MCB STRUCTURED SOLUTIONS LTD

FINANCIAL STATEMENTS 2017/2018

MCB STRUCTURED SOLUTIONS LTD

ANNUAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2018

MCB STRUCTURED SOLUTIONS LTD

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

	Notes	2018	2017
		Rs. '000	Rs. '000
ASSETS			
Non Current Assets			
Financial Assets at fair value through profit or loss	4	381,422	218,981
Held to Maturity Investment	5	3,169,361	3,033,435
Deferred Tax Asset	7	525	515
		3,551,308	3,252,931
Current Assets			
Cash and Cash equivalents	13(b)	1,481	3,305
Current Tax Asset	11(a)	55	55
		1,536	3,360
Total Assets		**3,552,844**	**3,256,291**
EQUITY AND LIABILITIES			
Capital & Reserves			
Share Capital	9	10	10
Retained Earnings		16,798	17,776
Total Equity		16,808	17,786
Current Liability			
Trade and Other Payables	8	5,334	6,358
		5,334	6,358
Non Current Liability			
Other Financial liabilities	6	3,530,702	3,232,147
Total Liabilities		3,536,036	3,238,505
Total Equity and Liabilities		**3,552,844**	**3,256,291**

MCB STRUCTURED SOLUTIONS LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

	Notes	2018	2017
		Rs. '000	Rs. '000
Interest Income	2(b)	132,630	129,742
Interest Payable		(130,070)	(128,387)
Operating Expenses		(2,803)	(2,639)
Administrative Expenses		(796)	(974)
Foreign Exchange Gains/(Losses)		1,067	(1,805)
Net Gain on Sale of Securities		4,386	12,939
Net Expense from financial instruments carried at fair value through profit or loss	10	(5,402)	(11,848)
Loss before Tax		(988)	(2,972)
Income Tax	11(b)	10	515
Loss for the Year		(978)	(2,457)
Other Comprehensive Income		-	-
Total Comprehensive Expense for the Year		**(978)**	**(2,457)**
Loss per Share	12	Rs.(978)	Rs.(2,457)

MCB STRUCTURED SOLUTIONS LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2018

	Share Capital	Retained Earnings	Total
	Rs. '000	Rs. '000	Rs. '000
Balance at July 01, 2017	10	17,776	17,786
Loss for the Year	-	(978)	(978)
Balance at June 30, 2018	**10**	**16,798**	**16,808**
Balance at July 01, 2016	10	20,233	20,243
Loss for the Year	-	(2,457)	(2,457)
Balance at June 30, 2017	**10**	**17,776**	**17,786**

MCB STRUCTURED SOLUTIONS LTD

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

	Notes	2018	2017
		Rs. '000	Rs. '000
Cashflow generated from Operating Activities			
Cash (used in) / generated from Operations	13(a)	(4,623)	1,591
Tax Paid		-	(536)
Net Cash (used in) / generated from Operating Activities		**(4,623)**	**1,055**
Cashflow from Investing Activities			
Purchase of Financial Assets		-	(2,737)
Redemption / (Purchase) of Held to Maturity Investment		4,074	(13,275)
Proceeds from Sale of Derivatives		17,239	18,143
Net Cash generated from Investing Activities		**21,313**	**2,131**
Cashflow from Financing Activities			
Issue of Notes		-	38,575
Redemption of Notes		(18,682)	(44,629)
Net Cash used in Financing Activities		**(18,682)**	**(6,054)**
Net decrease in Cash and Cash Equivalents		**(1,992)**	**(2,868)**
Movement in Cash and Cash Equivalents			
At the beginning of reporting period		3,305	6,080
Decrease		(1,992)	(2,868)
Effect of Foreign Exchange Rate Changes		168	93
At the end of reporting period	13(b)	**1,481**	**3,305**

1 GENERAL INFORMATION

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of MCB Structured Solutions Ltd comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements are that of an individual entity. The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs. 000), except when otherwise indicated. Where necessary, comparative figures have been amended to conform with the change in presentation in the current year. The financial statements are prepared under the historical cost convention, except that financial assets/liabilities at fair value through profit or loss are stated at fair value.

