Putting Customers at the Heart of Everything

"La référence en prêt logement"

Annual Report
2021 / 2022

Mauritius Housing Company Ltd.

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Corporate Information

Overview and Corporate Information

Mauritius Housing Company (MHC) Ltd stems from the former Mauritius Housing Corporation, a parastatal body set up in 1963. The latter has taken over the housing loan business from the Mauritius Agricultural Bank which had been providing such loans since 1951. Mauritius Housing Company Ltd was incorporated in 1989, with the aim of being a complete solution provider in respect of housing finance requirements and of more efficiently meeting the challenges posed by the financial market.

With more than five decades at the service of the nation, Mauritius Housing Company Ltd is the only Financial Institution in Mauritius and Rodrigues that offers a variety of solutions with respect to the promotion of home ownership. Mauritius Housing Company Ltd also provides architectural, technical, legal and insurance services, estates projects as well as deposit-taking and savings schemes. To this day, the Company's distribution networks include 10 offices including Rodrigues.

REGISTERED OFFICE
Révérend Jean Lebrun Street, Port Louis, Mauritius
Post Code: 11328
Telephone: (230) 405 5555
Fax: (230) 212 3325
Website: www.mhc.mu
Email: mhc@mhc.mu
Facebook & Linked In: Mauritius Housing Company Ltd
Instagram: mhc_ltd

REGISTERED OFFICE
C06008524

VAT NUMBER
VAT 20092748

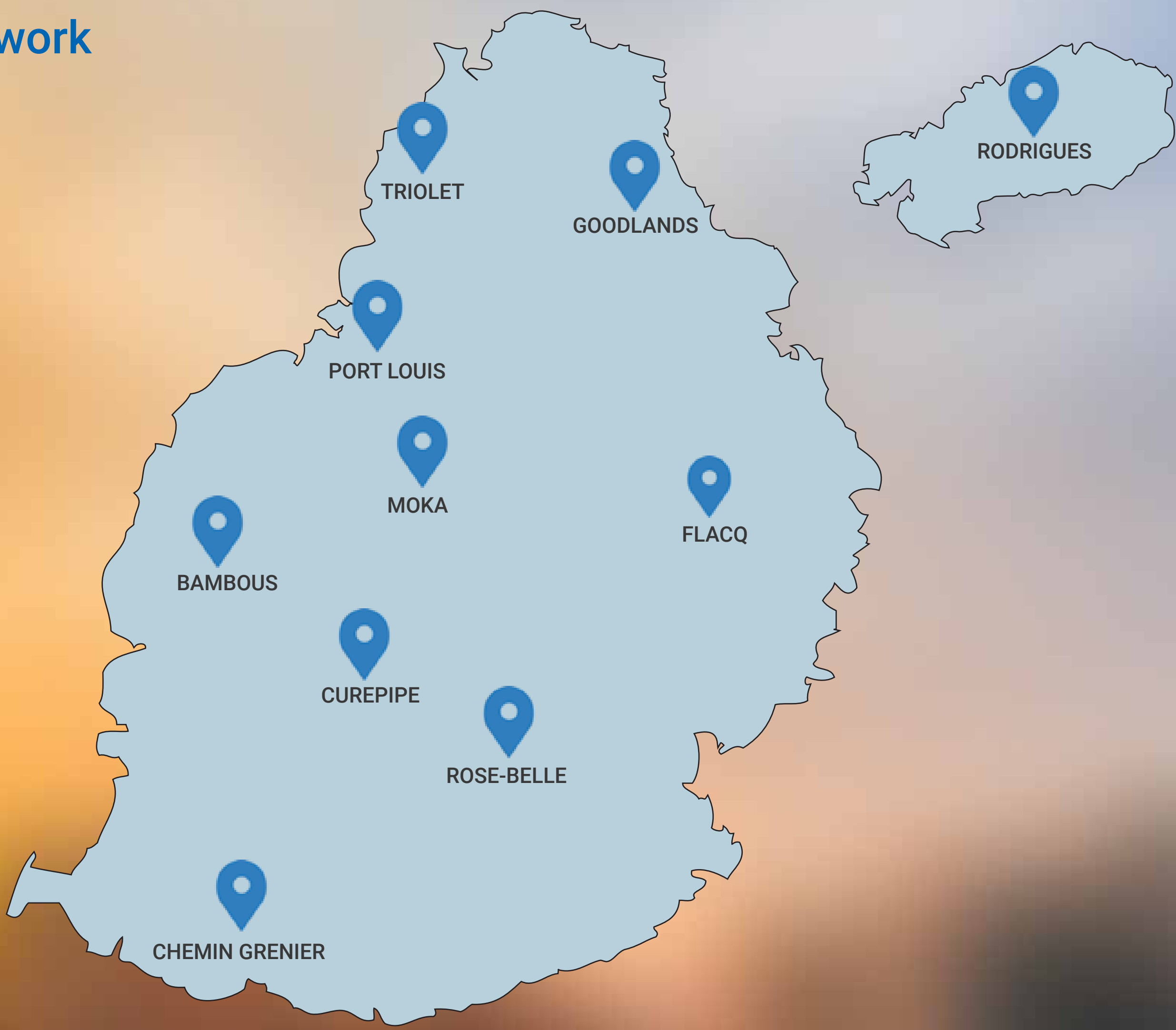
INCORPORATED ON
12 December 1989

COMPANY STATUS
Public Company Limited by shares

NATURE OF BUSINESS
Housing Financial Services

OTHER ACTIVITIES
Deposit Taking/Saving Schemes
Architectural Services
Estates Projects
Technical Services
Legal and Insurance Services

Network



HEAD OFFICE
MHC Building,
Révérend Jean Lebrun Street,
P.O Box 478, Port Louis.
Tel: 405 5555
Fax: 212 3325
Post Code: 11328

CUREPIPE OFFICE
Charles Lees Street,
Curepipe.
Tel: 676 0245/46/49
Fax: 676 0248
Post Code: 74404

GOODLANDS OFFICE
Block A2, Cnr,
Royal Road &
Route Les Pensées,
Goodlands
Tel: 282 1442/60
Fax: 282 1461
Post Code: 30406

FLACQ OFFICE
François Mitterand Street,
Flacq.
Tel: 413 5139/40
Fax: 413 5138
Post Code: 40606

BAMBOUS OFFICE
Royal Road,
Bambous.
Tel: 452 1665
Fax: 454 0372
Post Code: 90102

TRIOLET OFFICE
Royal Road,
Triolet.
Tel: 261 7623
Fax: 261 5324
Post Code: 21503

MOKA OFFICE
Royal Road,
Moka.
Tel: 460 1234
Fax: 434 0539
Post Code: 80808

ROSE BELLE OFFICE
Domah Commercial Centre,
Royal Road, Rose Belle
Tel: 660 9787
Fax: 628 0200
Post Code: 51829

CHEMIN GRENIER OFFICE
Royal Road, Chemin Grenier.
Tel: 660 1898
Fax: 621 2683
Post Code: 60415

RODRIGUES OFFICE
Camp du Roi,
Rodrigues.
Tel: 831 1787/0930
Fax: 831 1788
Post Code: R5109

Milestone

- **1963** – Creation of the Mauritius Housing Corporation (a parastatal body)
- **1988** – Launching of Plan Epargne Logement (PEL)
- **1989** – MHC was incorporated under the Companies Act 2001, as a State-Owned Public Company – Mauritius Housing Company Ltd (MHC Ltd)
- **1990** – Opening of a branch in Rodrigues
- **1994** – Opening of a branch in Flacq
- **2001 2002** – Opening of two new branches, in Curepipe and Goodlands; Introduction of In-House Architectural Services; Deposit-Takings activities – Housing Deposit Certificate (HDC)
- **2004** – Opening of two new branches, in Triolet and Bambous
- **2007 2008** – New product is developed Mixed Construction Loan
- **2009** – Development of a savings scheme for Junior – Junior PEL Saver (JPS)
- **2013** – Grand winner of the Mauritius Business Excellence Award 2012; Hosted the 29th Annual Conference of the African Union for Housing Finance (AUHF).
- **2016** – Winner of the Africa's Best Brand & Employer Awards
- **2017** – Opening of a new branch in Moka.
- **2018** – Laying of foundation stone at Domaine Le Hochet; Winner of the Bronze Award for NPQC 2018
- **2019** – Opening of a branch in Rose Belle; Launching of 3 products: Flexi Loan, Quick Mortgage and Fixed Deposit Senior Citizen
- **2020** – Launching of a new housing project at Clos Verger, Rose Hill "Résidence Mon Rêve"
- **2021** – Relocation of Bambous Branch, Launching of Senior Smart Loan
- **2022** – Opening of a branch in Chemin Grenier

Mission

PRODUCT/SERVICES ASPECT

To offer a wide range of attractive housing financial services with respect to Construction Projects, Renovation, Extension, Reimbursement, Purchase and Acquisition of lodging/apartments and Refinancing of housing loans so as to enable every Mauritian and Rodriguan to own a house.

CUSTOMER ASPECT

To professionally and continuingly delight our customers, ranging from a new born to a senior citizen, with a wide spectrum of competitive products that better meet their needs and expectations whilst ensuring their brilliant future.

GEOGRAPHY ASPECT

With a view to fulfilling the MHC's mandate, we shall maximise our share of the market in Mauritius and Rodrigues without disregarding the regional market, using tailor-made strategies and objectives.

TECHNOLOGY ASPECT

To make full use of available, affordable and applicable technologies that will take the Organisation to business excellence.

GOOD GOVERNANCE ASPECT

To leave no stone unturned in addressing the currently applicable Code and Bank of Mauritius guidelines on Corporate Governance and any established industry practices aiming at the enhancement of customer confidence and legal compliance.

PEOPLE ASPECT

We shall always put our most valued asset, which is our people, at the core of our business operations, through adequate training and performance management whilst ensuring quality at all times.

Vision

"To be the undisputed benchmark and the most preferred provider of housing financial services in Mauritius and the region"

Core Values

- Innovation & Creativity
- Serviceability
- Customer Oriented
- Honesty & Integrity
- Teamwork & Team Spirit
- Staff Development & Welfare
- Environmental Care

Product and Services

Our products and services are accessible to all segments of the population of the Republic of Mauritius, whichever they choose, and whether through our Head Office, at any of our branches or online.

HOUSING LOAN PRODUCTS

The MHC Ltd offers a wide range of attractive tailor-made housing loan products such as for construction, completion, renovation, extension of a house, purchase of residential property/apartment/land and refinancing of existing loans with other Institutions.

SAVINGS & DEPOSITS

The Company offers a wide range of savings and investment products. These include the regular monthly savings (Plan Epargne Logement - PEL), children's savings (Junior PEL Saver – JPS) and also term deposits (Housing Deposit Certificates - HDC) for individuals, Corporate and Senior Citizen with investments at attractive rates of interest and terms ranging from 12 to 120 months.

INSURANCE

The MHC Ltd provides its clients with life and building insurance as part of the home loan package with a view to protecting their interests and safeguarding their properties against contingencies.

ARCHITECTURAL & TECHNICAL

The Company undertakes the architectural design of houses and also offers technical assistance to its clients to enable them realise their housing projects, based on their financial capabilities and also on practical advice for an optimal use of their land area for house construction.

ESTATE DEVELOPMENT

The MHC Ltd's assets (land and buildings) are maintained and foreclosed properties are monitored through rental up to disposal. The Company has an impressive track record of estate development projects throughout the island, starting in the 1970s and catering for various income groups, with a dozen of residential projects (including Harbour View, Clos Verger, Govinden Court, La Tour Koenig, Roches Brunes, Vuillemin, Le Hochet and Cybervillage).

Financial Highlights and Analysis

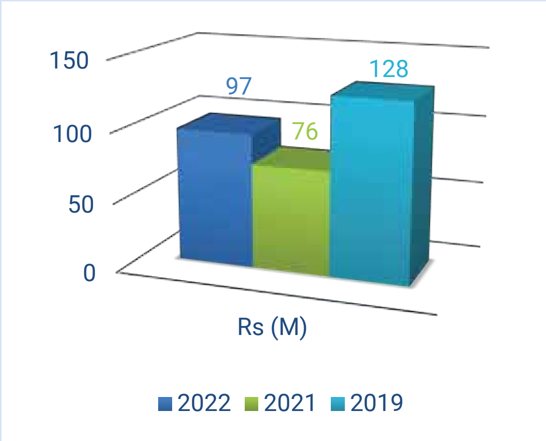
Financial Highlights & Analysis

Items	Year ended 30 June 2022 Rs M	18-months period ended 30/06/21-Rs M	Year ended 31 Dec 2019 Rs M
Interest Income	406.01	548.10	526.28
Interest Expense	144.51	216.24	191.91
Net Profit	96.90	75.77	127.97
Net Assets	3,471.60	3,398.90	3,483.83
Retained Earnings	2,307.70	2,271.31	2,307.52
Interest Cover (Times)	2.81	2.53	2.74
Net Profit Margin (%)	18.60	10.48	20.19
Housing Loans Assets	9,895.60	9,352.80	8,769.92
Fixed Assets (Net of Depreciation)	549.24	516.94	609.18
Total Assets	11,870.90	11,152.00	9,932.24
Shareholders' Funds	3,471.70	3,398.80	3,483.80
Capital Employed	9,914.00	9,516.30	9,178.00
PEL & JPS (Capital Deposited)	1,640.73	1,606.75	1,496.36
HDC (Capital Deposited)	5,311.51	4,631.91	3,209.41
Gearing (Times)	1.69	1.65	1.32
Current Ratio	1.23	1.40	1.69
ROCE (%)	0.98	0.80	1.40
EPS (Rs)	4.85	3.79	6.40
Total Income to Capital Employed Ratio	14.99	21.16	17.66
Reserves	3,271.60	3,198.80	3,283.83
Interest Income Growth (%)	11.20	4.15	8.56
Total Income Growth (%)	7.90	14.10	7.01
Interest Expense Growth (%)	0.20	12.68	10.01
Total Expense Growth (%)	8.90	37.14	2.18
Operating Income to Operating Expenses (%)	35.96	41.62	162.20
Return on Shareholders' Funds (%)	3.01	2.39	3.83
Return on Total Assets (%)	0.82	0.68	1.27
Portfolio Quality (%)	5.53	6.02	6.08
Net Interest Margin/ Interest Earning Assets (%)	2.55	3.38	3.49
Net Interest Income /Total Assets	2.20	2.97	3.33
Debt Coverage Ratio	56.09	51.69	52.89

The Reporting Period as at 30th June 2022 gives figures for the 12 months whilst the comparative figures are for a period ending June 2021 represents an Accounting Period of eighteen months due to alignment of Financial Periods to June. The figures are therefore not comparable however, where applicable prorated figures have been used to assess the performance.

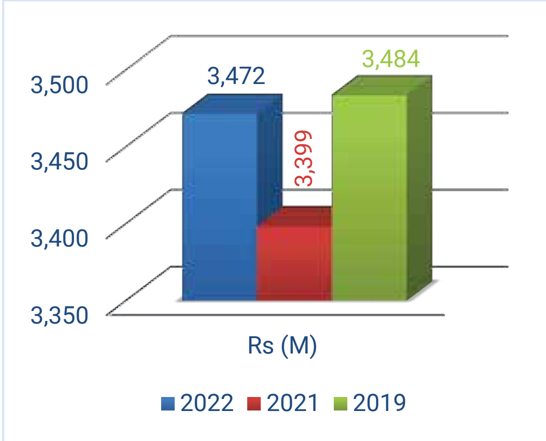
Our Performance

NET PROFIT



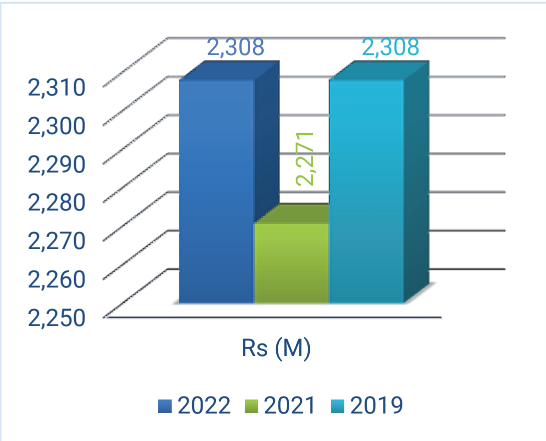
The Net Profit has been increased by 27.63% compared to the year 2021 (18 Months).

NET ASSETS



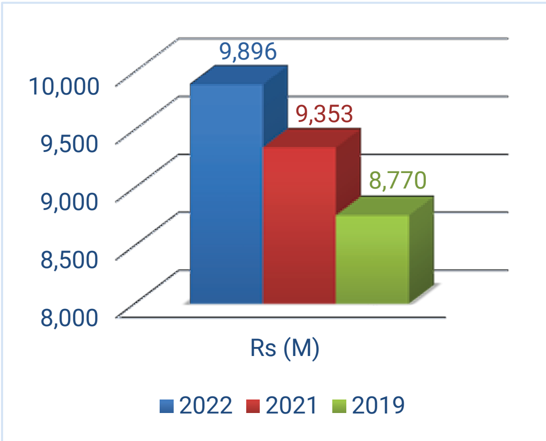
The Net Assets has been increased by 2.15% compared to the year 2021.

RETAINED EARNINGS



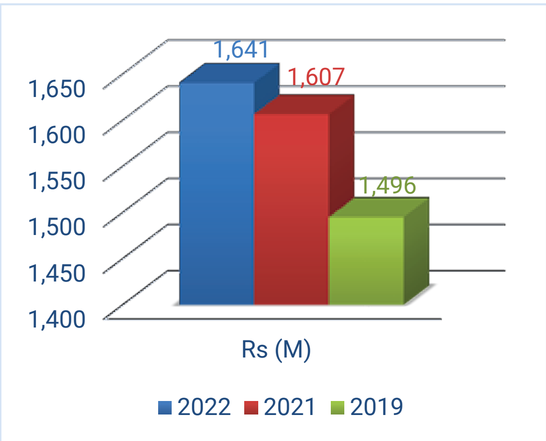
The Retained Earnings has been increased by 1.63% compared to the year 2021.

HOUSING LOANS ASSETS



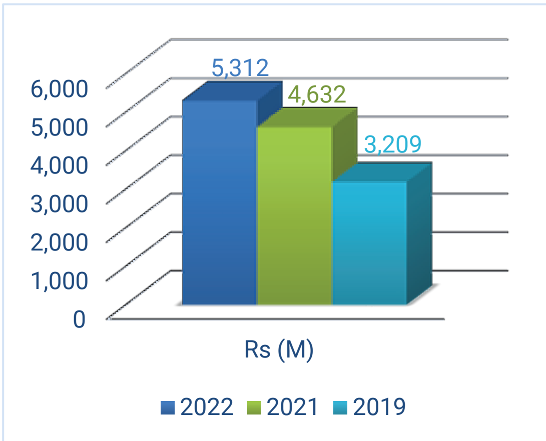
The Housing Loans Assets has been increased by 5.81% compared to the year 2021.

