CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

CONTENTS PAGE

OVERVIEW

For the second year in a row following the onset of the pandemic in March 2020, the Bank of Mauritius (the "Bank" or "BOM") maintained the deployment of COVID-19 relief measures to support the banking sector and the Mauritian economy.

The Bank, as part of the COVID-19 measures, granted a one-off exceptional contribution of Rs 60 billion to Government. During the year under review, an amount of Rs 55 billion was written off in the reserves of the Bank (Special Reserve Fund: Rs 52 billion and General Reserve Fund: Rs 3 billion) while the remaining balance of Rs 5 billion has been accounted as "Financial Assets Held At Amortised Cost" in the balance sheet of the Bank and will be settled thereafter.

The Bank incorporated a wholly owned subsidiary, Mauritius Investment Corporation Ltd ("MIC") on 02 June 2020. This has resulted in the Bank preparing consolidated financial statements in line with the requirements of International Financial Reporting Standards ("IFRS").

Group Results

The Group consisting of the Bank and its subsidiary, recorded a net loss of Rs 143,368,000 as follows:

	Group 2021
	Rs 000
Bank of Mauritius - Net profits as per section 11(1) of the BOM Act	394,397
MIC – Loss for the year ended 30 June 2021	(537,765)
Net Loss for the Group as at 30 June 2021	**(143,368)**

Assets

Foreign assets of the Bank continued to increase mainly on account of gain on revaluation of foreign currency, Special Drawing Rights (SDR) and Gold and gain on fair valuation of investment.

Domestic assets of the Bank increased mainly due to the investment of Rs 81 billion in the equity of MIC.

Liabilities

The increase in liabilities of the Bank was mainly due to higher balances maintained by Government, commercial banks, MIC and the net issue of Monetary Policy Instruments in relation to the conduct of open market operations.

Capital and Reserves

The Bank increased its capital on 31 July 2020 from Rs 2 billion to Rs 10 billion by a transfer of Rs 8 billion from the Special Reserve Fund so as to strengthen its financial position.

Statement of Responsibilities

The Bank, which acts as the central bank for the Republic of Mauritius, is set up as a body corporate as per section 3(4) of the Act which states that the Companies Act 2001 shall not apply to it.

The Board of Directors has, under section 12 of the Act, been entrusted with the general policy of the affairs and business of the Bank. Responsibility for the day-to-day administration of the Bank has been entrusted, in terms of section 14(3) of the Act, to the two Deputy Governors who shall act under the supervision of the Governor.

The Governor is the principal representative of the Bank and is responsible for the execution of the policy of the Board. Further, he is responsible for the general supervision of the Bank. In the discharge of his functions, the Governor is answerable to the Board.

The Board presently consists of the Governor as Chairperson, two Deputy Governors and six other Directors. The Act provides for not less than five but not more than seven other Directors. The Governor and Deputy Governors are appointed by the President of the Republic of Mauritius, on the recommendation of the Prime Minister and may hold office for a term not exceeding five years and are eligible for re-appointment. The Minister of Finance appoints the other Directors who may hold office for a term not exceeding three years. They are eligible for re-appointment at the end of their term of office.

The Bank is responsible for the preparation and fair presentation of the financial statements in conformity with accounting principles applicable to central banks and best international practices in accordance with section 31(1) of the Act and the implementation of an internal control structure to maintain the reliability of the financial statements and to provide reasonable but not absolute assurance against the possibility of errors and irregularities that are material to the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF BANK OF MAURITIUS

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Bank of Mauritius (the "Bank"), which comprise the consolidated and separate statements of financial position as at 30 June 2021 and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies, as set out on pages 112 to 177.

In our opinion, these consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Bank of Mauritius as at 30 June 2021, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the requirements of the Bank of Mauritius Act 2004.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the consolidated and separate Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Overview, but does not include the consolidated and separate financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate 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 and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards in conformity with the accounting principles applicable to central banks and best international practices pursuant to section 31(1) of the Bank of Mauritius Act 2004, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Bank'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 it is intended for the Bank to cease operations as per the provisions of the Bank of Mauritius Act 2004.

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF BANK OF MAURITIUS

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 ISAs 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 and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 Bank'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 and separate 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 Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 the directors 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.

KPMG

KPMG
Ebène, Mauritius

27 October 2021

John Chung, BSc, FCA
Licensed by FRC

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	GROUP 2021 Rs 000	BANK 2021 Rs 000	BANK 2020 Rs 000
ASSETS				
Foreign Assets				
Cash and Cash Equivalents	6	**72,959,640**	**72,959,640**	50,703,268
Gold Deposits	7	**29,951,475**	**29,951,475**	28,532,838
Financial Assets held at Fair Value Through Other Comprehensive Income	8	**61,322,898**	**61,322,898**	99,848,785
Financial Assets held at Fair Value Through Profit or Loss	9(i)	**149,457,294**	**149,457,294**	109,864,541
		313,691,307	**313,691,307**	288,949,432
Domestic Assets				
Financial Assets held at Amortised Cost	10	**27,417,238**	**27,422,487**	31,696,330
Equity Investment in Mauritius Investment Corporation Ltd	12	**-**	**1,000,000**	-
Deposit for Acquisition of MIC Shares	13	**-**	**80,000,000**	-
Financial Assets held at Fair Value Through Profit or Loss	9(ii)	**6,160,533**	**-**	-
Investment Properties	14	**2,414,647**	**-**	-
Computer Software	15	**11,181**	**11,181**	21,118
Property, Plant and Equipment	16	**1,769,604**	**1,767,339**	1,797,507
Other Assets	17	**404,760**	**403,052**	316,029
		38,177,963	**110,604,059**	33,830,984
TOTAL ASSETS		**351,869,270**	**424,295,366**	322,780,416
LIABILITIES				
Currency in Circulation	18	**45,706,636**	**45,706,636**	42,331,746
Demand Deposits				
Government		**38,389,110**	**38,389,110**	26,964,259
Banks		**122,782,469**	**122,782,469**	110,215,588
Mauritius Investment Corporation Ltd		**-**	**71,897,819**	-
Others		**1,423,033**	**1,423,033**	1,376,141
		162,594,612	**234,492,431**	138,555,988
Monetary Policy Instruments	19	**114,265,542**	**114,265,542**	79,636,900
Provisions	20	**100,000**	**100,000**	100,000
Employee Benefits	21	**1,320,799**	**1,320,799**	955,401
Other Liabilities	22	**15,365,088**	**15,355,600**	15,899,285
TOTAL LIABILITIES		**339,352,677**	**411,241,008**	277,479,320
CAPITAL AND RESERVES				
Stated and Paid Up Capital	5	**10,000,000**	**10,000,000**	2,000,000
Reserves		**2,516,593**	**3,054,358**	43,301,096
		12,516,593	**13,054,358**	45,301,096
TOTAL LIABILITIES, CAPITAL AND RESERVES		**351,869,270**	**424,295,366**	322,780,416

The financial statements have been approved and authorised for issue by the Board of Directors on 27 October 2021 and signed on its behalf by:

Shardhanand Gopaul
Assistant Director

Hemlata S Sewraj-Gopal
Second Deputy Governor

Harvesh Seegolam
Governor

The notes on pages 118 to 177 form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Note	GROUP 2021	BANK 2021	BANK 2020
Income		**Rs 000**	**Rs 000**	Rs 000
Interest and Similar Income on Financial Assets using EIR	23	**1,733,078**	**1,733,078**	2,674,172
Interest and Similar Income on Financial Assets at Fair Value Through Profit or Loss	24	**2,729,071**	**2,697,684**	2,361,577
Miscellaneous Income	25	**295,289**	**245,315**	348,442
Gain on Revaluation of Foreign Currencies/SDR		**14,621,178**	**14,621,178**	27,250,745
Gain on Revaluation of Gold	7	**1,436,484**	**1,436,484**	8,511,755
Gain/(Loss) on Financial Assets at Fair Value Through Profit or Loss	26	**5,549,474**	**6,145,329**	(313,652)
Total Income		**26,364,574**	**26,879,068**	40,833,039
Expenditure				
Interest Payable and Similar Charges	27	**93,947**	**93,947**	47,362
Staff Salaries and Other Benefits	28	**459,854**	**458,245**	393,992
General Expenditure		**209,536**	**206,709**	240,516
Fees Payable	29	**515,607**	**500,624**	402,324
Coin Issue Expenses		**33,977**	**33,977**	9,687
Note Issue Expenses		**21,119**	**21,119**	8,673
Depreciation and Amortisation	15,16	**102,135**	**100,625**	115,802
Directors' Remuneration	30	**29,546**	**27,204**	31,245
(Reversal of)/Impairment Allowance on Financial Asset	11	**(50,083)**	**(50,083)**	37,273
Other Expenditure	31	**65,395**	**65,395**	68,293
Total Expenditure		**1,481,033**	**1,457,762**	1,355,167
Surplus of Income over Expenditure before Cost of Conducting Monetary Policy		**24,883,541**	**25,421,306**	39,477,872
OPEN MARKET OPERATIONS				
Cost of Conducting Monetary Policy	32	**(2,510,653)**	**(2,510,653)**	(3,673,858)
NET PROFIT FOR THE YEAR		**22,372,888**	**22,910,653**	35,804,014
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to Profit or Loss				
Remeasurements of defined benefit liability	21	**(313,265)**	**(313,265)**	(131,065)
Items that are or may be reclassified subsequently to Profit or Loss				
Financial Assets at FVOCI - net change in fair value		**569,781**	**569,781**	219,892
Financial Assets at FVOCI - reclassified to profit or loss		**(604,394)**	**(604,394)**	(200,969)
TOTAL COMPREHENSIVE INCOME		**22,025,010**	**22,562,775**	35,691,872

The notes on pages 118 to 177 form an integral part of these financial statements.

STATEMENT OF DISTRIBUTION

FOR THE YEAR ENDED 30 JUNE 2021

	BANK	BANK
	2021	2020
	Rs 000	Rs 000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR AS PER IFRS	**22,562,775**	35,691,872
Transfer to Special Reserve Fund in terms of Section 47(1) of the Bank of Mauritius Act 2004-Gain on Revaluation of Foreign Currency and SDR	**(14,621,178)**	(27,250,745)
Transfer to Special Reserve Fund in terms of Section 47(1) of the Bank of Mauritius Act 2004-Gain on Revaluation of Gold	**(1,436,484)**	(8,511,755)
Transfer (to)/from Special Reserve Fund in terms of Section 47(1A) of the Bank of Mauritius Act 2004-(Gain)/Loss on financial assets at FVTPL	**(6,145,329)**	313,652
Transfer to Special Reserve Fund in terms of Section 47(1A) of the Bank of Mauritius Act 2004-Gain on financial assets at FVOCI	**34,613**	(18,923)
NET PROFIT FOR THE YEAR IN TERMS OF SECTION 11 (1) OF THE BANK OF MAURITIUS ACT 2004	**394,397**	224,101
Transfer to General Reserve Fund in terms of section 11(2) of the Bank of Mauritius Act 2004	**(59,160)**	(33,615)
Transfer to General Reserve Fund in terms of section 11(5) of the Bank of Mauritius Act 2004	**(335,237)**	-
BALANCE OF NET PROFITS PAYABLE INTO THE CONSOLIDATED FUND IN TERMS OF SECTION 11(3) OF THE BANK OF MAURITIUS ACT 2004	**-**	190,486

The above Statement of Distribution has been prepared according to the requirements of the Bank of Mauritius Act 2004 and does not form part of the primary statements.

The notes on pages 118 to 177 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

THE GROUP

	Stated and Paid Up Capital	General Reserve Fund	Special Reserve Fund	Retained Earnings (Note 2)	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
At inception of the Group on 1 July 2020	2,000,000	2,736,017	40,565,079	-	45,301,096
Increase in Capital	8,000,000	-	(8,000,000)	-	-
Total Comprehensive Income	-	-	-	22,025,010	22,025,010
Transfer to Special Reserve Fund	-	-	22,168,378	(22,168,378)	-
Transfer to General Reserve Fund (Note1)	-	190,486	-	-	190,486
Transfer to General Reserve Fund	-	394,397	-	(394,397)	-
One-off Contribution to Government	-	(3,000,000)	(52,000,000)	-	(55,000,000)
Balance at 30 June 2021	10,000,000	320,901	2,733,457	(537,765)	12,516,593

Note 1: Following the increase in the Paid Up Capital of the Bank on 31 July 2020, an amount of Rs 190.5 million representing profit for the year ended 30 June 2020, was transferred to the General Reserve Fund as per Section 11(5) of the Bank of Mauritius Act 2004.

Note 2: Retained Earnings of Rs (537.8 million) relates to losses incurred by MIC during its first year of operation.

The notes on pages 118 to 177 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

THE BANK

	Stated and Paid Up Capital	General Reserve Fund	Special Reserve Fund	Comprehensive Income	Total
	Rs 000	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Balance at 1 July 2019	2,000,000	2,702,402	23,097,308	-	27,799,710
Transfer to Government	-	-	(18,000,000)	-	(18,000,000)
Total Comprehensive Income	-	-	-	35,691,872	35,691,872
Transfer to Special Reserve Fund	-	-	35,467,771	(35,467,771)	-
Transfer to General Reserve Fund	-	33,615	-	(33,615)	-
Transfer to Consolidated Fund	-	-	-	(190,486)	(190,486)
Balance at 30 June 2020	2,000,000	2,736,017	40,565,079	-	45,301,096
Balance at 1 July 2020	2,000,000	2,736,017	40,565,079	-	45,301,096
Increase in Capital	8,000,000	-	(8,000,000)	-	-
Total Comprehensive Income	-	-	-	22,562,775	22,562,775
Transfer to Special Reserve Fund	-	-	22,168,378	(22,168,378)	-
Transfer to General Reserve Fund (Note 1)	-	190,486	-	-	190,486
Transfer to General Reserve Fund	-	394,397	-	(394,397)	-
One-off Contribution to Government	-	(3,000,000)	(52,000,000)	-	(55,000,000)
Balance at 30 June 2021	10,000,000	320,901	2,733,457	-	13,054,358

Note 1: Following the increase in the Paid up Capital of the Bank on 31 July 2020, an amount of Rs 190.5 million representing profit for the year ended 30 June 2020, was transferred to the General Reserve Fund as per Section 11(5) of the Bank of Mauritius Act 2004.

