



MCB STRUCTURED SOLUTIONS LTD

ANNUAL REPORT FOR THE YEAR

ENDED JUNE 30, 2020

MCB STRUCTURED SOLUTIONS LTD

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

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MCB STRUCTURED SOLUTIONS LTD

REPORT OF THE DIRECTORS FOR THE YEAR ENDED JUNE 30, 2020

The directors are pleased to present the Annual Report of MCB Structured Solutions Ltd for the year ended June 30, 2020 as set out on pages 3 to 37.

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

This report was approved by the Board of Directors on September 28, 2020.



.....

Director
VIMAL ORI



.....

Director
RONALD LAM YAN FOON

MCB STRUCTURED SOLUTIONS LTD

SECRETARY'S CERTIFICATE FOR YEAR ENDED JUNE 30, 2020

I certify that, to the best of my 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.



For and on behalf of

MCB Group Corporate Services Ltd
Company Secretary

Date: September 28, 2020

1. GOVERNANCE STRUCTURE

1.1 Overview

MCB Structured Solutions Ltd (the “Company” or “MCBSS”) is a public company limited by shares and is wholly-owned by MCB Capital Markets Limited (“MCBCM”). MCBSS is a Public Interest Entity as defined by law since its total assets are in excess of MUR 500 million during the past consecutive two years. The Company is committed to the highest standard of business integrity, transparency and professionalism to ensure that its activities are managed ethically and responsibly to enhance value for all stakeholders.

The Company’s objects are to offer, structure and engineer any type of structured products and to do all such other things as are necessary, ancillary or incidental to, or as the Company may think conducive for, the conduct, promotion or attainment of its business.

The Company has no employees. Its day-to-day operations are outsourced to subsidiaries of the MCB Group.

1.2 Statement of Compliance

The board of directors has given and will continue to give due consideration to the principles of good corporate governance which are applicable to the Company under the National Code of Corporate Governance for Mauritius (2016) (the “Code”).

Throughout the year ended June 30, 2020, to the best of the Board’s knowledge, the organisation has complied with the Code in all material aspects.

The board of directors will regularly reassess the requirements of the Code to ensure that the Company remains compliant thereto.

1.3 Constitutive documents or Charter documents

1.3.1 Board Charter

The Board Charter has been duly approved by the Board and is reviewed by the latter on a regular basis. The Charter provides for delegation of authority and clear lines of responsibility with a reporting mechanism whereby matters affecting the affairs and reputation of the Company are duly escalated to the Board of the Company and to the Audit Committee of the holding company.

1.3.2 Organisation Chart

The Company has no staff and all its activities and day-to-day operations have been outsourced under Management and Service Level Agreements to subsidiaries of the MCB Group Ltd, namely MCB Investment Services Ltd (MCBIS) and MCB Group Corporate Services Ltd (MCBGCS).

1.3.3 Position Statements

Position Statements have been approved by the Board and provides a clear definition of the roles and responsibilities of the Chairperson and of the Company Secretary.

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CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED JUNE 30, 2020

1.3.4 Statement of Main Accountabilities

The Board is responsible and accountable for the long-term success of the Company and as such, has approved and has set its main collective responsibilities as follows:

| | Main Accountabilities |
|--------------------|--|
| Chairperson | <ul style="list-style-type: none">• Provides overall leadership to the Board• Ensures that the Board is effective in its tasks of setting and implementing the Company's direction and strategy• Maintains sound relations with the shareholder and other stakeholders |
| Board | <ul style="list-style-type: none">• Ensures compliance by the Company with applicable legislation, regulation and policies• Approves products being issued• Safeguards the assets of the Company.• Ensures Board decisions are being implemented and the long-term interests of the shareholder are being served. |

1.3.5 Material Clauses of the Constitution

There are no clauses of the constitution deemed material that warrant special disclosure.

2. THE BOARD STRUCTURE

2.1 Board and Chairperson's roles and responsibilities

The Board comprises of non-executive directors with the necessary knowledge, skills, objectivity, intellectual honesty, integrity, experience and commitment to make sound judgements on the key issues relevant to the business of the Company and to protect the interests of shareholders, clients and other stakeholders.

The Chairperson's primary role is to ensure that the Board is effective in its tasks of setting and implementing the Company's direction and strategy. It is the Chairperson's responsibility to ensure that appropriate policies and procedures are in place for the effective management of the Company.

The external obligations of the Chairperson have not changed materially during the Financial Year 2019/2020 and those obligations have in no way hindered the discharge of his duties and responsibilities.

2.2 Composition of the Board

The Board examines the size, composition and the essential competencies of its members regularly to ensure that there is an appropriate balance of skill, experience and knowledge on the Board to carry out its duties and responsibilities effectively. On 24th February 2020, an independent director, namely Mrs Divya Basanta Lala was appointed. The Board currently comprises of four members as detailed below:

| Name | Title | Category | Gender | Country of Residence |
|---------------|-------------|---------------|--------|----------------------|
| Gilbert GNANY | Chairperson | Non-Executive | Male | Mauritius |

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CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED JUNE 30, 2020

| Name | Title | Category | Gender | Country of Residence |
|--|----------|---------------|--------|----------------------|
| Divya BASANTA LALA (as from February 2020) | Director | Independent | Female | Mauritius |
| Ronald LAM YAN FOON | Director | Non-Executive | Male | Mauritius |
| Vimal ORI | Director | Non-Executive | Male | Mauritius |

Messrs Gilbert GNANY and Ronald LAM YAN FOON are also directors of MCBCM, the holding company.

The Board is of the opinion that its size, composition and the core competencies and knowledge of its members allow the company to meet its business requirement adequately.

The Board consists of three non-executive and one independent directors who have the knowledge, skill, integrity, industry experience and expertise with respect to the activities of MCBSS. The Company is a special purpose vehicle which has been set-up with the sole purpose of issuing structured products that are designed, managed and distributed by subsidiaries of MCBCM. All operational and strategic decisions relating to new structured products are approved by the Board of MCBCM Board and/ or by the Financial Products Supervisory Committee, a sub-committee of the MCBCM Board. Operational matters with respect to structured products already in issue are governed by the offering documents relating to such products.

