

MCB INVESTMENT HOLDING LIMITED

ANNUAL REPORT

YEAR ENDED

30 JUNE 2019

MCB INVESTMENT HOLDING LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

Dear Shareholder

The Board of Directors is pleased to present the annual report of MCB Investment Holding Limited for the year ended 30 June 2019, the contents of which are listed below :

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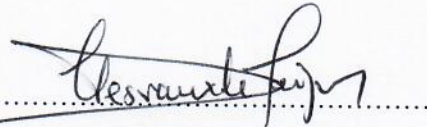
MCB INVESTMENT HOLDING LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED JUNE 30, 2019

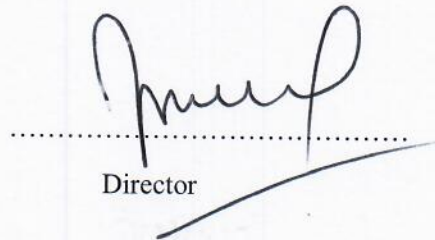
The directors have the pleasure in submitting the Audited Financial Statements of MCB Investment Holding Limited for the year ended June 30, 2019 as set out on pages 24 to 36.

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 26th September 2019



Director



Director

MCB INVESTMENT HOLDING LIMITED

SECRETARY'S CERTIFICATE FOR YEAR ENDED JUNE 30, 2019

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: 26th September 2019.

MCB INVESTMENT HOLDING LIMITED

CORPORATE GOVERNANCE REPORT

1. GOVERNANCE STRUCTURE

1.1 Overview

MCB Investment Holding Limited (the “Company” or “MCBIH”) is a private Company and wholly owned by MCB Group Limited (“MCBG” or the “Group”). MCBIH is the holding company of the banking subsidiaries of MCBG and is a Public Interest Entity as defined by law since its total assets exceed one billion rupees. It is committed to the highest standard of business integrity, transparency and professionalism in all its activities to ensure that the activities within the Company are managed ethically and responsibly to enhance business value for all stakeholders.

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 (“Code”).

Throughout the year ended 30th June 2019, to the best of the Board’s knowledge the organisation has complied with the Code in all material aspects except for certain sections of the Code as mentioned and explained in the table below.

Principles	Sections relating to	Reasons for non-compliance
2	Board Structure with an appropriate combination of executive, non-executive and independent directors	The Board consists of executive and non-executive directors and is currently in the process of reviewing the composition of the Board to that effect. At Group level the board structure has the appropriate combination of executive, non-executive and independent directors.
2	Organisations should have at least an Audit Committee	The Company is an intermediate holding company wholly owned by MCBG and all its subsidiaries have their own audit committee. The directors of the Company are appraised at board meetings of all material matters reported by the audit committees of the subsidiaries either by being a member of the audit committee of the subsidiaries and/or by attending their board meetings. Furthermore, all audit-related issues of MCBIH, which is an intermediate holding company with no operations, are taken up at the level of the Audit Committee of MCBG, which meets on a quarterly basis.
4	Disclosure of Directors’ remuneration	Due to the sensitive nature of the information, the executive director’s remuneration and fees have not been disclosed.
7	Internal Audit function	The Company being an intermediate holding company with all its subsidiaries having an internal audit function, the requirement for an internal audit function at the level of the holding is not considered as relevant. Furthermore, the directors of the Company are appraised at board meetings of all material matters reported by the internal audit functions and audit committees of the subsidiaries either by being a member of the audit committee of the subsidiaries and by attending their board meetings.

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

MCB INVESTMENT HOLDING LIMITED

CORPORATE GOVERNANCE REPORT

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 Board of the ultimate holding company by the Chairperson.

1.3.2 Organisation Structure

As MCBIH is an intermediate holding company with no operations, the Chief Executive Officer works closely with the management team of the subsidiaries with the support of a small team of professionals in order to accompany the subsidiaries in the achievement of their objectives.

1.3.3 Position Statements

Position Statements have also been approved by the Board and provides for a clear definition of the roles and responsibilities of the Chairperson, Chief Executive Officer and Company Secretary.

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 set the main accountabilities of the Chief Executive Officer (“CEO”) and the Board collectively 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• Ensures that the development needs of the directors are identified and appropriate training is provided to continuously update their skills and knowledge.• Maintains sound relations with the shareholders
Board	<ul style="list-style-type: none">• Ensures compliance by the Company with applicable legislation, regulation and policies.• Sets the Company’s direction and strategy.• Safeguards the assets of the Company.• Ensures long term interests of the shareholder are being served.
CEO	<ul style="list-style-type: none">• Oversees the implementation of long and short term plans of MCBIH and its subsidiaries in line with its strategy• Ensures efficient utilization of resources• Sets direction and oversees operations• Assesses the principal risks of the Company and its subsidiaries and ensures that they are being monitored and managed

1.3.5 Material Clauses of the Constitution

The salient features of the Constitution are highlighted below:

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CORPORATE GOVERNANCE REPORT

Pre-emptive provisions:

- Save and except when the shares are purchased by the Company, no share in the capital of the Company shall be sold or transferred by any Shareholder unless and until the rights of pre-emption have been exhausted.

