



CM STRUCTURED FINANCE (2) LTD
ANNUAL REPORT FOR THE PERIOD FROM
JUNE 27, 2019 (DATE OF INCORPORATION)
TO JUNE 30, 2020

CM STRUCTURED FINANCE (2) LTD

ANNUAL REPORT FOR THE PERIOD FROM JUNE 27, 2019 (DATE OF INCORPORATION) TO JUNE 30, 2020

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CM STRUCTURED FINANCE (2) LTD

REPORT OF THE DIRECTORS FOR THE PERIOD FROM JUNE 27, 2019 (DATE OF INCORPORATION) TO JUNE 30, 2020

The Directors are pleased to submit the Annual Report of CM Structured Finance (2) Ltd, together with the audited financial statements for the period from June 27, 2019 (Date of incorporation) to June 30, 2020 as set out on pages 4 to 21 and to inform all stakeholders that, the ultimate holding company, MCB Group Limited, has complied with all the principles of The National Code of Corporate Governance for Mauritius (2016).

All shareholders agree that in conformity with Section 221 (4) of The Companies Act 2001 ("Act"), the Annual Report of the Company need not comply with paragraphs (a) and (d) to (i) of Section 221 (1) of the Act.

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



Director

RONALD LAM YAN FOON



Director

VINAL ORI

CM STRUCTURED FINANCE (2) LTD

SECRETARY'S CERTIFICATE FOR THE PERIOD FROM JUNE 27, 2019 (DATE OF INCORPORATION) TO JUNE 30, 2020

I certify that, to the best of my knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required of the company under the Companies Act 2001.



SECRETARY *

For and on behalf of

MCB Group Corporate Services Ltd

Date: September 28, 2020



Tel : +230 202 3000
Fax: +230 202 9993
www.bdo.mu

10, Frère Félix de Valois Street
Port Louis, Mauritius
P.O. Box 799

CM STRUCTURED FINANCE (2) LTD

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of CM Structured Finance (2) Ltd

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of CM Structured Finance (2) Ltd (the "Company"), on pages 4 to 21 which comprise the statement of financial position as at June 30, 2020 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period from June 27, 2019 (date of incorporation) to June 30, 2020 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 4 to 21 give a true and fair view of the financial position of the Company as at June 30, 2020, and of its financial performance and its cash flows for the period from June 27, 2019 (date of incorporation) to June 30, 2020 in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for Opinion

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

Other information

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

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

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



CM STRUCTURED FINANCE (2) LTD

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholder of CM Structured Finance (2) Ltd

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

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

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



**CM STRUCTURED FINANCE (2) LTD
INDEPENDENT AUDITOR'S REPORT (CONT'D)**

To the Shareholder of CM Structured Finance (2) Ltd

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

We have obtained all information and explanations we have required.

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

Other Matter

This report is made solely to the Shareholder of CM Structured Finance (2) Ltd (the "Company"), as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's Shareholder those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

BDO & Co

Chartered Accountants

Ameenah Ramdin, FCCA, ACA
Licensed by FRC

Port Louis,
Mauritius

September 28, 2020

CM STRUCTURED FINANCE (2) LTD
STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

	<u>Notes</u>	<u>June 30, 2020</u> EUR
ASSETS		
Non Current Asset		
Financial Assets at amortised cost	5	<u>15,090,000</u>
Current Asset		
Cash and Cash equivalents	13(b)	<u>808,607</u>
Total Assets		<u><u>15,898,607</u></u>
EQUITY AND LIABILITIES		
Capital & Reserves		
Share Capital	8(a)	675,245
Revenue Surplus		<u>91,327</u>
Total Equity		<u>766,572</u>
Non Current Liability		
Financial liabilities at amortised cost	6	<u>15,046,862</u>
Current Liabilities		
Other Payables	7	80,443
Current Tax Liabilities	11(a)	<u>4,730</u>
		<u>85,173</u>
Total Liabilities		<u>15,132,035</u>
Total Equity and Liabilities		<u><u>15,898,607</u></u>

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



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DIRECTORS

The notes on pages 8 to 21 form an integral part of these financial statements.
Auditor's report on pages 3 to 3(c).

