

MAURITIUS HOUSING COMPANY LTD

Financial Statements

For the period ended 30 June 2021

CONTENTS	PAGES
CORPORATE INFORMATION	2
ANNUAL REPORT	3 - 4
STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING	5
CORPORATE GOVERNANCE REPORT	6 - 51
STATEMENT OF COMPLIANCE	52
REPORT FROM THE SECRETARY	53
INDEPENDENT AUDITORS' REPORT	54 - 59
STATEMENT OF FINANCIAL POSITION	60
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	61
STATEMENT OF CHANGES IN EQUITY	62
STATEMENT OF CASH FLOWS	63
NOTES TO THE FINANCIAL STATEMENTS	64 - 116

CORPORATE INFORMATION

DIRECTORS	Me Rashad Racheed DAUREEAWOO	Chairperson as from 06 February 2020
	Mr Mohummad Shamad AYOOB SAAB	Ag Chairperson up to 06 February 2020 and re appointed on 02 March 2021
	Mr Dunpath KHOOSYE	appointed on 20 March 2015
	Dr Dharamraj PALIGADU	appointed on 30 November 2020
	Mr Sarwansingh PURMESSUR	appointed on 30 November 2020
	Mrs Marie Veronique LETANDRIE	appointed on 30 November 2020
	Mr Khulwant Kumar UBHEERAM	appointed on 30 November 2020
	Mr Anand BABBEA	appointed on 01 May 2020
	Dr Dhanandjay Kawol	appointed on 16 August 2021
	Mr Georges Henry JEANNE	up to 07 April 2020
	Mr Azaad AUMEERALLY	up to 30 September 2020
	Mr Koosiram CONHYE	up to 16 January 2020
	Mr Vidianand LUCHMEEPERSAD	up to 25 February 2020
	Mr Arveen Sharma SUNT	up to 19 June 2020
	Mr Ashis Kumar HOOLASS	up to 14 January 2021
	Mr Mohammad Salim Ferhat Joomun	up to 04 January 2021
	Mr Bojrazsingh BOYRAMBOLI	up to 26 July 2021
	Dr (Mrs) Rooba Yanembal MOORGHEN	up to 31 August 2020
MANAGING DIRECTOR	Mr Anand BABBEA	appointed on 01 May 2020
	Mr Hassen Issop ABDOL (Officer in Charge)	up to 30 April 2020
REGISTERED OFFICE	MHC Building Reverend Jean Lebrun Street Port Louis Republic of Mauritius	
SECRETARY	Prime Partners Ltd 15 th Floor, Air Mauritius Building John Kennedy Street Port Louis Republic of Mauritius	
EXTERNAL AUDITORS	Grant Thornton Ebene Tower 52, Cybercity Ebene 72201 Republic of Mauritius	
LEGAL ADVISOR	Me. Noor-e-shad Shayfiudhin Hussene Suite 705, 6 th Floor, Chancery House Lislet Geofroy Street Port Louis Republic of Mauritius	
BANKERS	The Mauritius Commercial Bank Ltd	
	SBM Bank (Mauritius) Ltd	
	ABSA Bank (Mauritius) Ltd	
	Bank of Mauritius	
	Habib Bank Ltd	
	The Hong Kong and Shanghai Banking Corporation Ltd	
	Bank One Ltd	
	Bank of Baroda Ltd	
	MauBank Ltd	
	SBI (Mauritius) Ltd	
	AfrAsia Bank Ltd	
	BanyanTree Bank Ltd	
	BCP Bank (Mauritius) Ltd	
	ABC Banking Corporation Ltd	

ANNUAL REPORT

The directors have the pleasure in submitting the Annual Report together with the audited financial statements of Mauritius Housing Company Ltd, the "Company" or "MHC", for the period ended 30 June 2021.

INCORPORATION

The Company was incorporated in the Republic of Mauritius on 12 December 1989 as a public company with limited liability.

REPORTING DATE

The Company changed its reporting date, with the approval of the Registrar of Companies, from 31 December to 30 June to align with the Government's financial year. Thus, these financial statements run from 01 January 2020 to 30 June 2021.

The current figures are for the period from 01 January 2020 to 31 December 2020 whereas the comparative figures are for the period from 01 January 2019 to 31 December 2019 and 01 January 2018 to 31 December 2018. Therefore, the comparatives figures of these financial statements are not comparable.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the granting of loans for the construction/purchase of houses, to engage in deposits taking and to promote property development. The Company operates under a deposit taking business licence from the Bank of Mauritius.

RESULTS AND DIVIDENDS

The results for the period are as shown in the statement of profit or loss and other comprehensive income.

For the period ended 30 June 2021, the directors have recommended a dividend of Rs 7,576,900 subject to the Bank of Mauritius's approval (2019: Rs 25,593,200 and 2018: Rs 40,844,706).

DIRECTORS

The present membership of the Board is set out on page 2.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial period which present fairly the financial position, financial performance and the cash flows of the Company. The directors are also responsible for keeping accounting records which:

- correctly record and explain the transactions of the Company;
- disclose with reasonable accuracy at any time the financial position of the Company; and
- enable them to prepare the financial statements which comply with the Mauritius Companies Act 2001, applicable legislations and guidelines and International Financial Reporting Standards ("IFRS").

The directors confirm that they have complied with the above requirements in preparing the financial statements.

DIRECTORS' SHARE INTERESTS

The directors hold no share in the Company whether directly or indirectly.

DIRECTORS' EMOLUMENTS

Emoluments of the Executive Director for the period under review (excluding any remuneration as disclosed under Directors' fees as shown on page 4) amounted to Rs 4,668,310 (2019: Rs 717,301 and 2018: Rs 587,905).

ANNUAL REPORT (CONT'D)

DIRECTORS' REMUNERATION (CONT'D)

Director fees and other benefits are as follows:

	2021 Rs	2019 Rs	2018 Rs
Executive Director	138,333	141,935	77,500
Non-Executive Directors	<u>4,491,485</u>	<u>2,913,194</u>	<u>3,080,818</u>

SIGNIFICANT CONTRACTS

No contracts of significance existed during the period under review between the Company and its directors. Loans to the directors are done in the normal course of business.

DONATIONS

Donations of Rs 219,800 have been made during the period ended 30 June 2021 (2019: Rs Nil and 2018: Rs 30,000).

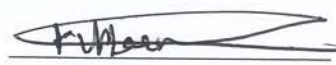
AUDITORS

Fees, inclusive of VAT, payable to **Grant Thornton** for the period ended 30 June 2021 and for the year ended 31 December 2019 and to **Deloitte** for the year ended 31 December 2018 are as follows:

	2021 Rs	2019 Rs	2018 Rs
Audit fees	1,955,000	1,380,000	1,457,500
Review of impairment model and consultancy fee	<u>-</u>	<u>-</u>	<u>2,725,500</u>


 CHAIRPERSON


 MANAGING DIRECTOR


 DIRECTOR

Date: 18 OCT 2021

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements for the Company's operations in the Republic of Mauritius presented in the annual report have been prepared by Management, who is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards, as well as the requirements of the Mauritius Companies Act 2001 and the Banking Act 2004 as applicable to the Company and the guidelines issued thereunder, have been applied and Management has exercised its judgement and made best estimates where deemed necessary.

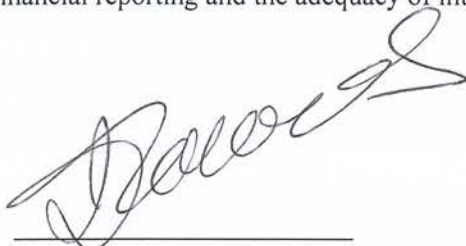
The Company has designed and maintained its accounting systems, related internal controls and supporting procedures, to provide reasonable assurance that financial reporting is complete and accurate and that assets are safeguarded against losses from unauthorised use or disposal. These supporting procedures include careful selection and training of qualified staffs, 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 Company's policies, procedures manuals and guidelines of the Bank of Mauritius throughout the Company.

The Company's Board of Directors, acting in part through the Audit Committee, the Conduct Review Committee and the Risk Management Committee, which comprise of 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 Company's Internal Auditor, who has full and free access to the Audit Committee, conducts a well designed program of internal audits. In addition, the Company's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

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

The Company's external auditors, **Grant Thornton**, 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.



CHAIRPERSON



MANAGING DIRECTOR



DIRECTOR

Date: 8 OCT 2021

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021

Mauritius Housing Company Ltd, the “Company”, or “MHC”, has always been committed to observing high standards of Corporate Governance, promoting corporate transparency and enhancing shareholders’ value.

In view to align to the financial year adopted by the Government, MHC has changed its reporting date from December to June. The current audited financial statements have been prepared for the 18 months period ended 30 June 2021.

This Corporate Governance Report sets out how the Company has applied the principles contained in the National Code of Corporate Governance (2016) (“the Code”) and provides explanations for any deviation/non-compliance.

PRINCIPLE 1 - GOVERNANCE STRUCTURE

“All organisations should be headed by an effective Board. Responsibilities and accountabilities within the organisation should be clearly identified.”

The Company is a Public Interest Entity (“PIE”), in accordance with the Financial Reporting Act 2004.

The Board affirms its commitment to providing strong leadership and independent judgement for complying with all legal and regulatory requirements and ensuring long term success of the organisation.

The Board of MHC is collectively accountable and responsible for the affairs of the Company. The Board fulfills its duties and responsibilities as defined in the Company’s Constitution and the Mauritius Companies Act 2001 (“the Act”).

The directors of the Company are skilled, knowledgeable and experienced professionals. The Board takes its fiduciary responsibilities very carefully. Each director is appointed with the understanding of the amount of time and care that they will need to devote to the Board and to the organisation for it to prosper. The Board has approved most of the key guiding documents and policies. The Constitution of the Company has been published on MHC’s website.

The following governance documents were approved on 03 July 2020 and are published on the Company’s website:-

- Board Charter;
- Code of Ethics for Directors; and
- A Statement of Key Governance Responsibilities and Accountabilities.

Key Governance Responsibilities

The Board ensures that the key governance positions within the organisation are matched with the corresponding accountabilities.

Key Governance Positions

Chairperson of the Board

The Chairperson of the Board is responsible for the activities of the Board and its committees. He/she acts as spokesman for the Board and is the principal Board contact for the Executive team. The Chairperson and the Executive team of the Board meet regularly. The Chairperson of the Board presides over the meetings of shareholders.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 1 - GOVERNANCE STRUCTURE (CONT'D)

Key Governance Positions (Cont'd)

Duties of the Chairperson of the Board

In fulfilling his/her key responsibilities, the Chairperson of the Board shall ensure the following:-

- (a) The Board fulfils its duties;
- (b) Board Members, when appointed, participate in an induction program and, if needed, in supplementary training programs;
- (c) Members receive all the information necessary for them to perform their duties;
- (d) The agenda of Board meetings are determined;
- (e) The Board meetings are chaired in an effective manner;
- (f) The Board has sufficient time for deliberation and decision-making;
- (g) Participation of each director in discussions and Board matters;
- (h) Minutes of Board and Committee meetings are properly recorded and stored;
- (i) The committees function properly;
- (j) Consultations are held with external advisors appointed by the Board;
- (k) The performance of Board Members is evaluated regularly;
- (l) Problems related to the performance of individual Board Members are addressed;
- (m) Internal disputes and conflicts of interest concerning individual Board Members, including the possible resignation of such Members as a result thereof, are addressed;
- (n) The Board has proper contact with the executive team; and
- (o) For each financial period, the compliance statement is submitted to the Bank of Mauritius.

Chairperson of the Audit Committee

The Chairperson of the Audit Committee works in close collaboration with and provides support and advice to the Chairperson of the Board. He/she has the following responsibilities, amongst others:-

- To ensure the financial statements comply with the appropriate accounting standards;
- To report the deliberations of the Audit and Risk Management Committee to the Board.

Chairperson of the Conduct Review Committee

The Chairperson of the Conduct Review Committee works in close collaboration with, and provides support and advice to the Chairperson of the Board. He/she has the following responsibilities, amongst others:-

- (i) To advise the Board on all aspects of related party transactions and their terms and conditions;
- (ii) To ensure the effectiveness of established procedures and compliance with the Bank of Mauritius Guideline on Related Party Transactions; and
- (iii) To report on the deliberations of the Conduct Review Committee to the Board.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 1 - GOVERNANCE STRUCTURE (CONT'D)

Key Governance Positions (Cont'd)

Chairperson of the Risk Management Committee

The Chairperson of the Risk Management Committee works in close collaboration with, and provides support and advice to the Chairperson of the Board. He/she has the following responsibilities, amongst others:-

- (i) To provide risk expertise to the Committee;
- (ii) To advise the Company on the overall current and future risk appetite;
- (iii) To oversee senior management's implementation of risk appetite framework;
- (iv) To report on the state of risk culture of the Company and the deliberations of the Risk Management Committee to the Board.

Chairperson of the Human Resource Committee

The Chairperson of the Human Resource Committee works in close collaboration with, and provides support and advice to the Chairperson of the Board. He/she has the following responsibilities, amongst others:-

- (i) To provide expertise in the areas of Human Resources;
- (ii) To ensure the Company is compliant with the labour laws; and
- (iii) To report on the deliberations of the Human Resource Committee to the Board.

Chairperson of the Corporate Governance Committee

The Chairperson of the Corporate Governance Committee works in close collaboration with, and provides support and advice to the Chairperson of the Board. He/she has the following responsibilities, amongst others:-

- (i) To provide expertise in the areas of corporate governance;
- (ii) To ensure the Board is up to the standard with the Code; and
- (iii) To report on the deliberations of the Corporate Governance Committee to the Board.

Chairperson of the Real Estate Development Monitoring Committee

The Chairperson of the Real Estate Development Monitoring Committee works in close collaboration with, and provides support and advice to the Chairperson of the Board. He/she has the following responsibilities, amongst others:-

- (i) To provide expertise in the areas of Real Estate Development;
- (ii) To monitor closely the good running of housing projects and ensure deliverables are met within set timeline; and
- (iii) To report on the deliberations of the Real Estate Development Monitoring Committee to the Board.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 1 - GOVERNANCE STRUCTURE (CONT'D)

Other Key Governance Positions

Managing Director

The main functions of the Managing Director are:

- To develop and recommend to the Board a long-term vision and strategy for MHC which will generate satisfactory levels of shareholders' value and positive reciprocal relations with the relevant stakeholders;
- To devise and recommend to the Board annual business plans and budgets that support MHC's long-term strategy;
- To ensure that a proper assessment of the risks under a variety of possible or likely scenarios is undertaken and presented to the Board;
- To strive consistently to achieve MHC's financial and operation goals and objects and ensure the proper management and monitoring of the daily business of MHC;
- To execute and implement the strategy of the Board;
- To monitor the organisation's performance and to keep the Board informed accordingly;
- To foster a corporate culture that promotes ethical practices, rejects corrupt practices, offers equal opportunities, encourages individual integrity and meets social responsibility objectives and imperatives;
- To be the chief spokesperson for MHC in relation to all operational and day-to-day matters; and
- To attend meetings of shareholders and be ready to present material operational developments to the meeting as well as the annual business plans and budgets that support the organisation's strategy.

Senior Management Team

Name	Position	Qualifications	Date Joined
Mr Babbea Anand	Managing Director (As from 01 May 2020)	MBA	01 May 2020
Mr Abdool Hassen Issop	Officer-in-Charge (Up to 30 April 2020) Resumed as Head (Finance) (As from 01 May 2020)	FCCA	01 Jul 1992
Mr Abeeluck Rajeev	Head (Technical)	Bachelor in Architecture	02 Jul 2001
Mr Ramdhan Ravindranath	Head ICT (As from 10 August 2020)	MBA (Information Systems)	10 Aug 2020
Mr Khusul Koondan*	Head – Commercial	MBA (General)	18 May 1982
Mr Puholoo Surendra	Acting Head (Finance) (Up to 30 April 2020) Resumed as Senior Accountant (As from 01 May 2020)	FCCA	02 Jul 1990
Mr Mudaliar Rama Krishna**	Internal Auditor (From February 2019 to 29 November 2019)	FCCA	01 Jun 1992
Mr Maywah Jayraj	Acting Internal Auditor (As from 12 February 2020)	CMIIA (Affiliate), FCCA	20 May 1985
Mrs Kalapnauth – Rajcoomar Ashvina	Manager (Corporate Services)	MBA (Human Resource and Knowledge Management)	30 Jul 2003
Mr Maywah Devanand	Manager (Procurement)	MBA (Human Resource and Knowledge Management)	11 Dec 1976
Mr Maudarbocus Naim	MLRO and Manager ICT	MBA (Finance & Investment), Maîtrise d'Informatique	05 Nov 1995
Mr Maudarun Sheik Muhammad Shakeel	Ag Senior Accountant (Up to 30 April 2020) Resumed as Accountant (As from 01 May 2020)	FCCA, MBA	08 Mar 1992
Mr Boojhawon Rakeshsing	Assigned Assistant Manager of the Risk and Compliance Unit	FCCA	07 Dec 1994
Mrs Seesurn Jayantee	In charge of Credit Underwriting Unit	MBA (Financial Services)	14 May 1985
Mr Lutchmoodoo Coossyram	In charge of Credit Services Unit	Partly ACCA qualified	25 Mar 1976

*Retired on 29 December 2020

**The incumbent officer is currently interdicted from duty.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 1 - GOVERNANCE STRUCTURE (CONT'D)

Senior Management Profile

Mr Anand BABBEA is the Managing Director of MHC since 01 May 2020. Mr Babbea has grown within the Banking, Financial and Payments Industry and is a professional reckoning more than 29 years of experience. He was also among the Pioneers of the e-Commerce Acquiring within the Banking Sector in Mauritius. Mr Babbea is equally a Member of the Mauritius Institute of Directors (MIoD).

Mr Babbea has started his career at the Ministry of Finance. He then, joined the State Bank (Mauritius) Ltd, where he had a long and rich career over 21 years. He also worked as Head of eCommerce at CIM Finance Ltd for approximately 4 years. Prior to joining MHC, Mr Babbea was the Chief Executive Officer of the GPN Data (Mauritius) Ltd for more than 3 years. He had also been the Chairman of the Development Bank of Mauritius (DBM) Ltd.

He holds a Bachelor Degree with Honours in Financial Services and a Masters in Business Administration from the University of Mauritius.

Mr Hassen Issop ABDOOL joined MHC on 01 July 1992 and holds the position of Head of Finance. He was admitted as an Associate of the Association of Chartered Certified Accountants in December 1997 and as a Fellow Member in December 2002.

Mr Rajeev ABEELUCK joined MHC as an Architect on 02 July 2001 before being appointed as Head of Technical Department in October 2013.

He holds a Bachelor Degree in Architecture and a Post Graduate Diploma in Architecture from the University of Natal in Durban, South Africa, and is registered with the Professional Architects' Council of Mauritius (1995).

Mr Ravindranath RAMDHAN joined MHC as Head Information and Communication Technology on 10 August 2020.

He holds a degree in Computer Applications (2007) and a Masters of Business Administration in Information System (2009) from the University of Technology, Mauritius.

Mr Koondan KHUSUL joined MHC on 18 May 1982 and occupied the position of Head of Commercial Department up to his retirement.

He holds a Bachelor of Business Administration (BBA), a postgraduate Diploma in Management studies (PGDMS) (2011) and a Masters Degree in Business Administration (MBA) (2014) from the Management College of Southern Africa. Mr Khusul retired from the services of MHC on 29 December 2020.

Mr Surendra PUHOLOO joined MHC on 02 July 1990 and occupies the post of Senior Accountant. He was admitted as an Associate of the Association of Chartered Certified Accountants in December 1997 and Fellow Member in December 2002.

Mr Rama Krishna MUDALIAR joined MHC on 01 June 1992. He resumed as Head of Internal Audit in February 2019 up to November 2019. He was admitted as a Member of the Association of Chartered Certified Accountants in November 1990 and as a Fellow member in November 1995.

Mr Jayraj MAYWAH joined the MHC on 20 May 1985. He was admitted as an Associate of the Association of Chartered Certified Accountants in 1999 and as a Fellow Member in 2004. Mr Maywah is also a qualified Internal Auditor since November 2013 (Affiliate) of the Chartered Institute of Internal Auditors since November 2013. He occupied several senior positions previously and since 12 February 2020, he has been assigned as Acting Internal Auditor.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 1 - GOVERNANCE STRUCTURE (CONT'D)

Senior Management Profile (Cont'd)

Mrs Ashvina KALAPNAUTH-RAJCOOMAR joined MHC on 30 July 2003 and presently holds the post of Manager Corporate Services.

She holds a BSc (Hons) in Human Resource Management (2006) and an MBA in Human Resource Management (2011) from the University of Technology, Mauritius.

Mr Devanand MAYWAH joined MHC on 11 December 1976 and currently occupies the post of Manager Procurement.

He holds a Diploma in Public Administration and Management (2007), a BSc (Hons) in Public Administration and Management (2008) and an MBA in Human Resource with Knowledge Management (2011) from the University of Technology, Mauritius.

Mr Naim MAUDARBOCUS joined MHC as an Analyst/Programmer in 1995 before being promoted to Systems Analyst in 1999. He currently holds the position of ICT Manager and also Money Laundering and Reporting Officer.

He holds a Masters in Computer Science from the University of Bordeaux I, France and a Masters in Business Administration, with specialisation in Finance, from the University of Technology, Mauritius.

Mr Sheik Muhammad Shakeel MAUDARUN joined MHC on 08 March 1992 and presently holds the post of Accountant. He was admitted as a Member of the Association of Chartered Certified Accountants in November 2008 and as a Fellow Member in November 2013.

Mr Rakeshsing BOOJHAWON joined MHC on 07 December 1994. He was admitted as a Member of the Association of Chartered Certified Accountants in March 2009 and as a Fellow member in April 2014.

He acted as Internal Auditor from 06 December 2015 to 05 February 2019. His substantive post is Assistant Account and currently has been assigned the responsibility of Assistant Manager Risk and Compliance and is heading the Unit.

Mrs Jayantee SEESURN joined the Company on 14 May 1985 as Clerk and is presently employed as Assistant Manager (Corporate Planning & Development) in a substantive capacity. Since August 2020, Mrs Seesurn has been in charge of the Credit Underwriting Unit.

Mrs Seesurn holds a Bachelor's (Hons) Degree in Legal Studies and Management (2011) and a Masters in Business Administration in Financial Services (2016) from University of Mauritius.

Mr Coossyram LUTCHMOODOO joined the Company on 25 March 1976 as Temporary Clerk and is presently employed as Assistant Manager (Commercial) in a substantive capacity. Since August 2020, Mr C Lutchmoodoo is in charge of the Credit Services Unit.

Mr Lutchmoodoo is partly ACCA qualified.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 1 - GOVERNANCE STRUCTURE (CONT'D)

Organisation Chart

The current organisational chart of the Company is as follows:

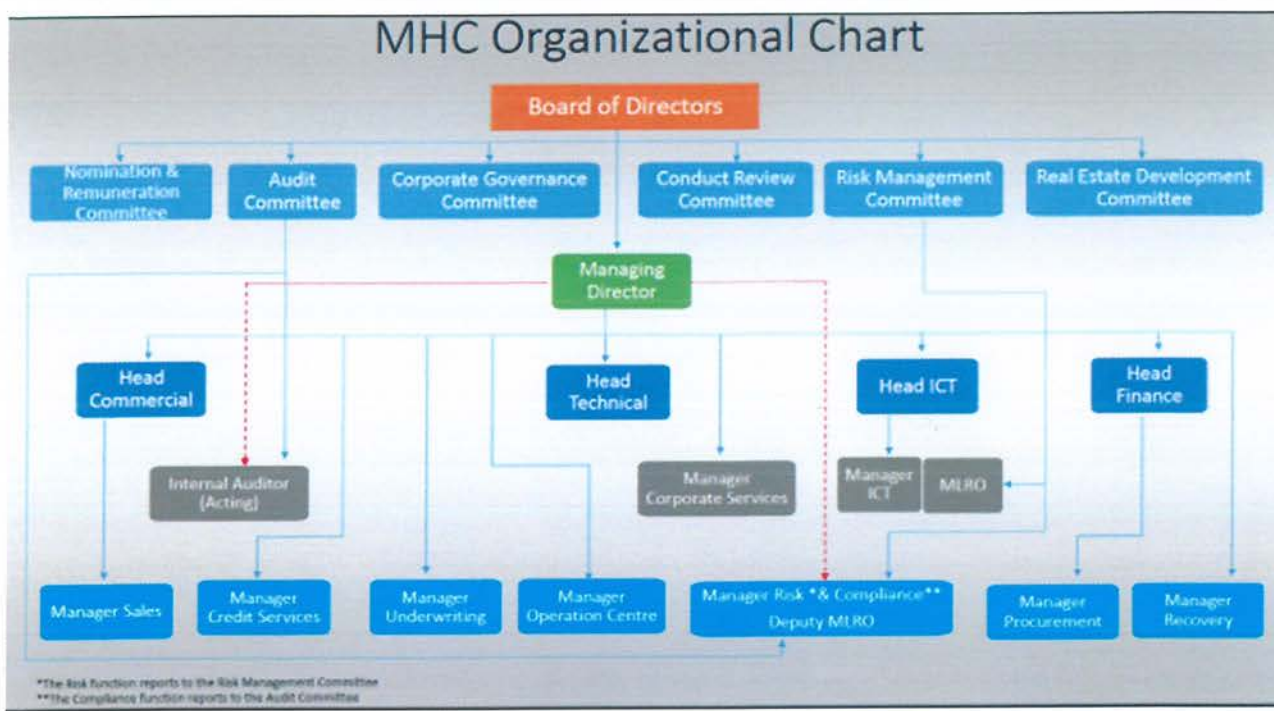


Figure 1 – Organisational Structure of MHC

PRINCIPLE 2 –THE STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES

“The Board should contain independently minded directors. It should include an appropriate combination of executive directors, independent directors 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 should be of a size and level of diversity commensurate with the sophistication and scale of the organisation. Appropriate Board committees may be set up to assist the Board in the effective performance of its duties.”

