THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD
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FOR YEAR ENDED JUNE 30, 2020

Dear Shareholders,

The Board of Directors is pleased to present the Annual Report of The Mauritius Civil Service Mutual Aid Association Ltd for the year ended June 30, 2020, contents of which are listed below.

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Approved by the Board of Directors on September 24, 2020
and signed on its behalf by:

Mr. P. Neerunjun
Chairperson

Mr. M.Bheekhee
Director

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Environment

According to the IMF, all regions worldwide are projected to experience negative growth in 2020. Mauritius being a very open economy will also be impacted. The necessary lockdown measures have succeeded in slowing down the spread of the coronavirus but have also impacted business activity in many sectors of the economy.

According to Statistic Mauritius, the GDP at market price is forecasted to contract by around 13.0% in 2020, the worst contraction since 1980. The headline inflation rate for the twelve months ended June 2020 worked out to 1.8%, compared to 1.0% for the twelve months ended June 2019.

Financial Environment

During the financial year under review, the Monetary Policy Committee of the Bank of Mauritius met on three occasions and the Key Repo Rate was slashed from 3.50% to 1.85%. The weighted yield on 364-day Treasury Bills took the downward trend during the year under review. It decreased from 3.40% in July 2019 to reach 1.04% in June 2020.

The Mutual Aid Association continued to offer competitive interest rates on deposits and had maintained a premium of 25 basis points to Pensioner depositors during the year under review. Furthermore, the actual interest rate on Retirement Savings Scheme is 3.45% (4.00 % during the year under review) whereas the savings rate in the market is about 0.35%. As far as loans and advances are concerned, the Association is offering interest rate starting from 3.20% per annum.

Furthermore, the Association deals mainly with public sector employees. Consequently, Covid 19 did not have a major impact on its activities. Regarding IFRS 9, a forward looking framework was used for the Expected Credit Loss Model, incorporating actual economic indicators. As a result, the specific provisions accounted are much higher than of previous years. Nevertheless, the Association is still having very sound capital adequacy and liquid assets ratio as can be testified below.

Outlook

Looking forward, the business segment in which the Association operates is set to remain volatile, with continuing challenges which are outside its span of control. The Association has enhanced its level of preparedness to better perform in a turbulent environment.

Principal Activities and nature of customers

The principal activities of the Association are to grant loans to its members and accept deposits from the public. All such activities are carried out at its registered office in Mauritius. The Association has a sub-office in Rodrigues, where loan applications are collected for onward processing in Mauritius.

As regards to its loan activities, the Association deals exclusively with its members based on the principle of mutuality. Regarding deposit taking activities, the Association mobilizes fund from the general public as well as from institutional investors.

Review by business lines

Income

Net interest income

Notwithstanding the pressure on margins, the Mutual Aid Association is continuing to offer competitive interest rates for both its loan and deposit products, a net interest income of Rs 1.8bn was generated for the financial year ended June 2020.

Cost to Income

The Association continues to maintain a relatively low cost to income ratio. For the financial year ended June 2020, the cost to income ratio stood at about 13%, thus testifying in a real way the high level of operational efficiency achieved.

Assets

Total assets of the Association were to the tune of Rs. 41.2bn in June 2020 compared to Rs. 41.6bn at end of June 2019.

Loans and advances to members

Loans and advances are granted solely to public sector employees and pensioners. Net loans and advances decreased from Rs. 33.3bn to Rs. 31.9bn due to factors outside the control of the Association.

Cash and cash equivalents and Placements with bank and non-bank financial institutions

The Association maintained cash and cash equivalents of Rs. 1.9bn as at end of June 2020. Placements made by the Mutual Aid Association in other financial institutions stood at Rs. 3.2bn at the end of June 30, 2020.

High Quality Liquid Assets

During the year under review, the Association invested in treasury bills and notes in order to create a pool of High-Quality Liquid Assets (HQLAs). Investment in HQLAs stood at Rs 3.7bn as at end of June 2020.

Liquid Assets

Cash and cash equivalents, HQLAs, and placements with banks and non-banks financial institutions have been undertaken to meet the minimum requirement of 10% investment in liquid assets. As at end of June 2020, the ratio stood comfortably at 27% which is in line with the liquidity risk management strategy of the Association.

Liabilities

Deposits from customers

The total deposits as at June 2020 stood at Rs. 26.0bn thus showing the high level of trust placed in the Association by its depositors.

Funds

The Funds consist of the Guarantee Benevolent Scheme (GBS), Mutual Solidarity Contribution (MSC) and Retirement Savings Scheme (RSS). The Funds stood at Rs. 3.3bn as at June 30, 2020. For the financial year ended June 2020, the interest rate of 4.00% has been paid to RSS holders during the year under review, whereas the average savings rate was about 0.35%.

Shareholders' equity

Shareholders' equity stood at Rs. 11.7bn as at end of June 2020.

Capital Structure and Capital Adequacy Ratio (CAR)

The Tier 1 and Tier 2 capital of the Association were to the tune of Rs. 11.3bn and Rs. 7.2m respectively for the year ended June 2020. The weighted amount of on-balance sheet assets was Rs. 17.9bn for the same period. Consequently, the CAR of the Association has increased to 63% thus confirming once more the financial soundness of the Association.

Provisions under IFRS 9

The Association has adopted the IFRS 9 and an amount of Rs. 318.6m has been recognized in the income statement as regards to Expected Credit Loss.

The financial statements for the Group's operation in Mauritius presented in these annual report have been prepared by Management, who are responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards as well as the requirements of the Banking Act 2004, and the guidelines issued thereunder, have been applied and Management has exercised their judgement and made best estimates where deemed necessary.

The Group has designed and maintained its accounting systems, related internal controls and supporting procedures, to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorised use or disposal. These supporting procedures include careful selection and training of qualified staff, the implementation of organisation and governance structures providing a well defined division of responsibilities, authorisation levels and accountability for performance, and the communication of the Group's policies, procedures manuals and guidelines of the Bank of Mauritius throughout the Group.

The Group's Board of Directors, acting in part through the Audit Committee and Corporate Governance Committee which comprises independent directors, oversees Management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

The Group's Internal Auditor, PwC who has full and free access to the Audit Committee, conducts a well designed program of internal audits. In addition, the Group's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

Pursuant to the provisions of the Banking Act 2004, the Bank of Mauritius makes such examination and inquiry into the operations and affairs of the Group, as it deems necessary.

The Group's external auditors, Ernst and Young, have full and free access to the Board of Directors and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

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Mr. P. Neerunjun	Mr M. Bheekhee	Mr. N. Dabeesingh
Chairperson	**Director**	**Chief Executive Officer**

Date: September 24, 2020

DIRECTORS' REMUNERATION AND BENEFITS

Remuneration and benefits received or due and receivable were as follows:

	FROM THE GROUP		FROM THE COMPANY	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Executive/Non-executive directors	14,465,421	15,011,750	13,529,421	13,285,685
	14,465,421	15,011,750	13,529,421	13,285,685

DONATIONS

There were donations of Rs 5,005,000 made in 2020 (2019: Rs 5,000) as disclosed in the Corporate Governance report.

AUDITORS

	THE GROUP		THE COMPANY	
The fees payable to the auditors were:	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Ernst and Young				
Audit	1,987,205	2,220,525	1,928,550	2,162,450
Other services **(Note 1)**	-	575,000	-	575,000
	1,987,205	2,795,525	1,928,550	2,737,450

Note 1

For 2019, the other services relate to a review of the liquidity risk management.

OBJECTIVES AND CORPORATE GOVERNANCE STRUCTURE

Corporate Governance is the process and framework used to direct and manage the business and affairs of 'The Mauritius Civil Service Mutual Aid Association Ltd' (thereafter referred to as 'Mutual Aid' or 'Company') with the objective of ensuring its safety and soundness and enhancing shareholders' value. The process and framework define the division of power and establishes mechanisms for achieving accountability between Board of Directors, Management and shareholders, while protecting the interests of depositors and taking into account the effects on other stakeholders such as creditors, employees, customers and the community.

Because of its special position of trust towards its various stakeholders, its Corporate Governance is a matter of paramount importance. The Mutual Aid is a highly leveraged institution with most of its funds coming from depositors. The guideline on Corporate Governance issued by the Bank of Mauritius and the National Code on Corporate Governance applies to Mutual Aid as a non-bank deposit taking institution. The relevant requirements of the Banking Act 2004 and the Companies Act 2001 have also been taken into account.

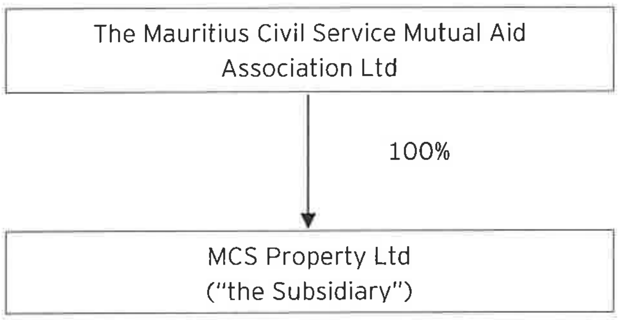
CORPORATE GOVERNANCE PRACTICES AND POLICIES

Mutual Aid's Corporate Governance system consists of the Board of Directors, Board Committees, Management, Internal and External Auditors, industry best practices as well as established policies and procedures across all operations. This framework ensures that the business and affairs of Mutual Aid are managed in a transparent and ethical manner and in the best interest of stakeholders in general and in particular the shareholders.

COMPLIANCE STATEMENT

Mutual Aid is committed to the highest standard of business integrity, transparency and professionalism in all its activities to ensure that the Company is managed ethically and responsibly to enhance business value for all stakeholders. As an essential part of this commitment, the Board subscribes to and is fully committed to complying with the National Code of Corporate Governance for Mauritius.

GROUP STRUCTURE



NATIONAL CODE OF CORPORATE GOVERNANCE FOR MAURITIUS

Principle 1: Governance Structure

The Mauritius Civil Service Mutual Aid Association Ltd is headed by an effective Board of Directors. Responsibilities and accountabilities within the Mutual Aid are clearly identified.

The Board of Directors affirms that the Mutual Aid is a public interest entity as defined by law. According to the Financial Reporting Act, a public interest entity includes a financial institution regulated by the Bank of Mauritius, and therefore includes The Mauritius Civil Service Mutual Aid Association Ltd.

The Board of Directors affirms that Mutual Aid has applied all of the Principles contained in the National Code of Corporate Governance and assumes responsibility for leading and controlling Mutual Aid, as per legal and regulatory requirements applicable to the Company.

The Board has approved all the key guiding documents and policies and affirms each key governance role, as follows:

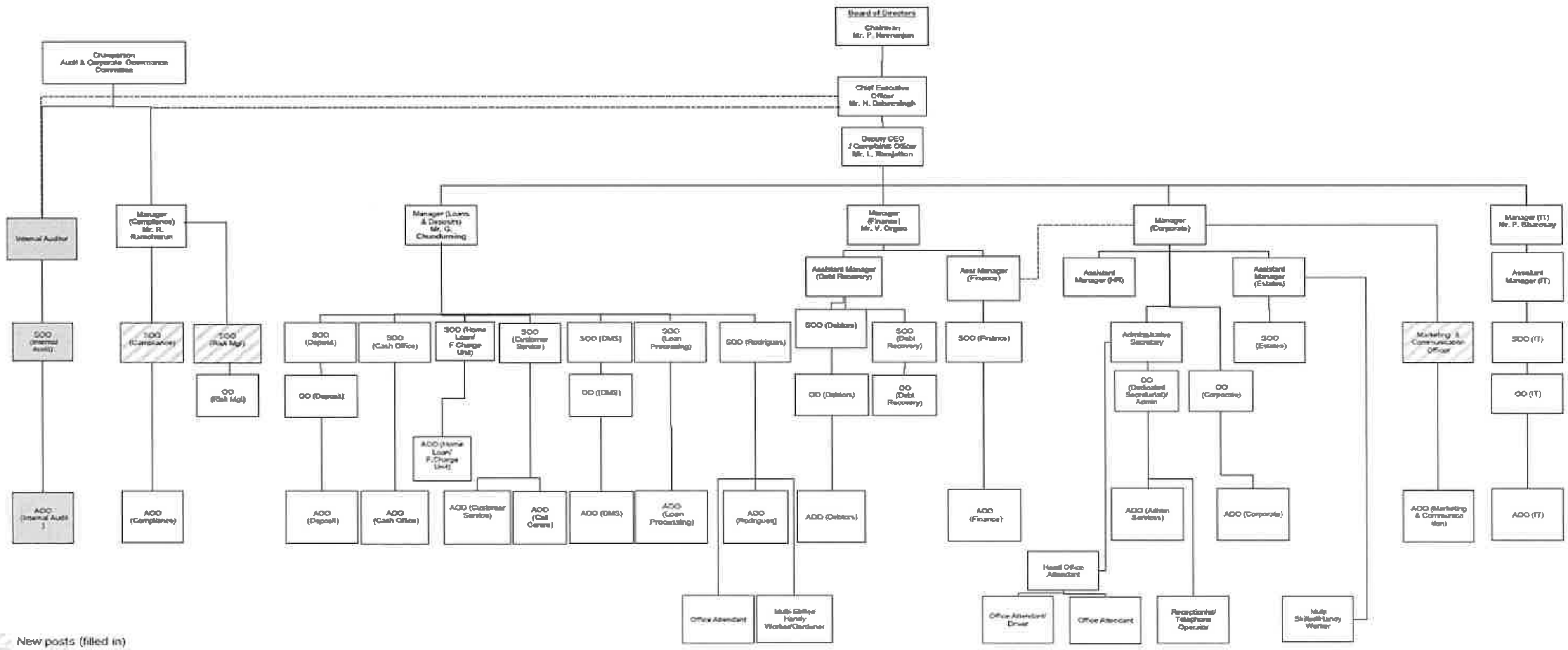
1. Its charter
2. Code of Ethics
3. Job description of the CEO
4. Organizational chart (See below)
5. Statement of major accountabilities

The job description of the CEO, who is also the Company Secretary, has been approved by the Board of Directors in 2012. For other key senior governance positions, it is as per Section 143 of the Companies Act.

The Board does not approve the Organisational structure (in full) each and every time except in the context of a salary review. However, once a change is made, e.g., creation of a post or unit, the structure is deemed amended accordingly.

Principle 1: Governance Structure (Continued)

Organisation Structure - MCS Mutual Aid Association Ltd as at June 2020 (Under Review)



New posts (filled in)
New posts (vacant)
SOO: Senior Operations Officer
OO: Operations Officer
ADO: Assistant Operations Officer
PF/06.01.2020

Principle 1: Governance Structure (Continued)

The Board as a whole is collectively responsible for promoting the success of the organisation by directing and supervising the Company's affairs.

The following are available on the website of the Mutual Aid:

- The Mutual Aid's constitution.
- Board of Directors' charter.
- Code of Ethics.
- Organisational Chart

Principle 2: The Structure of the Board and its Committees

The Board of Directors contains independently minded directors. It includes an appropriate combination of executive, independent and non-independent non-executive directors to prevent one individual or a small group of individuals from dominating the Board's decision taking. The Board of Directors is of a size and level of diversity that commensurate with the sophistication and scale of the Mutual Aid. Appropriate Board committees have been set up to assist the Board of Directors in the effective performance of its duties.

BOARD OF DIRECTORS

The Board has a unitary structure comprising independent directors. The Board of Directors is "balanced", that is, there is a mix of gender and executive and independent directors. There is one executive director appointed by the Board of Directors and 8 other directors appointed by the Minister of Finance as per the Constitution of the Mutual Aid.

The Board of Directors affirms that the independent directors do not have a relationship (other than as per normal market conditions as members) with Mutual Aid and affirms that none of the directors have a relationship with the majority shareholder. The Board consists of more than two independent directors.

As per the Mauritius Civil Service Mutual Aid Association Act, the Board of directors of the Company (size and composition) is appointed by the Minister of Finance. The Board consists of 9 directors which is considered of adequate size and represents various interests. All directors are residents of Mauritius. There are currently 3 women among the 9 directors.

The Board Charter, including powers and duties of Directors are set out in the Company's Constitution. The Board formulates the strategic objectives and plans of Mutual Aid, sets corporate objectives and budgets, oversees the operations and delegates authority to Management to implement strategies, plans and policies approved by the Board.

The Board charter is reviewed whenever there are changes in legislation and/or at the discretion of the Board.

DIRECTORATE AND MANAGEMENT

Board of Directors Profile

The Board is comprised of nine directors as at June 30, 2020. Their profiles as at June 30, 2020 are provided below:

1. **Mr Premode Neerunjun** (Independent Director) is the Chairperson of the Board and Chairperson of the Mutual Aid Foundation Committee. He has a Graduate Diploma in Business (Curtin University), a BSc in Economics and Management (University of London) and an MSc in Public Policy and Administration (University of Mauritius).

2. **Mr Mahensingh Bheekhee** (Non-executive Director) is the vice Chairperson of the Board and acts as Chairperson of the Finance and Risk Management Committee. He is the holder of a BSc (Hons) Economics from University of Mauritius and an MSc in Financial Economics.

Principle 2: The Structure of the Board and its Committees (Continued)

DIRECTORATE AND MANAGEMENT (CONTINUED)

Board of Directors Profile (Continued)

3. **Mr Hurry Premchand Hookoom** (Independent Director) is the Vice Chairperson of the Board and acts as Chairperson of the Staff Committee. He is the holder of a BSc (Hons) Human Resource Management from University of Technology Mauritius.

4. **Mr Jean Bruneau Dorasami** (Non-executive Director) is a Member of the Board. He is the holder of a Diploma in Personnel Management and Industrial Relations from the College of Professional Management, Great Britain.

5. **Mr Vishnoorow Luximon** (Independent Director) is a Member of the Board and acts as Chairperson of the Audit and Corporate Governance Committee. He is the holder of a BA Hons Mathematics from University of Delhi. He was appointed on June 17, 2019.

6. **Mrs Nisha Devi Manic** (Independent Director) is a Member of the Board and acts as Chairperson of the Conduct Review Committee. She is the holder of a Diploma in Agricultural Science and Technology, BSc. (Hons) Horticulture with First Class Honours, Diploma in International Post-Graduate Course on Environmental Management for Developing and Emerging Countries, MSc in Environmental Management and Commonwealth Executive Master of Business Administration with Distinction (MBA). She was appointed on June 17, 2019.

7. **Miss Marie Claudine Josiane Lilette Paya** (Independent Director) is a Member of the Board and acts as Chairperson of the Investment Committee. She is the holder of a Diploma in Law & Management and BA in Legal Studies & Management. She was appointed on June 17, 2019.

8. **Miss Khatidia Rajabalee** (Independent Director) is a Member of the Board and acts as Chairperson of the Superannuation & Pension Fund Committee. She is the holder of a Teacher's Diploma in English & French, MIE and B.Ed Hons (French) from the University of Mauritius. She was appointed on June 17, 2019.

9. **Mr Nityanandsingh Dabeesingh** (Executive Director) is a Member of the Board and the Chief Executive Officer of the Mutual Aid Association. He is the holder of a Diploma in Economics & Social Studies, and a Fellow Member of the Association of Chartered Certified Accountants (FCCA). He is also a Fellow Member of the Mauritius Institute of Directors (MIOD) and a member of the Mauritius Institute of Professional Accountants (MIPA). He is also the Company Secretary of the Mutual Aid Association and joined as General Manager of the Company in October 1993.

Principle 2: The Structure of the Board and its Committees (Continued)

DIRECTORATE AND MANAGEMENT (CONTINUED)

Board of Directors Profile (Continued)

SN.	Directors	Type of Directorship at MCS Mutual Aid	Internal Directorship at MCS Property Ltd	Type of Directorship for MCS Property
1	NEERUNJUN, Mr Premode	Independent Director	No	
2	BHEEKHEE, Mr. Mahensingh	Non-executive Director	Yes	Non-executive Director
3	HOOKOOM, Mr Hurry Premchand	Independent Director	No	
4	DORASAMI, Mr. Jean Bruneau	Non-executive Director	Yes	Non-executive Director
5	LUXIMON, Mr Vishnoorow	Independent Director	No	
6	MANIC, Mrs Nisha Devi	Independent Director	No	
7	PAYA, Miss Marie Claudine Josiane Lilette	Independent Director	No	
8	RAJABALEE, Miss Khatidia	Independent Director	No	
9	DABEESINGH, Mr. Nityanandsingh	Executive Director	Yes	Non-executive Director

The directors consider the requirement for external directorship in other organisations to be commercially sensitive information and regard it as not being in the interest of Mutual Aid to make such disclosure.

OTHER DIRECTORSHIP OF DIRECTORS IN LISTED COMPANIES

None of the directors listed above have directorship in listed companies.

DIRECTORS OF MCS Property Ltd

The directors of the Mutual Aid's subsidiary as at June 30, 2020 were as follows:

SN.	NAME OF DIRECTORS
1.	Mr Jean Bruneau DORASAMI
2.	Mr Nundlall BASANT ROI
3.	Mr Poonit RAMJUG
4.	Mr Mahensingh BHEEKHEE
5.	Mr Nityanandsingh DABEESINGH

Principle 2: The Structure of the Board and its Committees (Continued)

ROLE OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS

An Executive Director means a member of the board who is in full time employment of the financial institution whereas a Non-Executive Director means a member of the board who is not an executive director and who is not associated with the day to day activities of the financial institution.

A. Executive Directors.

Where a director also holds office as an executive, the director shall exercise that degree of care, diligence and skill which a reasonably prudent and competent executive in that position would exercise.

B. Non-Executive Directors.

Non-executive directors have the same general legal responsibilities to the organisation as any other director.

In addition, the role of the non-executive director has the following key elements:

Strategy: Non-executive directors should constructively challenge and contribute to the development of strategy;

Performance: Non-executive directors should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;

Risk: Non-executive directors should satisfy themselves that financial information is accurate, and that financial controls and systems of risk management are robust and defensible; and

People: Non-executive directors are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing, and, where necessary, removing senior management and in succession planning.

MANAGEMENT PROFILE

1. **Mr Nityanandsingh DABEESINGH** is the Chief Executive Officer of the Mutual Aid Association. He is the holder of a Diploma in Economics & Social Studies and a Fellow Member of the Association of Chartered Certified Accountants (FCCA). He is also a Fellow Member of the Mauritius Institute of Directors (MIOD) and a member of the Mauritius Institute of Professional Accountants (MIPA). He is also the Company Secretary of the Mutual Aid Association and joined as General Manager of the Company in October 1993.

2. **Mr Lutchmansing RAMJATTON** is the Deputy Chief Executive Officer of Mutual Aid. He is the holder of a degree in Accounting (BSc (Hons)), is a Fellow Member of the Association of Chartered Certified Accountants (FCCA) and has a Master's Degree in Finance. He is also a member of the Mauritius Institute of Professional Accountants (MIPA). He joined Mutual Aid in June 2008 after several years as Financial Controller at the National Transport Corporation.

3. **Mr Ramdass GOORIAH** was the Manager (Corporate) of Mutual Aid from November 2007 to January 28, 2020. He held a Diploma in Personnel Management from the University of Mauritius; was a Fellow of the Institute of Chartered Secretaries and Administrators (FCIS) of UK and possessed an MBA from the University of Technology, Mauritius. Before joining the Company, he reckoned extensive experience at various levels both in the Government and parastatal sectors since October 1971. Mr. Gooriah will be remembered for his dedication, commitment and mindset.

4. **Mr Rajendranath BHAROSAY** is the Manager (IT) of Mutual Aid. He holds a degree from the British Computer Society and is the holder of the ITIL Foundation Certificate and possesses an MBA from the AMITY Institute of Higher Education. He is a member of the Information Systems Audit and Control Association (ISACA) and has successfully completed the CISA (Certified Information System Auditor) exam. He also holds a Honours Diploma in Network-Centered Diploma from NIIT and a Diploma from the Institute for the Management of Information Systems (IMIS). He joined the Company in April 2008.

5. **Mr Rajnish RAMCHURUN** is the Manager (Compliance) of Mutual Aid. He holds a Master's in Business Administration (MBA), is a Fellow Member of the Association of Chartered Certified Accountants (FCCA) and is also a member of the Mauritius Institute of Professional Accountants (MIPA). He also possesses a Degree in Management. He joined the Association in January 2012 and he has over ten years of auditing and compliance experience, mainly in the Banking sector.

Principle 2: The Structure of the Board and its Committees (Continued)

MANAGEMENT PROFILE (CONTINUED)

6. **Mr Gujsensing CHUNDUNSING** is the Manager (Loans and Deposits) of Mutual Aid. He is a qualified management accountant from the Chartered Institute of Management Accountants (CIMA) and possesses an MBA from the AMITY Institute of Higher Education. He joined the Company in January 2012 after several years as Manager (Finance, Commercial, Office and Administrative) in the Textile, Manufacturing and Global Business sectors.

7. **Mr Varma ORGOO** is the Manager (Finance) of Mutual Aid. He holds a degree in Accounting and Finance and has an MBA from Heriot-Watt University, Edinburgh Business School, Scotland. He is also a Fellow Member of the Association of Chartered Certified Accountants (FCCA) and of the Mauritius Institute of Professional Accountants (MIPA). He started his career in the offshore sector prior to joining the banking sector. After several years in the Accounting and Treasury Department in the Banking sector, he joined Mutual Aid in August 2005.

ROLE OF CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

In line with the requirement of the National Code of Corporate Governance of Mauritius and the Bank of Mauritius Guidelines, the roles of the Chairperson and the Chief Executive Officer are separate. The Board is currently led by the Chairperson, Mr. Premode Neerunjun and the executive management of the Mutual Aid is the responsibility of the Chief Executive Officer, Mr. Nityanandsingh Dabeesingh.

ROLE OF CHAIRPERSON

The chairperson is responsible for:

- Directing and chairing board meetings
- Facilitating the effective contribution and encouraging active engagement by all members of the board.
- Ensuring that new directors participate in a full, formal and tailored induction programme, facilitated by the company secretary.
- Ensuring effective communication with shareholders.
- Arranging for the chairmen of board committees to be available to answer questions at the Annual Meeting and for the directors to attend.

In addition, the chairperson should:

i. Set the ethical tone for the board and the company and uphold the highest standards of integrity and probity.
ii. Set the agenda, style and tone of board discussions to promote effective decision making and constructive debate.
iii. Ensure that they are fully informed about all issues on which the board will have to make a decision, through briefings with the chief executive, the company secretary, and members of the executive management as appropriate.
iv. Ensure clear structure for, and the effective running of board committees.
v. Ensure effective implementation of board decisions.
vi. Promote effective relationships and open communication between executive and non- executive directors both inside and outside the boardroom, ensuring an appropriate balance of skills and personalities.
vii. Building and maintaining stakeholders trust and confidence in the company and in conjunction with the CEO, representing the company to key stakeholders.
viii. With the assistance of the company secretary, promote the highest standards of corporate governance. If full compliance is not possible, ensure that the reasons for non-compliance are fully understood, agreed by the board and explained to shareholders.
ix. Ensure an appropriate balance is maintained between the interests of shareholders and other stakeholders (employees, customers, suppliers and the community).
x. Ensure the long-term sustainability of the business.
xi. Ensure the continual improvement in quality and calibre of the executives.
xii. Establish a close relationship of trust with the CEO and managers, providing support and advice while respecting executive responsibility.
xiii. Ensuring effective communication with shareholders and other stakeholders.

Principle 2: The Structure of the Board and its Committees (Continued)

ROLE OF CHIEF EXECUTIVE OFFICER

Consistent with the direction given by the board, the Chief Executive Officer (CEO) implements business strategies, risk management systems, risk culture, processes and controls for managing the risks to which the financial institution is exposed and concerning which it is responsible for complying with laws, regulations and internal policies. This includes comprehensive and independent risk management, compliance and audit functions as well as an effective overall system of internal controls. The CEO recognises and respects the independent duties of the risk management, compliance and internal audit functions and does not interfere in the exercise of such duties.

The CEO provides adequate oversight of those they manage and ensure that the financial institution's activities are consistent with the business strategy, risk appetite and the policies approved by the board.

The CEO is responsible for delegating duties to staff. It should establish a management structure that promotes accountability and transparency throughout the financial institution.

The CEO provides the board with the information it needs to carry out its responsibilities. In this regard, the CEO should keep the board regularly and adequately informed of material matters, including: changes in business strategy, risk strategy/risk appetite; the financial institution's performance and financial condition; breaches of risk limits or compliance rules; internal control failures; legal or regulatory concerns; and issues raised as a result of the financial institution's whistleblowing procedures.

The CEO is directly responsible for the day to day operations of the financial institution and shall be conversant with the state of internal control, the prevailing legislation as well as current issues impinging the financial sector.

ROLE AND FUNCTION OF THE COMPANY SECRETARY

Mr Nityanandsingh Dabeesingh is the Company Secretary of Mutual Aid. The role and functions of the Company Secretary are as follows:

(a) providing the Board with guidance as to its duties, responsibilities and powers:
(b) informing the Board of all legislation relevant to or affecting meetings of shareholders and directors and reporting at any meetings and the filing of any documents required of the company and any failure to comply with such legislation;
(c) ensuring that minutes of all meetings of shareholders or directors are properly recorded, and all statutory registers are properly maintained;
(d) certifying in the annual financial statements of the company that the company has filed with the Corporate and Business Administrative Department all such returns as are required of the company;
(e) ensuring that a copy of the company's annual financial statements and, where applicable, the annual report is available to every person entitled to such statements.

BOARD COMMITTEES

The Board Committee structure is designed to assist the Board in the discharge of its duties and responsibilities. Each committee has its own charter which has been approved by the Board. Through the deliberations and reporting of its various committees, the Board ensures that Management's daily actions are in line with the Board's objectives and regulatory requirements. The current Board Committees are as follows:

- Audit and Corporate Governance Committee.
- Finance and Risk Management Committee.
- Staff Committee.
- Mutual Aid Foundation Committee
- Conduct Review Committee.
- Investment Committee.

