

DEVELOPMENT BANK OF MAURITIUS LTD.

YEAR ENDED 30 JUNE 2021

ANNUAL REPORT

DEVELOPMENT BANK OF MAURITIUS LTD.

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DEVELOPMENT BANK OF MAURITIUS LTD.

CORPORATE INFORMATION

DIRECTORS:

	Appointed on	Resigned on
Dr Jairajsing Luchoo (Chairman)	01 July 2020	-
Mr Ishwarlall Bonomaully	15 May 2012	-
Mr Gurushunkur Akash Goojha	11 March 2015	-
Mr Jean Daniel Henry	11 March 2015	-
Mr Premchand Tanakoor	11 March 2015	-
Mr Neil Radhakrishna Chedumbarum Pillay	29 May 2018	-
Mr Dhanraj Conhye	29 April 2019	01 July 2021
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	-
Mrs Bibi Fatwma Abdool Raman-Ahmed	02 August 2021	-

MANAGING DIRECTOR

Mr Jaywant Pandoo	20 April 2020
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COMPANY SECRETARY

Mr Dewraz Hosanee	La Chaussée Street P.O Box 157 Port Louis Republic of Mauritius
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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 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, the “Board”, 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 2021.

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 at concessionary rates for setting up their enterprises.

Results and Dividends

The results for the year are as shown on pages 45 to 46.

No dividend was paid or declared during the last eight 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:

- 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)**

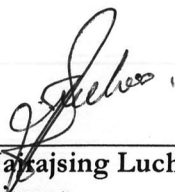
The directors confirm that they have complied with the above requirements in preparing the consolidated financial statements.

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 ("IFRS") 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 Jagsing Luchoo
Chairman

Date: 23 DEC 2021



Mr Jaywant Pandoo
Managing Director

Date: 23 DEC 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 2021. The Bank and its subsidiaries 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.
4. production of solar energy on rooftops of DBM and Government buildings, thereby contributing to the Government objective to produce 60% of the country's energy consumption from renewable sources by 2030.

Bank Operations

The financial year 2021 continues to be very challenging for the Bank with the prolonged impact of the Covid-19 pandemic on the Bank's operations.

The Bank had been mandated to operate a number of loan schemes under the 'Plan de Relance' aimed at providing finance to enable SMEs impacted by the Covid-19 to meet their working capital requirements with the objective to preserve jobs.

Moreover, following the second lockdown in March 2021, two additional loan schemes to support SMEs., namely the SME Interest Free Loan Scheme of Rs100,000 and the Special Covid-19 Loan Scheme of Rs1.0M are being operated by the Bank on concessionary terms.

To further support SMEs, Government requested DBM to provide a one-year moratorium on capital and interest on loans availed by the SMEs.

In the Budget 2021/2022, the Government came with additional measures to be implemented by DBM, to support the SMEs namely the:

- 1) Special Loan Scheme for Retailers;
- 2) Special Rental Rebate Scheme for DBM tenants; and
- 3) Special Rental Scheme for start-ups.

Furthermore, to alleviate the financial burden of small planters, breeders and fishermen who are facing difficulties to repay their outstanding loans, a new Amnesty Scheme is being operated. Under the scheme the small planters, breeders and fishermen having debt liabilities outstanding for more than 10 years are eligible for full waiver or partial waiver of their liabilities depending on their loan amount.

DEVELOPMENT BANK OF MAURITIUS LTD.

Directors' Report (Contd)

Financial Position

For the financial year ended 30 June 2021, the Bank made an operating profit of Rs 68.7M compared to Rs 46.5M in 2020. Interest income stood at Rs 165.0M in 2021 compared to Rs114.2M in 2020. Operating expenses during the year amounted to Rs 250.4M compared to Rs 231.9M in 2020. The operating profit of the Group amounted to Rs 77.9m compared to Rs 44.4m in 2020.

The Group prepares its financial statements on an accrual basis and as per IFRS. The Group has complied with the provisions of IFRS 9 regarding loan provisioning.

Loan Operations

The Bank continues to play a prominent role in supporting the SMEs and preserving employment in the wake of the Covid-19 pandemic. In this vein, different loan schemes are being operated by the Bank under the:

- a) Covid-19 related loan Schemes; and
- b) Budgetary Loan Schemes.

As a result of the above offerings, there has been a surge in the number of request for financial assistance and as such 4,488 loans were sanctioned for Rs2,791M in 2021 compared to Rs1,100M in 2020.

Industrial Estates Activities

Rental income from the industrial estates activities continues to be a major source of income for the Group. Rental income for the year was Rs159.7M for 2021 compared to Rs150M in the financial year 2020. Rental collections for financial year 2021 was Rs138.5M as compared to Rs121.5M in financial year 2020.

The Group continues to focus on consolidation of the industrial estates activities through upgrading and renovation of existing industrial buildings, greenfield projects and/or acquisitions which is in line with the Government vision to support the development of SMEs. Furthermore, the Bank is using the rooftops of its buildings to produce electricity from photovoltaic systems (PV) as this will assist Government in achieving its sustainable goals.

Construction of the SME Parks at Plaine Magnien and Vuillemin are on-going and are expected to be completed by April 2022 and July 2022 respectively.

The Group has embarked on a plan to renovate, refurbish and embellish its industrial estates which will enable it to increase its rental income in the coming years. The upgrading programme has benefitted of funding of Rs200M from the Government.

The Group has completed the installation of the fire safety equipment at Coromandel, Plaine Lauzun Valentina and Solferino Industrial Estates. The commissioning of the equipment is in process.

The Group will continue to concentrate on recovery of unpaid rentals and cleaning of the long outstanding dues.

The Group will also continue in its strategy to sell its seized properties so as to unlock financial resources to be invested in the upgrading of its industrial buildings.

DEVELOPMENT BANK OF MAURITIUS LTD.

Directors' Report (Contd)

Loan Recovery

For the financial year collections stood at Rs331.6M compared to Rs 266.0M in 2020. Despite the increase in loan collection, recovery of past dues remains a major cause of concern for the Bank. The level of loan collection will also be affected by the:

- 1) one year moratorium on the repayment of the capital and interest granted by the Bank to its customers; and
- 2) the New Amnesty Scheme, under which small planters, breeders and fishermen would be eligible for full waiver/partial waiver of their liabilities depending on their loan amount.

Management is in the process of reviewing the current loan collection strategies with a view to increase loan collections as from 2022/2023 bearing in mind that the COVID-19 pandemic and the lockdowns have impacted negatively on the business community.

IT Infrastructure

Following representations made to the Government regarding the outdated Accounting Package (Flexcube Version 7) being used by the Bank and the risk of a failure of its integrated accounting system which may jeopardise its credibility and survival, the Bank has been able to secure the requisite finance through a term loan to proceed with the upgrade of its integrated banking package and also acquire software which will enable the Bank to automate the loan administration processes. A consultant has been enlisted to assist the Bank in this endeavour.

The acquisition procedure including the revamping of the old processes with the objective of implementing an IT & business re-engineering at the Bank has already started. Parallel to that, new procedures manual to support the restructure exercise and the IT and Business Transformation project are already operational. The new system is expected to go live by end of October 2022.

DBM Pension Fund

The DBM Group Pension Fund remains a 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 the funding of the pension fund will be one of the items to be considered under the Salary Review to be undertaken in the financial year ending 30 June 2022.

Human Resource

A major challenge of DBM today is its human resource capability which has impoverished following the last VRS programme and remained the same over the past years with limited recruitment on contractual basis. The Board has viewed this state of affairs with concern and has in this respect engaged in a restructure exercise of the organigram of the Group. 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 Group in light of the upcoming challenges unfolding in the aftermath of the Covid-19 pandemic.

Wherever appropriate, staff have been given the opportunity to attend training both from local and international institutions such as Association of African Development Finance Institutions ("AADFI") and the Egyptian Training Institute. Some twelve staff have been imparted on-line training in Banking Risk Management, Treasury Management, Leadership and Anti-Money Laundering.

DEVELOPMENT BANK OF MAURITIUS LTD.

Directors' Report (Contd)

Sustainable Development

The Bank is operating the fifth phase of the Solar Water Heater Programme and has received applications for grants from some 28,312 applicants, aggregating Rs415M out of which Government has already provided DBM with Rs365M.

Disbursements of the funds are in progress.

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 line of businesses have been added to DBMFS namely Insurance, Leasing and Factoring. The objective remains to consolidate and expand these activities.

DBM Energy Ltd

DBM Energy Ltd was incorporated in 2019 to undertake the production of electricity from PV plant installed on DBM's industrial buildings and Government's buildings. The services of a consultant have already been enlisted to assist DBM Energy Ltd to implement the projects.

Discussions have been engaged with the CEB and the Board has been informed that DBM Energy projects will be considered under the CEB Greenfield Renewable Energy Scheme instead of the CEB Public Sector Entities RE Scheme. Under the CEB Greenfield Renewable Energy Scheme, DBM Energy will be producing electricity from the PV System under the IPP Model, and as such it will be able to maximise the use of the roof areas at its disposal.

Funding to the tune of Rs350M has already been secured from the Government to implement the project at some of the sites.

DBM Energy is expected to launch the tender for five sites in January 2022. Production of electricity is expected to start by end of 2022.

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 subsequent to the advent of the Mauritius-Rodrigues Submarine Cable (MARS) in Rodrigues and it shall provide the necessary ICT infrastructure and facilities to potential service providers in the ICT sector.

Construction has already started and the Technopark is expected to be completed by end of 2022.

DEVELOPMENT BANK OF MAURITIUS LTD.

Directors' Report (Contd)

DBM Properties Development Ltd

DBM Properties Development Ltd is the minority co-owner along with the Government of the Garden Tower building situate at Poudriere Street, Port Louis. The company is acting as a syndic and 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 Group will continue to maximise its resources to:

- 1) support and accompany the SME's through the implementation of tailor-made schemes;
- 2) concentrate its effort to improve collections and reduce the rental arrears;
- 3) consolidate its industrial buildings in order to provide building space at competitive rates;
- 4) consolidate its Insurance, Leasing and Factoring activities; and
- 5) diversify into new business segment such as production of electricity from PV systems.

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 are committed to ensuring and maintaining a high standard of corporate governance within the Bank and its subsidiaries. Furthermore, the Board endorses the highest standards of business integrity and professionalism to ensure that the activities within the Group 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 Group. The Board also determines the Group’s mission, vision, values and strategy.

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

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

As part of its obligations under the Code, the following documents have been displayed on the Bank’s website:

- Constitution of the Bank
- Directors’ Details
- Board Charter

Additionally, the Group 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 Group to streamline its processes in order to meet the challenges unfolding in the aftermath of the Covid-19 pandemic.

The Group 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.

The Group operates with a clearly defined governance framework where accountability and transparency prevailed.

The Group and its subsidiaries are operating within a dynamic environment. Since the outbreak of the Covid-19 pandemic, the Board and management have adapted to the changing landscape and are closely monitoring and assessing associated risks and opportunities available. Despite the resurgence of the pandemic in March 2021, the Bank has continuously provided the essential banking services to its customers without any interruption.

DEVELOPMENT BANK OF MAURITIUS LTD.