The notes on pages 118 to 177 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Note	GROUP 2021 Rs 000	BANK 2021 Rs 000	BANK 2020 Rs 000
Cash Flow from Operating Activities				
Interest Received		2,579,488	2,579,488	3,679,886
Interest Paid on Monetary Policy Instruments		(1,896,677)	(1,896,677)	(2,217,313)
Miscellaneous Income		293,868	238,393	346,737
Staff Salaries and Other Benefits		(406,112)	(406,112)	(371,643)
General Expenditure		(219,185)	(206,710)	(240,516)
Fees Payable		(318,494)	(318,494)	(287,305)
Notes and Coin Issue		(55,096)	(55,096)	(18,359)
Other Expenditure		(225,993)	(225,993)	(205,706)
Net cash flow from operating activities before changes in operating assets and liabilities		(248,201)	(291,201)	685,781
Net (increase)/decrease in operating assets				
Financial Assets held at Amortised Cost		4,347,111	4,347,111	(11,529,516)
Other Assets		(87,024)	(87,024)	(17,541)
Net increase/(decrease) in operating liabilities				
Government Deposits		11,424,852	11,424,852	23,858,895
Bank Deposits		12,566,881	12,566,881	40,553,316
Mauritius Investment Corporation Ltd Deposits		-	71,897,819	-
Other Deposits		46,882	46,892	286,866
Other Liabilities		403,364	403,364	(68,188)
Net Cash Flow from Operating Activities		28,453,865	100,308,694	53,769,613
Cash Flows from Investing Activities				
Additions to Financial Assets at FVOCI		(91,197,563)	(91,197,563)	(73,110,258)
Disposals of Financial Assets at FVOCI		136,167,010	136,167,010	68,793,084
Additions to Financial Assets at FVTPL		(52,007,824)	(45,282,824)	(20,265)
Disposals of Financial Assets at FVTPL		21,620,710	21,620,710	-
Purchase of Domestic Securities		-	-	(15,000,000)
Additions to Monetary Policy Instruments		101,705,833	101,705,833	146,296,578
Disposals of Monetary Policy Instruments		(67,691,175)	(67,691,175)	(183,815,300)
Investment in Subsidiary		-	(81,000,000)	-
Acquisition of Investment Properties and Other Assets		(2,416,395)	-	-
Purchase of PPE and Intangibles		(64,299)	(60,523)	(52,244)
Proceeds from Sale of PPE		902	902	67
Dividend Received		24,800	24,800	20,518
Net cash flow from investing activities		46,141,999	(25,712,830)	(56,887,820)
Cash Flows from Financing Activities				
Currency in Circulation		3,374,890	3,374,890	5,916,014
Loans from Foreign institutions		8,259,110	8,259,110	9,659,005
Repayment of Loans from Foreign Institutions		(9,533,423)	(9,533,423)	-
Transfer to Government		(60,000,000)	(60,000,000)	(18,000,000)
Profit Paid to Government		-	-	(71,249)
Net Cash Flow from Financing Activities		(57,899,423)	(57,899,423)	(2,496,230)
Net Cash Flow		16,696,441	16,696,441	(5,614,437)
Effect of Exchange Rate Fluctuations on Cash and Cash Equivalents		5,559,931	5,559,931	3,301,845
Net increase in Cash and Cash Equivalents		22,256,372	22,256,372	(2,312,592)
Cash and Cash Equivalents at beginning of year		50,703,268	50,703,268	53,015,860
Cash and Cash Equivalents at end of year	6	72,959,640	72,959,640	50,703,268

The notes on pages 118 to 177 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. LEGAL FRAMEWORK

Bank of Mauritius (the "Bank")

In terms of section 4(2)(c) of the Bank of Mauritius Act 2004 (the "Act"), the Bank is established to act as the central bank for the Republic of Mauritius. Its main place of business is at Sir William Newton Street, Port Louis, and it operates an office in Rodrigues. The Bank is an independent institution with its own legal personality and submits, in accordance with section 32(3) of the Act, a copy of its audited financial statements to the Minister who lays a copy thereof before the National Assembly.

The primary objective of the Bank is to maintain price stability and to promote orderly and balanced economic development.

To attain these objectives, the Bank's principal functions are to:

- conduct monetary policy and manage the exchange rate of the Mauritian Rupee, taking into account the orderly and balanced economic development of Mauritius;
- regulate and supervise financial institutions carrying on activities in, or from within, Mauritius;
- manage, in collaboration with other relevant supervisory and regulatory bodies, the clearing, payment and settlement systems of Mauritius;
- collect, compile and disseminate, on a timely basis, monetary and related financial statistics; and
- manage the foreign exchange reserves of Mauritius.

Under section 10 of the Act, the stated and paid up capital of the Bank shall be not less than one billion rupees and shall be subscribed and held solely by the Government of Mauritius. Further, the amount paid as capital of the Bank may be increased from time to time by transfer from the General Reserve Fund or the Special Reserve Fund of such amounts as the Board may, with the approval of the Minister, resolve. The capital was increased to Rs 2 billion in November 2011 and to Rs 10 billion in July 2020 in terms of Section 47 (5)(a) of the Act.

Under section 11(2) of the Act, the Bank shall establish a General Reserve Fund to which shall be allocated, at the end of every financial year of the Bank, 15 per cent of the net profits of the Bank.

Under section 11(3) of the Act, the balance of the net profits for the financial year remaining after the allocation made under subsection 11(2) shall, subject to subsection 11(4), be paid into the Consolidated Fund as soon as practicable after the end of every financial year.

Section 11(4) of the Act provides that subject to subsection 11(5), the balance in the General Reserve Fund shall be at least equivalent to the amount paid as capital of the Bank. Under section 11(5) of the Act, where, at any time, the balance in the General Reserve Fund is less than the amount paid as capital of the Bank, the Bank shall endeavour to bring the balance to the required level.

Consequently, following the increase in capital of the Bank on 31 July 2020, the amount of Rs 190,487,100 was transferred to the General Reserve Fund on 24 November 2020.

In terms of Section 35(1) of the Act the Bank has the sole right to issue Mauritius currency notes, coins and digital currency.

The Mauritius Investment Corporation Ltd

The Bank incorporated, under the Mauritius Companies Act, a wholly owned subsidiary, Mauritius Investment Corporation Ltd, on 2 June 2020. As a result, with effect from financial year ended 30 June 2021, consolidated financial statements are being presented.

2. BASIS OF PREPARATION

(a) Statement of Compliance

In terms of section 31(1) of the Act, the accounting of the Bank shall, at all times be carried out in conformity with accounting principles applicable to central banks and best international practices. In line with best practices, the Group and the Bank have prepared their financial statements in accordance with International Financial Reporting Standards ("IFRS").

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

The financial statements include the consolidated financial statements of the parent, Bank of Mauritius, and its subsidiary (together the "Group") and the separate financial statements of the parent (the "Bank").

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss and financial instruments at fair value through other comprehensive income are measured at fair value; and
- the liability for defined benefit obligations is recognised as the fair value of plan assets less the present value of the defined benefit obligations.

(c) Functional and Presentation Currency

Functional currency is the currency of the primary economic environment in which the Group and the Bank operate. When indicators of the primary economic environment are mixed, management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. Management has determined that the functional currency of the Bank is Mauritian Rupees ("Rs").

These financial statements are presented in Mauritian Rupee ("Rs"), rounded to the nearest thousand rupees, which is the Bank's functional currency.

The presentation currency of the Group is Mauritian Rupee ("Rs"), rounded to the nearest thousand rupees.

(d) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these financial statements are described in Note 4.

2. BASIS OF PREPARATION (CONTINUED)

(e) Application of New and Revised International Financial Reporting Standards (IFRS)

New standards and interpretations not yet effective

At the date of authorisation of the financial statements of the Group and the Bank for the year ended 30 June 2021, the following relevant Standards and Interpretations were in issue but not yet effective:

Standard/Interpretation		Date Issued by IASB	Effective Date Periods Beginning On or After
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments	Interest Rate Benchmark Reform – Phase 2	August 2020	1 January 2021
IFRS 3 amendment	Reference to the Conceptual Framework	May 2020	1 January 2022
IAS 1 amendment	Classification of liabilities as current or non-current	January 2020	1 January 2023
IAS 8 amendment	Definition of Accounting Estimates	February 2021	1 January 2023
IAS 1 and IFRS Practice Statement 2 amendment	Disclosure Initiative: Accounting Policies	February 2021	1 January 2023
IFRS 1, IFRS 9, IFRS 16 and IAS 41 amendments	Annual Improvements to IFRS Standards (2018 – 2020)	May 2020	1 January 2022

All Standards and Interpretations will be adopted at their effective date.

2. BASIS OF PREPARATION (CONTINUED)

(e) Application of New and Revised International Financial Reporting Standards (IFRS) (continued)

New standards and interpretations not yet effective (continued)

The Group and the Bank are of the opinion that the impact of the application of the Standards and Interpretations will be as follows.

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

Amendments to IFRS 9, IAS 39 and IFRS 7 have now been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform.

The amendments are effective from 1 January 2021. Early application is permitted.

The Group and the Bank are in the process of assessing the impact of this standard on the Bank's financial statements.

Amendments to References to Conceptual Framework in IFRS Standards

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

Although this is expected to be rare, some entities may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, entities should review those policies and apply the new guidance retrospectively as of the effective date, unless the new guidance contains specific scope outs.

The Group and the Bank are in the process of assessing the impact of this standard on the Bank's financial statements.

2. BASIS OF PREPARATION (CONTINUED)

(e) Application of New and Revised International Financial Reporting Standards (IFRS) (continued)

New standards and interpretations not yet effective (continued)

Classification of liabilities as current or non-current (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.

The amendments are to be applied retrospectively from the effective date.

The Group and the Bank are in the process of assessing the impact of this standard on the Group and the Bank's financial statements.

Definition of accounting estimates (Amendments to IAS 8)

Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively.

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:
- The definition of a change in accounting estimates is replaced with a definition of accounting estimates.
- Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- The Board clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The effects of changes in inputs and/or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the Group and the Bank apply the amendments.

The Group and the Bank are in the process of assessing the impact of this standard on the Group and the Bank's financial statements.

2. BASIS OF PREPARATION (CONTINUED)

(e) Application of New and Revised International Financial Reporting Standards (IFRS) (continued)

New standards and interpretations not yet effective (continued)

Disclosure Initiative: Accounting Policies **(Amendments to IAS 1 and IFRS Practice Statement 2)**

Making information in financial statements more relevant and less cluttered has been one of the key focus areas for the International Accounting Standards Board (the Board).

The Board has issued amendments to IAS 1 *Presentation of Financial Statements* and an update to IFRS Practice Statement 2 *Making Materiality Judgements* to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed;
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to the Group and the Bank's financial statements;
- accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material.

The Group and the Bank are in the process of assessing the impact of this standard on the Group and the Bank's financial statements.

2. BASIS OF PREPARATION (CONTINUED)

(e) Application of New and Revised International Financial Reporting Standards (IFRS) (Continued)

New standards and interpretations not yet effective (continued)

Annual Improvements to IFRS Standards 2018-2020

Standard/Interpretation	Amendment	Impact
IFRS 1 First-time Adoption of International Financial Reporting Standards	The amendment permits a subsidiary (as a first-time adopter of IFRS that applies IFRS later than its parent) that applies IFRS 1.D16(a) to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.	Not applicable for the Group and the Bank
IFRS 9 Financial Instruments	The amendment clarifies that for the purpose of performing the "10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.	The Group and the Bank are in the process of assessing the impact of this standard on the Group and the Bank's financial statements.
IFRS 16 Leases	The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.	Not material to the Group and the Bank

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted.

3. ACCOUNTING POLICIES

The accounting policies adopted by the Group and the Bank are set out below. The terms Group and Bank are used interchangeably and applicable to either the Group and the Bank or both depending on the nature of the accounting policies and/or the notes that are disclosed.

(a) Basis of Consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the entity acquired, the difference is recognised directly in profit or loss. Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, previously held identifiable assets, liabilities and contingent liabilities of the acquired entity are revalued to their fair value at the date of acquisition, being the date at which the Group achieves control of the acquired entity. Further the equity interest previously held by the Group is re-measured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

Initial estimates of consideration transferred and fair values of assets acquired and liabilities assumed are finalised within twelve months after the date of acquisition and any adjustments are accounted for as retroactive adjustments to goodwill. Beyond this twelve-month period, any adjustment is directly recognised in the statement of profit or loss and other comprehensive income.

When the consideration transferred by the Group in the business combination included assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The subsequent accounting for changes in the fair value of the contingent consideration depends on how the contingent consideration is classified. Contingent consideration that is qualified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group '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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

3. ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Consolidation (Continued)

(ii) Subsidiaries (continued)

Investment in subsidiary in the separate financial statements of the Bank is carried at cost, net of any impairment. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is recognised in profit or loss. Upon disposal of the investment, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated.

(b) Financial Instruments

Classification

The Group and the Bank initially recognise loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group and the Bank become a party to the contractual provisions of the instrument.

IFRS 9 classification is based on two aspects; the business model within which the asset is held (the business model test) and the contractual cash flows of the asset which meet the solely payments of principal and interest (SPPI) test.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The Group and the Bank determine the classification at initial recognition.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

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

All other financial assets are classified at FVTPL.