Amendments to published Standards effective in the reporting period

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12). The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendment has no impact on the Company's financial statements.

Disclosure Initiative (Amendments to IAS 7). The amendments require the entity to explain changes in its liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. A reconciliation of the opening and closing amount for each item for which cash flows have been or would be classified as financial activities is presented in Note 13(b).

Annual Improvements to IFRSs 2014–2016 Cycle

IFRS 12 Disclosure of Interests in Other Entities. The amendments clarify that entities are not exempt from all of the disclosure requirements in IFRS 12 when entities have been classified as held for sale or as discontinued operations. The amendment has no impact on the Company's financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Standards, Amendments to published Standards and Interpretations Issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2018 or later periods, but which the Group/Company has not early adopted.

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

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- IFRS 16 Leases
- Clarifications to IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
- Annual Improvements to IFRSs 2014–2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Transfers of Investment Property (Amendments to IAS 40)
- IFRS 17 Insurance Contracts
- IFRIC 23 Uncertainty over Income Tax Treatments
- Prepayment Features with negative compensation (Amendments to IFRS 9)
- Long- term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Annual Improvements to IFRSs 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

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

IFRS 9 Financial instruments (effective for annual periods beginning on or after 1 January 2018)

In July 2014, the IASB issued IFRS 9 'Financial Instruments', which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement' and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). In many instances, the classification and measurement outcomes will be similar to IAS 39, although differences may arise. The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39. The classification of financial liabilities is essentially unchanged. For certain liabilities measured at fair value, gains or losses relating to changes in the entity's own credit risk are to be included in other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

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'.

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.

At the level of the Company, the simplified model is being applied.

An entity measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions that are within the scope of IFRS 15 and that do not contain a significant financing component in accordance to IFRS 15. The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Transitional impact

The requirements of IFRS 9 'Financial Instruments' will be adopted by the Company from July 1, 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The Company does not intend to restate comparatives.

The Company does not expect changes in the classification and measurement of its financial assets as compared to IAS 39.

The adoption of IFRS 9 is not expected to affect significantly the net assets at July 1, 2018.

The Company expects the impairment on expected credit losses to change by : Rs NIL.

These estimates are based on accounting policies, assumptions, judgements and estimation technique that remain subject to change until the Company finalises its financial statements for the year ending 30 June 2019.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January

IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases). IFRS 15 provides a single, principle based five-step model to be applied to all contracts with customers and revenue under this standard will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers. The Company has assessed the impact of IFRS 15 and is not expecting that there will be a significant impact on the net assets as a July 1, 2018.

IFRS 16 Leases - effective January 01, 2019

Adoption of IFRS 16 will result in the Group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment. Instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Company is still assessing the impact of the standard on its financial statements.

Critical Accounting Estimates

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

There were no major estimates and assumptions made during the year that have a significant risk of causing material adjustments to the carrying amounts of the Company's assets and liabilities within the next financial year.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Revenue recognition

Interest income is recognised on an accrual basis using the effective interest method.

(c) Foreign currencies

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

(ii) Transactions and Balances

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

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

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

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments

(i) Financial assets

Categories of financial assets

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

(a) **Financial assets at fair value through profit or loss**
Financial assets are classified as fair value through profit or loss at inception if so designated by the directors.

(b) **Held-to-maturity investments**
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Recognition and measurement

Purchases and sales of financial assets are recognised on trade date, 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.

Financial assets at fair value through profit or loss are subsequently carried at their fair value, and transaction costs are expensed. Held-to-maturity investments are carried at amortised cost using the effective interest method.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are recognised in the period in which they arise.

The fair values of quoted investments are based on closing prices prevailing at the date of reporting. If the market for a financial assets is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flows analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (cont'd)

(i) Financial assets (cont'd)

Impairment of financial assets

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired.

For held-to-maturity investments, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

(ii) Financial liabilities

Categories of financial liabilities

Financial liabilities are classified as 'financial liabilities at fair value through profit or loss' and 'other financial liabilities'.

