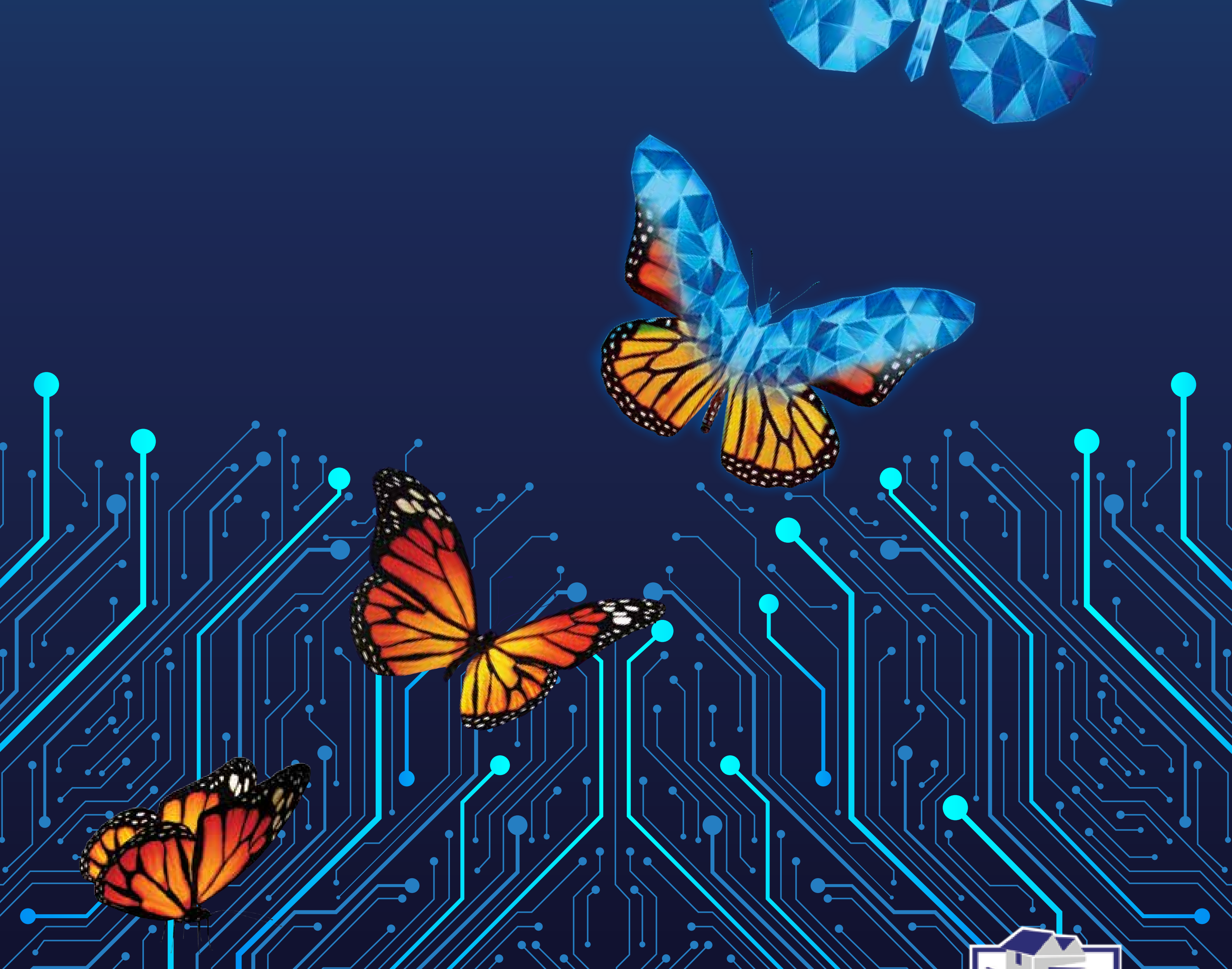
Mauritius Housing Company Ltd

On the move to embrace **Digital Transformation**



Annual Report **2022/23**

MAURITIUS HOUSING COMPANY LTD

"La référence en prêt logement"

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Corporate Information

Corporate Information

Overview and Corporate Information

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

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

Registered Office

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

MAURITIUS HOUSING COMPANY LTD

"La référence en prêt logement"

Registered Office

C06008524

VAT Number

VAT 20092748

Incorporated on

12 December 1989

Company Status

Public Company Limited by shares

Nature of Business

Housing Financial Services

Other activities

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

Corporate Information (Cont'd)

Our Network

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

GOODLANDS OFFICE
Coeur de Ville,
Goodlands.
Tel: 282 1442/60
Fax: 282 1461
Post Code: 30406

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

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

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

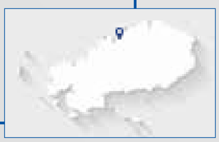
BAMBOUS OFFICE
Royal Road,
Bambous.
Tel: 452 1665
Fax: 454 0372
Post Code: 90102

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

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

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

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



Corporate Information (Cont'd)

Milestone

- **1963** – Creation of the Mauritius Housing Corporation (a parastatal body)
- **1988** – Launching of Plan Epargne Logement (PEL)
- **1989** – MHC was incorporated under the Companies Act 2001, as a State-Owned Public Company – Mauritius Housing Company Ltd (MHC Ltd)
- **1990** – Opening of a branch in Rodrigues
- **1994** – Opening of a branch in Flacq
- **2001/2002** – Opening of two new branches, in Curepipe and Goodlands; Introduction of In-House Architectural Services; Deposit-Takings activities – Housing Deposit Certificate (HDC)
- **2004** – Opening of two new branches, in Triolet and Bambous
- **2007/2008** – New product is developed Mixed Construction Loan
- **2009** – Development of a savings scheme for Junior – Junior PEL Saver (JPS)
- **2013** – Grand winner of the Mauritius Business Excellence Award 2012; Hosted the 29th Annual Conference of the African Union for Housing Finance (AUHF)
- **2016** – Winner of the Africa's Best Brand & Employer Awards
- **2017** – Opening of a new branch in Moka
- **2018** – Laying of foundation stone at Domaine Le Hochet; Winner of the Bronze Award for NPQC 2018
- **2019** – Opening of a branch in Rose Belle; Launching of 3 products: Flexi Loan, Quick Mortgage and Fixed Deposit Senior Citizen
- **2020** – Launching of a new housing project at Clos Verger, Rose Hill "Résidence Mon Rêve"
- **2021** – Launching of Senior Smart Loan; Relocation of Bambous Branch
- **2022** – Opening of a branch in Chemin Grenier
- **2023** – Launching of 3 products: (i) MHC Diaspora Home Loan (ii) Unit Link Deposit (iii) MHC Eco Loan

Corporate Information (Cont'd)

OUR MISSION

PRODUCT/SERVICES ASPECT

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

CUSTOMER ASPECT

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

GEOGRAPHY ASPECT

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

TECHNOLOGY ASPECT

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

GOOD GOVERNANCE ASPECT

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

PEOPLE ASPECT

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

OUR VISION

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

CORE VALUES

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

Corporate Information (Cont'd)

Product and Services

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

Housing Loan Products

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

Savings & Deposits

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

Insurance

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

Architectural & Technical

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

Estate Development

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

Financial **Highlights**

Financial Highlights

Statement of Profit and Loss (Rs m)	Year ended 30 June 2023	Year ended 30 June 2022	18 months to June 2021
Interest Income	628.00	406.01	548.10
Interest Expense	290.00	144.51	216.24
Net Profit	103.70	96.90	75.77
Retained Earnings	2,182.00	2,137.70	2,101.30
Interest Cover (Times)	2.16	2.81	2.53
Net Profit Margin (%)	14.00	18.60	10.48
Statement of Financial Position (Rs m)			
Housing Loans Assets	10,476.00	9,895.60	9,352.80
Fixed Assets (Net of Depreciation)	504.50	549.24	516.94
Total Assets	13,054.10	11,870.90	11,152.30
Net Assets	3,485.00	3,471.60	3,398.90
Shareholders' Funds	3,239.10	3,227.07	3,154.20
Capital Employed	7,884.70	7,401.70	7,079.10
PEL & JPS (Capital Deposited)	1,678.10	1,640.73	1,606.75
HDC (Capital Deposited)	6,097.00	5,311.51	4,631.91
Performance Ratios			
Interest Income Growth (%)	54.60	11.10	4.15
Total Income Growth (%)	41.60	7.90	14.10
Interest Expense Growth (%)	100.70	(33.17)	12.68
Total Expense Growth (%)	35.60	8.90	37.14
Total cost to Total income (%)	85.00	88.90	88.00
ROCE (%)	1.32	1.31	1.07
EPS (Rs)	5.19	4.85	3.79
Net Interest Margin/ Interest Earning Assets (%)	3.18	2.55	3.38
Net Interest Income /Total Assets	2.59	2.20	2.97
Return on Total Assets (%)	0.79	0.82	0.68
Return on Shareholders' Funds (%)	3.20	3.01	2.39
Total Income to Capital Employed	9.34	7.02	10.20
Reserves	3,239.00	3,271.60	3,198.80
Current Ratio	1.19	1.23	1.40
Gearing (Times)	1.83	1.69	1.65
Asset Quality			
Non-Performing Loan	14.30	13.50	16.20
Portfolio Quality (%)	5.22	5.53	6.02
Debt Coverage Ratio	50.00	56.09	51.69

Our
Performance

Our Performance

Profitability

Operating Profit

89.8%

From **Rs 57.9m** (2022)
to **Rs 109.9m** (2023)

Net Profit

7%

From **Rs 96.9m** (2022)
to **Rs 103.7m** (2023)

Return on Shareholders Fund

7.64%

From **3.01%** (2022)
to **3.20%** (2023)

Earnings per Share

7%

From **Rs 4.85** (2022)
to **Rs 5.19** (2023)

ROCE

1.5%

From **1.31%** (2022)
to **1.32%** (2023)

Factors affecting Profitability:

- Interest income increased by **Rs 222m**, an increase of **54.6%**.
- Total income increased by **Rs 217m**, an increase of **41.7%**.

Our Performance (Cont'd)

Revenue

Total Income

42%

From **Rs 520m** (2022)
to **Rs 737m** (2023)

Interest Income

55%

From **Rs 406m** (2022)
to **Rs 628m** (2023)

Costs

Interest Expenses

101%

From **Rs 144.5m** (2022)
to **Rs 290m** (2023)

Total Expenses

36%

From **Rs 462.4m** (2022)
to **Rs 627.2m** (2023)

Non-interest Expenses

6%

From **Rs 317.9m** (2022)
to **Rs 337.2m** (2023)

Our Performance (Cont'd)

Assets

Total Asset

From **Rs 11.8bn** (2022)
to **Rs 13bn** (2023)

Cash

From **Rs 1.74bn** (2022)
to **Rs 2.42bn** (2023)

Fixed Asset (net of depreciation)

From **Rs 549.2m** (2022)
to **Rs 504.6m** (2023)

Gross Loan Portfolio

From **Rs 9,895m** (2022)
to **Rs 10,476m** (2023)

Other Assets/Asset held for Sale

From **Rs 83.7m** (2022)
to **Rs 71.4m** (2023)

Intangible Assets

From **Rs 132.3m** (2022)
to **Rs 115.4m** (2023)

Other Balance Sheet Items:

- Property Development: **Rs 120.6m**
- Investment in new Subsidiary: **Rs 25m**
- Investment Property: **Rs 153m**

Our Performance (Cont'd)

Liabilities

Deposits

From **Rs 7.4bn** (2022)

to **Rs 8.3bn** (2023)

Borrowings

From **Rs 324m** (2022)

to **Rs 515m** (2023)

Retirement Benefits Obligations

From **Rs 419m** (2022)

to **Rs 500m** (2023)

Other Liabilities

From **Rs 81.2m** (2022)

to **Rs 96.1m** (2023)

SHAREHOLDERS' EQUITY

Total Equity

From **Rs 3,471m** (2022)

to **Rs 3,483.7m** (2023)

Retained Earnings

From **Rs 2,137.7m** (2022)

to **Rs 2,182.4m** (2023)

Reserves

From **Rs 3,271m** (2022)

to **Rs 3,283.7m** (2023)

Board of Directors

BOARD OF DIRECTORS

Me Rashad Racheed Daureeawoo
Chairperson – Independent Director

Mr Anand Babbea
Managing Director
& Executive Director

Dr Dharamraj Paligadu*
Non - Executive Director

Mrs Marie Veronique Doriana Letandrie
Independent Director

Mr Sarwansingh Purmessur
Non - Executive Director

Mr Khulwant Kumar Ubheeram
Independent Director

Mr Dunputh Khoosye*
Independent Director

Dr Dhanandjay Kawol*
Non - Executive Director

Mr Mohummad Shamad Ayoob Saab
Non - Executive Director

Mrs Bhooneshwari Kissoon-Luckputtya
Non - Executive Director

Directors who ceased to hold office during the year under consideration

- Dr Dhanandjay Kawol*, Non- Executive Director
- Mr Dunputh Khoosye*, Independent Director
- Dr Dharamraj Paligadu*, Non-Executive Director

Board of Directors (Cont'd)

The Board

Independent

Me Rashad Racheed Daureeawoo (Appointed on 06 February 2020)
Mrs Marie Veronique Doriana Letandrie (Appointed on 30 November 2020)
Mr Khulwant Kumar Ubheeram (Appointed on 30 November 2020)

Directors who ceased to hold office during the year under consideration

Mr Dunputh Khoosye (Appointed on 20 March 2015 and directorship lapsed on 19 March 2023)

Non-Executive

Mr Mohummad Shamad Ayoob Saab (Appointed on 02 March 2021)
Mr Sarwansingh Purmessur (Appointed on 30 November 2020)
Mrs Bhooneshwari Kissoon-Luckputtya (Appointed on 16 June 2023 and resigned on 27 July 2023)

Directors who ceased to hold office during the year under consideration

Dr Dhanandjay Kawol (Appointed on 16 August 2022 and resigned on 29 March 2023)
Dr Dharamraj Paligadu (Appointed on 30 November 2020 and resigned on 09 May 2023)

Executive

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

Board of Directors (Cont'd)

Committees of the Board

Audit Committee

Mr Khulwant Kumar Ubheeram
(Appointed as Chairperson on 16 December 2020)

Mrs Marie Veronique Doriana Letandrie
(Appointed as member on 16 December 2020)

Me R. Daureeawoo
(Appointed on 10 May 2023)

Mr Dunputh Khoosye
(Directorship lapsed on 19 March 2023)

Nomination and Remuneration Committee

Mr Mohummad Shamad Ayoob Saab

Mr Sarwansingh Purmessur
(As from 31 May 2023)

Mr Khulwant Kumar Ubheeram
(As from 31 May 2023)

Dr Dharamraj Paligadu
(Up to 9 May 2023)

Dr Dhanandjay Kawol
(Up to 29 March 2023)

Real Estate Development Committee

Mrs Marie Veronique Doriana Letandrie

Mr Sarwansingh Purmessur

Mr Dunputh Khoosye
(Directorship lapsed on 19 March 2023)

Risk Management Committee

Mr Anand Babbea

Mr Sarwansingh Purmessur

Mr Khulwant Kumar Ubheeram

Dr Dhanandjay Kawol
(Up to 29 March 2023)

Corporate Governance Committee

Mr Sarwansingh Purmessur
(As from 16 December 2020)

Mr Mohummad Shamad Ayoob Saab
(As from 16 December 2020)

Dr Dhanandjay Kawol
(Up to 29 March 2023)

Monitoring Committee

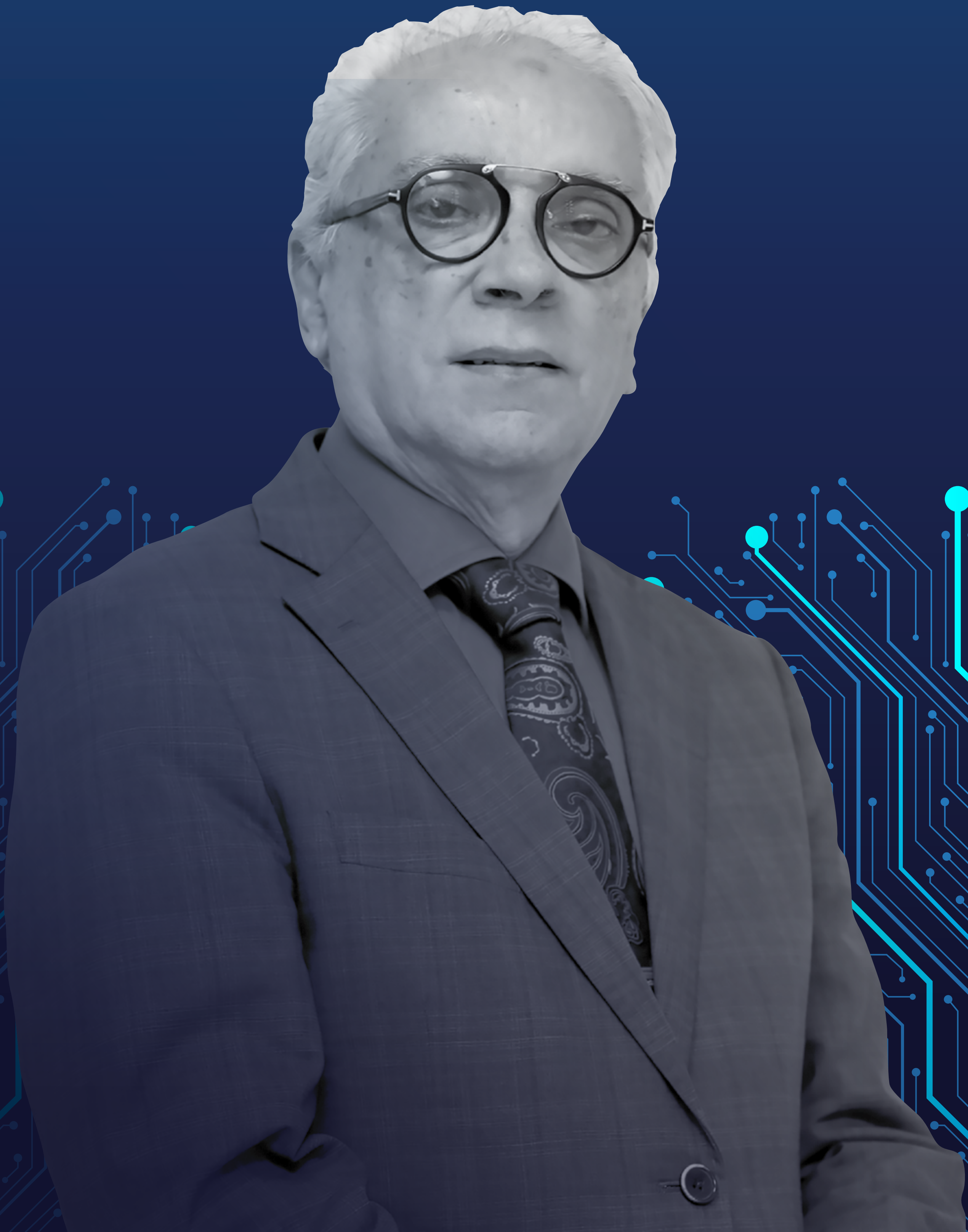
Mr Khulwant Kumar Ubheeram

Mrs Marie Veronique Doriana Letandrie

Mr Sarwansingh Purmessur
(Appointed on 29 June 2023)

Dr Dhanandjay Kawol
(Up to 29 March 2023)

Chairperson's **Statement**



Chairperson’s Statement

Dear Shareholders and Stakeholders,

On behalf of the Mauritius Housing Company (MHC), I extend my warm greetings to each one of you. As we gather here today to reflect upon the accomplishments of the past year, I am filled with pride and gratitude for the collective efforts that have shaped our journey.

Navigating Uncertainty

The year 2022/2023 was marked by both challenges and opportunities. The global landscape remained dynamic, with the ongoing pandemic continuing to impact economies and societies worldwide. Additionally, geopolitical tensions, including the conflict between Ukraine and Russia, added further layers of uncertainty. Despite these headwinds, the MHC stood resilient, adapting swiftly to changing circumstances. Our Financial Performance reflects our ability to navigate uncertainties and seize opportunities.

Financial Resilience

Our Financial Performance during this period reflects our commitment to prudent management. The Audited Financial Statements for the year ended 30th June 2023 attest to our stability and resilience. We maintained a strong Balance Sheet, ensuring the safety of our Shareholders’ Investments. We have leveraged inherent strengths within the business environment to achieve commendable results. Our team’s dedication, innovation and customer-centric approach have been instrumental in our success.

Sustainable Growth

We remain steadfast in our mission. The MHC continued to provide housing solutions to our citizens even our diaspora, fostering inclusive growth and social well-being.
Our commitment to sustainable practices was evident in the launch of the MHC Eco Loan, promoting environmentally friendly housing initiatives and the Diaspora Home Loan. We have not forgotten our Senior Citizens also as we have customized attractive products to them.

Community Impact

Beyond financial metrics, our impact extends to the lives of thousands of families. Our re-location efforts have transformed communities, creating vibrant neighborhoods where families thrive. One branch in all district in Mauritius including Rodrigues at the service for help and advice.
Our objective is to enhance convenience, friendliness, and overall satisfaction for our valued customers and the community by integrating commercial spaces and relocating certain branches. As Chairman, I have taken the commitment to respond to the expectations of the Mauritian Clientèle who appreciate modernity and seek reliability today. As part of this effort, we recognize the importance of providing ample parking facilities, a necessity that will significantly improve the daily lives of people.

Acknowledgments

As we continue our journey, I extend my heartfelt gratitude to our dedicated Team, Partners our Board Members, our Shareholders and Customers. Your unwavering support fuels our drive to do better, to innovate, and to serve our nation. Together, we build not just houses but homes - a foundation for dreams and aspirations.

Looking Ahead

As we step into the new fiscal year, we remain committed to excellence. Our focus will be on digital transformation, customer-centric services, and sustainable growth. Let us continue to work hand in hand, guided by our shared vision of a better, more equitable Mauritius.

Thank you for your trust, your partnership, and your belief in the Mauritius Housing Company Ltd. May our collective efforts pave the way for a brighter future. Looking ahead, we remain focused on sustainable growth, Stakeholder engagement and responsible Corporate Citizenship.

With warm regards,

Me R. Racheed Daureeawoo
Chairman

Senior Management Team

SENIOR MANAGEMENT TEAM

Mr Anand Babbea
Managing Director

Mr Rajeev Abeeluck
Head (Technical)

Mrs Ashvina Kalapnauth-Rajcoomar
Manager (Corporate Services)

Mrs Jayantee Seesurn
Acting Manager (Credit Underwriting Unit)

Mr Krishna Rama Mudaliar*
Internal Auditor

Mr Richard Robert Quirin
Acting Manager (Recovery)

Mr Iswarduth Heera
Manager (Marketing & Communication)

Mr Rakeshsing Boojhawon
Acting Manager (Risk and Compliance) & MLRO (as from 01 June 2023)

* Mr Krishna Rama Mudaliar was interdicted in prior year and resumed duty on 10 August 2022.
** Mr Hassen Issop Abdool retired on 25 January 2023.
*** Mr Devanand Maywah retired on 18 May 2023.

Mrs Hemantee Ramkhelawon
Acting Manager (Credit Services – as from 20 April 2020)

Mrs Rajamanee Pyneeandee
Acting Manager (Commercial)

Mr Surendra Puholoo
Acting Head (Commercial – up to 24 January 2023) & Acting Head (Finance – as from 02 February 2023)

Mr Ravindranath Ramdhan
Head (ICT) and DMLRO

Mr Hassen Issop Abdool**
Head (Finance – up to 24 January 2023)

Mr Devanand Maywah***
Manager (Procurement – up to 17 May 2023)

Mr Shakeel Muhammad Sheik Maudarun
Acting Manager (Operations)

Mr Naim Maudarbocus
Manager (ICT) & MLRO (up to 31 May 2023)

Mr Jayraj Maywah
Acting Internal Auditor (up to 09 August 2022)

Managing Director's **Statement**

Managing Director's Statement

Dear all,

I am pleased to present to you our Annual Report for the fiscal year 2022/2023. It is with great pride that I reflect on the achievements and milestones we have accomplished together over the past year.

Despite the challenges posed by global uncertainties and market fluctuations, our Company has demonstrated resilience, adaptability and a steadfast commitment to our strategic objectives. Through innovative initiatives, prudent decision-making and unwavering dedication from our team, we have continued to deliver value and drive sustainable growth.

Throughout the year, we have remained focused on enhancing operational efficiency, optimizing resource utilization and fostering a culture of continuous improvement across all facets of our Business. Our relentless pursuit of excellence has enabled us to not only navigate through turbulent times but also capitalize on emerging opportunities.

I am particularly proud of the progress we have made in advancing our sustainability agenda. As responsible Corporate Citizens, we recognize the importance of Environmental Stewardship, Social Responsibility and Good Governance practices. Our efforts to integrate sustainability into our operations have not only contributed to positive societal impact but have also strengthened our competitive positioning in the marketplace.

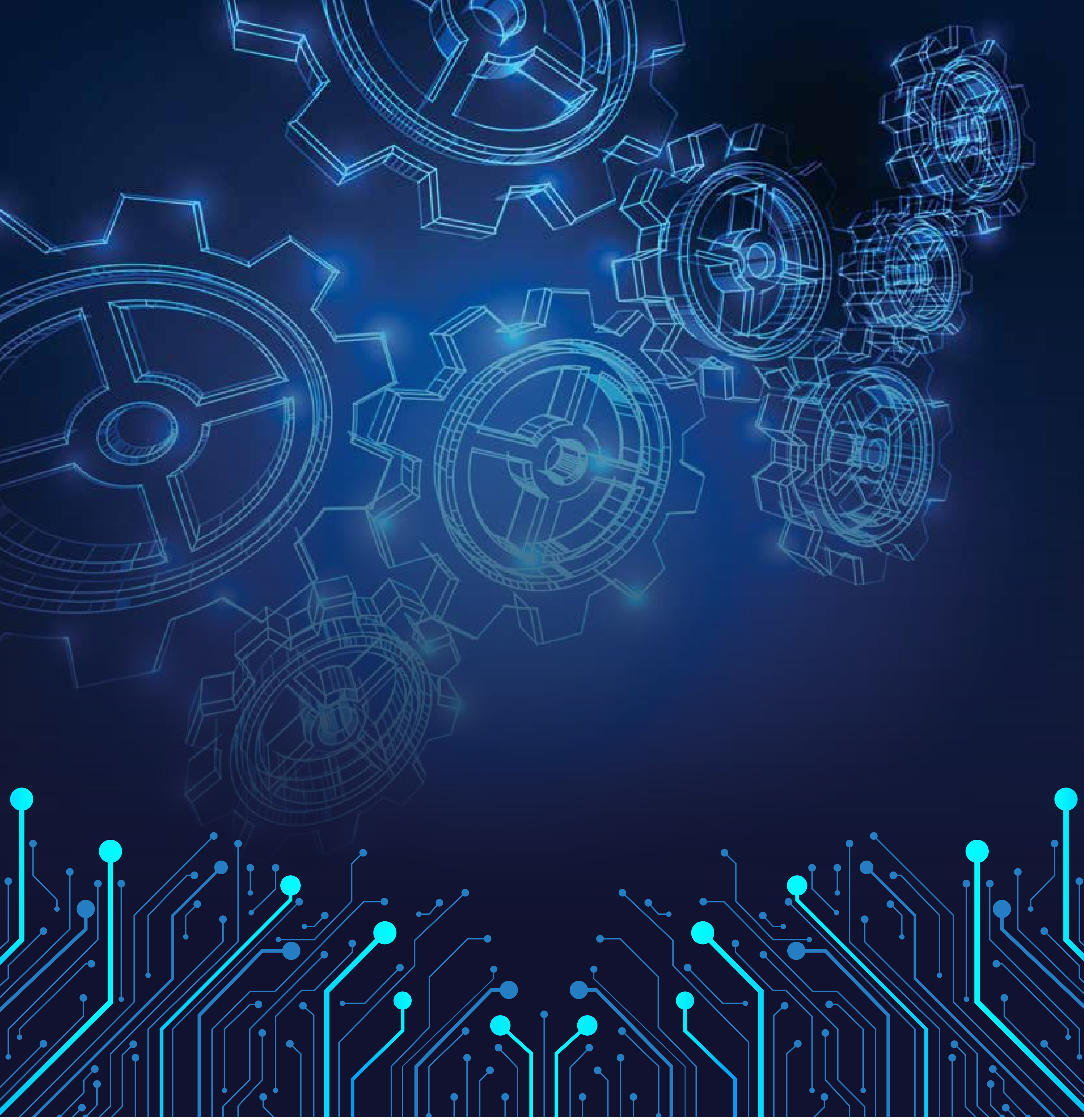
Looking ahead, we are well-positioned to capitalize on emerging trends, leverage disruptive technologies and drive innovation to propel our Company to new heights of success. With a talented Team, a robust Business Model and a clear strategic direction, I am confident in our ability to deliver sustainable value for our Shareholders, Customers, Employees and Communities we serve.