Reserved matters:

The Constitution of MCB Investment Holding Limited provides for reserved matters. These provide that the representatives of the shareholders shall not vote on a shareholders' resolution of The Mauritius Commercial Bank Ltd which would trigger shareholders' rights under sections 105,108 or 114 of the Act without prior consent of the shareholders of MCB Group Limited. Such shareholders' resolution includes:

- adoption of a Constitution or the alteration or revocation of the Constitution;
- reduction of the stated capital of the Company under section 62 of the Act;
- approval of a major transaction;
- approval of an amalgamation of the Company under section 246 of the Act;
- putting the Company into liquidation; *and*
- variation of rights attached to a class of shares.

2. THE BOARD STRUCTURE

2.1 Board and Chairperson roles and responsibilities

The Board structure is unitary with a mix of executive and non-executive directors. All the members of the Board possess 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, independent of management 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. The Chairperson also ensures that appropriate policies and procedures are in place for the effective management of the Company.

The external obligations of the Chairperson have not changed during the Financial Year 2018/2019 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. The Board comprises of three members as detailed below:

Name	Title	Category	Gender	Country of Residence
Pierre Guy NOEL	Chairperson	Non-Executive	Male	Mauritius
Jean-François DESVAUX DE MARIGNY	Director	Non-Executive	Male	Mauritius
Jean Michel NG TSEUNG	Director	Executive	Male	Mauritius

Messrs Pierre Guy NOEL and Jean Michel NG TSEUNG are also directors of MCBG, the holding company.

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The size of the Board and its level of diversity is commensurate with the size of the Company which is an intermediate holding company and has no operations.

The Company has no independent director as per the definition of the Code 2016 and the Board is currently in the process of reviewing its composition to that effect.

The Board does not consider it practical to have at least two executive directors as members of the Board given the nature of the activities of the Company and its number of employees.

2.3 Profile of Directors

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

(i) Pierre Guy Noël, Non-Executive Director and Chairperson

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

Directorship in listed companies

MCB Group Limited

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

(ii) Jean-François Desvaux de Marigny, Non-Executive Director

Fellow of the Institute of Chartered Accountants in England and Wales, Jean-François has accumulated wide-ranging experience in the banking and financial sector, having worked as an Auditor in Europe for several years before joining MCB in 1986. During his career at the Bank, he shouldered various high-level responsibilities in his capacity as Head of Finance, Company Secretary and Deputy Chief Executive, amongst others. He has participated actively in the development of MCB's regional network and was also involved in the launching of the Stock Exchange of Mauritius in 1989. He is currently a director of several companies within the MCB Group. He was an executive director of the MCB Ltd from 2013 to 2015 and re-appointed as non-executive director in December 2018.

Directorship in listed companies

Attitude Property Ltd

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CORPORATE GOVERNANCE REPORT

(iii) Jean Michel Ng Tseung, Executive Director and Chief Executive Officer

Holder of a BSc (Honours) in Mathematics from Imperial College of Science and Technology and member of the Institute of Chartered Accountant in England and Wales, Jean Michel joined MCB Ltd in January 2004 and was Head of Corporate of the Bank until July 2015, when he was appointed Chief Executive Officer of MCB Investment Holding Ltd. He trained as a Chartered Accountant with Arthur Andersen in London before becoming Partner and Head of the Audit and Business Advisory Department of De Chazal Du Mée and subsequently of Ernst & Young in Mauritius. Whilst currently a Board member of several companies within the Group namely MCB Group Ltd, MCB Ltd, MCB Seychelles, MCB Maldives, MCB Madagascar and Banque Française Commerciale Océan Indien.

Directorship in listed companies

MCB Group Limited

2.4 Company Secretary

The Company Secretary is MCB Group Corporate Services Ltd a private company incorporated in Mauritius with registered office 9-15 Sir William Newton Street, Port Louis. All board members have access to the Company Secretary for information relating to the Board matters.

2.5 Board Attendance

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

No of Meetings held during the year	4
Directors	
Mr Pierre Guy Noël	4
Mr Jean-François Desvaux de Marigny	3
Mr Jean Michel Ng Tseung	4

2.6 Board Committees

The Company is an intermediate holding company wholly owned by MCBG and all its subsidiaries have their own audit and risk committees. The directors of the Company are appraised at board meetings of all material matters reported by the audit and risk committees of the subsidiaries either by being a member of the audit and risk committees of the subsidiaries and by attending their board meetings. Furthermore, all audit-related and risk-related issues of MCBIH, which is an intermediate holding company with no operations, are taken up at the level of the Audit Committee or of the Risk Committee of MCBG, which meets on a quarterly basis.