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

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

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

Recognition and measurement

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

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (cont'd)

(ii) Financial liabilities (cont'd)

Derecognition

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the profit or loss.

(iii) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

The amount of provision is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in profit or loss.

(iv) Trade and other payables

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

(v) Cash and cash equivalents

Cash and cash equivalents include bank balances.

(e) Current & Deferred Income Tax

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

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

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

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

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial Risk Factors

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

- Foreign currency risk
- Liquidity risk
- Credit risk

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

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

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

As at June 30, 2018			**Total**
	Rupees	**US Dollars**	**Rs. '000**
ASSETS			
Financial Assets at fair value through profit or loss	-	381,422	381,422
Held to Maturity Investment	3,169,361	-	3,169,361
Deferred Tax Asset	525	-	525
Cash and Cash equivalents	864	617	1,481
Current Tax Asset	55	-	55
Total Assets	**3,170,805**	**382,039**	**3,552,844**
LIABILITIES			
Trade and Other Payables	5,243	91	5,334
Other Financial liabilities	3,089,846	440,856	3,530,702
Total Liabilities	**3,095,089**	**440,947**	**3,536,036**

As at June 30, 2017			**Total**
	Rupees	**US Dollars**	**Rs. '000**
ASSETS			
Financial Assets at fair value through profit or loss	-	218,981	218,981
Held to Maturity Investment	3,033,435	-	3,033,435
Deferred Tax Asset	515	-	515
Cash and Cash equivalents	1,461	1,844	3,305
Current Tax Asset	55	-	55
Total Assets	**3,035,466**	**220,825**	**3,256,291**
LIABILITIES			
Trade and Other Payables	6,254	104	6,358
Other Financial liabilities	2,961,848	270,299	3,232,147
Total Liabilities	**2,968,102**	**270,403**	**3,238,505**

At June 30, 2018 , if the rupee had weakened/strengthened by 10% against foreign currencies, with other variables held constant, profit after tax would have been Rupees 5,891 thousand higher/lower mainly as a result of translation of the above foreign balances.

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Financial Risk Factors (cont'd)

Liquidity risk

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

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

Credit risk

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

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

(b) Fair value estimation

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the close of trading on the end of the reporting date.

IFRS 7 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement and considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets held for trading:	2018	2017
	Rs. '000	Rs. '000
Derivatives - warrants	381,422	218,981

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

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

	2018	2017
	Rs. '000	Rs. '000
At the beginning of reporting period	218,981	139,624
Additions	-	2,737
Disposals	(14,636)	(11,606)
Fair value adjustments	175,295	81,825
Fair value release on disposal	1,783	6,401
At the end of reporting period	381,423	218,981

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

Observable Price (Level 2)	381,423	218,981

5 HELD TO MATURITY INVESTMENTS

	2018	2017
	Rs. '000	Rs. '000
At the beginning of reporting period	3,033,435	2,911,081
Additions / (Redemptions)	(4,074)	13,275
Interest received	132,836	129,397
Foreign exchange difference	7,164	(20,318)
At the end of reporting period	3,169,361	3,033,435

Held-to-Maturity Investments consist of various fixed deposits with The Mauritius Commercial Bank Ltd and Finlease Company Ltd carrying interests ranging from 3.50% to 5.90% on rupee deposits and from 2.25% to 3.00% on US dollar deposits and maturing between July 2018 to May 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

6 OTHER FINANCIAL LIABILITIES

	2018 Rs. '000	2017 Rs. '000
Financial liabilities designated at fair value through profit or loss (level 2: Observable Price)	440,856	270,299
Other financial liabilities	3,089,846	2,961,848
	3,530,702	3,232,147

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

7 DEFERRED INCOME TAX

Deferred income taxes are calculated on all temporary differences under the liability method at 17%.
(2017: 15%)

The movement on the deferred income tax asset account is as follows:	2018 Rs. '000	2017 Rs. '000
At July 01,	515	-
Credit to Profit or Loss (Note 11(b))	10	515
At June 30,	525	515
Deferred Tax Asset :- (Tax Losses)	525	515

Deferred income tax assets are recognised only to the extent that realisation of the related tax benefit is probable. The Company had tax losses of Rs. 3,089,711 at June 30, 2018 (2017 Rs. 3,436,003).