PEL & JPS (Capital Deposited)



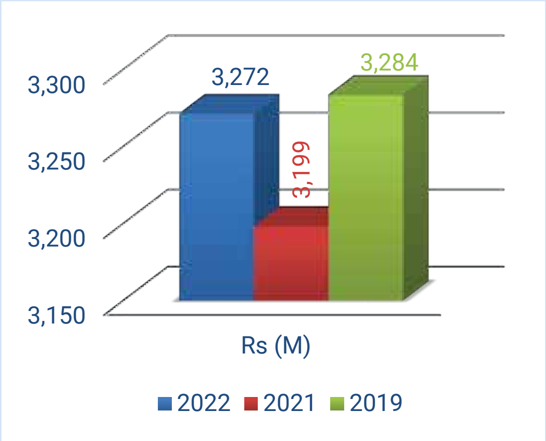
The Capital Deposited in PEL & JPS has been increased by 2.12% compared to the year 2021.

HDC (Capital Deposited)



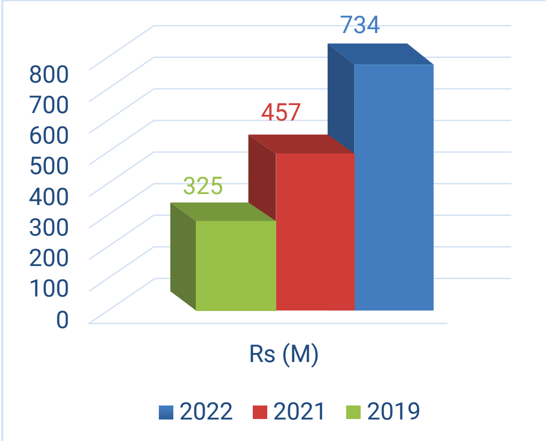
The Capital Deposited in HDC has been increased by 14.68% compared to the year 2021.

RESERVES



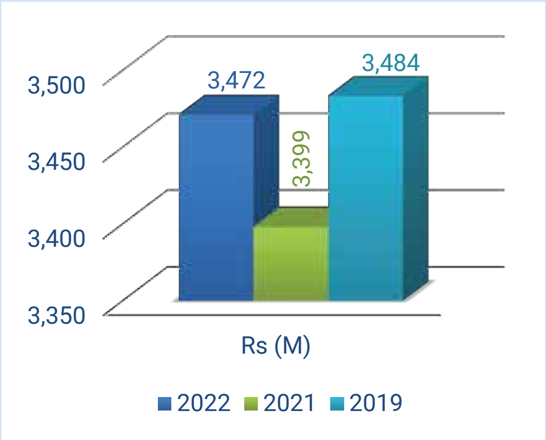
The Reserves for the year 2022 has been incresed by 2.28% Compared to the year 2021.

BORROWINGS



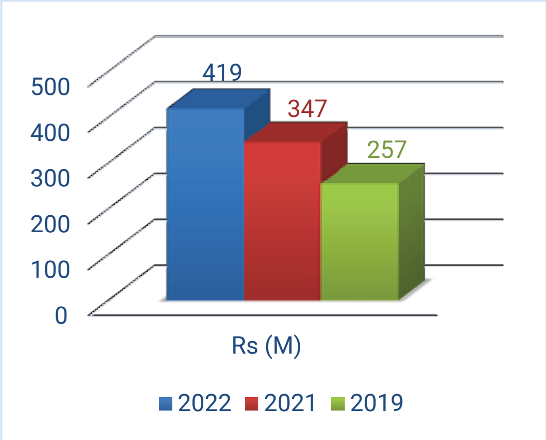
The Borrowings for the year 2022 has been decreased by 28.88% compared to the year 2021.

EQUITY



The Total equity has been increased by 2.15% compared to the year 2021.

RETIRED BENEFITS OBLIGATIONS



The Retired Benefits Obligations has been increased by 20.7% compared to the year 2021.

Board of Directors

Me Rashad Racheed Daureeawoo
(Independent Chairperson)

Mr Anand Babbea
(Executive Director)

Mr Dunputh Khoosye
(Independent Director)

Mrs Marie Veronique Doriana Letandrie
(Independent Director)

Mr Khulwant Kumar Ubheeram
(Independent Director)

Dr Dharamraj Paligadu
(Non - Executive Director)

Mr Sarwansingh Purmessur
(Non - Executive Director)

Mr Mohummad Shamad Ayoob Saab
(Non - Executive Director)

Dr Dhanandjay Kawol
(Non - Executive Director)

*** Mr Bojrazsingh Boyramboli**
(Non - Executive Director)

*** Directors who ceased to hold office during the year under consideration.**

The Board

Independent

- Me Rashad Racheed Daureeawoo (Appointed on 06 February 2020)
- Mr Dunputh Khoosye (Appointed on 20 March 2015)
- Mrs Marie Veronique Doriana Letandrie (Appointed on 30 November 2020)
- Mr Khulwant Kumar Ubheeram (Appointed on 30 November 2020)

Non-Executive

- Mr Mohummad Shamad Ayoob Saab (Appointed on 02 March 2021)
- Dr Dhanandjay Kawol (Appointed on 16 August 2021)
- Dr Dharamraj Paligadu (Appointed on 30 November 2020)
- Mr Sarwansingh Purmessur (Appointed on 30 November 2020)

Directors who ceased to hold office during the year under consideration

- Mr Bojrazsingh Boyramboli (Resigned on 26 July 2021)

Executive

- Mr Anand Babbea (Appointed on 01 May 2020 to 30 April 2022 and re-appointed on 24 May 2022)*

  * Mr M.I. Abdool was Appointed as Office-In-Charge of the Company from 09 to 23 May 2022.

Committees of the Board

Audit Committee

- Mr Khulwant Kumar Ubheeram
- Mr Dunputh Khoosye
- Mrs Marie Veronique Doriana Letandrie

Conduct Review Committee

- Mrs Marie Veronique Doriana Letandrie
- Mr Dunputh Khoosye
- Mr Khulwant Kumar Ubheeram

Risk Management Committee

- Dr Dhanandjay Kawol
- Mr Sarwansingh Purmessur
- Mr Khulwant Kumar Ubheeram

Members who ceased to hold office during the year under consideration

- Dr Dharamraj Paligadu

Nomination and Remuneration Committee

- Dr Dharamraj Paligadu
- Dr Dhanandjay Kawol
- Mr Mohummad Shamad Ayoob Saab
- Mr Bojrazsingh Boyramboli

Corporate Governance Committee

- Mr Sarwansingh Purmessur
- Mr Mohummad Shamad Ayoob Saab
- Dr Dhanandjay Kawol

Real Estate Development Committee

- Mr Dunputh Khoosye
- Mrs Marie Veronique Doriana Letandrie
- Mr Sarwansingh Purmessur

Monitoring Committee

- Mr Khulwant Kumar Ubheeram
- Dr Dhanandjay Kawol
- Mrs Marie Veronique Doriana Letandrie

Chairperson's Statement

Dear Shareholders and MHC Team,

Although the past year has been marked by uncertainty due to the pandemic and certain complex aspects of the market, we have nevertheless observed encouraging improvements in Mauritius both in terms of public health and the economy. In this ever-evolving context, MHC's support for its employees and customers remains unwavering, guided by our mission - to prioritize 'La Référence en Prêt Logement'.

MHC recorded exceptional financial performance in 2021, thanks to the strategic choices we have made, the strength, adaptability of our currency and the diversification of our income.

In 2021, MHC posted excellent revenue growth and profit compared to the previous year, thanks to the continued growth across all its operating sectors. It generated strong organic growth and a return on equity among the best in the industry.

MHC good results since the beginning of the pandemic prove that we have followed the right strategies regarding business mix, capital allocation and risk management over the past years. These strategies will continue to guide our approach and decisions in the future.

Strong pillars for sustainable growth, we are part of one of the most diversified and structurally healthy economies in Mauritius. Therefore, we are a long-standing partner of choice for housing loans and services as we are well positioned to continue benefiting from the strength of the Mauritian economy.

We want to continue optimizing our processes and improving the customer experience. This commitment, supported by the depth of our relationships and the quality of our advice, remains essential to achieving our goal of providing customers with an unparalleled experience.

It is an important pillar in the housing sector, providing us with resilience and diversifying our revenues. Our goal is to continue investing to consolidate our leadership positions and pursue growth. We will continue to leverage the collaborative models already deployed to further stimulate growth opportunities between our sectors. We expect investments and savings to increasingly become anchor products as we create synergies, with the customer always at the heart of our decisions.

Thank you for your trust and belief in the Mauritius Housing Company Ltd. Looking ahead, we remain steadfastly committed to sustainable growth, fostering stakeholder engagement, and upholding responsible corporate citizenship.

With warm regards,

Me R. Racheed Daureeawoo
Chairman

Senior Management Team

Mr Anand Babbea
Managing Director
(From 01 May 2020 to 30 April 2022
and re-appointed on 24 May 2022)

Mr Hassen Issop Abdool
Head (Finance) (Acted as OIC
from 09 to 23 May 2022)

Mr Rajeev Abeeluck
Head (Technical)

Mr Ravindranath Ramdhan
Head (ICT) and DMLRO

Mr Surendra Puholoo
Senior Accountant

Mrs Ashvina Kalapnauth-Rajcoomar
Manager (Corporate Services)

Mr Devanand Maywah
Manager (Procurement)

Mr Naim Maudarbocus
Manager (ICT) & MLRO

Mr Rama Krishna Mudaliar*
Internal Auditor
** The incumbent officer was interdicted during the financial year under review and resumed duty on 10 August 2022.*

Mr Jayraj Maywah
Acting Internal Auditor
(As from 12 February 2020 to 09 August 2022)

Mr Rakeshsing Boojhawon
Assigned Assistant Manager of the Risk and Compliance Unit

Mrs Jayantee Seesurn
In charge of Credit Underwriting Unit

Mr Shakeel Muhammad Sheik Maudarun
Senior Accountant
(Acting Head Operations Department)

Mr Coossyram Lutchmoodoo
In charge of Credit Services Unit

Managing Director's Statement

Dear Shareholders, Partners and Customers,

I am pleased to present our annual report for the fiscal year 2021-2022. This year, despite many challenges, our Company has shown great progress and strength.

This report covers our financial performance, strategic efforts and dedication to sustainable growth in Mauritius. We achieved 92% increase in Net Profit and had our Total Assets grew from MUR (Mauritian Rupees) 11.2 billion to MUR (Mauritian Rupees) 11.8 billion. Our Loan Portfolio has increased by 6%, compared to previous financial year to reach MUR (Mauritian Rupees) 9.9 billion, thanks to new loan products and competitive interest rates. We had 11% increase in Deposits, reaching MUR (Mauritian Rupees) 7.45 billion. We have also achieved a Return on Equity of 2.8%, highlighting our profitability and efficient use of capital.

This year, we launched several strategic initiatives aimed at enhancing our market position and offer better value to our customers. These included diversifying our products to meet the varied needs of our clients, offering housing refinancing options and investing in training our customer service teams. Our customer satisfaction scores have improved significantly showing our commitment to better client relationships.

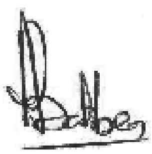
Sustainability is at the core of our business strategy. This year, we introduced our first green mortgage product to promote eco-friendly housing. We also enhanced our Corporate Social Responsibility (CSR) initiatives, focusing on community development, financial literacy programs and environmental conservation projects.

Looking ahead, we are committed to becoming the leading housing financial Organization in Mauritius. We take cognizance that our business will continue to evolve, presenting both challenges and opportunities. Our strategic priorities for the coming year include digital Innovation to improve efficiency, customer engagement, explore new market segments, enhance our product offerings and integrate sustainability into our core operations.

I would like to express a special word of appreciation to our Chairman, Board Directors, Shareholders, the Management Team, Partners and Customers for their support and trust. I also appreciate the unwavering dedication of our Staffs. Together, we have demonstrated adaptability and perseverance and are well positioned for future growth.

In conclusion, while the past year has been challenging, it has proven our ability to adapt and thrive. We look forward to another year of growth, innovation and success, building a brighter future for our Organization and community.

Thank you.
Sincerely,



Anand Babbea
Managing Director

Performance and Management Discussion

Our Performance and Management Discussion Analysis

1) The Economic Environment

This current period was even more challenging. Whilst, the economy started opening gradually, travel restrictions were eased, the exports sector and the construction sector started getting momentum due to the continued support measures that were extended by the monetary and fiscal authorities. In particular, the household credit expanded at a strong pace, partly reflecting confidence in economic perspectives and moderation of risks due to the rebound in economic activity.

As per the last Financial Stability report from the central bank, the annual growth rate in the household credit went up to 6.3% as at end-September 2021, from 3% as at end-March 2021. The growing share of housing credit, reaching 67.3% of total household credit in September 2021. The low interest rate environment remained favourable to housing credit. Overall, the economy is expected to increase in 2021/2022 by 7.2% against a contraction by 14.9% in June 2021 as opposed to a growth of 3% in 2019. Unemployment rate for 2020 stood at 8.7% as compared for 9.2% in 2021. The headline inflation rate at June 2022 was 11.5% as compared to 2.5% in June 2021.

During the year the Central Bank through the Monetary Policy Committee reviewed upward the repo rate twice by 40 basis point to reach 2.25% in order to maintain price stability and of promoting orderly and balanced economic development.

Overview

Our objective to be in the forefront in the housing sector enabled us to maintain our operations to serve as many of our customers and the public at large to fulfill their dreams in acquiring a home or a property. Although the difficult situation and the cut throat competition in the market, the company maintained its resilience during the period on the back of strong adaptability and a through strategic execution process. Our core values and strategies have always been centered on the following areas: increase returns, reduce costs, increase our asset base, improve NPA, come with innovative products that suit our customer needs and focus and always be customer oriented.

Our current reserves were mainly based on the strategic objectives that have been put forward in 2021/2022.
The key achievements during the year include:

(i) Enhancing the front, middle and back office concept.

(ii) Improved quality of service by continued monitoring of customer requests.

(iii) Review of processes to enhance customer journey for on boarding and loan disbursement by putting in place a new process flow.

(iv) Inclusion of government budget incentives in our home loan products.

(v) Improving risk management culture.

(vi) Embarking on the digital platforms to improve our communication.

(vii) Improve our digital access for our customers to enable on-line applications.

(viii) We are also committed to help in upgrading our human skills through adequate training and performance management, while ensuring quality at all times. We equally believe in treating our employees with integrity and respect - and in turn, sustaining optimal performance.

2) Profit & Loss and Other Comprehensive Income

a) Revenue

Our gross revenue for the 12 months ended 30 June 2022, stood at Rs 520.3m whilst for the prorated period to 12 months ended June 2021 was Rs 482.1m as compared to Rs 633.7m for 12 months ended 31 December 2019. Gross revenue rose by 7.9% mainly through interest income generated from loan business. The level of fees and commissions, rent and income from investments were also monitored hence satisfactorily achieved the target as planned.

b) Other Income

Other income amounted to Rs 114.3m for the 12 months ended 30 June 2022 as compared to Rs 116.7m for the 12 months prorated to June 2021 and Rs 107.5m as at 31 December 2019 a net decrease of 2%. Other income consists mainly of insurance premiums, rent on investment properties and fee-based income collected from loan clients. The decrease is mainly due to premium from insurance where clients have opted to contract insurance policies from third parties and for flexi loans for which we are not offering insurance policies.

c) Expenses

Interest Expenses

Interest expense amounted to Rs 144.5m for the 12 months ended 30 June 2022 as compared to Rs 144.2m for 12 months prorated to June 2021. Expenses incurred were Rs 191.9m for the 12 months ended 31 December 2019. Interest expense represents interest payable on borrowings, savings and term deposits accounts. We have been containing the interest expenses mainly due to no new loans were contracted and for deposits product we have been granting interest as per the market trend.

Non-Interest Expenses

Non-interest expense was Rs 317.9m for the 12 months ended 30th June 2022 as compared to Rs 280.3m for 12 months prorated to June 2021 and Rs 272.4m in 2019. The increase is mainly due to increase in staff costs related to provision for pension as well as the impact of amortization of intangible assets relating to the implementation of the Core Banking System.

d) Cost Ratios

Cost to income ratio stood at 88.9% as at June 2022 whilst the cost to income for 12 months to June 2021 was 88.1% compared to 73.3% for year ended 31 December 2019. The net increase of 0.8% is mainly due to revenue did not increase correspondingly whilst, expenses rose due additional pension provisions.

Non-interest expense to total income ratio stood at 61.4% compared to 58.2% for 30 June 2021 whilst this ratio stood at 43.2% for 2019. Personnel expenses represents 55.3% compared to 58.4 % of total operating expenses for June 2021. Personnel expenses was 56.1% of the total operating expenses for 2019.

e) Other Items Affecting the Income Statement

The Company made provision against its Financial Assets including loans and investment in deposits as required by IFRS 9 and Bank of Mauritius guidelines. For the 12 months ended 30th June 2022 there has been a reversal of provision of Rs 8.6m as compared to additional provision of Rs 37.9m for 18 months to June 2021 and Rs 21.1m in December 2019. The reversal of provision is mainly due to implementation of: (a) new policies on financial assets; (b) NPA loans restructured for those clients who have been regular in their repayments.

e) Other Items Affecting the Income Statement (cont'd)

There has been a net gain of Rs 7.4m on the sale of foreclosed properties compared Rs 0.1m for the 18 months to June 2021 and the gain was Rs 1.2m for the 12 months ended 31 December 2019. The result is mainly due to management taking all the required steps to dispose foreclosed properties as soon as possible.

Our profit for the twelve months ended June 2022 was Rs 96.9m whilst for the 12 months prorated to 30th June 2021 this amounted to Rs 50.5m compared to Rs 127.9m for the year ended December 2019. With the increase in profit the earnings per share for the year under review increased to Rs 4.85 compared to Rs 3.79 for the eighteen months to 30th June 2021 and to Rs 6.4 at December 2019.

The return on capital employed was 2.79% as at June 2022 whilst as at 30 June 2021, it stood at 2.22% compared to 3.57% at 31 December 2019.

The main reasons for increase in profit are due to:

1) Our pricing strategy for adopting a fair market pricing and matching our cost of fund.
2) Our products mix and related fees income.
3) Increase in revenue from investments.
4) Decrease in impairment provision on NPA loans whilst encouraging customers regularizing their loans.
5) Increase in fair value of investment property as a result of the revaluation exercise which is as per our approved policies.