Principle 2: The Structure of the Board and its Committees (Continued)

Audit and Corporate Governance Committee

This committee has been set up to assist the Board in fulfilling part of its duties and responsibilities, providing a link between the Board, internal audit and external auditors. It has also been established to determine and develop Mutual Aid's general policy on Corporate Governance in accordance with the applicable Code of Corporate Governance.

(a) Terms of Reference

The Committee shall focus on and make recommendations to the Board on matters pertaining to:

- the functioning of the internal control system;
- the functioning of the Compliance Department;
- the risk areas of the Company's operations to be covered in the scope of the internal and external audits;
- the reliability and accuracy of the financial information provided by Management to the Board and other users of financial information;
- whether the Company should continue to use the services of the current external and internal auditors;
- any accounting or auditing concerns identified as a result of the internal or external audits;
- the Company's compliance with legal and regulatory requirements with regard to financial matters;
- the scope and results of the external audit and its cost effectiveness, as well as the independence and objectivity of the external auditors;
- the nature and extent of non-audit services provided by the external auditors, where applicable;
- the financial information to be published by the Board.

The Committee meets each quarter and fulfills its responsibilities for the year in compliance with its terms of reference. The Chairperson of the Committee informs the Board of the Mutual Aid on any matter which it should be made aware of.

The members of the Audit and Corporate Governance Committee are:

- Luximon, Mr Vishnoorow (Independent Director) - Chairperson
- Paya, Miss Marie Claudine Josiane Lilette (Independent Director) - Member
- Manic, Mrs Nisha Devi (Independent Director) - Member
- Ramchurun, Mr Rajnish - Secretary

The charter is reviewed whenever there are changes in legislation and/or at the discretion of the Board.

Finance and Risk Management Committee

The Finance and Risk Management Committee monitors the treasury management of Mutual Aid and looks after finance and risks matters.

(a) Terms of Reference

The Committee shall focus and make recommendations to the Board mainly on matters pertaining to:

- liquidity position;
- finance and risk management matters;
- Performance and Financial Statements;
- Funding requirements;
- Strategies relating to products and investment;
- Rates of interest;
- Procurement as per Section 16 of the Financial Management and Procurement Handbook;
- Valuation of Funds.

Principle 2: The Structure of the Board and its Committees (Continued)

Finance and Risk Management Committee (Continued)

The members of the Finance and Risk Management Committee are:

- Bheekhee, Mr Mahensingh (Non-executive Director) - Chairperson
- Dorasami, Mr Jean Bruneau (Non-executive Director) - Member
- Rajabalee, Miss Khatidia (Independent Director) - Member
- Dabeesingh, Mr Nityanandsingh (Executive Director) - Member
- Orgoo, Mr Varma - Secretary

The charter is reviewed whenever there are changes in legislation and/or at the discretion of the Board.

Staff Committee

The Staff Committee is responsible to look after appointment, welfare and conditions of service of staff.

(a) Terms of Reference

(i) The Committee shall focus on and make recommendations to the Board mainly on matters pertaining to:

- recruitment
- appointment
- remuneration
- conditions of service
- discipline
- industrial Relations
- staff welfare
- training and productivity

(ii) Where necessary, the Committee shall, with the concurrence of the Board, have recourse to the services of consultants/experts. The Committee shall, together with the Chief Executive Officer, ensure:

- the promotion of sound industrial relations;
- a staff development programme and a clear succession plan;
- that the procedures laid down regarding recruitment, appointment and discipline as approved by the Board are complied with
- that the statutory provision relating to Health and Safety are observed.

The members of the Staff Committee are:

- Hookoom, Mr Hurry Premchand (Independent Director) - Chairperson
- Manic, Mrs Nisha Devi (Independent Director) - Member
- Dorasami, Mr Jean Bruneau (Non-executive Director) - Member
- Gooriah, Mr Ramdass - Secretary (Up to 28.01.2020)
- Fokeerchand, Mrs. Pooranjanee Luxmee - Secretary (As from 29.01.2020)

The charter is reviewed whenever there are changes in legislation and/or at the discretion of the Board.

Mutual Aid Foundation Committee

The above Committee is responsible to look after Corporate Social Responsibility of Mutual Aid.

The members of the Mutual Aid Foundation Committee are

Director and Management Level

- Neerunjun, Mr Premode (Independent Director) - President
- Bheekhee, Mr Mahensingh (Non-executive Director) - Vice-President
- Luximon, Mr Vishnoorow (Independent Director) - Member
- Ramjatton Mr Lutchmansing - Secretary/Treasurer

Principle 2: The Structure of the Board and its Committees (Continued)

Staff Level

- Ramtanon, Mr Didier- Member
- Lochun, Miss Ambika- Member
- Boyjonauth Naginlal-Modi, Mrs Dalicha- Member

The charter is reviewed whenever there are changes in legislation and/or at the discretion of the Board.

Conduct Review Committee

This Committee is responsible to review and approve related party transactions.

(a) Terms of Reference

(i) The Committee shall focus on and make recommendations to the Board on the following matters:

- require Management to establish policies and procedures to comply with the requirements of Bank of Mauritius Guideline on related party transactions.
- review the policies and procedures periodically to ensure their continuing adequacy and enforcement, in the best interests of the Company;
- review and approve each credit exposure to related parties;
- ensure that market terms and conditions are applied to all related party transactions;
- review the practices of the Company to ensure that any transaction with related parties that may have a material effect on the stability and solvency of the Company is identified and dealt with in a timely manner;
- report periodically and in any case not less frequently than on a quarterly basis to the Board of directors on matters reviewed by it, including exceptions to policies, processes and limits.

The members of the Conduct Review Committee are:

- Manic, Mrs Nisha Devi (Independent Director) - Chairperson
- Luximon, Mr Vishnoorow (Independent Director) - Member
- Rajabalee, Miss Khatidia (Independent Director) - Member
- Gooriah, Mr Ramdass - Secretary (Up to 28.01.2020)
- Fokeerchand, Mrs. Pooranjanee Luxmee - Secretary (As from 29.01.2020)

The charter is reviewed whenever there are changes in legislation and/or at the discretion of the Board.

Investment Committee

The Committee is responsible to:

- develop investment strategies to meet objectives approved by the Board;
- review the monthly statements of account and investment returns;
- review and monitor accounting and investment policies;
- provide financial and investment recommendations; and
- assess and recommend to the Board the appointment and termination of investment managers and monitor their performance.

The members of the Investment Committee are:

- Paya, Miss Marie Claudine Josiane Lilette (Independent Director) - Chairperson
- Bheekhee, Mr Mahensingh (Non-executive Director) - Member
- Hookoom, Mr Hurry Premchand (Independent Director) - Member
- Dabeesingh, Mr Nityanandsingh (Executive Director) - Member
- Orgoo Mr Varma - Secretary

The charter is reviewed whenever there are changes in legislation and/or at the discretion of the Board.

Principle 2: The Structure of the Board and its Committees (Continued)

BOARD ATTENDANCE

SN.	Directors	Board meeting	Staff Committee	Finance and Risk Management Committee	Audit & Corporate Governance Committee	Mutual Aid Foundation Committee	Investment Committee	Conduct Review Committee
1	Neerunjun, Mr Premode	7/10	N/A	N/A	N/A	9/9	N/A	N/A
2	Bheekhee, Mr Mahensingh.	9/10	N/A	12/12	N/A	9/9	2/2	N/A
3	Hookoom, Mr Hurry Premchand	7/10	6/10	N/A	N/A	N/A	1/2	N/A
4	Dorasami, Mr Jean Bruneau	10/10	10/10	12/12	N/A	N/A	N/A	N/A
5	Dabeesingh, Mr Nityanandsingh	10/10	9/10	11/12	N/A	8/9	2/2	N/A
6	Luximon, Mr Vishnoorow	8/10	N/A	N/A	5/6	7/9	N/A	4/5
7	Manic, Mrs Nisha Devi	9/10	7/10	N/A	5/6	N/A	N/A	5/5
8	Paya, Miss Marie Claudine Josiane Lilette	10/10	N/A	N/A	6/6	N/A	2/2	N/A
9	Rajabalee, Miss Khatidia	10/10	N/A	9/12	N/A	N/A	N/A	5/5

OTHER COMMITTEES

Asset and Liability Committee (ALCO)

The Mutual Aid also has an Asset and Liability Committee (ALCO) whose aim is to properly manage risk relating to changes in interest rates and the mix of balance sheet assets and liabilities. The business issues that the ALCO can consider, inter alia, includes product pricing for both deposits and advances, as well as desired maturity profile of the assets and liabilities

TRANSPARENCY AND DISCLOSURES FROM BOARD COMMITTEES TO THE BOARD OF DIRECTORS

All papers tabled to the committees and discussions recorded in minutes of meeting of **all** Board committees are sent to the Board of Directors for analysis and discussion.

INDEPENDENCE OF BOARD COMMITTEES

All Board committees are chaired by independent or non-executive directors, where all issues are independently analyzed, reviewed and discussed.

MEETINGS OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES

The Board and the sub-committees of the Board meet regularly in compliance with the guidelines and the ground rules approved by the Board.

The details of attendances of Board instances by each Director are as above.

Principle 3: Director Appointment Procedures

As per the Mauritius Civil Service Mutual Aid Association Act, the directors of the Company are appointed by the Minister of Finance. There is a formal, rigorous and transparent process for the appointment, election, induction and re-election of directors. The search for Board candidates is conducted, and appointments made, on merit, against objective criteria (to include skills, knowledge, experience, and independence and with due regard for the benefits of diversity on the Board of Directors, including gender). The Board of Directors ensures that a formal, rigorous and transparent procedure is in place for planning the succession of all key officeholders.

With regards to succession planning, the Board assumes its responsibilities for it and affirms that a succession plan has been developed. Whilst for the appointment of directors, it is the prerogative of the Minister of Finance to appoint the Board of Directors every 3 years as per the Constitution of the Company.

The Board confirms that there were 4 new directors for the period July 01, 2019 to June 30, 2020 and assumes its responsibilities for induction of new directors to the Board.

Refer to biography of directors on Pg. 4(c) - Pg. 4(d).

TRAINING OF STAFFS

The Mutual Aid follows a policy of ensuring that it has skilled, knowledgeable and competent staff to meet both its present and future needs. To that effect, in the context of a human resource development strategy, it promotes a continuous learning environment and the staffs are being sponsored to attend both local and international training events in order to enhance their skills and knowledge.

TRAINING OF DIRECTORS

For the orientation program, these are done for new directors. The refresher programs are done regularly whereby management tables to the Board, through the Finance and Risk Management Committee, various risk management concepts, financial and liquidity ratios and other technical concepts for the benefits of Board members. Also, members of the Board are informed of updates in banking laws through the Audit and Corporate Governance Committee. During board meetings, the directors are apprised of market trends, products and risks.

The Board of Directors has reviewed the professional development and ongoing education of directors. At the Board level itself, the directors are briefed on news regulations and on the market and competitor environment. This is also done at yearly strategic meeting.

Principle 4: Director Duties, Remuneration and Performance

The directors are aware of their legal duties. They observe and foster high ethical standards and a strong ethical culture in the Company. Each director allocates sufficient time to discharge his or her duties effectively. Conflicts of interest is disclosed and managed. The Board of Directors is responsible for the governance of Mutual Aid's Information Strategy, Information Technology and Information Security. The Board of Directors, committees and individual directors are supplied with information in a timely manner and in an appropriate form and quality in order to perform to required standards. The Board of Directors, committees and individual directors have their performance evaluated and are held accountable to appropriate stakeholders. The Board of Directors is transparent, fair and consistent in determining the remuneration policy for senior executives.

The Directors are aware of their legal duties. The Board of Directors regularly monitors and evaluates compliance with its code of ethics which is regularly reviewed.

Principle 4: Director Duties, Remuneration and Performance (Continued)

DIRECTORS' AND SENIOR OFFICERS' INTERESTS AND DEALING

The direct interest of directors of Mutual Aid in the equity capital of the Mutual Aid as at June 30, 2020 is given below:

SN.	NAME	NO. OF ORDINARY SHARES
1	Neerunjun, Mr Premode	24
2	Bheekhee, Mr Mahensingh	24
3	Hookoom, Mr Hurry Premchand	32
4	Dorasami, Mr Jean Bruneau	24
5	Manic, Mrs Nisha Devi	24
6	Luximon, Mr Vishnoorow	64
7	Paya, Mrs Marie Claudine Josiane Lilette	24
8	Rajabalee, Miss Khatidia	24
9	Dabeesingh, Mr Nityanandsingh	NIL

No shares were bought and sold for year ended June 30, 2020. Senior officers did not hold any share in the equity capital of the Mutual Aid during the period under review.

The Board of Directors affirms that all conflicts-of-interest (if any) and related-party transactions have been conducted in accordance with the Conflicts-of-interest Policy, related-party transactions policy and the Code of Ethics.

INFORMATION TECHNOLOGY AND IT SECURITY

The Board of Directors affirms that an Information Technology Policy and an Information Security Policy exist.

The IT Policy has been approved by the Board of Directors in April 2015 and October 2019 (latest update) and it contains confidential information for internal use only.
The Board oversees information governance through the information that are submitted in the various Board sub-committees and through the monthly CEO's report to the Board of Directors.

The right of access to information is in accordance with Companies Act 2001, Section 206 as follows:

(1) The Board of a company shall ensure that an auditor of the company has access at all times to the accounting records and other documents of the company

(2) An auditor of a company is entitled to receive from a Director or employee of the company such information and explanations as he thinks necessary for the performance of his duties as auditor.

(3) Where the Board of a company fails to comply with subsection (1), every director shall commit an offence and shall, on conviction, be liable to a fine not exceeding 200,000 rupees.

(4) A Director or employee who fails to comply with subsection (2) shall commit an offence and shall, on conviction, be liable to a fine not exceeding 200,000 rupees.

(5) It shall be a defence to an employee charged with an offence under subsection (4) where the employee proves that:

    (a) he did not have the information required in his possession or under his control; or
    (b) by reason of the position occupied by him or the duties assigned to him, he was unable to give the explanations required as the case may be.

Principle 4: Director Duties, Remuneration and Performance (Continued)

Authority for Procurement

Depending on the size of the expenditure, the prior sanction of the Chief Executive Officer or the Chairperson of the Finance Committee is required as follows for initiating any procurement exercise:

Value of Procurement	Approval Mode
Up to Rs 200,000	By the CEO without covering approval of the Finance Committee subject to all procedures being followed.
More than Rs200,000 and up to Rs500,000	By the CEO with covering approval of the Finance Committee.
Rs500,000 and above	With prior approval of the Board

Procurement Methods

The procurement method relating to IT expenditures adopted may vary according to the nature of the procurement, the size of the expenditure, the requirement, the circumstances, and the market. For example, there may be no need for complicated, expensive procurement processes when purchasing low risk, low value products or services. A procurement method of some complexity may be appropriate where risks are greater and/or the requirement is of high value or strategic importance.

Taking into account the above, any of the following methods (among others) considered most suitable for a specific procurement exercise may be adopted: (i) Direct purchase; (ii) Request for Quotation (Shopping Method); (iii) Limited Tender; (iv) Open Tender; or (v) Direct Contracting.

Request for Quotation (Shopping Method)

Shopping consists of comparing quotations from not less than three suppliers and subject to ready availability. This method is suitable for readily available off-the-shelf goods and commodities, and where smaller value items are needed or urgently needed for follow-up order on repetitive procurement. This method may also be used for procurement of works and services (e.g. works for maintenance/repairs, catering services etc.). The value of procurement under this method shall not exceed Rs100,000 or Rs25, 000/commodity.

Limited Tender

Under this method, a limited number of suppliers are, after pre-selection or prequalification, invited to submit offers. This method is suitable for standard items or where, in view of the structure in technology market environment, only a limited number of suppliers are capable to participate.

The limited solicitation is also suitable where due to certain technical characteristics open solicitation is not amenable or where the market structure justifies the use of limited competitive proceedings.

Direct Contracting

Direct Contracting means a contract directly awarded to a supplier without formal solicitation. At the Mutual Aid, Direct Contracting is used mainly for renewal of specialized services, for e.g. Annual Technical Support and Maintenance.

Direct Contracting may be resorted: (i) to meet a situation of emergency; (ii) to effect maintenance where goods and supplies are readily available from a single source; (iii) where goods are obtainable only from one source; (iv) where there is a permissible extension of contract; and (v) where a tender exercise is not considered practical e.g. procurement of an art work, or services of an artist; and (vi) for items directly related to security, requiring utmost discretion and strict confidentiality.

Procurement Committees

The Committees involved in procurement shall be as follows (i) Committee for Opening of Tenders / Quotations; (ii) Committee for Technical Evaluation; and (iii) Committee for Financial Evaluation.

Principle 4: Director Duties, Remuneration and Performance (Continued)

Procurement Committees (Continued)

The powers and functions of the Procurement Committees shall be as follows: (i) to approve solicitation documents; (ii) to prequalify/preselect suppliers; (iii) to invite, examine and evaluate offers; (iv) to appoint evaluators, where necessary; and (v) to recommend the award of contracts as the case may be.

Committee for Opening of Tenders / Quotations
Chairperson: Manager (Loan and Deposits)
Member: Assistant Manager (Estates)
Member: Administrative Secretary

Committee for Technical Evaluation
Chairperson: Manager (IT)
Member: Assistant Manager (HR)
Member: Senior Operations Officer (Estates)

The Technical Evaluation Committee shall make a technical evaluation of proposals received by reference to compliance with specifications as follows:

1) Scope of Works - Whether the proposal address each requirement and goal set forth in the scope of works:

   - Ability to demonstrate a firm understanding of the requirements and goals set forth in the scope of works
   - Whether the proposal provide technical solutions to indicated requirements and goals to be met on schedule

2) General Experience of Bidder: - Successful project experience of similar nature and complexity

3) Personnel Capabilities - Furnish a resume for proposed key personnel (supervisory and technical) Equipment Capabilities - Type, characteristics, minimum number and availability of key equipment

4) Equipment Capabilities - Type, characteristics, minimum number and availability of key equipment

Committee for Financial Evaluation
Chairperson: The Deputy Chief Executive Officer
Member: Manager (Finance)
Member: Examiner

Other Officers, depending on the nature of the procurement, may be co-opted to form part and assist the above Committees, whenever required.

(i) If required, resource persons from relevant fields may be called upon to form part of the Committees;
(ii) Each paper qualified to be tabled to the Committee shall consist of a report of the Technical Evaluation Committee with mandatory disclosure as to whether a bid is "responsive";
(iii) The pass mark and terms of marking should be well reference.

STATEMENT OF REMUNERATION AND COMPENSATION POLICY

The remuneration of Directors of the Company is determined by the Minister of Finance. The policy is governed by Section 159 of the Companies Act 2001 and is reviewed whenever there are changes in legislation and/or at the discretion of the Board.

When the Minister of Finance appoints the directors under the Mutual Aid Act, the terms and conditions of remuneration are also specified. For executive director, the remuneration is reviewed and approved by the Board of Directors.

The authority to determine the remuneration of Directors is delegated to the Minister of Finance while that of Senior Executives is delegated to the Board. Executive remuneration packages are prudently designed to attract, motivate and retain executive management and senior management of high calibre needed to maintain Mutual Aid's position in the market. They are also designed to reward them for enhancing Mutual Aid's performance.

Principle 4: Director Duties, Remuneration and Performance (Continued)

REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES AND KEY EMPLOYEES

Aggregate Remuneration / Fees (Annual)	2020 - Rs.	2019 - Rs.
Non-executive directors.	4,454,202	5,184,129
Senior Executives and Key Employees.	24,644,296	26,241,731

The directors consider the requirement for individual disclosure of director's remuneration to be commercially sensitive information and regard it as not being in the interest of Mutual Aid to make such disclosure.

The remuneration of Directors which is fixed by the Minister of Finance includes a fixed and variable proportion and there are no long-term incentive plans.

The payment of a bonus based on the profitability and performance of the Company shall be at the discretion of the Board. Such payment will be effected after the end of each financial year after the approval of the Company's accounts at the Annual Meeting and the quantum will be determined by the Board.

The distribution of bonus will be based on the performance of employees and their department, or in such manner as determined by the Company's Performance Management System (PMS) procedure.

The linkages of the PMS Assessment results to the payout of the productivity bonus are as follows:

(i) For financial year 2017/2018 - 100% linkage
(ii) For financial year 2018/2019 onwards - The bonus is determined by the Board at due time.

CONFLICTS OF INTEREST

In terms of the constitution of the Company, the Directors are required to disclose their interest in any matter placed before the Board for a decision.

On the recommendation of the Bank of Mauritius (BOM), the Board has also set up a Conduct Review Committee (CRC) to look into any case of related party transactions at Mutual Aid.

The company secretary maintains an interest register. The interest register is available for consultation to shareholders upon written request to the company secretary.

SHARE OPTION PLANS

There were no share option plans during the year under review.

BOARD SELECTION PROCESS

As per the Mauritius Civil Service Mutual Aid Association Act, the directors of the Company are appointed by the Minister of Finance.

BOARD AND BOARD SUB-COMMITTEES APPRAISAL

It is well known that effective Board evaluations produce value and improves Board performance. It is to be noted that no independent board evaluator was employed; to that effect, an annual self-evaluation of the Board of Directors through survey questionnaire is made every year after the audited Financial Statements have been released. The evaluation has been carried out in December 2019.

DIRECTORS' SERVICE CONTRACT

The Directors have no service contract with Mutual Aid.

Principle 5: Risk Governance and Internal Control

The Board of Directors is responsible for risk governance and ensures that Mutual Aid develops and executes a comprehensive and robust system of risk management. The Board ensures the maintenance of a sound internal control system.

The Board of Directors is responsible for the governance of risk and for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

Risk Management forms an integral part of Mutual Aid's business strategy and business planning processes. The Company's process for identifying and managing risks is set by the Board of Directors and delegated to the Finance and Risk Management Committee. Risks are identified and managed on a monthly basis by the members of the Finance and Risk Management Committee and reported accordingly to the Board of Directors.

Liquidity and credit risk are currently monitored by the Finance department. Liquidity risk is monitored on a daily, weekly, monthly, quarterly and yearly basis through reports, analysis, stress testing and forecasting. As regards to credit risk, such risk is identified through arrears and impairment reports.

The liquidity and cash flow reports are tabled to senior management on a daily basis and on a monthly basis to the Finance and Risk Management Committee. As regard to credit risk, the number and amount of impaired credits are reported to the Manager Finance on a monthly basis. The Finance and Risk Management Committee is appraised on the number of defaults and status of action taken on a monthly basis.

The risks are managed on an ongoing basis and the Company has adopted a more prudential approach as regards to liquidity requirement and provisioning.

The directors derive assurance that the risk management processes are in place and are effective by reviewing on a monthly basis the reports of the Finance and Risk Management Committee. The risk management mechanisms include development of strategies in respect of risks identified, the communication of policies to all levels of the organisation as appropriate, and processes that reduce or mitigate identified risks. Regular reports are submitted in the Finance and Risk Management Committee on risk issues such as stress test, capital adequacy, concentration of depositors, information on liquidity gaps and appropriate decisions are taken and reported to the Board of Directors. Liquidity ratios and cash flow forecast are tabled to the Finance and Risk Management Committee on a monthly basis. As regards to credit risk, the number of default and all new cases of arrears are also tabled to the Finance and Risk Management Committee on a monthly basis. The Finance and Risk Committee thereafter report the matter to the Board of Directors.

The principal risks and uncertainties faced by the Mutual Aid and the way in which each is managed are described as follows:

Credit risk

The Company takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises principally from the Company's loans granted.

Such risk is managed through regular review of loan arrears, followed by appropriate actions taken by management. Exposure to credit risk is also managed by obtaining personal guarantee of at least one guarantor for the main personal loan scheme. For home loan and fixed charge loan, credit risk is managed by obtaining collateral from the loanee.

Given the nature of the Company's activities which is to lend to members who are civil servants, the loan instalments are deducted at source from the members' salaries and remitted to the Company by the respective employers, thereby limiting the risk of default. Furthermore, in case the loanees who passed away, the loans are written off against the Mutual Solidarity Contribution Fund.

The Company is also performing stress test on its Capital Adequacy, whereby a worst-case scenario of a 10 per cent loan loss is considered. Under this scenario, the Company is still maintaining a Capital Adequacy Ratio of more than 10 per cent.

Principle 5: Risk Governance and Internal Control (Continued)

Market risk

Market risk is the risk that future cash flows of assets and liabilities will fluctuate because of changes in market interest rates. This is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company exercises a close follow-up on the market interest rates and adapts its interest margins in response to changes in the market rates.

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. Being a financial institution, the Company is subject to statutory obligations whereby it has to meet the Bank of Mauritius requirements in respect of liquidity ratio. The liquidity situation is reviewed regularly by the **Asset and Liability Committee (ALCO).**

The Company manages its liquidity risk by ensuring timely collection of receivables and also by availing credit facilities from banks. Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow and does not foresee any major liquidity risk over the next two years.

Uncertainties could be a sudden run down of deposits. Consequently, the Company is maintaining a Liquid Asset Ratio of more than 10 per cent and investing in high quality liquid assets such as treasury bills.

The risks that threaten the **business model,** the **future performance,** the **solvency and liquidity** of Mutual Aid are **credit risk and liquidity risk.** The risks are managed as described above.

The Board of Directors affirms that the Board has monitored and evaluated Mutual Aid's **strategic** risk, **financial** risk, **operational** risk and **compliance** risk.

Strategic risk is evaluated and monitored on a yearly basis in a **Strategic meeting in which members of the Board of Directors and Senior Management participates.**

Financial risks are mainly **credit**, **market** and **liquidity risks** as described above.

Operational risk is the risk of financial loss and business instability arising from failures in internal controls, operational processes or other supporting systems. It is understood that such risks cannot be entirely eliminated and the cost of controls in minimising these risks may outweigh the potential benefits. The operational risk and the financial risks which mainly credit, market and liquidity risks are described above and are monitored by the Finance and Risk Management Committee and the Board of Directors.

Compliance risk is the risk that the company fails to comply with existing statutory regulatory and compliance regulations, thereby impacting adversely on the Company's financial position and reputation. This is managed through continuous review of systems in place, adherence to company's procedure manuals and assignment of the compliance department independent of the normal course of transactions. The Compliance Department is well-structured with qualified staff members. The department ensures that the activities carried out are in conformity with the laws, regulations, and guidelines governing the non-bank deposit taking financial institutions and with the principles of good governance. Any departure is reported to the **Audit and Corporate Governance Committee.**

The Board of Directors provides assurance that by direction of the Board, management has developed and implemented appropriate frameworks and effective processes for the sound management of risk. The credit and liquidity risks are monitored by the Finance and Risk Management Committee. The Company is also implementing a Liquidity Risk Management Framework.

Principle 5: Risk Governance and Internal Control (Continued)

INTERNAL CONTROL

The systems and processes in place for implementing, maintaining and monitoring the internal controls is by setting up an effective Internal Audit function. The Company operates in a highly regulated environment. The Board is ultimately responsible for Mutual Aid's system of internal control and for reviewing its effectiveness. The internal audit function is independently carried out by PricewaterhouseCoopers (PwC), which reports to the Audit and Corporate Governance Committee on the Company's financial and operational controls and reviews the extent to which its recommendations have been implemented. The Board has set up a framework for an effective internal audit function. In that respect, Messrs PricewaterhouseCoopers was appointed as internal auditor, with principally the following duties and responsibilities, inter-alia:

- review of information systems and related internal controls;
- examination of financial and operating information for management;
- review of the economy, efficiency and effectiveness of operations and of the functioning of non-financial indicators and controls in this regard;
- review of the implementation of corporate policies, plans and procedures;
- special investigations, as requested by management.

The process by which the Board of Directors derives assurance that the internal control systems are effective is that all significant risk areas are covered by the internal audit and the internal audit plan is reviewed annually by the Audit and Corporate Governance Committee.

The internal Audit plan covers the areas of risks that may arise in the business activities of the Company. After each audit, reports are submitted by Messrs. PwC to Management and the Audit and Corporate Governance Committee members for analysis and discussion. These reports are thereafter submitted to the Board of Directors for review. Further, Mutual Aid has a Compliance Department which is tasked with ensuring that the activities carried out by the Company are in conformity with the laws, regulations, and guidelines governing non-bank deposit taking institutions.

There are no restrictions placed over right of access to records of management and employees. All significant risk areas are covered by the internal audit and the internal audit plan is reviewed annually by the Audit and Corporate Governance Committee.

There were no significant areas not covered by the Internal Control during the financial year ended June 30, 2020.

The Board of Directors acknowledges that there are no deficiencies and significant risks in the organisation's system of Internal Control.

The Company has a whistle-blowing policy whereby the following areas are covered:

Protection to staffs

All staffs are protected from victimisation, harassment or disciplinary action as a result of any disclosure, where the disclosure is made in good faith and is not made maliciously or for personal gain. Any disclosures will be investigated fully including interviews with all the witnesses and other parties involved.

Confidentiality

The identity of the whistleblower will be protected at all stages in any internal matter. While the Company can provide internal anonymity, it cannot guarantee this will be retained if external legal action flows from the disclosure. The Company is not accountable for maintaining confidentiality where the whistleblower has told others of the alleged misdemeanor.

Principle 5: Risk Governance and Internal Control (Continued)

Process for raising the concern

Individuals will have the opportunity to raise concerns through a dedicated email address: whistleblowing@mcsmutualaid.mu or they can make reports by mail. Postal reports should be sent to The Chairperson, Audit and Corporate Governance Committee, The Mauritius Civil Service Mutual Aid Association, 5 Guy Rozemont Square, Port Louis. Reports should be marked Private and Confidential, with reference "Whistleblowing". All whistleblowing disclosures made to the parties above will be treated as confidential and will be reported to the Board of Directors through the Audit and Corporate Governance Committee and the CEO. The whistleblower should make it clear that they are making their disclosure within the terms of the Company's whistleblowing policy. This will ensure the recipient of the disclosure realizes this and takes the necessary action to investigate the disclosure and to protect the whistleblower's identity. If the whistleblower is making a disclosure in relation to money laundering or bribery, they should follow the Company's Money Laundering Procedures or contact the MLRO for guidance.