Corporate Governance Report (Contd)

Principle 2: The Structure of the Board and its Committees

Board Structure

The Board 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 Development Co Ltd	50
National Equity Fund*("NEF")	75

* Following a special resolution dated 08 July 2016, it was resolved that National Equity Fund Ltd (the "Fund") be wound-up voluntarily and an application under Section 309 of the Mauritius Companies Act 2001, for declaration of dissolution be submitted to the Registrar of Companies. The shareholders of NEF have already resolved, by virtue of Section 309(1)(d) of the Mauritius Companies Act 2001, to remove the company from the register on the ground that NEF has ceased to carry out business.

(ii) Directors

The names of common directors at each level are:

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

DEVELOPMENT BANK OF MAURITIUS LTD.

Corporate Governance Report (Contd)

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

Board Size (Contd)

(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
	100.00	5,049,000

Board Composition

As at 30 June 2021, the Board was composed as follows:

Directors	Category
Dr Jairajsing Luchoo	Independent Non-Executive Director
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

As at 30 June 2021, the Board comprised of eleven (11) members as follows:

- One (1) Executive Director;
- Four (4) Non-Executive Directors; and
- Six (6) Independent Non-Executive Directors.

Board Diversity

As at 30 June 2021, the Board members were of the same gender and are all ordinarily resident of Mauritius. Mrs Bibi Fatwma Abdool Raman-Ahmed was subsequently appointed on the Board in August 2021 as representative of the Ministry of Industrial Development, SMEs and Cooperatives in replacement of Mr Dhanraj Conhye who resigned on 01 July 2021.

DEVELOPMENT BANK OF MAURITIUS LTD.

Corporate Governance Report (Contd)

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

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 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 and its subsidiaries comply with all legal and regulatory requirements as well as with their Constitutions from which the Board derives its authority to act.

The Board is ultimately accountable and responsible for the performance and affairs of the Group through the review and adoption of strategic plans, the overview of business performance, adoption of appropriate risk management systems and 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 sub-committee provides a summary to the directors at the main Board meeting following the relevant sub-committee meetings where these decisions are ratified/approved.

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 to Chairman and 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.

Company Secretary

The Company Secretary is appointed by the Board.

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 Company and its subsidiaries are at all times complying with their Constitutions, applicable laws, rules and regulations.

DEVELOPMENT BANK OF MAURITIUS LTD.

Corporate Governance Report (Contd)

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

Company Secretary (Contd)

Mr Dewraz Hosanee is the Company Secretary for DBM and its subsidiaries. He is a member of the Fellow of the Association of Chartered and Certified Accountants (FCCA) and holds an MSc in Risk Management. He started his career at DBM in 1988 and has been working in many Departments of the Bank at senior position. He is also a member of the Mauritius Institute of Professional Accountants (MIPA).

The Company Secretary works closely with the Chairman to ensure effective functioning of the Board and proper recording of Board's meetings.

Board Meetings

Board meetings of the Bank are normally held each month and at any additional times as the Bank requires. Board meetings for the subsidiaries are held only when it is deemed necessary.

The Bank's 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.

Board meetings are attended by the Board Members. However, when warranted, Officers of the Bank and/or Consultants could also be invited to provide clarifications to the members on specific matters.

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 fourteen (14) times. Decisions were also taken by way of resolutions in writing, agreed and signed by all directors.

The minutes of the proceedings of each Board meeting of the Bank 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 their 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.

DEVELOPMENT BANK OF MAURITIUS LTD.

Corporate Governance Report (Contd)

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

Board Committees (Contd)

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

The Board recognises that Board Committees are an effective part of the corporate governance framework of the Group 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 its subsidiaries and that delegating authority to Board Committees does not in any way absolve the Board of its duties and responsibilities.

The Company Secretary also acts as secretary to the Board Sub-Committees.

The Board Committees are authorised to obtain, at the DBM's expense, professional advice both within and outside the organisation 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 Gurushunkur Akash Goojha	Independent Non-Executive Director
In attendance	
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 Group. The Committee also ascertains that the Corporate Governance Report and disclosures embodied in the DBM's Annual Report are in compliance with the provisions of the National Code of Corporate Governance and applicable legislations.

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

The said Committee, which reviewed and recommended the present corporate governance report on 21 December 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 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 Muhammad Salehmohamed	Non-Executive Director
Mr Somduth Dulthumun	Independent Non-Executive Director
<i>In attendance</i>	
Mr Jaywant Pandoo	Managing Director
Mrs Parveen Maherally	Officer-in-Charge - Internal Audit Department
	External Auditors when warranted

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 six (6) times during the financial year ended 30 June 2021 to review principally 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 23 December 2021 to recommend to the Board the approval of the annual consolidated financial statements for the financial year ended 30 June 2021.

Mr Ishwarlall Bonomaully, Non-Executive Director, is the Chairperson of the Audit Committee. He is a Fellow of the Association of Chartered Certified Accountants and holds an MSc Finance. None of our Independent Directors have the relevant financial experience with a qualification from one of the professional accountancy bodies. Mr Ishwarlall Bonomaully has carried out his work as Chairman of the Audit Committee in an independent way.

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 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 (up to December 2020)
Mr Danirow Bhiwajee	Acting Risk and Underwriting Manager (as from January 2021)

The Risk Committee operates under the Terms of Reference approved by the Board of Directors and is principally focussed on the Bank's risk management.

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.

All risk matters during the year under review have been considered at the level of the Audit Committee.

Considering the linkages between the Audit Committee and the Risk Committee, the Board has considered it appropriate to merge the Audit and Risk Committees with effect from 01 July 2021.

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 Rama Krishna Veeramundar	Non-Executive Director
<i>In attendance</i>	
Mr Jaywant Pandoo	Managing Director
Mr Sachin Ramphul	Risk and Underwriting Manager (up to December 2020)
Mr Danirow Bhiwajee	Acting Risk and Underwriting Manager (As from January 2021)

The Credit Committee was established to consider and approve loan applications as per existing credit policy of the Bank.

Recovery Committee

At the reporting date, the membership 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 Rama Krishna Veeramundar	Non-Executive Director
<i>In attendance</i>	
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 of the Bank.

Nomination and Remuneration Committee

At the reporting date, the membership 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
<i>In attendance</i>	
Mr Jaywant Pandoo	Managing Director
Mr Mario Deruisseau	Human Resource 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 (Contd)

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

- changes in the Group'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 and its subsidiaries;
- 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 and its subsidiaries.

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
In attendance	
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.

	Status	Board	Corporate Governance Committee	Audit Committee	Credit Committee	Recovery Committee	Nomination and Remuneration Committee	Procurement Committee
Total Number of Meetings		14	1	6	15	8	1	9
Directors								
Dr Jairajising Luchoo	INED	14/14	-	-	-	-	-	-
Mr Ishwarlall Bonomaully	NED	11/14	-	6/6	-	-	1/1	-
Mr Gurushunkur Akash Goojha	INED	14/14	1/1	-	15/15	8/8	-	9/9
Mr Jean Daniel Henry	INED	11/14	-	-	-	8/8	-	9/9
Mr Premchand Tanakoor	INED	14/14	1/1	-	15/15	7/8	-	-
Mr Neil Radhakrishna Chedumbarum Pillay	INED	13/14	1/1	6/6	-	-	1/1	-
Mr Dhanraj Conhye	NED	12/14	-	-	15/15	-	-	9/9
Mr Muhammad Azeem Salehmohamed	NED	7/14	-	2/6	-	-	1/1	-
Mr Rama Krishna Veeramundar	NED	8/14	-	-	12/15	6/8	-	-
Mr Somduth Dulthumun	INED	13/14	1/1	6/6	-	-	1/1	9/9
Mr Jaywant Pandoo	ED	14/14	-	-	-	-	-	-

NED: Non-Executive Director

INED: Independent Non-Executive Director

ED: Executive Director

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 (Contd)

Director's Independence

With 55% of independent directors on its Board, the members ascertain that all decisions taken are in the interest of the organisation. The Board also ensures that directors provide an independent opinion/view on any matter presented at the level of the Board and any potential conflict is brought to the attention of the Board.

Principle 3: Director Appointment Procedures

Directors are appointed through a formal, rigorous and transparent process. Directors are appointed/re-appointed by the shareholders at the Annual Meeting and hold office until the next meeting.

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 uploaded on the DBM's website and same are reproduced below:

Dr Jairajsing Luchoo was appointed Director and Chairperson on 01 July 2020. He is a Medical Consultant (Cardiology) by profession and has worked in all National State hospitals. He has a strong administrative team leadership and management abilities. He is also adept at cultivating a positive culture focused on cost-effective and culturally sensitive national requirements. He holds an MD and a PhD.

Mr Ishwarlall Bonomaully is a director since 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 (FCCA) and also holds MSc Finance. He is director on the Board of different Government-owned institutions.

Mr Gurushunkur Akash Goojha is a director since 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 since 11 March 2015. He was in the past Director on the Board of National Insurance Company. 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.

DEVELOPMENT BANK OF MAURITIUS LTD.

Corporate Governance Report (Contd)

Principle 3: Director Appointment Procedures (Contd)

Directors' Profiles (Contd)

Mr Premchand Tanakoor is a director since 11 March 2015. He is presently Division Forest Officer at the Ministry of Agro-Industry and Food Security. 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 cumulated the post of Officer-in-charge at SSR Botanic Garden from 2015 to 2020.

Mr Neil Radhakrishna Chedumbarum Pillay is a director since 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 Information and Communication Technologies Authority (ICTA).

Mr Dhanraj Conhye is a director since 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 since 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 an Advisor on Economic Matters to the Ministry of Finance, Economic Planning and Development. He has 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 a director since 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

Profile of Senior Management Team

Mr Jaywant Pandoo

Mr Jaywant Pandoo joined DBM 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. He has a wide experience in financial matters, with particular regard to Foreign Reserve Management, Financial Markets, Accounting and Finance.

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. He also has a certificate in Banking Studies.

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”.

DEVELOPMENT BANK OF MAURITIUS LTD.

Corporate Governance Report (Contd)

Principle 3: Director Appointment Procedures (Contd)

Director's Induction

Newly appointed directors receive an '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 Group's businesses and to Senior Executives. The induction program meets the specific needs of both the Bank and its subsidiaries and the newly appointed director and enables any new director to make the maximum contribution as quickly as possible.

Professional Development

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

DBM has signed an agreement with the Mauritius Institute of Directors (MIoD) for the provision of training to the directors. However due to the resurgence of the Covid-19 pandemic, the training program could not be conducted.

Succession Planning

The directors are appointed/reappointed at each Annual Meeting after the shareholders' approval. Such appointment is made on the basis of experience and qualifications and after having met the required ethical conditions.

The Board of Directors recognises the importance of continuity/succession planning for directors and senior management team and 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.

A committee has been set up comprising of Senior Management Team, under the supervision of the Managing Director, to review principally the Organigram of 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.

To provide support to the Bank in the discharge of its obligation to operate the different schemes as announced by the Government, the Bank has recruited some 30 Support Assistants.

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.

DEVELOPMENT BANK OF MAURITIUS LTD.

Corporate Governance Report (Contd)

Principle 4: Director Duties, Remuneration and Performance

All directors are aware of their fiduciary duties and responsibilities.

The fees paid to the directors are agreed by the shareholders. Directors are paid monthly fees for their services to the organisation. 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 the Group's 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, all employees must, at all times, comply with all applicable laws and regulations. The Group 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 Group 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 Group'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 Group is committed to a policy for fair, honest dealing and integrity in the conduct of its business. This commitment, which is endorsed by the Board, is based on a fundamental belief that business should be conducted honestly, fairly and legally.

