.02)	**0.23**	0.19

The long term debt comprises borrowings (refer to note 17).

Notes to the Financial Statements *(Continued)*

Year ended 30 June 2021

6. CASH AND CASH EQUIVALENTS

	GROUP	
	2021	2020
	Rs' 000	Rs' 000
Cash in hand	**4**	2
Balances and deposits with banks in Mauritius	**55,801**	393,332
	55,805	393,334
Less: Allowance for credit impairment	**(111)**	(207)
	55,694	393,127

Allowance for credit impairment	**GROUP**
	Stage 1 ECL
	Rs' 000
At 01 July 2019	196
Provision for the year	11
At 30 June 2020	**207**
Release for the year	**(96)**
At 30 June 2021	**111**

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Cash and cash equivalents as shown in the statement of cash flows:				
Bank balances	**55,694**	393,127	**-**	-
Bank overdrafts (Note 17)	**(660,602)**	(642,733)	**(660,602)**	(642,733)
	(604,908)	(249,606)	**(660,602)**	(642,733)

7. DEPOSITS WITH FINANCIAL INSTITUTIONS

	GROUP	
	2021	2020
	Rs' 000	Rs' 000
Remaining term to maturity:		
Up to one year	**-**	57,683
Less: Allowance for credit impairment	**-**	(6)
	-	57,677

The above consists of deposits with The Mauritius Commercial Bank Limited which carried interest rate of 3.9 % p.a.

Notes to the Financial Statements (Continued)

Year ended 30 June 2021

7. DEPOSITS WITH FINANCIAL INSTITUTIONS (CONT'D)

Allowance for credit impairment	GROUP Stage 1 ECL Rs' 000
Balance at 01 July 2019	220
Provision released	(214)
At 30 June 2020	**6**
Provision released	**(6)**
At 30 June 2021	**-**

8. NET LEASE RECEIVABLES

		GROUP	
		2021 **Rs' 000**	2020 Rs' 000
(a)	Gross investment in finance leases	**3,624,052**	3,793,111
	Unearned future finance income on finance leases	**(462,163)**	(509,270)
		3,161,889	3,283,841
(b)	Rental receivables on finance lease and operating lease	**103,765**	124,678
	Total gross investment in finance lease	**3,265,654**	3,408,519
	Less: Allowances for credit impairment	**(114,533)**	(114,047)
	Net lease receivables	**3,151,121**	3,294,472
	Finance lease receivables may be analysed as follows:-		
	Receivable within three months	**289,599**	318,708
	Receivable after three months and before six months	**282,048**	256,751
	Receivable after six months and before one year	**531,475**	488,447
	Receivable after one year and before five years	**2,063,487**	2,219,169
	Receivable after five years	**99,045**	125,444
		3,265,654	3,408,519
	Less: Allowances for credit impairment	**(114,533)**	(114,047)
	Net lease receivables	**3,151,121**	3,294,472

8. NET LEASE RECEIVABLES (CONT'D)

(c) Allowances for credit impairment

	GROUP		
	Stage 1 & 2 ECL	Stage 3 ECL	Total
	Rs' 000	Rs' 000	Rs' 000
At 01 July 2019	46,967	68,318	115,285
Provision/(Release) for the year	6,926	(8,164)	(1,238)
At 30 June 2020	**53,893**	**60,154**	**114,047**
(Release)/Provision for the year	**(7,726)**	**8,212**	**486**
At 30 June 2021	**46,167**	**68,366**	**114,533**

(d) Allowances for credit impairment

	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**
Transfer to Stage 1	**13,192**	**(8,259)**	**(4,933)**	**-**
Transfer to Stage 2	**(1,990)**	**5,991**	**(4,001)**	**-**
Transfer to Stage 3	**(1,112)**	**(2,924)**	**4,036**	**-**
Additional provision	**-**	**3,533**	**35,118**	**38,651**
Provision released	**(13,331)**	**(2,826)**	**(22,008)**	**(38,165)**
At 30 June 2021	**28,229**	**17,938**	**68,366**	**114,533**

9. LOAN RECEIVABLE

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Subordinated loans	**386,282**	342,937	**386,282**	342,937

The loans are unsecured and are denominated in Mur and Euro and attract interest at commercial rates.

