



**FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**MCB FACTORS LTD**

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**REPORT OF THE DIRECTORS – YEAR ENDED JUNE 30, 2021**

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The Directors have the pleasure in submitting the Annual Report of MCB Factors Ltd (“MCB Factors” or “the Company”) together with the audited financial statements for the year ended June 30, 2021.

The shareholder agrees that in conformity with Section 221 (4) of The Companies Act 2001 (“Act”), the Annual Report of the Company need not comply with the paragraphs (a), (d) and (e) of Section 221(1) of the Act.



**SECRETARY**  
**MCB GROUP CORPORATE SERVICES LTD**



Date: October 20, 2021

**SECRETARY CERTIFICATE – YEAR ENDED JUNE 30, 2021**

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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.

  
**SECRETARY**  
**MCB GROUP CORPORATE SERVICES LTD**



Date: October 20, 2021

## STATEMENT OF COMPLIANCE – YEAR ENDED JUNE 30, 2021

**STATEMENT OF COMPLIANCE**  
(Section 75 (3) of the Financial Reporting Act)**Name of Public Interest Entity ('the PIE'): MCB Factors Ltd****Reporting Period: July 1, 2020 — June 30, 2021**

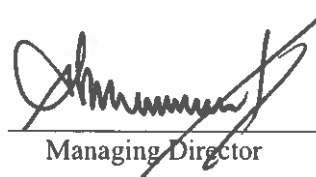
We, the Directors of MCB Factors Ltd, confirm to the best of our knowledge that, except for Principle 4, MCB Factors Ltd has complied with all the provisions of the National Code of Corporate Governance for Mauritius (2016). Reason for non-compliance is set out below:

<b>Principle</b>	<b>Reason for non-compliance</b>
4 - Remuneration	Details of executive director's remuneration and fees have not been disclosed due to the sensitive nature of the information.

Signed for and on behalf of the Board of Directors:



Chairperson



Managing Director

Date: October 20, 2021

**STATEMENT OF COMPLIANCE BY THE BOARD**

It is the policy of the Company to ensure the highest standard of business integrity, transparency and professionalism in all its activities 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 Code of Corporate Governance.

Throughout the year ended June 30, 2021 to the best of the Board's knowledge, except for Principle 4, the Company has complied with all the provisions of the National Code of Corporate Governance for Mauritius (2016). Reason for non-compliance is explained in the table below.

<b>Principle</b>	<b>Reason for non-compliance</b>
4 - Remuneration	Details of executive director's remuneration and fees have not been disclosed due to the sensitive nature of the information.

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

The requirements of the Corporate Governance Code for Mauritius are regularly reviewed by the Board to ensure compliance by the Company.

**1. GOVERNANCE STRUCTURE****1.1. Conduct of affairs**

The objective of the Board is to define the Company's purpose, strategy and values and to give direction to all matters relating to the 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. MCB Group Ltd ("MCB Group" or "the Group"), the holding company, has adopted a Code of Ethics which is applicable to all its subsidiaries, its employees and directors. This Code has been approved by the Board of the Company and is published on its website. 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 Company level as well as at 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 financial statements of the Company.

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

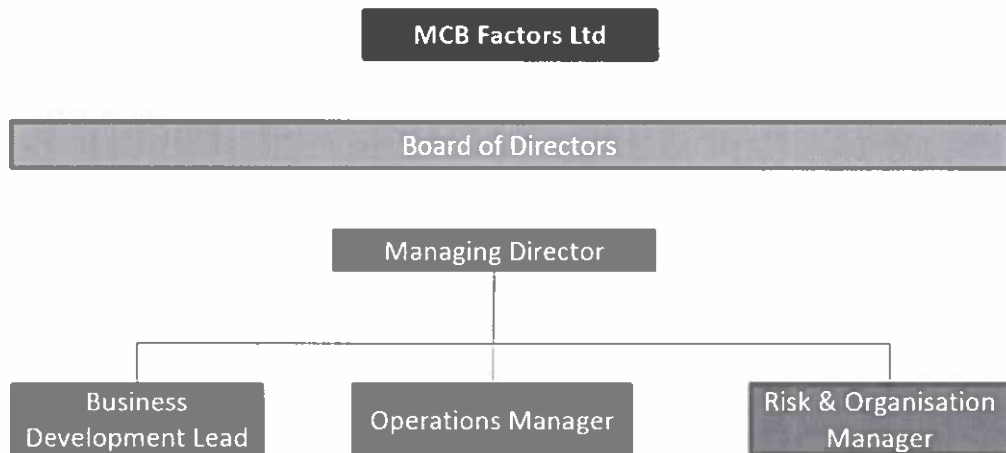
**Key roles and responsibilities**

Chairperson	<ul style="list-style-type: none"> <li>• Provides overall leadership to the Board</li> <li>• Ensures that the Board is effective in its tasks of setting and implementing the company’s direction and strategy</li> <li>• Presides and conducts board meetings effectively</li> <li>• Provides support and supervision to the Managing Director</li> <li>• Ensures that directors receive accurate, timely and clear information</li> <li>• 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</li> <li>• Maintains sound relations with shareholders</li> </ul>
Directors	<ul style="list-style-type: none"> <li>• Contribute to the development of the strategy</li> <li>• Analyse and monitor performance of Management against agreed objectives</li> <li>• Ensure that financial information released to the market and the shareholder is accurate</li> <li>• Ensure that the Company has adequate and proper financial controls and systems of risk management</li> <li>• Actively participate in Board decision-making and constructively challenge, if necessary, proposals presented by Management</li> <li>• Provide specialist knowledge and experience to the Board</li> <li>• Remain permanently bound by fiduciary duties of care and skill</li> </ul>
Managing Director	<ul style="list-style-type: none"> <li>• Manages the day-to-day operations of the Company</li> <li>• Leads the elaboration and execution of the long term strategy of the Company</li> <li>• Maintains good relationships with clients and ensures clients’ satisfaction</li> <li>• Identifies and monitors material risks that may affect the business</li> <li>• Advises and informs members of the Board on significant matters to facilitate decision-making</li> </ul>

	<ul style="list-style-type: none"> <li>• Monitors the operational and financial performance of the Company</li> <li>• Builds the team by empowering, monitoring &amp; managing performance of employees in order to maximise existing talents and develop new capabilities</li> </ul>
Company Secretary	<ul style="list-style-type: none"> <li>• Ensures compliance with all relevant statutory and regulatory requirements</li> <li>• Provides the Board as a whole and directors individually with guidance as to their roles and responsibilities</li> <li>• Assists the Chairperson in governance processes such as Board and Committee evaluation</li> <li>• Develops and circulates agendas for meetings and drafts minutes and ensures follow ups</li> <li>• Ensures that the shareholder’s interests are taken care of and acts as primary point of contact</li> </ul>

**1.4. Organisation Chart**

The Organisation Chart setting out the structure of the Company as well as the reporting lines is reviewed on a regular basis to assess the needs of the business and ensure that the structure is appropriate and maximises effectiveness. The organisational chart may be viewed on the website of the Company.



**2. THE STRUCTURE OF THE BOARD**

**2.1. Board Size**

The Board is a unitary board that currently consists of 1 executive director, 3 non-executive directors and 2 independent directors. Taking into consideration the size of the Company and the scope and nature of its operations, the Board is of the opinion that the current number of 6 directors including 1 executive director is adequate for the smooth running of the Company and for enabling effective decision-making.



## CORPORATE GOVERNANCE REPORT – YEAR ENDED JUNE 30, 2021

The Board currently consists of 5 male directors and 1 female director, as shown below.