Possible outcomes after reporting a concern

There will be no adverse consequences for anyone who reports a whistleblowing concern in good faith. However, any individual found responsible for making allegations maliciously or in bad faith may be subject to disciplinary action(s).

The whistleblower policy is reviewed yearly, and any updates are circulated to all staffs by email. The policy is also available online in a shared folder.

Principle 6: Reporting with Integrity

The Board of Directors presents a fair, balanced and understandable assessment of Mutual Aid's financial, environmental, social and governance position, performance and outlook in its annual report and on its website.

The Board of Directors is responsible for the preparation of accounts that fairly presents the state of affairs of Mutual Aid. The accounts adhere to International Financial Reporting Standards, International Accounting Standards and Companies Act. Any departure (if any) shall be disclosed, explained and quantified and any material uncertainties shall be identified in the reports of auditors.

ORGANISATIONAL OVERVIEW

The Mutual Aid created in 1893, is a non-bank financial institution under the Banking Act 2004 and operates as a public company under the Companies Act 2001.The Mutual Aid culture is based on the highest standard of business integrity, transparency and professionalism in all its activities to ensure that it is managed ethically and responsibly to enhance business value for all stakeholders. The Mutual Aid espouses corporate values geared to achieving Customer Delight, Commitment, Team Spirit, Personal Empowerment and Trust.

OVERVIEW OF THE EXTERNAL ENVIRONMENT

The organisation's principal market is mainly customers who are Mauritian citizens and its members are from the public sector. Significant factors affecting the external environment include aspects of the economic and financial issues that influence the organisation's ability to create value.

A more detailed overview of the external environment is in the Management and Discussion Analysis section.

BUSINESS MODEL

The business model of the Mutual Aid is primarily geared towards the needs of its members. Ever since its creation in 1893 as an Association, the Mutual Aid, has been successfully taking bold and concrete steps to achieve its vision of being the best financial partner of its customers. To that end, the Mutual Aid in the context of its mission to serve its members with the highest level of professionalism while adopting and responding to the ever-changing environment of the financial sector, has adopted a business model that constantly leverages on continuous product development, competitive pricing strategy and a high quality of customer service.

The principal output is loans to its members and its input is mainly deposits from the public. As regards to its loan activities, the Mutual Aid deals exclusively with its members on mutual basis. Regarding deposit taking activities, the Mutual Aid mobilizes fund from the general public as well as institutional investors.

Principle 6: Reporting with Integrity (Continued)

KEY PERFORMANCE INDICATORS, PERFORMANCE AND OUTLOOK.

The Board has identified the key performance indicators namely Customer Excellence, Align Information Technology (IT) with Mutual Aid Strategy, Processing Time for Loan Application and Good Corporate Governance amongst others. These are used to evaluate the performance of the organization. Concerning the outlook, the business segment in which the Mutual Aid operates is set to remain volatile, with continuing challenges and constraints that are unfortunately not within its control.

SUSTAINABLE DEVELOPMENT

In line with sustainability concept, Mutual Aid has sought to minimize the dependency on fossil fuels through increased utilization of renewable energy and a more efficient use of energy in general. Mutual Aid has thus installed solar air-conditioning system in its second building and makes maximum use of sunlight during the day. The use of paper has also decreased considerably through the use of pocket computers for meetings of Board of Directors and Board Committees.

ENVIRONMENTAL ISSUES

Environmental issues are vital to the economy of Mauritius, and the Mutual Aid is aware of the importance of these issues. To minimise any negative impact on the environment the Board has decided to go for E-Services to reduce paper use and delivery, so that it decreases overall carbon emissions. As already mentioned, use of solar air-conditioning system in its second building will also help to decrease overall carbon emissions.

HEALTH AND SAFETY ISSUES

The health and safety of staff members and visitors are of paramount importance to us and all reasonable measures are taken to ensure a sound and healthy working environment.

We have a Health and Safety Officer and with the help of the executive management identify Health and Safety risks, undertake assessment and report any discrepancies to the Health and Safety Committee. A Health and Safety Committee is held every two months.

SOCIAL ISSUES

Being conscious of the fact that pursuing economic interest needs to be balanced with social and environmental responsibility, the Association has set up the Mutual Aid Foundation to address its Corporate Social Responsibility (CSR) obligations. Funds devoted to CSR activities are channeled through the Foundation. The aim is to make a perceptible difference in people's lives by working closely with the community and ensuring that CSR funds are allocated to those in need via a more direct channel.

SOCIAL RESPONSIBILITIES

The Company believes in maintenance of harmonious industrial relations in order to achieve its objectives in the interest of both Mutual Aid and its employees. There is an open line of communication with the Employees' Union. Mutual Aid provides a work environment that is free from discrimination. It is an equal opportunity employer.

DONATIONS DURING THE FINANCIAL YEAR ENDED 2020

The donations relate mainly to the sponsorship for the Treasury Staff Club in connection with the Annual Kermess (Rs. 5,000), Special Sports Incentives (Rs. 4 million) and Covid-19 Solidarity Fund (Rs. 1 million).

POLITICAL CONTRIBUTIONS

No political contribution was made during the year under review.

THIRD PARTY MANAGEMENT AGREEMENT

There was no management agreement between third parties and the Company or its subsidiary during the year under review.

Principle 6: Reporting with Integrity (Continued)

SUBSIDIARY

The Mutual Aid has incorporated a wholly owned subsidiary (the MCS Property Ltd) in 2017 to own, manage and rent immovable properties including the buildings belonging to the Mauritius Civil Service Mutual Aid Association Ltd, the holding Company.

SHAREHOLDER RELATIONS AND COMMUNICATION

The Board aims at understanding properly the information needs of its shareholders and places great importance on an open and meaningful dialogue with all those involved with Mutual Aid. It ensures that shareholders are kept informed on matters affecting Mutual Aid. Besides official press communiqués and occasional letters to shareholders where appropriate, Mutual Aid's website is used to provide relevant information. Open lines of communication are maintained to ensure transparency and optimal disclosure. All Board members are requested to attend the Annual Meeting, to which all shareholders are invited.

MATERIAL CLAUSES OF THE CONSTITUTION

The constitution of Mutual Aid is in conformity with the provisions of the Companies Act 2001. There are no clauses of the constitution deemed material to be disclosed.

SHAREHOLDERS AGREEMENTS

There is currently no shareholders agreement affecting the governance of Mutual Aid by the Board.

SHAREHOLDING PROFILE AND VOTING RIGHTS

None of the shareholders holds more than 5% of the share capital of the Company. Only shareholders holding a permanent and pensionable post in or receiving a retirement pension from the Government of Mauritius are entitled to one vote.

DIVIDEND POLICY

Mutual Aid has adopted a policy of paying dividend depending upon its profitability and the need to conserve resources for further growth subject to prior approval by the Board and the Bank of Mauritius. In declaring and paying dividends, Mutual Aid rigorously complies with the legal requirements.

CALENDAR OF EVENTS

The calendar of events is as follows:

Event	**Month**
Financial Year end	June
Event	**Month**
Last Annual Meeting of shareholders	December
Declaration of dividend-Final	December
Forthcoming Annual Meeting of shareholders	December

INTEGRATED SUSTAINABILITY REPORTING

Mutual Aid is committed to the highest standards of integrity and ethical conduct in dealing with all its stakeholders. The Company has developed and implemented social, health and environmental policies and practices that in all material respects comply with existing legislative and regulatory frameworks. The health and safety of staff and visitors are of paramount importance to us and all reasonable measures are taken to ensure a sound and healthy working environment.

The Executive Management identifies Health and Safety risks, undertake assessment and reports any discrepancies to the Health and Safety Committee. A Health and Safety Committee is held every two months.

Mutual Aid is an equal opportunity employer and does not discriminate in any way with regard to race, religion or gender. Employment opportunities are publicly advertised.

Principle 6: Reporting with Integrity (Continued)

CORPORATE SOCIAL RESPONSIBILITY

Mutual Aid has for long been involved in activities designed to promote the interest of the community and the creation of a sustainable society. In line with government decision, Mutual Aid has dedicated an amount equivalent to 2% of chargeable income based on June 30, 2019 audited accounts to Corporate Social Responsibility (CSR) activities. However, as per government decision, only 25 % of the CSR fund was available to the Mutual Aid Foundation for use.

To maximize efficiency, funds devoted to CSR activities are channeled through a Foundation. The aim is to make a perceptible difference in people's lives by working closely with the community and ensuring that CSR funds are allocated to those in need via a more direct channel.

For the year ended 30 June 2020, the Association contributed a CSR amount of Rs 4,838,078 to the Foundation which has been allocated as financial assistance for NGO projects, health (for medical treatments) and education (scholarships, laptops, etc).

SOME EXAMPLES OF SUPPORT BY THE FOUNDATION:

(i) Education

Scholarships are provided to youth from low income group families to undergo degree and vocational courses so that they may aspire to a brighter future.

Scholarships were given to 26 new students undertaking degree courses at institutions under Government control. The yearly grant was revised from Rs 22,000 to Rs 25,000 per student and a new laptop was also provided to each beneficiary. In addition, payments were effected to scholarship beneficiaries of existing batches.

Scholarships to 25 new students attending vocational courses at the Mauritius Institute of Training & Development (MITD) with a yearly grant of Rs 18,000 were also given. Out of the 25 beneficiaries, eleven students were from Rodrigues.

The total amount of Rs 2.7m was spent on educational projects in this financial year. Due, to the Covid-19 situation, scholarship award ceremony was not held for the new scholarship batch.

(ii) (ii)Financial assistance

Financing of several NGOs projects which aim to improve the lives of poor and vulnerable groups in Mauritius and Rodrigues for the sum of Rs 1.3m.

(iii) (iii)Health

Contribution of Rs 650,000 towards medical treatment to 14 patients who required finance for surgical operations abroad.

RELATED PARTY TRANSACTIONS

Disclosure on related party transactions is made in note 33 of the Financial Statements.

GENERAL

The complete set of Financial Statements and the Corporate Governance report are published in full on the organisation's website.

Principle 7: Audit

Mutual Aid's considers having an effective and independent internal audit function that has the respect, confidence and co-operation of both the Board of Directors and management. The Board of Directors has established formal and transparent arrangements to appoint and maintain an appropriate relationship with Mutual Aid's internal and external auditors.

The Board of Directors confirms that they have appointed Messrs PricewaterhouseCoopers as internal auditor, with principally the duties and responsibilities, as detailed on page 4(s).

The Internal Auditor sends reports regularly to the Audit and Corporate Governance Committee. The areas, systems and processes covered by internal audit is risk based and the following areas are covered - Loans, Deposits, RSSs, IT systems Review, Enterprise Resource Planning, Money Market, Planning and Budgeting, Share System, Treasury and Liquidity Management, Compliance and Debtors Management.

There were no significant areas that were not covered.

The internal audit function is independently carried out by PricewaterhouseCoopers (PwC). The internal auditor sends reports to the Audit and Corporate Governance Committee on the internal controls and PwC independently reviews the extent to which recommendations have been implemented.

There are no restrictions placed over right of access to records, to management and to employees by the Internal Audit. All significant risk areas are covered by the internal audit. The internal audit plan is reviewed annually by the Audit and Corporate Governance Committee.

The structure, organisation and qualifications of the key members of the internal audit function are listed on Mutual Aid's website.

Our internal audit function has been outsourced to PricewaterhouseCoopers Ltd. PwC core team is comprised of individuals who possess significant experience of internal audit and therefore have a good understanding of the key drivers for delivering effective internal audit to our organisation. The core team is led by Julien Tyack.

Julien is a professionally qualified accountant (FCCA), a Certified Internal Auditor (CIA), holds an MSc in Management from the University of Surrey and an International Certificate in Risk Management (ICRM) from the Institute of Risk Management (IRM) in the UK. Julien is also a former Board member of IIA Mauritius and a fellow member of the Mauritius Institute of Directors. He has 23 years of professional experience, 12 years in Mauritius and 11 years in the UK. He has been an Internal Auditor for 18 years with many years in the UK in both the private and public sector. Julien is also qualified to perform quality assurance reviews in line with IIA standards for clients with an in-house internal audit function. Julien has worked at Audit Committee and board level for large multinational organisations in various industries including oil and gas, construction, civil engineering, hotels, the UK government and the UK National Health Service.

Expertise of the members of the Audit & Corporate Governance Committee:

Mr Vishnoorow Luximon (Independent Director)
He is a Member of the Board and acts as Chairperson of the Audit and Corporate Governance Committee. He is the holder of a BA Hons Mathematics from University of Delhi. He was appointed on June 17, 2019.

Mrs Nisha Devi Manic (Independent Director)
She is a Member of the Board and acts as Chairperson of the Conduct Review Committee. She is the holder of a Diploma in Agricultural Science and Technology, BSc. (Hons) Horticulture with First Class Honours, Diploma in International Post-Graduate Course on Environmental Management for Developing and Emerging Countries, MSc in Environmental Management and Commonwealth Executive Master of Business Administration with Distinction (MBA). She was appointed on June 17, 2019.

Principle 7: Audit (Continued)

Miss Marie Claudine Josiane Lilette Paya (Independent Director)
She is a Member of the Board and acts as Chairperson of the Investment Committee. She is the holder of a Diploma in Law & Management and BA in Legal Studies & Management. She was appointed on June 17, 2019.

The significant issues in relation to the financial statements were identified and considered through the audit report issued by the external auditors when they audited the financial statements to verify if they are free from material misstatements (whether due to fraud or error) and discussed in a meeting with the partner of the external auditor firm.

The significant issues in relation to the financial statements were addressed by the Audit and Corporate Governance Committee by discussing with both the Partner of external auditor Firm and management concerning the corrective actions taken.

Outline of the approach taken to appoint/reappoint external auditors

In line with Section 39 of the Banking Act and following a tender exercise, Ernst & Young was appointed external auditor for the financial year ended June 30, 2017. The technical and financial evaluation was discussed in relevant committees. The result was then discussed in the Audit and Corporate Governance Committee. In accordance with section 29 of the BOM Guideline on Corporate Governance, the Audit and Corporate Governance Committee recommended the appointment of Ernst & Young as external auditor for the year 2017 onwards.
The Board of Directors affirms that the Audit and Corporate Governance Committee has discussed accounting principles (critical policies, judgements and estimates) with the external auditor. The Audit and Corporate Governance Committee meets the external auditor without management presence on an annual basis.

EY forms part of the big 4 Audit Companies. It has the experience, size, resources required to audit the Company. The External Audit Firm and the Audit Partner are licensed by the Financial Reporting Council. The Bank of Mauritius provided its approval for selection of the firm. The quality processes of EY are based on international best practice.

The individuals assigned to the external audit team have the requisite expertise, including industry knowledge, to effectively audit the Company. The External Audit scope is adequate to address the financial reporting risks facing the Company and includes the provision of an internal control review as required by the Bank of Mauritius.

The External Audit firm has open lines of communication and reporting with the Audit and Corporate Governance Committee: Significant weaknesses in internal controls are appropriately communicated.
Based on the above factors, the external audit process is deemed effective by the Board of Directors.

The length of tenure of the current audit firm for financial year ending 2020 is 4 years. In accordance with the requirement of Banking Act, the current audit firm was re-appointed for financial year ended 2020 (given that a firm of auditors shall not be responsible for the external audit of a financial institution for a continuous period of more than 5 years).

Information on **non-audit** services carried out by external auditor and for which the amount was paid in the period July 2019 to June 2020:

SN	Details	Fees (Rs)
1	Professional Fees for Cyber Security Services for E-Services Project and Internet Banking Implementation	1,040,175
2	Professional Fees for Development of Liquidity Risk Framework	575,000

Note: There were fees related to Review of Tax and Deferred Tax as part of the audit services.

SN	Details	Fees (Rs)
1	Review of Tax and Deferred Tax	230,000

Whenever the external auditor provides non-auditing services, the auditor's objectivity and independence are safeguarded as the non-audit services are carried out by different partners with different teams.

Principle 8: Relations with Shareholders and Other Key Stakeholders

The Board of Directors is responsible for ensuring that an appropriate dialogue takes place among Mutual Aid, its shareholders and other key stakeholders. The Board of Directors respects the interests of its shareholders and other key stakeholders within the context of its fundamental purpose.

There are no shareholders that hold a significant percentage (more than 5%) of total shares in the Company.

The key stakeholders of the Company are as follows:

1. Members/Customers
2. Public
3. Employees
4. Banks
5. Suppliers
6. Unions
7. Regulators
8. Government

The Company responds to the reasonable expectations and interests of its key stakeholders as follows:

1. Members -by providing loans to its members at favorable conditions
2. Public/Customers - by providing deposits and RSS at attractive interest rates and timely information to the public.
3. Employees -by fostering an environment that supports sustainable performance and promoting continual professional and personal development for all of them.
4. Banks-by dealing with all banks at arm length basis.
5. Suppliers-by dealing through strict procurement procedures where there is fairness and equity.
6. Unions-by having regular meetings and addressing issues that are in the best interest of the Company.
7. Regulators-by complying with all regulatory requirements.
8. Government- by complying with relevant legislations and making appropriate tax payments

The Board of Directors affirms that relevant stakeholders have been involved in a dialogue on the organisational position, performance and outlook.

Mutual Aid aims at understanding properly the information needs of its shareholders and places great importance on an open and meaningful dialogue. It ensures that shareholders are kept informed on matters affecting Mutual Aid. Besides official press communiqués to shareholders, Mutual Aid's website provides relevant information. Open lines of communication are maintained to ensure transparency and optimal disclosure. All Board members are requested to attend the Annual Meeting, to which all shareholders are invited.

All decisions are taken in the best interest of its members and in compliance of relevant legislations. The Company is very attentive to the request of its members and aims at providing good service all the times.

The Board of Directors affirms that Mutual Aid holds an Annual Meeting. The Board of Directors provides sufficient notice of the annual meeting and other shareholder meetings. The Company encourages attendance of the shareholders at the annual meeting and the opportunity to provide questions by publishing notice. The Board of Directors provides appropriate papers for the annual meeting and other shareholder meetings by preparing a pack. All resolutions were unanimously approved in the Annual Meeting held in December 2019.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors acknowledge their responsibilities for:

(i) adequate accounting records and maintenance of effective internal control systems;
(ii) the preparation of financial statements which fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for that period and which comply with International Financial Reporting Standards (IFRS);
(iii) the selection of appropriate accounting policies supported by reasonable and prudent judgements.

The external auditors are responsible for reporting on whether the financial statements are fairly presented.

The directors report that:

(i) adequate accounting records and an effective system of internal controls and risk management have been maintained;
(ii) appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently;
(iii) International Financial Reporting Standards have been adhered to. Any departure in the interest in fair presentation has been disclosed, explained and quantified.
(iv) The Code of Corporate Governance has been adhered to, except for some sections where reasons have been provided.

Signed on behalf of the Board of Directors on September 24., 2020.

....
Mr. Premode Neerunjun
CHAIRPERSON

....
Mr Mahensingh Bheekhee
DIRECTOR

STATEMENT OF COMPLIANCE BY THE BOARD OF DIRECTORS
(As per the National Code of Corporate Governance)

Reporting Period: 1st July 2019 to 30th June 2020

Throughout the year ended June 30, 2020, to the best of the Board's knowledge, The Mauritius Civil Service Mutual Aid Association Ltd has not fully applied the Principle Four of the Code. The areas of non-compliance are in respect of non-distinction in the remuneration of executive directors as explained in the report.

SIGNED BY: ....

....

Chairperson and one Director

Names: Mr Premode Neerunjun
CHAIRPERSON

DATE: 24 SEP 2020

Mr Mahensingh Bheekhee
DIRECTOR

DATE: 24 SEP 2020

STATEMENT OF COMPLIANCE WITH THE CODE IN ACCORDANCE WITH THE FINANCIAL REPORTING ACT AND GENERAL NOTICE 1016 (2013)
(To the Financial Reporting Council)

Name of Public Interest Entity: The Mauritius Civil Service Mutual Aid Association Ltd

Reporting Period: 1st July 2019 to 30th June 2020

"We, the directors of The Mauritius Civil Service Mutual Aid Association Ltd confirm that to the best of our knowledge, the Mutual Aid has not fully complied with Principle Four of the Code. Reasons for non-compliance are in respect of non-distinction in the remuneration of executive directors as explained in the report."

SIGNED BY: ....

Chairperson and one Director

Names: Mr Premode Neerunjun
CHAIRPERSON

DATE: 24 SEP 2020

Mr Mahensingh Bheekhee
DIRECTOR

DATE: 24 SEP 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

Date: 24 SEP 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of The Mauritius Civil Service Mutual Aid Association Ltd (the "Company") and its subsidiary (the "Group") set out on pages 12 to 97 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and 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, the Financial Report Act 2004 and the Banking Act 2004 as applicable to non-bank financial institutions.

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 Group and 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 of the Group and the Company and in Mauritius, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Expected credit losses (ECL) - facilities which are not credit impaired	
The Group has net loans and advances to members of Rs 31.88 billion at June 30, 2020. As detailed in Note 14 to the financial statements, these are measured at amortised cost less allowance for credit losses amounting to Rs 529.36 million and allowance for credit impaired facilities amounting to Rs 509.59 million.	IFRS 9 requires the Group to recognise expected credit losses (ECL) on financial instruments which involves significant judgement and estimates to be made by the Group. The carrying value of financial instruments within the scope of IFRS 9 may be materially misstated if judgements or estimates made by the Group are inappropriate.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
Expected credit losses (ECL) - facilities which are not credit impaired (Continued)	
The determination of ECL on loans and advances to members which are not credit impaired involves a very high level of management judgement, thereby requiring greater audit attention. Specific areas of judgement and estimation uncertainty include: • Identification of significant increase in credit risk (SICR), and in particular the selection of criteria to identify a SICR. These criteria are highly judgemental and can materially impact the ECL recognised for certain portfolios where the life of the facilities is greater than 12 months; • Complexity of the ECL model involving a number of critical assumptions in the determination of probabilities of default (PD), loss given default (LGD) and exposure at default (EAD). • Use of forward-looking information to determine the likelihood of future losses being incurred. • Consideration of the impact of COVID-19 on the credit worthiness of several borrowers employed in specific sectors such as aviation sector. Special considerations should be allocated to these areas in order to bring about a forward-looking approach based on the portfolio concentration. • Qualitative adjustments made to model driven ECL results raised to address model limitations, emerging risks and trends in underlying portfolios which are inherently judgemental. • Accuracy and adequacy of the financial statement disclosures Given the size of the loans and advances to members of the Group (77 % of total assets), we identified the determination of the allowance for expected credit losses on loans and advances as a key audit matter.	For stage 1 and stage 2 loans, we assessed the appropriateness of the model used including the inputs and assumptions by performing the following procedures: • Reviewing the methodology adopted by the Group for calculation of ECL and in particular the segmentation of loans in appropriate portfolios reflecting different risk factors. Our review also includes an assessment of the design of the models used for determination of PD, LGD and EAD; • Checking the adequacy and quality of the data used for the calculation of PD, LGD and EAD; • Assessing the key assumptions used in PD, LGD and EAD models and ensure such assumptions reflect the actual behaviours of the loans; • Reviewing the criteria for staging of loans and ensure these are in line with the requirements of IFRS 9; • Review of the PD and LGD calculations including the incorporation of relevant forecast macro-economic information by our data modelling specialists; • With the assistance of our data modelling specialists, we have assessed the appropriateness of the macro-economic forecasts by benchmarking these against external evidence and economic data. Through our model reperformance, we tested the incorporation of the forecasts into the model; • Tested accuracy of arrears reports for a sample of loans to confirm data integrity; • Ensured that the population used for computation of stage 1 and stage 2 ECL are complete by comparing to loan book; • Tested the accuracy and completeness of the ECL model by reperformance; • We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards. • With regards to the impact of COVID-19, we reviewed the assessment of several scenarios on ECL figures with respect to potential redundancy events occurring on specific sectors. We also reviewed the weights assigned to the different scenarios and assessed the reasonableness of the weights.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>Expected credit losses (ECL) -impaired facilities</td><td></td></tr>
<tr><td>
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

significant financial difficulty of the issuer or the borrower;
a breach of contract, such as a default or past due event;
the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender would not otherwise consider;
it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Identification of credit-impaired facilities and determination of the expected credit losses thereon involves significant judgement, estimates and assumptions regarding (i) the determination of whether a facility is credit impaired and (ii) in estimating the forecasted cash flows that the Group expects to receive from the obligors. This includes an estimate of what the Group can realise from the collaterals it holds as security on the impaired facilities.
Refer to Note 8 and 14 for accounting policy on loans and advances to members and allowance for credit impairment (stage 3).
</td><td>
For credit impaired facilities, the following procedures have been performed:
We reviewed and assessed the design of the controls over the identification of facilities that are credit impaired and the related calculations of expected credit losses, including the quality of underlying data and systems.
For impairment of loans in stage 3, judgement is required to determine expected credit loss which include cash flow forecasts. The Group grants loan to its members only and the members can only be employees of the public and parastatal sector. As such the recoverable amount of loans are derived either by estimating the future cash flows from these financial assets or from the value of collateral securing the credits. The area of focus is over the major type of loan granted by the Group which is personal loan. We thus assessed the reasonableness in computing the present value of the future cash flows.
We ensured that all credit impaired loans have been properly identified by management by:

Reviewing the minutes;
Obtaining and testing loan arrears reports and ensuring that all arrears exceeding 90 days are included in the stage 3 impairment list of the ECL model;
Identifying loan facilities meeting certain criteria such as financial difficulties of the borrower, restructured loans, redundancies, temporary layoff and insufficient deductions and ensuring these are included in the list of credit impaired facilities.

For credit impaired loans, we independently assessed the appropriateness of provisioning methodologies and policies and formed an independent view on the credit losses booked based on the loan and guarantor information. We re-performed calculations within a sample of discounted cash flow models and assessed the reasonableness of assumptions used to support the timing and extent of the cash flows.
Where the borrowers' or guarantors' cash flow forecasts are used to determine recoverable amounts, we ensured that these are supported by objective and unbiassed evidence.
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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Information

The directors are responsible for the other information. The other information comprises the Management Discussion and Analysis, the Secretary's Certificate as required by the Companies Act 2001, the Statement of Management's responsibility for financial reporting, the Statutory disclosures as required by Bank of Mauritius and the Corporate governance report and, 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 on the other information obtained prior to the date of this auditor's report, 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.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2001, the Financial Report Act 2004, the Banking Act 2004 as applicable to non-bank financial institutions and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and 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 intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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.

Building a better working world

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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 the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Company to express an opinion on the Group and Company financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Use of our report

This report is made solely to the Company's members, 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 members 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD (CONTINUED)

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, tax advisors and dealings in the ordinary course of business.

We have obtained all the 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.

Banking Act 2004

In our opinion, the financial statements have been prepared on a consistent basis and are complete, fair and properly drawn up and comply with the Banking Act 2004 as applicable to non-bank financial institutions and the regulations and guidelines of the Bank of Mauritius.

The explanations or information called for or given to us by the officers or agents of the Group and Company were satisfactory.

Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and whether the disclosure is consistent with the requirement of the Code.

In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.

ERNST & YOUNG
Ebène, Mauritius

PATRICK NG TSEUNG, A.C.A
Licensed by FRC

Date: 24 SEP 2020

	Notes	THE GROUP 2020	THE GROUP 2019	THE COMPANY 2020	THE COMPANY 2019	THE COMPANY 2018
		Rs.	Rs.	Rs.	Rs.	Rs.
Interest income using effective interest rate	6	2,980,444,070	3,224,110,550	2,980,444,070	3,224,110,550	3,326,785,499
Interest expense	6	(1,148,550,174)	(1,356,415,675)	(1,148,550,174)	(1,356,415,675)	(1,449,820,683)
Net interest income	6	1,831,893,896	1,867,694,875	1,831,893,896	1,867,694,875	1,876,964,816
Other income	7	6,552,746	9,072,983	13,910,439	60,149,795	8,032,149
Rental income	21(h)	17,125,786	14,755,442	-	5,934,496	14,998,831
Other gains		7,104	903,471	7,104	903,471	487,874
Operating income		1,855,579,532	1,892,426,771	1,845,811,439	1,934,682,637	1,900,483,670
Net credit loss allowance on financial assets	8	(318,613,518)	(58,845,746)	(318,613,518)	(58,845,746)	(79,525,051)
Personnel expenses	9	(94,416,341)	(92,633,804)	(94,416,341)	(92,633,804)	(91,861,284)
Depreciation and amortisation	19, 20	(41,532,812)	(19,600,792)	(51,742,316)	(17,649,099)	(57,185,312)
Operating lease expenses		-	(1,255,199)	-	(11,275,053)	(1,890,000)
Other expenses	10 (a)	(105,937,789)	(78,977,591)	(95,966,347)	(71,496,313)	(76,459,975)
Fair value adjustments of funds	25 (a) & (b)	116,750,000	20,900,000	116,750,000	20,900,000	92,650,000
Fair value gain/(loss) on investment properties	(b), (c) & (e)	4,836,749	3,856,136	-	-	(2,322,287)
Fair value loss on financial assets at fair value through profit or loss	18	(11,442,546)	(2,432,524)	(11,442,546)	(2,432,524)	-
		(450,356,257)	(228,989,520)	(455,431,068)	(233,432,539)	(216,593,909)
Profit before penalty and interest on tax assessment and income tax		1,405,223,275	1,663,437,251	1,390,380,371	1,701,250,098	1,683,889,761
Penalty and interest on tax assessment	10 (b)	-	-	-	-	(362,288,704)
Profit before income tax		1,405,223,275	1,663,437,251	1,390,380,371	1,701,250,098	1,321,601,057
Income tax expense *	11(a)	(57,208,762)	(256,128,042)	(52,819,951)	(253,027,854)	(1,484,675,319)
Profit/(loss) for the year		1,348,014,513	1,407,309,209	1,337,560,420	1,448,222,244	(163,074,262)
Other comprehensive income:						
Items that will not be reclassified to profit or loss:						
Remeasurements of pension benefit obligations	26	(162,715,000)	(15,821,000)	(162,715,000)	(15,821,000)	29,099,000
Income tax relating to components of other comprehensive income	11(b)	5,532,310	537,914	5,532,310	537,914	(4,946,830)
Net other comprehensive (loss)/income		(157,182,690)	(15,283,086)	(157,182,690)	(15,283,086)	24,152,170
Total comprehensive income/(loss) for the year		1,190,831,823	1,392,026,123	1,180,377,730	1,432,939,158	(138,922,092)
Earnings per share - Basic and Diluted	12	708.24	725.09			

** For the financial year 2018, out of the Rs 1.5 billion of income tax expense, Rs 1.3 billion relates to income tax expense for the years 2007 to 2017 and the current tax expense amounts to Rs 317 million.*

The notes on pages 17 to 97 form an integral part of these financial statements.
Independent auditors' report on pages 6 to 11.