3) Assets & Liabilities

Our total assets increased by 6.4% from Rs 11.15bn in June 2021 to Rs 11.87bn at June 2022. For the period under review, we maintained our core business activities namely Loan, Savings and Deposits. We maintained a balance sheet with a very conservative asset profile consisting mainly of loans to customers which are secured by collaterals and also increase in our cash equivalent and deposits. On the liability side deposits from customers was the main item affecting the balance sheet.

a) Cash Flow

Repayment from Loans, Fee Income and Deposits mainly contributed to meet all commitments as regards to business activities such as grant of credits and operational activities. For the year under review, we opted for funding facilities namely from Individuals, Corporate Depositors. The minimum compliance deposits were also maintained to cater for any sudden withdrawals by depositors.

Funds in excess of our normal working capital requirements were judiciously placed on Fixed Deposits and Treasury Bills in order to secure a good return. The Company is sufficiently liquid to cater for its cash requirements whether for the short term or long term. As at 30th June 2022, cash in hand and at bank balances amounted to Rs 748.3m compared to Rs 1,615.6m as at June 2021 and Rs 802.5m as at December 2019. Rs 1.375m was placed on Term Deposits and Treasury Bills.

b) Loans to Customers

Gross loans to customers increased by 5.8% to reach Rs 9,895m in June 2022 as compared to Rs 9,353.8m in June 2021 and Rs 8,769.9m in December 2019. Net amount after impairment stood at Rs 9,069.2m as compared to Rs 8,497.3m as at June 2021 and Rs 8,002.5m in December 2019.

This performance was driven by granting loans to the individual business segment. Despite, a very competitive environment we were able to grant loans as per our objectives together with the implementation of innovative products such as our Senior Smart Loan (A Loan for Senior Citizen) which is the only product existing in its category. We also introduced a risk-based approach for doubtful sectors due to the Covid -19 impact.

(i) Impairment on Financial Assets

Following the partial waiver of sanitary measures, we adopted new strategies to reduce the number of default rate and in line with Government policy, clients who were facing financial difficulties to service their loans were able to benefit for moratorium on both capital and interest up to June 2022. The Non-Performing Loans stood at Rs 1,342.9m as at June 2022 as compared to Rs 1,520m as at 30 June 2021; a net decrease of 11.7%.

The overall Non-Performing Loan ratio stood at 13.6% compared to 16.3% for the 18 months ended 30 June 2022 and 15.2% in December 2019.

The Company ensures that adequate provision is made in line with the guideline issued by the Bank of Mauritius and IFRS 9 – Financial Instruments. Specific allowance for credit impairment decreased from Rs 563.3m as at June 2021 to Rs 547.1m in June 2022 and compared to Rs 533.6m in December 2019. Interest suspended reduced from Rs 196.9m (30 June 2021) to Rs 183.8m (June 2022), this amount was Rs 169.9m as at December 2019. The debt coverage ratio stood at 56.09% in June 2022 as compared to 51.7% in 30 June 2021.

ii) Portfolio Provision

A portfolio provision is charged to the Financial Statement on Non-Impaired Loans based on the micro and macro-economic indicators and the 12-months expected credit losses. The portfolio provision stood at Rs 73.3m as at June 2022 as compared to Rs 69.8m as at 30 June 2021 and Rs 63.9m in 2019. There has been an increase in the portfolio provision due to increase in the Financial Assets.

c) Investment Property

Investment properties rose by 18.1% from Rs 128.3m (June 2021) to Rs 151.6m (June 2022) compared to Rs 125.4m in 2019. This increase is mainly due to the revaluation exercise was carried out as per the accounting policy. The increase in fair value of investment stood at Rs 23.3m as compared to Rs 2.9m in June 2021 and Rs 4.7m in 2019.

d) Intangible Assets

Investment in Capital Expenditure was made towards the Banking Software (CBIS), Computer Software, DC Infrastructure and Computer Equipment. The investment in Intangible Assets mainly relates to the implementation of the Core Banking System which went live in November 2019. As at 30 June 2022, Total Intangible Assets stood at Rs 132.3m as compared to Rs 150.1m in June 2021 and Rs 134.7m in 2019. The system has completed the stabilization phase.

e) Other Assets

Other Assets decreased from Rs 34.7m as at June 2021 to Rs 26.8m in June 2022 due to the decrease in staff loans and reduction in provision for impairment of Other Assets stood at Rs 96.9m as at 2019. The other main items included under Other Assets at 30 June 2022 are Other Receivables and Prepayments.

f) Property Development

This Asset decreased from Rs 149.4m in June 2021 to Rs 136.4m in June 2022 as a result of the disposal of Housing Units at Domaine le Hochet, Terre Rouge as well as sale of housing lots at Roches Brunes. As at 2019, this amount was Rs 99.3m.

(g) Deposits

(i) PEL/JPS

PEL Deposits increased by 0.6%, that is, from Rs 1,933.2m (2021), to Rs 1,944.1m as at June 2022, the fund was Rs 1,870m as at 31 December 2019. The main aim of PEL is to inculcate Customers to save for the future in view to constitute a capital and it is a prerequisite to avail of a loan.

(ii) Housing Deposit Certificate (HDC)

The Fund increased by 14.7% for the 12 months at 30 June 2022 to reach Rs 5,505.9m when compared to Rs 4,801m (June 2021), the fund was Rs 3,404.3m as at December 2019. We have constantly reviewed the product so as to remain competitive in the market since this is one of the main sources of funds.

(h) Borrowings

Borrowings decreased from Rs 456.5m as at June 2021 to Rs 324.8m as at June 2022, and same was Rs 733.6m as at December 2019. As a result of payments effected as per contractual obligations.

(i) Retired Benefits Obligations

The Fund increased by 20.7% from to Rs 347.2m in June 2021 to Rs 419.2m in June 2022 the fund stood at Rs 256.7m as at December 2019. This increase is mainly as a result of the provision made to reduce the deficit in Obligations as per IAS 19 report received from SICOM.

(j) Equity

Total Equity increased by 2.1% to reach Rs 3,471.6m as compared to Rs 3,398.9m as at 30 June 2021 and was Rs 3,483.8m in 2019. The increase is mainly due to the following: -

i. Revaluation of Assets.
ii. Increase in retained earnings as a result of the increase in profits.

Return on shareholders' fund stood at 3.01% as compared to 2.3% in June 2021. The increase in return is mainly attributable to the increase in profits.

(k) Capital Adequacy

Capital Adequacy Ratio measures the percentage of a Bank's capital to its risk weighted Assets. Capital is split into two tiers when computing the Capital Adequacy:

i. Tier 1 refers to core capital, the sum of paid of share capital, statutory reserves and revenue reserves.
ii. Tier 2 refers to lesser quality components to absorb losses and includes undisclosed reserves, revaluation reserves, general banking reserves, portfolio provisions and subordinated long-term debt. Risk-weighted assets are determined by applying prescribed risk weightings to and off-balance sheet exposures according to relative credit risk of the counterparty.
iii. The minimum capital adequacy requirements by the Bank of Mauritius is at 10%. Capital Adequacy Ratio for the 12 months worked out to 37.0% as compared to 18 months to June 2021 which was 38.8%.

4) Risk Management Policies and Controls

MHC has a Risk Management Committee which is responsible in setting up Risk Strategies to assess and monitor the Risk Management process at MHC and it also has the responsibility for advising the Board of Directors on MHC's overall current and future risk appetite, overseeing management's implementation of the Risk Appetite Framework and reporting on the state of Risk Culture of MHC.

The Corporate Governance Report provides further details on the Risk Policies at MHC.

5) Concentration of Risk Policies

MHC follows the principles described in the Bank of Mauritius Guideline on Credit Concentration Risk regarding its exposure to Credit Risk. The Asset and Liability Committee (ALCO) monitors the Risk Concentration. Further details are provided in the Corporate Governance Report.

6) Related Party Transactions, Policies and Practices

The Company follows the principles described in the Bank of Mauritius Guideline on Related Party Transactions and IAS 24 – Related Party Disclosures for all transactions and balances with related parties. Note 32 to the Financial Statements provides details on Related Parties Transactions and balances. MHC has also adopted a new Related Party Transaction Policy on 29 June 2022.

7) Statement of Corporate Governance Policies

MHC has a Corporate Governance Committee in place and which is headed by a chairperson.

The responsibilities of the Committee are to:

- provide expertise in the areas of Corporate Governance;
- ensure the Board of Directors is up to the standard with the Code of Corporate Governance; and
- report on its deliberations to the Board of Directors.

The Corporate Governance Report provides further details on the Corporate Governance Policies followed by MHC.

8) Outlook

The most important characteristic of the current economic context is its scope where many businesses are facing difficult situations. We will strive to achieve the strategic objectives of the Company by granting as much as possible loans to Individuals and to Corporate Customers in view to help them acquire their dreams for securing a home. We will also not forget to serve all categories of the population from low to high income earners.

Granting loans is our core business and we have noted an increase in demand for home loans from Customers, following the continuous review of our Credit Policies. We will adopt a prudent approach whilst assessing requests for credits in view to reduce our NPA level.

We have also observed a change in Customer behaviour with an increased utilization of funds held in Savings due to the increasing cost of living. This affects our funding strategies but we will manage to grow our Liabilities book by securing Deposits from the high net-worth Individuals and Corporate Clients. Apart from the above, we will ensure the following:

a) bring growth in the main Asset (loan portfolio), as well as Savings and Deposits;
b) reduce Non-Performing Assets by adopting new strategies for recovery;
c) reduce cost to Income;
d) increase returns.

8) Outlook (cont'd)

For the coming Financial period, we have planned to implement the internet and mobile banking; this will help to improve our Customer base and reinforce the operational capabilities as well as adopting technology-based practices. The continuous review of processes and procedures will be a priority in order to offer a better-quality service to our Customers. This will serve as the differentiating factor to acquire new business as well as retain existing Customers.

In view of further expansion of our Business Model, we are anticipating a major change in our shareholding structure in the next Financial Period, by creating Mauritius Housing Holdings Ltd together with other subsidiaries to cater for the need and the new set of objectives of the Company as a whole.

9) Cautionary note on Forward-Looking statement

The MDA includes forward-looking Statements and there are Risks that forecasts, projections and assumptions contained therein may not materialize and that actual results may vary materially from the plans and expectations. MHC has no plans to update any forward-looking statements periodically and therefore users are advised not to place any undue reliance on such forecasts.

Paper has been discussed at our Audit Committee of 27th September 2022 and is being recommended to the Board for approval please.

Approved by the Board on: **29th September 2022**

Chairman	Managing Director	Director

Corporate Governance Report

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.

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 of Directors, the "Board", affirms its commitment to providing strong leadership and independent judgement for complying with all legal and regulatory requirements as applicable to MHC and also ensuring long term success of the Organisation.

The Board of MHC is collectively accountable and responsible for the affairs of the Company. The Board fulfils 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, as approved by the Board, 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 acts as spokespersons 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.

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 Annual Financial Statements comply with the appropriate accounting standards; and
- To report on the deliberations of the Audit 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.

The Conduct Review Committee was dissolved, further to the adoption of a new Related Party Transaction Policy on 29 June 2022.

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; and

(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 Nomination and Remuneration Committee

The Chairperson of the Nomination and Remuneration 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;

(iii) To ensure that the succession planning for Directors and other Senior Executives; and

(iv) To report on the deliberations of the Nomination and Remuneration 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.

Following the adoption of the new Related Party Transaction Policy on 29 June 2022, the Corporate Governance Committee will henceforth also consider and approve transactions other than the following which shall be approved by the Board:

(a) The terms and conditions for credit facilities to the staff members under the terms and conditions of their employment contracts;

(b) Credit facilities to staff which are not in line with the terms and conditions as approved by the board under (a) above;

(c) Credit exposures to related parties where the aggregate credit exposure to any single related party and/or its group of connected counterparties exceed 2 per cent of the Tier 1 capital of MHC or MUR 500 million, whichever is lower;

(d) Any other transaction with related parties where the aggregate amount due by/to any single related party and/or its group of connected counterparties exceed 2 per cent of the Tier 1 capital of MHC or MUR 500million, whichever is lower; and

(e) All related party transactions posing special risks to MHC.

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.

Following approval of the Shareholders, a subsidiary under the name of MHC Properties Ltd has been incorporated on 05 September 2022. The Subsidiary will take over all the activities of the Real Estate Development Monitoring Committee and the latter committee will be dissolved accordingly.

Chairperson of the Monitoring Committee

The Chairperson of the 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 ensure that the milestones and approved objectives of the Company are achieved; and

(ii) To report on the deliberations of the Monitoring Committee to the Board.

Other Key Governance Positions

Managing Director

The Managing Director assumes the same functions of a Chief Executive Officer of a Financial Institution.

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 Organization'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 Organization's strategy.

Senior Management Team

MHC has more than 10 suitably qualified full-time officers to operate and its annual operating costs are in excess of Rs 25M.

Name	Position	Qualifications	Date Joined
Mr Babbea Anand	**Managing Director** (From 01 May 2020 to 30 April 2022 and re-appointed on 24 May 2022)	Bsc (Hons) Financial Services, MBA	**01 May 2020**
Mr Abdool Hassen Issop	**Head (Finance)** (Acted as OIC from 09 to 23 May 2022)	FCCA	**01 Jul 1992**
Mr Abeeluck Rajeev	**Head (Technical)**	Bachelor Degree and Post-Graduate Degree in Architecture	**02 Jul 2001**
Mr Ramdhan Ravindranath	**Head ICT and DMLRO**	MBA (Information Systems)	**10 Aug 2020**
Mr Puholoo Surendra	**Senior Accountant**	FCCA	**02 Jul 1990**
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 Mudaliar Rama Krishna*	**Internal Auditor**	FCCA	**01 Jun 1992**
Mr Maywah Jayraj	**Acting Internal Auditor** (As from 12 February 2020 to 09 August 2022)	CMIIA (Affiliate), FCCA, IRM Cert	**20 May 1985**
Mr Maudarun Sheik Muhammad Shakeel	**Senior Accountant** (Acting Head Operations Department)	FCCA, MBA	**08 Mar 1992**
Mr Boojhawon Rakeshsing	**Assigned Assistant Manager** of the Risk and Compliance Unit	FCCA, IRM Cert	**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**

* *The incumbent officer was interdicted during the financial year under review and resumed duty on 10 August 2022.*

Senior Management Profile

Mr Anand BABBEA is the Managing Director of MHC since 01 May 2020 to 30 April 2022. He was re-appointed as Managing Director on 24 May 2022. Mr Babbea has grown within the Banking, Financial and Payments Industry and is a professional reckoning more than 30 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 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 as Internal Auditor. He is a fellow member of the Association of Chartered Certified Accountants since November 1995. He has occupied all senior posts of the Company. He still holds the post of Internal Auditor. The incumbent has resumed duty as from 10 August 2022.

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. Mr J Maywah is now acting as Accountant in the Finance Business Unit since 10 August 2022.

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 'Maitrise d'informatique' 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 holds the post of Accountant. He is presently acting as Head Operations Department. Mr. Maudarun 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 also holds an International Certificate in Enterprise Risk Management from the Institute of Risk Management UK. He acted as Internal Auditor from 06 December 2015 to 05 February 2019. His substantive post is Assistant Accountant and currently has been assigned the responsibility of 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. She 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. He is pre-retirement leave since April 2022

Organisation Chart

The current Organisational Chart of the Company is as follows:

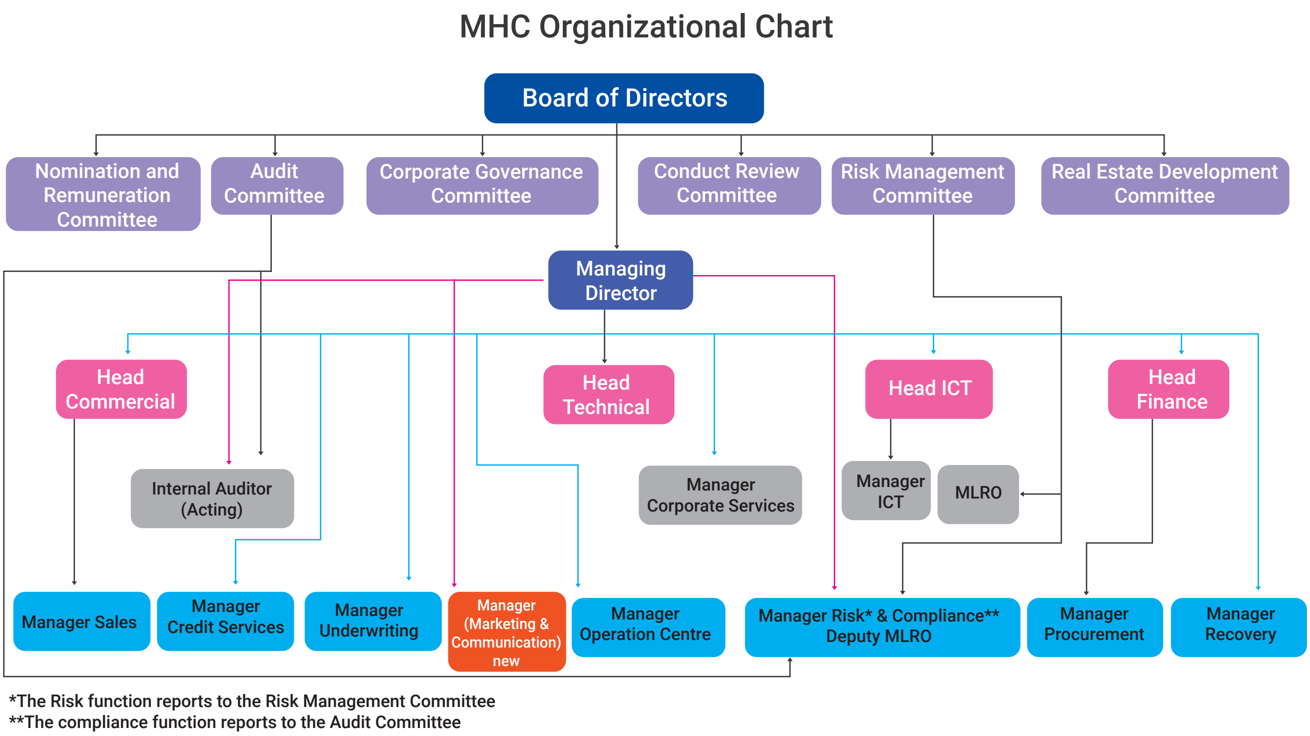


Figure 1 – Organisational Structure of MHC

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 Board is unitary and consists of nine (9) Directors, categorized as follows:-

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

The Board is responsible for the stewardship of MHC, overseeing its strategy, conduct and affairs.