NAME	GENDER	COUNTRY OF RESIDENCE	BOARD APPOINTMENT
Margaret Wong Ping Lun	F	Mauritius	Non-Executive Director, Chairperson
Jean-Philippe Coulier	M	Mauritius	Independent Director
Koomaren Cunnoosamy	M	Mauritius	Non-Executive Director
Jean Mée Ernest	M	Mauritius	Managing Director
Michael Lising	M	Mauritius	Independent Director
Pierre Guy Noël	M	Mauritius	Non-Executive Director

## 2.2. Board 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.

Messrs Mr Jean-Philippe Coulier and Michael Lising, independent directors, are both on the boards of MCB Factors and MCB Group. However, they have no executive nor any controlling powers on either MCB Factors or MCB Group and it is unlikely that any potential conflict of interest will arise. Therefore their judgement and decisions relating to the affairs of MCB Factors are purely professional and in the best interest of the Company.

Same reasoning applies for Mr Jean-Philippe Coulier, independent director and Mrs Margaret Wong Ping Lun who are both on the boards of MCB Factors and Fincorp Investment Ltd.

## 2.3. Directors' Profile

### Jean-Philippe Coulier

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

### Directorship in other listed companies

Caudan Development Limited, Promotion and Development Ltd, MCB Group Ltd, Fincorp Investment Ltd, Constance Hotel Services Ltd, Hotelest Ltd

**Koomaren Cunnoosamy**

Holds a Master's degree in Applied Economics with a major in International Monetary Economics from the University of Paris-Dauphine. He is currently Head of Debt Restructuring and Recovery Management of The Mauritius Commercial Bank Limited and is also part of the Leadership team of The Mauritius Commercial Bank Limited. During his career within the MCB group, he has acted as Dealer's Representative of MCB Stockbrokers Ltd on the Stock Exchange of Mauritius Ltd (1989-1991), Loans Analyst and Account Executive within the Industrial Loans Department and Corporate Banking Business Unit of the Bank. Prior to his current position he was the Head of Corporate Banking and Head of Credit Analysis and Structuring.

**Jean-Mee Ernest**

Associate member of the Chartered Institute of Bankers (UK), Jean-Mee joined MCB in 1986. After having been in the Retail banking sector during the first part of his career, he joined MCB Factors in the late 90's where he had the opportunity to hold various positions. He was appointed General Manager of MCB Factors in 2013 and Managing Director in 2016.

**Michael Lising**

A Chartered Accountant from the Institute of Chartered Accountants in England and Wales (ICAEW), Michael also holds a First class honours in Accounting and Financial Analysis (BSC Hons) from the University of Warwick. Michael has a long experience in the retail industry and currently heads the Lising Group and occupies the position of Managing Director. Prior to joining the Lising Group, Michael has worked for Ernst & Young (UK) and De Chazal du Mee (Mauritius) where he was responsible for various consultancy projects and conducted assignments for the World Bank in Rwanda, Tanzania, Madagascar and Burkina Faso. He was previously on the Council of the University of Mauritius and was in the Executive Committee of Young Presidents Organisation. He is also a director of MCB Group Ltd.

**Pierre Guy Noël**

Mr Pierre Guy Noël holds a BSc (Honours) in Economics from the London School of Economics and Political Science and is a Fellow of the Institute of Chartered Accountants in England and Wales. From 1981 to 1991, Pierre Guy worked at De Chazal Du Mée & Co. where he became a partner in financial consultancy. He joined MCB in 1992 as Planning and Development Consultant before being appointed General Manager of the Bank in 1996. Following the organisation's restructuring, he became the Chief Executive of MCB Group Ltd in April 2014. He is a Board member of several companies within the Group namely Banque Française Commerciale Océan Indien, MCB Madagascar, MCB Seychelles, MCB Maldives, MCB Capital Markets Ltd, MCB Equity Fund Ltd, MCB Consulting Services Ltd, MCB Factors Ltd, Credit Guarantee Insurance Co. Ltd, MCB Microfinance Ltd and MCB Institute of Finance amongst others, acting either as Chairperson or Director. He was appointed to the Board of MCB Ltd in 2005 and was a director thereof until March 2014 when he joined the Board of MCB Group Ltd following the Group's restructuring exercise.

Directorship in other listed companies

MCB Group Limited, Compagnie Des Villages De Vacances De L’Isle De France Limitée (COVIFRA)

**Margaret Wong Ping Lun**

Mrs Margaret Wong Ping Lun 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 MCB Group, until November 2019. She is a Board member of several companies within the MCB Group acting either as Chairperson or Director.

Directorship in other listed companies

Compagnie Des Villages De Vacances De L’Isle De France Limitée (COVIFRA), Terra Mauricia Ltd, Fincorp Investment Limited

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

Board and Committee meetings are held at least 4 times a year. Additional meetings may be convened when required.

NAME	NO. OF BOARD MEETINGS
Number of meetings held	5
Jean Philippe Coulier	5
Koomaren Cunnoosamy	5
Jean-Mée Ernest	5
Michael Lising	5
Pierre-Guy Noël	4
Margaret Wong Ping Lun	5

**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 Committees 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**

An audit committee was set up on May 2, 2019 comprising of 3 members, namely Mr Michael Lising, the Chairperson, and Messrs Jean-Philippe Coulier and Koomaren Cunnoosamy. Previously all relevant matters were taken up at board and MCB Group level.

**CORPORATE GOVERNANCE REPORT – YEAR ENDED JUNE 30, 2021**

The Audit Committee Charter which sets out the terms and reference of this Committee and can be viewed on the website of the Company. The main roles of the Audit Committee are:

- to monitor the integrity of the audited financial statements of the Company;
- to monitor and review the effectiveness of the Internal Audit;
- to monitor the external auditors' independence, objectivity and effectiveness and make recommendations to the Board on the appointment and retention of external auditors.

NAME	NO. OF AUDIT COMMITTEE MEETINGS
Number of meetings held	2
Jean Philippe Coulier	2
Koomaren Cunnoosamy	2
Michael Lising	2

### 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 Constitution of the Company, subject to approval being obtained from regulatory bodies. The appointed director then remains in office until the next Annual Meeting of Shareholders where the director shall be eligible for re-election.

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

The RCGEC identifies suitable candidate for the Board of the Company and proposes the selected candidates to the Board of the Company. Once the Board has reviewed and is satisfied with the profile of the candidates, the Board shall request the approval of the regulatory authorities.

#### 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 servicing 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 meetings, the Annual Meeting of Shareholders, the annual budget and strategy Board meetings, 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 her 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 receive an induction pack which includes a set of the Company's governing documents. An introductory meeting is organised with the Managing Director to explain the business activities of the Company and its governing policies.

The Chairperson, the Managing Director as well as 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 induction programme meets the specific needs of both the Company and the newly appointed Directors and enables the latter to participate actively in Board's discussion.

### **3.4. Professional Development**

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

### **3.5. Succession planning**

The Board believes that good succession planning contributes to the delivery of the Company's strategy.

MCB Group Limited is one of Mauritius' largest group of companies with a large pool of staff with different skills, academic and professional qualifications and expertise in various fields of business. The Group creates opportunities to develop leaders by recognizing and nurturing talents within the executive and management levels across the Group.

The Chairperson of the Board is responsible for overseeing the succession planning for the Board and the Managing Director in collaboration with the Remuneration, Corporate Governance and Ethics Committee of MCB Group Limited, the Company's holding company.

## **4. DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE**

### **4.1. Legal duties of Directors**

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

#### **4.2. Register of Interests**

The Company Secretary maintains a Register of Interests that is regularly updated with the information submitted by the directors. The Register is available for consultation by the shareholder 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 employees to raise in good faith, concerns of potential breaches of laws, rules, regulations or compliance. The whistle-blowing mechanism is designed to motivate employees to act responsibly to uphold the Group's reputation.

This policy is published on the website of the Company.

#### **4.4. Conflicts of Interest & Related Party Transactions Policy**

The MCB Group Limited, the holding company 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 is published on the website of the Company.

#### **4.5. Related Party Transactions**

For Related Party Transactions, please refer to note 19 of the financial statements.