2.3 Profile of Directors

A brief profile of each director along with their directorships is set out below:

(i) Gilbert Gnany, Non-Executive Director and Chairperson

Gilbert Gnany holds a 'Licence ès Sciences Economiques (Economie Mathématique)', a 'Maîtrise en Econométrie' and a 'DESS en Méthodes Scientifiques de Gestion et Calcul Economique Approfondi' (France). He previously worked as Senior Advisor on the World Bank Group's Executive Board where he was responsible for issues relating mainly to the International Finance Corporation and to the private and financial sectors. Prior to joining the World Bank, he was the MCB Group Chief Economist and Group Head of Strategy, Research & Development after having been the Economic Advisor to the Minister of Finance in Mauritius. During his career, he has been involved in various high-profile boards/committees. Amongst others, he chaired the Stock Exchange of Mauritius Ltd, the Statistics Advisory Council and the Statistics Board as well as having been a member of the Board of Governors of the Mauritius Offshore Business Activities Authority, a director of the Board of Investment and of the Mauritius Sugar Authority. He was also a member of the IMF Advisory Group for sub-Saharan Africa, a member of the Senate of the University of Mauritius and a director of the Financial Services Institute. He is currently a Board member of several companies within the Group namely MCB Capital Markets Ltd, MCB Seychelles, MCB Maldives, MCB Madagascar, MCB Microfinance Ltd, MCB Consulting Services Ltd and MCB Institute of Finance amongst others. On the institutional side, he is an external IMF expert in statistics, in particular on data dissemination standards and strategy. Moreover, he is a member of the Financial Services Consultative Council and of the Managing Committee of the COVID-19 Solidarity Fund. He also acts as Chairperson on the Statistics Board of Mauritius, the COVID-19 Committee on Economic Recovery and the Economic Commission of Business Mauritius which serves, *inter alia*, as a platform for public-private sector dialogue.

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CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED JUNE 30, 2020

Directorship in listed companies

MCB Group Limited

Caudan Development Ltd

Promotion and Development Ltd

Compagnie Des Villages De Vacances De L'Isle De France Limitée

Médine Ltd

(ii) Divya Basanta Lala, Independent Director (as from 24.02.2020)

Divya Basanta Lala is a member of the Institute of Chartered Accountants in England and Wales (“ICAEW”) and holds a law degree from London School of Economics. She served as director on the board of International Financial Services Limited (now known as “Sanne Mauritius”) and was its Finance Director. Before moving to the finance department, she was heading a team with a diversified portfolio of about 100 entities, including, investment holding companies, collective investment schemes, closed-end funds and trusts. She was also co-heading, a specialised unit looking after accounting and administration of open-ended funds. She sat on the board of a number of global business companies.

Prior to joining IFS in 2012, she spent 3 years with Deloitte London, in the Banking and Capital Markets Group and one year with Ernst & Young Singapore.

(iii) Ronald Lam Yan Foon (Rony Lam), Non-Executive Director

Rony Lam started his career with KPMG in Beijing and London, where he qualified as a Chartered Accountant. Since 2000, he has pursued a career in investment banking at HSBC Investment Bank and Barclays in London and Asia. From 2007 to 2012, he was a Partner at Fenchurch Advisory Partners, a leading UK investment banking firm focused exclusively on advising financial institutions on mergers and acquisitions and capital markets transactions. Mr Rony Lam was a Cambridge Commonwealth Trust scholar and holds a BA (Honours) and MA (Cantab) in Economics from Cambridge University. He also has a Diploma in Mandarin Chinese from Renmin University of China.

(iv) Vimal Ori, Non-Executive Director

Vimal Ori is the Chief Operating Officer of MCB Capital Markets Ltd. He is also an executive director of MCB Registry & Securities Ltd and holds a number of directorships in subsidiaries of the MCB Group and is a member of the Financial Services Consultative Council established under the Financial Services Act.

He was previously Projects Manager within the Investors & Securities Services SBU of The Mauritius Commercial Bank Ltd. and Finance & Compliance Manager at MCB Investment Management Co. Ltd. for eight years prior to that. He is a Fellow Member of the Association of Chartered and Certified Accountant (FCCA) and has over 25 years of work experience in various sectors including private practice, insurance and IT services.

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CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED JUNE 30, 2020

2.4 Company Secretary

MCB Group Corporate Services Ltd is the appointed Secretary to the Board. All board members have access to officers of the Secretary for information relating to Board matters.

2.5 Board Attendance

Board meeting are held on a regular basis but may be convened at any time in case urgent matters need to be discussed.

| | |
|--|----------|
| No of Meetings held during the year | 2 |
| Mr Gilbert Gnany | 2 |
| Mrs Divya Basanta Lala (as from 24.02.2020) | 1 |
| Mr Ronald Lam Yan Foon | 2 |
| Mr Vimal Ori | 2 |

2.6 Board Committees

An Audit Committee has been constituted at the level of the holding company, MCBCM, to take up all audit-related issues of the subsidiaries of MCBCM amongst which MCBSS. The Audit Committee of MCBCM meets semi-annually.

3. DIRECTORS APPOINTMENT PROCEDURES

3.1 Directors Selection

The Remuneration, Corporate Governance and Ethics Committee (RCGEC) of MCB Group Limited (MCBG), the ultimate holding company of MCBSS, identifies suitable candidates for the Board of the Company after determining whether the potential candidates have the required criteria it has established. The RCGEC then proposes the selected candidates to the Board of the Company for review and approval.

3.2 Election and Re-election of Directors

All directors are re-elected each year at the Annual Meeting of Shareholders.

3.3 Induction of new Directors

New directors are given an induction pack, which comprises the constitutive documents and the minutes of the last meeting of the Board. An introductory meeting is organised with the CEO of MCB Capital Markets Ltd to explain the business activities of the Company and its governing policies.

The Chairperson, the other directors as well as the Company Secretary are readily available to answer any queries that newly appointed directors may have with respect to the Company.

The above mentioned induction programme meets the specific needs of both the Company and the newly appointed directors and enable the latter to participate actively in Board discussions.

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 fulfil their role on the Board.

3.5 Succession Planning

MCBG is one of the largest group of companies in Mauritius with a large pool of talent with different skills, academic and professional qualifications, and expertise in various fields of business. The MCB Group strategy includes the recognition and fostering of talent within executive and management levels across the Group thus ensuring that opportunities are created to develop current and future leaders.

3.6 Time Commitment

Each director is expected to devote sufficient time and attention to the affairs of the Company. The Company expects a time commitment of at least 5 days per annum. This will include attendance at Board meetings, Board committees (if applicable), the Annual Meeting of Shareholders and meetings as part of the Board evaluation process and training 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 undergoes a period of increased activity.

4. BOARD PERFORMANCE AND EVALUATION

4.1 Legal duties of Directors

The directors are aware of their legal duties under the Act and other relevant legislation. They exercise the required level of care, skill and diligence, which a reasonably prudent and competent director in such a position would exercise.

4.2 Remuneration Philosophy

The Board reviews the remuneration of independent directors and non-executive directors who are eligible to receive fees and makes recommendations to the RCGEC of the MCB Group Ltd, the ultimate holding company of MCBSS.

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

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4.3 Directors' Remuneration

The Directors' fees and remuneration are in accordance with market rates. The following remuneration has been paid to independent directors as at 30th June 2020.

Ms Divya Basanta Lala MUR 5,205.00

The non-executive directors who are already in executive positions within the MCB Group do not receive additional remuneration as Board members, in line with the Group's policy. Non-executive directors have not received remuneration in the form of share options or bonuses associated with organizational performance.