The loans have no defined repayment date.

10. INVESTMENT SECURITIES

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Amortised cost	**304,181**	446,310	**-**	-
Fair value through other comprehensive income	**451,326**	459,199	**451,326**	459,199
Fair value through profit or loss	**73,171**	16,120	**73,171**	16,120
	828,678	921,629	**524,497**	475,319
Less: Allowance for credit impairment	**(48)**	(50)	**-**	-
	828,630	921,579	**524,497**	475,319

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	**2021**	2020
		Percentage held	
		%	%
MFD Group Limited	Ordinary	**15.00**	15.00
Le Refuge du Pêcheur Ltd	Ordinary	**11.00**	11.00

(a) Amortised cost

	GROUP	
	2021	2020
	Rs' 000	Rs' 000
Government of Mauritius bonds	**254,198**	251,685
Government of Mauritius Treasury bills	**49,983**	194,625
	304,181	446,310
Less: Allowance for credit impairment	**(48)**	(50)
	304,133	446,260

Allowances for credit impairment:

	GROUP
	Stage 1 & 2 ECL
	Rs' 000
At 01 July 2019	22
Provision for the year	28
At 30 June 2020	**50**
Release for the year	**(2)**
At 30 June 2021	**48**

(b) Fair value through other comprehensive income

	GROUP & COMPANY	
	2021	2020
	Rs' 000	Rs' 000
Quoted - Level 1	**247,501**	255,374
Unquoted - Level 3	**203,825**	203,825
	451,326	459,199

The dividend recognised in the statement of profit or loss for the year ended 30 June 2021 was Rs 8.6 m (2020: Rs 0.1 m)

(c) Fair value through profit or loss

Quoted - Level 1	**73,171**	16,120

11. INVESTMENTS IN ASSOCIATES

	GROUP	
	2021	2020
	Rs' 000	Rs' 000
At 01 July	**5,193,719**	5,602,434
Share of profits/(losses)	**64,442**	(76,608)
Share of other comprehensive income:		
- Revaluation and other reserve	**790,719**	(254,711)
- Fair value reserve	**(29)**	(26)
Share of other movements in reserves of associates	**-**	(7,195)
Impact of change in shareholding by associates	**(16,087)**	8,383
Effect of employee share options exercised in associate	**-**	(3,011)
Dividends	**-**	(75,547)
At 30 June	**6,032,764**	5,193,719

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

	Nature of Business	Principal place of Business and Country of Incorporation	2021 Percentage held Direct	2021 Percentage held Total	2020 Percentage held Direct	2020 Percentage held Total
			%	**%**	%	%
Promotion and Development Limited	Investment and property development	Mauritius	**46.36**	**46.36**	46.36	46.36
Caudan Development Limited	Property development, investment and provision of security services	Mauritius	**5.34**	**38.08**	5.34	38.08

(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	Profit/ (Loss)	Other Comprehensive Income/ (Expense)	Total Comprehensive Income/ (Expense)	Dividend Received
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
2021	**196,983**	**15,717,558**	**833,523**	**1,324,459**	**1,222,317**	**543,840**	**132,902**	**1,704,850**	**1,837,752**	**-**
2020	168,104	14,063,606	828,137	1,470,035	1,202,347	587,307	(165,158)	(549,490)	(714,648)	71,275

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

	Opening Net assets	Profit/ (Loss)	Other Comprehensive Income/ (Expense)	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
2021	**10,731,191**	**132,902**	**1,704,850**	**4,217**	**(38,918)**	**12,534,242**	**46.36%**	**5,811,452**
2020	11,596,939	(165,158)	(549,490)	(100,507)	(50,593)	10,731,191	46.36%	4,975,471

All the above associates are accounted for using equity method in these financial statements as set out in the Group's accounting policy in Note 2(c).

