

**DEVELOPMENT BANK OF MAURITIUS LTD.**

**YEAR ENDED 30 JUNE 2020**

**ANNUAL REPORT**

**DEVELOPMENT BANK OF MAURITIUS LTD.**

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## DEVELOPMENT BANK OF MAURITIUS LTD.

### CORPORATE INFORMATION

#### DIRECTORS:

	<b>Appointed on</b>	<b>Resigned on</b>
Mr Anand Babbea (Chairman)	14 March 2017	16 March 2020
Dr Jairajsing Luchoo (Chairman)	01 July 2020	-
Mr Ishwarlall Bonomaully	15 May 2012	-
Mr Hemprakash Dhotah	11 March 2015	16 March 2020
Mr Gurushunkur Akash Goojha	11 March 2015	-
Mr Jean Daniel Henry	11 March 2015	-
Mr Premchand Tanakoor	11 March 2015	-
Mr Vassoo Allymootoo Putchay	27 August 2015	05 September 2019
Mr Neil Radhakrishna Chedumbarum Pillay	29 May 2018	-
Mr Dhanraj Conhye	27 April 2019	-
Mr Lobin Dayha Unmole	22 June 2018	06 February 2020
Mr Muhammad Azeem Salehmohamed	16 March 2020	-
Mr Rama Krishna Veeramundar	16 March 2020	-
Mr Somduth Dulthumun	16 March 2020	-
Mr Jaywant Pandoo (Managing Director)	16 March 2020	-

#### MANAGING DIRECTOR

Mr Lobin Dayha Unmole	09 April 2018	06 February 2020
Mr Jaywant Pandoo	20 April 2020	-

#### SECRETARY

Mr Dewraz Hosanee

La Chaussée Street  
P.O Box 157  
Port Louis  
Republic of Mauritius

-

#### REGISTERED OFFICE:

La Chaussée Street  
P.O Box 157  
Port Louis  
Republic of Mauritius

**DEVELOPMENT BANK OF MAURITIUS LTD.****CORPORATE INFORMATION (CONTD)****LEGAL ADVISERS:**

Me Rajeshwar Bucktowonsing  
Me Preetam Chutoo  
Me Anas Moussa Ismael Rawat

**AUDITORS:**

Grant Thornton  
Ebene Tower  
52 Cybercity  
Ebene 72201  
Republic of Mauritius

**BANKERS:**

Bank of Mauritius Ltd  
Bank of Baroda Ltd  
Bank One Limited  
Absa Bank (Mauritius) Limited  
Habib Bank Limited  
Hong Kong and Shanghai Banking Corporation Limited  
MauBank Ltd  
SBI (Mauritius) Ltd  
SBM Bank (Mauritius) Ltd  
Mauritius Commercial Bank Limited

## **DEVELOPMENT BANK OF MAURITIUS LTD.**

### **Annual Report**

The Board of Directors of the Development Bank of Mauritius Ltd., the “Bank” or “DBM” or the “Company”, is pleased to submit the Annual Report including the Corporate Governance Report, together with the audited consolidated financial statements of the Bank and its subsidiaries for the financial year ended 30 June 2020.

The Bank and its subsidiaries are together referred to as the “Group”.

### **Principal activity**

The Bank has been at the forefront of the socio-economic development by providing:

- 1) finance to Micro, Small and Medium Enterprises (“MSMEs”) through tailor-made products since its creation in 1963; and
- 2) industrial space to entrepreneurs for setting up their enterprises.

### **Results and dividends**

The results for the year are as shown on pages 47 to 48.

No dividend was paid or declared during the last seven years.

### **Directors’ remuneration and interest**

The directors’ remuneration and interest are detailed in the Corporate Governance Report.

### **Directors’ service contracts**

The Bank did not have any service contract with its directors, except for an employment contract with the managing director.

### **Directors' Responsibilities in respect of the Consolidated Financial Statements**

Company law requires the directors to prepare consolidated financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Group and the Bank. In preparing those consolidated financial statements, the directors are required to:

The directors confirm that, in preparing the audited consolidated financial statements, they have to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

**DEVELOPMENT BANK OF MAURITIUS LTD.****Annual Report (Contd)****Directors' Responsibilities in respect of the Consolidated Financial Statements (Contd)**

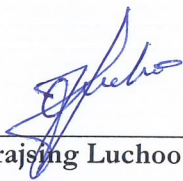
The directors confirm that they have complied with the above requirements in preparing the consolidated financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Bank and to enable them to ensure that the consolidated financial statements comply with the Mauritius Companies Act 2001, International Financial Reporting Standards and the Financial Reporting Act 2004.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other such irregularities.

**Auditors**

**Grant Thornton** acted as External Auditors of the Bank and remuneration for audit and other services have been disclosed in the Corporate Governance Report.

  
\_\_\_\_\_  
Dr Jairajsing Luchoo  
Chairman  
\_\_\_\_\_  
Mr Jaywant Pandoo  
Managing DirectorDate: 22 APR 2021Date: 22 APR 2021

## DEVELOPMENT BANK OF MAURITIUS LTD.

### Directors' Report

The Board of Directors of the Development Bank of Mauritius Ltd., the “Bank” or “DBM” or the “Company”, is pleased to submit the Annual Report including the Corporate Governance Report, together with the audited consolidated financial statements of the Bank and its subsidiaries for the financial year ended 30 June 2020. The Bank and its subsidiaries and associates are together referred to as the “Group”.

**Corporate Mission:** Since its creation in 1963, the Bank has been at the forefront of the socio-economic development of the Republic of Mauritius by engaging in the:

1. provision of project finance to enterprises and entrepreneurs through tailor-made loan schemes.
2. provision of industrial space i.e. land and buildings on long-term lease, to enterprises and entrepreneurs to develop or house their businesses, at subsidised rates.
3. development and implementation of sustainable government-funded projects such as solar water heater grant schemes and green projects.

### Bank Operations

The financial year 2020 has been very challenging for the Bank with the outbreak of the COVID-19 pandemic and the subsequent lockdown between March and May 2020 impacting on the Bank's operations.

The Government acted promptly to ward-off the negative effects of the pandemic on the economy. The Bank was, under the ‘Plan De Soutien’, mandated to operate the COVID-19 Working Capital Loan Scheme aimed at providing short term finance to enable SMEs to meet their working capital requirements such as payment of salaries, purchase of raw materials/stock and other running expenses. Furthermore, in order to preserve jobs in the export sector, the Bank operated the Wage Support Loan Scheme for Export Oriented (goods) Enterprises under which eligible enterprises were able to access finance for the payment of wages of their employees.

The Government also made changes to existing legislations to cope with the pandemic, to protect SMEs and to preserve jobs through the COVID-19 (Miscellaneous Provisions) Act 2020. Of relevance to the Group is the amendments brought to the Landlord and Tenants Act 1999 in respect of the landlord and tenant conflict in relation to the non-payment of rent for the months of March 2020 to August 2020. As such, moratorium has been provided to tenants who cannot honour their obligations for the payment of rent. Unpaid rents for such months shall not be construed as a breach of the tenancy agreement provided they are fully paid by 31 December 2021 or such other date as may be prescribed.

Furthermore, the Bank has been mandated by the Government to implement measures, as hereunder, to support SMEs and to mitigate the effects of the COVID-19 on their business:

1. moratorium on repayment of loans,
2. moratorium on payment of leasing facilities,
3. waiver of 50% of rental dues for months of March and April 2020, and
4. deferral of rent payment for tenants for months of April 2020, May 2020, July 2020 and August 2020.

The Bank of Mauritius has since the onset of the crisis stepped up efforts to shore the economy in a coordinated manner as such the Repo Rate was reduced to 1.85% p.a in April 2020 from 3.35% p.a in November 2019. This reduction has impacted on the Company's/Group's interest rate profile. Interest rate charged on the Company/Group financial products varies from 0.5%p.a to 2%p.a.

## **DEVELOPMENT BANK OF MAURITIUS LTD.**

### **Directors' Report (Contd)**

#### **Financial Position**

For the financial year ended 30 June 2020, the Bank made an operating profit of Rs46.5M compared to a loss of Rs0.30M in 2019. Interest income stood at Rs114.2M in 2020 compared to Rs97.2M in 2019. Expenditure during the year amounted to Rs231.9M compared to Rs240.7M in 2019.

The Group prepares its financial statements as per IFRS. Consequently, the Bank has complied with the provisions of IFRS 9 regarding loan provisioning as from financial year ended 30 June 2018.

However, the new Management expressed certain reservations on the release of provisions in 2018 and 2019 given that the requirements of IFRS 9, Financial Instruments, being more stringent than IAS 39.

The Board agreed to the review of the methodology regarding the computation of expected credit losses given that the assumptions used were no longer valid. Consequently, the opening balances of provisions for expected credit losses were adjusted for the financial years 2018 and 2019 with a reversal of provisions of Rs347.7M and Rs158.7M respectively.

#### **Loan Operations**

During the first three quarters of the financial year 2019/2020, the Bank has been consolidating its loan operations.

However, with the pandemic and the ensuing lockdown which has severely impacted on the economy, the Bank has been called upon to play a prominent role in supporting the business community, most specifically the SMEs sector.

Under the 'Plan de Soutien' launched in the aftermath of the COVID-19 pandemic and the 'Plan de Relance' announced in the 2020/2021 Budget, new loan schemes have been launched to support the SMEs maintain their activities and preserve jobs namely:

- a) COVID-19 related loan schemes
- b) Budgetary loan schemes

As a result, there has been a surge in the application of loans and as such loan sanctions was Rs1,100M in 2020 compared to Rs282.5M in 2019.

#### **Industrial Estates Activities**

Rental income from the industrial estates activities continues to be a major source of income for the Bank. Rental income for the year was Rs150M compared to Rs153M in 2018/2019. Rental collections for 2019/2020 was Rs121.5M as compared to Rs125.7M in 2018/2019 which is explained by the waiver of 50% of rental dues for the month of April and May 2020 for an aggregate amount of Rs3.8M.

The focus continues to be the consolidation of the industrial estate activities through upgrading and renovation of DBM's existing industrial buildings, greenfield projects and/or acquisitions which is in line with the Government's vision to support the development of SMEs and moving towards green energy.

The SME Park projects at Plaine Magnien and Vuillemin which have suffered significant delays from the time they were contemplated have been revived. In December 2020, the stone laying ceremony for the construction of the SME Park at Plaine Magnien was effected by Dr Renganaden Padayachy, the Honourable Minister of Finance, Economic Planning and Development. The project is expected to be completed by December 2021.

## **DEVELOPMENT BANK OF MAURITIUS LTD.**

### **Directors' Report (Contd)**

#### **Industrial Estates Activities (Contd)**

The SME Park project at Vuillemin, Quartier Militaire is expected to start in the financial year 2020/2021.

The Bank is also upgrading the facilities at its existing industrial estates with projected investment of some Rs75M in fire safety equipment. Works have reached an advanced stage at Coromandel and Plaine Lauzun Industrial Estates while at other sites works will start next year.

Although rental income has been contributing significantly to the Bank's revenue stream, investment in the renovation and maintenance of the industrial properties has been negligible over the years. Consequently, the Bank's industrial parks are in a desolate state; thereby depriving the Bank with the opportunity to raise its rental income. The new management has formulated a plan to renovate, refurbish and embellish the industrial estates and same was approved by MOFED under the Economic Recovery Programme wherein Rs 200M has been earmarked for the renovation, embellishment including installation of fire safety equipment for DBM Industrial Estates.

The Bank will continue to focus on the recovery of unpaid rentals and cleaning of the long outstanding dues and sale of seized properties.

#### **Loan Recovery**

Despite all the strategies implemented, loan collection remains a major cause of concern for the Bank. For the financial year collections stood at Rs266M compared to Rs 306M in 2019. This is partly due to the consequences of the COVID-19 pandemic and on account of moratorium granted.

Management is reviewing the present strategies so as to increase loan collections as from 2022/2023 given that with the second wave of COVID-19 epidemic and partial lockdown, our customers have been given a one year moratorium on the repayment of the capital and interest on their loans.

#### **IT Infrastructure**

The IT infrastructure is another serious impediment for the institution. The accounting package (Flexcube) version 7 which was implemented in 2008 has not been upgraded, with the consequence that it is no longer supported by the service provider, Oracle Financial Services (India) Ltd, thus depriving the Bank of latest updates in respect of the system. The Bank is at risk with a failure of its integrated accounting system which may jeopardise its credibility and survival. Most of the work of the Bank are quasi-manual and data are stored in excel- based programs.

There is an urgent need to revamp the IT system and the new Management has already initiated an IT review with the objective of implementing an IT & business transformation at the Bank. This should automate all the processes of the Bank. Parallel to that, the Bank is engaged in preparing an up-to-date procedure manual to support the restructure exercise and the IT and Business Transformation project.

#### **DBM Pension Fund**

The DBM Group Pension Fund is another cause of concern given the substantial and growing deficit in the fund. The latter is and will not be sustainable in the future despite the additional annual contribution of Rs 25M agreed by previous Management, given that the outflows from the pension fund are higher than its inflows. The directors understand their fiduciary duty to make the fund sustainable and have requested Management to work on a turnaround plan.

## **DEVELOPMENT BANK OF MAURITIUS LTD.**

### **Directors' Report (Contd)**

#### **Human Resource**

A major challenge of DBM today is its human resource capability which has remained the same over the past years with limited recruitment on contractual basis. The Board views this state of affairs with concern and has in this respect engaged in a restructure exercise of the organigram of the Bank. A committee has been set up to review the human resource structure so as to facilitate the recruitment of requisite competences and also strengthen the existing human resource capacity to ensure the sustainability and survival of the Bank in light of the upcoming challenges unfolding in the aftermath of the COVID-19 pandemic.

Despite the absence of a well-crafted/defined capacity building strategy, staff have nevertheless been given the opportunity to attend training both locally and abroad. Some six staff have been imparted online training in Banking Risk Management offered by the Egyptian Banking Institute whereas three staff have attended training in the banking field in India.

#### **Green Energy**

The Bank recently launched the fifth phase of the Solar Water Heater Programme for which Rs300M has been earmarked under the Economic Recovery Programme.

#### **Consolidation of the activities of Subsidiaries**

##### **DBM Financial Services Ltd**

DBM Financial Services Ltd (DBMFS) was incorporated in the late 90s to act as the debt collector for the defunct ex-MCCB. Subsequently, new lines of businesses have been added to DBMFS namely, Insurance, Leasing and Factoring. The objective is now to consolidate and expand these activities.

##### **DBM Energy Ltd**

DBM Energy Ltd was incorporated in 2019 to undertake the production of electricity from photovoltaic (PV) plant installed on DBM Industrial buildings, Government buildings and Landscape (Mauritius) Ltd buildings. The service of a consultant has already been enlisted to assist DBM Energy Ltd to implement these projects. Discussions have been held with International Financial Institutions such as the Agence Francaise de Développement and the Development Bank of South Africa to finance these projects.

The Government has recently earmarked a sum of Rs350M under the Economic Recovery Programme to enable DBM Energy to start implementing its projects relating to the production of electricity from PV plants installed on the rooftops of DBM, Ministry of Health & Wellness and Landscape (Mauritius) Ltd buildings. Discussions which have been engaged with the CEB, the Ministry of Health & Wellness and the Ministry of Finance, Economic Planning and Development for the implementation of the project are ongoing.

##### **Rodrigues Business Park Development Co Ltd**

The Bank together with the Rodrigues Regional Assembly have incorporated a company namely the Rodrigues Business Park Development Co Ltd to undertake the construction and management of a Technopark at Baladirou, Rodrigues. This project aims at pioneering the development of the ICT Sector in Rodrigues following the advent of the Mauritius-Rodrigues Submarine Cable (MARS) in Rodrigues and shall provide the necessary ICT infrastructure and facilities to potential service providers in the ICT sector.

The company has already obtained all the requisite permits for the project and the stone laying ceremony for the construction of the technopark was effected by Dr Renganaden Padayachy, the Honourable Minister of Finance, Economic Planning and Development on 04 March 2021. The technopark is expected to be completed in the year 2022.

## **DEVELOPMENT BANK OF MAURITIUS LTD.**

### **Directors' Report (Contd)**

#### **Consolidation of the activities of Subsidiaries (Contd)**

##### **DBM Properties Development Ltd**

DBM Properties Development Ltd is the minority co-owner along with the Government of the Garden Tower building situated at Poudriere Street, Port Louis. The company is engaged in:

- (i) the renting of commercial space of the building and
- (ii) managing the office space belonging to the Government.

##### **The Way Forward**

With the unfolding new normal, the Bank will maximise its resources to continue to support and accompany the SME's through the implementation of tailor-made schemes and refurbish and consolidate its industrial buildings in order to provide building space at competitive rates.

## **DEVELOPMENT BANK OF MAURITIUS LTD.**

### **Corporate Governance Report**

#### **Compliance Statement**

Development Bank of Mauritius Ltd., the “Bank”, or the “Company”, or “DBM”, and its subsidiaries, together referred to as the “Group”, are committed to the highest standard of business integrity, transparency and professionalism in all its activities to ensure that the activities within the Group are managed ethically and responsibly. As an essential part of this commitment, the Board of Directors, the “Board”, subscribes to and is fully committed to complying with the requirements and provisions set out in the National Code of Corporate Governance for Mauritius (2016) (the “Code”).

The Board ensures that the principles of good corporate governance are followed and applied throughout the Group.

#### **Principle 1: Governance Structure**

DBM, a company incorporated in the Republic of Mauritius, is a Public Interest Entity as defined by the Financial Reporting Act 2004. The Board and management of the Bank are committed to ensuring and maintaining a high standard of corporate governance within the Bank. Furthermore, the Board endorses the highest standards of business integrity and professionalism to ensure that the activities within the Bank are managed ethically and responsibly to enhance business value for all stakeholders.

The Board assumes full responsibility for leading and controlling the organisation and meeting all legal and regulatory requirements. Besides, the Board is collectively responsible for the long-term success, reputation and governance of the Bank. The Board also determines the Bank’s mission, vision, values and strategy.

This report describes, amongst others, the main corporate governance framework and compliance requirements of the Bank which are laid down in the following:

- DBM’s Constitution;
- Board Charter; and
- the Financial Reporting Act 2004.

The Bank has adopted a Board Charter which is available on its website. The Bank is in the process of finalising its Code of Ethics.

Additionally, the Bank has in place a written job description/position statement for each senior governance position, a written description of the major accountabilities within the organisation as well as the organisational chart. The organisation chart is being reviewed to enable the Bank to meet the challenges unfolding in the aftermath of the Covid-19 pandemic.

The Bank deems it is sufficient that the information is available upon request in writing to the Company Secretary for consultation and has not published same on its website.

## DEVELOPMENT BANK OF MAURITIUS LTD.

### Corporate Governance Report (Contd)

#### Principle 2: The Structure of the Board and its Committees

##### Board Structure

The Board of DBM has a unitary structure.

The Board is of the view that its composition is adequately balanced and that the current directors have the range of skills, expertise and experience to carry out their duties properly.

Besides, members of the sub-committees of the Board have the appropriate balance of skills, experience, independence and knowledge to enable them to discharge their duties as evidenced by their profiles.

##### Board Size

The DBM's Constitution provides that the Board of Directors shall consist of not less than five (5) and not more than twelve (12) Directors.

##### (i) Holding structure and common director

The holding structure of the Bank is as illustrated:

Subsidiaries	% Holding
DBM Financial Services Ltd	100
DBM Venture Capital Fund Ltd	100
DBM Energy Ltd	100
DBM Properties Development Ltd	80
Rodrigues Business Park Co Ltd	50
National Equity Fund*	75

Following a special resolution dated 08 July 2016, it has been resolved that National Equity Fund Ltd be wound-up voluntarily and application under Section 309 of the Mauritius Companies Act 2001, for declaration of dissolution be submitted to the Registrar of Companies. The winding up of the company is still in progress at the reporting date.

##### Board changes during the financial year ended 30 June 2020

Appointment		Departure	
Name	Date	Name	Date
<b>Executive Director</b>			
Mr Jaywant Pandoo	16.03.2020	Mr Lobin Dayha Unmole	06.02.2020
<b>Non-Executive Director</b>			
Mr Muhammad Azeem Salehmohamed	16.03.2020	Mr Vassoo Ally Putchay	05.09.2019
Mr Rama Krishna Veeramundar	16.03.2020		
<b>Independent Non-Executive Director</b>			
Mr Somduth Dulthumun	16.03.2020	Mr Anand Babbea	16.03.2020
		Mr Hemprakash Dhotah	16.03.2020

**DEVELOPMENT BANK OF MAURITIUS LTD.****Corporate Governance Report (Contd)****Principle 2: The Structure of the Board and its Committees (Contd)****Board Size (Contd)****(ii) Directors**

The names of common directors at each level are:

	DBM	DBMFS	DBMVCF	DBM Energy	DBM Properties	RBPDCL
Mr Jaywant Pandoo	√	√	√		√	√
Mr Ishwarlall Bonomaully	√		√	√		
Mr Gurushunkur Akash Goojha	√	√				√
Mr Jean Daniel Henry	√	√				√
Mr Premchand Tanakoor	√				√	
Mr Neil Radhakrishna Chedumbarum Pillay	√	√				

**(iii) Shareholding of the Bank is as follows:**

	Interest - %	Number of Shares
Government of Mauritius	96.3	4,861,500
State Investment Corp. Ltd	3.7	187,500
	<b>100.00</b>	<b>5,049,000</b>

As at 30 June 2020, the Board comprised of ten (10) members as follows:

- One (1) Executive Director;
- Four (4) Non-Executive Directors; and
- Five (5) Independent Non-Executive Directors.

## DEVELOPMENT BANK OF MAURITIUS LTD.

### Corporate Governance Report (Contd)

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

#### Board Composition

As at 30 June 2020, the Board was composed as follows:

Directors	Category
Mr Ishwarlall Bonomaully	Non-Executive Director
Mr Jaywant Pandoo	Executive Director
Mr Gurushunkur Akash Goojha	Independent Non-Executive Director
Mr Jean Daniel Henry	Independent Non-Executive Director
Mr Premchand Tanakoor	Independent Non-Executive Director
Mr Neil Radhakrishna Chedumbarum Pillay	Independent Non-Executive Director
Mr Dhanraj Conhye	Non-Executive Director
Mr Muhammad Azeem Salehmohamed	Non-Executive Director
Mr Rama Krishna Veeramundar	Non-Executive Director
Mr Somduth Dulthumun	Independent Non-Executive Director

#### Board Diversity

The Board members of the Bank are of the same gender and are all ordinarily resident of Mauritius.

#### Board of Directors

The Board of Directors is the main decision-making level in the organisation and it exercises leadership, entrepreneurship, integrity and sound judgement in directing the Bank so as to achieve continuing prosperity for the organisation while ensuring both performance and compliance.

The Board also ensures that the activities of the Bank comply with all legal and regulatory requirements as well as with its Constitution from which the Board derives its authority to act.

The Board is ultimately accountable and responsible for the performance and affairs of the Bank namely, the review and adoption of strategic plans, the overview of business performance, the adoption of appropriate risk management systems and the establishment of proper internal control systems.

All directors are aware of the key discussions and decisions of the sub-committees as the Chairman of each committee provides a summary to the directors at the main Board meeting following the relevant sub-committee meetings where these decisions are ratified.

## **DEVELOPMENT BANK OF MAURITIUS LTD.**

### **Corporate Governance Report (Contd)**

#### **Principle 2: The Structure of the Board and its Committees (Contd)**

##### **Board of Directors (Contd)**

The Board of Directors assesses the Terms of Reference of the Board Committees on a regular basis to ensure that same are being applied correctly and that the said Terms of Reference are still compliant with the various regulations.

Besides, it is also the Board's responsibility to apply effective corporate governance principles and to be the focal point of the corporate governance system.

##### **Chairman and Managing Director**

The roles of the Chairman and the Managing Director are separate and each of them has clearly defined responsibilities. These ensure a proper balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The role of the Chairman is assumed by a Non-Executive, the Managing Director reports directly to him and to the Board, giving therefore sufficient segregation of power between the Chairman and the Management.

The Chairman, who is a Non-Executive Director, is responsible for leading the Board and ascertaining its effectiveness. He ensures that the corporate strategy and the related execution are aligned together with operational efficiencies. He is also responsible for ensuring that the directors receive accurate, timely and clear information and he encourages the active participation of all Board members in discussions and decisions. With his experience and strong knowledge of the Bank, the Chairman is in an excellent position to oversee the affairs of the Bank while ensuring that value is being created for all stakeholders.