The Constitution of the Company provides for a minimum of five (5) and a maximum nine (9) directors. The Unitary Board consists of nine (9) directors, categorized as follows:-

- 1 Executive Director;
- 4 Non-Executive Directors; and
- 4 Independent Directors.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 2 –THE STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (CONT'D)

The Board is responsible for the stewardship of MHC, overseeing its strategy, conduct and affairs. The Directors of MHC as at 30 June 2021 were:-

Director Name*	Role	Category
Me Rashad Racheed Daureeawoo (Appointed on 06 February 2020)	Chairperson	Independent
Mr Mohummad Shamad Ayoob Saab (Appointed on 11 July 2019 to 06 October 2020 and re-appointed on 02 March 2021)	Director	Non-Executive
	Chairperson (From 22 October 2019 to 06 February 2020)	
Mr Anand Babbea (Appointed on 01 May 2020)	Director	Executive
Mr Bojrazsingh Boyramboli (Appointed on 02 March 2021 to 26 July 2021)	Director	Non-Executive
Mr Dunpath Khoosye (Appointed on 20 March 2015)	Director	Independent
Mrs Marie Veronique Doriane Letandrie (Appointed on 30 November 2020)	Director	Independent
Dr Dharamraj Paligadu (Appointed on 30 November 2020)	Director	Non-Executive
Mr Sarwansingh Purmessur (Appointed on 30 November 2020)	Director	Non-Executive
Mr Khulwant Kumar Ubheeram (Appointed on 30 November 2020)	Director	Independent
<i>Directors who ceased to hold office during the period under consideration</i>		
Mr Azaad Aumeerally (Up to 30 September 2020)	Director	Independent
Mr Koosiram Conhye (Up to 16 January 2020)	Director	Non-Executive
Mr Ashis Kumar Hoolass (Up to 14 January 2021)	Director	Non-Executive
Mr Georges Henry Jeanne (Up to 07 April 2020)	Director	Non-Executive
Mr Mohammad Salim Ferhat Joomun (Appointed on 30 November 2020 up to 04 January 2021)	Director	Non-Executive
Mr Vidianand Lutchmeeparsad (Up to 25 February 2020)	Director	Non- Executive
Dr (Mrs) Rooba Yanembal Moorghen (Appointed on 04 June 2020 up to 31 August 2020)	Director	Non-Executive
Mr Arveen Sharma Sunt (Up to 19 June 2020)	Director	Executive

Table 1 - Directors of MHC

The Company Secretary

The Company Secretary is appointed by the Board. The role of the Company Secretary is to ensure that Board Members have the proper advice and resources for performing their duties towards shareholders under the relevant legal frameworks. The Company Secretary is also responsible for the organisation and coordination of the Board and Committee meetings, and ensuring that the records, or minutes of those meetings, reflect the proper discussions and deliberations held at those meetings.

Prime Partners Ltd is the Company Secretary of MHC. Prime Partners Ltd, a wholly owned subsidiary of The State Investment Corporation Limited, is actively involved in the provision of statutory corporate secretarial services and registrar & transfer office services to Domestic Companies/Trusts/Mutual Funds registered in Mauritius.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 2 –THE STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (CONT'D)

The Company Secretary (Cont'd)

Training/ Continuous Professional Development

The staff of Prime Partners Ltd regularly follow ongoing courses organised either internally or by professional training institutions.

Board Diversity

The Board is unitary and its composition is “balanced”, that is there is a mix of executive, non-executive and independent directors. The Directors consider that the Board is of reasonable size and that its members possess the right mix of skills and experience to provide leadership, reflect integrity and make judgment for managing the affairs of the Company. The size of the Board is determined as per the Company’s constitution and the Corporate Governance Guideline of the Bank of Mauritius. The Directors have expertise in domains such as Investment, Economics, Finance, Accounting, Legal and Administration. The Board of Directors affirms that seven out of the nine directors did not have any relationship (other than as per normal terms and conditions as members) with MHC during the period under review. The two directors represent the shareholders on the Board of the Company.

The Board complies with the requirement for gender representation in its membership and in terms of the required number of independent directors as per the Bank of Mauritius Guideline on Corporate Governance. The Board reassesses its Charter and those of its sub-committees on an annual basis. The assessment for the current year is under process.

The Managing Director was appointed on 01 May 2020 and at period end, he was the only executive Director on the Board. In November 2020, the Board of MHC was reconstituted by the shareholders and the position of a second Executive Director was not considered.

The Board affirms that a sufficient number of directors does not have a relationship with the organisation and major shareholders.

Directors only are allowed to attend Board Meetings; however, following consultation with the Chairperson, meeting invitations are extended on an ad-hoc basis to members of the Executive Team and other subject matter experts having to report on specific agenda items. The use of alternate director is discouraged. A clear division of responsibilities at Board level ensures that no director has unfettered powers in decision making.

All directors, as mentioned in Table 1 above, are resident in Mauritius.

The Chairperson of the Board and the Chairperson of Board Committees are all carefully selected based on their relevant knowledge and experience in these key governance roles.

Executive Directors

The Company is headed by a Managing Director who is Member of the Board and attends its committee meetings. He also assists the Non-Executive Directors in the decision-making process.

The Code recommends the appointment of two Executive Directors on the Board. Taking into consideration the present level of operations of the Company, while the Board was being reconstituted by the shareholders, the position of a second Executive Director was not considered.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 2 –THE STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (CONT'D)

Director's Independence Review

The Board is determined to ensure on an annual basis as and when the circumstances require, whether or not a director is independent. Additionally, regular reviews are conducted and particular consideration is given to directors who have served on the Board for more than six consecutive years, from the date of their first election. Presently the Board consists of an Independent Chairperson, namely Me R.R Daureeawoo and three independent directors namely Mrs M.V.D. Letandrie, Mr D. Khoosye and Mr K. K. Ubheeram.

The Board recognises that over time independent directors develop significant insights in the Company's business and operations and can contribute objectively to the Board as a whole. In circumstances where a director has served as an independent director for over six years, the Board conducts a rigorous review of his/her continuing contribution and independence. Upon the recommendation of the Board, in May 2021, the Bank of Mauritius has approved the re-appointment of Mr D. Khoosye who has served as independent Director for six years, for a further period of two years.

Role of Non Executive Directors

The Non-Executive Directors constructively challenge and help develop proposals on strategy, review the performance of management in attaining goals and objectives, monitor the reporting of performance and meet and/or hold discussion regularly without the presence of Management.

Powers of the Board

The Board serves as the focal point and custodian of the Company's corporate governance framework. It is responsible for providing ethical and effective leadership to the Company. It agrees on the strategic direction and has approved the policy frameworks used to measure organisational performance.

The key roles and responsibilities of the Board of Directors are set in the Board Charter and the Constitution.

The Board is aware of its responsibility to ensure that the Company adheres to all relevant legislations such as the Mauritius Companies Act 2001, the Banking Act 2004, the Financial Intelligence and Anti-Money Laundering Act 2002 and the Financial Reporting Act 2004. The Board also follows the principle of good corporate governance as recommended in the Code and the Guideline on Corporate Governance, as issued by the Bank of Mauritius.

Board Meetings

The Board met ten (10) times during the financial period ended 30 June 2021.

The Board deliberated on a range of issues including: -

- Examination and endorsement of the recommendations of various Board Committees;
- Review of operations and approval of strategies to improve performance of the Company;
- Setting of corporate objectives and budgets;
- Governance and internal audit issues;
- Approval of audited financial statements;
- Declaration and payment of dividends;
- Review of tenders for allocation of contracts to service providers;
- Staff matters;
- Review of the Company's Code of Ethics to ensure that they are in line with the Company's objectives;
- Approval of related party transactions;
- Approval of IT related projects; and
- Approval of housing loan projects and products.

The Board had approved the Integrated Risk Management Framework in July 2021.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 2 –THE STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (CONT'D)

Board Meetings (Cont'd)

The Board, through the Corporate Governance Committee, regularly monitors and evaluates MHC's compliance with its Code of Ethics. Any ethical issues are considered by the Committee which makes appropriate recommendations to the Board.

Some of the key functions of the Board of Directors include:

- Determining MHC's purpose, strategy and values;
- Providing guidance, maintaining effective controls over MHC and monitoring Management in carrying out Board's plans and strategies;
- Monitoring and evaluating the implementation of MHC's strategies, policies and management of its performance criteria and business plans;
- Exercising leadership, enterprise, intellectual honesty, integrity, objectivity and judgement in directing MHC so as to achieve sustainable prosperity;
- Ensuring that procedures and practices are in place to safeguard the MHC's assets and reputation and providing guarantee on the effectiveness of MHC's internal control system;
- Monitoring and evaluating regularly compliance with the Code of Ethics;
- Approving and monitoring MHC's risk management policies including the setting of limits by assessing its risk appetite, skills available for managing risk and its risk bearing capacity;
- Ensuring that succession is professionally planned in a timely manner; and
- Monitoring MHC's financial health and performance against budgets, including ensuring that the balance between "conformance" and "performance" is healthy. Conformance is linked to MHC's compliance with various laws, regulations and codes governing it while performance relates to the development of a commensurate enterprise culture that will ensure maximisation of shareholders' returns are not detrimental to other stakeholders' interests.

**MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)**

PRINCIPLE 2 – THE STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (CONT'D)

Board Attendance

Board Meetings are scheduled well in advance to maximise directors' attendance. The following table depicts the attendance at Board/Board Committees meetings of the Directors during the period under review:-

Director	Category	Board	Audit Committee	Conduct Review Committee	Risk Management Committee	Nomination and Remuneration ***	Corporate Governance Committee	Real Estate Development Committee
Mr Rashad Racheed Daureeawoo (Appointed on 06 February 2020)	Independent Chairperson	9/9	-	-	-	-	-	-
Mr Mohammad Shamad Ayoob Saab (Appointed on 11 July 2019 to 06 October 2020 and re-appointed on 02 March 2021).	Non-Executive Chairperson <i>(From 22 October 2019 to 06 February 2020)</i>	1/1	-	-	-	-	-	-
	Non-Executive	5/6	-	-	3/3	2/2	1/1	-
	Executive	9/9	-	-	3/3	-	-	3/3
Mr Anand Babbea (Appointed on 01 May 2020)	Non-Executive	1/1	-	-	-	1/1	1/1	-
Mr Bozrajsingh Boyramboli (Appointed on 02 March 2021 up to 26 July 2021)	Independent	10/10	10/10	2/2	-	3/3	-	9/9
Mr Dunpuith Khoosye	Independent	4/4	3/4	2/2	-	-	-	4/4
Mrs Marie Veronique Doriane Letandrie (Appointed on 30 November 2020)	Non-Executive	4/4	-	-	1/1	1/1	-	-
Mr Sarwansingh Purmessur (Appointed on 30 November 2020)	Non-Executive	2/4	-	-	0/1	-	1/1	2/4
Mr Khulwant Kumar Ubheeram (Appointed on 30 November 2020)	Independent	4/4	4/4	2/2	1/1	-	-	-

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 2 – THE STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (CONT'D)

Board Attendance (Cont'd)

Director	Category	Board	Audit Committee	Conduct Review Committee	Risk Management Committee	Nomination and Remuneration ***	Corporate Governance Committee	Real Estate Development Committee
<i>Directors who ceased to hold office during the period under consideration</i>								
Mr Azaad Aumeerally (Up to 30 September 2020)	Independent	4/6	5/6	-	3/3	-	-	-
Mr Koosiram Conhye (Up to 16 January 2020)	Non-Executive	-	-	-	-	-	-	-
Mr Ashis Kumar Hoolass (Appointed on 09 March to 2020 up to 14 January 2021)	Non-Executive	5/6	-	-	-	-	-	-
Mr Georges Henry Jeanne (Up to 07 April 2020)	Independent	0/1	2/2	-	-	-	-	1/1
Mr Mohammad Salim Ferhat Joomun (Appointed on 30 November 2020 up to 04 January 2021)	Non-Executive	1/1	-	-	-	-	-	-
Mr Vidianand Lutchmeeparsad (Up to 25 February 2020)	Non-Executive	1/1	-	-	-	-	-	0/1
Dr (Mrs) Rooba Yanembal Moorghen (Appointed on 04 June 2020 up to 31 August 2020)	Non-Executive	2/2	-	-	-	-	-	0/2
Mr Arveen Sharma Sunt (Up to 19 June 2020)	Executive	2/2	-	-	-	-	-	-

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 2 –THE STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (CONT'D)

Board Committees

The Board has carefully considered the work that it needs to carry out to be effective and to implement its strategy successfully. To serve this purpose and to be compliant with the requirements of the Banking Act 2004, the following committees have been constituted:

- (i) Audit Committee;
- (ii) Conduct Review Committee;
- (iii) Risk Management Committee;
- (iv) Nomination and Remuneration Committee;
- (v) Corporate Governance Committee; and
- (vi) Real Estate Development Committee.

The objectives of these Committees are as follows:

- To bring focus and appropriate expertise and specialisation to the consideration of specific Board issues;
- To enhance Board efficiency and effectiveness;
- To enable consideration of key issues in depth; and
- To make recommendations to the Board, where appropriate.

The Board reviews each Committee's mandate. The mandates set out the roles, responsibilities, scope of authority, composition, terms of reference and procedures of each Committee. The Board ensures that the Company is being managed in line with the Company's objectives through deliberations and reporting of its various Committees.

The Charter of the Committees have been published on the website of the Company.

Audit Committee

The Audit Committee is governed by a Charter in line with the provisions of the Code. The Charter of the Committee was approved on 03 July 2020 and is available on the website of the Company.

The Board considers that the members of the Audit Committee are appropriately qualified to discharge their responsibilities.

The Audit Committee has the authority to investigate any matter within its terms of reference. In addition, the Audit Committee has full access to and co-operation of Management as well as full discretion to invite any director to attend its meetings.

The main duties/functions of the Audit Committee include amongst others: -

- To oversee the internal financial reporting process to provide reasonable assurance that the financial statements represent a true and fair view of the financial affairs of the Company and comply with IFRS and applicable legislations and guidelines.
- To oversee the audit process (external and internal) to provide material comfort to Board, inter alia, as to the effectiveness of the internal control systems put in place by Management as well as the overall Company's compliance status with both statutory and regulatory requirements.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 2 – THE STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (CONT'D)

Board Committees (Cont'd)

Audit Committee (Cont'd)

- To approve the external and internal audit plans that are required to be risk-based. In addition, this process provides the Committee with an evaluation of the quality of risk enterprise framework set up by Management.
- As per the nature of its responsibilities, all members of the Audit Committee are required to be strictly independent Board directors.
- To demonstrate a clear separation of powers and a complete independence in the discharge of this process as follows:
 - To recommend to shareholders the appointment, removal, and remuneration of external auditors and to approve the engagement letter setting out the scope and terms of external audit.
 - To consider Internal Audit reports from the Head of Internal Audit in the discharge of his duty in providing objective assurance and consulting input to add value to the activities of the Company. The Head of Internal Audit has furthermore independent access to the Chairperson of the Audit Committee and to the Chairperson of the Board.
 - To periodically have private interaction with (a) External Audit; and (b) Internal Audit respectively.
- To assess periodically the skills, resources, and independence of the external auditors and their practices for quality control.
- To discuss with senior management and external auditors the overall results of the audit, the quality of financial statements and any concerns raised by external auditors.
- To review and monitor management responsiveness to Bank of Mauritius as well as Internal Audit findings and recommendations and to ensure that critical issues are escalated to Board in a timely fashion.

In performing its function, the Audit Committee meets with the internal and external auditors. Where necessary, the Audit Committee also meets separately with the internal and external auditors whereby any issues may be raised directly to the Audit Committee, without the presence of Management. The internal and external auditors have unrestricted access to the Audit Committee.

The Committee met ten times during the period under review. It examined the annual financial statements, discussed issues raised by the internal and external auditors, and deliberated on their recommendations.

Mr K.K. Ubheeram is the current Chairperson of the Audit Committee. Prior to his appointment on the Committee on 16 December 2020, Mr A. Aumeerally was chairing the Committee until his resignation. Mr G.H. Jeanne also ceased to be Member of the Committee during the period under review.

Members and Attendance during the period under review:

Members	Role	Audit Committee
Mr K. K. Ubheeram (Appointed as Chairperson on 16 December 2020)	Chairperson	4/4
Mr D. Khoosye	Member	10/10
Mrs M.V.D. Letandrie (Appointed as Member on 16 December 2020)	Member	4/4
<i>Members who ceased to hold office during the period under consideration</i>		
Mr A. Aumeerally (up to 30 September 2020)	Chairperson	5/6
Mr G. H. Jeanne (Up to 07 April 2020)	Member	2/2

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 2 –THE STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (CONT'D)

Board Committees (Cont'd)

Conduct Review Committee

The Conduct Review Committee is governed by a Charter which was approved by the Board on 03 July 2020 and is available on the website of the Company.

The Conduct Review Committee is responsible for monitoring and reviewing related party transactions, their terms and conditions and ensuring the effectiveness of established procedures and compliance with the Bank of Mauritius Guideline on Related Party Transactions.

The mandate of the Conduct Review Committee is as follows:

- (a) To require management to establish policies and procedures to comply with the requirements of the Bank of Mauritius guideline;
- (b) To review the policies and procedures periodically to ensure their continuing adequacy and enforcement, in the best interests of the Company;
- (c) To review and approve each credit exposure to related parties;
- (d) To ensure that market terms and conditions are applied to all related party transactions;
- (e) To 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; and
- (f) To 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.

Following the reconstitution of the Board in December 2020, the Committee met twice (2) since, to consider related party matters.

Members and Attendance during the period under review:

Members	Role	Conduct Review Committee
Mrs M.V. D. Letandrie*	Chairperson	2/2
Mr D. Khoosye*	Member	2/2
Mr K. K. Ubheeram*	Member	2/2
<i>Members who ceased to hold office during the period under consideration</i>		
Mr G.H. Jeanne (Up to 07 April 2020)	Chairperson	-
Mr A. Aumeerally (Up to 30 September 2020)	Member	-

**The Committee was reconstituted on 16 December 2020.*

Risk Management Committee

The Risk Management Committee assists the Board in setting up risk strategies to assess and monitor the risk management process of MHC. The Committee also advises the Board on risk issues and monitors the risk of the different portfolios against the set risk appetite.

The Risk Management Committee has the responsibility for advising the Board on MHC's overall current and future risk appetite, overseeing senior management's implementation of the risk appetite framework and reporting on the state of risk culture at MHC.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 2 –THE STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (CONT'D)

Board Committees (Cont'd)

Risk Management Committee (Cont'd)

The major tasks of the Risk Management Committee include:

- (a) Identification of principal risks, including those relating to credit, market, liquidity, operational, compliance, and reputation of the institution, and actions to mitigate the risks;
- (b) Appointment of a chief risk officer who, among other things, shall provide assurance that the oversight of risk management is independent from operational management and is adequately resourced with proper visibility and status in the organisation. Taking into consideration the current operations of the Company, it has been agreed that this function will fall under the responsibility of the Manager, Risk and Compliance;
- (c) Ensuring independence of the Manager, Risk and Compliance from operational management without any requirement to generate revenues;
- (d) Requirement of the Manager, Risk and Compliance to provide regular reports to the Committee, Senior Management and the Board on his activities and findings relating to the institution's risk appetite framework;
- (e) Receive from senior officers periodic reports on risk exposures and activities to manage risks; and
- (f) Formulate and make recommendations to the Board on risk management issues.

Prior to the appointment of Dr D. Paligadu as Chairperson of the Committee on 16 December 2020, Mr M. S. Ayoob Saab was chairing the Risk Management Committee until his resignation as director of the Company on 06 October 2020. He was reappointed as director of the Board on 02 March 2021 but not as a Member of the Committee.

The Risk Management Committee met four times during the reporting period to consider risks faced by MHC.

Members and Attendance during the period under review:

Members	Role	Risk Management Committee
Dr D. Paligadu	Chairperson	1/1
Mr K. Purmessur	Member	0/1
Mr K.K. Ubheeram	Member	1/1
<i>Members who ceased to hold office during the period under consideration</i>		
Mr M. S. Ayoob Saab (From 03 July 2020 up to 06 October 2020)	Chairperson	3/3
Mr A. Aumeerally (Up to 30 September 2020)	Member	3/3
Mr A. Babbea (From 03 July 2020 up to 16 December 2020)	Member	3/3

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 2 –THE STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (CONT'D)

Board Committees (Cont'd)

Nomination and Remuneration Committee

The Human Resources Committee was governed by a Charter which was approved by the Board on 03 July 2020 and published on the website of the Company. The Human Resources Committee was renamed as Nomination and Remuneration Committee on 16 December 2020 and its charter has been approved by the Board on 07 October 2021. It will be published on MHC's website.

The main function of the Nomination and Remuneration Committee is to determine, agree and develop the Company's human resource strategies, policies and procedures in line with local legislation and regulations and benchmarked to best practice. It also recommends the nomination of Directors to the Board.

The Nomination and Remuneration Committee met four (4) times during the period to consider staff matters.

Members and Attendance during the period under review:

Members	Role	Nomination and Remuneration Committee
Mr B. Boyramboli (Appointed on 02 March 2021)	Chairperson	1/1
Mr M. S. Ayoob Saab	Member	2/2
Dr D. Paligadu (Appointed on 20 November 2020)	Member	1/1
<i>Members who ceased to hold office during the period under consideration</i>		
Mr A.K. Hoolass (Up to 14 January 2021)	Chairperson	2/2
Mr V. Lutchmeeparsad (Up to 25 February 2020)	Member	1/1
Mr G. H. Jeanne (Up to 07 April 2020)	Member	1/1
Mr D. Khoosye (No more member upon reconstitution of the Committee on 16 December 2020)	Member	3/3

Corporate Governance Committee

The Corporate Governance Committee is governed by a Charter in line with the provisions of the Code. The Charter of the Corporate Governance Committee was approved by the Board on 03 July 2020 and is available on the website of the Company.

The Corporate Governance Committee is a useful mechanism to oversee the implementation of the Corporate Governance Framework and make recommendations to the Board on various corporate governance issues so that the Board remains effective and complies with good governance principles.

The duties of the Corporate Governance Committee include the following:

- Oversee the implementation of the corporate governance framework;
- Periodically review and evaluate the effectiveness of the Company's Code of Conduct and Ethics;
- Review the position descriptions of the Chairperson of the Board and Committees and recommend any amendment to the Board; and
- Review annually the size and composition of the Board as a whole.

The Committee met once during the period under review to consider the compliance requirements of the Code.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 2 –THE STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (CONT'D)

Corporate Governance Committee (Contd)

Members and Attendance during the period under review:

Members	Role	Corporate Governance Committee
Mr S. Purmessur (As from 16 December 2020)	Chairperson	1/1
Mr M. S. Ayoob Saab (As from 16 December 2020)	Member	1/1
Mr B. Boyramboli (As from 16 December 2020)	Member	1/1
<i>Members who ceased to hold office during the period under review</i>		
Mr D. Khoosye (Up to 16 December 2020)	Chairperson (From 03 July to 16 December 2020)	-
	Member	-
Mr A. Aumeerally (Up to 03 July 2020)	Member	-

Real Estate Development Monitoring Committee

The Real Estate Development Monitoring Committee is governed by a Charter which was approved on 03 July 2020 and published on the website of the Company.

The main function of the Real Estate Development Monitoring Committee is to monitor closely the good running of housing projects and to ensure that deliverables are met within set timeline.

The Real Estate Development Monitoring Committee met nine (9) times during the period.

Members and attendance during the period under review:

Members	Role	Real Estate Development Monitoring Committee
Mr D. Khoosye	Chairperson	9/9
Mrs M. V. Doriana Letandrie	Member	4/4
Mr S. Purmessur	Member	2/4
<i>Members who ceased to hold office during the period under consideration</i>		
Dr Y. Moorghen (Appointed as Director on 04 June 2020 up to 31 August 2020)	Member	0/2
Mr G. H. Jeanne (Up to 07 April 2020)	Member	1/1
Mr V. Lutchmeeparsad (Up to 25 February 2020)	Member	0/1
Mr A. Babbea (Served as Member pending reconstitution of the Committee on 16 December 2020)	Member	3/3

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 2 –THE STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (CONT'D)

Directors' Profile

Me Rashad Racheed Daureeawoo, Independent Chairperson of MHC, was previously Chairperson of the Mauritius Duty Free Paradise Co Ltd. He is a Practising Barrister at Law by profession and is holder of a Degree in Commerce from University of Delhi and a Masters in Law from University of Paris. Over the past 20 years, he has been serving the Judicial Department as Magistrate and served the Town of Beau Bassin/Rose-Hill as Councillor and Mayor respectively. He has formerly held important positions including Member of Parliament, Deputy Chairman of Committees and Chaired the Parliamentary Committee on ICAC (Independent Commission Against Corruption).

As a Barrister, he advises private companies and state-owned companies in different fields.

Mr Mohammad Shamad Ayoob Saab, Non-Executive Director, holds a Diploma in Public Administration with specialisation in Public Management and a Masters in Business Administration.

He joined the Public Service in 1984 and has since then climbed up the ladder to the post of Permanent Secretary. He has served in various ministries and presently occupies the post of Permanent Secretary at the Ministry of Housing and Land Use Planning since 23 December 2020. He is also Chairman of Morcellement Board and Town and Country Planning Board.

Mr Ayoob Saab has served several boards namely NPF, NHDC, NPFL, FSC, NCCG and NSLD. He is presently the Chairperson of the Corporate Governance Committee of the State Investment Corporation Ltd.

Details of **Mr Anand Babbea**, Managing Director, have been disclosed under Senior Management's Profile.

Mr Bojrazsingh Boyramboli, Non-Executive Director, started his career in the Public Service in February 1978. He was appointed as Executive Officer in April 1982, Administrative Officer in September 1987, Principal Assistant Secretary in 1991, Permanent Secretary in March 2005 and finally Senior Chief Executive in September 2018.

He has been director of the Cargo Handling Corporation and Mauritius Shipping Corporation, past chairman of National Empowerment Foundation, Member of CSR Committee and National Economic Social Council. Mr Boyramboli has also been representing National Pensions Fund/National Savings Fund on Board of Directors of Cyber Properties Investment Ltd, Ascensia Ltd, Omnicane and Mauritius Housing Corporation. Recently he has been Chairman and Director on the Board of Directors at the Mauritius Cane Industry Authority, Rose Belle Sugar Estate Board and State Trading Corporation.

Mr Dunputh Khoosye was appointed as Independent Director on 20 March 2015. His re-appointment was approved by the Bank of Mauritius for a further period of two years in 2021.

Mr Khoosye is a retired officer of the police force and the Ex-Mayor of Vacoas – Phoenix. He is currently a Municipal Councillor.

Mr Khoosye is the Chairperson of the Real Estate Development Monitoring Committee of MHC.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 2 –THE STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (CONT'D)

Directors' Profile (Cont'd)

Mrs Marie Veronique Doriana Letandrie started her career in the private financial services sector as a Credit Control Officer. Over the years, she has been enriching her experience in different departments of financial institutions until she was appointed as Credit Analyst and Leasing Officer in a reputable private firm.

She is a partly qualified ACCA.

She was appointed as independent director from year 2019 to 2020 of the SIC Development Co Ltd and is currently an Independent Director of SIC Management Services Co Ltd and is the Chairperson of its Audit Committee. She is also an Independent Director of Grand Bay Casino Ltd.

