

THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

QUARTER ENDED DECEMBER 31, 2021

	Quarter 31-Dec-2021	Quarter 31-Dec-2020	6 Months to 31-Dec-2021 Rs.	6 Months to 31-Dec-2020 Rs.	Year - End 30-Jun-2021 Rs.
Interest income using effective interest rate	638,146,697	654,678,581	1,276,842,145	1,303,689,085	2,562,939,929
Interest expense	(180,586,382)	(198,440,084)	(368,738,265)	(403,466,568)	(790,601,006)
Net interest income	457,560,315	456,238,497	908,103,880	900,222,517	1,772,338,923
Other income	1,870,794	2,487,652	5,597,176	4,461,835	7,794,678
Rental income	4,082,092	4,592,211	11,137,259	11,585,148	17,248,131
Other gains	903	-	903	-	5,240
Operating income	463,514,103	463,318,361	924,839,218	916,269,500	1,797,386,971
Net release/(credit loss allowance) on financial assets	101,261,302	28,939,577	104,813,543	53,246,925	4,204,836
Personnel expenses	(39,161,121)	(35,176,494)	(62,791,331)	(57,029,636)	(121,255,597)
Depreciation and amortisation	(12,447,920)	(17,118,749)	(21,191,447)	(23,447,836)	(41,288,592)
Other expenses	(19,374,584)	(32,285,018)	(39,365,017)	(60,808,356)	(124,760,590)
Fair value adjustments of funds	-	-	-	-	(17,700,000)
Fair value gain/(loss) on investment properties	-	-	-	-	8,589,793
Fair value gain/(loss) on financial assets at fair value through profit or loss	2,794,231	4,339,578	8,636,013	511,001	12,095,227
Share of profit/(loss) of associate	-	-	-	-	(1,861,513)
	33,071,908	(51,301,106)	(9,898,239)	(87,527,902)	(281,978,437)
Profit before income tax	496,586,012	412,017,255	914,940,979	828,741,598	1,515,408,534
Income tax expense	(98,276,874)	(107,356,591)	(166,763,013)	(120,946,248)	(107,684,437)
Profit/(Loss) for the period/year	398,309,138	304,660,665	748,177,966	707,795,350	1,407,724,098
Other comprehensive income:					
<i>Items that will not be reclassified to profit or loss:</i>					
Remeasurements of pension benefit obligations	-	-	-	-	101,598,000
Income tax relating to components of other comprehensive income	-	-	-	-	(17,271,660)
Net other comprehensive income/(loss)	398,309,138	304,660,665	748,177,966	707,795,350	84,326,340
Total comprehensive income/(loss) for the period/year	398,309,138	304,660,665	748,177,966	707,795,350	1,492,050,438

THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD
STATEMENTS OF FINANCIAL POSITION - AS AT DECEMBER 31, 2021

	As at December 2021 Rs.	As at December 2020 Rs.	Year End June 2021 Rs.
Assets			
Cash and cash equivalents	1,199,049,376	1,711,673,346	1,792,413,515
Loans and advances to members	33,734,185,914	33,495,091,135	33,542,882,606
Placements with bank and non-bank financial institutions	1,472,553,232	2,626,034,178	2,026,097,577
Financial assets at amortised cost	3,250,376,651	2,300,359,969	2,506,017,004
Financial assets at fair value through profit or loss	110,984,882	59,506,655	77,474,727
Property, equipment and right of use assets	292,910,082	328,674,735	300,491,440
Intangible assets	29,375,610	43,679,015	36,404,088
Investment in Associates	98,113,487	99,975,000	98,113,487
Investment properties	624,188,730	247,250,058	624,017,085
Deferred tax assets	163,483,447	30,664,022	163,483,446
Other assets	80,122,848	37,523,614	72,684,648
Total assets	41,055,344,259	40,980,431,728	41,240,079,621
Liabilities			
Deposits from customers	23,374,282,341	24,919,140,536	24,320,766,601
Current tax liabilities	120,283,049	59,992,008	83,279,106
Funds	3,523,446,381	3,402,604,051	3,490,646,894
Pension benefit obligations	46,648,000	139,994,000	46,648,000
Other liabilities	98,429,788	99,359,584	154,879,115
Total liabilities	27,163,089,559	28,621,090,179	28,096,219,716
Shareholders' equity			
Share capital	226,505,100	226,009,800	226,272,600
Retained earnings	13,308,949,048	11,861,641,884	12,577,870,648
Revaluation reserves	3,480,852	3,480,852	3,480,852
Statutory reserve	226,272,600	225,529,500	226,272,600
Actuarial reserves	(158,300,814)	(242,627,154)	(158,300,814)
Other reserves	285,347,914	285,306,667	268,263,550
Total equity	13,892,254,700	12,359,341,549	13,143,859,436
Total equity and liabilities	41,055,344,259	40,980,431,728	41,240,079,621

THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD

STATEMENTS OF CASH FLOWS - AS AT ENDED DECEMBER 31, 2021

	As at December 2021	As at December 2020	Year End June 2021
	Rs.	Rs.	Rs.
Cash flows from operating activities			
Profit before income tax	914,940,979	828,741,598	1,515,408,535
Adjustments for:			
Net release/(credit loss allowance) on financial assets	(104,813,543)	(44,954,982)	(4,204,836)
Depreciation of property, equipment and right of use assets	14,092,443	15,996,120	26,329,942
Derecognition of right of use assets	-	-	153,441
Amortisation of intangible assets	7,099,002	7,451,715	14,958,650
Interest income	(1,276,842,145)	(1,303,689,085)	(2,562,939,929)
Interest expense	368,738,265	403,466,567	790,601,006
Pension expense	-	-	18,575,000
Share of loss of associate	-	-	1,861,513
Fair value (gain)/loss on investment properties	-	-	(8,589,793)
Interest expense on lease liabilities	337,617	-	617,717
Fair value (gain)/loss on financial assets at fair value through profit or loss	(8,636,013)	(511,001)	(12,095,227)
Realised loss on disposal of financial assets at fair value through profit or loss	7,500	-	117,565
Translation (gain)/loss on revaluation of cash balance denominated in foreign currency	574	-	5,240
Fair value adjustments of funds	-	-	17,700,000
	(85,075,319)	(93,499,067)	(201,501,175)
Changes in operating assets and liabilities			
Decrease/(Increase) in loans and advances to members	(210,326,497)	(1,665,137,630)	(1,853,523,607)
Decrease/(increase) in other assets	(7,438,200)	(18,640,459)	(55,253,092)
(Decrease)/Increase in deposits from customers	(754,986,717)	(1,078,872,380)	(1,532,264,808)
(Decrease)/increase in other liabilities	(56,850,715)	(18,927,391)	36,976,310
Decrease in pension benefit obligation	-	-	(10,323,000)
(Decrease)/Increase in funds	138,611,786	192,540,500	325,101,915
	(976,065,664)	(2,682,536,427)	(3,290,787,457)
Interest received	1,278,301,133	2,064,787,547	2,563,062,157
Interest paid	(536,470,666)	(407,309,510)	(906,470,380)
Income tax refund	-	-	41,337,909
Income tax paid	(129,741,532)	(34,197,622)	(188,877,595)
Net cash (used in)/generated from operating activities	(363,976,728)	(1,059,256,013)	(1,781,735,366)
Cash flows from investing activities			
Proceeds from matured placements with bank and non-bank financial institutions	550,000,000	550,000,000	1,150,000,000
Proceeds from matured financial assets at amortised costs and fair value through profit or loss	505,866,600	1,590,019,212	4,159,426,441
Addition to financial assets at amortised cost and at fair value through profit or loss	(1,278,763,242)	(1,015,475,907)	(3,030,840,359)
Purchase of property and equipment	(6,511,085)	(107,992,994)	(89,654,754)
Purchase of intangible assets	(70,524)	(2,223,813)	(2,455,819)
Acquisition of investment in associate	-	(99,975,000)	(99,975,000)
Purchase of investment property	(171,645)	(80,297)	(368,257,530)
Net cash generated from/(used in) investing activities	(229,649,896)	914,271,202	1,718,242,979
Cash flows from financing activities			
Proceeds from issuing shares	232,500	480,300	743,100
Payment of the principal portion of the lease liability	-	-	(996,840)
Dividend paid	30,560	(99,960)	(111,500)
Net cash used in financing activities	263,060	380,340	(365,240)
Net (decrease)/increase in cash and cash equivalents	(593,363,565)	(144,604,471)	(63,857,628)
Effect of foreign exchange rate changes	(574)	-	(5,240)
Cash and cash equivalents at beginning of year / period	1,792,413,515	1,856,277,817	1,856,277,797
Cash and cash equivalents at end of year / period	1,199,049,376	1,711,673,346	1,792,413,515

THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD

STATEMENTS OF CHANGES IN EQUITY - PERIOD ENDED DECEMBER 31, 2021

	Share capital	Statutory reserve	Revaluation reserves	Other Reserve	Actuarial reserves	Retained earnings	Total equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance at July 1, 2020	225,529,500	225,529,500	3,480,852	356,741,048	(242,627,154)	11,082,412,152	11,651,065,898
Issue of shares	743,100	-	-	-	-	-	743,100
Profit for the period	-	-	-	-	-	1,407,724,098	1,407,724,098
Other comprehensive income for the year	-	-	-	-	84,326,340	-	84,326,340
Total comprehensive income	<u>226,272,600</u>	<u>225,529,500</u>	<u>3,480,852</u>	<u>356,741,048</u>	<u>(158,300,814)</u>	<u>12,490,136,250</u>	<u>13,143,859,436</u>
Transfer made to reserves for the year	-	743,100	-	(88,477,498)	-	87,734,398	-
Dividend declared	-	-	-	-	-	-	-
Balance at June 30, 2021	<u>226,272,600</u>	<u>226,272,600</u>	<u>3,480,852</u>	<u>268,263,550</u>	<u>(158,300,814)</u>	<u>12,577,870,648</u>	<u>13,143,859,436</u>
Balance at July 1, 2021	226,272,600	226,272,600	3,480,852	268,263,551	(158,300,814)	12,577,870,648	13,143,859,437
Issue of shares	232,500	-	-	-	-	-	232,500
Profit for the period	-	-	-	-	-	748,177,966	748,177,966
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income	<u>226,505,100</u>	<u>226,272,600</u>	<u>3,480,852</u>	<u>268,263,551</u>	<u>(158,300,814)</u>	<u>13,326,048,614</u>	<u>13,892,269,903</u>
Movement in respect of the year	-	-	-	17,084,364	-	(17,099,566)	(15,203)
Transfer made to reserves for the period	-	-	-	-	-	-	-
Dividend declared	-	-	-	-	-	-	-
Balance at December 31, 2021	<u>226,505,100</u>	<u>226,272,600</u>	<u>3,480,852</u>	<u>285,347,915</u>	<u>(158,300,814)</u>	<u>13,308,949,048</u>	<u>13,892,254,701</u>

Management Discussion and Analysis

Macroeconomic outlook

According to the IMF, the global economy is projected to grow 6.0 percent in 2021 and 4.9 percent in 2022. The 2021 global forecast is unchanged from the April 2021 World Economic Outlook (WEO), but with offsetting revisions. Prospects for emerging markets and developing economies have been marked down for 2021, especially for Emerging Asia. By contrast, the forecast for advanced economies is revised up. These revisions reflect pandemic developments and changes in policy support. The 0.5 percentage-point upgrade for 2022 derives largely from the forecast upgrade for advanced economies, particularly the United States, reflecting the anticipated legislation of additional fiscal support in the second half of 2021 and improved health metrics more broadly across the group