3. DIRECTORS APPOINTMENT PROCEDURES

3.1 Directors' Selection

The Remuneration, Corporate Governance and Ethics Committee (RCGEC) of MCB Group Limited identifies suitable candidates for the Board of the Company after determining whether the potential

MCB INVESTMENT HOLDING LIMITED

CORPORATE GOVERNANCE REPORT

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

There was no new director appointed during the year under review. However, all 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 to explain the business activities of the Company and its governing policies.

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

The programme meets the specific needs of both the Company and the newly appointed directors and enable the latter to participate actively in Board's discussion.

3.4 Professional Development

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 its directors' knowledge and capabilities.

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 talents within executive and management levels across the Group thus ensuring that opportunities are created to develop current and future leaders. The Board assumes the responsibilities for succession planning.

3.6 Time Commitment

Each director is expected to devote sufficient time and attention to the affairs of the Company. The Company anticipates a time commitment of around 2 days per year. 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 is undergoing a period of increased activity.

In addition to the above, the directors devote additional time sitting on the board and board committees of the subsidiaries of MCBIH.

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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 legislations. They exercise the required standard degree of care, skill and diligence which a reasonably prudent and competent director in such position would exercise.

4.2 Remuneration Philosophy

The Board reviews the adequacy of the directors' and senior executives' remuneration and recommendations are made accordingly to the RCGEC of the MCB Group Ltd.

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

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

- a monthly basic retainer for membership of the Board
- an attendance fee per sitting of the Board and Committee
- the Chairpersons of the Board and Committee, having wider responsibilities receive higher remuneration.

4.3 Directors' Remuneration

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

Director	Amount (MUR)
Jean-François Desvaux de Marigny	630,000

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. As such, Mr Noël does not obtain director's fees from MCBIH.

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

Non-executive directors have not received remuneration in the form of share options or bonuses associated with organizational performance.

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CORPORATE GOVERNANCE REPORT

4.4 Directors' interests in shares

The directors do not hold shares in the Company directly or through any associate (as defined under the Listing Rules of the Stock Exchange of Mauritius).

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 13 of the Financial Statements.

4.7 Policies of the Company

The following policies of the holding company, MCBG, which is 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

Compliance with the Code of Ethics is regularly monitored and evaluated by the Board.

4.8 Whistleblowing

The Whistleblowing Policy of MCBG provides the employees with a reporting channel on suspected misconduct or malpractice within the Company without the risk of subsequent victimization or discrimination. The policy outlines the complaint handling and reporting processes to improve transparency.

4.9 Information Governance

The Board oversees information governance within the organization. The Information, Information Technology and Information Security Governance Policy of the MCB Group applies to all the subsidiaries of the Group. All policies relating to information security are made accessible to all the employees of the Group without restriction via its intranet system. Appropriate governance arrangements are in place whereby the IT function and function responsible for monitoring adherence to Information Risk and IT are kept separate. Furthermore, the Group lays due emphasis on the confidentiality, integrity, availability and protection of information, backed by an adapted information and information technology (IT) systems. The Group ensures that access to information is only available to authorised parties while having physical and logical access controls in place at all times and staff are regularly made aware, through fitting communication channels, of relevant requirements.

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CORPORATE GOVERNANCE REPORT

4.10 Register of Interest

An interest's register is maintained by the Company Secretary and is available for consultation by the shareholder upon request.

4.11 Board, Committees and Directors' Performance

The Board acknowledges the need of regularly reviewing the performance and effectiveness of the Board, its Committees and its Directors. An annual 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

A few recommendations for improvement were identified and these have been duly considered by the Board. No significant action has to be taken as a result of the evaluation.

The Board has resolved that an evaluation of the board and its effectiveness be carried out every three years. As such, the next board evaluation would be undertaken in 2021.

5. RISK GOVERNANCE AND INTERNAL CONTROL

The Board is responsible for risk management, the procedures in place within the organisation and the definition of the overall strategy for risk tolerance.

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

Given that the Company is an intermediate holding company, certain members of the board of the Company sit on the risk management committees, audit committees, asset and liability committees or the boards of the subsidiaries of the Company. Any material matters arising out of these committees or boards pertaining to risk management, compliance or internal control issues of the subsidiaries are reported and discussed at the board of the Company.

The risk management mechanisms in place include:

- a system for the ongoing identification and assessment of risk;
- development of strategies in respect of risk and definition of acceptable and non-acceptable levels of risk;
- reviewing the effectiveness of the system of internal control; *and*
- processes to reduce or mitigate identified risks and contain them within the levels of tolerance defined by the Board.

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At the company level, the key residual risks are strategic, legal, regulatory, reputational, operational and financial risks. The Board is ultimately responsible for these matters and delegates the ongoing tasks to management.

Strategic risks are risks associated with the type of business-level strategy adopted by the Company in the pursuit of its strategic objectives and growth opportunities. The Company mitigates this risk through an ongoing review of strategic matters by the Group.