The Directors of MHC as at 30 June 2022 were:-

Director Name*	Role	Category
Me Rashad Racheed Daureeawoo (Appointed on 06 February 2020)	Chairperson	Independent
Mr Anand Babbea (Appointed on 01 May 2020 to 30 April 2022 and re-appointed on 24 May 2022)*	Managing Director	Executive
Mr Mohummad Shamad Ayoob Saab (Appointed on 02 March 2021)	Director	Non-Executive
Dr Dhanandjay Kawol (Appointed on 16 August 2021)	Director	Non-Executive
Mr Dunputh Khoosye (Appointed on 20 March 2015)	Director	Independent
Mrs Marie Veronique Doriana 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
Directors who ceased to hold office during the year under consideration		
Mr Bojrazsingh Boyramboli (Resigned on 26 July 2021)	Director	Non-Executive

**Mr. H.I. Abdool was appointed as Officer-In-Charge of the Company from 09 to 23 May 2022*

Table 1 – Directors of MHC

The Company Secretary

Prime Partners Ltd (PPL), which was founded in June 1997, is a wholly-owned subsidiary of The State Investment Corporation Limited (the SIC), the investment arm of the Government of Mauritius.

PPL provides a range of Corporate Secretarial Services to a portfolio of client Companies, mainly those within SIC Group and SIC/Government related Companies/Organisations involved in diverse Sectors of the economy, including Banking, Insurance, Investment, Housing, Social Empowerment and Public Infrastructure, among others. PPL is also licensed under Section 14 of the Financial Services Act 2007 to act as Registrar and Transfer Agent. This service consists mainly of maintaining Share Register, acting as Payment Agent on behalf of its client Companies, providing registration facilities at Shareholders' Meetings. Furthermore, PPL is registered as a Member Firm of Accountants with the Mauritius Institute of Professional Accountants (MIPA) for provision of accounting services.

PPL was appointed as Secretary to the Board of MHC on 01 March 2019. The key role of PPL is to organize Board and Committee activities under the guidance of the respective Chairpersons, ensuring adherence to relevant, legislations, regulations and best practices.

PPL has a dedicated team of professionals who possess extensive experience in delivering the aforesaid services.

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, whereas the composition is as per 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 six out of the nine Directors did not have any relationship (other than as per normal terms and conditions as members) with MHC during the year under review. The two Directors represent the Shareholders on the Board of the Company and the Managing Director represents the Management Team.

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 as far as possible on an annual basis.

The Managing Director was re-appointed on 24 May 2022 and at year end, he was the only Executive Director on the Board. In March 2022, Board Members of MHC were re-appointed 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 contract of the Managing Director expired on 30 April 2022 and consequently an Officer-In-Charge was appointed from 09 to 23 May 2022 to assume the interim. The Managing Director was re-appointed office on 24 May 2022.

The Code recommends the appointment of two Executive Directors on the Board. Taking into consideration the level of operations of the Company, the appointment of a second Executive Director was considered as not appropriate by the Shareholders.

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 had 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 attainting 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 year ended 30 June 2022.

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, 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.

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 year under review:-

Director	Category	Board	Audit Committee	Conduct Review Committee	Risk Management Committee	Nomination and Remuneration Committee	Corporate Governance Committee	Monitoring Committee	Real Estate Development Committee
Me Rashad Racheed Daureeawoo (Appointed on 06 February 2020)	Independent Chairperson	10/10	-	-	-	-	-	-	-
Mr Anand Babbea (Appointed on 01 May 2020 to 30 April 2022 and re-appointed on 24 May 2022)	Executive	9/9	-	-	-	-	-	-	-
Mr Mohummad Shamad Ayoob Saab (Appointed on 02 March 2021)	Non-Executive	9/10	-	-	-	4/6	3/3	-	-
Dr Dhanandjay Kawol (Appointed on 16 August 2021)	Non-Executive	9/9	-	-	2/2	5/5*	3/3	3/4	-
Mr Dunputh Khoosye	Independent	7/10	12/12	4/4	-	-	-	-	6/6
Mrs Marie Veronique Doriana Letandrie (Appointed on 30 November 2020)	Independent	8/10	10/12	4/4	-	-	-	4/4	5/6
Dr Dharamraj Paligadu (Appointed on 30 November 2020)	Non-Executive	8/10	-	-	3/3	5/6*	-	-	-
Mr Sarwansingh Purmessur (Appointed on 30 November 2020)	Non-Executive	8/10	-	-	5/5	-	3/3	-	4/6
Mr Khulwant Kumar Ubheeram (Appointed on 30 November 2020)	Independent	10/10	12/12	4/4	5/5	-	-	4/4	-
Director who ceased to hold office during the year under consideration									
Mr Bojrazsingh Boyramboli (Resigned on 26 July 2021)	Non-Executive	-	-	-	-	1/1	-	-	-

**Dr. D. Paligadu was Chairperson of the Risk Management Committee and Dr. D. Kawol, Chairperson of Nomination and Remuneration Committee. On 07 January 2022, the Board approved a shift in the Chair of the above-mentioned committees and Dr. D. Kawol remained a member of the Nomination and Remuneration Committee. However, Dr. D. Paligadu was no more member of the Risk Management Committee.*

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; and
(v) Corporate Governance Committee.

The following committees were also set up:

(i) Real Estate Development Committee; and
(ii) Monitoring 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 reviewed on 15 December 2021 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.

Audit Committee (cont'd)

The main duties/functions of the Audit Committee include amongst others (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 twelve (12) times during the year under review. It examined the Annual Financial Statements, discussed issues raised by the Internal and External Auditors, compliance reports and deliberated on their recommendations.

Mr. K.K. Ubheeram is the current Chairperson of the Audit Committee.

Members and Attendance during the year under review:

Members	Role	Audit Committee
Mr K. K. Ubheeram (Appointed as Chairperson on 16 December 2020)	**Chairperson**	**12/12**
Mr D. Khoosye	**Member**	**12/12**
Mrs M.V.D. Letandrie (Appointed as Member on 16 December 2020)	**Member**	**10/12**

** The Internal Auditor and the Assigned Risk and Compliance Officer (whenever compliance reports are considered) attend the Audit Committee.*

Conduct Review Committee

The Conduct Review Committee is governed by a Charter which was approved by the Board 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.

The Committee met four (4) time during the year under review to consider Related Party Matters. The Board had approved the updated Related Party Transactions Policy on 29 June 2022 and the Conduct Review Committee was subsequently dissolved.

Members and Attendance during the year under review:

Members	Role	Conduct Review Committee
Mrs M.V. D. Letandrie	Chairperson	4/4
Mr D. Khoosye	Member	4/4
Mr K. K. Ubheeram	Member	4/4

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.

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. Kawol as Chairperson of the Committee on 07 January 2022, Dr. D. Paligadu was chairing the Risk Management Committee.

The Risk Management Committee met five (5) times during the reporting year to consider Risks faced by MHC.

Members and Attendance during the year under review:

Members	Role	Risk Management Committee
Dr D. Kawol (As from 07 January 2022)	**Chairperson**	**2/2**
Mr S. Purmessur	**Member**	**5/5**
Mr K.K. Ubheeram	**Member**	**5/5**
Members who ceased to hold office during the year under consideration		
Dr D. Paligadu (Up to 07 January 2022)	**Member**	**3/3**

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is governed by a Charter which was approved by the Board on 07 October 2021 and published on the website of the Company.

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 six (6) times during the period to consider Staff Matters.

Members and Attendance during the year under review:

Members	Role	Nomination and Remuneration Committee
Dr D. Paligadu (Chairperson as from 07 January 2022)	**Chairperson**	**4/4**
	Member	**1/2**
Dr D. Kawol (Chairperson up to 07 January 2022)	**Chairperson**	**1/1**
	Member	**4/4**
Mr M. S. Ayoob Saab	**Member**	**4/6**
Dr D. Paligadu (Appointed on 20 November 2020)	**Member**	**4/4**
Member who ceased to hold office during the year under consideration		
Mr B. Boyramboli (Up to 26 July 2021)	**Chairperson**	**1/1**

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 reviewed by the Board on 19 August 2022 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;
- Review annually the size and composition of the Board as a whole; and
- Consider and approve matters which were previously under the mandate of the Conduct Review Committee.

The Committee met three (3) times during the year under review to consider the compliance requirements of the Code.

Members and attendance during the year under review:

Members	Role	Corporate Governance Committee
Mr S. Purmessur (As from 16 December 2020)	**Chairperson**	**3/3**
Mr M. S. Ayoob Saab (As from 16 December 2020)	**Member**	**3/3**
Dr D. Kawol (As from 16 December 2020)	**Member**	**3/3**

Real Estate Development Committee

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

The main function of the Real Estate Development 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 Committee met six (6) times during the year.

Members and attendance during the year under review:

Members	Role	Real Estate Development Committee
Mr D. Khoosye	Chairperson	6/6
Mrs M. V. Doriana Letandrie	Member	6/6
Mr S. Purmessur	Member	4/6

The Board of Directors had at its meeting held on 16 December 2020 approved the setting up of a Fully-Owned Subsidiary under the name of MHC Properties Ltd. Upon approval of the Shareholders of MHC, the Subsidiary was incorporated on 05 September 2022 to take over the activities of the Real Estate Development Committee and the latter committee will be dissolved.

Monitoring Committee

The Monitoring Committee was set up on 11 February 2022 and is governed by a Charter which was approved by the Board on 09 May 2022 and published on the website of the Company.

The main function of the Monitoring Committee is to ensure that the milestones and approved objectives of the Company are achieved.

The Monitoring Committee met four (4) times during the year.

Members and attendance during the year under review:

Members	Role	Monitoring Committee
Mr K. Ubheeram	Chairperson	4/4
Dr D. Kawol	Member	3/4
Mrs M. V. Doriana Letandrie	Member	3/4

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 Mohummad 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 and is the Responsible Officer of the Valuation Department. 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.

Dr Dhanandjay 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.

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 and the Chairman of Mauritius Shipping Corporation Ltd.

Mr Khoosye was the Chairperson of the Real Estate Development Monitoring Committee of MHC and is actually the Chairman of MHC Properties Ltd.

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 was the Chairperson of its Conduct Review Committee up to 29 June 2022.

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 Board of Financial Services Commission, and a member of the Financial Reporting Council.

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 Khulwant Kumar 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.

Directors who ceased to hold office during the year under review

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.

Directorship in other Companies as at 30 June 2022

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
Dr Dhanandjay Kawol	EWF Hospitality Ltd	Independent
	National Empowerment Foundation	Non-Executive
	Omnicane Ltd	Non-Executive
	SICOM Ltd	Non-Executive
	Cyber Properties Ltd	Non-Executive
	Ascencia Ltd	Independent
Mr Dunputh Khoosye	Mauritius Shipping Corporation Ltd	Non-Executive Chairperson
Mrs Marie Veronique Doriana Letandrie	SIC Management Services Company Ltd	Independent
	Grand Bay Casino Ltd	Independent
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
	People's Turf PLC	Executive
Director who ceased to hold office during the year under consideration		
Mr Bojrazsingh Boyramboli (Resigned on 26 July 2021)	Omnicane Ltd	Non-Executive
	State Insurance Company of Mauritius	Non-Executive
	Ascencia Ltd	Non-Executive

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

** Except for the Executive Director, all Directors serve for a maximum term of six years unless an extension is otherwise approved by the Bank of Mauritius.*

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;
- Conflicts of interests; and
- Fit and proper criteria are met.

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.

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.

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. There is no formal succession plan. The Board liaises with the Shareholders of the Company whenever required on this issue.

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."

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 Company's Constitution.

Code of Ethics

The Board has reviewed its Code of Ethics on 29 June 2022. 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 not to be involved in any conflict of interest 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 on 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 based on the respective approval limits.

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

Insurance of Directors and Officers in respect of legal action or liability may 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 Board and Sub-Committee evaluation for the year under review was conducted on 23 June 2022 and the outcome will be considered at the next Corporate Governance Committee. 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, except an increase in the basic salary of the Managing Director as from 24 May 2022

The total remuneration earned by Directors during the year under review, were as follows:-

Directors	Category	Directors' Emoluments (Mur)
Me R. R. Daureeawoo (Appointed on 06 February 2020)	**Independent Chairperson**	**1,200,000**
Mr A. Babbea (Appointed on 01 May 2020 to 30 April 2022 and re-appointed on 24 May 2022)*	**Executive (Managing Director)**	**3,475,303***
Mr M.S.Ayoob Saab (was Re-appointed on 02 March 2021)	**Non-Executive Director/Chairperson**	**312,500**
Dr D. Kawol	**Non-Executive**	**297,903**
Mr D. Khoosye	**Independent**	**372,500**
Mrs M.V.D. Letandrie (Appointed on 20 November 2020)	**Independent**	**362,500**
Dr D. Paligadu (Appointed on 30 November 2020)	**Non-Executive**	**337,500**
Mr S. Purmessur (Appointed on 30 November 2020)	**Non-Executive**	**330,000**
Mr K.K. Ubheeram (Appointed on 30 November 2020)	**Independent**	**402,500**
Directors who ceased to hold office during the period under consideration		
Mr B. Boyramboli (Up to 26 July 2021)	**Independent**	**30,000**

**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 and thereafter recommended to the Board.

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; it also ensures that Management develops and implements a robust system for Risk Management. Besides other responsibilities, the Board determines the Key Risks that could impact the achievement of its corporate objectives and take appropriate action to mitigate them. It should also decide on the extent of Risks that the Company is willing to take and bear in order to achieve its strategic objectives and set-up acceptable level of appetite and tolerance.

Risk Management

The Company has implemented an Integrated Risk Management Framework in July 2021 which is 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. It is designed to identify potential events that may affect the Company and manage Risk to be within its Risk Appetite, to provide reasonable assurance regarding the achievement of its objectives.

The primary goal of Risk Management at MHC is to ensure that there is a proper Risk Culture in the Company which will enable a common understanding of Risk across all functions and also ensuring compliance with applicable rules, guidelines, and legislations including mandatory requirements. Risk Management provides guidance to the Board, Management and other Stakeholders to allow Risk-Based decision making. This process also helps in improving effectiveness and efficiency. The Board likewise ensures that outcomes of Risk-Taking activities are congruent with the Company's strategies, Risk Appetite and the tolerance level that have been set thereon; simultaneously maintaining an appropriate balance between Risks and rewards to maximise Shareholders Returns.

MHC has developed a Risk Management Policy Statement which is congruent with its ambitions of ensuring Key Principles of Risk Management practices embedded throughout the Organization.

MHC's policy is to apply best practice in the identification, evaluation, mitigation and monitoring of Risks to ensure that they are managed, eliminated or reduced to an acceptable level. The policy and strategy also support Opportunity Risks and do not hinder innovation, rather it helps in delivering sustainable change in a well-managed and controlled way.

The Board and Senior Management recognise their responsibilities 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 also acknowledged that some Risks will always exist and will never be fully eliminated. All Employees consider Risk and accept responsibility for Risks associated within their respective area of authority.

Two methodologies, that is, Risk Self-Assessment Survey and Risk Control Self-Assessment have been used by the Company to identify and analyse Internal and External Risks that might impact on the achievement of its objectives.

The Risks identified have been classified under five Key Areas within MHC's Risk universe, namely, Operational, Compliance, Reporting, Financial and Strategic.

Risk Management (cont'd)

With the approval and implementation of the Integrated Risk Management Framework in July 2021, all Risks identified during the preliminary stages were assessed, prioritized as per their relevance, rated and mitigated using appropriate controls. The Risks material to the Business have been clearly described, referenced and related controls properly documented in the Company's Risk Register. In view of achieving the Company's Risk Management objectives, the register is monitored using Key Risks Indicators and exceptions are reported monthly to Management and quarterly to the Risk Management Committee.

The objectives of MHC's Risk Management Strategy are as follows:

- 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.

Assurance on Risk Management processes

The Directors derive assurance of the effectiveness of the Risk Management processes at MHC through the Audit and Risk Management Committees respectively. The reports issued by Compliance, Risk Management, Internal Audit Functions, Management, Regulator and External Audit are discussed at appropriate Committees and minutes of proceedings of respective Committees are escalated to the Board for consideration.

The Board relies on the Risk Management, Compliance, Internal Audit Functions and the External Auditors including the regulator, who in line with their responsibilities report on weaknesses together with recommendations for remedial actions, through the Risk Management and Audit Committees respectively. This helps the Board in ensuring that available resources are being used effectively and efficiently; it also helps the Board to ascertain the adequacy and 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 Compliance and Audit Reviews; their reports are accompanied with recommendations and agreed action by Owners, including completion timelines where applicable. The External Auditors also report to the Audit Committee on findings regarding controls failures, non-compliance and any material misstatements noted during their review of Financial Statements and Reports.

The Risk Management Function at MHC among other activities, also carry out the following roles and responsibilities:

- overseeing the implementation of a consistent Risk Management Framework across the Company;
- 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 the Company whenever they fall due. In view of minimizing the impact of this loss on the Company's bottom line, Management has set up appropriate structures, policies and processes to manage the Credit Risk inherent in the entire portfolio including those 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 Risks and the Company's exposures are managed.

Among MHC's fundamental principles, before a Credit facility is granted, appropriate assessment is conducted on the borrower's profile, income, including other available information such as those from the Mauritius Credit Information Bureau to test for Credit worthiness.

The Credit Policies in place at MHC direct the Credit Handling process; these policies are regularly reviewed by Management to ensure their relevance and also compliance with applicable provisions of new guidelines and legislations. The Credit Risk Management Framework provides clear definition on 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.

It is also MHC's policy to ensure that the collaterals value is sufficient to cover the Credit amount. MHC has set clear policies and procedures on valuation of collaterals, which are aligned with legal and regulatory requirement.

- **Credit Risk Measurement**

A Credit Risk Scoring System is in place to assess the quality of Individual Credits and for monitoring and controlling the Risk inherent in Individual Credits, as well as the Credit portfolios of the Company.

Business and Financial Risks are considered while determining the Credit Score of a potential Borrower. The scoring model has been devised taking into consideration the size, nature and complexity of our Business Operations, and is flexible to accommodate current and future Risk profile.

- **Credit Approval/Sanction**

MHC has implemented written guidelines regarding the Credit Approval/Process which include an Approval Matrix with clear authorities for different Credit thresholds. The approval authorities cover new Credit Approvals, renewals of existing Credits as well as changes in terms and conditions of previously approved facilities.

Controls are in place to ensure that there is adequate and clear segregation of duties to avoid any potential conflict of interests or responsibilities. There is also adequate control in place to ensure that Credit facilities are approved within authorized limits and at arm's length.

- **Credit Documentation**

Documentation is a Key Factor in every phase of the Credit cycle, starting from the application, approval, monitoring, management, among others, to ensure completeness and accuracy of records maintained.

Management has put in place appropriate structures to handle the Credit Documentation process and also ensure that Credit files are neatly maintained and well-referenced.

- **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 including exposures of the Company to ensure that they are in line with established policies and procedures and with Appetite. 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 is aware that the threats may disrupt the Business Operations, as such it has established an Operational Risk Management Framework with the objective of ensuring that Operational Risks are identified, monitored, managed and reported in a structured, systematic and consistent manner.