Mr Anand Babbea, Chairman, resigned on 16.03.2020 and Dr Jairajsing Luchoo, MD, PhD, was appointed as Chairman on 01 July 2020.

##### **Company Secretary**

The Company Secretary is appointed by the Board in accordance with its Constitution.

All directors have access to the advice and services of the Company Secretary who is responsible for providing detailed guidance to the Chairman and the directors as to their fiduciary duties, responsibilities and powers. The Company Secretary also ensures that the Bank is at all times complying with its Constitution, Terms of Reference of the Board Committees, applicable laws, rules and regulations.

The Company Secretary works closely with the Chairman to ensure effective functioning of the Board.

## **DEVELOPMENT BANK OF MAURITIUS LTD.**

### **Corporate Governance Report (Contd)**

#### **Principle 2: The Structure of the Board and its Committees (Contd)**

##### **Board Meetings**

Board meetings are normally held each month and at any additional times as the Bank requires.

The Board meetings are conducted in accordance with the Bank's Constitution and the Mauritius Companies Act 2001 and are convened by giving appropriate notice to the directors. Detailed agenda, as determined by the Chairman, together with other supporting documents are circularised in advance to the directors to enable them to participate meaningfully in the decision-making process and make informed deliberations at Board meetings. In order to address specific urgent business needs, meetings are at times called at shorter notice. Furthermore, the directors have the right to request independent professional advice at DBM's expense.

A quorum of six (6) directors is currently required for a Board Meeting of the Bank and in case of equality of votes, the Chairman has a casting vote.

During the year under review, the Board met ten (10) times. Decisions were taken by way of resolutions in writing, agreed and signed by all directors.

The minutes of the proceedings of each Board meeting are recorded by the Company Secretary and are entered in the minutes book of the Bank. The minutes of each Board meeting are submitted for confirmation at its next meeting and these are then signed by the Chairman and the Company Secretary.

##### **Board Committees**

The Code provides that Board Committees are a mechanism to assist the Board of Directors in discharging its duties and responsibilities through a more comprehensive evaluation of specific issues, followed by well-considered recommendations to the Board.

As such, seven Board committees have been constituted namely the Corporate Governance Committee, the Audit Committee, the Risk Committee, the Credit Committee, the Recovery Committee, the Nomination and Remuneration Committee and the Procurement Committee to assist the Board in the effective performance of its responsibilities. These Committees operate within defined Terms of Reference and independently to the Board. The Terms of Reference of the seven Committees are amended as required, subject to the approval of the Board.

The Chairman of the Board Committees reports on the proceedings of the Committees at each Board meeting of the Bank where the minutes of each Committee are considered for approval/ratification. The Committees regularly recommend actions to the Board.

## DEVELOPMENT BANK OF MAURITIUS LTD.

### Corporate Governance Report (Contd)

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

#### Board Committees (Contd)

The Board recognises that Board Committees are an effective part of the corporate governance framework of the Bank which enable the directors to discharge their duties more effectively by sharing the work of the Board, enhancing Board efficiency and effectiveness and enabling issues to be studied in greater depth. However, the Board also understands that it is ultimately responsible and accountable for the performance of the Bank and that delegating authority to Board Committees does not in any way absolve the Board of its duties and responsibilities.

The Company Secretary acts as secretary to the Board Committees.

The Board Committees are authorised to obtain, at the Bank's expense, professional advice both within and outside the Bank in order for them to perform their duties.

#### Corporate Governance Committee

At the reporting date, the membership and attendance of the said Committee is as follows:

Members	Category
Mr Premchand Tanakoor	Independent Non-Executive Director
Mr Neil Radhakrishna Chedambarum Pillay	Independent Non-Executive Director
Mr Somduth Dulthumun	Independent Non-Executive Director
Mr Akash Gurushunkur Goojha	Independent Non-Executive Director
<i>In attendance</i>	
Mr Jaywant Pandoo	Managing Director

The Corporate Governance Committee operates under the Terms of Reference approved by the Board and a quorum of three (3) members is currently required for a meeting of the said Committee.

In accordance with its Terms of Reference, the Corporate Governance Committee is responsible to provide guidance to the Board on aspects of corporate governance and for recommending the adoption of policies and best practices as appropriate for the Bank.

The Corporate Governance Committee met once during the year under review.

The said Committee, which reviewed and recommended the present corporate governance report on 26 March 2021, confirms that it has met its responsibilities for the year under review, in compliance with its Terms of Reference.

## DEVELOPMENT BANK OF MAURITIUS LTD.

### Corporate Governance Report (Contd)

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

#### Board Committees (Contd)

##### Audit Committee

At the reporting date, the membership and attendance of the Audit Committee is as follows:

Members	Category
Mr Ishwarlall Bonomaully	Non-Executive Director
Mr Neil Radhakrishna Chedumbarum Pillay	Independent Non-Executive Director
Mr Azeem Salehmohamed	Non-Executive Director
Mr Somduth Dulthumun	Independent Non-Executive Director
<i>In attendance</i>	
Mr Jaywant Pandoo	Managing Director
Miss Goroowantee Dhomun	Assistant Manager
Mr Devanand Gungaram	Assistant Manager
	Internal Auditor
	External Auditors

The Audit Committee operates under the Terms of Reference approved by the Board of Directors.

The Board is of the view that the members of the Audit Committee have sufficient financial management expertise and experience to discharge their responsibilities properly, and a quorum of three (3) members is currently required for a meeting of the said Committee. The Audit Committee confirms that it has fulfilled its responsibilities for the year under review, in accordance with its Terms of Reference.

The Audit Committee is governed by an Audit Charter and is responsible to assist the Board in fulfilling its financial reporting responsibilities. The Committee also reviews the financial reporting process, the internal control system and the management of risks and it also assesses the effectiveness of the independent audit process by having regular interactions with the external auditors. The approach, scope and timing of the audit field is discussed with the audit team prior to the start of any audit. The Committee is also responsible for the recommendation for appointment of external auditors.

The Audit Committee met three (3) times during the financial year ended 30 June 2020 to review the financial statements of the Bank and to receive reports of the work conducted by the Internal Audit team.

The said Audit Committee met on 26 March 2021 to recommend to the Board the approval of the annual financial statements for the financial year ended 30 June 2020.

## DEVELOPMENT BANK OF MAURITIUS LTD.

### Corporate Governance Report (Contd)

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

#### Board Committees (Contd)

##### Risk Committee

At the reporting date, the membership and attendance of the Risk Committee is as follows:

Members	Category
Mr Ishwarlall Bonomaully	Non-Executive Director
Mr Jean Daniel Henry	Independent Non-Executive Director
Mr Neil Radhakrishna Chedumbarum Pillay	Independent Non-Executive Director
Mr Somduth Dulthumun	Independent Non-Executive Director
<i>In attendance</i>	
Mr Jaywant Pandoo	Managing Director
Mr Sachin Ramphul	Risk and Underwriting manager

The Risk Committee operates under the Terms of Reference approved by the Board of Directors.

The Board Risk Committee has delegated authority from the Board for the quality, integrity and reliability of the Bank's risk management. The Committee consists solely of Non-Executive Directors.

The Risk Committee's Terms of Reference include:

- review, together with Bank's legal advisor, of any legal matters that could have a significant impact on the Bank's business;
- review of executive management reports detailing the adequacy and overall effectiveness of the Bank's risk management function and its implementation by management, and reports on internal control and any recommendations, and confirm that appropriate action has been taken;
- review of risk philosophy, strategy and policies recommended by executive management and consider reports therefrom;
- ensure compliance with policies, and overall risk profile of the Bank;
- review of the adequacy of insurance coverage;
- review of risk identification and measurement methodologies;
- monitor procedures to deal with and review the disclosure of information to clients;
- have due regard for principles of governance and codes of best practice; and
- liaise with the Board in relation to the preparation of the Committee's report to shareholders.

The Risk Committee met once during the financial year ended 30 June 2020 to review the reports of Management.

##### Other Committees

The composition of the other Committees is as detailed overleaf:

## DEVELOPMENT BANK OF MAURITIUS LTD.

### Corporate Governance Report (Contd)

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

#### Board Committees (Contd)

##### Credit Committee

At the reporting date, the membership and attendance of the Credit Committee is as follows:

Members	Category
Mr Dhanraj Conhye	Non-Executive Director
Mr Premchand Tanakoor	Independent Non-Executive Director
Mr Gurushunkur Akash Goojha	Independent Non-Executive Director
Mr Rudy Veeramundar	Non-Executive Director
<b><i>In attendance</i></b>	
Mr Jaywant Pandoo	Managing Director
Mr Sachin Ramphul	Risk and Underwriting manager

The Credit Committee was established to consider and sanction loan applications as per existing credit policy.

##### Recovery Committee

At the reporting date, the membership and attendance of the Recovery Committee is as follows:

Members	Category
Mr Jean Daniel Henry	Independent Non-Executive Director
Mr Gurushunkur Akash Goojha	Independent Non-Executive Director
Mr Premchand Tanakoor	Independent Non-Executive Director
Mr Rudy Veeramundar	Non-Executive Director
<b><i>In attendance</i></b>	
Mr Jaywant Pandoo	Managing Director
Mrs Hoomantee Ramburun	Assistant Manager

The Recovery Committee was established to boost up the collection and recovery of impaired loan portfolio.

##### Nomination and Remuneration Committee

At the reporting date, the membership and attendance of the Nomination and Remuneration Committee is as follows:

Members	Category
Mr Neil Radhakrishna Chedunbarum Pillay	Independent Non-Executive Director
Mr Ishwarlall Bonomaully	Independent Non-Executive Director
Mr Muhammad Azeem Salehmohamed	Non-Executive Director
Mr Somduth Dulthumun	Independent Non-Executive Director
<b><i>In attendance</i></b>	
Mr Jaywant Pandoo	Managing Director
Mr Mario Deruisseau	HR Manager

## DEVELOPMENT BANK OF MAURITIUS LTD.

### Corporate Governance Report (Contd)

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

#### Board Committees (Contd)

##### Nomination and Remuneration Committee

The Nomination and Remuneration Committee was established to review and make recommendations to the Board on management proposals concerning:

- changes in DBM's organisation structure;
- appointment and determination of respective remuneration packages for staff in the grade of officers and above;
- organisational reviews including terms and conditions of employment, salary structures for each category of personnel and the Salary Agreement of the Bank;
- the responsibility to act as mediator/negotiator in industrial arbitration;
- approval of Human Resource Policies and Procedures on recruitment and pay; and
- the consideration and approval of the Performance Appraisal System of the Bank.

##### Procurement Committee

At the reporting date, the membership and attendance of the Procurement Committee is as follows:

Members	Category
Mr Gurushunkur Akash Goojha	Independent Non-Executive Director
Mr Jean Daniel Henry	Independent Non-Executive Director
Mr Dhanraj Conhye	Non-Executive Director
Mr Somduth Dulthumun	Independent Non-Executive Director
<i>In attendance</i>	
Mr Sujit Rughoobur	Assistant Manager – Industrial Estate Department

The Procurement Committee was established to review and make recommendations to the Board on management's proposals concerning:

- Procurement plan;
- Registration of suppliers;
- Tender documents;
- Bid openings; and
- Award of procurement.

The members of the Procurement Committee ascertain that goods and services are availed at the best quote, in a cost effective and transparent manner and transactions are concluded with reliable providers offering quality products and services.

## DEVELOPMENT BANK OF MAURITIUS LTD.

### Corporate Governance Report (Contd)

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

#### Board and Board Committees Attendance

The following table sets out the attendance of directors at scheduled Board and Committee Meetings during the year under review.

	<i>Status</i>	<i>Board</i>	<i>Corporate Governance Committee</i>	<i>Audit Committee</i>	<i>Risk Committee</i>	<i>Credit Committee</i>	<i>Board Recovery Committee</i>	<i>Nomination and Remuneration Committee</i>	<i>Procurement committee</i>
<b>Total Number of Meetings</b>		<b>10</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>17</b>	<b>7</b>	<b>1</b>	<b>11</b>
<b>Directors</b>									
Mr Anand Babbea	INED	8/8	-	-	-	-	-	-	-
Mr Ishwarlall Bonomaully	NED	8/10	-	3/3	1/1	-	-	1/1	-
Mr Vassoo Ally Putchay	NED	1/1	-	-	-	-	-	-	-
Mr Hemprakash Dhotah	INED	6/8	0/1	0/2	-	15/15	-	-	-
Mr Gurushunkur Akash Goojha	INED	10/10	-	-	-	15/17	7/7	1/1	11/11
Mr Jean Daniel Henry	INED	6/10	-	-	1/1	-	7/7	-	11/11
Mr Premchand Tanakoor	INED	9/10	1/1	-	-	15/17	6/7	-	9/11
Mr Neil Radhakrishna Chedumbarum Pillay	INED	10/10	1/1	3/3	1/1	-	-	1/1	-
Mr Dhanraj Conhye	NED	9/10	-	-	-	2/2	-	-	-
Mr Muhammad Azeem Salehmohamed	NED	1/2	-	1/1	-	-	-	-	-
Mr Rama Krishna Veeramundar	NED	2/2	-	-	-	2/2	-	-	-
Mr Jaywant Pandoo	ED	2/2	-	-	-	-	-	-	-
Mr Somduth Dulthumun	INED	2/2	-	1/1	1/1	-	-	-	-

Mr Anand Babbea resigned on 16.03.2020

Mr Vassoo Ally Putchay resigned on 05.09.2019

Mr Hemprakash Dhotah resigned on 16.03.2020

Mr Muhammad Azeem Salehmohamed was appointed on 16.03.2020

Mr Rama Krishna Veeramundar was appointed on 16.03.2020

Mr Somduth Dulthumun was appointed on 16.03.2020

Mr Jaywant Pandoo was appointed on 16.03.2020

NED: Non-Executive Director

INED: Independent Non-executive Director

ED: Executive Director

## DEVELOPMENT BANK OF MAURITIUS LTD.

### Corporate Governance Report (Contd)

#### Principle 3: Director Appointment Procedures

Directors are appointed through a formal and transparent process.

The following factors are carefully considered when appointing directors.

- Previous experience as director;
- Skills, knowledge and experience of the proposed director;
- Skills, knowledge and experience required on the Board;
- Any conflicts of interests; and
- Independence, where applicable.

#### Directors' Profiles

The names of all directors, their profile and qualifications are provided hereinafter.

**Mr Anand Babbea** was appointed director and Chairperson of the Development Bank of Mauritius Ltd. on 14 March 2017. He gained wide experience in the financial sector over the time as he has worked at the SBM Ltd for some 21 years before joining CIM Finance as Head of E-Commerce. He is presently the Chief Executive Officer of GPN Data (Mauritius) Ltd, a multinational company involved in the cards and payments system.

Mr Anand Babbea holds an MBA and a BSC(Honours) in Financial Services. He has a certificate in Banking, Computer Science & Programming.

**Mr Ishwarlall Bonomaully** is director of the Development Bank of Mauritius Ltd. from 15 May 2012 and is currently a director at the Ministry of Finance and Economic Development. Mr Bonomaully is a Fellow of the Association of Chartered Certified Accountants and also holds MSc Finance. He is director on the Board of different Government-owned institutions.

**Mr Gurushunkur Akash Goojha** is the director of the Development Bank of Mauritius Ltd. as from 11 March 2015. He holds a BSc (Honours) Major French/Chemistry from University of Toronto, PGCE from MIE and MA Education from University of Brighton, UK. He is presently Educator. He has some 20 years' experience in the Educational sector.

**Mr Jean Daniel Henry** is a director of Development Bank of Mauritius Ltd. as from 11 March 2015. He is also sitting as director on the Board of the NIC and NICG. He holds a Diploma in Project Management and Diploma in Advance Technical Training from University Tamil Nadu, Chennai. He holds a certificate in Investment in Excellence from Pacific Institute and has some 7 years' experience in the construction sector. He also holds an MBA - Administration with specialisation in Project Management.

**Mr Premchand Tanakoor** is a director of the Development Bank of Mauritius Ltd. as from 11 March 2015. He is presently Chief Forest Conservation and Enforcement Officer. He holds a Certificate in Seed Production Technology from Kenya Forest Institute. He also holds a Diploma in Association of Business Executive and a Certificate in Forestry. He has been a civil servant since 1978 at the Ministry of Agriculture. He cumulates the post of Officer-in-charge at SSR Botanic Garden.

## DEVELOPMENT BANK OF MAURITIUS LTD.

### Corporate Governance Report (Contd)

#### Principle 3: Director Appointment Procedures (Contd)

##### Directors' Profiles (Contd)

**Mr Neil Radhakrishna Chedumbarum Pillay** is a director of Development Bank of Mauritius Ltd. as from 29 May 2018. He is a Barrister-at-Law with some 20 years practice at the Mauritius Bar and is the holder of a Masters in Law from University College of London with specialisation in Information Technology, Telecommunication and International Finance Law. He has been the senior legal counsel at the Financial Services Commission and Manager of legal affairs at ICTA.

**Mr Dhanraj Conhye** is director of the Development Bank of Mauritius Ltd. as from 29 April 2019 and is currently Deputy Permanent Secretary at the Ministry of Business, Enterprises and Cooperatives. Mr Conhye is an Associate Member of the Institute of Chartered Secretaries and Administrators (ICSA) and holds a BSc in Economics and MSc in Financial Management.

Mr Dhanraj Conhye has previously worked as an economist at the then Ministry of Economic Development and Planning. He was the Liaison Officer for the World Bank regarding drafting of Country Economic Memorandum and other related sectoral papers. He also worked as Assistant Secretary at the Ministry of Urban and Rural Development (National Development Unit). He was responsible for capital projects of the said Ministry and acted as Secretary to the Project Evaluation Committee relating to the proper monitoring and implementation of infrastructural projects.

**Mr Somduth Dulthumun, OSK** is a Director of Development Bank of Mauritius Ltd. as from 16 March 2020. He is presently also the Chairman of the National Museum. He had some 39 years' experience in the Public Sector where he had worked as Chief Valuation Technician. He was Director on the Board of DBM and on the Board of IBA from 2005 to 2014 and was the President of the Mauritius Sanatan Dharma Temples Federation for 15 years.

**Mr Muhammad Azeem Salehmohamed** is currently Advisor on Economic Matters to the Ministry of Finance, Economic Planning and Development.

Upon his return from the UK, he held the position of Economist at the Mauritius Chamber of Commerce and Industry (MCCI).

Mr Salehmohamed has served as Board member for several organisations, including the SADC Business Council, the SADC Private Sector Task Force on Industrialisation, the National Ocean Council, the Mauritius Standards Bureau, the Economic Commission under the aegis of the National Economic and Social Council, and the High-Level Technical Committee on Doing Business Reforms.

Mr Salehmohamed is also an Independent Non-Executive Director on the Board of SBM Bank (Mauritius) Ltd.

Mr Salehmohamed holds a BA (Honours) in Economics, Politics, and International Studies from the University of Warwick, United Kingdom. His fields of expertise include economic planning, policy analysis and strategy development.

## DEVELOPMENT BANK OF MAURITIUS LTD.

### Corporate Governance Report (Contd)

#### Principle 3: Director Appointment Procedures (Contd)

##### Directors' Profiles (Contd)

**Mr Rama Krishna Veeramundar** is Director of the Development Bank of Mauritius Ltd from 16 March 2020 and is currently the Director of the Government Information Services. He is holder of a “Diplomes en Français des Affaires, Chambre de Commerce et D’Industrie de Paris”.

Previously he worked as:

- Director of Communication, Prime Minister’s Officer
- Senior Adviser – Prime Minister’s Office
- Adviser in Information matter, Ministry of Finance and Economic Development and Ministry of Technology, Communication and Innovation
- Editor in Chief
- Journalist

**Mr Hemprakash Dhotah** is the Director of the Development Bank of Mauritius Ltd as from 11 March 2015. He is a Fellow Member of the Association of Chartered Certified Accountants, UK and a Certified Member of the Association of Certified Fraud Examiners. Mr Dhotah was formally Financial Analyst at the Virgin Money UK, London and afterwards Head of Finance at Chapelle Group of Industries in Mauritius. He is at present the Managing Director at Thylords. Mr Dhotah has some 12 years of experience in the Financial and Corporate sectors.

**Mr Vassoo Allymootoo Putchay** is a director of the Development Bank of Mauritius Ltd. as from 27 August 2015. He is currently the Permanent Secretary at the Ministry of Health and Quality of Life. He was appointed Permanent Secretary on 31 December 2014 and was posted to the Ministry of Public Infrastructure and Land Transport and subsequently at the Ministry of Business, Enterprise and Cooperatives. From the year 2000 to 2014, he served in various Government Departments as Deputy Permanent Secretary.

He has more than 25 years of experience in the field of public administration, having served, at senior management level, in different ministries; namely the Ministry of Education and Human Resources, Ministry of Environment and Sustainable Development, Ministry of Youth and Sports, Ministry of Arts and Culture, Ministry of Health and Quality of Life, Ministry of Public Infrastructure, NDU, Land Transport and Shipping, and Ministry of Finance and Economic Development.

From June 2008 to December 2011, he was the Secretary to the Commission at the Independent Commission Against Corruption (ICAC), and for more than a year, in addition to holding the post of Secretary to the Commission, he was assigned the duties of director of corporate services at the ICAC.

He has been the ‘répondant national’ and a member of the Executive Committee of the ‘Agence Intergouvernementale de la Francophonie’ from 2001 to 2004, in matters relating to human resource development.

He holds a Diploma in Public Administration and Management, a Degree in Economics and Management Studies, and a Master’s in Business Administration.

## DEVELOPMENT BANK OF MAURITIUS LTD.

### Corporate Governance Report (Contd)

#### Principle 3: Director Appointment Procedures (Contd)

##### Profile of Senior Management Team

##### Mr Jaywant Pandoo

Mr Jaywant Pandoo joined the Development Bank of Mauritius Ltd. on 20 April 2020 as Managing Director after a successful career spanning some 37 years at the Bank of Mauritius. He was subsequently entrusted to spearhead the operations of the DBM Financial Services Ltd. At international level he was, until March 2020, a member of the Board Audit Committee of the International Islamic Liquidity Management Corporation which is headquartered in Malaysia.

At the Bank of Mauritius he has headed different departments since 2001, namely:

- The Financial Stability and Risk & Product Control Department where he was responsible to ensure the financial stability in the banking sector. He was also in charge of the Enterprise Risk Management Function as well as the IT security at the Bank of Mauritius.
- He has also headed the Accounting & Budgeting Department, entrusted with the responsibility of formulating and implementing policies in respect of the accounting and management of the foreign reserves of Mauritius, the domestic money and foreign exchange markets, open market operations and public debt management. Within the finance function he was in charge of the preparation of the financial statements and the budgets of the Bank.
- As Head of the Financial Markets Division, he has chaired various committees with treasurers of banks. At the level of the Bank, he was also the Chairman of the Islamic task Force and was a regular contributor to the Monetary Policy Committee.

Mr Jaywant Pandoo is a fellow of the Association of the Chartered and Certified Accountants (FCCA), Glasgow, UK and holder of a masters (MSc) in Banking and Finance.

Mr Jaywant Pandoo has also co-authored a paper of the Bank of International Settlements on “Strategic Asset Allocation for the Management of Foreign Exchange Reserves by Central Banks”.

##### Mr Lobin Dayha Unmole (passed away on 03 November 2020) - Executive Director (resigned on 06 February 2020)

Mr Lobin Dayha Unmole was appointed as the Managing Director of the Development Bank of Mauritius Ltd. on 09 April 2018.

He was an experienced director dedicated to improving performance and profitability, He has successfully turnaround companies like Mauritius Housing Company Ltd (“MHC”) where he was the Managing Director between 2000 to 2005.

He has had a successful career, spanning different industries prior to joining DBM Ltd. In the banking sector, Lobin Unmole has held senior position at Barclays Bank Mauritius Ltd, SBI (Mauritius) Ltd and Banque des Mascareignes Ltée and he has a broad sector knowledge in the field of Financial Services, Real Estate, IT and Banking. Lobin Unmole holds an MBA from the University of Technology of Mauritius and a BSC (Hons) in Crop Science from the University of Mauritius.

He held an accreditation as Company Director from the Commonwealth Association of Directors and was a member of the Rotary Club of Ebene.