4.4 Directors' interests in shares

The directors' interests in the securities of the Company are detailed hereunder.

| DIRECTORS | Number of securities held | |
|--|---------------------------|----------|
| | Direct | Indirect |
| Mr Vimal Ori | | |
| MCB STRUCTURED SOLUTIONS LTD CRESCENDO GLOBAL SECURITY MUR 100 NOTES | | 335 |
| MCB STRUCTURED SOLUTIONS LTD CRESCENDO GLOBAL SECURITY MUR 170 NOTES | | 200 |
| MCB STRUCTURED SOLUTIONS LTD CRESCENDO SMARTTECH MUR 180 | 200 | |
| MCB STRUCTURED SOLUTIONS LTD CRESCENDO SMARTTECH MUR65 | 190 | |
| Mr Jean Desire Gilbert Gnany | - | - |
| Ms Divya Basanta Lala | - | - |
| Mr Patrick Eric Ronald Lam Yan Foon (Rony Lam) | - | - |

4.5 Directors' service contracts

There are no fixed term contracts or service contracts between the Company and the directors.

4.6 Related Party Transactions

Related party transactions have been conducted in accordance with the Conflicts of interest and Related Party Transaction Policy and the Code of Ethics. For related party transactions, please refer to note 16 of the Financial Statements.

4.7 Register of Interest

A register of interests is maintained by the Company Secretary and is available for consultation by shareholders upon request.

4.8 Board and Directors' Performance

The Board acknowledges the need of regularly reviewing the performance and effectiveness of the Board and its directors. A review was therefore conducted internally with respect to the financial year 2017/2018 by means of a questionnaire filled by each director to assess the Board's effectiveness and whether directors continue to discharge their respective duties effectively. The questions were categorized as follows:

- Structure of the Board
- Board efficiency and effectiveness
- Strategy and performance
- Risk management and Governance
- Director's self-assessment
- Chairperson's appraisal

The results concluded that the Board is operating effectively and that the Chairperson and the directors are fulfilling their roles as required. No significant action has to be taken as a result of the evaluation. The directors endeavour to maintain the same vigilance in leading the Company. The board evaluation exercise would be carried out every three years.

5. RISK GOVERNANCE AND INTERNAL CONTROL

The Board is ultimately responsible for risk management, the procedures in place within the organisation and the definition of the overall strategy for risk tolerance. The Company being a special purpose vehicle, these matters are in practice handled at the level of the Company's functionaries (the "Functionaries") with regular reporting being made to the Board of the Company.

The Functionaries' policy on risk management encompasses all significant business risks including operational, financial, compliance and reputational which could influence the achievement of the Company's objectives.

The system of internal control within the Functionaries, which is embedded in all key operations, provides reasonable rather than absolute assurance that the Company's business objectives will be achieved. The Functionaries are guided in this task by the Risk Management and Compliance Unit of MCB Capital Markets, which has been tasked by the parent of the Company to provide guidance and assistance to its non-bank financial services subsidiaries. The Board is satisfied regarding the implementation, operation and effectiveness of internal control and risk management.

The Risk Management and Compliance Unit is responsible for the design, implementation and monitoring of all risk, compliance and anti-money laundering policies and procedures of the Functionaries and has a direct reporting line to the board of directors.

The Board of the Company is satisfied regarding the implementation, operation and effectiveness of internal control and risk management at the level of the Functionaries. The internal audit function is outsourced to the Internal Audit Strategic Business Unit of The Mauritius Commercial Bank Ltd, which provides another balanced assessment of key risks and control, independent from reports received from the Company's Functionaries.

The key risks for the Company are legal, regulatory, operational, reputational, performance and financial risks and the Board is responsible for these matters.

Legal risks are managed by the Risk Management & Compliance Unit, taking advice from the Functionaries' legal advisor where appropriate. The Board also takes out appropriate insurance cover.

Regulatory risks are managed by the Board of the Company and involve, where applicable, the setting out of proper processes and procedures in order to meet the Company's responsibilities under the Securities Act 2005 and its Rules and the Financial Reporting Act 2004.

Operational risks are managed by the Risk Management & Compliance Unit at the level of the Functionaries and involve the identification of proper operational and administrative procedures to mitigate the risk of losses through errors or omissions.

Reputational and performance risks are managed by the Board.

The identification and management of the **financial risks** are discussed in note 3 to the Financial Statements.

During the financial year under review all significant areas with respect to risk governance were covered by the internal control and no risk or deficiency has been noted in the organisation's system of internal controls.

Policies of the Company

The under mentioned policies of the holding company, MCBG, which are reviewed on a regular basis, have been adopted by the Company.

- Information, Information Technology and Information Security Governance Policy
- Conflicts of Interest and Related Party Transaction Policy
- Whistleblowing Policy
- Code of Ethics

6. REPORTING WITH INTEGRITY

MCBSS was incorporated in 2013 and specialises in providing structured products, which allow investors to participate in the performance of a specific underlying index, asset class or security whilst, in certain cases, securing their capital investment. Certain notes issued by the Company are listed on the official market of the Stock Exchange of Mauritius.

6.1 Health and Safety Issues

The Company is committed to the highest standards of integrity and ethical conduct in dealing with all its stakeholders.

The health and safety of clients and visitors are paramount and all reasonable measures are taken to ensure a sound and healthy working environment.

The Company is an equal opportunity employer and does not discriminate in any way with regard to race, religion or gender. All employment opportunities are openly advertised.

6.2 Corporate Social Responsibility

There was no contribution made with respect to Corporate Social Responsibility.

6.3 Charitable Donation

No donation was made by the Company during the period under review.

6.4 Political Donation

The Company did not make any political donations during the year ended June 30, 2020.

6.5 Documents available on the Website

The Board of directors is pleased to announce that the following documents amongst others which have been approved by the Board can be viewed on the Website of the ultimate holding company:

- ⇒ The Constitution
- ⇒ The full Annual Report of the Company including the financial statements
- ⇒ The Board Charter
- ⇒ The Code of Ethics
- ⇒ The Conflicts of interests and related party transactions policy
- ⇒ The Information, information technology and information security policy
- ⇒ The Position Statements of the Chairperson and the Company Secretary
- ⇒ The Statement of major accountabilities within the organization
- ⇒ The structure, organization and qualifications of the key members of the internal audit function
- ⇒ The Nomination and Appointment process
- ⇒ Profile of the Directors
- ⇒ Profile of the Company Secretary

7. AUDIT

An Audit Committee has been constituted at the level of the holding company, MCBCM in October 2012 to deal with all audit related issues of its subsidiaries. The Audit Committee meets twice yearly.

7.1 Internal Audit

The internal audit function is outsourced to the Group Internal Audit Department of The Mauritius Commercial Bank Ltd (GIA), which provides another balanced assessment of key risks and controls, independent from reports received from the Company's Manager.

The Head of GIA is independent of the executive management and reports to the Audit Committee of MCB CM semi-annually.

GIA ensures that the quality of internal audit services provided to the Company is aligned with recognised best practices, leveraging on a systematic and disciplined approach, notably through the use of well-focused audit work programs and computer aided audit techniques to evaluate the effectiveness of the internal control systems of the Company. The Institute of Internal Auditors requires each internal audit function to have an external quality assessment conducted at least once every five years. The last exercise was carried out in November/December 2018, by an internationally recognised auditing firm which confirmed GIA's compliance with the International Standards for the Professional Practice of Internal Audit issued by the above-mentioned institute.