Legal risks are managed by the Board, taking advice from the Company's legal advisor where appropriate. The Board also takes out appropriate insurance cover.

Regulatory and reputational risks are managed by the Board and involves the setting out of proper processes and procedures in order to ensure compliance with all legal and regulatory frameworks.

Operational risks pertain to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events and are managed by the Board.

The identification and management of the financial risks are discussed in note 4 to the Financial Statements.

The Board is satisfied regarding the implementation, operation and effectiveness of internal control and risk management.

During the financial year under review, no risk or deficiency has been noted in the organisation's system of internal controls.

6. REPORTING WITH INTEGRITY

MCBIH has been incorporated as a fully owned subsidiary of MCBG in November 2013 to hold investments in banking corporations within and outside the Republic of Mauritius. It is the intermediate holding company of the banking subsidiaries of the MCB group.

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CORPORATE GOVERNANCE REPORT

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 staff and visitors is 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 and the selection process involves the whole staff.

6.2 Corporate Social Responsibility

Total contribution with respect to Corporate Social Responsibility (“CSR”) amounted to Rs. 2,146,392 out of which Rs. 1,073,196 were transferred to the MCB Forward Foundation, the entity set up within the MCB Group for CSR purposes and the difference submitted to the Mauritius Revenue Authority in accordance with new legislations..

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, 2019.

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 MCBG, the holding company of MCBIH:

- The full Annual Report of the Company including the financial statements;
- The Constitution;
- 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, the CEO and the Company Secretary;
- The Organization Structure;
- 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.

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7. AUDIT

7.1 Internal Audit

The Company being an intermediate holding company with all its subsidiaries having an internal audit function, the requirement for an internal audit function at the level of the holding is not considered as relevant. Furthermore, the directors of the Company are appraised at board meetings of all material matters reported by the internal audit functions and audit committees of the subsidiaries either by being a member of the audit committee of the subsidiaries and by attending their board meetings.

The need to have an internal audit function has been reviewed by the Board during the financial year under review and the Board considered that an internal audit function is not relevant presently.

7.2 External Auditor

The Audit Committee of MCB Group Ltd (“Audit Committee”) recommends the appointment of External Auditors for all the subsidiaries of MCB Group including MCBIH 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 MCBIH thereafter recommends the appointment of External Auditor to the shareholders at the Annual Meeting of shareholders for approval by way of an ordinary resolution. PricewaterhouseCoopers (PwC), currently the external auditor of the Company, was first appointed in 2015 by the shareholder.

7.3 Auditor’s Fees

The fees payable to the auditor, for audit and other services for the last 2 years were:

	2019	2018
Audit fees – PwC :	Rs. 96,000	Rs. 93,000

The auditor did not receive any fees for other services.

8. RELATIONS WITH THE SHAREHOLDER AND OTHER KEY STAKEHOLDERS

The shareholder is kept properly informed on matters affecting the Company as the shareholder is fairly represented on the Board. 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.

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The website of MCB Group Ltd, MCBIH's holding company, is used to provide 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

No such agreement presently exists.

8.4 Shareholders Holding more than 5% of the Company

The Company is wholly owned by MCBG.

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.

8.7 Dividend Policy

The Company intends to distribute any excess cash as dividends, subject to its overall capital requirements, liquidity and profitability.

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CORPORATE GOVERNANCE REPORT

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), 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 organization 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 accounts taken as a whole are fair, balanced and understandable.

For and on behalf of the Board of Directors:


.....
Director


.....
Director

Date: 26th September 2019.

MCB INVESTMENT HOLDING LIMITED

STATEMENT OF COMPLIANCE FOR THE YEAR ENDED JUNE 30, 2019

STATEMENT OF COMPLIANCE

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

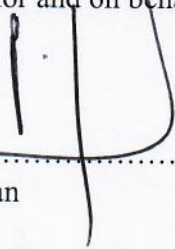
Name of Public Interest Entity : MCB Investment Holding Limited

Reporting Period : 1 July 2018 to 30 June 2019

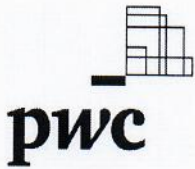
We, the directors of MCB Investment Holding Limited, confirm to the best of our knowledge that the Company has not complied with certain Principles of the Code. Reasons for non-compliance are set out below.

Principles	Sections relating to	Reasons for non-compliance
2	Board Structure with an appropriate combination of executive, non-executive and independent directors	The Board consists of executive and non-executive directors and is currently in the process of reviewing the composition of the Board to that effect. At Group level the board structure has the appropriate combination of executive, non-executive and independent directors.
2	Organisations should have at least an Audit Committee	The Company is an intermediate holding company wholly owned by MCBG and all its subsidiaries have their own audit committee. The directors of the Company are appraised at board meetings of all material matters reported by the audit committees of the subsidiaries either by being a member of the audit committee of the subsidiaries and/or by attending their board meetings. Furthermore, all audit-related issues of MCBIH, which is an intermediate holding company with no operations, are taken up at the level of the Audit Committee of MCBG, which meets on a quarterly basis.
4	Disclosure of Directors' remuneration	Due to the sensitive nature of the information, the executive director's remuneration and fees have not been disclosed.
7	Internal Audit function	The Company being an intermediate holding company with all its subsidiaries having an internal audit function, the requirement for an internal audit function at the level of the holding is not considered as relevant. Furthermore, the directors of the Company are appraised at board meetings of all material matters reported by the internal audit functions and audit committees of the subsidiaries either by being a member of the audit committee of the subsidiaries and by attending their board meetings.