11. INVESTMENTS IN ASSOCIATES (CONT'D)

(ii) Information of associate that is not material:

	GROUP	
	2021 Rs' 000	2020 Rs' 000
Carrying amount of interest	**221,312**	218,248
Share of profit/(loss)	**2,823**	(33)
Share of other comprehensive income	**245**	32

(iii) As at June 30, 2021, 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 Rs 1,470,611,020 (2020: Rs 1,623,987,630) and Rs 104,654,271 (2020: Rs 108,925,874) respectively based on the quoted market price available, which is a level 1 input in terms of IFRS 13.

	COMPANY	
	2021 Rs' 000	2020 Rs' 000
At 01 July	**1,732,914**	1,920,740
Fair value adjustment	**(157,649)**	(187,826)
At 30 June	**1,575,265**	1,732,914

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

12. INVESTMENT IN SUBSIDIARY

	COMPANY Rs' 000
At 01 July 2020 and 30 June 2021 - cost	**200,000**

	Country of Incorporation and Operation	Class of Shares	Cost of Investment	Nominal Value of Investment	Percentage Held	Main Business
			Rs' 000	Rs' 000		
2020 & 2021						
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.

Notes to the Financial Statements (Continued)

Year ended 30 June 2021

13. 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 2020	**221,214**	**880,301**	**6,791**	**6,836**	**2,434**	**1,117,576**
Additions	**12,500**	**298,238**	**-**	**482**	**-**	**311,220**
Disposals	**(101,801)**	**(172,404)**	**-**	**-**	**-**	**(274,205)**
At 30 June 2021	**131,913**	**1,006,135**	**6,791**	**7,318**	**2,434**	**1,154,591**
DEPRECIATION						
At 01 July 2020	**108,430**	**322,223**	**6,189**	**6,336**	**364**	**443,542**
Charge for the year	**19,828**	**123,277**	**351**	**314**	**487**	**144,257**
Disposals adjustment	**(63,119)**	**(92,562)**	**-**	**-**	**-**	**(155,681)**
At 30 June 2021	**65,139**	**352,938**	**6,540**	**6,650**	**851**	**432,118**
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
NET BOOK VALUES						
At 30 June 2021	**66,774**	**653,197**	**251**	**668**	**1,583**	**722,473**
At 30 June 2020	112,784	558,078	602	500	2,070	674,034

Notes to the Financial Statements (Continued)

Year ended 30 June 2021

14. INTANGIBLE ASSETS

GROUP	Computer software	
	2021	2020
	Rs' 000	Rs' 000
COST		
At 01 July	**66,816**	66,219
Additions	**1,501**	597
At 30 June	**68,317**	66,816
AMORTISATION		
At 01 July	**45,522**	41,513
Charge for the year	**10,965**	4,009
At 30 June	**56,487**	45,522
NET BOOK VALUES	**11,830**	21,294

15. OTHER ASSETS

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Other investment and rental income receivable	**-**	124	**18,044**	124
Assets repossessed pending disposals	**9,146**	3,654	**-**	-
Fees and residual value receivable	**12,844**	17,867	**-**	-
Others	**41,228**	61,090	**298**	210
	63,218	82,735	**18,342**	334
Less: Allowance for credit impairment	**(6,269)**	(6,749)	**-**	-
	56,949	75,986	**18,342**	334

The carrying amounts of other assets approximate their fair value.

	GROUP		
Allowance for credit impairment	**Stage 1 & 2 ECL**	**Stage 3 ECL**	**Total**
	Rs' 000	**Rs' 000**	**Rs' 000**
At 01 July 2019	3,429	5,598	9,027
Release for the year	-	(2,278)	(2,278)
At 30 June 2020	**3,429**	**3,320**	**6,749**
(Release)/Provision for the year	**(3,210)**	**2,730**	**(480)**
At 30 June 2021	**219**	**6,050**	**6,269**