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CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED JUNE 30, 2020

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

- Accounting including bank reconciliation, transaction processing, review of management accounts and close of books.
- Governance including review of Board minutes.
- Operations and issuance of bonds including structuring and marketing, fixed deposit set up, purchase of warrants from counterparties, reception of request, processing and registration of request, transfer of funds and fees and commissions paid to service providers.
- Redemption consisting of early redemptions and indicative early repurchase price calculation and sales of warrant.

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

7.2 External Auditors

The Audit committee receives reports from the Company's external auditor and has regular sessions with the latter to discuss audit related issues without management's presence. No significant issues were noted in relation to the financial statements. The external auditors did not carry out non-audit services for the Company during the financial year under review.

The Audit Committee of MCBCM recommends the appointment of the external auditors for all the subsidiaries of MCBCM Group on a yearly basis, after having reviewed the Audit Plan presented by the external auditors.

The Audit Committee also evaluates the performance of the External Auditor and reviews the integrity, independence and objectivity of the External Auditor by:

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

Upon approval from the Audit Committee, the Board of the Company thereafter recommends the appointment of external auditors to the shareholder in the Annual Meeting of shareholders for approval by way of an ordinary resolution.

7.3 Auditors' Fees

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

| | 2020 | 2019 |
|------------------------|-----------------|-----------------|
| | Rs. '000 | Rs. '000 |
| Audit fees - BDO & Co: | 132 | 127 |

8. RELATIONS WITH THE SHAREHOLDER AND OTHER KEY STAKEHOLDERS

The shareholder, fairly represented on the Board, is kept informed of matters affecting the Company. The Annual Meeting of Shareholder is held in accordance with the Companies Act and upon consultation with the shareholder. Notices for the annual meeting and other shareholder meetings are duly sent to the shareholder.

The Company's website provides relevant information to other stakeholders. Open lines of communication are maintained to ensure transparency and optimal disclosure.

8.1 Shareholders Agreement Affecting the Governance of the Company by the Board

There is currently no such agreement.

8.2 Major Transaction

No major transaction as defined under section 130(2) of the Act was undertaken.

8.3 Third-Party Management Agreement

Management Agreements are in place between sister companies of the MCB Group where there are common directors. All the companies are ultimately 100% owned and controlled by the same entity.

8.4 Shareholders Holding more than 5% of the Company

The Company is wholly-owned by MCBCM.

8.5 Share Option Plan

No such scheme currently exists within the Company.

8.6 Timetable of important events

The Board aims to hold board meetings on a quarterly basis and the annual meeting of shareholders is held by December every year.

8.7 Dividend Policy

The Company intends to distribute any excess cash as dividends, subject to its overall capital requirements, liquidity and profitability. No dividend was declared for the period under review.

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CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED JUNE 30, 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES


The directors collectively as a Board acknowledge their responsibilities for the following and state that:

- (i) the financial statements fairly present the state of affairs of the Company as at the end of the financial year and the result of operations and cash flows for the period;
- (ii) adequate accounting records and effective internal control systems and risk management have been maintained;
- (iii) appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently;
- (iv) the financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standard (IAS), the Companies Act 2001 and the Financial Reporting Act 2004;
- (v) the financial statements have been prepared on a going concern basis;
- (vi) they are responsible for safeguarding the assets of the Company;
- (vii) they are responsible for leading and controlling the organisation and meeting all legal and regulatory requirements;
- (viii) they have taken reasonable steps for the prevention and detection of fraud and other irregularities.

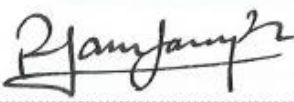
The external auditor is responsible for reporting on whether the financial statements are fairly presented.

Having taken all the matters considered by the Board and brought to the attention of the Board during the year into account, we are satisfied that the annual report and financial statements taken as a whole are fair, balanced and understandable.

For and on behalf of the board of directors:



.....
Director



.....
Director

Date: September 28, 2020

MCB STRUCTURED SOLUTIONS LTD

STATEMENT OF COMPLIANCE FOR THE YEAR ENDED JUNE 30, 2020

STATEMENT OF COMPLIANCE FOR THE YEAR ENDED JUNE 30, 2020

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

Name of Public Interest Entity : MCB Structured Solutions Ltd (MCBSS)

Reporting Period : July 1, 2019 to June 30, 2020

We, the directors of MCB Structured Solutions Ltd, confirm to the best of our knowledge that the Company has complied with the National Code of Corporate Governance for Mauritius (2016).

Signed for and on behalf of the board of directors on September 28, 2020



.....
Chairman

GILBERT GNANY


.....
Director

MCB STRUCTURED SOLUTIONS LTD

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MCB Structured Solutions Ltd

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of MCB Structured Solutions Ltd (the Company), on pages 18 to 37 which comprise the statement of financial position as at June 30, 2020 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 18 to 37 give a true and fair view of the financial position of the Company as at June 30, 2020, 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' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Mauritius, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 STRUCTURED SOLUTIONS LTD

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Shareholders of MCB Structured Solutions 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 STRUCTURED SOLUTIONS LTD

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Shareholders of MCB Structured Solutions Ltd

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 auditors, and dealings in the ordinary course of business.

We have obtained all information and explanations we have required.

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

Other Matter

This report is made solely to the members of MCB Structured Solutions Ltd (the "Company"), as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.


BDO & Co
Chartered Accountants



Ameenah Ramdin, FCCA, ACA
Licensed by FRC

Port Louis,
Mauritius



September 28, 2020

MCB STRUCTURED SOLUTIONS LTD

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

| | Notes | 2020 Rs. '000 | 2019 Rs. '000 |
|---|-------|-------------------------|-------------------------|
| ASSETS | | | |
| Non Current Assets | | | |
| Financial Assets at fair value through profit or loss | 5 | 130 | 319,757 |
| Financial Assets at amortised cost | 6 | 321,005 | 1,354,305 |
| Deferred Tax Asset | 8 | 377 | 483 |
| | | <u>321,512</u> | <u>1,674,545</u> |
| Current Assets | | | |
| Financial Assets at fair value through profit or loss | 5 | 412,479 | 69,507 |
| Financial Assets at amortised cost | 6 | 1,116,233 | 1,348,974 |
| Other Receivables | 9 | - | 1,186 |
| Cash and Cash equivalents | 15(c) | 11,580 | 1,730 |
| | | <u>1,540,292</u> | <u>1,421,397</u> |
| Total Assets | | <u>1,861,804</u> | <u>3,095,942</u> |
| EQUITY AND LIABILITIES | | | |
| Capital & Reserves | | | |
| Share Capital | 11 | 10 | 10 |
| Retained Earnings | | 24,005 | 20,981 |
| Total Equity | | <u>24,015</u> | <u>20,991</u> |
| Non Current Liability | | | |
| Other Financial liabilities | 7 | 316,402 | 1,660,519 |
| Current Liabilities | | | |
| Trade and Other Payables | 10 | 6,310 | 11,216 |
| Other Financial liabilities | 7 | 1,515,077 | 1,403,216 |
| | | <u>1,521,387</u> | <u>1,414,432</u> |
| Total Liabilities | | <u>1,837,789</u> | <u>3,074,951</u> |
| Total Equity and Liabilities | | <u>1,861,804</u> | <u>3,095,942</u> |

These financial statements have been approved for issue by the Board of Directors on September 28, 2020



) DIRECTORS
)

The notes on pages 22 to 37 form an integral part of these financial statements.
Auditor's report on pages 17 to 17(b).