CM STRUCTURED FINANCE (2) LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM JUNE 27, 2019 (DATE OF INCORPORATION) TO JUNE 30, 2020

	<u>Notes</u>	<u>Period from June 27, 2019 to June 30, 2020</u> EUR
Interest Income		433,750
Interest Expense		(236,350)
Operating Expenses	9	(50,599)
Administrative Expenses	10	(52,551)
Other Income		653
Foreign Exchange Gains		<u>1,154</u>
Profit before Tax		96,057
Income Tax	11(b)	<u>(4,730)</u>
Profit after Tax		91,327
Other Comprehensive Income		-
Total Comprehensive Income for the Period		<u>91,327</u>
Earnings per Share	12	<u>EUR 55</u>

The notes on pages 8 to 21 form an integral part of these financial statements.
Auditor's report on pages 3 to 3(c).

CM STRUCTURED FINANCE (2) LTD

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM JUNE 27, 2019 (DATE OF INCORPORATION) TO JUNE 30, 2020

		Share Capital	Revenue Surplus	Total
		EUR	EUR	EUR
Balance at June 27, 2019		-	-	-
Issue of Shares	8(a)	675,245	-	675,245
Profit for the period		-	91,327	91,327
Balance at June 30, 2020		675,245	91,327	766,572

The notes on pages 8 to 21 form an integral part of these financial statements.
Auditor's report on pages 3 to 3(c).

CM STRUCTURED FINANCE (2) LTD

STATEMENT OF CASH FLOWS FOR THE PERIOD FROM JUNE 27, 2019 (DATE OF INCORPORATION) TO JUNE 30, 2020

	Notes	Period from June 27, 2019 to Jun 30, 2020
		EUR
Cashflow from Operating Activities		
Cash used in Operations	13(a)	(20,900)
Interest Received		343,750
Interest Paid		(189,488)
Net Cash generated from Operating Activities		<u>133,362</u>
Cashflow from Investing Activity		
Purchase of Financial Assets		(15,000,000)
Net Cash used in Investing Activity		<u>(15,000,000)</u>
Cashflow from Financing Activities		
Issue of Notes		15,000,000
Issue of Ordinary Shares		675,245
Net Cash generated from Financing Activities		<u>15,675,245</u>
Net increase in Cash and Cash Equivalents		<u>808,607</u>
Movement in Cash and Cash Equivalents		
At the beginning of reporting period		-
Increase		808,607
At the end of reporting period	13(b)	<u>808,607</u>

The notes on pages 8 to 21 form an integral part of these financial statements.
Auditor's report on pages 3 to 3(c).

CM STRUCTURED FINANCE (2) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2019 (DATE OF INCORPORATION) TO JUNE 30, 2020

1 GENERAL INFORMATION

CM Structured Finance (2) Ltd ("Company") was incorporated in Mauritius under the Companies Act 2001 on June 27, 2019 as a public company, limited by shares with limited lifetime of 50 years. Its main activity consists of structuring, engineering and offering structured products through the issue of debt or equity securities (or otherwise). Its registered address is 9-15, Sir William Newton Street, Port Louis.

These financial statements presented herewith are for the period from June 27, 2019 (Date of incorporation) to June 30, 2020 and will be submitted for consideration and approval at the forthcoming annual meeting of shareholder of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below and have been consistently applied for the period from June 27, 2019 (Date of incorporation) to June 30, 2020.

(a) Basis of preparation

The financial statements of CM Structured Finance (2) 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 Euro and all values are rounded to the nearest Euro, except where otherwise indicated. The financial statements are prepared under the historical cost convention.

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

IFRS 16 Leases results in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. The standard has no impact on the Company's financial statements.

CM STRUCTURED FINANCE (2) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2019 (DATE OF INCORPORATION) TO JUNE 30, 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

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

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

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

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

Annual Improvements to IFRSs 2015–2017 Cycle

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

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

CM STRUCTURED FINANCE (2) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2019 (DATE OF INCORPORATION) TO JUNE 30, 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

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

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

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

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

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 01, 2020 or later periods, but which the Company has not early adopted.

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

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- IFRS 17 Insurance Contracts
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Annual Improvements 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Covid-19-Related Rent Concessions (Amendment to IFRS 16)
- Amendments to IFRS 17
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)

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

CM STRUCTURED FINANCE (2) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2019 (DATE OF INCORPORATION) TO JUNE 30, 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Revenue recognition

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

(c) Foreign currencies

(i) Functional and Presentation Currency

Items included in the financial statements are measured using Euro ("EUR"), the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Euro ("EUR"), 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 financial assets at fair value through other comprehensive income, are included in the fair value reserve in equity.