Operational Risks at MHC are categorised as follows:

- People Risk: potential losses due to human error, done willingly or unconsciously;
- Technology 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;
- Information Risk: incorrect or inappropriate decisions being made due to inaccurate accounting and other key business information; and
- Process Risk: Operational Risks that are embedded in the process relating to the delivery of products and services to the Customers.

To ensure proper monitoring of these Operational Risks, the Board has delegated the authority of approval and oversight to the Risk Management Committee. To ensure effective monitoring of Operational Risks, MHC has set up an Operational Risk Forum which also helps in the identification, assessment and measurement of Operational Risks. Reports pertaining to exceptions flagged are regularly submitted and discussed at the Forum. The Risk and Compliance Unit coordinates the reporting activities and monitors actions with respective Risk Owners.

Market Risk Management

Market Risk is the Risk of losses in on-balance sheet and off-balance sheet positions arising from movements in the Market Prices, which comprise of interest rates and foreign exchange Risks.

MHC has an Asset and Liability Policy which covers market Risk Management which include its line of responsibilities, accountability and reporting within the Operational Framework. It also sets out the strategy for Market Risk-Taking in view of maximizing returns while keeping MHC's Market Risk exposure at or below the pre-determined level. The Board considered economic and market conditions including the resulting effects on Market Risk while establishing its strategy. The strategy is reviewed periodically and same is communicated to Staff.

The Board of Directors and Senior Management periodically review the Company's financial results to determine whether changes are required to achieve the Corporate Objectives.

Market Intelligence tools are used to observe the fluctuations in interest and exchange rates, and in helping Management to devise appropriate strategies to counter potential losses.

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.

MHC is exposed to the Risk of inability to raise Funds from Customers through Deposits or Borrowings from Banks and Financial Institutions, at a reasonable price and reasonable period of time to meet its Financial Obligations. As a Non-Bank Deposit Taking Financial Institution, the Company should ensure regulatory compliance with the Cash Ratio.

MHC ensures that adequate cost-effective funds are maintained to enable it honour its contractual and behavioral Financial commitments or any unplanned disbursement pertaining to both contractual as well as those determined on the basis of behaviour, as and when they become due. MHC ensures that its commitments are met through readily available and secured sources of funding.

The principal sources of funding for the Company are self-revolving Funds, Deposits raised from Customers through Savings and Term Deposit products as well as Borrowings from other Financial Institutions.

The maturity profile between funds raised and loans granted/investments are constantly monitored in order not to expose the Company to Liquidity Related Risks.

MHC's primary goal towards Liquidity Management is to protect its financial strength in maintaining its ability to withstand stressful events in Financial Markets. To help in this mission, MHC has set up appropriate structures to manage the Liquidity Profile of the Company and also the Risks associated with the Balance Sheet.

The Key Features of the Company's Liquidity Risk Management Framework are highlighted hereunder:

- General strategies (short and long-term), specific goals and objectives in relation to Liquidity Risk Management, process for strategy formulation and the level of approval;
- Roles and responsibilities of individuals performing Liquidity Management Functions;
- Contingency planning, management reporting, lines of authority and responsibility for liquidity decisions;
- The structure for monitoring and reviewing Liquidity Profiles;
- The appropriate tools for identifying, measuring, monitoring and controlling Liquidity Risk (including the types of liquidity limits and ratios in place including the rationale for establishing limits and ratios); and
- Developing appropriate strategies to handle Liquidity crisis.

In addition to the above, MHC has implemented an Asset Liability Committee (ALCO), that contributes for effective management of Liquidity Risk through the conduct of stress testing or scenario-based analysis. The Minutes of Proceedings of the ALCO are circulated to the Risk Management Committee.

The following Key Responsibilities as regard to Liquidity Risk Management are included in the ALCO mandate:

- 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 the Company's cash flows to identify possible impacts on 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 implement strategies to minimise loss that may arise from adverse Interest Rate movements.

Movements in Interest Rates on the market, affect the Company's interest-sensitive incomes and expenses, hence impacting on the net earnings, thereby urging the Company to implement appropriate and efficient strategies in view of managing Interest Rate Risk to ensure the safety and soundness of its Financial Performance and Position.

MHC follows the requirement of the Bank of Mauritius 'Guideline on Measurement and Management of Market Risk' as well as Internal Policies to manage the Interest Risk to which it is exposed. The Interest Risk Profile is put under multiple scenarios, results of these are discussed at ALCO meetings and where required, appropriate strategies are devised to keep the Risk within its Appetite.

Concentration of Credit Risk

Concentration of Credit Risk is governed by Guideline on 'Credit Concentration Risk' issued by the Bank of Mauritius; the maximum exposure for licensees on Credits has been defined therein. In compliance with the guideline's requirement, Credits granted to a single borrower or group of related borrowers are properly assessed to minimize its exposure on Concentration Risks. MHC has also implemented Internal Policies regarding Concentration limits. The Ratios are monitored by the ALCO.

Compliance Risk

Compliance Risk pertains to legal or regulatory sanctions that may impact on the Company financially or reputationally consequent to non-adherence to regulatory requirements. As a Non-Bank Deposit Taking Financial Institution licensed by the Bank of Mauritius, MHC is required to ensure compliance with applicable guidelines, legislations, supervisory requirements, including Internal Policies, so that its Deposit Taking license is not put at Risk.

Compliance Risk comprises of two elements, namely:

- Regulatory Risk is the Risk of loss that MHC may be exposed to, in case of non-compliance with applicable legislation and regulatory requirements and exclusion of same in its operational procedures and corporate strategies.
- Reputation Risk refers to the Risk of damage caused to the Company's image that can occur following negative publicity from the media due to the non-compliance with applicable legislations and regulatory requirements. Reputational damage may also be caused through improper and unethical practices by its Employees in the conduct of Business at the detriment of its Customers, the Community and other Shareholders.

The Risk and Compliance Unit monitors the Compliance Risks and Reports outcomes of its reviews including recommendations and agreed remedial actions by respective Process Owners to the Audit Committee.

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 also the ability 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 materialized and disrupt the normal course of business. The Plan pertaining to Disaster Recovery were tested twice during the year and the results, including actions for improvement were reported to the Risk Management Committee.

In addition, MHC follows the latest development in the market and the economic environment in view of identifying 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 adversely impact its Business. Appropriate controls have been designed and implemented to mitigate the likelihood and impact of those Risks.

Technological Risk

Technological Risk refers to the potential loss from disruption to Business Activities due to inadequate or obsolete technology, failure or interruption in technology caused by either Internal or External events. As most Organisations, MHC is dependent on Information and Communication Technologies, which include its facilities, platforms, computer systems (hardware and software), data files and other Technology related systems/equipment which support its Operations.

To ensure that MHC is aligned to its strategy towards Technology, it has established relevant processes and controls which caters for technological development and maintenance, changes in or new technological tools and systems are subject to proper authorization, testing and documentation prior to their introduction in the operative environment.

Technological Risk (cont'd)

Appropriate safeguarding processes and procedures have been established to restrict access to authorised persons only, in view of protecting the integrity of technological facilities, hardware, software and data files. In line with MHC's Information Security Policy, all modifications on the system are tracked through audit trails and incident logs.

The Board and Risk Management Committee rely on Senior Management's and Risk and Compliance function's reports to ensure that Technological Risks are properly managed and monitored.

Internal Control

Internal Control is defined as the process effected by an Entity's Board of Directors, Management and other Personnel, designed to provide reasonable assurance on the achievement of set objectives (COSO). Internal Control mechanisms are among other tools used by the Company for proper Risk Management to ensure they are within set Appetite. Each line of defence has a specific role in the Risk Management Process. Management is responsible for the design, implementation and monitoring of a sound Internal Control System.

Business lines and Operational Managers sitting on the first line of defence, own relevant Risks and are responsible for its Management. They are also responsible for maintaining effective Internal Controls, daily execution of Risk and Controls procedures and processes, and in implementing appropriate actions to address process and control deficiencies. Operational Management guides the development and implementation of Internal Policies and Procedures and ensures that activities are consistent with Business goals and objectives.

On the second line of defence lies the Risk and Compliance functions, their roles and responsibilities are to guide the Business lines in implementing appropriate Controls. The Risk Management function is also involved in the monitoring of Risk and Controls. It acts as a facilitator for Business lines and monitors the implementation of effective Risk Management practices across the Organization by Operational Management. The Risk Management function assists Risk Owners in defining the Appetite and maximum Risk Exposure. The Compliance function monitors Risks associated with regulatory requirement, applicable legislations and also Internal Policies.

As the third line of defence of the Organisation, the Internal Audit function is responsible to provide independent and objective assurance to the Board, Audit Committee and Senior Management on the effectiveness of the Risk Management Processes. They are also required to provide assurance on the Governance Process, Internal Controls and on the effectiveness of the first and second lines of defence.

Whistle-Blowing Policy

MHC is committed to the highest standards of openness, probity and accountability. To this respect, MHC has included in its Anti-Corruption Policy, a section on the protection of whistle-blowers. The Staff are encouraged to report in good faith, acts of corruptions, malpractices, fraud or suspicions on illegal activities. All information reported are treated with strict confidentiality.

Financial Risk Factors

Please refer to Note 4 of the Financial Statements.

Solvency Risks

Solvency Risks pertain to Risks that the Company is unable to meet its financial obligations whenever they become due even after disposal of its Assets. MHC manages and monitors its Solvency Risks to ensure they are within Appetite and implement appropriate strategies upon detection of early warnings and threats.

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.

The Financial Statements include the Annual Report, dividend declaration and the financial highlights. Upon approval, they will be published on MHC's website.

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.

Overview of the External Environment

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 regards 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 109,500 during the year under review.

No Political Donation or other Donation relating to Political Activities were made during the year under review.

An amount of Rs 50,000 was granted as sponsorship for sports events at National Level, Rs 70,000 to Primary Schools and Rs 20,000 to Non-Profit Organisations in respect of medical treatment.

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 monthly income of 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 the Bank of Mauritius, in order to help its Customers impacted by the pandemic. At the end of the reporting year, MHC positively responded to 281 Customers' request for assistance which represented a total amount of Rs 18.8M in terms of capital and interest moratorium.

Environmental Policy

The Company ensures that its Operations have no major impact on the Environment. The following measures were taken during the financial year to reduce Carbon Emission:

1. **Office Environment**

   a. MHC's Head Office and Branches are equipped with LED fittings (LED Panel of 48W and LED Tube light among others; and

   b. 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. As at the end of the financial year, approximately 70% of the overall AC units, including Head Office and Branches were replaced by units of R410.

2. Electricity Usage

Lights, air conditioners, machines, computers, elevators, and other appliances consume a lot of electricity at the Company but 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 and Reduction of Paperwork

Management strives usage of technology-based reports, hence minimising usage of paper. Heads of Units have been informed to closely monitor the printing activities in their respective areas and also to encourage the use of 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.

Moreover, most of MHC policies and procedures are available on MHC's intranet. This infrastructure addresses both energy and resource efficiency, it also allows saving of space and provide Staff with the flexibility to access them and work from anywhere.

4. Plastic Free

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

5. Shredding of old files for Recycling

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

Safety and Health Issues

MHC has appointed a Safety and Health Officer who ensures Compliance with all the requirements of the Occupational Safety and Health Act 2005 and any applicable legislative and regulatory Frameworks. MHC's 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 year 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

The 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 year and the cash flows for that year, 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 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.

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. Up to 09 August 2022, Mr. J. Maywah, an FCCA and CMIIA with relevant experience in the field, was acting as Internal Auditor.

As from 10 August 2022, the Internal Audit function is headed by Mr R. K. Mudaliar who is a Professional Accountant with Central Banking experience more specifically in Supervision of Banks and Internal Auditing and has wide exposure and experience in MHC's activities having occupied all Senior Posts in the Company. The Internal Auditor 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.

Internal Audit (cont'd)

The Internal Auditor has no operational responsibility or authority over any of the activities audited. Accordingly, he is not involved in implementation of 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:

- Procurement;
- Remote Auditing;
- Corporate Governance;
- Integrated Risk Management Framework;
- System of Internal Controls;
- Payroll;
- Remittance;
- Complaints Handling;
- Audit on Compliance Function;
- Audit on Social Media;
- Audit on Information Technology Risks & Controls;
- Business Continuity Management;
- Data Protection Act;
- Turnaround Strategies;
- Risk Management Process;
- Budgetary Control;
- Cyber Security Risks in the new normal;
- Audit on Non-Performing Accounts;
- Special Investigations; and
- Audit on Compliance with the BOM Guideline on Related Party Transactions; and Anti-Money Laundering and Combatting of Financing of Terrorism.

During the year under review, the Internal Audit Team concentrated on a new approach, i.e. Remote Auditing.

The following areas have been rolled over onto the work plan for the year 2022/2023:

- Marketing;
- Supply Chain Risks; and
- Treasury Management.

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 year ended 30 June 2022 at the Annual Meeting held in March 2022. They are in office for the third period for the Audit of the Financial Statements of the Company.

External Audit (cont'd)

The Audit Committee ensures that the External Auditors are 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 Financial Statements 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

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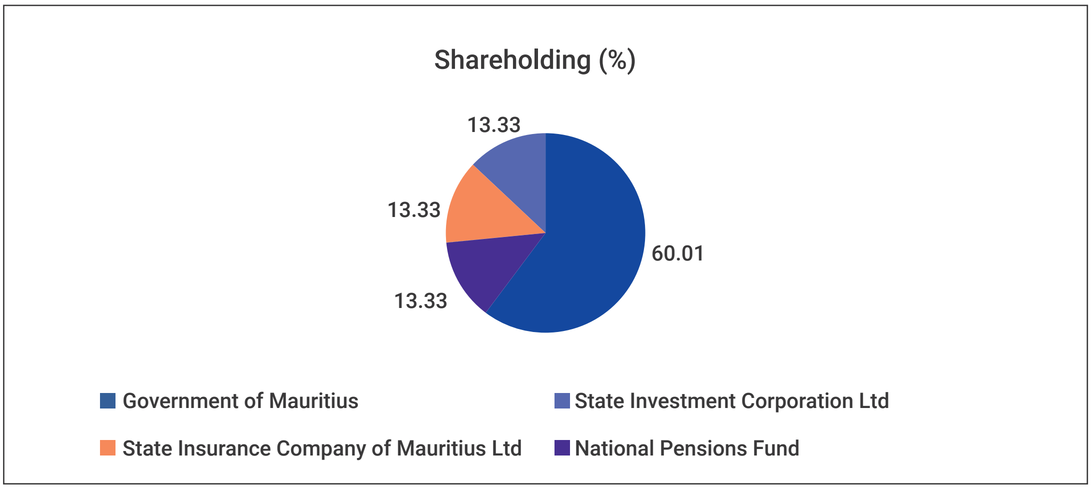
On 17 June 2022, the Board resolved that the services of Grant Thornton be enlisted to undertake examination of the Institutional Risk Assessment and Related Internal Control Systems against a fee of Rs 225,000 (VAT Excl.) for the year under review. The scope of the assignment is yet to be communicated to Grant Thornton.

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 2022 was as follows:-



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 with 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 Shareholders 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.

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.

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 External Auditors and Management and ask questions or seek clarifications 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 2022. 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 2022	Declaration of Dividend
31 March 2023	Payment of Dividend
28 December 2022	Annual Meeting
30 June 2023	End of Financial Year

Statement of Compliance

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

Name of PIE: Mauritius Housing Company Ltd

Reporting period: 30 June 2022

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 6: Reporting with Integrity

The Code recommends that the Dividend Policy be published on the Company's website.

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

Signed on behalf of the Board of Directors:

Chairperson	Managing Director	Director

Date: 29 September 2022

Report from Director

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 year ended 30 June 2022.

INCORPORATION

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

PRINCIPAL ACTIVITIES

The principal Activities of the Company are the granting of Loans for the Construction/Purchase of Houses, to engage in Deposits Takings 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 year are as shown in the Statement of Profit or Loss and Other Comprehensive Income. For the year ended 30 June 2022, the Directors have recommended a Dividend of Rs 9,698,131 subject to the Bank of Mauritius's approval (2021: Rs 7,576,900 and 2019: Rs 25,593,200).

DIRECTORS

The present membership of the Board is set out on page 14.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the Directors to prepare Financial Statements for each Financial year which present fairly the Financial Position, Financial Performance and Cash Flows of the Company. The Directors are also responsible for keeping Accounting Reports 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 on Share in the Company whether directly or indirectly.

DIRECTORS' REMUNERATION

The Directors' Remuneration relates to both the Executive Directors and Non-Executive Directors, for the 12 Months ended 30 June 2022, 18 Months ended 30 June 2021 and 12 Months ended 31 December 2019 are as disclosed on a page 79.

DIRECTORS' REMUNERATION (cont'd)

	2022	2021	2019
	Rs	Rs	Rs
Executive Director	**3,475,303**	4,806,643	859,236
Non-Executive Directors	**3,645,403**	4,491,485	2,913,194

SIGNIFICANT CONTRACTS

No contracts of significance existed during the year under review between the Company and its Directors. Loans to the Directors are done in the normal course of Business.

DONATIONS

Donations of Rs 70,000 have been made during the year ended 30 June 2022 (2021: Rs 219,800 and 2019: Rs Nil).

AUDITORS

Fees, inclusive of VAT, payable to Grant Thornton for the year ended 30 June 2022, for the Eighteen-Months period ended 30 June 2021 and for the year ended 31 December 2019 are as follows:

	2022	2021	2019
	Rs	Rs	Rs
Audit fees	**1,466,250**	1,955,000	1,380,000

Chairperson **Managing Director** **Director**

Date: 29 September 2022

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: 29 September 2022

Secretary's Certificate

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 the year ended 30 June 2022.

For Prime Partners Ltd
Secretary

Date: 29 September 2022

Independent Auditor's Report

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 2022, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements on pages 86 to 152 give a true and fair view of the Financial Position of the Company as at 30 June 2022 and of its Financial Performance and its Cash Flows for the year 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.

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 2022. 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.

Key Audit Matter (cont'd)

The only Key Audit Matter identified in relation to the Audit of the Financial Statements is as described below:

Risk description

Provision for Expected Credit Losses	How our Audit addressed the Key Audit Matter
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: • 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. 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.	Our procedures included the following, amongst others: • 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. Overall, the results of our evaluation of the Company's expected Credit Losses on loans to Customers are consistent with Management's Assessment.

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,

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.

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.
- 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.

(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.

(c) Financial Reporting Act 2004

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.