MCB STRUCTURED SOLUTIONS LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Notes</u> | <u>2020</u> Rs. '000 | <u>2019</u> Rs. '000 |
|---|--------------|-------------------------|-------------------------|
| Interest Income | 2(b) | 96,373 | 130,049 |
| Interest Expense | | (89,029) | (124,171) |
| Operating Expenses | | (3,892) | (4,109) |
| Administrative Expenses | | (1,324) | (892) |
| Foreign Exchange Gains / (Losses) | | 681 | (382) |
| Net Gain on Sale of Securities | | 16,340 | 15,140 |
| Net Expense from financial instruments carried at fair value through profit or loss | 12 | <u>(16,019)</u> | <u>(11,410)</u> |
| Profit before Tax | | 3,130 | 4,225 |
| Income Tax | 13(b) | <u>(106)</u> | <u>(42)</u> |
| Profit for the Year | | 3,024 | 4,183 |
| Other Comprehensive Income | | - | - |
| Total Comprehensive Income for the Year | | <u>3,024</u> | <u>4,183</u> |
| Earnings per Share | 14 | <u>Rs.3,024</u> | <u>Rs.4,183</u> |

The notes on pages 22 to 37 form an integral part of these financial statements.
Auditor's report on pages 17 to 17(b).

MCB STRUCTURED SOLUTIONS LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2020

| | Share Capital | Retained Earnings | Total |
|---|--------------------------|------------------------------|-----------------|
| | Rs. '000 | Rs. '000 | Rs. '000 |
| Balance at July 01, 2019 | 10 | 20,981 | 20,991 |
| Profit for the Year | - | 3,024 | 3,024 |
| Other comprehensive income for the year | - | - | - |
| Balance at June 30, 2020 | 10 | 24,005 | 24,015 |
| Balance at July 01, 2018 | 10 | 16,798 | 16,808 |
| Profit for the Year | - | 4,183 | 4,183 |
| Other comprehensive income for the year | - | - | - |
| Balance at June 30, 2019 | 10 | 20,981 | 20,991 |

The notes on pages 22 to 37 form an integral part of these financial statements.
Auditor's report on pages 17 to 17(b).

MCB STRUCTURED SOLUTIONS LTD

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

| | Notes | 2020 | 2019 |
|---|--------------|----------------------|---------------------|
| | | Rs. '000 | Rs. '000 |
| Cashflow from Operating Activities | | | |
| Cash (used in)/generated from Operations | 15(a) | (8,936) | 881 |
| Tax Received | | - | 55 |
| Interest Received | | 2,275 | 2,168 |
| Net Cash (used in) / generated from Operating Activities | | <u>(6,661)</u> | <u>3,104</u> |
| Cashflow from Investing Activities | | | |
| Purchase of Financial Assets at FVTPL | | - | (18,417) |
| Redemption of Financial Assets at amortised cost | | 1,413,840 | 604,593 |
| Proceeds from Sale of Financial Assets at FVTPL | | 85,847 | 26,319 |
| Net Cash generated from Investing Activities | | <u>1,499,687</u> | <u>612,495</u> |
| Cashflow from Financing Activities | | | |
| Issue of Notes | | - | 279,779 |
| Redemption of Notes | | (1,472,092) | (886,528) |
| Interest Paid | | (12,782) | (8,928) |
| Net Cash used in Financing Activities | | <u>(1,484,874)</u> | <u>(615,677)</u> |
| Net increase/(decrease) in Cash and Cash Equivalents | | <u>8,152</u> | <u>(78)</u> |
| Movement in Cash and Cash Equivalents | | | |
| At the beginning of reporting period | | 1,730 | 1,481 |
| Increase / (Decrease) | | 8,152 | (78) |
| Effect of Foreign Exchange Rate Changes | | 1,698 | 327 |
| At the end of reporting period | 15(c) | <u>11,580</u> | <u>1,730</u> |

The notes on pages 22 to 37 form an integral part of these financial statements.
Auditor's report on pages 17 to 17(b).

MCB STRUCTURED SOLUTIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1 GENERAL INFORMATION

MCB Structured Solutions Ltd is a public company limited by shares, incorporated on January 23, 2013 and domiciled in Mauritius. Its main activity consists of structuring, engineering and offering structured products through the issue of debt or equity securities (or otherwise). Its registered address is 9 - 15 Sir William Newton Street, Port Louis.

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of MCB Structured Solutions Ltd comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements are that of an individual entity. The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs. 000), except when otherwise indicated. Where necessary, comparative figures have been amended to conform with the 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 financial liabilities are stated at amortised cost.

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

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 standard has no impact on the Company's financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. There are no new disclosure requirements but requirement to provide information about judgements and estimates made in preparing the financial statements. The interpretation has no impact on the Company's financial statements.

Prepayment Features with negative compensation (Amendments to IFRS 9) enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model. The amendments have no impact on the Company's financial statements.

MCB STRUCTURED SOLUTIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

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

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 before applying the loss allocation and impairment requirements in IAS 28. The amendments have no impact on the Company's financial statements.

Annual Improvements to IFRSs 2015–2017 Cycle

- IFRS 3 – clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
- IFRS 11 – clarified that party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
- IAS 12 – clarified that income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23 – clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The amendments have no impact on the Company's financial statements.

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) clarify that entities must:

- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change
- recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling
- separately recognise any changes in the asset ceiling through other comprehensive income.

The amendments have no impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

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 1 January 2020 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
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- 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)
- Covid-19-Related Rent Concessions (Amendment to IFRS 16)
- Amendments to IFRS 17
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)

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.

(b) Revenue recognition

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).

(c) Foreign currencies

(i) 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.

MCB STRUCTURED SOLUTIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Foreign currencies (cont'd)

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cashflow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents and all other foreign exchange gains and losses are presented in profit or loss within 'foreign exchange gains/(losses)'.

Non-monetary items 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.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

(d) Financial assets

Categories of financial assets

The Company classifies financial assets in the following categories: financial assets through profit or loss and financial assets at amortised cost. The classification depends on the purpose for which the investments were acquired. The Company determines the classification of investments at initial recognition.

(i) Financial assets at fair value through profit or loss

The Company classifies the financial assets namely derivative financial instruments not designated as hedging instrument, as fair value through profit or loss at inception if so designated by the directors.