On initial recognition of an equity investment that is not held for trading, the Group and the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment by investment basis. The Group and the Bank classify all equity investments as financial assets at FVTPL.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (Continued)

Classification (continued)

In addition, on initial recognition, the Group and the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group and the Bank make an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group and the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL, because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Solely Payments of principal and interest (SPPI)

Under IFRS 9, the SPPI test requires that the contractual terms of the financial asset (as a whole) give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding i.e. cash flows that are consistent with a basic lending arrangement.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. Liquidity risks and administrative cost), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group and the Bank consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would meet this condition. In making the assessment, the Group and the Bank consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group and the Bank's claim to cash flows from specified assets (e.g. Non-recourse arrangement); and
- features that modify consideration of the time value of money-e.g. periodical reset of interest rates.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (Continued)

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within both a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to the expected credit loss requirements. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group and the Bank include in this category:

- Cash and cash equivalents
- Short term deposits meeting the definition of cash and cash equivalents
- Loans in foreign currency
- Loans in local currency
- Cash deposits
- Government securities
- Staff loans
- Other receivables

Financial assets at fair value through Other Comprehensive Income (OCI) (debt instruments)

The Group and the Bank measure a debt instrument at fair value through OCI if both of the following conditions are met and if the instrument is not designated as at FVTPL:

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group and the Bank's debt instruments at fair value through OCI includes quoted debt instruments under its internally managed portfolio.

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

A financial asset is measured at fair value through profit or loss if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- It is classified as financial asset held for trading for the purpose of selling or repurchasing in the near term; or
- At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (Continued)

Financial assets measured at fair value through profit or loss (FVTPL) (continued)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group and the Bank include in this category:

- equity instruments in unquoted investments
- foreign investments managed by external fund managers designated at FVTPL
- gold deposits
- secured redeemable convertible bonds

Initial recognition of financial assets: classification and measurement

Financial assets are initially measured at their fair value. Except in the case of financial assets recorded at fair value, transaction costs that are directly attributable to the acquisition of financial assets are added to, or subtracted from, this amount. The Group and the Bank's policy is to use settlement date accounting for the recognition of purchases and sales of trading investments. The Group and the Bank recognise an asset on the day it is received. The Group and the Bank derecognise an asset and recognise any gain or loss on disposal on the day that it is delivered.

Subsequent measurement of financial assets

Effective interest rate

Under IFRS 9, interest income is recorded using the effective interest method on all financial instruments measured at amortised cost and on interest bearing financial assets measured at FVOCI. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

Subsequent to initial recognition, financial assets are either measured at amortised cost or at fair value.

The Group and the Bank classify its financial assets as subsequently measured under the following classification categories on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through other comprehensive income ("FVOCI") with recycling of cumulative gains and losses (debt instruments)
- Fair value through profit or loss ("FVTPL")

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (Continued)

Financial liabilities – Classification, subsequent measurement and gains and losses (continued)

The Group and the Bank include in this category:

- currency in circulation
- demand deposits
- monetary policy instruments
- loans from foreign counterparties
- abandoned funds
- special drawing rights (SDR)
- other deposits
- interest and other payables

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group and the Bank's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Bank have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Bank have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Bank have transferred their rights to receive cash flows from an asset or has entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Bank continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Bank also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Bank have retained. Examples of such transactions are securities lending, sale-and-repurchase transactions and gold swaps.

Sale-and-repurchase agreements (repos) are transactions in which the Group and the Bank sell a security and simultaneously agree to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. The Group and the Bank continue to recognise the securities in their entirety in the statement of financial position because they retain substantially all of the risks and rewards of ownership. The cash consideration received is recognised as a financial asset and a financial liability is recognised for the obligation to pay the repurchase price. Because the Group and the Bank sell the contractual rights to the cash flows of the securities, they do not have the ability to use the transferred assets during the term of the arrangement.

Securities lending agreements are transactions in which the Group and the Bank lend securities and receives cash as collateral. The Group and the Bank continue to recognise the securities in their entirety in the statement of financial position because they retain substantially all of the risks and rewards of ownership. The cash received is recognised as a financial asset and a financial liability is recognised for the obligation to repay it. Because as part of the lending arrangement the Group and the Bank sell the contractual rights to the cash flows of the securities, they do not have the ability to use the transferred assets during the term of the arrangement.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (Continued)

Derecognition (continued)

Gold swaps are transactions in which the Group and the Bank sell gold and simultaneously agree to repurchase it at a fixed price on a future date. In all cases, the Group and the Bank retain substantially all of the risks and rewards of ownership. Therefore, the Group and the Bank continue to recognise the transferred gold in its statement of financial position. The cash received is recognised as a financial asset and a corresponding liability is recognised. The Group and the Bank do not separately recognise swap that prevents derecognition of the gold as a derivative because doing so would result in recognising the same rights and obligations twice. Because the Group and the Bank sell the contractual rights to the cash flows of the gold, they do not have the ability to use the transferred assets during the term of the arrangement.

A financial liability is derecognised when its contractual obligations are discharged or cancelled or expire.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group and the Bank change their business model for managing financial assets.

Impairment of financial assets

The Group and the Bank recognise an allowance for expected credit losses (ECLs) on all of the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments measured at amortised cost and FVOCI
- Loan commitments and financial guarantee contracts issued

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 and the Bank expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, an impairment allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Definition of default

For internal credit risk management purposes, the Group and the Bank consider a financial asset in default and therefore Stage 3 (credit-impaired) for ECL calculations in accordance with the contractual terms of the financial asset.

For foreign investment assets and domestic loans:

- A missed or delayed disbursement of a contractually-obligated interest or principal payment as defined in credit agreements and indentures;
- A bankruptcy filing or legal receivership by the debt issuer or obligor that will likely cause a miss or delay in future contractually-obligated debt service payments;

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (Continued)

Impairment of financial assets (Continued)

Definition of default (continued)

- A distressed exchange whereby:
  1) an issuer offers creditors new or restructured debt, or a new package of securities, cash or assets, that amount to a diminished value relative to the debt obligation's original promise and
  2) the exchange has the effect of allowing the issuer to avoid a likely eventual default;
- A change in the payment terms of a credit agreement or indenture imposed by the sovereign that results in a diminished financial obligation, such as a forced currency or re-denomination (imposed by the debtor, or the debtor's sovereign) or a forced change in some other aspect of the original promise, such as indexation or maturity.

If any of those criteria are met, the asset is moved to stage 3.

The Group and the Bank consider treasury and interbank balances in default when the required intraday payments are not settled by the close of business, as outlined in the individual agreements.

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group and the Bank compare the risk of a default occurring on the financial asset as at the reporting date with the risk as at the date of initial recognition. The Group and the Bank consider many factors when assessing a financial asset for a significant increase in credit risk, including:

- an actual or expected significant deterioration in the financial asset's credit rating;
- significant deterioration in external market indicators of credit risk for a financial asset (e.g., a significant increase in the credit spread, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost);
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the counterparty's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the counterparty;
- significant increases in credit risk on other financial instruments of the same counterparty; or an actual or expected significant adverse change in the regulatory, economic or technological environment of the counterparty that results in a significant decrease in the counterparty's ability to meet its debt obligations.

For foreign investment, the Group and the Bank consider that there has been a significant increase in credit risk when:

- If the rating of the financial asset is 'investment grade' at initial recognition, a significant increase in credit risk is identified if it downgrades to 'speculative grade'. The financial asset will be moved to stage 2.
- If the rating of the financial asset is 'speculative grade' at initial recognition, an increase in credit risk is identified if there is a one notch downgrade in credit rating. The financial asset will be moved to stage 2.

The Group and the Bank consider that the asset has cured: if the asset moves one notch upwards in credit rating after being downgraded, then the Group and the Bank would monitor the coupon payments due in the year. If no coupon payments are missed, then they would move the financial asset back to stage 1.

If the asset's credit rating does not move after being moved to stage 2, then the Group and the Bank would need to obtain the next twelve coupon payments for asset with quarterly coupon payments, the next six coupon payments for asset with semi-annual coupon payments, the next three coupon payments for assets with yearly coupon payments before moving the asset back to stage 1.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (Continued)

Impairment of financial assets (Continued)

Inputs into measurement of ECLs

The key inputs into the measurement of ECL are the term structures of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

PD are estimates at a certain date that are based on a mix of internally compiled data, rating agency outputs and expert judgement, comprising both quantitative and qualitative factors.

LGD is the estimated percentage of exposure that will be lost at the time of default.

EAD represents the amount of exposure that the Group and the Bank are exposed to if there is a default.

Forward looking information

In its ECL models, the Group and the Bank rely on credit ratings from credit rating agencies (Standard & Poor's (S&P), Moody's, Fitch Group) and the Bloomberg indices rating on global fixed income for the probability of default component. Credit ratings are a tool, among others, that investors can use when making decisions about purchasing bonds and other fixed income investments. They express independent opinions on creditworthiness, using a common terminology that may help investors make more informed investment decisions.

As part of their ratings analysis, the external credit agencies evaluate current and historical information and also assess the potential impact of a broad range of forward looking information, such as:

- Industry specific risk and broad economic factors that may affect the business cycle
- Key performance indicators
- Economic, regulatory and geopolitical influences
- Management and corporate governance attributes
- Competitive position.

Additionally, for Sovereign or national government, the analysis may take into consideration:

- Fiscal and Economic performance
- Monetary Stability
- Effectiveness of the Government's institutions.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments when such differences are significantly material.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group and the Bank currently have a legally enforceable right to offset the amounts and intend either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (Continued)

Fair Value Measurement Principles

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group and the Bank have access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group and the Bank measure the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group and the Bank use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group and the Bank determine that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation wholly supported by observable market data or the transaction is closed out.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Group and the Bank recognise transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Gold Deposits

Gold Deposits are held by the Group and the Bank for reserve management purposes. IFRS 9 excludes from its scope gold deposits and therefore *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors,* has been considered to assess the most appropriate accounting standard for the gold deposits. Accordingly, the Group and the Bank have considered IFRS 9 to be the most appropriate accounting standard for gold deposits. The gold deposits do not meet the SPPI test as prescribed in IFRS 9 and are hence classified at fair value through profit or loss. Accordingly, all gains and losses on revaluation of gold are recognised in profit or loss. Gold is valued at the price ruling on the international market.

Gains and Losses on Subsequent Measurement

Gains or losses on FVTPL financial assets and financial liabilities arising from changes in their fair value are recognised in profit or loss in the period in which they arise. For those financial instruments carried at amortised cost and FVOCI gains or losses are recognised in profit or loss when the financial instrument is de-recognised or impaired and through the amortisation process on the reporting date.

Bank of Mauritius Securities

Monetary Policy Instruments comprise of Bank of Mauritius Securities which are issued for liquidity management and are measured at amortised cost.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (Continued)

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances with other financial institutions and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents are measured at amortised cost. The Group and the Bank have elected to present the statement of cash flows using the direct method.

(c) Computer Software

Under IAS 38 Intangible assets, Computer Software which does not form an integral part of computer hardware, is classified as an intangible asset. Intangible assets are stated at cost, net of accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis at the rate of 33 1/3% per annum so as to write off the depreciable value of the assets over their estimated useful lives. A full year of amortisation is charged in the year of purchase. Amortisation methods, useful lives and residual values if not insignificant, are reviewed at each reporting date and adjusted as appropriate.

(d) Property, Plant and Equipment

Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant or equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within miscellaneous income in profit or loss.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group and the Bank. Ongoing repairs and maintenance are expensed as incurred.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives (except for motor vehicles which are depreciated as stated below), and is recognised in profit or loss. Freehold land and capital work in progress are not depreciated.

Depreciation is provided at the following annual percentage rates:

Buildings	-	2%
Furniture, Equipment, Fixtures and Fittings	-	10%
Computer Equipment, Cellular Phones and ICT Systems	-	33 1/3%
Motor Vehicles	-	40% for 1st year then 20% for each of the three subsequent years

Depreciation methods, useful lives and residual values if not insignificant, are reviewed at each reporting date and adjusted as appropriate.

3. ACCOUNTING POLICIES (CONTINUED)

(e) Inventories

Inventories are valued at the lower of cost and net realisable value. The costs of inventories are based on a first-in-first-out (FIFO) principle and include all expenditure incurred in acquiring the inventories and in bringing them to their existing location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated selling expenses. Inventories include Industrial Gold, Dodo Gold Coins, Gold Bars and Silver Coins which are sold to the public.

(f) Currency in Circulation

Notes and coins issued represent an unserviced liability of the Group and the Bank and are recorded at face value. The costs of minting coins are amortised in the profit and loss account over three years while that of printing banknotes are amortised over two years.

The Group and the Bank also issue a range of Mauritius commemorative coins. All costs associated with the production of these numismatic coins are expensed in profit or loss when incurred.

(g) Employee Benefits

Defined Benefit Pension Plan

The Group and the Bank's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary. Currently, the Group and the Bank employ the State Insurance Company of Mauritius Ltd as their actuary. When the calculation results in a potential asset for the Group and the Bank, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group and the Bank determine the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in "Staff Salaries and Other Benefits" in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group and the Bank recognise gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Bank have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3. ACCOUNTING POLICIES (CONTINUED)

(g) Employee Benefits (Continued)

Termination Benefits

Termination benefits are expensed when the Group and the Bank can no longer withdraw the offer of those benefits. If benefits are not expected to be settled wholly within 12 months at the end of the reporting period, then they are discounted.

State Pension Plan

Contribution to the National Pension Scheme is expensed to profit or loss in the period in which it falls due. Since September 2020, the Group and the Bank contribute to the Contribution Sociale Generalisee payable by their staff and is included in the item Staff Salaries and Other Benefits.

(h) Income and Expenditure Recognition

Income and Expenditure are recognised as they are earned or incurred and are recorded in the financial statements on an accruals basis to accurately reflect the period to which they relate.

Dividend income from equity investments is accounted for in profit or loss as “Interest and Similar Income” when the right to receive payment is determined.

