



CM STRUCTURED PRODUCTS (1) LTD

ANNUAL REPORT FOR THE YEAR

ENDED JUNE 30, 2020

CM STRUCTURED PRODUCTS (1) LTD

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS	PAGES
Report of the Directors	1
Secretary's Certificate	2
Auditor's Report	3 - 3(b)
Financial Statements	4 - 23

CM STRUCTURED PRODUCTS (1) LTD

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

The directors are pleased to present the Annual Report of CM Structured Products (1) Ltd for the year ended June 30, 2020. The audited financial statements for the period under review are set out on pages 4 to 23.

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 YAW FOON



Director
VIMAL ORI

CM STRUCTURED PRODUCTS (1) LTD

SECRETARY'S CERTIFICATE FOR THE YEAR ENDED JUNE 30, 2020

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



For and on behalf of
MCB Group Corporate Services Ltd

Date: September 28, 2020

CM STRUCTURED PRODUCTS (1) LTD

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CM Structured Products (1) Ltd

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of CM Structured Products (1) Ltd (the "Company"), on pages 4 to 23 which comprise the statement of financial position as at June 30, 2020 and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 4 to 23 give a true and fair view of the financial position of the Company as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for Opinion

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

Other information

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

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

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

CM STRUCTURED PRODUCTS (1) LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of CM Structured Products (1) 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 PRODUCTS (1) LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of CM Structured Products (1) Ltd

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

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

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

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

We have obtained all information and explanations we have required.

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

Other Matter

This report is made solely to the shareholders of CM Structured Products (1) 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 shareholders 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 shareholders 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 PRODUCTS (1) LTD

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

	<u>Notes</u>	<u>2020</u> Rs. '000	<u>2019</u> Rs. '000
ASSETS			
Non Current Assets			
Financial Assets at fair value through profit or loss	5	39,310	37,257
Financial Assets at Amortised Cost	6	457,416	446,495
Deferred Tax Asset	8	132	199
		<u>496,858</u>	<u>483,951</u>
Current Assets			
Other Receivables		104	8
Cash and Cash equivalents	14(b)	10,161	8,458
		<u>10,265</u>	<u>8,466</u>
Total Assets		<u>507,123</u>	<u>492,417</u>
EQUITY AND LIABILITIES			
Capital & Reserves			
Share Capital	10	10	10
Retained Earnings / (Revenue Deficit)		579	(1,268)
Total Equity / Shareholder's Deficit		<u>589</u>	<u>(1,258)</u>
Current Liability			
Trade and Other Payables	9	214	1,158
Non Current Liability			
Other Financial liabilities	7	506,320	492,517
Total Liabilities		<u>506,534</u>	<u>493,675</u>
Total Equity and Liabilities		<u>507,123</u>	<u>492,417</u>

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



) DIRECTORS
)

The notes on pages 8 to 23 form an integral part of these financial statements.
Auditor's report on pages 3 to 3(b).

CM STRUCTURED PRODUCTS (1) LTD

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

	Notes	2020 Rs. '000	2019 Rs. '000
Interest Income	2(b)	27,131	26,214
Interest Payable		(24,273)	(23,911)
Operating Expenses		(283)	(279)
Administrative Expenses		(664)	(796)
Foreign Exchange Gains /(Losses)		3	(1)
Net Income from financial instruments carried at fair value through profit or loss	11	-	-
Profit before Tax		1,914	1,227
Income Tax	12(b)	(67)	(135)
Profit after Tax		1,847	1,092
Other Comprehensive Income		-	-
Total Comprehensive Income for the Year		1,847	1,092
Earnings per Share	13	Rs.1,847	Rs.1,092

The notes on pages 8 to 23 form an integral part of these financial statements.
Auditor's report on pages 3 to 3(b).

CM STRUCTURED PRODUCTS (1) LTD

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

	Share Capital	Retained Earnings / (Revenue Deficit)	Total
	Rs. '000	Rs. '000	Rs. '000
Balance at July 01, 2019	10	(1,268)	(1,258)
Profit for the Year	-	1,847	1,847
Other comprehensive income for the year	-	-	-
Balance at June 30, 2020	10	579	589
Balance at July 01, 2018	10	(2,360)	(2,350)
Profit for the Year	-	1,092	1,092
Other comprehensive income for the year	-	-	-
Balance at June 30, 2019	10	(1,268)	(1,258)

The notes on pages 8 to 23 form an integral part of these financial statements.
Auditor's report on pages 3 to 3(b).