#### **4.6. Information, Information Technology and Information Security Governance Policy**

The Board oversees information governance within the organization. The Information, Information Technology and Information Security Governance Policy of the MCB Group applies to all the subsidiaries of the Group. All policies relating to information security are made accessible to all the employees of the Group without restriction via its intranet system. Appropriate governance arrangements are in place whereby the Information Technology ("IT") function and function responsible for monitoring adherence to Information Risk and IT are kept separate. The Information Technology activities are outsourced to The Mauritius Commercial Bank Limited through a Service Level Agreement.

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 June 2021 for the financial year 2020/2021 and the review established that the Directors consider the Board to be effective with an appropriate mix of expertise, skills and competence.

The evaluation was carried out by means of a questionnaire that was filled in by each Director. The questionnaire covered the following areas:

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

Additionally, individual meetings with the Chairperson might be organised if required. The results of the questionnaire are analysed and an action plan implemented where necessary.

The Board has decided that the board evaluation exercise will be carried out every 3 years. As such, the next exercise will be held in 2024.

#### 4.8. Statement of Remuneration Philosophy

The Board reviews the adequacy of the remuneration of the directors and recommendations are made to the RCGEC of MCB Group Limited.

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

The Company applies the same remuneration philosophy as its ultimate holding company, MCB Group Limited which consists of:

- a monthly basic retainer for membership of the Board
- an attendance fee per sitting of the Board and Committee
- the Chairpersons of the Board and Committee, having wider responsibilities should have consequential remuneration;
- no share option or bonus should be granted to non-executive directors.

The remuneration philosophy for executives is based on meritocracy and opportunity is given to employees to benefit from the financial results of the Company. Indeed, executives receive an annual bonus based on the performance of the Company as well as an assessment of their contributions thereto.

Furthermore, the employees of the Company are entitled to the MCB Group Employee Share Option Scheme which provides them with the opportunity to partake in the growth and prosperity of the Group through an acquisition of a stake therein.

#### 4.9. Directors’ Remuneration

The Directors’ fees and remuneration are in accordance with market rates and amount paid to non-executive directors is as follows:

	Rs. 000’
Mr Jean-Philippe Coulier	111
Mr Michael Lising	122
Mrs Margaret Wong Ping Lun	154

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

The executive director's fees and remuneration have not been disclosed due to the sensitive nature of the information.

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**

The employees of the Company are entitled to the MCB Group Employee Share Option Scheme.

### **5. RISK GOVERNANCE AND INTERNAL CONTROL**

#### **Risk Governance**

The Board ensures that the necessary structures, processes and methods for identifying, measuring and monitoring of the risks faced by the Company in its day-to-day operations are in place and integrated in the Company's overall framework for risk governance while ensuring that all laws, regulations and codes of business practice are adhered to.

Management and the assurance process on risk management are delegated to management which is responsible for the design and implementation of the risk management process and day-to-day management of all significant business risks (including physical, operational, human resources, business continuity, financial, credit, market, compliance and reputational risks)

The key risks which have been identified in relation to the Company are operational, information and financial risks. For financial risks, refer to note 3 of the financial statements.

#### **RISKS IDENTIFIED**

##### **Operational Risk**

The risk of loss or costs resulting from human factors, inadequate or failed internal processes and systems or external events. It includes fraud and criminal activity, project risk, business continuity, information and IT risk, etc.

Management reviews the assessments and reports on operational risk against the risk tolerances approved by the Board and ensure that the Company's Business Continuity Plan is up-to-date. 4-eyes principle are applicable to all operational processes and regular Internal audit inspections are performed by the Internal Audit Business Unit of The Mauritius Commercial Bank Limited.



Moreover, the reports of the external auditor of the Company also provide to the board of directors valuable information on risk related issues independently from reports received from the Company's management.

### **5.1. Internal Control**

The Company's internal control framework seeks to ensure the reliability of financial reporting, operations and systems whilst guaranteeing compliance with internal established policies and procedures as well as with laws, regulations, and codes of business practice in order to protect the Company's assets and reputation. The Board oversees the effectiveness of the Company's internal control systems. Processes are in place to monitor the effectiveness of internal control, identify and report any significant issues, and ensure that timely and appropriate corrective actions are taken.

### **5.2. 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 normally reviewed quarterly by the Audit Committee of MCB Group Limited and the review covers all internal control systems.

### **5.3. Assurance on the effectiveness of the risk management process**

Regular management reporting, which provides a balanced assessment of key risks and controls, is an important component of board assurance.

## **6. REPORTING WITH INTEGRITY**

The Directors are responsible for preparing the annual report and the accounts 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.

### **6.1. Organisational overview**

Founded in 2005, the Company is licensed by the Financial Services Commission. The Company which is a wholly owned subsidiary of MCB Group Limited, provides Recourse, Non-Recourse and International factoring services. The Company has been serving businesses of all sizes and has a rich experience as well as an unparalleled knowledge of the local market.

Currently the Company has a team consisting of 23 dedicated professionals, managing more than 150,000 invoices per year and following up on more than 4,000 debtors.

**CORPORATE GOVERNANCE REPORT – YEAR ENDED JUNE 30, 2021**

In spite of a very challenging operating environment and the negative impact of the Covid-19 pandemic on its business activity, the Company has been able to maintain a satisfactory performance.

**6.2. Overview of the external environment**

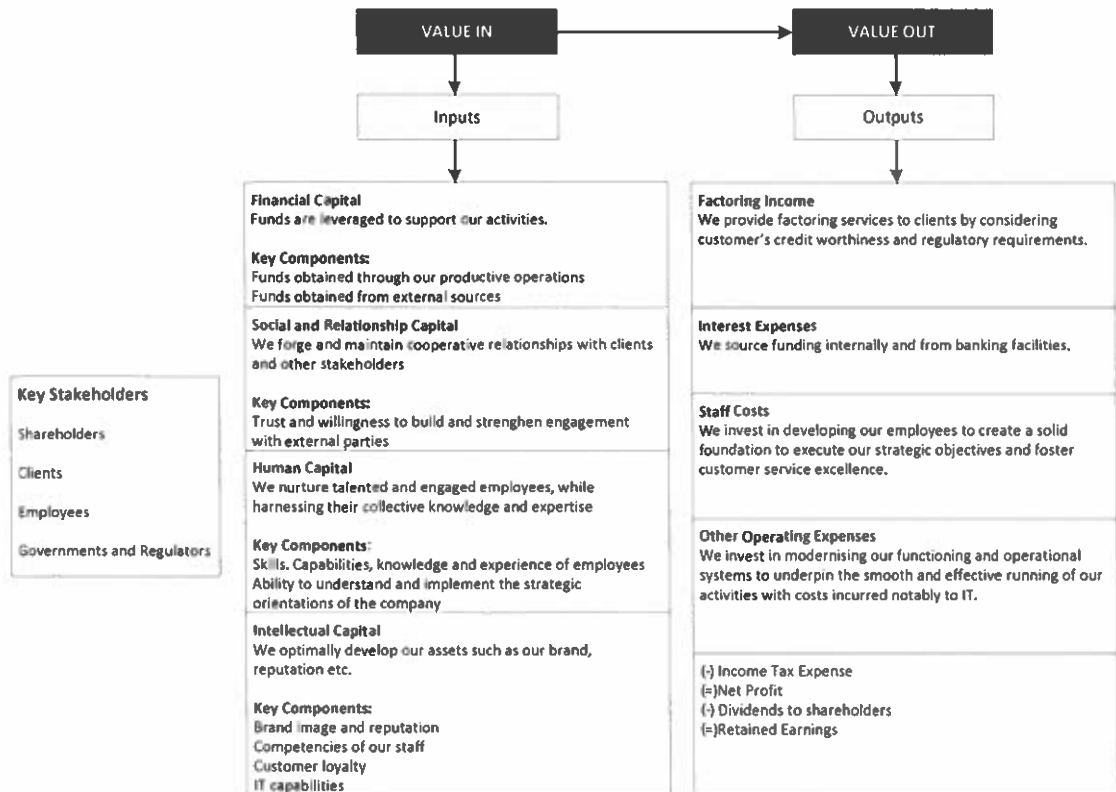
The prevailing excess liquidity environment in the local banking system continues to maintain a very competitive landscape, with some challenges for the Company in terms of growing its client portfolio and maintaining margins.