Mrs V. Letandrie has been appointed as an Independent Director of the Mauritius Housing Company Ltd since November 2020 and is the Chairperson of the Conduct Review Committee.

Dr Dharamraj Paligadu is currently the Deputy Financial Secretary at the Ministry of Finance, Economic Planning and Development (MOFEPD). He has worked at the ex-Management Audit Bureau (MAB) for 10 years. He also served as Assistant Accountant General at the Treasury Department from 2001 to 2005. As Assistant Director-Debt Management Unit, he was responsible for managing the overall debt portfolio of the Central Government from 2004 to 2008. Apart from serving the different sections at MOFEPD, he has been a Board Member of different parastatal organisations.

He has also been a part time lecturer at the University of Mauritius, University of Technology Mauritius, and Open University for masters degrees. He is a holder of a PhD from Aligarh Muslim University and holds an Advanced Diploma in Management Research from All India Management Association-Centre for Management Education, an MBA from the University of Mauritius and is a Fellow of Association of Chartered Certified Accountants.

Mr Sarwansingh Purmessur, Non-Executive Director, holds the position of Permanent Secretary and is presently posted to the Ministry of Financial Services and Good Governance. He has a very long career in the civil service, having served nearly 40 years in various Ministries, namely in the Income Tax Department, the Ministry of Housing and Lands, the Ministry of Local Government, the Ministry of Technology Communication and Innovation, the Ministry of Foreign Affairs, Regional Integration and International Trade and the Ministry of National Infrastructure and Community Development.

Mr Purmessur holds an MBA in Human Resource Management from the Indira Gandhi National Open University (IGNOU), India, an MSc IT in Business Information Systems, Keele University, UK and a Diploma in Public Administration and Management, University of Mauritius.

Mr Purmessur has also served on various Boards and Committees, namely, the National Housing Development Company Ltd, the Town and Country Planning Board, the Informatics Park Ltd, the Information and Communication Technology Authority, the Rights Management Society, the Financial Services Fund, the National Productivity and Competitiveness Council, the National Committee on Corporate Governance, the National Environment Fund Committee, the Heritage City Co. Ltd and the National Property Fund Ltd.

He is currently the Chairman of the Land Drainage Authority, a member of the Financial Reporting Council, and a Director of the Financial Services Commission.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 2 –THE STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (CONT'D)

Directors' Profile (Cont'd)

Mr Khulwant Kumar Ubheeram is an Independent Director of the Mauritius Housing Company Ltd and also the chairperson of its Audit Committee.

He is an experienced Actuarial Consultant having worked for some market leading financial institutions in the United Kingdom "UK" like Aviva and Capita. He has also worked as a Statistical Analyst at the Ministry of Defence, UK.

Mr Ubheeram has studied Actuarial Science at the University of Kent, UK and Management at the London School of Economics, UK.

In Mauritius, Mr Ubheeram is on the board of directors of several companies, providing expert advice on investment and risk management.

Director who joined the Company after the period end

Dr Dhandjay Kawol is a Doctor in Business Administration and an Associate Member of The Chartered Governance Institute. He is also holder of a Masters in Business Administration, a Diploma in Management Studies and a B.Sc (Hons) Crop Science and Production.

Dr D. Kawol started his career in the Civil Service in 1991 as a technical officer at the Ministry of Agriculture and Natural Resources. Subsequently in 1995, he was appointed as Assistant Secretary in the administrative cadre. He has served in different ministries and has reached the level of Permanent Secretary. He is presently posted at the Ministry of Social Integration, Social Security and National Solidarity (Social Security and National Solidarity Division) since 19 July 2021. He has also served as Chief Executive at Municipal Councils of Port Louis and Quatre Bornes from July 2006 to July 2008.

Dr D. Kawol has served several Boards as ex-officio member since his assumption of duty as Assistant Secretary. He is presently also serving the following Boards; namely Employees Welfare Fund, State Insurance Company of Mauritius Ltd, Cybercity Properties Ltd, National Social Integration Foundation, National Empowerment Foundation, Ascencia Ltd, Omnicane Ltd, and the National Pensions Fund / National Savings Fund Investment Committee.

Directors who ceased to hold office during the period under review

Mr Azaad Aumeerally was appointed as Independent Director of the Mauritius Housing Company Ltd on 20 March 2015 and re-appointed on 28 June 2019. Mr Aumeerally is a fellow of the Institute of Actuaries (Australia).

Mr Aumeerally was previously Chairperson of the Sugar Insurance Fund Board (SIFB) and is the Founder of NestInvest.

He resigned as Director of MHC on 30 September 2020.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 2 –THE STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (CONT'D)

Directors' Profile (Cont'd)

Directors who ceased to hold office during the period under review (Cont'd)

Mr Koosiram Conhye was appointed as Non-Executive Director of the Mauritius Housing Company Ltd on 28 May 2018 and re-appointed on 28 June 2019.

Mr Conhye holds an MSc in Finance. He is also an associate member of the ICSA and holds a Diploma in Marketing.

Mr Conhye holds the substantive post of Permanent Secretary and has been assigned the duties of Senior Chief Executive at the Ministry of Gender Equality and Family Welfare. He ceased to be director on 16 January 2020.

Mr Ashis Kumar Hoolass holds a BA in Sociology from the University of Bombay, a Post Graduate Diploma in Hotel and Tourism Management from IITC Bombay, a Diploma in Public Administration and Management from the University of Mauritius and a Masters Degree in Personnel Management from the University of Pune in India.

He joined the public service on 31 October 1984. He has served in various ministries at senior management level. In December 2019, he was the Permanent Secretary at the Ministry of Social Integration, Social Security and National Solidarity (Social Security and National Solidarity Division).

He ceased to be Director of MHC since 14 January 2021.

Mr Georges Henry Jeanne was appointed as Independent Director of the Mauritius Housing Company Ltd on 20 March 2015 and re-appointed on 28 June 2019. He holds a BA in Economics and Social Sciences and was the Chairperson of the Conduct Review Committee of MHC. He resigned on 07 April 2020.

Mr Mohammad Salim Ferhat Joomun holds a Bsc (Hons) in Chemistry, Msc Chemistry, Diploma in Management (with specialisation in Public Administration) and a Masters in Business Administration.

He joined the Civil Service as Assistant Permanent Secretary in 1992. He was promoted to Deputy Permanent Secretary in 2005 and appointed as Permanent Secretary in September 2018.

He has served as Permanent Secretary at the Ministry of Industry, Commerce and Consumer Protection (Industry Division), Ministry of Local Government, Ministry of Energy and Public Utilities, Ministry of Housing and Land Use Planning, and is currently posted at the Ministry of Tourism.

Mr Joomun has previously served on various Boards of public organisations, including the National Housing Development Company Ltd, the Town and Country Planning Board, the Mauritius Standards Bureau, the Fashion and Design Institute, the Morcellement Board, the Mauritius Posts Ltd, the State Informatics Ltd, the Statutory Bodies Family Protection Fund, the Mauritius Housing Company Ltd. and the Central Electricity Board.

He is currently Board Member of the Mauritius Tourism Promotion Agency, Airports of Mauritius Co Ltd and the Mauritius Duty Free Paradise Co Ltd.

Mr S. Joomun resigned as Director of MHC on 04 January 2021.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 2 –THE STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (CONT'D)

Directors' Profile (Cont'd)

Directors who ceased to hold office during the period under review (Cont'd)

Mr Vidianand Luchmeepersad is a member of the Institute of Chartered Secretaries and Administrators and holds also a Masters in Business Administration (MBA) with specialisation in Marketing. Before retirement, he was the Senior Chief Executive at the Ministry of Housing and Lands (previously the Permanent Secretary of Ministry of Finance and Economic Development). He has been a member of the Board of Landscape (Mauritius) Ltd, NIC Healthcare Ltd, SBM Holdings Ltd and various other companies. He has a rich career in Public Administration and Management. He has also worked for Price Water House, International (UK) on the Public Sector Management and Improvement Programme (PSMIP), where he was fully involved in the reforms that have been initiated in the Public Sector in the 1980's. Since 1989, he has toured several Ministries. As Administrative Officer at the Prime Minister's Office, he carried out a survey on various Parastatal Bodies and provided reports on the basis of which the Government took policy decisions for the redeployment of man-power within the Public Service. He has also headed the Health Infrastructure Planning Section of the Ministry of Health and Quality of Life where he was in charge of the Project of Mediclinics and Polyclinics and for the processing of the issue of Health Development Certificates to Private Promoters in the 1980's.

At the former Ministry of Finance and Economic Development, he was appointed Chairman of Project Plan Committee which had the responsibility to examine the feasibility of Government Projects in the various sectors before they appeared in the PSIP (Public Sector Investment Programme)

He was also assigned the role of Acting CEO of the then Apollo Bramwell Hospital and was also the Chairperson of the NIC Health Care (2015-2019).

At the Ministry of Public Infrastructure and Land Transport, he was closely associated with the construction of all the road projects and public buildings as well.

He has been representing the Government on a number of Boards and Committees. He resigned as director on 25 February 2020.

Dr (Mrs) Rooba Yanembal Moorghen was a Director of the Mauritius Housing Company Ltd since 04 June 2020 in her capacity of Permanent Secretary of the Ministry of Housing and Land Use Planning until she was transferred to the Ministry of Gender Equality and Family Welfare. She resigned as director of the MHC on 31 August 2020.

Mr Arveen Sharma Sunt, Executive Director joined MHC on 04 December 2006 and presently holds the post of IT Specialist (Hardware Administration). He resigned as director on the Board of MHC on 19 June 2020.

Mr Sunt holds a Bachelor in Computer Applications from the Bangalore University, India. He was the President of the Mauritius Housing Company Staff Association.

He resigned as director of MHC on 19 June 2020.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 2 –THE STRUCTURE OF THE BOARD AND ITS BOARD COMMITTEES (CONT'D)

Directorship in other companies as at 30 June 2021

Director	Companies	Directorship Type (Executive/Non-Executive/Independent)
Mr Mohammud Shamad Ayoob Saab	The State Investment Corporation Limited	Non-Executive
	National Social Living Development Ltd	Non-Executive
Mr Bojrazsingh Boyramboli	Omnican	Non-Executive
	State Insurance Company Of Mauritius Ltd	Non-Executive
	Ascencia	Non-Executive
Dr Dharamraj Paligadu	Mauritius Africa Fund	Non-Executive
	National Housing Development Co Ltd	Non-Executive
	New Social Living Development Ltd	Non-Executive
	SIC Development Co Ltd	Non-Executive
	Mauritius Multipurpose Infrastructure Limited	Non-Executive
	PROJECTNEST LTD	Non-Executive Chairperson
Mr Sarwansingh Purmessur	Land Drainage Authority	Non-Executive Chairperson
	Financial Services Commission	Non-Executive
	Financial Reporting Council	Non-Executive Member
Mr Khulwant Kumar Ubheeram	Sport Data Feed Ltd	Non-Executive
	Integrity Sport Ltd	Non-Executive
	Footy Ltd	Executive
<i>Director who ceased to hold office during the period under consideration</i>		
Mr Azaad Aummerally (Up to 30 September 2020)	Sugar Insurance Fund Board (SIFB)	Independent Chairperson

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 3 – DIRECTORS APPOINTMENT PROCEDURES

“There should be a formal, rigorous and transparent process for the appointment, election, induction and re-election of Directors. The search for Board candidates should be conducted, and appointments made, on merit, against objective criteria (to include skills, knowledge, experience, and independence and with due regard to the benefits of diversity on the Board, including gender). The Board should ensure that a formal, rigorous and transparent procedure be in place for planning the succession of all key officeholders.”

Appointment of Directors

The Board carefully considers the needs of the Company in appointing Board Members. The following factors are considered:

- Skills, knowledge and expertise required on the Board;
- Skills, knowledge and expertise of the proposed director;
- Previous experience as a director;
- Specific roles required on the Board such as Chairperson of a Committee;
- Balance required on the Board such as gender and age;
- Independence where required;
- Amount of time the proposed director is able to devote to the business of the Board; and
- Conflicts of interests.

According to the Charter of the Nomination and Remuneration Committee, the role of the said Committee in respect of nomination of directors includes the following:

- (i) To keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace; and
- (ii) To identify and nominate for the approval of the Board, candidates to fill board vacancies as and when they arise.

The proposed appointee is required to disclose any other business interests that may result in a conflict of interest and to report any future business interests that could result in a conflict of interest.

The Board considers its succession very carefully and assumes responsibility for succession planning. The Corporate Governance Committee is responsible to give consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future.

Professional Development

The Board has reviewed the professional development and training of directors. An assessment of the Board and Sub Committees has been conducted. As a Non-Deposit Taking Financial Institution, considering the importance of internal systems and controls to combat laundering of criminal proceeds, financing of terrorism and the financing of proliferation of weapons of mass destruction in today's business environment, a training session on AML/CFT was organised on 07 August 2021.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 3 – DIRECTORS APPOINTMENT PROCEDURES (CONT'D)

Induction

On appointment to the Board, all directors benefit from an induction program aimed at deepening their understanding of the business environment in which the Company operates. It is designed to provide them with sufficient knowledge and understanding of the nature of business, opportunity and challenges, to enable them to effectively contribute to strategic discussions and oversight of the Company. The topics covered by the induction include the Constitution and latest Annual Report of the Company, which clearly outlines their duties and obligations, the new Code for Corporate Governance in Mauritius, the Company Profile and introduction to key stakeholders. Upon appointment, the Company Secretary circulated a comprehensive induction pack to the new Directors who had acknowledged receipt. and the new directors have also benefited from a briefing session with Management.

An induction was carried out on 07 August 2021 to give the newly appointed directors an overview of the Company and their roles and responsibilities as directors

Election and Re-election of Directors

Each director is elected by a separate resolution at the Annual Meeting of Shareholders until the next Annual Meeting.

Article 13.1 of the Constitution provides that the total number of directors shall not at any time be less than five (5) nor exceed nine (9). The directors appointed during the course of the period holds office only until the next Annual Meeting and shall then be eligible for re-election.

Succession Planning

The Board considers its succession very carefully and assumes responsibility for succession planning. The Nomination and Remuneration Committee is responsible to give consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future. Implementation of succession planning will be considered.

PRINCIPLE 4 - DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE

“Directors should be aware of their legal duties. Directors should observe and foster high ethical standards and a strong ethical culture in their organisation. Each director must be able to allocate sufficient time to discharge his or her duties effectively. Conflicts of interest should be disclosed and managed. The Board is responsible for the governance of the organisation’s information, information technology and information security. The Board, committees and individual directors should be supplied with information in a timely manner and in an appropriate form and quality to perform to required standards. The Board, committees and individual directors should have their performance evaluated and be held accountable to appropriate stakeholders. The Board should be transparent, fair and consistent in determining the remuneration policy for directors and senior executives.”

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 4 - DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE (CONT'D)

Legal Duties

All directors are fully aware of their fiduciary duties as laid down in the Mauritius Companies Act 2001, the Banking Act 2004 and the Constitution.

Code of Ethics

The Company has formalised its Code of Ethics for the Board on 03 July 2020. As for the staff of MHC, the Board has already approved a Code of Conduct for Employees. The Board, through the Nomination and Remuneration Committee, monitors and evaluates compliance with the Code of Ethics and Business Conduct for the Board/Code of Conduct for Employees.

Conflict of Interest

Board Members have a fiduciary duty to conduct themselves without conflict of interests with the Company. In their capacity as Board Members, they must subordinate personal individual business, third-party and other interests to the welfare and best interests of the Company.

A conflict of interest occurs when a present transaction or relationship might conflict with a Board Member's obligations owed to the Company and the Board Member's personal, business or other interests. The Conflict of Interest Policy is embedded in the Code of Ethics and Business Conduct for Board Directors.

The Board ensures that directors declare any interest and report to the Chairperson and Company Secretary any related party transactions. The Company Secretary maintains the interest register for directors and senior officers and is made available to the shareholders for inspection upon requests.

Information, IT and Information Security Governance

The Board of Directors ensures that appropriate resources are allocated for the implementation of an information and IT security framework at MHC.

The existing IT policies and procedures were reviewed in alignment with the setting-up of the new Centralised Banking Information System. New policies and procedures have been introduced in compliance with the Information Technology Infrastructure Library governance framework. The main categories of IT policies are Information Security, Change Management, Data Backup, Batch Processing, Incident Handling, System Access and User Request. The policies have been reviewed and approved by the Board on 15 July 2021.

All expenses on IT are made according to the procurement policies according to respective approval limits.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 4 - DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE (CONT'D)

Board Information

The Chairperson is responsible for ensuring that the Directors receive accurate, timely and clear information. The Company Secretary's responsibilities include ensuring good information flows within the Board and its committees and between senior management and non-executive directors. Management has an obligation to provide accurate, timely and clear information. Directors seek clarification or amplification where necessary.

The Board ensures that directors have access to independent professional advice at the Company's expense in cases where the directors judge it necessary for discharging their responsibilities as directors.

All directors keep information relating to the Company, gathered in their capacity as directors, strictly confidential and private and do not divulge them to anyone without the authority of the Board.

Directors & Officers Liability Insurance

Directors and Officers Insurance in respect of legal action or liability that can arise against Board Members, the Company Secretary and other appropriate staff, are included in MHC's Public Liability Insurance Policy. The cover does not provide insurance against fraudulent, malicious or willful acts or omissions.

Board Evaluation

In view to enhance the Board's effectiveness, the Company has established a system of appraisal to assess the performance of the Board and sub-committees periodically. The appraisal focuses on the major governance issues relevant to the Board.

No independent Board/Committee Evaluator was appointed.

Statement of Remuneration Philosophy

The directors are remunerated for their knowledge, experience and insight. The remuneration policy is to reward the collective contribution of directors towards achievement of the Company's objectives. The directors' remuneration in similar companies is also used as a guide. The Board is of the view that the remuneration policy at MHC is fair. Since the previous reporting period, there has been no change in remuneration of directors.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 4 - DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE (CONT'D)

Statement of Remuneration Philosophy (Cont'd)

The total remuneration earned by Directors during the period under review, are as follows:-

Directors	Category	Directors' Emoluments (Mur)
Me R. R. Daureeawoo (Appointed on 06 February 2020)	Independent Chairperson	1,682,759
Mr M.S.Ayoob Saab (Appointed as Non-Executive Director as from 11 July 2019. Between 22 October 2019 and 06 February 2020, he acted as Non-Executive Chairman. He resigned on 06 October 2020 and was subsequently re-appointed on 02 March 2021.)	Non-Executive Director/Chairperson	408,485
Mr A. Babbea (Appointed on 01 May 2020)	Executive (Managing Director)	4,231,610*
Mr B. Boyramboli (Appointed on 02 March 2021)	Non-Executive	106,694
Mr D. Khoosye	Independent	530,000
Mrs M.V.D. Letandrie (Appointed on 20 November 2020)	Independent	195,000
Dr D. Paligadu (Appointed on 30 November 2020)	Non-Executive	182,500
Mr S. Purmessur (Appointed on 30 November 2020)	Non-Executive	187,500
Mr K.K. Ubheeram (Appointed on 30 November 2020)	Independent	200,000
Directors who ceased to hold office during the period under consideration		
Mr A. Aumeerally (Up to 30 September 2020)	Independent	265,000
Mr K. Conhye (Up to 16 January 2020)	Non-Executive	12,097
Mr A.K. Hoolass (Appointed on 09 March 2020 up to 14 January 2021)	Non-Executive	264,032
Mr M.S.F. Joomun (Appointed on 30 November 2020 to 04 January 2021)	Non-Executive	27,419
Mr G.H. Jeanne (Up to 07 April 2020)	Independent	102,500
Mr V. Lutchmeeparsad (Up to 25 February 2020)	Non-Executive	65,000
Dr Y. Moorghen (Appointed on 04 June 2020 up to 31 August 2020)	Non-Executive	100,000
Mr A.S. Sunt (Up to 19 June 2020)	Executive	138,333

**As Managing Director of MHC, Mr A. Babbea earns monthly salary. He is not paid additional fees as Member of the Board.*

The Non-Executive Directors' remuneration is fixed. There is no variable component to the effect that the Non-Executive Directors do not receive remuneration in the form of share options or bonuses associated with the Company's performance. However, the Executive Director, being an employee, is entitled to performance bonuses as per the Company's Policy.

The remuneration of officers is reviewed by the Nomination and Remuneration Committee.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 5 – RISK GOVERNANCE AND INTERNAL CONTROL

“The Board should be responsible for risk governance and should ensure that the organisation develops and executes a comprehensive and robust system of risk management. The Board should ensure the maintenance of a sound internal control system.”

The Board of Directors has the ultimate responsibility for risk governance and strategy. The Board also ensures that Management develops and implements a robust risk management system. It is responsible to determine the nature and extent of principal risks that the Company is willing to take through setting of proper risk appetite and tolerance with respect to the business model in place, to achieve its strategic objectives.

Risk Management

MHC has developed and implemented an Integrated Risk Management Framework, based on the COSO Enterprise Risk Management model – integrating strategy with performance. Risk Management is defined as a planned and systematic approach effected by the Board, Management and other personnel applied in strategy setting across the enterprise.

The primary goal of risk management at MHC is to develop a common understanding of risk across the Company to ensure conformity with applicable rules, guidelines, legislations and mandatory obligations, so that risk is effectively managed. Risk Management provides guidance to the Board and other stakeholders for informed decision and also in improving effectiveness and efficiency. It also ensures that the outcomes of risk-taking activities are congruent with MHC’s strategies, risk appetite and the tolerance level, to keep an appropriate balance between risk and reward to maximise shareholders returns.

MHC has developed a risk management policy statement which is consistent with its ambitions set in the corporate strategy to ensure that key principles of risk management practice are embedded in the organisation.

MHC’s policy is to apply best practice in identifying, evaluating and mitigating risks to ensure that they are managed, eliminated or reduced to an acceptable level. The policy and strategy also support opportunity risks that help in delivering sustainable change in a well-managed and controlled way.

The Board recognises its responsibility to manage risks effectively in order to control assets and liabilities including protection of the Company and its employees against potential losses. The risk management framework supports a structured and focused approach to manage risks, in order to better achieve MHC’s corporate objectives and enhance the value of services it provides to the market in line with its vision.

Management has used the Risk Self-Assessment Survey and Risk Control Self-Assessment methodologies to identify and analyse both internal and external risks.

The risks identified have been classified under five key areas within MHC’s risk universe, namely, Operational, Compliance, Reporting, Financial and Strategic.

With the implementation of the integrated risk management framework, all identified risks have been prioritised, assessed, rated and mitigated with proper controls. These risks are properly described, referenced and well documented controls are found in the risk register. The register including the key risk indicators are monitored and reported to Management monthly and quarterly to the Risk Management Committee.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 5 – RISK GOVERNANCE AND INTERNAL CONTROL (CONT'D)

Risk Management (Cont'd)

MHC's risk management strategy objectives are to:

- promote an open and proactive culture and an effective communication of risk management matters;
- maintain a robust framework for identifying, evaluating, monitoring and reporting risks;
- establish clear and accountable roles and reporting lines for risks; and
- minimise the risk of damage and loss to the Company, its stakeholders and employees through ongoing management of risks.

The directors derive assurance of the effectiveness of the risk management processes at MHC through the Audit and Risk Management Committees. Reports issued by compliance, risk management, internal audit, management, regulator and external audit are discussed at appropriate committees and escalated to the Board.

Assurance on risk management processes

The Board relies on the risk and compliance functions, internal and external audits which report on weaknesses together with recommendations for remedial actions through the Risk Management Committee and Audit Committee respectively. The objective is to ensure the effective and efficient use of available resources and to ascertain the accuracy of information used in the financial statements.

The compliance and internal audit functions report to the Audit Committee on a regular basis regarding issues flagged during respective review and audit; their reports are accompanied with recommendations and agreed action by owners. The external auditors also report to the Audit Committee on findings regarding controls failures, non-compliance and any material misstatements noted in the financial reports.

The risk management team is responsible for the following activities:

- overseeing the implementation of a consistent risk management framework;
- assisting senior management, managers, risk champions, the Risk Management Committee and the Board to fulfill their risk management responsibilities through ongoing education and training; and
- acting as a facilitator to effective risk management across the business and co-ordinates risk reporting to Senior Management and the Risk Management Committee.

Credit Risk Management

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations towards MHC whenever they fall due. MHC has appropriate structures, policies and processes in place to manage the credit risk inherent in the entire portfolio as well as the risk in individual credits or transactions. MHC has also defined risk appetite as regard to credit risk.

The Credit Risk Management Framework has been devised to ensure that applicable legal and regulatory requirements are complied with. The framework clearly sets out the principles, policies, roles and responsibilities at different levels where credit and exposures are managed.

Fundamentally, before a credit facility is granted, MHC conduct a proper assessment on the borrower's income and uses the information available on the Mauritius Credit Information Bureau to test for credit worthiness.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 5 – RISK GOVERNANCE AND INTERNAL CONTROL (CONT'D)

Credit Risk Management (Cont'd)

A credit policy manual is available, in which the rules related to credit handling have been clearly defined; the document is regularly reviewed by Management to ensure its relevance and also compliance with applicable provisions of new guidelines and legislations. The credit risk management framework, clearly defines the key elements required for sound management of credit in the company. They are summarised as follows:

- Credit process/appraisal

Adequate procedures and processes are in place in the appraisal stage to ensure proper diligence is performed before extending a credit facility to a particular customer. Several appraisal criteria are considered during this process, such as the customer risk profile, the ability to service the credit obligation, among others. Also, it is MHC's policy to ensure that collaterals value is sufficient to cover the credit amount. MHC has set clear policies and procedures on valuation of collaterals, and same is aligned with legal and regulatory requirement.

- Credit risk measurement

A credit risk scoring system is in place to assess the quality of individual credits, for monitoring and controlling the risk inherent in individual credits, as well as the credit portfolios of the Company.

- Credit approval/sanction

MHC has implemented written guidelines regarding credit approval/ process which includes an approval matrix with clear authorities for different credit thresholds.

- Credit administration

In line with the objective for proper administration of the credit portfolio, MHC has implemented relevant procedures to ensure that credit agreements are complete and also systems to monitor the credit over the tenure. The monitoring system ensures that prompt action is taken whenever warnings are flagged on the deterioration on the financial health of the borrower.

Credit Underwriting Unit

MHC has a Credit Underwriting Unit in place which performs independent evaluation of the credit risk exposures of the Company, through clearly established procedures. The unit also analyses the quality of credits and make recommendations for appropriate actions by relevant stakeholders.

Operational Risk Management

Operational risk is inherent in all business activities. This has been defined by the Basel Committee on Banking Supervision as 'the risk of loss resulting from inadequate or failed internal processes, people and system, and external events.'