		THE GROUP		THE COMPANY		
	Notes	2020	2019	2020	2019	2018
ASSETS		Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	13	1,856,277,820	1,220,513,772	1,839,068,680	1,205,726,772	1,496,898,959
Loans and advances to members	14	31,875,791,988	33,257,794,283	31,875,791,988	33,257,794,283	33,863,493,259
Placements with bank and non-bank financial institutions	16	3,157,199,780	3,214,384,092	3,157,199,780	3,214,384,092	3,376,226,955
Financial assets at amortised cost	17	3,679,502,947	3,282,753,780	3,679,502,947	3,282,753,780	2,665,379,866
Financial assets at fair value through profit or loss	18	38,714,355	45,244,866	38,714,355	45,244,866	-
Investment in subsidiary	15	-	-	433,802,000	433,802,000	-
Property, equipment and right of use assets	19	236,677,860	178,145,841	106,004,148	27,478,786	176,611,157
Intangible assets	20	48,906,919	24,290,260	48,706,513	24,032,886	5,594,308
Investment properties	21	247,169,762	241,933,716	-	-	236,810,723
Current tax receivable	11(a)	26,956,215	39,921,986	25,948,760	38,914,531	-
Deferred tax assets	11(b)	30,664,022	17,756,897	39,080,868	21,784,932	92,011,801
Other assets	22	18,683,556	91,320,109	15,745,393	98,335,163	27,728,230
Total assets		41,216,545,224	41,614,059,603	41,259,565,431	41,650,252,094	41,940,755,258
LIABILITIES						
Deposits from customers	23	26,034,566,739	27,713,162,232	26,034,566,739	27,713,162,232	28,452,994,876
Interest bearing loans	24	-	2,285,515	-	2,285,515	179,692,567
Current tax liabilities	11(a)	-	-	-	-	697,999,751
Funds	25	3,272,531,651	3,326,990,301	3,272,531,651	3,326,990,301	3,304,238,683
Pension benefit obligations	26	139,994,000	563,000	139,994,000	563,000	7,691,000
Other liabilities	27	118,386,935	66,275,860	134,350,606	64,957,721	120,497,293
Total liabilities		29,565,479,325	31,109,276,908	29,581,442,996	31,107,958,769	32,763,114,170
Shareholders' equity						
Share capital	28	190,530,800	193,404,100	190,530,800	193,404,100	195,909,440
Forfeited shares	29	34,998,700	31,661,000	34,998,700	31,661,000	28,653,400
Retained earnings	30(e)	11,082,412,152	9,900,552,398	11,112,949,541	9,941,543,879	8,538,188,207
Revalution reserve	30(a)	3,480,852	3,480,852	-	-	3,480,852
Statutory reserve	30(b)	225,529,500	225,065,100	225,529,500	225,065,100	224,562,840
Actuarial reserves	30(c)	(242,627,154)	(85,444,464)	(242,627,154)	(85,444,464)	(70,161,378)
Other reserves	30(d)	356,741,048	236,063,710	356,741,048	236,063,710	257,007,727
Total equity		11,651,065,899	10,504,782,696	11,678,122,435	10,542,293,325	9,177,641,088
Total equity and liabilities		41,216,545,224	41,614,059,603	41,259,565,431	41,650,252,094	41,940,755,258

These financial statements have been approved for issue by the Board of Directors on September 24, 2020 and signed on its behalf by:

Mr. P. Neerunjun
Chairperson

Mr. M. Bheekhee
Director

Mr. N. Dabeesingh
Chief Executive Officer

The notes on pages 17 to 97 form an integral part of these financial statements.
Independent auditors' report on pages 6 to 11.

THE GROUP	Share capital	Forfeited shares	Statutory reserve	Revaluation reserves	Other Reserve	Actuarial reserves	Retained earnings	Total equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance at July 1, 2018	195,909,440	28,653,400	224,562,840	3,480,852	257,007,727	(70,161,378)	8,538,109,760	9,177,562,641
Impact of adopting IFRS 9	-	-	-	-	-	-	(20,395,761)	(20,395,761)
Restated opening balance under IFRS 9	195,909,440	28,653,400	224,562,840	3,480,852	257,007,727	(70,161,378)	8,517,713,999	9,157,166,880
Issue of shares (note 28)	502,260	-	-	-	-	-	-	502,260
Profit for the year	-	-	-	-	-	-	1,407,309,209	1,407,309,209
Other comprehensive income for the year	-	-	-	-	-	(15,283,086)	-	(15,283,086)
Total comprehensive income	-	-	-	-	-	(15,283,086)	1,407,309,209	1,392,026,123
Transfer made to reserves for the year	-	-	502,260	-	(20,944,017)	-	20,441,757	-
Transfer to forfeited shares (note 28 & 29)	(3,007,600)	3,007,600	-	-	-	-	-	-
Dividend declared (note 31)	-	-	-	-	-	-	(44,912,568)	(44,912,568)
Balance at June 30, 2019	193,404,100	31,661,000	225,065,100	3,480,852	236,063,710	(85,444,464)	9,900,552,398	10,504,782,695
Balance at July 1, 2019	193,404,100	31,661,000	225,065,100	3,480,852	236,063,710	(85,444,464)	9,900,552,398	10,504,782,696
Issue of shares (note 28)	464,400	-	-	-	-	-	-	464,400
Profit for the year	-	-	-	-	-	-	1,348,014,513	1,348,014,513
Other comprehensive income for the year	-	-	-	-	-	(157,182,690)	-	(157,182,690)
Total comprehensive income	-	-	-	-	-	(157,182,690)	1,348,014,513	1,190,831,823
Transfer made to reserves for the year	-	-	464,400	-	120,677,338	-	(121,141,738)	-
Transfer to forfeited shares (note 28 & 29)	(3,337,700)	3,337,700	-	-	-	-	-	-
Dividend declared (note 31)	-	-	-	-	-	-	(45,013,020)	(45,013,020)
Balance at June 30, 2020	190,530,800	34,998,700	225,529,500	3,480,852	356,741,048	(242,627,154)	11,082,412,152	11,651,065,899

The notes on pages 17 to 97 form an integral part of these financial statements.
Independent auditors' report on pages 6 to 11.

THE COMPANY	Share capital	Forfeited shares	Statutory reserve	Revaluation reserves	Other Reserve	Actuarial reserves	Retained earnings	Total equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance at July 1, 2017	199,548,700	24,416,900	223,965,600	3,480,852	281,498,532	(94,313,548)	8,677,368,904	9,315,965,940
Issue of shares (note 28)	597,240	-	-	-	-	-	-	597,240
Profit for the year	-	-	-	-	-	-	(163,074,262)	(163,074,262)
Other comprehensive income for the year	-	-	-	-	-	24,152,170	-	24,152,170
Total comprehensive income	-	-	-	-	-	24,152,170	(163,074,262)	(138,922,092)
Movement in respect of the year (note 30)	-	-	597,240	-	(24,490,805)	-	23,893,565	-
Transfer to forfeited shares (note 28 & 29)	(4,236,500)	4,236,500	-	-	-	-	-	-
Balance at June 30, 2018	195,909,440	28,653,400	224,562,840	3,480,852	257,007,727	(70,161,378)	8,538,188,207	9,177,641,088
Balance at July 1, 2018	195,909,440	28,653,400	224,562,840	3,480,852	257,007,727	(70,161,378)	8,538,188,207	9,177,641,088
Impact of adopting IFRS 9	-	-	-	-	-	-	(20,395,761)	(20,395,761)
Restated opening balance under IFRS 9	195,909,440	28,653,400	224,562,840	3,480,852	257,007,727	(70,161,378)	8,517,792,446	9,157,245,327
Issue of shares (note 28)	502,260	-	-	-	-	-	-	502,260
Profit for the year	-	-	-	-	-	-	1,448,222,244	1,448,222,244
Other comprehensive income for the year	-	-	-	-	-	(15,283,086)	-	(15,283,086)
Total comprehensive income	-	-	-	-	-	(15,283,086)	1,448,222,244	1,432,939,158
Transfer made to reserves for the year (note 30)	-	-	502,260	-	(20,944,017)	-	20,441,757	-
Transfer to forfeited shares (note 28 & 29)	(3,007,600)	3,007,600	-	-	-	-	-	-
Dividend declared (note 31)	-	-	-	-	-	-	(44,912,568)	(44,912,568)
Recycle to profit or loss*	-	-	-	(3,480,852)	-	-	-	(3,480,852)
Balance at June 30, 2019	193,404,100	31,661,000	225,065,100	-	236,063,710	(85,444,464)	9,941,543,879	10,542,293,324
Balance at July 1, 2019	193,404,100	31,661,000	225,065,100	-	236,063,710	(85,444,464)	9,941,543,879	10,542,293,324
Issue of shares (note 28)	464,400	-	-	-	-	-	-	464,400
Profit for the year	-	-	-	-	-	-	1,337,560,420	1,337,560,420
Other comprehensive income for the year	-	-	-	-	-	(157,182,690)	-	(157,182,690)
Total comprehensive income	-	-	-	-	-	(157,182,690)	1,337,560,420	1,180,377,730
Transfer made to reserves for the year (note 30)	-	-	464,400	-	120,677,338	-	(121,141,738)	-
Transfer to forfeited shares (note 28 & 29)	(3,337,700)	3,337,700	-	-	-	-	-	-
Dividend declared (note 31)	-	-	-	-	-	-	(45,013,020)	(45,013,020)
Balance at June 30, 2020	190,530,800	34,998,700	225,529,500	-	356,741,048	(242,627,154)	11,112,949,541	11,678,122,435

*The revaluation reserve was recycled to statement of comprehensive income, as part of gain on disposal, when the related assets were disposed during the year.

The notes on pages 17 to 97 form an integral part of these financial statements.
Independent auditors' report on pages 6 to 11.

STATEMENTS OF CASH FLOWS - YEAR ENDED JUNE 30, 2020

	Notes	THE GROUP 2020	THE GROUP 2019	THE COMPANY 2020	THE COMPANY 2019	THE COMPANY 2018
		Rs.	Rs.	Rs.	Rs.	Rs.
Cash flows from operating activities						
Profit before income tax		1,405,223,275	1,663,437,251	1,390,380,371	1,701,250,098	1,321,601,057
Adjustments for:						
Net credit loss on financial assets	8	318,613,518	58,845,746	318,613,518	58,845,746	79,525,051
Depreciation of property, equipment and right of use assets	19	27,151,505	11,326,689	37,430,269	9,439,340	23,863,244
Amortisation of intangible assets	20	14,381,307	8,274,103	14,312,047	8,209,759	33,322,068
Interest income	6	(2,980,444,070)	(3,224,110,550)	(2,980,444,070)	(3,224,110,550)	(3,326,785,499)
Interest expense	6	1,148,550,174	1,356,415,675	1,148,550,174	1,356,415,675	1,449,820,683
Pension expense	26(iv)	3,561,000	3,644,000	3,561,000	3,644,000	6,554,000
Fair value (gain)/loss on investment properties	21	(4,836,749)	(3,856,136)	-	-	2,322,287
Transfer/gain on sale of property, plant and equipment	7	-	-	-	(51,076,812)	(740,000)
Penalty and interest on tax assessment	10 (b)	-	-	-	-	362,288,704
Fair value loss on financial assets at fair value through profit or loss	18	11,442,546	2,432,524	11,442,546	2,432,524	-
Realised loss on disposal of financial assets at fair value through profit or loss	18	50,973	-	50,973	-	-
Translation gain/(loss) on revaluation of cash balance denominated in foreign currency		7,104	(806,320)	7,104	(806,320)	256,376
Contribution paid	26(i)	(26,845,000)	(26,593,000)	(26,845,000)	(26,593,000)	(25,204,000)
Change in fair value of funds	25(a)&(b)	(116,750,000)	(20,900,000)	(116,750,000)	(20,900,000)	(92,650,000)
		(199,894,417)	(171,890,018)	(199,691,068)	(183,249,540)	(165,826,029)
Changes in operating assets and liabilities						
Decrease/(increase) in loans and advances to members		892,708,188	375,012,127	892,708,188	375,012,127	494,312,356
Decrease/(Increase) in other assets		74,891,994	(63,591,881)	82,583,766	(70,606,932)	213,580,202
(Decrease)/Increase in deposits from customers		(1,517,480,931)	(697,285,302)	(1,517,480,931)	(697,285,302)	363,198,768
Increase/(decrease) in other liabilities		28,549,015	1,023,931	30,530,525	(214,987)	(44,890,020)
Increase in funds		153,129,673	167,213,493	153,129,673	167,213,493	194,778,632
Interest received		2,986,174,672	3,199,742,330	2,986,174,672	3,199,742,330	3,286,654,860
Interest paid		(1,236,836,244)	(1,329,043,193)	(1,236,836,244)	(1,329,043,193)	(1,516,120,971)
Interest and penalty paid		-	(67,119,907)	-	(67,119,907)	(295,168,797)
Income tax paid	11(a)	(51,617,806)	(918,183,500)	(51,617,806)	(918,103,892)	(887,083,273)
Net cash generated from operating activities		1,129,624,145	495,878,080	1,139,500,775	476,344,196	1,643,435,728
Cash flows from investing activities						
Addition to placements with bank and non-bank financial institutions		(3,275,000,000)	(1,550,000,000)	(3,275,000,000)	(1,550,000,000)	(2,410,000,000)
Proceeds from matured placements with bank and non-bank financial institutions		3,335,000,000	1,685,000,000	3,335,000,000	1,685,000,000	3,530,000,000
Proceeds from matured financial assets at amortised costs and fair value through profit or loss	17, 18	2,333,495,805	5,033,071,468	2,333,495,805	5,033,071,468	1,408,200,000
Addition to financial assets at amortised cost and at fair value through profit or loss	17, 18	(2,736,673,409)	(5,690,020,788)	(2,736,673,409)	(5,690,020,788)	(4,047,362,942)
Purchase of property, equipment and right of use assets	19	(75,611,706)	(12,861,373)	(74,912,303)	(8,546,027)	(12,511,178)
Proceeds from sale of property, equipment and right of use assets		-	-	-	-	740,000
Purchase of intangible assets	20	(38,997,966)	(26,970,055)	(38,985,674)	(26,648,337)	(1,590,220)
Purchase of investment property	21	(399,297)	(1,266,857)	-	(1,157,038)	-
Net cash used in investing activities		(458,186,573)	(563,047,605)	(457,075,581)	(558,300,722)	(1,532,524,340)
Cash flows from financing activities						
Proceeds from issuing shares	28	464,400	502,260	464,400	502,260	597,240
Decrease in interest bearing loans	24	(2,346,598)	(177,407,052)	(2,346,598)	(177,407,052)	(250,014,947)
Payment of the principal portion of the lease liability	27	(1,130,723)	-	(14,540,485)	-	-
Dividend paid	31	(32,653,500)	(33,117,190)	(32,653,500)	(33,117,190)	(33,386,879)
Net cash used in financing activities		(35,666,421)	(210,021,982)	(49,076,183)	(210,021,982)	(282,804,586)
Net increase in cash and cash equivalents		635,771,151	(277,191,507)	633,349,011	(291,978,507)	(171,893,198)
Effect of foreign exchange rate changes		(7,104)	806,320	(7,104)	806,320	(256,376)
Cash and cash equivalents at beginning of year		1,220,513,771	1,496,898,959	1,205,726,771	1,496,898,959	1,669,048,535
Cash and cash equivalents at end of year	13	1,856,277,819	1,220,513,771	1,839,068,678	1,205,726,771	1,496,898,959

The notes on pages 17 to 97 form an integral part of these financial statements.

Independent auditors' report on pages 6 to 11.

1. GENERAL INFORMATION

The Mauritius Civil Service Mutual Aid Association Ltd was incorporated in Mauritius on July 29, 1913 under the Companies Ordinance No.35 of 1912 as a limited liability company. The address of its registered office is 5, Guy Rozemont Square, Port Louis. The activities of the Company are mainly to grant loans to its associates and staffs; to make provisions for a scheme of retirement benefits for its associates and the public; and has a deposit taking licence which allows it to accept deposits from the public. The types of deposits accepted by the Company include term deposits.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of The Mauritius Civil Service Mutual Aid Association Ltd (the "Company") and its subsidiary (collectively known as the "Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis, except for

(i) relevant financial assets and liabilities are stated at their fair values; and

(ii) investment properties are stated at fair value

The financial statements are presented in Mauritian Rupees ('Rs'), and all values are rounded to the nearest rupee, except where otherwise indicated.

2.1.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at June 30, 2020. The Company consolidates a subsidiary when it controls it. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC interpretations adopted in the year commencing July 1, 2019:

	Effective for accounting period beginning on or after
New or revised standards	
IFRS 16 Leases	January 1, 2019

2. SIGNIFICANT ACCOUNTING POLICIES

2.2 Changes in accounting policies and disclosures (Continued)

Amendments	Effective for accounting period beginning on or after
IFRS 3 Business Combinations - Amendments resulting from Annual Improvements 2015-2017 Cycle (remeasurement of previously held interest)	January 1, 2019
IFRS 9 Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 1, 2019
IFRS 11 Joint Arrangements - Amendments resulting from Annual Improvements 2015-2017 Cycle (remeasurement of previously held interest)	January 1, 2019
IAS 12 Income Taxes - Amendments resulting from Annual Improvements 2015-2017 cycle (income tax consequences of payments on financial instruments classified as equity)	January 1, 2019
IAS 19 Employee Benefits - Amendments regarding plan amendments, curtailments or settlements	January 1, 2019
IAS 23 Borrowing Costs - Amendments resulting from Annual Improvements 2015-2017 cycle (borrowings costs eligible for capitalisation)	January 1, 2019
IAS 28 Investments in Associates and Joint Ventures - Amendments regarding long term-term interests in associates and joint ventures	January 1, 2019
IFRIC 23 Uncertainty over Income Tax Treatment	January 1, 2019

Where the adoption of the standard or interpretation or improvement is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of July 1, 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at July 1, 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). The Group has also applied the available practical expedient wherein it used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The right of use assets was recognized based on the amount equal to lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (Continued)

IFRS 16 Leases (Continued)

The lease liabilities as at July 1, 2019 can be reconciled to the operating lease commitments as of June 30, 2019, as follows:

Assets	THE GROUP Rs.	THE COMPANY Rs.
Operating lease commitments as at June 30,2019	40,746,203	65,772,095
Weighted average incremental borrowing rate as at July 1, 2019	5.36%	5.04%
Discounted operating lease commitments as at July 1, 2019	10,071,816	41,043,329
Less:		
Commitments relating to short-term leases	-	-
Commitments relating to leases of low-value asset	-	-
Add:		
Lease payments relating to renewal periods not included in operating lease commitments as at June 30, 2019	-	-
Lease liabilities as at July 1, 2019	10,071,816	41,043,329

IFRS 9 Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. This amendment has no impact on the consolidated financial statements of the Group.

IAS 12 Income Taxes - Amendments resulting from Annual Improvements 2015-2017 cycle (income tax consequences of payments on financial instruments classified as equity)

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

IAS 19 Employee Benefits - Amendments regarding plan amendments, curtailments or settlements

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (Continued)

IAS 19 Employee Benefits - Amendments regarding plan amendments, curtailments or settlements (Continued)

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

IFRIC 23 Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The application of this IFRIC does not have any significant impact on the Group.

2.2.1 Changes in accounting estimates

As per IAS 16, the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change shall be accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Based on past experience, management observes that Computer and Software are being used for more than 3 years. Consequently, management has changed the useful lives from 3 years to 5 years for all Computer equipment and Software.

In accordance with IAS 8, the Group is required to disclose the effect of the change in accounting estimate in the current period and in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.

The effect on the current year for existing assets is shown in table below:

	Useful life - 3 years	Useful life - 5 years	Effect on profit
	Rs.	Rs.	Rs.
Computer equipment	3,291,322	1,607,861	1,683,460
Software	13,903,190	8,209,759	5,693,431
Total	17,194,512	9,817,620	7,376,891

For these assets, there will be a charge of Rs. 9,817,620 in the statement of profit or loss and other comprehensive income for the financial year 2019 instead of a charge of Rs. 17,194,512.

Computer equipment and software are disclosed under Note 19 and 20 respectively, to this financial statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Accounting standards and interpretations issued but not yet effective

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on the specified dates, but the Group has not early adopted them and intends to adopt those standards when they become effective.

New or revised standards and interpretations:

	Effective for accounting period beginning on or after
New or revised standards	
IFRS 17 Insurance Contracts	January 1, 2023
Amendments	
IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (subsidiary as a first-time adopter)	January 1, 2022
IFRS 3 Business Combinations - Amendments regarding definition of a business	January 1, 2020
IFRS 3 Business Combinations - Amendments updating a reference to the Conceptual Framework	January 1, 2022
IFRS 4 Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 1, 2023
IFRS 7 Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 1, 2020
IFRS 9 Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 1, 2020
IFRS 9 Financial Instrument - Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (fees in the '10 per cent' test for derecognition of financial liabilities)	January 1, 2022
IFRS 16 Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification	June 1, 2020
IFRS 17 Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published	January 1, 2023
IAS 1 Presentation of Financial Statements - Amendments regarding the definition of material	January 1, 2020
IAS 1 Presentation of Financial Statements - Amendments regarding the classification of liabilities	January 1, 2023
IAS 1 Presentation of Financial Statements - Amendment to defer the effective date of the January 2020 amendments	January 1, 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of material	January 1, 2020
IAS 16 Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	January 1, 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous	January 1, 2022
IAS 39 Financial Instruments: Recognition and Measurement - Amendments regarding pre replacement issues in the context of the IBOR reform	January 1, 2020
IAS 41 Agriculture - Amendments resulting from Annual Improvements to IFRS Standards 2018- 2020 (taxation in fair value measurements)	January 1, 2022

The Group is still assessing the impact of these new standards and interpretations on its financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 Group's functional and presentation currency.

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'.

(b) Investments in subsidiary

In the separate financial statements of the company, investments in subsidiary companies are carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments.

(c) Financial instruments

(i) Financial assets

Initial recognition and measurement

Policy applicable after July 1, 2018 (IFRS 9)

On initial recognition, financial assets are classified as measured at amortised cost, fair value through profit or loss ("FVTPL"), and fair value through other comprehensive income ("OCI").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI").

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (Continued)

(i) Financial assets (Continued)

Initial recognition and measurement (Continued)

Policy applicable after July 1, 2018 (IFRS 9) (Continued)

The solely payments of principal and interest (SPPI) test

As a second step of its classification process the Group assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

The initial recognition of financial assets is disclosed on notes 13,14,16,17,18 and 22.

Policy applicable prior to July 1, 2018 (IAS 39)

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and cash equivalent, loans and advances to members, financial assets at amortised cost and placements with bank and non-bank financial institutions which are classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in profit or loss. The losses arising from impairment are recognised in profit or loss.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (Continued)

(i) Financial assets (Continued)

Derecognition (Continued)

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortised cost, fair value through profit or loss when they are held for trading, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include deposit from customers, interest bearing loans, retirement savings scheme and other liabilities classified as loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method ("EIR") amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(d) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(f) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as land and buildings. Involvement of external valuers is decided upon every 3 years. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with their external valuers, which valuation techniques and inputs to use for each case.

(g) Provisions

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

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, namely credit risk, interest rate risk, liquidity risk and other risks as detailed below:

The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

Credit risk

The Group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises principally from the Group's loans granted to members of the Association only.

Such risk is managed through regular review of loan arrears, followed by appropriate actions taken by management. Exposure to credit risk is also managed by obtaining personal guarantee of at least one, depending on loan schemes. Furthermore, in case the loanees pass away, the loans are written off against the Mutual Solidarity Contribution. Given the nature of the Association's activities which is to lend to members who are civil servants, the loan instalments are deducted at source from the members' salaries and remitted to the Association by the respective employers, thereby limiting the risk of default to circumtances such as death,resignation or termination of the employment within the civil service. However, loans are granted to members only after assessing the repayment capacity of the latter as per the Group's policy.

(i) Credit exposure

The maximum exposure to credit risk at the end of the reporting period without taking into account of any collateral held or other credit enhancements as per below:

	THE GROUP		THE COMPANY		
	2020	2019	2020	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	1,856,277,820	1,220,513,772	1,839,068,680	1,205,726,772	1,496,898,959
Loans and advances to members	31,875,791,988	33,257,794,283	31,875,791,988	33,257,794,283	33,863,493,259
Placements with bank and non-bank financial institutions	3,157,199,780	3,214,384,092	3,157,199,780	3,214,384,092	3,376,226,956
Financial assets at amortised cost	3,679,502,947	3,282,753,780	3,679,502,947	3,282,753,780	2,665,379,865
Other assets	6,288,045	4,744,875	3,613,727	13,371,305	1,746,386
	40,575,060,580	40,980,190,802	40,555,177,121	40,974,030,232	41,403,745,425

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(ii) Impairment assessment

The references below show where the Group's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies and Note 8 to the financial statements.

Definition of default and cure

For the definition of default and cure, refer to Note 8 to the financial statements.

Internal credit rating

Loans and advances to members

The Group does not provide a risk rating to its customers at origination as due to its business model, loans are provided to public and parastatal employees which have similar risk. The Group receives payment at source, i.e monthly loan instalments are deducted by the employer which are remitted to the Group at each month end. Hence, credit grading is based on days past due as the Group believes that the credit risk deteriorates when the days past due rises.

The loan book and the days past due are closely monitored by management and credit rating are updated on a quarterly basis to reflect current information. The days past due is the primary input used to determine the probability of default.

The Group's internal credit rating grades are as follows:

Days past due	Internal rating grade
Performing	
0 - 30 days	High grade
31 - 89 days	Standard grade
Non - performing	
Above 90 days	Individually impaired

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(ii) Impairment assessment (Continued)

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the member's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and purchased or originated credit impaired (POCI) financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The EAD for 12mECL is the outstanding amount of the loan at the year end. The EAD for lifetime ECL are adjusted with loan monthly payments and interest accrued on a yearly basis.

Loss given default

Loss given default (LGD) is the magnitude of the likely loss if there is a default. The Group estimates the LGD parameters based on the history of loss of defaulted loans. The business model of the Group is such that it does not hold any major collateral except fixed deposits, retirement savings scheme, fixed/floating charge on assets of loanees and guarantors. In case of default, the monthly instalments are paid by the guarantors.

Probability of default

Probability of default (PD) is defined as the likelihood of default over a particular time horizon. The days past due is the primary input used to determine the probability of default.

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have significantly increased in credit risk when the days past due is more than 30 days and stress situation on specific sectors where employees are being made redundant or are opting for half pay or leave without pay.

(iii) Credit concentration

Based on the business model of the Group, loans are provided to civil servants only and are disbursed subject to a 50% maximum deduction on gross salary. This reduces the credit concentration risk to a minimal level.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iv) Collateral and other credit enhancements

The use of credit risk mitigants is an integral part of the credit risk management process and is documented in the Company's Credit Risk policy. The amount and type of collateral required depend on the members' credit quality and repayment capacity. The principal collateral types taken include:

- Fixed / floating charge on assets of members

- Pledge of deposits / RSS

Interest rate risk

Critical accounting estimates and judgements

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 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.

Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group uses an interest rate gap analysis to measure and monitor the interest rate risk.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 **Financial risk factors (Continued)**

Interest rate risk (Continued)

The tables below summarise the Group's exposure to interest rate risks. It includes the Group's assets and liabilities at carrying amounts, categorised by either the earlier of contractual repricing or maturity dates. The 'within 1 year' column include the financial assets and liabilities which have floating rates of interest that do not reprice at set dates, but rather reprice whenever the underlying interest rate index change.