The Company has taken measures to benefit from the excess liquidity environment while being proactive in fostering its customers’ loyalty.

Moreover, another major challenge that the Company has been facing is the impact of the Covid-19 pandemic with the country lockdown and closure of borders impacting revenue stream negatively throughout the year.

However, with the gradual scheduled opening of the country’s frontiers, the Company expect to recover some business within the Tourism sector.

**6.3. Business model**



#### **6.4. Key performance indicators, performance and outlook**

Due to existing competitive landscape, persistent excess liquidity environment and the effect of the Covid-19 pandemic, the Company saw operating income drop by 33%. . Operating expenses, on the other side, has not dropped proportionately but instead went up by 1% due to fixed costs. These led to Profit after Tax decreasing by 58%.

With the gradual opening of frontiers during the coming year while an economic recovery is expected, it remains challenging to assess both its magnitude and effect on the activity. In this context, we estimate the same level of financial performance as the current year.

#### **6.5. Sustainable development**

The Company is focused on reinforcing its resources (human capital, technological development and processes) so as to enable the Company to better meet the demands of its customers, face the challenges of its competitors and to adapt to the market changes.

#### **6.6. Political and Charitable Donations**

No donations were made by the Company during the year under review.

#### **6.7. Health and environment safety**

The Company has 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.

#### **6.8. 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 Constitution
- 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 Organisational Chart
- The Code of Ethics
- The Whistle Blowing Policy
- The Information, Information Technology and Information Security Governance Policy
- The Internal Audit Function

## 7. AUDIT

### 7.1. Internal Audit

The Internal Audit function is outsourced to the Internal Audit Business Unit of The Mauritius Commercial Bank Limited through a Service Level Agreement.

The Head of Internal Audit of The Mauritius Commercial Bank Limited is independent of the Executive Management of the Company. Prior to the setting up of the Audit Committee the Head of Internal Audit used to report to the Board of the Company as well as the Audit Committee of MCB Group Limited. The Audit Committee of MCB Group Limited holds frequent meetings with the Head of Internal Audit. As such, through the internal control in place, the audit reports and the reviews by Management, the Board gains assurance that the Company's internal control systems are adequate and effective. With the setting up of the Audit Committee, the Head of Internal Audit will report to the Audit Committee of the Company as well as to the Audit Committee of MCB Group Limited.

The Internal Audit Business Unit of The Mauritius Commercial Bank Limited ensures that the quality of internal audit services provided to MCB Factors Ltd is aligned with recognised best practices. The Internal Audit Business Unit 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. It is worthwhile to note that the Institute of Internal Auditors requires each internal audit function to have an external quality assessment conducted at least once every five years. This exercise has been carried out in 2009, 2013 and 2018 respectively, by an internationally recognised auditing firm which confirmed the Internal Audit Business Unit's compliance with the International Standards for the Professional Practice of Internal Audit issued by the above mentioned institute.

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

Areas, systems and processes covered by internal audit including non-financial matters are as follows:

- AML / CFT: Compliance to different procedures in connection with AML/CTF, Measures taken to combat Money Laundering, Terrorist Financing, and Proliferation financing, Customer Risk Assessment, Risk Based Approach, Customer Due Diligence, Monitoring Transactions and Activity and Reporting of suspicious transactions
- Governance: Review of minutes of Board meetings, Compliance to legal and regulatory framework
- Client take-on: Client and debtors set-up, assignment of invoices, financing of invoices
- Receipt from debtors: Allocation of receipt to clients, overdue letter, debt recovery
- Debt recovery process: Follow up of debtors, overdue letter management
- Accounting: Close of books, payment cycle
- Declaration: Protracted Default, Insolvency
- Payment to CGI : Payment of credit insurance premium and other fees
- Customer Management : Reporting to customers, Annual review of contracts, Account Closure

## 7.2. External Auditor

The Audit Committee of MCB Group Limited (“Audit Committee) reviews the appointment of the External Auditor for all the subsidiaries of the Group on a yearly basis and makes recommendations to the Board.

For the period under review the Audit Committee had the responsibility to evaluate the performance of the External Auditor against set criteria and review 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 Management.

Henceforth, the performance of the External Auditor will be evaluated by both the Audit Committees of the Company and MCB Group Limited and recommendations will be made to the board. Upon recommendations from the Audit Committees, the Board of MCB Factors will thereafter recommend the appointment of External Auditors to the shareholders in the Annual Meeting of shareholders for approval by way of an ordinary resolution.

## 7.3. Auditor’s Fees

The fees for audit services were Rs 234,600 (2020 – Rs 166,750).

The external auditor did not carry out non-audit services for the company during the financial year under review.

## 8. RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

### 8.1. Company Structure and Common Directors

MCB Factors Ltd (MCBF) is a wholly owned subsidiary of MCB Group Limited.

Messrs Jean-Philippe Coulier, Michael Lising and Pierre Guy Noël are common Directors of MCB Factors Ltd and MCB Group Limited.

### 8.2. Directors’ interest and dealings in shares

The Directors do not hold shares in the Company or through any associate.

### 8.3. Constitution

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

**8.4. Shareholder's rights**

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

The Shareholder is 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.

The Shareholder is entitled to attend and vote in person or by proxy at meetings of shareholders of the Company. During the meeting of shareholders, the Shareholder is encouraged to communicate its view and to discuss the activities and performance of the Company with the Board and the Management.

The Company, being wholly owned by MCB Group Limited, the Board does not consider it relevant to publish the Notice of Annual Meeting and the voting results on the website of the Company.

**8.5. Dividend Policy**

The Company has no formal dividend policy. It aims to provide its shareholder with ongoing returns in the form of stable dividends. The declaration of dividends depends on the profitability of the Company and its expected growth and capital expenditure and working capital requirements.

**8.6. Calendar of events**

Some of the key milestones are as follows:

Financial year end	June 2021
Declaration/payment of dividend, if any	November 2021
Annual Meeting of Shareholder	November/December 2021

**8.7. Directors' service contracts**

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

**8.8. Shareholder agreement affecting the governance of the Company by the Board**

There is currently no such agreement.

**8.9. Third party management agreement**

There is a service level agreement between The Mauritius Commercial Bank Limited and the Company for provision of technical assistance.

**8.10. 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 shareholder, the regulatory authorities, the employees, the clients and suppliers and the population at large.

The Company's website is used to provide relevant information. Open lines of communication are maintained to ensure transparency and optimal disclosure. All Board members are requested to attend Annual Meeting, to which shareholders are invited.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors acknowledge their responsibilities for:

- i) adequate accounting records and maintenance of effective internal control systems;
- ii) the preparation of financial statements which fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cashflows for that period and which comply with International Financial Reporting Standards (IFRS), International Accounting Standard (IAS), the Companies Act 2001 and the Financial Reporting Act 2004;
- iii) the selection of appropriate accounting policies supported by reasonable and prudent judgements.
- iv) the preparation of the financial statements on a going concern basis.

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

The directors report that:

- i) adequate accounting records and an effective systems of internal controls and risk management have been maintained;
- ii) appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently;
- iii) applicable accounting standards have been adhered to; and
- iv) the Code of Corporate Governance has been adhered to. Reasons have been provided in the statement of Compliance in case of non-compliance with any requirement.