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the gross carrying amount of the financial asset or liability.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest and similar income and expense presented in the statement of profit or loss and other comprehensive income include:

- interest on financial assets and liabilities measured at amortised cost calculated on an effective interest basis;
- negative interest paid on certain cash accounts;
- realised gains/losses on debt instruments at fair value through other comprehensive income;
- dividend income on financial assets at fair value through profit or loss.

The cost of conducting monetary policy represents the interest expense/finance cost of the Group and the Bank measured using the effective interest rate.

The gain or loss on revaluation of foreign currencies and Special Drawing Rights (SDR) arise on the foreign assets comprising of cash and cash equivalents and financial assets held at fair value.

(i) Foreign Currencies

Transactions in foreign currencies are recorded in Mauritian Rupees using the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated in Mauritian Rupees using the rate of exchange ruling at the reporting date. Foreign exchange differences arising on translation are included in profit or loss in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates).

3. ACCOUNTING POLICIES (CONTINUED)

(i) Foreign Currencies (continued)

However, for the purpose of determining the net profits of the Group and the Bank in terms of section 11 of the Bank of Mauritius Act 2004, foreign exchange differences are excluded in accordance with section 47(2) of the Act. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transactions.

(j) Impairment of non-financial assets

The carrying amounts of the Group and the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Provisions

Provisions are recognised when the Group and the Bank have a present obligation as a result of a past event, and it is probable that the Group and the Bank will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by the Group and the Bank through their best estimate of the expenditure required to settle the obligation at the reporting date. These are calculated by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(l) Short-term leases and leases of low-value assets

The Group and the Bank have elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group and the Bank recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(m) Investment Property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss within miscellaneous income.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

4. USES OF ESTIMATES AND JUDGEMENT

The preparation of financial statements in accordance with IFRS requires management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

Particular areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Determining Fair Values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 3(b). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Employee Benefits

The present value of the employee benefits, depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the employee benefit obligations.

One of the main assumptions used in determining the net cost or income for employee benefits is the discount rate. The Group and the Bank determine 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 employee benefit obligations.

In determining the appropriate discount rate, the Group and the Bank consider the interest rates of high-quality corporate bonds or its equivalent 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 liability. Details of the defined benefit obligation are disclosed in Note 21.

Calculation of Expected Credit Loss

Impairment under IFRS 9 adopts a staging approach, with stage 1 representing the lowest credit risk and stage 3 the highest. When a new asset is originated it is classified in stage 1 (normal origination). Moving from stage 1 to stage 2 is a judgement, and is based on management defined criteria of whether there is a significant increase in credit risk. Given the impact of ECL on the Group and the Bank's financial statements, this is not considered to be a significant judgement.

When measuring ECL, the Group and the Bank use reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how the drivers will affect each other as described in detail in Note 3(b).

4. USES OF ESTIMATES AND JUDGEMENT (CONTINUED)

Calculation of Expected Credit Loss (Continued)

Probability of default ("PD") is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions as described in detail in Note 3(b).

Loss given default ("LGD") is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group and the Bank would expect to receive, taking into account cash flows from credit enhancements.

Actual loss experience may differ from changes in estimated forward looking information and economic drivers.

5. CAPITAL AND RESERVES

Stated and Paid up Capital

The stated and paid up capital of the Bank is Rs 10 billion in accordance with section 10(4) of the Bank of Mauritius Act 2004. All amounts paid as Capital are subscribed and held solely by the Government of Mauritius (refer to Note 1).

General Reserve Fund

The General Reserve Fund is a reserve fund created in accordance with section 11(2) of the Bank of Mauritius Act 2004 (refer to Note 1). The General Reserve Fund was used to write off an amount of Rs 3 billion of the One-off contribution of Rs 60 billion to Government during the year.

Special Reserve Fund

In terms of section 47(1) of the Bank of Mauritius Act 2004, the Special Reserve Fund is a reserve built up from any net realised gains or losses in any financial year of the Bank arising from changes in the valuation of its assets or liabilities in, or denominated in gold, SDR, or foreign currencies subsequent to any change in the values or exchange rates of gold, SDR, or foreign currencies in terms of the domestic currency.

Section 47(1A) of the Bank of Mauritius Act 2004 introduced in December 2011 provides that any unrealised gains or losses of the Bank in any financial year arising from changes in the valuation of investments held by the Bank shall be credited to or debited from the Special Reserve Fund.

As per section 47(2) of the Bank of Mauritius Act 2004, neither net gains nor net losses in any financial year of the Bank arising from changes in the valuation of its assets or liabilities in, or denominated in gold, Special Drawing Rights, or foreign currencies shall be included in the computation of annual income of the Bank.

The Bank increased its capital on 31 July 2020 from Rs 2 billion to Rs 10 billion by a transfer of Rs 8 billion from the Special Reserve Fund. The Special Reserve Fund was also used to write off an amount of Rs 52 billion of the One-off contribution of Rs 60 billion to Government during the year.

6. CASH AND CASH EQUIVALENTS

	GROUP	BANK	BANK
	2021	2021	2020
	Rs 000	Rs 000	Rs 000
Current Accounts	11,070,409	11,070,409	5,985,789
Short Term Deposits	56,396,048	56,396,048	39,703,348
Special Drawing Rights (“SDR”)	5,484,796	5,484,796	5,005,949
Foreign Currency Notes	8,387	8,387	8,182
	72,959,640	72,959,640	50,703,268

7. GOLD DEPOSITS

	GROUP	BANK	BANK
	2021	2021	2020
	Rs 000	Rs 000	Rs 000
Opening Balance	28,532,838	28,532,838	20,010,473
Adjustment for Prior Year Interest	(12,115)	(12,115)	(5,623)
(Disposal)/Addition during the year	(8,257)	(8,257)	4,118
Interest Receivable	2,525	2,525	12,115
Gain on Revaluation	1,436,484	1,436,484	8,511,755
Closing Balance	29,951,475	29,951,475	28,532,838

Gold deposits represent allocated gold bars in storage and on deposits.

8. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	GROUP	BANK	BANK
	2021	2021	2020
	Rs 000	Rs 000	Rs 000
Foreign Investments	61,334,323	61,334,323	99,907,566
Impairment Allowance	(11,425)	(11,425)	(58,781)
	61,322,898	61,322,898	99,848,785

Foreign Investments at FVOCI represent mainly fixed income securities. During the year fixed income securities were disposed to invest in funds with external fund managers (Note 9).

9. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Foreign Assets

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Foreign Investments	**147,834,760**	**147,834,760**	108,509,938
Equity Investments	**1,622,534**	**1,622,534**	1,354,603
	149,457,294	**149,457,294**	109,864,541

Foreign Investments include funds entrusted to external fund managers and investment in foreign currency denominated securities and bonds. Equity investments represent shares in unquoted institutions, and these have been valued on the basis of their latest net asset value.

(ii) Domestic Assets

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
At start of the period	**-**	**-**	-
Additions during the period	**6,756,387**	**-**	-
Net decrease in fair value of financial assets at FVTPL	**(595,854)**	**-**	-
At end of the period	**6,160,533**	**-**	-

Financial Assets at Fair Value through Profit or Loss include investments made by the MIC in Secured Redeemable Convertible Bonds of systemically important corporations or companies in Mauritius which have been financially impacted as a result of the COVID-19 pandemic. These investments have been made by MIC to safeguard the national economic and social stability and to protect the banking system of Mauritius from any systemic risk resulting from the rippling effects of the COVID-19 pandemic.

10. FINANCIAL ASSETS HELD AT AMORTISED COST

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Loans in Foreign Currency	**-**	**-**	12,085,773
Loans in Local Currency	**7,121,402**	**7,121,402**	4,114,114
Government Securities	**15,132,534**	**15,132,534**	15,344,240
One-off contribution*	**5,000,000**	**5,000,000**	-
Staff Loans	**98,402**	**98,402**	105,531
Others	**37,239**	**42,488**	33,775
Net Balances due in Clearing	**27,751**	**27,751**	15,713
Impairment Allowance	**(90)**	**(90)**	(2,816)
	27,417,238	**27,422,487**	31,696,330

*Out of the One-off Contribution of Rs 60 billion to Government, Rs 55 billion has been written off to reserves, while the remaining Rs 5 billion has been accounted as “Financial Assets Held At Amortised Cost” and will be settled thereafter.

Loans in foreign and local currency are granted to banks and other economic operators to support the economic development of the country. These loans are guaranteed/collateralised and are at fixed and variable interest rates. Net balances due in clearing are cheques collected and outstanding at close of business and which were cleared on the next working day.

11. IMPAIRMENT ALLOWANCE ON FINANCIAL ASSETS

THE GROUP AND THE BANK

	Foreign Assets		Domestic Assets	Total
	Stage 1 12-month ECL Collective basis	Stage 2 Lifetime ECL Collective basis	Stage 1 12-month ECL Collective basis	
	Rs 000	Rs 000	Rs 000	Rs 000
Impairment Allowance as at 30 June 2020	**24,397**	**34,385**	**2,816**	**61,598**
Transfer to Stage 1	**34,385**	**(34,385)**	**-**	**-**
Changes to Risk Parameters and FX Translation	**(25,968)**	**-**	**(2,683)**	**(28,651)**
Financial Assets Derecognised	**(22,697)**	**-**	**(80)**	**(22,777)**
New Financial Assets	**1,308**	**-**	**37**	**1,345**
ECL Charge for the Year	**(47,357)**	**-**	**(2,726)**	**(50,083)**
Impairment Allowance as at 30 June 2021	**11,425**	**-**	**90**	**11,515**
Impairment Allowance as at 1 July 2019	30,650	2,996	130	33,776
Transfer to Stage 2	(1,673)	1,673	-	-
Financial Assets Derecognised	(9,451)	-	-	(9,451)
Changes to Risk Parameters and FX Translation	3,546	29,716	(23)	33,239
New Financial Assets	1,325	-	2,709	4,034
ECL Charge for the Year	4,871	29,716	2,686	37,273
Impairment Allowance as at 30 June 2020	24,397	34,385	2,816	61,598

12. EQUITY INVESTMENT IN MAURITIUS INVESTMENT CORPORATION LTD

	BANK	BANK
	2021	2020
	Rs 000	Rs 000
At Cost, unquoted	**1,000,000**	-

The Bank owns 100% of the share capital of MIC which was fully subscribed in July 2020 for an amount of Rs 1 billion.

The directors have made an assessment for any indication of impairment in investment in MIC. Based on the management's assessment of the carrying value of investment in MIC, there is neither any objective evidence nor any indication that the investment may be impaired.

13. DEPOSIT FOR ACQUISITION OF MIC SHARES

To enable MIC to achieve its objectives the Bank has disbursed a total amount of Rs 80 billion during the financial year. This amount will be used to increase the capital of MIC from Rs 1 billion to Rs 81 billion.

14. INVESTMENT PROPERTIES

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
At 1 July 2020	**-**	**-**	-
Acquisition during the year	**2,414,647**	**-**	-
At 30 June 2021	**2,414,647**	**-**	-

The investment properties are held through a subsidiary of MIC. The land and buildings have been treated as investment properties and are stated at fair value. These comprise a number of commercial properties. The properties were acquired just before year end and there has not been any transaction since the date of acquisition.

The Group did not derive any rental income during the year from the investment properties and there were no direct and indirect expenses arising from the investment properties.

The investment properties are categorised as Level 3 of the fair value hierarchy. The following information is relevant.

- Valuation technique:	Income approach
- Significant inputs:	Observable input: Fixed rent Unobservable input: Discount rate
- Inter-relationship between unobservable inputs and fair value measurement	The estimated fair value would increase (decrease) if the discount rate is lower (higher)

15. COMPUTER SOFTWARE

THE GROUP AND THE BANK

COST	Rs 000
At 1 July 2019	247,903
Additions	13,663
Transfer from WIP	8,859
Scrapped	(122,336)
At 30 June 2020	148,089
Additions	1,428
At 30 June 2021	**149,517**
ACCUMULATED AMORTISATION	
At 1 July 2019	237,918
Charge for the year	11,379
Scrapped	(122,326)
At 30 June 2020	126,971
Charge for the year	11,365
At 30 June 2021	**138,336**
CARRYING VALUE	
At 30 June 2021	**11,181**
At 30 June 2020	21,118

The Directors have reviewed the carrying values of intangible assets and are of the opinion that at 30 June 2021, the carrying values have not suffered any impairment.

16. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Land and Buildings	Capital Work in Progress	Furniture, Equipment, Fixtures and Fittings	Computer Equipment	Motor Vehicle	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
At Start of the Period	1,969,359	1,666	932,772	251,351	29,579	3,184,727
Additions	1,051	31,700	9,057	15,832	5,230	62,870
Transfer	-	(324)	324	-	-	-
Disposals	-	-	(252)	(4,219)	(2,963)	(7,434)
At 30 June 2021	1,970,410	33,042	941,900	262,963	31,846	3,240,162
ACCUMULATED DEPRECIATION						
At Start of the Period	398,825	-	741,607	221,269	25,519	1,387,220
Charge for the year	36,474	-	28,395	21,249	4,652	90,770
Disposals	-	-	(252)	(4,218)	(2,961)	(7,431)
At 30 June 2021	435,299	-	769,750	238,300	27,209	1,470,558
CARRYING AMOUNT						
At 30 June 2021	1,535,111	33,042	172,151	24,664	4,636	1,769,604

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

THE BANK

	Land and Buildings	Capital Work in Progress	Furniture, Equipment, Fixtures and Fittings	Computer Equipment	Motor Vehicle	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
COST						
At 1 July 2019	1,927,817	81,460	918,606	208,458	29,579	3,165,920
Additions	15,379	536	4,988	17,678	-	38,581
Transfer	26,163	(69,557)	9,178	25,357	-	(8,859)
Transfer to General Expenditure	-	(10,773)	-	-	-	(10,773)
Disposals	-	-	-	(142)	-	(142)
At 30 June 2020	**1,969,359**	**1,666**	**932,772**	**251,351**	**29,579**	**3,184,727**
Additions	**1,051**	**31,700**	**9,057**	**15,832**	**1,455**	**59,095**
Transfer	**-**	**(324)**	**324**	**-**	**-**	**-**
Disposals	**-**	**-**	**(252)**	**(4,219)**	**(2,963)**	**(7,434)**
At 30 June 2021	**1,970,410**	**33,042**	**941,901**	**262,964**	**28,071**	**3,236,388**
ACCUMULATED DEPRECIATION						
At 1 July 2019	362,372	-	713,492	184,062	22,954	1,282,881
Charge for the year	36,453	-	28,115	37,293	2,564	104,425
Disposals	-	-	-	(86)	-	(86)
At 30 June 2020	**398,825**	**-**	**741,607**	**221,269**	**25,518**	**1,387,219**
Charge for the year	**36,474**	**-**	**28,395**	**21,249**	**3,142**	**89,260**
Disposals	**-**	**-**	**(252)**	**(4,218)**	**(2,960)**	**(7,431)**
At 30 June 2021	**435,299**	**-**	**769,750**	**238,300**	**25,700**	**1,469,049**
CARRYING AMOUNT						
At 30 June 2021	**1,535,111**	**33,042**	**172,151**	**24,664**	**2,371**	**1,767,339**
At 30 June 2020	1,570,534	1,666	191,165	30,082	4,060	1,797,507

The Directors have reviewed the carrying values of tangible assets and are of the opinion that as at 30 June 2021, the carrying values have not suffered any impairment.