MHC has established an Operational Risk Management Framework with the objective to ensure that operational risks are identified, monitored, managed and reported in a structured, systematic and consistent manner.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 5 – RISK GOVERNANCE AND INTERNAL CONTROL (CONT'D)

Operational Risk Management (Cont'd)

Operational risks are categorised as follows:

- Human Risk: Potential losses due to human error, done willingly or unconsciously;
- IT/System risk: Potential loss from disruption to business activities because of inadequate or obsolete technology, or from a failure or interruption in technology caused by events within or outside the institution; and
- Process risk: Potential losses due to improper information processing, leaking or hacking of information and inaccuracy of data processing.

To ensure proper monitoring of these operational risks, the Board has delegated the authority of oversight and approval to the Risk Management Committee. To align with its monitoring objective, MHC has set up an operational risk forum which ensures that operational risks are identified, assessed, measured and reported at regular intervals.

The Risk and Compliance Unit coordinates the reporting activities and monitors actions with respective risk owners.

Market Risk Management

Market risk is the potential that assets, liabilities and revenues or the ability to meet business objectives will be affected by adverse movements in prices or market rates, in particular changes in interest rates.

MHC is in the process of finalising a Market Policy which includes the line of responsibility, accountability and reporting within the operational framework and sets out the strategy for market risk-taking to maximise returns while keeping its market risk exposure at or below the pre-determined level. The Board considered economic and market conditions and the resulting effects on market risk when establishing this strategy. This is reviewed periodically and effectively communicated to staff. The Board of Directors and senior management periodically review the Company's financial results to determine any changes that may need to be made to the strategy.

Market intelligence exercise is carried on a regular basis to observe the fluctuations of interest rate in the market and adopt new strategies in response to changes.

Liquidity Risk Management

Liquidity reflects the capacity of a financial institution to deploy cash, convert assets into cash, or secure funds in a timely manner to meet obligations as they come due without incurring undue losses. Liquidity risk is the risk of loss resulting from the failure to meet short-term financial obligations due to the inability to convert assets into cash.

It is the risk that MHC will be unable to obtain funds such as customer deposits or borrowings at a reasonable price within a required period of time to meet its financial obligations. As a financial institution, the Company is subject to regulatory obligations whereby it has to comply with the cash ratio.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 5 – RISK GOVERNANCE AND INTERNAL CONTROL (CONT'D)

Liquidity Risk Management (Contd)

MHC maintains adequate cost-effective funds which enable it to honour its financial commitments when they become due for both contractual as well as those determined on the basis of behaviour. Thus, all of MHC's commitments which are required to be funded are met out of readily available and secured sources of funding.

The principal sources of funding for the Company are self-revolving funds, funds raised through savings and termed deposits from business customers and also borrowings from other financial institutions.

The maturity profile between funds raised and loans granted are constantly monitored so as not to expose the Company to liquidity risks.

MHC's goal for liquidity management is to protect the financial strength of the Company and maintain its ability to withstand stressful events in financial markets. In this respect, MHC has set up a Liquidity Management Committee to manage its liquidity profile and also an Assets Liability Committee ("ALCO") for the management of its balance sheet risks. The Liquidity Management Committee is also responsible to monitor the liquidity position of the Company on a daily basis.

MHC's liquidity risk management framework incorporates the following key elements:

- General liquidity strategy (short and long-term), specific goals and objectives in relation to liquidity risk management, process for strategy formulation and the level of approval within the Company;
- Roles and responsibilities of individuals performing liquidity management functions, including contingency planning, management reporting, lines of authority and responsibility for liquidity decisions;
- Liquidity risk management structure for monitoring, reporting and reviewing liquidity;
- Liquidity risk management tools for identifying, measuring, monitoring and controlling liquidity risk (including the types of liquidity limits and ratios in place and rationale for establishing limits and ratios); and
- Contingency plan for handling liquidity crisis.

In addition to the above, the ALCO also contributes for effective management of liquidity risk and report to the Risk Management Committee. The ALCO has the following key responsibilities as regard to liquidity risk management:

- Review changes in the liquidity profile and to ensure compliance with regulatory limits;
- Consider liquidity stress testing scenarios and identify possible remedial action;
- Identify and assess the impact of new sources of funding and review all funding limits for compliance;
- Review cash flows and possible impact of inflows and outflows; and
- Review and approve the Contingency funding plan.

Interest Rate Risk Management

The objective of MHC for interest rate risk management is to manage the Company's interest rate risk exposure and minimise loss arising from adverse interest rate movements.

Interest rate fluctuations mainly impact on the Company's earnings through changes in interest-sensitive income and expenses. Effective management of interest rate risk is essential for the safety and soundness of its financial performance and position.

MHC's approach to managing interest rate risk is governed by the Bank of Mauritius Guidelines on Measurement and Management of Market Risk and the Company's internal policy. The interest profile is stressed using multiple scenarios and discussed at the ALCO for appropriate actions.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 5 – RISK GOVERNANCE AND INTERNAL CONTROL (CONT'D)

Concentration of Credit Risk

Concentration of credit risk is governed by Guideline on Credit Concentration issued by the Bank of Mauritius. MHC ensures that all credits are properly assessed and granted to a single borrower or group of related borrowers so as not to expose the Company to credit concentration risk.

The concentration limits are monitored by the ALCO to ensure compliance with policies in place.

Compliance Risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation arising from non-adherence to regulatory requirements in which MHC operates. Regulatory requirements encompass all relevant laws, regulations and supervisory requirements as well as all compliance policies imposed on the company.

Compliance risk comprises of two elements, namely:

- Regulatory risk is the risk of loss that MHC may be exposed to, in case it does not comply with all applicable regulatory requirements, or it excludes provisions of relevant regulatory requirements from its operational procedures and business strategy.
- Reputation risk refers to the risk of loss that the Company may be exposed to, through negative publicity due to the contravention of applicable regulatory requirements, as well as by its employees in the conduct of business detrimental to its customers, the community or shareholders.

The Risk and Compliance unit monitors compliance with the above and report to the Audit Committee on the outcome of compliance reviews together with agreed remedial actions by process owners.

Business Continuity Risk

Business continuity encompasses planning and preparation to ensure that an organisation can continue to operate in case of serious incidents or disaster and is able to recover to an operational state within reasonable time. It is a holistic management process to identify threats and their impacts if ever materialised; providing a framework for organisational resilience with a capability for an effective response to safeguard key stakeholders' interests, reputation, brand and value creating activities.

Senior management has established a business continuity plan including procedures which describe the availability of critical activities and data in case of major events disrupting the normal course of business. In addition, MHC follows development in the market and the economic environment to identify indicators that may cause potential threats to its business model.

MHC has identified some risks such as succession planning, system failures, business development, among others that may challenge the continuity of the Company. However, well-defined controls have been designed and implemented to mitigate likelihood and impact of those risks.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 5 – RISK GOVERNANCE AND INTERNAL CONTROL (CONT'D)

Technological risk

Technological risk refers to the potential loss from disruption to business activities because of inadequate or obsolete technology, or from a failure or interruption in technology caused by events within or outside the institution. MHC is dependent on information and communication technologies, including the facilities, platforms, computer systems (hardware and software), data files and other technological systems which support its operations.

Technology development and maintenance processes are in place to provide assurance that there is a current and planned technology strategy. The investment in and use of technology within the Company fits its business strategy and business needs. Technologies are subject to a prudent process of authorisation, testing and documentation before they are introduced in an operative environment. Safeguarding processes have also been established to restrict access to authorised persons only so as to protect the integrity of technology facilities, hardware, software and data files.

All modifications effected on system are tracked through audit trails and logs which is in line with the Information Security policy.

The Risk Management Committee through reporting of management and that of the risk and compliance team, monitors and evaluates the above-named risks.

Internal Control

Internal Control is among the mechanisms used in the Company to reduce risk to an acceptable level and to ensure the proper functioning of the different lines of defence. Management is responsible for the design, implementation and monitoring of the internal control system.

As the first line of defence, operational managers own and manage risks. They are also responsible for implementing corrective actions to address process and control deficiencies. Operational management is responsible for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis. Operational management guides the development and implementation of internal policies and procedures and ensures that activities are consistent with business goals and objectives.

The risk management and compliance functions, being on the second line, help to build and monitor the first line of defence controls. The risk management function facilitates and monitors the implementation of effective risk management practices by operational management and assists risk owners in defining the target risk exposure and reporting adequate risk information throughout the organisation. The compliance function monitors specific risks such as non-compliance with internal policies, applicable laws and regulations.

As the third line of defence, the internal auditor is responsible to provide the Board, Audit Committee and Senior Management with comprehensive assurance, based on the highest level of independence and objectivity. Internal audit provides assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which the first and second lines of defense achieve their risk management and control objectives.

Whistle Blowing Policy

MHC is committed to the highest standards of openness, probity and accountability. In line with this commitment, the Company has a Whistle Blowing Policy to allow staff to come forward and voice out their concerns in a responsible and effective manner. The information escalated are treated with confidentiality. The policy is currently under review.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 5 – RISK GOVERNANCE AND INTERNAL CONTROL (CONT'D)

FINANCIAL RISK FACTORS

Please refer to Note 4 of the financial statements.

SOLVENCY RISK

Solvency risk is managed within the risk appetite of the Company.

PRINCIPLE 6 – REPORTING WITH INTEGRITY

“The Board should present a fair, balanced and understandable assessment of the organisation’s financial, environmental, social and governance position, performance and outlook in its annual report”

The Annual Report is published in full on the Company’s website.

The following elements are clearly described in the Annual Report:

- Performance review;
- Economic and market review;
- Risks;
- KPIs, performance and outlook;
- Corporate social responsibility and donations; and
- Environmental policy.

In addition, the following documents are published on the website of the Company:

- Annual report and accounts;
- Board and committee charters;
- Code of ethics; and
- Details on board and governance structure.

Organisational overview

MHC is the pioneer in home loan finance. It emanates from the former Mauritius Housing Corporation, a parastatal body set up in 1963. It started its activities with the prime objective to accommodate many Mauritian families who were facing housing problems. MHC was incorporated as a public company in 1989, and since then it has maintained a consistent and healthy growth in its operations, to remain amongst the market leaders in mortgage finance.

The main purpose of the Company is to enhance the residential housing sector in Mauritius through the provision of housing finance in a systematic and professional manner, so as to promote home and land ownership. MHC aspires to provide its customers with unique home loan solutions and make home ownership easy and simple. Besides housing lending business, the Company is a licensee of the Bank of Mauritius and classified as a non-bank deposit-taking financial institution. The Company also provides architectural, technical, legal and insurance services to its customers.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 6 – REPORTING WITH INTEGRITY (CONT'D)

Business Model

Key Performance Indicators, Performance and Outlook

The Board has identified the key performance indicators and align same with MHC's strategy, namely Customer Excellence, Processing Time for Loan Application, Loan Business and Good Corporate Governance, amongst others. These are used to evaluate the performance of the Company. As regard to the Company's outlook, the business segment in which MHC operates is set to remain volatile, with continuing challenges and constraints where most of them are not within its control, however necessary measures have been designed and implemented to counter these challenges.

Corporate social responsibility and donations

The Company has a Corporate Social Responsibility Program with the following components: promoting the interest of the community and the creation of a sustainable society. In line with this intent, MHC sponsored an amount of Rs 392,800 during the financial period under review.

During the period under review, an amount of Rs100,000 included in the above, were contributed to the Prime Minister's Relief Fund, following the environmental disaster caused by the MV Wakashio shipwreck.

No political donation or other donation relating to political activities were made during the period under review.

In line with this aim of Social Responsibility, during the financial period, MHC also engaged in the following activities:

- A blood donation was organised in collaboration with the Ministry of Health and Wellness and the Blood Donors Association; during which 80 blood pints were collected; and
- In 2020, during the Christmas celebration, MHC distributed gifts to the student of Case Noyale Pre-Primary School, event which was followed by a lunch.

As part of its endeavour to help those affected by the Covid-19 pandemic, the Bank of Mauritius has, as from March 2020, introduced a series of measures which included interest waiver and the grant of a moratorium period to households and individuals with income less than Rs 50,000. This scheme was mainly addressed to commercial banks and extended up to December 2021 and subsequently to June 2022.

Despite the Company was not eligible to benefit from this measure, MHC introduced a moratorium scheme similar to that practiced by Bank of Mauritius, in order to help its customers impacted by the pandemic. At the end of the reporting period, MHC positively responded to 294 customers' request for assistance which represented a total amount of Rs13.8M in terms of capital and interest moratorium.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 6 – REPORTING WITH INTEGRITY (CONT'D)

Environmental Policy

The Company ensures that its operation has no major impact on the environment. The following measures were taken during the financial period to reduce Carbon Emission:

1. Office environment

- a. Existing fluorescent light fittings which consisted mainly of 4x18W were replaced by recessed LED panels of 48W;
- b. Existing halogen spot lights of 50W were replaced by LED spot lights 3-12W;
- c. Existing AC units HCFC-22, R22 refrigerant that contain Ozone-Depleting Substances (ODS) and which were more than 10 years old, have been replaced by ozone friendly AC units of R410; and
- d. The electrical installation on each floor were reviewed, where several zoning and circuits were provided to limit the number of outlets onto switch-on mode at a given time.

2. Electricity Usage

Lights, air conditioners, machines, computers, elevators, and other appliances consume a lot of electricity at the Company, wise usage of these appliances can result into energy savings. In this respect, employees have been advised to switch off these appliances once usage completed and respective Heads of Units have requested to ensure that these measures are followed.

3. Paper Usage

Management has always encouraged all staff to make minimum use of paper. Heads of Units have been informed to closely monitor the printing activities in their respective areas and also to encourage the use a printer's two-sided print feature in case printing is absolutely required. The use of blank verso side of a printed paper is also encouraged.

4. Reduce Paperwork

Most of MHC policies and procedures are available on our intranet. This infrastructure addresses both energy and resource efficiency, it also allows us to save space and provide our staff with the flexibility to access them and work from anywhere.

5. Plastic Free

Paper bags and cups are being used for all our activities; these have replaced the plastic-based items to be in line with applicable legislation.

6. Shredding of old files for Recycling

Old files are sent for shredding and recycling as and when required.

In accordance with environmental protection, during the reporting period, the Company organised a 5-day Go-Green campaign in all its offices. Use of separate bins were encouraged for different types of waste such as plastic bottles, papers, toners, among others. MHC staff were encouraged to create green spaces in their respective working areas. The Go-Green activity ended with a distribution of plants to staff and to some customers as an appreciation for their participation in quizzes.

During this event, MHC has made financial contribution to the Wild Life Foundation for the protection of endangered species.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 6 – REPORTING WITH INTEGRITY (CONT'D)

Safety and Health Issues

MHC has appointed a Safety and Health Officer who ensure compliance with all the requirements of the Occupational Safety and Health Act 2005 and any applicable legislative & regulatory frameworks. Our Safety and Health Committee is held every two months wherein all related matters are discussed.

Third Party Management Agreement

There has been no management agreement between third parties and the Company during the period under review.

Material Clauses of the MHC's Constitution:

- (1) To promote property development within the Republic of Mauritius on its own or in partnership or as agent or as shareholder of a company;
- (2) To grant loans for the purchase of residential lands;
- (3) To set up such housing savings scheme as would be appropriate;
- (4) To carry on business in the nature of insurance in respect of its clients and/or its guarantor/s and client's/s' and/or guarantor's/s' property/ies; and
- (5) To do all such other things as are incidental or conducive to the above objects.

Related Party Transaction

Related party transactions are disclosed in Note 32 of the financial statements.

Statement of Directors' Responsibilities

Directors acknowledge their responsibilities for:

- Adequate accounting records and for maintenance of effective internal control systems;
- Preparation of financial statements which fairly present the state of affairs of the Company at end of the financial period and the cash flows for that period ended, and which comply with International Financial Reporting Standards (IFRS);
- Using appropriate accounting policies supported by reasonable and prudent judgments and estimates;
- Ensuring that adequate accounting records and an effective system of internal controls and risk management have been maintained;
- Ensuring that appropriate accounting policies supported by reasonable and prudent judgments and estimates have been used consistently;
- Ensuring that the International Financial Reporting Standards have been adhered to. Any departure has been disclosed, explained and quantified in the financial statements; and
- Ensuring that the Code of Corporate Governance has been adhered to, in all material aspects. Reasons for non-compliance have been provided, where appropriate.

The External Auditors are responsible for reporting on whether the financial statements are fairly presented.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 7 – AUDIT

“Organisations should consider having an effective and independent internal audit function that has the respect, confidence and co-operation of both the Board and the management. The Board should establish formal and transparent arrangements to appoint and maintain an appropriate relationship with the organisation’s auditors”

Internal Audit

The role of Internal Audit is to provide independent and objective assurance to management and the Board of Directors through the Audit Committee. By following a systematic and disciplined approach, Internal Audit helps to accomplish the Company’s objectives by evaluating and recommending improvements to operations, internal controls, risk management systems, and governance process.

The Board confirms that MHC has an independent Internal Audit function. The Internal Audit function is independently carried out by the Internal Auditor of MHC, who is an FCCA and CMIIA and has relevant experience in the field. The Internal Audit function is manned by one Internal Auditor who is assisted by three officers. The internal auditor reports directly to the Audit Committee and for administrative purpose to the Managing Director. The Internal Auditor has unrestricted access to review all activities and transactions undertaken within the Company and to appraise and report thereon. There was no restriction placed over the right of access by the Internal Auditor to the records, management or employees of the organisation. All significant risk areas are covered by the internal audit. The internal audit plan is reviewed annually by the Audit Committee.

The Internal Auditor has no operational responsibility or authority over any of the activities audited. Accordingly, he is not involved in internal controls, developing procedures, installing systems, preparing records, or engaging in any other activity that may impair the Internal Auditor’s judgment.

The Internal Auditor submits regular reports to the Audit Committee. The areas, systems and processes covered by the internal audit is risk based and the following significant areas were covered:

- Loans;
- Deposits;
- Procurement;
- Value For Money auditing;
- Core Banking Integrated Systems (Consultancy);
- Risk Management Process;
- Compliance Function;
- Non - Performing Accounts; and
- Budgetary Controls.

During the period under review, the Internal Audit team concentrated on a new approach, i.e. remote auditing.

The following areas were not covered during the period under review, however, actions have been taken after financial year end and reports are being finalised:

- Payroll;
- Health and Safety;
- Compliance function; and
- Complaints handling.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 7 – AUDIT (CONT'D)

In addition, the following areas have been rolled over onto the workplan for the year 2021/2022:

- Auditing of the control environment;
- Turnaround strategies; and
- Integrated Risk Management Framework.

Profile of the Internal Auditor is published on the website of the Company.

The Audit Committee reviewed the Financial Statements in the presence of External Auditors and Management.

External Audit

In line with Section 39 of the Banking Act 2004 and following a tender exercise, Grant Thornton was re-appointed as the external auditors for the financial period ended 30 June 2021 at the Annual General Meeting (Adjourned) held in October 2020. They are in office for the second period for the audit of the financial statements of the Company.

The Audit Committee ensures that the external auditors is rotated at least every 5 years. The approach to appointing external auditor is done through a tendering process. The last tender for the appointment of Grant Thornton was conducted in April 2019 for a period of 5 years, renewable annually.

Meeting with Audit Committee

The External Audit Firm has open lines of communication and reporting with Audit and Corporate Governance Committees. The External Auditors met with the Audit Committee thrice during the period, including one meeting without the presence of Management, during which meeting, the financial statements of the Company, timeline of the audit, the audit approach, the accounting principles and critical policies adopted were discussed.

Evaluation of the Auditors

The Audit Committee evaluates the external auditors in fulfilling their duty annually, to make an informed recommendation to the Board for their reappointment. The Audit Committee assesses the qualifications and performance of the auditors; the quality of the auditors' communications with the Audit Committee and the auditors' independence, objectivity and professional scepticism.

Grant Thornton is of relevant size and has the required experience and resources to undertake the audit of the financial statements of the Company. The external audit firm and the Audit Partner are licensed by the Financial Reporting Council and their appointment has been approved by the Bank of Mauritius. The quality processes of Grant Thornton are based on international best practice.

The officers assigned to the team for the assignment at MHC have the required expertise, including industry knowledge to effectively audit the accounts of the Company. The external audit's scope is to address the financial reporting risks facing the Company, including the provision of an internal control review as required by the Bank of Mauritius.

The key issues raised by the auditors are discussed at the Audit Committee and Management is invited to provide explanations and take appropriate actions where required.

Information on non-audit services

Grant Thornton did not provide any non-audit services to MHC during the period under review.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 8- RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

“The Board should be responsible for ensuring that an appropriate dialogue takes place among the organisation, its shareholders and other key stakeholders. The Board should respect the interests of its shareholders and other key stakeholders within the context of its fundamental purpose”

SHAREHOLDING STRUCTURE

The shareholding structure of Mauritius Housing Company Ltd as at 30 June 2021 was as follows:-

	Name of Shareholders	Shareholding (%)
1.	Government of Mauritius	60.01
2.	State Investment Corporation Ltd	13.33
3.	State Insurance Company of Mauritius Ltd	13.33
4.	National Pensions Fund	13.33

All of the above-mentioned shareholders hold more than 5% share capital of the Company as at the year end.

Dividend Policy

The Company has formalised its Dividend Policy of a dividend pay-out rate of at least 10% of net profit on 07 October 2021. Payment of dividends is subject to the performance of the Company, cash flow, working capital and capital expenditure requirements, satisfying the solvency test and prior approval from the Bank of Mauritius.

COMPANY KEY STAKEHOLDERS

The Company continuously engages with its stakeholders to understand their concern and priorities. The Company's key stakeholders and its interactions are as follows:

Shareholders

MHC 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 the Company. Besides official press communiqués to shareholders, open lines of communication are maintained to ensure transparency and optimal disclosure.

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

All shareholders have the same voting rights.

Customers/Public

By offering competitive financial products, namely housing loans and deposits and providing them with timely information about the services and facilities being offered by MHC.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 8 - RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONT'D)

Employees

By fostering a working environment that supports sustainable performance, promotes continuous professional/personal development and decent conditions of employment.

Suppliers

Dealing through strict procurement procedures to ensure fairness and equity.

Regulators

Relationships with the regulators, mainly the Bank of Mauritius, Registrar of Companies, Mauritius Revenue Authority and the Financial Reporting Council are considered as critical for good running of the Company. The Company maintains relationship with its regulators through written communications, filing of returns and financial reports, participation in forums, conferences and workshops as well as compliance with relevant legislations.

These relationships are viewed as strategic partnerships to ensure that the Company upholds and maintains best practices with full transparency.

CONDUCT OF SHAREHOLDERS' MEETINGS

During the annual meetings, shareholders are given the opportunity to communicate their views and to engage with the Board and Management with regard to the Company's business activities and financial performance.

All directors and External Auditors are invited to attend shareholders' meetings.

The Constitution allows a shareholder of the Company to appoint a proxy, whether a shareholder or not, to attend and vote on its behalf.

At the shareholders' meeting, each of the following issues is proposed in a separate resolution:

- The approval of the Annual Report and Audited Financial Statements;
- The ratification of dividend (if applicable);
- The election or re-election of directors of the Board until the next Annual Meeting;
- The appointment or re-appointment of external auditors under section 200 of the Mauritius Companies Act 2001; and
- Any other matter which may require the shareholders approval.

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

PRINCIPLE 8 - RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS
(CONT'D)

COMMUNICATION WITH THE SHAREHOLDERS

Communication between the Company and its shareholders takes place on a regular basis.

Annual report containing the audited financial statements, performance review and other essential information is sent to all shareholders. The shareholders are also invited to the Annual Meeting where they are encouraged to interact with directors and ask questions or seek clarifications from the Board and Management regarding operations of the Company. Furthermore, any queries addressed to Management and/or the Company Secretary, are promptly attended to.

Annual Meeting of Shareholders

The next Annual Meeting of the Company is scheduled in December 2021. Appropriate notice of meeting is given to the shareholders, who are provided with the opportunity to communicate their views and to engage with the Board of Directors and Management with regards to the Company's business activities and financial performance.

CALENDAR OF IMPORTANT EVENTS

The following is a schedule of forthcoming events:

Date	Event
25 October 2021	Declaration of Dividend
30 November 2021	Payment of Dividend
28 December 2021	Annual General Meeting
30 June 2022	End of Financial Year

MAURITIUS HOUSING COMPANY LTD
CORPORATE GOVERNANCE REPORT FOR PERIOD ENDED 30 JUNE 2021 (CONT'D)

Statement of Compliance

(Section 75 (3) of the Financial Reporting Act)

Name of PIE: Mauritius Housing Company Ltd

Reporting period: 30 June 2021

We, the directors of Mauritius Housing Company Ltd, the "Company", confirm to the best of our knowledge that the Company has complied as far as possible with its obligations and requirements under the Code of Corporate Governance except for the following sections:-

Principle 1: Governance Structure

The Code recommends that the Constitution of organisations, amongst other documents, be included on their website.

However, the Company does not consider it appropriate to publish its Constitution on the website.

Principle 2: Composition of the Board

The recommendation of the Code is to have at least two Executive Directors.

In November 2020, the Board of MHC was reconstituted by the shareholders and the position of a second Executive Director was not considered. As at date, the Company has appointed only one Executive Director.

Principle 3: Director appointment procedures

The Code requires that:

- (i) all directors should receive an induction and orientation upon joining the Board.
- (ii) the training and development needs of directors must be regularly reviewed by the Chairperson.

The induction and training were initially scheduled for 12 June 2021 but due to sanitary conditions, same were cancelled on two occasions and were finally held on 07 August 2021.

Principle 4: Board Evaluation

The Code recommends that the evaluation of the effectiveness of the Board, its committees and its individual directors be done at least annually.

The exercise to evaluate the directors' performance started end of June 2021 through the use of a questionnaire and the results were considered by the Board on 07 October 2021.

Signed on behalf of the Board of Directors: 18 OCT 2021



Chairperson



Managing Director



Director

REPORT FROM THE SECRETARY

TO THE MEMBERS OF MAURITIUS HOUSING COMPANY LTD

We confirm that, based on the records and information made available to us by the Directors and Shareholders of the Company, the Company has filed with the Registrar of Companies all such returns as are required of the Company under Section 166(d) of the Mauritius Companies Act 2001.



For Prime Partners Ltd
Secretary

Date: 18 OCT 2021



Independent auditors' report To the members of Mauritius Housing Company Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Mauritius Housing Company Ltd**, the "Company", which comprise the statement of financial position as at 30 June 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements on pages 60 to 116 give a true and fair view of the financial position of the Company as at 30 June 2021 and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards, and the requirements of the Mauritius Companies Act 2001, the Banking Act 2004 and the Financial Reporting Act 2004.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 37 to the financial statements which describes the difference identified during a reconciliation exercise in 2019 for the other receivables balance and which difference is still being looked into. Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matter is a matter that, in our professional judgement, is of most significance in our audit of the financial statements for the period ended 30 June 2021. A key audit matter is 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 such matter.