In view of the above, the Board has during the year under review approved a Code of Ethics.

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 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 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 2021 were as shown below:

Directors' Fee for DBM Group for the year ended 30 June 2021

	Total Fees
Non Executive Directors	Rs
Dr Jairajsing Luchoo	1,000,000
Mr Ishwarlall Bonomaully	330,000
Mr Gurushunkar Akash Goojha	915,000
Mr Jean Daniel Henry	875,000
Mr Neil Radakrishna Chedumbarum Pillay	590,000
Mr Premchand Tanakoor	580,000
Mr Dhanraj Conhye	485,000
Mr Muhammad Azeem Salehmohamed	315,000
Mr Rama Krishna Veeramundar	380,000
Mr Somduth Dulthumun	375,000
Total	5,845,000

Executive Director	Rs
Mr Jaywant Pandoo	4,934,054
Grand Total	10,779,054

Remuneration Philosophy

The Board is responsible for the remuneration policy of the Bank and its subsidiaries.

DBM will engage in discussions with the staff and the DBM Staff Association ("DBMSA") concerning the review of salary and conditions of service which is due on 01 July 2021. The Board has already tendered its approval for the appointment of a Salary Commissioner to work on the salary review and the new conditions of service.

Remuneration practices are structured to provide clear differentiation between staff grades.

Conflict of Interest

The Board of Directors strictly believes that a director should make his/her 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 a register of disclosure of any conflict of interest 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 Group has adopted a Conflicts of Interest and Related Party Transactions Policy which was approved by the Board.

The Bank and its subsidiaries enter into a number of transactions with related parties in the normal course of business i.e, with the major shareholder, fellow 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 organisation 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 DBM's expense.

The Board members ensure that matters relating to the organisation, 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.

The Board also protects and enhances the Bank's assets for the best interests of its shareholders and other stakeholders.

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

The Group's main entity is DBM (the Bank) and 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.

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)

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.

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 administration of the industrial buildings, 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 Group'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 Group, 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.

DEVELOPMENT BANK OF MAURITIUS LTD.

Corporate Governance Report (Contd)

Principle 5: Risk Governance and Internal Control (Contd)

Internal Control and Risk Management (Contd)

(f) Whistle-blowing Policy

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

The policy:

- Encourages the staff to feel confident about raising their qualms and to reveal any act that may raise concerns about practices leading to disrepute to the organisation.
- Provides comfort to the staff that they will be protected from possible reprisals.
- Mitigate the Group's exposure to the damage that may occur in the event the staff members circumvent the existing procedures and systems.

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 DBM that fairly present the state of affairs of the Bank, and its subsidiaries and the results of their operations.

Any deviation from the above are reported in the Independent Auditors' Report.

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

Dividend Policy

The Group aims to pay stable dividend to the shareholders after carrying out Solvency Test as prescribed.

No dividend was paid or declared during the last eight 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 Group 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.

DEVELOPMENT BANK OF MAURITIUS LTD.

Corporate Governance Report (Contd)

Principle 6: Reporting with Integrity (Contd)

Social Issues/Human Resources Report

The human capital plays a significant role in the success of the organisation. As part of the human capital strategy the Group endeavours to provide its employees with the requisite support within a sound environment, to continuously encourage a high-performed culture.

The Group aims at giving equal opportunities to all 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 Group 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 Group is also in the process of setting up a Staff Welfare Association.

Corporate Social Responsibility

The Group did not participate in any CSR activity nor made any CSR donation during the financial year ended 30 June 2021.

Charitable & Political Contributions

During the year under review, the Group contributed a notional amount of Rs 100,000 to Prime Minister's Relief Fund to support Government initiatives to assist those stakeholders affected by the grounding of the MV Wakashio (2020: Nil).

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;

DEVELOPMENT BANK OF MAURITIUS LTD.

Corporate Governance Report (Contd)

Principle 7: Audit (Contd)

(i) Role and responsibilities (Contd)

- 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 deficiencies 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 organisation. 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 their 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 principally 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

Non-audit-services have not been carried out during the year under review by the external auditors.

External Audit

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

Fees to External Auditors

The fees payable to Grant Thornton for the year ended 30 June 2021 are as follows:

	Bank		Subsidiaries	
	2021 (Rs'000)	2020 (Rs'000)	2021 (Rs'000)	2020 (Rs'000)
Audit and tax compliance fees	1,550	1,500	653	605

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 such 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 Group. It ensures that shareholders are kept informed on matters pertaining to the Group.

Website

In order to be compliant with the requirements of the Code, the Board will ensure that the DBM's website, namely www.dbm.mu, is kept up-to-date. Subsequently, all the relevant disclosures will be published on the website.

Important Events

The Group 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 Company has complied with its obligations and requirements under the Code of Corporate Governance except for certain sections as described on page 36 of this annual report.

Signed by:



Dr Jairajsing Luchoo

Chairman

Date: 23 DEC 2021



Mr Jaywant Pandoo

Managing Director

Date: 23 DEC 2021

DEVELOPMENT BANK OF MAURITIUS LTD.

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

Principle 1: Governance Structure

(i) For the time being, the following disclosures are not available on the Company's website:

- The Bank's Code of Ethics;
- An organisational chart; and
- A statement of major accountabilities within the organisation.

The Company 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 are of the same gender at 30 June 2021.

(ii) **Board sub-committee**

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

Principle 4: Director Duties, Remuneration and Performance

(i) The Board will review and consider for approval the following policies in the financial year 2021/2022.

- Information Policy
- Information Technology Policy
- Information Security Policy

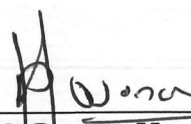
Principle 5: Reporting with Integrity

Website

Management will ensure that all required disclosures are published in full on the Company'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 Company has filed with the Registrar of Companies all such returns as are required of the Company under the Mauritius Companies Act 2001 in terms of Section 166 (d) during the financial year ended 30 June 2021.



Mr Dewraz Hosanee
Company Secretary

Date: 23 DEC 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 2021, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements on pages 44 to 125 give a true and fair view of the financial position of the Group and the Bank as at 30 June 2021 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 2021. 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 38% (2020: 23%) 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)

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Key Audit Matters (Contd)

Risk description (Contd)

Expected credit losses ("ECL") (Contd)

The application of the ECL involves significant judgments and estimates and changes in these 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, Directors' 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:

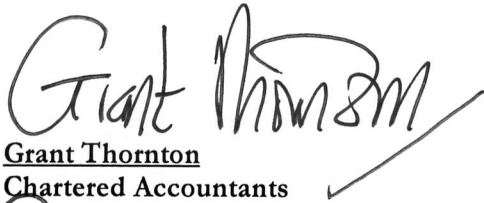
- we have no relationship with, or any interests in the Bank and its subsidiaries other than in our capacity as auditors and tax compliance consultant;
- we have obtained all the information and explanations that we have required; and
- from our examination of the Bank's records, we are opinion that 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: 23 DEC 2021

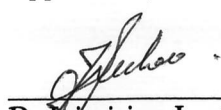
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DEVELOPMENT BANK OF MAURITIUS LTD.

Consolidated statement of financial position as at 30 June

		The Group		The Bank	
		2021	2020	2021	2020
	Notes	Rs'000	Rs'000	Rs'000	Rs'000
ASSETS					
Cash and cash equivalents	12	846,409	425,216	802,153	404,687
Loans	6	3,170,917	1,375,512	3,170,869	1,375,369
Investment properties	7(a)	3,227,045	3,185,758	2,949,160	2,908,319
Seized properties	7(b)	35,424	31,968	35,424	31,968
Securities	8(a)	395,209	342,649	395,209	342,649
Investments in subsidiaries	8(c)	-	-	198,460	206,500
Intangible assets	9	4,847	4,173	3,482	4,096
Property, plant and equipment	10	332,411	317,274	312,129	312,955
Other assets	11	312,004	220,341	305,844	224,813
Right-of-use assets	13	41,622	46,133	37,701	41,118
Current tax assets	21.2	32	3,375	-	3,359
Non-current assets held for sale	14	65,538	64,909	49,374	49,374
Total assets		8,431,458	6,017,308	8,259,805	5,905,207
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	15	504,900	504,900	504,900	504,900
Retained earnings		2,187,821	2,202,146	2,166,200	2,188,290
Other reserves		297,913	365,892	297,913	365,892
Owners' interest		2,990,634	3,072,938	2,969,013	3,059,082
Non-controlling interests		81,519	80,746	-	-
Total equity		3,072,153	3,153,684	2,969,013	3,059,082
LIABILITIES					
Deposits from customers	16	1,324,107	1,284,349	1,356,971	1,315,341
Borrowings	17	3,162,697	840,823	3,112,697	840,823
Retirement benefit obligations	18	713,037	599,043	713,037	599,043
Deferred tax liabilities	21.4	13,497	14,486	-	-
Current tax liabilities	21.2	6,024	931	4,812	-
Lease liabilities	19	47,558	49,864	43,630	44,649
Trade and other payables	20	70,692	53,137	59,645	46,269
Liabilities directly associated with non-current assets held for sale	14	21,693	20,991	-	-
Total liabilities		5,359,305	2,863,624	5,290,792	2,846,125
Total equity and liabilities		8,431,458	6,017,308	8,259,805	5,905,207

Approved by the Board of Directors on 23 DEC 2021 and signed on its behalf by:


 Dr Jai Rajsing Luchoo
 Chairman


 Mr Jaywant Pandoo
 Managing Director

The notes on pages 52 to 125 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	
		2021 Rs'000	2020 Rs'000	2021 Rs'000	2020 Rs'000
Interest income	22	191,644	115,808	165,008	114,271
Interest expense	23	(34,230)	(41,275)	(34,668)	(41,835)
Net interest income		157,414	74,533	130,340	72,436
Other income	24	191,855	221,798	188,703	206,100
Operating income		349,269	296,331	319,043	278,536
Operating expenses	25	(271,353)	(251,903)	(250,370)	(231,976)
Operating profit		77,916	44,428	68,673	46,560
Movement in provision for credit impairment	27	(88,549)	69,782	(88,549)	69,782
Gain/(loss) on sale of properties		2,707	(13,809)	2,707	(13,809)
(Loss)/profit before tax		(7,926)	100,401	(17,169)	102,533
Tax (expense)/credit	21.1	(5,626)	587	(4,921)	673
(Loss)/profit after tax		(13,552)	100,988	(22,090)	103,206

Other comprehensive income:**Items that will not be reclassified to profit or loss:**

Remeasurement of post-employment

benefit obligations	18(a)(vi)	(115,539)	(129,670)	(115,539)	(129,670)
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The notes on pages 52 to 125 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)

		The Group		The Bank	
		2021	2020	2021	2020
	Note	Rs'000	Rs'000	Rs'000	Rs'000
Other comprehensive income (Contd):					
Items that may be reclassified subsequently to profit or loss:					
Increase/(decrease) in fair value of investments (net)	8(i)	47,560	(177,042)	47,560	(177,042)
Other comprehensive income for the year		(67,979)	(306,712)	(67,979)	(306,712)
Total comprehensive income for the year		(81,531)	(205,724)	(90,069)	(203,506)
Profit/(loss) attributable to:					
- Owners of the parent		(14,325)	100,070	(22,090)	103,206
- Non-controlling interests		773	918	-	-
		(13,552)	100,988	(22,090)	103,206
Total comprehensive income attributable to:					
- Owners of the parent		(82,304)	(206,642)	(90,069)	(203,506)
- Non-controlling interests		773	918	-	-
		(81,531)	(205,724)	(90,069)	(203,506)

