

EAMC LTD

Financial Statements

for the year ended
30 June 2020



Content

3-16 Directors'
Report

17 Report from the
Secretary

18-19 Independent
Auditors' Report

20 Statement of
Financial Position

21 Statement of Profit or Loss
and other Comprehensive Income

22 Statement
in Equity of Changes in

23 Statement
of Cash Flows

24-36 Notes to the Financial
Statements



DIRECTORS' REPORT

The Board of Directors of EAMC Ltd (the "Company") is pleased to present its annual report for the year ended 30 June 2020. The financial statements have been prepared in accordance with the requirements set out in the International Financial Reporting Standards and the Mauritius Companies Act 2001.

PRINCIPAL ACTIVITY

EAMC Ltd was incorporated on 28 June 2018. Its main activity is to hold investments. Its registered office is 25, Bank Street, Cybercity, Ebene, Republic of Mauritius.

At 30 June 2020, the Company is wholly owned by MauBank Holdings Ltd.

MauBank Holdings Ltd is wholly owned by Government of Mauritius and owns 99.96% of MauBank Ltd.

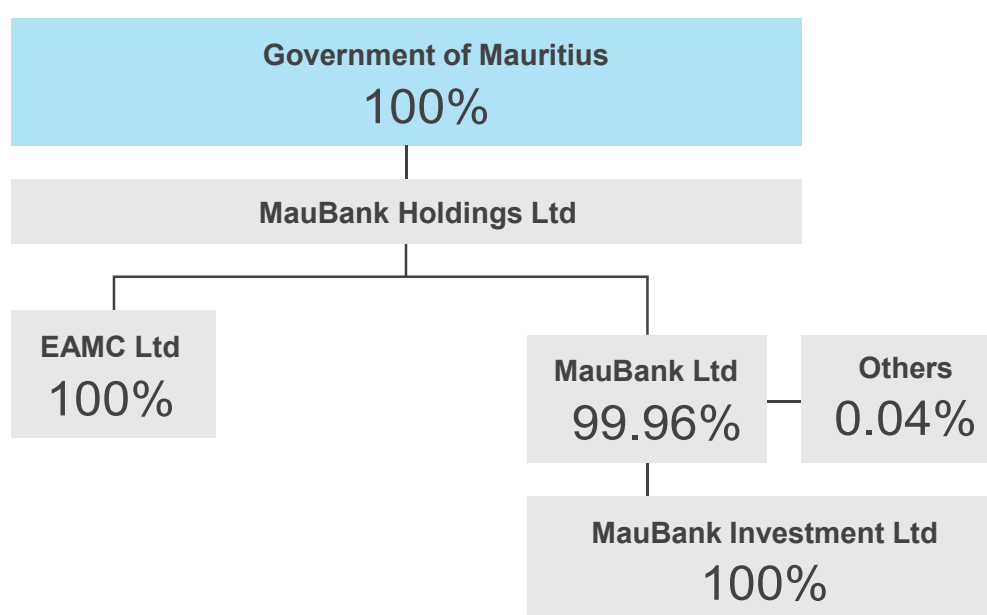
DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

INTRODUCTION

EAMC Ltd ("EAMC" or the "Company") is a Private Limited Company. The Company is classified as a Public Interest Entity as defined by the Financial Reporting Act 2004. EAMC is wholly owned by MauBank Holdings Ltd.

The holding structure of EAMC Ltd is as follows:



The management of EAMC has been entrusted to the Executive Team of MauBank Ltd, its sister company.

The Board is committed to ensure that good governance principles are entrenched within the Company and reflected in its business activities.

The Board of EAMC is pleased to present the corporate governance report, setting out how the principles of the National Code of Corporate Governance (2016) ("the Code") have been applied by the Company and provides explanations for any deviation/ non-compliance.

PRINCIPLE ONE - Governance Structure

Governance Framework

Governance refers to the framework of rules, relationships, systems, and processes by which an enterprise is directed, controlled, and held to account and whereby authority within an organisation is exercised and maintained. It encompasses authority, accountability, stewardship, leadership, direction, and control in any organisation.

The Board of EAMC is collectively accountable and responsible for the affairs of the Company. The Board fulfills its duties and responsibilities as per the Companies Act 2001 (the Act). The Board assumes responsibility for leading and controlling the Company and meeting all legal and regulatory requirements.

The Directors of the Company are skilled, knowledgeable, and experienced professionals. The Board takes its fiduciary responsibilities very carefully. Each director is appointed with the understanding of the amount of time and care that they will need to devote to the Board and to the organisation for it to prosper. The Board has approved all the guiding documents and policies, including Board/Committee Charters and job description of senior governance positions. The governance documents are available on the website of the Company's subsidiary, MauBank Ltd (www.maubank.mu).

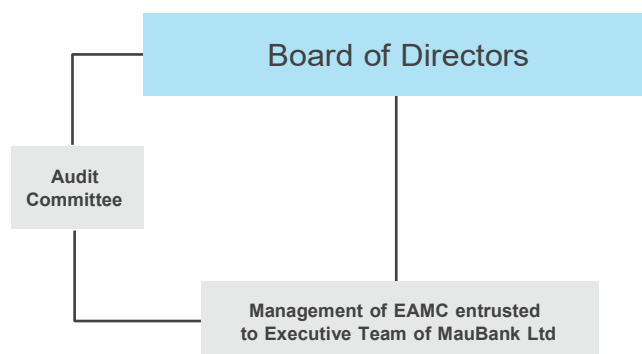
DIRECTORS' REPORT (Cont'd)

CORPORATE GOVERNANCE REPORT (Contd)

PRINCIPLE ONE - Governance Structure (Contd)

Organisational Chart

The Governance Structure and Organisational Chart of EAMC as well as the reporting lines are found below:



Key Governance Responsibilities

The Board ensures that the key governance positions within the organisation are matched with the corresponding accountabilities. The Directors are aware of their legal duties and responsibilities in line with the Companies Act.

Key Governance Positions

Chairperson of the Board

The Chairperson is primarily responsible for the activities of the Board and its Committees. He is responsible for the running of the Board and ensuring its effectiveness in all aspects of its role, including regularity and frequency of meetings. He acts as the spokesman for the Board and is the principal contact for the Executive Team. The Chairperson and the Executive Team meet regularly. The Chairperson discusses and sets the agenda with the Executive Team and the Company Secretary and facilitates the effective contribution of non-executive directors and encourages active participation during Board meetings. He ensures that Board Members, upon appointment, participate in an induction programme and that the development needs of directors are identified and appropriate training is provided. The Chairperson ensures effective implementation of Board decisions. The Chairperson ensures that directors (particularly non-executive directors) have sufficient time to consider critical issues and obtain answers to any questions or concerns they may have and are not faced with unrealistic deadlines for decision making. The Chairperson maintains sufficient contact with the Shareholders. The Chairperson also ensures that the views of the Shareholder are communicated to the Board as a whole so that all directors develop an understanding of its views.

The Chairperson of the Board is **Mr Manickchand Beejan**

Chairperson of the Audit Committee

The Chairperson of the Audit Committee ("Committee") works in close cooperation with and provides support and advice to the Chairperson of the Board. He/she has the following responsibilities, amongst others:

- To provide risk expertise to the Committee;
- To ensure the financial statements comply with the appropriate accounting standards;
- To guide and advise the Board on an appropriate risk management framework; and
- To report the deliberations of the Audit Committee to the Board.

The Committee shall meet at least twice a year or otherwise as required.