The only key audit matter identified in relation to the audit of the financial statements is as described below:



Independent auditors' report (Cont'd) To the members of Mauritius Housing Company Ltd

Report on the Audit of the Financial Statements (Cont'd)

Key Audit Matter (Cont'd)

Risk description

Provision for expected credit losses	How our audit addressed the key audit matter
<p>The estimation of expected credit losses ("ECL") on financial instruments, involves significant management judgement and estimates. The key areas where we identified greater levels of management judgement and estimates and therefore increased levels of audit focus in the Company's estimation of ECLs are:</p> <ul style="list-style-type: none"> • Assumptions applied to estimate the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") within the ECL measurement; • Incorporation of macro-economic inputs and forward-looking information into the ECL measurement; and • Assessment of ECL of stage 3 as this involves a significant level of management judgements and estimates. <p>The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans to customers has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The credit risk sections of the financial statements disclose the sensitivities estimated by the Company.</p>	<p>Our procedures included the following, amongst others:</p> <ul style="list-style-type: none"> • We assessed and tested the design and operating effectiveness of the controls established by management over the approval, recording and monitoring of loans, including impairment assessment. • We have tested the appropriateness of the IFRS 9 impairment methodologies and independently assessed the probability of default, loss given default and exposure at default assumptions. • We have tested the completeness and accuracy of the underlying loan data used in the impairment calculation by agreeing details to the Company's source documents, on a sample basis. • We evaluated the ageing of a sample of loans within the loan risk classification categories to ensure that the loans were included in the right category and provisioned accordingly. • We assessed whether the disclosures are in accordance with the requirements of IFRS 9. <p>Overall, the results of our evaluation of the Company's expected credit losses on loans to customers are consistent with management's assessment.</p>

Independent auditors' report (Cont'd)
To the members of Mauritius Housing Company Ltd

Report on the Audit of the Financial Statements (Cont'd)

Information Other than the Financial Statements and Auditors' Report Thereon ("Other Information")

Management is responsible for the Other Information. The Other Information comprises mainly of information included under the Corporate Information, the Annual Report, the Statement of Management Responsibility for Financial Reporting and the Corporate Governance Report sections, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the Other Information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Corporate Governance Report

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance ("the Code") disclosed in the Annual Report and assess the explanations given for non-compliances with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the Annual Report, the Company has, pursuant to Section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

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

Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Mauritius Companies Act 2001, the Banking Act 2004 and the Financial Reporting Act 2004, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.



Independent auditors' report (Cont'd) **To the members of Mauritius Housing Company Ltd**

Report on the Audit of the Financial Statements (Cont'd)

Responsibilities of Management and Those Charged with Governance for the Financial Statements (Cont'd)

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

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

Auditors' 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 auditors' 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism 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 management.



Independent auditors' report (Cont'd) **To the members of Mauritius Housing Company Ltd**

Report on the Audit of the Financial Statements (Cont'd)

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

- Conclude on the appropriateness of management'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 auditors' 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 auditors' 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.

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

Report on Other Legal and Regulatory Requirements

(a) *Mauritius Companies Act 2001*

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or any interests in, the Company other than in our capacity as auditors;
- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.



Independent auditors' report (Cont'd) **To the members of Mauritius Housing Company Ltd**

Report on Other Legal and Regulatory Requirements (Cont'd)

(b) *Banking Act 2004*

(i) In our opinion, the financial statements:


- have been prepared on a basis consistent with that of the preceding year;
- are complete, fair and properly drawn up; and
- comply with the Banking Act 2004 as well as the regulations and guidelines of the Bank of Mauritius.

(ii) The explanations or information called for or given to us by the officers or agents of the Company were satisfactory.

Other Matter

Our report is made solely to the members of the Company as a body in accordance with Section 205 of the Mauritius 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 auditors' 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 opinion we have formed.


Grant Thornton
Chartered Accountants


Y NUBEE, FCCA
Licensed by FRC

Date: **18 OCT 2021**

Ebene 72201, Republic of Mauritius

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	30-Jun-21 Rs'000	Restated 31-Dec-19 Rs'000	31-Dec-18 Rs'000
ASSETS				
Cash at banks and in hand	13(a)	465,638	327,547	118,130
Treasury deposits	13(b)	1,150,000	475,000	300,000
Property development	14	149,420	99,343	2,405
Loans to customers	15	8,497,257	8,002,544	7,550,700
Investment property	16	128,302	125,409	120,749
Property and equipment	17	516,942	609,183	606,072
Intangible assets	18	150,122	134,666	59,097
Other assets	19 (a)	52,546	96,912	207,181
Assets held for sale	19 (b)	59,830	61,641	64,045
Total assets		11,170,057	9,932,245	9,028,379
LIABILITIES				
PEL and other savings accounts	20(a)	1,933,219	1,870,009	1,818,670
Housing deposits certificates	20(b)	4,801,012	3,404,266	2,393,053
Borrowings	21	456,457	733,637	903,528
Retirement benefit obligations	22	347,245	256,717	299,225
Other liabilities	23	91,491	59,814	46,279
Total liabilities		7,629,424	6,324,443	5,460,755
Insurance funds	24	123,973	123,973	97,100
SHAREHOLDERS' EQUITY				
Share capital	25	200,000	200,000	200,000
Revaluation reserves	17(ii)	376,378	425,138	612,197
Building insurance reserve	27	116,810	116,810	116,810
Life insurance reserve	24(a)	127,769	127,769	154,642
Retained earnings	28	2,289,113	2,307,522	2,067,688
Statutory reserve	29(b)	200,000	200,000	200,000
Other reserves	29(a)	106,590	106,590	119,187
Total equity		3,416,660	3,483,829	3,470,524
Total equity and liabilities		11,170,057	9,932,245	9,028,379

These financial statements have been approved and authorised for issue by the Board of Directors on 18 OCT 2021 and signed on its behalf by:



CHAIRPERSON



MANAGING DIRECTOR



DIRECTOR

The notes on pages 64 to 116 form an integral part of these financial statements.
Auditor's Report on pages 54 to 59.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD/YEAR ENDED

	Notes	Period from 01 January 2020 to 30 June 2021 Rs'000	Year ended 31 December 2019 Rs'000	Year ended 31 December 2018 Rs'000
Interest income		548,101	526,276	484,771
Interest expense		(216,241)	(191,906)	(174,438)
Net interest income	6	<u>331,860</u>	<u>334,370</u>	<u>310,333</u>
Fee and commission income		61,826	37,928	33,332
Rent received		10,249	8,301	7,397
Policy fees and charges on loans		7,092	6,282	7,367
Other operating income	7	<u>95,830</u>	<u>54,965</u>	<u>59,387</u>
		<u>174,997</u>	<u>107,476</u>	<u>107,483</u>
Operating income		<u>506,857</u>	<u>441,846</u>	<u>417,816</u>
Personnel expenses	8	(245,467)	(152,966)	(179,069)
Depreciation and amortisation	17 & 18	(52,155)	(18,235)	(14,336)
Other expenses	9(a)	(122,891)	(101,187)	(86,559)
Non-interest expense		<u>(420,513)</u>	<u>(272,388)</u>	<u>(279,964)</u>
Operating profit		<u>86,344</u>	<u>169,458</u>	<u>137,852</u>
(Net impairment loss on financial assets)/release of allowance for credit impairment on financial assets	15(b)	(37,981)	(21,017)	56,373
Other provisions	9(b)	24,361	(26,348)	-
Gain on sale of foreclosed properties		152	1,213	5,251
Increase in fair value of investment property	16	<u>2,893</u>	<u>4,660</u>	<u>4,749</u>
Profit for the period/year		<u>75,769</u>	<u>127,966</u>	<u>204,225</u>
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss:</i>				
Remeasurement of post-employment benefit obligations	22(a)(iv)	(68,565)	58,256	(18,411)
(Released)/gains on revaluation of land & buildings	17	(48,760)	-	122,454
Transfer from life insurance reserve	24	-	(26,873)	-
Other comprehensive income for the period/year	26	<u>(117,325)</u>	<u>31,383</u>	<u>104,043</u>
Total comprehensive income for the period/year		<u>(41,556)</u>	<u>159,349</u>	<u>308,268</u>
Earnings per share (Rs)	12	<u>3.79</u>	<u>6.40</u>	<u>10.21</u>

The notes on pages 64 to 116 form an integral part of these financial statements.
Auditor's Report on pages 54 to 59.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD/YEAR ENDED

	Share capital	Revaluation reserves	Building insurance reserve	Retained earnings	Life Insurance reserve	Statutory reserve *	Other reserves **	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 01 January 2020 - as restated	200,000	425,138	116,810	2,307,522	127,769	200,000	106,590	3,483,829
Profit for the period	-	-	-	75,769	-	-	-	75,769
Other comprehensive income for the period	-	-	-	(68,565)	-	-	-	(68,565)
Total comprehensive income for the period	-	-	-	7,204	-	-	-	7,204
Dividends (Note 11)	-	-	-	(25,593)	-	-	-	(25,593)
Transaction with the owners	-	-	-	(25,593)	-	-	-	(25,593)
Released/reclassified	-	(48,760)	-	(20)	-	-	-	(48,780)
	-	(48,760)	-	(20)	-	-	-	(48,780)
At 30 June 2021	200,000	376,378	116,810	2,289,113	127,769	200,000	106,590	3,416,660
At 01 January 2019	200,000	612,197	116,810	2,067,688	154,642	200,000	119,187	3,470,524
Profit for the year	-	-	-	127,966	-	-	-	127,966
Other comprehensive income for the year	-	-	-	58,256	(26,873)	-	-	31,383
Total comprehensive income for the year	-	-	-	186,222	(26,873)	-	-	159,349
Dividends (Note 11)	-	-	-	(40,845)	-	-	-	(40,845)
Transaction with the owners	-	-	-	(40,845)	-	-	-	(40,845)
Reclassified	-	(187,059)	-	199,656	-	-	(12,597)	-
At 31 December 2019 - as previously reported	200,000	425,138	116,810	2,412,721	127,769	200,000	106,590	3,589,028
Correction of prior period error (Note 36)	-	-	-	(105,199)	-	-	-	(105,199)
At 31 December 2019 - as restated	200,000	425,138	116,810	2,307,522	127,769	200,000	106,590	3,483,829
At 01 January 2018	200,000	489,743	116,810	1,982,437	154,642	200,000	119,187	3,262,819
Impact of adopting IFRS 9	-	-	-	(58,606)	-	-	-	(58,606)
Restated opening balance under IFRS 9	200,000	489,743	116,810	1,923,831	154,642	200,000	119,187	3,204,213
Profit for the year	-	-	-	204,225	-	-	-	204,225
Other comprehensive income for the year	-	122,454	-	(18,411)	-	-	-	104,043
Total comprehensive income for the year	-	122,454	-	185,814	-	-	-	308,268
Dividends (Note 11)	-	-	-	(41,957)	-	-	-	(41,957)
Transaction with the owners	-	-	-	(41,957)	-	-	-	(41,957)
At 31 December 2018	200,000	612,197	116,810	2,067,688	154,642	200,000	119,187	3,470,524

* As per Banking Act 2004, 15% of the net profit for the period/year is transferred to a statutory reserve until the balance is equal to the amount of stated capital.

** See Note 29

The notes on pages 64 to 116 form an integral part of these financial statements.

Auditor's Report on pages 54 to 59.

**STATEMENT OF CASH FLOWS
FOR THE PERIOD/YEAR ENDED**

		Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019	Year ended 31 December 2018
Operating activities				
Profit for the period/year		75,769	127,966	204,225
<i>Adjustments for:</i>				
Allowance for credit impairment	15(b)	35,541	21,017	(56,373)
Other provisions	9(b)	(24,361)	26,348	-
Depreciation	17	21,233	15,780	13,068
Amortisation	18	30,922	2,455	1,268
Gain on sale of foreclosed properties		(152)	(1,213)	(5,251)
Increase in fair value of investment property	16	(2,893)	(4,660)	(4,749)
Interest in suspense		26,962	3,132	(1,627)
Profit on disposal of property and equipment	7	(9)	(319)	(15)
Profit on disposal of property development		(9,032)	-	-
Provision for retirement benefit obligations		21,963	15,748	13,256
		<u>175,943</u>	<u>206,254</u>	<u>163,802</u>
Changes in operating assets and liabilities				
Changes in other assets		43,727	3,722	28,481
Changes in assets held for sale		1,963	3,617	8,093
Changes in treasury deposits		(650,000)	(200,000)	75,000
Changes in other liabilities		31,677	13,535	(22,762)
Changes in accrued interest payable		(72,963)	(62,977)	(29,278)
Changes in loans to customers		(562,002)	(475,993)	(757,972)
Net cash used in operating activities		<u>(1,031,655)</u>	<u>(511,842)</u>	<u>(534,636)</u>
Investing activities				
Purchase of property and equipment	17	(8,892)	(18,890)	(4,834)
Purchase of intangible assets	18	(46,378)	(78,024)	(11,831)
Proceeds from disposal of property and equipment		9	319	15
Proceeds from disposal of property development		30,843	-	-
Additions to property development	14	(35,938)	(96,938)	-
Net cash used in investing activities		<u>(60,356)</u>	<u>(193,533)</u>	<u>(16,650)</u>
Financing activities				
Housing deposits certificates (HDC)	20 (b)	1,422,499	1,027,995	111,565
Plan Epargne Logement Savings (PEL)	20 (a)	110,420	97,534	95,103
Repayment of borrowings		(277,180)	(168,992)	409,192
Dividends paid	11	(25,593)	(40,845)	(41,957)
Net cash from financing activities		<u>1,230,146</u>	<u>915,692</u>	<u>573,903</u>
Change in cash and cash equivalents		<u>138,135</u>	<u>210,317</u>	<u>22,617</u>
Movement in cash and cash equivalents				
Cash and cash equivalents at start of the period/year		327,503	117,186	94,569
Change in cash and cash equivalents		138,135	210,317	22,617
Cash and cash equivalents at end of the period/year		<u>465,638</u>	<u>327,503</u>	<u>117,186</u>
Cash and cash equivalents is made up of :				
Cash at bank and in hand (Note 13(a))		465,638	327,547	118,130
Bank overdrafts (Note 21)		-	(44)	(944)
		<u>465,638</u>	<u>327,503</u>	<u>117,186</u>

Reconciliation of liabilities arising from financing activities

	Jan-20	Movement in capital	Movement in interest	Jun-21
	Rs'000	Rs'000	Rs'000	Rs'000
Housing Deposit Certificates	3,404,266	1,422,499	(25,753)	4,801,012
PEL and Other Savings Accounts	1,870,009	110,420	(47,210)	1,933,219
Borrowings	733,637	(277,174)	(6)	456,457
	<u>6,007,912</u>	<u>1,255,745</u>	<u>(72,969)</u>	<u>7,190,688</u>

The notes on pages 64 to 116 form an integral part of these financial statements.
Auditor's Report on pages 54 to 59.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

1. GENERAL INFORMATION

Mauritius Housing Company Ltd, the "Company" or "MHC", was incorporated on 12 December 1989 as a public company with limited liability. The principal activities of the Company are the granting of loans for the construction/purchase of houses, to engage in deposits taking and to promote property development. The registered office of the Company is MHC Building, Reverend Jean Lebrun Street, Port Louis, Republic of Mauritius.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company changed its reporting date, with the approval of the Registrar of Companies, from 31 December to 30 June to align with the Government's financial year. Thus, these financial statements run from 01 January 2020 to 30 June 2021.

The current figures are for the period from 01 January 2020 to 30 June 2021 whereas the comparative figures are for the year from 01 January 2019 to 31 December 2019 and 01 January 2018 to 31 December 2018. Therefore, the comparative figures of these financial statements are not comparable.

2. APPLICATION OF NEW AND REVISED IFRS

2.1 New and revised standards that are effective for the period beginning on 01 January 2020

In the current period, the following revised standards issued by the IASB became mandatory for the first time for the financial period beginning on 01 January 2020:

IFRS 3, Definition of a Business (Amendments to IFRS 3)

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

IAS 1 and IAS 8, Definition of Material (Amendments to IAS 1 and IAS 8)

The changes in 'Definition of Material' (Amendments to IAS 1 and IAS 8) relate to a revised definition of 'material' which states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform (IBOR)

The IASB has issued amendments to IFRS 9, IAS 39 and IFRS 7 that provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

IFRS 16, COVID-19-Related Rent Concessions (Amendment to IFRS 16)

The pronouncement amended IFRS 16 Leases to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021.

Management has assessed the impact of these new and revised standards and concluded that none of these revised standards have a significant impact on the disclosures of these financial statements.

2.2 Standards and amendments to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards and amendments to existing standards have been published but are not yet effective and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements, as relevant to Company's activities, will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncements. Information on the new standards and amendments to existing standards is provided below.

Various, Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

These amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The changes relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

IFRS 3, References to the Conceptual Framework (Amendments to IFRS 3)

The changes update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

2 APPLICATION OF NEW AND REVISED IFRS**2.2 Standards and amendments to existing standards that are not yet effective and have not been adopted early by the Company (Cont'd)****IAS 16, Proceeds before Intended Use (Amendments to IAS 16)**

Amendments were made to the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or

IAS 37, Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments were brought to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

IFRS 1, IFRS 9, IFRS 16 and IAS 41, Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)

The objective of the annual improvements is to enhance the quality of standards, by amending existing IFRSs to clarify guidance and wording, or to correct for relatively minor unintended consequences, conflicts or oversights. Amendments are made through the annual improvements process when the amendment is considered non-urgent but necessary. The IASB issued Annual Improvements to IFRS Standards 2018-2020 containing the following amendments to IFRSs:

- IFRS 1, First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- IFRS 9, Financial Instruments - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IFRS 16, Leases - Lease incentives. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- IAS 41, Agriculture - Taxation in fair value measurements. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

IFRS 17, Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, Insurance Contracts.

IFRS 4, Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)

The amendments change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9, Financial Instruments, so that entities will be required to apply IFRS 9 for annual periods beginning on or after 01 January 2023 (instead of 01 January 2021).

IAS 1, Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments in classification as liabilities as current or non-current affect only the presentation of liabilities in the statement of financial position – not the amount or timing of recognition of any asset, liability, income or expense, or the information that entities disclose about those items. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

2. APPLICATION OF NEW AND REVISED IFRS (CONT'D)

2.2 Standards and amendments to existing standards that are not yet effective and have not been adopted early by the Company (Cont'd)

IAS 8, Definition of Accounting Estimates (Amendments to IAS 8)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Management has yet to assess the impact of the above standards and amendments on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) **Basis of preparation**

The financial statements of the Company comply with the Mauritius Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs 000), except where otherwise indicated.

Where necessary, comparative figures have been amended to conform with change in presentation in the current period. The financial statements are prepared under the historical cost convention, except that land and buildings and investment properties are stated at their fair values, and relevant financial assets and liabilities are stated at their fair values or amortised cost.

(b) **Property and equipment**

Land and buildings are stated at their fair values, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

All other property and equipment, are stated at historical cost less depreciation and impairment losses. 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.

Owned-used property is defined as property held for use in the supply of services or for administrative purposes.

Depreciation is calculated to write off the cost of each asset or its revalued amount to its residual value over its estimated useful life, with the exception of freehold land and housing estates.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income and shown as revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same assets are charged against the revaluation reserves; all other decreases are charged to profit or loss.

The annual rates and method used are as follows:

Freehold buildings	2%	Straight line method
Furniture and equipment	10% and 33 1/3%	Straight line method
Motor vehicles	20%	Straight line method
Right-of-use	17% to 33 1/3%	Straight line method

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted prospectively if appropriate, at the end of each reporting date.

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

Gains and losses on disposal of property and equipment are determined by the difference between their carrying values and their net disposal proceeds and are included in profit or loss. On disposal of revalued assets, the amounts included in revaluation surplus are transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(c) Intangible assets***Computer software*

Intangible assets consist of computer software. Management has assessed the useful life of the new computer software to be 8 years and it is amortised on a straight line basis. In prior years, all intangible assets were amortised on a straight line basis over a period of 3 years.

Computer software are also tested for impairment at each reporting date.

Progress payments

Progress payments on computer software are recognised when they meet criteria relating to identifiability, probability that future economic benefits will flow to the enterprise, and the cost can be measured reliably. No depreciation is charged on progress payments.

(d) Assets held for sale - Foreclosed property

Foreclosed property has been reclassified as assets held for sale and represents houses acquired through auction at the Master's Bar following the default by clients. Foreclosed property is held for trading and is stated at the price paid at Master's bar on the acquisition. If the acquisition value is greater than the loan balance outstanding, the difference is reported as an unrealised gain in the Mortgage Insurance Reserve Account. If the acquisition value is less than the carrying amount, it is recognised as a loss in the statement of profit or loss. Where there is no mortgage insurance, the unrealised gain is credited to the Foreclosed Property Reserve.

Upon disposal of the foreclosed property, the realised loss/gain is charged to profit or loss.

At each reporting date, the properties are revalued and assessed for any impairment.

(e) Investment properties

Investment properties are properties which are held to earn rental income and/or for capital appreciation and not occupied by the Company. They are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value determined by external valuers. Changes in fair values are included in profit or loss.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

(f) Financial instruments**Initial recognition**

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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

For all financial assets the amounts presented on the statement of financial position represent all amounts receivable including interest accruals.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

Classification of financial assets

Amortised cost

Financial assets that meet the following conditions are measured subsequently at amortised cost:

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

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Other types of financial assets

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so, eliminates or significantly reduces an accounting mismatch.

Business model assessment

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

The Company'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:

- > How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- > 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 Company'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 Company's original expectations, the Company 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

The SPPI test

As a second step of its classification process, the Company assesses the contractual terms of financial instruments 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 Company 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.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. In contrast, contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form. In such cases, the financial asset is required to be measured at FVTPL which is not currently applicable for the Company.

Reclassifications

If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Company's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made.

Measurement of ECL

The key inputs into the measurement of ECL are the following:

- (i) probability of default (PD);
- (ii) loss given default (LGD); and
- (iii) exposure at default (EAD).

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical models. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, crosscollateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD 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, and expected drawdowns on committed facilities. The Company's approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default.

The Company measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the Company is exposed to credit risk and not a longer period, even if contact extension or renewal is common business practice.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

Measurement of ECL (Cont'd)

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

- Loans to customers
- Treasury deposits

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. 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, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as stage 2 and stage 3).

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

ECLs 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 entity in accordance with the contract and the cash flows that the Company 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.

The Company has established the criteria for provision for credit losses and for adjustment in respect of interest income suspended and these criteria are in line with the spirit of 'social mission' which guides the Company:

Collateral valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities and real estate. Collateral, unless repossessed, is not recorded on the Company's statement of financial position. However, the fair value of collateral affects the calculation of ECLs.

To the extent possible, the Company uses active market data for valuing financial assets held as collateral. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as an external valuers which are appointed by the Company.

As at 30 June 2021, the Company had Rs 19,586,164,708 held as collateral.

Collateral repossessed

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Company's policy.

In its normal course of business, the Company does not physically repossess properties or other assets in its retail portfolio, but initiate legal action to recover the funds. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are recorded in the statement of financial position as asset held for sale.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(f) Financial instruments (Cont'd)****Measurement of ECL (Cont'd)****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. Credit impaired financial assets are referred to as Stage 3 assets. 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(s) 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 bankruptcy or other financial reorganisation;
- (e) the disappearance of an active market for the financial asset because of financial difficulties; or
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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 Company assesses whether debt instruments that are financial assets measured at amortised cost, are credit-impaired at each reporting date.

A loan that has been renegotiated 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.

Definition of default

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 Company 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 Company; or
- the borrower is unlikely to pay its credit obligations to the Company in full.

This definition of default is used by the Company for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

When assessing if the borrower is unlikely to pay its credit obligation, the Company takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Company uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(f) Financial instruments (Cont'd)
Measurement of ECL (Cont'd)****Significant increase in credit risk**

The Company monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been significant increase in credit risk, the Company measures the loss allowance based on lifetime rather than 12-month ECL. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of default that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Company considers back stop indicators as well as qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Company's historical experience and expert credit assessment including forward-looking information.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Company's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, as well as consideration of various internal and external sources of actual and forecast economic information. For retail lending, forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly to certain industries, as well as internally generated information of customer payment behaviour.

The PDs used are forward looking and the Company uses the same methodologies and data used to measure the loss allowance for ECL for both retail and corporate lending. There is a particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that credit worthiness of the specific counterparty has deteriorated.

The qualitative factors that indicate a significant increase in credit risk are reflected in PD models on a timely basis. However the Company still considers separately some qualitative factors to assess if credit risk has increased significantly, such as, creditworthiness of counterparty which has deteriorated as unemployment, bankruptcy or death.

As a back-stop when an asset becomes 30 days past due (rebuttable presumption), the Company considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL. If there is evidence of credit impairment, the assets are classified in stage 3 of the impairment model.

Modification of financial asset

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Company renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under this policy, renegotiation is performed on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original terms and the debtor is expected to be able to meet the revised terms.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(f) Financial instruments (Cont'd)****Measurement of ECL (Cont'd)****Modification of financial assets (Cont'd)**

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to renegotiation policy. For financial assets modified, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal based on the Company's previous experience on similar renegotiation.

Generally modification of financial assets is a qualitative indicator of a significant increase in credit risk and may constitute evidence that the exposure is credit-impaired/ in default. A customer needs to demonstrate consistently good payment behaviour over a period of time, as prescribed by the Guideline on Credit Impaired Measurement and Income Recognition before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Where the restructuring occurs prior to the classification of a loan as impaired, the restructured loan is classified as impaired when, in the aggregate, the period of time the loan is in arrears before and after restructuring is 90 days or more.

Where the restructuring occurs after a loan has been classified as impaired, the restructured loan is continued to be classified as impaired until repayments have been received by the Company, in amount and in such stipulated time, for a continuous period of six months, strictly in accordance with the terms and conditions of the restructured loan.

Where the loan has been restructured more than once, the restructured loan shall continue to be classified as impaired until repayments have been received by the Company in amount and in such stipulated time, for a continuous period of nine months, at a minimum, strictly in accordance with the terms and conditions of the restructured loan.

Incorporation of forward-looking information

The Company incorporates forward looking information that is available without undue cost and effort into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on analysis from the Company's Risk Committee and consideration of a variety of external actual and forecast information, the Company formulates a view of the future direction of relevant economic variables.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses. The following key indicators were considered for the period ended 30 June 2021: GDP and interest rates.

Write-offs

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. A write off constitutes a derecognition event. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(f) Financial instruments (Cont'd)****Derecognition of financial assets**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities*Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the asset of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Borrowings

Interest bearing loans and bank overdrafts are initially recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instalment to the extent that they are not settled in the period in which they arise. Borrowings are subsequently measured at amortised cost.