The notes on pages 52 to 125 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					
	Stated capital Rs'000	Revaluation and other reserves Rs'000	Actuarial loss reserves Rs'000	Fair value reserves Rs'000	Retained earnings Rs'000	Non-controlling interests Rs'000
The Group						
At 01 July 2020	504,900	587,869	(495,881)	273,904	2,202,146	80,746
					3,072,938	3,153,684
Loss for the year	-	-	-	-	(14,325)	773
					(14,325)	(13,552)
Other comprehensive income for the year	-	-	(115,539)	47,560	-	-
					(67,979)	(67,979)
Total comprehensive income for the year	-	-	(115,539)	47,560	(14,325)	773
					(82,304)	(81,531)
At 30 June 2021	504,900	587,869	(611,420)	321,464	2,187,821	81,519
					2,990,634	3,072,153

The notes on pages 52 to 125 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							
	Stated capital Rs'000	Revaluation and other reserves Rs'000	Actuarial loss reserves Rs'000	Fair value reserves Rs'000	Retained Earnings Rs'000	Total Rs'000	Non-controlling interests Rs'000	Total Rs'000
The Group								
At 01 July 2019	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 52 to 125 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
At 01 July 2020	504,900	587,869	(495,881)	273,904	2,188,290	3,059,082
Loss for the year	-	-	-	-	(22,090)	(22,090)
Other comprehensive income for the year	-	-	(115,539)	47,560	-	(67,979)
Total comprehensive income for the year	-	-	(115,539)	47,560	(22,090)	(90,069)
At 30 June 2021	504,900	587,869	(611,420)	321,464	2,166,200	2,969,013

The notes on pages 52 to 125 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
At 01 July 2019	504,900	587,869	(366,211)	450,946	2,085,084	3,262,588
Profit for the year	-	-	-	-	103,206	103,206
Other comprehensive income for the year	-	-	(129,670)	(177,042)	-	(306,712)
Total comprehensive income for the year	-	-	(129,670)	(177,042)	103,206	(203,506)
At 30 June 2020	504,900	587,869	(495,881)	273,904	2,188,290	3,059,082

The notes on pages 52 to 125 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	
		2021 Rs'000	2020 Rs'000	2021 Rs'000	2020 Rs'000
Operating activities:					
Cash used in operations	26	(44,539)	(22,048)	(47,385)	(16,681)
<i>Change in working capital:</i>					
Change in other assets		(93,331)	(107,874)	(80,199)	(100,327)
Change in loans		(1,751,542)	(110,688)	(1,751,637)	(110,545)
Change in deposits		39,758	29,566	41,630	21,740
Change in trade and other payables		17,555	(7,376)	13,373	(7,841)
Net cash from operations		(1,832,099)	(218,420)	(1,824,218)	(213,654)
Net tax refunded/(paid)		4,393	(412)	3,251	-
Net cash used in operating activities		(1,827,706)	(218,832)	(1,820,967)	(213,654)
Investing activities					
Purchase of property, plant and equipment		(22,896)	(4,573)	(6,685)	(1,762)
Purchase of intangible assets		(1,434)	(261)	-	(261)
Purchase of investment properties		(62,378)	(32,134)	(61,932)	(31,293)
Purchase of seized properties		(7,384)	(2,626)	(7,384)	(2,626)
Acquisition of subsidiary		-	-	-	(5,000)
Acquisition of investment in securities		(5,000)	-	(5,000)	-
Proceeds from disposal of property, plant and equipment		492	-	492	-
Proceeds from disposal of investment properties		22,800	-	22,800	-
Proceeds from disposal of seized properties		4,927	32,526	4,927	32,526
Dividends received		822	14,510	822	12,419
Net cash from investing activities		(70,051)	7,442	(51,960)	4,003
Financing activities					
Proceeds from borrowings		2,421,246	158,867	2,371,246	158,867
Payments of borrowings		(99,372)	(21,509)	(99,372)	(21,509)
Payment of lease liabilities		(2,924)	(1,192)	(1,481)	(867)
Net cash from financing activities*		2,318,950	136,166	2,270,393	136,491
Net change in cash and cash equivalents		421,193	(75,224)	397,466	(73,161)
Movement in cash and cash equivalents					
At beginning of year		425,216	500,440	404,687	477,848
Net change in cash and cash equivalents		421,193	(75,224)	397,466	(73,161)
At end of year	12	846,409	425,216	802,153	404,687

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

The notes on pages 52 to 125 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 2021

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".

The activities of the subsidiaries are described on page 89.

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 that are effective for annual year beginning on 01 July 2020

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

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

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

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

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

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

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

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

2. Application of new and revised IFRS (Contd)

2.1 New and revised standards that are effective for annual year beginning on 01 July 2020 (Contd)

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

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

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

2.2 Standards and amendments to existing standards 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 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 below.

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

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

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

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

IAS 16, Proceeds before Intended Use (Amendments to IAS 16)

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

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

2. Application of new and revised IFRS (Contd)

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

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

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

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

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

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

IFRS 17, Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, Insurance Contracts as of 01 January 2021.

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

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

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

2. Application of new and revised IFRS (Contd)

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

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

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

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

Management has yet to assess the impact of the above standards and amendments to existing standards on the Group’s financial statements.

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 2021. 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.

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

3. Significant accounting policies (Contd)

3.2 Basis of consolidation (Contd)

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.

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.

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

3. Significant accounting policies (Contd)

3.4 Property, plant and equipment (Contd)

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 ¹ / ₃ %
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 3/5 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.

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.

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

3. Significant accounting policies (Contd)

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.

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.

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

3. Significant accounting policies (Contd)

3.8 Investments in subsidiaries (Contd)

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.

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.

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

3. Significant accounting policies (Contd)

3.9 Investments in associates (Contd)

Consolidated financial statements (Contd)

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 2021

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, other assets, 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 2021

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 2021

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 2021

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 2021

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 receivable 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 on the basis of individual risk factors involved in different arrangements and past trends. 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 2021

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 2021

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 obligations.

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 2021

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 2021

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. The CSR 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.

State pension plan

Contributions to the state pension plan are expensed in the statement of comprehensive income in the period in which they fall due.

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

3. Significant accounting policies (Contd)

3.20 Retirement benefit obligations (Contd)

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.

The average exchange rates for the year are as follows:

	2021	2020
	Rs	Rs
USD	40.93	37.36
EURO	47.13	42.02

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 2021

3. Significant accounting policies (Contd)

3.23 Leases

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 2021

3. Significant accounting policies (Contd)

3.23 Leases (Contd)

The Group as a lessee (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.

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 Group, 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 Group'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.

Estimated unguaranteed residual values used in computing the Group'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.

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

3. Significant accounting policies (Contd)

3.23 Leases (Contd)

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 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 2021

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 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 2021

3. Significant accounting policies (Contd)

3.32 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 is still adversely impacting global commercial activity thus contributing 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 2021

3. Significant accounting policies (Contd)

3.32 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 2021

3. Significant accounting policies (Contd)

3.32 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 2021, 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 2021

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:

2021	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Assets				
Financial assets at FVOCI	257,188	-	138,021	395,209

2020	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Assets				
Financial assets at FVOCI	223,667	-	118,982	342,649

There were no transfers between levels in 2021 and 2020.

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:

	2021 Rs'000	2020 Rs'000
Investments in unquoted companies		
At 01 July	118,982	197,195
Fair value loss	(12,312)	(94,356)
Fair value gain	31,351	16,143
At 30 June	138,021	118,982

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

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

2021	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Property, plant and equipment				
Land and buildings	-	-	308,753	308,753
Investment properties				
Land and buildings	-	-	3,227,045	3,227,045
2020	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Property, plant and equipment				
Land and buildings	-	-	295,287	295,287
Investment properties				
Land and buildings	-	-	3,185,758	3,185,758

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

4. Fair value measurement (Contd)

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

The Bank

2021	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Property, plant and equipment				
Land and buildings	-	-	292,542	292,542
Investment properties				
Land and buildings	-	-	2,949,160	2,949,160
2020	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Property, plant and equipment				
Land and buildings	-	-	295,287	295,287
Investment properties				
Land and buildings	-	-	2,908,319	2,908,319

The Group's land and buildings and investment properties are revalued every 3/5 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 and Broll Indian Ocean Limited in 2017.

However, due to COVID-19, no valuation exercise was done for the last two years. The directors consider that there exists no adverse event in the property market that would significantly affect the last valuation.

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

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.

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

4. Fair value measurement (Contd)

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

The Group

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

2021	Property, plant and equipment Rs'000	Investment properties Rs'000
At 01 July 2020	295,287	3,185,758
Depreciation charge for the year	(3,419)	(21,091)
Additions	16,885	62,378
At 30 June 2021	308,753	3,227,045

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

The Bank

2021	Property, plant and equipment Rs'000	Investment properties Rs'000
At 01 July 2020	295,287	2,908,319
Depreciation charge for the year	(3,419)	(21,091)
Additions	674	61,932
At 30 June 2021	292,542	2,949,160

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

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

For the year ended 30 June 2021

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 2021, the situation was as follows:

	The Group		The Bank	
	2021 Rs'000	2020 Rs'000	2021 Rs'000	2020 Rs'000
Owners' interest	2,990,634	3,072,938	2,969,013	3,059,082
Total assets	8,431,458	6,017,308	8,259,805	5,905,207
Borrowings	3,162,697	840,823	3,112,697	840,823
Savings and fixed deposits	1,324,107	1,284,349	1,356,971	1,315,341

6. Loans

(a) Loans are summarised as follows:

	The Group		The Bank	
	2021 Rs'000	2020 Rs'000	2021 Rs'000	2020 Rs'000
Loans - Gross	4,937,079	3,097,811	4,937,031	3,097,668
Expected credit losses (Note (b))	(1,766,162)	(1,722,299)	(1,766,162)	(1,722,299)
Loans - Net	3,170,917	1,375,512	3,170,869	1,375,369

(b) Expected credit losses

	2021 Rs'000	2020 Rs'000
At 01 July	1,722,299	1,881,109
Addition/(release) for the year (Note 27)	87,717	(103,326)
Release of provision – budgetary measures (Note 27)	(43,854)	(55,484)
At 30 June	1,766,162	1,722,299

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

6. Loans (Contd)

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

The Group 2021	Stage 1 Rs'000	Stage 2 Rs'000	Stage 3 Rs'000	Total Rs'000
Gross carrying amount	2,438,029	148,186	2,350,864	4,937,079
Impairment losses	(35,710)	(49,574)	(1,680,878)	(1,766,162)
	2,402,319	98,612	669,986	3,170,917

The Group 2020	Stage 1 Rs'000	Stage 2 Rs'000	Stage 3 Rs'000	Total Rs'000
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)
	541,492	172,731	661,289	1,375,512