THE GROUP

As at June 30, 2020	Within 1 year	1-5 years	Over 5 years	Non interest bearing	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Assets					
Cash and cash equivalents	1,856,277,820	-	-	-	1,856,277,820
Placements with bank and non-bank financial institutions	1,461,875,239	1,706,897,362	-	-	3,168,772,600
Financial assets at amortised cost	3,681,656,717	-	-	-	3,681,656,717
Financial assets at fair value through profit or loss	-	-	-	38,714,355	38,714,355
Loans and advances	32,854,460,249	3,259,201	57,021,805	-	32,914,741,256
Other assets	-	-	-	6,288,045	6,288,045
	39,854,270,025	1,710,156,563	57,021,805	45,002,400	41,666,450,793
Liabilities					
Deposits	25,640,912,076	393,654,663	-	-	26,034,566,739
Interest bearing loans	-	-	-	-	-
Other liabilities	-	-	-	118,386,935	118,386,935
Funds	1,902,453,217	-	-	1,370,078,434	3,272,531,650
	27,543,365,293	393,654,663	-	1,488,465,369	29,425,485,324
Total interest repricing gap	12,310,904,732	1,316,501,900	57,021,805	(1,443,462,969)	12,240,965,468

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

Interest rate risk (Continued)

THE GROUP

As at June 30, 2019	Within 1 year	1-5 years	Over 5 years	Non interest bearing	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Assets					
Cash and cash equivalents	1,220,513,772	-	-	-	1,220,513,772
Placements with bank and non-bank financial institutions	2,414,577,174	816,251,027	-	-	3,230,828,201
Financial assets at amortised cost	1,906,197,725	1,382,475,555	-	-	3,288,673,280
Financial assets at fair value through profit or loss	-	-	-	45,244,866	45,244,866
Loans and advances	33,915,146,245	7,982,789	41,445,594	-	33,964,574,628
Other assets	-	-	-	4,744,875	4,744,875
	39,456,434,916	2,206,709,371	41,445,594	49,989,741	41,754,579,622
Liabilities					
Deposits	27,172,840,462	540,321,770	-	-	27,713,162,232
Interest bearing loans	2,285,515	-	-	-	2,285,515
Other liabilities	-	-	-	66,275,860	66,275,860
Funds	1,820,083,912	-	-	1,506,906,388	3,326,990,300
	28,995,209,889	540,321,770	-	1,573,182,249	31,108,713,907
Total Interest repricing gap	10,461,225,027	1,666,387,601	41,445,594	(1,523,192,508)	10,645,865,715

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

Interest rate risk (Continued)

THE COMPANY

As at June 30, 2020

	Within 1 year	1-5 years	Over 5 years	Non interest bearing	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Assets					
Cash and cash equivalents	1,839,068,680	-	-	-	1,839,068,680
Placements with bank and non-bank financial institutions	1,461,875,239	1,706,897,362	-	-	3,168,772,600
Financial assets at amortised cost	3,681,656,717	-	-	-	3,681,656,717
Financial assets at fair value through profit or loss	-	-	-	38,714,355	38,714,355
Loans and advances	32,854,460,249	3,259,201	57,021,805	-	32,914,741,256
Other assets	-	-	-	3,613,727	3,613,727
	39,837,060,884	1,710,156,563	57,021,805	42,328,082	41,646,567,335
Liabilities					
Deposits	25,640,912,076	393,654,663	-	-	26,034,566,739
Interest bearing loans	-	-	-	-	-
Other liabilities	-	-	-	134,350,606	134,350,606
Funds	1,902,453,217	-	-	1,370,078,434	3,272,531,650
	27,543,365,293	393,654,663	-	1,504,429,040	29,441,448,995
Total interest repricing gap	12,293,695,592	1,316,501,900	57,021,805	(1,462,100,958)	12,205,118,339

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

Interest rate risk (Continued)

THE COMPANY

As at June 30, 2019

	Within 1 year	1-5 years	Over 5 years	Non interest bearing	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Assets					
Cash and cash equivalents	1,205,726,772	-	-	-	1,205,726,772
Placements with bank and non-bank financial institutions	2,414,577,174	816,251,027	-	-	3,230,828,201
Financial assets at amortised cost	1,906,197,725	1,382,475,555	-	-	3,288,673,280
Financial assets at fair value through profit or loss	-	-	-	45,244,866	45,244,866
Loans and advances	33,915,146,245	7,982,789	41,445,594	-	33,964,574,628
Other assets	-	-	-	13,371,305	13,371,305
	39,441,647,915	2,206,709,371	41,445,594	58,616,171	41,748,419,052
Liabilities					
Deposits	27,172,840,462	540,321,770	-	-	27,713,162,232
Interest bearing loans	2,285,515	-	-	-	2,285,515
Other liabilities	-	-	-	64,957,721	64,957,721
Funds	1,820,083,912	-	-	1,506,906,388	3,326,990,300
	28,995,209,889	540,321,770	-	1,571,864,109	31,107,395,768
Total interest repricing gap	10,446,438,026	1,666,387,601	41,445,594	(1,513,247,938)	10,641,023,284

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

Interest rate risk (Continued)

THE COMPANY

As at June 30, 2018

	Within 1 year	1-5 years	Over 5 years	Non interest bearing	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Assets					
Cash and cash equivalents	1,496,898,959	-	-	-	1,496,898,959
Placements with bank and non-bank financial institutions	2,230,597,093	1,145,629,863	-	-	3,376,226,956
Financial assets at amortised cost	1,286,157,117	1,379,222,748	-	-	2,665,379,865
Loans and advances	34,437,779,657	9,140,336	32,176,509	-	34,479,096,502
Other assets	-	-	-	2,431,389	2,431,389
	39,451,432,826	2,533,992,947	32,176,509	2,431,389	42,020,033,671
Liabilities					
Deposits	25,013,033,323	2,717,112,795	722,848,758	-	28,452,994,876
Interest bearing loans	179,692,567	-	-	-	179,692,567
Other liabilities	-	-	-	120,497,293	120,497,293
Funds	1,756,446,253	-	-	1,547,792,430	3,304,238,683
	26,949,172,143	2,717,112,795	722,848,758	1,668,289,723	32,057,423,419
Total interest repricing gap	12,502,260,683	(183,119,848)	(690,672,249)	(1,665,858,333)	9,962,610,252

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

Interest rate risk (Continued)

At June 30, 2020, 2019 and 2018, if interest rates on floating interest bearing assets and liabilities had been 10 basis points higher/lower, with all other variables held constant, post-tax profit for the year would have been as follows:

	THE GROUP		THE COMPANY		
	Effect on post-tax profit 2020	Effect on post-tax profit 2019	Effect on post-tax profit 2020	Effect on post-tax profit 2019	Effect on post-tax profit 2018
	Rs.	Rs.	Rs.	Rs.	Rs.
Effect of an increase in interest rate	10,218,051	8,682,817	10,203,767	8,670,544	12,502,261
Effect of a decrease in interest rate	(10,218,051)	(8,682,817)	(10,203,767)	(8,670,544)	(12,502,261)

Liquidity risk

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

Being a financial institution, the Group is subject to statutory obligations whereby it has to meet Bank of Mauritius requirements and also by availing credit facilities from banks.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow and does not foresee any major liquidity risk over the next two years.

The table below summarises the maturity profile of the Group's financial assets and liabilities based on contractual undiscounted payments.

As at June 30, 2020

THE GROUP

	Within 1 year	1-5 years	Over 5 years	No specified maturity	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Assets					
Cash and cash	1,856,277,820	-	-	-	1,856,277,820
Placements with bank and non-bank financial institutions	1,231,301,618	2,075,161,382	-	-	3,306,462,999
Financial assets at amortised cost	3,705,933,750	-	-	-	3,705,933,750
Loans and advances	5,741,397,764	22,965,591,056	13,887,442,622	-	42,594,431,441
Other assets*	-	-	-	6,288,045	6,288,045
	12,534,910,952	25,040,752,438	13,887,442,622	6,288,045	51,469,394,055
Liabilities					
Deposits from customers	4,775,353,524	18,218,602,424	4,044,818,199	-	27,038,774,149
Other liabilities**	1,062,610	543,449	7,335,034	109,445,842	118,386,935
Funds ***	501,679,935	287,407,500	1,954,990,270	1,370,078,434	4,114,156,140
	5,278,096,070	18,506,553,373	6,007,143,503	1,479,524,276	31,271,317,223
Liquidity gap	7,256,814,882	6,534,199,065	7,880,299,118	(1,473,236,231)	20,198,076,832

* Other assets exclude tax deducted at source on rental income, prepayments and advance payment through plant , property and equipments and software.

** Other liabilities exclude interest and penalties payable.

*** Funds include GBS, MSC and RSS (Note 25). GBS and MSc are on demand since they do not have any maturity whereas RSS has been classified within each buckets based on maturity of the funds contributed.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

Liquidity risk (Continued)

As at June 30, 2019

THE GROUP

	Within 1 year	1-5 years	Over 5 years	No specified maturity	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Assets					
Cash and cash equivalents	1,220,513,772	-	-	-	1,220,513,772
Placements with bank and non-bank financial institutions	2,335,484,589	974,662,329	-	-	3,310,146,918
Financial assets at amortised cost	1,906,135,711	1,382,475,555	-	-	3,288,611,266
Loans and advances	5,620,954,683	22,483,818,734	20,808,164,307	-	48,912,937,724
Other assets*	-	-	-	4,744,875	4,744,875
	11,083,088,755	24,840,956,618	20,808,164,307	4,744,875	56,736,954,555
Liabilities					
Deposits from customers	5,012,940,521	18,784,691,729	6,613,508,689	-	30,411,140,939
Interest bearing	2,285,515	-	-	-	2,285,515
Other liabilities**	-	-	-	66,275,860	66,275,860
Funds ***	127,795,106	306,339,285	1,787,982,368	1,517,661,388	3,739,778,147
	5,143,021,142	19,091,031,014	8,401,491,057	1,583,937,248	34,219,480,462
Liquidity gap	5,940,067,613	5,749,925,604	12,406,673,250	(1,579,192,373)	22,517,474,092

* Other assets exclude advance payment through plant , property and equipments and software and prepayments.

** Other liabilities exclude interest and penalties payable.

*** Funds include GBS, MSC and RSS (Note 25). GBS and MSc are on demand since they do not have any maturity whereas RSS has been classified within each buckets based on maturity of the funds contributed.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

Liquidity risk (Continued)

As at June 30, 2020

THE COMPANY	Within 1 year	1-5 years	Over 5 years	No specified maturity	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Assets					
Cash and cash equivalents	1,839,068,680	-	-	-	1,839,068,680
Placements with bank and non-bank financial institutions	1,231,301,618	2,075,161,382	-	-	3,306,462,999
Financial assets at amortised cost	3,705,933,750	-	-	-	3,705,933,750
Loans and advances	5,741,397,764	22,965,591,056	13,887,442,622	-	42,594,431,441
Other assets*	-	-	-	3,613,727	3,613,727
	12,517,701,812	25,040,752,437	13,887,442,622	3,613,727	51,449,510,597
Liabilities					
Deposits from customers	4,775,353,524	18,218,602,424	4,044,818,199	-	27,038,774,149
Other liabilities**	13,857,268	5,800,017	6,845,558	107,847,763	134,350,606
Funds ***	501,679,935	287,407,500	1,954,990,270	1,370,078,434	4,114,156,140
	5,290,890,728	18,511,809,941	6,006,654,027	1,477,926,197	31,287,280,894
Liquidity gap	7,226,811,084	6,528,942,496	7,880,788,594	(1,474,312,470)	20,162,229,702

* Other assets exclude tax deducted at source on rental income, prepayments and advance payment through property, equipments and software.

** Other liabilities exclude interest and penalties payable.

*** Funds include GBS, MSC and RSS (Note 25). GBS and MSC are on demand since they do not have any maturity whereas RSS has been classified within each buckets based on maturity of the funds contributed.

As at June 30, 2019

THE COMPANY	Within 1 year	1-5 years	Over 5 years	No specified maturity	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Assets					
Cash and cash equivalents	1,205,726,772	-	-	-	1,205,726,772
Placements with bank and non-bank financial institutions	2,335,484,589	974,662,329	-	-	3,310,146,918
Financial assets at amortised cost	1,906,135,711	1,382,475,555	-	-	3,288,611,266
Loans and advances	5,620,954,683	22,483,818,734	20,808,164,307	-	48,912,937,724
Other assets*				13,371,305	13,371,305
	11,068,301,755	24,840,956,618	20,808,164,307	13,371,305	56,730,793,984
Liabilities					
Deposits from customers	5,012,940,521	18,784,691,729	6,613,508,689	-	30,411,140,939
Interest bearing loans	2,285,515	-	-	-	2,285,515
Other liabilities**	-	-	-	64,957,721	64,957,721
Funds ***	127,795,106	306,339,285	1,787,982,368	1,517,661,388	3,739,778,147
	5,143,021,142	19,091,031,014	8,401,491,057	1,582,619,109	34,218,162,323
Liquidity gap	5,925,280,613	5,749,925,603	12,406,673,251	(1,569,247,804)	22,512,631,661

* Other assets exclude advance payment through property, equipments and software and prepayments.

** Other liabilities exclude interest and penalties payable.

*** Funds include GBS, MSC and RSS (Note 25). GBS and MSC are on demand since they do not have any maturity whereas RSS has been classified within each buckets based on maturity of the funds contributed.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

Liquidity risk (Continued)

As at June 30, 2018

THE COMPANY	Within 1 year	1-5 years	Over 5 years	No specified maturity	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Assets					
Cash and cash	1,496,898,959	-	-	-	1,496,898,959
Placements with bank and non-bank financial institutions	1,769,929,349	1,680,911,027	-	-	3,450,840,376
Financial assets at amortised cost	1,347,967,500	1,440,551,250	-	-	2,788,518,750
Loans and advances	5,700,317,949	22,801,271,794	21,407,500,468	-	49,909,090,211
Other assets*	-	-	-	1,746,386	1,746,386
	10,315,113,757	25,922,734,071	21,407,500,468	1,746,386	57,647,094,682
Liabilities					
Deposits from customers	5,886,153,319	17,491,069,710	8,286,738,490	-	31,663,961,519
Interest bearing loans	164,740,519	18,940,324	-	-	183,680,843
Other liabilities**	-	-	-	53,377,386	53,377,386
Funds ***	107,680,556	237,243,861	1,411,521,835	1,547,792,430	3,304,238,682
	6,158,574,394	17,747,253,895	9,698,260,325	1,601,169,816	35,205,258,430
Liquidity gap	4,156,539,363	8,175,480,176	11,709,240,143	(1,599,423,429)	22,441,836,252

* Other assets exclude advance payment through property, equipments and software and prepayments.

** Other liabilities exclude interest and penalties payable.

*** Funds include GBS, MSC and RSS (Note 25). GBS and MSC are on demand since they do not have any maturity whereas RSS has been classified within each buckets based on maturity of the funds contributed.

Currency risk

As at June 30, 2020, the Group had financial assets denominated in US dollars with respect to accounts held with local commercial banks amounting to Rs. 61,715 (2019: Rs. 54,812 and 2018: Rs. 13,094,637).

Sensitivity analysis

At June 30, 2020, 2019 and 2018, if the USD had weakened/strengthened by 5% against the MUR with all variables held constant, post-tax profit and equity of the Company would have as follows:

		THE GROUP		THE COMPANY		
Currency	Increase / (decrease) in foreign exchange rate	Effect on post-tax profit and equity 2020	Effect on post-tax profit and equity 2019	Effect on post-tax profit and equity 2020	Effect on post-tax profit and equity 2019	Effect on post-tax profit and equity 2018
		Rs.	Rs.	Rs.	Rs.	Rs.
MUR in relation to USD	+5%	(2,696)	(2,394)	(2,696)	(2,394)	(654,732)
MUR in relation to USD	-5%	2,696	2,394	2,696	2,394	654,732

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Other risks

Compliance risk

Compliance risk is the risk that the Group fails to comply with existing statutory and compliance regulations, thereby impacting adversely on the Group's financial position and reputation. This is managed through continuous review of systems in place, adherence to group's procedure manuals and assignment of the compliance department independent of the normal course of transactions. The Compliance Department is well structured with qualified staffs. The department ensures that the activities carried out are in conformity with the laws, regulations, and guidelines governing the banking sector and with the principles of good governance. Any departure is reported to the Audit and Corporate Governance Committee.

Operational risk management

Operational risk is the risk of financial loss and business instability arising from failures in internal controls, operational processes or other supporting systems.

It is understood that such risks cannot be entirely eliminated and the cost of controls in minimising these risks may outweigh the potential benefits. As part of the implementation of the Group's risk strategy, independent checks on risk issues are undertaken by the Internal Audit unit.

Legal risk

Legal risk is the risk that the business activities of the Group have unintended or unexpected consequences. It includes risk arising from:

- Inadequate documentation, legal or regulatory incapacity, insufficient authority of a counterparty and uncertainty about the validity or enforceability of a contract in counterparty insolvency;
- Actual or potential violations of laws or regulations (including activities unauthorised for the financial institution and which attract a civil or criminal fine or penalty);
- Failure to protect the Group's property;
- The possibility of civil claims (including acts or other events which may lead to litigation or other disputes).

The Group identifies and manages legal risk through its legal advisers.

Reputational risk

Mutual Aid considers management of reputation as crucial for maintenance of value advantage and it defines reputation as an intangible asset greater than brand. The Group is aware that reputation is affected when something is done that causes stakeholders to lose trust in an organisation. Mutual Aid manages reputation risk through:

- Effective framework of prudential management and good governance;
- Efficient communications with all stakeholders;
- Effective Media management;
- Timely and effective operational response.

3.3 Capital risk management

The Group's objectives when managing capital are:

- to comply with the capital requirements set by the Bank of Mauritius,
- to safeguard the entity's ability to continue as a going concern, so
- to provide an adequate return to members by adjusting interest

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Capital risk management (Continued)

The Group monitors capital on the basis of the debt-to-capital ratio. This ratio is calculated as net debt to capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Capital comprises all components of equity.

The target level of debt to capital ratio is 10 times . However, given the high level of capital adequacy ratio of the Group, the debt to equity is relatively low, which testifies the financial strength of the Group. Taking into consideration the business model of the Group and the relatively low level of default, the risk of a high debt to equity is remote. Nevertheless, the Group is constantly monitoring its level of debt so as to maintain it at a level less than 10 times (as shown below). As regards to the capital adequacy ratio, the minimum required is 10 %, whereas for the period under review, the Group has maintained a capital adequacy ratio of approximately 63.25 % which is within the minimum requirements.

The debt-to-capital ratios at June 30, 2020, at June 30, 2019 and at June 30, 2018 were as follows:

	THE GROUP		THE COMPANY		
	2020	2019	2020	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.
Total debt	26,034,566,739	27,715,447,747	26,034,566,739	27,715,447,747	28,632,687,444
Less: cash and cash equivalents	(1,856,277,820)	(1,220,513,772)	(1,839,068,680)	(1,205,726,772)	(1,496,898,959)
Net debt	24,178,288,919	26,494,933,975	24,195,498,059	26,509,720,975	27,135,788,485
Total equity	11,651,065,899	10,504,782,696	11,678,122,435	10,542,293,325	9,177,641,088
Debt-to-capital ratio	2.08:1	2.52:1	2.07:1	2.51:1	2.96:1

3.4 Fair value estimation

All the financial instruments approximate their fair values, except where otherwise stated.

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 Group 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 a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates

(i) Impairment losses on loans and advances: Note 14 (b) Allowances for credit losses & Note 8 Net credit loss allowance on financial assets

(ii) Pension benefits: Note 26 Pension benefit obligations

(iii) Revaluation of investment properties: Note 21 Investment Properties

(iv) Guarantee Benevolent Scheme (GBS) and Mutual Solidarity Contribution (MSC): Note 25 (a) & (b) Guarantee Benevolent Scheme and Mutual Solidarity Contribution

(v) Determination of interest rate implicit in the lease: Note 19 Property, equipment and right of use assets

Judgement

(i) Limitation of sensitivity analysis: Note 3.1 Financial risk factors

5. CLASSIFICATION OF ASSETS AND LIABILITIES BETWEEN CURRENT AND NON-CURRENT

The table below shows an analysis of assets and liabilities classified between current and non-current.

As at June 30, 2020	THE GROUP		
	Within 12 months	After 12 months	Total
	Rs.	Rs.	Rs.
Assets			
Cash and cash equivalents	1,856,277,820	-	1,856,277,820
Loans and advances to members	3,214,390,875	29,700,350,380	32,914,741,255
Placements with bank and non-bank financial institutions	1,207,887,828	1,960,884,772	3,168,772,600
Financial assets at amortised cost	3,679,502,947	-	3,679,502,947
Financial assets at fair value through profit or loss	-	38,714,355	38,714,355
Property, equipment and right of use assets	-	236,677,860	236,677,860
Intangible assets	-	48,906,919	48,906,919
Investment property	-	247,169,762	247,169,762
Current tax receivable	26,956,215	-	26,956,215
Deferred tax assets	-	30,664,022	30,664,022
Other assets	18,683,556	-	18,683,556
	10,003,699,240	32,263,368,070	42,267,067,311
Liabilities			
Deposits from customers	4,906,511,125	21,128,055,614	26,034,566,739
Interest bearing loans	-	-	-
Current tax liabilities	-	-	-
Funds	127,795,106	3,144,736,545	3,272,531,651
Pension benefit obligations	-	139,994,000	139,994,000
Other liabilities	110,508,451	7,878,483	118,386,935
	5,144,814,683	24,420,664,642	29,565,479,325

5. CLASSIFICATION OF ASSETS AND LIABILITIES BETWEEN CURRENT AND NON-CURRENT (CONTINUED)

The table below shows an analysis of assets and liabilities classified between current and non-current.

As at June 30, 2019	THE GROUP		
	Within 12 months	After 12 months	Total
	Rs.	Rs.	Rs.
Assets			
Cash and cash equivalents	1,220,513,772	-	1,220,513,772
Loans and advances to members	2,723,181,119	31,241,393,508	33,964,574,627
Placements with bank and non-bank financial institutions	2,310,641,831	920,186,370	3,230,828,201
Financial assets at amortised cost	1,906,197,726	1,382,475,555	3,288,673,281
Financial assets at fair value through profit or loss	-	45,244,866	45,244,866
Property, equipment and right of use assets	-	178,145,841	178,145,841
Intangible assets	-	24,290,260	24,290,260
Investment property	-	241,933,716	241,933,716
Current tax receivable	39,921,986	-	39,921,986
Deferred tax assets	-	17,756,897	17,756,897
Other assets	91,320,109	-	91,320,109
	8,291,776,544	34,051,427,013	42,343,203,557
Liabilities			
Deposits from customers	5,151,020,222	22,562,142,010	27,713,162,232
Interest bearing loans	2,285,515	-	2,285,515
Current tax liabilities	-	-	-
Funds	1,820,083,912	1,506,906,388	3,326,990,300
Pension benefit obligations	-	563,000	563,000
Other liabilities	66,275,860	-	66,275,860
	7,039,665,510	24,069,611,398	31,109,276,907

5. CLASSIFICATION OF ASSETS AND LIABILITIES BETWEEN CURRENT AND NON-CURRENT (CONTINUED)

The table below shows an analysis of assets and liabilities classified between current and non-current.

As at June 30, 2020	THE COMPANY		
	Within 12 months	After 12 months	Total
	Rs.	Rs.	Rs.
Assets			
Cash and cash equivalents	1,839,068,680	-	1,839,068,680
Loans and advances to members	3,214,390,875	29,700,350,380	32,914,741,255
Placements with bank and non-bank financial institutions	1,207,887,828	1,960,884,772	3,168,772,600
Financial assets at amortised cost	3,679,502,947	-	3,679,502,947
Financial assets at fair value through profit or loss	-	38,714,355	38,714,355
Property, equipment and right of use assets	-	106,004,148	106,004,148
Intangible assets	-	48,706,513	48,706,513
Investment property	-	-	-
Current tax receivable	25,948,760	-	25,948,760
Deferred tax assets	-	39,080,868	39,080,868
Other assets	15,745,393	-	15,745,393
	9,982,544,482	31,893,741,036	41,876,285,520
Liabilities			
Deposits from customers	4,906,511,125	21,128,055,614	26,034,566,739
Interest bearing loans	-	-	-
Current tax liabilities	-	-	-
Funds	127,795,106	3,144,736,545	3,272,531,651
Pension benefit obligations	-	139,994,000	139,994,000
Other liabilities	121,705,031	12,645,575	134,350,606
	5,156,011,262	24,425,431,734	29,581,442,996

5. CLASSIFICATION OF ASSETS AND LIABILITIES BETWEEN CURRENT AND NON-CURRENT (CONTINUED)

The table below shows an analysis of assets and liabilities classified between current and non-current.

As at June 30, 2019	THE COMPANY		
	Within 12 months	After 12 months	Total
	Rs.	Rs.	Rs.
Assets			
Cash and cash equivalents	1,205,726,772	-	1,205,726,772
Loans and advances to members	2,723,181,119	31,241,393,508	33,964,574,627
Placements with bank and non-bank financial institutions	2,310,641,831	920,186,370	3,230,828,201
Financial assets at amortised cost	1,906,197,726	1,382,475,555	3,288,673,281
Financial assets at fair value through profit or loss	-	45,244,866	45,244,866
Property, equipment and right of use assets	-	27,478,786	27,478,786
Intangible assets	-	24,032,886	24,032,886
Investment property	-	-	-
Current tax receivable	38,914,531	-	38,914,531
Deferred tax assets	-	21,784,932	21,784,932
Other assets	98,335,163	-	98,335,163
	8,282,997,143	33,662,596,904	41,945,594,046
Liabilities			
Deposits from customers	5,151,020,222	22,562,142,010	27,713,162,232
Interest bearing loans	2,285,515	-	2,285,515
Current tax liabilities	-	-	-
Funds	1,820,083,912	1,506,906,388	3,326,990,300
Pension benefit obligations	-	563,000	563,000
Other liabilities	64,957,721	-	64,957,721
	7,038,347,370	24,069,611,398	31,107,958,768

5. CLASSIFICATION OF ASSETS AND LIABILITIES BETWEEN CURRENT AND NON-CURRENT (CONTINUED)

The table below shows an analysis of assets and liabilities classified between current and non-current.

As at June 30, 2018	THE COMPANY		
	Within 12 months	After 12 months	Total
	Rs.	Rs.	Rs.
Assets			
Cash and cash equivalents	1,496,898,959	-	1,496,898,959
Loans and advances to members	2,678,463,857	31,185,029,401	33,863,493,257
Placements with bank and non-bank financial institutions	1,762,903,052	1,613,323,903	3,376,226,955
Financial assets at amortised cost	1,286,157,117	1,379,222,748	2,665,379,865
Property, equipment and right of use assets	-	176,611,157	176,611,157
Intangible assets	-	5,594,308	5,594,308
Investment property	-	236,810,723	236,810,723
Other assets	27,728,230	-	27,728,230
	7,252,151,214	34,596,592,240	41,848,743,454
Liabilities			
Deposits from customers	5,297,954,128	23,155,040,748	28,452,994,876
Interest bearing loans	160,765,342	18,927,225	179,692,567
Current tax liabilities	697,999,751	-	697,999,751
Funds	1,655,472,987	1,648,765,696	3,304,238,683
Pension benefit obligations	-	7,691,000	7,691,000
Other liabilities	120,497,293	-	120,497,293
	7,932,689,501	24,830,424,669	32,763,114,170

6. NET INTEREST INCOME

Accounting policy

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. Fees and commissions are recognised on an accrual basis, unless collectability is in doubt and except for fees which are an integral part of the effective interest rate of loans.

Rental income

Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Interest expense

Interest expense is calculated on deposits from customers, interest bearing loans and retirement savings funds using the effective interest rate method.

	THE GROUP AND THE COMPANY		
	2020	2019	2018
	Rs.	Rs.	Rs.
Interest income using an effective interest rate			
Placements and bank balances	**116,655,913**	82,771,736	142,232,032
Loans and advances to members	**2,770,751,408**	3,024,871,296	3,149,152,794
Financial assets at amortised cost (Note 17)	**93,036,749**	116,467,518	35,400,673
Total interest income	**2,980,444,070**	3,224,110,550	3,326,785,499
Interest expense			
Deposits from customers	**(1,075,721,682)**	(1,282,327,537)	(1,358,988,742)
Interest bearing loans (Note 24)	**(61,082)**	(3,980,382)	(15,476,468)
Interest paid on retirement savings fund (Note 25c)	**(72,767,410)**	(70,107,756)	(75,355,473)
Total interest expense	**(1,148,550,174)**	(1,356,415,675)	(1,449,820,683)
Net interest income	**1,831,893,896**	1,867,694,875	1,876,964,816

7. OTHER INCOME

Accounting policy

Other income include penalty fee income for early encashment of deposits and retirement savings scheme and management fee income on Guarantee Benevolent Scheme. Other income are generally recognised as the services are provided by the Group and consumed by the customer.

	THE GROUP		THE COMPANY		
	2020	2019	2020	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.
Management fee	**1,173,791**	1,352,682	**7,545,029**	1,352,682	1,464,295
Penalty fee on early withdrawal of deposits	**3,506,112**	6,362,662	**4,492,567**	6,362,662	4,719,929
Gain on disposal of property, pant and equipment and investment property	-	-	-	51,076,812	740,000
Other fees	**1,872,843**	1,357,639	**1,872,843**	1,357,639	1,107,925
	6,552,746	9,072,983	**13,910,439**	60,149,795	8,032,149

Other fees include MCIB fees and dividend income.

8. NET CREDIT LOSS ALLOWANCE ON FINANCIAL ASSETS

Accounting policy

Policy applicable as from July 1, 2018 (IFRS 9)

The Group recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Cash and cash equivalents
- Loans and advances to members;
- Placements with bank and non-bank financial institutions;
- Financial assets at amortised cost.

With the exception of purchased or originated credit impaired (POCI) assets, ECLs are required to be measured through a loss allowance at an amount equal to:
- 12-month ECL, that is, lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as stage 1); or
- full lifetime ECL, that is, lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as stage 2).
- ECL on credit impaired assets, that is the difference between the gross carrying amount and the present value of estimated future cash flows, (referred to as stage 3).