CM STRUCTURED PRODUCTS (1) LTD

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

	<u>Notes</u>	<u>2020</u> Rs. '000	<u>2019</u> Rs. '000
Cashflow generated / (used in) Operating Activities			
Cash Used in Operations	14(a)	(1,987)	(4,950)
Interest Received		16,210	16,120
Interest Paid		(12,523)	(12,523)
Net Cash Generated from / (Used in) Operating Activities		<u>1,700</u>	<u>(1,353)</u>
Net Increase / (Decrease) in Cash and Cash Equivalents		<u>1,700</u>	<u>(1,353)</u>
Movement in Cash and Cash Equivalents			
At July 01,		8,458	9,812
Increase / (Decrease)		1,700	(1,353)
Effect of Foreign Exchange Rate Changes		3	(1)
At June 30,	14(b)	<u>10,161</u>	<u>8,458</u>
		-	-

The notes on pages 8 to 23 form an integral part of these financial statements.
Auditor's report on pages 3 to 3(b).

CM STRUCTURED PRODUCTS (1) LTD

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

1 GENERAL INFORMATION

CM Structured Products (1) Ltd is a public company limited by shares, incorporated on November 23, 2016 and domiciled in Mauritius. Its main activity consists of structuring, engineering and offering structured products through the issue of debt or equity securities (or otherwise). Its registered address is 9-15 Sir William Newton Street, Port Louis.

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of CM Structured Products (1) Ltd comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements are that of an individual entity. The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs. 000), except when otherwise indicated. Where necessary, comparative figures have been amended to conform with the change in presentation in the current year. The financial statements are prepared under the historical cost convention, except that:

- (i) relevant financial assets and liabilities are stated at their fair value; and
- (ii) relevant financial assets and financial liabilities are stated at amortised cost.

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

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

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

Annual Improvements to IFRSs 2015–2017 Cycle

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

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

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

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

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

CM STRUCTURED PRODUCTS (1) LTD

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2020 or later periods, but which the Company has not early adopted.

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

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

CM STRUCTURED PRODUCTS (1) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 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 profit or loss, except when deferred in equity as qualifying cashflow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in profit or loss under 'Foreign Exchange Gain / (Losses)'.

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

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

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

CM STRUCTURED PRODUCTS (1) LTD

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

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 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.

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

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

(b) Amortised cost

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

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

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

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 PRODUCTS (1) LTD

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (cont'd)

(ii) Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

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

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

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

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

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

(b) Other financial liabilities

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

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

Derecognition of financial liabilities

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

CM STRUCTURED PRODUCTS (1) LTD

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Current & Deferred Income Tax

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

Current Tax

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

Deferred 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.

CM STRUCTURED PRODUCTS (1) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 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

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.

<u>As at June 30, 2020</u>	<u>Rupees</u>	<u>US Dollars</u>	<u>Total</u>
	<u>Rs. '000</u>	<u>Rs. '000</u>	<u>Rs. '000</u>
ASSETS			
Financial Assets at fair value through profit or loss	-	39,310	39,310
Financial Assets at amortised cost	457,416	-	457,416
Deferred Tax Asset	132	-	132
Other Receivables	104	-	104
Cash and Cash equivalents	10,069	92	10,161
Total Assets	467,721	39,402	507,123
LIABILITIES			
Trade and Other Payables	191	23	214
Other Financial liabilities	506,320	-	506,320
Total Liabilities	506,511	23	506,534
<u>As at June 30, 2019</u>	<u>Rupees</u>	<u>US Dollars</u>	<u>Total</u>
	<u>Rs. '000</u>	<u>Rs. '000</u>	<u>Rs. '000</u>
ASSETS			
Financial Assets at fair value through profit or loss	-	37,257	37,257
Financial Assets at amortised cost	446,495	-	446,495
Deferred Tax Asset	199	-	199
Other Receivables	8	-	8
Cash and Cash equivalents	8,445	13	8,458
Total Assets	455,147	37,270	492,417
LIABILITIES			
Trade and Other Payables	1,141	17	1,158
Other Financial liabilities	492,517	-	492,517
Total Liabilities	493,658	17	493,675

CM STRUCTURED PRODUCTS (1) LTD

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

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Financial Risk Factors (cont'd)

Foreign currency risk (cont'd)

At June 30, 2020, if the rupee had weakened/strengthened by 10% against foreign currencies, with other variables held constant, profit after tax would have been Rs. 3,938 (2019 : Rs. 3,725) higher/lower 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.