The Bank 2021	Stage 1 Rs'000	Stage 2 Rs'000	Stage 3 Rs'000	Total Rs'000
Gross carrying amount	2,437,981	148,186	2,350,864	4,937,031
Impairment losses	(35,710)	(49,574)	(1,680,878)	(1,766,162)
	2,402,271	98,612	669,986	3,170,869

The Bank 2020	Stage 1 Rs'000	Stage 2 Rs'000	Stage 3 Rs'000	Total Rs'000
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)
	541,349	172,731	661,289	1,375,369

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

The Group 2021	Stage 1 Rs'000	Stage 2 Rs'000	Stage 3 Rs'000	Total Rs'000
Gross carrying amount opening balance	859,241	119,167	2,119,403	3,097,811
New assets originated or purchased	2,130,803	24,264	3,300	2,158,367
Assets derecognised or repaid (excluding write offs)	(99,158)	(26,948)	(209,667)	(335,773)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	16,674	16,674
Gross carrying amount closing balance	2,890,886	116,483	1,929,710	4,937,079

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

6. Loans (Contd)

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

The Group	Stage 1	Stage 2	Stage 3	Total
2020	Rs'000	Rs'000	Rs'000	Rs'000
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	859,241	119,167	2,119,403	3,097,811

The Bank	Stage 1	Stage 2	Stage 3	Total
2021	Rs'000	Rs'000	Rs'000	Rs'000
Gross carrying amount opening balance	859,171	119,167	2,119,330	3,097,668
New assets originated or purchased	2,130,803	24,264	3,300	2,158,367
Assets derecognised or repaid (excluding write offs)	(99,063)	(26,948)	(209,667)	(335,678)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	16,674	16,674
Gross carrying amount closing balance	2,890,911	116,483	1,929,637	4,937,031

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

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

6. Loans (Contd)

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

The Group and the Bank				
	Stage 1	Stage 2	Stage 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
ECL allowance – opening balance	39,872	43,248	1,639,179	1,722,299
New assets originated or purchased	26,135	16,220	5,367	47,722
Assets derecognised or repaid (excluding write offs)	(29,365)	(44,889)	(265,928)	(340,182)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	336,323	336,323
ECL allowance - closing balance	36,642	14,579	1,714,941	1,766,162

The Group and the Bank				
2020	Stage 1	Stage 2	Stage 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
ECL allowance – opening balance	61,368	36,357	1,276,929	1,374,654
New assets originated or purchased	9,588	16,354	3,332	29,274
Assets derecognised or repaid (excluding write offs)	(31,084)	(9,463)	(139,068)	(179,615)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	497,986	497,986
ECL allowance - closing balance	39,872	43,248	1,639,179	1,722,299

7. Properties

(a) Investment properties

	The Group		The Bank	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
At 01 July	3,185,758	3,153,624	2,908,319	2,877,026
Additions	62,378	32,134	61,932	31,293
Disposals	(21,091)	-	(21,091)	-
At 30 June	3,227,045	3,185,758	2,949,160	2,908,319

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

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 179.6 M** (2020: Rs 162.3 M) for the Group and **Rs 166.1 M** (2020: Rs 149.5 M) for the Bank and direct operating expenses amounted to **Rs 63.6 M** (2020: Rs 19.9 M) for the Group and **Rs 50.5 M** (2020: Rs 19.5 M) for the Bank.

Pledge

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

(b) Seized properties

	2021	2020
	Rs'000	Rs'000
At 01 July	31,968	75,677
Properties seized during the year	7,384	2,626
Disposals	(3,928)	(46,335)
At 30 June	35,424	31,968

8. Investments

(a) Securities

	The Group		The Bank	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
Fair value:				
Quoted investments	257,188	223,667	257,188	223,667
Unquoted investments	138,021	118,982	138,021	118,982
Total	395,209	342,649	395,209	342,649

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

8. Investments (Contd)

(a) Securities (Contd)

(i) Movement during the year:

	The Group		The Bank	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
At 01 July	342,649	519,691	342,649	519,691
Acquisition	5,000	-	5,000	-
Impairment losses	(26,810)	(193,185)	(26,810)	(193,185)
Fair value gain on remeasurement	74,370	16,143	74,370	16,143
At 30 June	395,209	342,649	395,209	342,649

- (ii) The market value of quoted investments is based on listed share prices on the Stock Exchange of Mauritius on 30 June 2021.
- (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	2021	2020
	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
2021				
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
2020				
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 Rs nil at Group level.

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

8. Investments (Contd)
- (b) Investments in associates (Contd)
- (ii) Summarised financial information on associates are set out below:

	Opening net assets Rs'000	Results net of dividends Rs'000	Other comprehensive income Rs'000	Closing net assets Rs'000	Impairment of net assets Rs'000	Ownership interest Rs'000	Interest in associates Rs'000
State Investment Finance Corporation Ltd	-	-	-	-	-	20%	-
SIC Fund Management Ltd	-	-	-	-	-	49%	-
	-	-	-	-	-	-	-

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

For the year ended 30 June 2021

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

The Bank	2021	2020
	Rs'000	Rs'000
<u>Unquoted</u>		
At 01 July	206,500	201,500
Additions	-	5,000
Impairment loss (Note (iii) below)	(8,040)	-
At 30 June	198,460	206,500

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

	Country of incorporation	Ordinary shares	
		Direct %	Direct %
		holding	holding
		2021	2020
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 Co Ltd	Rodrigues	50.00	50.00
DBM Energy Ltd	Republic of Mauritius	100.00	100.00

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

- DBM Financial Services Ltd recovers debts in respect of the ex-MCCB (in liquidation), provides finance lease facilities and factoring services to MSMEs.
- DBM Venture Capital Fund Ltd provides equity and quasi equity loans to small entrepreneurs.
- DBM Properties Development Ltd is engaged in the rental of properties.
- Rodrigues Business Park Development Co Ltd is engaged in investment properties.
- DBM Energy Ltd is engaged in the production of electricity from renewable sources.

(iii) An impairment loss has been recognised in respect of a loss-making subsidiary.

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

For the year ended 30 June 2021

8. Investments (Contd)**(c) Investments in subsidiaries (Contd)****(iv)** Summarised financial information on subsidiaries with material non-controlling interests.

	Current assets Rs'000	Non-current assets Rs'000	Current liabilities Rs'000	Non-current liabilities Rs'000	Revenue Rs'000	Profit/(loss) for the year Rs'000	Profit/(loss) allocated to non- controlling interests Rs'000	Accumulated non-controlling interests Rs'000
2021								
DBM Properties Development Ltd	39,644	280,798	34,900	15,997	23,828	8,519	1,704	83,111
Rodrigues Business Park Development Co Ltd	41,000	19,021	281	50,000	-	(1,862)	(931)	(1,592)
2020								
DBM Properties Development Ltd	36,184	280,597	39,801	15,953	20,986	8,085	1,617	81,407
Rodrigues Business Park Development Co Ltd	8,877	2,811	87	-	-	(1,398)	(699)	(661)

(v) Summarised cash flow information:

	Operating activities Rs'000	Investing activities Rs'000	Financing activities Rs'000	Net (decrease) / increase in cash and cash equivalents Rs'000
2021				
DBM Properties Development Ltd	14,713	(445)	(6,343)	7,926
Rodrigues Business Park Development Co Ltd	(25,837)	(16,210)	50,000	7,953
2020				
DBM Properties Development Ltd	12,912	(842)	(16,258)	(4,188)
Rodrigues Business Park Development Co Ltd	(1,312)	(2,811)	13,000	8,877

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 2021

9. Intangible assets

	The Group Rs'000	The Bank Rs'000
Gross carrying amount		
At 01 July 2020	34,113	33,974
Additions	1,434	-
At 30 June 2021	35,547	33,974
Amortisation		
At 01 July 2020	29,940	29,878
Charge for the year	760	614
At 30 June 2021	30,700	30,492
Carrying amount at 30 June 2021	4,847	3,482
 Gross carrying amount		
At 01 July 2019	33,852	33,713
Additions	261	261
At 30 June 2020	34,113	33,974
 Amortisation		
At 01 July 2019	29,197	29,155
Charge for the year	743	723
At 30 June 2020	29,940	29,878
 Carrying amount at 30 June 2020	 4,173	 4,096

Notes to the consolidated financial statements

For the year ended 30 June 2021

10. Property, plant and equipment

The Group	Land and buildings Rs'000	Improvement to building on leasehold land Rs'000	Furniture, fittings and equipment Rs'000	Motor vehicles Rs'000	Computer equipment Rs'000	Integrated banking system Rs'000	Total Rs'000
Gross carrying amount							
At 01 July 2020	306,455	2,225	61,674	6,349	59,316	39,987	476,006
Additions	16,885	-	492	-	5,519	-	22,896
Write off	-	-	-	-	-	(6,726)	(6,726)
At 30 June 2021	323,340	2,225	62,166	6,349	64,835	33,261	492,176
Depreciation							
At 01 July 2020	11,168	2,225	51,017	5,460	54,719	34,143	158,732
Charge for the year	3,419	-	1,152	188	1,632	876	7,267
Write off adjustment	-	-	-	-	-	(6,234)	(6,234)
At 30 June 2021	14,587	2,225	52,169	5,648	56,351	28,785	159,765
Carrying amount							
At 30 June 2021	308,753	-	9,997	701	8,484	4,476	332,411

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

10. Property, plant and equipment (Contd)

The Group	Land and buildings Rs'000	Improvement to building on leasehold land Rs'000	Furniture, fittings and equipment Rs'000	Motor vehicles Rs'000	Computer equipment Rs'000	Integrated banking system Rs'000	Total Rs'000
Gross carrying amount							
At 01 July 2019	306,455	2,225	57,747	6,349	58,670	39,987	471,433
Additions	-	-	3,927	-	646	-	4,573
At 30 June 2020	306,455	2,225	61,674	6,349	59,316	39,987	476,006
Depreciation							
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
At 30 June 2020	11,168	2,225	51,017	5,460	54,719	34,143	158,732
Carrying amount							
At 30 June 2020	295,287	-	10,657	899	4,597	5,844	317,274

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

10. Property, plant and equipment (Contd)

The Bank	Land and buildings Rs'000	Improvement to building on leasehold land Rs'000	Furniture, fittings and equipment Rs'000	Motor vehicles Rs'000	Computer equipment Rs'000	Integrated banking system Rs'000	Total Rs'000
Gross carrying amount							
At 01 July 2020	306,455	2,225	51,004	6,349	58,946	39,987	464,966
Additions	674	-	492	-	5,519	-	6,685
Write off	-	-	-	-	-	(6,726)	(6,726)
At 30 June 2021	307,129	2,225	51,496	6,349	64,465	33,261	464,925
Depreciation							
At 01 July 2020	11,168	2,225	44,969	5,413	54,088	34,148	152,011
Charge for the year	3,419	-	979	188	1,557	876	7,019
Write off adjustment	-	-	-	-	-	(6,234)	(6,234)
At 30 June 2021	14,587	2,225	45,948	5,601	55,645	28,790	152,796
Carrying amount							
At 30 June 2021	292,542	-	5,548	748	8,820	4,471	312,129

Notes to the consolidated financial statements

For the year ended 30 June 2021

10. Property, plant and equipment (Contd)

The Bank	Land and buildings Rs'000	Improvement to building on leasehold land Rs'000	Furniture, fittings and equipment Rs'000	Motor vehicles Rs'000	Computer equipment Rs'000	Integrated banking system Rs'000	Total Rs'000
Gross carrying amount							
At 01 July 2019	306,455	2,225	49,888	6,349	58,300	39,987	463,204
Additions	-	-	1,116	-	646	-	1,762
At 30 June 2020	306,455	2,225	51,004	6,349	58,946	39,987	464,966
Depreciation							
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
At 30 June 2020	11,168	2,225	44,969	5,413	54,088	34,148	152,011
Carrying amount							
At 30 June 2020	295,287	-	6,035	936	4,858	5,839	312,955

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

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 three/five years.