17. OTHER ASSETS

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Gold Bars	**152,105**	**152,105**	150,192
Industrial Gold and Dodo Gold Coins	**96,252**	**96,252**	105,306
Prepayments	**119,523**	**119,523**	42,448
Commemorative Coins	**12,921**	**12,921**	13,317
Others	**23,959**	**22,251**	4,766
	404,760	**403,052**	316,029

18. CURRENCY IN CIRCULATION

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Notes issued			
Face value			
2,000	**4,573,986**	**4,573,986**	3,705,010
1,000	**28,741,381**	**28,741,381**	27,105,902
500	**6,163,155**	**6,163,155**	5,365,564
200	**2,007,406**	**2,007,406**	2,021,150
100	**1,868,396**	**1,868,396**	1,805,963
50	**412,936**	**412,936**	411,848
25	**256,710**	**256,710**	264,693
Demonetised Notes	**429,766**	**429,766**	446,247
Total	**44,453,736**	**44,453,736**	41,126,377
Coins issued			
Face value			
20 rupees	**304,245**	**304,245**	277,688
10 rupees	**409,674**	**409,674**	399,181
5 rupees	**181,146**	**181,146**	178,096
1 rupee	**213,128**	**213,128**	207,716
50 cents	**44,456**	**44,456**	43,644
25 cents **	**6,323**	**6,323**	6,327
20 cents	**54,886**	**54,886**	54,029
10 cents **	**2,415**	**2,415**	2,417
5 cents	**13,295**	**13,295**	12,990
2 cents **	**330**	**330**	330
1 cent	**223**	**223**	223
Others***	**22,779**	**22,779**	22,728
Total	**1,252,900**	**1,252,900**	1,205,369
Total face value of Notes and Coins in Circulation	**45,706,636**	**45,706,636**	42,331,746

** These denominations have ceased to be issued by the Bank.
*** Others include Gold Coins and Commemorative Coins.

19. MONETARY POLICY INSTRUMENTS

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Bank of Mauritius Savings Bonds	**1,038**	**1,038**	1,038
Bank of Mauritius Bonds	**15,144,637**	**15,144,637**	12,323,374
Bank of Mauritius Notes	**42,042,591**	**42,042,591**	25,218,410
Bank of Mauritius Bills	**53,936,024**	**53,936,024**	24,950,659
Bank of Mauritius 2020 Savings Bonds	**3,141,252**	**3,141,252**	508,683
Bank of Mauritius Golden Jubilee Bonds	**-**	**-**	8,987,312
Special Deposits from banks	**-**	**-**	7,647,424
	114,265,542	**114,265,542**	79,636,900

20. PROVISIONS

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Balance as at 30 June	**100,000**	**100,000**	100,000

The provision relates to the liquidation of the MCCB Limited. Under the MCCB Limited (Liquidation) Act 1996, the Group and the Bank may make additional funds available to the liquidator of MCCB Limited where the liabilities of the MCCB Limited exceed the proceeds from the realisation of its assets. The liquidation of MCCB Limited is still in progress and since the case is still ongoing, the expected timing of the cash flows cannot be determined reliably.

21. EMPLOYEE BENEFITS

Amounts recognised in the Statement of Financial Position:

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Defined Benefit Plan (Note (a))	**1,154,648**	**1,154,648**	820,474
Short Term Employee Benefits (Note (b))	**166,151**	**166,151**	134,927
	1,320,799	**1,320,799**	955,401

(a) Defined Benefit Plan

The Bank operates a defined benefit plan for its employees who joined the Bank prior to January 2013 and the plan is wholly funded. The assets of the funded plan are held independently and are administered by The State Insurance Company of Mauritius Ltd.

The plan is exposed to risks such as: investment risk, interest rate risk, longevity risk and salary risk.

The report dated 16 August 2021 submitted by The State Insurance Company of Mauritius Ltd, who also acts as independent actuaries, is produced hereunder.

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Current Service Cost	**25,546**	**25,546**	28,088
Employee Contributions	**(9,843)**	**(9,843)**	(10,316)
Fund Expenses	**811**	**811**	755
Net Interest Expense	**30,526**	**30,526**	25,672
Net Periodic Pension Cost included in Staff Salaries and Other Benefits	**47,040**	**47,040**	44,199

21. EMPLOYEE BENEFITS (CONTINUED)

(a) Defined Benefit Plan (Continued)

Past service cost is nil.

Remeasurement of defined benefit liability recognised in Other Comprehensive Income (OCI):

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Actuarial Loss	**313,265**	**313,265**	131,065

Movements in liability recognised in the Statement of Financial Position:

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
At start of the year	**820,474**	**820,474**	673,353
Total Expenses as per above	**47,040**	**47,040**	44,199
Actuarial Loss recognised in OCI	**313,265**	**313,265**	131,065
Bank of Mauritius share of pension (topping-up)	**(325)**	**(325)**	(325)
Employer Contributions	**(25,806)**	**(25,806)**	(27,818)
At end of the year	**1,154,648**	**1,154,648**	820,474

Movements in the present value of the Defined Benefit Obligations in the current period were as follows:

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
At start of the year	**1,649,182**	**1,649,182**	1,522,708
Current Service Cost	**25,546**	**25,546**	28,089
Interest Cost	**59,370**	**59,370**	54,818
Actuarial loss	**328,301**	**328,301**	160,778
Benefits Paid	**(90,149)**	**(90,149)**	(117,210)
At end of the year	**1,972,250**	**1,972,250**	1,649,183

Movements in the fair value of the Plan Assets in the current period were as follows:

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
At start of the year	**828,709**	**828,709**	849,355
Expected Return on Plan Assets	**28,844**	**28,844**	29,146
Actuarial Gain	**15,035**	**15,035**	29,714
Contributions from the Employer	**25,806**	**25,806**	27,818
Employee Contributions	**9,843**	**9,843**	10,316
Bank of Mauritius Share of Pension	**325**	**325**	325
Benefits Paid (Excluding BOM share of pension)	**(90,149)**	**(90,149)**	(117,210)
Fund Expenses	**(811)**	**(811)**	(755)
At end of the year	**817,602**	**817,602**	828,709

21. EMPLOYEE BENEFITS (CONTINUED)

(a) Defined Benefit Plan (Continued)

The amount included in the Statement of Financial Position arising from the Bank's obligation in respect of its defined benefit plans is as follows:

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Present Value of Defined Benefit Obligation	**1,972,250**	**1,972,250**	1,649,183
Fair Value of Plan Assets	**(817,602)**	**(817,602)**	(828,709)
Net Liability arising from Defined Benefit Obligation	**1,154,648**	**1,154,648**	820,474

The major categories of plan assets at the reporting date are as follows:

	2021	2020
Major categories of Plan Assets	**%**	%
Local Equities	**11.8**	10.1
Overseas Equities and Bonds	**30.1**	24.6
Fixed Interest Securities and Cash	**54.8**	61.7
Others	**3.3**	3.6

The overall expected rate of return on Plan Assets is determined by reference to market yields on bonds.

The history of experience adjustments is as follows:

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Experience losses on plan liabilities	**(328,300)**	**(328,300)**	(160,778)
Experience gains on plan assets	**15,035**	**15,035**	29,713
	(313,265)	**(313,265)**	(131,065)

The Group and the Bank expect to make a contribution of Rs 26.6 million (2020: Rs 28.5 million) to the defined benefit plans during the next financial year. This estimate may be amended by the Bank on the basis of availability of more accurate information.

	BANK	BANK
	2021	2020
	Years	Years
Weighted average duration of the defined benefit obligation (calculated as a % change in PV of liabilities for a 1% change in discount rate)	**13**	12

21. EMPLOYEE BENEFITS (CONTINUED)

(a) Defined Benefit Plan (Continued)

The principal assumptions used for actuarial valuation were:

	2021	2020
Discount Rate	**4.8%**	3.6%
Future Long-term Salary Increases	**3.0%**	2.5%
Future Pension Increases	**2.0%**	1.5%

Mortality before retirement	A 6770 Ultimate Tables
Mortality in retirement	PA (90) Tables
Retirement age	65 years

The discount rate is determined by reference to market yields on bonds.

Significant actuarial assumptions for determination of the defined benefit obligation are discount rate, expected salary increase, pension growth and mortality. The sensitivity analyses below have been determined based on a change of 100 basis points of the assumptions occurring at the end of the reporting period on the defined benefit obligation.

		2021	2020
		Rs 000	Rs 000
Discount rate	+100 basis points	**(226,100)**	(181,400)
	-100 basis points	**276,300**	220,700
Salary growth	+100 basis points	**99,000**	69,800
	-100 basis points	**(88,700)**	(62,400)
Pension growth	+100 basis points	**164,000**	135,700
	-100 basis points	**(140,800)**	(116,900)
Life Expectancy	+100 basis points	**59,300**	55,100
	-100 basis points	**(59,000)**	(55,700)

In reality one might expect interrelationships between the assumptions, especially between discount rate and expected salary increases, given that both depends to a certain extent on expected inflation rates. The analysis above abstracts from these interdependences between the assumptions.

(b) Short Term Employee Benefits

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Provision for Annual and Sick Leaves	**96,615**	**96,615**	77,430
Provision for Passage Benefits	**69,536**	**69,536**	57,497
	166,151	**166,151**	134,927

21. EMPLOYEE BENEFITS (CONTINUED)

(c) Employer Contribution towards Pension Cost

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Contributions Expensed (Note 28)	**56,537**	**56,343**	34,252

(d) State Pension Plan (Note 28)

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
National Pension Scheme Contributions	**2,061**	**2,059**	1,904
Contribution Sociale Generalisee	**16,878**	**16,805**	-
	18,939	**18,864**	1,904

22. OTHER LIABILITIES

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Amount Transferable to Consolidated Fund*	**-**	**-**	190,487
Loans from Foreign Institutions	**8,530,023**	**8,530,023**	9,659,005
Special Drawing Rights	**4,313,355**	**4,313,355**	3,937,343
Abandoned Funds	**2,159,247**	**2,159,247**	1,849,595
Creditors	**220,643**	**220,643**	126,931
Interest and Charges Payable	**124,749**	**115,261**	115,925
Others	**17,071**	**17,071**	19,999
	15,365,088	**15,355,600**	15,899,285

*Following the increase in the Paid Up Capital of the Bank on 31 July 2020, an amount of Rs 190.5 million representing profit for the year ended 30 June 2020, was transferred to the General Reserve Fund as per Section 11(5) of the Bank of Mauritius Act 2004.

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23. INTEREST AND SIMILAR INCOME ON FINANCIAL ASSETS USING EFFECTIVE INTEREST RATE ("EIR")

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Interest Income at Amortised Cost			
Repurchase Agreement	**789**	**789**	340,104
Loans and Advances	**217,753**	**217,753**	105,920
Government Securities	**113,110**	**113,110**	46,684
Special Drawing Rights	**3,848**	**3,848**	27,285
Current Accounts	**63,140**	**63,140**	44,982
Deposit Accounts	**-**	**-**	18,875
	398,640	**398,640**	583,850
Interest and Similar Income at FVOCI			
Fixed Income Securities	**693,204**	**693,204**	1,863,439
Realised Gain on Fixed Income Securities	**641,234**	**641,234**	226,883
	1,334,438	**1,334,438**	2,090,322
	1,733,078	**1,733,078**	2,674,172

24. INTEREST AND SIMILAR INCOME ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Income from UCITS	**1,843,010**	**1,843,010**	1,385,992
Dividend Income	**536,168**	**536,168**	627,354
Interest Income	**293,775**	**262,388**	331,029
Other Income	**56,118**	**56,118**	17,202
	2,729,071	**2,697,684**	2,361,577

UCITS: Undertakings for the collective investments of transferable securities. These are managed by the Bank's external fund managers.

25. MISCELLANEOUS INCOME

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Payments System Fees	**102,266**	**102,266**	76,410
Processing and Licence Fees*	**95,515**	**95,515**	111,962
Front end fee, Legal Cost and Registration Fees	**55,475**	**-**	-
Profit on Foreign Exchange Transactions	**25,429**	**25,429**	152,634
Fees and Charges	**9,943**	**9,943**	2,227
Penalty	**2,700**	**2,700**	3,370
Other	**3,062**	**8,563**	1,838
Profit on Sale of Property, Plant and Equipment	**899**	**899**	1
	295,289	**245,315**	348,442

*During the financial year, licence fees for foreign exchange dealers were waived since they were not operating due to lockdown and COVID-19.