## **DEVELOPMENT BANK OF MAURITIUS LTD.**

### **Corporate Governance Report (Contd)**

#### **Principle 3: Director Appointment Procedures (Contd)**

##### **Director's Induction**

Newly appointed directors receive 'Induction Pack' containing information on the Bank and its subsidiaries, duties and responsibilities under the Mauritius Companies Act 2001 and Code of Corporate Governance.

An induction program is organised to introduce newly appointed directors to the Bank's businesses and Senior Executives. The induction program meets the specific needs of both the Bank and the newly appointed director and enables any new director to make the maximum contribution as quickly as possible.

##### **Professional Development**

The Bank ensures that the necessary resources for developing and updating its directors' knowledge and capabilities are provided as and when required.

The Bank has signed an agreement with the Mauritius Institute of Directors (MIoD) for the provision of training to the directors. However due to the outbreak of the Covid-19 pandemic, the training program has been postponed to next year.

##### **Succession Planning**

The responsibility for succession planning rests with the Board.

The Board of Directors believes that suitable plans are in place for the orderly succession of appointments to the Board and to senior management positions in order to maintain an appropriate balance of knowledge, skills and experience within the organisation and on the Board.

The Board has appointed a HR Consultant firm to carry out a Human Resource Management Effectiveness and Gap Analysis at the Bank with the objective of recommending relevant measures to leverage the Bank's human capital in alignment with its vision and strategic objectives. The scope of the exercise consisted of an evaluation of the adequacy, appropriateness and responsiveness of the existing HRM Policies, procedures, systems, structures and competencies.

The Consultant has submitted its final report in October 2019 which is being reviewed in light of the challenges unfolding in the aftermath of the Covid-19 pandemic.

A sub-committee of the Board has been set up to work out a revised strategy that would enable the Bank to meet the challenges unfolding in the aftermath of the Covid-19 pandemic.

The Board has recruited an HR Manager to review and enhance the HR structures of DBM and to implement the measures as would be recommended.

The Bank has also consolidated the operations of its Industrial Estate Department by recruiting a Civil Engineer and one Technical Officer (Civil Engineer).

With a view to enhance its services to the customers, DBM has set up a Hand-Holding and Mentoring Unit and a Mentor has already been recruited to strengthen the Unit and to assist the entrepreneurs.

As mentioned above, a Board Strategy Committee has been set up to review the structure of the Bank.

## **DEVELOPMENT BANK OF MAURITIUS LTD.**

### **Corporate Governance Report (Contd)**

#### **Principle 4: Director Duties, Remuneration and Performance**

All the directors of the Bank are aware of their legal duties and responsibilities.

The fees paid to directors are agreed by the shareholders. Directors are paid monthly fees for their services to the Bank. They also receive fees agreed by the shareholders, for membership to Board Committees. The fees are designed to recognise various responsibilities of directors' role.

#### **Code of Ethics**

The Board of Directors is also mindful of the interest of other stakeholders such as suppliers, clients and the public at large when running its operations and is committed to high standards of integrity and ethical conduct in dealing with them. The Bank is in the process of reviewing its reception counter to make it more user-friendly.

Furthermore, the Bank and its employees must, at all times, comply with all applicable laws and regulations. The Bank will not condone the activities of employees who achieve results through violation of the law or unethical business dealings. This includes any payments for illegal acts, indirect contributions, rebates, and bribery. The Bank does not permit any activity that fails to stand the closest possible public scrutiny.

All business conduct should be above the minimum standards required by law. Accordingly, employees must ensure that their actions cannot be interpreted as being, in any way, in contravention of the laws and regulations governing the Bank's operations. Employees uncertain about the application or interpretation of any legal requirements should refer the matter to their superior, who, if necessary, should seek the advice and guidance of officers at the highest level of the Bank's hierarchy.

The Bank is committed to a policy for fair, honest dealing and integrity in the conduct of its business. This commitment, which is actively endorsed by the Board, is based on a fundamental belief that business should be conducted honestly, fairly and legally.

The Bank does not have a formalised Code of Ethics and is in process of drafting a same. However, the Bank from time to time informs staff of desired ethical behaviour through circulars.

#### **Board Evaluation**

Upon the recommendation of the Corporate Governance Committee, the Board of Directors has approved that a Board evaluation exercise be carried out on an annual basis and in this regard, a Performance Evaluation/ Matrix Questionnaire has been designed.

During the year under review, the directors have been requested to evaluate their performance by filling the Performance Evaluation/ Matrix Questionnaire.

It is also worth mentioning that the directors of the Board of the Bank have been appointed as members of Board Sub-Committees, in the light of their wide range of skills and competence acquired through several years of working experience and professional background. The Board of the Bank is of the view that its composition is adequately balanced and that the current directors have the range of skills, expertise and experience to carry out their duties properly, except that there is a deficiency in terms of gender.

Furthermore, Non-Executive directors are chosen for their business experience and acumen as well as their ability to provide a blend of knowledge, skills, objectivity, integrity, experience and commitment to the Board.

These directors are free from any business or other relationships which would materially affect their ability to exercise independent judgement and are critical observers.

## DEVELOPMENT BANK OF MAURITIUS LTD.

### Corporate Governance Report (Contd)

#### Principle 4: Director Duties, Remuneration and Performance (Contd)

#### Board and Board Committees' Fees

The remuneration and benefits received by the directors for the year ended 30 June 2020 were as shown below:

Non Executive Directors	(Rs)
Mr Anand Babbea	635,000
Mr Ishwarlall Bonomaully	330,000
Mr Vassoo Ally Putchay	60,000
Mr Hemprakash Dhotah	295,000
Mr Gurushunkar Akash Goojha	415,000
Mr Jean Daniel Henry	380,000
Mr Neil Radakrishna Chedumbarum Pillay	340,000
Mr Premchand Tanakoor	390,000
Mr Dhanraj Conhye	315,000
Mr Muhammad Azeem Salehmohamed	105,000
Mr Rama Krishna Veeramundar	110,000
Mr Somduth Dulthumun	110,000
<b>Total</b>	<b>3,485,000</b>

Executive Directors	(Rs)
Mr Lobin Dayha Unmole	2,923,400
Mr Jaywant Pandoo	685,860
<b>Total</b>	<b>3,609,260</b>

#### Remuneration Philosophy

The Board is responsible for the remuneration policy of the Bank.

Board enters into agreement with the DBM Staff Association ("DBMSA") concerning the review of salary and conditions of service. The Agreement is effective for the period July 2016 to June 2021.

Remuneration practices are structured to provide clear differentiation between staff grades. Non-Executive directors are paid on a monthly basis.

#### Conflict of Interest

The Board of Directors strictly believes that a director should make his best effort to avoid conflict of interest or situation where others might reasonably perceive such a conflict.

It is the responsibility of each director to ensure that any conflict of interests be disclosed and recorded by the Company Secretary.

The Company Secretary maintains an interests register and same is available for consultation to shareholders upon written request to the Company Secretary.

## DEVELOPMENT BANK OF MAURITIUS LTD.

### Corporate Governance Report (Contd)

#### Principle 4: Director Duties, Remuneration and Performance (Contd)

##### Related Party Transactions

The Bank has adopted a Conflicts of Interest and Related Party Transactions Policy which has been approved by the Board.

The Bank enters into a number of transactions with related parties in the normal course of business i.e, with the major shareholder, subsidiaries, associates and other governmental bodies. Note 28 to these consolidated financial statements show the details of these transactions.

##### Board Information

All directors receive regular information about the Bank so that they are equipped to play their role fully in Board Meetings. Papers for Board and Committee Meetings are circulated prior to the relevant meeting. All Board Members have access to the Company Secretary for any further information they require. The appointment and removal of the Company Secretary is a matter for the Board. Independent professional advice is available to directors in appropriate circumstances, at the Bank's expense.

The Board members of the Bank ensure that matters relating to the Bank, learned in their capacity as directors, are strictly confidential and private and shall not be divulged to anyone without the authority of the Board and the directors have an undertaking to that effect.

#### Principle 5: Risk Governance and Internal Control

##### Internal Control and Risk Management

###### (a) Responsibility and application

The Board is responsible for risk management and for the definition of the overall strategy for risk tolerance. Management and the assurance process on risk management are delegated to the Board Risk Committee. The Committee is responsible for the design and implementation of the risk management processes and day-to-day management of risk is assigned to management.

###### (b) Structures and processes for identification of risks and risk management:

The Bank's core business is financial intermediation as a Development Finance Institution. Management has with the approval of the Board set up different units to ensure that there is proper segregation of duties, internal control and checks to carry the processes on completion. The different Departments/Units are Sales and Underwriting, Legal & Contentieux, Follow-up and Recovery, Human Resource, Personnel and Administration, Finance, IT and Internal Audit.

The different units are headed by Officers-in-Charge who have the appropriate academic qualifications and experience. The different risks as detailed below are identified and proper instructions are given to establish and mitigate/eliminate risks.

## DEVELOPMENT BANK OF MAURITIUS LTD.

### Corporate Governance Report (Contd)

#### Principle 5: Risk Governance and Internal Control (Contd)

#### Internal Control and Risk Management (Contd)

##### (b) Structures and processes for identification of risks and risk management: (Contd)

Management issues instructions to all concerned parties regarding compliance to the established policies and procedures. Outside expert's services have been solicited to establish the manual for IT risks.

The Bank has also a second core activity which is the leasing of industrial land and buildings. Staff of the Industrial Estate Department are responsible for maintenance and cleaning of sites as well as management of tenants regarding rentals under the supervision of top management.

##### (c) Integration of internal control and risk management

The system of internal control, which is embedded in all key operations, provides reasonable rather than absolute assurance that the Bank's business objectives will be achieved within the risk tolerance levels defined by the Board.

##### (d) Assurance on the effectiveness of the risk management process

The Board also receives assurance from the Audit Committee, which derives its information in part, from regular internal and external audit reports on risk and internal control throughout the Bank.

##### (e) Management of key risks identified

Within the Bank, the risk elements are viewed under the following headings:

- *Operational risk:* Operations risk is defined as risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
- *Human resource risk:* Losses arising from acts inconsistent with employment, health and safety laws, personal injury claims, etc.
- *Compliance risks:* Dishonest or fraudulent acts intended to defraud or misappropriate property or circumvent regulations, law and policies and involve at least one internal party and a third party respectively.
- *Physical risks:* Losses due to fire, cyclones, riots, etc.
- *Technology risks:* Includes hardware and software failures, system development and infrastructure issues.
- *Business continuity risks:* Losses from failed transaction processing, and process management.
- *Reputational risks:* Losses due to unintentional or negligent failure to meet a professional obligation to specific clients or from the nature or design of a product.
- *Financial risks:* The identification and management of these risks are further discussed in Note 29 to the consolidated financial statements.

##### (f) Whistle-blowing Policy

The Bank has embedded a whistle-blowing policy which sets out the procedures to be followed.

## **DEVELOPMENT BANK OF MAURITIUS LTD.**

### **Corporate Governance Report (Contd)**

#### **Principle 6: Reporting with Integrity**

##### **Statement of Directors' Responsibilities in respect of the Preparation of Consolidated Financial Statements**

The directors affirm their responsibilities for preparing the annual report and consolidated financial statements of the Bank that fairly present the state of affairs of the Bank, and its subsidiaries and the results of their operations.

The Statement of Directors' Responsibilities is found on pages 4 to 5 of the Annual Report.

##### **Dividend Policy**

The Bank aims to pay stable dividend to its shareholders after carrying out Solvency Test as prescribed.

No dividend was paid or declared during the last seven years.

##### **Health, Safety and Environmental Issues**

There is a Health and Safety Committee constituted to advise the Managing Director on the critically important responsibilities for sound management of safety, occupational health and environmental matters in line with existing legislative and regulatory frameworks. Regular meetings are scheduled. The Committee advises the Managing Director on best practices to be adopted on matters relating to the provisions of the Labour Laws, the Occupational Safety, Health and Welfare Act, the Environment Protection Act and any other applicable legislations.

The Bank has set up its wellness programme with the primary objective of promoting a healthy balance of mind and spirit among the employees. The main activities that were conducted were Yoga, Zumba and Football.

##### **Social Issues**

The Bank aims at giving equal opportunities to its employees. For any new recruitment or promotion exercise, it is advertised both internally and externally. There is also an annual performance appraisal which is carried out and where rewards and merits are provided for.

The length of service of employees is also recognised and rewarded through events.

The Bank recognises the importance of the role it has to play in society and it actively participates in endeavours to alleviate social and environmental problems. The Group is also committed to creating sustainable value for the social and economic well-being of the society. The Bank is also in the process of setting up a Staff Welfare Association.

##### **Corporate Social Responsibility**

The Bank did not participate in any CSR activity nor made any CSR donation during the financial year ended 30 June 2020.

##### **Charitable & Political Contributions**

The Bank did not make any political or charitable donation during the financial year ended 30 June 2020 (2019: Nil).

## DEVELOPMENT BANK OF MAURITIUS LTD.

### Corporate Governance Report (Contd)

#### Principle 7: Audit

##### Internal Audit

###### (i) Role and responsibilities

The internal audit department assists the Board and management to maintain and improve the process by which risks are identified and managed and helps the Board discharge its responsibilities to maintain and strengthen the internal control framework. The internal audit function is responsible for providing assurance to the Board regarding the implementation, operation and effectiveness of internal control and risk management.

The Board has delegated the responsibility for overseeing the internal audit function and for receiving internal audit reports to the Audit Committee.

The Audit Committee has the following duties in respect of the internal audit function:

- advise and approve the appointment or removal of the head of internal audit;
- approve the scope and work plan of the internal audit function;
- receive and consider reports from internal audit;
- advise the Board on significant matters arising from the internal auditors' work and ensure that appropriate action has been taken following detection of inadequacies within the internal controls and risk management processes;
- coordinate the activities of internal and external auditors to maximise the efficiency of audit effort and avoid omissions in coverage; and
- approve the annual internal audit work plan. The plan is based on the principles of risk management to align coverage and effort with the degree of risk attributable to the areas audited.

###### (ii) Reporting and disclosure

###### Structure & Organisation

An internal audit charter governs internal audit activity within the Bank. The internal audit charter, which is reviewed and approved annually by the Board, establishes the composition, role, scope, authority, independence, reporting procedures, auditing standards and responsibilities of the internal audit function.

###### Reporting lines

The Head of Internal Audit has a direct reporting line to the Audit Committee and maintains an open and constructive communication with senior and executive management. She also has direct access to the Chairman of the Board. This reporting structure allows the Internal Audit Department to remain independent and report all items of significance to the Board and the Audit Committee.

###### Coverage and Risk management

The Internal Audit department performs a wide range of audit services including financial audits, compliance audits and operational audits. Audits are performed in accordance with professional standards.

- Financial audits address questions regarding accounting and the propriety of financial transactions.
- Operational audits review information and procedures to determine if any modifications of the operations could result in greater efficiency and effectiveness.
- Investigative audits and fraud assess emergency situations.
- Follow-up on matters raised by the External Auditors in the Management Letter.

## DEVELOPMENT BANK OF MAURITIUS LTD.

### Corporate Governance Report (Contd)

#### Principle 7: Audit (Contd)

#### (ii) Reporting and disclosure (Contd)

##### Coverage and Risk management (Contd)

The Internal Audit plan is based on the main risk areas of the Bank and is designed to ensure adequate audit coverage of the Bank's organisational units and processes. The internal audit plan is derived from the risk management assessment, then pre-discussed with the executive management and finally approved by the Audit Committee.

A typical audit is made up of four stages: planning, fieldwork, reporting, and follow-up. The audit team collects data and documents the procedures, controls and/or activities being reviewed. Based on the risk assessment, the audit team performs various types of tests, concludes and makes recommendations to management to improve these controls based on system testing and control analysis.

##### Restrictions

The Internal Audit has unrestricted access to the records, management or employees of the Bank.

##### Non-audit services

During the previous financial year, BDO has been appointed to review the model and assumption used in arriving at the ECL figure for the year ended 01 July 2018 and 30 June 2019 and to assess the consistency and rationale of the assumption used in the model for the reinstatement of 01 July 2018 and 30 June 2019 figures.

##### External Audit

The External Auditors meet the members of the Audit Committee to discuss on the consolidated financial statements of DBM and the accounting principles and guidelines adopted.

##### Fees to external Auditors

The fees payable to auditors for the year ended 30 June 2020 are as follows:

	Bank		Subsidiaries	
	2020 (Rs'000)	2019 (Rs'000)	2020 (Rs'000)	2019 (Rs'000)
Audit and tax compliance fees	1,390	1,305	605	572

**DEVELOPMENT BANK OF MAURITIUS LTD.****Corporate Governance Report (Contd)****Principle 8: Relations with Shareholders and Other Key Stakeholders****Shareholders' Agreement**

There was no such agreement during the year under review.

**Employee Share Option Plan**

No Employee Share Option Plan is available.

**Third Party Management Agreement**

There was no agreement between third parties and the Bank or its subsidiaries during the year under review.

**Shareholders' and Stakeholders' Communication**

The Board aims to properly understand the information needs of the Shareholders and places great importance on an open and meaningful dialogue with all those involved with the Bank. It ensures that Shareholders are kept informed on matters affecting the Bank.

**Website**

In order to be compliant with the requirements of the Code, the Board will ensure that the Bank's website, namely [www.dbm.mu](http://www.dbm.mu), be revamped accordingly. Subsequently, all the relevant disclosures will be published on the website.

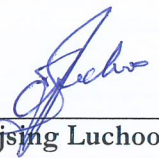
**Important Events**


The DBM endeavours to comply with the statutory requirements regarding preparation of consolidated financial statements, completion of audit, review of the consolidated financial statements by the Audit Committee, approval by the Board and holding of the Annual Meeting within the prescribed period, unless events prevent same to be done.

**STATEMENT OF COMPLIANCE**  
**(Section 75(3) of the Financial Reporting Act 2004)**

We, the directors of Development Bank of Mauritius Ltd., confirm that, to the best of our knowledge, the Bank has complied with its obligations and requirements under the Code of Corporate Governance except for certain sections as described on pages 37 & 38.

Signed by:

  
\_\_\_\_\_  
**Dr Jairaj Singh Luchoo**  
Chairman

  
\_\_\_\_\_  
**Mr Jaywant Pandoo**  
Managing Director

**22 APR 2021**  
Date: \_\_\_\_\_

**22 APR 2021**  
Date: \_\_\_\_\_

## **DEVELOPMENT BANK OF MAURITIUS LTD.**

### **Non-compliance with the National Code of Corporate Governance for Mauritius 2016**

#### **Principle 1: Governance Structure**

- (i) The functioning of the Board is governed by the Company's Constitution. The Board is in process of formalising a Code of Ethics.
- (ii) For the time being, the following disclosures are not available on the Bank's website:
  - The Bank's Code of Ethics;
  - Appropriate job descriptions of the key senior governance positions;
  - An organisational chart; and
  - A statement of major accountabilities within the organisation.

The Bank is working towards disclosing the above information on its website as well as describing the approval, monitoring and review process (including frequency) of these documents.

#### **Principle 2: The Structure of the Board and its Committees**

##### **(i) Board composition**

The Board members of the Bank are of the same gender.

##### **(ii) Board sub committee**

Currently, the Audit Committee is chaired by a Non-Independent Director.

#### **Principle 3: Director Appointment Procedures**

##### **Succession Plan and Induction**

The Bank has not yet developed a succession plan.

#### **Principle 4: Director Duties, Remuneration and Performance**

- (i) Currently, the Board does not have a formalised Code of Ethics. The code is being catered for.
- (ii) The Board will review and consider for approval the following policies in the financial year 2020/2021.
  - Information Policy
  - Information Technology Policy
  - Information Security Policy

##### **(iii) Board appraisal**

No evaluation of the effectiveness of the Board and its committees have been conducted during the year under review.

**DEVELOPMENT BANK OF MAURITIUS LTD.****Non-compliance with the National Code of Corporate Governance for Mauritius 2016 (Contd)****Principle 5: Reporting with Integrity****Website**

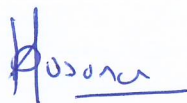
Management will ensure that all required disclosures are published in full on the Bank's website.

**Principle 7: Audit**

Management will ensure that the structure, organisation and qualifications of the key members of the internal audit function are listed on the Bank's website.

**DEVELOPMENT BANK OF MAURITIUS LTD.****Certificate from the Secretary under Section 166 (d) of the Mauritius Companies Act 2001**

I hereby certify, to the best of my knowledge and belief, that the Bank has filed with the Registrar of Companies all such returns as are required of the Bank under the Mauritius Companies Act 2001 in terms of Section 166 (d) during the financial year ended 30 June 2020.



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**Mr Dewraz Hosanee**  
**Company Secretary**

Date: 22 APR 2021

**Independent auditors' report  
To the members of DEVELOPMENT BANK OF MAURITIUS LTD.**

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the consolidated financial statements of **DEVELOPMENT BANK OF MAURITIUS LTD.**, the “Bank” or “DBM” and its subsidiaries, together referred to as the “Group”, which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements on pages 46 to 130 give a true and fair view of the financial position of the Group and the Bank as at 30 June 2020 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Mauritius Companies Act 2001 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 Consolidated Financial Statements section of our report. We are independent of the Bank and its subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 30 June 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on such matter.

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

**Risk description**

*Expected credit losses (“ECL”)*

Loans as disclosed in Note 6 to the consolidated financial statements represent 27% (2019: 17%) of the total assets of the Bank.

**Independent auditors' report  
To the members of DEVELOPMENT BANK OF MAURITIUS LTD.**

**Report on the Audit of the Consolidated Financial Statements (Contd)**

**Key Audit Matters (Contd)**

**Risk description (Contd)**

*Expected credit losses ("ECL") (Contd)*

The Bank has adopted IFRS 9 'Financial instruments', which requires the recognition of expected credit losses ("ECL") rather than incurred credit losses and which involves significant judgments and estimates. Changes in the assumptions and the methodology applied may have a significant effect on the allowance for credit losses.

The most significant areas where we identified greater levels of management judgement are:

- Significant increase in credit risk ("SICR")

The criteria set to identify a SICR and the Group's definition of default are highly dependent on judgement and can materially impact the ECL by determining whether a stage 1, 2 or 3 provision is required.

- Model estimations

ECL involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD") and Exposures at Default ("EAD"). The PD and LGD models used in the loans portfolios are the key drivers of the Bank's ECL results.

- Qualitative adjustments

Adjustments, which are fundamentally judgemental, made to the model to address the impairment model limitations.

Due to the significance of loans and the related estimation process which requires significant judgement, impairment of loans was considered as a key audit matter.

**How audit responded to this matter**

Our audit procedures included among 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.
- Ensured the appropriateness of underlying data used in determination of the PD and LGD.

**Independent auditors' report (Contd)**  
**To the members of DEVELOPMENT BANK OF MAURITIUS LTD.**

**Report on the Audit of the Consolidated Financial Statements (Contd)**

**Key Audit Matters (Contd)**

**How audit responded to this matter (Contd)**

- Assessed the reasonableness of the expected credit loss model methodology, assumptions, judgements and related parameters.
- Ensured the completeness of underlying data used in the ECL computation.
- We further focused on the adequacy of the Bank's disclosure regarding loans and expected credit losses.

*Conclusion*

We consider the methodology used in determining the expected credit losses and related disclosures in the consolidated financial statements to be appropriate.

**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, Annual Report, Director's Report and Corporate Governance Report sections, but does not include the consolidated financial statements and our auditors' report thereon.

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

*Corporate Governance Report*

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

**Independent auditors' report (Contd)**  
**To the members of DEVELOPMENT BANK OF MAURITIUS LTD.**

**Report on the Audit of the Consolidated Financial Statements (Contd)**

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**Independent auditors' report (Contd)**  
**To the members of DEVELOPMENT BANK OF MAURITIUS LTD.**

**Report on the Audit of the Consolidated Financial Statements (Contd)**

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Contd)**

- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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**

*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 Bank and its subsidiaries other than in our capacity as auditors;
- we have obtained all the information and explanations that we have required; and
- from our examination of the Bank's records, we are opinion that the Bank's accounting system has to be revisited in order to keep pace with technological changes and at the same time meet both internal and external requirements.

**Independent auditors' report (Contd)**  
**To the members of DEVELOPMENT BANK OF MAURITIUS LTD.**

**Other Matter**

Our report is made solely to the members of the Bank 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 Bank'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 Bank and the Bank's members as a body, for our audit work, for this report, or for the opinion we have formed.