11. Other assets

	The Group		The Bank	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
Rental income receivable - gross	289,991	253,440	285,376	248,866
Expected credit losses (Note (i))	(227,190)	(226,358)	(225,417)	(224,585)
Rental income receivable – net	62,801	27,082	59,959	24,281
Net investment in finance lease (Note (iii))	83,011	49,082	-	-
Other receivables (Note (iv))	132,823	104,162	77,439	67,988
Loans to staff (Note (v))	28,388	35,273	28,388	35,273
Prepayments	4,981	4,742	4,848	4,609
Due from subsidiaries (Note (vi))	-	-	135,210	92,662
	312,004	220,341	305,844	224,813

- (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 225.4M (2020: Rs 224.6M) have been recognised.

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

	The Group		The Bank	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
At 01 July	226,358	192,814	224,585	191,041
Expected credit losses for the year (Note 27)	832	33,544	832	33,544
At 30 June	227,190	226,358	225,417	224,585

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

11. Other assets (Contd)

(ii) At 30 June 2021, the carrying value of rent receivable is analysed as follows:

The Bank

	ECL Rate %	Estimated total gross carrying amount Rs'000	Less ECL Allowance Rs'000	Rent receivable net of ECL Rs'000
<i>Number of days carrying value of rent receivables have been past due</i>				
- 0 to 30 days	11.46	820	(94)	726
- 30 to 60 days	12.84	1,721	(221)	1,500
- 60 to 90 days	17.05	1,953	(333)	1,620
- 90 to 120 days	19.54	3,414	(667)	2,747
- 120 to 150 days	27.91	2,934	(819)	2,115
- 150 to 180 days	35.75	3,180	(1,137)	2,043
- 180 to 210 days	41.48	3,590	(1,489)	2,101
- 210 to 240 days	46.07	4,979	(2,294)	2,685
- 240 to 270 days	47.74	5,394	(2,575)	2,819
- 270 to 300 days	63.07	3,807	(2,401)	1,406
- 300 to 330 days	67.59	2,388	(1,614)	774
- 330 to 360 days	95.56	2,185	(2,088)	97
- More than 360 days	84.21	249,011	(209,685)	39,326
Carrying value of rent receivable net of ECL		285,376	(225,417)	59,959

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

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

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

11. Other assets (Contd)

The Group

	ECL Rate %	Estimated total gross carrying amount Rs'000	Less ECL Allowance Rs'000	Rent receivable net of ECL Rs'000
<i>Number of days carrying value of rent receivables have been past due</i>				
- 0 to 30 days	11.46	820	(94)	726
- 30 to 60 days	12.84	1,721	(221)	1,500
- 60 to 90 days	17.05	1,953	(333)	1,620
- 90 to 120 days	19.54	3,414	(667)	2,747
- 120 to 150 days	27.91	2,934	(819)	2,115
- 150 to 180 days	35.75	3,180	(1,137)	2,043
- 180 to 210 days	41.48	3,590	(1,489)	2,101
- 210 to 240 days	46.07	4,979	(2,294)	2,685
- 240 to 270 days	47.74	5,394	(2,575)	2,819
- 270 to 300 days	63.07	3,807	(2,401)	1,406
- 300 to 330 days	67.59	2,388	(1,614)	774
- 330 to 360 days	95.56	2,185	(2,088)	97
- More than 360 days	91.65	253,626	(211,458)	42,168
Carrying value of rent receivable net of ECL		289,991	(227,190)	62,801

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

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

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

11. Other assets (Contd)

(iii) Net investment in finance lease

	2021 Rs'000	2020 Rs'000
<i>Movement during the year:</i>		
At 01 July	49,082	-
Leases granted during the year	46,083	51,720
Capital repayment during the year	(12,085)	(2,638)
At 30 June	83,080	49,082
Allowance for credit impairment (Note (f) below)	(69)	-
Net investment in finance lease	83,011	49,082
<i>Analysed as follows:</i>		
Non-current:		
Later than 1 year and not later than 5 years	58,667	39,491
Later than 5 years	5,291	786
Total non-current	63,958	40,277
Current:		
Not later than 1 year	19,053	8,805
	83,011	49,082

- (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

	2021 Rs'000	2020 Rs'000
Up to 3 months	4,788	2,201
Over 3 months and up to 6 months	4,788	2,201
Over 6 months and up to 12 months	9,477	4,402
Over 1 year and up to 5 years	58,667	35,219
Over 5 years	5,291	5,059
	83,011	49,082

The maximum exposure to credit risk of net investment in finance lease for the current year is the carrying amount reported at 30 June 2021.

- (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%.
- (e) The lease receivables for the year ended 30 June 2021 are collateralised by the value of assets to the extent of Rs 80,895,548.

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For the year ended 30 June 2021

11. Other assets (Contd)

- (f) Analysis of the gross carrying amount and corresponding ECL allowance as at 30 June 2021 is as follows:

	Stage 1 Rs'000	Stage 2 Rs'000	Stage 3 Rs'000	Total Rs'000
Gross carrying amount	73,751	8,447	882	83,080
Impairment losses	-	-	(69)	(69)
	73,751	8,447	813	83,011

- (iv) Other receivables include amount due from third parties which are short term in nature.
- (vi) Expected credit losses of Rs 1.9M in respect of staff loans have been maintained for both 30 June 2021 and 30 June 2020.
- (vii) The amounts receivable from the subsidiaries are unsecured, interest-free and receivable on demand.

12. Cash and cash equivalents

	The Group		The Bank	
	2021 Rs'000	2020 Rs'000	2021 Rs'000	2020 Rs'000
Short term deposits with banks	120,266	121,872	120,266	121,872
Cash in hand and at bank	726,143	303,344	681,887	282,815
	846,409	425,216	802,153	404,687

13. Right-of-use assets

	The Group 2021 Rs'000	The Bank 2021 Rs'000
Cost		
At beginning and end of year	49,741	44,270
Depreciation		
At 01 July 2020	3,608	3,152
Charge for the year	4,511	3,417
At 30 June 2021	8,119	6,569
Net book values		
At 30 June 2021	41,622	37,701

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Notes to the consolidated financial statements

For the year ended 30 June 2021

13. Right-of-use assets (Contd)

	The Group 2020 Rs'000	The Bank 2020 Rs'000
Cost		
Impact on adoption of IFRS 16	49,741	44,270
At 30 June 2020	49,741	44,270
Depreciation		
Impact on adoption of IFRS 16	3,608	3,152
At 30 June 2020	3,608	3,152
Net book values		
At 30 June 2020	46,133	41,118

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.
- (b) Details of non-current assets classified as held for sale are as follows:

	2021 Rs'000	2020 Rs'000
Assets directly associated with non-current assets classified as held for sale	65,538	64,909

	2021 Rs'000	2020 Rs'000
Non-controlling interests	20,302	20,639
Trade and other payables	1,391	352
	21,693	20,991

The Bank

	2021 Rs'000	2020 Rs'000
At 01 July and at 30 June	49,374	49,374

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

15. Stated capital

	2021 Rs'000	2020 Rs'000
5,049,000 shares of Rs 100 each	504,900	504,900
	504,900	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.

16. Deposits from customers

	The Group		The Bank	
	2021 Rs'000	2020 Rs'000	2021 Rs'000	2020 Rs'000
<i>Personal, business and government</i>				
Savings and demand deposits	328,939	379,747	356,393	405,413
Time deposits with remaining maturity:				
- Up to 3 months	495,700	451,500	495,700	451,500
- Over 3 months and up to 6 months	1,100	8,530	1,100	8,530
- Over 6 months and up to 12 months	102,909	396,173	108,319	401,499
	928,648	1,235,950	961,512	1,266,942
Time deposits with remaining maturity:				
- Over 1 year and up to 5 years	385,025	41,225	385,025	41,225
- Over 5 years	3,900	-	3,900	-
	388,925	41,225	388,925	41,225
Interest payable to depositors	6,534	7,174	6,534	7,174
	1,324,107	1,284,349	1,356,971	1,315,341

17. Borrowings

	The Group		The Bank	
	2021 Rs'000	2020 Rs'000	2021 Rs'000	2020 Rs'000
Government loans (Note (i))	1,013,553	565,711	963,553	565,711
Other loans (Notes (ii) and (iii))	2,149,144	275,112	2,149,144	275,112
Total	3,162,697	840,823	3,112,697	840,823

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

17. Borrowings (Contd)

- (i) The government loans bear interest ranging between 1% to 10.5% and repayable by November 2030. Interest amounted to Rs 2 M at 30 June 2021 (2020: Rs 9.3 M). These loans are guaranteed by the Government of Mauritius.
- (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 contracted loans amounting to Rs 1.9 Bn (2020: Rs 125.9M) from the Bank of Mauritius in order to implement the Government Wage Assistance Scheme, the COVID-19 Scheme and the Government budgetary measures. The loans bear interest at the rate of 0.45% and 1.35% per annum and are repayable over 3 and 5 years respectively. These loans are guaranteed by the Government of Mauritius.
- (iii) Breakdown of borrowings based on repayment period is as follows:

	The Group		The Bank	
	2021 Rs'000	2020 Rs'000	2021 Rs'000	2020 Rs'000
Repayable as follows:				
Current:				
Within one year	61,215	36,975	50,215	36,975
Non-current:				
After one year and before two years	35,864	20,444	24,864	20,444
After two years and before three years	35,864	20,444	24,864	20,444
After three years and before five years	284,852	63,122	262,852	63,122
After five years	2,744,902	699,838	2,749,902	699,838
	3,101,482	803,848	3,062,482	803,848
Total	3,162,697	840,823	3,112,697	840,823

18. Retirement benefit obligations

	2021 Rs'000	2020 Rs'000
Amount recognised in the consolidated statement of financial position		
Defined pension benefits (Note (a))	629,566	520,088
Other long-term benefits (Note (b))	83,471	78,955
	713,037	599,043
Analysed as follows:		
Non-current liabilities	713,037	599,043

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

For the year ended 30 June 2021

18. Retirement benefit obligations (Contd)

	2021	2020
	Rs'000	Rs'000
Amount charged to profit or loss:		
- Defined pension benefits (Note (a)(v))	28,400	22,545
- Other post-retirement benefits (Note (b)(i))	4,516	2,655
	32,916	25,200
Amount credited to other comprehensive income:		
- Defined pension benefits (Note (a)(vi))	(115,539)	(129,670)

(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:

	2021	2020
	Rs'000	Rs'000
Present value of funded obligations	967,470	844,764
Fair value of plan assets	(337,904)	(324,676)
Liability in the statement of financial position	629,566	520,088

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

	2021	2020
	Rs'000	Rs'000
At 01 July	520,088	402,307
Charged to profit and loss	28,400	22,545
Debited to other comprehensive income	115,539	129,670
Contributions paid	(9,461)	(9,434)
Special contribution	(25,000)	(25,000)
At 30 June	629,566	520,088