I would like to express my sincere gratitude to our Chairman and all Board Directors for their unwavering support, our Customers for their trust and loyalty, our Employees for their dedication and hard work and our Business Partners for their collaboration and partnership.

As we embark on the next chapter of our journey, I am excited about the opportunities that lie ahead and remain committed to delivering on our promise of excellence.

Thank you.

Anand Babbea
Managing Director



Business Review

Business Review

Mauritius Housing Company Ltd (MHC) is a leading company in Mauritius and a complete solution provider with respect to housing finance requirements. MHC has established a strong presence in the local market by offering an array of high-quality solutions for construction projects, renovation, extension, reimbursement, purchase and acquisition of lodging/ apartment. MHC also provides architectural, technical, legal, insurance services, estates projects as well as deposit-taking and savings schemes. More so, MHC offers refinancing of housing loans which aims at helping every Mauritian and Rodriguan citizen to own a home.

MHC has demonstrated resilience and adaptability in the face of a market conditions. Our goal is to help families find homes that meet their needs and fit their budget. We continue to ensure new financial options to make home buying more accessible for our customers. Our customers are at the heart of everything we do.

MHC has succeeded in inculcating the habit of savings for the population to eventually service housing loans later and the art of managing money responsibly. The development of the housing finance is widely recognized as an integral part of economic development.

With the increasing standard of living and quality of life, MHC's role will be more instrumental. It is also noteworthy to mention that MHC has a large number of clients which indicates the trust of the public in MHC as a sound institution.

Commercial Business Unit

The Commercial Business Unit (CBU) is to market and sell both in-house and in the open market MHC's range of products and services to prospective customers. The other major responsibilities are customer counseling, processing of loan applications, preparation and verification of loan documents, preparation of fixed charge documents and verification of legal documents. It also encompasses all the 10 branches of the company.

The front office's main purpose is to sell the MHC products and projects through all its branches across the island and through different channels including MHC website. Our products include a range of housing loan schemes along with loan related services like house plan services, in-house life and building cover. Our current housing project is 'Residence Mon Rêve' – Clos Verger housing project comprising of 40 apartments and 4 penthouses at Rose Hill.

Accordingly, the CBU implemented the following strategic approaches:

- Introduction of new products – Diaspora Loan in December 2022 and Eco Loan in May 2023
- Review of interest rate to become more competitive in the market
- A more comfortable and personalised office for HDC (Fixed Deposit) clients as an improvement in our customer service.
- Introduction of a Senior Smart Loan up to Rs 1m to align ourselves with Government objectives for the welfare of our senior citizen.

With the introduction of the new products and review of interest rates, the CBU showcases a new commitment to meeting the evolving needs of customers.

Despite several increases in repo rate, MHC Ltd managed to meet its target in terms of loans and deposits. This achievement was the fruit of endless efforts of staff who provided high quality customer service both at head office and branches.

Finance Business Unit

The Finance Business Unit plays a pivotal role in every business decision, from planning, budgeting, cash flow management to the capital structure and how to control risks. They also manage the funds of the company, collection, recovery and placement. This Unit ensures that proper reporting is made as per the legal and regulatory requirements.

It also ensures that all financial activities are conducted with best practices providing transparency and accountability in all transactions. The Unit is dedicated to supporting the company's mission of providing affordable housing solutions by ensuring efficient financial management and fostering long term financial stability.

Business Review (Cont'd)

Marketing and Communication Unit

The Marketing and Communication Unit is actively involved in bridging the gap between customers, the products and services being offered. It tailors marketing message and content to resonate with the specific lifestyle preferences, values and aspirations to ensure engagement. Both traditional and digital marketing are employed in order to connect with all segments of the population.

The Marketing and Communication Unit's has main responsibilities to enhance visibility, brand awareness, highlight a focus on engaging with the public and driving growth. Our campaign targets current and potential clients who seek MHC products or services. During marketing campaign, different media tools and medium of communication are used to achieve company's target.

Moreover, during the year, MHC was in touch with the general public all over the island. The Marketing and Communication Unit has organized roadshows, workshops, participated in awareness meetings across different sectors of the business working population. The Marketing and Communication Unit will pursue efforts to stay competitive in the market and bring more visibility together with brand awareness.

This unit play a keyrole in connecting MHC with its customers and the wider community including our diaspora, helping to grow the company's presence and reputation in the market. Marketing new products requires an aggressive approach. Continuous marketing campaigns are being organised for awareness of new product with great momentum to bring to the attention of potential and existing clients.

Our MHC team are dedicated to supporting our clients, ensuring they receive the assistance they need during the home-buying process. Feedback from our customers has been positive, showing their satisfaction with our services. We remain committed to our mission of making quality housing accessible to all Mauritians, Rodriguans and even our Diaspora. Transparency and honesty continue to guide the employees of MHC Ltd in their everyday interactions with existing customers and future prospects for the sustainable growth of the company.

Information & Communication Technology (ICT) Business Unit

The ICT Business Unit is the driving force to develop and enhance our range of products and services. It is essential in advancing operational efficiency, promoting innovation, ensuring adherence to regulatory standards and providing state-of-the-art solutions to address the evolving needs of the industry.

This unit has successfully implemented an electronic correspondence system, lead management and are committed to embracing technology, fostering innovation for reaching new milestones.
This unit plays a major role in the company in supporting business goals and objectives. It is also responsible for the maintenance, support of IT infrastructure and delivery of new projects. ICT Business Unit continually realigns the business applications of MHC with the latest technologies with a view of achieving greater collaboration, agility and customer experience while fostering an information security culture.

Credit Services Unit

The Credit Services Unit (CSU) was set up in January 2020 in view to align with the new structure. Its main purpose is to handle the legal documentation and insurance policies of clients availing of loans.

The CSU drafts legal documents related to loans particularly those linked to house construction and property purchase. These documents cover all relevant details, compliance requirements, conduct thorough reviews, vetting processes to ensure accuracy, legality, completeness of all documents, whilst staying abreast of legal and regulatory changes affecting loan agreements. CSU also plays a crucial role in the issuance of life and building insurance policies to clients availing loans for property-related purposes. These policies are designed to provide financial protection and security to individuals in the face of unforeseen events. The responsibilities of the department extend beyond the mere issuance of policies, encompassing a range of tasks to ensure the integrity of the insurance process and the well-being of policyholders.

Our aim is to uphold the highest standards of legal integrity to provide clients with a seamless and secure experience throughout the loan process. We strive to protect the interests of both the company, its clients by ensuring legal compliance and offering comprehensive insurance coverage for their assets.

Business Review (Cont'd)

Corporate Services Business Unit

As at 30th June 2023, the MHC had a workforce comprising of 207 talented and experienced individuals of different background, gender, age and ethnicity, to boost customer service level in the organization.

We have a very low staff turnover ratio within the MHC and this demonstrates the level of commitment of the employees towards the organization and effort the management is placing so as to satisfy its Internal customers.

Training

In fulfilling MHC commitment to develop and retain the best talent, the company continuously invest in its people by providing training to our valued assets conducted by reputed professional institutions. We have always ensured that a much higher proportion of our employees should benefit from learning opportunities, virtually, physically, with both outsourced and in-house training.

Employee Welfare

A Welfare Committee was set up comprising of members of the staff under the guidance of the Manager (Corporate Services). Staff members are being offered the opportunity to have Football, Yoga and Zumba sessions after office hours every week.

Chinese Spring Festival, Eid-UL-Fitr, Divali and Christmas are the four national celebrations that have been celebrated at the MHC head office including branches.

To promote team work and interaction among staff members at different levels and business unit, a team building exercise was organized at Domaine 7 Cascades in May 2023.

Performance Management System

To reward employees for their effort during the year in achieving the targeted business, a performance bonus is in place to reward staff through the Performance Management System.

Future Imminent Projects for Corporate Services Business Unit

- Implementation of a new HR & Payroll software where everything will be automatically monitored from hire to retirement/resignation.
- Implementation for the Review of Terms & Conditions of service.

Risk and Compliance Unit

The objective of the Risk and Compliance Unit (RCU) is to identify, effectively manage and mitigate risks that may impact MHC. It applies planned and methodological approach in strategy setting across board in order to provide reasonable assurance to minimise damage or loss for the company, its stakeholders, and employees through ongoing management of risks.

This unit plays a vital role in protecting MHC by ensuring that the company operates safely, legally and efficiently.

Technical Business Unit

The Technical Business Unit (TBU) is generally responsible for Projects, Estates and Inspectorate. They manage valuation, revaluation of land & building, ensure safeguard of mortgage assets, coordinate construction as well as formulation of technical plan drawings.

MHC integrates eco-friendly practices into its operations and project designs. This includes incorporating energy efficient technologies, utilizing renewable materials and promoting green spaces within developments.

By embracing sustainability, MHC not only contributes to environmental conservation but also enhances the overall quality of life for citizens.

Our Performance **and Management Discussion Analysis**

Our Performance and Management Discussion Analysis

The Economic Environment

The latest indications show that the Mauritian economy is slowly picking up. Government in its last budget announced some challenges to build back the economy through promoting a higher economic growth, more jobs, higher revenue, higher investment, higher foreign direct investment, and higher exports. The economic players now forecast that the domestic recovery from the COVID-19 pandemic should continue, and the revised projection for real GDP growth in 2023 will be around 5%. The inflation rate at June 2023 stood at around 10% compared to 7.7% in June 2022. Going forward, the annual average headline inflation on the current trends is expected to decline to 5% by the end of December 2023.

From a policy perspective, to counter the inflation, the Bank of Mauritius has, as expected, pursued its monetary policy tightening cycle to quell inflation with the key repo rate. The latter was raised from 2.25% to 4.5% in June 2023 implying a cumulative rise of 2.25 basis points since the beginning of the Financial Period.

The economic environment also encouraged further expansion of housing credit, with low interest rates prevailing during the first half of 2022. Fiscal support measures introduced in 2021-2022 also increased households' demand for housing loans.

Housing credit expanded from 9.7% as at end of December 2021 to an annual rate of 13.7% as at end of June 2023. Therefore, the share of housing loans as a proportion of total credit disbursed by Financial Sector increased from 26.1% to 26.5% respectively.

As per the monetary policy, the risks to financial stability arising from the household sector have so far been well contained. The tightening of high inflation and the phasing-out of several pandemic-related support measures as from 01 July 2022 was likely to exert financial strains on households going forward. Further interest rate increases would increase the debt servicing costs and a drop in real income of households.

The end of moratorium on loans to households may lead to an increase in monthly debt servicing costs for the beneficiaries. To counter this effect, several fiscal measures were announced in 2022-2023 to alleviate financial strains on households, especially the most vulnerable ones. Individuals earning up to a predefined income threshold became eligible for a monthly income allowance. In addition, the income threshold for individuals to benefit from a lower tax rate was raised.
These measures are expected to partly shield vulnerable households from the impact of high inflation and rising interest rates.

Overview

The principal activities of the Company are to grant Housing Loans and offer Deposit facilities to the Public at large. We had a challenging environment and market pressures coupled with fluctuation of interest rates. The year 2022/2023 was characterized by consolidating our Business Environment, by increasing returns, reducing costs, increasing our asset base, improving Non-Performing Assets ("NPA"), and come with innovative products that suit our customer needs.

We pursued our endeavor to reduce the operating costs, which has started to show positive results. We also took a prudent approach to liquidity management and actively monitored the maturity and symmetry of all assets and liabilities. We have also consolidated our deposit base, while retaining sufficient liquid assets to meet unforeseen liquidity needs.

Apart from the business operations, we have during this current year focused a lot on the Risk Aspect. We have developed several policies which established the control aspect across the Organisation. Enhancement has been brought on managing Risks through the implementation of the Risk Framework. Risks identification has been across the Organisation through brainstorming and workshops. Lots of efforts have also been put in categorisation of Risk including their impact on our Financials. Management is committed for a proper control and enhancing them with emerging measures. The second line and the third line of defence continue to work independently to bring support to board objectives regarding Risk.

In addition to the above, an effective control system has been implemented through a proper reporting system and assessment. Focus has also been made on the financial control with the emphasis on safeguarding our assets.

Our IT system has also been enhanced to respond to our Business Objectives and to respond to our customer needs. The implementation of e-correspondence, online registration and the IVR system give a different dimension to service the customers. Besides, we have also enhanced our security aspects by upgrading of the existing firewall and the network system. Presently customers have the possibility to connect with several mobile platforms to pay their monthly instalments. These facilities enable the customers to transact more easily.

To further focus on the market, we have set up a new marketing and communication unit. The main objectives are to come with innovative products and be in line with the customer demand, and to enhance communication by using different channels.

Our Performance and Management Discussion Analysis (Cont'd)

Financial Review

Performance against Objectives

The targets for 2022/23 were set with the objectives of improving and consolidating key areas to be in line with the Company's mission and to maintain growth. The focus was to increase revenue and to contain costs, reduce NPA, increase the deposit base, implement cost savings measures which will increase growth, increase returns to Shareholders and improve efficiency, which will eventually result in an increase in profits and reserves.

The table below gives a comparison between objectives set and actual results:

Objectives	Budgeted 22/23	Achieved 22/23	Expected June 23/24
Gross Profit (Rs m)	112	109.9	128
Net Profit (Rs m)	99	103	106
NPA Level	13.7%	14.3%	12.2%
Cost to Income Ratio	82.0%	85.0%	80%
Total Assets Growth (Rs m)	12,985	13,055	13,958
Housing Loan Assets Growth (Rs m)	10,463	10,476	11,263

a) Gross profit was forecasted to Rs 112m; we have achieved Rs 109.9m, a short fall of Rs 2.1m that is a negative performance of 1.9%.

b) Net profit was budgeted to Rs 99m; we have achieved an amount of Rs 103m that is a positive variance of 4.04%. The main causes are due to increase in fees income and cost containment strategies, return in investments, fees income and fair valuation gains.

c) The objective for non-performing loan was set to 13.7%; the ratio achieved stood at 14.3%, showing an increase of 4.3% mainly due to the impact of rise in interest rates.

d) Cost was contained as far as possible but due to committed cost, a marginal increase was noted. Cost to income was set to be at 82%. Achieved ratio stood at 85% compared to the initial target.

e) Total assets grew to Rs 13,055m compared to budgeted amount of Rs 12,985m.

f) The loan portfolio had a growth of 0.12% that is Rs 10,476m compared to the budgeted amount of Rs 10,463m.

Financial Analysis

(i) Summarised Income Statement

Items	Year ended 30 June 2023 (Rs m)	Year ended 30 June 2022 (Rs m)	18 months to June 2021 (Rs m)
Net interest income	337.90	261.50	331.90
Other income	109.20	114.30	175.00
Operating income	**447.10**	**375.80**	**506.90**
Non-interest expenses	(337.20)	(317.90)	(420.50)
Operating profit before impairment	**109.90**	**57.90**	**86.40**
Provision on other assets	(0.30)	(0.20)	24.30
Impairment provision	(6.50)	8.50	(38.00)
Profit on foreclosed properties	0.50	7.40	0.10
Provision for loss on disposal - property development	(1.30)	-	-
Increase in fair value adjustment-investment properties	1.40	23.30	2.90
Profit for the year/period	**103.70**	**96.90**	**75.70**

Figures for 30 June 2023 and 30 June 2022 are comparable since both are for 12 months. Whilst, figures for the period ended June 2021 represents an accounting period of eighteen months due to alignment of Financial Periods from December to June. The figures for period June 2021 are therefore not comparable with the current year.

a) Revenue

Our gross revenue for the 12 months ended 30 June 2023 stood at Rs 737.2m compared to June 2022 amounting to Rs 520.3m. Gross revenue rose by 41.6% compared to the corresponding period. This improved performance is mainly attributable to higher net interest income on our loan business, interest on deposits and other fee income.

b) Other Income

Other income amounted to Rs 109.2m for the 12 months ended 30 June 2023 as compared to Rs 114.3m for 2022. Other income consists mainly of insurance premiums, rent on investment properties and fee-based income collected from loan clients. The slight decrease of 4.4% is mainly due to premium from insurance fee where clients have opted to contract insurance policies from third parties and some loans for which we are not offering insurance policies.

c) Expenses

Interest Expense

Interest expense amounted to Rs 290m for the 12 months ended 30 June 2023 as compared to Rs 144.5m for 2022. Interest expense represents interest payable on borrowings, savings, and term deposits accounts. The increase in interest is mainly due to the increase in deposits and the impact of increase in the key rate.

Non-Interest Expense

Non-interest expense amounted to Rs 337.2m for the 12 months ended 30 June 2023 as compared to Rs 317.9m for 2022, that is an increase of 6.07%. We have as far as possible contained the cost following the strategies put in place. Other expenses have followed the same trend compared to other Financial Periods. There has been a slight increase in the depreciation charge due to additions to our fixed assets. The recurrent expenses increased slightly due to increase maintenance costs. The personnel expenses stood at Rs 191.6m compared to Rs 175.8m; a net increase of Rs 15.8m. An amount of Rs 10.8m has been accrued for the payment effected after year end for performance bonus relating to period January 2021 to June 2022 and for the amount due for the period July 2022 to June 2023.

Financial Analysis (Cont'd)

d) Cost Ratios

The total cost stood at Rs 627.2m at June 2023 compared Rs 462.4m at June 2022. Whilst, the total revenue stood at Rs 737.2m at June 2023 compared to Rs 520.3m at June 2022.

Cost to income ratio stood at 88.9% as at June 2022 for the current period at June 2023 the cost to income has decreased to 85.0%. The cost to income ratio has improved by 4.3%. Non-interest expense to total income ratio stood at 45.7% compared to 61.0% for 30 June 2022. Personnel expenses to total operating expenses represents 30.5% at June 2023 compared to 38% at June 2022.

e) Other items affecting the Income Statement

The Company made provision against its financial assets including loans and investment in deposits as required by IFRS 9 and Bank of Mauritius guidelines. For the 12 months ended 30 June 2023 an additional provision of Rs 6.5m has been provided compared to a reversal of provision in June 2022 of Rs 8.5m. The additional impairment provision was mainly due to credits that have deteriorated from stage 2 to 3 resulting from the increase in interest rates and economic conditions.

The Company is committed to dispose as soon as possible all the foreclosed properties; sales are mainly through bid exercise. A net gain of Rs 0.5m has been realised on the sale of foreclosed properties compared to a gain of Rs 7.4m for 2022. Whilst, a provision for loss of Rs 1.3m has been charged to the Income Statement for the housing units at Le Hochet where sales has not yet been finalized at year end. Additionally, our investment properties have appreciated in its fair value by Rs 1.3m. Our operating profit grew by 89.8% that is from Rs 57.9m for June 2022 to Rs 109.9m for June 2023. The result shows that for the current year our operating profit improved by two folds mainly due to improved sales volume, improved fee income, our product development strategies in line with the market demand the increase in interest rate, increase in return on investment, improvement in the recovery process for default cases and the cost containment strategies put forward.

Whilst, our net profit for June 2023 stood at Rs 103.7m compared to Rs 96.9m for 30 June 2022. Our net profit has improved by 7% after accounting for some exceptional items such as impairment for non-performing accounts and gain on sales of foreclosed properties.

The earnings per share for the year under review increased to Rs 5.19 compared to Rs 4.85 for 30 June 2022. The return on capital employed was 1.32% as at June 2023 whilst as at 30 June 2022 it stood at 1.31%.

Financial Analysis (Cont'd)

(ii) Assets and Liabilities at 30 June 2023

Items	June 2023 Rs m	June 2022 Rs m	June 2021 Rs m
Cash & cash equivalents	148.10	373.30	465.40
Treasury deposits	2,275.00	1,375.00	1,150.00
Property development	120.60	136.40	149.40
Loan to customers	9,641.00	9,069.20	8,497.30
Investment property	153.00	151.60	128.30
Investment in subsidiary	25.00	-	-
Property & equipment	504.60	549.20	516.90
Intangible assets	115.40	132.30	150.10
Other assets	18.30	26.90	34.70
Asset held for sale	53.10	57.00	59.80
Total Assets	**13,054.10**	**11,870.90**	**11,152.30**
Equity	3,483.70	3,471.60	3,398.90
Savings & deposits	8,334.70	7,450.10	6,734.20
Borrowings	515.20	324.80	456.50
Insurance funds	123.90	123.90	123.90
Other payables	596.60	500.50	438.80
Total Equity & Liabilities	**13,054.10**	**11,870.90**	**11,152.30**

Our total assets increased by 9.9% from Rs 11.87bn in June 2022 to Rs 13.05bn in June 2023. For the year under review, we maintained our core business activities namely granting of home loan, savings, and deposits. We introduce several loans and deposits products to cater for customers' demand. Our philosophy was to enhance the customers' experience by providing customised services and products.

Cash Flow Position

The Company is sufficiently liquid to cater for its cash requirements whether for the short-term or long-term. As at 30 June 2023, cash in hand and at bank balances amounted to Rs 2,423.1m compared to Rs 1,748.3m as at June 2022. A sum of Rs 148.1m was kept as a working capital whilst Rs 2,275m of funds in excess of our normal working capital requirements were judiciously placed in fixed deposits and treasury bills in order to secure a good return. This amount also caters for the compliance requirements for deposits held. Repayment from loans, fee income and deposits mainly contributed to meet all commitments as regards to business activities such as grant of credits and operational activities. For the year under review, we opted for funding facilities namely from deposits from Individuals, Corporate and the Senior Citizen groups.

Financial Analysis (Cont'd)

Loans to Customers

Gross loans to customers increased by 5.8% to reach Rs 10,476.9m in June 2023 as compared to Rs 9,895.5m in June 2022. Net amount after impairment stood at Rs 9,641m as compared to Rs 9,069.2m as at June 2021. A net increase by 6.3% over the year.

This performance was driven by granting loans to the individual business segment. Despite, a very competitive environment we were able to grant loans as per our objectives together with the implementation of innovative products such as our Senior Citizen Loan which the only product is existing in its category.

We also introduced a risk-based approach for doubtful sectors due to the Covid-19 impact.

Furthermore to encourage an increase in housing development in Mauritius, we introduced a Diaspora Home Loan Scheme to enable and facilitate mauritian diaspora to acquire properties in Mauritius.

In the final quarter, we also introduced the Eco Loan Scheme for the construction of a house with the green concept.

(i) Impairment on Financial Assets

The current financial year was a period of stabilisation after the Covid-19 period, the implementation of measures such as moratorium period, waivers of penalties and interest helped many clients to regularise their loans. On the other hand, actions have been taken to help clients who were in difficult financial difficulties. Clients who were facing financial difficulties to service their loans were able to benefit from our restructuring solutions. Unfortunately, during 2022/2023 the rise in Key Rate coupled with the high inflation rate, increase in prices, and change in economic situations affected our customers to service their loans. Clients who were regular in their repayment of loan suddenly fell in default situation and could not regularise.

At 30 June 2023 the non-performing loans stood at Rs 1,505m as compared to Rs 1,342.4m as at 30 June 2022; a net increase of 12.1%.

The overall non-performing loan ratio stood at 14.3% compared to 13.5% for the 12 months ended 30 June 2022.

The Company ensures that adequate provision is made in line with the guideline issued by the Bank of Mauritius and IFRS 9 – Financial Instruments. Specific allowance for credit impairment stood at Rs 754.8m as at June 2023. The debt coverage ratio stood at 50% at June 2023.

(ii) Portfolio Provision

In addition to the specific provision on impaired loan, the Company provides for a portfolio provision on non-impaired loans based on the micro and macro-economic indicators and the 12-month expected credit losses. The portfolio provision stood at Rs 80.8m as at June 2023 as compared to Rs 73.2m as at 30 June 2022.

Investment Property

a) Investment properties rose from Rs 151.6m (June 2022) to Rs 153m (June 2023) mainly due to the revaluation exercise carried out as per the Company's policy. The increase in fair value of investment stood at Rs 1.3m.

b) During the current year, the Company incorporated a new subsidiary namely MHC Properties Ltd, to cater for the development of projects. The subsidiary is 100% owned with a stated capital of Rs 25m. The total amount has been accrued in other liabilities since same has not yet been paid nor there has been any transfer of assets as at the reporting date.

Intangible Assets

Investment in capital expenditure was made towards the banking software (CBIS), computer software, DC infrastructure and computer equipment. The investment in intangible assets mainly relates to the implementation of the Core Banking System which went live in November 2019. As at 30 June 2023, new additions for the upgrading of the system and part payment for the implementation of Mobile Application stood at Rs 7.2m. Hence, the total intangible assets stood at Rs 115.4m in June 2023 as compared to Rs 132.3m in June 2022 net of depreciation.

Financial Analysis (Cont'd)

Other Assets

Other assets decreased from Rs 26.8m in June 2022 to Rs 18.2m as at June 2023 due to the repayments of staff loans, decrease in receivable for rent and other prepayments. The other main items included under other assets at 30 June 2023 are fixed charges fees paid on behalf of customers and part payment on accounts for fixed assets.

Property Development

Items under property development mainly consist of the remaining seven housing units at Le Hochet project, one housing unit at Cybervillage further to a court award and investment for the new project at Residence Clos Verger. Buyers for the remaining housing units have already been identified and sales are under process. As at 30 June 2023 the balance stood at Rs 120.5m compared to Rs 136.3m at June 2022.