(d) Financial instruments

(i) Financial assets

Categories of financial assets

The Company classifies financial assets at amortised cost. The classification depends on the purpose for which the investments were acquired. The Company determines the classification of investments at initial recognition.

CM STRUCTURED FINANCE (2) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2019 (DATE OF INCORPORATION) TO JUNE 30, 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (cont'd)

(i) Financial assets (cont'd)

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

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

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows - bank overdrafts.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

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

CM STRUCTURED FINANCE (2) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2019 (DATE OF INCORPORATION) TO JUNE 30, 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (cont'd)

(ii) Financial liabilities

The Company classifies its financial liabilities as follows depending on the purpose for which the liability was acquired.

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

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

Derecognition of financial liabilities

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

(e) Current & Deferred Income Tax

The tax expense for the period comprises of 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 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.

CM STRUCTURED FINANCE (2) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2019 (DATE OF INCORPORATION) TO JUNE 30, 2020

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
- Interest rate 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 Mauritian Rupees.

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

As at June 30, 2020	Rupees EUR	EURO EUR	Total EUR
ASSETS			
Financial Assets at Amortised Cost	-	15,090,000	15,090,000
Cash and Cash equivalents	-	808,607	808,607
Total Assets	-	15,898,607	15,898,607
LIABILITIES			
Other Payables	28,217	52,226	80,443
Financial Liabilities at Amortised Cost	-	15,046,862	15,046,862
Total Liabilities	28,217	15,099,088	15,127,305

At June 30, 2020, if the Euro weakens/strengthens by 10% against foreign currencies, with other variables held constant, profit before tax would have been EUR 2,822 lower/higher mainly as a result of translation of the above foreign balances.

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.

CM STRUCTURED FINANCE (2) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2019 (DATE OF INCORPORATION) TO JUNE 30, 2020

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Financial Risk Factors (cont'd)

Liquidity risk (cont'd)

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

As at June 30, 2020	Within 1 year EUR	Between 1 to 5 EUR	More than 5 years EUR	Non- maturity EUR	Total EUR
FINANCIAL ASSETS					
Financial Assets at Amortised Cost	-	-	15,090,000	-	15,090,000
Cash and Cash equivalents	-	-	-	808,607	808,607
	-	-	15,090,000	808,607	15,898,607
FINANCIAL LIABILITIES					
Other Payables	-	-	-	80,443	80,443
Financial Liabilities at Amortised Cost	-	-	15,046,862	-	15,046,862
	-	-	15,046,862	80,443	15,127,305

Credit risk

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

Interest Rate Risk

The Company is exposed to interest rate risk through financial assets at amortised cost, cash and cash equivalents and other financial liabilities.

Interest rate sensitivity analysis

If interest rates had been 25 basis points higher/lower, the effect on profit before tax would have been as follows:

	Jun 30, 2020
	EUR
Change in profit before tax	2,129

CM STRUCTURED FINANCE (2) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2019 (DATE OF INCORPORATION) TO JUNE 30, 2020

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Capital Risk Management

The Company's objective is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

(c) Fair value estimation

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Limitation of sensitivity analysis

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

CM STRUCTURED FINANCE (2) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2019 (DATE OF INCORPORATION) TO JUNE 30, 2020

5 FINANCIAL ASSETS AT AMORTISED COST	June 30, 2020
	EUR
At the beginning of reporting period	-
Additions	15,000,000
Interest income	433,750
Interest received	(343,750)
At the end of reporting period	<u>15,090,000</u>

Financial assets at amortised cost consist of floating rate secured notes denominated in Euro. The notes were issued by Compagnie Des Villages De Vacances De L'Isle de France Limitee and carry interest of 3% above 3-months EURIBOR (floored at 0%) per annum. The notes have maturity date July 19, 2029. At the time of issue, CARE Ratings (Africa) Private Limited assigned a rating of CARE MAU A+ to the notes. The notes are not listed on the Stock Exchange of Mauritius.

6 FINANCIAL LIABILITIES AT AMORTISED COST	June 30, 2020
	EUR
At the beginning of reporting period	-
Additions	15,000,000
Interest expense	236,350
Interest paid	(189,488)
At the end of reporting period	<u>15,046,862</u>

Financial liabilities at amortised cost consist of secured credit-linked floating rate notes issued by the Company to eligible investors by way of private placement. The notes have been issued in two tranches and carry interest rates ranging from 1.30% to 2.05% as per the terms set out in the private placement memorandum.