The Chairperson of the Committee is **Mr. Mamad Soidek Itoolakhan Lalmahomed**.

DIRECTORS' REPORT (Cont'd)

CORPORATE GOVERNANCE REPORT (Contd)

PRINCIPLE ONE - Governance Structure (Contd)

The Company Secretary

The role of the Company Secretary is to ensure that Board Members have the proper advice and resources for performing their duties under the relevant legal frameworks. The Company Secretary is also responsible for the organisation and coordination of the Board and Committee meetings and ensuring that the records or minutes of those meetings reflect the proper exercise of those duties. The Company Secretary provides guidance and support to the Board as a whole and directors individually, with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the Company. The Company Secretary assists in the proper induction of directors, including assessing the specific needs of directors. The Company Secretary provides comprehensive practical support and guidance to directors both as individuals and as a collective with particular emphasis on supporting the non-executive directors. The Company Secretary is Prime Partners Ltd

Executive Team

The management of EAMC has been entrusted to the Executive Team of MauBank Ltd, headed by the Chief Executive Officer with the support of a Deputy Chief Executive Officer and high caliber Executives. The Chief Executive Officer of MauBank Ltd is **Mr Premchand Mungar**.

PRINCIPLE TWO - STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES

Board Size and Composition

The Board is ultimately responsible for providing effective leadership and is responsible and accountable for the affairs of the Company. The Board assumes responsibility for, inter alia, setting the strategic direction, overseeing the financial and investment affairs, corporate governance, risk management, internal control and compliance issues. There is a clear separation of responsibilities between the Chairman of the Board and the Executive Team which is responsible for managing the Company's business.

EAMC has a unitary board, comprising Non-Executive Independent Directors and Non-Executive Directors. The Directors and Company Secretary who served the Company during the year 2020 and the subsequent appointments were as follows:

Directors and Company Secretary who served during the year 2020	Role	Duration	Category
Mr Manickchand Beejan	Chairman/Director	Appointed on 22 March 2019	Non-Executive
Mr. Mamad Soidek Itoolakhan Lalmahomed	Director	Appointed on 05 March 2021	Non-Executive
Mr. Atmaramoodoo Pentayah	Director	Appointed on 05 March 2021	Non-Executive Independent
Mr. Radhakrishna Chellapermal	Director	Appointed 28 June 2018 up to 31 July 2020	Non-Executive
Prime Partners Ltd	Company Secretary	Appointed on 22 March 2019	

Discussions are being held with the ultimate Shareholder for appointment of additional directors for smooth running of the Board and sub-Committee.

Board Diversity

The Board comprises directors who are sufficiently experienced and demonstrate independence of character and judgement. The Board consists of an appropriate mix of diverse skills and experience. Discussions are ongoing with the main Shareholder regarding the requirement for gender representation in the Board membership.

Only Board Members attend Board Meetings. Management attends the meeting or part thereof on invitation of the Chairman. The use of Alternate Director is discouraged. A clear division of responsibilities at Board level ensures that no Director has unfettered powers in decision making.

All the directors are ordinarily resident in Mauritius.

DIRECTORS' REPORT (Cont'd)

CORPORATE GOVERNANCE REPORT (Contd)

PRINCIPLE TWO - STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (Contd)

Director's Independence Review

The independence of the directors are reviewed by the Board on an annual basis or as and when the circumstances may require. Currently, there is only one Independent Director on the Board, namely Mr. A. Pentayah. Discussions are ongoing with the main Shareholder regarding the requirement for more independent directors in the Board membership.

The Board recognizes that over time Independent Directors develop insights in the Company's business and operations and can contribute objectively to the Board as a whole. In circumstances where a Director has served as an Independent Directors for over nine years, the Board will do a rigorous review of their continuing contribution and independence.

Non- Executive Directors and Independent Directors

The Non-Executive Directors and Independent Directors collectively contribute to the development of the strategy, analyse and monitor the performance of management against agreed objectives. Whenever required, they challenge proposals presented by management and request additional information where they consider that information is necessary to support informed decision-making. Non-Executive and Independent Directors collectively provide independent judgment in all circumstances. Non-executive and Independent Directors individually inform themselves to a reasonable extent about the subject matter of all decisions they are called upon to make as directors of the Company. They are expected to maintain the skills required to discharge their obligations to the Company.

Executive Director

Given the existing working arrangements with MauBank Ltd, no Executive Director has been appointed. The Executive Team of MauBank Ltd ensures the smooth running of the business of EAMC.

The Chief Executive Officer and Senior Executives of MauBank Ltd attend Board Meetings to assist the Directors in the decision-making process.

Powers of the Board

The Board is aware of its responsibility to ensure that the Company adheres to all relevant legislations such as the Companies Act 2001. The Board also follows the principle of good corporate governance as recommended in the Code.

Board Meetings

During the year under review, the Board met 4 times.

Board Attendance

The attendance of the Directors at the Board Meetings of the Company during the year ended 30 June 2020 was as follows:

Directors	Board Meetings
Mr. Manickchand Beejan	4/4
Mr. Radhakrishna Chellapermal (Resigned on 31 July 2020)	4/4

DIRECTORS' REPORT (Cont'd)

CORPORATE GOVERNANCE REPORT (Contd)

PRINCIPLE TWO - STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (Contd)

Board Committees

The Board has recently instituted an Audit Committee. Issues which are normally tackled by a Corporate Governance Committee and/or Nomination Committee will be addressed by the Board.

Audit Committee

The Audit Committee is governed by a Charter which was approved by the Board. The Committee was set up on 28 May 2021 and comprises the following members:

- Mr. Mamad Soidek Itoolakhan Lalmahomed - Chairperson
- Mr. Atmaramoodoo Pentayah - Member

The duties of the proposed Audit Committee include amongst others:

- Examining and reviewing the quality and integrity of the financial statements and interim reports of the Company including its annual report;
- Ensuring compliance with International Financial Reporting standards and legal requirements;
- Keeping under review the effectiveness of the Company's systems of internal control, including internal financial control and business risk management and maintaining effective internal control systems;
- Considering and making recommendations to the Board, to be put to shareholders for approval at the Annual Meeting of Shareholders, in relation to the appointment, re-appointment and removal of the Company's External Auditor;
- Making recommendations to the Board as it deems appropriate, on any area within its remit where action or improvement is needed.

No meeting of the Audit Committee was held during the year under consideration, as the Committee was set up after 30 June 2020. All issues were discussed at the Board during the year 2020.

The code requires that all Board Committees to have at least three members and the majority should be non-executive and where possible, independent. The ultimate shareholder has been contacted for appointment of additional independent Directors.

Directors' Profile

Mr. Manickchand Beejan has a long and successful career with work experience in Government, state-owned enterprises, and private sector companies. He sat in capacities ranging from Chairman, Executive Director, and Independent Director on more than 40 Boards of companies that are involved in a diverse range of activities including insurance, equity investment, portfolio and wealth management, fund management, casinos, housing, property development, sugar sector, IT sector, commerce, and education.

Mr Beejan has more than 35 years of professional experience starting his career as Government Economist and successively moving up to the level of Managing Director of The State Investment Corporation Limited. His areas of competence include project conception, development, and implementation, designing innovative financial instruments, designing and implementing business processes, and long-range asset-liability matching with scenario planning. Mr Beejan was the Managing Director of the State Investment Corporation Limited and held directorship on various investee companies and also the Chairman of State Insurance Company of Mauritius Ltd. Mr Beejan is currently the Chairman of MauBank Holdings Ltd and EAMC Ltd.