8 TRADE & OTHER PAYABLES

	2018 Rs. '000	2017 Rs. '000
Trade & Other Payables	4,991	4,714
Amount due to group companies		
Entities under Common Control	91	1,354
Fellow Subsidiaries	252	290
	5,334	6,358

The carrying amounts of other payables approximate their fair values.

9 SHARE CAPITAL

		2018	2017
(i)	Issued Share Capital		
	Issued Share Capital (Rs. '000)	10	10
(ii)	Number of Shares		
	Issued ordinary shares of no par value	1,000	1,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

10 NET (EXPENSE) / INCOME FROM FINANCIAL INSTRUMENTS

	2018	2017
	Rs. '000	Rs. '000
Fair value adjustments on financial assets at fair value through profit or loss	175,295	81,825
Fair value adjustments on financial liabilities designated at fair value through profit or loss	(180,697)	(93,673)
	(5,402)	(11,848)

11 INCOME TAX

(a) In the Statement of Financial Position

	2018	2017
	Rs. '000	Rs. '000
Current Tax Liability at July 1,	(55)	481
Income tax on adjusted profit for the year at 15%	-	-
Income tax paid	-	(536)
Current Tax Asset at June 30,	(55)	(55)

(b) In the Statement of Profit or Loss

	2018	2017
	Rs. '000	Rs. '000
Income tax on adjusted profit for the year at 15%	-	-
Deferred tax charge / (credit) for the year (Note 7)	(10)	(515)
	(10)	(515)

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:

	2018	2017
	Rs. '000	Rs. '000
Loss before Taxation	(988)	(2,972)
Tax calculated at a rate of 15% (2017: 15%)	(148)	(446)
Tax effect on:		
Tax Loss Utilised	(52)	-
Income not subject to tax	(26,952)	(14,214)
Expenses not deductible for tax purposes	27,152	14,145
Deferred Tax credit for the year	(10)	-
Tax Credit	(10)	(515)

12 LOSS PER SHARE

	2018	2017
Loss for the Period (Rs. '000)	(978)	(2,457)
Number of Shares in Issue	1,000	1,000
Loss Per Share (Rs.)	(978)	(2,457)

MCB STRUCTURED SOLUTIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

13 NOTES TO THE STATEMENT OF CASH FLOWS

		2018	2017
		Rs. '000	Rs. '000
(a)	Reconciliation of profit for the year to cash generated from operations:		
	Loss before tax	(988)	(2,972)
	Adjustments for:		
	Interest Income	(132,630)	(129,742)
	Interest Expense	130,070	128,387
	Foreign exchange (gains) / losses	(1,067)	1,805
	Net Gain on Disposal of Securities	(4,386)	(12,939)
	Net Expense from financial instruments carried at fair value	5,402	11,848
		(3,599)	(3,613)
	Changes in working capital:		
	- trade and other receivables	-	5
	- trade and other payables	(1,024)	5,199
	Cash Generated from / (Used in) Operations	(4,623)	1,591
(b)	Cash & Cash Equivalents	1,481	3,305

14 RELATED PARTY TRANSACTIONS

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

		2018	2017
(a)	*Interest Income*	Rs. '000	Rs. '000
	Entities under common control	132,630	129,742
(b)	*Operating Expenses*		
	Fellow Subsidiaries	977	948
	Entities under common control	1,509	1,370
		2,486	2,318
(c)	*Administrative Expenses*		
	Fellow Subsidiaries	105	173
	Entities under common control	108	263
		213	436

	Outstanding balances as at reporting period	2018	2017
		Rs. '000	Rs. '000
(d)	*Held to Maturity Investment*		
	Entities under common control	3,169,361	3,033,435
(e)	*Payables to related parties*		
	Fellow Subsidiaries	252	290
	Entities under common control	91	1,354
		343	1,644
(f)	*Bank Balances*		
	Entities under common control	1,481	3,305

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

15 ULTIMATE HOLDING COMPANY

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