Deposits

(i) PEL/JPS

PEL deposits increased by 1%, that is, from Rs 1,944.1m in June 2022 to Rs 1,964.1m in June 2023. The PEL savings remains a prerequisite to avail of a loan, it inculcates customers to save for the future in view to constitute a capital and to use the amount saved for the construction.

(ii) Housing Deposit Certificate (HDC)

The fund increased by 15.7% as at 30 June 2023 to reach Rs 6,370.6m compared to Rs 5,505.9m in June 2022. We have constantly reviewed the HDC products to remain competitive in the market since this is one of the main sources of funds. During the year, we have equally launched our Unit Link Deposits which gives the customers additional benefits in case of premature closures.

Borrowings

Borrowings increased from Rs 324.7m as at June 2022 to Rs 515m as at June 2023, as a result of new loans raised for the construction of the Clos Verger project and part to be used to finance our loan business.

Retirement Benefits Obligations

The fund increased by 19.3% from to Rs 419.1m in June 2022 to Rs 500.4m in June 2023. This increase is mainly as a result of the provision made to reduce the deficit in obligations as per IAS 19 – Employee Benefits.

Equity

Total equity increased by 0.4% to reach Rs 3,483.7m as compared to Rs 3,471.6m as at 30 June 2022. The items affecting the equity is the reversal of revaluation reserves for land at Clos Verger further to the start of the construction and amount transferred from the other comprehensive income following the actuarial report for the re-measurement of the post-employment benefit. The retained earnings increased by Rs 23m after adjusting the two items.

Return on shareholders' fund stood at 3.20% in June 2023 as compared to 3.01% in June 2022. The increase in return is mainly attributable to the increase in profits.

Financial Analysis (Cont'd)

Capital Adequacy

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

i. Tier 1 refers to core capital, the sum of paid of share capital, statutory reserves, and revenue reserves; and

ii. Tier 2 refers to lesser quality components to absorb losses and includes undisclosed reserves, revaluation reserves, general banking reserves, portfolio provisions and subordinated long-term debt. Risk-weighted assets are determined by applying prescribed risk weightings to and off-balance sheet exposures according to relative credit risk of the counterparty.

The minimum capital adequacy requirement by the Bank of Mauritius is at 10%. Capital Adequacy Ratio as at 30 June 2023 stood to 35%.

Risk Management Policies and Controls

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

The Corporate Governance Report provides further details on the risk policies at MHC.

Concentration of Risk Policies

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

Related Party Transactions, Policies and Practices

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

Statement of Corporate Governance Policies

MHC has a Corporate Governance Committee in place and which is headed by a chairperson. The responsibilities of the Committee are to:
- Provide expertise in the areas of Corporate Governance;
- Ensure that the Board of Directors is up to the standard with the Code of Corporate Governance; and
- Report on its deliberations to the Board of Directors.

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

Financial Analysis (Cont'd)

Outlook

The current economic environment and the rise in inflation are making operations difficult. Customers are more cautious and are prioritising their expenditures. We have set a series of objectives for the coming financial year starting with the increase in revenue and the deposit base. Our balance sheet is expected to rise by 7.4% as well as our returns. We also expect to increase our earnings per share by more than 6%. Among our objectives for 2023/2024, we will continue to:

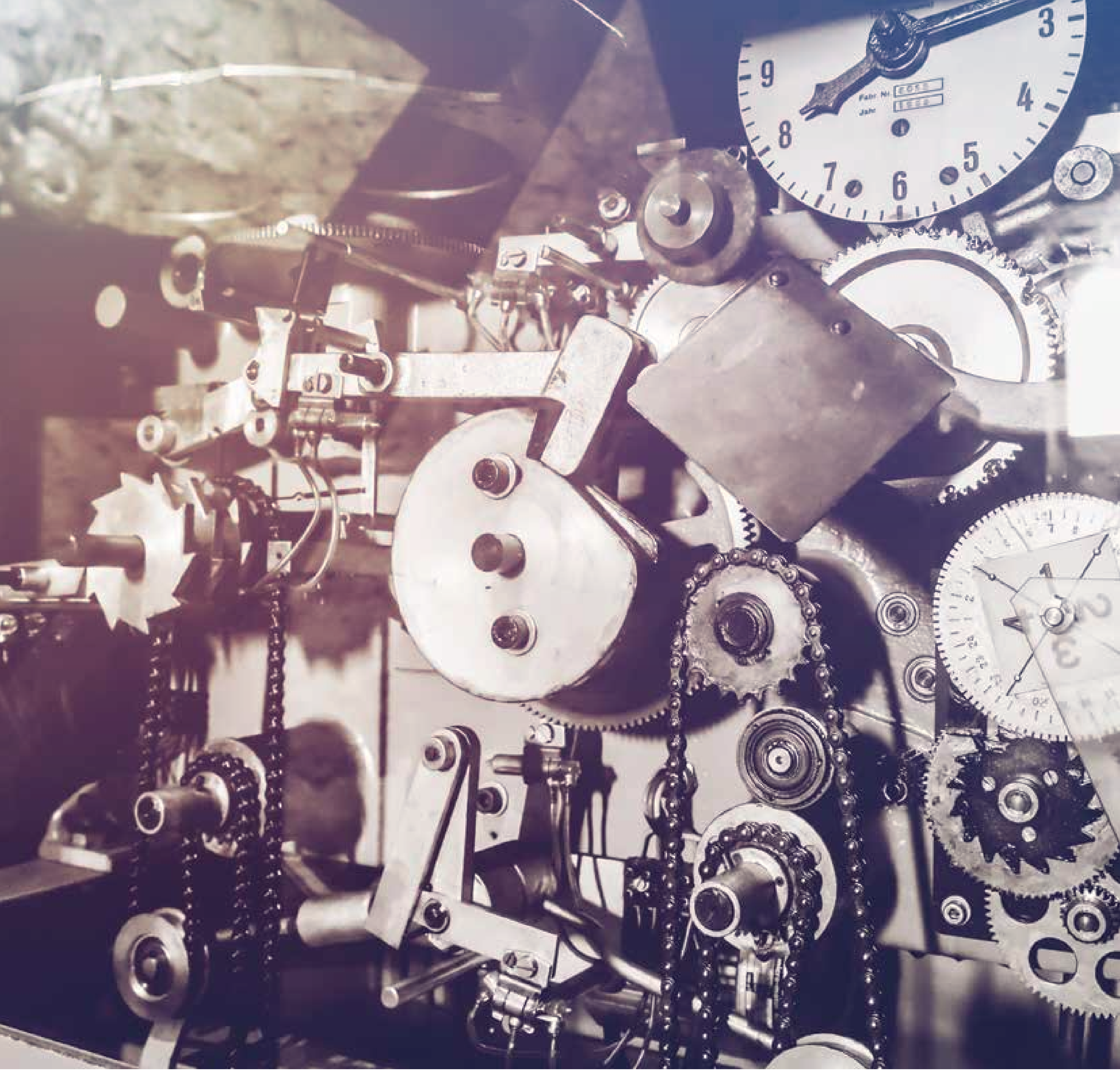
a) Develop our customised products to market trend.
b) Explore the possibility for new market segments.
c) Bring growth in the main asset (loan portfolio), as well as savings and deposits.
d) Reduce non-performing assets by adopting new strategies for recovery.
e) Continue with cost containment strategies.
f) Improve on customer access and go digital.

The launching of the internet and mobile banking is also planned to reinforce the operational capabilities as well as adopting technology-based practices. The continuous review of processes and procedures will be a priority in order to offer a better-quality service to our customers. This will serve as the differentiating factor to acquire new business as well as retain existing customers.

The Company has also embarked on a series of residential projects. For the year 2023/2024, the Company is investing in the construction of 40 apartments and 4 penthouses at the Résidence Mon Rêve Clos Verger, Rose-Hill. The construction has already started and is expected to be completed by June 2024. Besides, a residential project is also envisaged at Mourouk, Rodrigues.

Cautionary Note on Forward-Looking Statement

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



Corporate **Governance**

Corporate Governance Report

Mauritius Housing Company Ltd, the "Company", or "MHC", has always been committed to observing high standards of Corporate Governance, promoting corporate transparency and enhancing Shareholders' value.

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

Principle 1 - Governance Structure

"All Organisations should be headed by an effective Board. Responsibilities and accountabilities within the Organisation should be clearly identified."

The Company is a Public Interest Entity ("PIE"), in accordance with the Financial Reporting Act 2004. The Board of Directors, the "Board", affirms its commitment to providing strong leadership and independent judgement for complying with all legal and regulatory requirements as applicable to MHC and also ensuring long term success of the Organisation.
The Board of MHC is collectively accountable and responsible for the affairs of the Company. The Board fulfils its duties and responsibilities as defined in the Company's Constitution and the Mauritius Companies Act 2001 ("the Act"). The Directors of the Company are skilled, knowledgeable and experienced professionals. The Board takes its fiduciary responsibilities very carefully. Each Director is appointed with the understanding of the amount of time and care that they will need to devote to the Board and to the Organisation for it to prosper. The Board has approved most of the key guiding documents and policies. The Constitution of the Company has been published on MHC's website.

The following Governance documents, as approved by the Board, are published on the Company's website:-

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

Key Governance Responsibilities

The Board ensures that the Key Governance positions within the organisation are matched with the corresponding accountabilities.

Key Governance Positions

Chairperson of the Board

The Chairperson of the Board is responsible for the activities of the Board and its Committees. He acts as spokesperson for the Board and is the principal Board contact for the Executive team. The Chairperson of the Board and the Executive team meet regularly. The Chairperson of the Board presides over the meetings of Shareholders.

Duties of the Chairperson of the Board

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

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

Corporate Governance Report (Cont'd)

Principle 1 - Governance Structure (Cont'd)

Key Governance Positions (Cont'd)

Chairperson of the Audit Committee

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

- To ensure the annual Financial Statements comply with the appropriate accounting standards; and
- To report on the deliberations of the Audit Committee to the Board.

Chairperson of the Risk Committee

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

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

Chairperson of the Nomination and Remuneration Committee

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

(i) To provide expertise in the areas of Human Resources;
(ii) To ensure the Company is compliant with the labour laws;
(iii) To ensure that the succession planning for Directors and other Senior Executives; and
(iv) To report on the deliberations of the Nomination and Remuneration Committee to the Board.

Chairperson of the Corporate Governance Committee

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

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

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

(a) The terms and conditions for credit facilities to the staff members under the terms and conditions of their employment contracts;
(b) Credit facilities to staff which are not in line with the terms and conditions as approved by the Board under (a) above;
(c) Credit exposures to related parties where the aggregate credit exposure to any single related party and/or its group of connected counterparties exceed 2 per cent of the Tier 1 capital of MHC or MUR 500 million, whichever is lower;
(d) Any other transaction with related parties where the aggregate amount due by/to any single related party and/or its group of connected counterparties exceed 2 per cent of the Tier 1 capital of MHC or MUR 500 million, whichever is lower; and
(e) All related party transactions posing special risks to MHC.

Corporate Governance Report (Cont'd)

Principle 1 - Governance Structure (Cont'd)

Key Governance Positions (Cont'd)

Chairperson of the Real Estate Development Monitoring Committee

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

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

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

However, as of date, the real estate assets of MHC have not yet been transferred to MHC Properties Ltd. Hence, the Real Estate Development Monitoring Committee will continue operations until finalisation of the transfer of undertakings.

Chairperson of the Monitoring Committee

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

(i) To ensure that the milestones and approved objectives of the Company are achieved; and
(ii) To report on the deliberations of the Monitoring Committee to the Board.

Other Key Governance Positions

Managing Director

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

The main functions of the Managing Director are:

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

Corporate Governance Report (Cont'd)

Principle 1 - Governance Structure (Cont'd)

Other Key Governance Positions (Cont'd)

Senior Management Team

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

Name	Position	Qualifications	Date Joined
Mr Babbea Anand	Managing Director (From 01 May 2020 to 30 April 2022 and re-appointed on 24 May 2022)	Bsc (Hons) Financial Services, MBA	01 May 2020
Mr Abeeluck Rajeev	Head (Technical)	Bachelor Degree and Post- Graduate Degree in Architecture	02 Jul 2001
Mr Ramdhan Ravindranath	Head ICT and DMLRO	MBA (Information Systems)	10 Aug 2020
Mr Puholoo Surendra	Acting Head (Commercial) (up to 24 January 2023) Acting Head (Finance) (as from 02 February 2023)	FCCA	02 Jul 1990
Mr Mudaliar Rama Krishna**	Internal Auditor	FCCA	01 Jun 1992
Mrs Kalapnauth – Rajcoomar Ashvina	Manager (Corporate Services)	MBA (Human Resource and Knowledge Management)	30 Jul 2003
Mr Maudarbocus Naim	Manager ICT MLRO (up to 31 May 2023)	MBA (Finance & Investment), Maîtrise d'Informatique	05 Nov 1995
Mr Maywah Jayraj	Acting Internal Auditor (up to 09 August 2022)	CMIIA (Affiliate), FCCA, IRM Cert	20 May 1985
Mr Maudarun Sheik Muhammad Shakeel	Acting Manager (Operations)	FCCA, MBA	08 Mar 1992
Mr Boojhawon Rakeshsing	Acting Manager (Risk and Compliance) MLRO (as from 01 June 2023)	FCCA, IRM Cert	07 Dec 1994
Mrs Seesurn Jayantee	Acting Manager (Credit Underwriting Unit)	MBA (Financial Services)	14 May 1985
Mrs Ramkhelawon Hemantee	Acting Manager (Credit Services) (as from 20 April 2020)	MBA (Marketing Management)	17 Feb 1992
Mr Quirin Robert Richard	Acting Manager (Recovery)	MSc. Banking and Finance	08 Feb 1993
Mrs Pyneeandee Rajamanee	Acting Manager (Commercial)	MSc Finance	01 Dec 1992
Mr Heera Iswarduth	Manager (Marketing & Communication)	BSc (Human Resource Management) Diploma in Marketing	17 May 2023

Corporate Governance Report (Cont'd)

Principle 1 - Governance Structure (Cont'd)

Other Key Governance Positions (Cont'd)

Senior Management Team (Cont'd)

Officers who ceased to hold office during the year

Name	Position	Qualifications	Date Joined
Mr Abdool Hassen Issop*	Head (Finance) (up to 24 January 2023)	FCCA	01 Jul 1992
Mr Maywah Devanand***	Manager (Procurement) (up to 17 May 2023)	MBA (Human Resource and Knowledge Management)	11 Dec 1976

* *Mr Abdool Hassen Issop retired on 25 January 2023.*
** *Mr Mudaliar Rama Krishna was interdicted in prior year and resumed duty on 10 August 2022.*
*** *Mr Maywah Devanand retired on 18 May 2023.*

Senior Management Profile

Mr Anand BABBEA is the Managing Director of Mauritius Housing Company Ltd since 01 May 2020 to 30 April 2022.
He was re-appointed as Managing Director on 24 May 2022.
Mr Babbea has grown within the Banking, Financial and Payments Industry and is a professional reckoning more than 33 years of experience. Mr Babbea started his career at the Ministry of Finance in 1990. He then joined the State Bank (Mauritius) Ltd in 1992, where he had a long and rich career of 21 years. He also worked as Head of eCommerce at CIM Finance Ltd for approximately 4 years. Prior to joining the Mauritius Housing Company Ltd, Mr Babbea was the Chief Executive Officer of the GPN Data (Mauritius) Ltd for more than 3 years. He had also been the Chairman of the Development Bank of Mauritius (DBM) Ltd.

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

Mr Rajeev ABEELUCK joined MHC as an Architect on 02 July 2001 before being appointed as Head of Technical Department in October 2013. He holds a Bachelor Degree in Architecture (1994) and a Post Graduate Diploma in Architecture (1996) from the University of Natal in Durban, South Africa. He is registered with the Professional Architects' Council of Mauritius (1995).

Mr Ravindranath RAMDHAN joined MHC as Head Information and Communication Technology on 10 August 2020. He holds a degree in Computer Applications (2007) and a Masters of Business Administration with specialisation in Information System (2009) from the University of Technology, Mauritius.

Mr Surendra PUHOLOO joined MHC on 02 July 1990 and occupies the post of Senior Accountant in a substantive capacity. He was assigned as Head (Commercial) from 27 August 2020 to 24 January 2023 and is presently the Acting Head (Finance) since 02 February 2023. He was admitted as an Associate of the Association of Chartered Certified Accountants in December 1997 and Fellow Member in December 2002.

Mr Rama Krishna MUDALIAR joined MHC on 01 June 1992 as Internal Auditor. He is a Fellow Member of the Association of Chartered Certified Accountants since November 1995. He has occupied all senior posts of the Company. He still holds the post of Internal Auditor. The incumbent has resumed duty as from 10 August 2022.

Corporate Governance Report (Cont'd)

Principle 1 - Governance Structure (Cont'd)

Other Key Governance Positions (Cont'd)

Senior Management Profile (Cont'd)

Mrs Ashvina KALAPNAUTH-RAJCOOMAR joined MHC on 30 July 2003 and presently holds the post of Manager (Corporate Services). She is holder of a Bachelor Degree of Science with Honours in Human Resource Management (2006) and an MBA in Human Resource Management (2011) from the University of Technology, Mauritius.

Mr Naim MAUDARBOCUS joined MHC as an Analyst/ Programmer in 1995 before being promoted to Systems Analyst in 1999. He currently holds the position of Manager (ICT). He also acted as Money Laundering and Reporting Officer up to 31 May 2023. He holds a 'Maitrise d'informatique' from the University of Bordeaux I, France and a Masters in Business Administration, with specialisation in Finance and Investment (2011), from the University of Technology, Mauritius.

Mr Jayraj MAYWAH joined the MHC on 20 May 1985. He was admitted as an Associate of the Association of Chartered Certified Accountants in 1999 and as a Fellow Member in 2004. Mr Maywah is also a qualified Internal Auditor since November 2013 (Affiliate) of the Chartered Institute of Internal Auditors since November 2013. He occupied several senior positions previously and since 12 February 2020, he has been assigned as Acting Internal Auditor. Mr J Maywah is now acting as Accountant in the Finance Business Unit since 10 August 2022.

Mr Sheik Muhammad Shakeel MAUDARUN joined the Company on 09 March 1992 and holds the post of Accountant in a substantive capacity. He is presently acting as Head (Operations) since 27 August 2020. Mr Maudarun was admitted as a Member of the Association of Chartered Certified Accountants in November 2008 and as a Fellow Member in November 2013. He is also holder of a Masters of Business Administration (2016) from Heriot-Watt University.

Mr Rakeshsing BOOJHAWON joined MHC on 07 December 1994. He is presently employed as Assistant Accountant in a substantive capacity. Since August 2020, he has been assigned the duties and responsibilities of Manager (Risk and Compliance). He was admitted as a Member of the Association of Chartered Certified Accountants in March 2009 and as a Fellow Member in April 2014. He also holds an International Certificate in Enterprise Risk Management from the Institute of Risk Management UK.

Mrs Jayantee SEESURN joined the Company on 14 May 1985 and is presently employed as Assistant Manager (Corporate Planning & Development) in a substantive capacity. Since August 2020, Mrs Seesurn is acting as Manager (Credit Underwriting). Mrs Seesurn holds a Degree of Bachelor of Arts with Honours in Legal Studies and Management (2011) and a Masters in Business Administration with specialisation in Financial Services (2016) from University of Mauritius.

Mrs Hemantee RAMKHELAWON joined the Company on 17 February 1992 and is presently employed as Assistant Manager (Commercial) in a substantive capacity. Since April 2022, she is acting as Manager (Credit Services). She holds a Bachelor Degree of Science with Honours in Management Studies (2013) from University of Mauritius and an MBA with specialisation in Marketing Management (2018) from Open University of Mauritius.

Mr Robert Richard QUIRIN joined the Company on 08 February 1993. He is presently employed as Assistant Accountant in a substantive capacity. Since August 2020, he is acting as Manager (Recovery). He holds a degree of Bachelor of Arts with Honours in Financial Services (2002) from Napier University and an MSc in Banking and Finance (2008) from the University of Technology.

Corporate Governance Report (Cont'd)

Principle 1 - Governance Structure (Cont'd)

Other Key Governance Positions (Cont'd)

Senior Management Profile (Cont'd)

Mrs Rajamanee PYNEEANDEE joined the Company on 01 December 1992. She presently employed as Assistant Manager (Commercial) in a substantive capacity and is acting as Manager (Commercial). She holds a degree of Bachelor of Science with Honours in Business Management (2012) and a Degree of Master Science in Finance (2021), both from the University of Mauritius.

Mr Iswarduth HEERA joined the Company as Manager (Marketing and Communication) on 17 May 2023. He holds a Diploma in Marketing from the Institute of Commercial Management, UK and a Degree in Human Resource Management in 2012 from the University of Technology, Mauritius.

Officers who ceased to hold office during the year under review

Mr Hassen Issop ABDOOL joined MHC on 01 July 1992 and held the position of Head of Finance. He was admitted as an Associate of the Association of Chartered Certified Accountants in December 1997 and as a Fellow Member in December 2002. He retired on 25 January 2023.

Mr Devanand MAYWAH joined MHC on 11 December 1976 and occupied the post of Manager Procurement. He holds a Diploma in Public Administration and Management (2007), a BSc (Hons) in Public Administration and Management (2008) and an MBA in Human Resource with Knowledge Management (2011) from the University of Technology, Mauritius. He retired on 18 May 2023.

Corporate Governance Report (Cont'd)

Principle 1 - Governance Structure (Cont'd)

Organisation Chart

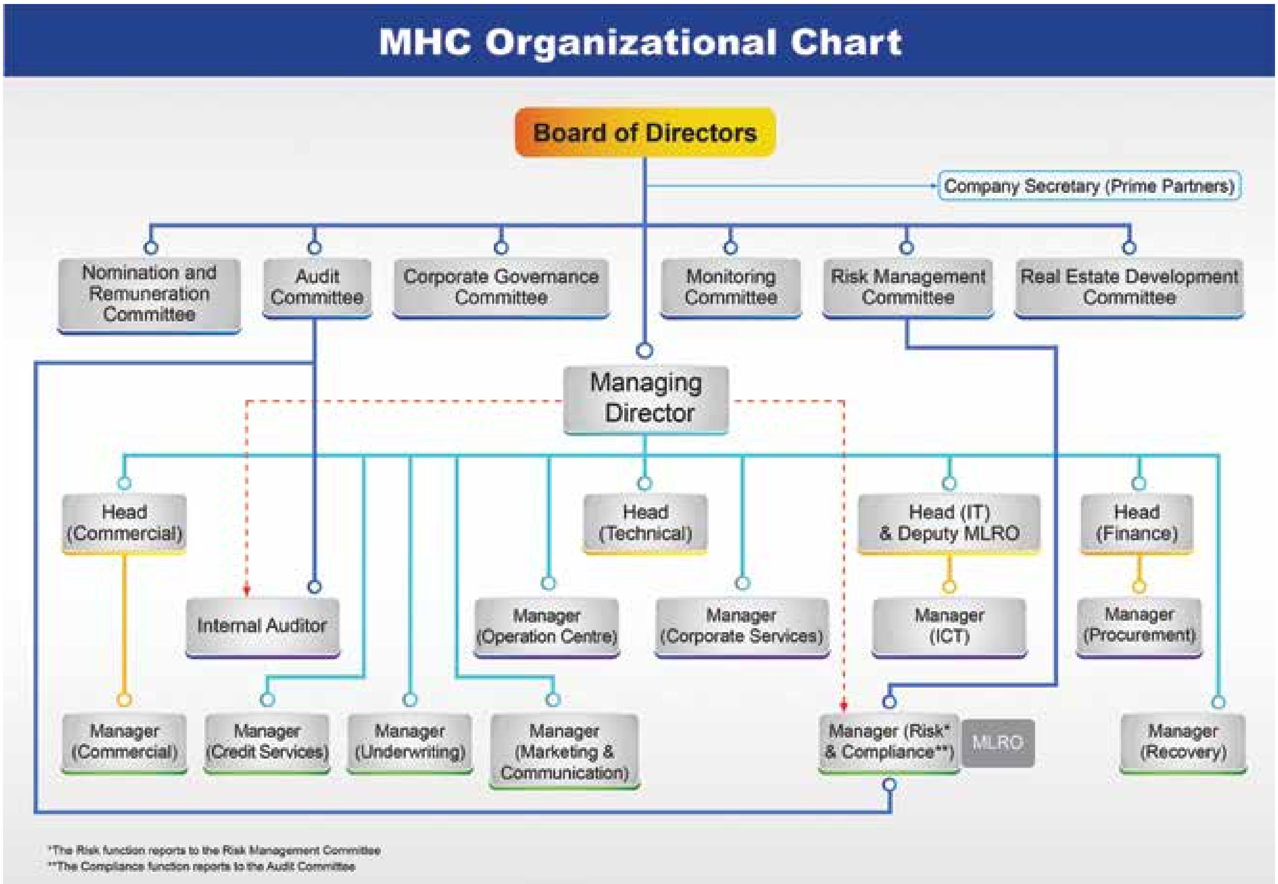


Figure 1 – Organisational Structure of MHC

Corporate Governance Report (Cont'd)

Principle 2 - The Structure of the Board and its Board Commitees

"The Board should contain independently minded directors. It should include an appropriate combination of executive directors, independent directors and non-independent non-executive directors to prevent one individual or a small group of individuals from dominating the Board's decision taking. The Board should be of a size and level of diversity commensurate with the sophistication and scale of the organisation. Appropriate Board committees may be set up to assist the Board in the effective performance of its duties."

The Constitution of the Company provides for a minimum of five (5) and a maximum nine (9)* directors. The Board is unitary and currently consists of six (6) directors, categorised as follows:-

- **1 Executive Director;**
- **2 Non-Executive Directors; and**
- **3 Independent Directors.**

The Shareholders have already been requested to consider filling the 3 vacant positions.

The Board is responsible for the stewardship of MHC, overseeing its strategy, conduct and affairs. The Directors of MHC as at 30 June 2023 were:-

Director Name*	Role	Category
Me Rashad Racheed Daureeawoo (appointed on 06 February 2020)	Chairperson	Independent
Mr Anand Babbea (appointed on 01 May 2020 to 30 April 2022 and re-appointed on 24 May 2022)	Managing Director	Executive
Mr Mohummad Shamad Ayoob Saab (appointed on 02 March 2021)	Director	Non-Executive
Mrs Marie Veronique Doriana Letandrie (appointed on 30 November 2020)	Director	Independent
Mr Sarwansingh Purmessur (appointed on 30 November 2020)	Director	Non-Executive
Mr Khulwant Kumar Ubheeram (appointed on 30 November 2020)	Director	Independent
Mrs Bhooneshwari Kissoon-Luckputtya (appointed on 16 June 2023 and resigned on 27 July 2023)	Director	Non-Executive
Directors who ceased to hold office during the year under consideration		
Dr Dhanandjay Kawol (appointed on 16 August 2022 and resigned on 29 March 2023)	Director	Non-Executive
Mr Dunputh Khoosye (appointed on 20 March 2015 and directorship lapsed on 19 March 2023)	Director	Independent
Dr Dharamraj Paligadu (appointed on 30 November 2020 and resigned on 09 May 2023)	Director	Non-Executive

Table 1 - Directors of MHC

Corporate Governance Report (Cont'd)

Principle 2 - The Structure of the Board and its Board Commitees (Cont'd)

The Company Secretary

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

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

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

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

Training/Continuous Professional Development

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

Board Diversity

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

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

In November 2022, the Board members of MHC were re-appointed by the shareholders and the position of a second Executive Director was not considered. The Managing Director was the only executive director on the Board at year end.