**Grant Thornton**  
**Chartered Accountants**



**Y NUBEE, FCCA**  
**Licensed by FRC**

**Date: 22 April 2021**

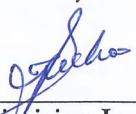
**Ebene 72201, Republic of Mauritius**

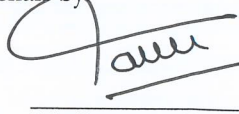
## DEVELOPMENT BANK OF MAURITIUS LTD.

Consolidated statement of financial position as at  
30 June

	Notes	The Group		The Bank	
		2020 Rs'000	Restated 2019 Rs'000	2020 Rs'000	Restated 2019 Rs'000
<b>ASSETS</b>					
Cash and cash equivalents	12	425,216	500,440	404,687	477,848
Loans	6	1,375,512	1,106,014	1,375,369	1,106,014
Investment properties	7(a)	3,185,758	3,153,624	2,908,319	2,877,026
Seized properties	7(b)	31,968	75,677	31,968	75,677
Securities	8(a)	342,649	519,691	342,649	519,691
Investments in subsidiaries	8(c)	-	-	206,500	201,500
Intangible assets	9	4,173	4,655	4,096	4,558
Property, plant and equipment	10	317,274	319,787	312,955	317,967
Other assets	11	220,341	146,011	224,813	160,030
Right-of-use assets	13	46,133	-	41,118	-
Current tax assets	21.2	3,375	2,686	3,359	2,686
Non-current assets held for sale	14	64,909	64,909	49,374	49,374
<b>Total assets</b>		<b>6,017,308</b>	<b>5,893,494</b>	<b>5,905,207</b>	<b>5,792,371</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Stated capital	15	504,900	504,900	504,900	504,900
Retained earnings		2,202,146	2,102,076	2,188,290	2,085,084
Other reserves		365,892	672,604	365,892	672,604
Owners' interest		3,072,938	3,279,580	3,059,082	3,262,588
Non-controlling interests		80,746	79,828	-	-
<b>Total equity</b>		<b>3,153,684</b>	<b>3,359,408</b>	<b>3,059,082</b>	<b>3,262,588</b>
<b>LIABILITIES</b>					
Deposits from customers	16	1,284,349	1,254,783	1,315,341	1,293,601
Borrowings	17	840,823	703,465	840,823	703,465
Retirement benefit obligations	18	599,043	478,607	599,043	478,607
Deferred tax liabilities	21.4	14,486	15,650	-	-
Current tax liabilities	21.2	931	77	-	-
Lease liabilities	19	49,864	-	44,649	-
Trade and other payables	20	53,137	60,513	46,269	54,110
Liabilities directly associated with non-current assets held for sale	14	20,991	20,991	-	-
<b>Total liabilities</b>		<b>2,863,624</b>	<b>2,534,086</b>	<b>2,846,125</b>	<b>2,529,783</b>
<b>Total equity and liabilities</b>		<b>6,017,308</b>	<b>5,893,494</b>	<b>5,905,207</b>	<b>5,792,371</b>

Approved by the Board of Directors on 22 APR 2021 and signed on its behalf by

  
Dr Jaising Luchoo  
Chairman

  
Mr Jaywant Pandoo  
Managing Director

The notes on pages 54 to 130 form an integral part of these consolidated financial statements.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Consolidated statement of comprehensive income for the year 30 June

	Notes	The Group		The Bank	
		2020 Rs'000	2019 Rs'000	2020 Rs'000	2019 Rs'000
Interest income	22	<b>115,808</b>	97,287	<b>114,271</b>	97,270
Interest expense	23	<b>(41,275)</b>	(42,132)	<b>(41,835)</b>	(42,783)
Net interest income		<b>74,533</b>	55,155	<b>72,436</b>	54,487
Other income	24	<b>221,798</b>	215,541	<b>206,100</b>	185,880
Operating income		<b>296,331</b>	270,696	<b>278,536</b>	240,367
Operating expenses	25	<b>(251,903)</b>	(258,278)	<b>(231,976)</b>	(240,669)
Operating profit/(loss)		<b>44,428</b>	12,418	<b>46,560</b>	(302)
Decrease in provision for credit impairment	27	<b>69,782</b>	339,100	<b>69,782</b>	339,100
(Loss)/gain on sale of seized properties		<b>(13,809)</b>	2,444	<b>(13,809)</b>	2,444
Exceptional items (net)	32	-	46,082	-	45,262
Profit before tax		<b>100,401</b>	400,044	<b>102,533</b>	386,504
Tax credit/(expense)	21.1	<b>587</b>	(310)	<b>673</b>	2,686
Profit after tax		<b>100,988</b>	399,734	<b>103,206</b>	389,190
<b>Other comprehensive income:</b>					
<b>Items that will not be reclassified to profit or loss:</b>					
Remeasurement of post-employment benefit obligations	18(a)(vi)	<b>(129,670)</b>	16,128	<b>(129,670)</b>	16,128

The notes on pages 54 to 130 form an integral part of these consolidated financial statements.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Consolidated statement of comprehensive income for the year 30 June (Contd)

	Notes	The Group		The Bank	
		2020 Rs'000	2019 Rs'000	2020 Rs'000	2019 Rs'000
<b>Other comprehensive income (Contd):</b>					
<b>Items that may be reclassified subsequently to profit or loss:</b>					
(Decrease)/increase in fair value of investments (net)	8(i)	<b>(177,042)</b>	46,467	<b>(177,042)</b>	46,467
<b>Other comprehensive income for the year</b>		<b>(306,712)</b>	62,595	<b>(306,712)</b>	62,595
<b>Total comprehensive income for the year</b>		<b>(205,724)</b>	462,329	<b>(203,506)</b>	451,785
<b>Profit attributable to:</b>					
- Owners of the parent		<b>100,070</b>	397,706	<b>103,206</b>	389,190
- Non-controlling interests		<b>918</b>	2,028	-	-
		<b>100,988</b>	399,734	<b>103,206</b>	389,190
<b>Total comprehensive income attributable to:</b>					
- Owners of the parent		<b>(206,642)</b>	460,301	<b>(203,506)</b>	451,785
- Non-controlling interests		<b>918</b>	2,028	-	-
		<b>(205,724)</b>	462,329	<b>(203,506)</b>	451,785

The notes on pages 54 to 130 form an integral part of these consolidated financial statements.

**DEVELOPMENT BANK OF MAURITIUS LTD.****Consolidated statement of changes in equity for the year ended 30 June**

	Attributable to equity holders of the parent						Non-controlling interests	Total
	Stated capital	Revaluation and other reserves	Actuarial loss reserves	Fair value reserves	Retained Earnings	Total		
The Group	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 01 July 2019 – as previously stated	504,900	587,869	(366,211)	450,946	2,608,531	3,786,035	79,828	3,865,863
Correction of prior period error (Note 35)	-	-	-	-	(506,455)	(506,455)	-	(506,455)
At 01 July 2019 – as restated	504,900	587,869	(366,211)	450,946	2,102,076	3,279,580	79,828	3,359,408
Profit for the year	-	-	-	-	100,070	100,070	918	100,988
Other comprehensive income for the year	-	-	(129,670)	(177,042)	-	(306,712)	-	(306,712)
Total comprehensive income for the Year	-	-	(129,670)	(177,042)	100,070	(206,642)	918	(205,724)
At 30 June 2020	504,900	587,869	(495,881)	273,904	2,202,146	3,072,938	80,746	3,153,684

The notes on pages 54 to 130 form an integral part of these consolidated financial statements.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

## Consolidated statement of changes in equity for the year ended 30 June (Contd)

	Attributable to equity holders of the parent							Non-controlling interests	Total
	Stated capital	Revaluation and other reserves	Actuarial loss reserves	Fair value reserves	Retained earnings	Total			
<b>The Group</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	
At 01 July 2018 – as previously stated	504,900	587,869	(382,339)	404,479	2,214,403	3,329,312	71,300	3,400,612	
Correction of prior period error (Note 35)	-	-	-	-	(347,749)	(347,749)	-	(347,749)	
At 01 July 2018 – as restated	504,900	587,869	(382,339)	404,479	1,866,654	2,981,563	71,300	3,052,863	
Profit for the year	-	-	-	-	397,706	397,706	2,028	399,734	
Derecognition of subsidiary	-	-	-	-	(3,578)	(3,578)	-	(3,578)	
NCI share of stated capital	-	-	-	-	-	-	6,500	6,500	
Other comprehensive income for the year	-	-	16,128	46,467	-	62,595	-	62,595	
Total comprehensive income for the year	-	-	16,128	46,467	394,128	456,723	8,528	465,251	
At 30 June 2019	504,900	587,869	(366,211)	450,946	2,260,782	3,438,286	79,828	3,518,114	
Correction of prior period error (Note 35)	-	-	-	-	(158,706)	(158,706)	-	(158,706)	
Balance at 30 June 2019 – as restated	504,900	587,869	(366,211)	450,946	2,102,076	3,279,580	79,828	3,359,408	

The notes on pages 54 to 130 form an integral part of these consolidated financial statements.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

## Consolidated statement of changes in equity for the year ended 30 June (Contd)

The Bank	Stated capital Rs'000	Revaluation reserves Rs'000	Actuarial loss reserves Rs'000	Fair value reserves Rs'000	Retained earnings Rs'000	Total Rs'000
<b>At 01 July 2019 – as previously stated</b>	<b>504,900</b>	<b>587,869</b>	<b>(366,211)</b>	<b>450,946</b>	<b>2,591,539</b>	<b>3,769,043</b>
<b>Correction of prior period error (Note 35)</b>	-	-	-	-	<b>(506,455)</b>	<b>(506,455)</b>
<b>At 01 July 2019 – as restated</b>	<b>504,900</b>	<b>587,869</b>	<b>(366,211)</b>	<b>450,946</b>	<b>2,085,084</b>	<b>3,262,588</b>
<b>Profit for the year</b>	-	-	-	-	<b>103,206</b>	<b>103,206</b>
<b>Other comprehensive income for the year</b>	-	-	<b>(129,670)</b>	<b>(177,042)</b>	-	<b>(306,712)</b>
<b>Total comprehensive income for the year</b>	-	-	<b>(129,670)</b>	<b>(177,042)</b>	<b>103,206</b>	<b>(203,506)</b>
<b>Balance at 30 June 2020</b>	<b>504,900</b>	<b>587,869</b>	<b>(495,881)</b>	<b>273,904</b>	<b>2,188,290</b>	<b>3,059,082</b>

The notes on pages 54 to 130 form an integral part of these consolidated financial statements.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

## Consolidated statement of changes in equity for the year ended 30 June (Contd)

<b>The Bank</b>	<b>Stated capital Rs'000</b>	<b>Revaluation reserves Rs'000</b>	<b>Actuarial loss reserves Rs'000</b>	<b>Fair value reserves Rs'000</b>	<b>Retained earnings Rs'000</b>	<b>Total Rs'000</b>
At 01 July 2018 – as previously reported	504,900	587,869	(382,339)	404,479	2,202,349	3,317,258
Correction of prior period error (Note 35)	-	-	-	-	(347,749)	(347,749)
At 01 July 2018 – as restated	504,900	587,869	(382,339)	404,479	1,854,600	2,969,509
Profit for the year	-	-	-	-	389,190	389,190
Other comprehensive income for the year	-	-	16,128	46,467	-	62,595
Total comprehensive income for the year	-	-	16,128	46,467	389,190	451,785
Balance at 30 June 2019	504,900	587,869	(366,211)	450,946	2,243,790	3,421,294
Correction of prior period error (Note 35)	-	-	-	-	(158,706)	(158,706)
Balance at 30 June 2019 – as restated	504,900	587,869	(366,211)	450,946	2,085,084	3,262,588

The notes on pages 54 to 130 form an integral part of these consolidated financial statements.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Consolidated statement of cash flows for the year ended 30 June

	Notes	The Group		The Bank	
		2020 Rs'000	2019 Rs'000	2020 Rs'000	2019 Rs'000
<b>Operating activities:</b>					
Cash used in operations	26	(22,048)	(111,043)	(16,681)	(124,348)
<i>Change in working capital:</i>					
Change in other assets		(107,874)	(31,536)	(100,327)	(21,954)
Change in loans		(110,688)	160,226	(110,545)	160,226
Change in deposits		29,566	184,385	21,740	198,757
Change in trade and other payables		(7,376)	(3,296)	(7,841)	(3,089)
<b>Net cash from operations</b>		<b>(218,420)</b>	198,736	<b>(213,654)</b>	209,592
Net tax paid/refunded		(412)	3,102	-	3,243
<b>Net cash from operating activities</b>		<b>(218,832)</b>	201,838	<b>(213,654)</b>	212,835
<b>Investing activities</b>					
Purchase of property, plant and equipment		(4,573)	(2,200)	(1,762)	(2,200)
Purchase of intangible assets		(261)	-	(261)	-
Purchase of investment properties		(32,134)	(22,078)	(31,293)	(16,080)
Purchase of seized properties		(2,626)	(4,310)	(2,626)	(4,310)
Acquisition of subsidiary		-	-	(5,000)	(17,900)
Proceeds from disposal of seized properties		32,526	1,631	32,526	1,631
Dividends received from investments		14,510	18,291	12,419	17,666
Sale of NCA held-for-sale		-	1,250	-	1,250
<b>Net cash from investing activities</b>		<b>7,442</b>	(7,416)	<b>4,003</b>	(19,943)
<b>Financing activities</b>					
Proceeds from borrowings		158,867	8,677	158,867	8,677
Payments of borrowings		(21,509)	(20,537)	(21,509)	(20,537)
Proceeds from issue of shares		-	6,500	-	-
Payment of lease liabilities		(1,192)	-	(867)	-
<b>Net cash from financing activities</b>		<b>136,166</b>	(5,360)	<b>136,491</b>	(11,860)
<b>Net change in cash and cash equivalents</b>		<b>(75,224)</b>	189,062	<b>(73,161)</b>	181,033
<b>Movement in cash and cash equivalents</b>					
At beginning of year		500,440	311,378	477,848	296,815
Net change in cash and cash equivalents		(75,224)	189,062	(73,161)	181,033
At end of year	12	425,216	500,440	404,687	477,848

*For reconciliation of liabilities arising from financing activities, refer to Note 30.*

The notes on pages 54 to 130 form an integral part of these consolidated financial statements.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

**1. General information and statement of compliance with International Financial Reporting Standards (“IFRS”)**

DEVELOPMENT BANK OF MAURITIUS LTD., formerly known as DBM Ltd, the "Bank" or the "DBM" or the "Company", is a private company incorporated in Mauritius. The main activity of the Bank is to provide finance for the development of the economy. Its registered office is situated at La Chaussée, P.O. Box 157, Port Louis, Republic of Mauritius.

The Bank and its subsidiaries are together referred to as the “Group”.

*Ultimate Controlling Party*

The directors consider the Government of Mauritius as the ultimate controlling party.

The consolidated financial statements are presented in Mauritian Rupee (“MUR” or “Rs”), which is also the functional currency of the Group.

The consolidated financial statements of the Group have been prepared in accordance with IFRS as issued by International Accounting Standards Board (“IASB”).

**2. Application of new and revised IFRS****2.1 New and revised standards and interpretations that are effective for annual year beginning on 01 July 2019**

In the current year, the following new and revised standards and one interpretation issued by IASB became mandatory for the first time for the financial year beginning on 01 July 2019:

***IFRS 16, Leases***

The new standard requires lessees to account for leases ‘on-balance sheet’ by recognising a ‘right-of-use’ asset and a lease liability.

***IFRIC 23, Uncertainty over Income Tax Treatments***

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

***IFRS 9, Prepayments Features with Negative Compensation (Amendments to IFRS 9)***

This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

***IAS 28, Long-term interest in Associates and Joint Ventures (Amendments to IAS 28)***

These amendments provide clarification in the case where an entity applies IFRS 9 ‘Financial Instruments’ to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

## 2. Application of new and revised IFRS (Contd)

### 2.1 New and revised standards and interpretations that are effective for annual year beginning on 01 July 2019 (Contd)

#### *IAS 19, Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*

If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

Management has assessed the impact of these new and revised standards and interpretation and concluded that only IFRS 16, Leases has an impact on these consolidated financial statements.

#### *IFRS 16 'Leases'*

The adoption of IFRS 16 'Leases' has the following impact.

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The application of IFRS 16 did not have an impact on net cash flows.

The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current year.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 3%. The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 01 July 2019:

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**2. Application of new and revised IFRS (Contd)****2.1 New and revised standards and interpretations that are effective for annual year beginning on 01 July 2019 (Contd)**

<b>The Company</b>	<b>Carrying amount as at 30 June 2019</b>	<b>Reclassification</b>	<b>Remeasurement</b>	<b>IFRS 16 carrying amount at 01 July 2019</b>
	<b>Rs</b>	<b>Rs</b>	<b>Rs</b>	<b>Rs</b>
Plant and equipment	<b>317,967</b>	-	-	<b>317,967</b>
<b>Total</b>	<b>317,967</b>	-	-	<b>317,967</b>

<b>The Group</b>	<b>Carrying amount as at 30 June 2019</b>	<b>Reclassification</b>	<b>Remeasurement</b>	<b>IFRS 16 carrying amount at 01 July 2019</b>
	<b>Rs</b>	<b>Rs</b>	<b>Rs</b>	<b>Rs</b>
Plant and equipment	<b>319,787</b>	-	-	<b>319,787</b>
<b>Total</b>	<b>319,787</b>	-	-	<b>319,787</b>

The following is a reconciliation of total operating lease commitments at 30 June 2019 (as disclosed in the consolidated financial statements to 30 June 2019) to the lease liabilities recognised at 01 July 2019:

	<b>The Group Rs</b>
<b>Total operating lease commitments disclosed at 30 June 2019</b>	<b>3,418</b>
Recognition exemptions:	
Leases which do not meet the definition of finance lease under IFRS 16 "Leases"	-
Other adjustments relating to commitment disclosures	<b>61,232</b>
	<b>61,232</b>
Operating lease liabilities before discounting	<b>64,650</b>
Discounted using incremental borrowing rate	<b>(20,380)</b>
<b>Total lease liabilities recognised under IFRS 16 at 01 July 2019</b>	<b>44,270</b>

**2.2 Standards, amendments to existing standards and interpretations that are not yet effective and have not been adopted early by the Group**

At the date of authorisation of these consolidated 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 Group.

Management anticipates that all of the relevant pronouncements, as relevant to the Group's activities, will be adopted in the Group'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 overleaf.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

**2. Application of new and revised IFRS (Contd)**

**2.2 Standards, amendments to existing standards and interpretations that are not yet effective and have not been adopted early by the Group (Contd)**

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

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

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

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

***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 consolidated 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.

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

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

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

**2. Application of new and revised IFRS (Contd)****2.2 Standards, amendments to existing standards and interpretations that are not yet effective and have not been adopted early by the Group (Contd)*****IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform (IBOR)***

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

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

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989 (Framework), with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 (2018 Conceptual Framework) without significantly changing its requirements. The amendment also includes an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately.

**IAS 16, Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)**

In May 2020, the IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

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

The changes in Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

**IFRS 16, COVID-19 – Related Rent Concessions (Amendments to IFRS 16)**

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

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

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

## 3. Significant accounting policies

### 3.1 Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

### 3.2 Basis of consolidation

The Group financial statements consolidate those of the Bank and all of its subsidiaries as of 30 June 2020. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. All subsidiaries have a reporting date of 30 June and are incorporated in Mauritius.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the consolidated financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of the subsidiaries' profit or loss and net assets that are not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

### 3.3 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

### 3.4 Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Freehold land and buildings are subsequently shown at revalued amount, based on valuation by external independent valuers, less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

### 3. Significant accounting policies (Contd)

#### 3.4 Property, plant and equipment (Contd)

Increases in the carrying amounts arising from revaluation are credited directly to revaluation reserves. However, the increase shall be recognised in profit or loss to the extent that reverses a revaluation decrease of the same class of assets previously recognised in profit or loss.

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

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with the carrying amount of the assets and are recognised in profit or loss. On disposal of revalued assets, the amounts included in revaluation reserves are transferred to retained earnings.

Depreciation is calculated to write down the cost or revalued amount of property, plant and equipment over their expected useful lives. The annual rates and depreciation methods used for the purpose are as follows:

	Bank	Subsidiaries
Office building	2%	2%
Building on leasehold land	over lease period	-
Furniture, fittings and equipment	15%-20%	10%-20%
Motor vehicles	20%	20%
Computer equipment	15%	20% and 33 <sup>1</sup> / <sub>3</sub> %
Integrated banking system	15%	-

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each reporting date. Repairs and maintenance costs are expensed as incurred.

Subsequent expenditures related to an item of property, plant and equipment are added to its net book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenditures are expensed as and when incurred.

#### 3.5 Investment properties

All the Group's properties held to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Investment properties are revalued based on fair values determined by external independent valuers once every 5 years or more frequently if market factors indicate a material change in fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the property is derecognised.

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**3. Significant accounting policies (Contd)****3.6 Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition less accumulated impairment losses, if any. See Note 3.8 for information on how goodwill is initially determined.

Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the gains and losses on disposal.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

**3.7 Intangible assets***Software costs*

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. The assets are amortised at 15 %. Costs associated with maintaining computer software programmers are recognised as an expense as incurred.

**3.8 Investments in subsidiaries**

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

*Separate financial statements*

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

*Consolidated financial statements*

In the consolidated financial statements, the subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Bank. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Bank. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Bank recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

## 3. Significant accounting policies (Contd)

### 3.8 Investments in subsidiaries (Contd)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree (if any) over the fair value of the Bank's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss as a gain on bargain purchase.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### *Transactions and non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

### 3.9 Investments in associates

An associate is an entity over which the Group has significant influence but not control, or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights.

#### *Separate financial statements*

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

#### *Consolidated financial statements*

Investments in associates are accounted for by the equity method except when classified as held for sale. The Group's investments in associates may include goodwill, net of any accumulated impairment loss identified on acquisition. Investments in associates are initially recognised at cost as adjusted by post acquisition changes in the Group's share of the net assets of the associate less any impairment in the value of individual investments.

Any excess of the cost of acquisition and the Group's share of the net fair value of the associate's identifiable assets and liabilities recognised at the date of acquisition is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of acquisition, after assessment, is included as income in the determination of the Group's share of the associate's profit or loss.

When the Group's share of losses exceeds its interest in an associate, the Group discontinues recognising further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

## 3. Significant accounting policies (Contd)

### 3.9 Investments in associates (Contd)

#### *Consolidated financial statements (Contd)*

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, appropriate adjustments are made to the consolidated financial statements of associates to bring the accounting policies used in line with those adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Dilution gains and losses arising on investments in associates are recognised in profit or loss.

### 3.10 Financial instruments

#### **Recognition and derecognition**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial 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.

#### **Classification and initial measurement of financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs, where appropriate.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (“FVTPL”)
- fair value through other comprehensive income (“FVOCI”)

The classification is determined by both:

- the Group’s business model for managing the financial asset.
- the contractual cash flow characteristics of the financial asset.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

## 3. Significant accounting policies (Contd)

### 3.10 Financial instruments (Contd)

#### Subsequent measurement of financial assets

##### *Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents and loans and most other receivables fall into this category of financial instruments.

##### *Financial assets at fair value through other comprehensive income ("FVOCI")*

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is "hold to collect" the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income ("OCI") will be recycled upon derecognition of the asset.

The Group's investments in securities fall in this category. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

##### *Principles of valuation of investments*

##### *Quoted investments*

The investments in the quoted companies are measured based on the prices listed on the Stock Exchange of Mauritius.

##### *Unquoted investments*

Unlisted investments are stated at amounts considered by the directors to be a reasonable assessment of their fair value, where fair value is the amount at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**3. Significant accounting policies (Contd)****3.10 Financial instruments (Contd)****Subsequent measurement of financial assets (Contd)***Unquoted investments (Contd)*

The fair value of the unquoted investments has been determined based on the Net Assets Value basis, less allowances for market risk.

*Financial assets at fair value through profit or loss ("FVTPL")*

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets where contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The category contains investment properties. The Group accounted for its investment properties instruments at FVTPL and did not take the irrevocable election to account for it at fair value through other comprehensive income.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

**Impairment of financial assets**

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss ("ECL") model'. Instruments within the scope of these requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

*Stage 1*

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

## 3. Significant accounting policies (Contd)

### 3.10 Financial instruments (Contd)

#### Impairment of financial assets (Contd)

##### *Stage 2*

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low.