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

Maturity of assets and liabilities				2020
	Within 1 year	Between 1 to 3 years	Non- maturity items	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS				
Non Current Asset				
Financial Assets at fair value through profit or loss	-	39,310	-	39,310
Financial Assets at amortised cost	-	457,416	-	457,416
	-	496,726	-	496,726
Current Assets				
Other Receivables	104	-	-	104
Cash and Cash equivalents	-	-	10,161	10,161
	104	-	10,161	10,265
Total Assets	104	496,726	10,161	506,991
LIABILITIES				
Current Liability				
Trade and Other Payables	214	-	-	214
Non Current Liability				
Other Financial liabilities	-	506,320	-	506,320
	-	506,320	-	506,320
Total Liabilities	214	506,320	-	506,534

CM STRUCTURED PRODUCTS (1) LTD

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

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Financial Risk Factors (cont'd)

Liquidity risk (cont'd)

Maturity of assets and liabilities				2019
	Within 1 year	Between 1 to 3 years	Non- maturity items	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS				
Non Current Asset				
Financial Assets at fair value through profit or loss	-	37,257	-	37,257
Financial Assets at amortised cost	-	446,495	-	446,495
	-	483,752	-	483,752
Current Assets				
Other Receivables	8	-	-	8
Cash and Cash equivalents	-	-	8,458	8,458
	8	-	8,458	8,466
Total Assets	8	483,752	8,458	492,218
LIABILITIES				
Current Liability				
Trade and Other Payables	1,158	-	-	1,158
Non Current Liability				
Other Financial liabilities	-	492,517	-	492,517
	-	492,517	-	492,517
Total Liabilities	1,158	492,517	-	493,675

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.

CM STRUCTURED PRODUCTS (1) LTD

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

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Fair value estimation

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

CM STRUCTURED PRODUCTS (1) LTD

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Limitation of sensitivity analysis

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

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets held for trading:

	2020	2019
	Rs. '000	Rs. '000
Derivatives - warrants	39,310	37,257

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

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

	2020	2019
	Rs. '000	Rs. '000
At July 01,	37,257	35,556
Fair value adjustments	2,053	1,701
At June 30,	39,310	37,257

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

Observable Price (Level 2)	39,310	37,257
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6 FINANCIAL ASSETS AT AMORTISED COST

	2020	2019
	Rs. '000	Rs. '000
At July 01,	446,495	436,402
Interest Income	27,086	26,214
Interest Received	(16,165)	(16,121)
At June 30,	457,416	446,495

Financial assets at amortised cost consist of notes issued by SUN Limited carrying interests ranging from 6.00% to 6.10% and maturing in December 2021.

CM STRUCTURED PRODUCTS (1) LTD

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

7 OTHER FINANCIAL LIABILITIES

		2020	2019
		Rs. '000	Rs. '000
Financial liabilities at fair value through profit or loss (level 2: Observable Price)	(a)	39,309	37,256
Other Financial Liabilities	(b)	467,011	455,261
		<u>506,320</u>	<u>492,517</u>
(a) The movement on financial liabilities at fair value through profit or loss is as follows:			
At July 01,		37,256	35,555
Fair value adjustments		2,053	1,701
At June 30,		<u>39,309</u>	<u>37,256</u>
(b) The movement on other financial liabilities is as follows:			
At July 01,		455,261	443,874
Interest Expense		24,273	23,910
Interest Paid		(12,523)	(12,523)
At June 30,		<u>467,011</u>	<u>455,261</u>

The financial liability of the notes issued by the Company consists of two distinct obligations for the Company. The capital protected element of the notes has 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 the reference index, has been classified as financial liabilities designated as fair value through profit or loss.