A loss allowance for lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since intial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:
- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankrupcy or other financial reorganisation;
(e) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

A loan that has been renegotiatied due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost are credit-impaired at each reporting date.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

8. NET CREDIT LOSS ALLOWANCE ON FINANCIAL ASSETS (CONTINUED)

Accounting policy (Continued)

Policy applicable as from July 1, 2018 (IFRS 9) (Continued)

Definition of default and cure

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Group considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

The definition of default is appropriately tailored to reflect different characteristics of different type of assets.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators such as overdue status. The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources, for example, BOM guidelines on impairment.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of stage 3 when none of the default criteria have been present in the next month. The decision whether to classify an asset as stage 2 or stage 1 once cured depends on the days past due (if any), at the time of the cure and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Policy applicable prior to July 1, 2018 (IAS 39)

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and advances to members

For amounts due from members carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are individually not significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

8. NET CREDIT LOSS ALLOWANCE ON FINANCIAL ASSETS (CONTINUED)

Accounting policy (Continued)

Policy applicable prior to July 1, 2018 (IAS 39) (Continued)

Loans and advances to members (Continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

	THE GROUP AND THE COMPANY			
	2020			
	Stage 1	Stage 2	Stage 3	Total
	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	-	-	-	-
Loans and advances to members (note 14 (b))	152,771,476	46,221,058	128,258,005	327,250,538
Placements with bank and non-bank financial institutions (note 16)	(4,871,289)	-	-	(4,871,289)
Financial assets at amortised cost (note 17)	(3,765,731)	-	-	(3,765,731)
Total credit loss expense under IFRS 9	144,134,456	46,221,058	128,258,005	318,613,518

	THE GROUP AND THE COMPANY			
	2019			
	Stage 1	Stage 2	Stage 3	Total
	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	-	-	-	-
Loans and advances to members (note 14 (b))	(7,656,760)	3,113,302	62,494,816	57,951,358
Placements with bank and non-bank financial institutions (note 16)	(227,429)	-	-	(227,429)
Financial assets at amortised cost (note 17)	1,121,817	-	-	1,121,817
Total credit loss expense under IFRS 9	(6,762,372)	3,113,302	62,494,816	58,845,746

The table below shows the impairment charges recorded in the profit or loss under IAS 39 during 2018:

	THE COMPANY
	2018
	Rs.
Loans and advances to members (note 14 (b))	79,525,051

9. PERSONNEL EXPENSES

	THE GROUP AND THE COMPANY	THE GROUP AND THE COMPANY	THE COMPANY
	2020	2019	2018
	Rs.	Rs.	Rs.
Wages and salaries	88,157,963	86,461,639	83,021,199
Social security obligations	2,697,378	2,528,165	2,286,085
Pension costs - defined benefit plans (note 26(iv))	3,561,000	3,644,000	6,554,000
	94,416,341	92,633,804	91,861,284

10(a). OTHER EXPENSES

	THE GROUP		THE COMPANY		
	2020	2019	2020	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.
Printing, postage and stationery	10,438,714	5,739,116	10,438,714	5,739,116	5,704,331
Electricity and telephone	11,644,137	10,720,838	9,943,864	9,735,097	9,928,103
Security services	2,920,286	2,716,207	989,150	1,630,813	3,038,100
Legal and professional fees	10,052,341	16,293,669	9,578,941	16,136,569	8,621,954
Licences, rates and insurance	4,197,930	678,557	3,544,863	420,029	3,274,706
Repairs and maintenance	31,330,511	18,140,110	25,457,693	16,071,258	20,243,184
Director fees and training costs	9,889,535	10,273,596	8,953,535	8,326,241	11,997,110
Bank charges	1,446,112	1,661,606	1,414,462	1,654,126	1,661,003
Interest expense on lease liabilities (Note 27)	668,979	-	1,703,708	-	-
Other expenses	23,349,244	12,753,892	23,941,417	11,783,064	11,991,484
	105,937,789	78,977,591	95,966,347	71,496,313	76,459,975

Other expenses relate to cleaning expenses, syndic fees, sundry expenses, unrealised exchange difference and motor vehicle expenses.

10(b). PENALTY AND INTEREST ON TAX ASSESSMENT

Penalty and interest on tax assessment relates to tax claimed by MRA for the financial years ended 2007 to 2017.

11. TAXATION

Accounting policy

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the country where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity or in other comprehensive income is recognised directly in equity or in other comprehensive income and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Corporate social responsibility

Corporate social responsibility (CSR) was legislated by the government of Mauritius in July 2009. In terms of the legislation, the Group is required to remit 2% of its chargeable income of the preceding financial year to government approved CSR NGOs (Non-governmental organisations). As from July 2017, following amendments to the Finance Act 2017, the Group will now be required as from July 1, 2017 to June 30, 2018 to remit to the Director General at least 50% of the CSR contribution. After January 1, 2019, the Group will be required to remit to the Director General at least 75% of the CSR contribution. This is recorded as part of income tax expense.

The applicable income tax rate in Mauritius is 17% (2019: 17% and 2018: 15%).

11a. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY		
Statement of profit or loss	2020	2019	2020	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.
Current tax expense	57,520,644	144,858,712	57,520,644	145,677,401	249,214,041
Income tax expense for years 2007 to 2017	-	-	-	-	1,270,793,600
Corporate social responsibility	7,669,419	19,314,495	7,669,419	19,423,653	67,342,563
Over/Under provision of income tax expense	(606,486)	16,088,556	(606,486)	16,088,556	(5,716,254)
Deferred tax (Note 11(b))	(7,374,815)	75,866,279	(11,763,626)	71,838,244	(96,958,631)
	57,208,762	256,128,042	52,819,951	253,027,854	1,484,675,319

11. TAXATION (CONTINUED)

11a. INCOME TAX EXPENSE (CONTINUED)

The taxes on the Company's profits before tax differ from the theoretical amounts that would arise using the basic tax rate of the Company are as follows:

	THE GROUP		THE COMPANY		
	2020	2019	2020	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.
Profit before tax	1,405,223,275	1,663,437,251	1,390,380,371	1,701,250,098	1,321,601,057
Tax calculated at a tax rate year at 17% (2019: 17% and 2018: 15%)	238,887,957	282,784,333	236,364,663	289,212,517	224,672,180
Tax effect on:					
Income not subject to tax	-	(824,936)	-	(2,561,549)	(16,082,000)
Expenses not deductible for tax purposes	37,031,545	20,929,429	36,546,341	20,929,429	61,589,080
Under/ (over) provision of income tax expense	(606,486)	16,088,556	(606,486)	16,088,556	(5,716,254)
Income tax expense for years 2007 to 2017	-	-	-	-	1,270,793,600
Under/(over) provision for deferred tax	(1,447,219)	-	(2,827,531)	-	(84,695,310)
Effect of partial exemption	(79,623,548)	(44,666,479)	(79,623,548)	(44,666,479)	-
Effect of change in tax rate from 17% to 3.4% on deferred tax as from January 01, 2019	(137,034,507)	(18,182,861)	(137,034,507)	(25,974,620)	-
CSR for preceeding year			-	-	34,114,024
	57,207,742	256,128,042	52,818,931	253,027,854	1,484,675,320

For the financial year 2019, income not subject to tax includes surplus in valuation of funds.

For the financial year 2020 and 2019, expenses not deductible for tax purposes include allowance for credit losses and depreciation and amortisation.

Statement of financial position

At July, 1	(39,921,986)	697,999,751	(38,914,531)	697,999,751	3,449,074
Income tax payable for the year	57,520,644	144,858,712	57,520,644	145,677,401	249,214,041
Income tax for years 2007 to 2014	-	-	-	-	536,389,762
Income tax for years 2015 to 2017	-	-	-	-	734,403,838
Corporate social responsibility contribution	7,669,419	19,314,495	7,669,419	19,423,653	67,342,563
Under/Over provision of income tax expense	(606,486)	16,088,556	(606,486)	16,088,556	(5,716,254)
Income tax paid	(51,617,806)	(918,183,500)	(51,617,806)	(918,103,892)	(887,083,273)
At June, 30	(26,956,215)	(39,921,986)	(25,948,760)	(38,914,531)	697,999,751

The applicable income tax rate in Mauritius is 17% (2019: 17% and 2018: 15%). A charge of 2% is applicable in respect of Corporate Social Responsibility as mentioned above in the accounting policy. The Income Tax Act has been amended by the Finance (Miscellaneous Provisions) Act 2018 so that 80 % of interest income derived by a company residant in Mauiritus is exempted from tax. This is effective as from January 1, 2019. The CSR charge has remianed unchanged so that 2% of the preceeding year chargeable income should be paid.

The Mauritius Revenue Authority ("MRA") has issued a notice of assessment (the "assessment") for the years June 30, 2007 to June 30, 2014.

11. TAXATION (CONTINUED)

11a. INCOME TAX EXPENSE (CONTINUED)

On February 19, 2018, the Assessment Review Committee (ARC) issued its findings for tax assessments June 2007 to June 2013 in favour of the MRA. Consequently, the Company did not make an appeal to the Supreme Court and settled the tax claimed by the MRA.

A meeting was held with MRA and an agreement was signed on April 10, 2018 whereby the MRA accepted to waive 75% of penalties and interests for the financial years June 2007 to June 2015.

The Company filed amended tax returns for June 2016 and June 2017 and the MRA agreed to waive penalties and interests of 50%.

All tax liabilities have been paid with regards to the tax assessment.

11b. DEFERRED TAX

Accounting policy

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

-Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

-In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised outside profit or loss are recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

11b. DEFERRED TAX (CONTINUED)

Deferred taxes are calculated on all temporary differences under the liability method at the rate of 3.4% (2018: 17%). The Income Tax Act has been amended by the Finance (Miscellaneous Provisions) Act 2018 so that 80 % of interest income derived by a company resident in Mauritius is exempted from tax. This is effective as from January 1, 2019. The CSR charge has remained unchanged so that 2% of the preceeding year chargeable income should be paid. This implies that the effective tax rate is 3.4%.

	THE GROUP		THE COMPANY		
	2020	2019	2020	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.
At July 1,	17,756,897	92,011,801	21,784,932	92,011,801	-
Impact on adoption of IFRS 9	-	1,073,461	-	1,073,461	-
Credited/(Debited) to profit or loss (Note 11(a))	7,374,815	(75,866,279)	11,763,626	(71,838,244)	96,958,631
Debited to other comprehensive income	5,532,310	537,914	5,532,310	537,914	(4,946,830)
At June 30,	30,664,022	17,756,897	39,080,868	21,784,932	92,011,801

There is a legally enforceable right to offset current tax assets against current tax liabilites and deferred tax assets and liabilities when the deferred income taxes relate to the same fiscal authority on the same entity.

Deferred tax liabilities	-	-	-	-	-
Deferred tax assets	30,664,022	17,756,897	39,080,868	21,784,932	92,011,801
	30,664,022	17,756,897	39,080,868	21,784,932	92,011,801
Accelerated capital allowance/depreciation	(11,254,098)	(8,195,428)	(1,469,907)	(3,338,216)	(13,948,220)
Pension benefit obligations	4,759,796	19,142	4,759,796	19,142	1,307,470
Provision for credit impairment	35,790,979	25,104,006	35,790,979	25,104,006	104,652,551
Tax losses	1,367,345	829,177	-	-	-
	30,664,022	17,756,897	39,080,868	21,784,932	92,011,801

12. EARNINGS PER SHARE

	THE GROUP	
	2020	2019
	Rs.	Rs.
Net income/(loss) for the year	1,348,014,513	1,407,309,209
Weighted average number of shares	1,903,327	1,940,883
Effective number of shares	1,903,327	1,940,883
Earnings per share -basic and diluted	708.24	725.09

13. CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents in the statement of financial position comprise of cash at banks and on hand with an original maturity of three months or less. Cash and cash equivalents are measured at amortised cost.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are measured at amortised cost. Accounting policy for calculating allowance for credit losses is outlined under note 8.

	THE GROUP		THE COMPANY		
	2020	2019	2020	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.
Cash in hand	10,761	21,113	10,761	21,113	20,362
Balances with commercial banks	1,856,267,059	1,220,492,659	1,839,057,919	1,205,705,659	1,496,878,597
	1,856,277,820	1,220,513,772	1,839,068,680	1,205,726,772	1,496,898,959

The carrying amount of the Group's and the Company's cash and cash equivalents are denominated in the following currencies:

	THE GROUP		THE COMPANY		
	2020	2019	2020	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.
Mauritian Rupee	1,856,216,105	1,220,458,960	1,839,006,965	1,205,671,960	1,483,804,322
US Dollar	61,715	54,812	61,715	54,812	13,094,637
	1,856,277,820	1,220,513,772	1,839,068,680	1,205,726,772	1,496,898,959

14. LOANS AND ADVANCES TO MEMBERS

Accounting policy

Policy applicable after July 1, 2018 (IFRS 9)

From July 1, 2018, the Group only measures loans and advances to members at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined in note 2.4(c).

Policy applicable prior to July 1, 2018 (IAS 39)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest rate ("EIR") method, less impairment. Allowances for credit impairment includes specific and porfolio allowances.

	THE GROUP AND THE COMPANY		
	2020	2019	2018
	Rs.	Rs.	Rs.
Members - loans	33,176,850,665	34,236,568,446	34,752,945,649
Deferred processing fee	(262,109,410)	(271,993,819)	(273,849,147)
Less allowances for credit losses	(1,038,949,267)	(706,780,344)	(615,603,243)
	31,875,791,988	33,257,794,283	33,863,493,259

Deferred processing fee relates to fees received on disbursement of loans that have been amortised over the term of the loan.

(a) Remaining terms to maturity

	2020	2019	2018
Members - loans			
Up to 3 months	40,261,104	36,142,057	33,131,932
Over 3 months and up to 6 months	26,684,388	9,630,381	13,063,441
Over 6 months and up to 12 months	115,751,799	54,620,760	50,948,482
Over 1 year and up to 5 years	4,143,227,132	3,790,424,987	3,499,662,306
Over 5 years	28,588,816,832	30,073,756,442	30,882,290,341
	32,914,741,255	33,964,574,627	34,479,096,502
Less allowance for credit losses	(1,038,949,267)	(706,780,344)	(615,603,243)
	31,875,791,988	33,257,794,283	33,863,493,259

(b) Allowances for credit losses

Accounting policy

Policy applicable after July 1, 2018 (IFRS 9)

As described in Note 2.2, the adoption of IFRS 9 has fundamentally changed the Group's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From July 1, 2018, the Group has been recording allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

14. LOANS AND ADVANCES TO MEMBERS (CONTINUED)

(b) Allowances for credit losses (Continued)

Accounting policy (Continued)

Policy applicable after July 1, 2018 (IFRS 9) (Continued)

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in note 3.1. The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 3.

Based on the above process, the company groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired (as outlined in Note 8). The Group records an allowance which is the difference between the carrying amount and the recoverable amount. Recoverable amount equals to the present value of future cash flows as per the term of the loan.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

The Group calculates ECLs based on an economic scenario derived from International Monerary Fund (IMF) to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 3.

EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 3.

14. LOANS AND ADVANCES TO MEMBERS (CONTINUED)

(b) Allowances for credit losses (Continued)

Accounting policy (Continued)

Policy applicable after July 1, 2018 (IFRS 9) (Continued)

LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan, as set out in this note below. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 3.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Provisions for ECLs for undrawn loan commitments are assessed as set out in Note 8. When estimating ECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down then multiply with the LGD and PD on the loans.

Write-offs

Financial assets are written off either partially or in their entirety only in hardship and death cases. The Group has a scheme known as the mutual solidarity scheme (refer to note 25) where the outstanding amount of loans for deceased borrowers and hardship cases are written off.

Forborne and modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral.

The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

From July 1, 2018, when the loan has been renegotiated or modified but not derecognised, the Group also reassesses whether there has been a significant increase in credit risk, as set out in Note 3. The Group also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, based on the policy of the Group, the latter will remain forborne.

If modifications are substantial, the loan is derecognised and a new loan is recognised. A substantial modification to the terms of a loan arise would result in the derecognition of the old loan and recognition of the new loan when all the terms attached to the old loans are changed.

14. LOANS AND ADVANCES TO MEMBERS (CONTINUED)

(b) Allowances for credit losses (Continued)

Accounting policy (Continued)

Policy applicable after July 1, 2018 (IFRS 9) (Continued)

The calculation of Expected Credit Losses (ECLs)

The Group calculates ECLs based on one scenario to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Policy applicable prior to July 1, 2018 (IAS 39)

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantors, discounted at the original effective interest rate of the loans.

If the amount of impairment subsequently decreases due to an event occuring after the write-down, the release of the provision is credited as a reduction of the provision for loan losses.

Statutory portfolio allowance

A portfolio allowance for credit losses is maintained in accordance with the guidelines of the Bank of Mauritius. These guidelines require that the company maintains a provision for credit impairment on all unimpaired loans and advances of not less than 1%.

Allowance for credit impairment in respect of on-balance sheet items is deducted from the applicable asset. Changes in the carrying amount of the allowance accounts are recognised in the statement of profit or loss. When an advance is uncollectible, it is written off against the mutual solidarity contribution for deceased borrowers and for other cases the loan is fully provided for. Subsequent recoveries of amounts previously written off are credited to "Net credit loss allowance on financial assets" in the statement of profit or loss.

Where possible, the Group seeks to restructure loans. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Critical accounting estimates and judgements

Policy applicable after July 1, 2018 (IFRS 9)

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

14. LOANS AND ADVANCES TO MEMBERS (CONTINUED)

(b) Allowances for credit losses (Continued)

Critical accounting estimates and judgements (Continued)

Policy applicable after July 1, 2018 (IFRS 9) (Continued)

In relation to credit impaired facilities, the Group determines expected credit losses by estimating the shortfall between the present value of expected cash flows and the present value of contractual cash flows. The estimation of expected cash flows is inherently judgemental and involves an estimation of proceeds from liquidation of the borrowers, proceeds from realisation of collaterals and the timing and extent of repayments on forborne facilities.

Policy applicable prior to July 1, 2018 (IAS 39)

The Company reviews their individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statements of profit or loss and other comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Company make judgements about the borrower's financial situation. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Furthermore, in case the loanees pass away, the loans are written off against the Mutual Solidarity Contribution.

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, etc.), and judgements on the effect of concentrations of risks and economic data.

Prior to July 1, 2018	THE COMPANY		
	Specific allowance for impairment	Portfolio allowances and general provisions for impairment	Total
	Rs.	Rs.	Rs.
At July 1, 2018	177,944,197	345,655,942	523,600,139
Charge for the year (Note 8)	90,269,903	(10,744,852)	79,525,051
Charge for the year (Note 25(b))	12,478,053	-	12,478,053
At June 30, 2018	280,692,153	334,911,090	615,603,243

A portfolio allowance for credit losses is maintained in accordance with the guidelines of the Bank of Mauritius. These guidelines require that the Company maintains a provision for credit impairment on all unimpaired loans and advances of not less than 1%.

From July 1, 2018	THE GROUP AND THE COMPANY
	Rs.
At July 1, 2018 (IAS 39)	615,603,243
Impact of IFRS 9	-
At July 1, 2018 (IFRS 9)	615,603,243
Charge for the year (Note 8)	57,951,358
Charge for the year (Note 25(b)) *	33,225,743
At June 30, 2019	706,780,344
Charge for the year (Note 8)	327,250,538
Charge for the year (Note 25(b)) *	4,918,385
At June 30, 2020	1,038,949,267

* This relates to provision charged against the Mutual Solidarity Contribution for deceased clients.

14. LOANS AND ADVANCES TO MEMBERS (CONTINUED)

(b) Allowances for credit losses (Continued)

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of credit loss allowances. Details of the Group's internal grading system are explained in Note 3 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 8.

	June 30, 2020				June 30, 2019
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Performing	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
High grade	30,823,858,685	-	-	30,823,858,685	32,638,945,716
Standard grade	-	750,057,834	-	750,057,834	399,036,433
Sub-standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	1,340,824,737	1,340,824,737	926,592,478
Total	30,823,858,685	750,057,834	1,340,824,737	32,914,741,255	33,964,574,627

	June 30, 2019				June 30, 2018
Internal rating grade	Stage 1	Stage 2	Stage 3	Total	Total
Performing	Rs.	Rs.	Rs.	Rs.	Rs.
High grade	32,638,945,716	-	-	32,638,945,716	33,371,765,137
Standard grade	-	399,036,433	-	399,036,433	345,196,887
Sub-standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	926,592,478	926,592,478	762,134,478
Total	32,638,945,716	399,036,433	926,592,478	33,964,574,627	34,479,096,502

*The impact of IFRS 9 was not material and therefore the opening balances were not adjusted

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

	THE GROUP AND THE COMPANY			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Gross carrying amount as at July 1, 2018	33,371,765,137	345,196,887	762,134,478	34,479,096,502
New assets originated or purchased	6,173,054,456	44,208,391	15,471,357	6,232,734,204
Assets derecognised or repaid (excluding write offs)	(6,485,577,637)	(55,973,172)	(45,261,382)	(6,586,812,191)
Transfers to Stage 1	183,405,913	(133,707,882)	(49,698,031)	-
Transfers to Stage 2	(235,208,941)	260,174,206	(24,965,265)	-
Transfers to Stage 3	(237,461,166)	(59,167,096)	296,628,262	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	(131,032,046)	(1,694,901)	(27,716,941)	(160,443,888)
At June 30, 2019	32,638,945,716	399,036,433	926,592,478	33,964,574,627

14. LOANS AND ADVANCES TO MEMBERS (CONTINUED)

(b) Allowances for credit losses (Continued)

	THE GROUP AND THE COMPANY			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	Rs.	Rs.	Rs.	Rs.
Gross carrying amount as at July 1, 2019	32,638,945,716	399,036,433	926,592,478	33,964,574,627
New assets originated or purchased	4,884,877,507	180,219,000	95,127,000	5,160,223,507
Assets derecognised or repaid (excluding write offs)	(5,881,737,829)	(87,131,987)	(72,224,960)	(6,041,094,775)
Transfers to Stage 1	148,424,045	(100,824,825)	(47,599,220)	-
Transfers to Stage 2	(425,313,816)	459,231,393	(33,917,576)	-
Transfers to Stage 3	(423,443,143)	(94,341,585)	517,784,728	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	(117,893,796)	(6,130,596)	(44,937,712)	(168,962,104)
At June 30, 2020	30,823,858,684	750,057,834	1,340,824,737	32,914,741,255

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	Rs.	Rs.	Rs.	Rs.
ECL allowance as at July 1, 2018	321,909,257	13,001,833	280,692,153	615,603,243
New assets originated or purchased	49,677,576	1,916,814	3,972,106	55,566,496
Movement through MSF (Note 25(b))	-	-	33,225,743	33,225,743
Assets derecognised or repaid (excluding write off:	(37,235,088)	(785,805)	(3,950,366)	(41,971,259)
Transfers to Stage 1	10,869,239	(5,016,171)	(5,853,068)	-
Transfers to Stage 2	(2,275,680)	5,562,300	(3,286,620)	-
Transfers to Stage 3	(2,262,578)	(2,527,294)	4,789,872	-
Impact on year end ECL of exposures transferred between stages during the year	(25,284,035)	4,012,598	86,924,620	65,653,183
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	(1,146,193)	(48,732)	(20,102,137)	(21,297,062)
At June 30, 2019	314,252,498	16,115,543	376,412,303	706,780,344
ECL allowance as at July 1, 2019	314,252,498	16,115,543	376,412,303	706,780,344
New assets originated or purchased	70,809,705	19,331,412	10,073,906	100,215,023
Movement through MSF (Note 25(b))	-	-	4,918,385	4,918,385
Assets derecognised or repaid (excluding write off:	(29,613,317)	(1,179,064)	(5,360,050)	(36,152,431)
Transfers to Stage 1	12,255,356	(4,336,649)	(7,918,707)	-
Transfers to Stage 2	(4,135,181)	6,449,415	(2,314,234)	-
Transfers to Stage 3	(4,175,400)	(3,919,436)	8,094,836	-
Impact on year end ECL of exposures transferred between stages during the year	108,685,064	30,115,732	129,459,552	268,260,348
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Recoveries				-
Amounts written off	(1,054,752)	(240,352)	(3,777,298)	(5,072,402)
At June 30, 2020	467,023,974	62,336,601	509,588,693	1,038,949,267

15. INVESTMENT IN SUBSIDIARY

Accounting policy

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

	THE COMPANY	
	2020	2019
	Rs.	Rs.
At Cost		
Investment in susbidiary	433,802,000	433,802,000

The Company's subsidiary is MCS Property and details as follows:

	Class of shares held	Share capital	Year end	Proportion of direct ownership interest	Place of business and country of incorporation	Main business
2020 and 2019	Ordinary	433,802,000	June 30,	100%	Mauritius	Land promoter and property developer

16. PLACEMENTS WITH BANK AND NON-BANK FINANCIAL INSTITUTIONS

Accounting policy

Policy applicable after July 1, 2018 (IFRS 9)

From July 1, 2018, the Group only measures placements with bank and non-bank financial institutions at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. The details of these conditions are outlined in note 2.4(c).

Accounting policy for calculating allowance for impaired losses is outlined under note 8 and 14(b).

Policy applicable prior to July 1, 2018 (IAS 39)

Placement with bank and non-bank financial institutions are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost using the effective interest method, less any impairment.

	THE GROUP AND THE COMPANY		
	2020	2019	2018
	Rs.	Rs.	Rs.
Placements	3,168,772,600	3,230,828,201	3,376,226,955
Less: allowance for credit losses	(11,572,820)	(16,444,109)	-
	3,157,199,780	3,214,384,092	3,376,226,955

Placements with bank and non-bank financial institutions are unquoted and are denominated in the following currencies:

	2020	2019	2018
	Rs.	Rs.	Rs.
Mauritian Rupee	3,168,772,600	3,230,828,201	3,376,226,955
US Dollar	-	-	-
	3,168,772,600	3,230,828,201	3,376,226,955

16. PLACEMENTS WITH BANK AND NON-BANK FINANCIAL INSTITUTIONS (CONTINUED)

Credit loss allowance for placements with bank and non-bank financial institutions

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of credit loss allowances. Details of the Group's internal grading system are explained in Note 3.1 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 8 and 14(b).

	THE GROUP AND THE COMPANY				
	June 30, 2020				June 30, 2019
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Performing	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
High grade	**3,168,772,600**	-	-	3,168,772,600	3,230,828,201
Standard grade	-	-	-	-	-
Sub-standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total	**3,168,772,600**	-	-	3,168,772,600	3,230,828,201

	THE GROUP AND THE COMPANY				THE COMPANY
	June 30, 2019				June 30, 2018
Internal rating grade	Stage 1	Stage 2	Stage 3	Total	Total
Performing	Rs.	Rs.	Rs.	Rs.	Rs.
High grade	3,230,828,201	-	-	3,230,828,201	3,376,226,955
Standard grade	-	-	-	-	-
Sub-standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total	3,230,828,201	-	-	3,230,828,201	3,376,226,955

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

	THE GROUP AND THE COMPANY			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	Rs.	Rs.	Rs.	Rs.
Gross carrying amount as at July 1, 2018	3,376,226,955	-	-	3,376,226,955
New assets originated or purchased	1,624,519,568	-	-	1,624,519,568
Assets derecognised or repaid (excluding write offs)	(1,769,918,322)	-	-	(1,769,918,322)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	-	-
At June 30, 2019	3,230,828,201	-	-	3,230,828,201

16. PLACEMENTS WITH BANK AND NON-BANK FINANCIAL INSTITUTIONS (CONTINUED)

	THE GROUP AND THE COMPANY			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	Rs.	Rs.	Rs.	Rs.
Gross carrying amount as at July 1, 2019	3,230,828,201	-	-	3,230,828,201
New assets originated or purchased	3,390,856,293	-	-	3,390,856,293
Assets derecognised or repaid (excluding write offs)	(3,452,911,894)	-	-	(3,452,911,894)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	-	-
At June 30, 2020	3,168,772,600	-	-	3,168,772,600

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	Rs.	Rs.	Rs.	Rs.
ECL allowance as at July 1, 2018	16,671,538	-	-	16,671,538
New assets originated or purchased	8,267,445	-	-	8,267,445
Assets derecognised or repaid (excluding write offs)	(8,494,874)	-	-	(8,494,874)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At June 30, 2019	16,444,109	-	-	16,444,109
ECL allowance as at July 1, 2019	16,444,109	-	-	16,444,109
New assets originated or purchased	13,554,241	-	-	13,554,241
Assets derecognised or repaid (excluding write offs)	(18,425,530)	-	-	(18,425,530)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At June 30, 2020	11,572,820	-	-	11,572,820

17. FINANCIAL ASSETS AT AMORTISED COST

Financial assets at amortised costs include investments in treasury bills and notes.

Accounting policy

Policy applicable after July 1, 2018 (IFRS 9)

From July 1, 2018, the Group only measures these financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. The details of these conditions are outlined in note 2.4(c).

Transaction costs are included in the fair value.

Accounting policy for calculating allowance for impaired losses is outlined under note 8 and 14(b).

Policy applicable prior to July 1, 2018 (IAS 39)

Financial assets are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss .

Financial assets are classified into the following specified categories: financial assets at fair-value-through-profit-or-loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Loans and receivables

Refer to note 14 for accounting policy on loans and receivables.

	THE GROUP AND THE COMPANY		
	2020	2019	2018
	Rs.	Rs.	Rs.
At July 1,	3,288,673,281	2,665,379,866	-
Additions during the year	2,730,602,496	5,642,343,398	4,047,362,942
Matured during the year	(2,332,387,900)	(5,033,071,468)	(1,408,200,000)
Interest received	(98,267,909)	(102,446,033)	(9,183,750)
Interest income (note 6)	93,036,749	116,467,518	35,400,673
At June 30,	3,681,656,717	3,288,673,281	2,665,379,866
Less: allowance for credit losses	(2,153,770)	(5,919,501)	-
	3,679,502,947	3,282,753,780	2,665,379,866

	2020	2019	2018
	Rs.	Rs.	Rs.
(a) Remaining terms to maturity			
Up to 3 months	639,286,259	342,559,687	248,894,446
Over 3 months and up to 6 months	1,240,696,358	296,425,900	208,097,768
Over 6 months and up to 12 months	1,801,674,100	1,267,212,139	829,164,904
Over 1 year and up to 5 years	-	1,382,475,555	1,379,222,748
	3,681,656,717	3,288,673,281	2,665,379,866

Financial assets at amortised cost include investments made in treasury bills and notes.

17. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

Credit loss allowance for financial assets at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of credit loss allowances. Details of the Group's internal grading system are explained in Note 3.1 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 8 and 14(b).