Signed for and on behalf of the Board of Directors on 26th September 2019.


.....
Chairman


.....
Director



Independent Auditor's Report

To the Shareholder of
MCB Investment Holding Limited

Report on the Audit of the Financial Statements of the Company
standing alone

Our Opinion

In our opinion, the financial statements give a true and fair view of the financial position of MCB Investment Holding Limited (the "Company") standing alone as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001.

What we have audited

The financial statements of MCB Investment Holding Limited set out on pages 24 to 36 comprise:

- the statement of financial position as at 30 June 2019;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Independent Auditor's Report

To the Shareholder of
MCB Investment Holding Limited (Continued)

Report on the Audit of the Financial Statements of the Company
standing alone (Continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

We have determined that there are no key audit matters to communicate in our report.

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.

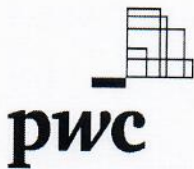
In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, 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.

In addition to the responsibilities described above and our work undertaken in the course of the audit, the Financial Reporting Act 2004 requires us to report certain matters as described below.

Corporate Governance Report

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance ("Code") 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 Company has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.



Independent Auditor's Report

To the Shareholder of
MCB Investment Holding Limited (Continued)

Report on the Audit of the Financial Statements of the Company
standing alone (Continued)

Responsibilities of the 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 Mauritian Companies Act 2001, and 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.

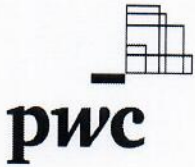
The directors are responsible for overseeing the financial reporting process.

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.



Independent Auditor's Report

To the Shareholder of
MCB Investment Holding Limited (Continued)

Report on the Audit of the Financial Statements of the Company
standing alone (Continued)

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Independent Auditor's Report

To the Shareholder of
MCB Investment Holding Limited (Continued)

Report on Other Legal and Regulatory Requirements

Mauritian Companies Act 2001

The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- (a) we have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditor of the Company, auditor, tax and business advisors of one of its subsidiaries, and dealings in the ordinary course of business with one of its subsidiaries;
- (b) we have obtained all the information and explanations we have required; and
- (c) in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's shareholder in accordance with Section 205 of the Mauritian Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

A blue ink signature, likely of a representative from PricewaterhouseCoopers, written in a cursive style.

PricewaterhouseCoopers

A blue ink signature, likely of Gilles Beesoo, written in a cursive style.

Gilles Beesoo, licensed by FRC

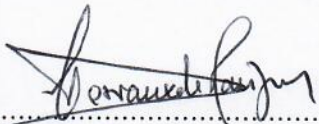
26 September 2019

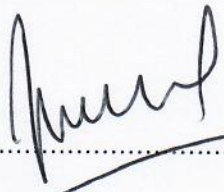
MCB INVESTMENT HOLDING LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2019 Rs'000	2018 Rs'000
ASSETS			
Non-current assets			
Investment in subsidiaries	5	7,448,825	7,454,245
Plant & equipment	6	3,228	4,177
		<u>7,452,053</u>	<u>7,458,422</u>
Current assets			
Cash and cash equivalents		100,488	76,863
Other receivables	7	1,606,230	1,402,774
		<u>1,706,718</u>	<u>1,479,637</u>
Total assets		<u><u>9,158,771</u></u>	<u><u>8,938,059</u></u>
EQUITY AND LIABILITIES			
Capital and reserve			
Stated capital	8	6,879,602	6,879,602
Retained earnings		659,076	679,589
Total equity		<u>7,538,678</u>	<u>7,559,191</u>
Current liabilities			
Payables	9	212	207
Current tax liabilities		2,922	2,452
Deferred tax liabilities		252	289
Proposed dividend		1,616,707	1,375,920
Total liabilities		<u>1,620,093</u>	<u>1,378,868</u>
Total equity and liabilities		<u><u>9,158,771</u></u>	<u><u>8,938,059</u></u>

These financial statements have been approved for issue by the board of directors on 26 September 2019.

Signature: )
Name: _____

Signature: )
Name: _____

DIRECTORS

The notes on pages 28 to 36 form an integral part of these financial statements.
Auditor's report on pages 19 to 23.