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

18. Retirement benefit obligations (Contd)

(a) Defined pension benefits (Contd)

(iii) The movement in the defined benefit obligations over the year is as follows:

	2021 Rs'000	2020 Rs'000
At 01 July	844,764	709,636
Current service costs	14,306	12,501
Interest cost	29,989	25,192
Liability loss	121,688	142,527
Benefits paid	(43,277)	(45,092)
At 30 June	967,470	844,764

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

	2021 Rs'000	2020 Rs'000
At 01 July	324,676	307,329
Expected return on plan assets	11,448	10,798
Employer contributions	9,461	9,434
Employee contributions	4,730	4,717
Special contributions	25,000	25,000
Benefits paid and other outgoing	(43,560)	(45,460)
Asset gain	6,149	12,858
At 30 June	337,904	324,676

(v) The amounts recognised in profit and loss are as follows:

	2021 Rs'000	2020 Rs'000
Current service cost	14,306	12,501
Fund expenses	284	367
Net expense	18,540	14,394
Employee contributions	(4,730)	(4,717)
Total included in employee benefit expense (Note 25(a))	28,400	22,545
Actual return on plan assets	17,597	23,656

(vi) The amounts recognised in other comprehensive income are as follows:

	2021 Rs'000	2020 Rs'000
Remeasurement on the net defined benefit liability:		
Asset experience gain	(6,149)	(12,858)
Liability experience loss	121,688	142,528
Actuarial losses	115,539	129,670

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

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:

	2021 %	2020 %
Government securities and cash	54.8	61.70
Loans	2.8	3.0
Local equities	11.8	10.1
Overseas bonds and equities	30.1	24.6
Property	0.5	0.6
Total	100	100

(viii) The cost of providing the benefits is determined using the Projected Unit Method. The principal actuarial assumptions used for accounting purposes were:

	2021 %	2020 %
Discount rate	4.90	3.55
Future salary growth rate	3.00	2.40
Future pension growth rate	2.00	1.40

(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:

	Increase Rs'000	Decrease Rs'000
2021		
Discount rate - 1% higher/lower	119.4M	148M
Expected salary growth - 1% decrease/increase	53.1M	46.6M
Life expectancy - 1% decrease/increase	28M	2M
2020		
Discount rate - 1% higher/lower	124.2M	100.6M
Expected salary growth - 1% decrease/increase	38.4M	33.6M
Life expectancy - 1% decrease/increase	27.5M	27.3M

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For the year ended 30 June 2021

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 contribution for 2021 is Rs 9.7M (2020: Rs 9.7M).
- (xiii) The weighted average duration of the defined benefit obligation is 14 years.

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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:

	2021	2020
	Rs'000	Rs'000
Amount included in staff costs (Note 25(a))	4,516	2,655

- (ii) Movement in the liability recognised in the statement of financial position:

	2021	2020
	Rs'000	Rs'000
At 01 July	78,955	76,300
Total expense as above	4,516	2,655
At 30 June	83,471	78,955

19. Lease liabilities

The Bank	2021	2020
	Rs'000	Rs'000
Current		
Lease liabilities (Note (a))	7,720	5,745
Non-current		
Lease liabilities (Note (a))	35,910	38,904
Total lease liabilities	43,630	44,649
The Group	2021	2020
	Rs'000	Rs'000
Current		
Lease liabilities (Note (a))	8,795	6,788
Non-current		
Lease liabilities (Note (a))	38,763	43,076
Total lease liabilities	47,558	49,864

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For the year ended 30 June 2021

19. Lease liabilities (Contd)

(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).

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.

The Bank	2021	2020
	Rs'000	Rs'000
Non-current	35,910	38,904
Current	7,720	5,745
Total	43,630	44,649

The Group	2021	2020
	Rs'000	Rs'000
Non-current	38,763	43,076
Current	8,795	6,788
Total	47,558	49,864

The Bank	2021	2020
	Rs'000	Rs'000
At 01 July	44,649	-
Impact on adoption of IFRS 16	-	44,270
	44,649	44,270
Remeasurement	(742)	-
	43,907	44,270
Payments made during the year	(1,481)	(867)
Interest accrued during the year	1,204	1,246
At 30 June	43,630	44,649

The Group	2021	2020
	Rs'000	Rs'000
At 01 July	49,864	-
Impact on adoption of IFRS 16	-	49,741
	49,864	49,741
Remeasurement	(742)	-
	49,122	49,741
Payments made during the year	(2,924)	(1,192)
Interest accrued during the year	1,360	1,315
At 30 June	47,558	49,864

DEVELOPMENT BANK OF MAURITIUS LTD.

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19. Lease liabilities (Contd)

(c) Future minimum lease payments at 30 June 2021 were as follows:

The Bank	Within 1 year	More than 1 year	Total
	Rs'000	Rs'000	Rs'000
30 June 2021			
Lease payments	8,836	52,724	61,560
Finance charges	(1,116)	(16,814)	(17,930)
Net present values	7,720	35,910	43,630

The Bank	Within 1 year	More than 1 year	Total
2020	Rs'000	Rs'000	Rs'000
Lease payments	6,948	56,836	63,784
Finance charges	(1,204)	(17,931)	(19,135)
Net present value	5,744	38,905	44,649

The Group	Within 1 year	More than 1 year	Total
2021	Rs'000	Rs'000	Rs'000
Lease payments	10,031	55,810	65,841
Finance charges	(1,267)	(17,016)	(18,283)
Net present values	8,764	38,794	47,558

The Group	Within 1 year	More than 1 year	Total
2020	Rs'000	Rs'000	Rs'000
Lease payments	8,143	61,115	69,258
Finance charges	(1,355)	(18,039)	(19,394)
Net present values	6,788	43,076	49,864

20. Trade and other payables

	The Group		The Bank	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
Payables and accruals	70,692	53,137	59,645	46,269

DEVELOPMENT BANK OF MAURITIUS LTD.

Notes to the consolidated financial statements

For the year ended 30 June 2021

20. Trade and other payables (Contd)

- (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 2021 it had an income tax liability of **Rs 4.8M** (2020: receivable of Rs 3.4M).

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. No CSR for the current year due to tax losses in the preceeding year.

The subsidiaries

The subsidiaries incorporated in the Republic of Mauritius are liable to income tax at the rate of 15% and at 30 June 2021, they had an aggregate income tax liability of **Rs 1.2M** (2020: Rs 0.9M).

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	
	2021 Rs '000	2020 Rs '000	2021 Rs '000	2020 Rs '000
Income tax on the adjusted profit	9,690	1,266	8,133	-
CSR	168	8	-	-
Movement on deferred taxation	(989)	(1,164)	-	-
Tax underprovided	108	-	108	-
Adjustment for TDS	(3,351)	(697)	(3,320)	(673)
Tax expense/(credit)	5,626	(587)	4,921	(673)

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21. Income tax (Contd)

The subsidiaries (Contd)

21.2 Statement of financial position

	The Group		The Bank	
	2021	2020	2021	2020
	Rs '000	Rs '000	Rs '000	Rs '000
At 01 July	(2,444)	(2,609)	(3,359)	(2,686)
Tax paid	(915)	(77)	-	-
Tax charge for the year	9,690	-	8,133	-
Tax asset not refunded	108	-	108	-
Income tax on the adjusted profit	-	1,266	-	-
CSR	168	8	-	-
TDS refundable	(3,865)	-	(3,320)	-
Tax refundable/refunded	3,250	(1,033)	3,250	(673)
Tax asset	5,992	(2,444)	4,812	(3,359)

	The Group		The Bank	
	2021	2020	2021	2020
	Rs '000	Rs '000	Rs '000	Rs '000
Tax asset	(32)	(3,375)	-	(3,359)
Tax liability	6,024	931	4,812	-
Tax liability/(asset)	5,992	(2,444)	4,812	(3,359)

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	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
(Loss)/profit before tax	(7,926)	100,401	(17,169)	102,533
Tax at 15 %	(1,189)	15,060	(2,575)	15,380
Non-allowable items	20,596	4,985	21,213	4,766
Exempt income	(9,349)	(15,329)	(9,104)	(15,253)
Movement in deferred taxation	(989)	(1,164)	-	-
Tax asset not refunded	108	-	108	-
CSR	168	8	-	-
Tax loss utilized	(367)	(2,276)	(1,401)	(3,547)
Tax refundable	(3,352)	(697)	(3,320)	(673)
Tax (expense)/credit	5,626	587	4,921	673

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Notes to the consolidated financial statements

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21. Income tax (Contd)

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	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
At 01 July	14,486	15,650	-	-
Movement during the year	(989)	(1,164)	-	-
At 30 June	13,497	14,486	-	-

No deferred tax asset/liability has been recognised in respect of temporary differences as the directors consider that the reversal of such temporary differences is not foreseeable due to some tax strategies currently in discussion.

22. Interest income

	The Group		The Bank	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
Loans	162,359	109,004	162,359	109,004
Placements	29,285	6,804	2,649	5,267
	191,644	115,808	165,008	114,271

23. Interest expense

	The Group		The Bank	
	2021	2020	2021	2020
	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	1,102	3,136	1,102	3,136
- after five years	865	6,193	865	6,193
- Interest on deposits and savings	18,065	30,670	18,659	31,260
- Interest on BOM loans	12,838	-	12,838	-
- Interest on leases	1,360	1,246	1,204	1,246
	34,230	41,275	34,668	41,835

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Notes to the consolidated financial statements

For the year ended 30 June 2021

24. Other income

	The Group		The Bank	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
Rental income	165,867	162,347	166,067	149,527
Investment income	927	12,451	822	12,419
Debts collected from ex-MCCB Ltd (in liquidation) clients	756	1,071	-	-
Other income (Note (i))	24,305	45,929	21,814	44,154
	191,855	221,798	188,703	206,100

- (i) Other income includes bad debts recovered, other interest income, income from collection of debt and others.