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

Grant Thornton
Chartered Accountants

Y NUBEE, FCCA
Licensed by FRC

Date: 29th September 2022

Ebène 72201, Republic of Mauritius

Financial Statements

Statement of Financial Position as at 30 June 2022

	Notes	30-Jun-22	Restated 30-Jun-21	Restated 31-Dec-19
		Rs'000	Rs'000	Rs'000
ASSETS				
Cash at banks and in hand	13(a)	**373,315**	465,638	327,547
Treasury deposits	13(b)	**1,375,000**	1,150,000	475,000
Property development	14	**136,385**	149,420	99,343
Loans to customers	15	**9,069,240**	8,497,257	8,002,544
Investment property	16	**151,625**	128,302	125,409
Property and equipment	17	**549,242**	516,942	609,183
Intangible assets	18	**132,300**	150,122	134,666
Other assets	19 (a)	**26,817**	34,743	96,912
Assets held for sale	19 (b)	**56,977**	59,830	61,641
Total assets		**11,870,901**	11,152,254	9,932,245
LIABILITIES				
PEL and other savings accounts	20(a)	**1,944,146**	1,933,219	1,870,009
Housing deposits certificates	20(b)	**5,505,964**	4,801,012	3,404,266
Borrowings	21	**324,759**	456,457	733,637
Retirement benefit obligations	22	**419,117**	347,245	256,717
Other liabilities	23	**81,291**	91,491	59,814
Total liabilities		**8,275,277**	7,629,424	6,324,443
Insurance funds	24	**123,973**	123,973	123,973
SHAREHOLDERS' EQUITY				
Share capital	25	**200,000**	200,000	200,000
Revaluation reserves	17(ii)	**412,766**	376,378	425,138
Building insurance reserve	27	**116,810**	116,810	116,810
Life insurance reserve	24(a)	**127,769**	127,769	127,769
Retained earnings	28	**2,307,716**	2,271,310	2,307,522
Statutory reserve	29(b)	**200,000**	200,000	200,000
Other reserves	29(a)	**106,590**	106,590	106,590
Total equity		**3,471,651**	3,398,857	3,483,829
Total equity and liabilities		**11,870,901**	11,152,254	9,932,245

These Financial Statements have been approved and authorised for issue by the Board of Directors on

29 September 2022 and signed on its behalf by:

Chairperson **Managing Director** **Director**

The notes on pages 91 to 152 form an integral part of these Financial Statements.
Auditors' Report on pages 82 to 85.

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2022

	Notes	Year ended 30 June 2022	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019
		Rs'000	Rs'000	Rs'000
Interest income		**406,007**	548,101	526,276
Interest expense		**(144,509)**	(216,241)	(191,906)
Net interest income	6	**261,498**	331,860	334,370
Fee and commission income		**42,751**	61,826	37,928
Rent received		**7,481**	10,249	8,301
Policy fees and charges on loans		**8,329**	7,092	6,282
Other operating income	7	**55,755**	95,830	54,965
		114,316	174,997	107,476
Operating income		**375,814**	506,857	441,846
Personnel expenses	8	**(175,840)**	(245,467)	(152,966)
Depreciation and amortisation	17 & 18	**(36,945)**	(52,155)	(18,235)
Other expenses	9(a)	**(105,128)**	(122,891)	(101,187)
Non-interest expense		**(317,913)**	(420,513)	(272,388)
Operating profit		**57,901**	86,344	169,458
Release of allowance for credit impairment/(net impairment loss on financial assets)	15(b)	**8,590**	(37,981)	(21,017)
Other provisions	9(b)	**(234)**	24,361	(26,348)
Gain on sale of foreclosed properties		**7,402**	152	1,213
Increase in fair value of investment property	16	**23,323**	2,893	4,660
Profit for the year/period		**96,982**	75,769	127,966
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Remeasurement of post-employment benefit obligations	22(a)(iv)	**(52,999)**	(68,565)	58,256
Gains/(released) on revaluation of land & buildings	17	**36,388**	(48,760)	-
Transfer from life insurance reserve	24	**-**	-	(26,873)
Items that will be reclassified to profit or loss		**-**	-	-
Other comprehensive income for the year/period	26	**(16,611)**	(117,325)	31,383
Total comprehensive income for the year/period		**80,371**	(41,556)	159,349
Earnings per share (Rs)	12	**4.85**	3.79	6.40

The notes on pages 91 to 152 form an integral part of these Financial Statements.
Auditors' Report on pages 82 to 85.

Statement of Changes in Equity for the year ended 30 June 2022

	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 July 2021 - as restated	**200,000**	**376,378**	**116,810**	**2,271,310**	**127,769**	**200,000**	**106,590**	**3,398,857**
Profit for the year	**-**	**-**	**-**	**96,982**	**-**	**-**	**-**	**96,982**
Other comprehensive income for the year	**-**	**36,388**	**-**	**(52,999)**	**-**	**-**	**-**	**(16,611)**
Total comprehensive income for the year	**-**	**36,388**	**-**	**43,983**	**-**	**-**	**-**	**80,371**
Dividends (Note 11)	**-**	**-**	**-**	**(7,577)**	**-**	**-**	**-**	**(7,577)**
Transaction with the owners	**-**	**-**	**-**	**(7,577)**	**-**	**-**	**-**	**(7,577)**
At 30 June 2022	**200,000**	**412,766**	**116,810**	**2,307,716**	**127,769**	**200,000**	**106,590**	**3,471,651**
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 - as previously reported	200,000	376,378	116,810	2,289,113	127,769	200,000	106,590	3,416,660
Correction of prior period errors (Note 36)	-	-	-	(17,803)	-	-	-	(17,803)
At 30 June 2021 - as restated	200,000	376,378	116,810	2,271,310	127,769	200,000	106,590	3,398,857
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)	-
	-	(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 errors (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

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

** See Note 29

The notes on pages 91 to 152 form an integral part of these Financial Statements.
Auditors' Report on pages 82 to 85.

Statement of Cash Flows for the year ended 30 June 2022

	Note	Year ended 30 June 2022	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019
Operating activities				
Profit for the year/period		**96,982**	75,769	127,966
Adjustments for:				
Allowance for credit impairment (net)	15(b)	**(12,704)**	35,541	21,017
Other provisions	9(b)	**234**	(24,361)	26,348
Depreciation	17	**13,729**	21,233	15,780
Amortisation	18	**23,216**	30,922	2,455
Gain on sale of foreclosed properties		**(7,402)**	(152)	(1,213)
Increase in fair value of investment property	16	**(23,323)**	(2,893)	(4,660)
Interest in suspense		**(13,029)**	26,962	3,132
Profit on disposal of property and equipment	7	**(10)**	(9)	(319)
Profit on disposal of property development		**(2,456)**	(9,032)	-
Provision for retirement benefit obligations		**18,873**	21,963	15,748
		94,110	175,943	206,254
Changes in operating assets and liabilities				
Changes in other assets		**(400)**	43,727	3,722
Changes in assets held for sale		**10,255**	1,963	3,617
Changes in treasury deposits		**(225,000)**	(650,000)	(200,000)
Changes in other liabilities		**(10,200)**	31,677	13,535
Changes in accrued interest payable		**2,289**	(72,963)	(62,977)
Changes in loans to customers		**(546,250)**	(562,002)	(475,993)
Net cash used in operating activities		**(675,196)**	(1,031,655)	(511,842)
Investing activities				
Purchase of property and equipment	17	**(9,126)**	(8,892)	(18,890)
Purchase of intangible assets	18	**(5,394)**	(46,378)	(78,024)
Proceeds from disposal of property and equipment		**10**	9	319
Proceeds from disposal of property development		**15,491**	30,843	-
Additions to property development	14	**-**	(35,938)	(96,938)
Net cash used in investing activities		**981**	(60,356)	(193,533)
Financing activities				
Housing Deposits Certificates (HDC)	20 (b)	**679,600**	1,422,499	1,027,995
Plan Epargne Logement Savings (PEL)	20 (a)	**33,990**	110,420	97,534
Repayment of borrowings		**(187,698)**	(277,180)	(168,992)
Dividends paid	11	**-**	(25,593)	(40,845)
Net cash from financing activities		**525,892**	**1,230,146**	**915,692**
Change in cash and cash equivalents		**(148,323)**	**138,135**	**210,317**
Movement in cash and cash equivalents				
Cash and cash equivalents at start of the year/period		**465,638**	327,503	117,186
Change in cash and cash equivalents		**(148,323)**	138,135	210,317
Cash and cash equivalents at end of the year/period		**317,315**	**465,638**	**327,503**
Cash and cash equivalents is made up of :				
Cash at bank and in hand (Note 13(a))		**373,315**	465,638	327,547
Bank overdrafts (Note 21)		**(56,000)**	-	(44)
		317,315	**465,638**	**327,503**

Reconciliation of liabilities arising from financing activities

	As at 01 July 2021 Rs'000	Movement in capital Rs'000	Movement in interest Rs'000	As at 30 June 2022 Rs'000
PEL and Other Savings Accounts	1,933,219	33,990	(23,063)	1,944,146
Housing Deposit Certificates	4,801,012	679,600	25,352	5,505,964
Borrowings	456,457	(187,698)	56,000	324,759
	7,190,688	525,892	58,289	7,774,869

The notes on pages 91 to 152 form an integral part of these Financial Statements.

Auditors' Report on pages 82 to 85.

Notes to the Financial Statements for the year ended 30 June 2022

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, Révérend Jean Lebrun Street, Port Louis, Republic of Mauritius. The Company holds licences from the Bank of Mauritius and the Financial Services Commission.

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”) and comply with the Mauritius Companies Act 2001 and other applicable legislations and guidelines.

The Company changed its reporting date, with the approval of the Registrar of Companies in prior year, from 31 December to 30 June to align with the Government's financial year.

The current figures are for the period from 01 July 2021 to 30 June 2022 whereas the comparative figures are for the period from 01 January 2020 to 30 June 2021 and 01 January 2019 to 31 December 2019. Therefore, the comparatives 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 annual period beginning on 01 July 2021

In the current year, the following revised standards issued by the IASB became mandatory for the first time for the financial year beginning on 01 July 2021:

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 2022.

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.

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 the 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 in the next page.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

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)

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.

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 loss.

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.

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)

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 as of 01 January 2021.

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).

IFRS 17, Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of Financial Statements.

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.

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

In May 2021, the Board issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

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 12, Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) (Cont'd)

The amendments were issued in response to a recommendation from the IFRS Interpretations Committee. Research conducted by the Committee indicated that views differed on whether the recognition exemption applied to transactions, such as leases, that lead to the recognition of an asset and liability. These differing views resulted in entities accounting for deferred tax on such transactions in different ways, reducing comparability between their Financial Statements. The Board expects that the amendments will reduce diversity in the reporting and align the accounting for deferred tax on such transactions with the general principle in IAS 12 of recognising deferred tax for temporary differences.

Management has yet to assess the impact of the above standards and amendments to existing standards 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Property and equipment (Cont'd)

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.

(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.

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 is 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

Classification of financial assets

<u>Amortised cost</u>

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

Classification of financial assets (Cont'd)

Amortised cost (Cont'd)

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:

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

Business model assessment (Cont'd)

> How the performance of the business model and the financial assets held within that business model are evaluated and reported to 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.

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.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

Measurement of ECL (Cont'd)

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 intial 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 external valuers which are appointed by the Company.

As at 30 June 2021, the Company had Rs 21,691,676,304 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (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-months 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 year ended 30 June 2022 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (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-months 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 occuring 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

Modification of financial asset (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-months 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 intial 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 year ended 30 June 2022: 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.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

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.

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.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Retirement benefit obligations (Cont'd)

Pension contributions

Contributions to the Family Protection Scheme (FPS) and payments for employees' social contribution are expensed to profit or loss in the period in which they fall due.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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 occurence 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).

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) **Leased assets**

The Company as a lessee

For any new contracts entered into on or after 01 January 2019, 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.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

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 refund.

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 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 year ended 30 June 2022 whereas the comparative figures are for the period from 01 January 2020 to 30 June 2021 and for the year ended 31 December 2019. Therefore, the comparatives figures of these Financial Statements are not comparable.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

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.

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-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
		Restated	Restated
Tier 1 capital	**2,575,416**	2,521,188	2,572,856
Tier 2 capital	**259,006**	239,129	251,560
Total capital base	**2,834,422**	2,760,317	2,824,416
Risk weighted assets	**7,659,625**	7,141,725	4,819,843
Capital adequacy ratio	**37.0**	38.7	58.6

Categories of financial assets and financial liabilities

	30-Jun-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Financial Assets		Restated	Restated
Measured at Amortised Cost	**10,836,358**	10,140,350	8,900,157
	10,836,358	10,140,350	8,900,157
Financial Liabilities			
Measured at Amortised Cost	**7,844,215**	7,267,441	6,054,816
	7,844,215	7,267,441	6,054,816

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

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.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

4. FINANCIAL RISKS (CONT'D)

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 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

Portfolio Staging	30 June 2022		
	EAD	Average PD	Average LGD
	Rs 000	%	%
Retail loans	8,553,047	4.24	29.41
Treasury deposits	1,375,000	0.27	45.00
Corporate loans	69,393	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 2022 for the years 2023 to 2027, 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 2023	Year 2024	Year 2025	Year 2026	Year 2027
Inflation rate %	5.73%	4.96%	4.12%	3.71%	3.50%
Key repo rate	0.75%	0.75%	0.60%	0.00%	0.00%
GDP growth rate %	6.30%	4.80%	3.70%	3.30%	3.30%

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.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

4. FINANCIAL RISKS (CONT'D)

Incorporation of forward-looking information (Cont'd)

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 2022, 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

Portfolio: Loan and advances - June 2022	ECL	Average PD	Average LGD
	Rs 000	%	%
Inflation rate			
Base rate	73,261	4.24	46.89
Increased by 1%		4.08	51.27
Decreased by 1%		4.42	42.58

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

4. FINANCIAL RISKS (CONT'D)

Credit loss expense

Year: 31 December 2019	Stage 1 ECL	Stage 1 Exposure	Stage 2 ECL	Stage 2 Exposure	Stage 3 ECL	Stage 3 Exposure
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	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

Period: 30 June 2021	Stage 1 ECL	Stage 1 Exposure	Stage 2 ECL	Stage 2 Exposure	Stage 3 ECL	Stage 3 Exposure
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	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

Year: 30 June 2022	Stage 1 ECL	Stage 1 Exposure	Stage 2 ECL	Stage 2 Exposure	Stage 3 ECL	Stage 3 Exposure
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Loans to customers	(57,581)	8,247,432	(15,680)	305,615	(547,050)	1,342,466
Treasury deposits	(1,671)	1,375,000	-	-	-	-
Other assets (Staff loans)	(127)	6,442	-	-	-	-
Total impairment loss	(59,379)	9,628,874	(15,680)	305,615	(547,050)	1,342,466

Credit quality

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

	30-Jun-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Loan to customers at amortised cost	**9,895,513**	9,352,802	8,769,924
Treasury deposits at amortised cost	**1,375,000**	1,150,000	475,000

Credit risk - exposure and past due	**30-Jun-22**	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Loans that are neither past due nor impaired	**8,247,432**	7,600,018	7,148,797
Loans that are past due but not impaired	**305,615**	232,689	291,205
Impaired loans	**1,342,466**	1,520,095	1,329,922
	9,895,513	9,352,802	8,769,924
Ageing of past due but not impaired:			
Less than 3 months	**305,615**	232,689	291,205

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

4. FINANCIAL RISKS (CONT'D)

Non performing loans

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

	30-Jun-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Impaired loans	**1,342,466**	1,520,095	1,329,922
Specific provision and other provisions in respect of impaired loans	**753,012**	785,786	703,445
Discounted fair value of collaterals of impaired loans	**835,316**	919,544	919,413

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-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Loans to customers	**9,069,240**	8,497,257	8,002,544
Other assets	**1,767,118**	1,660,896	897,613
	10,836,358	10,158,153	8,900,157

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-22		**30-Jun-21**		**31-Dec-19**	
Loans to customers	**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	**8,247,432**	**57,581**	7,600,018	57,640	7,148,797	51,268
31 - 89 days	**305,615**	**15,680**	232,689	12,119	291,205	12,667
90 days and above	**1,342,466**	**547,050**	1,520,095	563,256	1,329,922	533,539
Total	**9,895,513**	**620,311**	**9,352,802**	**633,015**	**8,769,924**	**597,474**

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.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

4. FINANCIAL RISKS (CONT'D)

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-22		30-Jun-21		31-Dec-19	
	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%	**5,632,965**	**317,138**	5,611,426	339,675	6,119,221	456,372
75% to 89%	**1,604,291**	**98,741**	1,627,566	103,967	1,849,047	78,349
90% to 100%	**820,534**	**34,629**	567,122	26,776	483,354	23,936
Above 100%	**1,767,228**	**169,803**	1,546,688	162,597	318,302	38,817
Total	**9,825,018**	**620,311**	9,352,802	633,015	8,769,924	597,474

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 year/period by taking possession of collateral held as security against loans to Customers and held at the year/period 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-22	30-Jun-21	31-Dec-19
	Rs' 000	Rs' 000	Rs' 000
Foreclosed properties	**56,977**	59,830	61,641

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.

4. FINANCIAL RISKS (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-22		30-Jun-21		31-Dec-19	
	Lowest	**Highest**	Lowest	Highest	Lowest	Highest
	%	**%**	%	%	%	%
Financial assets						
Deposits with Banks	**-**	**2.00**	0.50	3.95	0.60	4.00
Loans to Customers	**2.25**	**13.40**	2.55	15.50	3.00	15.50
Financial liabilities						
Savings and Fixed Deposits	**0.30**	**3.75**	0.95	5.10	0.95	5.10
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	**3.25**	**4.20**	2.85	3.85	4.50	5.40
Borrowings - Other Institutions	**0.00**	**0.00**	2.50	6.00	2.50	6.00

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

4. FINANCIAL RISKS (CONT'D)

Interest rate risk (Cont'd)

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 2022	Increase of 1%	Decrease of 1%
	Rs'000	Rs'000	Rs'000
Interest income on loan to customers	389,111	488,068	290,154
Interest expense on Plan Epargne Logement - (PEL)	9,300	25,707	(7,107)
Interest expense on Housing Deposits Certificates - (HDC)	123,174	176,289	70,059

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

Interest rate risk

	Fixed interest rate	Floating interest rate	Non-interest bearing	Total
	Rs'000	Rs'000	Rs'000	Rs'000
30 June 2022				
Assets				
- Cash at banks and in hand	**-**	**373,315**	**-**	**373,315**
- Treasury deposits	**1,375,000**	**-**	**-**	**1,375,000**
- Loans to customers	**196,325**	**8,872,915**	**-**	**9,069,240**
- Other assets	**6,961**	**-**	**11,842**	**18,803**
	1,578,286	**9,246,230**	**11,842**	**10,836,358**
Liabilities				
- PEL	**-**	**1,944,146**	**-**	**1,944,146**
- HDC	**-**	**5,505,964**	**-**	**5,505,964**
- Borrowings	**-**	**317,479**	**7,280**	**324,759**
- Other liabilities	**-**	**-**	**69,346**	**69,346**
	-	**7,767,589**	**76,626**	**7,844,215**
30 June 2021				
Assets				
- 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 (Restated)	19,141	-	8,314	27,455
	1,389,875	8,742,161	8,314	10,140,350
Liabilities				
- 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
	-	7,181,343	86,098	7,267,441
31 December 2019				
Assets				
- 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
	754,907	8,078,489	66,761	8,900,157
Liabilities				
- 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
	-	5,999,934	54,882	6,054,816

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

4. FINANCIAL RISKS (CONT'D)

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.