Mr Beejan holds a B.A. Hons with Distinction in Economics from a Canadian University and an MSc in Financial Management from the University of London. His pastime includes complex modelling in EXCEL and trading at the stock market. He is a Certified Advanced Financial Modeler.

Mr. Radhakrishna Chellapermal (resigned on 31 July 2020) was Deputy Financial Secretary at the Ministry of Finance and Economic Development. Mr. Chellapermal is a qualified Accountant and admitted as a member of the Association of Chartered Certified Accountants UK in 1980. After working in the private sector for 6 years, he joined the Ministry of Finance and Economic Development in 1983, where he has been involved in various projects mostly in the improvement of the business and investment climate and private sector development. Mr. Chellapermal has served on various Boards and Committees amongst others: Board of Investment, Financial Services Commission, The State Investment Corporation Limited. He was the Chairperson of the Investment Committee of the National Pension Fund Ltd (NPF) and the Mauritius Africa Fund (MAF). He was also Board Director of Airports of Mauritius Co. Ltd, Airport Terminal Operations Ltd (ATOL), Airport of Rodrigues Ltd (ARL) and Rodrigues Duty Free Paradise & Co. Ltd. Mr. Chellapermal retired from the Public Sector in 2020.

DIRECTORS' REPORT (Cont'd)

CORPORATE GOVERNANCE REPORT (Contd)

PRINCIPLE TWO - STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (Contd)

Directors' Profile (Contd)

Mr. Mamad Soidek Itoolakhan Lalmahomed (appointed on 05 March 2021) is actually Lead Analyst at Ministry of Finance Economic Planning and Development. He is a Fellow of the Chartered Association of Certified Accountants, FCCA, since 2000. He also holds a Master of the Business Administration since 1996. He has had a wide-ranging experience in the field of Finance, Accounting and Management consultancy for public sector, in particular, Public Enterprise Reforms. Since 2019, Mr. Lalmahomed is the Chairperson of Civil Service Family Protection Scheme Board and also one of the Trustees of the Cardiac Centre (Trust Fund for Specialised Medical Care).

Mr. Atmaramoodoo Pentayah (appointed on 05 March 2021) is the current President of Mauritius Telegu Maha Sabha (MTMS) and President of MTMS Education Committee. He was a Member of the Telegu Speaking Union. He was also the Lead Fire Fighter at Mauritius Fire and Rescue Service. Previously Mr. Pentayah was also the Treasurer and Secretary of the Fire Service Benevolent Fund. He was the former Executive Member of Fire Services Barracks and Recreation Fund.

Directorship of existing Board Members in other Companies

Company	Mr M.Beejan	Mr. Mamad Soidek Itoolakhan Lalmahomed	Mr. Atmaramoodoo Pentayah
MauBank Holdings Ltd	√		
MauFactoring Ltd	√		

PRINCIPLE THREE - DIRECTOR APPOINTMENT PROCEDURES

Appointment of Directors

The appointment of new directors is subject to a predetermined process. The selection is made based on, inter alia, skills, business acumen, industry knowledge and experience. The following factors are considered:

- Skills, knowledge and expertise of the proposed Director;
- Previous experience as a Director;
- Specific roles required on the Board such as Chairman of a Committee;
- Balance required on the Board such as gender and age;
- Independence where required;
- Amount of time the proposed Director is able to devote to the business of the Board; and
- Conflicts of interests.

The proposed appointee is required to disclose any other business interests that may result in a conflict of interest and to report any future business interests that could result in a conflict of interest.

Succession Plan

The Board considers its succession very carefully and assumes responsibility for succession planning. The Board is responsible to give consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future. There is no formal succession plan. The Board liaises with the Shareholder of the Company whenever required on this issue.

Induction

On appointment to the Board, directors receive a formal induction program designed to provide them with sufficient knowledge and understanding of the nature of business, opportunity, and challenges, to enable them to effectively contribute to strategic discussions and oversight of the Company. The Company Secretary assists the Chairman in ensuring that an induction programme is in place for all new Directors to enable them to develop a good understanding of the Company.

DIRECTORS' REPORT (Cont'd)

CORPORATE GOVERNANCE REPORT (Contd)

PRINCIPLE TWO - STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (Contd)

Induction (Contd)

Mr. Mamad Soidek Itoolakhan Lalmahomed and Mr. Atmaramoodoo Pentayah who have recently been appointed, followed the above-mentioned programme.

Professional Development

Directors are encouraged to keep themselves updated with industry practices, trends, practices and standards. As and when required or requested, the Company will organize workshops and arrange for training of directors.

Election and Re-election of Directors

Directors are elected/re-elected annually.

PRINCIPLE FOUR - DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE

Legal Duties

All Directors are aware of their legal duties. The duties of directors are listed in the Companies Act 2001, but other legal obligations are contained in various legislations. Directors are required to exercise that degree of care, skill, and diligence which a reasonably prudent and competent director in his or her position would exercise.

Code of Ethics

In view of the working arrangement between the Company and MauBank Ltd, the Board of Directors has adopted the Code of Ethics applicable at MauBank Ltd.

Conflict of Interest

Board Members have a fiduciary duty to conduct themselves without conflict of the interests of the Company. In their capacity as Board Members, they must subordinate personal individual business, third-party and other interests to the welfare and best interests of the Company. The Company ensures that directors declare any interest and report to the Chairman and Company Secretary any related party transactions. A register of conflict of interests is kept by the Company Secretary.

All conflict of interest and related-party transactions will be conducted in accordance with the conflicts of interest and related-party transaction policy and Code of Ethics applicable at MauBank Ltd.

An updated interest register is available to Shareholder upon written request.

Information, IT, and Information Security Governance

The Board of Directors ensures that appropriate resources are allocated for the implementation of an information and IT Security framework. Given the existing working arrangement with MauBank Ltd, the IT policy at MauBank Ltd is applicable.

Board Information

The Chairperson is responsible for ensuring that the directors receive accurate, timely and clear information. The Company Secretary's responsibilities include ensuring good information flows within the Board and its committees and between senior management and non-executive directors. Management has an obligation to provide accurate, timely and clear information. Directors seek clarification where necessary.

The Board ensures that directors have access to independent professional advice at the Company's expense in cases where the directors judge it necessary for discharging their responsibilities as directors.

All directors keep information relating to the Company, gathered in their capacity as directors, strictly confidential and private and do not divulge them to anyone without the authority of the Board.

DIRECTORS' REPORT (Cont'd)

CORPORATE GOVERNANCE REPORT (Contd)

PRINCIPLE TWO - STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (Contd)

Board Evaluation Process

The Board believes that the contribution of each individual Director is primordial. An appraisal of the Board Performance will be carried out during the year 2021.

Previously no Board Evaluation of the Board or its Committees was carried out.

The elaboration of a process to monitor the performance of the Board and the Directors is under consideration. The Board will come up with a mechanism for Board Appraisal to assess the effectiveness / performance of the Board and Sub-Committees.

Statement of Remuneration Philosophy

The remuneration of Non-Executive Directors is approved by the Shareholders and is based on market standards, competencies, efforts and time commitment to the Company. The Directors are remunerated for their knowledge, experience and insight. The remuneration policy is to reward the collective contribution of directors towards achievement of the Company's objectives. The Directors' remuneration in similar companies is also used as a guide.