Plan Epargne Logement (PEL) and other savings accounts and Housing deposits certificates

PEL and other savings accounts and Housing deposits certificates are stated at their amortised cost using the effective interest method.

Other liabilities

Other liabilities are stated at their amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(f) Financial instruments (Cont'd)****Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Portfolio provision

A portfolio provision for credit impairment is maintained on the aggregate amount of all loans and advances to allow for potential losses not specifically identified but which experience indicates are present in the portfolio loans. The Bank of Mauritius's Guideline on Credit Impairment Measurement and Income Recognition prescribes that the portfolio provision should be no less than 1 per cent of the aggregate amount of loan and advances excluding impaired advances, excluding loans granted to or guaranteed by the Government of Mauritius and excluding loans to the extent that they are supported by collateral of liquid assets held by the Company. The charge for portfolio provision is recognised in profit or loss. At 01 January 2018, the portfolio provision has been replaced with the ECL stage 1 and stage 2 provision and any increase/decrease in provision has been accounted in retained earnings.

(g) Retirement benefit obligations*Defined benefit plans and defined contribution plans*

The defined benefit plan is a pension plan which defines the amount of pension benefits that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The benefits on the defined contribution plan is dependent on the contribution made.

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 comprises 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 it occurs. Remeasurement recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

The Company 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 current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

Pension contributions

Contributions to the Family Protection Scheme (FPS) and contributions to the Contribution Sociale Generalise (CSG), (previously known as National Pension Scheme (NPS)) are expensed to profit or loss in the period in which they fall due.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(h) Statutory reserve**

As required by Section 21 of the Banking Act 2004, the Company has set up a Statutory Reserve in which 15% of the net profit is transferred annually to this reserve until the balance is equal to the stated capital. Such reserve is not distributable.

(i) Cash at banks and in hand

Cash at banks and in hand comprise cash in hand, deposits held at call with banks, net of bank overdrafts. In the statement of financial position, bank overdrafts are included within borrowings.

(j) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction from proceeds.

(k) Net interest income

Interest income and expense for all financial instruments are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method. Interest, other than bank interest, is recognised on an accrual basis as income in profit or loss of the accounting period in which it is receivable.

Interest income is suspended when loans become non-performing.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)).

(l) Rental income

Rental income from investment property is recognised in profit or loss on a straight line basis over the term of the lease.

(m) Fees and commission income

Fee and commission income and expense include fees other than those that are an integral part of EIR. The fees included in the part of the Company's statement of profit or loss include, amongst others, fees charged for servicing a loan when it is unlikely that these will result in a specific lending arrangement and loan syndication fees.

Fee and commission expenses with regards to services are accounted for as the services are received.

Penalty on late payments

There is a surcharge equivalent to 5% per annum on monthly unpaid capital for cases falling under the Borrowers Protection Act if payment is effected after fifteen days from the last day of the month when the payment falls due. This surcharge is accounted for in profit or loss as and when received.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(n) Life assurance and building insurance**

The Company is empowered by virtue of Section 4(b) of the Mauritius Housing Corporation (Transfer of Undertaking) Act 1989 to transact life assurance in connection with loans granted by the Company. Insurers have to comply with the provisions of the Insurance Act 2005 but the Company does not fall within the scope of the Insurance Act 2005. However, the provisions of the Mauritius Civil Code pertaining to insurance apply to the Company's insurance operations.

The Company operates the following insurance schemes:

Secured loans holders are required to make contribution to the Company to provide life assurance cover for a sum equal to the balance outstanding in their account. Premium is calculated on the basis of monthly reducing balances and credited to the statement of profit or loss. Claims arising upon occurrence of the insured event is charged to the statement of profit or loss as claims paid and includes changes in the provision for outstanding claims including provision for claims incurred but not reported. It is the policy of the Company to appoint a qualified actuary to carry a liability adequacy test of the Life Assurance Fund every two years.

Building insurance premium is charged to those who have taken loans for construction purposes. The premium is based on the expected valuation of the building. Premium is calculated monthly and credited to the statement of profit or loss. Claims arising upon occurrence of the insured event is charged to the statement of profit or loss as claims paid.

(o) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimates to settle the present obligation, its carrying amount is the present value of more cash flows.

(p) Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount 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 in profit or loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(q) Leased assets

The Company has applied IFRS 16 using the modified retrospective approach as from 01 January 2019 and therefore comparative information for the year ended 31 December 2018 were not restated. This means comparative information for the year ended 31 December 2018 was reported under IAS 17.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Leased assets (Cont'd)

Accounting policy applicable from 01 January 2019**The Company as a lessee**

For any new contracts entered into on or after 01 January 2020, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property and equipment and lease liabilities have been disclosed as part of borrowings.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

Accounting policy applicable before 01 January 2019**The Company as a lessee**

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Company obtains ownership of the asset at the end of the lease term. The finance lease liability is reduced by lease payments net of finance charges.

The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Leased assets (Cont'd)

Operating leases

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(r) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements when the dividends are approved by the Board of Directors and Bank of Mauritius.

(s) Related parties

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 if they and the Company are subject to common control. Related parties may be individuals or entities.

(t) Amount receivable from Government

Amount receivable from Government comprises of Government Grants and interest differential refundable by the Government. Amounts are only recognised if they meet the conditions to qualify for the

Government grants pertaining to Government sponsored loans scheme (GSL) are recognised as an asset in the period the grants are paid to the GSL beneficiaries.

Interest differential refundable by the Government includes a 2 per cent interest bonus over and above the rate offered by the Company on Housing Deposit Certificates (HDC) with maturity above 3 years refundable by the Government. It also includes amount refundable on a 3 per cent interest bonus over and above the rate offered by the Company on PEL accounts for customers that make regular contributions and that have taken a housing loan from the Company. The amount receivable is accounted on the basis of the interest accrued on those deposits.

Further to a change in policy by the Government during 2021, the interest differential is no longer refundable by the Government. Refer to Note 36.

(u) Property Development

Property development is recognised to the extent of costs incurred to construct the complex. Upon disposal of a property, the cost is matched against the sales proceeds to calculate any gain or loss which is taken to the statement of profit or loss and other comprehensive income.

(v) Expense recognition

All expenses are accounted for on an accrual basis.

(w) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period. The current figures are for the period on 01 January 2020 to 30 June 2021 whereas the comparative figures are for the year from 01 January 2019 to 31 December 2019 and 01 January 2018 to 31 December 2018. Therefore, the comparatives figures of these financial statements are not comparable.

4. FINANCIAL RISKS

In its ordinary operations, the Company is exposed to various risks such as capital risk, interest rate risk, credit risk and liquidity risk. The Company has devised a set of specific policies for managing these exposures.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

4. FINANCIAL RISKS (CONT'D)

Strategy in using financial instruments

The use of financial instruments is a major feature of the Company's operations. The Company accepts deposits from customers under different schemes and secures borrowings from financial and non-financial institutions at variable rates and seeks to earn above-average interest margins by investing these funds.

In pursuance of its objectives of maximising returns on investments, the Company takes into account the maintenance of sufficient liquidity to meet all claims that might fall due and to provide loans facilities for housing purposes.

Capital risk management

Capital risk is the risk that the Company has insufficient capital resources to meet the minimum regulatory requirements where regulated activities are undertaken, to support its credit rating and to support its growth and strategic options.

The Company's capital management objective is to ensure that adequate capital resources are available for sustained business growth as well as coping with adverse situations. The minimum capital adequacy ratio that has to be maintained by the Company is 10% of risk weighted assets computed as follows:

	30-Jun-21 Rs'000	31-Dec-19 Rs'000 Restated	31-Dec-18 Rs'000
Tier 1 capital	2,538,991	2,572,856	2,408,591
Tier 2 capital	239,129	251,560	331,887
Total capital base	2,778,120	2,824,416	2,740,478
Risk weighted assets	7,159,528	4,819,843	4,511,900
Capital adequacy ratio	38.8	58.6	60.7

Categories of financial assets and financial liabilities

	30-Jun-21 Rs'000	31-Dec-19 Rs'000 Restated	31-Dec-18 Rs'000
Financial Assets			
Measured at Amortised Cost	10,158,153	8,900,157	8,173,849
	10,158,153	8,900,157	8,173,849
Financial Liabilities			
Measured at Amortised Cost	7,267,441	6,054,816	5,154,881
	7,267,441	6,054,816	5,154,881

The carrying amounts of the Company's financial assets and financial liabilities approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

4. FINANCIAL RISKS (CONT'D)

Credit risk

Credit risk represents the loss the Company would suffer if a borrower fails to meet its contractual obligations. Such risk is inherent in traditional financial products such as loans and commitments. The credit quality of counterparties may be affected by various factors such as an economic downturn, lack of liquidity, an unexpected political event or death. Any of these events could lead the Company to incur losses.

All loans are secured loans and the Company has formulated policies for determining the stage where a loan becomes impaired. The Company has established procedures for the recovery of bad debts.

Additionally, customers are required to procure a life assurance and building and mortgage insurance in order to cater for any unforeseen event. Management believes that impairment in the portfolio at the reporting date is adequately covered by allowances and provisions.

Credit Risk Management

The Company's Credit Committee is responsible for managing its credit risk by:

- Ensuring that appropriate credit risk practices, including an effective system of internal control, are applied to consistently determine adequate allowances in accordance with the Company's stated policies and procedures, IFRS and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Company, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Company against the identified risks including the requirements to obtain collateral from borrowers, to perform ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Establishing a framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Company's risk grading to categorise exposures according to the degree of risk of default. The risk grades are subject to regular reviews.
- Developing and maintaining the Company's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.
- Ensuring that the Company has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

Significant increase in credit risk

The Company collects performance and default information about its credit risk exposures analysed by type of product and borrower. The information used is both internal and external depending on the portfolio assessed. The table below provides a summary of the staging of the loan portfolio and treasury deposits.

Portfolio Staging	31 December 2018		
	EAD	Average PD	Average LGD
	Rs 000	%	%
Retail loans	6,990,923	8.41	21.07
Treasury deposits and treasury bills	300,000	0.27	45.00
Corporate loans	53,649	0.73	45.00

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

4. FINANCIAL RISKS (CONT'D)

Credit risk (Cont'd)

Significant increase in credit risk (Cont'd)

Portfolio Staging	31 December 2019		
	EAD	Average PD	Average LGD
	Rs 000	%	%
Retail loans	7,440,002	7.95	21.97
Treasury deposits and treasury bills	671,820	0.27	45.00
Corporate loans	61,498	0.73	45.00

Portfolio Staging	30 June 2021		
	EAD	Average PD	Average LGD
	Rs 000	%	%
Retail loans	7,832,707	8.28	21.33
Treasury deposits and treasury bills	1,349,408	0.27	45.00
Corporate loans	66,488	0.73	45.00

The Company uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative. The table below summarises per type of asset the range above which an increase in lifetime PD is determined to be significant, as well as some indicative qualitative indicators assessed.

Incorporation of forward-looking information

The table below summarises the principal macroeconomic indicators used at 30 June 2021 for the years 2022 to 2026, for Mauritius, which is the country where the Company operates and therefore is the country that has a material impact in ECLs.

Macroeconomic indicators	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026
Inflation rate %	3.89%	3.63%	3.44%	3.31%	3.21%
GDP growth rate %	4.19%	3.84%	3.63%	3.52%	3.52%

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 10 years.

The Company has performed a sensitivity analysis on how ECL on the main portfolios will change if the key assumptions used to calculate ECL change by 1%. The table below outlines the total ECL per portfolio as at 30 June 2021, if the assumptions used to measure ECL remain as expected (amount as presented in the statement of financial position), as well as if each of the key assumptions used change by plus or minus 1%. The changes are applied in isolation for illustrative purposes, and are applied to each probability weighted scenarios used to develop the estimate of expected credit losses. In reality there will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

Portfolio: Loan and advances - Dec 2019		ECL	Average PD	Average LGD
		Rs 000	%	%
Inflation rate				
Base rate		63,935	7.95	11.80
Increased by 1%			8.16	11.56
Decreased by 1%			7.75	12.04

Portfolio: Loan and advances - June 2021		ECL	Average PD	Average LGD
		Rs 000	%	%
Inflation rate				
Base rate		69,759	8.28	11.43
Increased by 1%			8.49	11.20
Decreased by 1%			8.06	11.67

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

4. FINANCIAL RISKS (CONT'D)

Credit risk (Cont'd)

Credit loss expense

Year: 31 December 2018	Stage 1 ECL Rs 000	Stage 1 Exposure Rs 000	Stage 2 ECL Rs 000	Stage 2 Exposure Rs 000	Stage 3 ECL Rs 000	Stage 3 Exposure Rs 000
Loans to customers	(49,272)	6,696,731	(14,029)	294,192	(513,156)	1,303,008
Treasury deposits	(365)	300,000	-	-	-	-
Other assets (Staff loans)	(139)	30,000	-	-	-	-
Total impairment loss	(49,776)	7,026,731	(14,029)	294,192	(513,156)	1,303,008

Year: 31 December 2019	Stage 1 ECL Rs 000	Stage 1 Exposure Rs 000	Stage 2 ECL Rs 000	Stage 2 Exposure Rs 000	Stage 3 ECL Rs 000	Stage 3 Exposure Rs 000
Loans to customers	(51,268)	7,148,797	(12,667)	291,205	(533,539)	1,329,922
Treasury deposits	(847)	671,820	-	-	-	-
Other assets (Staff loans)	(138)	28,305	-	-	-	-
Total impairment loss	(52,253)	7,848,922	(12,667)	291,205	(533,539)	1,329,922

Year: 30 June 2021	Stage 1 ECL Rs 000	Stage 1 Exposure Rs 000	Stage 2 ECL Rs 000	Stage 2 Exposure Rs 000	Stage 3 ECL Rs 000	Stage 3 Exposure Rs 000
Loans to customers	(57,640)	7,600,018	(12,119)	232,689	(563,256)	1,520,095
Treasury deposits	(1,518)	1,324,408	-	-	-	-
Other assets (Staff loans)	(97)	20,559	-	-	-	-
Total impairment loss	(59,255)	8,944,985	(12,119)	232,689	(563,256)	1,520,095

Credit quality

An analysis of the Company's credit risk concentrations per class of financial asset is provided in the following tables.

	30-Jun-21 Rs'000	31-Dec-19 Rs'000	31-Dec-18 Rs'000
Loan to customers at amortised cost	9,352,802	8,769,924	8,293,931
Treasury deposits at amortised cost	1,150,000	475,000	300,000

	30-Jun-21 Rs'000	31-Dec-19 Rs'000	31-Dec-18 Rs'000
Loans that are neither past due nor impaired	7,600,018	7,148,797	6,696,731
Loans that are past due but not impaired	232,689	291,205	294,192
Impaired loans	1,520,095	1,329,922	1,303,008
	9,352,802	8,769,924	8,293,931

Ageing of past due but not impaired:			
Less than 3 months	232,689	291,205	294,192

Non performing loans

The carrying amount of impaired loans and specific allowance held are shown below:

	30-Jun-21 Rs'000	31-Dec-19 Rs'000	31-Dec-18 Rs'000
Impaired loans	1,520,095	1,329,922	1,303,008
Specific provision in respect of impaired loans	563,256	533,539	513,156
Discounted fair value of collaterals of impaired loans	919,544	919,413	892,158

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

4. FINANCIAL RISKS (CONT'D)

Credit risk (Cont'd)

Credit quality (Cont'd)

The collaterals mainly represent properties held by the Company as security against credit advances. The security is usually in the form of fixed and floating charges on the properties.

Maximum exposure to credit risk before collateral and other credit risk enhancements.

	30-Jun-21	31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
		Restated	
Loans to customers	8,497,257	8,002,544	7,550,700
Other assets	1,660,896	897,613	623,149
	10,158,153	8,900,157	8,173,849

As discussed above in the significant increase in credit risk section, under the Company's monitoring procedures a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due. This is the case mainly for loans to customers. The table below provides an analysis of the gross carrying amount of loans to customers by past due status.

	30-Jun-21		31-Dec-19		31-Dec-18	
	Gross carrying amount	Expected Credit Loss	Gross carrying amount	Expected Credit Loss	Gross carrying amount	Expected Credit Loss
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
0 - 30 days	7,600,018	57,640	7,148,797	51,268	6,696,731	49,272
31 - 89 days	232,689	12,119	291,205	12,667	294,192	14,029
90 days and above	1,520,095	563,256	1,329,922	533,539	1,303,008	513,156
Total	9,352,802	633,015	8,769,924	597,474	8,293,931	576,457

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

4. FINANCIAL RISKS (CONT'D)

Credit risk (Cont'd)

Collateral held as security and other credit enhancements

The Company holds collateral to mitigate credit risk associated with financial assets. The main types of collaterals are land and buildings, cash and deposits. The collateral presented relates to instruments that are measured at amortised cost.

Mortgage lending

The Company holds residential properties as collateral for the mortgage loans it grants to its customers. The Company monitors its exposure to retail mortgage lending using the loan to value (LTV) ratio, which is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is typically based on the collateral value at origination updated based on changes in house price indices. For credit-impaired loans the value of collateral is based on the most recent appraisals. The tables below show the exposures from mortgage loans by ranges of loan to value.

Period/year ended	30-Jun-21		31-Dec-19		31-Dec-18	
	Gross carrying amount	Expected Credit Loss	Gross carrying amount	Expected Credit Loss	Gross carrying amount	Expected Credit Loss
Mortgage lending	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Less than 75%	5,611,426	339,675	6,119,221	456,372	5,961,908	377,446
75% to 89%	1,627,566	103,967	1,849,047	78,349	1,650,622	83,058
90% to 100%	567,122	26,776	483,354	23,936	403,505	32,292
above 100%	1,546,688	162,597	318,302	38,817	277,896	83,661
Total	9,352,802	633,015	8,769,924	597,474	8,293,931	576,457

Personal lending

The Company's personal lending portfolio consists of computer loan, staff personal loan, and vehicle loans.

Corporate lending - Loan to Promoters

The Company requests collateral and guarantees for corporate lending. The most relevant indicator of corporate customers' creditworthiness is an analysis of their financial performance and their liquidity, leverage, management effectiveness and growth ratios. For this reason the valuation of collateral held against corporate lending is not routinely updated. The valuation of such collateral is updated if the loan is put on "watch-list" and is therefore monitored more closely.

Assets obtained by taking possession of collateral - Foreclosed properties

The Company obtained the following financial and non-financial assets during the period/ year by taking possession of collateral held as security against loans to customers and held at the period/ year end. The Company's policy is to realise collateral on a timely basis. The Company does not use non-cash collateral for its operations.

	30-Jun-21	31-Dec-19	31-Dec-18
	Rs' 000	Rs' 000	Rs' 000
Foreclosed properties	59,830	61,641	64,045

Market risk

Market risk is the risk of loss arising from movement in observable market variables such as interest rates, exchange rates and equity markets. The market risk management policies at the Company are set by and controlled by the Risk Committee.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

4. FINANCIAL RISKS (CONT'D)

Market risk (Cont'd)

Market risk management

The Company's market risk management objective is to manage and control market risk exposures in order to optimise return on risk while ensuring solvency.

As with liquidity risk, ALCO is responsible for ensuring the effective management of market risk throughout the Company. Specific levels of authority and responsibility in relation to market risk management have been assigned to appropriate market risk committees.

The core market risk management activities are:

- the identification of all key market risks and their drivers;
- the independent measurement and evaluation key market risks and their drivers;
- the use of results and estimates as the basis for the Company's risk/return-oriented management; and
- monitoring risks and reporting on them.

Cash flow and interest rate risks

Cash flow risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk 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 rates. The Company sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily. The Company obtains credit facilities at favourable interest rates as these facilities are guaranteed by the Government of Mauritius.

The Company manages the interest rate risks by maintaining an appropriate mix between fixed and floating rate borrowings.

Interest rate risk

The Company is exposed to the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of the change in market interest rates. The interest rate profile of the financial assets and financial liabilities of the Company as at the reporting date was:

Currency : MUR

Interest rate % per annum

	30-Jun-21		31-Dec-19		31-Dec-18	
	Lowest %	Highest %	Lowest %	Highest %	Lowest %	Highest %
<i>Financial assets</i>						
Deposits with banks	0.50	3.95	0.60	4.00	0.60	3.95
Loans to customers	2.55	15.50	3.00	15.50	3.00	15.50
<i>Financial liabilities</i>						
Savings and fixed deposits	0.95	5.10	0.95	5.10	2.00	5.50
Borrowings from Government of Mauritius	-	2.50	-	2.50	-	2.50
Borrowings from Bank of Mauritius	-	3.00	-	3.00	-	3.00
Borrowings - Commercial banks	2.85	3.85	4.50	5.40	4.50	5.40
Borrowings - Other institutions	2.50	6.00	2.50	6.00	5.00	6.00

A sensitivity analysis has been carried on the main products at MHC. Assuming either an increase or a decrease of 1% in repo rate, the impact on interest will be as follows:

Products	As at June 2021	Increase of 1%	Decrease of 1%
	Rs'000	Rs'000	Rs'000
Interest income on loan to customers	524,113	617,641	430,583
Interest expense on Plan Epargne Logement - (PEL)	22,753	38,821	6,685
Interest expense on Housing deposits certificates - (HDC)	161,283	207,602	114,964

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

4. FINANCIAL RISKS (CONT'D)

Market risk (Cont'd)

Interest rate risk (Cont'd)

The tables below analyse the Company's financial assets and liabilities in term of sensitivity to interest rate.

Interest rate risk

	Fixed interest rate Rs'000	Floating interest rate Rs'000	Non-interest bearing Rs'000	Total Rs'000
30 June 2021				
<u>Assets</u>				
- Cash at banks and in hand	-	465,638	-	465,638
- Treasury deposits	1,150,000	-	-	1,150,000
- Loans to customers	220,734	8,276,523	-	8,497,257
- Other assets	19,141	-	26,117	45,258
	<u>1,389,875</u>	<u>8,742,161</u>	<u>26,117</u>	<u>10,158,153</u>
<u>Liabilities</u>				
- PEL	-	1,933,219	-	1,933,219
- HDC	-	4,801,012	-	4,801,012
- Borrowings	-	447,112	9,345	456,457
- Other liabilities	-	-	76,753	76,753
	<u>-</u>	<u>7,181,343</u>	<u>86,098</u>	<u>7,267,441</u>
31 December 2019				
<u>Assets</u>				
- Cash at banks and in hand	-	327,547	-	327,547
- Treasury deposits	475,000	-	-	475,000
- Loans to customers	251,602	7,750,942	-	8,002,544
- Other assets (Restated)	28,305	-	66,761	95,066
	<u>754,907</u>	<u>8,078,489</u>	<u>66,761</u>	<u>8,900,157</u>
<u>Liabilities</u>				
- PEL	-	1,870,009	-	1,870,009
- HDC	-	3,404,266	-	3,404,266
- Borrowings	-	725,659	7,978	733,637
- Other liabilities	-	-	46,904	46,904
	<u>-</u>	<u>5,999,934</u>	<u>54,882</u>	<u>6,054,816</u>
31 December 2018				
<u>Assets</u>				
- Cash at banks and in hand	-	118,130	-	118,130
- Treasury deposits	300,000	-	-	300,000
- Loans to customers	260,661	7,290,039	-	7,550,700
- Other assets	30,000	-	175,019	205,019
	<u>590,661</u>	<u>7,408,169</u>	<u>175,019</u>	<u>8,173,849</u>
<u>Liabilities</u>				
- PEL	-	1,818,670	-	1,818,670
- HDC	-	2,393,053	-	2,393,053
- Borrowings	-	892,366	11,162	903,528
- Other liabilities	-	-	39,630	39,630
	<u>-</u>	<u>5,104,089</u>	<u>50,792</u>	<u>5,154,881</u>

Currency risk

The Company is not exposed to currency risk as all its financial assets and liabilities are denominated in Mauritian Rupees, the Company's reporting currency.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

4. FINANCIAL RISKS (CONT'D)

Liquidity risk

The table shows the remaining contractual maturities of financial liabilities

	Less than 3 months Rs'000	Between 3 months and 1 year Rs'000	Over one year Rs'000	Total Rs'000
Financial Liabilities				
- PEL	1,933,219	-	-	1,933,219
- HDC	44,841	1,379,624	3,376,547	4,801,012
- Borrowings	-	152,627	303,830	456,457
- Other liabilities	58,877	-	17,876	76,753
30 June 2021	<u>2,036,937</u>	<u>1,532,251</u>	<u>3,698,253</u>	<u>7,267,441</u>
- PEL	1,870,009	-	-	1,870,009
- HDC	122,552	409,008	2,872,706	3,404,266
- Borrowings	44	194,931	538,662	733,637
- Other liabilities	27,693	-	19,211	46,904
31 December 2019	<u>2,020,298</u>	<u>603,939</u>	<u>3,430,579</u>	<u>6,054,816</u>
- PEL	1,818,670	-	-	1,818,670
- HDC	206,155	251,769	1,935,129	2,393,053
- Borrowings	944	267,422	635,162	903,528
- Other liabilities	26,172	-	13,458	39,630
31 December 2018	<u>2,051,941</u>	<u>519,191</u>	<u>2,583,749</u>	<u>5,154,881</u>

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows which is inherent in all banking operations and can be affected by a range of Company-specific and market-wide events.

Being a financial institution, the Company's liquidity risk is subject to statutory obligation whereby it has to meet the Bank of Mauritius requirements in respect of liquidity ratio to be maintained at all times. The Company manages its liquidity risk by ensuring timely collection of receivables and also by availing credit facilities from banks and facilities which are guaranteed by Government of Mauritius. For insurance contracts, the contractual maturity refers to the death/permanent incapacity of the policy holder and damages to the insured properties. The Company discharges its obligation towards the insured when the event occurs. Past experience over the last four years, shows that on average of 25% of the premium received in that particular period, has been used to offset loan balances regarding life assurance; for Building insurance claims average 1% of total premium over the last four years.

Liquidity risk management

The Company established a comprehensive policy and control framework for managing liquidity risk. The Company's Asset and Liability Management Committee (ALCO) is responsible for managing the Company's liquidity risk via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. In order to effectively manage liquidity risk the Company:

- maintains a portfolio of highly liquid assets;
- ensures that there is diversity in its funding base;
- monitors the behavioural characteristics of financial assets and liabilities;
- monitors liquidity reports;
- analyses the expected maturity profile of assets and liabilities;
- establishes early warning indicators of potential liquidity stress events and ensures that there are assets available to be used as collateral if needed;
- performs regular stress tests; and
- maintains a contingency funding plan.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

4. FINANCIAL RISKS (CONT'D)

Liquidity risk (Cont'd)

Liquidity risk management (Cont'd)

The tables below analyse the Company's financial assets and liabilities to the relevant maturity groupings based on the remaining years of repayment.