As far as the Mauritius economic outlook is concerned, the African Development Bank Group (ADB) stated that the medium-term outlook is for a strong recovery with real GDP growth projected to average 7.1% over the next two years. Still, the fiscal deficit is projected to widen to 10.8% of GDP in 2021, fueled by high public investment and continued support to businesses and jobs. The deficit will narrow in 2022 to 5.0%, with economic recovery supporting growth in tax revenues. The current account deficit is projected to improve starting in 2021 because of improvement in the trade balance and a gradual recovery in tourist receipts as air links resume between Mauritius and Europe, the main source of tourists. Inflation is projected to rise, averaging 3.4% over the medium-term as domestic demand increases. The main risk to the outlook stems from a potential second or a third wave of COVID-19 in key tourism markets.

According to Statistics Mauritius, the GDP at market price is forecasted to rebound by 5.4 % in 2021, after a severe contraction of 14.9% in 2020 due to COVID-19 pandemic. Year-on-year (Y-o-y) inflation worked out to 5.9% in June 2021, compared to 1.7% in June 2020. Headline inflation for the 12-months ending June 2021 worked out to 2.2%, compared to 1.8% for the 12-months ending June 2020.

Financial Environment

From July 2021 to December 2021, the Monetary Policy Committee of the Bank of Mauritius met on three occasions and the Key Repo Rate remained constant at 1.85%. The weighted yield on 364-day Treasury Bills took an upward trend during the period under review. It has increased from 0.41% in December 2020 to reach 0.77% in December 2021.

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 quarter under review. Furthermore, the interest rate on Retirement Savings Scheme is 2.40% and the average savings rate in the market is about 0.25%. As far as loans and advances are concerned, the Association is offering interest rate starting from 4.15% 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.

Association's 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. In view of better serving its members, the Association has been revisiting its products and services without compromising on risk management.

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 and Profitability

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 458m was generated for the quarter ended December 2021. As regards to profit before tax, the Association (the group) achieved a performance of Rs 497m.

Cost to Income

The Association continues to maintain a relatively low cost to income ratio. For the period ended December 2021, the cost to income ratio stood at about 15.31%, thus testifying in a real way the high level of operational efficiency achieved.

Loans and advances to members

Loans and advances are granted solely to public sector employees and pensioners. Net loans and advances increased from Rs 33.5bn to Rs 33.7bn during the period under review.

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

The Association maintained cash and cash equivalents to the tune of Rs 1.2bn as at end of December 2021. Placements made by the Mutual Aid Association in other financial institutions stood at Rs 1.5bn at the end of December 31, 2021.

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 3.3bn as at end of December 2021.

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 December 2021, the ratio stood comfortably at 25% which is in line with the liquidity risk management strategy of the Association.

Liabilities

Deposits from customers

The total deposits as at December 2021 stood at Rs 23.4bn 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. 3.5bn as at December 31, 2021. For the quarter ended December 2021, the interest rate of 2.40% has been paid to RSS holders during the period under review, whereas the average savings rate was about 0.25%.

Shareholders' equity

Shareholders' equity stood at Rs 13.9bn as at end of December 2021 compared to Rs 12.4bn as at end of December 2020.

Capital Structure and Capital Adequacy Ratio (CAR)

The total Tier 1 and Tier 2 capital of the Association (the Company) was to the tune of Rs 12.5bn for the year ended December 2021. The weighted amount of on-balance sheet assets was Rs 18.6bn for the same period. Consequently, the CAR of the Association has increased to about 67% thus confirming once more the financial soundness of the Association.

Provisions under IFRS 9

The Association has adopted the IFRS 9 model and an amount of Rs 979m has been recognized in the statements of financial position as regards to Expected Credit Loss. However, there has been a release of Rs 101m in the profit and loss account compared to a release of Rs 29m for the quarters.