During the year under review, no fees was paid to Directors. Fees are payable as from 05 March 2021. Directors have not received remuneration in the form of share options or bonuses associated with organisational performance. All Directors remuneration are fixed and they do not benefit from long-term incentive option.

PRINCIPLE FIVE - RISK GOVERNANCE AND INTERNAL CONTROL

Risk Governance

The Board of Directors has ultimate responsibility for risk management and internal control and remains ultimately responsible for the setting up of a risk management framework, overseeing the implementation and subsequent monitoring, determining the risk culture and providing management with leadership and guidance. The risk management and internal control issues will be looked into by the Audit Committee which has been recently set up. The task of implementing a robust system of risk management has been delegated to the Executive Team.

The risk governance structure outlines the key responsibilities for decisions on risk taking and risk oversight by defining clear and comprehensive risk management roles and responsibilities using the three lines of defence model.

The Company's risk framework establishes governance, escalation, and reporting processes around risk exposures, risk decisions, and risk events which provides assurance to stakeholders who delegate risk-taking authority to the business lines. From first line businesses and support functions, risk information flows to the second line, and then to the Board.

EAMC Ltd is guided by the different risk policies that have been developed internally and approved by the relevant approving authority duly mandated by the Board of Directors. The responsibility for implementing the risk policies lies with the Company's Management through the relevant business drivers.

Key risks

Foreign Exchange Risk

Foreign exchange risk is the risk arising from movements in foreign exchange rate that affect the Company's earnings and economic value. As at 30 June 2020, the Company had no foreign transactions, thus, was not exposed to foreign exchange risk.

Interest Rate Risk

Interest rate risk represents the adverse impact that may occur on profits and value of assets and liabilities due to fluctuation in interest rates. Interest rate risk are measured using sensitivity analysis which is worked out based on possible changes in interest rates and their impact on interest income and interest expense.

DIRECTORS' REPORT (Cont'd)

CORPORATE GOVERNANCE REPORT (Contd)

PRINCIPLE FIVE - RISK GOVERNANCE AND INTERNAL CONTROL (Contd)

Key risks (Contd)

Foreign Exchange Risk

Foreign exchange risk is the risk arising from movements in foreign exchange rate that affect the Company's earnings and economic value. As at 30 June 2020, the Company had no foreign transactions, thus, was not exposed to foreign exchange risk.

Interest Rate Risk

Interest rate risk represents the adverse impact that may occur on profits and value of assets and liabilities due to fluctuation in interest rates. Interest rate risk are measured using sensitivity analysis which is worked out based on possible changes in interest rates and their impact on interest income and interest expense.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company prepares cash flow projections over at least for the next twelve months for measuring and managing in liquidity risk. Protection cover not only the assets and liabilities as they exist in the balance sheet at a particular time but also flow from planned future activities.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents. However, the credit risk associated with cash and cash equivalents is limited as the counterparty is the Company's sister company, MauBank Ltd.

Impairment of Financial Assets:

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the credit risk of default occurring over the expected life between the reporting date and the date of initial recognition.

In determining whether credit risk has increased significantly since initial recognition, the Company uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in the credit quality of a financial asset.

At each reporting date, the Company shall recognise in the statement of profit or loss and other comprehensive income the amount of the change in lifetime expected credit losses as an impairment gain or loss. The Company shall recognise favourable changes in lifetime expected credit losses as an impairment gain, if the lifetime expected credit losses are less than the amount of expected credit losses that was initially recognised.

Based on the Company's assessment, changes to the impairment model are not expected to have a material impact on the financial assets of the Company. This is because, the financial assets at amortised cost are short-term (i.e. no longer than 12 months), of high credit quality. Accordingly, the ECLs on such assets are expected to be small.

As a result, no loss allowance has been recognized based on 12-month ECL, as any such impairment would be wholly insignificant to the Company.

For purchased or originated credit-impaired (POCI) financial assets, the Company only recognized the cumulative changes in lifetime expected credit losses since initial recognition. At each reporting date, the Company shall recognised in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. The Company shall recognized favourable changes in lifetime expected credit losses as an impairment gain, even if the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

DIRECTORS' REPORT (Cont'd)

CORPORATE GOVERNANCE REPORT (Contd)

PRINCIPLE FIVE - RISK GOVERNANCE AND INTERNAL CONTROL (Contd)

Whistleblowing Policy

EAMC Ltd has adopted the Whistleblowing Policy of MauBank Ltd which is reviewed periodically. This Policy is designed to enable employees to raise concerns internally and at a high level, and also disclose any information which the employee believes shows malpractice and impropriety.

Assurance on risk management processes

Reliance on the Internal Auditors of MauBank Ltd is of essence for the Board to ensure the effective and efficient use of available resources and ascertaining the accuracy of information used in the preparation of financial statements.

The External Auditors report directly to the Board for identification of any deficiency noted in internal financial reporting processes and controls, compliance issues and any material misstatements noted in the financial statements.

PRINCIPLE SIX - REPORTING WITH INTEGRITY

The Board is responsible for the preparation of the annual report and accounts that fairly present the state of affairs of the organisation and the results of its operations and that comply with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), the Companies Act 2001 and the Financial Reporting Act 2004. Likewise, the Board has the responsibility for selecting appropriate accounting policies based on reasonable and prudent judgements.

The Financial Statements of the Company include its Annual Report and its Corporate Governance Report which provide details on all of the Company's financial, environmental, social and governance position as well as its performance for the financial year under consideration. The Board considers that the audited financial accounts, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders and other key stakeholders to assess the Company's financial position.

Environmental Policy

Due to the nature of its activities, the Company's operation has no major impact on environment.

Safety and Health Issues

The Company complies with the Occupational Safety and Health Act 2005 and other legislative and regulatory frameworks. With a view to promote health and safety knowledge sharing in order to make the Company a workplace safer and healthier, several trainings have been delivered to officers of the Company.

Statement of Directors' Responsibilities

Directors acknowledge their responsibilities for:

- Adequate accounting records and for maintenance of effective internal control systems;
- Preparation of financial statements which fairly present the state of affairs of the Company at end of the financial year and the cash flows for that period, and which comply with International Financial Reporting Standards (IFRS);
- Using appropriate accounting policies supported by reasonable and prudent judgments and estimates;
- Ensuring that adequate accounting records and an effective system of internal controls and risk management have been maintained;
- Ensuring that appropriate accounting policies supported by reasonable and prudent judgments and estimates have been used consistently;
- Ensuring that the International Financial Reporting Standards have been adhered to. Any departure has been disclosed, explained and quantified in the financial statements; and
- Ensuring that the Code of Corporate Governance has been adhered to in all material aspects. Reasons for non-compliance have been provided, where appropriate.

The External Auditors are responsible for reporting on whether the financial statements are fairly presented.

DIRECTORS' REPORT (Cont'd)

CORPORATE GOVERNANCE REPORT (Contd)

PRINCIPLE SEVEN – AUDIT

Internal Audit

The role of Internal Audit is to provide independent and objective assurance to management and the Board of Directors through the Audit Committee. The Internal Audit function is carried out by the officers of Maubank Ltd.

External Audit

The Company has appointed Deloitte as External Auditors for the financial year ended 30 June 2020 against a fee of Rs 710,700 (Incl VAT)

Meeting with the Audit Committee

During the year ended 30 June 2020, the Audit Committee of the Company was not set up. Going forward, the External Auditors will meet with the Audit Committee as and when they find it necessary, without the presence of Management. During such meeting, they will discuss on the financial statements of the Company, timeline of the audit, the audit approach, the accounting principles, and critical policies adopted.

