

THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
QUARTER ENDED SEPTEMBER 30, 2020

| | Quarter 30-Sep-2020 Rs. | Quarter 30-Sep-2019 Rs. | Year - End 30-Jun-2020 Rs. |
|--|--|--|---|
| Interest income using effective interest rate | 649,010,504 | 795,220,345 | 2,980,444,070 |
| Interest expense | (205,026,484) | (319,762,219) | (1,148,550,174) |
| Net interest income | 443,984,020 | 475,458,126 | 1,831,893,896 |
| Other income | 1,974,182 | 2,579,327 | 6,552,746 |
| Rental income | 6,992,937 | 5,701,968 | 17,125,786 |
| Other gains | - | 1,402 | 7,104 |
| Operating income | 452,951,139 | 483,740,824 | 1,855,579,531 |
| Net credit allowance on financial assets | 24,307,348 | (51,951,444) | (318,613,518) |
| Personnel expenses | (21,853,143) | (18,801,489) | (94,416,341) |
| Depreciation and amortisation | (6,329,087) | (7,074,389) | (41,532,812) |
| Operating lease expenses | - | (574,510) | - |
| Other expenses | (28,523,338) | (26,013,267) | (105,937,789) |
| Fair value adjustments of funds | - | - | 116,750,000 |
| Fair value gain/(loss) on investment properties | - | - | 4,836,749 |
| Fair value loss on financial assets at fair value through profit or loss | (3,828,577) | (686,771) | (11,442,546) |
| | (36,226,796) | (105,101,870) | (450,356,257) |
| Profit before penalty and interest on tax assessment and income tax | 416,724,343 | 378,638,953 | 1,405,223,275 |
| Profit before income tax | 416,724,343 | 378,638,953 | 1,405,223,275 |
| Income tax expense | (13,589,658) | (82,865,651) | (57,208,762) |
| (Loss)/profit for the period/year | 403,134,685 | 295,773,302 | 1,348,014,513 |
| Other comprehensive income: | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Remeasurements of pension benefit obligations | - | - | (162,715,000) |
| Income tax relating to components of other comprehensive income | - | - | 5,532,310 |
| Net other comprehensive (loss)/income | - | - | (157,182,690) |
| Total comprehensive (loss)/income for the period/year | 403,134,685 | 295,773,302 | 1,190,831,823 |

THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD
STATEMENTS OF FINANCIAL POSITION - AS AT SEPTEMBER 30, 2020

| | As at September 2020 Rs. | As at September 2019 Rs. | Year End June 2020 Rs. |
|--|-----------------------------------|-----------------------------------|---------------------------------|
| Assets | | | |
| Cash and cash equivalents | 1,040,337,172 | 1,315,614,840 | 1,856,277,820 |
| Loans and advances to members | 33,048,627,418 | 33,013,107,497 | 31,875,791,988 |
| Placements with bank and non-bank financial institutions | 3,184,697,422 | 3,074,178,212 | 3,157,199,780 |
| Financial assets at amortised cost | 3,044,036,113 | 3,332,347,800 | 3,679,502,947 |
| Financial assets at fair value through profit or loss | 50,867,665 | 44,558,096 | 38,714,355 |
| Investment - Victoria Station Ltd | 49,987,500 | - | - |
| Property, equipment and right of use assets | 261,420,640 | 175,392,986 | 236,677,860 |
| Intangible assets | 48,015,222 | 21,880,346 | 48,906,919 |
| Investment properties | 247,169,761 | 241,956,936 | 247,169,762 |
| Current Tax receivable | 13,666,961 | - | 26,956,215 |
| Deferred tax assets | 30,664,022 | 21,784,932 | 30,664,022 |
| Other assets | 35,327,463 | 91,094,574 | 18,683,556 |
| Total assets | 41,054,817,360 | 41,331,916,218 | 41,216,545,224 |
| Liabilities | | | |
| Deposits from customers | 25,404,570,242 | 27,097,723,172 | 26,034,566,739 |
| Current tax liabilities | - | 40,731,053 | - |
| Funds | 3,342,429,273 | 3,327,584,303 | 3,272,531,651 |
| Pension benefit obligations | 139,994,000 | 563,000 | 139,994,000 |
| Other liabilities | 113,331,360 | 62,239,987 | 118,386,935 |
| Total liabilities | 29,000,324,875 | 30,528,841,515 | 29,565,479,325 |
| Shareholders' equity | | | |
| Share capital | 190,215,600 | 192,997,000 | 190,530,800 |
| Forfeited shares | 35,605,800 | 32,211,200 | 34,998,700 |
| Retained earnings | 11,568,196,803 | 10,139,442,998 | 11,082,412,152 |
| Revaluation reserves | 3,480,852 | 3,480,852 | 3,480,852 |
| Statutory reserve | 225,529,500 | 225,065,100 | 225,529,500 |
| Actuarial reserves | (242,627,154) | (85,444,464) | (242,627,154) |
| Other reserves | 274,091,083 | 295,322,017 | 356,741,048 |
| Total equity | 12,054,492,484 | 10,803,074,703 | 11,651,065,899 |
| Total equity and liabilities | 41,054,817,360 | 41,331,916,218 | 41,216,545,224 |

THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD
STATEMENTS OF CASH FLOWS - QUARTER ENDED SEPTEMBER 30, 2020

| | As at September 2020 Rs. | As at September 2019 Rs. | Year End June 2020 Rs. |
|---|-----------------------------------|-----------------------------------|---------------------------------|
| Cash flows from operating activities | | | |
| Profit before income tax | 416,724,343 | 375,146,035 | 1,405,223,275 |
| Adjustments for: | | | |
| Net credit loss on financial assets | (21,404,732) | 74,315,054 | 318,613,518 |
| Depreciation of property, equipment and right of use assets | 5,437,391 | 4,664,475 | 27,151,505 |
| Amortisation of intangible assets | 891,696 | 2,409,914 | 14,381,307 |
| Interest income | (649,010,504) | (795,220,345) | (2,980,444,070) |
| Interest expense | 205,024,357 | 319,762,219 | 1,148,550,174 |
| Pension (income) / expense | - | - | 3,561,000 |
| Fair value (gain)/ loss on investment properties | - | - | (4,836,749) |
| Fair value loss on financial assets at fair value through profit or loss | 3,828,577 | 686,771 | 11,442,546 |
| Realised loss on disposal of financial assets at fair value through profit or loss | - | - | 50,973 |
| Translation (loss)/gain on revaluation of cash balance denominated in foreign currency | - | - | 7,104 |
| Contribution paid | - | - | (26,845,000) |
| Change in fair value of funds | - | - | (116,750,000) |
| | <u>(38,508,872)</u> | <u>(18,235,878)</u> | <u>(199,894,417)</u> |
| Changes in operating assets and liabilities | | | |
| Decrease/(increase) in loans and advances to members | (1,212,202,980) | 145,322,868 | 892,708,188 |
| Decrease/(increase) in other assets | (16,643,907) | 225,535 | 74,891,994 |
| (Decrease)/Increase in deposits from customers | (551,680,589) | (541,019,406) | (1,517,480,931) |
| (Decrease)/increase in other liabilities | (5,055,076) | (3,996,253) | 28,549,015 |
| (Decrease)/Increase in funds | 106,877,558 | 30,989,286 | 153,129,673 |
| Interest received | 637,458,925 | 884,896,853 | 2,986,174,672 |
| Interest and others | (267,440,575) | (375,940,831) | (1,236,836,244) |
| Income tax paid | 199,597 | (2,212,612) | (51,617,806) |
| Net cash generated from/(used in) operating activities | <u>(1,346,995,918)</u> | <u>120,029,562</u> | <u>1,129,624,144</u> |
| Cash flows from investing activities | | | |
| Addition to placements with bank and non-bank financial institutions | - | (750,000,000) | (3,275,000,000) |
| Proceeds from matured placements with bank and non-bank financial institutions | - | 875,000,000 | 3,335,000,000 |
| Proceeds from matured financial assets at amortised costs and fair value through profit or loss | 1,127,283,035 | 229,198,558 | 2,333,495,805 |
| Addition to financial assets at amortised cost and at fair value through profit or loss | (516,351,495) | (376,897,525) | (2,736,673,409) |
| Investment - Victoria Station Ltd | (49,987,500) | - | - |
| Purchase of property, equipment and right of use assets | - | (24,270) | (75,611,706) |
| Proceeds from sale of property, equipment and right of use assets | (30,180,170) | - | - |
| Purchase of intangible assets | - | - | (38,997,966) |
| Purchase of investment property | - | (23,220) | (399,297) |
| Net cash used in investing activities | <u>530,763,870</u> | <u>(22,746,457)</u> | <u>(458,186,573)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issuing shares | 291,900 | 143,100 | 464,400 |
| Decrease in interest bearing loans | - | (2,285,515) | (2,346,598) |
| Payment of the principal portion of the lease liability | - | - | (1,130,723) |
| Dividend paid | (500) | (39,620) | (32,653,500) |
| Net cash used in financing activities | <u>291,400</u> | <u>(2,182,035)</u> | <u>(35,666,421)</u> |
| Net increase in cash and cash equivalents | <u>(815,940,648)</u> | <u>95,101,069</u> | <u>635,771,151</u> |
| Effect of foreign exchange rate changes | - | - | (7,104) |
| Cash and cash equivalents at beginning of year | <u>1,856,277,820</u> | <u>1,220,513,771</u> | <u>1,220,513,771</u> |
| Cash and cash equivalents at end of year | <u>1,040,337,172</u> | <u>1,315,614,840</u> | <u>1,856,277,817</u> |

THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD

STATEMENTS OF CHANGES IN EQUITY - QUARTER ENDED SEPTEMBER 30, 2020

| | 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, 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 | 464,400 | - | - | - | - | - | - | 464,400 |
| Profit for the period | - | - | - | - | - | - | 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 period | - | - | 464,400 | - | 120,677,338 | - | (121,141,738) | - |
| Transfer to forfeited shares | (3,337,700) | 3,337,700 | - | - | - | - | - | - |
| Dividend declared | - | - | - | - | - | - | (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 |
| Balance at July 1, 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 |
| Issue of shares | 291,900 | - | - | - | - | - | - | 291,900 |
| Profit for the period | - | - | - | - | - | - | 403,134,685 | 403,134,685 |
| Other comprehensive income for the period | - | - | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | - | (242,627,154) | 11,485,546,837 | 12,054,492,484 |
| Movement in respect of the year | - | - | - | - | (82,649,965) | - | 82,649,965 | - |
| Transfer made to reserves for the period | - | - | - | - | - | - | - | - |
| Transfer to Forfeited shares | (607,100) | 607,100 | - | - | - | - | - | - |
| Dividend declared | - | - | - | - | - | - | - | - |
| Balance at September 30, 2020 | 190,215,600 | 35,605,800 | 225,529,500 | 3,480,852 | 274,091,083 | (242,627,154) | 11,568,196,803 | 12,054,492,484 |

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 period under review, the Monetary Policy Committee of the Bank of Mauritius met on two occasions and the Key Repo Rate remained unchanged to 1.85%. The weighted yield on 364-day Treasury Bills took the downward trend during the year under review. It decreased from 2.78% in September 2019 to reach 1.40% in September 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%. 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 for June 2020 were 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 funds 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 444m was generated for the quarter ended September 2020.

Cost to Income

The Association continues to maintain a relatively low cost to income ratio. For the quarter ended September 2020, the cost to income ratio stood at about 12.52%, 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. 41.1bn in September 2020 compared to Rs. 41.3bn at end of September 2019.

Loans and advances to members

Loans and advances are granted solely to public sector employees and pensioners. Net loans and advances increased from Rs. 33.01bn to Rs. 33.05bn.

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

The Association maintained cash and cash equivalents of Rs. 1.0bn as at end of September 2020. Placements made by the Mutual Aid Association in other financial institutions stood at Rs. 3.2bn at end of September 2020.

High Quality Liquid Assets

During the period under review investment in High-Quality Liquid Assets (HQLAs) stood at Rs 3.0bn as at end of September 2020.

Liquid Assets of the Company

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 September 2020, the ratio stood comfortably at 21% which is in line with the liquidity risk management strategy of the Association.

Liabilities

Deposits from customers

The total deposits as at September 2020 stood at Rs. 25.4bn 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. 3.3bn as at September 2020. For quarter ended September 2020, the interest rate of 3.45% has been paid to RSS holders, whereas the average savings rate was about 0.33%.

Shareholders' equity

Shareholders' equity stood at Rs. 12.1bn as at end of September 2020.

Capital Structure and Capital Adequacy Ratio (CAR)

The Tier 1 and Tier 2 capital of the Association (*the Company*) were to the tune of Rs. 11.3bn and Rs. 13.5m respectively for the period ended September 2020. The weighted amount of on-balance sheet assets was Rs. 18.4bn for the same period. Consequently, the CAR of the Association has reached a note of about 61% thus confirming once more the financial soundness of the Association.