MCB INVESTMENT HOLDING LIMITED**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	<u>Notes</u>	<u>2019</u> Rs'000	<u>2018</u> Rs'000
Revenue		3,066,559	2,844,193
Dividend income	11	3,066,552	2,844,193
Profit on exchange		6,113	-
Other income		7	-
Expenses		(29,144)	(29,942)
Profit before tax		3,043,528	2,814,251
Income tax expense	12	(2,617)	(1,685)
Profit after tax		3,040,911	2,812,566
Other comprehensive income		-	-
Total comprehensive income for the year attributable to owners of the company		3,040,911	2,812,566

The notes on pages 28 to 36 form an integral part of these financial statements.
Auditor's report on pages 19 to 23.

MCB INVESTMENT HOLDING LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	<u>Note</u>	<u>Stated Capital Rs'000</u>	<u>Retained Earnings Rs'000</u>	<u>Total Rs'000</u>
Balance at 01 July 2017		6,879,602	653,262	7,532,864
Total comprehensive income for the year		-	2,812,566	2,812,566
Dividends	10	-	(2,786,239)	(2,786,239)
Balance at 30 June 2018		6,879,602	679,589	7,559,191
Total comprehensive income for the year		-	3,040,911	3,040,911
Dividends	10	-	(3,061,424)	(3,061,424)
Balance at 30 June 2019		6,879,602	659,076	7,538,678

The notes on pages 28 to 36 form an integral part of these financial statements.
Auditor's report on pages 19 to 23.

MCB INVESTMENT HOLDING LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	2019 Rs'000	2018 Rs'000
Cash flows from operating activities		
Profit before tax	3,043,528	2,814,251
<u>Adjustments for:</u>		
Depreciation	1,076	1,050
Operating profit before working capital changes	3,044,604	2,815,301
<u>Movement in working capital:</u>		
- Other receivables	(203,456)	29,338
- Payables	5	(47,983)
Cash from operations	2,841,153	2,796,656
Tax paid	(2,184)	(2,136)
Net cash from operating activities	2,838,969	2,794,520
Cash flow from investing activity		
Adjustment to acquisition price of subsidiary	5,420	-
Investment in subsidiary	-	(6,656)
Purchase of plant & equipment	(127)	(5,134)
Net cash used in investing activity	5,293	(11,790)
Cash flows from financing activities		
Dividend paid	(2,820,637)	(2,738,082)
Net cash used in financing activities	(2,820,637)	(2,738,082)
Increase in cash and cash equivalent	23,625	44,648
Net cash and cash equivalents at 01 July	76,863	32,215
Net cash and cash equivalents at 30 June	100,488	76,863

The notes on pages 28 to 36 form an integral part of these financial statements.
Auditor's report on pages 19 to 23.

MCB INVESTMENT HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1. GENERAL INFORMATION

MCB Investment Holding Limited (the "Company") is a private company incorporated and domiciled in Mauritius. The address of its registered office is situated at 9-15, Sir William Newton Street, Port Louis. The Company was incorporated on 4th November 2013. It is a wholly owned subsidiary of MCB Group Limited (the "Group") and acts as the intermediate holding of the Group's banking cluster.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The Company's financial statements comply with the Mauritian Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRSs).

Where necessary, comparative figures have been amended to conform with changes in presentation, or in accounting policies in the current year.

These financial statements are those of an individual entity. The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs'000).

The financial statements are prepared under the historical cost convention.

Changes in accounting policy and disclosures

(i) Standards and amendments to existing standards effective on 1 July 2018

IFRS 9 – Financial Instruments

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a transition of 1 July 2018, which resulted in changes in accounting policies. Note that the adoption of IFRS 9 did not result in any adjustments to the amounts previously recognised in the financial statements. Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Company.

IFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classification and measurement model in IAS 39 and is effective for reporting periods beginning on or after 1 July 2018.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments are recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

MCB INVESTMENT HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policy and disclosures (Continued)

(i) Standards and amendments to existing standards effective on 1 July 2018 (Continued)

IFRS 9 – Financial Instruments (Continued)

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright light hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The Company's management has assessed the financial assets held by the Company on 01 July 2018, the date of initial application of IFRS 9.

The application of IFRS 9 on 01 July 2018 did not have an impact on the Company. The financial assets, consisting of cash at bank and other receivables previously classified as loan and other receivables are now being classified as financial asset at amortised cost and the measurement basis does not change as it is still being measured at amortised cost. The classification for financial liabilities did not change and financial liabilities are still being measured at amortised cost. The new impairment model did not have an impact on the Company. The impact of any impairment is considered as minimal. The Company does not do hedge accounting.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning on 01 July 2018 that have a material impact on the Company.

(ii) New standards, amendments and interpretations that are not yet effective and have not been early adopted.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on 01 July 2019, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company.

(b) Foreign Currency Translation

(i) Functional and presentation currency

These financial statements are prepared in Mauritian Rupees (Rs.), which is the Company's functional and presentation currency. Except as indicated, financial information presented in Mauritian rupees has been rounded to the nearest thousand.