(ii) Amortised cost

These assets arise principally from 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.

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

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

MCB STRUCTURED SOLUTIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial assets (cont'd)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(e) Financial liabilities

(i) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as fair value through profit or loss when the financial liability is either held for trading or it is designated as fair value through profit or loss.

A financial liability may be designated as fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 3(b).

(ii) Other financial liabilities

The Company's capital guaranteed notes issued are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company obligations are discharged, cancelled or they expire.

MCB STRUCTURED SOLUTIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Current & Deferred Income Tax

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

Current Tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of 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

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

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial Risk Factors

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

- Foreign currency risk
- Liquidity risk
- Credit risk

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

MCB STRUCTURED SOLUTIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Financial Risk Factors (cont'd)

Foreign currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from currency exposure primarily with respect to US dollars.

Included in the table below are the Company's assets and liabilities at carrying amounts classified by currency.

As at June 30, 2020

| | Rupees | US Dollars | Total |
|---|------------------|----------------|------------------|
| | Rs. '000 | Rs. '000 | Rs. '000 |
| ASSETS | | | |
| Financial Assets at fair value through profit or loss | - | 412,609 | 412,609 |
| Financial Assets at amortised cost | 1,182,766 | 254,472 | 1,437,238 |
| Deferred Tax Asset | 377 | - | 377 |
| Cash and Cash equivalents | 10,793 | 787 | 11,580 |
| Total Assets | 1,193,936 | 667,868 | 1,861,804 |

LIABILITIES

| | | | |
|-----------------------------|------------------|----------------|------------------|
| Trade and Other Payables | 6,226 | 84 | 6,310 |
| Other Financial liabilities | 1,165,450 | 666,029 | 1,831,479 |
| Total Liabilities | 1,171,676 | 666,113 | 1,837,789 |

As at June 30, 2019

| | Rupees | US Dollars | Total |
|---|------------------|----------------|------------------|
| | Rs. '000 | Rs. '000 | Rs. '000 |
| ASSETS | | | |
| Financial Assets at fair value through profit or loss | - | 389,264 | 389,264 |
| Held to Maturity Investment | 2,147,010 | 556,269 | 2,703,279 |
| Deferred Tax Asset | 483 | - | 483 |
| Cash and Cash equivalents | 1,515 | 215 | 1,730 |
| Current Tax Asset | - | - | - |
| Total Assets | 2,149,008 | 945,748 | 3,094,756 |

LIABILITIES

| | | | |
|-----------------------------|------------------|----------------|------------------|
| Trade and Other Payables | 11,153 | 63 | 11,216 |
| Other Financial liabilities | 2,119,101 | 944,634 | 3,063,735 |
| Total Liabilities | 2,130,254 | 944,697 | 3,074,951 |

At June 30, 2020, if the rupee had weakened/strengthened by 10% against foreign currencies, with other variables held constant, profit after tax would have been Rs. 149,175 (2019: Rs. 89,335) higher/lower mainly as a result of translation of the above foreign balances.

MCB STRUCTURED SOLUTIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Financial Risk Factors (cont'd)

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.

Prudent liquidity risk management implies maintaining sufficient cash to enable the Company to meet its liabilities. Management monitors the liquidity situation to ensure that the Company meets its obligations when required.

The tables below show the maturity analysis of the assets and liabilities of the Company.

| Maturity of assets and liabilities | 2020 | | | |
|---|------------------|-------------------------|---------------------------|------------------|
| | Within 1 year | Between 1 to 5 years | Non- maturity items | Total |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| ASSETS | | | | |
| Non Current Asset | | | | |
| Financial Assets at fair value through profit or loss | - | 130 | - | 130 |
| Financial Assets at amortised cost | - | 321,005 | - | 321,005 |
| | - | 321,135 | - | 321,135 |
| Current Assets | | | | |
| Financial Assets at fair value through profit or loss | 412,479 | - | - | 412,479 |
| Financial Assets at amortised cost | 1,116,233 | - | - | 1,116,233 |
| Cash and Cash equivalents | - | - | 11,580 | 11,580 |
| | 1,116,233 | - | 11,580 | 1,540,292 |
| Total Assets | 1,116,233 | 321,135 | 11,580 | 1,861,427 |
| LIABILITIES | | | | |
| Non Current Liability | | | | |
| Other Financial liabilities | - | 316,402 | - | 316,402 |
| | - | 316,402 | - | 316,402 |
| Current Liabilities | | | | |
| Trade and Other Payables | 6,310 | - | - | 6,310 |
| Other Financial liabilities | 1,515,077 | - | - | 1,515,077 |
| Total Liabilities | 1,521,387 | 316,402 | - | 1,837,789 |

MCB STRUCTURED SOLUTIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Financial Risk Factors (cont'd)

Liquidity risk (cont'd)

| Maturity of assets and liabilities | 2019 | | | |
|---|------------------------------|-------------------------------------|---------------------------------------|-------------------|
| | Within 1 year Rs. '000 | Between 1 to 5 years Rs. '000 | Non- maturity items Rs. '000 | Total Rs. '000 |
| ASSETS | | | | |
| Non Current Asset | | | | |
| Financial Assets at fair value through profit or loss | - | 319,757 | - | 319,757 |
| Financial Assets at amortised cost | - | 1,354,305 | - | 1,354,305 |
| | - | 1,674,062 | - | 1,674,062 |
| Current Assets | | | | |
| Financial Assets at fair value through profit or loss | 69,507 | - | - | 69,507 |
| Financial Assets at amortised cost | 1,348,974 | - | - | 1,348,974 |
| Other Receivables | 1,186 | - | - | 1,186 |
| Cash and Cash equivalents | - | - | 1,730 | 1,730 |
| | 1,350,160 | - | 1,730 | 1,421,397 |
| Total Assets | 1,350,160 | 1,674,062 | 1,730 | 3,095,459 |
| LIABILITIES | | | | |
| Non Current Liability | | | | |
| Other Financial liabilities | - | 1,660,519 | - | 1,660,519 |
| | - | 1,660,519 | - | 1,660,519 |
| Current Liabilities | | | | |
| Trade and Other Payables | 11,216 | - | - | 11,216 |
| Other Financial liabilities | 1,403,216 | - | - | 1,403,216 |
| Total Liabilities | 1,414,432 | 1,660,519 | - | 3,074,951 |

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company. It arises principally from financial assets at amortised cost and cash and cash equivalents.

The Company's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties having good credit standards.

MCB STRUCTURED SOLUTIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

(b) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of each reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions in the normal course of business. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as financial assets at fair value through profit or loss or financial assets at fair value through OCI.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, dividend yield and earnings basis, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade and other receivables and payables are assumed to approximate their fair values. The carrying amounts of financial assets approximate their fair values.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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.

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 material adjustment to this carrying amounts of assets and liabilities within the next financial year are discussed in appropriate notes.