16. DEPOSITS FROM CUSTOMERS

	GROUP	
	2021	2020
	Rs' 000	Rs' 000
Retail customers		
Within 3 months	**467,935**	603,250
Over 3 up to 6 months	**105,721**	294,638
Over 6 up to 12 months	**435,024**	350,672
Over 1 up to 5 years	**1,929,868**	1,931,605
	2,938,548	3,180,165
Corporate customers		
Within 3 months	**113,585**	118,932
Over 3 up to 6 months	**-**	550,741
Over 6 up to 12 months	**19,703**	31,625
Over 1 up to 5 years	**323,537**	261,309
	456,825	962,607
	3,395,373	4,142,772

The above consists of deposits bearing interest at the rates of 1.7% - 5.7% per annum (2020: 1.7% - 6%).

The deposits are denominated in rupees.

17. BORROWINGS

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Bank overdrafts	**660,602**	642,733	**660,602**	642,733
Bank loans	**498,675**	385,855	**386,281**	342,937
Other loans	**16,640**	1,746	**-**	-
	1,175,917	1,030,334	**1,046,883**	985,670
Analysed as follows:				
Within a period of 1 year	**771,360**	676,400	**660,602**	642,733
Within a period of more than 1 year but not exceeding 2 years	**9,384**	6,946	**-**	-
Within a period of more than 2 years but not exceeding 5 years	**8,892**	4,051	**-**	-
Within a period of more than 5 years	**386,281**	342,937	**386,281**	342,937
	1,175,917	1,030,334	**1,046,883**	985,670

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

The rate of interest on borrowings ranged from 1.5% to 3.5%, 0% to 0% and 0.75% to 2.42% on the borrowings denominated in MUR, USD and EURO respectively (2020: 3% to 5%, 0.90% to 3.99% and 0.75% to 2.60%).

The bank loans are secured by a floating charge on the Group's assets for Rs 262m.

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.

The bank overdrafts 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 on the bank overdrafts ranged from 2.46% to 4.10% (2020: 2.52% to 4.10%).

18. CURRENT TAX LIABILITIES/(ASSETS)

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
At 01 July	**(10,786)**	(7,675)	**(185)**	(288)
Charge for the year	**13,108**	965	**3**	157
Tax paid	**(9)**	(3,264)	**(9)**	(54)
Deferred tax	**2,413**	(812)	**-**	-
At 30 June*	**4,726**	(10,786)	**(191)**	(185)

*The figure of current tax liabilities at 30 June 2021 is net of current tax assets of Rs 191,000.

19. DEFERRED TAX LIABILITIES

	GROUP	
	2021	2020
	Rs' 000	Rs' 000
At 01 July	**17,050**	16,238
Accelerated tax depreciation and provision	**(2,413)**	812
At 30 June	**14,637**	17,050

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

20. OTHER LIABILITIES

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Registration duty payable to government	**12,034**	12,440	**-**	-
Advances received from customers	**7,165**	9,904	**-**	-
Amounts payable to car distributors	**4,558**	6,906	**-**	-
Others	**44,596**	88,255	**2,568**	2,733
Allowance for credit impairment on undrawn commitments	**861**	1,126	**-**	-
	69,214	118,631	**2,568**	2,733

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 2019	2,912
Release for the year	(1,786)
At 30 June 2020	**1,126**
Release for the year	**(265)**
At 30 June 2021	**861**

Notes to the Financial Statements (Continued)
Year ended 30 June 2021

21. SHARE CAPITAL AND RESERVES

(a) SHARE CAPITAL

	GROUP & COMPANY 2021 & 2020 Rs' 000
AUTHORISED:	
250,000,000 ordinary shares of Re.1 each	**250,000**
ISSUED AND FULLY PAID:	
At 01 July 2020 and 30 June 2021	**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 Rs 10 each to MCB Group Limited.

(c) NATURE AND PURPOSE OF RESERVES

Capital reserve:

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

Revaluation and Other reserve:

Fair value adjustments comprise 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 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.