(ii) Transactions and balances

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

(c) Investments in subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an investee if it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The investments in subsidiaries are carried at cost less impairment which is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquirer. Acquisition-related costs are generally recognised in profit or loss as incurred. The carrying amount is reduced to recognise any impairment in the value of individual investment. The impairment loss is taken to profit or loss.

MCB INVESTMENT HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less.

(e) Plant and equipment

Plant and equipment are carried at cost less accumulated depreciation.

Depreciation is calculated to write down the cost of such assets to their residual values on a straight-line basis over their estimated useful lives as follows:

Computer and other equipment	5-10 years
Motor Vehicles	5 Years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of plant and equipment are determined by reference to their carrying amount and are recognised as income or expense in profit or loss. Repairs and renewals are charged to profit or loss when the expenditure is incurred.

(f) Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

The Company's loans and receivables comprise other receivables and cash and cash equivalents.

Recognition and measurement

Purchases and sales of financial assets are recognised on a trade-date-basis, the date on which the Company commits to purchase or sell the asset. Investments are initially measured at fair value plus transaction costs for all financial assets except those that are carried at fair value through profit or loss.

Impairment

The impairment requirements apply to financial assets measured at amortised cost, lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired are in 'stage 3'.

MCB INVESTMENT HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

The assessment of whether credit risk has increased significantly since initial recognition is performed at the end of each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL.

The assessment of credit risk, and the estimation of ECL, are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment charge will tend to be more volatile. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

(g) Stated capital

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

(h) Trade and other payables

Trade and other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

(i) Revenue recognition

Revenue comprises of dividend income. Dividend income is recognised when the shareholder's right to receive payment is established.

(j) Provisions

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

(k) Dividend distribution

Dividend distribution to the Company's shareholder is recognised as a liability in the financial statements in the period in which the dividends are declared.

(l) Current income tax

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

In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

MCB INVESTMENT HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Current income tax (continued)

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 and includes the Corporate Social Responsibility charge.

Deferred Tax

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

3. FAIR VALUE ESTIMATION

The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cashflows at the current market interest rate that is available to the Company for similar financial instruments.

4. FINANCIAL RISK MANAGEMENT

The Company's financial assets - cash and cash equivalents and other receivables - are classified as 'loans and receivables' and the financial liabilities - payables are classified as 'other financial liabilities at amortised cost'.

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the board of directors by identifying and evaluating financial risks. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, credit risk and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Company has investments overseas and is exposed to foreign exchange risk arising from various currency exposures. At year-end, the impact of any currency fluctuation was not significant to the Company.

(ii) Interest rate risk

The Company's interest rate risk arises from balance with banks which carry variable interest rate. At year-end, the impact of any fluctuation in interest rate was not significant to the Company.

MCB INVESTMENT HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

Credit risk arises from other receivables and cash and cash equivalents. Cash transactions are limited to high credit quality financial institution. Other receivables comprise of dividends receivable from subsidiaries which have been settled after year end.

(c) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The company prepares rolling forecasts of the monthly cashflows every quarter in order to ensure that it has sufficient liquid assets to meet its financial commitments as and when they fall due.

At year-end, all financial liabilities are due for repayment within less than 12 months.

(d) Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for the shareholder and benefit for other stakeholders.

The directors consider the shareholder's equity as capital. In order to maintain or adjust the capital structure, the Company may adjust the shareholding or issue new shares.

MCB INVESTMENT HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019 (CONTINUED)

5. INVESTMENT IN SUBSIDIARIES

	2019 Rs'000	2018 Rs'000
(a) Movement in investment in subsidiaries		
At 01 July	7,454,245	7,447,589
Adjustment [#]	(5,420)	-
Additions	-	6,656
At 30 June	<u>7,448,825</u>	<u>7,454,245</u>

[#] The adjustment of Rs 5.4M relates to a refund received by the Company in relation to the acquisition of 10% stake in MCB Madagascar previously held by BFCOI and applied to reduce the acquisition cost of this investment.

(b) Details of the subsidiaries are as follows:

Name	Nature of business	Principal place of business	Country of Incorporation	Percentage Holding Direct
The Mauritius Commercial Bank Limited	Banking and Financial services	Republic of Mauritius	Republic of Mauritius	100%
The Mauritius Commercial Bank (Seychelles) Limited	Banking and Financial services	Republic of Seychelles	Republic of Seychelles	100%
The Mauritius Commercial Bank (Maldives) Private Limited	Banking and Financial services	Republic of Maldives	Republic of Maldives	100%
The Mauritius Commercial Bank (Madagascar) SA*	Banking and Financial services	Republic of Madagascar	Republic of Madagascar	10%

* MCB Investment Holding Limited holds 10% directly in MCB Madagascar and 80% indirectly through its wholly owned subsidiary The Mauritius Commercial Bank Limited. Hence, the Company has an effective interest of 90% in MCB Madagascar.