Signed by

For and on behalf of the Board of Directors

Director

Date: October 20, 2021

Director

Date: October 20, 2021

## MCB FACTORS LTD

4

### INDEPENDENT AUDITOR'S REPORT

To the Shareholder of MCB Factors Ltd

#### Report on the audit of the Financial Statements

##### Opinion

We have audited the financial statements of **MCB Factors Ltd** (the "Company") on pages 5 to 26 which comprise the statement of financial position as at June 30, 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 5 to 26 give a true and fair view of the financial position of the Company as at June 30, 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

##### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code")*. 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.

##### Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

##### Corporate Governance Report

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





## **MCB FACTORS LTD**

4(a)

### **INDEPENDENT AUDITOR'S REPORT (CONT'D)**

To the Shareholder of MCB Factors Ltd

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

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

In preparing the financial statements, the directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

**MCB FACTORS LTD**

4(b)

**INDEPENDENT AUDITOR'S REPORT (CONT'D)**

To the Shareholder of MCB Factors Ltd

**Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)**

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

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.

**Report on Other Legal and Regulatory Requirements**

*Companies Act 2001*

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

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

**Other Matter**

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



**BDO & Co**  
*Chartered Accountants*



**Galina Rangasamy, FCCA**  
Licensed by FRC

Port Louis,  
Mauritius.

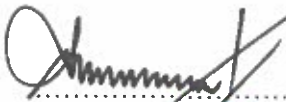
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## STATEMENT OF FINANCIAL POSITION - JUNE 30, 2021

ASSETS	Notes	2021 Rs'000	2020 Rs'000
<b>Non-current assets</b>			
Equipment	5	1,391	1,395
Intangible assets	6	10,626	60
Deferred tax assets	7	203	581
		<u>12,220</u>	<u>2,036</u>
<b>Current assets</b>			
Financial assets at amortised cost	8	404,060	554,552
Current tax assets	9	1,331	495
Other receivables and prepayments	10	1,738	2,065
Cash and cash equivalents	21(a)	33,437	32,479
		<u>440,566</u>	<u>589,591</u>
<b>Total assets</b>		<u>452,786</u>	<u>591,627</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Stated capital	11	50,000	50,000
Retained earnings		353,382	363,600
<b>Total equity</b>		<u>403,382</u>	<u>413,600</u>
<b>Non-current liability</b>			
Borrowings	14	-	150,000
<b>Current liabilities</b>			
Borrowings	14	19,780	12,231
Trade and other payables	12	29,624	15,796
		<u>49,404</u>	<u>28,027</u>
<b>Total liabilities</b>		<u>49,404</u>	<u>178,027</u>
<b>Total equity and liabilities</b>		<u>452,786</u>	<u>591,627</u>

These financial statements have been approved for issue by the Board of Directors on October 20, 2021.

  
 Name: MARGARET WONG  
 Director

  
 Name: JEAN-MEE ERNESI  
 Director

The notes on pages 9 to 26 form an integral part of these financial statements.  
 Independent auditor's report on pages 4 to 4(b).

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME -  
YEAR ENDED JUNE 30, 2021**

	<u>Notes</u>	<u>2021</u> Rs'000	<u>2020</u> Rs'000
Revenue	2.9	56,543	92,436
Finance costs	17	<u>(2,282)</u>	<u>(12,738)</u>
		54,261	79,698
Administrative and other expenses		(38,540)	(38,874)
Net impairment gain/(loss) on financial assets	8(c)	<u>2,088</u>	<u>(2,089)</u>
Profit before taxation	15	17,809	38,735
Income tax expense	9(b)	<u>(3,027)</u>	<u>(3,671)</u>
Profit for the year		14,782	35,064
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>14,782</u></u>	<u><u>35,064</u></u>
Earnings per share	18	Rs. <u><u>296</u></u>	<u><u>701</u></u>

The notes on pages 9 to 26 form an integral part of these financial statements.  
Independent auditor's report on pages 4 to 4(b).

## STATEMENT OF CHANGES IN EQUITY - YEAR ENDED JUNE 30, 2021

	<u>Note</u>	<u>Stated capital</u> Rs'000	<u>Retained earnings</u> Rs'000	<u>Total equity</u> Rs'000
At July 1, 2020		50,000	363,600	413,600
Profit for the year		-	14,782	14,782
Dividends	13	-	(25,000)	(25,000)
<b>At June 30, 2021</b>		<b><u>50,000</u></b>	<b><u>353,382</u></b>	<b><u>403,382</u></b>
At July 1, 2019		50,000	338,536	388,536
Profit for the year		-	35,064	35,064
Dividends	13	-	(10,000)	(10,000)
<b>At June 30, 2020</b>		<b><u>50,000</u></b>	<b><u>363,600</u></b>	<b><u>413,600</u></b>

The notes on pages 9 to 26 form an integral part of these financial statements.  
Independent auditor's report on pages 4 to 4(b).

## STATEMENT OF CASH FLOWS - YEAR ENDED JUNE 30, 2021

	<u>Note</u>	<u>2021</u> Rs'000	<u>2020</u> Rs'000
<b>Cash flows from operating activities</b>			
Profit before taxation		17,809	38,735
<i>Adjustments for:</i>			
Depreciation of equipment		491	410
Amortisation of intangible assets		20	524
Net impairment (gain)/loss on financial assets		(2,088)	2,089
Difference on exchange		-	4
Interest expense		2,282	12,738
<i>Changes in working capital:</i>			
Financial assets at amortised cost		152,580	255,188
Other receivables and prepayments		327	(1)
Trade and other payables		9,377	(1,082)
<b>Cash generated from operations</b>		<b>180,798</b>	<b>308,605</b>
Interest paid		(2,282)	(12,738)
Tax paid		(3,485)	(4,725)
<b>Net cash generated from operating activities</b>		<b>175,031</b>	<b>291,142</b>
<b>Cash flows from investing activities</b>			
Purchase of equipment		(487)	(126)
Purchase of intangible assets		(6,135)	-
<b>Net cash used in investing activities</b>		<b>(6,622)</b>	<b>(126)</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(25,000)	(17,000)
Payments on borrowings		(150,000)	(200,000)
<b>Net cash used in financing activities</b>		<b>(175,000)</b>	<b>(217,000)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(6,591)</b>	<b>74,016</b>
<b>Movement in cash and cash equivalents</b>			
At July 1,		20,248	(55,304)
(Decrease)/increase in cash and cash equivalents		(6,591)	74,016
Effect of foreign exchange differences		-	1,536
At June 30,	21(a)	<b>13,657</b>	<b>20,248</b>

The notes on pages 9 to 26 form an integral part of these financial statements.  
Independent auditor's report on pages 4 to 4(b).

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2021

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**1. GENERAL INFORMATION**

MCB Factors Ltd (the "Company") is a public company, limited by shares incorporated in the Republic of Mauritius on July 19, 2005 under the Companies Act 2001.

The principal activity of the Company is to provide factoring services and its registered office is situated at MCB Centre, 9-15 Sir William Newton Street, Port Louis.

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

**2.1 Basis of preparation**

The financial statements of the Company comply with Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Where necessary, comparative figures have been amended to conform with change in presentation in the current year. The financial statements are prepared under the historical cost convention, except that:

- (i) relevant financial assets and liabilities are stated at their fair value; and
- (ii) relevant financial assets and liabilities are carried at amortised cost.

The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs 000), except when otherwise indicated.

***Amendments to published Standards effective in the reporting period***

Definition of a Business (Amendments to IFRS 3) clarifies the definition of a business to help determine whether a transaction should be accounted for as a business combination or an asset acquisition and permits, in certain circumstances, a simplified assessment that an acquired set of activities and assets is not a business. The amendments have no impact on the Company's financial statements.