26. GAIN/(LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Domestic Investments	**(595,855)**	**-**	-
Foreign Investments	**6,041,005**	**6,041,005**	(410,182)
Unquoted Investments	**104,324**	**104,324**	96,530
	5,549,474	**6,145,329**	(313,652)

27. INTEREST PAYABLE AND SIMILAR CHARGES

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Interest Paid on Loan from Foreign Institutions	**36,958**	**36,958**	-
Negative Interest and Charges	**53,766**	**53,766**	-
International Monetary Fund Charges	**2,869**	**2,869**	22,227
Interest Relief on Household Loans	**354**	**354**	25,135
	93,947	**93,947**	47,362

28. STAFF SALARIES AND OTHER BENEFITS

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Staff Salaries and Allowances	**378,072**	**376,763**	351,212
Employer Contribution Towards Pension Cost (Note 21(c))	**56,537**	**56,343**	34,252
Staff Family Protection Scheme	**6,214**	**6,195**	6,505
National Pension Fund (Note 21(d))	**2,061**	**2,059**	1,904
Contribution Sociale Generalisee (Note 21(d))	**16,878**	**16,805**	-
HRDC Levy	**92**	**80**	119
	459,854	**458,245**	393,992

The amount of Rs 376,763,000 for the Bank includes an increase in the liability for short term employee benefits amounting to Rs 31,224,000 (see Note 21(b)).

29. FEES PAYABLE

Fees payable by the Bank represent management fees payable to external fund managers with respect to funds managed by them as disclosed under Foreign Investments in Note 9. Fees payable also include custodian fees.

30. DIRECTORS' REMUNERATION

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Governor	**11,554**	**11,554**	15,986
Deputy Governors (2)	**13,490**	**13,490**	13,339
Other Directors: Bank (6)	**2,160**	**2,160**	1,920
Other Directors: MIC (3)	**1,560**	**-**	-
Chairperson: MIC	**782**	**-**	-
	29,546	**27,204**	31,245

Directors of the Bank are paid a monthly fee of **Rs 30,000** (2020: Rs 30,000). At 30 June 2021 the number of Other Directors on the board of the Bank was 6 (2020:6). Directors of MIC are paid a monthly fee of Rs 30,000. The number of Other Directors on the Board of MIC was 3. The Chairperson of MIC is paid a monthly fee of **USD1,500.**

31. OTHER EXPENDITURE

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Communication Charges	**59,376**	**59,376**	59,964
Stationery and Library	**5,141**	**5,141**	4,032
Others	**878**	**878**	4,297
	65,395	**65,395**	68,293

32. COST OF CONDUCTING MONETARY POLICY

The Bank, in the pursuit of its objectives to maintain price stability and to promote orderly and balanced economic development, undertakes open market operations to manage liquidity conditions in the domestic money markets. The cost of open market operations conducted through the issue of Bank of Mauritius Securities and also through special deposits from banks are provided below.

	GROUP	BANK	BANK
	2021	**2021**	2020
Interest	**Rs 000**	**Rs 000**	Rs 000
Bank of Mauritius Securities	**2,324,705**	**2,324,705**	3,256,917
Special Deposits	**185,948**	**185,948**	416,941
	2,510,653	**2,510,653**	3,673,858

33. COMMITMENTS AND OTHER CONTINGENCIES

Commitments not otherwise provided for in these financial statements and which existed at 30 June 2021 are as follows:

The Bank has a commitment to pay on call 60% of the value of 1,263 shares for capital subscription in the African Export-Import Bank.

Other capital commitments at reporting date amounted to **Rs 22 million** (2020: Rs 22 million).

Commitments of MIC include an amount of Rs 10,397 million for bonds subscriptions and represent amounts approved for projects but not yet disbursed.

There was no other contingent liability that existed at 30 June 2021.

34. SHORT-TERM LEASES AND LEASES OF LOW VALUE ASSETS

The Group and the Bank have elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group and the Bank recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The following table relates to the lease of the Bank's fallback site and other properties with lease terms between 1 to 5 years. The Bank does not have an option to purchase the leased properties at the end of the lease periods.

2021	1 Year	>1-5 Yrs	Total
	Rs 000	**Rs 000**	**Rs 000**
Archiving-Plaine Lauzun DBM	**205**	**-**	**205**
Fallback Site-Cyber Tower	**2,985**	**15,023**	**18,008**
	3,190	**15,023**	**18,213**
2020	**1 Yr**	**1-5 Yrs**	**Total**
	Rs 000	Rs 000	Rs 000
Archiving-Plaine Lauzun DBM	203	-	203
Fallback Site-Cyber Tower	2,972	4,411	7,383
	3,175	4,411	7,586

An amount of **Rs 4,124,464** (2020: Rs 4,111,152) has been expensed in profit or loss for the year relating to short-term and low value item leases. The total cash outflow for short-term and low value item leases recognised in statement of cash flows amounted to **Rs 4,124,464** (2020: Rs 4,111,152).

35. FINANCIAL INSTRUMENTS

(a) Introduction

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

As the monetary authority for Mauritius, the Group and the Bank's activities are policy orientated. In the course of carrying out their functions, the Group and the Bank are faced with financial risks, operational risks and reputational risks. The main financial risks to which the Group and the Bank are exposed to are credit risk, interest rate risk, liquidity risk, price risk and foreign exchange risk. A significant proportion of these risks arise from the management of foreign exchange reserves of the Group and the Bank.

The foreign exchange risk or the capital loss as a consequence of fluctuations in the exchange rates is managed mainly through diversification of currency portfolios in which the Group and the Bank invest. In the management of foreign exchange reserves, minimising liquidity risk and maximising safety and preservation of capital are the prime considerations in order to achieve their prime objectives.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b)(i) Categories and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value due to the short term nature of the financial instrument or the effect of discounting is not material.

THE GROUP

	Carrying Amount	Fair Value
	2021	2021
Financial Assets	Rs 000	Rs 000
Amortised Cost		
Cash and Cash Equivalents	72,959,640	72,959,640
Loans and Advances	7,241,014	7,241,014
Government Securities	15,132,534	14,643,150
Other Financial Assets	5,043,690	5,043,690
	27,417,238	26,927,854
	100,376,878	99,887,494
Fair Value Through Other Comprehensive Income		
Foreign Investments	61,322,898	61,322,898
Fair Value Through Profit or Loss		
Gold Deposits	29,951,475	29,951,475
Foreign Investments	147,834,760	147,834,760
Loan and Advances	6,160,533	6,160,533
Other Investments	1,622,534	1,622,534
	155,617,827	155,617,827
	185,569,302	185,569,302
Total Financial Assets	347,269,078	346,779,694
Financial Liabilities		
Amortised Cost	337,931,878	336,745,514

35. FINANCIAL INSTRUMENTS (CONTINUED)

THE BANK

	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	2021	**2021**	2020	2020
Financial Assets	**Rs 000**	**Rs 000**	Rs 000	Rs 000
Amortised Cost				
Cash and Cash Equivalents	**72,959,640**	**72,959,640**	50,703,268	50,703,268
Government Securities	**15,132,534**	**14,643,150**	15,341,583	15,068,772
Loans and Advances	**7,241,014**	**7,241,014**	16,325,342	16,325,341
Other Financial Assets	**5,048,939**	**5,048,939**	29,405	29,405
	27,422,487	**26,933,103**	31,696,330	31,423,518
	100,382,127	**99,892,743**	82,399,598	82,126,786
Fair Value Through Other Comprehensive Income				
Foreign Investments	**61,322,898**	**61,322,898**	99,848,785	99,848,785
Fair Value Through Profit or Loss				
Gold Deposits	**29,951,475**	**29,951,475**	28,532,838	28,532,838
Foreign Investments	**147,834,760**	**147,834,760**	108,509,938	108,509,938
Other Investments	**1,622,534**	**1,622,534**	1,354,603	1,354,603
	149,457,294	**149,457,294**	109,864,541	109,864,541
	179,408,769	**179,408,769**	138,397,379	138,397,379
Total Financial Assets	**341,113,794**	**340,624,410**	320,645,762	320,372,950
Financial Liabilities				
Amortised Cost	**409,820,209**	**408,593,846**	276,423,919	277,024,303

(b)(ii)Fair value of financial instruments

The Group and the Bank measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments. Reasonable possible changes to one of the significant unobservable inputs at reporting date would have no material effect on the fair value of the equity securities.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b)(ii)Fair value of financial instruments (Continued)

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

THE GROUP

2021	Level 1	Level 2	Level 3	Total Carrying Amount	Total Fair Value
Financial Assets	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Gold Deposits	**29,951,475**	**-**	**-**	**29,951,475**	**29,951,475**
Foreign Investments	**61,322,898**	**147,834,760**	**-**	**209,157,658**	**209,157,658**
Other Investments	**-**	**-**	**1,622,534**	**1,622,534**	**1,622,534**
Convertible bonds	**-**	**-**	**6,160,533**	**6,160,533**	**6,160,533**
	91,274,373	**147,834,760**	**7,783,067**	**246,892,200**	**246,892,200**

THE BANK

2021	Level 1	Level 2	Level 3	Total Carrying Amount	Total Fair Value
Financial Assets	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Gold Deposits	**29,951,475**	**-**	**-**	**29,951,475**	**29,951,475**
Foreign Investments	**61,322,898**	**147,834,760**	**-**	**209,157,658**	**209,157,658**
Other Investments	**-**	**-**	**1,622,534**	**1,622,534**	**1,622,534**
	91,274,373	**147,834,760**	**1,622,534**	**240,731,667**	**240,731,667**
2020					
Financial Assets					
Gold Deposits	28,532,838	-	-	28,532,838	28,532,838
Foreign Investments	99,848,785	108,509,938	-	208,358,723	208,358,723
Other Investments	-	-	1,354,603	1,354,603	1,354,603
	128,381,623	108,509,938	1,354,603	238,246,164	238,246,164

The fair value of the level 2 instruments is calculated using the net asset value ("NAV") of the external fund managers. The NAV is based using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b)(ii)Fair value of financial instruments (Continued)

A reconciliation of fair value measurements in level 3 is set out below:

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Opening balance	**1,354,603**	**1,354,603**	1,064,439
Additions during the year	**6,749,142**	**24,142**	20,265
Dividend/Interest receivable	**31,387**	**-**	25,247
Dividend utilised for the purchase of shares	**(24,142)**	**(24,142)**	-
Change in fair value	**(327,923)**	**267,931**	244,652
Closing balance	**7,783,067**	**1,622,534**	1,354,603

Reasonable possible changes to one of the significant unobservable inputs at reporting date would have no material effect on the fair value of the equity securities. There have been no transfers between the levels in the fair value hierarchy during the year.

Valuation techniques used

For other investments, the Group and the Bank determine fair values using the valuation technique as per table below:

Type of Instrument	Fair value at 30 June 2021	Valuation techniques	Significant unobservable inputs	Range of estimates (weighted-average) for unobservable input	Fair value measurement sensitivity to unobservable inputs
	Rs 000				
Other investments	1,622,534	Net asset value of the investee company	None	Not applicable	Not applicable
Convertible bonds	6,160,533	Scenario-Based Technique:	MUR yield curve	1.93% - 3.82%	An increase in yield curve would result in lower fair value
		The model employs a hybrid approach to valuation incorporating the MUR yield curve, default probabilities and credit spreads.	Probability of default	0.079% - 0.540%	An increase in the probability of default would result in lower fair value.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b)(ii)Fair value of financial instruments (Continued)

Valuation techniques used (continued)

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For those investments where there is no active market, net asset value is used. The fair value of a convertible bond has been calculated as the present value of discounted cash flows. This valuation model considers the present value of expected cash flows discounted at risk-free rate plus a pre-determined issuer credit spread, in a simulation framework. Cash flows are conditional on the default of the issuer which is proxied using an estimated probability of default. The final fair value of the bond is the average of the randomly generated simulated prices.

(c) Credit Risk

Disclosure of credit risk enables the users of financial statements to assess the extent to which failures by counterparties to discharge their obligations could adversely impact on the Group and the Bank's future cash inflows from financial assets held at the reporting date.

The Group and the Bank are exposed to credit risk which is the risk of loss arising from the failure of a borrower, issuer, counterparty or customer to meet its financial obligations to the Group and the Bank. Credit risk on the securities held by the Group and the Bank are managed by holding only high quality marketable securities issued chiefly by entities enjoying a good credit rating. Credit risk also arises as a result of investment of foreign exchange reserves with foreign counterparties. Investment in Government securities is considered as risk free. Credit risk also arises when the Group and the Bank provide liquidity to financial institutions through open market operations as part of monetary policy implementation.

The Group and the Bank use a broad range of forward looking information, such as:

- Industry specific risk and broad economic factors that may affect the business cycle
- Key performance indicators
- Economic, regulatory and geopolitical influences
- Management and corporate governance attributes
- Competitive position.

Additionally, for Sovereign or national government, the analysis may take into consideration:

- Fiscal and Economic performance
- Monetary Stability
- Effectiveness of the Government's institutions.

The Group and the Bank mitigate the credit risk of derivatives, reverse sale-and-repurchase agreements and securities lending by entering into master netting agreements and holding collateral in the form of cash and marketable securities.

Derivative transactions are entered into under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under these agreements, in certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement with the counterparty are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions with the counterparty. The Group and the Bank execute a credit support annex in conjunction with the ISDA agreement, which requires the Group and the Bank and their counterparties to post collateral to mitigate counterparty credit risk. Certain derivatives are 'settled-to-market' daily, whereby the daily variation margin is a partial settlement of the outstanding derivative positions and the fair values of the derivatives are reduced accordingly.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit Risk (Continued)

The Group and the Bank's sale-and-repurchase, and reverse sale-and-repurchase transactions and securities lending are covered by master agreements with netting terms similar to those of ISDA master netting agreements.