Limitation of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and the other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets held for trading:

| | 2020 | 2019 |
|------------------------|-----------------|-----------------|
| | Rs. '000 | Rs. '000 |
| Derivatives - warrants | 412,609 | 389,264 |

A warrant is a derivative financial instrument which gives the right, but not the obligation to buy or to sell a specific amount of a given stock, currency, index or debt, at a specified price (the strike price) during a specified period or on a specified date. The fair value of listed warrants are included in derivatives held for trading classified as financial assets at fair value through profit or loss.

The movements in financial assets at fair value through profit or loss are as follows:

| | 2020 | 2019 |
|--------------------------------------|-----------------|-----------------|
| | Rs. '000 | Rs. '000 |
| At the beginning of reporting period | 389,264 | 381,422 |
| Additions | - | 18,417 |
| Disposals | (130,551) | (62,415) |
| Fair value adjustments | 92,852 | 604 |
| Fair value release on disposal | 61,044 | 51,236 |
| At the end of reporting period | 412,609 | 389,264 |

At the reporting period financial assets were measured at fair value, using the following inputs:

| | | |
|----------------------------|---------|---------|
| Observable Price (Level 2) | 412,609 | 389,264 |
|----------------------------|---------|---------|

| | 2020 | 2019 |
|--------------|-----------------|-----------------|
| | Rs. '000 | Rs. '000 |
| Analysed as: | | |
| Current | 412,479 | 69,507 |
| Non-current | 130 | 319,757 |
| | 412,609 | 389,264 |

MCB STRUCTURED SOLUTIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

6 FINANCIAL ASSETS AT AMORTISED COST

| | 2020 | 2019 |
|--------------------------------------|------------------|------------------|
| | Rs. '000 | Rs. '000 |
| At the beginning of reporting period | 2,703,279 | 3,169,361 |
| Net Redemptions | (1,413,840) | (604,593) |
| Interest received | 94,098 | 126,704 |
| Foreign exchange difference | 53,701 | 11,807 |
| At the end of reporting period | <u>1,437,238</u> | <u>2,703,279</u> |

Financial assets at amortised cost consist of various fixed deposits with The Mauritius Commercial Bank Ltd and Finlease Company Ltd carrying interests ranging from 4% to 6% on rupee deposits and from 2.25% to 3.00% on US dollar deposits and maturing between December 2020 to October 2023.

| | 2020 | 2019 |
|--------------|------------------|------------------|
| | Rs. '000 | Rs. '000 |
| Analysed as: | | |
| Current | 1,116,233 | 1,348,974 |
| Non-current | 321,005 | 1,354,305 |
| | <u>1,437,238</u> | <u>2,703,279</u> |

7 OTHER FINANCIAL LIABILITIES

| | 2020 | 2019 |
|---|------------------|------------------|
| | Rs. '000 | Rs. '000 |
| Financial liabilities at fair value through profit or loss (level 2: Observable Price) | (a) 412,204 | 388,973 |
| Other financial liabilities | (b) 1,419,275 | 2,674,762 |
| | <u>1,831,479</u> | <u>3,063,735</u> |

(a) The movement on financial liabilities at fair value through profit or loss is as follows:

| | | |
|------------------------|----------------|----------------|
| At July 01, | 388,973 | 440,856 |
| Additions | - | 18,416 |
| Disposal | (85,640) | (82,313) |
| Fair value adjustments | 108,871 | 12,014 |
| At June 30, | <u>412,204</u> | <u>388,973</u> |

(b) The movement on other financial liabilities is as follows:

| | | |
|-----------------------------|------------------|------------------|
| At July 01, | 2,674,762 | 3,089,846 |
| Additions | - | 260,200 |
| Redemption | (1,399,234) | (811,979) |
| Interest Expense | 89,029 | 124,171 |
| Foreign exchange difference | 54,718 | 12,524 |
| At June 30, | <u>1,419,275</u> | <u>2,674,762</u> |

The financial liability consists of two distinct obligations for the Company. The capital guaranteed and minimum guaranteed return element of the notes have been classified under other financial liabilities at amortised cost using the effective interest rate method. The second element, being the participation to the recorded performance of a reference index, has been classified as financial liabilities designated as fair value through profit or loss.

| | 2020 | 2019 |
|--------------|------------------|------------------|
| | Rs. '000 | Rs. '000 |
| Analysed as: | | |
| Current | 1,515,077 | 1,403,216 |
| Non-current | 316,402 | 1,660,519 |
| | <u>1,831,479</u> | <u>3,063,735</u> |

MCB STRUCTURED SOLUTIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

8 DEFERRED INCOME TAX

Deferred Income Tax is calculated on all temporary differences under the liability method at 17%.
(2019: 17%)

The movement on the deferred income tax asset account is as follows:

| | 2020 | 2019 |
|--|-----------------|-----------------|
| | Rs. '000 | Rs. '000 |
| Tax Losses | | |
| At July 01, | 483 | 525 |
| Charged to Profit or Loss (Note 13(b)) | (106) | (42) |
| At June 30, | 377 | 483 |
| Deferred Tax Asset | 377 | 483 |

Deferred income tax assets are recognised only to the extent that realisation of the related tax benefit is probable. The Company had tax losses of Rs. 2,217,225 at June 30, 2020 (2019 Rs. 2,840,571).

9 OTHER RECEIVABLES

| | 2020 | 2019 |
|-------------------|-----------------|-----------------|
| | Rs. '000 | Rs. '000 |
| Other receivables | - | 1,186 |

Other Receivables are measured at amortised cost.

10 TRADE & OTHER PAYABLES

| | 2020 | 2019 |
|-------------------------------|-----------------|-----------------|
| | Rs. '000 | Rs. '000 |
| Trade & Other Payables | 1,453 | 6,183 |
| Amount due to related parties | | |
| Entities under Common Control | 335 | 78 |
| Fellow Subsidiaries | 4,522 | 4,955 |
| | 6,310 | 11,216 |

The carrying amounts of other payables approximate their fair values.

11 SHARE CAPITAL

| | 2020 | 2019 |
|--|-------------|-------------|
| (i) Issued Share Capital | | |
| Issued Share Capital (Rs. '000) | 10 | 10 |
| (ii) Number of Shares | | |
| Issued ordinary shares of no par value | 1,000 | 1,000 |

12 NET EXPENSE FROM FINANCIAL INSTRUMENTS

| | 2020 | 2019 |
|--|-----------------|-----------------|
| | Rs. '000 | Rs. '000 |
| Fair value adjustments on financial assets at fair value through profit or loss | 92,852 | 604 |
| Fair value adjustments on financial liabilities at fair value through profit or loss | (108,871) | (12,014) |
| | (16,019) | (11,410) |

MCB STRUCTURED SOLUTIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

| 13 INCOME TAX | 2020 | 2019 |
|---|-----------------|-----------------|
| | Rs. '000 | Rs. '000 |
| (a) In the Statement of Financial Position | | |
| Current Tax Asset at July 1, | - | (55) |
| Income tax received | - | 55 |
| Current Tax Asset at June 30, | - | - |

| (b) In the Statement of Profit or Loss | 2020 | 2019 |
|---|-----------------|-----------------|
| | Rs. '000 | Rs. '000 |
| Deferred tax charge for the year (Note 8) | 106 | 42 |
| | <u>106</u> | <u>42</u> |