Evaluation of the Auditors

The Board evaluates whether the External Auditors are fulfilling their duties annually, to make an informed recommendation to the Board for the re-appointment of the auditors.

Information on non-audit services

The Board ensures that whenever non-audit services are provided, the fees remain reasonable compared to audit fees such that auditors' objectivity and independence are not impaired.

Share Capital Structure

The holding structure of EAMC Ltd is as follows:

Name	Percentage Holding
MauBank Holdings Ltd	100%

Dividend Policy

The Board has not established a formal dividend policy. However, the Board endeavors to authorise distributions in the light of the Company's profitability, cash flow requirements and planned capital expenditure.

Relations with Shareholder

The Company ensures that there is regular contact and dialogue with the ultimate shareholder to keep them informed on material events affecting the Company. The Chairman, through the assistance of the Company Secretary, is available to answer any query from the Shareholder.

DIRECTORS' REPORT (Cont'd)

CORPORATE GOVERNANCE REPORT (Contd)

PRINCIPLE EIGHT - RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

COMPANY KEY STAKEHOLDERS

Regulators

Relationships with the regulators, mainly, the Registrar of Companies and the Mauritius Revenue Authority are considered as critical for good running of the Company. The Company maintains relationship with its regulators through written communications, filing of returns and financial reports, participation in forums, conferences, and workshops as well as compliance with relevant legislation.

These relationships are viewed as strategic partnerships to ensure that the Company upholds and maintains best practices with full transparency.

Calendar of Important Events

The following is a schedule of important events:

Month	Important Events
June	Financial Year End
December	Annual Meeting of Shareholder

Statement of Compliance

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

Name of PIE:	EAMC Ltd
Reporting period:	June 30, 2020

We, the Directors of EAMC Ltd, the ("Company") confirm to the best of our knowledge that the Company has complied with all of its obligations and requirements under the National Code of Corporate Governance except for the following sections:

Reasons for non-compliance with the sections of the Code:

PRINCIPLE 2: - STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES

Appointment of at least two Executive Directors

The Board is of the view that the appointment of two Executive Directors on the Board, as required by the Code is not necessary taking into consideration the present of the level of operations of the Company and the current working arrangement with Mabank Ltd.

Management of the Company has been entrusted to the Executive Team of MauBank Ltd. Under the current arrangement, the Chief Executive Officer and the Senior Executives of MauBank Ltd attend Board Meetings to assist the Board in the decision-making process.

DIRECTORS' REPORT (Cont'd)

CORPORATE GOVERNANCE REPORT (Contd)

PRINCIPLE 2: STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (Contd)

Board Committee

At 30 June 2020, the Company did not have an Audit Committee. Subsequent to the year end, an Audit Committee was constituted.

The Code requires that all Board Committees to have at least three members and the majority should be non-executive and where possible, independent. Discussions are being held with shareholder for the appointment of additional Directors.

Board Diversity

The Board does not include any female directors. However, discussions are being held with the main Shareholder regarding the requirement for gender representation in the Board membership.

Director's Independence Review

The Board has only one Independent Director. Discussions are being held with the main Shareholder regarding the requirement for more independent directors in the Board membership.

PRINCIPLE 3 - DIRECTOR APPOINTMENT PROCEDURES

Succession Plan

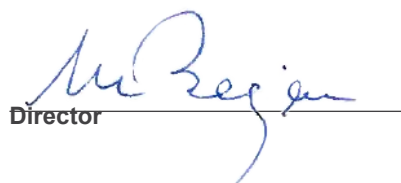
A formal plan is being worked upon and same is to be considered at Board level.

PRINCIPLE 4 - DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE:

Board Evaluation

For the year under review, no evaluation of the Board or its Committees was carried out. The elaboration of a process to monitor the performance of the Board and the Directors is under consideration. The Board will come up with a mechanism for Board Appraisal to assess the effectiveness/ performance of the Board and Sub-Committees

Signed on behalf of the Board of Directors:


Director
Director

Report from the Secretary

I certify, to the best of my knowledge and belief that the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Mauritius Companies Act 2001, in terms of Section 166 (d), during the year ended 30 June 2020, except for the delay of filing the financial statements.



Prime Partners Ltd
Company Secretary Per
Christophe Brette

Date: **17 SEP 2021**

Ebene 72201, Republic of Mauritius

Independent auditors' report to the members of EAMC Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of EAMC Ltd (the "Company") set out on pages 20 to 36, which comprise the statement of financial position as at 30 June 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 accompanying financial statements give a true and fair view of the financial position of the Company as at 30 June 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the Commentary of the Directors' Report and Report from the Secretary, 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 2004 is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Public Interest Entity has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

Responsibilities of directors for the 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 Mauritius Companies Act 2001 and the Financial Reporting Act 2004 and they are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

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

Independent auditors' report to the members of EAMC Ltd (Contd)

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 skepticism 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 management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.
- 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

Mauritius Companies Act 2001

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

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

Use of this report

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



Deloitte
Chartered Accountants



R. Srinivasa Sankar, FCA
Licensed by FRC

Statement of financial position as at 30 June 2020

	Note	As at 30 June 2020 Rs	As at 30 June 2019 Rs
ASSETS			
Cash and cash equivalents	5	12,263,662	14,238,767
Investment at amortised costs	6	2,675,320,689	2,821,420,156
Receivable from Fellow Subsidiary	7	11,140,754	37,441,000
Other receivable		-	4,191,623
Total assets		2,698,725,105	2,877,291,546
LIABILITIES			
Borrowings	9	3,036,528,221	3,250,264,973
Accruals and other creditors	11	22,687,604	4,927,580
Total liabilities		3,059,215,825	3,255,192,553
SHAREHOLDER'S EQUITY			
Share capital		10,000	10,000
Deemed Equity	12	1,475,525,216	1,475,525,216
Accumulated losses	13	(1,836,025,936)	(1,853,436,223)
Total equity		(360,490,720)	(377,901,007)
Total liabilities and equity		2,698,725,105	2,877,291,546

17 SEP 2021

Approved by the Board of Directors onand signed on its behalf by:



Director



Director

Statement of Profit or Loss and Other Comprehensive income for the year ended 30 June 2020

	Note	As at 30 June 2020 Rs	As at 30 June 2019 Rs
Revenue:			
Net Interest realized	15	204,611,568	180,046,624
Other Income		56,725	-
		204,668,293	180,046,624
Expenses:			
Interest expense		-	(113,124,328)
Deemed Interest expense on borrowings	10	(186,263,248)	(100,790,189)
Fee expense		(128,838,118)	(144,547,194)
Bad debt written off		(262,104)	(4,319,473)
Administration expense		(97,628)	(1,120)
Audit fees		(710,700)	(690,000)
Legal costs		-	(1,454,750)
Impairment gain		90,286,284	197,253,067
Net realised gain on investment		10,854,173	78,229,740
Gain on exchange difference		27,773,335	1,965,528
Profit before taxation	14	17,410,287	92,567,905
Taxation	16	-	-
Profit after taxation		17,410,287	92,567,905
Other comprehensive income		-	-
Total Comprehensive Income		17,410,287	92,567,905

Statement of changes in equity for the year ended 30 June 2020

	Note	Share capital Rs	Deemed Equity Rs	Accumulated losses Rs	Total Rs
At 01 July 2019		10,000	1,475,525,216	(1,853,436,223)	(377,901,007)
Profit and total comprehensive income for the year		-	-	17,410,287	17,410,287
At 30 June 2020		10,000	1,475,525,216	(1,836,025,936)	(360,490,720)