Definition of Material (Amendments to IAS 1 and IAS 8) clarifies the definition of material and aligns the definitions used across IFRSs and other IASB publications. The amendments have no impact on the Company's financial statements.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) provides relief from certain hedge accounting requirements in order to avoid unnecessary discontinuation of existing hedge relationships during the period before the replacement of an existing interest rate benchmark with an alternative interest rate. The amendments have no impact on the Company's financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards relate to minor amendments to various standards to reflect the revised Conceptual Framework for Financial Reporting. The amendments have no impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2021

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.1 Basis of preparation (cont'd)***Amendments to published Standards effective in the reporting period (cont'd)*

Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16) provides an option to apply a simplified accounting treatment to some lease modifications in the accounts of the lessee. The amendment has no impact on the Company's financial statements.

Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) extends the temporary exemption to accounting periods beginning before January 1, 2023. The amendments have no impact on the Company's financial statements.

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2021 or later periods, but which the Company has not early adopted.

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

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

IFRS 17 Insurance Contracts

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

Annual Improvements 2018-2020

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

Reference to the Conceptual Framework (Amendments to IFRS 3)

Amendments to IFRS 17

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Definition of accounting estimates (Amendments to IAS 8)

Disclosure of accounting policies (Amendments to IAS 1)

Deferred tax related to assets and liabilities arising from a single transaction (IAS 12)

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.



NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2021

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Equipment**

Equipment is initially carried at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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 Company and the cost of the item can be measured reliably. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of plant and equipment are determined by reference to their carrying amount and are taken into account in the profit or loss.

Interest costs on borrowings to finance the acquisition of equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use, as part of the cost of the asset.

Depreciation is calculated to write off the cost of equipment on a straight line basis over the expected useful lives of the assets concerned.

The principal rates are:

Furniture & fittings	7%
Motor vehicles	20%
IT equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Repairs and renewals are charged to profit or loss when the expenditure is incurred.

**2.3 Intangible assets**

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised using the straight line method over their estimated useful lives (3-5 years).

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software controlled by the Company and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding 5 years).

Expenditure that enhances or extends the benefits of computer software beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.4 Financial assets

The Company classifies its financial assets at amortised cost. These assets arise principally from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for financial assets at amortised cost (trade receivables) are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process, the probability of the non-payment of the receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the receivables. In addition to expected credit losses, the Company recognises specific impairment charges for incurred losses or for receivables which have defaulted and become non performing. Expected credit losses as well as specific impairment charges are recognised in the statement of profit or loss and comprehensive income. On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset.

The Company's financial assets measured at amortised cost comprise of trade receivables, other receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents includes cash at bank and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

### 2.5 Financial liabilities

The Company classifies its financial liabilities depending on the purpose for which the liability was acquired. The Company's accounting policies for other financial liabilities are as follows:

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2021

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.6 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation.

**2.7 Impairment of non-financial assets**

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset 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 purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit).

**2.8 Foreign currencies****(a) *Functional and presentation currency***

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

**(b) *Transactions and balances***

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

All other foreign exchange gains and losses are presented in profit or loss.

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2021

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.9 Revenue recognition****(a) Revenue from contracts with customers***Performance obligations and timing of revenue recognition*

The majority of the revenue is derived from providing factoring services with revenue recognised at a point in time when control has been transferred to the customer. This is generally when the services are rendered to the customer.

*Determining the transaction price*

Revenue is mainly derived from interest income that are based on financing of factored debts recognised on an accrual basis using the effective yield method and factoring income based on consideration of factoring and recovery services provided.

*Allocating amounts to performance obligations*

For most contracts, the Company receives a factoring commission fee under a factoring contract for managing the clients' receivables. Therefore, there is no judgement involved in allocating the contract price to each performance obligation. Where a customer requests more than one product line, the Company is able to determine the split of the total contract price between each product line by reference to each product's standalone selling prices (all product lines are capable of being, and are, sold separately).

*Costs of obtaining long-term contracts and costs of fulfilling contracts*

The costs of fulfilling contracts do not result in the recognition of a separate asset because for service contracts, revenue is recognised over time by reference to the satisfied performance obligation, meaning that control of the asset is transferred to the customer on a continuous basis as work is carried out. Consequently, no asset for work in progress is recognised.

**(b) Other revenue earned by the Company is recognised on the following basis:**

- Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

**2.10 Current and deferred income tax**

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

In line with the definition of the Income Tax Act 1995, 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 CSR charge for the current period is measured at the amount expected to be paid to the Mauritian Tax Authorities.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.10 Current and deferred income tax (cont'd)

#### *Current tax*

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

#### *Deferred tax*

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

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

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

### 2.11 Stated capital

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

### 2.12 Employee benefits

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution plans are recognised as an expense when employees have rendered service that entitle them to the contributions.

The pension plan forms part of the MCB Group's pension plan, is held independently and administered by the MCB Superannuation Fund.

### 2.13 Leases

IFRS 16 Leases results in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. The Company has not adopted IFRS 16, as permitted under the specific exemption provisions.

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2021

**3. FINANCIAL RISK FACTORS**

The Company's activities expose it to a variety of financial risks.

**3.1 Foreign exchange risk**

The Company has assets and liabilities denominated in United States Dollar and Euro. Consequently, the Company is exposed to the risk that the exchange rate of the Mauritian rupee may have relative effect on the reported values of the Company's assets and liabilities which are denominated in such currencies. The Company ensures that assets denominated in a foreign currency is matched by liabilities in the same currency.

At June 30, 2021, if the rupee had weakened/strengthened by 10% against United States Dollar and Euro with all other variables held constant, the impact on post-tax profit for the year would have been immaterial.

**3.2 Credit risk**

The Company's credit risk is primarily attributable to the financial assets at amortised cost (trade receivables). The amounts presented in the statement of financial position are net of loss allowance for Expected Credit Losses (ECL) and specific provisions for impairment estimated by management based on prior experience and the current economic environment.

Over the years, the Company has developed processes to mitigate credit risk. The main processes are:

- Client selection based on established criteria.
- Established procedures set up to verify accuracy of invoices.
- Systematic and regular monitoring of trade receivables.
- Part of the trade receivable is credit insured.

The following table provides information regarding the carrying value of financial assets that have been impaired and the ageing of financial assets that are past due but not impaired.

	Within normal credit period Rs '000	Past due but not impaired		Impaired Rs '000	Total Rs '000
		Within 3 months Rs '000	More than 3 months Rs '000		
Gross debtors: At June 30 2021	298,389	290,650	58,526	-	647,565
At June 30 2020	240,825	457,215	313,621	-	1,011,661

The amounts disclosed in the above table represent nominal value of the receivables and not the amounts that have been financed.

At June 30, 2021, Fund of Guarantee amounted to Rs.50,911k (2020: Rs.64,924k).

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2021

## 3. FINANCIAL RISK FACTORS (CONT'D)

3.3 Liquidity risk

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

In order to ensure the adequacy of its funding requirements, cash flow forecasts are regularly prepared and the relevant credit facilities are closely monitored.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	<u>Less than 1 year</u>	<u>More than 1 year</u>
	Rs '000	Rs '000
<b>At June 30, 2021</b>		
Borrowings	19,780	-
Trade and other payables	<u>29,624</u>	<u>-</u>
<b>At June 30, 2020</b>		
Borrowings	12,231	150,000
Trade and other payables	<u>15,796</u>	<u>-</u>

3.4 Interest rate risk

The Company lends and borrows at variable interest rates which mitigate its exposure to interest rate risk. At June 30, 2021, if interest rate on rupee denominated assets and liabilities had been 50 basis points higher/lower with all other variables held constant, the impact on post-tax profit for the year would have been immaterial.

3.5 Capital risk management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for the shareholder and benefits for other stakeholders, and
- to provide an adequate return to the shareholder by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, issue new shares, or sell assets to reduce debt.