CM STRUCTURED FINANCE (2) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2019 (DATE OF INCORPORATION) TO JUNE 30, 2020

7 OTHER PAYABLES	June 30, 2020
	EUR
Trade and other Payables	18,265
Amount due to group companies:	
Entities under Common Control	868
Fellow Subsidiary	61,310
	<u>80,443</u>

The carrying amounts of trade and other payables approximate their fair values.

8 SHARE CAPITAL	June 30, 2020
	EUR
(a)	
Issued Share Capital- Class A Shares (MUR)	245
Issued Share Capital- Class B Shares (EUR)	675,000
	<u>675,245</u>
(b) Number of Issued ordinary shares of no par value	
Class A Shares	1,000
Class B Shares	675
	<u>1,675</u>

The Class A Shares have all the voting rights of the Issuer, are non-redeemable and do not have any distribution rights. The shares are of no par value.

The Class B Shares are non-voting shares, redeemable and are entitled to distribution rights as per the terms of the Constitution. The shares are of no par value.

9 OPERATING EXPENSES	June 30, 2020
	EUR
Debenture Representative Fees	2,846
Rating Fees	12,172
Company Setup Costs	35,581
	<u>50,599</u>

10 ADMINISTRATIVE EXPENSES	June 30, 2020
	EUR
Audit Fees	3,910
Bank Charges	178
Director Remuneration	119
Legal Fees	260
Licences	849
Registry Fees	13,816
Professional Fees	26,810
Other Expenses	445
Secretarial Fees	5,602
Tax Fees	562
	<u>52,551</u>

CM STRUCTURED FINANCE (2) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2019 (DATE OF INCORPORATION) TO JUNE 30, 2020

		June 30, 2020
		EUR
11 INCOME TAX		
(a) In the Statement of Financial Position		
Income tax on adjusted profit for the year at 15%		4,174
Corporate Social Responsibility Levy		556
		<u>4,730</u>
		June 27, 2019 to
		June 30, 2020
		EUR
(b) In the Statement of Profit or Loss		
Income tax on adjusted profit for the year at 15%		4,174
Corporate Social Responsibility Levy		556
		<u>4,730</u>

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the company as follows:

		June 27, 2019 to
		June 30, 2020
		EUR
Profit before Taxation		<u>96,057</u>
Tax calculated at a rate of 15%		14,409
Tax effect on:		
Income not subject to tax		(52,128)
Expenses not deductible for tax purposes		41,893
Corporate Social Responsibility Levy		556
Tax Charge		<u>4,730</u>

CM STRUCTURED FINANCE (2) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2019 (DATE OF INCORPORATION) TO JUNE 30, 2020

12 PROFIT PER SHARE

	June 27, 2019 to June 30, 2020
Profit for the Period	EUR <u>91,327</u>
Number of Shares in Issue	<u>1,675</u>
Earnings Per Share	EUR <u>55</u>

13 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit for the period to cash from operations:

	June 27, 2019 to June 30, 2020
	EUR
Profit before tax	96,057
Adjustments for:	
Interest Income	(433,750)
Interest Expense	<u>236,350</u>
	<u>(101,343)</u>
Changes in working capital:	
- Other payables	<u>80,443</u>
Cash used in Operations	<u>(20,900)</u>
(b) Cash & Cash Equivalents	
Bank Balances	<u>808,607</u>

CM STRUCTURED FINANCE (2) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2019 (DATE OF INCORPORATION) TO JUNE 30, 2020

14 RELATED PARTY TRANSACTIONS

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

	June 27, 2019 to June 30, 2020
	EUR
(a) Administrative Expenses	
Fellow Subsidiaries	40,626
Entities under common control	8,448
Outstanding balances as at reporting period	June 30, 2020
	EUR
(b) Payables to related parties	
Fellow Subsidiary	61,310
Entities under common control	868
(c) Bank Balances	
Entities under common control	808,607

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

15 ULTIMATE HOLDING COMPANY

The holding company of CM Structured Finance (2) Ltd is MCB Capital Markets Ltd and the ultimate holding company is MCB Group Limited. Both companies are incorporated in Mauritius.

16 COVID-19

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

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