Notes to the Financial Statements *(Continued)*

Year ended 30 June 2021

22. NET INTEREST INCOME/(EXPENSE)

The net interest income/(expense) comprise the following:

(a) INTEREST INCOME

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Financial assets at amortised cost:				
Finance leases	**227,205**	246,773	**-**	-
Other interest income	**21,831**	22,287	**8,376**	7,703
	249,036	269,060	**8,376**	7,703

(b) INTEREST EXPENSE

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Financial liabilities at amortised cost:				
Borrowings	**33,116**	40,928	**31,435**	38,236
Deposits	**133,764**	177,178	**-**	-
	166,880	218,106	**31,435**	38,236

23. OTHER OPERATING INCOME

	GROUP	
	2021	2020
	Rs' 000	Rs' 000
Penalty fees and others	**7,968**	10,100
Others	**8,226**	3,106
	16,194	13,206

24. SALARIES AND HUMAN RESOURCE COSTS

	GROUP	
	2021	2020
	Rs' 000	Rs' 000
Wages and salaries	**35,250**	36,003
Defined benefit plan	**5,323**	3,043
Defined contribution plan	**1,849**	1,550
Other personnel expenses	**-**	4,154
	42,422	44,750

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

25. OTHER EXPENSES

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000
Management Fee	**5,367**	4,443	**-**	-
Marketing and Advertising	**3,409**	5,968	**-**	-
Licences and Software Cost	**2,898**	2,604	**-**	-
Professional Fees	**4,824**	7,960	**-**	-
Other Operating Expenses	**13,533**	12,125	**3,345**	3,642
	30,031	33,100	**3,345**	3,642

Notes to the Financial Statements *(Continued)*

Year ended 30 June 2021

26. NET IMPAIRMENT OF FINANCIAL ASSETS

The tables below provide the reconciliation of the movement in impairment :

2021	**GROUP (RS' 000)**			
	Opening impairment provisions at 01 July 2020	**Closing impairment provisions at 30 June 2021**	**Bad debts written off against provision at 30 June 2021**	**Impairment charge/ (reversal)**
Lease receivables - Specific provisioning Stage 3 - ECL	**60,154**	**68,366**	**(17,821)**	**26,033**
Lease receivables - General provision Stages 1&2 - ECL	**53,893**	**46,167**	**-**	**(7,726)**
ECL on Cash and cash equivalents	**207**	**111**	**-**	**(96)**
Other assets Stage 3 - ECL	**3,320**	**6,050**	**(1,222)**	**3,952**
Other assets Stages 1&2 - ECL	**3,429**	**219**	**-**	**(3,210)**
ECL on Deposits with financial institutions	**6**	**-**	**-**	**(6)**
ECL on Investment securities	**50**	**48**	**-**	**(2)**
ECL on Undrawn commitments	**1,126**	**861**	**-**	**(265)**
Total impairment charge/(release) to profit or loss	**122,185**	**121,822**	**(19,043)**	**18,680**

2020	**GROUP (Rs' 000)**			
	Opening Impairment provisions at 01 July 2019	**Closing impairment provisions at 30 June 2020**	**Bad debts written off against provision at 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 and cash equivalents	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/(release) to profit or loss	127,662	122,185	(15,195)	9,718

27. INCOME TAX EXPENSE

	GROUP		**COMPANY**	
	2021 Rs' 000	2020 Rs' 000	**2021 Rs' 000**	2020 Rs' 000
Income tax charge/(credit) on adjusted profits	**13,695**	(954)	**3**	139
Deferred tax (credit)/charge	**(2,413)**	811	**-**	-
Corporate Social Responsibility contribution	**1,826**	1,108	**-**	18
Charge for the year	**13,108**	965	**3**	157

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

	GROUP 2021	GROUP 2020	**COMPANY 2021**	COMPANY 2020
Profit/(Loss) before tax	**177,430**	(50,450)	**57,365**	35,138
Adjust for share of (profits)/losses of associates	**(64,442)**	76,608	**-**	-
	112,988	26,158	**57,365**	35,138
Income tax calculated at a tax rate of 15%	**16,948**	3,924	**8,605**	5,271
Impact of:				
Income not subject to tax	**(37,108)**	(10,232)	**(13,562)**	(11,297)
Expenses not deductible for tax purposes	**31,442**	6,165	**4,960**	6,165
Corporate Social Responsibility contribution	**1,826**	1,108	**-**	18
Income tax charge	**13,108**	965	**3**	157

Notes to the Financial Statements (Continued)

Year ended 30 June 2021

28. DIVIDENDS

The Company has not declared any dividend for the period under review.