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

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

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

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

Executive Directors

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

Taking into consideration the level of operations of the Company, the appointment of a second Executive Director was considered as not appropriate by the shareholders.

Corporate Governance Report (Cont'd)

Principle 2 - The Structure of the Board and its Board Commitees (Cont'd)

Director's Independence Review

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

The Board recognises that over time independent directors develop significant insights on the Company's business and operations and can contribute objectively to the Board as a whole. In circumstances where a director has served as an independent director for over six years, the Board conducts a rigorous review of his/her continuing contribution and independence. Upon the recommendation of the Board, in May 2021, the Bank of Mauritius had approved the re-appointment of Mr D. Khoosye who had served as independent director for six years, for a further period of two years. The directorship of Mr D. Khoosye lapsed on 19 March 2023, following an exceptional extension of two years after the initial six years of appointment on the Board of the Company.

Role of Non-Executive Directors

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

Powers of the Board

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

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

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

Corporate Governance Report (Cont'd)

Principle 2 - The Structure of the Board and its Board Commitees (Cont'd)

Board Meetings

The Board met ten (10) times during the financial year ended 30 June 2023.

The Board deliberated on a range of issues including: -

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

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

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

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

Corporate Governance Report (Cont'd)

Principle 2 - The Structure of the Board and its Board Commitees (Cont'd)

Board and Committees Attendance

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

Director	Category	Board	Audit Committee	Risk Management Committee	Nomination and Remuneration Committee	Corporate Governance Committee	Monitoring Committee	Real Estate Development Committee
Me Rashad Racheed Daureeawoo (appointed on 06 February 2020)	Independent Chairperson	11/11	1/1	-	-	-	-	-
Mr Anand Babbea (appointed on 01 May 2020 to 30 April 2022 and re-appointed on 24 May 2022)	Executive	11/11	-	2/2	-	-	-	-
Mr Mohummad Shamad Ayoob Saab (appointed on 02 March 2021)	Non-Executive	8/11	-	-	4/6*	1/1	-	-
Mrs Marie Veronique Doriana Letandrie (appointed on 30 November 2020)	Independent	7/11	5/11	-	-	-	3/3	2/2
Mr Sarwansingh Purmessur (appointed on 30 November 2020)	Non-Executive	7/11	-	2/2	1/1*	1/1	-	2/2
Mr Khulwant Kumar Ubheeram (appointed on 30 November 2020)	Independent	10/11	11/11	1/1	1/1*	-	3/3	-
Mrs Bhooneshwari Kissoon-Luckputtya (appointed on 16 June 2023 and resigned on 27 July 2023)	Non-Executive	1/1	-	-	-	-	-	-
Director who ceased to hold office during the year under consideration								
Dr Dhanandjay Kawol (resigned on 29 March 2023)	Non-Executive	8/8	-	1/1	5/5	1/1	3/3	-
Mr Dunputh Khoosye (directorship lapsed on 19 March 2023)	Independent	7/8	8/9	-	-	-	-	2/2
Dr Dharamraj Paligadu (resigned on 09 May 2023)	Non-Executive	5/9	-	-	5/5	-	-	-

**Upon the resignation of Dr D. Paligadu and Dr D. Kawol, the Board by way of written resolution dated 31 May 2023, Directors Purmessur and Ubheeram were appointed as members of the Nomination and Remuneration Committee. The Monitoring Committee also was reconstituted by way of written resolution dated 29 June 2023 but thereafter no meeting was held during the year under consideration.*

Corporate Governance Report (Cont'd)

Principle 2 - The Structure of the Board and its Board Commitees (Cont'd)

Board Committees

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

(i) Audit Committee;
(ii) Risk Management Committee;
(iii) Nomination and Remuneration Committee; and
(iv) Corporate Governance Committee.

The following committees were also set up:
(i) Real Estate Development Committee; and
(ii) Monitoring Committee.

The objectives of these Committees are as follows:
- To bring focus and appropriate expertise and specialisation to the consideration of specific Board issues;
- To enhance Board efficiency and effectiveness;
- To enable consideration of key issues in depth; and
- To make recommendations to the Board, where appropriate.

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

Audit Committee

The Audit Committee is governed by a Charter in line with the provisions of the Code. The Charter of the Committee was reviewed on 26 June 2023 and is available on the website of the Company.

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

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

The main duties/functions of the Audit Committee include amongst others: -
- To oversee the internal financial reporting process to provide reasonable assurance that the financial statements represent a true and fair view of the financial affairs of the Company and comply with IFRS and applicable legislations and guidelines.
- To oversee the audit process (external and internal), to provide material comfort to Board, inter alia, as to the effectiveness of the internal control systems put in place by management as well as the overall Company's compliance status with both statutory and regulatory requirements.
- To approve the external and internal audit plans that are required to be risk-based. In addition, this process provides the Committee with an evaluation of the quality of risk enterprise framework set up by management.
- As per the nature of its responsibilities, all members of the Audit Committee are required to be strictly independent Board directors.
- To demonstrate a clear separation of powers and a complete independence in the discharge of this process as follows:
  - To recommend to shareholders the appointment, removal, and remuneration of external auditors and to approve the engagement letter setting out the scope and terms of external audit.
  - To consider Internal Audit reports from the Head of Internal Audit in the discharge of his duty in providing objective assurance and consulting input to add value to the activities of the Company. The Head of Internal Audit has furthermore independent access to the Chairperson of the Audit Committee and to the Chairperson of the Board.
  - To periodically have private interaction with (a) External Auditors; and (b) Internal Auditor respectively.
- To assess periodically the skills, resources, and independence of the external auditors and their practices for quality control.
- To discuss with senior management and external auditors the overall results of the audit, the quality of financial statements and any concerns raised by external auditors.
- To review and monitor management responsiveness to Bank of Mauritius as well as Internal Audit findings and recommendations and to ensure that critical issues are escalated to Board in a timely fashion.

Corporate Governance Report (Cont'd)

Principle 2 - The Structure of the Board and its Board Commitees (Cont'd)

Audit Committees (Cont'd)

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

The Committee met eleven (11) times during the year under review. It examined the annual financial statements, discussed issues raised by the internal and external auditors, compliance reports and deliberated on their recommendations.

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

Members and attendance during the year under review:

Members	Role	Audit Committee
Mr K. K. Ubheeram (appointed as Chairperson on 16 December 2020)	Chairperson	11/11
Mrs M.V.D. Letandrie (appointed as Member on 16 December 2020)	Member	5/11
Me R. Daureeawoo (appointed on 10 May 2023)**	Member	1/1
Member who ceased to hold office during the year		
Mr D. Khoosye (directorship lapsed on 19 March 2023)	Member	8/9

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

*** Taking into consideration that there were only three Independent Directors (including the Chairman) on Board of MHC, the Bank of Mauritius, by way of letter dated 10 May 2023 had recommended that Me R. Daureeawoo (Independent Board Chairman) be appointed as member (not chair) of the Audit Committee for a period of six (6) months, pending the appointment of a new Independent Director.*

Corporate Governance Report (Cont'd)

Principle 2 - The Structure of the Board and its Board Commitees (Cont'd)

Risk Management Committee

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

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

The Risk Management Committee's Charter was reviewed and approved by the Board and published on the website of the Company.

The major tasks of the Risk Management Committee include:

(a) Identification of principal risks, including those relating to credit, market, liquidity, operational, compliance, and reputation of MHC, and actions to mitigate the risks;

(b) Appointment of a chief risk officer who, among other things, shall provide assurance that the oversight of risk management is independent from operational management and is adequately resourced with proper visibility and status in the organisation. Taking into consideration the current operations of the Company, it has been agreed that this function will fall under the responsibility of the Manager, Risk and Compliance;

(c) Ensuring independence of the Manager, Risk and Compliance from operational management without any requirement to generate revenues;

(d) Requirement of the Manager, Risk and Compliance to provide regular reports to the Committee, Senior Management and the Board on his activities and findings relating to the institution's risk appetite framework;

(e) Receive from senior officers periodic reports on risk exposures and activities to manage risks; and

(f) Formulate and make recommendations to the Board on risk management issues.

Following the resignation of Dr D. Kawol, the Chairperson of the Risk Management Committee is yet to be appointed.

The Risk Management Committee met twice during the year under review to consider risks faced by MHC.

Members and attendance during the year under review:

Members	Role	Risk Management Committee
Mr A. Babbea	Member	2/2
Mr S. Purmessur	Member	2/2
Mr K.K. Ubheeram	Member	1/2
Members who ceased to hold office during the year under consideration		
Dr D. Kawol (up to 29 March 2023)	Chairperson	1/1

Corporate Governance Report (Cont'd)

Principle 2 - The Structure of the Board and its Board Commitees (Cont'd)

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is governed by a Charter which reviewed and approved by the Board on 26 June 2023 and published on the website of the Company.

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

The Nomination and Remuneration Committee met five (5) times during the year under review to consider staff matters.

Members and attendance during the year under review:

Members	Role	Nomination and Remuneration Committee
Mr M. S. Ayoob Saab	Chairperson	1/1
	Member	3/5
Mr S. Purmessur (as from 31 May 2023)	Member	1/1
Mr K. Ubheeram (as from 31 May 2023)	Member	1/1
Member who ceased to hold office during the year under consideration		
Dr D. Paligadu (up to 09 May 2023)	Chairperson	5/5
Dr D. Kawol (up to 29 March 2023)	Member	5/5

Corporate Governance Report (Cont'd)

Principle 2 - The Structure of the Board and its Board Commitees (Cont'd)

Corporate Governance Committee

The Corporate Governance Committee is governed by a Charter in line with the provisions of the Code. The Charter of the Corporate Governance Committee is available on the website of the Company.

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

The duties of the Corporate Governance Committee include the following:

- Oversee the implementation of the corporate governance framework;
- Periodically review and evaluate the effectiveness of the Company`s Code of Conduct and Ethics;
- Review the position descriptions of the Chairperson of the Board and Committees and recommend any amendment to the Board;
- Review annually the size and composition of the Board as a whole; and
- Consider and approve matters which were previously under the mandate of the Conduct Review Committee.

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

Members and attendance during the year under review:

Members	Role	Corporate Governance Committee
Mr S. Purmessur (as from 16 December 2020)	Chairperson	1/1
Mr M. S. Ayoob Saab (as from 16 December 2020)	Member	1/1
Member who ceased to hold office during the year under review		
Dr D. Kawol (up to 29 March 2023)	Member	1/1

Real Estate Development Monitoring Committee

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

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

The Real Estate Development Monitoring Committee met two (2) times during the year.

Members and attendance during the year under review:

Members	Role	Real Estate Development Monitoring Committee
Mrs M. V. Doriana Letandrie	Member	2/2
Mr S. Purmessur	Member	2/2
Member who ceased to hold office during the year under review		
Mr D. Khoosye (Directorship lapsed on 19 March 2023)	Chairperson	2/2

Corporate Governance Report (Cont'd)

Principle 2 - The Structure of the Board and its Board Commitees (Cont'd)

Real Estate Development Monitoring Committee (Cont'd)

The Board of Directors had at its meeting held on 16 December 2020 approved the setting up of a fully-owned subsidiary under the name of MHC Properties Ltd. Upon approval of the shareholders of MHC, the subsidiary was incorporated on 05 September 2022 to take over the activities of the Real Estate Development Monitoring Committee and the latter was dissolved.

However, taking into consideration that the real estate assets of have not yet been transferred to MHC Properties Ltd, the Real Estate Development Committee was revived to pursue its function.

Monitoring Committee

The Monitoring Committee is governed by a Charter which is published on the website of the Company.

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

The Monitoring Committee met three (3) times during the year.

Members and attendance during the year under review:

Members	Role	Monitoring Committee
Mr K. Ubheeram	Chairperson	3/3
Mrs M. V. Doriana Letandrie	Member	3/3
Mr S. Purmessur (appointed on 29 June 2023)	Member	-
Member who ceased to hold office during the year		
Dr D. Kawol (up to 29 March 2023)	Member	3/3

Corporate Governance Report (Cont'd)

Principle 2 - The Structure of the Board and its Board Commitees (Cont'd)

Directors' Profile

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

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

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

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

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

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

She was appointed as independent director from year 2019 to 2020 of the SIC Development Co Ltd and is currently an Independent Director of SIC Management Services Co Ltd and as Independent Director of SIC Management Services Co Ltd and Grand Bay Casino Ltd from 2019 till March 2023.

Mrs V. Letandrie has been appointed as an Independent Director of the Mauritius Housing Company Ltd since November 2020.

Mrs Bhooneshwari Kissoon-Luckputtya was the representative of the Ministry of Social Integration, Social Security and National Solidarity and National Solidarity (Social Security and National Solidarity Division) on the MHC's Board.

She holds a Msc Public Sector Management from the University of Technology, Mauritius, MA in International Human Resource Management from the University of Greenwich, UK as well as a Diploma in Public Administration and Management from the University of Mauritius.

During her career, she occupied the posts of Assistant Permanent Secretary and Deputy Permanent Secretary prior to her appointment as Permanent Secretary.

Mrs Bhooneshwari Kissoon-Luckputtya has worked in several Ministries and has extensive experience in public sector management and has previously served on Boards of various State-Owned organisations.

She resigned as Director of MHC on 27 July 2023.

Corporate Governance Report (Cont'd)

Principle 2 - The Structure of the Board and its Board Commitees (Cont'd)

Directors' Profile

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

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

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

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

Mr Khulwant Kumar Ubheeram is holder of a distinction-graded MBA, UK. He has also studied Actuarial Science at the University of Kent, UK and Management at the London School of Economics, UK.

Mr. Ubheeram has worked as an Actuarial Consultant for some market leading financial institutions in the UK, like Aviva and Capita. He has also worked as a Statistical Analyst at the Ministry of Defence, UK.

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

Mr. Ubheeram is an Independent Director of the Mauritius Housing Company Ltd and also the Chairperson of its Audit Committee. He also holds position as the CEO of the People's Turf PLC.

Directors who ceased to hold office during the year under review

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

Dr D. Kawol started his career in the Civil Service in 1991 as a technical officer at the Ministry of Agriculture and Natural Resources. Subsequently in 1995, he was appointed as Assistant Secretary in the administrative cadre. He has served in different ministries and has reached the level of Senior Chief Executive.

He is presently posted at the Ministry of Local Government and Disaster Risk Management since 01 March 2023. He has also served as Chief Executive at Municipal Councils of Port Louis and Quatre Bornes from July 2006 to July 2008.

Dr D. Kawol has served several Boards as ex-officio member since his assumption of duty as Assistant Secretary.

Dr. D. Kawol resigned as Director of MHC on 29 March 2023.

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

Mr Khoosye is a retired officer of the police force and the Ex-Mayor of Vacoas – Phoenix. He is currently a Municipal Councillor and the Chairman of Mauritius Shipping Corporation Ltd.
Mr Khoosye was the Chairperson of the Real Estate Development Monitoring Committee of MHC and is actually the Chairman of MHC Properties Ltd. The directorship of Mr D. Khoosye on the Board of MHC lapsed on 19 March 2023.

Corporate Governance Report (Cont'd)

Principle 2 - The Structure of the Board and its Board Commitees (Cont'd)

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

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

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

Dr D. Paligadu resigned as Director of MHC on 09 May 2023.

Directorship in other companies as at 30 June 2023

Director	Companies	Directorship Type (Executive/Non-Executive Independent)
Mr Mohammud Shamad Ayoob Saab	The State Investment Corporation Limited	Non-Executive
	New Social Living Development Ltd	Non-Executive
	Economic Development Board	Non-Executive
Mr Sarwansingh Purmessur	Land Drainage Authority	Non-Executive Chairperson
	Financial Services Commission	Non-Executive
	Financial Reporting Council	Non-Executive Member
Mr Khulwant Kumar Ubheeram	Sport Data Feed Ltd	Non-Executive
	Integrity Sport Ltd	Non-Executive
	People's Turf PLC	Executive
Director who ceased to hold office during the year under consideration		
Mr. Dunputh Khoosye (Directorship lapsed on 19 March 2023)	Mauritius Shipping Corporation Ltd	Non-Executive Chairperson
Dr Dhanandjay Kawol	EWF Hospitality Ltd (up to 01 March 2023)	Independent
	National Empowerment Foundation (up to 01 March 2023)	Non-Executive
	Omnicane Ltd (up to 13 March 2023)	Non-Executive
	SICOM Ltd (up to 31 March 2023)	Non-Executive
	Cyber Properties Ltd (up to 13 March 2023)	Non-Executive
	Ascencia Ltd (up to 13 March 2023)	Independent

Principle 3 – Directors Appointment Procedures

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

Appointment of Directors

** Except for the executive director, all directors serve for a maximum term of six years unless an extension is otherwise approved by the Bank of Mauritius.*

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

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

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

(i) To keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace; and

(ii) To identify and nominate for the approval of the Board, candidates to fill Board vacancies as and when they arise.

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

Professional Development

The Board has reviewed the professional development and training of directors. An assessment of the Board and Sub Committees has been conducted. As a Non-Deposit Taking Financial Institution, considering the ongoing importance of internal systems and controls to combat laundering of criminal proceeds, financing of terrorism and the financing of proliferation of weapons of mass destruction in today's business environment, a refresher training session on AML/CFT was organised on 06 May 2023.

Induction

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

Following approval of the Shareholders and pending the approval of the Bank of Mauritius, Mrs Bhooneshwari Kissoon-Luckputtya, newly designated representative of the Ministry of Social Integration, Social Security and National Solidarity on the Board, attended the induction session on 06 May 2023. She was provided with an overview of the Company and her roles and responsibilities as a director.

Principle 3 – Directors Appointment Procedures (Cont'd)

Election and Re-election of Directors

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

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

Succession Planning

The Board considers its succession very carefully and assumes responsibility for succession planning. The Nomination and Remuneration Committee is responsible to give consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future. There is no formal succession plan. The Board liaises with the Shareholders of the Company whenever required on this issue.

Principle 4 – Director Duties, Remuneration and Performance

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

Legal Duties

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

Code of Ethics

The Board has reviewed and approved its Code of Ethics on 26 June 2023. As for the staff of MHC, the Board has already approved a Code of Conduct for Employees. The Board, through the Nomination and Remuneration Committee, monitors and evaluates compliance with the Code of Ethics and Business Conduct for the Board/Code of Conduct for Employees.

Conflict of Interest

Board Members have a fiduciary duty not to be involved in any conflict of interests with the Company. In their capacity as Board Members, they must subordinate personal individual business, third-party and other interests to the welfare and best interests of the Company.

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

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

Corporate Governance Report (Cont'd)

Principle 4 – Director Duties, Remuneration and Performance (Cont'd)

Information, IT and Information Security Governance

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

The existing IT policies and procedures were reviewed in alignment with the setting-up of the new Centralised Banking Information System. New policies and procedures have been introduced in compliance with the Information Technology Infrastructure Library governance framework. The main categories of IT policies are Information Security, Change Management, Data Backup, Batch Processing, Incident Handling, System Access and User Request. The policies have been reviewed and approved by the Board on 26 June 2023.

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

Board Information

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

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

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

Directors & Officers Liability Insurance

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

Board Evaluation

In view to enhance the Board's effectiveness, the Company has established a system of appraisal to assess the performance of the Board and sub-committees periodically. The Board and sub-committee evaluation for the year under review was conducted on 01 June 2023 and the outcome will be considered at the next Corporate Governance Committee. The appraisal focuses on the major governance issues relevant to the Board.

No independent Board/Committee evaluator was appointed.

Statement of Remuneration Philosophy

The directors are remunerated for their knowledge, experience and insight. The remuneration policy is to reward the collective contribution of directors towards achievement of the Company's objectives. The directors' remuneration in similar companies is also used as a guide. The Board is of the view that the remuneration policy at MHC is fair. On 18 August 2023, the Shareholders have approved an increase of 5% in the Board and Committee fees for the Non-Executive Directors with effect from 01 January 2021.The Board, at its meeting held on 19 August 2023 approved new terms and conditions for the Managing Director with effect from 24 May 2022.

Corporate Governance Report (Cont'd)

Principle 4 – Director Duties, Remuneration and Performance (Cont'd)

Statement of Remuneration Philosophy (Cont'd)

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

Director Name*	Category	Directors' Emoluments (Mur)
Me R. R. Daureeawoo (appointed on 06 February 2020)	Independent Chairperson	1,200,000
Mr A. Babbea (appointed on 01 May 2020)	Executive (Managing Director)	7,573,490*
Mr M.S.Ayoob Saab (re-appointed on 02 March 2021)	Non-Executive Director/Chairperson	322,500
Mrs M.V.D. Letandrie (appointed on 20 November 2020)	Independent	335,000
Mr S. Purmessur (appointed on 30 November 2020)	Non-Executive	322,500
Mr K.K. Ubheeram (appointed on 30 November 2020)	Independent	367,500
Mrs B. Kissoon-Luckputtya (appointed on 16 June 2023 and resigned on 27 July 2023)	Non-Executive	12,500
Directors who ceased to hold office during the year under review		
Dr D. Kawol (up to 29 March 2023)	Non-Executive	257,581
Mr D. Khoosye (up to 19 March 2023)	Independent	250,323
Dr D. Paligadu (up to 09 May 2023)	Non-Executive	296,452

**As Managing Director of MHC, Mr A. Babbea earns monthly salary. He is not paid additional fees as Member of the Board or Committee. His emoluments disclosed above include back pay to the tune of Rs 2,000,190/- representing travelling allowances for previous financial years 2020 and 2021.*

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

The remuneration of officers is reviewed by the Nomination and Remuneration Committee and thereafter recommended to the Board.

Corporate Governance Report (Cont'd)

Principle 5 – Risk Governance and Internal Control

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

The Board of Directors is ultimately responsible for risk governance and strategy, while ensuring management develops and implements a robust system for risk management. Besides other responsibilities, the Board has to determine the key risks that could impact the achievement of its corporate objectives and take appropriate action to mitigate them. It is also required to decide on the extent of risks that the Company is willing to take or bear in order to achieve its strategic objectives.

Risk Management

Since July 2021, MHC has implemented an Integrated Risk Management Framework, which is based on the COSO Enterprise Risk Management model,that is integrating strategy with performance. At MHC, risk management is defined as a planned and systematic approach effected by the Board, management and other personnel applied in strategy setting and across the enterprise. It is designed to identify potential events that may affect the Company and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of the Company's objectives.

MHC's primary goal as regards to risk management is to ensure that there is a strong risk culture in the Company which will enable a common understanding of risks across all functions and in ensuring compliance with applicable rules, guidelines, legislations including mandatory obligations. Risk management objectives provide appropriate guidance to the Board, management and other stakeholders to enable risk-based decision making.

The Board likewise ensures that outcomes of risk-taking activities are congruent with the Company's strategies, risk appetite and the tolerance level that have been set thereon; simultaneously maintaining an appropriate balance between risks and rewards, to maximize shareholders returns.

The Company has developed a risk management policy statement which is consistent with the ambitions of ensuring key principles of risk management practices are embedded throughout the organisation. The Company's policy is to apply best practice in the identification, evaluation, mitigation and monitoring of risks to ensure that they are managed, eliminated or reduced to an acceptable level. The policy and strategy also support opportunity risks and do not hinder innovation, rather it helps in delivering sustainable change in a well-managed and controlled way.

The Board and senior management recognise their responsibilities to manage risks effectively in order to control and protect the assets and liabilities including its employees against potential losses. The risk management framework supports a structured and focused approach to manage risks, in order to better achieve the Company's corporate objectives and enhance the value of the services MHC provides to the market. MHC also acknowledged that some risks will always exist and will never be fully eliminated. All employees consider risk and accept responsibility for risks associated within their respective area of authority.

Two methodologies, that is, Risk Self-Assessment Survey and Risk Control Self-Assessment were used by the Company to identify and analyse internal and external risks that might impact on the achievement of its objectives.
MHC has classified the identified risks under five key areas within the risk universe, namely, Operational, Compliance, Reporting, Financial and Strategic.

All risks identified during preliminary stages were assessed, prioritised as per their relevance, rated and mitigated using appropriate controls. The risks material to the business, have been clearly described, referenced and related controls properly documented in the Company's Risk Register. To ensure achievement of the risk management objectives, MHC monitors the performance of the register using key risks indicators; exceptions reported monthly to management and quarterly to the Risk Management Committee.

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

Principle 5 – Risk Governance and Internal Control (Cont'd)

Assurance on risk management processes

The directors derive assurance on the effectiveness of the risk management processes through the Audit and Risk Management Committees respectively. Reports issued by compliance, risk management and internal audit functions, management, regulator and external auditors are discussed at appropriate committees and minutes of respective committees are escalated to Board for discussion.

Reports issued by respective functions, help the Board in ensuring that available resources are being used effectively and efficiently; and also in ascertaining the adequacy and accuracy of information used in the financial statements.

The compliance and internal audit functions report to the Audit Committee on a regular basis regarding issues flagged during respective compliance and audit reviews; their reports are accompanied with recommendations and agreed action by owners including completion timelines where applicable. The external auditors report to the shareholders and Board on findings regarding controls failures, non-compliance and any material misstatements noted during their audit.

The risk management function at MHC among other activities, also carry the following roles and responsibilities:

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

Credit Risk Management

Credit risk is the loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations towards the Company whenever they fall due. In view of minimising the impact of this loss on the bottom line, MHC has set up appropriate structures, policies and processes to manage the credit risk inherent in the entire portfolio including those in individual credits or transactions. There is also a defined appetite as regard to credit risk.

The Credit Risk Management Framework has been devised to ensure that applicable legal and regulatory requirements are complied with. The framework clearly sets out the principles, policies, roles and responsibilities at different levels where credits and exposures are managed. Among the Company's fundamental principle, before a credit facility is granted, a worthiness test is conducted on the borrower's profile, income, including information available on the Mauritius Credit Information Bureau.

Policies are in place to direct the credit handling process. These policies are regularly reviewed by management to ensure its relevance and compliance with applicable provisions of new guidelines and legislations.