	Note	Share capital Rs	Deemed Equity Rs	Accumulated losses Rs	Total Rs
At 01 July 2018		10,000	-	(1,946,004,128)	(1,945,994,128)
Profit and total comprehensive income for the year		-	-	92,567,905	92,567,906
Equity component of loan	13	-	1,475,525,216	-	1,475,525,216
At 30 June 2019		10,000	1,475,525,216	(1,853,436,223)	(377,901,006)

Statement of Cash Flows for the year ended 30 June 2020

	As at 30 June 2020 Rs	As at 30 June 2019 Rs
Operating activities		
Profit before income tax	17,410,287	92,567,905
Adjustments for:		
Bad debts written off	262,104	4,319,473
Impairment gain	(90,286,284)	(197,253,067)
Net realised gain on Investment	(10,854,173)	(78,229,740)
Gain on exchange difference	(27,818,375)	(1,965,528)
Interest income	(204,611,568)	(180,046,624)
Deemed interest	186,263,248	100,790,189
Interest expense	-	113,124,328
Operating loss before working capital changes	(129,634,761)	(146,693,064)
Decrease/(Increase) in receivable from fellow subsidiary	26,300,246	(37,441,000)
Increase/(Decrease) in other liabilities	(3,159,823)	4,352,580
Portfolio Restructure	-	(18,262,128)
Proceeds from Cash Collections	504,519,233	797,974,437
Cash flows from operating activities	398,024,895	599,930,824
Financing activities		
Loan received from holding company	-	5,100,000,000
Repayment of loan to holding company	(400,000,000)	(475,000,000)
Proceeds from share capital	-	10,000
Interest paid	-	(113,124,328)
Repayment of amount payable to fellow subsidiary	-	(5,097,577,730)
Cash flows used in financing activities	(400,000,000)	(585,692,058)
Net (decrease) / Increase in cash and cash equivalents	(1,975,104)	14,238,767
Cash and cash equivalents at beginning of period	14,238,767	-
Cash and cash equivalents at end of year	12,263,662	14,238,767

Notes to the Financial Statements

For the year ended 30 June 2020

1. General information and statement of compliance with International Financial Reporting Standards ("IFRS")

EAMC Ltd (the "Company") was incorporated on 28 June 2018. Its main activity is to hold investments and its registered office is 25 Bank Street, Cybercity, Ebene, Republic of Mauritius.

Pursuant to a Sale Agreement dated 06 December 2018 between the Company and MauBank Ltd, certain loan portfolio assets amounting to MUR 5.09 Billion have been transferred to the Company with no legal title effective 30 June 2018. The nature of the transfer is by way of assignment of the right to the Facility Agreement receivables as a transport d'un droit as envisaged in the article 1689 of the Code Civil Mauricien. MauBank Ltd shall not sell or otherwise pledge the loan book to a third party and shall retain the relationship with the Obligators and to that end, shall continue to manage the portfolio of Facility Agreement for the purposes of loan performance management.

MauBank Ltd is responsible for collecting cash flows from the loans portfolio assigned and remitting to EAMC Ltd against a Management fee calculated at a yearly rate to compensate for the administrative expenses plus a Recovery fee on successful collection at rate on amounts collected after deducting other costs like legal fees, commission amongst others.

The financial statements are presented in Mauritian Rupee ("MUR" or "Rs"), which is also the functional currency of the Company.

The financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

2. Application of new and revised International Financial Reporting Standards ("IFRSs")

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

2.1 New and amended IFRS Standards that are effective for the current year

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

IAS 12	Income Taxes - Amendments resulting from Annual Improvements 2015–2017 Cycle (income tax consequences of dividends)
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities
IFRIC 23	Uncertainty over Income Tax Treatments

2.2 Standards and Interpretations in issue but not yet effective

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

IAS 1	Presentation of Financial Statements - Amendments regarding the definition of material (effective 1 January 2020)
IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities (effective 1 January 2023)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of material (effective 1 January 2020)
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous (effective 1 January 2022)
IAS 39	Financial Instruments: Recognition and measurement - Amendments regarding replacement issues in the context of the IBOR reform (effective 1 January 2021)
IFRS 7	Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform (effective 1 January 2020)
IFRS 7	Financial Instruments: Disclosures - Amendments regarding replacement issues in the context of the IBOR reform (effective 1 January 2021)
IFRS 9	Financial instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform (effective 1 January 2020)

Notes to the Financial Statements

For the year ended 30 June 2020

2 Application of new and revised International Financial Reporting Standards ("IFRSs") (Cont'd)

2.2 Standards and Interpretations in issue but not yet effective (Cont'd)

- IFRS 9 Financial instruments - Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities) (effective 1 January 2020)
- IFRS 9 Financial instruments - Amendments regarding replacement issues in the context of the IBOR reform (effective 1 January 2021)

The directors anticipate that these amendments will be applied in the financial statements for the annual periods beginning on the respective dates as indicated above. The directors have not yet assessed the potential impact of the adoption of these amendments.

3. Significant accounting policies

The principal accounting policies adopted by the Company are as follows:

3.1 Basis of preparation

The financial statements are prepared under historical cost basis and in accordance with International Financial Reporting Standards.

The financial statements are presented in Mauritian Rupees which is also the Company's functional currency.

3.2 Revenue

Revenue (representing interest income) is recognised using the credit-adjusted effective interest rate to the amortised cost of the financial asset for initial recognition.

3.3 Foreign currency

Foreign currency transactions are translated at the exchange rates prevailing at the date of the transactions. Difference in exchange resulting from the settlement of such transactions is recognised in statement of profit or loss and other comprehensive income. Monetary assets and liabilities denominated in foreign currency are translated at period end exchange rates. Difference in exchange thereon is recognised in statement of profit or loss and other comprehensive income.

3.4 Financial instruments

Financial assets and liabilities are recognised on the statement of financial position when the Company has become party to the contractual provisions of the financial instruments.

Except where stated separately the carrying amounts of the Company's financial instruments approximate their fair value.

3.4.1 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Financial Statements

For the year ended 30 June 2020

3. Significant accounting policies (Cont'd)

3.4 Financial instruments (Cont'd)

3.4.1 Financial assets (Cont'd)

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminate or significantly reduces an accounting mismatched.

3.4.1.1 Investment at amortised cost

The Company has purchased credit-impaired financial assets which are recognized at amortised cost.

3.4.1.2 Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

3.4.1.3 Effective interest method

The effective interest method is a method of calculating the amortised cost of debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the debt instrument or where appropriate, a shorter period to the net carrying amount on initial recognition.

3.4.1.4 Impairment of financial assets

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the credit risk of default occurring over the expected life between the reporting date and the date of initial recognition.

In determining whether credit risk has increased significantly since initial recognition, the Company uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in the credit quality of a financial asset.

At each reporting date, the Company shall recognise in the statement of profit or loss and other comprehensive income the amount of the change in lifetime expected credit losses as an impairment gain or loss. The Company shall recognise favourable changes in lifetime expected credit losses as an impairment gain, if the lifetime expected credit losses are less than the amount of expected credit losses that was initially recognised.

Based on the Company's assessment, changes to the impairment model are not expected to have a material impact on the financial assets of the Company. This is because, the financial assets at amortised cost are short-term (i.e. no longer than 12 months), of high credit quality. Accordingly, the ECLs on such assets are expected to be small.