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2021

## 3. FINANCIAL RISK FACTORS (CONT'D)

3.5 Capital risk management (cont'd)

The debt-to-adjusted capital ratios at June 30, 2021 and June 30, 2020 were as follows:

	<u>2021</u>	<u>2020</u>
	Rs'000	Rs'000
Total debt	19,780	162,231
Less: cash and cash equivalents	<u>(33,437)</u>	<u>(32,479)</u>
Net debt	<u>(13,657)</u>	<u>129,752</u>
Total equity	<u>403,382</u>	<u>413,600</u>
Debt-to-adjusted capital ratio	<u>N/A</u>	<u>31%</u>

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) **Estimated loss allowance for expected credit losses on financial assets (factoring receivables)**

From its portfolio of clients, the Company provides provision for those clients assumed to be at risk. This assumption is based on historical experience, extensive credit analysis of management, forward-looking information on macroeconomics factors affecting the ability of the customers to settle the receivables and also on financial position of the client.

(b) **Depreciation policies**

Equipment is depreciated to its residual value over its estimated useful life. The residual value of an asset is the estimated net amount that the Company would currently obtain from disposal of the asset, if the asset was already of the age and in condition expected at the end of its useful life.

The directors therefore make estimates based on historical experience and use best judgement to assess the useful lives of assets and to forecast the expected residual values of the assets at the end of their expected useful lives.

(c) **Deferred tax assets arising from impairment losses**

The Company has a deferred tax asset arising mainly on impairment losses. The directors have made estimates of the loss allowances for Expected Credit Losses (ECL), based on prior experience, current economic environment and forward-looking information on macroeconomics factors affecting the customers.



## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2021

5. EQUIPMENT	Furniture & fittings	Motor vehicles	Computer equipment	Total
	Rs'000	Rs'000	Rs'000	Rs'000
<b>COST</b>				
At July 01, 2019	1,268	866	6,106	8,240
Additions	-	-	126	126
<b>At June 30, 2020</b>	<b>1,268</b>	<b>866</b>	<b>6,232</b>	<b>8,366</b>
Additions	-	-	487	487
<b>At June 30, 2021</b>	<b>1,268</b>	<b>866</b>	<b>6,719</b>	<b>8,853</b>
<b>DEPRECIATION</b>				
At July 01, 2019	300	519	5,742	6,561
Charge for the year	89	173	148	410
<b>At June 30, 2020</b>	<b>389</b>	<b>692</b>	<b>5,890</b>	<b>6,971</b>
Charge for the year	88	174	229	491
<b>At June 30, 2021</b>	<b>477</b>	<b>866</b>	<b>6,119</b>	<b>7,462</b>
<b>NET BOOK VALUES</b>				
<b>At June 30, 2021</b>	<b>791</b>	<b>-</b>	<b>600</b>	<b>1,391</b>
At June 30, 2020	879	174	342	1,395
<b>6. INTANGIBLE ASSETS</b>				
		<b>2021</b>	<b>2020</b>	
		<b>Rs'000</b>	<b>Rs'000</b>	
<b>COST</b>				
At July 1,		6,385	6,385	
Additions		10,586	-	
<b>At June 30,</b>		<b>16,971</b>	<b>6,385</b>	
<b>AMORTISATION</b>				
At July 1,		6,325	5,801	
Charge for the year		20	524	
<b>At June 30,</b>		<b>6,345</b>	<b>6,325</b>	
<b>NET BOOK VALUES</b>				
<b>At June 30,</b>		<b>10,626</b>	<b>60</b>	

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2021

## 7. DEFERRED INCOME TAX

Deferred income tax is calculated on all temporary differences under the liability method at 17% (2020: 17%).

- (a) There is a legally enforceable right to offset current tax assets against current tax liabilities and deferred income tax assets and liabilities when the deferred income taxes relate to the same fiscal authority on the same entity. The following amounts are shown in the statement of financial position:

	2021 Rs'000	2020 Rs'000
Deferred tax assets	203	581

- (b) The movement on the deferred income tax account is as follows:

	2021 Rs'000	2020 Rs'000
At July 1,	(581)	(129)
Charged/(credited) to profit or loss (note 9)	378	(452)
At June 30,	(203)	(581)

- (c) The deferred tax liability and asset arise respectively on accelerated tax depreciation and impairment losses.

<u>Deferred tax (liability)/asset</u>	Accelerated tax depreciation Rs'000	Expected credit losses Rs'000	Total Rs'000
At July 01, 2019	(282)	411	129
Credited to profit or loss	97	355	452
At June 30, 2020	(185)	766	581
Charged to profit or loss	(23)	(355)	(378)
At June 30, 2021	(208)	411	203

## 8. FINANCIAL ASSETS AT AMORTISED COST

	2021 Rs'000	2020 Rs'000
Trade receivables	406,477	559,057
Less: provision for impairment	(2,417)	(4,505)
Trade receivables - net	404,060	554,552

- (a) *Impairment of financial assets at amortised cost*

The Company applies the IFRS 9 general approach to the measuring of Loss allowance for expected credit losses with increases in credit risk segmented into 3 stages as explained below.

The default rates of each stage are based on the historical data as adjusted to reflect current and forward-looking information on macroeconomics factors affecting the ability of the customers to settle the receivables. The Company has identified the Gross Domestic Product (GDP) to be the most relevant factor, and accordingly adjusts the default rates based on expected changes in the GDP.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2021

8. FINANCIAL ASSETS AT AMORTISED COST (CONT'D)

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

Stage 1 - The trade receivables are either not yet due or if they are past due, the number of days past due does not exceed 30 days.

Stage 2 - There is a perceived increase in credit risk when the number of days past due exceed 30 days, with a corresponding significant increase in probability of default.

Stage 3 - The trade receivable is considered to be non performing and specific provision for impairment is determined by management based on past historical track record or taking the specific financial situation of the debtor into consideration.

On that basis, the loss allowance as at June 30, 2021 was determined as follows for trade receivables excluding entities under common control:

	Stage 1 0 - 30 days past due Rs'000	Stage 2 31 - 60 days past due Rs'000	Stage 3 More than 60 days past due Rs'000	Total Rs'000
<b>At June 30, 2021</b>				
Expected Credit Loss (range)	0.05%-0.30%	2.00%-6.00%	7.00%-20.00%	
Change in GDP	6.50%			
Gross carrying amount - Financial assets at amortised cost	400,843	3,274	2,360	406,477
<b>Impairment provision</b>				
ECL Including forward looking element	341	128	1,948	2,417
	Stage 1 0 - 30 days past due Rs'000	Stage 2 31 - 60 days past due Rs'000	Stage 3 More than 60 days past due Rs'000	Total Rs'000
<b>At June 30, 2020</b>				
Expected Credit Loss (range)	0.05% - 0.30%	2.00% - 6.00%	7.00% - 20.00%	
Change in GDP	7.90%			
Gross carrying amount - Financial assets at amortised cost	521,129	2,183	35,745	559,057
<b>Impairment provision</b>				
ECL Including forward looking element	529	99	3,877	4,505

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2021

8. FINANCIAL ASSETS AT AMORTISED COST (CONT'D)

- (b) The financial assets at amortised cost approximate their fair value. The financial assets at amortised cost consist of the net amount financed. The Company does not hold any collateral as security.