	THE GROUP AND THE COMPANY				THE COMPANY
	June 30, 2020				June 30, 2019
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Performing	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
High grade	**3,681,656,717**	-	-	**3,681,656,717**	3,288,673,281
Standard grade	-	-	-	-	-
Sub-standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing				-	-
Individually impaired	-	-	-	-	-
Total	**3,681,656,717**	-	-	**3,681,656,717**	3,288,673,281

	THE GROUP AND THE COMPANY				THE COMPANY
	June 30, 2019				June 30, 2018
Internal rating grade	Stage 1	Stage 2	Stage 3	Total	Total
Performing	Rs.	Rs.	Rs.	Rs.	Rs.
High grade	3,288,673,281	-	-	3,288,673,281	2,665,379,865
Standard grade	-	-	-	-	-
Sub-standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing				-	-
Individually impaired	-	-	-	-	-
Total	3,288,673,281	-	-	3,288,673,281	2,665,379,865

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

	THE GROUP AND THE COMPANY			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	Rs.	Rs.	**Rs.**	**Rs.**
Gross carrying amount as at July 1, 2018	2,665,379,865	-	-	2,665,379,865
New assets originated or purchased	5,758,810,916	-	-	5,758,810,916
Assets derecognised or repaid (excluding write offs)	(5,135,517,500)	-	-	(5,135,517,500)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	-	-
At June 30, 2019	3,288,673,281	-	-	3,288,673,281

17. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

	THE GROUP AND THE COMPANY			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	Rs.	Rs.	Rs.	Rs.
Gross carrying amount as at July 1, 2019	3,288,673,281	-	-	3,288,673,281
New assets originated or purchased	2,823,639,245	-	-	2,823,639,245
Assets derecognised or repaid (excluding write offs)	(2,430,655,809)	-	-	(2,430,655,809)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	-	-
At June 30, 2020	3,681,656,717	-	-	3,681,656,717

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	Rs.	Rs.	Rs.	Rs.
ECL allowance as at July 1, 2018	4,797,684	-	-	4,797,684
New assets originated or purchased	10,298,487	-	-	10,298,487
Assets derecognised or repaid (excluding write offs)	(9,176,670)	-	-	(9,176,670)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At June 30, 2019	5,919,501	-	-	5,919,501

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	Rs.	Rs.	Rs.	Rs.
ECL allowance as at July 1, 2019	5,919,501	-	-	5,919,501
New assets originated or purchased	1,643,791	-	-	1,643,791
Assets derecognised or repaid (excluding write offs)	(5,409,522)	-	-	(5,409,522)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At June 30, 2020	2,153,770	-	-	2,153,770

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting policy

Policy applicable after July 1, 2018 (IFRS 9)

These financial assets are measured at fair value through profit or loss as they do not meet the criteria to be measured at amortised cost or fair value through other comprehensive income.

Financial assets at FVPL are recorded in the statement of financial position at fair value with changes in fair value are recorded in profit and loss.

Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other income when the right to the payment has been established.

	THE GROUP AND THE COMPANY	THE GROUP AND THE COMPANY
	2020	2019
	Rs.	Rs.
At July 1,	45,244,866	-
Additions during the year	6,070,913	47,677,390
Disposal proceeds during the year	(1,107,905)	-
Net realised loss on disposal	(50,973)	-
Fair value movement	(11,442,546)	(2,432,524)
At June 30,	38,714,355	45,244,866

The fair values of these investments are determined based on quoted market prices in active markets. Hence, classified under Level 1. There has been no transfer between levels.

19. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS

Accounting policy

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation is calculated on the straight line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

	Prior to change	After change
Building	2.00%	2.00%
Furniture, fittings and equipment	10.00%	10.00%
Office equipment	20.00%	20.00%
Computer equipment	33.33%	20.00%
Motor vehicles	20.00%	20.00%

Land is not depreciated.

Based on past experience, Management observes that Computer and Software are being used for more than 3 years. Consequently, Management has changed the useful lives from 3 years to 5 years for all Computer equipment and Software. More details are disclosed on note 2.2.1.

Work-in-progress is stated at cost less accumulated impairment losses and no depreciation is charged. The assets under work-in-progress are reclassified to building, furniture, fittings, equipments and motor vehicle when the assets are ready for use. Depreciation are then charged as described above.

19. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS (CONTINUED)

Accounting policy (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in profit or loss.

An item or property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Group and Company as a lessee - as from July 1, 2019

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight-line basis over the lease term and are subject to impairment in line with the Group's policy as described below. Type of right of use assets are land and buildings. Right of use assets are presented together with property and equipment in the statement of financial position and presented under this note.

Lease liabilities

Refer to note 27 Other liabilities for accounting policy on lease liabilities.

Group and Company as a lessee - prior to July 1, 2019

Leases that do not transfer to the Group and Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

Impairment of property, equipment and right of use assets

The carrying amounts of assets are assessed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated, being the higher of the asset's fair value less costs to sell and its value in use, to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount.

The impairment loss is recognised as an expense immediately.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Critical accounting estimates and judgements

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The IBR therefore reflects the rate the Group 'would be subject to', which requires either estimation when no observable rates are available or adjustments to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs which has been derived from average yield rates from Treasury Bills and Government Bonds issued by the Central Bank of Mauritius with adjustments made such as risk premium/credit spread to reflect the IBR. The IBR is derived individually for each lease based on the remaining tenure as from the assessment date namely July 1, 2019.

19. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS (CONTINUED)

THE GROUP	Freehold land	Building	Furniture, fittings and equipment	Office equipment	Motor vehicles	Computer equipment	Right of use assets *	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(a) 2020								
COST								
At July 1, 2019	13,600,330	158,299,276	44,725,348	16,647,958	5,407,000	99,511,099	-	338,191,010
Effect of adoption of IFRS 16 as at July 1, 2019	-	-	-	-	-	-	10,071,816	10,071,816
Additions	-	699,403	793,704	34,414	2,712,599	71,371,586	-	75,611,706
Disposals	-	-	-	-	-	-	-	-
At June 30, 2020	13,600,330	158,998,679	45,519,052	16,682,373	8,119,599	170,882,685	10,071,816	423,874,533
DEPRECIATION								
At July 1, 2019	-	21,232,551	28,339,621	13,788,187	2,707,000	93,977,809	-	160,045,168
Charge for the year	-	3,250,079	3,458,729	1,455,525	1,442,519	16,006,854	1,537,799	27,151,505
At June 30, 2020	-	24,482,630	31,798,350	15,243,712	4,149,519	109,984,663	1,537,799	187,196,673
NET BOOK VALUE								
At June 30, 2020	13,600,330	134,516,049	13,720,702	1,438,661	3,970,080	60,898,022	8,534,017	236,677,860

* Right of use assets are non-cash items and hence not included on cash flow.

Bank borrowings are secured by floating charges on the assets of the Company including property, plant and equipment (Note 24).

19. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS (CONTINUED)

THE GROUP	Freehold land	Building	Furniture, fittings and equipment	Office equipment	Motor vehicles	Computer equipment	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(b) 2019							
COST							
At July 1, 2018	13,600,330	152,474,259	43,822,886	15,584,146	5,407,000	94,441,015	325,329,636
Additions	-	5,825,017	902,462	1,063,810	-	5,070,084	12,861,373
Disposals	-	-	-	-	-	-	-
At June 30, 2019	13,600,330	158,299,276	44,725,348	16,647,958	5,407,000	99,511,099	338,191,009
DEPRECIATION							
At July 1, 2018	-	18,012,337	24,933,223	11,595,971	1,807,000	92,369,948	148,718,479
Charge for the year	-	3,220,214	3,406,398	2,192,216	900,000	1,607,861	11,326,689
At June 30, 2019	-	21,232,551	28,339,621	13,788,187	2,707,000	93,977,809	160,045,168
NET BOOK VALUE							
At June 30, 2019	13,600,330	137,066,725	16,385,727	2,859,771	2,700,000	5,533,290	178,145,841

Bank borrowings are secured by floating charges on the assets of the Company including property, plant and equipment (Note 24).

19. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS (CONTINUED)

THE COMPANY	Freehold land	Building	Furniture, fittings and equipment	Office equipment	Motor vehicles	Computer equipment	Right of use assets	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(a) 2020								
COST								
At July 1, 2019	-	-	44,725,348	16,647,956	5,407,000	99,511,099	-	166,291,402
Effect of adoption of IFRS 16 as at July 1, 2019	-	-	-	-	-	-	41,043,329	41,043,329
Additions	-	-	793,704	34,414	2,712,599	71,371,586	-	74,912,303
Disposals	-	-	-	-	-	-	-	-
At June 30, 2020	-	-	45,519,052	16,682,370	8,119,599	170,882,685	41,043,329	282,247,034
DEPRECIATION								
At July 1, 2019	-	-	28,339,621	13,788,187	2,707,000	93,977,809	-	138,812,617
Charge for the year	-	-	3,458,729	1,455,525	1,442,519	16,006,854	15,066,641	37,430,269
Depreciation reversal on disposal	-	-	-	-	-	-	-	-
At June 30, 2020	-	-	31,798,350	15,243,712	4,149,519	109,984,663	15,066,641	176,242,886
NET BOOK VALUE								
At June 30, 2020	-	-	13,720,702	1,438,658	3,970,080	60,898,022	25,976,688	106,004,148

Bank borrowings are secured by floating charges on the assets of the Company including property, plant and equipment (Note 24).

19. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS (CONTINUED)

THE COMPANY	Freehold land	Building	Furniture, fittings and equipment	Office equipment	Motor vehicles	Computer equipment	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(b) 2019							
COST							
At July 1, 2018	13,600,330	152,474,259	43,822,886	15,584,146	5,407,000	94,441,015	325,329,636
Additions	-	1,509,671	902,462	1,063,810	-	5,070,084	8,546,027
Disposals	(13,600,330)	(153,983,930)	-	-	-	-	(167,584,260)
At June 30, 2019	-	-	44,725,348	16,647,956	5,407,000	99,511,099	166,291,403
DEPRECIATION							
At July 1, 2018	-	18,012,337	24,933,223	11,595,971	1,807,000	92,369,948	148,718,479
Charge for the year	-	1,332,865	3,406,398	2,192,216	900,000	1,607,861	9,439,340
Depreciation reversal on disposal	-	(19,345,202)	-	-	-	-	(19,345,202)
At June 30, 2019	-	-	28,339,621	13,788,187	2,707,000	93,977,809	138,812,617
NET BOOK VALUE							
At June 30, 2019	-	-	16,385,727	2,859,767	2,700,000	5,533,290	27,478,786

Bank borrowings are secured by floating charges on the assets of the Company including property, plant and equipment (Note 24).

19. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS (CONTINUED)

THE COMPANY	Freehold land	Building	Furniture, fittings and equipment	Office equipment	Motor vehicles	Computer equipment	Work in progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(c) 2018								
COST								
At July 1, 2017	13,600,330	148,561,736	43,352,571	12,427,275	4,332,000	93,032,592	3,740,857	319,047,361
Additions	-	250,386	52,552	299,293	4,500,000	-	7,408,947	12,511,178
Reclassification	-	3,662,137	417,763	2,857,578	-	1,408,423	(8,345,901)	-
Transfer to investment property (Note 21(e))	-	-	-	-	-	-	(2,803,903)	(2,803,903)
Disposals	-	-	-	-	(3,425,000)	-	-	(3,425,000)
At June 30, 2018	13,600,330	152,474,259	43,822,886	15,584,146	5,407,000	94,441,015	-	325,329,636
DEPRECIATION								
At July 1, 2017	-	14,965,339	21,559,097	9,673,123	4,332,000	77,750,676	-	128,280,235
Charge for the year	-	3,046,998	3,374,126	1,922,848	900,000	14,619,272	-	23,863,244
Depreciation reversal on disposal	-	-	-	-	(3,425,000)	-	-	(3,425,000)
At June 30, 2018	-	18,012,337	24,933,223	11,595,971	1,807,000	92,369,948	-	148,718,479
NET BOOK VALUE								
At June 30, 2018	13,600,330	134,461,922	18,889,663	3,988,175	3,600,000	2,071,067	-	176,611,157

Bank borrowings are secured by floating charges on the assets of the Company including property, plant and equipment (Note 24).

Work in progress consists of buildings, furniture, office and computer equipment which were transferred to investment property and other items of property, plant and equipment during the financial year. From the work in progress category, an amount of Rs 2,803,903 was transferred to investment properties as it relates to refurbishment made for rented properties.

20. INTANGIBLE ASSETS

Accounting policy

Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised using the straight line method over their estimated useful lives of 3 years.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Based on past experience, Management observes that Computer and Software are being used for more than 3 years. Consequently, Management has changed the useful lives from 3 years to 5 years for all Computer equipment and Software. More details are disclosed on note

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Reversal of impairment

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

	THE GROUP		THE COMPANY		
	2020	2019	2020	2019	2018
COMPUTER SOFTWARE	Rs.	Rs.	Rs.	Rs.	Rs.
COST					
At July 1,	173,650,514	146,680,459	173,328,796	146,680,459	145,090,239
Additions (net of prior year WIP)	38,997,966	26,970,055	38,985,674	26,648,337	1,590,220
At June 30,	212,648,480	173,650,514	212,314,470	173,328,796	146,680,459
AMORTISATION					
At July 1,	149,360,254	141,086,151	149,295,910	141,086,151	107,764,083
Charge for the year	14,381,307	8,274,103	14,312,047	8,209,759	33,322,068
At June 30,	163,741,561	149,360,254	163,607,957	149,295,910	141,086,151
NET BOOK VALUE					
At June 30,	48,906,919	24,290,260	48,706,513	24,032,886	5,594,308

As at June 30, 2020, there was no computer software in progress (2019: Nil, 2018: Nil).

21. INVESTMENT PROPERTIES

Accounting policy

Investment property, held to earn rentals or for capital appreciation or both and not occupied by the Group are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value, representing open-market value determined annually by external valuers. Changes in the fair values are included in profit or loss.

Property that is under construction or development to earn rentals or for capital appreciation or both is accounted as investment property.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers made to or from investment properties are only made when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under plant and equipment up to the date of the change in use.

When the Group completes the construction or development of a self constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Critical accounting estimates and judgements

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged independent valuation specialists to determine the fair value as at June 30, 2019. For the investment property, the valuer used a valuation technique based on a discounted cash flow model as there is a lack of comparable market data because of the nature of the property.

The determined fair value of the investment properties is most sensitive to the estimated yield, as well as the long term vacancy rate. The key assumptions used to determine the fair value of the investment properties are explained below.

(a) 2020

	THE GROUP		
	Freehold land	Buildings	Total
	Rs.	Rs.	Rs.
At July 1, 2019	28,304,857	213,628,859	241,933,716
Additions during the year	-	399,297	399,297
Fair value adjustments	691,427	4,145,322	4,836,749
At June 30, 2020	28,996,284	218,173,478	247,169,762

(b) 2019

	THE GROUP		
	Freehold land	Buildings	Total
	Rs.	Rs.	Rs.
At July 1, 2018	27,201,650	209,609,073	236,810,723
Additions during the year	-	1,266,857	1,266,857
Fair value adjustments	1,103,207	2,752,929	3,856,136
At June 30, 2019	28,304,857	213,628,859	241,933,716

21. INVESTMENT PROPERTIES (CONTINUED)

(c) 2020

	THE COMPANY		
	Freehold land	Buildings	Total
	Rs.	Rs.	Rs.
At July 1, 2019	-	-	-
Additions during the year	-	-	-
Transferred to subsidiary during the year	-	-	-
Fair value adjustments	-	-	-
At June 30, 2020	-	-	-

(d) 2019

	THE COMPANY		
	Freehold land	Buildings	Total
	Rs.	Rs.	Rs.
At July 1, 2018	27,201,650	209,609,073	236,810,723
Additions during the year	-	1,157,038	1,157,038
Transferred to subsidiary during the year	(27,201,650)	(210,766,111)	(237,967,762)
Fair value adjustments	-	-	-
At June 30, 2019	-	-	-

Following the recommendation of the regulator, the Company has transferred its land and buildings to its subsidiary during the financial year June 30, 2019. The transfer was made at fair value.

(e) 2018

	THE COMPANY		
	Freehold land	Buildings	Total
	Rs.	Rs.	Rs.
At July 1, 2017	27,183,333	209,558,334	236,741,667
Transfer from property, plant and equipment (Note 19(c))	-	2,803,903	2,803,903
Reclassification *	-	(412,560)	(412,560)
Fair value adjustments	18,317	(2,340,604)	(2,322,287)
At June 30, 2018	27,201,650	209,609,073	236,810,723

(f) Mutual Aid Building 1 and 2

The investment properties are valued annually and have been valued on June 30, 2019 at fair value by Chartered Valuation Surveyors, an independent professionally qualified valuer. The properties were valued using the discounted cash flow model where its actual and estimated potential rental income with allowances made for voids, management and associated costs. Yield used in the valuation of the properties are as follows:

	2020	2019	2018
	%	%	%
Mutual Aid Building 1	8.20% - 10.00%	8.00% - 10.00%	8.00% - 10.00%
Mutual Aid Building 2	8.20% - 10.00%	8.00% - 10.00%	8.00% - 10.00%

Rental per square meter is another significant input in estimating the fair value of investment properties and for the year ended June, 30 2020, the market rent in the region ranges between Rs 32 and Rs 39 per square foot.

21. INVESTMENT PROPERTIES (CONTINUED)

(g) Details of the Group's investment properties and information about the fair value hierarchy as at June 30, 2020, 2019 and 2018 are as follows:

2020	THE GROUP		
	Fair value measurement using:		
	Level 1	Level 2	Level 3
	Rs.	Rs.	Rs.
Revalued land and buildings	-	-	247,169,762
Total	-	-	247,169,762

2019	THE GROUP		
	Fair value measurement using:		
	Level 1	Level 2	Level 3
	Rs.	Rs.	Rs.
Revalued land and buildings	-	-	241,933,716
Total	-	-	241,933,716

2020	THE COMPANY		
	Fair value measurement using:		
	Level 1	Level 2	Level 3
	Rs.	Rs.	Rs.
Revalued land and buildings	-	-	-
Total	-	-	-

2019	THE COMPANY		
	Fair value measurement using:		
	Level 1	Level 2	Level 3
	Rs.	Rs.	Rs.
Revalued land and buildings	-	-	-
Total	-	-	-

2018	THE COMPANY		
	Fair value measurement using:		
	Level 1	Level 2	Level 3
	Rs.	Rs.	Rs.
Revalued land and buildings	-	-	236,810,723
Total	-	-	236,810,723

The reconciliation is shown below:

	THE GROUP		THE COMPANY		
	2020	2019	2020	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.
At July, 1	241,933,716	236,810,723	-	236,810,723	236,741,667
Additions	399,297	1,266,857	-	1,157,038	-
Transfers	-	-	-	(237,967,762)	2,391,343
Fair value movement	4,836,749	3,856,136		-	(2,322,287)
At June, 30	247,169,762	241,933,716	-	-	236,810,723

21. INVESTMENT PROPERTIES (CONTINUED)

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis at June 30, 2019, 2018 and 2017 are shown below:

	Valuation technique(s) and key input(s)	Sensitivity used	Effect on fair value 2020	2019	2018
			Rs.	Rs.	Rs.
Land	DCF - actual and estimated potential rental income	1% increase in rental income	**289,963**	283,049	272,017
		1% decrease in rental income	**(289,963)**	(283,049)	(272,017)
Buildings	DCF - actual and estimated potential rental income	1% increase in rental income	**2,181,735**	2,136,289	2,096,091
		1% decrease in rental income	**(2,181,735)**	(2,136,289)	(2,096,091)

(h) The following amounts have been recognised in profit or loss:

Accounting policy

Rental income
Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

	THE GROUP 2020	2019	THE COMPANY 2020	2019	2018
	Rs.	Rs.	**Rs.**	Rs.	Rs.
Rental income	17,125,786	14,755,442	-	5,934,496	14,998,831
Direct operating expenses arising from investment properties that generate rental income	(9,504,227)	(1,746,719)	-	(1,200,678)	(1,826,694)

22. OTHER ASSETS

Accounting policy

Policy applicable after July 1, 2018 (IFRS 9)

Other assets and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified at amortised costs less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

Policy applicable prior to July 1, 2018 (IAS 39)

Other assets are those that have fixed or determinable payments and that are not quoted in an active market are classified as loan and receivables. They are measured at amortised cost, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Interest accrued on placements is accounted for in the Statement of profit or loss as interest income.

	THE GROUP 2020	2019	THE COMPANY 2020	2019	2018
	Rs.	Rs.	**Rs.**	Rs.	Rs.
Tax deducted at source on rental	**968,768**	1,285,507	**968,768**	968,768	685,003
Advance payment for property, plant and equipment and softwares	**465,164**	72,719,622	**465,164**	72,623,268	19,104,213
Prepayments	**10,961,578**	12,570,105	**10,697,734**	11,371,822	6,192,628
Other receivables	**6,288,045**	4,744,875	**3,613,727**	13,371,305	1,746,386
	18,683,556	91,320,109	**15,745,393**	98,335,163	27,728,230

22. OTHER ASSETS (CONTINUED)

Other receivables include receivable from the subsidiary. The carrying amount approximates the fair value of the assets.

The carrying value of other assets approximates its fair value and are denominated in Mauritian rupees. None of the receivable balances included in other assets are impaired. The maximum exposure to credit risk is the fair value of each class of receivable mentioned above. The Group and the Company does not hold any collateral as security.

23. DEPOSITS FROM CUSTOMERS

Accounting policy

Deposits from customers are recognised initially at fair value being their issue proceeds. Deposits from customers are subsequently stated at amortised cost; any difference between the carrying amount and the redemption value is recognised in profit or loss over the period of the deposits using the effective interest method.

	THE GROUP AND THE COMPANY		
	2020	2019	2018
	Rs.	Rs.	Rs.
Retail customers			
Time deposits with remaining term to maturity			
Up to 3 months	**1,478,973,057**	1,216,397,458	1,240,940,188
Over 3 months and up to 6 months	**860,738,367**	833,766,140	929,725,321
Over 6 months and up to 12 months	**1,972,835,655**	2,257,746,254	2,335,770,140
Over 1 year and up to 5 years	**14,858,719,013**	14,891,080,078	12,334,083,160
Over 5 years	**4,078,358,517**	5,033,713,471	7,380,996,036
Corporate customers			
Time deposits with remaining term to maturity			
Up to 3 months	**203,816,467**	346,783,447	222,241,255
Over 3 months and up to 6 months	**161,205,423**	132,802,232	78,059,519
Over 6 months and up to 12 months	**228,942,156**	363,524,692	491,217,704
Over 1 year and up to 5 years	**2,179,303,084**	2,584,353,211	2,717,112,795
Over 5 years	**11,675,000**	52,995,249	722,848,758
	26,034,566,739	27,713,162,232	28,452,994,876

24. INTEREST BEARING LOANS

Accounting policy

Interest bearing loans are intially recognised at fair value and subsequently at amortised cost using the effective interest rate method.

	THE GROUP AND THE COMPANY	THE GROUP AND THE COMPANY	THE COMPANY
	2020	2019	2018
	Rs.	Rs.	Rs.
At July 1,	**2,285,515**	179,692,567	429,540,552
Interest expense (Note 6)	**61,082**	3,980,382	15,476,468
Repayment	**(2,346,598)**	(181,387,434)	(265,324,453)
At June 30,	**-**	2,285,515	179,692,567

The movement in Interest bearing loans are only of cash nature.

24. INTEREST BEARING LOANS (CONTINUED)

(i) **Borrowings from banks**

The bank loans are secured by floating charges on the assets of the Group, including investment properties and property, plant and equipment.

(ii) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates, as well as the maturity of the borrowings, are detailed under note 3.1.

(iii) **Effective interest rates**

The effective interest rates at the end of reporting date were as follows:

	2020	2019	2018
	%	%	%
Borrowings from banks	4.70% - 5.10%	4.70% - 5.10%	4.70% - 5.10%

(iv) The carrying amounts of the Group's borrowings are not materially different from the fair value and are denominated in Mauritian Rupees.

25. FUNDS

Accounting policy

Classification of insurance contracts

Insurance contracts are those contracts which transfer significant insurance risk at the inception of the contract. Such contracts remain insurance contracts until rights and obligations are extinguished or expired. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

The Company operates three funds namely Guarantee Benevolent Scheme (GBS), Mutual Solidarity Contribution (MSC) and Retirements Saving Scheme (RSS).

	THE GROUP AND THE COMPANY	THE GROUP AND THE COMPANY	THE COMPANY
	2020	2019	2018
	Rs.	Rs.	Rs.
The Funds are made up as follows:			
Guarantee Benevolent Scheme (Note (a))	63,782,748	69,823,039	82,792,771
Mutual Solidarity Contribution (Note (b))	1,306,295,686	1,437,083,350	1,464,999,659
Retirements Saving Scheme (Note (c))	1,902,453,217	1,820,083,912	1,756,446,253
	3,272,531,651	3,326,990,301	3,304,238,683

(a) **Guarantee Benevolent Scheme**

Accounting policy

Guarantee Benevolent Scheme (GBS)

GBS has been classified as insurance contract because the fund accepts significant insurance risk from the members investing in the fund by agreeing to compensate the members if a specified uncertain future event adversely affects the latter.

The Fund was set up on July 1, 1982, to supersede the Guarantee Fund with the following objectives:

- Provision of several benefits like surgical grants, assistance for medical treatment abroad, grant on the death of contributor's spouse and grant on the death of contributors;
- Any other benefit that may be determined from time to time by the Board.

25. FUNDS (CONTINUED)

(a) Guarantee Benevolent Scheme (Continued)

Accounting policy (Continued)

Guarantee Benevolent Scheme (GBS) (Continued)

The liability recognised in the statement of financial position relates to the contributions received from the members deducting the grants paid and management fee charged. Contributions to the fund are recognised on a monthly basis upon receipt of the funds from the members to the statement of financial position. The grants for death, medical and surgical are accounted on claims made by the members, when the funds are disbursed.

The management fee is charged to the fund as a fees for managing the money. The fees are calculated as a percentage of cumulative contribution received. Management fees are charged on a yearly basis.

Deficit in valuation of the fund comprise actuarial losses arising from experience adjustments and changes in actuarial assumptions is recognised immediately in profit or loss in the period in which they occur. In case of surplus, the board has decided that whole surplus will be recognised in the profit or loss.

Given that claims being made are unpredictable, there is a risk that the Fund may be subject to a default risk. To mitigate such risk management carries an actuarial valuation on a yearly basis to identify potential default and additional contribution to the Fund accordingly.

It is to be noted that this scheme is phasing out and there is no new member being admitted to the Fund since 2001. Furthermore, maximum grant being paid is as follows:

Benefit description	Amount
Death grant	Rs 4,500 once only
Spouse death grant	Rs 1,000 once only
Surgical grant	Rs 600/1,200 every twelve months

The particular characteristic of the Fund and the small amount of claim involved make a default risk remote.

Critical accounting estimates and judgements

The cost under the GBS requires the use of actuarial valuations. The actuarial valuation involves the use of significant estimates in respect of discount rate, growth rate, claim ratio for surgical grants and mortality rate. Due to the long-term nature of these plans such estimates are subject to significant uncertainty.

	THE GROUP AND THE COMPANY	THE GROUP AND THE COMPANY	THE COMPANY
	2020	2019	2018
	Rs.	Rs.	Rs.
Income for the year			
Subscriptions	6,646,600	7,386,050	7,125,970
Less: Expenditure for the year			
Management fees	1,173,791	1,352,682	1,464,295
Death and surgical grants	2,113,100	2,603,100	2,022,600
	3,286,891	3,955,782	3,486,895
Surplus for the year	3,359,709	3,430,268	3,639,075
Fair value movement	(9,400,000)	(16,400,000)	(11,340,000)
At July 1,	69,823,039	82,792,771	90,493,696
At June 30,	63,782,748	69,823,039	82,792,771

In June 2020, the valuation of the Fund has been carried out by an independent actuary, RisCura Solutions Ltd for the financial year ended June 30, 2020 and have estimated that the Fund has a surplus of Rs 9.4M. The fair value of the Fund is Rs 73.2M and has been classified as level 3.

In June 2019, the valuation of the Fund has been carried out by an independent actuary, Rogers Capital for the financial year ended June 30, 2019 and have estimated that the Fund has a surplus of Rs 16.4M. The fair value of the Fund is Rs 86.2 M and has been classified as level 3.

25. FUNDS (CONTINUED)

(a) Guarantee Benevolent Scheme (Continued)

The surplus released to profit or loss in the financial year 2019 amounted to Rs 16.4M. Rs 11.34M (2017: Rs 9.86M) has been released during the financial year 2018.

Assumptions used 2020:

Mortality table	83%	based on the actual mortality over 3-year period
Discount rate	0%	Has been set to 0% given the fact that the assets earmarked for the Fund do not give rise to investments returns

Assumptions used 2019:

Mortality table	83%	based on the actual mortality over 3-year period
Discount rate	0%	Has been set to 0% given the fact that the assets earmarked for the Fund do not give rise to investments returns

Assumptions used 2017:

Mortality table	70%	based on the actual mortality over 3-year period
Discount rate	0%	Has been set to 0% given the fact that the assets earmarked for the Fund do not give rise to investments returns

A quantitative sensitivity analysis for significant assumptions is shown below on the basis that all other variables remain constant.

Impact on profit

	2020	2019	2018	2020	2019	2018
				Rs.	Rs.	Rs.
Mortality table	73%	73%	95%	N/A	2,700,000	22,700,000
	93%	93%	125%	7,900,000	2,300,000	17,100,000
Effect of a discount rate of	2%	2%	5%	17,100,000	13,500,000	47,700,000

(b) Mutual Solidarity Contribution

Accounting policy

Mutual Solidarity Contribution (MSC)

MSC has been classified as insurance contract because the fund accepts significant insurance risk from the members investing in the fund by agreeing to compensate the members to write off their loans in case of death.

The Fund is used for writing off impaired loans on death of loanees.

The liability recognised in the statement of financial position relates to the contribution received from the members when a new loan is disbursed. The percentage charged varies from 4% to 5% of the loan sanctioned amount. Outstanding loan amount of loanees are deducted from MSC upon death of loanees.