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:

| | 2020 | 2019 |
|---|-----------------|-----------------|
| | Rs. '000 | Rs. '000 |
| Profit before Tax | <u>3,130</u> | <u>4,225</u> |
| Tax calculated at a rate of 15% (2019: 15%) | 470 | 634 |
| Tax effect on: | | |
| Tax Loss brought forward | (426) | (463) |
| Income not subject to tax | (34,649) | (15,765) |
| Expenses not deductible for tax purposes | 34,272 | 15,168 |
| Deferred Tax charge for the year | 106 | 42 |
| Tax Loss carried forward | 333 | 426 |
| Tax Charge | <u>106</u> | <u>42</u> |

| 14 EARNINGS PER SHARE | 2020 | 2019 |
|----------------------------------|--------------|--------------|
| Profit for the Period (Rs. '000) | <u>3,024</u> | <u>4,183</u> |
| Number of Shares in Issue | <u>1,000</u> | <u>1,000</u> |
| Earnings Per Share (Rs.) | <u>3,024</u> | <u>4,183</u> |

| 15 NOTES TO THE STATEMENT OF CASH FLOWS | 2020 | 2019 |
|---|-----------------|-----------------|
| | Rs. '000 | Rs. '000 |
| (a) Reconciliation of profit for the year to cash (used in)/generated from operations: | | |
| Profit before tax | 3,130 | 4,225 |
| Adjustments for: | | |
| Interest Income | (96,373) | (130,049) |
| Interest Expense | 89,029 | 124,171 |
| Foreign exchange (gains) / losses | (681) | 382 |
| Net Gain on Disposal of Securities | (16,340) | (15,140) |
| Net Expense from financial instruments carried at fair value through profit or loss | 16,019 | 11,410 |
| | <u>(5,216)</u> | <u>(5,001)</u> |
| Changes in working capital: | | |
| - trade and other receivables | 1,186 | - |
| - trade and other payables | (4,906) | 5,882 |
| Cash (used in)/generated from Operations | <u>(8,936)</u> | <u>881</u> |

MCB STRUCTURED SOLUTIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

(b) Reconciliation of liabilities arising from financing activities:

| OTHER FINANCIAL LIABILITIES | Non-cash transactions | | | | | 2020 |
|---|-----------------------|--------------------|---------------------|-----------------------------------|--------------------------|------------------|
| | 2019 | Cash Flows | Interest Accrued | Foreign Exchange Difference | Fair Value Adjustment | |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | |
| Financial liabilities designated at fair value through profit or loss | 388,973 | (85,640) | - | - | 108,871 | 412,204 |
| Other financial liabilities | 2,674,762 | (1,399,234) | 89,029 | 54,718 | - | 1,419,275 |
| | <u>3,063,735</u> | <u>(1,484,874)</u> | <u>89,029</u> | <u>54,718</u> | <u>108,871</u> | <u>1,831,479</u> |

| OTHER FINANCIAL LIABILITIES | Non-cash transactions | | | | | 2019 |
|---|-----------------------|------------------|---------------------|-----------------------------------|--------------------------|------------------|
| | 2018 | Cash Flows | Interest Accrued | Foreign Exchange Difference | Fair Value Adjustment | |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | |
| Financial liabilities designated at fair value through profit or loss | 440,856 | (63,897) | - | - | 12,014 | 388,973 |
| Other financial liabilities | 3,089,846 | (551,780) | 124,171 | 12,525 | - | 2,674,762 |
| | <u>3,530,702</u> | <u>(615,677)</u> | <u>124,171</u> | <u>12,525</u> | <u>12,014</u> | <u>3,063,735</u> |

| | 2020 | 2019 |
|-----------------------------|---------------|--------------|
| | Rs. '000 | Rs. '000 |
| (c) Cash & Cash Equivalents | <u>11,580</u> | <u>1,730</u> |

16 RELATED PARTY TRANSACTIONS

The transactions of the company with related parties during the period are as follows:

| | 2020 | 2019 |
|------------------------------------|---------------|----------------|
| | Rs. '000 | Rs. '000 |
| (a) <i>Interest Income</i> | | |
| Entities under common control | <u>96,373</u> | <u>130,049</u> |
| (b) <i>Operating Expenses</i> | | |
| Fellow Subsidiaries | 2,806 | 2,321 |
| Entities under common control | <u>865</u> | <u>1,427</u> |
| | <u>3,671</u> | <u>3,748</u> |
| (c) <i>Administrative Expenses</i> | | |
| Entities under common control | <u>251</u> | <u>241</u> |

MCB STRUCTURED SOLUTIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

16 RELATED PARTY TRANSACTIONS (CONT'D)

| Outstanding balances as at reporting period | | 2020 | 2019 |
|---|--|-----------|-----------|
| | | Rs. '000 | Rs. '000 |
| (d) <i>Financial Assets at amortised cost</i> | | | |
| Entities under common control | | 1,437,238 | 2,703,279 |
| (e) <i>Payables to related parties</i> | | | |
| Fellow Subsidiaries | | 4,522 | 4,955 |
| Entities under common control | | 335 | 78 |
| | | 4,857 | 5,033 |
| (f) <i>Receivables from related parties</i> | | | |
| Entities under common control | | - | 1,186 |
| (g) <i>Bank Balances</i> | | | |
| Entities under common control | | 11,580 | 1,730 |

All the above transactions have been carried out at least under market terms and conditions. There has been no pledge provided or received for any related party receivables or payables. As at June 30, 2020, the amounts owed by related parties were not impaired.

Outstanding balances at year end are unsecured. Settlement occurs in cash. The Company has made an impairment assessment by considering the previous repayment behaviours and the future cash flow forecasts covering the contractual period of receivables from related parties. The Company does not expect any default from them and is certain of their ability to pay their debts as they become due in the normal course of business and/or in any adverse economic and business conditions. Consequently, the probability of default is therefore negligible and the Company has not accounted for any impairment loss.

17 IMPACT OF COVID-19

The novel coronavirus (COVID-19) pandemic has caused extensive disruptions to business operation around the globe in 2020. On March 11, 2020, COVID-19 was labelled as a pandemic by the World Health Organisation. The measures taken by various governments to contain the virus have affected economic activity.

The Company has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures when clients are visiting the office premises (social distancing). The directors are in the opinion that it is difficult to predict the overall outcome and impact of COVID-19 on the financial statements of the Company at this stage. The Company will continue to follow the various government policies and advice whilst continuing to operate in the best and safest way possible. If the financial markets and/or the overall economy are impacted for an extended period, the carrying value of the financial assets and the Company's results may be materially adversely affected.

18 ULTIMATE HOLDING COMPANY

The holding company of MCB Structured Solutions Ltd is MCB Capital Markets Ltd and the ultimate holding company is MCB Group Limited. Both companies are incorporated in Mauritius.