Maturities of financial assets and liabilities at 30 June 2021:

	Less than 3 months	Between 3 months and 1 year	Over one year	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Assets				
- Cash at banks and in hand	465,638	-	-	465,638
- Treasury deposits	600,000	550,000	-	1,150,000
- Loans to customers	10,106	24,815	8,462,336	8,497,257
- Other assets	-	26,117	19,141	45,258
	<u>1,075,744</u>	<u>600,932</u>	<u>8,481,477</u>	<u>10,158,153</u>
Liabilities				
- PEL	1,933,219	-	-	1,933,219
- HDC	44,841	1,379,624	3,376,547	4,801,012
- Borrowings	-	152,627	303,830	456,457
- Other liabilities	58,877	-	17,876	76,753
	<u>2,036,937</u>	<u>1,532,251</u>	<u>3,698,253</u>	<u>7,267,441</u>
Liquidity gap	<u>(961,193)</u>	<u>(931,319)</u>	<u>4,783,224</u>	<u>2,912,424</u>

Maturities of financial assets and liabilities at 31 December 2019:

	Less than 3 months	Between 3 months and 1 year	Over one year	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Assets				
- Cash at banks and in hand	327,547	-	-	327,547
- Treasury deposits	150,000	200,000	125,000	475,000
- Loans to customers	23,305	70,346	7,908,893	8,002,544
- Other assets (Restated)	23,303	43,458	28,305	95,066
	<u>524,155</u>	<u>313,804</u>	<u>8,062,198</u>	<u>8,900,157</u>
Liabilities				
- PEL	1,870,009	-	-	1,870,009
- HDC	122,552	409,008	2,872,706	3,404,266
- Borrowings	44	194,931	538,662	733,637
- Other liabilities	27,693	-	19,211	46,904
	<u>2,020,298</u>	<u>603,939</u>	<u>3,430,579</u>	<u>6,054,816</u>
Liquidity gap	<u>(1,496,143)</u>	<u>(290,135)</u>	<u>4,631,619</u>	<u>2,845,341</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

4. FINANCIAL RISKS (CONT'D)

Liquidity risk (Cont'd)

Liquidity risk management (Cont'd)

*Maturities of financial assets and liabilities at 31 December 2018:*Assets

- Cash at banks and in hand	118,130	-	-	118,130
- Treasury deposits	150,000	150,000	-	300,000
- Loans to customers	9,832	41,907	7,498,961	7,550,700
- Other assets	150,491	24,528	30,000	205,019
	<u>428,453</u>	<u>216,435</u>	<u>7,528,961</u>	<u>8,173,849</u>

Liabilities

- PEL	1,818,670	-	-	1,818,670
- HDC	206,155	251,769	1,935,129	2,393,053
- Borrowings	944	267,422	635,162	903,528
- Other liabilities	26,172	-	13,458	39,630
	<u>2,051,941</u>	<u>519,191</u>	<u>2,583,749</u>	<u>5,154,881</u>
Liquidity gap	<u>(1,623,488)</u>	<u>(302,756)</u>	<u>4,945,212</u>	<u>3,018,968</u>

The negative liquidity gap is mainly due to classification of PEL savings account with no maturity classified under less than 3 months.

Analysis bases on last 10 years show that the average withdrawal on PEL portfolio represents only 13%. Part of the PEL portfolio is on contractual terms.

Stress test simulation on PEL portfolio

The Company seeks to maintain liquid assets sufficient to cover stressed scenarios.

Scenario	Less than 3 mths (Rs'000)	Funding
Average withdrawals rate of 1.05%	(50,612)	Positive
Scenario 1 - withdrawal rate increased from 1.05% to 5%	(241,009)	Negative
Scenario 2 - withdrawal rate increased from 1.05% to 10%	(482,019)	Negative
Scenario 3 - withdrawal rate increased from 1.05% to 15%	(723,029)	Negative

Insurance risk management

The Company accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The Company manages its risk via its underwriting strategy within an overall risk management framework. Pricing is based on assumptions relating to trends and past experience. Exposures are managed by having documented underwriting limits and criteria.

Sensitivity analysis

The risk associated with insurance contracts is complex and subject to a number of variables which complicate quantitative sensitivity analysis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

4. FINANCIAL RISKS (CONT'D)**Legal claim**

Due to the nature of the business, the Company is exposed to claims, disputes and legal proceedings arising in the ordinary course of business. Such legal proceedings may result in monetary damages, legal defence costs and penalties. It is the policy of the Company to seek legal advice on each case and appropriate provisions are recognised depending on the merit of each case.

Risks related to the COVID-19 pandemic

On 11 March 2020, the World Health Organisation categorised COVID-19 as a pandemic and this was followed by lockdown periods.

The Government of Mauritius and the Bank of Mauritius have come forward with a number of measures to support the public at large to alleviate their financial burden due to the halt in the economic activities during the lockdown periods.

The Bank of Mauritius has revised the repo rate downward on two occasions with a first decrease of 50 basis points on 10 March 2020 and a second decrease of 100 basis points on 16 April 2020.

Impact of COVID-19 on MHC business

In line with the Government Policy, MHC has been supporting its customers who have been affected by the Covid-19 pandemic. As appropriate “moratorium on capital” and “waiver of interests” have been provided accordingly. In some cases, MHC has also adjusted the monthly repayment amount of the loans concerned based on any adjustment in the income of those customers.

In addition, MHC has assessed the level of provisioning and also made an in-depth analysis regarding remittances received from risky sectors. So far, it can confirmed that this has not adversely affected MHC's liquidity position.

Furthermore, MHC has also adapted its underwriting procedures with a very cautious approach, to ensure that it does not over-burden customers who have been working in those affected sectors and slowly, MHC has been relaxing those conditions.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Company's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**(a) Pension benefits**

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 Company determines the appropriate discount rate at the end of each period/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. Other key assumptions for pension obligations are based in part on current market conditions.

(b) Revaluation of property and equipment and investment property

The Company carries its investment property at fair value, with changes in fair value being recognised in profit or loss. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Company engaged an independent valuation specialists to determine fair value. The impact is reflected in Notes 16 and 17.

(c) Limitation of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and 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.

Sensitivity analysis does not take into consideration that the Company's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represents the Company's view of possible near-term market changes that cannot be predicted with any certainty.

(d) Asset lives and residual values

Property and equipment are depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(e) Impairment of credit losses

The Company makes provision against its loan portfolio as per guidance of IFRS and the BOM Guidelines in order to determine its best estimate of the provision required. The measurement of impairment losses under IFRS 9 and the BOM Guidelines 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 Company'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 Company'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 (Lifetime Expected Credit Losses) 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; and
- > Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

• **Business model assessment:** Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(e) Impairment of credit losses (Cont'd)

- Significant increase of credit risk: ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative reasonable and supportable forward looking information and backstop indicators.

- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Company monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differs.

- Models and assumptions used: The Company uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

The following are key estimations that the directors have used in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral.

(f) Impact of COVID-19

In January 2020, the World Health Organisation has declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets.

The directors have considered the potential adverse impact of COVID-19 on the Company's activities and have exercised significant judgement in assessing that the preparation of these financial statements on a going concern basis is appropriate. In making this assessment, the directors have considered the global economic conditions, the capital strength of the Company, Government of Mauritius and Bank of Mauritius decisions regarding the activities in which the Company is engaged, the continuous grants and financial support obtained from the Government of Mauritius for the Company to pursue its activities and other risks that could affect the Company.

Details on risks related to COVID-19 are provided in Note 4 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

6. NET INTEREST INCOME

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019	Year ended 31 December 2018
	Rs'000	Rs'000	Rs'000
Interest income			
Loans interest	524,113	445,952	439,069
Interest on bank deposits	23,020	24,025	9,003
Others	968	56,299	36,699
	<u>548,101</u>	<u>526,276</u>	<u>484,771</u>
Interest expense			
Bank overdrafts	(38)	(464)	(303)
Bank loans	(30,371)	(37,921)	(23,921)
Plan Epargne Logement - (PEL)	(22,753)	(23,846)	(42,519)
Housing deposits certificates - (HDC)	(161,283)	(129,657)	(107,677)
Others	(1,796)	(18)	(18)
	<u>(216,241)</u>	<u>(191,906)</u>	<u>(174,438)</u>
Net interest income	<u>331,860</u>	<u>334,370</u>	<u>310,333</u>

For all financial instruments measured at amortised cost, interest income or expense is recorded at the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

However, for a reclassified financial asset for which the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019	Year ended 31 December 2018
	Rs'000	Rs'000	Rs'000
7. OTHER OPERATING INCOME			
Insurance premium (net of claims paid and change in incurred but not reported claims)	80,963	52,794	56,386
Profit on disposal of property and equipment	9	319	15
Profit on disposal of property development	9,032	-	-
Others	5,826	1,852	2,986
	<u>95,830</u>	<u>54,965</u>	<u>59,387</u>
8. PERSONNEL EXPENSES			
Salaries and human resource development	205,842	127,306	151,379
Pension contributions and other staff benefits	39,625	25,660	27,690
	<u>245,467</u>	<u>152,966</u>	<u>179,069</u>
9(a). OTHER EXPENSES			
Maintenance and repairs	14,498	11,368	7,338
Travelling and transport	20,004	15,640	16,307
Staff welfare, training and study schemes	17,642	15,279	7,876
General expenses	7,649	4,609	5,274
Electricity	6,631	4,931	4,942
Passages benefits	9,284	6,548	5,477
Printing and stationery	2,568	2,393	2,313
Telephone	5,429	2,479	2,282
Motor vehicles running expenses	1,298	864	868
Directors' emoluments	4,630	3,055	3,158
Audit fees	2,243	1,380	1,208
Professional fees	7,435	6,491	7,772
Family protection schemes' contribution	2,801	1,889	2,039
Software maintenance costs	10,233	5,326	3,021
Rent of properties	-	-	2,244
Advertising	3,403	6,512	6,663
Postages	2,051	4,562	3,614
Legal fees and expenses	878	110	205
Sponsorship & Corporate Social Responsibility	173	264	1,666
Retirement benefits (Voluntary Early Retirement)	414	414	333
Donations	220	-	30
Project expenses	2,041	939	113
Others	1,366	6,134	1,816
	<u>122,891</u>	<u>101,187</u>	<u>86,559</u>
9(b). OTHER PROVISIONS			
Provision on other assets (Note 19(a))	639	1,348	-
Provision on fixed deposits (Note 13(b))	-	25,000	-
Reversal of fixed deposits (Note 13(b))	(25,000)	-	-
	<u>(24,361)</u>	<u>26,348</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019	Year ended 31 December
	Rs'000	Rs'000	Rs'000
10. PROFIT FOR THE PERIOD/YEAR			
Profit for the period/year is arrived at after charging:			
Depreciation on property and equipment	21,233	15,780	13,068
Amortisation on intangible assets	30,922	2,455	1,268
Staff costs (Note (a))	248,682	155,269	181,441
(a) Analysis of staff costs	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019	Year ended 31 December
	Rs'000	Rs'000	Rs'000
Wages and salaries (Note 8)	205,842	127,306	151,379
Pension costs and other contributions (Note 8)	39,625	25,660	27,690
Retirement benefits (Voluntary Early Retirement)	414	414	333
Family protection schemes' contribution	2,801	1,889	2,039
	248,682	155,269	181,441
11. DIVIDENDS	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019	December 2018
	Rs'000	Rs'000	Rs'000
Dividends recommended and paid	25,593	40,845	41,957
Dividend per share	Rs 1.28	Rs 2.04	Rs 2.10
On 29 September 2021, the Directors proposed a dividend of Rs 7,576,900 in respect of the period ended 30 June 2021. This dividend has not been recognised as a liability at 30 June 2021 in accordance with IAS 10 and pending approval from Bank of Mauritius.			
12. EARNINGS PER SHARE	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019	Year ended 31 December
	Rs'000	Rs'000	Rs'000
Profit for the period/year	75,769	127,966	204,225
No. of shares	20,000,000	20,000,000	20,000,000
Earnings per share	Rs. 3.79	6.40	10.21
13. CASH AND CASH EQUIVALENTS			
(a) Cash at banks and in hand	30-Jun-21	31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
Cash in hand	3,006	2,722	1,111
Cash at banks	263,224	128,005	117,019
Treasury bills	199,408	196,820	-
	465,638	327,547	118,130

Cash at banks and in hand include highly liquid investment that are readily convertible to cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition. The balances in cash in hand and at banks are held with reputable financial institutions in the Republic of Mauritius, as such, the ECL provisions are immaterial.

There exists no restriction on the above bank balances.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

13. CASH AND CASH EQUIVALENTS (CONT'D)

(b) Treasury deposits	30-Jun-21	31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
Fixed term deposits (Note (i))	1,150,000	500,000	300,000
Provision on treasury deposits (Note (ii))	-	(25,000)	-
	<u>1,150,000</u>	<u>475,000</u>	<u>300,000</u>

(i) Treasury deposits measured at amortised cost, are funds held on fixed term with maturities of six to twelve months, held with financial institutions and can be recalled.

(ii) The Company has a fixed deposit of Rs 100,000,000 with BanyanTree Bank Limited (the "Bank"). In March 2020, the Bank of Mauritius appointed a conservator under the Banking Act 2004 to protect the assets of the Bank due to financial issues affecting the said Bank. On a prudential basis, a provision of Rs 25M was made at 31 December 2019.

Post 30 June 2021, the conservator has been able to secure a potential buyer for the Bank and as at the date of this report the applicable licences are in progress for the Bank to start its operations by the end of October 2021. Based on this development, Management has reversed the provision of Rs 25M.

Interest of Rs 3,950,000 was accrued on this fixed deposit for the period under review.

14. PROPERTY DEVELOPMENT

	30-Jun-21	31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
At start of period/year	99,343	2,405	2,405
Costs incurred during the period/year	35,938	96,938	-
Transfer from Property and equipment	35,950	-	-
Amount transferred	(21,811)	-	-
At end of period/year	<u>149,420</u>	<u>99,343</u>	<u>2,405</u>

Pursuant to a Memorandum of Understanding of February 2004 between Business Park of Mauritius Ltd (BPML), a locally incorporated company, and the Company, it was agreed that both companies will undertake a joint project for the development of an integrated residential and recreational complex at Ebene Cybervillage site, Republic of Mauritius.

All the housing units at Ebene Cybervillage have been sold except for one where the deed of sale has not been finalised yet. The apartment will be sold once court decision is obtained and this will have no bearing on the cost of the apartment. At 30 June 2021, included in other liabilities is an amount of Rs 340,500 (2019 and 2018: Rs 340,500) representing deposit from potential buyer of the remaining property development at Ebene Cybervillage.

During the year 2019, there has been a reclassification of cost relating to the development of housing units at Le Hochet from other assets to property development since construction of the housing units has started and the construction of phase one has been completed.

During the period under review, the Company has developed a portion of its freehold land at Roche Brunes and these were sold to individual customers. At 30 June 2021, only 10 plots remain to be sold.

15. LOANS TO CUSTOMERS

(a) Housing loans are granted to clients only after a well defined pre-established sanctioning process is completed and the repayment terms vary from 1 to 35 years.

	30-Jun-21	31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
Fast loans and flexi loans	616,553	69,401	2,576
Secured loans	8,736,249	8,700,523	8,291,355
Total loans advanced	9,352,802	8,769,924	8,293,931
Provision for credit losses (Note (c) overleaf)	(633,015)	(597,474)	(576,457)
Penalty provisions	(25,662)	-	-
Interest suspended	(196,868)	(169,906)	(166,774)
	<u>8,497,257</u>	<u>8,002,544</u>	<u>7,550,700</u>
Analysed as follows:			
Current	589,440	506,102	454,840
Non-current	8,763,362	8,263,822	7,839,091
	<u>9,352,802</u>	<u>8,769,924</u>	<u>8,293,931</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

15. LOANS TO CUSTOMERS (CONT'D)

(b) Allowance for credit impairment

	30-Jun-21	31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
(Net impairment loss)/release of allowances for credit impairment	(35,541)	(21,017)	56,373
Amount written off	(2,440)	-	-
	<u>(37,981)</u>	<u>(21,017)</u>	<u>56,373</u>

(c) Provision for credit losses

	Specific Provision	Portfolio Provision	Total
	Rs'000	Rs'000	Rs'000
At 01 January 2018	512,566	61,658	574,224
Adjustment as per IFRS 9	63,367	(4,761)	58,606
	<u>575,933</u>	<u>56,897</u>	<u>632,830</u>
Movement during the year	(62,777)	6,404	(56,373)
At 31 December 2018	<u>513,156</u>	<u>63,301</u>	<u>576,457</u>
At 01 January 2019	513,156	63,301	576,457
Movement during the year	20,383	634	21,017
At 31 December 2019	<u>533,539</u>	<u>63,935</u>	<u>597,474</u>
At 01 January 2020	533,539	63,935	597,474
Movement during the period	29,717	5,824	35,541
At 30 June 2021	<u>563,256</u>	<u>69,759</u>	<u>633,015</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

15. LOANS TO CUSTOMERS (CONT'D)

(d) Remaining term to maturity

	30-Jun-21 Rs'000	31-Dec-19 Rs'000	31-Dec-18 Rs'000
Within 3 months	10,106	23,305	9,832
Over 3 months and up to 6 months	9,975	35,923	11,935
Over 6 months and up to 12 months	14,840	34,423	29,972
Over 1 year and up to 5 years	427,986	442,561	482,880
Over 5 years	8,889,895	8,233,712	7,759,312
Total	9,352,802	8,769,924	8,293,931

(e) Credit concentration of risk by industry sectors

Name of sector	30-Jun-21 Rs'000	31-Dec-19 Rs'000	31-Dec-18 Rs'000
Construction (Housing finance)	9,352,802	8,769,924	8,293,931

16. INVESTMENT PROPERTY

VALUATION	Freehold building Rs'000	Cybervillage land Rs'000	Total Rs'000
At 31 December 2017	76,000	40,000	116,000
Fair value adjustment in 2018	2,749	2,000	4,749
At 31 December 2018	78,749	42,000	120,749
Fair value adjustment in 2019	1,660	3,000	4,660
At 31 December 2019	80,409	45,000	125,409
Fair value adjustment in 2021	1,893	1,000	2,893
At 30 June 2021	82,302	46,000	128,302

(i) The investment properties are classified as Level 3 in term of the fair value hierarchy.

Revaluation of investment properties

On 08 January 2021, the investment properties were revalued by Mr & Mrs N Jeetun, Msc, M.R.I.C.S, M.M.I.S, P.M.A.P.I of NP Jeetun, independent Chartered Valuation Surveyor. The properties have been valued using comparative method and investment method of valuation. This is based on comparison of prices paid of similar properties within close vicinity of the site and adjusted to reflect the characteristic of the subject properties, at the relevant date.

(ii) The Company has pledged its investment properties to secure the borrowings.

	30-Jun-21 Rs'000	31-Dec-19 Rs'000	31-Dec-18 Rs'000
Rental income on investment properties	7,233	7,170	6,156

No expenses on investment properties were incurred during the period.

17. PROPERTY AND EQUIPMENT

	Freehold land Rs'000	Buildings Rs'000	Furniture and equipment Rs'000	Motor vehicles Rs'000	Right - of -use Rs'000	Total Rs'000
COST OR VALUATION						
At 01 January 2018	286,440	185,294	167,098	6,008	-	644,840
Additions	-	-	3,064	1,770	-	4,834
Fair value adjustment	69,430	41,427	-	-	-	110,857
Disposals	-	-	(1,735)	-	-	(1,735)
At 31 December 2018	355,870	226,721	168,427	7,778	-	758,796
Additions	-	-	8,511	-	10,379	18,890
Disposals	-	-	(5)	(963)	-	(968)
At 31 December 2019	355,870	226,721	176,933	6,815	10,379	776,718
Additions	-	-	3,427	-	5,465	8,892
Disposals	(79,900)	-	(9)	-	-	(79,909)
At 30 June 2021	275,970	226,721	180,351	6,815	15,844	705,701
DEPRECIATION						
At 01 January 2018	-	7,890	140,953	4,144	-	152,987
Disposal adjustment	-	-	(1,735)	-	-	(1,735)
Charge for the year	-	3,706	8,194	1,168	-	13,068
Fair value adjustment	-	(11,596)	-	-	-	(11,596)
At 31 December 2018	-	-	147,412	5,312	-	152,724
Disposal adjustment	-	-	(5)	(964)	-	(969)
Charge for the year	-	4,534	7,312	1,168	2,766	15,780
At 31 December 2019	-	4,534	154,719	5,516	2,766	167,535
Disposal adjustment	-	-	(9)	-	-	(9)
Charge for the period	-	6,795	9,033	765	4,640	21,233
At 30 June 2021	-	11,329	163,743	6,281	7,406	188,759
NET BOOK VALUES						
At 30 June 2021	275,970	215,392	16,608	534	8,438	516,942
At 31 December 2019	355,870	222,187	22,214	1,299	7,613	609,183
At 31 December 2018	355,870	226,721	21,015	2,466	-	606,072

(i) The land and buildings are classified as Level 3 in terms of the fair value hierarchy.

Revaluation of land and buildings

On 29 November 2018, the land and buildings were revalued by Mr & Mrs N Jeetun, Msc, M.R.I.C.S, M.M.I.S, P.M.A.P.I of NP Jeetun, independent Chartered Valuation Surveyor. The land and buildings were revalued using comparative method of valuation. This is based on comparison of sales of similar properties within close vicinity of the site and adjusted to reflect the characteristic of the subject properties, at the relevant date. No revaluation was done in both 2020 and 2021 as management is of the view that there has not been significant factors which would affect the values of 2018.

(ii) Movement in revaluation reserves is as follows:

	30-Jun-21 Rs'000	31-Dec-19 Rs'000	31-Dec-18 Rs'000
At start of period/year	425,138	612,197	489,743
Movement during the period/year	-	-	122,454
Released/transfer to retained earnings:	(48,760)	(187,059)	-
At end of period/year	376,378	425,138	612,197

(a) During the financial year 2019, the revaluation reserves was overstated by Rs 187,059,000 and same has been reclassified to retained earnings. The comparatives figures have not been restated as the reclassification has no effect on total equity and the prior years' profits.

During the current period under review, the revaluation amount pertaining to Le Hochet and Roche Brunes land have been transferred to property development upon disposals of the relevant properties.

17. PROPERTY AND EQUIPMENT (CONT'D)

Revaluation of land and buildings (Cont'd)

The book values of the properties were adjusted to the revalued amounts and the resulted surplus was credited to revaluation reserves in shareholders' equity. If land and buildings were stated on the historical cost basis, the net book value would be as follows:

	30-Jun-21	31-Dec-19	31-Dec-18
	Rs' 000	Rs' 000	Rs' 000
Cost	15,183	15,183	15,183
Accumulated depreciation	(7,635)	(7,027)	(6,724)
Net book value	7,548	8,156	8,459

- (ii) Included in the net carrying amount of property and equipment is the right-of-use assets for an amount of Rs 8,438,000.
- (iii) The Company has pledged its property and equipment to secure part of its borrowings.

18. INTANGIBLE ASSETS	COMPUTER SOFTWARE Rs'000	PROGRESS PAYMENTS Rs'000	CORE BANKING INTEGRATED SYSTEM	TOTAL Rs'000
COST				
At 01 January 2018	20,730	47,266	-	67,996
Additions	-	11,831	-	11,831
At 31 December 2018	20,730	59,097	-	79,827
Additions	-	78,024	-	78,024
At 31 December 2019	20,730	137,121	-	157,851
Transfer	-	(137,121)	137,121	-
Additions	-	-	46,378	46,378
At 30 June 2021	20,730	-	183,499	204,229
AMORTISATION				
At 01 January 2018	19,462	-	-	19,462
Charge for the year	1,268	-	-	1,268
At 31 December 2018	20,730	-	-	20,730
Charge for the year	-	2,455	-	2,455
At 31 December 2019	20,730	2,455	-	23,185
Transfer	-	(2,455)	2,455	-
Charge for the period	-	-	30,922	30,922
At 30 June 2021	20,730	-	33,377	54,107
NET BOOK VALUES				
At 30 June 2021	-	-	150,122	150,122
At 31 December 2019	-	134,666	-	134,666
At 31 December 2018	-	59,097	-	59,097

The directors have reviewed the carrying value of the intangible assets and are of opinion that at 30 June 2021, the carrying value has not suffered any impairment.

The progress payments refer to cost incurred for the implementation of a new Core Banking System which has gone live in November 2019. The cost incurred for the Go Live of the project has also been capitalised and amortised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

19(a). OTHER ASSETS

	30-Jun-21	Restated 31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
Staff loans	19,141	28,305	30,000
Receivable from Government	-	28,000	116,509
Instalments due from customers	-	-	46,482
Other receivables and prepayments	40,964	45,304	26,690
	<u>60,105</u>	<u>101,609</u>	<u>219,681</u>
Less:			
- Provision for impairment	(7,559)	(4,697)	(3,349)
- Amount written off	-	-	(9,151)
	<u>52,546</u>	<u>96,912</u>	<u>207,181</u>

The 2019 balance has been restated for reason explained in Note 36 to these financial statements.

19(b). ASSETS HELD FOR SALE

	30-Jun-21	31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
Foreclosed properties	59,527	61,108	63,607
Allowance for impairment on foreclosed properties	(4,268)	(4,268)	(4,363)
Land and apartments repossessed	4,571	4,801	4,801
	<u>59,830</u>	<u>61,641</u>	<u>64,045</u>

The foreclosed properties represent houses acquired at Masters' bar on default by clients and these are stated at the lower of carrying amount and fair value less costs to sell. Management is committed to dispose the properties as soon as there is a potential buyer. However, there are legal procedures that take much time before the sale can actually happen. Where clients are willing to buy and already occupying the properties, MHC charged an indemnity fee for occupancy until the sale is finalised.

Legal procedures normally take between 2 to 3 years. Where properties do have a potential buyer during the legal procedures, same is not rented.