Deficit in valuation of the fund comprise actuarial losses arising from experience adjustments and changes in actuarial assumptions is recognised immediately in profit or loss in the period in which they occur. In case of surplus, the board has decided that whole surplus will be recognised in the profit or loss.

There is a default risk where loan write off for deceased loanees exceeds the amount contributed to the Fund. To mitigate such risk management carries an actuarial valuation on a yearly basis to identify potential default and additional contribution to the Fund accordingly.

More details on the valuation method, assumptions used and result of the valuation are given under this note.

25. **FUNDS (CONTINUED)**

(b) **Mutual Solidarity Contribution (Continued)**

Critical accounting estimates and judgements

The cost under the MSC requires the use of actuarial valuations. The actuarial valuation involves the use of significant estimates in respect of discount rate and mortality rate. Due to the long-term nature of these plans such estimates are subject to significant uncertainty.

	THE GROUP AND THE COMPANY	THE GROUP AND THE COMPANY	THE COMPANY
	2020	2019	2018
	Rs.	Rs.	Rs.
At July 1,	1,437,083,350	1,464,999,659	1,537,942,866
Premiums claimed on loans	140,168,069	170,253,322	166,029,977
	1,577,251,419	1,635,252,981	1,703,972,843
Fair value movement	(107,350,000)	(4,500,000)	(81,310,000)
Amount written off for deceased loanees	(158,687,348)	(160,443,888)	(145,185,131)
(Release)/charge for the year (note 14(b))	(4,918,385)	(33,225,743)	(12,478,053)
At June 30,	1,306,295,686	1,437,083,350	1,464,999,659

In June 2020, the valuation of the Fund has been carried out by an independent actuary, RisCura Solutions Ltd for the financial year ended June 30, 2020 and have estimated that the Fund has a surplus of Rs 214.7M. The fair value of the Fund is Rs 1,413.5M and has been classified as level 3.

The surplus released to profit or loss in the financial year 2019 amounted to Rs 4.5M. Rs 81.31M (2017: Rs 75.61M) has been released during the financial year 2018.

In 2019, the valuation of the Fund has been carried out by an independent actuary, Rogers Capital and have estimated that the Fund has a surplus of Rs 4.5M during the year. The fair value of the funds is Rs 1,451.90 M and has been classified as level 3.

Assumptions used 2020:

Mortality table	125%	Based on actual experience with marked exception for young members (aged between 23 and 35 years) where we have experienced substantially higher mortality than expected.
Discount rate	0%	Has been set to 0% given the fact that the assets earmarked for the Fund do not give rise to investments returns

Assumptions used 2019 and 2018:

Mortality table	100%	Based on actual experience with marked exception for young members (aged between 23 and 35 years) where we have experienced substantially higher mortality than expected.
Discount rate	0%	Has been set to 0% given the fact that the assets earmarked for the Fund do not give rise to investments returns

A quantitative sensitivity analysis for significant assumptions is shown below on the basis that all other variables remain constant.

Impact on profit

	2020	2019	2018
	Rs	Rs	Rs
Effect of using (2020: 85% SA 85/90 and 2019: 150% of A 6770)	385,300,000	(262,100,000)	(137,000,000)
Effect of a discount rate of (2020: 2% and 2019: 5%)	302,700,000	278,600,000	443,000,000

25. FUNDS (CONTINUED)

(c) Retirement Savings Scheme

Accounting policy

Retirements Saving Scheme (RSS)

RSS is classified as investment contract because it does not expose the fund to significant insurance risk. Hence, the fund is within the scope of IFRS 9.

The Fund was set up as from December 1, 2000, with the ultimate objective of providing for a retirement benefit to its associates who are public officers or in an approved service and later extended to the general public.

The liability recognised in the statement of financial position relates to the contribution received from the public and withdrawals made by the contributors. The interest expense recognised in profit or loss on an accrual basis. The liability is valued at amortised cost.

	THE GROUP AND THE COMPANY 2020	THE GROUP AND THE COMPANY 2019	THE COMPANY 2018
	Rs.	Rs.	Rs.
At July 1,	1,820,083,912	1,756,446,253	1,655,981,200
Less lump sums forfeited	(3,878,658)	(5,610,677)	(4,000,910)
	1,816,205,254	1,750,835,576	1,651,980,290
Interest for the year (Note 6)	72,767,410	70,107,756	75,355,473
New contributions	127,298,116	125,025,669	119,436,845
Less: Expenditure for the year			
Lump sum payments	(113,817,563)	(125,885,089)	(90,326,355)
At June 30,	1,902,453,217	1,820,083,912	1,756,446,253

Lump sum payments to contributors on retirement represent contribution received plus accrued interest.

26. PENSION BENEFIT OBLIGATIONS

Accounting policy

Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group operates a defined benefit plan known as The Mauritius Civil Service Mutual Aid Company Ltd Employees Superannuation and Pension Fund, the assets of which are held and administered separately. The plan is funded by payments from the Group taking into account the recommendations of independent qualified actuaries.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements are accumulated in a separate reserve and will not be reclassified to profit or loss in a subsequent period.

26. PENSION BENEFIT OBLIGATIONS (CONTINUED)

Accounting policy (Continued)

Defined benefit plans (Continued)

The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

Service costs comprising of the current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

Critical accounting estimates and judgements

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions.

(I) The amounts recognised in the statements of financial position are as follows:

	THE GROUP AND THE COMPANY	THE GROUP AND THE COMPANY	THE COMPANY
	2020	2019	2018
	Rs.	Rs.	Rs.
Present value of funded obligations	363,519,000	197,430,000	174,903,000
Fair value of plan assets	(223,525,000)	(196,867,000)	(167,212,000)
Liability in the statement of financial position	139,994,000	563,000	7,691,000

The reconciliation of the opening balances to the closing balances for the net defined benefit (asset)/liability is as follows:

	THE GROUP AND THE COMPANY	THE GROUP AND THE COMPANY	THE COMPANY
	2020	2019	2018
	Rs.	Rs.	Rs.
At July 1,	563,000	7,691,000	55,440,000
Charged to profit or loss	3,561,000	3,644,000	6,554,000
Charged/ (Credited) to other comprehensive income	162,715,000	15,821,000	(29,099,000)
Contributions paid	(26,845,000)	(26,593,000)	(25,204,000)
	139,994,000	563,000	7,691,000

26. PENSION BENEFIT OBLIGATIONS (CONTINUED)

(ii) The movement in the defined benefit obligations over the year is as follows:

	2020	2019	2018
	Rs.	Rs.	Rs.
At July 1,	197,430,000	174,903,000	198,612,000
Current service cost	4,440,000	4,076,000	3,374,000
Interest expense	11,882,000	11,163,000	11,560,000
Employees' contribution	2,688,000	2,532,000	2,890,000
Benefits paid	(5,352,000)	(6,419,000)	(12,053,000)
Past service cost	671,000	-	-
Remeasurements:			
- Actuarial (gains)/losses arising from:			
- liability experience loss	7,193,000	-	-
- demographic assumptions	-	-	(19,414,000)
- financial assumptions	144,567,000	11,175,000	(10,066,000)
At June 30,	363,519,000	197,430,000	174,903,000

(iii) The movement in the fair value of plan assets of the year is as follows:

	2020	2019	2018
	Rs.	Rs.	Rs.
At July 1,	(196,867,000)	(167,212,000)	(143,172,000)
Interest income	(13,432,000)	(11,595,000)	(9,045,000)
Employer contributions	(26,845,000)	(26,593,000)	(25,204,000)
Benefits paid	5,352,000	5,770,000	12,053,000
Employee contributions	(2,688,000)	(2,532,000)	(2,890,000)
Scheme expenses	-	649,000	665,000
Return on plan assets excluding interest income	10,955,000	4,646,000	381,000
At June 30,	(223,525,000)	(196,867,000)	(167,212,000)

(iv) The amounts recognised in profit or loss are as follows:

	THE GROUP AND THE COMPANY	THE GROUP AND THE COMPANY	THE COMPANY
	2020	2019	2018
	Rs.	Rs.	Rs.
Current service cost	4,440,000	3,427,000	3,374,000
Scheme expenses	671,000	649,000	665,000
Interest expense	11,882,000	11,163,000	11,560,000
Interest income	(13,432,000)	(11,595,000)	(9,045,000)
Total, included in personnel expenses (note 9)	3,561,000	3,644,000	6,554,000

26. PENSION BENEFIT OBLIGATIONS (CONTINUED)

(v) The amounts recognised in other comprehensive income are as follows:

	2020	2019	2018
	Rs.	Rs.	Rs.
Remeasurement on the net defined benefit liability:			
Liability experience losses	7,193,000	-	-
Actuarial losses arising from changes in:			
- demographic assumptions	-	-	(19,414,000)
- financial assumptions	144,567,000	11,175,000	(10,066,000)
Actuarial losses/(gains)	151,760,000	11,175,000	(29,480,000)
Return on plan assets excluding interest income	10,955,000	4,646,000	381,000
	162,715,000	15,821,000	(29,099,000)

(vi) The fair value of the plan assets at the end of the reporting period for each category, are as follows:

	2020	2019	2018
	Rs.	Rs.	Rs.
Fixed income			
- local quoted	20,117,250	-	-
- local unquoted	-	-	-
- overseas quoted	-	141,744,240	130,258,148
- overseas unquoted	-	-	-
Local equities			
- local quoted	15,646,750	19,686,700	18,727,744
- local unquoted	-	-	-
- overseas quoted	-	19,686,700	-
- overseas unquoted		-	-
Debt - local quoted	151,997,000	-	-
Cash and Other	35,764,000	15,749,360	18,226,108
	223,525,000	196,867,000	167,212,000

The assets of the plan are invested in the entity's own financial instruments. The expected return on plan assets was determined by considering the expected returns available on the assets underlying the policy. Expected yields on fixed interest investments are based on gross redemption yields as at end of period.

(vii) The principal actuarial assumptions used for accounting purposes were:

	THE GROUP AND THE COMPANY	THE GROUP AND THE COMPANY	THE COMPANY
	2020	2019	2018
	%	%	%
Discount rate	3.00	6.10	6.50
Expected rate of return on plan assets	3.00	6.10	6.50
Future salary increases	5.00	5.00	5.00
Future pension increases	2.00	2.00	2.00
Post retirement mortality	PA 92	PA 92	PA 92

The return on plan assets including interest was Rs 2.48M. for the year ended June 30, 2020 (2019: Rs 6.94M, 2018: Rs 8.66M).

26. PENSION BENEFIT OBLIGATIONS (CONTINUED)

(viii) Sensitivity analysis on defined benefit obligations and in future long-term salary assumption at the end of the reporting date:

	Impact on defined benefit obligation		
	THE GROUP AND THE COMPANY	THE GROUP AND THE COMPANY	THE COMPANY
	2020	2019	2018
	Rs.	Rs.	Rs.
Increase due to 1% decrease in discount rate	77,509,000	31,584,000	25,725,000
Decrease due to 1% increase in discount rate	(58,001,000)	(25,116,000)	(27,149,000)

The sensitivity analysis above have been determined based on sensitivity changes of the discount rate or salary increase rate occuring at the end of the reporting period if all other assumptions remained unchanged. An increase/decrease of 1% in other principal actuarial assumptions would not have a material impact on defined benefit obligations at the end of the reporting period.

(ix) The defined benefit pension plan exposes the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

(x) The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

(xi) The Company expects to pay Rs.4.60m in contributions to its post-employment benefit plans for the year ending June 30, 2020.

(xii) The weighted average duration of the defined benefit obligation is 19 years at the end of the reporting period (2019: 14 years, 2018: 15 years).

(xiii) The plan exposes the Group to normal risks associated with defined benefit plans such as investment, interest, longevity and salary rise risks.

Investment risk

The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

Interest risk

A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Longevity risk

The plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.

Salary rise risk

The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

27. OTHER LIABILITIES

Accounting policy

Other liabilities recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs. These are subsequently measured at amortised cost using EIR method.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease liabilities arise on lands and buildings being rented and all future cash outflows are reflected in the balance. There is no restriction or covenant imposed by the lessor.

	THE GROUP		THE COMPANY		
	2020	2019	2020	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.
Other payables	39,463,923	11,676,520	40,888,903	10,358,381	10,573,424
Lease liability from July 1, 2019	8,941,093	-	26,502,843	-	-
Interests and penalties payable	-	-	-	-	67,119,907
Dividend payable	69,981,919	54,599,340	66,958,860	54,599,340	42,803,962
	118,386,935	66,275,860	134,350,606	64,957,721	120,497,293

Other payables include fees payable to suppliers.

The carrying amounts of other liabilities approximate their fair values.

The carrying amounts of lease liabilities and the movements during the period are shown below:

	THE GROUP	THE COMPANY
	2020	2020
	Rs.	Rs.
As at July 1, 2019 - Effect on adoption of IFRS 16 (Note 2.2)	10,071,816	41,043,329
Additions	-	-
Accretion of interest (Note 10(a))	668,979	1,703,708
Payments	(1,799,702)	(16,244,193)
As at June 30, 2020	8,941,093	26,502,843

The following are the amounts recognised in profit or loss:

	THE GROUP	THE COMPANY
	2020	2020
	Rs.	Rs.
Depreciation expense on right of use assets (Note 19)	1,537,799	15,066,641
Interest expense on lease liability (Note 10(a))	668,979	1,703,708
Total amount recognised in profit or loss	2,206,778	16,770,349

Maturity analysis of lease liability are as follows:

	THE GROUP		
	Up to 1 year	1 to 5 years	Over 5 years
Lease liability	1,062,610	543,449	7,335,034

27. OTHER LIABILITIES (CONTINUED)

	THE COMPANY		
	Up to 1 year	1 to 5 years	Over 5 years
Lease liability	13,857,268	5,800,017	6,845,558

The Group and the Company had a total cash outflows for leases of Rs. 1.80M and Rs. 15.91M respectively. The initial application of IFRS 16 resulted in non-cash additions to right of use assets and lease liabilities of Rs. 10.07M and Rs. 40.31M respectively atJuly 1, 2019.

28. SHARE CAPITAL

Accounting policy

Ordinary shares

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

	THE GROUP AND THE COMPANY	
	Number of Shares	Ordinary shares
		Rs.
At July 1, 2017	1,995,487	199,548,700
Issue of shares	5,972	597,240
Transfer to forfeited shares	(42,365)	(4,236,500)
At June 30, 2018	1,959,094	195,909,440
Issue of shares	5,023	502,260
Transfer to forfeited shares	(30,076)	(3,007,600)
At June 30, 2019	1,934,041	193,404,100
Issue of shares	4,644	464,400
Transfer to forfeited shares	(33,377)	(3,337,700)
At June 30, 2020	1,905,308	190,530,800

(a) Details pertaining to the share capital are as follows:

(i) The shares of the Company are only held and possessed by persons who hold a permanent and pensionable post in the public sector or receive a retirement pension from the Government of Mauritius and any other such institutions as may be approved by the Board.

(ii) All issued shares are fully paid. All shares are issued at a par value of Rs. 100 per share.

(iii) The shares owned by every member shall remain in pledge with the Company as an additional security for all debts whatsoever due by the members to the company.

29. FORFEITED SHARES

Accounting policy

(a) As per the Company's constitution, in case of a member (not being a pensioner) who has ceased to be in permanent employment, he shall within six months from the termination of his employment and in the case of a deceased member, his heirs or representatives shall within six months from the date of the member's death, dispose of his shares either by selling or transferring them to a person duly qualified to be a member

In the event if such shares not having been sold or transferred within the prescribed period, it shall be lawful for the board to cause the share to be forfeited to the Company.

These shares can be cancelled, sold or put to any other use approved by the Board. No right or dividend accrue to these shares. The Company's balance sheet shall include these shares, the value of which shall be deduction from the share capital of the Company.

29. FORFEITED SHARES (CONTINUED)

	THE GROUP AND THE COMPANY	
	Number of Shares	Forfeited shares
		Rs.
At July 1, 2017	244,169	24,416,900
Transfer from ordinary shares	42,365	4,236,500
At June 30, 2018	286,534	28,653,400
Transfer from ordinary shares	30,076	3,007,600
At June 30, 2019	316,610	31,661,000
Transfer from ordinary shares	33,377	3,337,700
At June 30, 2020	**349,987**	**34,998,700**

30. RESERVES

a. *Revaluation reserves*

This reserve relates to revaluation recognised on property transferred to investment property.

b. *Statutory reserve*

In accordance with section 21 of the Banking Act 2004, the Company shall maintain a Statutory Reserve Account (SRA) and shall transfer each year to account out of net profits for the year, after due provision has been made for income tax, a sum equal to not less than 15 % of the net profits until the balance of the SRA is equal to the amount paid as stated capital.

	THE GROUP AND THE COMPANY		
	2020	2019	2018
	Rs.	Rs.	Rs.
At July 01,	225,065,100	224,562,840	223,965,600
Movement (Note 28)	464,400	502,260	597,240
At June 30,	225,529,500	225,065,100	224,562,840

c. *Actuarial reserves*

This reserve includes remeasurement of the net defined benefit liability.

	2020	2019	2018
	Rs.	Rs.	Rs.
At July 1,	85,444,464	70,161,378	94,313,548
Remeasurement of post employment benefit obligations (Note 26(v))	162,715,000	15,821,000	(29,099,000)
Income tax relating to components of other comprehensive income (Note 11(b))	(5,532,310)	(537,914)	4,946,830
At June 30,	242,627,154	85,444,464	70,161,378

30. RESERVES (CONTINUED)

d. *Other reserves*

The Group is required to calculate stage 3 provisions as per IFRS 9 (previously specific provisions as per IAS 39) and provisioning as per the regulator's guideline. When provisions as per regulator is higher than IFRS, the Group is required to provide the excess as an appropriation of reserves. This reserve cannot be distributed and serves as a buffer.

	2020	2019	2018
	Rs.	Rs.	Rs.
At July 01,	**236,063,710**	257,007,727	281,498,532
Movement	**120,677,338**	(20,944,017)	(24,490,805)
At June 30,	**356,741,048**	236,063,710	257,007,727

e. *Retained earnings*

	THE GROUP		THE COMPANY		
	2020	2019	2020	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.
At July 1,	**9,900,552,398**	8,538,109,760	**9,941,543,879**	8,538,188,207	8,677,368,904
Impact of adopting IFRS 9	-	(20,395,761)	-	(20,395,761)	-
Profit/(Loss) for the year	**1,348,014,513**	1,407,309,209	**1,337,560,420**	1,448,222,244	(163,074,262)
Movement in respect of the year (note (b) & (d))	**(121,141,739)**	20,441,756	**(121,141,739)**	20,441,756	23,893,565
Dividend declared (note 31)	**(45,013,020)**	(44,912,568)	**(45,013,020)**	(44,912,568)	-
At June 30,	**11,082,412,152**	9,900,552,398	**11,112,949,541**	9,941,543,879	8,538,188,207

31. DIVIDENDS

Accounting policy

Dividend distribution to the Company's members is recognised as a liability in the Company's financial statements in the period in which the dividends are declared and not paid.

	THE GROUP AND THE COMPANY		
	2020	2019	2018
	Rs.	Rs.	Rs.
At July, 1	**54,599,340**	42,803,962	76,190,841
Proposed and declared:			
Dividend on ordinary shares:			
Dividends: Rs 20 (2019: Rs 20, 2018: Nil)	**45,013,020**	44,912,568	-
Dividend paid	**(32,653,500)**	(33,117,190)	(33,386,879)
Dividend payable	**66,958,860**	54,599,340	42,803,962

32. COMMITMENTS

(I) Operating lease arrangement where the Group and the Company is the lessor

Accounting policy

Assets leased out under operating leases are included in investment property in the statement of financial position. They are carried at fair value, representing open-market value determined annually by external valuers. Rental income is recognised in line with the relevant lease terms.

32. COMMITMENTS (CONTINUED)

(i) **Operating lease arrangement where the Group and the Company is the lessor (Continued)**

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	THE GROUP		THE COMPANY		
	2020	2019	**2020**	2019	2018
	Rs.	Rs.	**Rs.**	Rs.	Rs.
Not later than 1 year	**15,224,399**	15,249,171	-	10,550	14,454,605
Later than 1 year and not later than 5 years	**20,818,756**	5,252,393	-	-	23,298,352
	36,043,155	20,501,564	-	10,550	37,752,957

Operating lease represents rental income from premises rented to outside parties. The lease is negotiated for an average term of six months to three years and rentals are fixed for an average of six months to three years.

(ii) **Operating lease arrangement where the Group and the Company is the lessee**

Accounting policy

Payments under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The Company leases various premises under non-cancellable operating leases agreements. The leases have varying terms, escalation clauses and renewal rights. There are no restrictions imposed on the Company by lease arrangements other than in respect of the specific premises being leased.

The future minimum lease payments payable under non-cancellable operating leases are as follows:

	THE GROUP	THE COMPANY	
	2019	2019	2018
	Rs.	Rs.	Rs.
Not later than 1 year	2,032,489	19,697,824	1,880,334
Later than 1 year and not later than 5 years	5,137,898	12,498,455	6,151,911
Later than 5 years	33,575,816	33,575,816	32,375,599
	40,746,203	65,772,095	40,407,844

(iii) **Capital commitments**

	THE GROUP		THE COMPANY		
	2020	2019	**2020**	2019	2018
	Rs.	Rs.	**Rs.**	Rs.	Rs.
Capital expenditure contracted for at the end of the reporting period but not yet incurred are as follows:					
Property, plant and equipment	**31,258,755**	16,492,021	**31,258,755**	16,492,021	2,116,946
Intangible assets	-	42,428,715	-	42,040,715	-
	31,258,755	58,920,736	**31,258,755**	58,532,736	2,116,946

33. RELATED PARTY TRANSACTIONS

Accounting policy

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

The Group has the following transactions with directors, senior management.

	THE GROUP AND THE COMPANY		
	2020	2019	2018
	Rs.	Rs.	Rs.
Remuneration (Note (a))	24,644,296	26,241,730	23,952,985
Interest on loans	799,361	872,816	782,922
Interest on deposits	857,709	1,681,133	1,183,080
Loans and advances (Note (b))	24,814,658	15,127,140	12,231,840
Contribution to The Mauritius Civil Service Mutual Aid Company Ltd Employees Superannuation and Pension Fund (Note 26(iii))	26,845,000	26,593,000	25,204,000
Deposits (Note (c))	14,082,000	32,492,000	23,930,000
Amount due to subsidiary (note (f))	1,014,004	8,486,829	-

(a) **Key management personnel compensation is set out below:**

	2020	2019	2018
	Rs.	Rs.	Rs.
- Salaries and short-term employee benefits	23,575,791	25,192,855	22,941,669
- Post-employment benefits	1,068,505	1,048,875	1,011,316
	24,644,296	26,241,730	23,952,985

(b) **Credit facilities to related parties**

Loans to directors	2020	2019	2018
	Rs.	Rs.	Rs.
At July, 1	1,973,255	1,731,367	2,080,714
New directors	-	500,000	-
Repayments	(429,090)	(258,112)	(349,347)
At June, 30	1,544,165	1,973,255	1,731,367
Loans to other related parties (key management personnel)			
At July, 1	13,153,885	10,500,473	12,865,979
Loans granted during the year	12,582,475	5,087,943	1,170,000
Repayments during the year	(2,465,867)	(2,434,531)	(3,535,506)
At June, 30	23,270,493	13,153,885	10,500,473
TOTAL	24,814,658	15,127,140	12,231,840

(i) The rate of interest for the loans granted to related parties ranges from 1.35% to 8.10% per annum for 2020 (2019: 3.00% to 8.55% p.a and 2018: 3.00% to 8.55% p.a).

(ii) The loans receivable at year end are secured by guarantors and/or collaterals with fixed repayment terms and settlement will occur in cash.

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) **Credit facilities to related parties (Continued)**

(iii) For the years ended June 30, 2020, 2019 and 2018, the loans due by related parties were neither past due nor impaired. This assessment is undertaken each financial year.

(iv) Exposure to the Company's top five related parties at June 30, 2020 were Rs.4.89m, Rs.2.37m, Rs.1.91m, Rs.1.86m and Rs.1.42m, These amounts represented 0.048%, 0.023%, 0.019%, 0.018% and 0.014% respectively of the Company's Tier's capital.

(c) **Deposit facilities from related parties**

	2020	2019	2018
<u>Deposits from directors</u>	Rs.	Rs.	Rs.
At July, 1	11,280,000	10,780,000	10,780,000
Directors who ceased to hold office during the year	-	-	-
Deposits received during the year		500,000	1,250,000
Deposits matured during the year	(7,780,000)	-	(1,250,000)
At June, 30	3,500,000	11,280,000	10,780,000
<u>Deposits from directors</u>			
Deposits from other related parties (key management personnel)			
At July, 1	21,212,000	13,150,000	12,800,000
Deposits received during the year	100,000	12,439,956	1,050,000
Key management personnel who ceased to hold office during the year	(9,400,000)	(625,000)	-
Deposits matured during the year	(1,330,000)	(3,752,956)	(700,000)
At June, 30	10,582,000	21,212,000	13,150,000
TOTAL	14,082,000	32,492,000	23,930,000

(i) The rate of interest for deposit granted to related parties ranges from 0.60% to 9.84% per annum for 2020 (2019: 2.25% to 6.40% and 2018: 3.60% to 6.40%).

(ii) The deposits payable at year end are unsecured with fixed repayment terms and settlement will occur in cash.

(d) Related party transactions have been made in the normal course of business.

(e) Related party transactions with directors have been made on the same terms and conditions as for other customers.

(f) **Amount due to subsidiary**

At end of the reporting dates, the Company has an amount of Rs. 1,014,004 receivable from its subsidiary, representing expenses paid on its behalf.

34. CONTINGENT LIABILITIES

There were no significant capital commitments and contingent liabilities as at the reporting date, that require adjustments to or disclosures in the financial statements.

35. EVENTS AFTER REPORTING DATE

There is no event after reporting date.

36. COVID-19 OUTBREAK

Management has considered the following to be the most likely impact of Covid-19 on the business:

(i) A decrease in its interest income due to a decrease interest rates for loans and placements;
(ii) Increase in ECL for obligors operating in the airline sector based on different risk drivers and scenarios such as likelihood of potential redundancy, half pay or leave without pay;
(iii) Increase in PD estimates based on stressed economic indicators resulting in an increase in ECL.

In addition, Management has considered the impact on the statement of financial position of the Group and Company due to the impact of Covid-19. This is described below.

Loans and advances to members

Loans and advances are granted to civil servants and some employees in parastatal bodies. The monthly loan repayments are deducted at source from the salary of the civil servants by their respective employers and remitted to the Company at end of each month. The expected credit loss on financial assets have been impacted based on factors listed above.

Placements with bank and non-bank financial institutions, cash and cash equivalents

Placements comprise of medium-term and long-term fixed deposits of over three months up to five years with reputable financial institutions. With the spread of COVID 19 and its impact on the economic situation worldwide, the credit risk of most counterparties, including banks, is expected to have increased. However, Management considers these counterparties to have a strong credit rating and does not expect the placements to suffer any significant increase in credit risks or impairment over their lifetime.

Financial assets at amortised cost

The financial assets at amortised cost consist of treasury bills and notes. Since these are issued by the Central Bank, the credit risk is assessed to be low and the impact minimal.

Property, equipment and right of use assets and intangible assets

Management has assessed the possible impact of impairment of these assets as a result of the circumstances and impact of Covid-19 and concluded that no impairment is required.

Investment in subsidiary

The subsidiary rents its spaces mainly to Governmental and parastatal bodies and all rents were paid during the year even during the Covid-19 circumstances. Consequently, given that the subsidiary is performing and is profit making, management concluded that no impairment is required.

Deposits from customers

Deposits from customers comprise of deposits from individuals and corporates. The maturity varies between 3 months to 10 years. As Covid-19 affects the economies across the globe, more companies will find themselves in financial difficulties. The risk associated with them is the capacity of the Company to respect its obligations towards its clients. This can lead to a loss of confidence in the Company's ability to safeguard customers deposits, and customers therefore removing their funds, with the net impact reducing the liquidity, raising the cost of funds, and reducing the profits and net equity of the Company. As at date, there has been no significant early withdrawal of fixed deposits with the Company. In fact, due to the excess liquidity of the Company, fixed deposits with large corporates are not being renewed by the Company.

The following is an analysis of the possible impact of COVID-19 on various other aspects of the business.

36. COVID-19 OUTBREAK (CONTINUED)

Going concern

In the light of the anticipated economic impact of COVID-19, Management has made an assessment of the Company's ability to continue as a going concern.

Liquidity risks

The liquidity position of the Company has remained strong and as at June 30, 2020, the Group and the Company has a cash resources of Rs 1.86 billion and Rs 1.84 billion respectively, as compared to Rs 1.22 billion and Rs 1.21 billion respectively at June 30, 2019.

Capital risks

The Company's Risk Weighted Capital Adequacy Ratio stands at 63% compared to the regulatory minimum requirement of 10%. Management strongly believes that there is sufficient buffer and headroom to ensure the Company is adequately capitalised and withstand the impact of COVID-19.

The following measures are in progress to mitigate the impact of COVID 19 on the Group and the Company:

(i) A close monitoring of all regulatory and governance guideline;
(ii) Regular meeting to assess the cash flow of the Company and control the cost of fund;

On that basis and taking into consideration the series of measures taken to mitigate the downside risks caused by the outbreak, management is satisfied that there is no material uncertainty around the going concern assumption.

However, it should be noted that the full magnitude of the economic and financial impact of COVID-19 are yet to be known and will depend on a number of factors as described below:

- The duration and severity of the spread of the virus across the globe;
- The duration and extent of the preventive measures such as closure of our borders by government;
- The duration and extent of government continuing support and measures to stimulate the economy; and
- The degree to which stakeholders will act rationally in the face of an unprecedented crisis.

Given that the COVID-19 situation is extremely fluid and conditions change on a daily basis, management considers that it is not possible to predict any outcome relating to the above factors.