Liquidity risk

The table shows the remaining contractual maturities of financial liabilities:-

	Less than 3 months	Between 3 months and 1 year	Over one year	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Financial Liabilities				
- PEL	**1,944,146**	**-**	**-**	**1,944,146**
- HDC	**242,314**	**1,484,206**	**3,779,444**	**5,505,964**
- Borrowings	**56,000**	**118,051**	**150,708**	**324,759**
- Other liabilities	**56,234**	**-**	**13,112**	**69,346**
30 June 2022	**2,298,694**	**1,602,257**	**3,943,264**	**7,844,215**
- 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	2,036,937	1,532,251	3,698,253	7,267,441
- 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	2,020,298	603,939	3,430,579	6,054,816

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.

4. FINANCIAL RISKS (CONT'D)

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.

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 2022:

	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	373,315	-	-	373,315
- Treasury deposits	400,000	975,000	-	1,375,000
- Loans to customers	8,575	32,424	9,028,241	9,069,240
- Other assets	-	11,842	6,961	18,803
	781,890	1,019,266	9,035,202	10,836,358
Liabilities				
- PEL	1,944,146	-	-	1,944,146
- HDC	242,314	1,484,206	3,779,444	5,505,964
- Borrowings	56,000	118,051	150,708	324,759
- Other liabilities	56,234	-	13,112	69,346
	2,298,694	1,602,257	3,943,264	7,844,215
Liquidity gap	(1,516,804)	(582,991)	5,091,938	2,992,143

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

4. FINANCIAL RISKS (CONT'D)

Liquidity risk management (Cont'd)

Maturities of financial assets and liabilities at 30 June 2021:

Assets	Less than 3 months	Between 3 months and 1 year	Over one year	Total
	Rs'000	Rs'000	Rs'000	Rs'000
- 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 (Restated)	-	8,314	19,141	27,455
	1,075,744	583,129	8,481,477	10,140,350

	Less than 3 months	Between 3 months and 1 year	Over one year	Total
Liabilities	Rs'000	Rs'000	Rs'000	Rs'000
- 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
	2,036,937	1,532,251	3,698,253	7,267,441
Liquidity gap	(961,193)	(949,122)	4,783,224	2,872,909

Maturities of financial assets and liabilities at 31 December 2019:

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
	524,155	313,804	8,062,198	8,900,157
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
	2,020,298	603,939	3,430,579	6,054,816
Liquidity gap	(1,496,143)	(290,135)	4,631,619	2,845,341

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

4. FINANCIAL RISKS (CONT'D)

Liquidity risk management (Cont'd)

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 3.20%	(52,401)	Positive
Scenario 1 - withdrawal rate increased from 3.20% to 5%	(81,774)	Negative
Scenario 2 - withdrawal rate increased from 3.20% to 10%	(163,548)	Negative
Scenario 3 - withdrawal rate increased from 3.20% to 15%	(245,322)	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.

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.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

4. FINANCIAL RISKS (CONT'D)

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. There has been an improvement in recovery as those Customer who have been granted moratorium, have started to service their loans which will impact positively on our provisioning.

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. As from October 2021, after waiving of restrictions regarding sanitary measures, there are signs of recovery which has been reflected in our loan approval as well as Deposit Takings.

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.

(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 year/period. 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.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(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.

(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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(e) Impairment of credit losses (cont'd)

- 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.

- Significant increase of credit risk: ECL are measured as an allowance equal to 12-months 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-months to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-months 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.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(e) Impairment of credit losses (cont'd)

- 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

The COVID-19 pandemic has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets.

The Directors have therefore considered the potential adverse impact of COVID-19 on the Company's Business 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 Company's future Business projects, future cash flows and profitability and the global economic conditions.

Details on risks related to COVID-19 are provided in Note 4 to these Financial Statements.

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.

	Year ended 30 June 2022	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019
	Rs'000	Rs'000	Rs'000
Interest income			
Loans interest	**389,111**	524,113	445,952
Interest on bank deposits	**16,471**	23,020	24,025
Others	**425**	968	56,299
	406,007	548,101	526,276
Interest expense			
Bank overdrafts	**-**	(38)	(464)
Bank loans	**(11,456)**	(30,371)	(37,921)
Plan Epargne Logement - (PEL)	**(9,300)**	(22,753)	(23,846)
Housing Deposits Certificates - (HDC)	**(123,174)**	(161,283)	(129,657)
Others	**(579)**	(1,796)	(18)
	(144,509)	(216,241)	(191,906)
Net interest income	**261,498**	331,860	334,370

6. NET INTEREST INCOME (CONT'D)

For all financial instruments measured at amortised cost, interest income or expense is recorded at the Fffective 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.

7. OTHER OPERATING INCOME	**Year ended 30 June 2022**	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019
	Rs'000	Rs'000	Rs'000
Insurance premium (net of claims paid and change in incurred but not reported claims)	**52,558**	80,963	52,794
Profit on disposal of property and equipment	**10**	9	319
Profit on disposal of property development	**2,456**	9,032	-
Others	**731**	5,826	1,852
	55,755	95,830	54,965

8. PERSONNEL EXPENSES	**Year ended 30 June 2022**	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019
	Rs'000	Rs'000	Rs'000
Salaries and human resource development	**145,106**	205,842	127,306
Pension contributions and other staff benefits	**30,734**	39,625	25,660
	175,840	245,467	152,966

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

9(a). OTHER EXPENSES	**Year ended 30 June 2022**	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019
	Rs'000	Rs'000	Rs'000
Maintenance and repairs	**11,419**	14,498	11,368
Travelling and transport	**12,902**	20,004	15,640
Staff welfare, training and study schemes	**15,992**	17,642	15,279
General expenses	**7,557**	7,649	4,609
Electricity	**4,552**	6,631	4,931
Passages benefits	**5,863**	9,284	6,548
Printing and stationery	**3,023**	2,568	2,393
Telephone	**4,081**	5,429	2,479
Motor vehicles running expenses	**1,212**	1,298	864
Directors' emoluments	**3,770**	4,630	3,055
Audit fees	**1,691**	2,243	1,380
Professional fees	**3,269**	7,435	6,491
Family protection schemes' contribution	**1,873**	2,801	1,889
Software maintenance costs	**17,533**	10,233	5,326
Rent of properties	**38**	-	-
Advertising	**1,554**	3,403	6,512
Postages	**3,182**	2,051	4,562
Legal fees and expenses	**122**	878	110
Sponsorship & Corporate Social Responsibility	**110**	173	264
Retirement benefits (Voluntary Early Retirement)	**283**	414	414
Donations	**70**	220	-
Project expenses	**2,905**	2,041	939
Others	**2,127**	1,366	6,134
	105,128	122,891	101,187

9(b). OTHER PROVISIONS	**Year ended 30 June 2022**	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019
	Rs'000	Rs'000	Rs'000
Provision on other assets (Note 19(a))	**234**	639	1,348
Provision on fixed deposits (Note 13(b))	**-**	-	25,000
Reversal of fixed deposits (Note 13(b))	**-**	(25,000)	-
	234	(24,361)	26,348

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

10. PROFIT FOR THE YEAR/PERIOD	**Year ended 30 June 2022**	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019
	Rs'000	Rs'000	Rs'000
Profit for the period/year is arrived at after charging:			
Depreciation on property and equipment	**13,729**	21,233	15,780
Amortisation on intangible assets	**23,216**	30,922	2,455
Staff costs (Note (a))	**177,996**	248,682	155,269

(a) Analysis of staff costs	**Year ended 30 June 2022**	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019
	Rs'000	Rs'000	Rs'000
Wages and salaries (Note 8)	**145,106**	205,842	127,306
Pension costs and other contributions (Note 8)	**30,734**	39,625	25,660
Retirement benefits (Voluntary Early Retirement)	**283**	414	414
Family protection schemes' contribution	**1,873**	2,801	1,889
	177,996	248,682	155,269

11. DIVIDENDS	**Year ended 30 June 2022**	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019
	Rs'000	Rs'000	Rs'000
Dividends recommended and paid	**-**	25,593	40,845
Dividends recommended and not yet paid	**7,577**	-	-
	Rs	Rs	Rs
Dividend per share	**0.38**	1.28	2.04

12. EARNINGS PER SHARE	**Year ended 30 June 2022**	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019
	Rs'000	Rs'000	Rs'000
Profit for the period/year	**96,982**	75,769	127,966
No. of shares	**20,000,000**	20,000,000	20,000,000
Earnings per share Rs.	**4.85**	3.79	6.40

13. CASH AND CASH EQUIVALENTS

(a) Cash at banks and in hand	**30-Jun-22**	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Cash in hand	**3,216**	3,006	2,722
Cash at banks	**370,099**	263,224	128,005
Treasury bills	**-**	199,408	196,820
	373,315	465,638	327,547

13. CASH AND CASH EQUIVALENTS (CONT'D)

(a) Cash at banks and in hand (Cont'd)

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.

There exists no restriction on the above Bank balances.

(b) Treasury deposits	**30-Jun-22**	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Fixed Term Deposits (Note (i))	**1,375,000**	1,150,000	500,000
Provision on treasury deposits (Note (ii))	**-**	-	(25,000)
	1,375,000	1,150,000	475,000

(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) Previously, 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 the applicable licences were 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.

Once the Bank has started its operations (under the name of Silverbank Ltd), the Company has entered into an agreement to recash part of the Deposit with interest and to roll over for another one year the remaining Deposit of Rs 75M against an overdraft facility of Rs 56M repayable before maturity of the Deposit.

14. PROPERTY DEVELOPMENT

	30-Jun-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
At start of year/period	**149,420**	99,343	2,405
Costs incurred during the period/year	**-**	35,938	96,938
Transfer from property and equipment	**-**	35,950	-
Amount transferred	**(13,035)**	(21,811)	-
At end of year/period	**136,385**	149,420	99,343

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 Ebène Cybervillage site, Republic of Mauritius.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

14. PROPERTY DEVELOPMENT (CONT'D)

All the housing units at Ebène 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 a potential buyer of the remaining property development at Ebène Cybervillage. The Court decision has been finalised and we are in the process of launching a bidding exercise to dispose of the property shortly as repairs and renovation has been undertaken to restore it to a saleable value.

During the year ended 31 December 2019, there has been a reclassification of cost relating to the development of housing units at Domaine 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 ended 30 June 2021, the Company has developed a portion of its freehold land at Roche Brunes and these were sold to individual customers. At 30 June 2022, only one plot remain to be sold.

The property development at Domaine Le Hochet, Terre Rouge concerns of 26 housing units, for which the sales process is underway. At 30 June 2022, 20 units 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-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Fast loans and flexi loans	**1,061,129**	616,553	69,401
Secured loans	**8,834,384**	8,736,249	8,700,523
Total loans advanced	**9,895,513**	9,352,802	8,769,924
Provision for credit losses (Note (c) overleaf)	**(620,311)**	(633,015)	(597,474)
Penalty provisions	**(22,123)**	(25,662)	-
Interest suspended	**(183,839)**	(196,868)	(169,906)
	9,069,240	8,497,257	8,002,544
Analysed as follows:			
Current	**597,330**	589,440	506,102
Non-current	**9,298,183**	8,763,362	8,263,822
	9,895,513	9,352,802	8,769,924

(b) Allowance for credit impairment	**30-Jun-22**	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Release of allowance for credit impairment/ (net impairment loss)	**12,704**	(35,541)	(21,017)
Amount written off	**(4,114)**	(2,440)	-
	8,590	(37,981)	(21,017)

15. LOANS TO CUSTOMERS (CONT'D)

(c) Provision for credit losses

	Specific Provision Rs'000	Portfolio Provision Rs'000	Total Rs'000
At 01 January 2019	513,156	63,301	576,457
Movement during the year	20,383	634	21,017
At 31 December 2019	533,539	63,935	597,474
At 01 January 2020	533,539	63,935	597,474
Movement during the period	29,717	5,824	35,541
At 30 June 2021	563,256	69,759	633,015
At 01 July 2021	**563,256**	**69,759**	**633,015**
Movement during the year	**(16,206)**	**3,502**	**(12,704)**
At 30 June 2022	**547,050**	**73,261**	**620,311**

(d) Remaining term to maturity

	30-Jun-22 Rs'000	30-Jun-21 Rs'000	31-Dec-19 Rs'000
Within 3 months	**8,575**	10,106	23,305
Over 3 months and up to 6 months	**10,290**	9,975	35,923
Over 6 months and up to 12 months	**22,134**	14,840	34,423
Over 1 year and up to 5 years	**411,785**	427,986	442,561
Over 5 years	**9,442,729**	8,889,895	8,233,712
Total	**9,895,513**	9,352,802	8,769,924

(e) Credit concentration of risk by Industry Sectors

	30-Jun-22 Rs'000	30-Jun-21 Rs'000	31-Dec-19 Rs'000
Name of Sector			
Construction (Housing finance)	**9,895,513**	9,352,802	9,352,802

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

16. INVESTMENT PROPERTY

VALUATION	Freehold building Rs'000	Cybervillage land Rs'000	Total Rs'000
At 01 January 2019	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
Fair value adjustment in 2022	**4,323**	**19,000**	**23,323**
At 30 June 2022	**86,625**	**65,000**	**151,625**

(i) The investment properties are classified as Level 3 in term of the fair value hierarchy.

Revaluation of investment properties

On 02 August 2022, 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.

	Year ended 30 June 2022 Rs'000	Period from 01 January 2020 to 30 June 2021 Rs'000	Year ended 31 December 2019 Rs'000
Rental income on investment properties	**6,450**	7,233	7,170

No expenses on investment properties were incurred during the year.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

17. PROPERTY AND EQUIPMENT

	Freehold land	Buildings	Furniture and equipment	Motor vehicles	Right - of -use	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST OR VALUATION						
At 01 January 2019	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
Additions	**-**	**-**	**7,734**	**-**	**1,392**	**9,126**
Revaluation	**(7,630)**	**28,154**	**-**	**-**	**-**	**20,524**
Remeasurement	**-**	**-**	**-**	**-**	**(2,757)**	**(2,757)**
Disposals	**-**	**-**	**(10)**	**-**	**-**	**(10)**
At 30 June 2022	**268,340**	**254,875**	**188,075**	**6,815**	**14,479**	**732,584**
DEPRECIATION						
At 01 January 2019	-	-	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**
Disposal adjustment	**-**	**-**	**(10)**	**-**	**-**	**(10)**
Charge for the year	**-**	**4,535**	**5,154**	**354**	**3,686**	**13,729**
Revaluation	**-**	**(15,864)**	**-**	**-**	**-**	**(15,864)**
Remeasurement	**-**	**-**	**-**	**-**	**(3,272)**	**(3,272)**
At 30 June 2022	**-**	**-**	**168,887**	**6,635**	**7,820**	**183,342**
NET BOOK VALUES						
At 30 June 2022	**268,340**	**254,875**	**19,188**	**180**	**6,659**	**549,242**
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

(i) The land and buildings are classified as Level 3 in terms of the fair value hierarchy.

Revaluation of land and buildings

On 24 August 2022, 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. It is the Company policy to revalue the asset every three years and the last exercise was carried out in December 2018.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

17. PROPERTY AND EQUIPMENT (CONT"D)

(ii) Movement in revaluation reserves is as follows:

	30-Jun-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
At start of year/period	**376,378**	425,138	612,197
Movement during the year/period	**-**	-	-
Released/transfer to retained earnings	**36,388**	(48,760)	187,059
At end of year/period	**412,766**	376,378	425,138

(a) During the year ended 31 December 2019, the revaluation reserves were overstated by Rs 187,059,000 and same reclassified to retained earnings. The comparatives figures were not restated as the reclassification had no effect on total equity and the prior years' profits.

During the period ended 30 June 2021 , the revaluation amount pertaining to Domaine Le Hochet and Roche Brunes land have been transferred to property development upon disposals of the relevant properties.

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-22	30-Jun-21	31-Dec-19
	Rs' 000	Rs' 000	Rs' 000
Cost	**15,183**	15,183	15,183
Accumulated depreciation	**(7,938)**	(7,027)	(6,724)
Net book value	**7,245**	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 6,659,102.

(iii) The Company has pledged its property and equipment to secure part of its borrowings.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

18. INTANGIBLE ASSETS

	COMPUTER SOFTWARE Rs'000	PROGRESS PAYMENTS Rs'000	CORE BANKING INTEGRATED SYSTEM	TOTAL Rs'000
COST				
At 01 January 2019	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
Reclassification	**-**	**-**	**(727)**	**(727)**
Additions	**-**	**-**	**5,394**	**5,394**
At 30 June 2022	**20,730**	**-**	**188,166**	**208,896**
AMORTISATION				
At 01 January 2019	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
Reclassification	**-**	-	**(727)**	**(727)**
Charge for the year	**-**	-	**23,216**	**23,216**
At 30 June 2022	**20,730**	**-**	**55,866**	**76,596**
NET BOOK VALUES				
At 30 June 2022	**-**	**-**	**132,300**	**132,300**
At 30 June 2021	-	-	150,122	150,122
At 31 December 2019	-	134,666	-	134,666

The Directors have reviewed the carrying value of the intangible assets and are of opinion that at 30 June 2022, 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 year ended 30 June 2022 (Cont'd)

19(a). OTHER ASSETS

		Restated	Restated
	30-Jun-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Staff loans	**6,961**	19,141	28,305
Receivable from Government	**-**	-	28,000
Other receivables and prepayments	**28,860**	23,161	45,304
	35,821	42,302	101,609
Less:			
- Provision for impairment	**(9,004)**	(7,559)	(4,697)
	26,817	34,743	96,912

The 2021 and 2019 balances have been restated for reason explained in Note 36 to these Financial Statements.