As a result, no loss allowance has been recognized based on 12-month ECL, as any such impairment would be wholly insignificant to the Company.

For purchased or originated credit-impaired (POCI) financial assets, the Company only recognized the cumulative changes in lifetime expected credit losses since initial recognition. At each reporting date, the Company shall recognised in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. The Company shall recognized favourable changes in lifetime expected credit losses as an impairment gain, even if the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

Notes to the Financial Statements

For the year ended 30 June 2020

3. Significant accounting policies (Cont'd)

3.4 Financial instruments (Cont'd)

3.4.1 Financial assets (Cont'd)

3.4.1.5 Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of the ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the gain or loss are recognised in the profit or loss.

3.4.2 Financial liabilities

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Financial liabilities

The Company's financial liabilities which comprise of accruals and other payables and borrowings are initially measured at fair value, net of transaction costs.

These financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(iii) Derecognition of financial liabilities

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

3.5 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, but it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Notes to the Financial Statements

For the year ended 30 June 2020

3. Significant accounting policies (Cont'd)

3.6 Provisions

A provision is recognised when and only when there is a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3.7 Related parties

For the purpose of these financial statements, parties are considered to be related to the Company if they have the ability, directly or indirectly, to control the Company or exercise significant influence over the Company in making financial and operating decisions, or vice versa, or where the Company is subject to common control or common significant influence. Related parties may be individual or other entities.

3.8 Expense recognition

Expenses are accounted for in the statement of profit or loss and other comprehensive income on accrual basis.

4. Accounting Judgements and Key sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires the directors and management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements.

Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations 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.

4.1 Specific allowance for credit impairment

The calculation of specific allowance for credit impairment requires management to estimate the recoverable amount of each impaired asset, being the present value of expected cash flows, including amount recoverable from guarantees and collaterals, discounted at the credit adjusted effective interest rate of the loan. Where loans are secured against immoveable property, the values of such collateral is based on the opinion of independent and qualified appraisers.

5. Cash and cash equivalents

Cash and cash equivalents consist of balances held with MauBank Ltd.

Notes to the Financial Statements

For the year ended 30 June 2020

6. Investment at amortised cost

(i) Investment

	2020 Rs	2019 Rs
Loans and advances	4,333,210,465	4,569,596,216
Less: Allowance for credit impairment	(1,657,889,776)	(1,748,176,060)
	<u>2,675,320,689</u>	<u>2,821,420,156</u>

(ii) Allowance for credit impairment

	2020 Rs	2019 Rs
Balance at 01 July	1,748,176,060	1,945,429,128
Impairment gain	(90,286,284)	(197,253,068)
Balance at 30 June	<u>1,657,889,776</u>	<u>1,748,176,060</u>

(iii) Reconciliation of investment

	2020 Rs	2019 Rs
At 01 July	2,821,420,156	3,152,148,602
Impairment gain	90,286,284	197,253,068
Net realised gain on investment	10,854,173	78,229,740
Gain on exchange difference	27,818,375	1,965,528
Net Interest realised	204,611,568	180,046,624
Bad Debt written off	(262,104)	(4,319,473)
Transfer to other Receivable/Payable (Note 8 and 11)	25,111,470	(4,191,623)
Portfolio restructure	-	18,262,128
Collections	(504,519,233)	(797,974,437)
	<u>2,675,320,689</u>	<u>2,821,420,156</u>

7. Receivable from fellow subsidiary

	2020 Rs	2019 Rs
Receivable from fellow subsidiary	<u>11,140,754</u>	<u>37,441,000</u>

Receivable represent cash collections net of Management fees and Recovery Fees and other fees being refunded to MauBank Ltd. The amount receivable is unsecured, interest free and does not have any fixed terms of repayment. The directors have assessed the ECL on the above balance and same is immaterial. Hence, no ECL have been accounted.

Notes to the Financial Statements

For the year ended 30 June 2020

8. Other Receivable

(i) Investment

	2020 Rs	2019 Rs
Revolving credit facilities	-	4,191,623
	-	4,191,623

Revolving credit facilities represents receivable from fellow subsidiary for net movement of the authorized limit.

9. Borrowings

	2020 Rs	2019 Rs
Borrowings	<u>3,036,528,221</u>	<u>3,250,264,973</u>

The loan from the holding company is interest free, unsecured and repayable within 7 years.

In line with IFRS 9, the interest free loan granted by MauBank Holdings Ltd has been recognised at fair value and the future cash flows from that loan has been discounted to the present value using market interest rate.

The market interest rate used is 5% p.a and the fair value of the loan has been segregated into capital and deemed interest. The fair value of the loan stands at Rs 3,624,474,784 (being capital amount of Rs 5,100,000,000 in 7 years discounted to present value at market rate of 5%).

The difference between the cash received of MUR 5,100,000,000 and the fair value of the loan amounting to Rs 3,624,474,784 has been accounted as "Deemed Equity" in reserves in 2019. For the year ended 30 June 2020, an amount of Rs 400,000,000 (2019:Rs 475,000,000) has been paid to MauBank Holdings Ltd as loan repayment. Deemed Interest portion for the year ended 30 June 2020 amounted to Rs 186,263,248 (2019: Rs 100,790,189). The net borrowings at year end therefore amount to Rs 3,036,528,221 (2019: Rs 3,250,264,973).

10. Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities including both cash and non-cash changes:

Non-cash changes						
2020	1 July 2019 Rs	Financing cash inflow Rs	Financing cash outflow Rs	Equity component Rs	Interest expense Rs	30 June 2020 Rs
Borrowings from holding company	(3,250,264,973)	-	400,000,000	-	(186,263,248)	(3,036,528,221)
2019	1 July 2018 Rs	Financing cash inflow Rs	Financing cash outflow Rs	Equity component Rs	Interest expense Rs	30 June 2019 Rs
Borrowings from holding company	-	(5,100,000,000)	475,000,000	1,475,525,216	(100,790,189)	(3,250,264,973)

Notes to the Financial Statements

For the year ended 30 June 2020

11. Accruals and other payables

	2020 Rs	2019 Rs
Accruals - Audit fees	768,200	1,265,000
TDS Payable	999,557	3,662,580
Other Payables - Revolving credit facilities	20,919,847	-
	22,687,604	4,927,580

Revolving credit facilities represents payable to fellow subsidiary for net movement of the authorized limit.

The undrawn balance of the authorised limit stands at Rs 23,932,710 as at 30 June 2020.

12. Share capital

	2020 Rs	2019 Rs
<i>Issued, subscribed and paid up</i>		
Ordinary shares of Rs 100 each	10,000	10,000

Each share confers on the holder the right to:

- i) one vote on a poll at a meeting of the Company on any resolution;
- ii) an equal share in dividends authorised by the Board; and
- iii) an equal share in the distribution of the surplus assets of the Company

13. Deemed equity

	2020 Rs	2019 Rs
Deemed equity (Note 9)	1,475,525,216	1,475,525,216

14. Profit for the year

	2020 Rs	2019 Rs
Profit before taxation is arrived at after (charging)/crediting :		
Interest expense	-	(113,124,328)
Deemed interest expense on borrowings	(186,263,248)	(100,790,189)
Management fee	(77,273,960)	(87,933,216)
Recovery fee	(45,939,892)	(43,994,192)
Other fees	(5,624,266)	(12,619,786)
Impairment gain	90,286,284	197,253,067
Net realized gain on investment	10,854,173	78,229,740
Bad debt written off	(262,104)	(4,319,473)
Legal cost	-	(1,454,750)
Gain on exchange difference	27,773,335	1,965,528
Audit fees	(710,700)	(690,000)
Administrative expense	(97,628)	(1,120)
	(187,258,006)	(87,478,719)

Bad debt written off relates to concession granted to individual cases as full and final settlement of their debt.