The credit risk management framework provides clear definitions on the key elements required for sound management; the key elements are summarised:

Credit process/ appraisal	Credit risk measurement	Credit approval/ sanction	Credit documentation	Credit administration
Adequate procedures and processes are in place in the appraisal stage to ensure proper diligence prior extending a credit facility to a particular customer. Several criteria are considered during this process, such as the customer risk profile, the ability to service the credit obligation, adequacy of collateral for secured credits.	A credit risk scoring system is in place to assess the quality of individual credits and for monitoring and controlling the risk inherent in individual credits, as well as the credit portfolios of the Company. Business and financial risks are considered while determining the credit score of a potential borrower. The scoring model has been devised taking into consideration the size, nature and complexity of MHC's business operations, and is flexible to accommodate current and future risk profile.	MHC has implemented written guidelines regarding credit approval/process which includes an approval matrix with clear authorities for different credit thresholds. The approval authorities cover new credit approvals, renewals of existing credits as well as changes in terms and conditions of previously approved facilities. MHC has ensured that there is adequate and clear segregation of duties to avoid any potential conflict of interests or responsibilities. There is adequate control in place to ensure that credit facilities are approved within authorised limits and at arm's length.	Documentation is a key factor in every phase of the credit cycle, starting from the application, approval, monitoring, management, among others, to ensure completeness and accuracy of records maintained. MHC also ensures that credit files are neatly maintained and well referenced.	In line with the objective for proper administration of the credit portfolio, MHC has implemented relevant procedures to ensure that credit agreements are complete and also systems to monitor the credit over the tenure. The monitoring system ensures that prompt action is taken whenever warnings are flagged on the deterioration on the financial health of the borrower.

Corporate Governance Report (Cont'd)

Principle 5 – Risk Governance and Internal Control (Cont'd)

Credit Underwriting Unit

MHC has in place a credit underwriting unit which performs independent evaluation through clearly established policies and procedures on the credit risk exposures of the Company. The unit also analyses the quality of credits and recommend appropriate actions to relevant stakeholders.

Operational Risk Management

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

MHC is aware that these threats may disrupt the business operations, as such MHC has established an Operational Risk Management Framework with objective of ensuring that operational risks are identified, monitored, managed and reported in a structured, systematic and consistent manner.

The operational risks have been categorised as follows:

- People risk: potential losses due to human error, done willingly or unconsciously;
- Technology risk: potential loss from disruption to business activities because of inadequate or obsolete technology, or from a failure or interruption in technology caused by events within or outside the institution;
- Information risk: relates to incorrect or inappropriate decisions being made due to inaccurate accounting and other key business information; and
- Process risk: relates to operational risks that are embedded in the processes relating to the delivery of products and services to MHC's customers.

To ensure proper monitoring of these operational risks, the Board has delegated the authority for approval and oversight of the conduct of operational risk policy to the Risk Management Committee. In ensuring effective monitoring of operational risks, MHC has set up an Operational Risk Forum; it also helps in the identification, assessment and measurement of operational risks. Regular reports are submitted and discussed at the forum.

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

Market Risk Management

MHC defined market risk as the risk of losses in on-balance sheet and off-balance sheets positions arising from movements in the market prices; which comprises of interest rate and foreign exchange risks.

The Company has an Asset and Liability policy which covers market risk management with clearly defined line of responsibilities, accountability and reporting within the operational framework. It also sets out the strategy for market risk-taking to maximise returns while keeping the market risk exposure at or below the pre-determined level. The Board has considered economic and market conditions including the resulting effects on market risk while establishing its strategy.

The Board of Directors and senior management periodically review the Company's financial results to determine whether changes are required to achieve the corporate objectives.

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

Principle 5 – Risk Governance and Internal Control (Cont'd)

Liquidity Risk Management

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

MHC is exposed to the risk of inability to raise funds from its customers through deposits or borrowings from banks and financial institutions, at a reasonable price within reasonable time to meet its financial obligations. As a non-bank deposit taking financial institution, the Company is subject to regulatory obligations, such as compliance with the cash ratio.

The Company maintain adequate cost-effective funds which help in honouring its financial commitments pertaining to both contractual as well as those determined on the basis of behaviour, as and when they become due. Thus, all the Company's commitments are met through readily available and secured sources of funding.

Amongst the Company's principal sources of funding, it has the self-revolving funds, deposits raised from customers through savings and termed products as well as borrowings from other financial institutions.

The maturity profile between funds raised and loans granted/ investments are constantly monitored in order not to expose the Company to liquidity related risks.

MHC's primary goal towards liquidity management is to protect the financial strength of the Company in maintaining its ability to withstand stressful events in the financial markets. To help us in this mission, MHC has in place appropriate structures to manage the liquidity profile of the Company and also the risks associated with the balance sheet.

The key features of the Company's liquidity risk management framework are highlighted hereunder:

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

In addition to the above, MHC has in place an Asset Liability Committee (ALCO), that also contributes for effective management of liquidity risk through stress testing or scenario-based analysis; the minutes of the meeting are circulated to the Risk Management Committee.

The following key responsibilities as regard to liquidity risk management is included in the ALCO mandate:

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

Interest Rate Risk Management

MHC's objective towards interest rate risk management, is to manage the Company's exposure and implement appropriate strategies to minimise losses that may arise from adverse interest rate movements.

Movements in interest rates on the market affect the Company's interest-sensitive income and expenses, hence impacting on the net earnings. Therefore, implementation of appropriate and efficient strategies to manage interest rate risk is essential for the safety and soundness of MHC's financial performance and position.

The Company's internal policy is used as basis to manage the interest rate risk to which MHC is exposed. MHC's interest risk profile is put under stress by applying multiple scenarios, results of these tests are discussed at ALCO meetings and where required, appropriate strategies are devised to keep the risk within the Company's appetite.

Corporate Governance Report (Cont'd)

Principle 5 – Risk Governance and Internal Control (Cont'd)

Concentration of Credit Risk

Credit concentration is governed by the guideline on 'credit concentration risk' issued by the Bank of Mauritius; the maximum exposure for licensees on credits has been defined therein. In compliance with the guideline's requirement, credits granted to single borrower or group of related borrowers are properly assessed to minimise concentration risks. MHC also has internal policies, as regard to concentration limits; the ratios are monitored by the ALCO.

Compliance Risks

Compliance risks pertain to legal or regulatory sanctions that may impact the Company financially or reputationally, consequent to non-adherence to regulatory and legal requirements. As a Non-Bank Deposit Taking Financial Institution licensed by the Bank of Mauritius, MHC is required to ensure compliance with applicable guidelines, legislations, supervisory requirements including internal policies, to protect its deposit taking licence.

Compliance risk comprises of two key features, namely:

- Regulatory risk- is the risk of loss that Company may be exposed to, in case of non-compliance with applicable legislation and regulatory requirements and exclusion of same in its operational procedures and corporate strategies.
- Reputation risk- refers to the risk of damage caused the Company's image that can occur following negative publicity from the media due to non-compliance with applicable legislation and regulatory requirements. Reputational damage may also be caused through improper and unethical practices by the Company's employees in the conduct of business at the detriment of the customers, the community, shareholders and other stakeholders.

The Risk and Compliance Unit monitors the compliance risks and reports outcomes of their reviews including recommendations and agreed remedial actions by respective process owners to the Audit Committee.

Business Continuity Risk

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

Senior management has established a business continuity plan including procedures which describe the availability of critical activities and data in case of major events materialised and disrupt the normal course of business. The plan pertaining to disaster recovery were tested twice during the year and results including actions for improvement were reported to the Risk Management Committee. The Disaster Recovery and Business Continuity Policy was approved by the Board on 13 September 2023.

MHC also follow latest development in the market and the economic environment, in view of identifying indicators that may cause potential threats to the Company's business model. As per MHC's framework, some continuity risks, such as system failures, business development, among others, have been identified that may adversely impact the business. Appropriate controls have been designed and implemented in order to mitigate the likelihood and impact of those risks.

Principle 5 – Risk Governance and Internal Control (Cont'd)

Technological risk

Technological risk refers to the potential loss from disruption to the Company's business activities due to inadequate or obsolete technology, failure or interruption in technology caused by either internal or external events. As most organisations, MHC is dependent on information and communication technologies, which includes its facilities, platforms, computer systems (hardware and software), data files and other technology related systems/equipment which support the operations.

To ensure that MHC is aligned with the strategy towards technology, the Company has established relevant processes and controls which caters for technological development and maintenance. Changes in or new technological tools and systems are subject to proper authorisation, testing and documentation prior their introduction in the operative environment.

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

The Board and Risk Management Committee rely on reports issued by senior management and the Risk and Compliance team to ensure that technological risks are properly managed and monitored.

Internal Control

Internal control is defined as the process effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance the achievement of set objectives (COSO). Internal control is among other tools used in the Company for risk management, in order to bring it to an acceptable level; each line of defence has specific roles in the process. Management is responsible for the design, implementation and monitoring of the internal control system.

Business lines and operational managers sitting on the first line of defence are the risk owners and responsible for its management. They are responsible for maintaining effective internal controls, through execution of risk and controls procedures and processes, and also for implementing appropriate actions to address process and control deficiencies. Operational management guides the development and implementation of internal policies and procedures and ensuring that activities are consistent with business goals and objectives.

On the second line of defence, MHC has the risk and compliance functions, which guide the business lines in implementing appropriate controls, they are also involved in the monitoring of risks and controls. The risk management function facilitates and monitors the implementation of effective risk management practices by operational management across the organisation and also assists the risk owners in defining the appetite and maximum risk exposure. The compliance function monitors the compliance risks associated with regulatory requirement, applicable legislations and also internal policies.

As the third line of defence of the organisation, the internal audit function is responsible to provide independent and objective assurance to the Board, Audit Committee and senior management on the effectiveness of the risk management processes. They are also required to provide assurance on the governance process, internal controls and on the effectiveness of the first and second lines of defences.

Protection of whistle-blowers

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

Financial risk factors

Please refer to Note 4 of the financial statements.

Solvency risk

Solvency risks pertain to risk that the Company is unable to meet its financial obligations whenever they become due even after disposal of its assets. The Company manages and monitors solvency risks to ensure they are within appetite; appropriate strategies are put in place upon detection of early warnings threats.

Principle 6 – Reporting with Integrity

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

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

The following elements are clearly described in the Annual Report:

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

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

- Annual report and accounts;
- Board and Committee charters;
- Code of Ethics; and
- Details on Board and governance structure.

The financial statements include the Annual Report, dividend declaration and the financial highlights. Upon approval, they will be published on MHC's website. However, the Company does not consider it appropriate to publish its Dividend Policy on the website.

Organisational overview

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

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

Overview of the external environment

BUSINESS MODEL

Key Performance Indicators, Performance and Outlook

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

Corporate social responsibility and donations

In view of promoting MHC's contribution to the society, during the last Christmas celebrations, the Company organised an event for some 27 needy students studying at the Poste de Flacq Government School. The event was sponsored by the Company at the cost of Rs 44k and consisted of a magic show, distribution of gifts and refreshments.

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

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

Despite the Company was not eligible to benefit from this measure, MHC introduced a moratorium scheme similar to that practiced by the Bank of Mauritius, in order to help its customers impacted by the pandemic. At end of the reporting year, MHC positively responded to 281 customers' request for assistance which represented a total amount of Rs 18.8m in terms of capital and interest moratorium.

Corporate Governance Report (Cont'd)

Principle 6 – Reporting with Integrity (Cont'd)

Environmental Policy

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

1. Office environment

a) MHC has already replaced more than 90% of the existing fluorescent light (4x18W) fittings by recessed LED panels of 48W and LED tube lights. Only a few fluorescent lights at head office (back offices) are operational and same will be replaced once burnt.

b) All halogen spot lights of 50W were substituted by LED spot lights in the branches. MHC only has a few halogen spots at head office still functional. Same will be replaced upon burnt out.

c) Faulty AC's units using R22 refrigerant that contain Ozone-Depleting Substances (ODS) have been replaced by ozone friendly AC's with R410 refrigerant in the branches and head office. MHC only has a few AC's with R22 operational at Curepipe and Flacq offices. As for Head Office, only cassette type AC's on 2nd and 3rd floor use R22 whereas all remaining AC's for the whole building are of R410 usage. As and when faulty, MHC will replace all with AC units of R410 refrigerant.

d) The electrical installation on each floor was reviewed, where several zoning and circuits were provided to limit the number of outlets onto switch-on mode at a given time.

e) CEB Greenfield Renewable Energy Scheme – Phase 2

In March 2023, the Central Electricity Board (CEB) has reopened the CEB Greenfield Renewable Energy Scheme for all Public Sector Entity. MHC wants to promote a zero-carbon environment and reducing the Green House Gas emission by using Solar PV Technology and aligning with the vision of the Government to achieve 60% Renewable Energy Production in the national grid by 2030. MHC will generate additional savings on electricity bills as it is less costly to maintain and also energy can be used for cooling, lighting and other activities requiring heavy dependence on electricity. MHC will also operate as an Independent Power Producer (IPP) and all the energy generated will be exported to the CEB grid.

2. Electricity Usage

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

3. Paper Usage

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

In addition, all Board and Sub-Committees papers are now shared through iPad and not printed papers. This approach in itself has helped hugely to decrease the use of papers.

4. Reduce Paperwork

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

5. Plastic Free

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

6. Shredding of old files for Recycling

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

Principle 6 – Reporting with Integrity (Cont'd)

Climate Change Sustainability

The Company remains committed to support a low carbon economy that will improve the resilience of the economy. In line with the impact of climate change, the Company has launched its Eco Loan product in March 2023. The Eco Loan is a new sustainable product to support the social and eco lifestyle in view to protect the communities, natural environment, and the effect of climate change. The Eco Loan product brings a new ecological concept in building a house whereby; the construction is done by using green material such as cements, bricks, solar panel, eco bins, eco paints and others.

In addition, to support the customers facing natural risks, the Company is offering insurance products to cover the collaterals against, fire, cyclones, lighting, flood, hurricane, storms, tempest and tidal wave. This action helps the customer to have a peace of mind of their homes in case of natural calamities. MHC has also enhanced its assessment of credits by ensuring that the collaterals are secured and are free from risks such as floods.

Apart from the above, the Company is moving to a digital platform to better serve the customers and saving the usage of paper. The Company has recently implemented the E-correspondence whereby customers are taking advantage of electronic correspondence. MHC is considerably decreasing the usage of papers across all processed by making use of electronic platform. Besides, the Company is moving forward with the implementation of the mobile and internet banking. Customers will have better access to do business electronically.

Safety and Health Issues

MHC is committed to ensure that its employees as well as visitors remain free from risk to their health and safety at work. The Company is committed to continual improvement of safety performance and the elimination of workplace injury and illness, also, MHC recognises the importance of co-ordination amongst all stakeholders to achieve its safety objectives. The safety and health policies and procedures comply with the prevailing legislative requirements. The Company's Safety and Health Committee is held every two months where all related matters are discussed.

Third Party Management Agreement

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

Material Clauses of the MHC's Constitution:

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

Related Party Transactions

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

Statement of Directors' Responsibilities

Directors acknowledge their responsibilities for:

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

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

Corporate Governance Report (Cont'd)

Principle 7 – Audit

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

Internal Audit

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

The Board confirms that MHC has an independent Internal Audit function. The Internal Audit function is independently carried out by the Internal Auditor of MHC. The Internal Audit function is headed by Mr. R. K. Mudaliar who is a professional accountant with central banking experience more specifically in supervision of banks and internal auditing and has wide exposure and experience in MHC's activities having occupied all senior posts in the Company. The internal auditor is assisted by three officers.

The internal auditor reports directly to the Audit Committee and for administrative purpose to the Managing Director. The Internal Auditor has unrestricted access to review all activities and transactions undertaken within the Company and to appraise and report thereon. There was no restriction placed over the right of access by the Internal Auditor to the records, Management or employees of the organisation. All significant risk areas are covered by the internal audit. The internal audit plan is reviewed annually by the Audit Committee.

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

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

- Interest computation;
- Bank reconciliation;
- PEL;
- HDC;
- Housing loans sanctioning;
- Marketing
- Audit at branches;
- Auditing of sanction lists – UN sanction list, court orders, freezing of assets;
- MHC life assurance and building insurance schemes;
- Petty cash;
- Rental of MHC properties; and
- Special Investigation.

The following areas have been rolled over onto the workplan for the year 2023/2024:

- Corporate governance;
- Cyber security risks;
- Procurement;
- Auditing of the Risk Management Framework; and
- Death and Disablement benefits.

The profile of the Internal Auditor is published on the website of the Company.

The Audit Committee reviewed the financial statements in the presence of External Auditors and management.

External Audit

In line with Section 39 of the Banking Act 2004 and following a tender exercise, Grant Thornton was re-appointed as the external auditors for the financial year ended 30 June 2023 at the Annual Meeting held on 09 November 2022. They are in office for the fourth period for the audit of the financial statements of the Company.

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

Meeting with Audit Committee

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

Corporate Governance Report (Cont'd)

Principle 7 – Audit (Cont'd)

Evaluation of the Auditors

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

Grant Thornton is of relevant size and has the required experience and resources to undertake the audit of the financial statements of the Company. The external audit firm and the Audit Partner are licensed by the Financial Reporting Council and their appointment has been approved by the Bank of Mauritius. The quality processes of Grant Thornton are based on international best practice. The officers assigned to the team for the assignment at MHC have the required expertise, including industry knowledge to effectively audit the financial statements of the Company. The external audit's scope is to address the financial reporting risks facing the Company, including the provision of an internal control review as required by the Bank of Mauritius.

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

Principle 8 – Relations with Shareholders and Other Key Stakeholders

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

SHAREHOLDING STRUCTURE

The shareholding structure of Mauritius Housing Company Ltd as at 30 June 2023 was as follows:-

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

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

Dividend Policy

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

However, in view of the major projects in the pipeline, the Shareholders, at the Annual Meeting held on 09 November 2022, ratified the decision of the Board taken on 29 September 2022 to reinvest profits into projects instead of declaring dividends for the preceding year. No dividend is recommended for the current year.

Corporate Governance Report (Cont'd)

Principle 8 – Relations with Shareholders and Other Key Stakeholders (Cont'd)

COMPANY KEY STAKEHOLDERS

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

Shareholders

MHC aims at understanding properly the information needs of its Shareholders and places great importance on an open and meaningful dialogue. It ensures that Shareholders are kept informed on matters affecting the Company. Besides official press communiqués to Shareholders, open lines of communication are maintained to ensure transparency and optimal disclosure.

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

All Shareholders have the same voting rights.

Customers/Public

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

Employees

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

The Company conducted various training / workshops over the last financial year, covering a range of topics such as money laundering, data protection, team building, human resources and IFRS updates amongst others. These trainings were conducted in various formats including classroom style lectures, online courses, workshops, and hands-on practical training.

The areas of training were selected in order to enhance the skills and knowledge of employees and improve their job performance, which would lead to increased productivity and also to foster a culture of continuous learning and development within the organisation. Overall, the training and workshops attended by the Company's staff highlight the organisation's commitment to investing in the development of its employees.

Suppliers

Dealing through strict procurement procedures to ensure fairness and equity.

Regulators

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

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

Corporate Governance Report (Cont'd)

Principle 8 – Relations with Shareholders and Other Key Stakeholders (Cont'd)

Conduct of shareholders' meetings

During the Annual Meetings, Shareholders are given the opportunity to communicate their views and to engage with the Board and management with regard to the Company's business activities and financial performance.

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

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

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

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

Communication with the shareholders

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

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

Annual Meeting of Shareholders

The next Annual Meeting of the Company is scheduled in December 2023. Appropriate notice of meeting is given to the Shareholders, who are provided with the opportunity to communicate their views and to engage with the Board of Directors and management with regards to the Company's business activities and financial performance.

Calendar of important events

The following is a schedule of forthcoming events:

Date	Event
20 December 2023	Annual Meeting (tentative)
31 March 2024	Payment of Dividend
30 June 2024	End of Financial Year

STATEMENT OF COMPLIANCE

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

Name of PIE: Mauritius Housing Company Ltd
Reporting period: 30 June 2023

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

Principle 1: Governance Structure

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

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

Principle 2: Composition of the Board

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

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

Principle 6: Dividend Policy

The recommendation of the Code is to consider inclusion of the Dividend Policy of the Companies on their website.

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

Signed on behalf of the Board of Directors:

Date: 27 September 2023

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

REPORT FROM DIRECTOR

The Directors have the pleasure in submitting the annual report together with the audited financial statements of Mauritius Housing Company Ltd, the "Company" or "MHC", for the year ended 30 June 2023.

INCORPORATION

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

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

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

For the year ended 30 June 2023, the directors have recommended a dividend of Rs 10,371,182 subject to the Bank of Mauritius's approval (2022: Rs 9,698,131 and 2021: Rs 7,576,900).

DIRECTORS

The present membership of the Board is set out on page 18 & 19.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

DIRECTORS' SHARE INTERESTS

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

REPORT FROM DIRECTOR (CONT'D)

DIRECTORS' REMUNERATION

The directors' remuneration relates to both the Executive Directors and Non-Executive Directors, for the 12 months ended 30 June 2023, 12 months ended 30 June 2022 and 18 months ended 30 June 2021 are as disclosed below:

	Year ended 30 June **2023**	Year ended 30 June **2022**	Period from 01 January 2020 to 30 June **2021**
	Rs	**Rs**	**Rs**
Executive Director	**7,573,490**	3,475,303	4,806,643
Non-Executive Directors	**3,364,356**	3,645,403	4,491,485

SIGNIFICANT CONTRACTS

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

DONATIONS

Donations of Rs 63,500 have been made during the year ended 30 June 2023 (2022: Rs 70,000 and 2021: Rs 219,800).

AUDITORS

Fees, inclusive of VAT, payable to Grant Thornton for the year ended 30 June 2023, for the year ended 30 June 2022 and for the eighteen-months period ended 30 June 2021 are as follows:

	2023	**2022**	**2021**
	Rs	**Rs**	**Rs**
Audit fees	**1,541,000**	1,466,250	1,955,000

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

Date: 27 September 2023

REPORT FROM DIRECTOR (CONT'D)

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

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

The Company has designed and maintained its accounting systems, related internal controls and supporting procedures, to provide reasonable assurance that financial reporting is complete and accurate and that assets are safeguarded against losses from unauthorised use or disposal. These supporting procedures include careful selection and training of qualified staff, the implementation of organisation and governance structures providing a well-defined division of responsibilities, authorisation levels and accountability for performance, and the communication of the Company's policies, procedures manuals and guidelines of the Bank of Mauritius throughout the Company.

The Company's Board of Directors, acting in part through the Audit Committee, the Corporate Governance Committee and the Risk Management Committee, which comprise of independent directors, oversees management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

The Company's internal auditor, who has full and free access to the Audit Committee, conducts a well-designed program of internal audits. In addition, the Company's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

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

The Company's external auditors, **Grant Thornton**, have full and free access to the Board of Directors and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

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

Date: 27 September 2023

REPORT FROM SECRETARY

We confirm that, based on the records and information made available to us by the Directors and Shareholders of the Company, the Company has filed with the Registrar of Companies all such returns as are required under Section 166(d) under the Mauritius Companies Act 2001 for the year ended 30 June 2023.

....

For Prime Partners Ltd
Secretary

Date: 27 September 2023

Independent Auditor's
Report

Independent Auditor’s Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Mauritius Housing Company Ltd**, the “Company”, which comprise the statement of financial position as at 30 June 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements on pages 56 to 114 give a true and fair view of the financial position of the Company as at 30 June 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Mauritius Companies Act 2001, the Banking Act 2004 and the Financial Reporting Act 2004.

Basis for Opinion

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

Key Audit Matter

Key audit matter is a matter that, in our professional judgement, is of most significance in our audit of the financial statements for the year ended 30 June 2023. A key audit matter is addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on such matter.

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

Risk description

Provision for expected credit losses	How our audit addressed the key audit matter
The estimation of expected credit losses (“ECL”) on financial instruments, involves significant management judgement and estimates. The key areas where we identified greater levels of management judgement and estimates and therefore increased levels of audit focus in the Company’s estimation of ECLs are: • Assumptions applied to estimate the probability of default (“PD”), exposure at default (“EAD”) and loss given default (“LGD”) within the ECL measurement; • Incorporation of macro-economic inputs and forward-looking information into the ECL measurement; and • Assessment of ECL of stage 3 as this involves a significant level of management judgements and estimates. The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans to customers has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The credit risk sections of the financial statements disclose the sensitivities estimated by the Company.	Our procedures included the following, amongst others: • We assessed and tested the design and operating effectiveness of the controls established by management over the approval, recording and monitoring of loans, including impairment assessment. • We have tested the appropriateness of the IFRS 9 impairment methodologies and independently assessed the probability of default, loss given default and exposure at default assumptions. • We have tested the completeness and accuracy of the underlying loan data used in the impairment calculation by agreeing details to the Company’s source documents, on a sample basis. • We evaluated the ageing of a sample of loans within the loan risk classification categories to ensure that the loans were included in the right category and provisioned accordingly. • We assessed whether the disclosures are in accordance with the requirements of IFRS 9. Overall, the results of our evaluation of the Company’s expected credit losses on loans to customers are consistent with management’s assessment.

Independent Auditor’s Report (Cont’d)

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

Information Other than the Financial Statements and Auditors’ Report Thereon (“Other Information”)

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

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

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

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

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

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

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

Independent Auditor's Report (Cont'd)

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

(a) Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:
- we have no relationship with, or any interests in, the Company other than in our capacity as auditors;
- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

(b) Banking Act 2004

(i) In our opinion, the financial statements:
  - have been prepared on a basis consistent with that of the preceding period;
  - are complete, fair and properly drawn up; and
  - comply with the Banking Act 2004 as well as the regulations and guidelines of the Bank of Mauritius.

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

(c) Financial Reporting Act 2004

Corporate Governance Report

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

Independent Auditor's Report (Cont'd)

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

Other Matter

Our report is made solely to the members of the Company as a body in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinion we have formed.

Grant Thornton

Chartered Accountants

Y NUBEE, FCCA

Licensed by FRC

Date: 29 September 2023

Ebene 72201, Republic of Mauritius

Financial
Statement

Statement of Financial Position
As at 30 June 2023

	Notes	30 June 2023 Rs'000	Restated 30 June 2022 Rs'000	Restated 30 June 2021 Rs'000
ASSETS				
Cash at banks and in hand	13(a)	**148,120**	373,315	465,638
Treasury deposits	13(b)	**2,275,000**	1,375,000	1,150,000
Property development	14	**120,575**	136,385	149,420
Loans to customers	15	**9,641,023**	9,069,240	8,497,257
Investment property	16(a)	**153,000**	151,625	128,302
Investment in subsidiary	16(b)	**25,000**	-	-
Property and equipment	17	**504,573**	549,242	516,942
Intangible assets	18	**115,431**	132,300	150,122
Other assets	19(a)	**18,289**	26,817	34,743
Assets held for sale	19(b)	**53,092**	56,977	59,830
Total assets		**13,054,103**	11,870,901	11,152,254
LIABILITIES				
PEL and other savings accounts	20(a)	**1,964,026**	1,944,146	1,933,219
Housing deposits certificates	20(b)	**6,370,693**	5,505,964	4,801,012
Borrowings	21	**515,014**	324,759	456,457
Retirement benefit obligations	22	**500,499**	419,117	347,245
Other liabilities	23	**96,198**	81,291	91,491
Total liabilities		**9,446,430**	**8,275,277**	**7,629,424**
Insurance funds	24	**123,973**	123,973	123,973
SHAREHOLDERS' EQUITY				
Share capital	25	**200,000**	200,000	200,000
Revaluation reserves	17(ii)	**550,174**	582,736	546,348
Building insurance reserve	27	**116,810**	116,810	116,810
Life insurance reserve	24(a)	**127,769**	127,769	127,769
Retained earnings	28	**2,182,357**	2,137,746	2,101,340
Statutory reserve	29(b)	**200,000**	200,000	200,000
Other reserves	29(a)	**106,590**	106,590	106,590
Total equity		**3,483,700**	3,471,651	3,398,857
Total equity and liabilities		**13,054,103**	11,870,901	11,152,254

These financial statements have been approved and authorised for issue by the Board of Directors on 27th September 2023 and signed on its behalf by:

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

The notes on pages 99 to 147 form an integral part of these financial statements.
Auditors' Report on pages 89 to 93.