Dividend payable to the ultimate holding Company by MCB Leasing Limited on 5.5% non-cumulative preference shares amounted to Rs 22 m (2020: Rs 11 m).

29. EARNINGS/(LOSS) PER SHARE

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

	GROUP		COMPANY	
	2021	2020	**2021**	2020
Profit/(Loss) attributable to equity holders of the parent (Rs' 000)	**164,322**	(51,415)	**57,362**	34,981
Number of shares in issue and ranking for dividend (thousands)	**103,355**	103,355	**103,355**	103,355
Earnings/(Loss) per share (Rs.)	**1.59**	(0.50)	**0.55**	0.34

30. CONTINGENT LIABILITIES

(a) Lease commitments

At June 30, 2021, the Group had commitments amounting to Rs 367 million in respect of future leases (2020: Rs 268 million).

(b) Partial Tax Exemption

MCB Leasing Limited, our subsidiary, received tax assessments from the Mauritius Revenue Authority (MRA) for FY18/19 and FY19/20 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 assessment for FY18/19 for an amount of Rs 8.30 m was received in the previous financial year. During the year under review, an additional tax assesment amounting to Rs 9.78 m was received on the same grounds.

The Company has received independent legal opinion confirming that the activities of the Company is covered by the relevant guidelines of the Act and is entitled to claim the exemption based on extant tax regulations. The Company has accordingly responded to the authorities rejecting 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 18.08 m (2020:Rs 8.30 m) in the financial statements as the Company is of the view that no liability will devolve from it.

31. OPERATING LEASES

	GROUP	
	2021	2020
	Rs' 000	Rs' 000
Future minimum leases receivable under non-cancellable operating leases may be analysed as follows:		
Not later than 1 year	**139,088**	87,113
Later than 1 year and not later than 2 years	**107,721**	70,249
Later than 2 years and not later than 3 years	**70,485**	51,933
Later than 3 years and not later than 4 years	**45,509**	27,724
Later than 4 years and not later than 5 years	**17,627**	11,771
Later than 5 years	**4,302**	4,151
	384,732	252,941

32. OPERATING SEGMENTS

Operating segments are reported in accordance with the internal reporting whose responsibility is to allocate capital and resources to the reportable segments and assessing their performance.

All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

The Group's income, expenses, assets and liabilities are derived mainly through its Mauritian operations.

The following summary describes the operations of each reportable segment.

Reportable Segments	Operations
Leasing	Offering finance and operating leasing solutions and takes deposit
Investing	Investing in priority in the financial services sector

Year ended 30 June 2021

	Group	Leasing	Investing	Eliminations
	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Gross income	530,124	456,023	92,145	(18,044)
Expenses	(398,456)	(363,676)	(34,780)	-
Operating profit before impairment	131,668	92,347	57,365	(18,044)
Net impairment of financial assets	(18,680)	(18,680)	-	-
Operating profit	112,988	73,667	57,365	(18,044)
Share of profits of associates	64,442	-	64,442	-
Profit before tax	177,430	73,667	121,807	(18,044)
Income tax expense	(13,108)			
Profit attributable to equity holders of the parent	164,322			
Other segment items:				
Segment assets	5,213,170	4,301,902	1,129,312	(218,044)
Investments in associates	6,032,764		1,575,265	
Total assets	11,245,934		2,704,577	
Segment liabilities	4,655,141	3,605,690	1,049,451	-
Unallocated liabilities	4,917			
Total liabilities	4,660,058			
Capital expenditure	312,721	312,721		
Depreciation charge	144,257	144,257		
Amortisation	10,965	10,965		