The Group and the Bank receive and give collateral in the form of cash and marketable securities in respect of the following transactions:

- sale-and-repurchase, and reverse sale-and-repurchase, agreements; and
- securities lending and borrowing.

This collateral is subject to standard industry terms including, when appropriate, an ISDA credit support annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.

(i) Concentration of Credit Exposure by Geographical Area

The Group and the Bank's significant end-of-year concentration of credit exposure by geographical area was as follows:

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Mauritius	**33,569,631**	**27,414,347**	31,703,052
USA	**101,970,008**	**101,970,008**	79,201,328
United Kingdom	**166,124,613**	**166,124,613**	125,561,110
Europe	**27,192,751**	**27,192,751**	62,122,695
Other	**18,412,075**	**18,412,075**	22,057,577
	347,269,078	**341,113,794**	320,645,762

(ii) Concentration of Credit Exposure by Counterparty Types

The Group and the Bank's significant end-of-year concentration of credit exposure by counterparty types was as follows:

	GROUP	BANK	BANK
	2021	**2021**	2020
	Rs 000	**Rs 000**	Rs 000
Government	**78,061,709**	**71,906,425**	62,753,396
Supranational Financial Institutions	**252,368,409**	**252,368,409**	191,160,098
Foreign Banks and Financial Institutions	**6,450,416**	**6,450,416**	34,301,773
Other	**10,388,544**	**10,388,544**	32,430,495
	347,269,078	**341,113,794**	320,645,762

35. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit Risk (Continued)

(iii) Credit Exposure by Credit Rating

The following table presents the credit ratings of respective financial assets based on the ratings of Moody's. The Bank's investment in equity shares which typically do not obtain ratings and in Gold are denoted as Others. The Group and the Bank's investments with foreign central banks are presented separately.

	Credit Rating	GROUP 2021 Rs 000	%	BANK 2021 Rs 000	%	BANK 2020 Rs 000	%
Cash and Cash Equivalents	Central Banks	**68,047,031**	**21.69**	**68,047,031**	**21.69**	50,050,494	17.40
	Others	**4,912,609**	**1.57**	**4,912,609**	**1.57**	652,775	0.23
Gold Deposits	Others	**29,951,475**	**9.55**	**29,951,475**	**9.55**	28,532,838	9.92
Foreign Financial assets held at Amortised Cost and Fair Value Through Other Comprehensive income	Aaa	**21,099,958**	**6.73**	**21,099,958**	**6.73**	10,922,656	3.80
	Aa	**1,241,557**	**0.40**	**1,241,557**	**0.40**	4,942,948	1.72
	A	**1,978,606**	**0.63**	**1,978,606**	**0.63**	17,873,307	6.21
	Baa	**1,576,416**	**0.50**	**1,576,416**	**0.50**	14,898,002	5.18
	Ba	**1,908,328**	**0.60**	**1,908,328**	**0.60**	1,499,393	0.52
	Others	**33,518,033**	**10.69**	**33,518,033**	**10.69**	49,712,479	17.29
Foreign Financial Assets held at Fair Value Through Profit or Loss	Central banks	**18,840,874**	**6.00**	**18,840,874**	**6.00**	17,354,479	6.03
	Others	**130,616,420**	**41.64**	**130,616,420**	**41.64**	91,155,459	31.70
Total Foreign Financial Assets		**313,691,307**	**100.00**	**313,691,307**	**100.00**	287,594,830	100.00

	Credit Rating	GROUP 2021 Rs 000	%	BANK 2021 Rs 000	%	BANK 2020 Rs 000	%
Loan and Advances	Baa	**-**	**-**	**-**	**-**	7,447,663	23.50
	Ba	**-**	**-**	**-**	**-**	4,629,758	14.60
	Others	**7,241,014**	**21.56**	**7,241,014**	**26.41**	4,142,463	13.07
Government Securities	Others	**15,132,534**	**45.07**	**15,132,534**	**55.18**	15,341,583	48.40
Other Assets	Others	**5,043,690**	**15.02**	**5,048,939**	**18.41**	134,863	0.43
Financial Assets held at Fair Value Through Profit or Loss	Others	**6,160,533**	**18.35**	**-**	**-**	-	-
Total Domestic Financial Assets		**33,577,771**	**100.00**	**27,422,487**	**100.00**	31,696,330	100.00

35. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit Risk (Continued)

(iii) Credit Exposure by Credit Rating (Continued)

Summary	Credit Rating	GROUP 2021 Rs 000	%	BANK 2021 Rs 000	%	BANK 2020 Rs 000	%
Foreign Financial Assets	Central Banks	**86,887,905**	**27.70**	**86,887,905**	**27.70**	67,404,973	23.44
	Aaa	**21,099,958**	**6.73**	**21,099,958**	**6.73**	10,922,656	3.80
	Aa	**1,241,557**	**0.40**	**1,241,557**	**0.40**	4,942,948	1.72
	A	**1,978,606**	**0.63**	**1,978,606**	**0.63**	17,873,307	6.21
	Baa	**1,576,416**	**0.50**	**1,576,416**	**0.50**	14,898,002	5.18
	Ba	**1,908,328**	**0.60**	**1,908,328**	**0.60**	1,499,393	0.52
	Others	**198,998,537**	**63.44**	**198,998,537**	**63.44**	170,053,551	59.13
		313,691,307	**100.00**	**313,691,307**	**100.00**	287,594,830	100.00
Domestic Financial Assets	Baa	**-**	**-**	**-**	**-**	7,447,663	23.50
	Ba	**-**	**-**	**-**	**-**	4,629,758	14.60
	Others	**33,577,771**	**100.00**	**27,422,487**	**100.00**	19,618,909	61.90
		33,577,771	**100.00**	**27,422,487**	**100.00**	31,696,330	100.00

(iv) Credit Exposure by Credit Quality

	2021		2020
	GROUP	BANK	BANK
	Stage 1 12-month ECL	Stage 1 12-month ECL	
Securities at FVOCI			Total
	Rs 000	**Rs 000**	Rs 000
Credit rating AAA to Baa: Low to fair risk	**59,414,570**	**59,414,570**	98,349,392
Credit rating Ba: Monitoring	**1,908,328**	**1,908,328**	1,499,393
Credit rating below Ba: Default	**-**	**-**	-
Total Carrying Amount	**61,322,898**	**61,322,898**	99,848,785
Loss Allowance	**(11,425)**	**(11,425)**	(58,781)

(v) Collateral

The following table gives details of cash collaterals received by the Bank and Securities on lending under an enforceable master netting arrangements.

	BANK 2021 Rs 000	BANK 2020 Rs 000
Cash Collateral	**4,263,240**	-
Securities on Lending	**4,559,345**	-

35. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit Risk (Continued)

(v) Collateral (continued)

THE GROUP AND THE BANK
30 JUNE 2021

Types of financial instruments	Gross amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Net amount
	Rs 000	Rs 000	Rs 000
Financial assets			
Foreign Investments	**4,559,345**	**(4,263,240)**	**296,105**
Financial liabilities			
Loans from Foreign Institutions	**(4,263,240)**	**4,263,240**	**-**

30 JUNE 2020

Types of financial instruments	Gross amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Net amount
	Rs 000	Rs 000	Rs 000
Nil	Nil	Nil	Nil

(d) Liquidity Risk

Liquidity risk is the difficulty that an entity will encounter in raising funds at short notice to meet financial commitments as and when they arise. Liquidity risk is also the risk arising from the possibility of an entity not realising the fair value of a financial asset that it may have to dispose of to meet a financial obligation. In order to reduce the level of liquidity risk arising out of open market operations, the Group and the Bank require highly liquid marketable securities such as Government of Mauritius Treasury Bills as collateral for loans after applying a haircut for additional security.

The Group and the Bank manage liquidity of its foreign currency assets in order to settle commitments of the Bank and Government as and when they arise, as well as to intervene on the domestic foreign exchange market. The Group and the Bank have set limits with regard to currency and counterparty exposures to contain the risk.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity Risk (Continued)

The tables below show the Group and the Bank's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows, inclusive of interest receivable or payable on interest bearing non-derivative financial instruments.

THE GROUP

Maturity Analysis		Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 12 months	Between 1 and 5 years	Above 5 years	Total
At 30 June 2021		Rs000	Rs000	Rs000	Rs000	Rs000	Rs000
Non-Derivative Financial Assets							
Foreign Assets	(i)	116,657,269	11,485,028	7,208,102	176,861,860	2,915,936	315,128,195
Loans and Advances		32,322	1,523	4,293,146	1,354,185	7,418,022	13,099,198
Government Securities		-	-	-	15,582,534	-	15,582,534
Other Assets		43,689	-	-	49,758	5,043,145	5,136,592
Total Financial Assets		116,733,280	11,486,551	11,501,248	193,848,337	15,377,103	348,946,519
Non-Derivative Financial Liabilities							
Currency in Circulation	(ii)	45,706,636	-	-	-	-	45,706,636
Demand Deposits	(iii)	162,594,612	-	-	-	-	162,594,612
Monetary Policy Instruments		38,509,431	8,519,335	15,658,409	49,059,814	6,398,080	118,145,069
Other Liabilities		15,370,586	-	-	-	-	15,370,586
Total Financial Liabilities		262,181,265	8,519,335	15,658,409	49,059,814	6,398,080	341,816,903
Net Liquidity Gap		(145,447,985)	2,967,216	(4,157,161)	144,788,523	8,979,023	7,129,616

Note:
(i) The Foreign Assets of the Group are highly liquid and can be realised at any point in time by the Group.
(ii) Currency in circulation represent notes and coins issued by the Bank and which are in circulation in public. These are classified under liabilities in the bucket up to 3 months as the exact date on which the liabilities will be relinquished is not known.
(iii) Demand deposits include foreign currency deposits in respect of regulatory requirements (cash reserve ratio and liquidity coverage ratio)

35. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity Risk (Continued)

THE BANK

Maturity Analysis		Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 12 months	Between 1 and 5 years	Above 5 years	Total
At 30 June 2021		Rs000	Rs000	Rs000	Rs000	Rs000	Rs000
Non-Derivative Financial Assets							
Foreign Assets	(i)	116,657,269	11,485,028	7,208,102	176,861,860	2,915,936	315,128,195
Loans and Advances		32,322	1,523	4,293,146	1,354,185	1,257,489	6,938,665
Government Securities		-	-	-	15,582,534	-	15,582,534
Other Assets		48,939	-	-	49,758	5,048,645	5,147,342
Total Financial Assets		116,738,530	11,486,551	11,501,248	193,848,337	9,222,070	342,796,736
Non-Derivative Financial Liabilities							
Currency in Circulation	(ii)	45,706,636	-	-	-	-	45,706,636
Demand Deposits	(iii)	234,492,431	-	-	-	-	234,492,431
Monetary Policy Instruments		38,509,431	8,519,335	15,658,409	49,059,814	6,398,080	118,145,069
Other Liabilities		15,355,600	-	-	-	-	15,355,600
Total Financial Liabilities		334,064,098	8,519,335	15,658,409	49,059,814	6,398,080	413,699,736
Net Liquidity Gap		(217,325,568)	2,967,216	(4,157,161)	144,788,523	2,823,990	(70,903,000)

Note:
(i) The Foreign Assets of the Bank are highly liquid and can be realised at any point in time by the Bank.
(ii) Currency in circulation represent notes and coins issued by the Bank and which are in circulation in public. These are classified under liabilities in the bucket up to 3 months as the exact date on which the liabilities will be relinquished is not known.
(iii) Demand deposits include foreign currency deposits in respect of regulatory requirements (cash reserve ratio and liquidity coverage ratio)

35. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity Risk (Continued)

THE BANK

Maturity Analysis		Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 12 months	Between 1 and 5 years	Above 5 years	Total
At 30 June 2020		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Foreign Assets	(i)	114,121,453	13,585,770	6,555,504	147,032,955	11,307,717	292,603,399
Loans and Advances		12,150,991	421	20,436	4,305,689	-	16,477,537
Government Securities		324,815	-	-	15,562,500	-	15,887,315
Other Assets		29,405	-	-	52,667	52,790	134,862
Total Financial Assets		126,626,664	13,586,191	6,575,940	166,953,811	11,360,507	325,103,113
Non Derivative Financial Liabilities							
Currency in Circulation	(ii)	42,331,746	-	-	-	-	42,331,746
Demand Deposits	(iii)	138,555,988	-	-	-	-	138,555,988
Monetary Policy Instruments		14,152,231	10,622,174	29,096,420	23,193,344	6,532,814	83,596,983
Other Liabilities		15,899,285	-	-	-	-	15,899,285
Total Financial Liabilities		210,939,250	10,622,174	29,096,420	23,193,344	6,532,814	280,384,002
Net Liquidity Gap		(84,312,586)	2,964,017	(22,520,480)	143,760,467	4,827,693	44,719,111

Note:
(i) The Foreign Assets of the Bank are highly liquid and can be realised at any point in time by the Bank.
(ii) Currency in circulation represent notes and coins issued by the Bank and which are in circulation in public. These are classified under liabilities in the bucket up to 3 months as the exact date on which the liabilities will be relinquished is not known.
(iii) Demand deposits include foreign currency deposits in respect of regulatory requirements (cash reserve ratio and liquidity coverage ratio)

35. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk

Repricing Analysis

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with specific financial assets and financial liabilities, whose interest rates are periodically reset to market, as well as the fair values of other instruments on which the interest rates are fixed throughout the period of the contract. The policy pertaining to changes in fair values due to changes on exchange rates is explained at section (f) below.

The rates on financial assets and financial liabilities which are interest-bearing are set at or around current market levels.

The Bank's reserves management includes investments in a variety of foreign currency denominated cash, deposits and other securities. The Bank's objective is to maximise return within the constraints of liquidity and safety and these are effected through investments with sound financial institutions.

The following table demonstrates the sensitivity of the Bank's profit to interest rate changes, all other variables held constant.