20(a). PEL AND OTHER SAVINGS ACCOUNTS

	30-Jun-21	31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
Capital	1,606,754	1,496,360	1,398,843
Interest payable	324,559	371,769	417,964
Other savings accounts	1,906	1,880	1,863
	<u>1,933,219</u>	<u>1,870,009</u>	<u>1,818,670</u>

20(b). HOUSING DEPOSIT CERTIFICATES

	30-Jun-21	31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
Capital	4,631,910	3,209,411	2,181,416
Interest payable	169,102	194,855	211,637
	<u>4,801,012</u>	<u>3,404,266</u>	<u>2,393,053</u>
Analysed as follows:			
Current	1,424,465	531,560	457,924
Non-current	3,376,547	2,872,706	1,935,129
	<u>4,801,012</u>	<u>3,404,266</u>	<u>2,393,053</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

20 (b). HOUSING DEPOSIT CERTIFICATES (CONT'D)

	30-Jun-21	31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
Analysed as follows:			
Individuals	3,115,969	2,762,441	1,757,873
Corporates	1,685,043	641,825	635,180
	<u>4,801,012</u>	<u>3,404,266</u>	<u>2,393,053</u>

	30-Jun-21		31-Dec-19		31-Dec-18	
	Capital	Interest	Capital	Interest	Capital	Interest
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Within 3 months	42,805	2,036	101,199	21,353	164,268	41,887
Over 3 months and up to 6 months	1,012,865	8,399	149,973	20,872	107,515	26,852
Over 6 months and up to 12 month	340,363	17,997	207,563	30,600	100,753	16,649
Over 1 year and up to 2 years	496,451	40,178	352,237	38,326	439,821	59,562
Over 2 years	2,739,426	100,492	2,398,439	83,704	1,369,059	66,687
	<u>4,631,910</u>	<u>169,102</u>	<u>3,209,411</u>	<u>194,855</u>	<u>2,181,416</u>	<u>211,637</u>

The HDC balance at the end of the period include an amount of Rs 1,009.2M (2019: Rs 864.7M and 2018: Rs 646.5M) which was due to one of the Company largest depositors, with a deposit concentration ratio of 21.0% (2019: 27.0% and 2018: 27.0%).

21. BORROWINGS

	30-Jun-21	31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
Current			
Bank overdrafts (Secured) (Note (d) overleaf)	-	44	944
Loan capital (Note (a) overleaf)	6,101	8,854	9,088
Short term loan (Note (e) overleaf)	-	-	100,000
Bank loans (Note (b) overleaf)	143,328	183,335	158,334
Lease liabilities (Note (f) overleaf)	3,198	2,742	-
	<u>152,627</u>	<u>194,975</u>	<u>268,366</u>
Non-current			
Loan capital (Note (a) overleaf)	84,609	98,068	112,338
Bank loans (Note (b) overleaf)	213,074	435,358	511,662
Loan - Government of Mauritius (Note (c) overleaf)	-	-	11,162
Lease liabilities (Note (f) overleaf)	6,147	5,236	-
	<u>303,830</u>	<u>538,662</u>	<u>635,162</u>
Total borrowings	<u>456,457</u>	<u>733,637</u>	<u>903,528</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

21. BORROWINGS (CONT'D)

(a) Loan capital - Government Guaranteed

Rate of interest	Lenders	Terms of repayment	Repayment period	30-Jun-21 Rs'000	31-Dec-19 Rs'000	31-Dec-18 Rs'000
2.50%	European Development Fund	Half Yearly	30.12.1991 – 30.06.2021	-	2,909	4,790
2.50%	Mauritius Marine Authority	Yearly	23.02.2001 - 23.02.2020	-	377	746
2.50%	Mauritius Marine Authority	Yearly	27.04.2002 - 27.04.2021	183	739	1,202
2.50%	Mauritius Marine Authority	Yearly	20.05.2002 - 20.05.2022	469	535	768
2.50%	Mauritius Marine Authority	Yearly	09.07.2002 - 19.07.2023	317	618	834
2.50%	Mauritius Marine Authority	Yearly	14.08.2009 - 14.08.2028	2,016	2,674	3,183
2.50%	Mauritius Marine Authority	Yearly	21.07.2012 - 21.07.2031	3,340	3,601	4,070
2.50%	Mauritius Marine Authority	Yearly	Part of loan disbursed	3,634	3,634	3,634
2.50%	Government Sponsored Loan	Yearly	17.10.1978 - 18.06.2024	401	1,119	1,756
6.00%	Anglo Mauritius	Quarterly	29.02.2008 – 01.02.2028	33,788	41,250	46,250
3.00%	Bank of Mauritius	Yearly	No fixed repayment terms	46,562	49,466	54,193
				90,710	106,922	121,426
Less repayable within one year shown as short term loans				(6,101)	(8,854)	(9,088)
				84,609	98,068	112,338
Repayable by instalments:						
- after one year and before five years				22,913	25,299	28,690
- after five years				11,500	19,669	25,821
Repayment terms not yet finalised				3,634	3,634	3,634
Repayable other than by instalments				46,562	49,466	54,193
				84,609	98,068	112,338

Included in borrowings, is the balance of housing loans for Bank of Mauritius staff scheme amounting to Rs 46.6M (2019:Rs 49.5M and 2018: Rs 54.2M) which are managed by MHC in return for a payment of a six monthly service charge on the outstanding balance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

21. BORROWINGS (CONT'D)

	30-Jun-21 Rs'000	31-Dec-19 Rs'000	31-Dec-18 Rs'000
(b) Bank loans			
2.85% - 3.85% (2019: 4.50% - 5.40% and 2018: 4.50% - 5.40%) per annum and bank loans repayable by monthly/quarterly instalments	356,402	618,693	669,996
Current			
Portion repayable within one year	143,328	183,335	158,334
Non-current			
Portion repayable after one year and before five years	213,074	435,358	479,995
Portion repayable after five years	-	-	31,667
	213,074	435,358	511,662
Total	356,402	618,693	669,996

Included in the bank loans is an amount of Rs 326,406,484 (2019: Rs 492,030,318 and 2018: Rs 473,333,333) secured on the assets of the Company. The remaining loans are guaranteed by Government of Mauritius.

(c) Loan – Government of Mauritius

The loan from Government of Mauritius, which was interest free and unsecured, has been fully repaid.

(d) Bank overdrafts are secured against fixed deposits that the Company holds with the respective banks. The carrying amounts of borrowings are not materially different from their fair values.

(e) In prior year, the Company had entered into a Money Market Line Agreement with Bank One Ltd in order to secure its liquidity position, which was fully repaid in 2019.

(f) Leases liabilities

Lease liabilities are presented in the statement of financial position as follows:

	30-Jun-21 Rs' 000	31-Dec-19 Rs' 000	31-Dec-18 Rs' 000
Current	3,198	2,742	-
Non-current	6,147	5,236	-
	9,345	7,978	-

The Company's lease arrangement includes rental of buildings. All the Company's leases are recognised as finance lease as the contractual terms of the lease meet the definition of finance lease under IFRS 16, Leases. The Company classifies its right-of-use assets in a consistent manner to its property and equipment (Note 17).

Future minimum lease payments were as follows:

At 31 December 2019

	Within 1 year Rs' 000	1 to 2 years Rs' 000	Total Rs' 000
Lease payment	3,081	5,633	8,714
Finance charges	(339)	(397)	(736)
Net present value	2,742	5,236	7,978

At 30 June 2021

	Within 1 year Rs' 000	1 to 2 years Rs' 000	Total Rs' 000
Lease payment	3,605	6,560	10,165
Finance charges	(407)	(413)	(820)
Net present value	3,198	6,147	9,345

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021**21. BORROWINGS (CONT'D)****(f) Leases liabilities (Cont'd)**

Additional information on the right-of-use assets by class of assets is as follows:

Office building	Carrying amount	Depreciation for the year	Impairment
	Rs' 000	Rs' 000	Rs' 000
At 31 Dec 2019	7,613	2,766	-
At 30 June 2021	8,438	4,640	-

The right-of-use assets are included in property and equipment.

Operating lease**The Company as a lessee**

The Company accounted its operating lease under IAS 17, Leases in prior years. The leasing arrangements for the past two years ended 31 December 2018 are as disclosed below:

	31-Dec-18
	Rs' 000
Minimum lease payment	2,244

As at 31 December 2018, the Company had outstanding commitments under non-cancellable operating leases which fall due as follows:

	31-Dec-18
	Rs' 000
Within one year	2,295
Between 2 and 5 years	9,917
	12,212

Operating lease payments represent rental for office buildings

The Company as a lessor**Leasing arrangements**

Operating lease represents rental income from premises rented to outside parties. The leases are negotiated for an average term of ten years and rentals are fixed for an average term of five years. All operating contracts contain market review clauses in the event the lessee exercises its option to renew. The lessees do not have an option to purchase the property at the expiry of the lease.

	30-Jun-21	31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
Rent received under operating lease recognised in statement of profit or loss*	7,233	7,170	6,156

There were no direct operating expenses incurred in respect of the investment property.

* Rent received under operating lease is exclusive of occupational costs in relation to foreclosed properties.

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	30-Jun-21	31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
Within one year	5,816	6,156	6,156
Between 2 and 5 years	32,431	24,625	24,625
After more than 5 years	8,389	6,156	6,156
	46,636	36,937	36,937

(g) The carrying amounts of borrowings are not materially different from their fair values.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

22. RETIREMENT BENEFIT OBLIGATIONS

Amounts recognised in the statement of financial position:

	30-Jun-21	31-Dec-19	31-Dec-18
	Rs' 000	Rs' 000	Rs' 000
Amounts recognised in the statement of financial position:			
- Pension benefits (note (a)(ii))	336,685	246,157	288,665
- Funds kept within the Company (note (c))	10,560	10,560	10,560
	<u>347,245</u>	<u>256,717</u>	<u>299,225</u>
Amount charged to profit or loss:			
- Pension benefits (note (a)(iii))	<u>37,304</u>	<u>26,273</u>	<u>25,723</u>
Amount charged to other comprehensive income:			
- Pension benefits (note (a)(iv))	<u>68,565</u>	<u>(58,256)</u>	<u>18,411</u>

(a)(i) Pension benefits

The Company operates both a defined benefit plan and a defined contribution plan. The defined benefit arrangement is a final salary plan, which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The defined contribution benefit plan is dependent on the contribution made.

The assets of the funded plan are held independently and are administered by The State Insurance Company of Mauritius Ltd.

(ii) The amounts recognised in the statement of financial position are as follows:

	30-Jun-21	31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
Pension benefit obligations	683,395	585,844	602,822
Fair value of plan assets	<u>(346,710)</u>	<u>(339,687)</u>	<u>(314,157)</u>
Liability recognised at end of period/year	<u>336,685</u>	<u>246,157</u>	<u>288,665</u>

(iii) The amounts recognised in profit or loss are as follows:

	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019	Year ended 31 December 2018
	Rs'000	Rs'000	Rs'000
Current service cost	21,971	14,517	15,347
Fund expenses	1,067	317	352
Net interest expense	22,409	17,025	16,674
Employee contributions	<u>(8,143)</u>	<u>(5,586)</u>	<u>(6,650)</u>
Total included in staff costs	<u>37,304</u>	<u>26,273</u>	<u>25,723</u>
Actual return on plan assets	<u>29,860</u>	<u>35,272</u>	<u>11,006</u>

(iv) The amounts recognised in other comprehensive income are as follows:

	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019	Year ended 31 December 2018
	Rs'000	Rs'000	Rs'000
Remeasurement			
Liabilities loss/(gain)	69,866	(40,923)	9,850
Assets (gain)/loss	<u>(1,301)</u>	<u>(17,333)</u>	<u>8,561</u>
	<u>68,565</u>	<u>(58,256)</u>	<u>18,411</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(v)

The reconciliation of the opening balances to the closing balances for the defined benefit liability is as follows:

	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019	Year ended 31 December 2018
	Rs'000	Rs'000	Rs'000
At start of the period/year	246,157	288,665	256,998
Charged to profit or loss	37,305	26,273	25,723
Contributions paid	(15,342)	(10,525)	(12,467)
Charged to other comprehensive income	68,565	(58,256)	18,411
At end of period/year	336,685	246,157	288,665

(vi) The movement in the defined benefit obligations over the period/year is as follows:

	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019	Year ended 31 December 2018
	Rs'000	Rs'000	Rs'000
At start of the period/year	585,844	602,822	578,022
Current service cost	21,971	14,517	15,347
Interest expense	50,969	34,963	36,243
Benefits paid	(45,255)	(25,535)	(36,640)
Liability experience (gain)/loss	69,866	(40,923)	9,850
At end of period/year	683,395	585,844	602,822

(vii) The movement in the fair value of plan assets of the period/year is as follows:

	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019	Year ended 31 December 2018
	Rs'000	Rs'000	Rs'000
At start of the period/year	339,687	314,157	321,024
Expected return on plan assets	28,559	17,938	19,568
Employer contributions	14,928	10,241	12,184
Employee contributions	8,142	5,586	6,650
Benefits paid	(45,907)	(25,568)	(36,708)
Assets loss/(gain)	1,301	17,333	(8,561)
At end of period/year	346,710	339,687	314,157

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(viii) Distribution of plan assets at end of period/year

Percentage of assets at end of year/period	30-Jun-21	31-Dec-19	31-Dec-18
Fixed securities and cash	54.8%	58.2%	56.5%
Loans	2.8%	3.1%	3.8%
Local equities	11.8%	13.6%	13.6%
Overseas bonds and equities	30.1%	24.6%	25.5%
Property	0.5%	0.5%	0.6%
Total	100.0%	100.0%	100.0%

(ix) The cost of providing the benefits is determined using the Projected Unit method. The principal assumptions used for the purpose of the actuarial valuation were as follows:

	30-Jun-21	31-Dec-19	31-Dec-18
Discount rate	5.00%	5.80%	6.27%
Future salary growth rate	3.00%	4.50%	5.00%
Future pension growth rate	2.00%	3.50%	4.00%

The discount rate is determined by reference to market yields on bonds.

(x) Sensitivity analysis on defined benefit obligations at end of the reporting date:

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based reasonably on possible changes of the assumptions occurring at the end of the reporting period.

If the discount rate would be 100 basis points (one percent) higher (lower), the defined benefit obligation would decrease by Rs 90.4 M (increase by Rs 114.0 M) if all other assumptions were held unchanged.

If the expected salary growth would increase (decrease) by 1%, the defined benefit obligation would increase by Rs 52.3 M (decrease by Rs 45.1 M) if all other assumptions were held unchanged.

If life expectancy would increase (decrease) by one year, the defined benefit obligation would increase by Rs 8.1 M (decrease by Rs 8.0 M) if all assumptions were held unchanged.

In reality one might expect interrelationships between the assumptions, especially between discount rate and expected salary increases, given that both depends to a certain extent on the expected inflation rates. The analysis above abstracts from these interdependence between the assumptions.

(xi) The plan is exposed to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The risk relating to death in service benefits is re-insured.

(xii) The expected employer contributions for 2022 will amount to Rs 10,083,980.

(xiii) The weighted average duration of the defined benefit obligation is 15 years.

(xiv) The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(b) State Pension Plan

	30-Jun-21	31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
National Pension Scheme contributions	1,784	1,151	1,080

- (c) The funds pertain to provision made to cater for future obligation payable to the members of the Widows and Orphans Plan which existed before Family Protection Scheme.

23. OTHER LIABILITIES

	30-Jun-21	31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
Deposits against foreclosed properties	14,737	12,909	6,649
Leave passage provision	13,903	15,266	13,117
Accruals	35,057	10,382	8,216
Other payables	27,794	21,257	18,297
	91,491	59,814	46,279

The Company has financial risk management in place to ensure that all payables are paid within the credit timeframe and according to contractual terms.

24. INSURANCE FUNDS

	30-Jun-21	31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
Life assurance reserve (Note (a))	118,191	118,191	91,318
Building insurance reserve (IBNR)	1,507	1,507	1,507
Mortgage insurance reserve	4,275	4,275	4,275
	123,973	123,973	97,100

Movement in insurance funds

	30-Jun-21	31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
At start of period/year	123,973	97,100	97,100
Transfer from life assurance reserve (Note 26)	-	26,873	-
At end of period/year	123,973	123,973	97,100

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

24. INSURANCE FUNDS (CONT'D)

(a)

The policy liabilities have been valued as at 31 December 2019 in respect of policies issued under the Long Term Insurance business by the Company, in accordance with the solvency rules and accepted actuarial practice, including selection of appropriate valuation assumptions and methods. It is the Company's policy to have independent Actuarial Valuation every two years and at 30 June 2021, management is of the opinion that the insurance fund is adequate.

The valuation of the Decreasing Term Assurance book of business was performed using the Gross Premium valuation method. The reserves were established by discounting the future expected claims and expenses, less the future office premiums on a policy-by-policy basis.

The main assumptions used to calculate these liabilities are:

- investment return: 3.46% (3.66% p.a)
- renewal expense: Rs1,031.79 per policy p.a, increasing at 3.12% p.a
- mortality: 77.0% of SA85/90 plus 1.38% HA2 AIDS allowance
- total permanent disability: 88% of CSI skilled disability table
- withdrawal rate: Nil
- Commission: No Commission is payable
- Contingency provision: 10% of basic reserve

The insurance funds were estimated at Rs 123,973,000 as at 31 December 2019. In the previous year, the directors have decided to transfer an amount of Rs 26,873,000 from the life insurance reserve to the insurance funds. The life insurance reserve was created to cater for any shortfall arising from the insurance funds.

There are no reinsurance arrangements in place in respect of the life assurance fund and the decreasing term assurance business is written on a non-profit sharing basis.

Life Insurance Reserve

	Rs'000
At 01 January 2019	154,642
Transfer to insurance funds	(26,873)
At 31 December 2019 and at 30 June 2021	<u>127,769</u>

25. SHARE CAPITAL

	30-Jun-21 Rs'000	31-Dec-19 Rs'000	31-Dec-18 Rs'000
Authorised			
25,000,000 ordinary shares of Rs10 each	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Issued and fully paid			
20,000,000 ordinary shares of Rs10 each	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>

Fully paid ordinary shares, which have a par value of Rs10, carry one vote per share and a right to dividends.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

26. OTHER COMPREHENSIVE INCOME

	Revaluation Reserve Rs'000	Actuarial gains/ (losses) Rs'000	Life insurance reserve Rs'000
<i>Items that will not be reclassified to profit or loss:</i>			
30-Jun-21			
Revaluation of land	(48,760)	-	-
Remeasurement of defined benefit obligations	-	(68,565)	-
31-Dec-19			
Remeasurement of defined benefit obligations	-	58,256	-
Transfer to life insurance funds	-	-	(26,873)
31-Dec-18			
Gain on revaluation of land & buildings	122,454	-	-
Remeasurement of defined benefit obligations	-	(18,411)	-

Revaluation reserve

The revaluation reserve arises on the revaluation of freehold land and buildings which are revalued by an independent valuer every 3 years.

Actuarial gain/(losses)

The actuarial gain/(losses) reserve represents the cumulative remeasurement of defined benefit obligation recognised based on independent actuarial valuation.

27. BUILDING INSURANCE RESERVE

	30-Jun-21 Rs'000	31-Dec-19 Rs'000	31-Dec-18 Rs'000
Building insurance reserve	116,810	116,810	116,810

Building insurance relates to fund kept for insurance of mortgaged houses over the loan period against fire, cyclone and structural damages.

The policy liabilities have been valued in respect of policies issued in accordance with the solvency rules and accepted actuarial practice, including selection of appropriate valuation assumptions and methods. The policy liabilities together with the capital requirement do not exceed the amount of insurance funds of Rs 116.8M. It is the Company's policy to have independent actuarial valuation every two years, last performed in 2019. The directors consider that at 30 June 2021 the fund provision is still adequate.

The main assumptions used to calculate these liabilities are:

- the IBNR reserve is quantified on a factor-based method at 7% of written premium over the past years.
- UPR reserve is not applicable as Building Insurance Premiums are paid and recorded in the financial statements on a monthly basis.
- insurance liability capital charge of 10% of the IBNR.
- catastrophe capital charge of 5% of the written premium.

28. RETAINED EARNINGS

	30-Jun-21 Rs'000	Restated 31-Dec-19 Rs'000	31-Dec-18 Rs'000
At start of period/year	2,307,522	2,067,688	1,982,437
Adjustment as per IFRS 9	-	-	(58,606)
Transfer (Notes 17(a) and 29(a))	-	141,400	-
Movement on reserves	(20)	58,256	-
Profit for the period/year	75,769	127,966	204,225
Actuarial reserve	(68,565)	58,256	(18,411)
Dividends (Note 11)	(25,593)	(40,845)	(41,957)
Correction of prior period error (Note 36)	-	(105,199)	-
At end of period/year	2,289,113	2,307,522	2,067,688

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

29. RESERVES

(a) OTHER RESERVES

	At 01 January 2018	Movement during the year		At 31 December 2018
	Rs'000	DR Rs'000	CR Rs'000	Rs'000
EDF revolving fund	12,068	-	-	12,068
Gervaise reserve	529	-	-	529
General reserve	106,590	-	-	106,590
	<u>119,187</u>	<u>-</u>	<u>-</u>	<u>119,187</u>
	At 01 January 2019	Movement during the year		At 31 December 2019
	Rs'000	DR Rs'000	CR Rs'000	Rs'000
EDF revolving fund	12,068	(12,068)	-	-
Gervaise reserve	529	(529)	-	-
General reserve	106,590	-	-	106,590
	<u>119,187</u>	<u>(12,597)</u>	<u>-</u>	<u>106,590</u>
	At 01 January 2020	Movement during the period		At 30 June 2021
	Rs'000	DR Rs'000	CR Rs'000	Rs'000
General reserve	106,590	-	-	106,590
	<u>106,590</u>	<u>-</u>	<u>-</u>	<u>106,590</u>

In 2019, the EDF revolving fund and Gervaise reserve have been transferred to retained earnings as they do not represent valid reserves. The General Reserve was created in early years to cater for provisions in respect of potential impaired loans. This reserve is maintained on a prudence basis over the years.

(b) STATUTORY RESERVES

Pursuant to the provision of the Banking Act 2004, a sum equal to no less than 15% of the profit after tax is transferred to a Statutory Reserve Account, until the balance in that reserve account is equal to the Bank's paid up capital. This reserve is not distributable.

As at 30 June 2021, the reserve amounts to Rs 200M which is equal to the paid up share capital of the Company (Note 25).

30. COMMITMENTS

	30-Jun-21 Rs'000	31-Dec-19 Rs'000	31-Dec-18 Rs'000
(a) Loans			
Loans approved but not yet disbursed to individuals	<u>176,648</u>	<u>138,083</u>	<u>344,382</u>
(b) Capital commitments			

The Company does not have any capital commitment at 30 June 2021.

31. TAXATION

Pursuant to the Mauritius Housing Company Corporation (Transfer of Undertaking) Act 1989, all rights and privileges of the Mauritius Housing Corporation have been transferred to Mauritius Housing Company Ltd. The provisions of this Act have also dispensed the Company from any income tax/capital gain tax liability. No deferred tax asset or liability has been provided in the financial statements due to the exempt income tax status of the Company.

32. RELATED PARTIES TRANSACTIONS

The Company is making the following disclosures in accordance with IAS 24 (Related Party Disclosures):

Transactions during the period/year

Nature of transactions	30-Jun-21	31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
Shareholders of the company			
Government of Mauritius			
Loans	3,627	2,518	2,457
Interest paid	121	152	214
Interest received	28,000	19,398	31,619
Rental expense	38	33	38
Others			
Other transactions	44	40	38
Directors and key management personnel			
Loans	650	3,700	4,012
Loan interest	11	681	795
Deposits capital	(2,904)	1,155	(76)
Deposits interest	(476)	(472)	225
PEL capital	(1,976)	(1,376)	207
PEL interest	(134)	(8)	(351)

Remuneration and other benefits relating to key management personnel, including directors, were as follows:

Nature of transactions	30-Jun-21	31-Dec-19	31-Dec-18
	Rs'000	Rs'000	Rs'000
Salaries and benefits	34,063	20,104	22,850
	(Credit)/ debit balances at 30 June 2021	(Credit)/ debit balances at 31 December 2019	(Credit)/ debit balances at 31 December 2018
	Rs'000	Rs'000	Rs'000
Government of Mauritius			
Loans	(401)	(4,028)	(17,708)
Interest payable	-	(28)	(36)
Interest receivable	(7,559)	128,502	104,009
Directors and key management personnel			
Loans	13,515	20,477	19,625
Deposits capital	2,000	4,904	3,749
Deposits interest	25	501	973
PEL capital	2,082	4,058	5,434
PEL interest	37	171	179

The terms of the borrowings have been disclosed in Note 21.

The loans to directors and key management personnel are secured by a first rank mortgaged on their property bearing an interest rate ranging between 4% to 5% and has a maximum repayment capacity of 40% of monthly salary.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021**33. REPORTING CURRENCY**

The financial statements are presented in thousands of Mauritian Rupees since this is the currency in which the Company's transactions are denominated.

34. OWNERSHIP STRUCTURE

The directors consider the Government of Mauritius, which owns 60.1% of the share capital, as its controlling entity.

35. EVENTS AFTER THE REPORTING DATE

The Company acknowledges the current outbreak of COVID-19 which is causing economic disruption in most countries and its potential adverse economic impact on the Company's operations. This is an additional risk factor which could impact the Company after year end. Refer to Note 4 for impact of Covid-19 on the business. The Company is actively monitoring developments closely and given the nature of the outbreak and the ongoing developments, there is a high degree of uncertainty and it is not possible at this time to predict the extent and nature of the overall future impact on the Company's operations.

The Company has concluded that the developments in the global financial markets after the period end did not provide evidence of conditions that existed at the end of the reporting year and have therefore assessed that any impact they have had as non-adjusting. Management has reviewed both its working capital commitments and level of liquidity, and concluded that the Company will continue as a going concern in the foreseeable future.

36. CORRECTION OF PRIOR PERIOD ERROR

During the period under review, it came to the attention of management via a correspondence from the Ministry of Finance, Economic Planning and Development that the Housing Deposit Certificates ("HDC") bonus of 2% is no more applicable and hence all interest income recognised or accrued on the HDC scheme for prior years will not be recovered. Since these income relate to prior periods, the opening retained earnings have to be adjusted to take account of this change in condition, in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. However, the 2018 column has not been restated as the misstatement affects only the financial statements for 2019.

The effects of correcting the prior years' error on the Company's statement of financial position at 30 June 2021 are:

	Other assets Rs'000	Retained earnings Rs'000
Balance as previously reported at 31 December 2019	202,111	2,412,721
Effect of correcting prior period's error	(105,199)	(105,199)
Restated balance at 31 December 2019	96,912	2,307,522

37. EMPHASIS OF MATTER

A reconciliation exercise carried out between the subsidiary ledgers and the general ledger balances, both post the IT migration project and for financial reporting purposes at 31 December 2019, has revealed that the general ledger balance for other receivables exceeded the relevant listing by Rs 16,082,625 (Note 19(a)). The reconciliation exercise was further continued in 2020/2021 and now the net difference stood at Rs 17,802,868. Management is of the view that it is still premature to provide for the difference until the detailed analysis currently underway is not satisfactorily completed. We wish to draw attention that if had the whole difference be provided for, the profit for the period would decrease to Rs 57,966,132 and total equity would amount to Rs 3,398,857,132.