8 DEFERRED INCOME TAX

Deferred income taxes are calculated on all temporary differences under the liability method at 17% (2019 : 17%).

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

		2020	2019
		Rs. '000	Rs. '000
At July 01,		199	334
Charged to Profit or Loss		(67)	(135)
At June 30,		<u>132</u>	<u>199</u>
Deferred Tax Asset :- (Tax Losses)		<u>132</u>	<u>199</u>

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. 778,794 as at June 30, 2020 (2019 : Rs. 1,171,428).

9 TRADE & OTHER PAYABLES

		2020	2019
		Rs. '000	Rs. '000
Trade & Other Payables		142	116
Amount due to group companies:			
Holding Company		-	518
Entities under Common Control		23	29
Fellow Subsidiaries		49	495
		<u>214</u>	<u>1,158</u>

The carrying amounts of other payables approximate their fair values.

CM STRUCTURED PRODUCTS (1) LTD

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

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

11 NET EXPENSE FROM FINANCIAL INSTRUMENTS	2020	2019
	Rs. '000	Rs. '000
Fair value adjustments on financial assets at fair value through profit or loss	2,053	1,701
Fair value adjustments on financial liabilities at fair value through profit or loss	(2,053)	(1,701)
	-	-

12 INCOME TAX	2020	2019
	Rs. '000	Rs. '000
(a) In the Statement of Financial Position Income tax on adjusted profit for the year at 15%	-	-
(b) In the Statement of Profit or Loss Income tax on adjusted profit for the year at 15%	-	-
Deferred Tax charge for the year (Note 8)	67	135
	67	135

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

	2020	2019
	Rs. '000	Rs. '000
Profit before Taxation	1,914	1,227
Tax calculated at a rate of 15% (2019: 15%)	287	184
Tax effect on:		
Income not subject to tax	3,082	1,754
Expenses not deductible for tax purposes	(3,341)	(1,819)
Deferred Tax rate differential	39	16
Tax Charge	67	135

13 EARNINGS PER SHARE	2020	2019
Profit for the Year (Rs. '000)	1,847	1,092
Number of Shares in Issue	1,000	1,000
Earnings Per Share (Rs.)	1,847	1,092

CM STRUCTURED PRODUCTS (1) LTD

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

14 NOTES TO THE STATEMENT OF CASH FLOWS

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

	2020	2019
	Rs. '000	Rs. '000
Profit before tax	1,914	1,227
Adjustments for:		
Interest Income	(27,131)	(26,214)
Interest Expense	24,273	23,911
Foreign exchange (gains) / losses	(3)	1
Net Income from financial instruments carried at fair value	-	-
	<u>(947)</u>	<u>(1,075)</u>
Changes in working capital:		
- trade and other receivables	(96)	(1)
- trade and other payables	(944)	(3,874)
Cash Used in Operations	<u>(1,987)</u>	<u>(4,950)</u>

(b) Cash & Cash Equivalents

Cash and cash equivalents include the following for the purpose of the statement of cash flows:

Cash at bank	<u>10,161</u>	<u>8,458</u>
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15 RELATED PARTY TRANSACTIONS

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

	2020	2019
	Rs. '000	Rs. '000
(a) <i>Operating Expenses</i>		
Fellow Subsidiaries	194	193
Entities under Common Control	41	38
	<u>235</u>	<u>231</u>
(b) <i>Administrative Expenses</i>		
Entities under Common Control	<u>233</u>	<u>154</u>

CM STRUCTURED PRODUCTS (1) LTD

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

15 RELATED PARTY TRANSACTIONS (CONT'D)

Outstanding balances as at reporting period	<u>2020</u>	<u>2019</u>
	Rs. '000	Rs. '000
(c) <i>Payables to related parties</i>		
Holding Company	-	518
Fellow Subsidiaries	49	495
Entities under Common Control	23	29
	<u>72</u>	<u>1,042</u>
(d) <i>Bank Balances</i>		
Entities under Common Control	<u>-</u>	<u>8,458</u>

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.

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

16 IMPACT OF COVID-19

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

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

17 ULTIMATE HOLDING COMPANY

The holding company of CM Structured Products (1) Ltd is MCB Capital Markets Ltd and the ultimate holding company is MCB Group Limited. Both companies are incorporated in Mauritius.