19(b). ASSETS HELD FOR SALE	**30-Jun-22**	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Foreclosed properties	**56,435**	59,527	61,108
Allowance for impairment on foreclosed properties	**(4,029)**	(4,268)	(4,268)
Land and apartments repossessed	**4,571**	4,571	4,801
	56,977	59,830	61,641

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-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Capital	**1,640,726**	1,606,754	1,496,360
Interest payable	**301,496**	324,559	371,769
Other savings accounts	**1,924**	1,906	1,880
	1,944,146	1,933,219	1,870,009

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

20(b). HOUSING DEPOSIT CERTIFICATES

	30-Jun-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Capital	**5,311,510**	4,631,910	3,209,411
Interest payable	**194,454**	169,102	194,855
	5,505,964	4,801,012	3,404,266
Analysed as follows:			
Current	**1,726,520**	1,424,465	531,560
Non-current	**3,779,444**	3,376,547	2,872,706
	5,505,964	4,801,012	3,404,266

	30-Jun-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Analysed as follows:			
Individuals	**3,852,364**	3,115,969	2,762,441
Corporates	**1,653,600**	1,685,043	641,825
	5,505,964	4,801,012	3,404,266

	30-Jun-22		30-Jun-21		31-Dec-19	
	Capital	**Interest**	Capital	Interest	Capital	Interest
	Rs'000	**Rs'000**	Rs'000	Rs'000	Rs'000	Rs'000
Within 3 months	**221,095**	**21,219**	42,805	2,036	101,199	21,353
Over 3 months and up to 6 months	**1,030,740**	**9,138**	1,012,865	8,399	149,973	20,872
Over 6 months and up to 12 months	**435,661**	**8,667**	340,363	17,997	207,563	30,600
Over 1 year and up to 2 years	**1,129,791**	**101,399**	496,451	40,178	352,237	38,326
Over 2 years	**2,494,223**	**54,031**	2,739,426	100,492	2,398,439	83,704
	5,311,510	**194,454**	4,631,910	169,102	3,209,411	194,855

The HDC balance at the end of the year/period include an amount of Rs 1,218.3M (2021: Rs 1,009.2M and 2019: Rs 864.7M) which was due to one of the Company largest Depositors, with a Deposit concentration ratio of 22.1% (2021: 27.0% and 2019: 27.0%).

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

21. BORROWINGS

	30-Jun-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Current			
Bank overdrafts (Secured) (Note (c) overleaf)	**56,000**	-	44
Loan capital (Note (a) overleaf)	**901**	6,101	8,854
Bank loans (Note (b) overleaf)	**113,333**	143,328	183,335
Lease liabilities (Note (d) overleaf)	**3,817**	3,198	2,742
	174,051	152,627	194,975
Non-current			
Loan capital (Note (a) overleaf)	**49,054**	84,609	98,068
Bank loans (Note (b) overleaf)	**98,191**	213,074	435,358
Lease liabilities (Note (d) overleaf)	**3,463**	6,147	5,236
	150,708	303,830	538,662
Total borrowings	**324,759**	456,457	733,637

(a) Loan capital - Government Guaranteed

Rate of interest	Lenders	Terms of repayment	Repayment period	30-Jun-22 Rs'000	30-Jun-21 Rs'000	31-Dec-19 Rs'000
2.50%	European Development Fund	Half Yearly	30.12.1991 – 30.06.2021	**-**	-	2,909
2.50%	Mauritius Marine Authority	Yearly	23.02.2001 - 23.02.2020	**-**	-	377
2.50%	Mauritius Marine Authority	Yearly	27.04.2002 - 27.04.2021	**-**	183	739
2.50%	Mauritius Marine Authority	Yearly	20.05.2002 - 20.05.2022	**324**	469	535
2.50%	Mauritius Marine Authority	Yearly	09.07.2002 - 19.07.2023	**257**	317	618
2.50%	Mauritius Marine Authority	Yearly	14.08.2009 - 14.08.2028	**1,785**	2,016	2,674
2.50%	Mauritius Marine Authority	Yearly	21.07.2012 - 21.07.2031	**3,073**	3,340	3,601
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	**232**	401	1,119
6.00%	Anglo Mauritius	Quarterly	29.02.2008 – 01.02.2028	**-**	33,788	41,250
3.00%	Bank of Mauritius	Yearly	No fixed repayment terms	**40,650**	46,562	49,466
				49,955	90,710	106,922
Less repayable within one year shown as short term loans				**(901)**	(6,101)	(8,854)
				49,054	84,609	98,068
Repayable by instalments:						
- after one year and before five years				**3,174**	22,913	25,299
- after five years				**1,596**	11,500	19,669
Repayment terms not yet finalised				**3,634**	3,634	3,634
Repayable other than by instalments				**40,650**	46,562	49,466
				49,054	84,609	98,068

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

21. BORROWINGS (CONT'D)

(a) Loan capital - Government Guaranteed (Cont'd)

Included in borrowings, is the balance of housing loans for Bank of Mauritius staff scheme amounting to Rs 39.2M (2021:Rs 46.6M and 2019: Rs 49.5M) which are managed by MHC in return for a payment of a six monthly service charge on the outstanding balance.

(b) Bank loans

	30-Jun-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
3.25% - 4.20% (2021: 2.85% - 3.85% and 2019: 4.50% - 5.40%) per annum and Bank loans repayable by monthly/quarterly instalments	**211,525**	356,402	618,693
Current			
Portion repayable within one year	**113,333**	143,328	183,335
Non-current			
Portion repayable after one year and before five years	**98,191**	213,074	435,358
Portion repayable after five years	**-**	-	-
	98,191	213,074	435,358
Total	**211,524**	356,402	618,693

Included in the Bank loans is an amount of Rs 211,524,486 (2021: Rs 326,406,484 and 2019: Rs 492,030,318) secured on the assets of the Company. The remaining loans are guaranteed by Government of Mauritius.

(c) Bank overdrafts are secured against Fixed Deposits that the Company holds with the respective Banks.

The carrying amounts of borrowings are not materialy different from their fair values. During the year under review, the Company has secured an overdraft facility against the Deposit held with Silver Bank Ltd as part of our contingency plan, for an amount of Rs 56,000,000.

(d) Leases liabilities

Lease liabilities are presented in the Statement of Financial Position as follows:

	30-Jun-22	30-Jun-21	31-Dec-19
	Rs' 000	Rs' 000	Rs' 000
Current	**3,817**	3,198	2,742
Non-current	**3,463**	6,147	5,236
	7,280	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).

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

21. BORROWINGS (CONT'D)

(d) Leases liabilities (Cont'd)

Future minimum lease payments were as follows:

At 31 December 2019	**Within 1 year**	**1 to 2 years**	**Total**
	Rs' 000	Rs' 000	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**	**1 to 2 years**	**Total**
	Rs' 000	Rs' 000	Rs' 000
Lease payment	3,605	6,560	10,165
Finance charges	(407)	(413)	(820)
Net present value	3,198	6,147	9,345
At 30 June 2022	**Within 1 year**	**1 to 2 years**	**Total**
	Rs' 000	**Rs' 000**	**Rs' 000**
Lease payment	**4,176**	**3,774**	**7,950**
Finance charges	**(358)**	**(312)**	**(670)**
Net present value	**3,818**	**3,462**	**7,280**

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	-
At 30 June 2022	**6,659**	**3,686**	**-**

The right-of-use assets are included in property and equipment and the 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.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

21. BORROWINGS (CONT"D)

The Company as a lessor (Cont'd)

	30-Jun-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Rent received under operating lease recognised in Statement of Profit or Loss*	**6,450**	7,233	7,170

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-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Within one year	**7,264**	5,816	6,156
Between 2 and 5 years	**33,556**	32,431	24,625
After more than 5 years	**8,389**	8,389	6,156
	49,209	46,636	36,937

(g) The carrying amounts of borrowings are not mateirally different from their fair values.

22. RETIREMENT BENEFIT OBLIGATIONS

Amounts recognised in the Statement of Financial Position:

	30-Jun-21	30-Jun-21	31-Dec-19
	Rs' 000	Rs' 000	Rs' 000
Amounts recognised in the Statement of Financial Position:			
- Pension benefits (note (a)(ii))	**408,557**	336,685	246,157
- Funds kept within the Company (note (c))	**10,560**	10,560	10,560
	419,117	347,245	256,717
Amount charged to profit or loss:			
- Pension benefits (note (a)(iii))	**28,564**	37,304	26,273
Amount charged to Other Comprehensive Income:			
- Pension benefits (note (a)(iv))	**52,999**	68,565	(58,256)

(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.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(ii) The amounts recognised in the Statement of Financial Position are as follows:

	30-Jun-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Pension benefit obligations	**733,436**	683,395	585,844
Fair value of plan assets	**(324,879)**	(346,710)	(339,687)
Liability recognised at end of period/year	**408,557**	336,685	246,157

(iii) The amounts recognised in profit or loss are as follows:

	Year ended 30 June 2022	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019
	Rs'000	Rs'000	Rs'000
Current service cost	**16,080**	21,971	14,517
Fund expenses	**800**	1,067	317
Net interest expense	**17,369**	22,409	17,025
Employee contributions	**(5,685)**	(8,143)	(5,586)
Total included in staff costs	**28,564**	37,304	26,273
Actual return on plan assets	**(444)**	29,860	35,272

(iv) The amounts recognised in other Comprehensive Income are as follows:

	Year ended 30 June 2022	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019
	Rs'000	Rs'000	Rs'000
Remeasurement			
Liabilities loss/(gain)	**35,754**	69,866	(40,923)
Assets (gain)/loss	**17,245**	(1,301)	(17,333)
	52,999	68,565	(58,256)

(v) The reconciliation of the opening balances to the closing balances for the defined benefit liability is as follows:

	Year ended 30 June 2022	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019
	Rs'000	Rs'000	Rs'000
At start of the year/period	**336,685**	246,157	288,665
Charged to profit or loss	**28,564**	37,305	26,273
Contributions paid	**(9,691)**	(15,342)	(10,525)
Charged to Other Comprehensive Income	**52,999**	68,565	(58,256)
At end of year/period	**408,557**	336,685	246,157

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(vi) The movement in the defined benefit obligations over the year/period is as follows:

	Year ended 30 June 2022	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019
	Rs'000	Rs'000	Rs'000
At start of the year/period	**683,395**	585,844	602,822
Current service cost	**16,080**	21,971	14,517
Interest expense	**34,170**	50,969	34,963
Benefits paid	**(35,963)**	(45,255)	(25,535)
Liability experience loss/(gain)	**35,754**	69,866	(40,923)
At end of year/period	**733,436**	683,395	585,844

(vii) The movement in the fair value of plan assets of the year/period is as follows:

	Year ended 30 June 2022	Period from 01 January 2020 to 30 June 2021	Year ended 31 December 2019
	Rs'000	Rs'000	Rs'000
At start of the year/period	**346,710**	339,687	314,157
Expected return on plan assets	**16,801**	28,559	17,938
Employer contributions	**9,408**	14,928	10,241
Employee contributions	**5,685**	8,142	5,586
Benefits paid	**(36,480)**	(45,907)	(25,568)
Assets (gain)/loss	**(17,245)**	1,301	17,333
At end of year/period	**324,879**	346,710	339,687

(viii) Distribution of plan assets at end of year/period

	30-Jun-22	30-Jun-21	31-Dec-19
Percentage of assets at end of year/period			
Fixed securities and cash	**58.0%**	54.8%	58.2%
Loans	**2.9%**	2.8%	3.1%
Local equities	**13.6%**	11.8%	13.6%
Overseas bonds and equities	**25.0%**	30.1%	24.6%
Property	**0.5%**	0.5%	0.5%
Total	**100.0%**	100.0%	100.0%

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(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-22	30-Jun-21	31-Dec-19
Discount rate	**5.25%**	5.00%	5.80%
Future salary growth rate	**3.50%**	3.00%	4.50%
Future pension growth rate	**2.50%**	2.00%	3.50%

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 occuring 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 97.7 M (increase by Rs 123.2 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 55.2 M (decrease by Rs 47.6 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 21.4 M (decrease by Rs 21.4 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 FY 2022/2023 will amount to Rs 9,936,919.

(xiii) The weighted average duration of the defined benefit obligation is 15 years.

(xv) 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 year ended 30 June 2022 (Cont'd)

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(b) State Pension Plan	**30-Jun-22**	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Social benefits contribution (previously National Pension Scheme)	**1,227**	1,784	1,151

(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 the Family Protection Scheme.

23. OTHER LIABILITIES

	30-Jun-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Deposits against foreclosed properties	**11,946**	14,737	12,909
Leave passage provision	**12,400**	13,903	15,266
Accruals	**18,561**	35,057	10,382
Other payables	**38,384**	27,794	21,257
	81,291	91,491	59,814

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-22	30-Jun-21	31-Dec-19
	Rs’000	Rs’000	Rs’000
Life assurance reserve (Note (a))	**118,191**	118,191	118,191
Building insurance reserve (IBNR)	**1,507**	1,507	1,507
Mortgage insurance reserve	**4,275**	4,275	4,275
	123,973	123,973	123,973

Movement in insurance funds

	30-Jun-22	30-Jun-21	31-Dec-19
	Rs’000	Rs’000	Rs’000
At start of year/period	**123,973**	123,973	97,100
Transfer from life assurance reserve (Note 26)	**-**	-	26,873
At end of year/period	**123,973**	123,973	123,973

24. INSURANCE FUNDS (CONT'D)

(a) The policy liabilities have been valued as at 30 June 2022 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 2022, management is of the opinion that the insurance fund is adequate.

The valuation of the Decreasing Term Assurance book of business was performed based on the Insurance Act 2005 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: 3.60% (3.46% p.a)
- renewal expense: Rs 1,106.62 per policy 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 30 June 2022. 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 aising 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, 30 June 2021 and 30 June 2022	127,769

25. SHARE CAPITAL

	30-Jun-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Authorised			
25,000,000 ordinary shares of Rs 10 each	**250,000**	250,000	250,000
Issued and fully paid			
20,000,000 ordinary shares of Rs 10 each	**200,000**	200,000	200,000

Fully paid ordinary shares, which have a par value of Rs 10, carry one vote per share and a right to dividends.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

26. OTHER COMPREHENSIVE INCOME

	Revaluation reserve	Actuarial (losses)/ gains	Life insurance reserve
	Rs'000	**Rs'000**	**Rs'000**
Items that will not be reclassified to profit or loss:			
30-Jun-22			
Revaluation of land	**36,388**	-	-
Remeasurement of defined benefit obligations	**-**	**(52,999)**	**-**
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)

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-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	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 during the year under review. The Directors consider that at 30 June 2022 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.

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

28. RETAINED EARNINGS

	30-Jun-22	30-Jun-21	Restated 31-Dec-19
	Rs'000	Rs'000	Rs'000
At start of year/period	**2,271,310**	2,307,522	2,067,688
Transfer (Notes 17(a) and 29(a)	**-**	-	141,400
Movement on reserves	**-**	(20)	58,256
Profit for the year/period	**96,982**	75,769	127,966
Actuarial reserve	**(52,999)**	(68,565)	58,256
Dividends (Note 11)	**(7,577)**	(25,593)	(40,845)
Correction of prior period error (Note 36)	**-**	(17,803)	(105,199)
At end of year/period	**2,307,716**	2,271,310	2,307,522

29. RESERVES

(a) OTHER RESERVES

	At 01 January 2019	Movement during the year DR	Movement during the year CR	At 31 December 2019
	Rs'000	Rs'000	Rs'000	Rs'000
EDF revolving fund	12,068	(12,068)	-	-
Gervaise reserve	529	(529)	-	-
General reserve	106,590	-	-	106,590
	119,187	(12,597)	-	106,590

	At 01 January 2020	Movement during the period DR	Movement during the period CR	At 30 June 2021
	Rs'000	Rs'000	Rs'000	Rs'000
General reserve	106,590	-	-	106,590
	106,590	-	-	106,590

	At 01 July 2021	**Movement during the year DR**	**Movement during the year CR**	**At 30 June 2022**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
General reserve	**106,590**	**-**	**-**	**106,590**
	106,590	**-**	**-**	**106,590**

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 2022, the reserve amounts to Rs 200M which is equal to the paid up share capital of the Company (Note 25).

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

30. COMMITMENTS

	30-Jun-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
(a) Loans			
Loans approved but not yet disbursed to individuals	**189,136**	176,648	138,083

(b) Capital commitments

The Company does not have any capital commitment at 30 June 2022.

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 year/period

	Nature of transactions	30-Jun-22	30-Jun-21	31-Dec-19
		Rs'000	Rs'000	Rs'000
Shareholders of the Company				
Government of Mauritius	Loans	**169**	3,627	2,518
	Interest paid	**10**	121	152
	Interest received	**-**	28,000	19,398
	Rental expense	**38**	38	33
Others	Other transactions	**48**	44	40
Directors and key management personnel				
	Loans	**6,571**	6,962	3,700
	Loan interest	**1,165**	11	681
	Deposits capital	**2,800**	(2,904)	1,155
	Deposits interest	**302**	(476)	(472)
	PEL capital	**3,172**	(1,976)	(1,376)
	PEL interest	**51**	(134)	(8)

Notes to the Financial Statements for the year ended 30 June 2022 (Cont'd)

32. RELATED PARTIES TRANSACTIONS (CONT'D)

Remuneration and other benefits relating to key management personnel, including Directors, were as follows:

	30-Jun-22	30-Jun-21	31-Dec-19
	Rs'000	Rs'000	Rs'000
Salaries and benefits	**27,908**	34,063	20,104

	Nature of transactions	(Credit)/ debit balances at 30 June 2022	(Credit)/ debit balances at 30 June 2021	(Credit)/ debit balances at 31 December 2019
		Rs'000	Rs'000	Rs'000
Government of Mauritius	Loans	**(232)**	(401)	(4,028)
	Interest payable	**-**	-	(28)
	Interest receivable	**-**	(7,559)	128,502
Directors and key management personnel	Loans	**20,086**	13,515	20,477
	Deposits capital	**4,800**	2,000	4,904
	Deposits interest	**327**	25	501
	PEL capital	**5,254**	2,082	4,058
	PEL interest	**88**	37	171

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 2% to 3% and has a maximum repayment capacity of 50% of monthly salary.

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 Covid-19 Pandemic continues to impact global commercial activity and is still contributing to significant declines and volatility in financial markets post the year end.

The Directors have therefore made an assessment of the Company's ability to continue as a going concern taking into account all available information about the future including the analysis of the possible impacts in relation to COVID-19, which is at least, but is not limited to, twelve months from the date of approval of these Financial Statements and concluded that no events or conditions have been identified that would impact the Company's Business activities and going concern. However, given the unexpected effects of the pandemic, the Directors consider that it is not possible to estimate the future implications with precisions.

The Company is expected to have limited impact from the ongoing conflict in Ukraine in the short term. The Company has no exposure to Russian Banks and materials, which are subject to United States sanctions.

36. CORRECTION OF PRIOR PERIOD ERRORS

(a) During the period ended 30 June 2021, 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

(b) During the year ended 30 June 2022, management decided to write off the balance for other receivables which exceeded the relevant listing by Rs 17,802,868, since the amount cannot be reconciled. Since this amount relates 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 2019 column has not been restated as the misstatement affects only the Financial Statements for 2021.

The effects of correcting the prior years' error on the Company's Statement of Financial Position at 30 June 2022 are:

	Other assets Rs'000	Retained earnings Rs'000
Balance as previously reported at 30 June 2021	52,546	2,271,310
Effect of correcting prior period's error	(17,803)	(17,803)
Restated balance as at 30 June 2021	34,743	2,253,507

"Our greatest asset is the customer! Treat each customer as if they are the only one!"

-laurice Leitao

"La référence en prêt logement"

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