The Company has taken advantage of paragraph 4 of IFRS10, 'Consolidated Financial Statements' which dispenses it from the need to present consolidated financial statements. Accordingly, the Company presents only separate financial statements. Its parent, MCB Group Limited, a company incorporated in the Republic of Mauritius, prepares consolidated financial statements that comply with International Financial Reporting Standards and which are available for public use.

A copy of the consolidated financial statements is available at the registered address of MCB Group Limited found at 9-15, Sir William Newton Street, Port Louis.

6. PLANT AND EQUIPMENT

	Computer Equipment Rs'000	Motor Vehicle Rs'000	Total Rs'000
Cost			
At 01 July 2017	116	-	116
Additions	134	5,000	5,134
At 30 June 2018	<u>250</u>	<u>5,000</u>	<u>5,250</u>
Additions	127	-	127
At 30 June 2019	<u>377</u>	<u>5,000</u>	<u>5,377</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30,2019 (CONTINUED)

6. PLANT AND EQUIPMENT (CONTINUED)

	Computer Equipment Rs'000	Motor Vehicle Rs'000	Total Rs'000
Accumulated Depreciation			
At 01 July 2017	23	-	23
Charge for the year	50	1,000	1,050
At 30 June 2018	<u>73</u>	<u>1,000</u>	<u>1,073</u>
Charge for the year	76	1,000	1,076
At 30 June 2019	<u><u>149</u></u>	<u><u>2,000</u></u>	<u><u>2,149</u></u>
Net book value			
At 30 June 2019	<u><u>228</u></u>	<u><u>3,000</u></u>	<u><u>3,228</u></u>
At 30 June 2018	<u><u>177</u></u>	<u><u>4,000</u></u>	<u><u>4,177</u></u>

7. OTHER RECEIVABLES

	2019 Rs'000	2018 Rs'000
Dividend receivable	1,605,983	1,382,675
Others	247	20,099
	<u><u>1,606,230</u></u>	<u><u>1,402,774</u></u>

The carrying amount of other receivables approximates their fair value.

8. STATED CAPITAL

	Number of shares (thousands)	Total Rs'000
At 30 June 2019 & 30 June 2018	<u><u>687,960</u></u>	<u><u>6,879,602</u></u>

Fully paid ordinary shares carry one vote per share and the right to dividend.

9. PAYABLES

	2019 Rs'000	2018 Rs'000
Other payables	<u><u>212</u></u>	<u><u>207</u></u>

The carrying amount of other payables approximates their fair values.

10. DIVIDENDS

	2019 Rs'000	2018 Rs'000
Paid on 12th December 2018 at Rs 2.10 per share (FY 2018: Rs 2.05)	1,444,717	1,410,319
Paid on 26th July 2019 at Rs 2.35 per share (FY 2018: Rs 2.00)	1,616,707	1,375,920
	<u><u>3,061,424</u></u>	<u><u>2,786,239</u></u>

11. DIVIDEND INCOME

	2019 Rs'000	2018 Rs'000
Dividend income	<u><u>3,066,552</u></u>	<u><u>2,844,193</u></u>

12. INCOME TAX EXPENSE

(a) The tax charge included in the statement of profit or loss is as follows:

	2019 Rs'000	2018 Rs'000
Income tax based on the adjusted profit	19,915	-
Deferred tax	(37)	289
Corporate social responsibility contribution	2,654	2,146
Tax credit	(19,915)	-
Overprovision in previous years	-	(750)
Charge for the year	<u><u>2,617</u></u>	<u><u>1,685</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019 (CONTINUED)

12 INCOME TAX EXPENSE (CONTINUED)

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:

	2019 Rs'000	2018 Rs'000
Profit before tax	3,043,528	2,814,251
Tax calculated at a rate of 15%	456,529	422,138
Impact of:		
Income not subject to tax	(443,734)	(412,917)
Expenses not deductible for tax purposes	7,083	7,166
Tax credits	(19,915)	(16,098)
Corporate Social Responsibility contribution	2,654	2,146
Overprovision in previous year	-	(750)
Tax charge	<u>2,617</u>	<u>1,685</u>

13. RELATED PARTY TRANSACTIONS

	Income Rs'000	Expense Rs'000	Deposit Balance Rs'000	Receivable from Rs'000	Payable to Rs'000
2019					
Holding Company	-	-	-	109	1,616,707
Subsidiaries	<u>3,066,559</u>	<u>307</u>	<u>100,488</u>	<u>1,605,983</u>	<u>-</u>
2018					
Holding Company	-	-	-	-	1,375,920
Subsidiaries	<u>2,844,193</u>	<u>242</u>	<u>76,863</u>	<u>1,379,307</u>	<u>-</u>

The above transactions have been made in the normal course of business. Outstanding balances at year end are unsecured and are not impaired.

14. HOLDING & ULTIMATE HOLDING COMPANY

The directors regard MCB Group Limited, a company incorporated in Mauritius as the holding and ultimate holding company.