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2023

	Notes	Year ended 30 June 2023	Year ended 30 June 2022	Period from 01 January 2020 to 30 June 2021
		Rs'000	Rs'000	Rs'000
Interest income		**628,024**	406,007	548,101
Interest expense		**(290,087)**	(144,509)	(216,241)
Net interest income	6	**337,937**	261,498	331,860
Fee and commission income		**38,767**	42,751	61,826
Rent received		**7,486**	7,481	10,249
Policy fees and charges on loans		**11,251**	8,329	7,092
Other operating income	7	**51,738**	55,755	95,830
		109,242	114,316	174,997
Operating income		**447,179**	**375,814**	**506,857**
Personnel expenses	8	**(191,681)**	(175,840)	(245,467)
Depreciation and amortisation	17 & 18	**(37,519)**	(36,945)	(52,155)
Other expenses	9(a)	**(108,029)**	(105,128)	(122,891)
Non-interest expense		**(337,229)**	(317,913)	(420,513)
Operating profit		**109,950**	**57,901**	**86,344**
(Net impairment loss on financial assets)/release of allowance for credit impairment	15(b)	**(6,546)**	8,590	(37,981)
Other provisions	9(b)	**(350)**	(234)	24,361
Gain on sale of foreclosed properties		**584**	7,402	152
Impairment loss on property development	14	**(1,300)**	-	-
Increase in fair value of investment property	16	**1,375**	23,323	2,893
Profit for the year/period		**103,713**	96,982	75,769
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Remeasurement of post-employment benefit obligations	22(a)(iv)	**(59,884)**	(52,999)	(68,565)
Gains/(released) on revaluation of land & buildings	17	**-**	36,388	(48,760)
Items that will be reclassified to profit or loss		**-**	-	-
Other comprehensive income for the year/period	26	**(59,884)**	(16,611)	(117,325)
Total comprehensive income for the year/period		**43,829**	80,371	(41,556)
Earnings per share (Rs)	12	**5.19**	4.85	3.79

The notes on pages 99 to 147 form an integral part of these financial statements.
Auditors' Report on pages 89 to 93.

Statement of Changes in Equity

For the year ended 30 June 2023

	Share capital	Revaluation reserves	Building insurance reserve	Retained earnings	Life insurance reserve	Statutory reserve *	Other reserves **	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 01 July 2022	**200,000**	**582,736**	**116,810**	**2,137,746**	**127,769**	**200,000**	**106,590**	**3,471,651**
Profit for the year	**-**	**-**	**-**	**103,713**	**-**	**-**	**-**	**103,713**
Other comprehensive income for the year	**-**	**-**	**-**	**(59,884)**	**-**	**-**	**-**	**(59,884)**
Total comprehensive income for the year	**-**	**-**	**-**	**43,829**	**-**	**-**	**-**	**43,829**
Released	**-**	**(32,562)**	**-**	**782**	**-**	**-**	**-**	**(31,780)**
	-	**(32,562)**	**-**	**782**	**-**	**-**	**-**	**(31,780)**
At 30 June 2023	**200,000**	**550,174**	**116,810**	**2,182,357**	**127,769**	**200,000**	**106,590**	**3,483,700**
At 01 July 2021 - as restated	200,000	546,348	116,810	2,101,340	127,769	200,000	106,590	3,398,857
Profit for the year	-	-	-	96,982	-	-	-	96,982
Other comprehensive income for the year	-	36,388	-	(52,999)	-	-	-	(16,611)
Total comprehensive income for the year	-	36,388	-	43,983	-	-	-	80,371
Dividends (Note 11)	-	-	-	(7,577)	-	-	-	(7,577)
Transaction with the owners	-	-	-	(7,577)	-	-	-	(7,577)
At 30 June 2022 - as restated	200,000	582,736	116,810	2,137,746	127,769	200,000	106,590	3,471,651
At 01 January 2020 - as restated	200,000	425,138	116,810	2,307,522	127,769	200,000	106,590	3,483,829
Profit for the year	-	-	-	75,769	-	-	-	75,769
Other comprehensive income for the period	-	-	-	(68,565)	-	-	-	(68,565)
Total comprehensive income for the period	-	-	-	7,204	-	-	-	7,204
Dividends (Note 11)	-	-	-	(25,593)	-	-	-	(25,593)
Transaction with the owners	-	-	-	(25,593)	-	-	-	(25,593)
Reclassified	-	(48,760)	-	(20)	-	-	-	(48,780)
	-	(48,760)	-	(20)	-	-	-	(48,780)
At 30 June 2021 - as previously reported	200,000	376,378	116,810	2,289,113	127,769	200,000	106,590	3,416,660
Correction of prior period errors (Note 36)	-	-	-	(17,803)	-	-	-	(17,803)
Correction of prior period errors (Note 28)	-	169,970	-	(169,970)	-	-	-	-
At 30 June 2021 - as restated	200,000	546,348	116,810	2,101,340	127,769	200,000	106,590	3,398,857

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

** See Note 29

The notes on pages 99 to 147 form an integral part of these financial statements.
Auditors' Report on pages 89 to 93.

Statement of Cash Flows
For the year ended 30 June 2023

	Note	Year ended 30 June 2023 Rs'000	Year ended 30 June 2022 Rs'000	Period from 01 January 2020 to 30 June 2021 Rs'000
Operating activities				
Profit for the year/period		**103,713**	96,982	75,769
Adjustments for:				
Allowance for credit impairment (net)	15(b)	**6,975**	(12,704)	35,541
Other provisions	9(b)	**350**	234	(24,361)
Depreciation	17	**13,374**	13,729	21,233
Amortisation	18	**24,145**	23,216	30,922
Gain on sale of foreclosed properties		**(584)**	(7,402)	(152)
Impairment loss on property development		**1,300**	-	-
Increase in fair value of investment property	16	**(1,375)**	(23,323)	(2,893)
Interest in suspense		**3,906**	(13,029)	26,962
Profit on disposal of property and equipment	7	**(663)**	(10)	(9)
Profit on disposal of property development		**47**	(2,456)	(9,032)
Provision for retirement benefit obligations		**21,498**	18,873	21,963
		172,686	94,110	175,943
Changes in operating assets and liabilities				
Changes in other assets		**8,176**	(400)	43,727
Changes in assets held for sale		**4,469**	10,255	1,963
Changes in treasury deposits		**(900,000)**	(225,000)	(650,000)
Changes in other liabilities		**(2,516)**	(10,200)	31,677
Changes in accrued interest payable		**61,566**	2,289	(72,963)
Changes in loans to customers		**(582,664)**	(546,250)	(562,002)
Net cash used in operating activities		**(1,238,283)**	(675,196)	(1,031,655)
Investing activities				
Purchase of property and equipment	17	**(2,013)**	(9,126)	(8,892)
Purchase of intangible assets	18	**(7,276)**	(5,394)	(46,378)
Proceeds from disposal of property and equipment		**1,498**	10	9
Proceeds from disposal of property development		**36,715**	15,491	30,843
Additions to property development	14	**(21,557)**	-	(35,938)
Net cash from investing activities		**7,367**	981	(60,356)
Financing activities				
Housing deposits certificates (HDC)	20 (b)	**785,583**	679,600	1,422,499
Plan Epargne Logement Savings (PEL)	20 (a)	**37,460**	33,990	110,420
Movement in borrowings		**235,474**	(187,698)	(277,180)
Dividends paid	11	**(7,577)**	-	(25,593)
Net cash from financing activities		**1,050,940**	525,892	1,230,146
Change in cash and cash equivalents		**(179,976)**	(148,323)	138,135
Movement in cash and cash equivalents				
Cash and cash equivalents at start of the year/period		**317,315**	465,638	327,503
Change in cash and cash equivalents		**(179,976)**	(148,323)	138,135
Cash and cash equivalents at end of the year/period		**137,339**	317,315	465,638
Cash and cash equivalents is made up of :				
Cash at bank and in hand (Note 13(a))		**148,120**	373,315	465,638
Bank overdrafts (Note 21)		**(10,781)**	(56,000)	-
		137,339	317,315	465,638
Non-cash transaction:				
Investment in subsidiary	16 (b)	**(25,000)**	-	-
Other liabilities		**25,000**	-	-

Reconciliation of liabilities arising from financing activities

	As at 01 July 2022 Rs'000	Movement in Capital Rs'000	Movement in Interest Rs'000	As at 30 June 2023 Rs'000
PEL and Other Savings Accounts	1,994,146	37,460	(17,580)	1,964,026
Housing Deposit Certificates	5,505,964	785,583	79,146	6,370,693
Borrowings	324,759	235,474	(45,219)	515,014
	7,774,869	**1,058,517**	**16,347**	**8,849,733**

The notes on pages 99 to 147 form an integral part of these financial statements.
Auditors' Report on pages 89 to 93.

Notes to the Financial Statements

For the year ended 30 June 2023

1. GENERAL INFORMATION

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

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and comply with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004, the Financial Reporting Act 2004 and the Bank of Mauritius Guidelines.

The current figures are for the period from 01 July 2022 to 30 June 2023 whereas the comparative figures are for the period from 01 July 2021 to 30 June 2022 and 01 January 2020 to 30 June 2021. Therefore, the comparatives figures of these financial statements are not comparable.

2. APPLICATION OF NEW AND REVISED IFRS

2.1 New and revised standards that are effective for the annual period beginning on 01 July 2022

In the current year, the following revised standards issued by the IASB became mandatory for the first time for the financial year beginning on 01 July 2022:

Reference to the Conceptual Framework (Amendments to IFRS 3)

"The changes in Reference to the Conceptual framework published in 2018 are as follows:

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

Proceeds before Intended Use (Amendments to IAS 16)

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

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS1, IFRS 9, IFRS 16, IAS 41)

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.

Management has assessed the impact of these revised standards and concluded that they have no major impact on these financial statements.

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

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

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning on or after the effective date of the pronouncement. Information on these amendments to existing standards is provided overleaf.

Amendment to IFRS 17 Insurance Contracts including the Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

2. APPLICATION OF NEW AND REVISED IFRS (Cont'd)

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

"A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts."

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

IFRS 17 is effective for reporting periods beginning on or after 01 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

In December 2021, the International Accounting Standards Board (IASB) issued Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Amendment to IFRS 17). The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

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

The main change in Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15 (b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

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.

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 of the IASB 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.

The amendments are effective for periods beginning on or after 01 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 Company applies the amendments.

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

The Board of the IASB 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 a Company's financial statements;

Notes to the Financial Statements (Cont'd)
For the year ended 30 June 2023

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

- 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 of the IASB 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 amendments are effective from 01 January 2023 but may be applied earlier.

Non-current Liabilities with Covenants (Amendments to IAS 1)
The amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. The combined impact of the 2020 amendments and the 2022 amendments will impact practice. Entities will, therefore, need to carefully consider the impact of the amendments on existing and planned loan agreements.

The amendments are effective from 01 January 2024 but may be applied earlier.

Lease liability in a Sale and Leaseback (Amendments to IAS I6)
The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of gain or loss that relate to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

The amendments are effective from 01 January 2024 but may be applied earlier.
Management has yet to assess the impact of the above amendments on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(b) Property and equipment
Land and buildings are stated at their fair values, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.
All other property and equipment, are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
Subsequent costs are included in the assets' carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.
Owned-used property is defined as property held for use in the supply of services or for administrative purposes.
Depreciation is calculated to write off the cost of each asset or its revalued amount to its residual value over its estimated useful life, with the exception of freehold land and housing estates.
Increases in the carrying amount arising on revaluation are credited to other comprehensive income and shown as revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same assets are charged against the revaluation reserves; all other decreases are charged to profit or loss.

The annual rates and method used are as follows:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

(c) Intangible assets

Computer software

Intangible assets consist of computer software. Management has assessed the useful life of the new computer software to be 8 years and it is amortised on a straight line basis.

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

Progress payments

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

(d) Assets held for sale - Foreclosed property

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

Upon disposal of the foreclosed property, the realised loss/gain is accounted in profit or loss.

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

(e) Investment properties

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

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

(f) Financial instruments

Initial recognition

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

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

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

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

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

Classification of financial assets

<u>Amortised cost</u>
Financial assets that meet the following conditions are measured subsequently at amortised cost:

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

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

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

<u>Other types of financial assets</u>

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

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

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

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

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

Business model assessment

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

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

> How the performance of the business model and the financial assets held within that business model are evaluated and reported to key management personnel;

> The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;

> How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and

> The expected frequency, value and timing of sales are also important aspects of the Company's assessment."

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process, the Company assesses the contractual terms of financial instruments to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

Reclassifications

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

Measurement of ECL

The key inputs into the measurement of ECL are the following:
(i) probability of default (PD);
(ii) loss given default (LGD); and
(iii) exposure at default (EAD).

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

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

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Company's approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default.

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

The Company recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:
- Loans to customers
- Treasury deposits

ECLs are required to be measured through a loss allowance at an amount equal to:
- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as stage 2 and stage 3).

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

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:
- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

Collateral valuation

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

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

As at 30 June 2023, the Company had Rs 28,747,756,407 held as collateral.

Collateral repossessed

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

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

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Credit impaired financial assets are referred to as Stage 3 assets. Evidence that a financial asset is credit impaired include observable data about the following events:
(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(e) the disappearance of an active market for the financial asset because of financial difficulties; or
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether debt instruments that are financial assets measured at amortised cost, are credit-impaired at each reporting date.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Company considers the following as constituting an event of default:
- the borrower is past due more than 90 days on any material credit obligation to the Company; or
- the borrower is unlikely to pay its credit obligations to the Company in full.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

Exceptions:
Where a credit is being serviced regularly but have been impacted by the changes in interest rate is considered as a standard asset and classified at Stage 1 although the amount due exceeds 90 days.

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

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

Significant increase in credit risk

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

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

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

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

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

Modification of financial asset

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

Modification of financial asset (Cont'd)

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

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

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

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

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

Incorporation of forward-looking information

The Company incorporates forward looking information that is available without undue cost and effort into both its assessment of whether the credit risk of an instrument has increased significantly since its intial recognition and its measurement of ECL. Based on analysis from the Company's Risk Committee and consideration of a variety of external actual and forecast information, the Company formulates a view of the future direction of relevant economic variables.
The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses. The following key indicators were considered for the year ended 30 June 2023: GDP and interest rates.

Write-offs

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

Derecognition of financial assets

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

Financial liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

Financial liabilities (Cont'd)

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

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

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

Effective interest method

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

Derecognition of financial liabilities

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

Offsetting financial instruments

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

Portfolio provision

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

(g) Retirement benefit obligations

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

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which it occurs. Remeasurement recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

The Company determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

(h) Statutory reserve

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

(i) Cash at banks and in hand

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

(j) Ordinary shares

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

(k) Investment in subsidiary

A subsidiary is an entity over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has ability to affect those returns through its power over the entity. A subsidiary is fully consolidated from the date on which control is transferred to the Company. It is deconsolidated from the date that control ceases.

Investment in subsidiary is stated at cost. Where an indication of impairment exists, the recoverable amount of the investment is assessed. Where the carrying amount of the investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is charged to statement of profit or loss. On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to statement of comprehensive income.

(l) Net interest income

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

Interest income is suspended when loans become non-performing.

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

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

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

(m) Rental income

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

(n) Fees and commission income

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

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

Penalty on late payments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Life assurance and building insurance

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

The Company operates the following insurance schemes:

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

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

(p) Provision

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

(q) Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated, being the higher of the asset's fair value less costs to sell and its value in use, to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised in profit or loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(r) Leased assets

The Company as a lessee
The Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

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

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

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

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

Notes to the Financial Statements (Cont'd)
For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Leased assets(Cont'd)

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

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

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

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

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

(s) Dividend distribution

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

(t) Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if they have the ability, directly or indirectly, to control the Company, or exercise significant influence over the Company in making financial and operating decisions, (or vice versa) or if they and the Company are subject to common control. Related parties may be individuals or entities.

(u) Amount receivable from Government

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

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

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

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

(v) Property development

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

(w) Expense recognition

All expenses are are accounted for on an accrual basis.

(x) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period. The current figures are for the year ended 30 June 2023 whereas the comparative figures are for the year ended 30 June 2022 and for the period from 01 January 2020 to 30 June 2021. Therefore, the comparatives figures of these financial statements are not comparable.

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

4. FINANCIAL RISKS

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

Strategy in using financial instruments

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

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

Capital risk management

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

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

	30-Jun-23	Restated 30-Jun-22	Restated 30-Jun-21
	Rs'000	Rs'000	Rs'000 Restated
Tier 1 capital	2,466,926	2,405,446	2,521,188
Tier 2 capital	328,425	259,006	239,129
Total capital base	2,795,351	2,664,452	2,760,317
Risk weighted assets	7,994,536	7,659,625	7,141,725
Capital adequacy ratio	35.0	35.8	37.3

Categories of financial assets and financial liabilities

	30-Jun-23	30-Jun-22	30-Jun-21
	Rs'000	Rs'000	Rs'000 Restated
Financial Assets			
Measured at amortised cost	12,073,558	10,836,358	10,140,350
	12,073,558	10,836,358	10,140,350
Financial Liabilities			
Measured at amortised cost	8,926,477	7,844,215	7,267,441
	8,926,477	7,844,215	7,267,441

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

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

4. FINANCIAL RISKS (CONT'D)

Credit risk

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

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

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

Credit risk management

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

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

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

Significant increase in credit risk

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

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

Portfolio Staging	30 June 2022		
	EAD	Average PD	Average LGD
	Rs 000	%	%
Retail loans	8,553,047	4.24	29.41
Treasury deposits and treasury bills	1,375,000	0.27	45.00
Corporate loans	69,393	0.73	45.00

Portfolio Staging	30 June 2023		
	EAD	Average PD	Average LGD
	Rs 000	%	%
Retail loans	8,971,936	4.42	28.42
Treasury deposits	2,275,000	0.24	45.00
Corporate loans	78,504	0.12	45.00

4. FINANCIAL RISKS (CONT'D)

Significant increase in credit risk (Cont'd)

The Company uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

The table below summarises per type of asset the range above which an increase in lifetime PD is determined to be significant, as well as some indicative qualitative indicators assessed.

Incorporation of forward-looking information

The table below summarises the principal macroeconomic indicators used at 30 June 2023 for the years 2024 to 2028, for Mauritius, which is the country where the Company operates and therefore is the country that has a material impact in ECLs.

Macroeconomic indicators	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
Inflation rate %	5.95%	4.62%	3.95%	3.62%	3.45%
Key Rate	4.50%	4.00%	3.50%	3.50%	3.00%
GDP growth rate %	4.10%	3.60%	3.40%	3.30%	3.30%

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

The Company has performed a sensitivity analysis on how ECL on the main portfolios will change if the key assumptions used to calculate ECL change by 1%. The table below outlines the total ECL per portfolio as at 30 June 2023, if the assumptions used to measure ECL remain as expected (amount as presented in the statement of financial position), as well as if each of the key assumptions used change by plus or minus 1%. The changes are applied in isolation for illustrative purposes, and are applied to each probability weighted scenarios used to develop the estimate of expected credit losses. In reality there will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

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

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

Portfolio: Loan and advances - June 2023	ECL	Average PD	Average LGD
	Rs 000	%	%
Inflation rate			
Base rate	80,847	4.42	45.88
Increased by 1%		4.17	45.88
Decreased by 1%		4.69	45.88

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

4. FINANCIAL RISKS (CONT'D)

Credit risk (Cont'd)

Credit loss expense

Period: 30 June 2021	Stage 1 ECL	Stage 1 Exposure	Stage 2 ECL	Stage 2 Exposure	Stage 3 ECL	Stage 3 Exposure
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Loans to customers	(57,640)	7,600,018	(12,119)	232,689	(563,256)	1,520,095
Treasury deposits	(1,518)	1,150,000	-	-	-	-
Other assets (staff loans)	(97)	20,559	-	-	-	-
Total impairment loss	(59,255)	8,770,577	(12,119)	232,689	(563,256)	1,520,095

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

Year: 30 June 2023	Stage 1 ECL	Stage 1 Exposure	Stage 2 ECL	Stage 2 Exposure	Stage 3 ECL	Stage 3 Exposure
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Loans to customers	(64,435)	8,685,000	(16,412)	286,936	(546,649)	1,505,027
Treasury deposits	(2,457)	2,275,000	-	-	-	-
Other assets (staff loans)	(29)	3,886	-	-	(321)	530
Total impairment loss	(66,921)	10,963,886	(16,412)	286,936	(546,970)	1,505,557

Credit quality

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

	30-Jun-23	30-Jun-22	30-Jun-21
	Rs'000	Rs'000	Rs'000
Loan to customers at amortised cost	10,476,743	9,895,513	9,352,802
Treasury deposits at amortised cost	2,275,000	1,375,000	1,150,000

Credit risk - exposure and past due	30-Jun-23	30-Jun-22	30-Jun-21
	Rs'000	Rs'000	Rs'000
Loans that are neither past due nor impaired	8,684,780	8,247,432	7,600,018
Loans that are past due but not impaired	286,936	305,615	232,689
Impaired loans	1,505,027	1,342,466	1,520,095
	10,476,743	9,895,513	9,352,802
Ageing of past due but not impaired:			
Less than 3 months	286,936	305,615	232,689

Non-performing loans

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

	30-Jun-23	30-Jun-22	30-Jun-21
	Rs'000	Rs'000	Rs'000
Impaired loans	1,505,027	1,342,466	1,520,095
Specific provision and other provisions in respect of impaired loans	754,873	753,012	785,786
Discounted fair value of collaterals of impaired loans	1,042,123	835,316	919,544

Notes to the Financial Statements (Cont'd)
For the year ended 30 June 2023

4. FINANCIAL RISKS (CONT'D)

Credit risk (Cont'd)

Credit quality (Cont'd)

The collaterals mainly represent properties held by the Company as security against credit advances. The security is usually in the form of fixed and floating charges on the properties.
Maximum exposure to credit risk before collateral and other credit risk enhancements.

	30-Jun-23	30-Jun-22	30-Jun-21
	Rs'000	Rs'000	Rs'000
Loans to customers	9,641,023	9,069,240	8,497,257
Other assets	2,432,535	1,767,118	1,660,896
	12,073,558	10,836,358	10,158,153

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

	30-Jun-23		30-Jun-22		30-Jun-21	
Loans to customers	Gross carrying amount	Expected Credit Loss	Gross carrying amount	Expected Credit Loss	Gross carrying amount	Expected Credit Loss
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
0 - 30 days	8,684,780	64,225	8,247,432	57,581	7,600,018	57,640
31 - 89 days	286,936	16,412	305,615	15,680	232,689	12,119
90 days and above	1,505,027	546,649	1,342,466	547,050	1,520,095	563,256
Total	10,476,743	627,286	9,895,513	620,311	9,352,802	633,015

Collateral held as security and other credit enhancements

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

Mortgage lending

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

Year/period ended	30-Jun-23		30-Jun-22		30-Jun-21	
	Gross carrying amount	Expected Credit Loss	Gross carrying amount	Expected Credit Loss	Gross carrying amount	Expected Credit Loss
Mortgage lending	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Less than 75%	7,400,630	424,242	5,703,460	317,138	5,611,426	339,675
75% to 89%	1,248,098	66,627	1,604,291	98,741	1,627,566	103,967
90% to 100%	517,738	60,294	820,534	34,629	567,122	26,776
above 100%	1,310,277	76,123	1,767,228	169,803	1,546,688	162,597
Total	10,476,743	627,286	9,895,513	620,311	9,352,802	633,015

Notes to the Financial Statements (Cont'd)
For the year ended 30 June 2023

4. FINANCIAL RISKS (CONT'D)

Credit risk (Cont'd)

Personal lending

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

Corporate lending - Loan to Promoters

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

Assets obtained by taking possession of collateral - Foreclosed properties

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

	30-Jun-23	30-Jun-22	30-Jun-21
	Rs'000	Rs'000	Rs'000
Foreclosed properties	53,092	56,977	59,830

Market risk

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

Market risk management

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

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

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

Cash flow and interest rate risks

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

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

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

4. FINANCIAL RISKS (CONT'D)

Interest rate risk

Market risk (Cont'd)

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

Currency : MUR	Interest rate % per annum					
	30-Jun-23		30-Jun-22		30-Jun-21	
	Lowest %	Highest %	Lowest %	Highest %	Lowest %	Highest %
Financial assets						
Deposits with banks	1.50	4.90	-	2.00	0.50	3.95
Loans to customers	2.00	16.50	2.25	13.40	2.55	15.50
Financial liabilities						
Savings and fixed deposits	2.85	7.75	0.30	3.75	0.95	5.10
Borrowings from Government of Mauritius	-	2.50	-	2.50	-	2.50
Borrowings from Bank of Mauritius	-	3.00	-	3.00	-	3.00
Borrowings - Commercial banks	5.50	6.20	3.25	4.20	2.85	3.85
Borrowings - Other institutions	-	-	-	-	2.50	6.00

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

Products	As at June 2023 Rs'000	Increase of 1% Rs'000	Decrease of 1% Rs'000
Intererst income on loan to customers	574,567	679,334	469,800
Interest expense on Plan Epargne Logement - (PEL)	32,689	49,471	15,907
Interest expense on Housing deposits certificates - (HDC)	245,721	306,692	184,750

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

4. FINANCIAL RISKS (CONT'D)

Interest rate risk (Cont'd)

Market risk (Cont'd)

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

Interest rate risk

	Fixed interest rate Rs'000	Floating interest rate Rs'000	Non-interest bearing Rs'000	Total Rs'000
30 June 2023				
Assets				
- Cash at banks and in hand	-	148,120	-	148,120
- Treasury deposits	2,275,000	-	-	2,275,000
- Loans to customers	290,928	9,350,095	-	9,641,023
- Other assets	6,547	-	2,868	9,415
	2,572,475	9,498,215	2,868	12,073,558
Liabilities				
- PEL	-	1,964,026	-	1,964,026
- HDC	-	6,370,693	-	6,370,693
- Borrowings	-	511,599	3,415	515,014
- Other liabilities	-	-	76,744	76,744
	-	8,846,318	80,159	8,926,477
30 June 2022				
Assets				
- Cash at banks and in hand	-	373,315	-	373,315
- Treasury deposits	1,375,000	-	-	1,375,000
- Loans to customers	196,325	8,872,915	-	9,069,240
- Other assets	6,961	-	11,842	18,803
	1,578,286	9,246,230	11,842	10,836,358
Liabilities				
- PEL	-	1,944,146	-	1,944,146
- HDC	-	5,505,964	-	5,505,964
- Borrowings	-	317,479	7,280	324,759
- Other liabilities	-	-	69,346	69,346
	-	7,767,589	76,626	7,844,215
30 June 2021				
Assets				
- Cash at banks and in hand	-	465,638	-	465,638
- Treasury deposits	1,150,000	-	-	1,150,000
- Loans to customers	220,734	8,276,523	-	8,497,257
- Other assets (Restated)	19,141	-	8,314	27,455
	1,389,875	8,742,161	8,314	10,140,350
Liabilities				
- PEL	-	1,933,219	-	1,933,219
- HDC	-	4,801,012	-	4,801,012
- Borrowings	-	447,112	9,345	456,457
- Other liabilities	-	-	76,753	76,753
	-	7,181,343	86,098	7,267,441