25. Operating expenses

	The Group		The Bank	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
Staff costs (Note 25(a))	166,473	161,075	161,098	149,092
Depreciation of property, plant and equipment	7,267	7,086	7,019	6,774
Amortisation of intangible assets	760	743	614	723
Property management expenses	24,749	19,853	24,749	19,499
Professional and legal fees	6,989	10,917	5,347	6,347
Directors and secretarial fees	6,634	5,357	4,460	3,485
Utilities	6,109	5,478	3,838	3,638
Office expenses	5,246	7,974	5,218	4,396
Other expenses	47,126	33,420	38,027	38,022
	271,353	251,903	250,370	231,976

(a) Analysis of staff costs:

Salaries and allowances	133,557	135,875	128,182	123,892
Retirement benefits:				
- Pension (Note 18(a)(v))	28,400	22,545	28,400	22,545
- Other long-term benefits (Note 18(b) (i))	4,516	2,655	4,516	2,655
	166,473	161,075	161,098	149,092

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26. Notes to the statement of cash flows

	The Group		The Bank	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
Cash generated from operating activities				
(Loss)/profit before tax	(7,926)	100,401	(17,169)	102,533
Depreciation on property, plant and equipment	7,267	7,086	7,019	6,774
Depreciation on right-of-use assets	4,511	3,608	3,417	3,152
Amortisation of intangible assets	760	743	614	723
Profit on sale of seized properties	(998)	13,809	(998)	13,809
Profit on sale of investment properties	(1,709)	-	(1,709)	-
Increase in provision for retirement benefit obligations	32,916	15,766	32,916	15,766
Release in allowance for expected credit losses	(43,863)	(158,810)	(43,863)	(158,810)
Expected credit loss on rent and staff loans	(832)	33,544	(832)	33,544
Contribution to retirement benefit obligations	(34,461)	(25,000)	(34,461)	(25,000)
Receivables written off	-	-	-	2,000
Investment income	(822)	(14,510)	(822)	(12,419)
Impairment loss	-	-	8,040	-
Interest expense	1,360	1,315	1,205	1,247
Remeasurement adjustment in respect of lease obligations	(742)	-	(742)	-
Cash used in operations	(44,539)	(22,048)	(47,385)	(16,681)

27. Movement in provision for credit impairment

	2021	2020
	Rs'000	Rs'000
Increase in/(release of) provision on loans and other financial assets (Note 6(b))	87,717	(103,326)
ECL on rental income receivable (Note 11(i))	832	33,544
	88,549	(69,782)

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28. Related party transactions

(i) The Group

Relationship	Nature of transactions	Volume of transactions Rs'000	Credit balances at 30 June 2021 Rs'000	Credit balances at 30 June 2020 Rs'000
Key management personnel	Emoluments	11,280	-	-
Main shareholder	Loan payable	281,703	(397,011)	(678,714)
	Deposits	14,145	(790,175)	(804,320)
	Interest payable	1,356	(13,754)	(15,110)
	Interest expenses	5,492	(15,540)	(21,032)
Other related companies	Deposits	99,711	(175,500)	(75,789)
	Interest payable	13	(232)	(368)
	Interest expenses	1,073	(551)	(1,624)

(ii) The Bank

Relationship	Nature of transactions	Volume of transactions Rs'000	(Credit)/debit balances at 30 June 2021 Rs'000	(Credit)/debit balances at 30 June 2020 Rs'000
Key management personnel	Emoluments	8,810	-	-
Main shareholder	Loan payable	23,703	(447,011)	(678,714)
	Deposits	14,145	(790,175)	(804,320)
	Interest payable	1,356	(13,754)	(15,110)
	Interest expenses	5,492	(15,540)	(21,032)
Subsidiaries	Deposits	1,872	(32,864)	(30,992)
	Amount due by / borrowings	7,844	87,703	79,859
	Commission payable	1,130	(4,787)	(3,657)
	Interest payable	50	(10)	(60)
	Interest expenses	428	(144)	(572)
	Management fees	8,218	19,706	11,488
Other related companies	Deposits	14,145	(175,500)	(75,789)
	Interest payable	1,356	(232)	(368)
	Interest expenses	5,492	(551)	(1,624)

(a) The terms of the loan from the main shareholder are detailed in Note 17.

(b) The terms of the loans to the subsidiaries are detailed in Note 11.

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Notes to the consolidated financial statements

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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	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
<i>Financial assets</i>				
Financial assets at FVOCI	395,209	342,649	395,209	342,649
Loans and other receivables	3,427,169	1,536,908	3,463,970	1,561,034
Cash and cash equivalents	846,409	425,216	802,153	404,687
	4,668,787	2,304,773	4,661,332	2,308,370
<i>Financial liabilities</i>				
Deposits from customers	1,324,107	1,284,349	1,356,971	1,315,341
Borrowings	3,162,697	840,823	3,112,697	840,823
Lease liabilities	47,558	49,864	43,630	44,649
Trade and other payables	70,692	46,938	59,645	46,269
	4,605,054	2,221,974	4,572,943	2,247,082

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	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
<i>Financial assets</i>				
MUR	4,597,369	2,244,238	4,589,914	2,247,835
USD	64,954	54,345	64,954	54,345
Euro	6,464	6,190	6,464	6,190
	4,668,787	2,304,773	4,661,332	2,308,370
<i>Financial liabilities</i>				
MUR	4,605,054	2,221,974	4,572,943	2,247,082

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Notes to the consolidated financial statements

For the year ended 30 June 2021

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:

	The Group		The Bank	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
Impact on profit				
USD	(6,495)	(5,434)	(6,495)	(5,434)
Euro	646	(619)	646	(619)

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 a documented credit policy to manage its loans and other receivables. 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.

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Notes to the consolidated financial statements

For the year ended 30 June 2021

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	
	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000
Neither past due nor impaired and past due but not impaired	2,586,215	838,148	2,586,167	838,005
Impaired	2,350,864	2,259,663	2,350,864	2,259,663
Gross	4,937,079	3,097,811	4,937,031	3,097,668
Less allowances for credit impairment	(1,766,162)	(1,722,299)	(1,766,162)	(1,722,299)
Net	3,170,917	1,375,512	3,170,869	1,375,369

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 deposits for some of the rental receivable. The provision has been arrived at after taking into consideration the amount of deposits. No other collateral is held for rental receivable.

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Notes to the consolidated financial statements

For the year ended 30 June 2021

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 values are based on the Net Asset Value.

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 2021 and 30 June 2020 was as follows:

	Lowest	Highest
	%	%
2021		
<i>Financial assets</i>		
Deposit with banks	-	0.50
Loans	-	16.00
<i>Financial liabilities</i>		
Savings and fixed deposits	0.75	10.50
Borrowings from Government of Mauritius	1.00	3.00
Borrowings - others	0.45	1.35
2020		
<i>Financial assets</i>		
Deposit with banks	-	3.75
Loans	-	14.50
<i>Financial liabilities</i>		
Savings and fixed deposits	1.00	10.50
Borrowings from Government of Mauritius	0.00	3.00
Borrowings - others	0.45	1.35

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Notes to the consolidated financial statements

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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 (loss)/profit for the year ended 30 June 2021 would increase by Rs 1.83 M (2020: Rs 0.33 M) and Rs 1.03 M (2020: Rs 0.33M) 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 2021:

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.

	Less than 12				
The Group	On demand	months	1 to 5 years	5+ years	Total
2021	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets					
Deposits and balances with banks	726,143	120,266	-	-	846,409
Financial assets at FVOCI	-	-	-	395,209	395,209
Loans (Gross)	-	2,160,687	2,336,270	440,122	4,937,079
Other assets	1,930	99,100	136,306	18,916	256,252
	728,073	2,380,053	2,472,576	854,247	6,434,949
Provision for expected credit losses					(1,766,162)
Total financial assets	728,073	2,380,053	2,472,576	854,247	4,668,787

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29. Financial instrument risk (Contd)

Risk management objectives and policies (Contd)

Liquidity risk analysis (Contd)

The Group (Contd) 2021	On demand Rs'000	Less than 12 months Rs'000	1 to 5 years Rs'000	5+ years Rs'000	Total Rs'000
<i>Financial liabilities</i>					
Deposits	356,381	578,800	385,026	3,900	1,324,107
Borrowings	-	61,215	356,580	2,744,902	3,162,697
Lease liabilities	-	3,335	16,087	28,136	47,558
Other liabilities	-	70,692	-	-	70,692
Total financial liabilities	356,381	714,042	757,693	2,776,938	4,605,054
Net liquidity gap	371,692	1,666,011	1,714,883	(1,922,691)	63,733

The Bank 2021	On demand Rs'000	Less than 12 months Rs'000	1 to 5 years Rs'000	5+ years Rs'000	Total Rs'000
<i>Financial assets</i>					
Deposits and balances with banks	681,887	120,266	-	-	802,153
Financial assets at FVOCI	-	-	-	395,209	395,209
Loans (Gross)	-	2,160,639	2,336,269	440,123	4,937,031
Other assets	1,930	135,949	136,308	18,914	293,101
	683,817	2,416,854	2,472,577	854,246	6,427,494
Provision for expected credit losses					(1,766,162)
Total financial assets	683,817	2,416,854	2,472,577	854,246	4,661,332

	On demand Rs'000	Less than 12 months Rs'000	1 to 5 years Rs'000	5+ years Rs'000	Total Rs'000
<i>Financial liabilities</i>					
Deposits	356,381	611,665	385,025	3,900	1,356,971
Borrowings	-	50,215	312,580	2,749,902	3,112,697
Lease liabilities	-	2,961	12,533	28,136	43,630
Other liabilities	-	59,645	-	-	59,645
Total financial liabilities	356,381	724,486	710,138	2,781,938	4,572,943
Net liquidity gap	327,436	1,692,370	1,762,438	(1,927,692)	88,389

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29. Financial instrument risk (Contd)

Risk management objectives and policies (Contd)

Liquidity risk analysis (Contd)

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.

The Group 2020	On demand Rs'000	Less than 12 months Rs'000	1 to 5 years Rs'000	5+ years Rs'000	Total Rs'000
<i>Financial assets</i>					
Deposits and balances with banks	303,343	121,873	-	-	425,216
Financial assets at FVOCI	-	-	-	342,649	342,649
Loans (Gross)	-	2,147,334	632,912	317,565	3,097,811
Other assets	1,365	28,059	112,192	19,780	161,396
	304,708	2,297,266	745,104	679,994	4,027,072
Provision for expected credit losses					(1,722,299)
Total financial assets	304,708	2,297,266	745,104	679,994	2,304,773
<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
Total financial liabilities	405,413	926,659	157,803	732,099	2,221,974
Net liquidity gap	(100,705)	1,370,607	587,301	(52,105)	82,799

The Bank 2020	On demand Rs'000	Less than 12 months Rs'000	1 to 5 years Rs'000	5+ years Rs'000	Total 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)
Total financial assets	284,179	2,361,735	704,762	679,993	2,308,370

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29. Financial instrument risk (Contd)

Risk management objectives and policies (Contd)

Liquidity risk analysis (Contd)

Maturities of financial assets and liabilities at 30 June 2020: (Contd)

The Bank 2020	On demand Rs'000	Less than 12 months Rs'000	1 to 5 years Rs'000	5+ years Rs'000	Total 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
Total financial liabilities	405,413	956,982	152,588	732,099	2,247,082
Net liquidity gap	(121,234)	1,404,753	552,174	(52,106)	61,288

Price risk analysis

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does 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%, the fair value reserves included in equity would increase/decrease by Rs 39.5 M (2020: Rs 34.3 M) for the Group, as a result of the changes in fair value of investments at fair value through profit or loss.

30. Reconciliation of liabilities arising from financing activities

The Bank 2021	At 01 July 2020 Rs'000	Cash changes Rs'000	Non-cash changes Rs'000	At 30 June 2021 Rs'000
Borrowings	840,823	2,262,343	9,531	3,112,697

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30. Reconciliation of liabilities arising from financing activities (Contd)

	At 01 July 2020	Cash changes	Non-cash changes	At 30 June 2021
The Group 2021	Rs'000	Rs'000	Rs'000	Rs'000
Borrowings	840,823	2,312,643	9,531	3,162,697

	At 01 July 2020	Cash changes	Non-cash changes	At 30 June 2020
The Group and Bank 2020	Rs'000	Rs'000	Rs'000	Rs'000
Borrowings	703,465	128,029	9,329	840,823

31. Contingent liabilities

Various legal claims were brought against the Group in the normal course of business. 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.

32. Events after the reporting date

The COVID-19 outbreak is still considered as a pandemic by the World Health Organization. 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 effects of COVID-19 on the Group's activities.

The directors have 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.