##### *Stage 3*

This would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

The Group applies the IFRS 9 general approach to measure expected credit losses which uses a 12 month and lifetime expected loss allowance for loan receivables. To measure the expected credit losses, the financial assets have been grouped based on shared credit risk characteristics and the days past due.

The impairment requirements apply to financial assets measured at amortised cost. In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired are in 'stage 3'.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Both Lifetime ECLs and 12-month ECLs are calculated on a collective basis, depending on the nature of the underlying portfolio of financial instruments which is on the basis of their product types.

The lifetime expected loss rates ("LTECLs") are based on the Group's historical credit losses based on the pattern of movement of financial assets over a period of three years before the reporting date. An additional loss allowance for financial assets is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of financial asset. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the financial assets.

Significant increase in credit risk is determined using quantitative and qualitative information based on the Group's historical experience, credit risk assessment and forward-looking information. The assessment of significant credit deterioration is key in determining when to move from measuring an allowance based on 12-month ECLs to one that is based on lifetime ECLs (i.e., transfer from Stage 1 to Stage 2). If contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

## 3. Significant accounting policies (Contd)

### 3.10 Financial instruments (Contd)

#### Impairment of financial assets (Contd)

##### *Stage 3 (Contd)*

Financial assets are classified as 'stage 3' where they are determined to be credit impaired. This includes exposures that are at least 180 days past due and where the obligor is unlikely to pay without recourse against available collateral.

Impairment is the difference between contractual and expected cash flows of a financial asset. The Group presents allowance for impairment separately from the gross balance of respective assets rather than directly reducing their carrying amounts.

##### *The calculation of ECLs*

The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period.

The Exposure at Default ("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, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

Loss given default ("LGD") is defined as the likely loss intensity in case of a counterparty default. It provides an estimation of the exposure that cannot be recovered in a default event and therefore captures the severity of a loss. Conceptually, LGD estimates are independent of a customer's probability of default. The LGD models ensure that the main drivers for losses (i.e., different levels and quality of collateralization and customer or product types or seniority of facility) are reflected in specific LGD factors. In the LGD models the Group assigns collateral type specific LGD parameters to the collateralized exposure (collateral value after application of haircuts).

##### *The mechanics of the ECL method are summarised below:*

Stage 1: The 12-month ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. These expected default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

## 3. Significant accounting policies (Contd)

### 3.10 Financial instruments (Contd)

#### **Impairment of financial assets (Contd)**

##### *Expected Credit Loss on Rent Receivable*

The Group is applying the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for rent receivable. To measure the expected credit losses, rent receivables has been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the Group's historical credit losses based on the pattern of movement of receivables over a period of five years before the reporting date. An additional loss allowance for receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

##### *Specific Provision*

The group measures specific provision on financial assets which are based on individual risk factors involved in different arrangements as per judgements and past trends considered by management. On remaining balances in segments, expected credit loss method is applied.

#### **Classification and measurement of financial liabilities**

The Group's financial liabilities include deposits from customers, lease liabilities, borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

#### **Classification and measurement of financial liabilities**

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

#### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

## 3. Significant accounting policies (Contd)

### 3.11 Other assets

Other assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

### 3.12 Trade and other payables

Trade and other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

### 3.13 Borrowings

Borrowings are recognised initially at fair value being their issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

### 3.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at bank and short-term deposits with banks.

### 3.15 Related parties

A related party is a person or company where that person or company has control or joint control of the reporting company; has significant influence over the reporting company; or is a member of the key management personnel of the reporting company or of a parent of the reporting company.

The Group considers key management personnel, directors and shareholders as related parties.

### 3.16 Operating expenses

Operating expenses are recognised in the statement of comprehensive income upon utilisation of the service or as incurred.

### 3.17 Equity and reserves

Stated capital is determined using the value of shares that have been issued. Incremental costs directly attributable to the issue of new shares are shown in equity as deduction, net of tax, from proceeds.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

## 3. Significant accounting policies (Contd)

### 3.17 Equity and reserves (Contd)

Other reserves include:

Fair value reserves comprise unrealised gains and losses on remeasurement of financial instruments at FVOCI.

Actuarial reserves represent the cumulative actuarial gains and losses on remeasurement of retirement benefit obligation.

Revaluation reserves relate to gains and losses from the revaluation of land and buildings.

Retained earnings include all current and prior years' results as disclosed in the statement of comprehensive income.

All transactions with owners of the parent are recorded separately within equity.

### 3.18 Loans

Loans are presented net of specific and general allowance for uncollectibility. The Group assesses at the end of each reporting period whether there is objective evidence that loans are impaired. Loans are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the asset that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. The calculation of the present value of the estimated future cash flows of a collateralised asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

## 3. Significant accounting policies (Contd)

### 3.18 Loans (Contd)

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

### 3.19 Taxation

The tax expense for the year comprises of current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

#### *Current tax*

The current tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantively enacted by the end of the reporting period. The Bank and its subsidiaries are subject to a tax rate of 15%.

#### *Deferred tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted at the reporting date and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable amounts will be available against which deductible temporary differences can be utilised.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

## 3. Significant accounting policies (Contd)

### 3.19 Taxation (Contd)

#### *Corporate Social Responsibility*

The Bank and its subsidiaries are subject to CSR and the contribution is at the rate of 2% on the chargeable income of the preceeding financial year. Effective 01 January 2019, the contribution to the Mauritius Revenue Authority must be at least 75% or reduced up to 50% if prior written approval of the National CSR Foundation is obtained.

### 3.20 Retirement benefit obligations

#### *Defined benefit plans*

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The 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 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 they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the year 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 year 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.

#### *Other long-term benefits*

Other benefits are calculated and provided for and are recognised as liabilities in the statement of financial position. The obligations arising under this item are not funded.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

## 3. Significant accounting policies (Contd)

### 3.20 Retirement benefit obligations (Contd)

#### *State pension plan*

Contributions to the National Pension Scheme are expensed in the statement of comprehensive income in the period in which they fall due.

#### *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### 3.21 Foreign currencies

#### *Functional and presentation currency*

Items included in the consolidated financial statements are measured using the Mauritian rupees, the currency of the primary economic environment in which the Group operates ('functional currency'). The consolidated financial statements are presented in Mauritian rupees, which is the Group's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cashflow hedges and qualifying net investment hedges.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair values was determined.

### 3.22 Impairment of non-financial assets

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

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

## 3. Significant accounting policies (Contd)

### 3.23 Leases

As described in Note 2, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17.

#### Accounting policy applicable from 01 July 2019

##### The Group as a lessee

For any new contracts entered into on or after 01 July 2019, the Group 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 Group 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 Group;
- the Group 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 Group has the right to direct the use of the identified asset throughout the period of use. The Group 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 Group recognises a right-of-use asset and a lease liability on the statement of financial position. 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 Group, 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 Group 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 Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group'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 Group 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.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

## 3. Significant accounting policies (Contd)

### 3.23 Leases (Contd)

#### Measurement and recognition of leases as a lessee (Contd)

On the consolidated statement of financial position, right-of-use assets and lease liabilities have been disclosed as a separate line items. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

#### Accounting policy applicable before 01 July 2019

##### The Group as a lessee

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

##### Finance leases – The Group as a Lessor

The Group provides financing under finance leases conditions to micro, small and medium enterprises for principally the acquisition of motor vehicles, industrial equipment and machines.

#### (i) Recognition and initial measurement

Lease classification is determined at the inception date and is reassessed only if there is a lease modification. A lease modification is where there is a change in the scope of the lease, or the consideration for a lease, that was not part of the lease.

Under a finance lease, substantially all the risks and rewards incidental to ownership are transferred by the Company, and thus the lease payment receivable is treated by the Group as repayment of principal and finance income to reimburse and reward the lessor for its investment and services.

Initial direct cost such as processing fee that are incremental and directly attributable to negotiating and arranging a lease, but excluding general overheads, are included in other income.

#### (ii) Subsequent measurement

The Group aims to allocate finance income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Company's net investment in the finance lease. The net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease. The gross investment in the lease is the sum of lease payments receivable by the Group and any unguaranteed residual value accruing to the Group. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

## 3. Significant accounting policies (Contd)

### 3.23 Leases (Contd)

#### (ii) Subsequent measurement (Contd)

Estimated unguaranteed residual values used in computing the Company's gross investment in a lease are reviewed regularly. If there has been a reduction in the estimated unguaranteed residual value, the income allocation over the lease term is revised and any reduction in respect of amounts accrued is recognised immediately.

#### **Operating leases**

Where the Group 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.

### 3.24 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are expensed.

### 3.25 Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all interest-bearing instruments using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant year.

### 3.26 Other income

Other income earned by the Group are recognised on the following bases:

- Rental income - on an accrual basis.
- Dividend income - when the shareholder's right to receive payment is established.
- Fee and commission income - when financial services are provided.
- Factoring income – at point in time upon approval of application of customers.
- Finance lease income – See Note 3.23.

### 3.27 Seized properties

Property seized by the Group represents properties acquired through auction at the Master's Bar further to the default of clients. The properties are held by the Group until they are sold. Seized properties are stated at the price paid at bar together with all related expenses incurred on the acquisition. Realised loss/gain on disposal of seized property is taken to the statement comprehensive income. No depreciation is charged on seized properties.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

## 3. Significant accounting policies (Contd)

### 3.28 Provisions

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

The amount recognised as 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 estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

### 3.29 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. This condition is regarded as met only, when the sale is highly probable and the asset is available for immediate sale in its present condition.

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

### 3.30 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

### 3.31 Non-recurring items

Non-recurring items are disclosed separately as “Exceptional Items” in the consolidated financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. These represent material items of income or expense that are shown separately due to the significance of their nature or amount.

### 3.32 Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

## 3. Significant accounting policies (Contd)

### 3.33 Significant management judgment in applying accounting policies and estimation uncertainty

When preparing the consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

#### **Significant management judgement**

The following are the judgments made by management in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements.

#### *(a) Determination of functional currency*

The determination of the functional currency of the Group is critical since recording of transactions and exchange differences arising therefrom are dependent on the functional currency selected. Management has considered those factors and have determined that the functional currency of the Group is the MUR or Rs.

#### *(b) Impact of COVID-19*

In January 2020, the World Health Organization has declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets.

The directors have considered the potential adverse impact of COVID-19 on the Group’s business activities and have exercised significant judgement in assessing that the preparation of these consolidated financial statements on a going concern basis is appropriate. In making this assessment, the directors have considered the Group’s future business projects, future cash flows and profitability and the global economic conditions and also the government support schemes.

#### **Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

#### *(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.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

## 3. Significant accounting policies (Contd)

### 3.33 Significant management judgment in applying accounting policies and estimation uncertainty (Contd)

#### Estimation uncertainty (Contd)

#### (a) *Pension benefits (Contd)*

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligations.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 18.

#### (b) *Fair value of land and buildings and investment properties*

In arriving at the fair value of the properties, which is determined on an open market value basis, the independent valuers have to make assumptions that are mainly based on market conditions existing at the end of the reporting period. Should these assumptions and estimates change, or not be met, the valuation as adopted in the consolidated financial statements will be affected.

#### (c) *Impairment of financial assets*

The Group uses the guidance of IFRS 9 to determine the degree of impairment of its financial assets. Management considers a broader range of information when assessing credit risk and estimating the credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the receivables. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

#### (d) *Measurement of the expected credit loss allowance*

The measurement of the expected credit loss allowance for loans is an area that requires the use of complex models which are highly dependent on management's judgement and significant assumptions about future economic conditions and credit behaviour. The parameters used by the Group to measure the ECL, including PD, LGD and EAD, each involve numerous judgements and assumptions. Explanation of the assumptions and estimation techniques used in the ECL is further detailed in Note 3.10.

#### (e) *Provision for credit impairment*

The Group reviews its loans with regard to non-performing accounts on a regular basis to assess whether an allowance for impairment should be recognised. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to allowance.

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**3. Significant accounting policies (Contd)****3.34 Significant management judgment in applying accounting policies and estimation uncertainty (Contd)****Estimation uncertainty (Contd)***(e) Provision for credit impairment (Contd)*

The portfolio provision is based upon historical patterns of losses in each component of the portfolio of loans as well as management estimate of the impact of current economic and other relevant conditions on the recoverability of the loans portfolio.

*(f) Deferred tax on investment properties*

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties, management reviewed the Group's investment property portfolio and concluded that the carrying amount of such properties are presumed to be recovered entirely through sale.

*(g) Useful lives of depreciable assets*

Management reviews the useful lives of depreciable assets at each reporting date. At 30 June 2020, management considered that the useful lives represent the expected utility of the assets. The carrying amounts are analysed in Notes 9, 10 and 13. Actual results, however, may vary due to technical obsolescence, particularly relating to computer equipment.

*(h) 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 Group's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty.

*(i) Leases – determination of the appropriate discount rate to measure lease liabilities*

The Group enters into leases with third-party landlords and as a consequence the rate implicit in the relevant lease is not readily determinable. Therefore, the Group uses its incremental borrowing rate as the discount rate for determining its lease liabilities at the lease commencement date. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over similar terms which requires estimations when no observable rates are available.

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**4. Fair value measurement****4.1 Fair value measurement of financial instruments**

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the assets or liability.

The financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
<b>Assets</b>				
Financial assets at FVOCI	<b>223,667</b>	-	<b>168,788</b>	<b>392,455</b>
<b>2019</b>				
<b>Assets</b>				
Financial assets at FVOCI	322,496	-	197,195	519,691

There were no transfers between levels in 2020 and 2019.

**Measurement of fair value**

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.

A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily quoted equity instruments classified as financial instrument at FVOCI.

The reconciliation of the carrying amounts of financial assets classified within Level 3 is as follows:

	<b>2020</b>	<b>2019</b>
	<b>Rs'000</b>	<b>Rs'000</b>
<b>Investments in unquoted companies</b>		
At 01 July	<b>197,195</b>	52,476
Fair value loss	<b>(94,356)</b>	(12,569)
Fair value gain	<b>16,143</b>	157,288
At 30 June	<b>168,788</b>	197,195

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**4. Fair value measurement (Contd)****4.2 Fair value measurement of financial instruments not carried at fair value**

The Group's other financial assets and financial liabilities are measured at their carrying amounts which approximate their fair values.

**4.3 Fair value measurement of non-financial instruments**

The Group's non-financial assets comprise property, plant and equipment, right-of-use assets, intangible assets, investment properties, current tax assets, seized properties, investments in subsidiaries and associates, non-current assets held for sale, prepayments and deposits and non-financial liabilities comprise retirement benefit obligations, liabilities directly associated with non-current assets held for sale, deferred tax liabilities and current tax liabilities.

For both non-financial assets and non-financial liabilities, fair value measurement is not applicable, except for investment properties and land and buildings, since these are not measured at fair value on a recurring or non-recurring basis.

**Fair value hierarchy of non-financial assets measured at fair value**

The following table shows the levels within the hierarchy of non-financial assets measured at fair value.

**The Group**

<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
<b>Property, plant and equipment</b>				
Land and buildings	-	-	<b>295,287</b>	<b>295,287</b>
<b>Investment properties</b>				
Land and buildings	-	-	<b>3,185,758</b>	<b>3,185,758</b>
<hr/>				
<b>2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
<b>Property, plant and equipment</b>				
Land and buildings	-	-	298,762	298,762
<b>Investment properties</b>				
Land and buildings	-	-	3,153,624	3,153,624

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

## 4. Fair value measurement (Contd)

## 4.3 Fair value measurement of non-financial instruments (Contd)

**The Bank**

<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
<b>Property and equipment</b>				
Land and buildings	-	-	<b>295,287</b>	<b>295,287</b>
<b>Investment properties</b>				
Land and buildings	-	-	<b>2,908,319</b>	<b>2,908,319</b>

<b>2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
<b>Property and equipment</b>				
Land and buildings	-	-	298,762	298,762
<b>Investment properties</b>				
Land and buildings	-	-	2,877,026	2,877,026

The Group's land and buildings and investment properties are revalued every 5 years or more frequently if market forces indicate a material change in fair value. The Group engages external, independent and qualified valuers to determine the fair value of the land and buildings and investment properties. The fair value of the land and buildings and investment properties was determined by Professional Valuers, Chartered Valuation Surveyors, on 30 June 2017.

The appraisal was carried based on sales comparison approach (for land) taking into account recent transactions and depreciated replacement cost for building.

The significant unobservable input is the adjustment for factors specific to the building in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is as follows:

**The Group**

<b>2020</b>	<b>Property, plant and equipment</b>	<b>Investment properties</b>
	<b>Rs'000</b>	<b>Rs'000</b>
At 01 July 2019	<b>298,762</b>	<b>3,153,624</b>
Depreciation charge for the year	<b>(3,475)</b>	-
Additions	-	<b>32,134</b>
<b>At 30 June 2020</b>	<b>295,287</b>	<b>3,185,758</b>

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

## 4. Fair value measurement (Contd)

## 4.3 Fair value measurement of non-financial instruments (Contd)

**The Group**

<b>2019</b>	<b>Property, plant and equipment Rs'000</b>	<b>Investment properties Rs'000</b>
At 01 July 2018	302,308	3,131,546
Depreciation charge for the year	(3,546)	-
Additions	-	22,078
<b>At 30 June 2019</b>	<b>298,762</b>	<b>3,153,624</b>

**The Bank**

<b>2020</b>	<b>Property, plant and equipment Rs'000</b>	<b>Investment properties Rs'000</b>
At 01 July 2019	<b>298,762</b>	<b>2,877,026</b>
Depreciation charge for the year	<b>(3,475)</b>	-
Additions	-	<b>31,293</b>
<b>At 30 June 2020</b>	<b>295,287</b>	<b>2,908,319</b>

<b>2019</b>	<b>Property, plant and equipment Rs'000</b>	<b>Investment properties Rs'000</b>
At 01 July 2018	302,308	2,860,946
Depreciation charge for the year	3,546	-
Additions	-	16,080
<b>At 30 June 2019</b>	<b>298,762</b>	<b>2,877,026</b>

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**5. Capital risk management**

The capital structure of the Group consists of debts, which includes borrowings, and equity attributable to equity holders of the parent, comprising of issued capital and reserves. The Group's funding strategy also comprises raising funds through deposits and borrowings from government. As at 30 June 2020, the situation was as follows:

	The Group		The Bank	
	2020	2019	2020	2019
	Rs'000	Rs'000	Rs'000	Rs'000
Owners' interest	<b>3,072,938</b>	3,279,580	<b>3,059,082</b>	3,262,688
Total assets	<b>6,017,308</b>	5,893,494	<b>5,905,207</b>	5,792,371
Borrowings	<b>840,823</b>	703,465	<b>840,823</b>	703,465
Savings and fixed deposits	<b>1,284,349</b>	1,254,783	<b>1,315,341</b>	1,293,601

**6. Loans**

(a) Loans are summarised as follows:

	The Group		The Bank	
	2020	Restated 2019	2020	Restated 2019
	Rs'000	Rs'000	Rs'000	Rs'000
Loans - Gross	<b>3,097,811</b>	2,987,123	<b>3,097,668</b>	2,987,123
Expected credit losses (Note (b))	<b>(1,722,299)</b>	(1,881,109)	<b>(1,722,299)</b>	(1,881,109)
Loans - Net	<b>1,375,512</b>	1,106,014	<b>1,375,369</b>	1,106,014

(b) Expected credit losses

	2020	Restated 2019
	Rs'000	Rs'000
Balance at 01 July		
- as previously reported	<b>1,374,654</b>	1,857,974
- correction of prior period error (Note 35)	<b>506,455</b>	347,749
Adjusted balance at 01 July	<b>1,881,109</b>	2,205,723
Release of provision – impact of IFRS 9 (Note 27)	<b>(103,326)</b>	(301,444)
Release of provision – budgetary measures (Note 27)	<b>(55,484)</b>	(70,697)
Amount written off against gross loans balance	-	(111,179)
Impairment loss as at 30 June – as restated	<b>1,722,299</b>	1,722,403
Correction of prior period error (Note 35)	-	158,706
Impairment loss as at 30 June	<b>1,722,299</b>	1,881,109

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**6. Loans (Contd)**

(c) Analysis of the gross carrying amount and corresponding ECL allowances as at 30 June is as follows:

<b>The Group 2020</b>	<b>Stage 1 Rs'000</b>	<b>Stage 2 Rs'000</b>	<b>Stage 3 Rs'000</b>	<b>Total Rs'000</b>
Gross carrying amount	606,592	231,556	2,259,663	3,097,811
Impairment losses	(65,100)	(58,825)	(1,598,374)	(1,722,299)
	<b>541,492</b>	<b>172,731</b>	<b>661,289</b>	<b>1,375,512</b>

<b>The Bank 2020</b>	<b>Stage 1 Rs'000</b>	<b>Stage 2 Rs'000</b>	<b>Stage 3 Rs'000</b>	<b>Total Rs'000</b>
Gross carrying amount	606,449	231,556	2,259,663	3,097,668
Impairment losses	(65,100)	(58,825)	(1,598,374)	(1,722,299)
	<b>541,349</b>	<b>172,731</b>	<b>661,289</b>	<b>1,375,369</b>

<b>The Group and the Bank 2019 - Restated</b>	<b>Stage 1 Rs'000</b>	<b>Stage 2 Rs'000</b>	<b>Stage 3 Rs'000</b>	<b>Total Rs'000</b>
Gross carrying amount	701,358	92,243	2,193,521	2,987,123
Impairment losses	(61,368)	(36,357)	(1,783,384)	(1,881,109)
	<b>639,990</b>	<b>55,886</b>	<b>430,137</b>	<b>1,106,014</b>

(d) At 30 June, the analysis of changes in the gross carrying amount:

<b>The Group 2020</b>	<b>Stage 1 Rs'000</b>	<b>Stage 2 Rs'000</b>	<b>Stage 3 Rs'000</b>	<b>Total Rs'000</b>
Gross carrying amount opening balance	701,359	92,243	2,193,521	2,987,123
New assets originated or purchased	243,895	66,289	13,727	323,911
Assets derecognised or repaid (excluding write offs)	(86,013)	(39,365)	(140,359)	(265,737)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	52,514	52,514
Gross carrying amount closing balance	<b>859,241</b>	<b>119,167</b>	<b>2,119,403</b>	<b>3,097,811</b>

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**6. Loans (Contd)**

(d) At 30 June, the analysis of changes in the gross carrying amount: (Contd)

<b>The Bank</b>				
<b>2020</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
Gross carrying amount opening balance	<b>701,359</b>	<b>92,243</b>	<b>2,193,521</b>	<b>2,987,123</b>
New assets originated or purchased	<b>243,752</b>	<b>66,289</b>	<b>13,727</b>	<b>323,768</b>
Assets derecognised or repaid (excluding write offs)	<b>(85,940)</b>	<b>(39,365)</b>	<b>(140,359)</b>	<b>(265,664)</b>
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	<b>52,441</b>	<b>52,441</b>
<b>Gross carrying amount closing balance</b>	<b>859,171</b>	<b>119,167</b>	<b>2,119,330</b>	<b>3,097,668</b>

<b>The Group and the Bank</b>				
<b>2019</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
Gross carrying amount opening balance	450,895	69,924	2,626,026	3,146,845
New assets originated or purchased	174,841	27,084	3,075	205,000
Assets derecognised or repaid (excluding write offs)	(11,374)	(3,532)	(238,637)	(253,543)
Changes to contractual cash flows due to modifications not resulting in derecognition	86,996	(1,232)	(85,764)	-
Amounts written off	-	-	(111,179)	(111,179)
<b>Gross carrying amount closing balance</b>	<b>701,358</b>	<b>92,244</b>	<b>2,193,521</b>	<b>2,987,123</b>

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**6. Loans (Contd)**

(e) At 30 June, reconciliation of ECL balance is given below:

<b>The Group and the Bank</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
ECL allowance – opening balance	<b>61,368</b>	<b>36,357</b>	<b>1,276,929</b>	<b>1,374,654</b>
New assets originated or purchased	<b>9,588</b>	<b>16,354</b>	<b>3,332</b>	<b>29,274</b>
Assets derecognised or repaid (excluding write offs)	<b>(31,084)</b>	<b>(9,463)</b>	<b>(139,068)</b>	<b>(179,615)</b>
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	<b>497,986</b>	<b>497,986</b>
Amounts written off	-	-	-	-
<b>ECL allowance - closing balance</b>	<b>39,872</b>	<b>43,248</b>	<b>1,639,179</b>	<b>1,722,299</b>

<b>The Group and the Bank</b> <b>2019 - Restated</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
ECL allowance – opening balance	45,030	19,265	1,793,679	1,857,974
New assets originated or purchased	17,663	18,150	3,252	39,065
Assets derecognised or repaid (excluding write offs)	(1,325)	(1,058)	(48,045)	(50,428)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	145,677	145,677
Amounts written off	-	-	(111,179)	(111,179)
<b>ECL allowance - closing balance</b>	<b>61,368</b>	<b>36,357</b>	<b>1,783,384</b>	<b>1,881,109</b>

(f) IFRS 9 was implemented by the Group on 01 July 2018. This new standard required the Group to recognise expected credit losses involving significant judgements and estimates as detailed in Note 3.10.