	Change in yield (basis points)	Effect on Profit and equity 2021	Effect on Profit and equity 2020
		Rs000	Rs000
Foreign Currency Portfolio	**+50**	**1,255,851**	1,081,506
	-50	**(1,255,851)**	(1,081,506)
Government Securities	**+50**	**75,000**	76,708
	-50	**(75,000)**	(76,708)

Government securities are amortised in the Statement of Financial Position of the Bank.

The tables below summarise the Group and the Bank's exposure to interest rate risk. The amounts disclosed in the tables are the contractual undiscounted cash flows, inclusive of interest receivable or payable on interest bearing non-derivative financial instruments.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk (Continued)

THE GROUP

Repricing Analysis	Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 9 months	Above 9 and up to 12 months	Over 12 months	Non-interest bearing	Total
At 30 June 2021	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Non-Derivative Financial Assets							
Foreign Assets	95,826,844	5,863,130	5,454,032	6,926,795	177,273,176	22,347,330	313,691,307
Loans and Advances	6,287	1,502	1,506	76,604	7,035,415	6,181,832	13,303,146
Government Securities	-	-	-	-	15,132,534	-	15,132,534
Other Assets	43,690	-	-	-	98,402	4,994,500	5,136,592
Total Financial Assets	95,876,821	5,864,632	5,455,538	7,003,399	199,539,527	33,523,662	347,263,579
Non-Derivative Financial Liabilities							
Currency in Circulation	-	-	-	-	-	45,706,636	45,706,636
Demand Deposits	55,291,770	-	-	-	-	107,302,842	162,594,612
Monetary Policy Instruments	38,083,455	8,270,335	12,473,427	37,685,738	17,767,019	-	114,279,974
Other Liabilities	4,328,341	-	-	-	-	11,042,245	15,370,586
Total Financial Liabilities	97,703,566	8,270,335	12,473,427	37,685,738	17,767,019	164,051,723	337,951,808
Net Liquidity Gap	(1,826,745)	(2,405,703)	(7,017,889)	(30,682,339)	181,772,508	(130,528,061)	9,311,771

35. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk (Continued)

THE BANK

Repricing Analysis	Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 9 months	Above 9 and up to 12 months	Over 12 months	Non-interest bearing	Total
At 30 June 2021	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Non-Derivative Financial Assets							
Foreign Assets	95,826,844	5,863,130	5,454,032	6,926,795	177,273,176	22,347,330	313,691,307
Loans and Advances	6,287	1,502	1,506	76,604	7,035,415	21,299	7,142,613
Government Securities	-	-	-	-	15,132,534	-	15,132,534
Other Assets	43,439	-	-	-	98,402	5,005,500	5,147,341
Total Financial Assets	95,876,570	5,864,632	5,455,538	7,003,399	199,539,527	27,374,129	341,113,795
Non-Derivative Financial Liabilities							
Currency in Circulation	-	-	-	-	-	45,706,636	45,706,636
Demand Deposits	55,291,770	-	-	-	-	179,200,661	234,492,431
Monetary Policy Instruments	38,083,455	8,270,335	12,473,427	37,685,738	17,767,019	-	114,279,974
Other Liabilities	4,313,355	-	-	-	-	11,042,245	15,355,600
Total Financial Liabilities	97,688,580	8,270,335	12,473,427	37,685,738	17,767,019	235,949,542	409,834,641
Net Liquidity Gap	(1,812,010)	(2,405,703)	(7,017,889)	(30,682,339)	181,772,508	(208,575,413)	(68,720,846)

35. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk (Continued)

THE BANK

Repricing Analysis	Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 9 months	Above 9 and up to 12 months	Over 12 months	Non-interest bearing	Total
At 30 June 2020	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Non-Derivative Financial Assets							
Foreign Assets	104,443,209	13,359,333	4,578,524	1,309,308	154,470,239	10,788,819	288,949,432
Loans and Advances	12,082,477	-	19,607	-	4,097,717	20,083	16,219,884
Government Securities	324,205	-	-	-	15,017,379	-	15,341,584
Other Assets	29,405	-	-	-	105,457	-	134,862
Total Financial Assets	116,879,296	13,359,333	4,598,131	1,309,308	173,690,792	10,808,902	320,645,762
Non-Derivative Financial Liabilities							
Currency in Circulation	-	-	-	-	-	42,331,746	42,331,746
Demand Deposits	26,649,861	-	-	-	-	111,906,127	138,555,988
Monetary Policy Instruments	13,743,258	10,243,853	25,173,052	3,212,157	27,264,580	-	79,636,900
Other Liabilities	3,937,343	-	-	-	-	11,961,942	15,899,285
Total Financial Liabilities	44,330,462	10,243,853	25,173,052	3,212,157	27,264,580	166,199,815	276,423,919
Interest Sensitivity Gap	72,548,834	3,115,480	(20,574,921)	(1,902,849)	146,426,212	(155,390,913)	44,221,843

35. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk (Continued)

The interest-bearing Mauritian rupee denominated assets earn interest at rates ranging from 0.45% p.a. to 5.0% p.a. (2020: 0.75% p.a. to 8.75% p.a.) and from -0.55% p.a. to 8.79% p.a. (2020: -0.55% p.a. to 7.84% p.a.) for foreign currency denominated assets.

The interest-bearing Mauritian rupee denominated liabilities bear interest at rates ranging from 0.15% p.a. to 6.95% p.a. (2020: 1.33% p.a. to 6.95% p.a.) and from -0.50% p.a. to 0.66% p.a. (2020: -0.50% p.a. to 2.58% p.a.) for liabilities denominated in foreign currencies.

Mauritius Investment Corporation Ltd

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. MIC's income and operating cash are not dependent on changes in interest rates as MIC has fixed rate interest bearing financial assets.

The interest-bearing Mauritian rupee denominated assets earn fixed interest at rates ranging from 3% p.a to 3.5% p.a. On this basis, MIC is not significantly exposed to interest rate risk.

Fair value sensitivity analysis for fixed-rate instruments

The following table demonstrates the sensitivity of the MIC's profit and equity to interest rate changes, all other variables held constant.

	Change in yield (basis points)	Effect on Profit and Equity 2021
		Rs000
Financial assets at fair value through profit or loss ("FVTPL")	+100	(407,000)
	-100	377,000

Equity price risk

Equity price risk is the risk of unfavourable changes in fair values of equities as the result of changes in the value of individual shares. The equity price risk exposure arises from the MIC's investments in Secured Redeemable Convertible Bonds.

The MIC's policy is to manage price risk through selection of securities and other financial instruments within the specified limits set by its investment policy.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Foreign Currency Risk

MIC did not have assets and liabilities denominated in foreign currencies.

The Bank has monetary assets and liabilities denominated in foreign currencies, which consist mainly of currencies of the major trading partners of Mauritius. The liabilities represent mainly deposit accounts maintained by its customers and loans from foreign financial institutions.

The Bank does not hedge against risk of fluctuations in exchange rates. However, it has set aside the Special Reserve Fund (Note 5), which is used to cater for movements due to appreciation/depreciation in foreign currencies, Gold and SDR.

The Bank considers it has a diversified portfolio of foreign currencies which would mitigate any foreign currency risk that may arise from volatility in exchange rates. The composition of the Bank's Foreign Assets based on the SDR Basket is as follows:

	2021	2020
	Rs 000	Rs 000
SDR Basket	**268,829,369**	246,729,473
Non-SDR Basket	**44,861,938**	42,219,959
	313,691,307	288,949,432

The SDR Basket comprises the following currencies: GBP, USD, EUR, JPY and RMB.

The following table demonstrates the sensitivity of the Bank's equity to exchange rate changes, all other variables held constant.

	Change in MUR Exchange Rate	**Effect on Profit and Equity 2021**	**Effect on Profit and Equity 2020**
		Rs 000	Rs 000
	+50 cents	**6,927,674**	6,509,724
Foreign Currency Portfolio	**-50 cents**	**(6,927,674)**	(6,509,724)

36. RELATED PARTY TRANSACTIONS

The balances and transactions with Government of Mauritius are disclosed in Notes 5, 10 and 23 to the financial statements. An amount of Rs 5 billion is receivable from Government as disclosed in Note 10. The Bank also maintains demand deposits **Rs 38,389,110,457** (2020: Rs 26,964,258,755) for the Government.

Emoluments payable to Directors are disclosed in Note 30 as per their terms of appointment.

The Bank contributes for the post-retirement benefits of its employees as disclosed in Note 22(c) and the Second Deputy Governor who is on the permanent and pensionable establishment of the Bank. The contribution of the Second Deputy Governor was Rs 932,000 (2020: Rs 934,000).

The balances and transactions with the subsidiary are disclosed in Notes 9 (ii), 10,12 ,13, 22, 24, 25, 26, 28 and 29.

37. TRANSACTIONS WITH THE INTERNATIONAL MONETARY FUND ("IMF")

As a member of IMF, Mauritius was initially allocated an amount of SDR15,744,000. In August 2009, the IMF Board of Governors approved an additional allocation of Special Drawing Rights (SDR) to member countries. Accordingly, a total amount of SDR81,061,549 (Rs 3,987,287,211) was allocated to Mauritius, bringing the total allocation to SDR96,805,549. A total amount of SDR25,894,000 was utilized for prescribed transfers bringing the balance to SDR70,911,549. IMF charges the Bank on the SDR allocations and also remunerates it on the SDR holdings on a quarterly basis. IMF charges for the current year amounted to **Rs 2,869,245** (2020: Rs 22,227,325).

The Bank maintains two current accounts and one securities account for the IMF. The IMF No 1 and No 2 current accounts appear in the Statement of Financial Position under the heading "Demand Deposits: Others". The securities account is not included in the Statement of Financial Position and is kept separately.

The Government of Mauritius has been participating in the IMF Quarterly Financial Transactions Plan. Participation in the plan entails the obligation to provide usable currencies in exchange for SDRs when designated and accords the right to use SDRs in case of a balance of payment need.

38. BUSINESS COMBINATION

In June 2021, the Group, through its wholly owned subsidiary, Mauritius Investment Corporation Ltd, entered into an agreement with Omnicane Limited and acquired 100% of the shareholding of Mon Tresor Smart City Ltd ("Mon Tresor") and as a result the Group has obtained control on Mon Tresor Smart City Ltd. The transaction primarily involved acquisition of the investment properties of Mon Tresor whose main operation is property development in the context of smart city scheme.

The Group has assessed whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has concluded that the acquired set is a business.

The Group has accounted for the above transaction under IFRS 3, "Business Combinations" in the consolidated financial statements. Details of purchase consideration, fair value of the acquiree's assets and liabilities arising from the acquisition and any goodwill/ bargain purchase are given below:

38. BUSINESS COMBINATION (CONTINUED)

	Rs 000
Purchase consideration	2,416,395
Fair value of net assets acquired	2,416,395
Goodwill/ (Excess of group's interest in the fair value of acquiree's assets and liabilities over cost)	-

Fair value of the acquiree's assets and liabilities arising from the acquisition are as follows:

	Rs 000
Investment properties	2,414,647
Other receivables	1,645
Cash and cash equivalents	240
Other payables	(137)
Net assets	2,416,395
Net cash outflow on acquisitions	2,416,395

The valuation techniques used for measuring the fair value of material assets acquired are disclosed in Note 14.

Mon Tresor did not contribute any revenue or profits to the Group since it was acquired just before the year ended 30 June 2021. If the acquisitions had occurred on 1 July 2020, the Group estimates the amount of revenue and loss from Mon Tresor would have been Rs 310 million and Rs 78 million, respectively.

Costs associated with acquisition during the year are not significant and have been included in general expenditure in profit or loss.

39. IMPACT OF COVID-19

On March 11, 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic. This event is a significant event considering the spread of virus all over the world and the situation of lockdown in Mauritius during the months of March 2020 to May 2020. Economic activity in 2021Q1 suffered from the resurgence of COVID-19 cases and the imposition of a second lockdown in March 2021. However, the preparedness of individuals and corporates to face the second lockdown and the phased lifting of restrictions helped to limit the damage to overall output. The increased pace of vaccination worldwide, easing of COVID-19 restrictions, and continued fiscal and monetary support across the globe are all contributing to the rebound in global growth.

The Group and the Bank have not been significantly impacted by COVID-19 given that they are highly liquid. The fair value and carrying amounts of the Group and the Bank's financial instruments at 30 June 2021 are already adjusted for the impacts of COVID-19.

As the central bank of Mauritius, the Bank has taken measures in order to mitigate the post-COVID impacts on the economy. These measures include the creation of Mauritius Investment Corporation Ltd (MIC), special lines of credit given to banks and other economic operators, contributions to the Government for economic stabilisation, amongst others.

39. IMPACT OF COVID-19 (CONTINUED)

As at the date of approval of these financial statements, the COVID-19 crisis is still unfolding globally, and there will be some uncertainty remaining around the accurate assessment of the full impact of COVID-19 crisis or any prediction regarding the future course of events that would arise due to the COVID-19 crisis. Management has made an assessment of the Group and the Bank's ability to continue as a going concern taking into account all available information about the future including the analysis of the possible impacts in relation to COVID-19, which is at least, but is not limited to, twelve months from the date of approval of these financial statements and confirm that they have not identified events or conditions that may cast doubt on the Group and the Bank's ability to continue as a going concern.

40. SUBSEQUENT EVENTS

There were no significant events after the reporting date which need disclosures.

41. TAXATION

The Group and the Bank are exempted from any tax imposed on income, profits or capital gains under section 64 of the Bank of Mauritius Act 2004 and under the Second Schedule of the Mauritius Income Tax Act 1995.

42. COMPARATIVE FIGURES

There are no comparative figures for the Group as this is the Group's first set of financial statements since the MIC's acquisition on 2 June 2020.

During the year, as recommended by the International Monetary Fund ("IMF"), the Bank has changed its method to present the statement of cash flows using the direct method instead of the indirect method which was being used by the Bank in prior years. The statement of cash flows for the prior period has been re-presented to conform to the current year presentation.