32. OPERATING SEGMENTS (CONT'D)

Year ended 30 June 2020

	Group	Leasing	Investing	Eliminations
	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Gross income	492,773	439,215	77,016	(23,458)
Expenses	(456,897)	(415,019)	(41,878)	-
Operating profit before impairment	35,876	24,196	35,138	(23,458)
Net impairment of financial assets	(9,718)	(9,718)	-	-
Operating profit	26,158	14,478	35,138	(23,458)
Share of losses of associates	(76,608)	-	(76,608)	-
(Loss)/Profit before tax	(50,450)	14,478	(41,470)	(23,458)
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		

Notes to the Financial Statements (Continued)

Year ended 30 June 2021

33. 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
2021						
Entity under common control	**-**	**12,954**	**1,527**	**1,159,277**	**357,467**	**-**
Directors and close family members	**-**	**175**	**846**	**-**	**-**	**2,092**
Enterprises in which directors/key management personnel have significant interest	**903**	**1,726**	**10,327**	**-**	**-**	**22,017**
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

(b) Company

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

	2021	2020
	Rs' 000	Rs' 000
Entity under joint control		
Loan/amount due to	**1,046,883**	985,670
Expenses/financial charges	**31,435**	38,236
Dividend income from Associate	**18,044**	23,458

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

Directors and key management personnel : Salaries and short term employee benefits	**5,403**	5,626

34. HOLDING COMPANY

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

35. POST BALANCE SHEET EVENT

Subsequent to the year end, the Board of Directors has recommended a dividend of Re 0.60 per share subject to the approval of the members at the meeting.

Five-year Financial Summary

Year ended 30 June 2021

		GROUP					COMPANY				
		2021 Rs' m	2020 Rs' m	2019 Rs' m	2018 Rs' m	2017 Rs' m	**2021 Rs' m**	2020 Rs' m	2019 Rs' m	2018 Rs' m	2017 Rs' m
STATEMENTS OF FINANCIAL POSITION											
Total assets		**11,246**	10,986	11,014	10,810	11,060	**2,704**	2,751	2,909	3,201	3,331
Share capital		**103**	103	103	103	103	**103**	103	103	103	103
Retained earnings		**2,139**	1,994	2,110	1,895	1,968	**111**	53	80	53	34
Other components of equity		**4,344**	3,580	3,794	3,643	3,392	**1,441**	1,607	1,744	2,045	2,087
Shareholders' interests		**6,586**	5,677	6,007	5,641	5,463	**1,655**	1,763	1,927	2,201	2,224
Total liabilities		**4,660**	5,309	5,007	5,169	5,597	**1,049**	988	982	1,000	1,107
Total and equity liabilities		**11,246**	10,986	11,014	10,810	11,060	**2,704**	2,751	2,909	3,201	3,331
STATEMENTS OF PROFIT OR LOSS											
Operating income		**363**	275	284	259	246	**61**	39	87	85	31
Profit/(Loss) before tax		**177**	(50)	220	7	87	**57**	35	84	82	28
Profit/(Loss) attributable to equity holders of the parent		**164**	(51)	213	(9)	82	**57**	35	83	81	27
Dividends*		**-**	-	62	62	62	**-**	-	62	62	62
DATA PER SHARE											
Earnings/(loss) per share	Rs	**1.59**	(0.50)	2.06	(0.08)	0.79	**0.55**	0.34	0.80	0.78	0.27
Dividend per share*	Re	**-**	-	0.60	0.60	0.60	**-**	-	0.60	0.60	0.60
Net assets per share**	Rs	**61.79**	52.99	56.19	52.65	52.85	**16.01**	17.06	18.65	21.30	21.52

* Dividends for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019 were declared after year end

** After adjusting for the non-cumulative irredeemable preference shares

Fincorp

Fincorp Investment Limited
9-15 Sir William Newton Street
Port Louis
Republic of Mauritius
T: +230 202 5000