**7. Properties****(a) Investment properties**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
At 01 July	<b>3,153,624</b>	3,131,546	<b>2,877,026</b>	2,860,946
Additions	<b>32,134</b>	22,078	<b>31,293</b>	16,080
<b>At 30 June</b>	<b>3,185,758</b>	3,153,624	<b>2,908,319</b>	2,877,026

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**7. Properties****(a) Investment properties (Contd)***Fair valuation*

The investment properties were revalued on 30 June 2017 by Professional Valuers, Chartered Valuation Surveyors, on an open market value basis based on sales comparison approach (for land) taking into account recent transactions and depreciated replacement cost for buildings. It is the policy of the Bank to revalue its investment properties every five years as no significant change is expected from one to five years.

*Rental income and direct operating expenses*

The gross rental income from the investment properties amounted to Rs 162.3 M (2019: Rs 165.2 M) for the Group and Rs 149.5 M (2019: Rs 153.1 M) for the Bank and direct operating expenses amounted to Rs 19.9 (2019: Rs 32.3 M) for the Group and Rs 19.5M (2019: Rs 31.9 M) for the Bank.

*Pledge*

Some of the properties are pledged as securities for bank borrowings.

**(b) Seized properties**

	<b>2020</b>	<b>2019</b>
	<b>Rs'000</b>	<b>Rs'000</b>
At 01 July	<b>75,677</b>	70,553
Properties seized during the year	<b>2,627</b>	6,754
Disposals	<b>(46,335)</b>	(1,631)
At 30 June	<b>31,968</b>	75,677

**8. Investments****(a) Securities**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
<b>Fair value:</b>				
Quoted investments	<b>223,667</b>	322,496	<b>223,667</b>	322,496
Unquoted investments	<b>168,788</b>	197,195	<b>168,788</b>	197,195
<b>Total</b>	<b>392,455</b>	519,691	<b>392,455</b>	519,691

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**8. Investments (Contd)**

(i) Movement during the year:

	The Group		The Bank	
	2020 Rs'000	2019 Rs'000	2020 Rs'000	2019 Rs'000
At 01 July	519,691	473,224	519,691	473,224
Impairment losses	(193,185)	(110,821)	(193,185)	(110,821)
Fair value gain on remeasurement	16,143	157,288	16,143	157,286
<b>At 30 June</b>	<b>342,649</b>	<b>519,691</b>	<b>342,649</b>	<b>519,688</b>

- (ii) The market value of quoted investments is based on listed share prices on the Stock Exchange of Mauritius on 30 June 2020.
- (iii) The fair values of the unquoted investments are based on a Net Asset Value basis after making allowance for market risks.
- (iv) Both the listed and unquoted investments are classified as financial assets at fair value through other comprehensive income for the Group.
- (v) The investments at nominal value of Rs 2 are classified at fair value through other comprehensive income.

**(b) Investments in associates**

The Group and the Bank	2020	2019
	Rs'000	Rs'000
At 01 July and at 30 June	-	-

(i) The associated companies are as follows:

	Reporting date	Nature of business	Country of incorporation	% holding
<b>2020</b>				
State Investment Finance Corporation Ltd	31 December	Insurance	Republic of Mauritius	20.00
SIC Fund Management Ltd	31 December	Investment	Republic of Mauritius	49.00
<b>2019</b>				
State Investment Finance Corporation Ltd	31 December	Insurance	Republic of Mauritius	20.00
SIC Fund Management Ltd	31 December	Investment	Republic of Mauritius	49.00

(ii) The above investments have been impaired and restricted to nil at Group level.

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**8. Investments (Contd)****(b) Investments in associates (Contd)**

(ii) Summarised financial information on associates are set out below:

	<b>Opening net assets 01 July Rs'000</b>	<b>Results net of dividends Rs'000</b>	<b>Other comprehensive income Rs'000</b>	<b>Closing net assets Rs'000</b>	<b>Impairment of net assets Rs'000</b>	<b>Ownership interest Rs'000</b>	<b>Interest in associates Rs'000</b>
<b>2019</b>							
State Investment Finance Corporation Ltd	-	-	-	-	-	20%	-
SIC Fund Management Ltd	1,000	-	-	1,000	(1,000)	49%	-
	<b>1,000</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>(1,000)</b>		<b>-</b>

Audited financial information of the associates are not yet available at date of these consolidated financial statements. Management does not contemplate any major change in the figures of these associates and hence, the investments remain impaired at the reporting date.

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**8. Investments (Contd)****(c) Investments in subsidiaries**

	<b>30 June 2020</b>	<b>30 June 2019</b>
<b>The Bank</b>	<b>Rs'000</b>	<b>Rs'000</b>
<b>Unquoted</b>		
At 01 July	<b>201,500</b>	170,000
Additions	<b>5,000</b>	31,500
<b>At 30 June</b>	<b>206,500</b>	201,500

(i) Details of the Bank's subsidiaries are as follows:

	<b>Country of incorporation</b>	<b>Ordinary shares</b>	
		<b>Direct %</b>	<b>Direct %</b>
		<b>holding</b>	<b>holding</b>
		<b>2020</b>	<b>2019</b>
DBM Financial Services Ltd	Republic of Mauritius	100.00	100.00
DBM Properties Development Ltd	Republic of Mauritius	80.00	80.00
DBM Venture Capital Fund Ltd	Republic of Mauritius	100.00	100.00
Rodrigues Business Park Development Ltd	Rodrigues	50.00	50.00
DBM Energy Ltd	Republic of Mauritius	100.00	-

(ii) The principal activities of its subsidiaries are as follows:

- (a) DBM Financial Services Ltd recovers debts in respect of the ex-MCCB (in liquidation), provides finance lease facilities and factoring services to MSMEs.
- (b) DBM Venture Capital Fund Ltd provides equity and quasi equity loans to small entrepreneurs.
- (c) DBM Properties Development Ltd is engaged in the rental of properties.
- (d) Rodrigues Business Park Development Ltd is engaged in investment properties.
- (e) DBM Energy Ltd is engaged in solar energy activity.

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**8. Investments (Contd)****(c) Investments in subsidiaries (Contd)**

(iii) Summarised financial information on subsidiaries with material non-controlling interests.

	<b>Current assets Rs'000</b>	<b>Non-current assets Rs'000</b>	<b>Current liabilities Rs'000</b>	<b>Non-current liabilities Rs'000</b>	<b>Revenue Rs'000</b>	<b>Profit/(loss) for the year Rs'000</b>	<b>Profit allocated to non-controlling interests Rs'000</b>	<b>Accumulated non-controlling interests Rs'000</b>
<b>2020</b>								
DBM Properties Development Ltd	<b>36,184</b>	<b>280,597</b>	<b>39,801</b>	<b>15,953</b>	<b>20,986</b>	<b>8,085</b>	<b>1,617</b>	<b>81,407</b>
Rodrigues Business Park Development Ltd	<b>8,877</b>	<b>2,811</b>	<b>87</b>	<b>-</b>	<b>-</b>	<b>(1,398)</b>	<b>(699)</b>	<b>(661)</b>
<b>2019</b>								
DBM Properties Development Ltd	41,654	280,048	53,124	15,636	23,037	10,330	2,028	79,790
Rodrigues Business Park Development Ltd	12,924	-	-	-	-	76)	38	38

(iv) Summarised cash flow information:

	<b>Operating activities Rs'000</b>	<b>Investing activities Rs'000</b>	<b>Financing activities Rs'000</b>	<b>Net (decrease) / increase in cash and cash equivalents Rs'000</b>
<b>2020</b>				
DBM Properties Development Ltd	<b>12,912</b>	<b>(842)</b>	<b>(16,258)</b>	<b>(4,188)</b>
Rodrigues Business Park Development Ltd	<b>(1,312)</b>	<b>(2,811)</b>	<b>13,000</b>	<b>8,877</b>
<b>2019</b>				
DBM Properties Development Ltd	14,457	(5,998)	(11,175)	(2,716)
Rodrigues Business Park Development Ltd	(76)	-	13,000	12,924

The above summarised financial information is before intra-group eliminations.

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**9. Intangible assets**

	<b>The Group</b>	<b>The Bank</b>
	<b>Rs'000</b>	<b>Rs'000</b>
<b>Gross carrying amount</b>		
<b>At 01 July 2019</b>	<b>33,852</b>	<b>33,713</b>
<b>Additions</b>	<b>261</b>	<b>261</b>
<b>At 30 June 2020</b>	<b>34,113</b>	<b>33,974</b>
<b>Amortisation</b>		
At 01 July 2019	<b>29,197</b>	<b>29,155</b>
Charge for the year	<b>743</b>	<b>723</b>
<b>At 30 June 2020</b>	<b>29,940</b>	<b>29,878</b>
<b>Carrying amount at 30 June 2020</b>	<b>4,173</b>	<b>4,096</b>
Gross carrying amount		
At 01 July 2018 and at 30 June 2019	33,852	33,713
Amortisation		
At 01 July 2018	28,371	28,351
Charge for the year	826	804
At 30 June 2019	29,197	29,155
Carrying amount at 30 June 2019	4,655	4,558

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

**10. Property, plant and equipment**

<b>The Group</b>	<b>Land and buildings</b>	<b>Improvement to building on leasehold land</b>	<b>Furniture, fittings and equipment</b>	<b>Motor vehicles</b>	<b>Computer equipment</b>	<b>Integrated banking system</b>	<b>Total</b>
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
<b>Gross carrying amount</b>							
At 01 July 2019	306,455	2,225	57,747	6,349	58,670	39,987	471,433
Additions	-	-	3,927	-	646	-	4,573
<b>At 30 June 2020</b>	<b>306,455</b>	<b>2,225</b>	<b>61,674</b>	<b>6,349</b>	<b>59,316</b>	<b>39,987</b>	<b>476,006</b>
<b>Depreciation</b>							
At 01 July 2019	7,693	2,225	49,623	5,225	53,768	33,112	151,646
Charge for the year	3,475	-	1,394	235	951	1,031	7,086
<b>At 30 June 2020</b>	<b>11,168</b>	<b>2,225</b>	<b>51,017</b>	<b>5,460</b>	<b>54,719</b>	<b>34,143</b>	<b>158,732</b>
<b>Carrying amount</b>							
<b>At 30 June 2020</b>	<b>295,287</b>	<b>-</b>	<b>10,657</b>	<b>899</b>	<b>4,597</b>	<b>5,844</b>	<b>317,274</b>

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

**10. Property, plant and equipment (Contd)**

<b>The Group</b>	<b>Land and buildings Rs'000</b>	<b>Improvement to building on leasehold land Rs'000</b>	<b>Furniture, fittings and equipment Rs'000</b>	<b>Motor vehicles Rs'000</b>	<b>Computer equipment Rs'000</b>	<b>Integrated banking system Rs'000</b>	<b>Total Rs'000</b>
<b>Gross carrying amount</b>							
At 01 July 2018	306,455	2,225	56,529	6,349	57,807	39,868	469,233
Additions	-	-	1,218	-	863	119	2,200
At 30 June 2019	306,455	2,225	57,747	6,349	58,670	39,987	471,433
<b>Depreciation</b>							
At 01 July 2018	4,147	2,225	48,312	4,932	52,738	31,900	144,254
Charge for the year	3,546	-	1,311	293	1,030	1,212	7,392
At 30 June 2019	7,693	2,225	49,623	5,225	53,768	33,112	151,646
<b>Carrying amount</b>							
At 30 June 2019	298,762	-	8,124	1,124	4,902	6,875	319,787

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

**10. Property, plant and equipment (Contd)**

<b>The Bank</b>	<b>Land and buildings Rs'000</b>	<b>Improvement to building on leasehold land Rs'000</b>	<b>Furniture, fittings and equipment Rs'000</b>	<b>Motor vehicles Rs'000</b>	<b>Computer equipment Rs'000</b>	<b>Integrated banking system Rs'000</b>	<b>Total Rs'000</b>
<b>Gross carrying amount</b>							
At 01 July 2019	306,455	2,225	49,888	6,349	58,300	39,987	463,204
Additions	-	-	1,116	-	646	-	1,762
<b>At 30 June 2020</b>	<b>306,455</b>	<b>2,225</b>	<b>51,004</b>	<b>6,349</b>	<b>58,946</b>	<b>39,987</b>	<b>464,966</b>
<b>Depreciation</b>							
At 01 July 2019	7,693	2,225	43,793	5,178	53,231	33,117	145,237
Charge for the year	3,475	-	1,176	235	857	1,031	6,774
<b>At 30 June 2020</b>	<b>11,168</b>	<b>2,225</b>	<b>44,969</b>	<b>5,413</b>	<b>54,088</b>	<b>34,148</b>	<b>152,011</b>
<b>Carrying amount</b>							
<b>At 30 June 2020</b>	<b>295,287</b>	<b>-</b>	<b>6,035</b>	<b>936</b>	<b>4,858</b>	<b>5,839</b>	<b>312,955</b>

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

**10. Property, plant and equipment (Contd)**

<b>The Bank</b>	<b>Land and buildings Rs'000</b>	<b>Improvement to building on leasehold land Rs'000</b>	<b>Furniture, fittings and equipment Rs'000</b>	<b>Motor vehicles Rs'000</b>	<b>Computer equipment Rs'000</b>	<b>Integrated banking system Rs'000</b>	<b>Total Rs'000</b>
<b>Gross carrying amount</b>							
At 01 July 2018	306,455	2,225	48,670	6,349	57,437	39,868	461,004
Additions	-	-	1,218	-	863	119	2,200
At 30 June 2019	306,455	2,225	49,888	6,349	58,300	39,987	463,204
<b>Depreciation</b>							
At 01 July 2018	4,147	2,225	42,717	4,885	52,336	31,905	138,215
Charge for the year	3,546	-	1,076	293	895	1,212	7,022
At 30 June 2019	7,693	2,225	43,793	5,178	53,231	33,117	145,237
<b>Carrying amount</b>							
At 30 June 2019	298,762	-	6,095	1,171	5,069	6,870	317,967

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**10. Property, plant and equipment (Contd)**

- (a) The Development Bank of Mauritius Ordinance 1963 repealed by Section 51 of the Development Bank of Mauritius Act 1972, came into operation on 01 March 1964. As on that date, the Development Bank of Mauritius took over the assets of the Mauritius Agricultural Bank at book values.

DEVELOPMENT BANK OF MAURITIUS LTD. formerly known as DBM Ltd, came into operation on 01 January 1989 and took over the assets of the Development Bank of Mauritius at the values appearing in the latter's books as at that date.

- (b) The land and buildings are classified as level 3 in terms of the fair value hierarchy.
- (c) Land and buildings of the Group were revalued on 30 June 2017 by Professional Valuers, Chartered Valuation Surveyors, on an open market value basis based on comparable sales for land taking into account recent transactions and depreciated replacement cost for buildings. It is the policy of the Group to revalue its land and buildings every five years.

**11. Other assets**

	The Group		The Bank	
	2020	2019	2020	2019
	Rs'000	Rs'000	Rs'000	Rs'000
Rental income receivable - gross	253,440	213,670	248,866	211,807
Impairment losses	(1,773)	-	-	-
Expected credit losses (Note (i))	(224,585)	(192,814)	(224,585)	(191,041)
Rental income receivable – net	27,082	20,856	24,281	20,766
Net investment in finance lease (Note (iii))	49,082	-	-	-
Other receivables (Note (iv))	104,162	84,863	67,988	40,591
Loans to staff (Note (v))	35,273	35,138	35,273	39,288
Prepayments	4,742	5,154	4,609	3,912
Due from subsidiaries (Note (vi))	-	-	92,662	55,473
	<b>220,341</b>	146,011	<b>224,813</b>	160,030

- (i) The Group's rental income receivable has been reviewed for indicators of impairment in accordance with IFRS 9 and expected credit losses of Rs 224.6M (2019: Rs 192.8M) have been recognized at 30 June 2020.

The movement in the allowance for credit losses is presented below:

	The Group		The Bank	
	2020	2019	2020	2019
	Rs'000	Rs'000	Rs'000	Rs'000
At 01 July	192,814	146,287	191,041	144,514
Impact on adoption of IFRS 9	-	16,227	-	16,227
Adjusted balance at 01 July	192,814	162,514	191,041	160,741
Expected credit losses for the year	33,544	30,300	33,544	30,300
Impairment losses (Note (vi))	(1,773)	-	-	-
<b>At 30 June</b>	<b>224,585</b>	192,814	<b>224,585</b>	191,041

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**11. Other assets (Contd)**

(ii) At 30 June 2020, the carrying value of rent receivable is analysed as follows:

**The Bank**

	<b>ECL Rate %</b>	<b>Estimated total gross carrying amount Rs'000</b>	<b>Less ECL Allowance Rs'000</b>	<b>Rent receivable net of ECL Rs'000</b>
<i>Number of days carrying value of rent receivables have been past due</i>				
- 0 to 30 days	<b>8.23</b>	<b>753</b>	<b>(62)</b>	<b>691</b>
- 30 to 60 days	<b>9.46</b>	<b>2,009</b>	<b>(190)</b>	<b>1,819</b>
- 60 to 90 days	<b>13.36</b>	<b>2,508</b>	<b>(335)</b>	<b>2,173</b>
- 90 to 120 days	<b>15.80</b>	<b>3,266</b>	<b>(516)</b>	<b>2,750</b>
- 120 to 150 days	<b>23.93</b>	<b>4,676</b>	<b>(1,119)</b>	<b>3,557</b>
- 150 to 180 days	<b>29.86</b>	<b>4,803</b>	<b>(1,434)</b>	<b>3,369</b>
- 180 to 210 days	<b>33.73</b>	<b>2,277</b>	<b>(768)</b>	<b>1,509</b>
- 210 to 240 days	<b>38.35</b>	<b>3,181</b>	<b>(1,220)</b>	<b>1,961</b>
- 240 to 270 days	<b>40.01</b>	<b>3,559</b>	<b>(1,424)</b>	<b>2,135</b>
- 270 to 300 days	<b>56.51</b>	<b>1,559</b>	<b>(881)</b>	<b>678</b>
- 300 to 330 days	<b>61.43</b>	<b>1,019</b>	<b>(626)</b>	<b>393</b>
- 330 to 360 days	<b>94.72</b>	<b>2,841</b>	<b>(2,691)</b>	<b>150</b>
- More than 360 days	<b>98.57</b>	<b>216,415</b>	<b>(213,319)</b>	<b>3,096</b>
Carrying value of rent receivable net of ECL		<b>248,866</b>	<b>(224,585)</b>	<b>24,281</b>

At 30 June 2019, the carrying value of rent receivable is analysed as follows:

	<b>ECL Rate %</b>	<b>Estimated total gross carrying amount Rs'000</b>	<b>Less ECL Allowance Rs'000</b>	<b>Rent receivable net of ECL Rs'000</b>
<i>Number of days carrying value of rent receivables have been past due</i>				
- 0 to 30 days	5.07	1,277	(65)	1,212
- 30 to 60 days	6.02	3,716	(224)	3,492
- 60 to 90 days	8.40	1,897	(159)	1,738
- 90 to 120 days	10.39	2,413	(251)	2,162
- 120 to 150 days	18.08	1,126	(204)	922
- 150 to 180 days	24.05	1,204	(290)	914
- 180 to 210 days	28.08	3,172	(891)	2,281
- 210 to 240 days	33.05	1,093	(361)	732
- 240 to 270 days	34.86	1,845	(643)	1,202
- 270 to 300 days	51.71	1,575	(814)	761
- 300 to 330 days	52.33	985	(515)	470
- 330 to 360 days	93.41	387	(362)	25
- More than 360 days	93.41	191,117	(186,262)	4,855
Carrying value of rent receivables net of ECL		211,807	(191,041)	20,766

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**11. Other assets (Contd)****The Group**

	<b>ECL Rate</b>	<b>Estimated total gross carrying amount Rs'000</b>	<b>Less ECL Allowance Rs'000</b>	<b>Rent receivable net of ECL Rs'000</b>
<i>Number of days carrying value of rent receivables have been past due</i>				
- 0 to 30 days	<b>1.16</b>	<b>5,327</b>	<b>(62)</b>	<b>5,265</b>
- 30 to 60 days	<b>9.46</b>	<b>2,009</b>	<b>(190)</b>	<b>1,819</b>
- 60 to 90 days	<b>13.36</b>	<b>2,508</b>	<b>(335)</b>	<b>2,173</b>
- 90 to 120 days	<b>15.80</b>	<b>3,266</b>	<b>(516)</b>	<b>2,750</b>
- 120 to 150 days	<b>23.93</b>	<b>4,676</b>	<b>(1,119)</b>	<b>3,557</b>
- 150 to 180 days	<b>29.86</b>	<b>4,803</b>	<b>(1,434)</b>	<b>3,369</b>
- 180 to 210 days	<b>33.73</b>	<b>2,277</b>	<b>(768)</b>	<b>1,509</b>
- 210 to 240 days	<b>38.35</b>	<b>3,181</b>	<b>(1,220)</b>	<b>1,961</b>
- 240 to 270 days	<b>40.01</b>	<b>3,559</b>	<b>(1,424)</b>	<b>2,135</b>
- 270 to 300 days	<b>56.51</b>	<b>1,559</b>	<b>(881)</b>	<b>678</b>
- 300 to 330 days	<b>61.43</b>	<b>1,019</b>	<b>(626)</b>	<b>393</b>
- 330 to 360 days	<b>94.72</b>	<b>2,841</b>	<b>(2,691)</b>	<b>150</b>
- More than 360 days	<b>99.38</b>	<b>214,642</b>	<b>(213,319)</b>	<b>1,323</b>
Carrying value of rent receivables net of ECL		<b>251,667</b>	<b>(224,585)</b>	<b>27,082</b>

At 30 June 2019, the carrying value of rent receivable is analysed as follows:

	<b>ECL Rate</b>	<b>Estimated total gross carrying amount Rs'000</b>	<b>Less ECL Allowance Rs'000</b>	<b>Rent receivable net of ECL Rs'000</b>
<i>Number of days carrying value of rent receivables have been past due</i>				
- 0 to 30 days	5.07	3,140	(65)	3,075
- 30 to 60 days	6.02	3,716	(224)	3,492
- 60 to 90 days	8.40	1,897	(159)	1,738
- 90 to 120 days	10.39	2,413	(251)	2,162
- 120 to 150 days	18.08	1,126	(204)	922
- 150 to 180 days	24.05	1,204	(290)	914
- 180 to 210 days	28.08	3,172	(891)	2,281
- 210 to 240 days	33.05	1,093	(361)	732
- 240 to 270 days	34.86	1,845	(643)	1,202
- 270 to 300 days	51.71	1,575	(814)	761
- 300 to 330 days	52.33	985	(515)	470
- 330 to 360 days	93.41	387	(362)	25
- More than 360 days	93.41	191,117	(188,035)	3,082
Carrying value of rent receivables net of ECL		213,670	192,814	20,856

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**11. Other assets (Contd)****(iii) Net investment in finance lease**

	<b>2020</b>
	<b>Rs</b>
<i>Movement during the year:</i>	
At 01 July	-
Leases granted during the year	<b>51,720,071</b>
Capital repayment during the year	<b>(2,638,457)</b>
At 30 June	<b>49,081,614</b>
Allowance for credit impairment	-
<b>Net investment in finance lease</b>	<b>49,081,614</b>
<i>Analysed as follows:</i>	
Non-current:	
Later than 1 year and not later than 5 years	<b>39,491,388</b>
Later than 5 years	<b>785,487</b>
<b>Total non-current</b>	<b>40,276,875</b>
Current:	
Not later than 1 year	<b>8,804,739</b>
	<b>49,081,614</b>

- (a) Before granting lease to clients, the Group has an appraisal process to assess the potential client's credit quality and reliability. Upon satisfactory appraisal and submission of all necessary documents, the lease is granted. The Group enters into finance lease arrangements for inter-alia motor vehicles, industrial equipment and machinery for an average term of 5 to 8 years. Finance leases are secured by the assets under lease.
- (b) The average credit period for lease receivable is 90 days.
- (c) Ageing

	<b>2020</b>
	<b>Rs</b>
Up to 3 months	<b>2,201,185</b>
Over 3 months and up to 6 months	<b>2,201,185</b>
Over 6 months and up to 12 months	<b>4,402,370</b>
Over 1 year and up to 5 years	<b>35,218,960</b>
Over 5 years	<b>5,057,914</b>
	<b>49,081,614</b>

The maximum exposure to credit risk of net investment in finance lease for the current year is the carrying amount reported at 30 June 2020.