Currency risk

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

Notes to the Financial Statements (Cont'd)
For the year ended 30 June 2023

4. FINANCIAL RISKS (CONT'D)

Liquidity risk

The table shows the remaining contractual maturities of financial liabilities

	Less than 3 months Rs'000	Between 3 months and 1 year Rs'000	Over one year Rs'000	Total Rs'000
Financial Liabilities				
- PEL	1,964,026	-	-	1,964,026
- HDC	186,509	2,124,974	4,059,210	6,370,693
- Borrowings	10,781	161,831	342,402	515,014
- Other liabilities	55,319	-	21,425	76,744
30 June 2023	2,216,635	2,286,805	4,423,037	8,926,477
- PEL	1,944,146	-	-	1,944,146
- HDC	242,314	1,484,206	3,779,444	5,505,964
- Borrowings	56,000	118,051	150,708	324,759
- Other liabilities	56,234	-	13,112	69,346
30 June 2022	2,298,694	1,602,257	3,943,264	7,844,215
- PEL	1,933,219	-	-	1,933,219
- HDC	44,841	1,379,624	3,376,547	4,801,012
- Borrowings	-	152,627	303,830	456,457
- Other liabilities	58,877	-	17,876	76,753
30 June 2021	2,036,937	1,532,251	3,698,253	7,267,441

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

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

Liquidity risk management

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

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

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

4. FINANCIAL RISKS (CONT'D)

Liquidity risk (Cont'd)

Liquidity risk management (Cont'd)

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

Maturities of financial assets and liabilities at 30 June 2023:

	Less than 3 months	Between 3 months and 1 year	Over one year	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Assets				
- Cash at banks and in hand	148,120	-	-	148,120
- Treasury deposits	350,000	1,925,000	-	2,275,000
- Loans to customers	8,408	35,039	9,597,576	9,641,023
- Other assets	-	2,868	6,547	9,415
	506,528	1,962,907	9,604,123	12,073,558
Liabilities				
- PEL	1,964,026	-	-	1,964,026
- HDC	186,509	2,124,974	4,059,210	6,370,693
- Borrowings	10,781	161,831	342,402	515,014
- Other liabilities	55,319	-	21,425	76,744
	2,216,635	2,286,805	4,423,037	8,926,477
Liquidity gap	(1,710,107)	(323,898)	5,181,086	3,147,081

Maturities of financial assets and liabilities at 30 June 2022:

	Less than 3 months	Between 3 months and 1 year	Over one year	Total
Assets	Rs'000	Rs'000	Rs'000	Rs'000
- Cash at banks and in hand	373,315	-	-	373,315
- Treasury deposits	400,000	975,000	-	1,375,000
- Loans to customers	8,575	32,424	9,028,241	9,069,240
- Other assets	-	11,842	6,961	18,803
	781,890	1,019,266	9,035,202	10,836,358

	Less than 3 months	Between 3 months and 1 year	Over one year	Total
Liabilities	Rs'000	Rs'000	Rs'000	Rs'000
- PEL	1,944,146	-	-	1,944,146
- HDC	242,314	1,484,206	3,779,444	5,505,964
- Borrowings	56,000	118,051	150,708	324,759
- Other liabilities	56,234	-	13,112	69,346
	2,298,694	1,602,257	3,943,264	7,844,215
Liquidity gap	(1,516,804)	(582,991)	5,091,938	2,992,143

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

4. FINANCIAL RISKS (CONT'D)

Liquidity risk (Cont'd)

Liquidity risk management (Cont'd)

Maturities of financial assets and liabilities at 30 June 2021:

Assets	Less than 3 months Rs'000	Between 3 months and 1 year Rs'000	Over one year Rs'000	Total Rs'000
- Cash at banks and in hand	465,638	-	-	465,638
- Treasury deposits	600,000	550,000	-	1,150,000
- Loans to customers	10,106	24,815	8,462,336	8,497,257
- Other assets (Restated)	-	8,314	19,141	27,455
	1,075,744	583,129	8,481,477	10,140,350

Liabilities	Less than 3 months Rs'000	Between 3 months and 1 year Rs'000	Over one year Rs'000	Total Rs'000
- PEL	1,933,219	-	-	1,933,219
- HDC	44,841	1,379,624	3,376,547	4,801,012
- Borrowings	-	152,627	303,830	456,457
- Other liabilities	58,877	-	17,876	76,753
	2,036,937	1,532,251	3,698,253	7,267,441
Liquidity gap	(961,193)	(949,122)	4,783,224	2,872,909

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

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

Stress test simulation on PEL portfolio

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

Scenario	Less than 3 mths (Rs'000)	Funding
Average withdrawals rate of 3.20%	(54,690)	Positive
Scenario 1 - withdrawal rate increased from 3.30% to 5%	(82,870)	Positive
Scenario 2 - withdrawal rate increased from 3.30% to 10%	(165,740)	Negative
Scenario 3 - withdrawal rate increased from 3.30% to 15%	(248,610)	Negative

4. FINANCIAL RISKS (CONT'D)

Insurance risk management

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

Sensivity analysis

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

Legal claim

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Company's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

(a) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year/period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. Other key assumptions for pension obligations are based in part on current market conditions.

(b) Revaluation of property and equipment and investment property

The Company carries its investment property at fair value, with changes in fair value being recognised in profit or loss. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Company engaged an independent valuation specialists to determine fair value. The impact is reflected in Notes 16(a) and 17.

(c) Limitation of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Company's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represents the Company's view of possible near-term market changes that cannot be predicted with any certainty.

Notes to the Financial Statements (Cont'd)
For the year ended 30 June 2023

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

(d) Asset lives and residual values

Property and equipment are depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

(e) Impairment of credit losses

The Company makes provision against its loan portfolio as per guidance of IFRS and the BOM Guidelines in order to determine its best estimate of the provision required. The measurement of impairment losses under IFRS 9 and the BOM Guidelines across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

> The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL (Lifetime Expected Credit Losses) basis and the qualitative assessment;

> The segmentation of financial assets when their ECL is assessed on a collective basis;

> Development of ECL models, including the various formulas and the choice of inputs;

> Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and

> Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

- Business model assessment: Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

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

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

- Significant increase of credit risk: ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative reasonable and supportable forward looking information and backstop indicators.

- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Company monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differs.

- Models and assumptions used: The Company uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

The following are key estimations that the directors have used in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral.

6. NET INTEREST INCOME

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

	Year ended 30 June 2023 Rs'000	Year ended 30 June 2022" Rs'000	Period from 01 January 2020 to 30 June 2021 Rs'000
Interest income			
Loans interest	**574,567**	389,111	524,113
Interest on bank deposits	**53,264**	16,471	23,020
Others	**193**	425	968
	628,024	406,007	548,101
Interest expense			
Bank overdrafts	**(414)**	-	(38)
Bank loans	**(10,887)**	(11,456)	(30,371)
Plan Epargne Logement - (PEL)	**(32,689)**	(9,300)	(22,753)
Housing deposits certificates - (HDC)	**(245,721)**	(123,174)	(161,283)
Others	**(376)**	(579)	(1,796)
	(290,087)	(144,509)	(216,241)
Net interest income	**337,937**	261,498	331,860

For all financial instruments measured at amortised cost, interest income or expense is recorded at the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

However, for a reclassified financial asset for which the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

7. OTHER OPERATING INCOME

	Year ended 30 June 2023 Rs'000	Year ended 30 June 2022 Rs'000	Period from 01 January 2020 to 30 June 2021 Rs'000
Insurance premium (net of claims paid and the change in incurred but not reported claims)	**49,695**	52,558	80,963
Profit on disposal of property and equipment	**663**	10	9
(Loss)/profit on disposal of property development	**(47)**	2,456	9,032
Others	**1,427**	731	5,826
	51,738	55,755	95,830

8. PERSONNEL EXPENSES

	Year ended 30 June 2023 Rs'000	Year ended 30 June 2022 Rs'000	Period from 01 January 2020 to 30 June 2021 Rs'000
Salaries and human resource development	**157,649**	145,106	205,842
Pension contributions and other staff benefits	**34,032**	30,734	39,625
	191,681	175,840	245,467

9(a). OTHER EXPENSES

	Year ended 30 June 2023 Rs'000	Year ended 30 June 2022 Rs'000	Period from 01 January 2020 to 30 June 2021 Rs'000
Maintenance and repairs	**11,100**	11,419	14,498
Travelling and transport	**13,634**	12,902	20,004
Staff welfare, training and study schemes	**16,466**	15,992	17,642
General expenses	**5,304**	7,557	7,649
Electricity	**4,930**	4,552	6,631
Passages benefits	**6,033**	5,863	9,284
Printing and stationery	**3,062**	3,023	2,568
Telephone	**4,166**	4,081	5,429
Motor vehicles running expenses	**799**	1,212	1,298
Directors' emoluments	**3,364**	3,770	4,630
Audit fees	**1,316**	1,691	2,243
Professional fees	**4,897**	3,269	7,435
Family protection schemes' contribution	**1,875**	1,873	2,801
Software maintenance costs	**20,703**	17,533	10,233
Rent of properties	**38**	38	-
Advertising	**2,349**	1,554	3,403
Postages	**3,609**	3,182	2,051
Legal fees and expenses	**263**	122	878
Sponsorship & Corporate Social Responsibility	**1,259**	110	173
Retirement benefits (Voluntary Early Retirement)	**279**	283	414
Donations	**64**	70	220
Project expenses	**1,042**	2,905	2,041
Others	**1,477**	2,127	1,366
	108,029	105,128	122,891

9(b). OTHER PROVISIONS

	Year ended 30 June 2023 Rs'000	Year ended 30 June 2022 Rs'000	Period from 01 January 2020 to 30 June 2021 Rs'000
Provision on other assets (Note 19(a))	**350**	234	639
Reversal of fixed deposits (Note 13(b))	**-**	-	(25,000)
	350	234	(24,361)

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

10. PROFIT FOR THE YEAR/PERIOD

	Year ended 30 June 2023 Rs'000	Year ended 30 June 2022 Rs'000	Period from 01 January 2020 to 30 June 2021 Rs'000
Profit for the year/period is arrived at after charging:			
Depreciation on property and equipment	**13,374**	13,729	21,233
Amortisation on intangible assets	**24,145**	23,216	30,922
Staff costs (Note (a))	**193,835**	177,996	248,682

(a) Analysis of staff costs

	Year ended 30 June 2023 Rs'000	Year ended 30 June 2022 Rs'000	Period from 01 January 2020 to 30 June 2021 Rs'000
Wages and salaries (Note 8)	**157,649**	145,106	205,842
"Pension costs and other contributions (Note 8)"	**34,032**	30,734	39,625
Retirement benefits (voluntary early retirement)	**279**	283	414
Family protection schemes' contribution	**1,875**	1,873	2,801
	193,835	177,996	248,682

11. DIVIDENDS

	Year ended 30 June 2023 Rs'000	Year ended 30 June 2022 Rs'000	Period from 01 January 2020 to 30 June 2021 Rs'000
Dividends recommended and paid	**-**	7,577	25,593
Dividends recommended and not yet paid	**-**	-	-
	Rs	Rs	Rs
Dividend per share	**-**	0.38	2.04

The dividend of Rs 7,577,000 was paid in January 2023.

12. EARNINGS PER SHARE

		Year ended 30 June 2023 Rs'000	Year ended 30 June 2022 Rs'000	Period from 01 January 2020 to 30 June 2021 Rs'000
Profit for the year/period		**103,713**	96,982	75,769
No. of shares		**20,000,000**	20,000,000	20,000,000
Earnings per share	Rs.	**5.19**	4.85	3.79

13. CASH AND CASH EQUIVALENTS

(a) Cash at banks and in hand

	30 June 2023 Rs'000	30 June 2022 Rs'000	30 June 2021 Rs'000
Cash in hand	**4,372**	3,216	3,006
Cash at banks	**143,748**	370,099	263,224
Treasury bills	**-**	-	199,408
	148,120	373,315	465,638

Cash at banks and in hand include highly liquid investment that are readily convertible to cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition. The balances in cash in hand and at banks are held with reputable financial institutions in the Republic of Mauriitus.

There exists no restriction on the above bank balances.

Notes to the Financial Statements (Cont'd)
For the year ended 30 June 2023

13. CASH AND CASH EQUIVALENTS (CONT'D)

(b) Treasury deposits	30 June 2023	30 June 2022	30 June 2021
	Rs'000	Rs'000	Rs'000
Fixed term deposits (Note (i))	**2,275,000**	1,375,000	1,150,000

Treasury deposits measured at amortised cost, are funds held on fixed term with maturities of six to twelve months, held with financial institutions and can be recalled.

14. PROPERTY DEVELOPMENT

	30 June 2023	30 June 2022	30 June 2021
	Rs'000	Rs'000	Rs'000
At start of year/period	**136,385**	149,420	99,343
Costs incurred during the year/period	**21,557**	-	35,938
Transfer from property and equipment	**694**	-	35,950
Amount transferred	**(36,762)**	(13,035)	(21,811)
Impairment loss on property development	**(1,300)**	-	-
At end of year/period	**120,575**	136,385	149,420

Pursuant to a Memorandum of Understanding of February 2004 between Business Park of Mauritius Ltd (BPML), a locally incorporated company, and the Company, it was agreed that both companies will undertake a joint project for the development of an integrated residential and recreational complex at Ebene Cybervillage site, Republic of Mauritius.

All the housing units at Ebene Cybervillage have been sold except for one where the deed of sale has not been finalised yet. The unsold housing unit was subject to a court proceeding which has been finalised in the current year. The cost of the housing unit amounts to Rs2.4m. A new bidding exercise has been launched for the sale of the house and necessary documentation is underway.

The property development at Le Hochet, Terre Rouge concerns of 26 housing units, out of which 19 housing units were sold and sales is under process for the remaining 7 units. A provision of Rs 1.3M has been made to cater for any potential loss on this housing project.

During the current year, the Company has embarked on a new project at Residence Clos Verger for the construction of 40 appartments and 4 penthouses. The construction as at 30 June 2023 is still at foundation level and same is expected to be completed by the end of 30 June 2024. An amount of Rs 21.1m has been incurred as at 30 June 2023.

15. LOANS TO CUSTOMERS

(a) Housing loans are granted to clients only after a well defined pre-established sanctioning process is completed and the repayment terms vary from 1 to 35 years.

	30 June 2023	30 June 2022	30 June 2021
	Rs'000	Rs'000	Rs'000
Fast loans and flexi loans	**1,289,624**	1,061,129	616,553
Secured loans	**9,187,119**	8,834,384	8,736,249
Total loans advanced	**10,476,743**	9,895,513	9,352,802
Provision for credit losses (Note (c) overleaf)	**(627,286)**	(620,311)	(633,015)
Penalty provisions	**(20,689)**	(22,123)	(25,662)
Interest suspended	**(187,745)**	(183,839)	(196,868)
	9,641,023	9,069,240	8,497,257
Analysed as follows:			
Current	**564,299**	597,330	589,440
Non-current	**9,912,444**	9,298,183	8,763,362
	10,476,743	9,895,513	9,352,802

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

15. LOANS TO CUSTOMERS (CONT'D)

(b) Allowance for credit impairment	30 June 2023	30 June 2022	30 June 2021
	Rs'000	Rs'000	Rs'000
Release of allowance for credit impairment/(net impairment loss)	(6,975)	12,704	(35,541)
Amount written off	429	(4,114)	(2,440)
	(6,546)	8,590	(37,981)

(c) Provision for credit losses	Specific Provision	Portfolio Provision	Total
	Rs'000	Rs'000	Rs'000
At 01 January 2020	533,539	63,935	597,474
Movement during the period	29,717	5,824	35,541
At 30 June 2021	563,256	69,759	633,015
At 01 July 2021	563,256	69,759	633,015
Movement during the year	(16,206)	3,502	(12,704)
At 30 June 2022	547,050	73,261	620,311
At 01 July 2022	547,050	73,261	620,311
Movement during the year	(611)	7,586	6,975
At 30 June 2023	546,439	80,847	627,286

(d) Remaining term to maturity

	30 June 2023	30 June 2022	30 June 2021
	Rs'000	Rs'000	Rs'000
Within 3 months	8,408	8,575	10,106
Over 3 months and up to 6 months	9,702	10,290	9,975
Over 6 months and up to 12 months	25,337	22,134	14,840
Over 1 year and up to 5 years	392,835	411,785	427,986
Over 5 years	10,040,461	9,442,729	8,889,895
Total	10,476,743	9,895,513	9,352,802

(e) Credit concentration of risk by industry sectors

	30 June 2023	30 June 2022	30 June 2021
Name of sector	Rs'000	Rs'000	Rs'000
Construction (Housing finance)	10,476,743	9,895,513	9,352,802

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

16(a). INVESTMENT PROPERTY

VALUATION	Freehold building	Cybervillage land	Total
	Rs'000	Rs'000	Rs'000
At 01 July 2021	80,409	45,000	125,409
Fair value adjustment in 2021	1,893	1,000	2,893
At 30 June 2022	82,302	46,000	128,302
Fair value adjustment in 2022	4,323	19,000	23,323
At 30 June 2022	86,625	65,000	151,625
Fair value adjustment in 2023	**875**	**500**	**1,375**
At 30 June 2023	**87,500**	**65,500**	**153,000**

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

Revaluation of investment properties

On 20 June 2023, the investment properties were revalued by Mr & Mrs N Jeetun, Msc, M.R.I.C.S, M.M.I.S, P.M.A.P.I of NP Jeetun, independent Chartered Valuation Surveyor. The properties have been valued using comparative method and investment method of valuation. This is based on comparison of prices paid for similar properties within close vicinity of the site and adjusted to reflect the characteristic of the subject properties, at the relevant date.

(ii) The Company has pledged its investment properties to secure the borrowings.

	Year ended 30 June 2023	Year ended 30 June 2022	Period from 01 January 2020 to 30 June 2021
	Rs'000	Rs'000	Rs'000
Rental income on investment properties	**6,561**	6,450	7,233

No expenses on investment properties were incurred during the year.

16(b). INVESTMENT IN SUBSIDAIRY

(i) At cost

	Rs'000
Addition during the year and at 30 June 2023	**25,000**

(ii) Details of the investment are as follows:

Name of investee company	Type of Shares	Number of shares	Country of incorporation	Cost Rs	% Holdings
MHC Properties Ltd	Ordinary	2,500,000	Mauritius	25,000,000	100

(iii) During the current year, the Company incorporated a subsidiary, namely MHC Properties Ltd, with the objective of taking over its property development business.

(iv) No consolidated financial statements are presented since the subsidiary has not yet started its operations.

(v) MHC Properties Ltd has the following assets and liabilities as at 30 June 2023:

	Rs'000
Other debtors	25,000
Total Assets	**25,000**
Stated capital	25,000
Total Equity	**25,000**

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

17. PROPERTY AND EQUIPMENT

	Freehold land	Buildings	Furniture and equipment	Motor vehicles	Right - of -use	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST OR VALUATION						
At 01 January 2020	355,870	226,721	176,933	6,815	10,379	776,718
Additions	-	-	3,427	-	5,465	8,892
Disposals	(79,900)	-	(9)	-	-	(79,909)
At 30 June 2021	275,970	226,721	180,351	6,815	15,844	705,701
Additions	-	-	7,734	-	1,392	9,126
Revaluation	(7,630)	28,154	-	-	-	20,524
Remeasurement	-	-	-	-	(2,757)	(2,757)
Disposals	-	-	(10)	-	-	(10)
At 30 June 2022	268,340	254,875	188,075	6,815	14,479	732,584
Additions	**-**	**-**	**2,013**	**-**	**-**	**2,013**
Transfer	**(32,473)**	**-**	**-**	**-**	**-**	**(32,473)**
Disposals	**(788)**	**-**	**(172)**	**-**	**-**	**(960)**
At 30 June 2023	**235,079**	**254,875**	**189,916**	**6,815**	**14,479**	**701,164**
DEPRECIATION						
At 01 January 2020	-	4,534	154,719	5,516	2,766	167,535
Disposal adjustment	-	-	(9)	-	-	(9)
Charge for the year	-	6,795	9,033	765	4,640	21,233
At 30 June 2021	-	11,329	163,743	6,281	7,406	188,759
Disposal adjustment	-	-	(10)	-	-	(10)
Charge for the period	-	4,535	5,154	354	3,686	13,729
Revaluation	-	(15,864)	-	-	-	(15,864)
Remeasurement	-	-	-	-	(3,272)	(3,272)
At 30 June 2022	-	-	168,887	6,635	7,820	183,342
Disposal adjustment	**-**	**-**	**(125)**	**-**	**-**	**(125)**
Charge for the year	**-**	**5,097**	**4,294**	**180**	**3,803**	**13,374**
At 30 June 2023	**-**	**5,097**	**173,056**	**6,815**	**11,623**	**196,591**
NET BOOK VALUES						
At 30 June 2023	**235,079**	**249,778**	**16,860**	**-**	**2,856**	**504,573**
At 30 June 2022	268,340	254,875	19,188	180	6,659	549,242
At 30 June 2021	275,970	215,392	16,608	534	8,438	516,942

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

Revaluation of land and buildings

It is the Company policy to revaluate the assets every three years and the last exercise was carried out in August 2022. The land and buildings were revalued by Mr & Mrs N Jeetun, Msc, M.R.I.C.S, M.M.I.S, P.M.A.P.I of NP Jeetun, independent Chartered Valuation Surveyor. The land and buildings were revalued using comparative method of valuation. This is based on comparison of sales of similar properties within close vicinity of the site and adjusted to reflect the characteristic of the subject properties, at the relevant date. Management considers that no significant event has occurred that would affect the fair values of the land and buildings during the year under review.

Notes to the Financial Statements (Cont'd)
For the year ended 30 June 2023

17. PROPERTY AND EQUIPMENT (CONT'D)

Revaluation of land and buildings (Cont'd)

(ii) Movement in revaluation reserves is as follows:

	30 June 2023	Restated 30 June 2022	Restated 30 June 2021
	Rs'000	Rs'000	Rs'000
At start of year/period	582,736	546,348	425,138
Released/transfer to retained earnings	(32,562)	36,388	(48,760)
Correction of prior period error (Note 28(i))	-	-	169,970
At end of year/period	550,174	582,736	546,348

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

During the year ended 30 June 2023 , the revaluation amount of Rs 31.8M pertaining to Clos Verger Residence land (in construction) has been reversed and an amount of Rs 781,877 was transferred from revaluation reserves to retained earnings upon disposal of a property during the year under review.

The book values of the properties were adjusted to the revalued amounts and the resulted surplus was credited to revaluation reserves in shareholders' equity. If land and buildings were stated on the historical cost basis, the net book value would be as follows:

	30 June 2023	30 June 2022	30 June 2021
	Rs'000	Rs'000	Rs'000
Cost	15,183	15,183	15,183
Accumulated depreciation	(8,242)	(7,938)	(7,027)
Net book value	6,941	7,245	8,156

(ii) Included in the net carrying amount of property and equipment is the right-of-use assets for an amount of Rs 2,856,722.

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

Notes to the Financial Statements (Cont'd)
For the year ended 30 June 2023

18. INTANGIBLE ASSETS

	ELECTRONIC SYSTEM	COMPUTER SOFTWARE	PROGRESS PAYMENTS	CORE BANKING INTEGRATED SYSTEM	TOTAL
	Rs'000	Rs'000	Rs'000		Rs'000
COST					
At 01 January 2020	-	20,730	137,121	-	157,851
Transfer	-	-	(137,121)	137,121	0
Additions	-	-	-	46,378	46,378
At 30 June 2021	-	20,730	-	183,499	204,229
Reclassification	-	-	-	(727)	(727)
Additions	-	0	-	5,394	5,394
At 30 June 2022	-	20,730	-	188,166	208,896
Additions	**739**	**-**	**-**	**6,537**	**7,276**
At 30 June 2023	**739**	**20,730**	**-**	**194,703**	**216,172**
AMORTISATION					
At 01 January 2020	-	20,730	2,455	-	23,185
Transfer	-	-	(2,455)	2,455	-
Charge for the year	-	-	-	30,922	30,922
At 30 June 2021	-	20,730	-	33,377	54,107
Reclassification	-	-	-	(727)	(727)
Charge for the period	-	-	-	23,216	23,216
At 30 June 2022	-	20,730	-	55,866	76,596
Charge for the year	**176**	**-**	**-**	**23,969**	**24,145**
At 30 June 2023	**176**	**20,730**	**-**	**79,835**	**100,741**
NET BOOK VALUES					
At 30 June 2023	**563**	**-**	**-**	**114,868**	**115,431**
At 30 June 2022	-	-	-	132,300	132,300
At 30 June 2021	-	-	-	150,122	150,122

The directors have reviewed the carrying value of the intangible assets and are of opinion that at 30 June 2023, the carrying value has not suffered any impairment.

19 (a). OTHER ASSETS

	30 June 2023	30 June 2022	Restated 30 June 2021
	Rs'000	Rs'000	Rs'000
Staff loans	**6,547**	6,961	19,141
Other receivables and prepayments	**21,458**	28,860	23,161
	28,005	35,821	42,302
Less:			
- Provision for impairment	**(9,716)**	(9,004)	(7,559)
	18,289	26,817	34,743

The 2021 balances have been restated for reason explained in Note 36 to these financial statements.

Notes to the Financial Statements (Cont'd)
For the year ended 30 June 2023

19(b). ASSETS HELD FOR SALE

	30 June 2023	30 June 2022	30 June 2021
	Rs'000	Rs'000	Rs'000
Foreclosed properties	**52,966**	56,435	59,527
Allowance for impairment on foreclosed properties	**(4,445)**	(4,029)	(4,268)
Land and apartments repossessed	**4,571**	4,571	4,571
	53,092	56,977	59,830

The foreclosed properties represent houses acquired at Masters' bar on default by clients and these are stated at the lower of carrying amount and fair value less costs to sell. Management is committed to dispose the properties as soon as there is a potential buyer. However, there are legal procedures that take much time before the sale can actually happen. Where clients are willing to buy and already occupying the properties, MHC charged an indemnity fee for occupancy until the sale is finalised.

Legal procedures normally take between 2 to 3 years. Where properties do have a potential buyer during the legal procedures, same is not rented.