Notes to the Financial Statements

For the year ended 30 June 2020

15. Revenue

	2020 Rs	2019 Rs
Interest	204,611,568	180,046,624

Interest is being applied on the individual financial assets at the credit-adjusted effective interest rates calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition. The revenue represents the interest income realized.

16. Taxation

The Company is assessable to income tax in Mauritius at the rate of 15 % (2019: 15%). At 30 June 2020, the Company has accumulated tax losses of Rs 8,436,746 (2019: Rs 83,210,490) which is available for future offset and therefore not liable to income tax. The directors have in accordance with the Company's accounting policy not recognised a deferred tax asset.

The accumulated tax losses which will be available for set-off against future taxable profits are as follows:

	2020 Rs	2019 Rs
Up to the year ending		
30 June 2023	83,210,490	575,000
30 June 2024	(74,773,744)	82,635,490
Accumulated tax loss carried forward	8,436,746	83,210,490

16.1 Deferred income tax

A deferred income tax asset of Rs 1,265,612 (2019: Rs 12,481,574) has not been recognised in respect of tax losses carried forward as the directors consider that it is not probable that future taxable profits will be available against which the unused tax losses can be utilised.

17. Financial instruments

17.1 Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial assets and liabilities and equity instrument are disclosed in note 3 to the financial statements.

17.2 Capital risk management

The Company manages its capital to ensure it will be able to continue as going concern.

The capital structure of the Company consists of share capital, deemed equity and accumulated losses. The Company reviews the capital structure on a regular basis. The Company is not subject to any externally imposed capital requirements.

Notes to the Financial Statements

For the year ended 30 June 2020

17. Financial instruments (cont'd)

17.3 Categories of financial instruments

The table below shows the Company's financial assets and liabilities as at 30 June 2020 and 2019.

	2020 Rs	2019 Rs
Financial assets at amortised costs		
Cash and cash equivalents	12,263,662	14,238,767
Investment at amortised cost	2,675,320,689	2,821,420,156
Receivable from fellow subsidiary	11,140,754	37,441,000
Other receivable	-	4,191,623
	2,698,725,105	2,877,291,546
Financial liabilities at amortised cost		
Borrowings	4,225,000,000	4,625,000,000
Accruals and other creditors	21,688,047	1,265,000
	4,246,688,047	4,626,265,000

17.4 Foreign currency risk management Currency risk

The Company has assets denominated in Mauritian Rupees (Rs), US Dollars (USD) and Euro (EUR). Consequently, the Company is exposed to the risk that the exchange rate of the USD and EUR relative to the Mauritian Rupee may change in a manner which has a material effect on the reported values of the Company's assets and liabilities which are in USD and Euro.

17.5 Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 5% decrease in the MUR against EUR and USD.

5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. A negative number below indicates a decrease in profit where MUR strengthening against the relevant currency. For a weakens of the MUR against the relevant currency, there be an equal and opposite impact on the profit, and the balance below would be positive.

	EUR and USD impact	
	Financial Assets 2020 (Rs)	Financial Assets 2019 (Rs)
Sensitivity analysis – Financial Assets		
EUR	(656,459)	(255,003)
USD	(6,623,441)	(5,901,663)

Notes to the Financial Statements

For the year ended 30 June 2020

17. Financial instruments (cont'd)

17.6 Currency profile

The currency profile of the Company's financial assets and liabilities is summarised as follows:

	Financial Assets 2020 (Rs)	Financial Assets 2019 (Rs)
Euro	13,129,187	-
Mauritian Rupees	2,553,127,094	4,246,688,047
USD	132,468,824	-
	2,698,725,105	4,246,688,047

	Financial Assets 2020 (Rs)	Financial Assets 2019 (Rs)
Euro	5,100,060	-
Mauritian Rupees	2,754,158,233	4,626,265,000
USD	118,033,253	-
	2,877,291,546	4,626,265,000

17.7 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company maintains adequate cash reserves to meet its obligations as they fall due and through financing from related parties. The table below summarises the maturity profile of the Company's financial liabilities as at 30 June 2020 and 2019, based on contractual undiscounted payments:

The maturity profile of the Company's financial liabilities is summarised as follows:

	30 June 2020			
	Due less than One year Rs	Due less than One year Rs	Due more than One year Rs	Total Rs
Financial liabilities				
Borrowings	-	-	4,225,000,000	4,225,000,000
Accruals	-	21,688,047	-	21,688,047
Total liabilities	-	21,688,047	4,225,000,000	4,246,688,047

	30 June 2020			
	Due less than One year Rs	Due less than One year Rs	Due more than One year Rs	Total Rs
Financial liabilities				
Borrowings	-	-	4,625,000,000	4,625,000,000
Accruals	-	1,265,000	-	1,265,000
Total liabilities	-	1,265,000	4,625,000,000	4,626,265,000

Notes to the Financial Statements

For the year ended 30 June 2020

17. Financial instruments (cont'd)

17.8 Interest rate risk management

The Company is not significantly exposed to interest rate risk as it does not hold significant interest-bearing financial assets and financial liabilities.

18. Related Party Transactions

Transactions during the year:		2020 Rs
i.	Loan Repayment to holding company	400,000,000
ii.	Management, Recovery, and other fees to MauBank Ltd	128,838,118
iii.	Deemed Interest expenses	186,263,248
Outstanding balances		
i.	Receivables from fellow subsidiary	11,140,754
ii.	Revolving credit facilities	20,919,847
iii.	Payable to holding company	4,225,000,000
iv.	Cash at bank with MauBank Ltd	12,263,662
Transactions during the year:		2019 Rs
i.	Loan Repayment to holding company	475,000,000
ii.	Amount repaid to fellow subsidiary	5,097,577,730
iii.	Management, Recovery, and other fees to MauBank Ltd	144,547,194
iv.	Interest Expense to MauBank Ltd	113,124,328
v.	Deemed Interest expenses	100,790,189
Outstanding balances		
i.	Receivables from fellow subsidiary	37,441,000
ii.	Revolving credit facilities - Receivable	4,191,623
iii.	Payable to holding company	4,625,000,000
iv.	Cash at bank with MauBank Ltd	14,238,767

18.1 Compensation to key management personnel

The Company did not pay any compensation to its key management personnel for the year under review.
(2019: Nil)

19. Holding Company

The directors regard MauBank Holdings Ltd, a company registered in Mauritius, as the Company's holding company.

Notes to the Financial Statements

For the year ended 30 June 2020

20. Events after the reporting year

The recent global outbreak of the coronavirus ("COVID-19") has caused significant volatility within the economic markets, for which the duration and spread of the outbreak and the resultant economic impact is uncertain and cannot be predicted.

There are no other material events after the reporting date which would have a material impact on the Company or on an understanding of the financial statements.

21. Going concern

At 30 June 2020, the Company had a shareholder's deficit of Rs 360,490,720 (2019: Rs 377,901,007). The financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continued financial support of the holding company. The Company has obtained financial support letter received from holding company. The directors are of the opinion that this support will be forthcoming over the next twelve months. They therefore believe that it is appropriate for the financial statements to be prepared on the going concern basis.