- (d) The interest rate inherent in the finance lease is fixed at the contract date for the entire lease term. The average effective interest rate contracted is 7.62% per annum with interest rate ranging from 6.5% to 8.5%.

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**11. Other assets (Contd)**

- (iv) Other receivables include amount due from third parties.
- (vi) Expected credit losses of Rs 1.9M in respect of staff loans have been maintained at both 30 June 2020 and 30 June 2019.
- (vii) The amounts receivable from the subsidiaries are unsecured, interest-free and receivable on demand.

**12. Cash and cash equivalents**

	The Group		The Bank	
	2020 Rs'000	2019 Rs'000	2020 Rs'000	2019 Rs'000
Short term deposits with banks	121,872	122,146	121,872	122,146
Cash in hand and at bank	303,344	378,294	282,815	355,702
	<b>417,727</b>	500,440	<b>404,687</b>	477,848

**13. Right-of-use assets**

	The Group 2020 Rs'000	The Bank 2020 Rs'000
<b>Cost</b>		
Impact on adoption of IFRS 16	49,741	44,270
<b>At 30 June 2020</b>	<b>49,741</b>	<b>44,270</b>
<b>Depreciation</b>		
Impact on adoption of IFRS 16	3,608	3,152
<b>At 30 June 2020</b>	<b>3,608</b>	<b>3,152</b>
<b>Net book values</b>		
<b>At 30 June 2020</b>	<b>46,133</b>	<b>41,118</b>

**14. Non-current assets held for sale****The Group**

- (a) Non-current assets classified as held for sale include properties recovered from debtors of ex-MCCB Ltd (in liquidation), following legal actions taken. These properties have been classified as held for sale in accordance with *IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations*. The non-current assets held for sale have been stated at their fair values at the reporting date.

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**14. Non-current assets held for sale (Contd)****The Group (Contd)**

- (b) The Group disposed one of its properties held for sale for a consideration of Rs 1,250,000 in prior year.

Details of non-current assets classified as held for sale are as follows:

	<b>2020</b>	<b>2019</b>
	<b>Rs'000</b>	<b>Rs'000</b>
Assets directly associated with non-current assets classified as held for sale	<b>64,909</b>	64,909

	<b>2020</b>	<b>2019</b>
	<b>Rs'000</b>	<b>Rs'000</b>
Non-controlling interests	<b>20,639</b>	20,639
Trade and other payables	<b>352</b>	352
	<b>20,991</b>	20,991

**The Bank**

	<b>2020</b>	<b>2019</b>
	<b>Rs'000</b>	<b>Rs'000</b>
At 01 July	<b>49,374</b>	50,624
Disposal	-	(1,250)
At 30 June	<b>49,374</b>	49,374

**15. Stated capital**

	<b>2020</b>	<b>2019</b>
	<b>Rs'000</b>	<b>Rs'000</b>
5,049,000 shares of Rs 100 each	<b>504,900</b>	504,900
	<b>504,900</b>	504,900

The share confers to its holder the following rights:

- (i) the right to vote on poll for every share held at a meeting of the Bank on any resolution;
- (ii) the right to an equal share in dividends authorised by the Board;
- (iii) the right to an equal share in the distribution of the surplus assets of the Bank, on winding up.

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**16. Deposits from customers**

	The Group		The Bank	
	2020	2019	2020	2019
	Rs'000	Rs'000	Rs'000	Rs'000
<i>Personal, business and government</i>				
Savings and demand deposits	<b>379,747</b>	318,323	<b>405,413</b>	336,983
Time deposits with remaining maturity:				
- Up to 3 months	<b>451,500</b>	53,900	<b>451,500</b>	58,346
- Over 3 months and up to 6 months	<b>8,530</b>	2,300	<b>8,530</b>	12,550
- Over 6 months and up to 12 months	<b>396,173</b>	200,519	<b>401,499</b>	205,644
	<b>1,235,950</b>	575,042	<b>1,266,942</b>	613,523
Time deposits with remaining maturity:				
- Over 1 year and up to 5 years	<b>41,225</b>	644,880	<b>41,225</b>	644,880
- Over 5 years	-	28,225	-	28,225
	<b>41,225</b>	673,105	<b>41,225</b>	673,105
Interest payable to depositors	<b>7,174</b>	6,636	<b>7,174</b>	6,973
	<b>1,284,349</b>	1,254,783	<b>1,315,341</b>	1,293,601

**17. Borrowings**

	2020	2019
	Rs'000	Rs'000
Government loans (Note (i))	<b>565,711</b>	557,886
Other loans (Notes (ii) and (iii))	<b>275,112</b>	145,579
<b>Total</b>	<b>840,823</b>	703,465

- (i) The government loans bear interest ranging between 1% to 10.5% and repayable by November 2030. Interest amounted to Rs 9.3M at 30 June 2020 (2019: Rs 10.2 M).
- (ii) During the financial year 2018, Landscape (Mauritius) Ltd (“Landscape”), a government-owned company engaged in the management of government properties, transferred to the Bank after consultation with the Government, two properties valued at Rs 129,700,000 (one situated in La Tour Koenig and one in Bambous) with a corresponding liability of Rs 140,534,137. In the same wake, the Bank also inherited the management of a property in Roche Bois owned by Landscape together with a liability of Rs 10,666,021. These loans are repayable over 25 years.
- (iii) During the year, the Bank received loans amounting to MUR 125.9M from the Bank of Mauritius in order to implement the Government Wage Assistance Scheme and the COVID-19 Scheme. The loans bear interest at the rate of 1.35% and 1% per annum and are repayable over 5 and 3 years respectively.

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**17. Borrowings (Contd)**

(iii) Breakdown of borrowings based on repayment period is as follows:

	<b>2020</b>	<b>2019</b>
	<b>Rs'000</b>	<b>Rs'000</b>
Repayable as follows:		
<b>Current:</b>		
Within one year	<b>36,975</b>	19,158
<b>Non-current:</b>		
After one year and before two years	<b>20,444</b>	14,804
After two years and before three years	<b>20,444</b>	14,804
After three years and before five years	<b>63,122</b>	29,608
After five years	<b>699,838</b>	625,091
	<b>803,847</b>	684,307
<b>Total</b>	<b>840,823</b>	703,465

**18. Retirement benefit obligations**

	<b>2020</b>	<b>2019</b>
	<b>Rs'000</b>	<b>Rs'000</b>
Amount recognised in the consolidated statement of financial position		
Defined pension benefits (Note (a))	<b>520,088</b>	402,307
Other long-term benefits (Note (b))	<b>78,955</b>	76,300
	<b>599,043</b>	478,607
Analysed as follows:		
Non-current liabilities	<b>599,043</b>	478,607
Amount charged to profit or loss:		
- Defined pension benefits (Note (a)(v))	<b>22,545</b>	32,343
- Other post-retirement benefits (Note (b)(i))	<b>2,655</b>	4,016
	<b>25,200</b>	36,359
Amount credited to other comprehensive income:		
- Defined pension benefits (Note (a)(vi))	<b>(129,670)</b>	16,128

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**18. Retirement benefit obligations (Contd)****(a) Defined pension benefits**

The plan is a defined arrangement for the employees and it is funded. The assets of the funded plan are held independently and administered by the State Insurance Company of Mauritius Ltd.

The Group contributes to a defined benefit pension. The plan is a final salary plan, which provides benefits to members in the form of pension at retirement and a benefit on death or disablement in service before retirement.

The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	<b>2020</b>	<b>2019</b>
	<b>Rs'000</b>	<b>Rs'000</b>
Present value of funded obligations	<b>844,764</b>	709,636
Fair value of plan assets	<b>(324,676)</b>	(307,329)
<b>Liability in the statement of financial position</b>	<b>520,088</b>	402,307

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

	<b>2020</b>	<b>2019</b>
	<b>Rs'000</b>	<b>Rs'000</b>
At 01 July	<b>402,307</b>	420,369
Charged to profit and loss	<b>22,545</b>	32,343
(Debited)/credited to other comprehensive income	<b>129,670</b>	(16,128)
Contributions paid	<b>(9,434)</b>	(9,277)
Special contribution	<b>(25,000)</b>	(25,000)
<b>At 30 June</b>	<b>520,088</b>	402,307

(iii) The movement in the defined benefit obligations over the year is as follows:

	<b>2020</b>	<b>2019</b>
	<b>Rs'000</b>	<b>Rs'000</b>
At 01 July	<b>709,636</b>	717,537
Current service costs	<b>12,501</b>	9,487
Interest cost	<b>25,192</b>	46,281
Liability loss/(gain)	<b>142,527</b>	(21,817)
Benefits paid	<b>(45,092)</b>	(41,852)
<b>At 30 June</b>	<b>844,764</b>	709,636

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**18. Retirement benefit obligations (Contd)****(a) Defined pension benefits (Contd)**

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

	<b>2020</b>	<b>2019</b>
	<b>Rs'000</b>	<b>Rs'000</b>
At 01 July	<b>307,329</b>	297,168
Expected return on plan assets	<b>10,798</b>	19,064
Employer contributions	<b>9,434</b>	9,277
Employee contributions	<b>4,717</b>	4,638
Special contributions	<b>25,000</b>	25,000
Benefits paid and other outgoing	<b>(45,460)</b>	(42,129)
Asset gain/(loss)	<b>12,858</b>	(5,689)
<b>At 30 June</b>	<b>324,676</b>	307,329

(v) The amounts recognised in profit and loss are as follows:

	<b>2020</b>	<b>2019</b>
	<b>Rs'000</b>	<b>Rs'000</b>
Current service cost	<b>12,501</b>	9,487
Fund expenses	<b>367</b>	278
Net expense	<b>14,394</b>	27,217
Employee contributions	<b>(4,717)</b>	(4,639)
Total included in employee benefit expense (Note 25(a))	<b>22,545</b>	32,343
Actual return on plan assets	<b>23,656</b>	13,375

(vi) The amounts recognised in other comprehensive income are as follows:

	<b>2020</b>	<b>2019</b>
	<b>Rs'000</b>	<b>Rs'000</b>
Remeasurement on the net defined benefit liability:		
Asset experience (gain)/loss	<b>(12,858)</b>	5,689
Liability experience loss/(gain)	<b>142,528</b>	(21,817)
Actuarial losses/(gains)	<b>129,670</b>	(16,128)

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**18. Retirement benefit obligations (Contd)****(a) Defined pension benefits (Contd)**

(vii) The fair value of the plan assets at the end of the reporting period for each category, are as follows:

	<b>2020</b>	<b>2019</b>
	<b>%</b>	<b>%</b>
Government securities and cash	<b>61.70</b>	58.70
Loans	<b>3.0</b>	3.40
Local equities	<b>10.1</b>	13.10
Overseas bonds and equities	<b>24.6</b>	24.20
Property	<b>0.6</b>	0.60
<b>Total</b>	<b>100</b>	100

(viii) The cost of providing the benefits is determined using the Projected Unit Method. The principal actuarial assumptions used for accounting purposes were:

	<b>2020</b>	<b>2019</b>
	<b>%</b>	<b>%</b>
Discount rate	<b>3.55</b>	6.45
Future salary growth rate	<b>2.40</b>	4.00
Future pension growth rate	<b>1.40</b>	3.00

(ix) Significant actuarial assumptions for determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below has been determined based reasonably on possible changes of the assumptions occurring at the end of the reporting period:

	<b>Increase</b>	<b>Decrease</b>
	<b>Rs'000</b>	<b>Rs'000</b>
<b>30 June 2020</b>		
Discount rate - 1% higher/lower	<b>124.2M</b>	<b>100.6M</b>
Expected salary growth - 1% decrease/increase	<b>38.4M</b>	<b>33.6M</b>
Life expectancy - 1% decrease/increase	<b>27.5M</b>	<b>27.3M</b>
<b>30 June 2019</b>		
Discount rate - 1% higher/lower	77.8M	95.0M
Expected salary growth - 1% decrease/increase	25.2M	28.7M
Life expectancy - 1% decrease/increase	20.5M	20.5M

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For the year ended 30 June 2020

**18. Retirement benefit obligations (Contd)****(a) Defined pension benefits (Contd)**

In reality, one might expect inter-relationships between the assumptions, especially between discount rate and expected salary increase, given that both depend to a certain extent on expected inflation rates. The analysis above abstracts from these interdependences between the assumptions.

The sensitivity above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The present value of the defined benefit obligations has been calculated using the projected unit credit method.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

- (x) 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.

*Investment risk*

The plan liability is calculated using a discount rate determined by reference to government bond yields. If the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

*Interest risk*

A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

*Longevity risk*

The plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after employment. An increase in the life expectancy of the plan participants will increase the plan liability.

*Salary risk*

The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the plan liability.

- (xi) The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries.
- (xii) The expected employer contributions for 2020 is Rs9.7M (2019: Rs 9.7M).
- (xiii) The weighted average duration of the defined benefit obligation is 13 years.

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For the year ended 30 June 2020

**18. Retirement benefit obligations (Contd)****(b) Other post-retirement benefits**

Other long-term benefits comprise provision for passage benefits and refund of sick and vacation leaves.

(i) The amounts recognised in the statement of profit or loss and other comprehensive income are as follows:

	<b>2020</b>	<b>2019</b>
	<b>Rs'000</b>	<b>Rs'000</b>
Amount included in staff costs (Note 25(a))	<b>2,655</b>	4,016

(ii) Movement in the liability recognised in the statement of financial position:

	<b>2020</b>	<b>2019</b>
	<b>Rs'000</b>	<b>Rs'000</b>
At 01 July	<b>76,300</b>	72,284
Total expense as above	<b>2,655</b>	4,016
<b>At 30 June</b>	<b>78,955</b>	76,300

**19. Lease liabilities**

<b>The Bank</b>	<b>2020</b>
	<b>Rs'000</b>
<b>Current</b>	
Lease liabilities (Note (a))	<b>5,745</b>
	<b>5,745</b>
<b>Non-current</b>	
Lease liabilities (Note (a))	<b>38,905</b>
	<b>38,905</b>
<b>Total lease liabilities</b>	<b>44,649</b>

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**19. Lease liabilities (Contd)**

<b>The Group</b>	<b>2020</b>
	<b>Rs'000</b>
<b>Current</b>	
Lease liabilities (Note (a))	<b>6,788</b>
<b>Non-current</b>	
Lease liabilities (Note (a))	<b>43,077</b>
<b>Total lease liabilities</b>	<b>49,864</b>

**(a) Summary of the leasing arrangement**

The Bank's lease liabilities consist of operating lease for rental of buildings and plots of land. The Bank classifies its right-of-use assets in a consistent manner to its property, plant and equipment (Note 13).

During the current financial year, the Group has recognised 13 leases for rental of the above-mentioned assets as finance leases as the contractual terms of these leases meet the definition of finance leases under IFRS 16 "Leases".

(b) The remaining period of the lease contracts varies from 5 to 39 years as from 01 July 2020.

<b>The Bank</b>	<b>2020</b>
	<b>Rs'000</b>
Non-current	<b>38,905</b>
Current	<b>5,745</b>
<b>Total</b>	<b>44,650</b>
<b>The Group</b>	<b>2020</b>
	<b>Rs'000</b>
Non-current	<b>43,077</b>
Current	<b>6,788</b>
<b>Total</b>	<b>49,864</b>

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**19. Lease liabilities (Contd)**

<b>The Bank</b>	<b>2020</b>
	<b>Rs'000</b>
Impact on adoption of IFRS 16	<b>44,270</b>
Payments made during the year	<b>(867)</b>
Interest accrued during the year	<b>1,247</b>
<b>Total</b>	<b>44,650</b>

<b>The Group</b>	<b>2020</b>
	<b>Rs'000</b>
Impact on adoption of IFRS 16	<b>49,741</b>
Payments made during the year	<b>(1,192)</b>
Interest accrued during the year	<b>1,315</b>
<b>Total</b>	<b>49,864</b>

(c) Future minimum lease payments at 30 June 2020 were as follows:

<b>The Bank</b>	<b>Within 1 year</b>	<b>More than 1 year</b>	<b>Total</b>
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
<b>30 June 2020</b>			
Lease payments	<b>6,948</b>	<b>56,836</b>	<b>63,784</b>
Finance charges	<b>(1,204)</b>	<b>(17,930)</b>	<b>(19,134)</b>
<b>Net present values</b>	<b>5,744</b>	<b>38,905</b>	<b>44,650</b>

<b>The Group</b>	<b>Within 1 year</b>	<b>More than 1 year</b>	<b>Total</b>
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
<b>30 June 2020</b>			
Lease payments	<b>8,143</b>	<b>61,115</b>	<b>69,258</b>
Finance charges	<b>(1,355)</b>	<b>(18,039)</b>	<b>(19,394)</b>
<b>Net present values</b>	<b>6,788</b>	<b>43,076</b>	<b>49,864</b>

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**20. Trade and other payables**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
Payables and accruals	<b>53,137</b>	60,513	<b>46,269</b>	54,110

- (i) Payables include deposits received for space reservation of properties, unprocessed credit advices and accruals in the normal course of business.
- (ii) The Group has financial risk management policies to ensure that all payables are paid within the credit timeframe.

**21. Income tax****The Bank**

The Bank is liable to income tax at the rate of 15% and at 30 June 2020 it had tax receivable of **Rs 3.4M** (2019: Rs 2.7M).

The income tax liability is calculated according to the tax rate and tax laws applicable to the fiscal period which it relates, based on the taxable profit for the year.

**CSR**

Contribution to the CSR Fund is at a rate of 2% on the 'chargeable income' of the preceding financial year. During the year, the Bank made no qualified donations as it had tax losses of Rs 38.5M (2019: Rs 160M) carried forward.

**The subsidiaries**

The subsidiaries incorporated in the Republic of Mauritius are liable to income tax at the rate of 15% and at 30 June 2020, they had an aggregate income tax liability of **Rs 915,337** (2019: Rs 76,698).

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**21. Income tax (Contd)****The subsidiaries (Contd)**

The Bank and its subsidiaries are also subject to the Advanced Payment Scheme (“APS”) whereby they are required to submit an APS Statement and pay tax quarterly on the basis of either last year’s income or the income for the current quarter.

**21.1 Statement of comprehensive income**

	The Group		The Bank	
	2020	2019	2020	2019
	Rs `000	Rs `000	Rs `000	Rs `000
Income tax on the adjusted profit	<b>1,266</b>	(93)	-	-
CSR	<b>8</b>	15	-	-
Movement on deferred taxation	<b>(1,164)</b>	(2,918)	-	-
TDS refundable	<b>(697)</b>	2,686	<b>(673)</b>	(2,686)
Tax credit	<b>(587)</b>	(310)	<b>(673)</b>	(2,686)

**21.2 Statement of financial position**

	The Group		The Bank	
	2020	2019	2020	2019
	Rs `000	Rs `000	Rs `000	Rs `000
At 01 July	<b>(2,609)</b>	(3,102)	<b>(2,686)</b>	(3,243)
Tax refunded/(paid)	<b>(77)</b>	3,102	-	3,243
Income tax on the adjusted profit	<b>1,266</b>	-	-	-
CSR	<b>8</b>	15	-	-
Tax refundable	<b>(1,033)</b>	(2,624)	<b>(673)</b>	(2,686)
Tax asset	<b>(2,444)</b>	(2,609)	<b>(3,359)</b>	(2,686)

	The Group		The Bank	
	2020	2019	2020	2019
	Rs `000	Rs `000	Rs `000	Rs `000
Tax asset	<b>(3,375)</b>	(2,686)	<b>(3,359)</b>	(2,686)
Tax liability	<b>931</b>	77	-	-
Tax asset	<b>(2,444)</b>	(2,609)	<b>(3,359)</b>	(2,686)

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**21. Income tax (Contd)****21.3 Income tax reconciliation**

The tax on the Group's and the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	The Group		The Bank	
	2020 Rs'000	2019 Rs'000	2020 Rs'000	2019 Rs'000
(Loss)/profit before tax	<b>100,401</b>	400,044	<b>102,533</b>	386,504
Tax at 15 %	<b>15,060</b>	60,007	<b>15,380</b>	57,976
Non-allowable items	<b>4,985</b>	6,964	<b>4,767</b>	3,844
Exempt income	<b>(15,329)</b>	(34,290)	<b>(15,253)</b>	(32,519)
Movement in deferred taxation	<b>(1,164)</b>	2,918	-	-
CSR	<b>8</b>	15	-	-
Tax loss utilized	<b>(2,276)</b>	(33,238)	<b>(3,547)</b>	(26,929)
Tax refundable	<b>(697)</b>	(2,686)	<b>(673)</b>	(2,686)
Tax (expense)/credit	<b>587</b>	(310)	<b>673</b>	2,686

**21.4 Deferred taxation**

Deferred income taxes are calculated on all temporary differences under the liability method at the rate of 15%.

The movement on the deferred taxation is as follows:

	The Group		The Bank	
	2020 Rs'000	2019 Rs'000	2020 Rs'000	2019 Rs'000
At 01 July	<b>15,650</b>	12,732	-	-
Movement during the year	<b>(1,164)</b>	2,918	-	-
At 30 June	<b>14,486</b>	15,650	-	-

No deferred tax asset has been recognised in respect of the tax losses carried forward due to unpredictability of future profit streams.

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**22. Interest income**

	The Group		The Bank	
	2020	2019	2020	2019
	Rs'000	Rs'000	Rs'000	Rs'000
Loans	<b>109,004</b>	93,127	<b>109,004</b>	93,126
Placements	<b>6,804</b>	4,160	<b>5,267</b>	4,144
	<b>115,808</b>	97,287	<b>114,271</b>	97,270

**23. Interest expense**

	The Group		The Bank	
	2020	2019	2020	2019
	Rs'000	Rs'000	Rs'000	Rs'000
Interest expense on:				
- Loans repayable by instalments the last of which falls due for repayment:				
- after one year and before five years	<b>3,136</b>	3,315	<b>3,136</b>	3,315
- after five years	<b>6,193</b>	6,896	<b>6,193</b>	6,896
- Interest on deposits and savings	<b>30,669</b>	31,921	<b>31,260</b>	32,572
- Interest on leases	<b>1,247</b>	-	<b>1,246</b>	-
	<b>41,275</b>	42,132	<b>41,835</b>	42,783

**24. Other income**

	The Group		The Bank	
	2020	2019	2020	2019
	Rs'000	Rs'000	Rs'000	Rs'000
Rental income	<b>162,347</b>	165,265	<b>149,527</b>	153,139
Investment income	<b>12,451</b>	18,063	<b>12,419</b>	18,063
Debts collected from ex-MCCB Ltd (in liquidation) clients	<b>1,071</b>	6,169	-	-
Other income (Note (i))	<b>45,929</b>	26,044	<b>44,154</b>	14,678
	<b>221,798</b>	215,541	<b>206,100</b>	185,880

(i) Other income includes bad debts recovered, other interest income, income from collection of debt and others.