20(a). PEL AND OTHER SAVINGS ACCOUNTS

	30 June 2023	30 June 2022	30 June 2021
	Rs'000	Rs'000	Rs'000
Capital	**1,678,169**	1,640,726	1,606,754
Interest payable	**283,916**	301,496	324,559
Other savings accounts	**1,941**	1,924	1,906
	1,964,026	1,944,146	1,933,219

20(b). HOUSING DEPOSIT CERTIFICATES

	30 June 2023	30 June 2022	30 June 2021
	Rs'000	Rs'000	Rs'000
Capital	**6,097,093**	5,311,510	4,631,910
Interest payable	**273,600**	194,454	169,102
	6,370,693	5,505,964	4,801,012
Analysed as follows:			
Current	**2,311,483**	1,726,520	1,424,465
Non-current	**4,059,210**	3,779,444	3,376,547
	6,370,693	5,505,964	4,801,012

	30 June 2023	30 June 2022	30 June 2021
	Rs'000	Rs'000	Rs'000
Analysed as follows:			
Individuals	**4,922,998**	3,852,364	3,115,969
Corporates	**1,447,695**	1,653,600	1,685,043
	6,370,693	5,505,964	4,801,012

	30-Jun-23		30-Jun-22		30-Jun-21	
	Capital	Interest	Capital	Interest	Capital	Interest
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Within 3 months	**165,415**	**21,094**	221,095	21,219	42,805	2,036
Over 3 months and up to 6 months	**1,161,483**	**44,967**	1,030,740	9,138	1,012,865	8,399
Over 6 months and up to 12 months	**823,602**	**94,922**	435,661	8,667	340,363	17,997
Over 1 year and up to 2 years	**683,126**	**43,215**	1,129,791	101,399	496,451	40,178
Over 2 years	**3,263,467**	**69,402**	2,494,223	54,031	2,739,426	100,492
	6,097,093	**273,600**	5,311,510	194,454	4,631,910	169,102

The HDC balance at the end of the year/period include an amount of Rs 1,198.8M (2022: Rs 1,218.3M and 2021: Rs 1,009.2M) which was due to one of the Company largest depositors, with a deposit concentration ratio of 18.8% (2022: 22.1% and 2021: 27.0%).

Notes to the Financial Statements (Cont'd)
For the year ended 30 June 2023

21. BORROWINGS

	30 June 2023 Rs'000	30 June 2022 Rs'000	30 June 2021 Rs'000
Current			
Bank overdrafts (Secured) (Note (c) overleaf)	10,781	56,000	-
Loan capital (Note (a) overleaf)	806	901	6,101
Bank loans (Note (b) overleaf)	158,008	113,333	143,328
Lease liabilities (Note (d) overleaf)	3,017	3,817	3,198
	172,612	174,051	152,627
Non-current			
Loan capital (Note (a) overleaf)	55,844	49,054	84,609
Bank loans (Note (b) overleaf)	286,160	98,191	213,074
Lease liabilities (Note (d) overleaf)	398	3,463	6,147
	342,402	150,708	303,830
Total borrowings	515,014	324,759	456,457

(a) Loan capital - Government Guaranteed

Rate of interest	Lenders	Terms of repayment	Repayment period	30 June 2023 Rs'000	30 June 2022 Rs'000	30 June 2021 Rs'000
2.50%	Mauritius Marine Authority	Yearly	27.04.2002 - 27.04.2021	-	-	183
2.50%	Mauritius Marine Authority	Yearly	20.05.2002 - 20.05.2022	161	324	469
2.50%	Mauritius Marine Authority	Yearly	09.07.2002 - 19.07.2023	195	257	317
2.50%	Mauritius Marine Authority	Yearly	14.08.2009 - 14.08.2028	1,549	1,785	2,016
2.50%	Mauritius Marine Authority	Yearly	21.07.2012 - 21.07.2031	2,798	3,073	3,340
2.50%	Mauritius Marine Authority	Yearly	Part of loan disbursed	3,634	3,634	3,634
2.50%	Government Sponsored Loan	Yearly	17.10.1978 - 18.06.2024	58	232	401
6.00%	Anglo Mauritius	Quarterly	29.02.2008 – 01.02.2028	-	-	33,788
3.00%	Bank of Mauritius	Yearly	No fixed repayment terms	48,255	40,650	46,562
				56,650	49,955	90,710
Less repayable within one year shown as short term loans				(806)	(901)	(6,101)
				55,844	49,054	84,609

	30 June 2023 Rs'000	30 June 2022 Rs'000	30 June 2021 Rs'000
Repayable by instalments:			
- after one year and before five years	2,360	3,174	22,913
- after five years	1,595	1,596	11,500
Repayment terms not yet finalised	3,634	3,634	3,634
Repayable other than by instalments	48,255	40,650	46,562
	55,844	49,054	84,609

Included in borrowings, is the balance of housing loans for Bank of Mauritius staff scheme amounting to Rs 48.3M (2022:Rs 39.2M and 2021: Rs 46.6M) which are managed by MHC in return for a payment of a six monthly service charge on the outstanding balance.

Notes to the Financial Statements (Cont'd)
For the year ended 30 June 2023

21. BORROWINGS (CONT'D)

(b) Bank loans

	30 June 2023 Rs'000	30 June 2022 Rs'000	30 June 2021 Rs'000
5.50% - 6.20% (2022: 3.25% - 4.20% and 2021: 2.85% - 3.85%) per annum and bank loans repayable by monthly/quarterly instalments	**444,168**	211,525	356,402
Current			
Portion repayable within one year	**158,008**	113,333	143,328
Non-current			
Portion repayable after one year and before five years	**286,160**	98,191	213,074
Portion repayable after five years	**-**	-	-
	286,160	98,191	213,074
Total	**444,168**	211,524	356,402

Included in the bank loans is an amount of Rs 444,161,761 (2022: Rs 211,524,486 and 2021: Rs 326,406,484) secured on the assets of the Company. The remaining loans are guaranteed by Government of Mauritius.

(c) Bank overdrafts are secured against fixed deposits that the Company holds with the respective banks.
The carrying amounts of borrowings are not materialy different from their fair values. During the year under review, the Company has secured an overdraft facility against the deposit held with Silver Bank Ltd as part of its contingency plan, for an amount of Rs 56,000,000.

(d) Leases liabilities

Lease liabilities are presented in the statement of financial position as follows:

	30 June 2023 Rs'000	30 June 2022 Rs'000	30 June 2021 Rs'000
Current	**3,017**	3,817	3,198
Non-current	**398**	3,463	6,147
	3,415	7,280	9,345

The Company's lease arrangement includes rental of buildings. All the Company's leases are recognised as finance lease as the contractual terms of the lease meet the definition of finance lease under IFRS 16, Leases. The Company classifies its right-of-use assets in a consistent manner to its property and equipment (Note 17).

Future minimum lease payments were as follows:

At 31 December 2021	Within 1 year	1 to 2 years	Total
	Rs'000	Rs'000	Rs'000
Lease payment	**3,605**	6,560	10,165
Finance charges	**(407)**	(413)	(820)
Net present value	**3,198**	6,147	9,345
At 30 June 2022	Within 1 year	1 to 2 years	Total
	Rs' 000	Rs' 000	Rs' 000
Lease payment	**4,176**	3,774	7,950
Finance charges	**(358)**	(312)	(670)
Net present value	**3,818**	3,462	7,280
At 30 June 2023	Within 1 year	1 to 2 years	Total
	Rs' 000	Rs' 000	Rs' 000
Lease payment	**3,149**	422	3,571
Finance charges	**(132)**	(25)	(157)
Net present value	**3,017**	398	3,415

Notes to the Financial Statements (Cont'd)
For the year ended 30 June 2023

21. BORROWINGS (CONT'D)

(d) Leases liabilities (Cont'd)

Additional information on the right-of-use assets by class of assets is as follows:

Office building	Carrying amount	Depreciation for the year	Impairment
	Rs'000	Rs'000	Rs'000
At 31 June 2021	8,438	4,640	-
At 30 June 2022	6,659	3,686	-
At 30 June 2023	**2,856**	**3,803**	**-**

The right-of-use assets are included in property and equipment and the operating lease payments represent rental for office buildings.

The Company as a lessor

Leasing arrangements
Operating lease represents rental income from premises rented to outside parties. The leases are negotiated for an average term of ten years and rentals are fixed for an average term of five years. All operating contracts contain market review clauses in the event the lessee exercises its option to renew. The lessees do not have an option to purchase the property at the expiry of the lease.

	30 June 2023	30 June 2022	30 June 2021
	Rs'000	Rs'000	Rs'000
Rent received under operating lease recognised in statement of profit or loss*	**6,561**	6,450	7,233

There were no direct operating expenses incurred in respect of the investment property.

* Rent received under operating lease is exclusive of occupational costs in relation to foreclosed properties.

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	30 June 2023	30 June 2022	30 June 2021
	Rs'000	Rs'000	Rs'000
Within one year	**2,789**	7,264	5,816
Between 2 and 5 years	**11,156**	33,556	32,431
After more than 5 years	**2,789**	8,389	8,389
	16,734	49,209	46,636

(e) The carrying amounts of borrowings are not materially different from their fair values.

Notes to the Financial Statements (Cont'd)
For the year ended 30 June 2023

22. RETIREMENT BENEFIT OBLIGATIONS

Amounts recognised in the statement of financial position:

	30 June 2023 Rs'000	30 June 2022 Rs'000	30 June 2021 Rs'000
Amounts recognised in the statement of financial position:			
- Pension benefits (note (a)(ii))	**489,939**	408,557	336,685
- Funds kept within the Company (note (c))	**10,560**	10,560	10,560
	500,499	419,117	347,245
Amount charged to profit or loss:			
- Pension benefits (note (a)(iii))	**31,601**	28,564	37,304
Amount charged to other comprehensive income:			
- Pension benefits (note (a)(iv))	**59,884**	52,999	68,565

(a)(i) Pension benefits

The Company operates both a defined benefit plan and a defined contribution plan. The defined benefit arrangement is a final salary plan, which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The defined contribution benefit plan is dependent on the contribution made.

The assets of the funded plan are held independently and are administered by The State Insurance Company of Mauritius Ltd.

(ii) The amounts recognised in the statement of financial position are as follows:

	30 June 2023 Rs'000	30 June 2022 Rs'000	30 June 2021 Rs'000
Pension benefit obligations	**806,366**	733,436	683,395
Fair value of plan assets	**(316,427)**	(324,879)	(346,710)
Liability recognised at end of year/period	**489,939**	408,557	336,685

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

	Year ended 30 June 2023 Rs'000	Year ended 30 June 2022 Rs'000	Period from 01 January 2020 to 30 June 2021 Rs'000
Current service cost	**15,047**	16,080	21,971
Fund expenses	**828**	800	1,067
Net interest expense	**21,066**	17,369	22,409
Employee contributions	**(5,340)**	(5,685)	(8,143)
Total included in staff costs	**31,601**	28,564	37,304
Actual return on plan assets	**12,236**	(444)	29,860

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

	Year ended 30 June 2023 Rs'000	Year ended 30 June 2022 Rs'000	Period from 01 January 2020 to 30 June 2021 Rs'000
Remeasurement			
Liabilities loss	**55,607**	35,754	69,866
Assets loss/(gain)	**4,277**	17,245	(1,301)
	59,884	52,999	68,565

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	Year ended 30 June 2023	Year ended 30 June 2022	Period from 01 January 2020 to 30 June 2021
	Rs'000	Rs'000	Rs'000
At start of the year/period	**408,557**	336,685	246,157
Charged to profit or loss	**31,600**	28,564	37,305
Contributions paid	**(10,102)**	(9,691)	(15,342)
Charged to other comprehensive income	**59,884**	52,999	68,565
At end of year/period	**489,939**	408,557	336,685

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

	Year ended 30 June 2023	Year ended 30 June 2022	Period from 01 January 2020 to 30 June 2021
	Rs'000	Rs'000	Rs'000
At start of the year/period	**733,436**	683,395	585,844
Current service cost	**15,047**	16,080	21,971
Interest expense	**37,578**	34,170	50,969
Benefits paid	**(35,302)**	(35,963)	(45,255)
Liability experience loss	**55,607**	35,754	69,866
At end of year/period	**806,366**	733,436	683,395

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

	Year ended 30 June 2023	Year ended 30 June 2022	Period from 01 January 2020 to 30 June 2021
	Rs'000	Rs'000	Rs'000
At start of the year/period	**324,879**	346,710	339,687
Expected return on plan assets	**16,513**	16,801	28,559
Employer contributions	**10,102**	9,408	14,928
Employee contributions	**5,340**	5,685	8,142
Benefits paid	**(36,130)**	(36,480)	(45,907)
Assets loss/(gain)	**(4,277)**	(17,245)	1,301
At end of year/period	**316,427**	324,879	346,710

Notes to the Financial Statements (Cont'd)
For the year ended 30 June 2023

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	30 June 2023	30 June 2022	30 June 2021
Percentage of assets at end of year/period			
Fixed securities and cash	**53.9%**	58.0%	54.8%
Loans	**2.8%**	2.9%	2.8%
Local equities	**14.0%**	13.6%	11.8%
Overseas bonds and equities	**28.8%**	25.0%	30.1%
Property	**0.5%**	0.5%	0.5%
Total	**100.0%**	100.0%	100.0%

(ix) The cost of providing the benefits is determined using the Projected Unit method. The principal assumptions used for the purpose of the actuarial valuation were as follows:

	30 June 2023	30 June 2022	30 June 2021
Discount rate	**5.96%**	5.25%	5.00%
Future salary growth rate	**4.50%**	3.50%	3.00%
Future pension growth rate	**3.50%**	2.50%	2.00%

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

(x) Sensitivity analysis on defined benefit obligations at end of the reporting date:

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based reasonably on possible changes of the assumptions occuring at the end of the reporting period.

If the discount rate would be 100 basis points (one percent) higher (lower), the defined benefit obligation would decrease by Rs 108.6 M (increase by Rs 140.3 M) if all other assumptions were held unchanged.

If the expected salary growth would increase (decrease) by 1%, the defined benefit obligation would increase by Rs 58.9 M (decrease by Rs 52.0 M) if all other assumptions were held unchanged.

If life expectancy would increase (decrease) by one year, the defined benefit obligation would increase by Rs 23.6 M (decrease by Rs 23.6 M) if all assumptions were held unchanged.

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

(xi) The plan is exposed to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The risk relating to death in service benefits is re-insured.

(xii) The expected employer contributions for FY 2023/2024 will amount to Rs 9,679,843.

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

(xiv) The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(b) State Pension Plan	30 June 2023 Rs'000	30 June 2022 Rs'000	30 June 2021 Rs'000
Social benefits contribution (previously National Pension Scheme)	1,201	1,227	1,784

(c) The funds pertain to provision made to cater for future obligation payable to the members of the Widows and Orphans Plan which existed before the Family Protection Scheme.

23. OTHER LIABILITIES

	30 June 2023 Rs'000	30 June 2022 Rs'000	30 June 2021 Rs'000
Deposits against foreclosed properties	8,688	11,946	14,737
Leave passage provision	10,659	12,400	13,903
Accruals	15,449	18,561	35,057
Other payables	61,402	38,384	27,794
	96,198	81,291	91,491

The Company has financial risk management in place to ensure that all payables are paid within the credit timeframe and according to contractual terms.

24. INSURANCE FUNDS

	30 June 2023 Rs'000	30 June 2022 Rs'000	30 June 2021 Rs'000
Life assurance reserve (Note (a))	118,191	118,191	118,191
Building insurance reserve (IBNR)	1,507	1,507	1,507
Mortgage insurance reserve a	4,275	4,275	4,275
	123,973	123,973	123,973

Movement in insurance funds	30 June 2023 Rs'000	30 June 2022 Rs'000	30 June 2021 Rs'000
At start and end of year/period	123,973	123,973	123,973

(a) The policy liabilities have been valued during the last financial year in respect of policies issued under the Long Term Insurance business by the Company, in accordance with the solvency rules and accepted actuarial practice, including selection of appropriate valuation assumptions and methods. It is the Company's policy to have independent Actuarial Valuation every two years and at 30 June 2023, management is of the opinion that the insurance fund is still adequate based on operations experience.

The valuation of the Decreasing Term Assurance book of business was performed based on the Insurance Act 2005 using the Gross Premium Valuation Method. The reserves were established by discounting the future expected claims and expenses, less the future office premiums on a policy-by-policy basis.

The main assumptions used to calculate these liabilities are:
- investment return: 3.60% (3.46% p.a)
- renewal expense: Rs1,106.62 per policy p.a,
- mortality: 77.0% of SA85/90 plus 1.38% HA2 AIDS allowance
- total permanent disability: 88% of CSI skilled disability table
- withdrawal rate: Nil
- Commission: No Commission is payable
- Contingency provision: 10% of basic reserve

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

24. INSURANCE FUNDS (CONT'D)

The insurance funds were estimated at Rs 123,973,000 as at 30 June 2022. In the previous year, the directors have decided to transfer an amount of Rs 26,873,000 from the life insurance reserve to the insurance funds. The life insurance reserve was created to cater for any shortfall aising from the insurance funds.

There are no reinsurance arrangements in place in respect of the life assurance fund and the decreasing term assurance business is written on a non-profit sharing basis.

Life Insurance Reserve	**Rs'000**
At 01 July 2022 and 30 June 2023	127,769

25. SHARE CAPITAL

	30 June 2023	30 June 2022	30 June 2021
	Rs'000	Rs'000	Rs'000
Authorised			
25,000,000 ordinary shares of Rs10 each	**250,000**	250,000	250,000
Issued and fully paid			
20,000,000 ordinary shares of Rs10 each	**200,000**	200,000	200,000

Fully paid ordinary shares, which have a par value of Rs10, carry one vote per share and a right to dividends.

26. OTHER COMPREHENSIVE INCOME

	Revaluation reserve	Actuarial (losses)/ gains	Life insurance reserve
	Rs'000	Rs'000	Rs'000
Items that will not be reclassified to profit or loss:			
30-Jun-23			
Remeasurement of defined benefit obligations	-	**(59,884)**	**-**
30-Jun-22			
Revaluation of land	36,388	-	-
Remeasurement of defined benefit obligations	-	(52,999)	-
30-Jun-21			
Revaluation of land	(48,760)	-	-
Remeasurement of defined benefit obligations	-	(68,565)	-

Revaluation reserve

The revaluation reserve arises on the revaluation of freehold land and buildings which are revalued by an independent valuer every 3 years.

Actuarial gain/(losses)

The actuarial gain/(losses) reserve represents the cumulative remeasurement of defined benefit obligation recognised based on independent actuarial valuation.

27. BUILDING INSURANCE RESERVE

	30 June 2023 Rs'000	30 June 2022 Rs'000	30 June 2021 Rs'000
Building insurance reserve	**116,810**	116,810	116,810

Building insurance relates to fund kept for insurance of mortgaged houses over the loan period against fire, cyclone and structural damages.

The policy liabilities have been valued in respect of policies issued in accordance with the solvency rules and accepted actuarial practice, including selection of appropriate valuation assumptions and methods. The policy liabilities together with the capital requirement do not exceed the amount of insurance funds of Rs 116.8M. It is the Company's policy to have independent actuarial valuation every two years, last one was performed during the preceding year. Management considers that the provision of Rs116.8M is still adequate at the reporting date.

The main assumptions used to calculate these liabilities are:

- the IBNR reserve is quantified on a factor-based method at 7% of written premium over the past years.
- UPR reserve is not applicable as Building Insurance Premiums are paid and recorded in the financial statements on a monthly basis.
- insurance liability capital charge of 10% of the IBNR.
- catastrophe capital charge of 5% of the written premium.

28. RETAINED EARNINGS

	30 June 2023 Rs'000	Restated 30 June 2022 Rs'000	Restated 30 June 2021 Rs'000
At start of year/period	**2,137,746**	2,101,340	2,307,522
Movement on reserves (Note (ii) below)	**782**	-	(20)
Profit for the year/period	**103,713**	96,982	75,769
Actuarial reserve	**(59,884)**	(52,999)	(68,565)
Dividends (Note 11)	**-**	(7,577)	(25,593)
Correction of prior period error (Note 36)	**-**	-	(17,803)
Correction of prior period error (Note (i) below)	**-**	-	(169,970)
At end of year/period	**2,182,357**	2,137,746	2,101,340

(i) An amount of Rs 187,059,121 was transferred from revaluation reserves to retained earnings in the financial year ended 2019 on the basis that the amount did not represent a valid revaluation surplus. During the year ended 30 June 2023, it came to the attention of management that the Rs 187,059,121 was in fact related to properties revaluation exercises done in the financial year 2002 and 2004 where some of the properties have been sold while the remaining revaluation surplus for the existing properties amounted to Rs 169,969,948. Since this reclassification relate to prior periods, the opening retained earnings were adjusted to take account of this change in condition, in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors in 2021. The correction has no impact on the total equity as reported in prior periods.

(ii) In addition, an amount of Rs 781,877 was transferred from revaluation reserves to retained earnings upon disposal of a property during the year under review.

Notes to the Financial Statements (Cont'd)
For the year ended 30 June 2023

29. RESERVES

(a) OTHER RESERVES

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

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

	At 01 July 2022	Movement during the year DR	Movement during the year CR	At 30 June 2023
	Rs'000	Rs'000	Rs'000	Rs'000
General reserve	106,590	-	-	106,590
	106,590	-	-	106,590

The General Reserve was created in early years to cater for provisions in respect of potential impaired loans. This reserve is maintained on a prudence basis over the years.

(b) STATUTORY RESERVES

Pursuant to the provision of the Banking Act 2004, a sum equal to no less than 15% of the profit after tax is transferred to a Statutory Reserve Account, until the balance in that reserve account is equal to the Bank's paid up capital. This reserve is not distributable.

As at 30 June 2023, the reserve amounts to Rs 200M which is equal to the paid up share capital of the Company (Note 25).

30. COMMITMENTS

	30 June 2023	30 June 2022	30 June 2021
	Rs'000	Rs'000	Rs'000
(a) Loans			
Loans approved but not yet disbursed to individuals	200,297	189,136	176,648

(b) Capital commitments

The Company does not have any capital commitment at 30 June 2023.

31. TAXATION

Pursuant to the Mauritius Housing Company Corporation (Transfer of Undertaking) Act 1989, all rights and privileges of the Mauritius Housing Corporation have been transferred to Mauritius Housing Company Ltd. The provisions of this Act have also dispensed the Company from any income tax/capital gain tax liability.

No deferred tax asset or liability has been provided in the financial statements due to the exempt income tax status of the Company.

Notes to the Financial Statements (Cont'd)
For the year ended 30 June 2023

32. RELATED PARTIES TRANSACTIONS

The Company is making the following disclosures in accordance with IAS 24 (Related Party Disclosures):

Transactions during the year/period

	Nature of transactions	30 June 2023 Rs'000	30 June 2022 Rs'000	30 June 2021 Rs'000
Shareholders of the company				
Government of Mauritius	Loans	**174**	169	3,627
	Interest paid	**6**	10	121
	Interest received	**-**	-	28,000
	Rental expense	**76**	38	38
Others	Other transactions	**53**	48	44
Directors and key management personnel				
	Loans	**15,900**	6,571	6,962
	Loan interest	**31**	1,165	11
	Deposits capital	**-**	2,800	(2,904)
	Deposits interest	**146**	302	(476)
	PEL capital	**(1,827)**	3,172	(1,976)
	PEL interest	**(41)**	51	(134)

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

	30 June 2023 Rs'000	30 June 2022 Rs'000	30 June 2021 Rs'000
Salaries and benefits	**32,445**	27,908	34,063

	Nature of transactions	(Credit)/ debit balances at 30 June 2023 Rs'000	(Credit)/ debit balances at 30 June 2022 Rs'000	(Credit)/ debit balances at 30 June 2021 Rs'000
Government of Mauritius	Loans	**(58)**	(232)	(401)
	Interest payable	**-**	-	-
	Interest receivable	**-**	-	(7,559)
Investee company	Payables	**(25,000)**	-	-
Directors and key management personnel	Loans	**36,017**	20,086	13,515
	Deposits capital	**4,800**	4,800	2,000
	Deposits interest	**473**	327	25
	PEL capital	**3,427**	5,254	2,082
	PEL interest	**47**	88	37

The terms of the borrowings have been disclosed in Note 21.

The loans to directors and key management personnel are secured by a first rank mortgaged on their property bearing an interest rate ranging between 2% to 3% and has a maximum repayment capacity of 50% of monthly salary.

Notes to the Financial Statements (Cont'd)
For the year ended 30 June 2023

33.REPORTING CURRENCY

The Financial Statements are presented in thousands of Mauritian Rupees since this is the currency in which the Company's transactions are denominated.

34. OWNERSHIP STRUCTURE

The Directors consider the Government of Mauritius, which owns 60.1% of the share capital, as its controlling entity.

35. CONTINGENCY LIABILITY

The contract of employment, review of terms and conditions provide that an exercise is carried out to review the conditions of employment of all pensionable and non-pensionable employees every five years. The last exercise was carrried out in the year 2017. A new report is due as from July 2021. In the current year, a consultant has been appointed for the review of the pay, terms and conditions. At year end, the report has still not been finalised.

As per conditions, the effective date of the report is July 2021 and any back pay will be payable as from that date. Since no estimate is known, no provision has been made in these financial statements. The report is now expected to be approved by Board by the end of November 2023. Hence, it is estimated that any amount due under the terms and conditions will be payable in the next financial year and expensed in the year of payment.

36. CORRECTION OF PRIOR PERIOD ERRORS

(a) During the period ended 30 June 2021, it came to the attention of management via a correspondence from the Ministry of Finance, Economic Planning and Development that the Housing Deposit Certificates ("HDC") bonus of 2% is no more applicable and hence all interest income recognised or accrued on the HDC scheme for prior years will not be recovered. Since these income relate to prior periods, the opening retained earnings were adjusted to take account of this change in condition, in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. However, the 2018 column was not restated as the misstatement affected only the financial statements for 2019.

The effects of correcting the prior years' error on the Company's statement of financial position at 30 June 2021 were:

	Other assets	Retained earnings
	Rs'000	Rs'000
Balance as previously reported at 31 December 2019	202,111	2,412,721
Effect of correcting prior period's error	(105,199)	(105,199)
Restated balance at 31 December 2019	96,912	2,307,522

(b) During the year ended 30 June 2022, management decided to write off the balance for other receivables which exceeded the relevant listing by Rs 17,802,868, since the amount cannot be reconciled. Since this amount related to prior periods, the opening retained earnings were adjusted to take account of this change in condition, in accordance with *IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors*. However, the 2019 column was not restated as the misstatement affected only the financial statements for 2021.

The effects of correcting the prior years' error on the Company's statement of financial position at 30 June 2022 were:

	Other assets	Retained earnings
	Rs'000	Rs'000
Balance as previously reported at 30 June 2021	52,546	-
Effect of correcting prior period's error	2,289,113	2,289,113
Restated balance as at 30 June 2021	2,341,659	2,289,113

37. EVENTS AFTER THE REPORTING DATE

(i) The Company continues to monitor the COVID-19 situation for any resurgence and will take appropriate measures to address the effects on the Company's business activities.
(ii) On 27 September 2023, the Board of Directors has recommended the payment of a dividend of Rs 10,371,182.
(iii) No other adjusting or significant non-adjusting events have occurred between 30 June 2023 and the date of authorisation of these financial statements.

"La référence en prêt logement"

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