The carrying amount of the Company's financial assets is denominated in the following currencies:

	2021	2020
	Rs'000	Rs'000
MUR	386,254	546,042
US Dollar	18,227	9,833
Euro	1,996	3,182
	<u>406,477</u>	<u>559,057</u>

- (c) The closing loss allowance for financial assets as at June 30, reconcile to the opening loss allowance as follows:

	2021	2020
	Rs'000	Rs'000
At July 1,	4,505	2,416
Loss allowance recognised in profit or loss during the year	-	2,089
Unused amount reversed	(2,088)	-
At June 30,	<u>2,417</u>	<u>4,505</u>

9. INCOME TAX

- (a) Amount recognised in statement of financial position

	2021	2020
	Rs'000	Rs'000
At July 1,	(495)	107
Charge for the year	2,337	3,638
Corporate Social Responsibility contribution	312	485
Paid during the year	(3,485)	(4,725)
At June 30,	<u>(1,331)</u>	<u>(495)</u>

- (b) Amount recognised in profit or loss

	2021	2020
	Rs'000	Rs'000
Current tax on the adjusted profit for the year at 15%	2,337	3,638
Corporate Social Responsibility contribution	312	485
Deferred tax (note 7)	378	(452)
	<u>3,027</u>	<u>3,671</u>

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2021

## 9. INCOME TAX (CONT'D)

- (c) The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	<u>2021</u>	<u>2020</u>
	Rs'000	Rs'000
Profit before taxation	<u>17,809</u>	<u>38,735</u>
Tax calculated at 15% (2020: 15%)	2,671	5,810
Income not subject to tax	-	(5,693)
Expenses not deductible for tax purposes	-	3,121
CSR effect	44	(52)
CSR contribution	312	485
Tax charge	<u>3,027</u>	<u>3,671</u>

## 10. OTHER RECEIVABLES AND PREPAYMENTS

	<u>2021</u>	<u>2020</u>
	Rs'000	Rs'000
Other receivables (note (a))	1,253	1,253
Prepayments	485	812
	<u>1,738</u>	<u>2,065</u>

## (a) Other receivables

- (i) These amounts generally arise from transactions outside the usual operating activities of the Company. Collateral is not normally obtained.
- (ii) The carrying amounts of other receivables are denominated in Rs. As a result, there is no exposure to foreign currency risk.
- (iii) Other receivables are unsecured, interest-free and repayable on demand.

## 11. STATED CAPITAL

	<u>2021 &amp; 2020</u>
	Rs'000
<i>Issued and fully paid</i>	
50,000 ordinary shares of no par value	<u>50,000</u>

## 12. TRADE AND OTHER PAYABLES

	<u>2021</u>	<u>2020</u>
	Rs'000	Rs'000
Trade payables	20,641	10,445
Amount due to related parties		
- Entities under common control	3,844	3,306
- Related companies	684	1,847
Other payables	4,455	198
	<u>29,624</u>	<u>15,796</u>

- (i) The carrying amounts of trade and other payables approximate their fair value and are denominated in Rs.
- (ii) The amount due to related parties are unsecured, interest-free and repayable on demand.

## 13. DIVIDENDS

	<u>2021</u>	<u>2020</u>
	Rs'000	Rs'000
Amounts recognised as distribution to equityholder in the year:		
Final dividend of Rs.500 per share (2020: Rs.200)	<u>25,000</u>	<u>10,000</u>

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2021

14. BORROWINGS	2021 Rs'000	2020 Rs'000
<b>Non-current</b>		
Shareholder's loan (note (a))	-	150,000
<b>Current</b>		
Bank overdrafts (note (b))	19,780	12,231
<b>Total borrowings</b>	<b>19,780</b>	<b>162,231</b>
<p>(a) The Company obtained a loan of Rs 150m from MCB Group Limited, its holding company. Rate of interest applicable was Repo Rate per annum. Full repayment of the loan was made during the year ended June 30, 2021.</p> <p>(b) Bank overdrafts are secured by floating charges on the assets of the Company. Interest rate applicable for MUR bank overdraft facilities is the MCB PLR Rate while bank overdraft in foreign currency is LIBOR (one month) plus a margin.</p>		
15. PROFIT BEFORE TAXATION	2021 Rs'000	2020 Rs'000
Profit before taxation is arrived at after		
<b>Charging:</b>		
Employee benefit expense (note 16)	26,626	25,578
Depreciation on equipment (note 5)	491	410
Amortisation of intangible assets (note 6)	20	524
Auditor's remuneration	235	167
16. EMPLOYEE BENEFIT EXPENSE	2021 Rs'000	2020 Rs'000
Wages and salaries	23,300	21,910
Pension costs	2,883	3,102
Social security costs	413	406
Group employee share option scheme	30	160
	<b>26,626</b>	<b>25,578</b>
17. FINANCE COSTS	2021 Rs'000	2020 Rs'000
Interest expense:		
- Bank overdrafts	384	1,132
- Shareholder's loan	1,898	4,518
- Bank borrowings	-	7,088
	<b>2,282</b>	<b>12,738</b>

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2021

18. EARNINGS PER SHARE	2021	2020
	Rs '000	Rs '000
Profit for the year	14,782	35,064
Number of ordinary shares in issue	50,000	50,000
Basic earnings per share	Rs. 296	701

## 19. RELATED PARTY TRANSACTIONS

	Other income	Other receivables	Finance costs	Management & other fees	Amount due to related parties	Banking facilities	Dividends
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>2021</b>							
Entities under common control	-	-	384	4,025	3,844	19,780	-
Holding company	-	-	1,898	-	-	-	25,000
Related companies	600	400	-	3,963	684	-	-

	Other income	Other receivables	Finance costs	Management & other fees	Amount due to related parties	Banking facilities	Dividends
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>2020</b>							
Entities under common control	-	-	8,220	3,530	3,306	12,231	-
Holding company	-	-	4,518	-	-	150,000	10,000
Related companies	600	400	-	5,040	1,847	-	-

Amount due to related parties represents the following:

- (i) Management fees in respect of services (rent, electricity, telephone, maintenance and other costs) rendered by Fellow Subsidiary. The services are invoiced and paid once yearly.
- (ii) Credit insurance fees paid on a monthly basis.
- (iii) Secretarial fees paid to MCB Group Corporate Services Ltd on a monthly basis.
- (iv) Income from rental of server to MCB Group Ltd subsidiary companies.

*Terms and conditions:*

- (i) The above transactions have been made at arms' length, on normal commercial terms and in the normal course of business.
- (ii) The terms and conditions of outstanding balances have been disclosed in their respective notes.
- (iii) There has been no guarantees provided or received for any related party receivables or payables.
- (iv) For the year ended June 30, 2021, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2020: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2021

20. **HOLDING COMPANY**

The holding company is MCB Group Limited and incorporated in Mauritius. Its registered address is 9 - 15 Sir William Newton Street, Port Louis, Mauritius.

21. **NOTES TO THE STATEMENT OF CASH FLOWS**

- (a) Cash and cash equivalents and bank overdrafts include the following for the purpose of the statement of cash flows.

	<u>2021</u>	<u>2020</u>
	Rs'000	Rs'000
Cash and cash equivalents	33,437	32,479
Bank overdrafts	<u>(19,780)</u>	<u>(12,231)</u>
	<u>13,657</u>	<u>20,248</u>

- (b) Reconciliation of liabilities arising from financing activities

	<u>2020</u>	Cash flows	<u>2021</u>
	Rs'000	Rs'000	Rs'000
Shareholder's loan	<u>150,000</u>	<u>(150,000)</u>	<u>-</u>

22. **IMPACT OF COVID-19**

The outbreak of the Covid-19 pandemic has brought considerable uncertainty and disruptions worldwide. Mauritius has not been spared by the pandemic and a second national lockdown was imposed in March 2021. The Company's business activity was again negatively impacted by this situation which led to a significant fall in the Company's operating income and profit after tax.

The Management is monitoring the situation closely. With the gradual opening of the country's frontiers, an economic recovery is expected, more particularly in the tourism sector. In this context, we estimate the same level of financial performance.

23. **CONTINGENT LIABILITY**

Tax assessment

During the year under review, the Company received a formal assessment from Mauritius Revenue Authority (MRA) in relation to Corporate Taxation for Financial Year 2018/2019 for which the Company has lodged an objection. The matter will be called Pro Forma before the Assessment Review Committee at the end of this year.

24. **EVENTS AFTER THE REPORTING PERIOD**

There has been no significant event after the reporting date which in the opinion of the directors requires disclosure in the financial statements.