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**25. Operating expenses**

	The Group		The Bank	
	2020 Rs'000	2019 Rs'000	2020 Rs'000	2019 Rs'000
Staff costs (Note 25(a))	<b>161,075</b>	161,637	<b>149,092</b>	155,907
Depreciation of property, plant and equipment	<b>9,555</b>	7,392	<b>8,787</b>	7,022
Amortisation of intangible assets	<b>2,632</b>	826	<b>2,611</b>	804
Property management expenses	<b>19,853</b>	32,382	<b>19,499</b>	31,914
Professional and legal fees	<b>10,917</b>	7,691	<b>6,347</b>	5,511
Directors and secretarial fees	<b>5,357</b>	4,461	<b>3,485</b>	3,620
Utilities	<b>5,478</b>	7,006	<b>3,638</b>	4,701
Office expenses	<b>7,974</b>	5,957	<b>4,396</b>	3,509
Net foreign exchange losses	-	-	-	-
Bad debts written off	-	397	-	-
Other expenses	<b>29,062</b>	30,530	<b>34,121</b>	27,681
	<b>251,903</b>	258,278	<b>231,976</b>	240,669

(a) *Analysis of staff costs:*

Salaries and allowances	<b>135,875</b>	125,278	<b>123,892</b>	119,548
Retirement benefits:				
- Pension (Note 18(a)(v))	<b>22,545</b>	32,343	<b>22,545</b>	32,343
- Other long-term benefits (Note 18(b) (i))	<b>2,655</b>	4,016	<b>2,655</b>	4,016
	<b>161,075</b>	161,637	<b>149,092</b>	155,907

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**26. Notes to the statement of cash flows**

	The Group		The Bank	
	2020	2019	2020	2019
	Rs'000	Rs'000	Rs'000	Rs'000
<b>Cash generated from operating activities</b>				
Profit before tax	<b>100,401</b>	400,044	<b>102,533</b>	386,504
Depreciation on property, plant and equipment	<b>7,086</b>	7,392	<b>6,774</b>	7,022
Depreciation on right-of-use assets	<b>3,608</b>	-	<b>3,152</b>	-
Amortisation of intangible assets	<b>743</b>	826	<b>723</b>	804
Profit on sale of seized properties	<b>13,809</b>	(2,445)	<b>13,809</b>	(2,445)
Increase in provision for retirement benefit obligations	<b>15,766</b>	27,082	<b>15,766</b>	27,082
Release in expected credit losses of loans	<b>(158,810)</b>	(483,824)	<b>(158,810)</b>	(483,824)
Expected credit loss on rent and staff loans	<b>33,544</b>	32,189	<b>33,544</b>	32,189
Contribution to retirement benefit obligations	<b>(25,000)</b>	(25,000)	<b>(25,000)</b>	(25,000)
Receivables written off	-	-	<b>2,000</b>	-
Investment income	<b>(14,510)</b>	(18,291)	<b>(12,419)</b>	(17,666)
Exceptional items	-	(49,016)	-	(49,014)
Interest expense	<b>1,315</b>	-	<b>1,247</b>	-
<b>Cash used in operations</b>	<b>(22,048)</b>	(111,043)	<b>(16,681)</b>	(124,348)

**27. Movement in provision for credit impairment**

	2020	Restated
	Rs'000	2019 Rs'000
Increase in/(release of) provision through statement of profit or loss (Note 6(b))	<b>(103,326)</b>	23,135
Rental income receivable (Note 11(i))	<b>33,544</b>	30,300
Staff loans and others	-	2,741
	<b>(69,782)</b>	56,176

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

**28. Related party transactions**
**(i) The Group**

<b>Relationship</b>	<b>Nature of transactions</b>	<b>Volume of transactions Rs'000</b>	<b>(Credit)/debit balances at 30 June 2020 Rs'000</b>	<b>(Credit)/debit balances at 30 June 2019 Rs'000</b>
Key management personnel	Emoluments	9,645	-	-
Main shareholder	Loan payable	125,182	(678,714)	(555,532)
	Deposits	5,345	(804,320)	(798,975)
	Interest payable	1,872	(15,110)	(16,982)
	Interest expenses	21,032	(21,032)	-
Other related companies	Deposits	865	(75,789)	(74,924)
	Interest payable	346	(368)	(22)
	Interest expenses	1,624	(1,624)	-

**(ii) The Bank**

<b>Relationship</b>	<b>Nature of transactions</b>	<b>Volume of transactions Rs'000</b>	<b>(Credit)/debit balances at 30 June 2020 Rs'000</b>	<b>(Credit)/debit balances at 30 June 2019 Rs'000</b>
Key management personnel	Emoluments	7,094	-	-
Main shareholder	Loan payable	125,182	(678,714)	(555,532)
	Deposits	5,345	(804,320)	(798,975)
	Interest payable	1,872	(15,110)	(16,982)
	Interest expenses	21,032	(21,032)	-
Subsidiaries	Deposits	(7,826)	(30,992)	(38,818)
	Amount due by / borrowings	30,799	79,859	49,060
	Commission payable	1,541	(3,657)	(2,116)
	Interest payable	272	(60)	(332)
	Interest expenses	572	(572)	-
	Rental income	345	-	-
	Management fees	7,108	11,488	4,380
Other related companies	Deposits	865	(75,789)	(74,924)
	Interest payable	346	(368)	(22)
	Interest expenses	1,624	(1,624)	-

(a) The terms of the loan from the main shareholder are detailed in Note 17.

(b) The terms of the loan to the subsidiaries are detailed in Note 11.

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**29. Financial instrument risk****Risk management objectives and policies**

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

The Group's financial assets and liabilities by category are summarised below.

	The Group		The Bank	
	2020	2019	2020	2019
	Rs'000	Rs'000	Rs'000	Rs'000
<i>Financial assets</i>				
Financial assets at FVOCI	<b>342,649</b>	519,691	<b>342,649</b>	519,691
Loans and other receivables	<b>1,536,908</b>	1,724,152	<b>1,561,034</b>	1,873,687
Cash and cash equivalents	<b>425,216</b>	500,440	<b>404,687</b>	477,848
	<b>2,304,773</b>	2,858,153	<b>2,308,370</b>	2,871,226
<i>Financial liabilities</i>				
Deposits from customers	<b>1,284,349</b>	1,254,783	<b>1,315,341</b>	1,293,601
Borrowings	<b>840,823</b>	703,465	<b>840,823</b>	703,465
Lease liabilities	<b>49,864</b>	-	<b>44,649</b>	-
Trade and other payables	<b>46,938</b>	54,599	<b>46,269</b>	54,109
	<b>2,221,974</b>	2,012,847	<b>2,247,082</b>	2,051,174

**Market risk analysis****Foreign exchange risk**

The Group undertakes certain transactions denominated in foreign currencies (United States Dollar ("USD") and EURO) and hence is exposed to exchange rate fluctuations.

*Currency profile*

The currency profile of the Group and the Bank is summarised as follows:

	The Group		The Bank	
	2020	2019	2020	2019
	Rs'000	Rs'000	Rs'000	Rs'000
<i>Financial assets</i>				
MUR	<b>2,244,238</b>	2,722,759	<b>2,247,835</b>	2,735,832
USD	<b>54,345</b>	129,945	<b>54,345</b>	129,945
Euro	<b>6,190</b>	5,449	<b>6,190</b>	5,449
	<b>2,304,773</b>	2,858,153	<b>2,308,370</b>	2,871,226
<i>Financial liabilities</i>				
MUR	<b>2,221,974</b>	2,012,847	<b>2,247,082</b>	2,051,174

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**29. Financial instrument risk****Risk management objectives and policies****Market risk analysis (Contd)****Foreign exchange risk (Contd)***Foreign exchange sensitivity analysis*

The following table details the Group's sensitivity to a 10% increase and decrease in the MUR against the relevant foreign currencies. 10% represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 10% change in foreign currency rates. A negative number below indicates a decrease in profits where the MUR appreciates 10% against the relevant currencies. For a 10% weakening of the MUR against the relevant currencies, there would be an equal and opposite impact on the profit, and the balances below would be positive.

Impact of 10% appreciation of the Mauritian Rupee:

	<b>The Group</b>		<b>The Bank</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
<b>Impact on profit</b>				
USD	<b>(5,434)</b>	(12,995)	<b>(5,434)</b>	(12,995)
Euro	<b>(619)</b>	(545)	<b>(619)</b>	(545)

**Credit risk analysis**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are approved and reviewed by key management on a regular basis.

The Group's credit risk is primarily attributable to loans. The amounts presented in the consolidated statement of financial position are net of allowances for credit losses, and represents the Group's maximum exposure to credit risk. The loans are secured by fixed and floating charges over the assets of the borrowers, where applicable. With respect to net investment in finance lease, no credit risk was associated with the net investment in finance lease as the portfolio of finance lease is quite new and at this stage risk of default is considered low.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

**29. Financial instrument risk (Contd)****Risk management objectives and policies (Contd)****Credit risk analysis (Contd)**

Loans are assessed for impairment when objective evidence, such as default or delinquency in interest or principal payments, significant financial difficulty of the counterparty or evidence that the borrower will enter bankruptcy or financial re-organisation, indicates that the account may be impaired. Provision is recognised when the present value of the collateral is less than the asset's carrying value.

Before accepting any new customer, the Group assesses the credit quality of the customer and defines the terms and credit limits accordingly for each sector of activity.

The Group does not have significant concentration of risk due to their large number of customers, spread across diverse industries and geographical areas.

Loans	The Group		The Bank	
	2020	2019	2020	2019
	Rs'000	Rs'000	Rs'000	Rs'000
Neither past due nor impaired and past due but not impaired	<b>838,148</b>	793,602	<b>838,005</b>	793,602
Impaired	<b>2,259,663</b>	2,193,521	<b>2,259,663</b>	2,193,521
Gross	<b>3,097,811</b>	2,987,123	<b>3,097,668</b>	2,987,123
Less allowances for credit impairment	<b>(1,722,299)</b>	(1,881,109)	<b>(1,722,299)</b>	(1,881,109)
Net	<b>1,375,512</b>	1,106,014	<b>1,375,369</b>	1,106,014

The main collaterals held are fixed charges and floating charges on assets of the customers. The main type of collateral obtained for investment in finance leases are assets held under the finance leases. Such assets mostly include motor vehicles, industrial equipment and machinery. The assets under lease are registered under DBM Financial Services Ltd until the lessee pays in full the contractual amount due, whereby title is then transferred. Should the lessee default in payment, the Group has the right to undertake legal procedures to recover the asset under lease, which in substance acts as a collateral against defaults.

*Loans and leases with moratorium*

The Group has provided short-term capital repayment exemption for periods of four to six months to eligible customers impacted by the COVID-19 pandemic. Normal interest has been accrued during the moratorium period and shall be paid thereafter along with capital. The maturity date has also been accordingly extended. The economic loss to the Group is therefore only representative of the time value of money which is not material.

The Group does not have any concentration of risk with any specific customers. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable.

The Bank holds deposit for some of the rental receivable. The provision has been arrived at after taking into consideration the amount of deposit. No other collateral is held for rental receivable.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

**29. Financial instrument risk (Contd)****Risk management objectives and policies (Contd)****Credit risk analysis (Contd)**

The credit risk for the cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

The investments in the quoted companies are measured based on the prices listed on the Stock Exchange of Mauritius. For the unquoted investments, the directors have valued them on a Net Asset Value basis.

**Interest rate risk**

The Group is exposed to interest rate risk in respect of loans, deposits and borrowings. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating interest rates.

The interest rate profile of the financial assets and financial liabilities of the Group and the Bank as at 30 June 2020 and 30 June 2019 was as follows:

	Lowest %	Highest %
<b>30 June 2020</b>		
<i>Financial assets</i>		
Deposit with banks	-	<b>3.75</b>
Loans	-	<b>14.50</b>
<i>Financial liabilities</i>		
Savings and fixed deposits	<b>1.00</b>	<b>10.50</b>
Borrowings from Government of Mauritius	<b>0.00</b>	<b>3.00</b>
Borrowings - others	<b>0.45</b>	<b>1.35</b>
<b>30 June 2019</b>		
<i>Financial assets</i>		
Deposit with banks	-	2.00
Loans	-	14.50
<i>Financial liabilities</i>		
Savings and fixed deposits	2.50	10.50
Borrowings from Government of Mauritius	2.50	5.00
Borrowings - others	-	2

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**29. Financial instrument risk (Contd)****Risk management objectives and policies (Contd)****Interest rate risk (Contd)***Interest rate sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for the non-derivative instruments at the end of the reporting period. For floating rate financial instruments, the analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease is used and it represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's and the Bank's profit for the year ended 30 June 2020 would increase by Rs 0.33 M (2019: Rs 0.16 M) and 0.33 M (2019: Rs 0.16M) respectively.

**Liquidity risk analysis**

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

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

*Maturities of financial assets and liabilities at 30 June 2020:*

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

<b>The Group</b>	<b>Less than 12</b>				<b>Total</b>
	<b>On demand</b>	<b>months</b>	<b>1 to 5 years</b>	<b>5+ years</b>	
<b>30 June 2020</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
<i>Financial assets</i>					
Deposits and balances with banks	<b>303,343</b>	<b>121,873</b>	-	-	<b>425,216</b>
Financial assets at FVOCI	-	-	-	<b>342,649</b>	<b>342,649</b>
Loans (Gross)	-	<b>2,147,334</b>	<b>632,912</b>	<b>317,565</b>	<b>3,097,811</b>
Other assets	<b>1,365</b>	<b>28,059</b>	<b>112,192</b>	<b>19,780</b>	<b>161,396</b>
	<b>304,708</b>	<b>2,297,266</b>	<b>745,104</b>	<b>679,994</b>	<b>4,027,072</b>
Provision for expected credit losses					<b>(1,722,299)</b>
<b>Total financial assets</b>	<b>304,708</b>	<b>2,297,266</b>	<b>745,104</b>	<b>679,994</b>	<b>2,304,773</b>

## DEVELOPMENT BANK OF MAURITIUS LTD.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

## 29. Financial instrument risk (Contd)

## Risk management objectives and policies (Contd)

## Liquidity risk analysis (Contd)

The Group (Contd) 30 June 2020	On demand Rs'000	Less than 12			Total Rs'000
		months Rs'000	1 to 5 years Rs'000	5+ years Rs'000	
<i>Financial liabilities</i>					
Deposits	405,413	837,711	27,525	13,700	1,284,349
Borrowings	-	36,975	104,010	699,838	840,823
Lease liabilities	-	5,035	26,268	18,561	49,864
Other liabilities	-	46,938	-	-	46,938
<b>Total financial liabilities</b>	<b>405,413</b>	<b>926,659</b>	<b>157,803</b>	<b>732,099</b>	<b>2,221,974</b>
<b>Net liquidity gap</b>	<b>(100,705)</b>	<b>1,370,607</b>	<b>587,301</b>	<b>(52,105)</b>	<b>82,799</b>

The Bank 30 June 2020	On demand Rs'000	Less than 12			Total Rs'000
		months Rs'000	1 to 5 years Rs'000	5+ years Rs'000	
<i>Financial assets</i>					
Deposits and balances with banks	282,814	121,873	-	-	404,687
Financial assets at FVOCI	-	-	-	342,649	342,649
Loans (Gross)	-	2,147,192	632,912	317,564	3,097,668
Other assets	1,365	92,670	71,850	19,780	185,665
	284,179	2,361,735	704,762	679,993	4,030,669
Provision for expected credit losses					(1,722,299)
<b>Total financial assets</b>	<b>284,179</b>	<b>2,361,735</b>	<b>704,762</b>	<b>679,993</b>	<b>2,308,370</b>

	On demand Rs'000	Less than 12			Total Rs'000
		months Rs'000	1 to 5 years Rs'000	5+ years Rs'000	
<i>Financial liabilities</i>					
Deposits	405,413	868,703	27,525	13,700	1,315,341
Borrowings	-	36,975	104,010	699,838	840,823
Lease liabilities	-	5,035	21,053	18,561	44,649
Other liabilities	-	46,269	-	-	46,269
<b>Total financial liabilities</b>	<b>405,413</b>	<b>956,982</b>	<b>152,588</b>	<b>732,099</b>	<b>2,247,082</b>
<b>Net liquidity gap</b>	<b>(121,234)</b>	<b>1,404,753</b>	<b>552,174</b>	<b>(52,106)</b>	<b>61,288</b>

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

**29. Financial instrument risk (Contd)**
**Risk management objectives and policies (Contd)**
**Liquidity risk analysis (Contd)**

*Maturities of financial assets and liabilities at 30 June 2019:*

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

<b>The Group</b>	<b>Less than 12</b>				<b>Total</b>
	<b>On demand</b>	<b>months</b>	<b>1 to 5 years</b>	<b>5+ years</b>	
<b>30 June 2019</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
<i>Financial assets</i>					
Deposits and balances with banks	378,294	122,146	-	-	500,440
Other investments	-	-	-	519,691	519,691
Loans (Gross)	-	2,205,016	465,477	316,630	2,987,123
Other assets	820	28,068	34,108	50,874	113,870
	379,114	2,355,230	499,585	887,195	4,121,124
Provision for expected credit losses					(1,881,109)
<b>Total financial assets</b>	<b>379,114</b>	<b>2,355,230</b>	<b>499,585</b>	<b>887,195</b>	<b>2,240,015</b>

	<b>Less than 12</b>				<b>Total</b>
	<b>On demand</b>	<b>months</b>	<b>1 to 5 years</b>	<b>5+ years</b>	
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
<i>Financial liabilities</i>					
Deposits	324,959	256,719	644,880	28,225	1,254,783
Borrowings	-	19,158	59,216	625,091	703,465
Other liabilities	-	54,599	-	-	54,599
<b>Total financial liabilities</b>	<b>324,959</b>	<b>330,476</b>	<b>704,096</b>	<b>653,316</b>	<b>2,012,847</b>
<b>Net liquidity gap</b>	<b>54,155</b>	<b>2,024,754</b>	<b>(204,511)</b>	<b>233,879</b>	<b>2,108,277</b>

<b>The Bank</b>	<b>Less than 12</b>				<b>Total</b>
	<b>On demand</b>	<b>months</b>	<b>1 to 5 years</b>	<b>5+ years</b>	
<b>30 June 2019</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
<i>Financial assets</i>					
Deposits and balances with banks	355,701	122,147	-	-	477,848
Other investments	-	-	-	519,691	519,691
Loans (Gross)	-	2,205,016	465,477	316,630	2,987,123
Other assets	820	73,581	24,260	50,874	149,535
	356,521	2,400,743	489,737	887,195	4,134,196
Provision for expected credit losses					(1,881,109)
<b>Total financial assets</b>	<b>356,521</b>	<b>2,400,743</b>	<b>489,737</b>	<b>887,195</b>	<b>2,253,087</b>

**DEVELOPMENT BANK OF MAURITIUS LTD.****Notes to the consolidated financial statements**

For the year ended 30 June 2020

**29. Financial instrument risk (Contd)****Risk management objectives and policies (Contd)****Liquidity risk analysis (Contd)***Maturities of financial assets and liabilities at 30 June 2019: (Contd)*

<b>The Bank (Contd)</b> <b>30 June 2019</b>	<b>Less than 12</b>				<b>Total</b> <b>Rs'000</b>
	<b>On demand</b> <b>Rs'000</b>	<b>months</b> <b>Rs'000</b>	<b>1 to 5 years</b> <b>Rs'000</b>	<b>5+ years</b> <b>Rs'000</b>	
<i>Financial liabilities</i>					
Deposits	307,745	312,750	644,880	28,225	1,293,601
Borrowings	-	19,158	59,216	625,091	703,465
Other liabilities	-	54,109	-	-	54,109
<b>Total financial liabilities</b>	<b>307,745</b>	<b>386,017</b>	<b>704,096</b>	<b>653,316</b>	<b>2,051,174</b>
<b>Net liquidity gap</b>	<b>48,776</b>	<b>2,014,726</b>	<b>(214,359)</b>	<b>233,879</b>	<b>820,051</b>

**Price risk analysis**

The Group and the Bank are exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group and the Bank do not actively trade these investments.

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If the equity prices had increased or decreased by 10%:

- there would be no impact on the profit for the year ended 30 June 2020 and 30 June 2019 as equity investments are classified as available-for-sale with changes through equity.
- the fair value reserves included in equity would increase/decrease by Rs 42.4 M (2019: Rs 42.1 M) for the Group and the Bank, as a result of the changes in fair value of available-for-sale investments.

**30. Reconciliation of liabilities arising from financing activities**

	<b>At 01 July</b> <b>2019</b> <b>Rs'000</b>	<b>Cash</b> <b>changes</b> <b>Rs'000</b>	<b>Non-cash</b> <b>changes</b> <b>Rs'000</b>	<b>At 30 June</b> <b>2020</b> <b>Rs'000</b>
<b>The Group</b>				
Borrowings	<b>703,465</b>	<b>128,029</b>	<b>9,329</b>	<b>840,823</b>

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

**30. Reconciliation of liabilities arising from financing activities (Contd)**

	<b>At 01 July 2018 Rs'000</b>	<b>Cash changes Rs'000</b>	<b>Non-cash changes Rs'000</b>	<b>At 30 June 2019 Rs'000</b>
<b>The Group</b>				
Borrowings	715,325	(15,047)	2,577	703,465

**32. Exceptional items**

The above represents matured deposits aggregating to Rs 45.2M held by the Bank for several years which have been written back as the depositors are defunct entities and no claim has been received by the Bank.

**33. Contingent liabilities**

Various legal claims were brought against the Group during the year. However, no provision has been made for any liability as management considers these claims to be unjustified and the probability that they will require settlement at the Group's expense to be remote. This evaluation is consistent with external independent legal advice.

**34. Events after the reporting date**

In January 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and is still a matter of concern after the reporting date. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. There are meaningful direct and indirect effects developing with companies across multiple industries and the world. The Group will continue to monitor the impact COVID-19 has on its activities and reflect the consequences as appropriate in its accounting and reporting. As at the date of this report, the directors have concluded that it is not possible to reliably estimate the financial effect of COVID-19 on the Group's activities.

The directors made an assessment of the Group'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 consolidated financial statements and confirm that they have not identified events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. However, given the prolonged effects of the pandemic, the directors consider that it is not possible to estimate the future implications on the business.

The Group has launched several schemes in collaboration with the Government to assist the business communities. Following Cabinet decision of 19 March 2021, DBM has been requested to operate two loan schemes, namely:

- 1) SME Interest-Free Loan Scheme for SMEs with turnover not exceeding Rs 50 Million. This unsecured interest-free loan of Rs 100,000 would be repayable over a period of 8 years including a moratorium of 5 years on repayment.

**DEVELOPMENT BANK OF MAURITIUS LTD.**

# Notes to the consolidated financial statements

For the year ended 30 June 2020

**34. Events after the reporting date (Contd)**

- 2) Rs 1M SME COVID-19 Special Support Scheme whereby SMEs with turnover not exceeding Rs 50 Million would be able to apply for unsecured loans of up to Rs 1 Million at an interest rate of 0.5 percent per annum. The loan is repayable over a period of 5 years including a moratorium of 1 year on payment of capital and interest.

The DBM will claim interest differential from the Government on the disbursements effected under the two above schemes.

Furthermore, the Government, the majority shareholder of DBM, has requested the Bank to grant a moratorium of one year on the repayment of interest and capital to its customers in respect of their existing loans. This measure will impact on the liquidity position of the Bank as loan collection will be significantly reduced. The Bank will put a claim to the Government for the shortfall in loan collections to enable it to sustain its expenses.

Except for the above, there have been no material events since the end of the reporting period which would require disclosure or adjustment to the financial statements for the year ended 30 June 2020.

**35. Correction of prior period error**

In the previous financial year, the Bank adopted IFRS 9, *Financial Instruments*, which required the recognition of expected credit losses (“ECL”) on financial assets and this exercise of estimating the ECL has involved significant judgements, estimates and other assumptions.

During the current financial year management has reassessed certain of these judgements, estimates and assumptions used in 2019 and concluded that the provisions released were overstated.

In accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, the above has been adjusted by restating the prior year’s figures. However, a third column has not been presented as the misstatement affects only the consolidated financial statements for 2019.

The effects of correcting the prior years’ errors on the Bank’s statement of financial position at 30 June 2020 are:

	<b>Expected credit losses Rs’000</b>	<b>Retained earnings Rs’000</b>
Balance as previously reported at 01 July 2018	<b>1,857,974</b>	<b>2,202,349</b>
Effect of correcting prior period’s errors	<b>347,749</b>	<b>(347,749)</b>
<b>Restated balance at 01 July 2018</b>	<b>2,205,723</b>	<b>1,854,600</b>
Balance as previously reported at 30 June 2019	<b>1,374,654</b>	<b>2,591,539</b>
Effect of correcting prior period’s errors – at 01 July 2018	<b>347,749</b>	<b>(347,749)</b>
Effect of correcting prior period’s errors – at 30 June 2019	<b>158,706</b>	<b>(158,706)</b>
<b>Restated balance at 30 June 2019</b>	<b>1,881,109</b>	<b>2,085,084</b>