

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

10 OTHER OPERATING EXPENSES

	THE GROUP			THE BANK		
	2021	2020	2019	2021	2020	2019
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Advertising and marketing expenses	13,888	54,363	64,312	12,757	53,411	63,736
Rental expense (non-cancellable)	-	-	36,713	-	-	38,862
Administrative expenses	232,954	255,811	179,159	234,617	250,236	171,208
Equipment and intangibles written off	11,618	206	1,309	11,618	206	1,309
Professional fees	64,749	68,097	60,212	60,552	62,708	48,391
	323,209	378,477	341,705	319,544	366,561	323,506
Analysed as follows:						
Continuing operations	313,733	369,248	332,705	319,544	366,561	323,506
Discontinued operations (Note 41)	9,476	9,229	9,000	-	-	-
	323,209	378,477	341,705	319,544	366,561	323,506

Special levy was reclassified from other operating expenses to taxation - Refer to note 11 for more details.

11 TAXATION

Income tax is calculated on the profit for the year as adjusted for income tax for the Bank's purposes as follows:

- up to MUR 1.5bn - 5%
- over to MUR 1.5bn - 15%

However, taxable income above MUR 1.5bn may be subject to graduated tax rate provided as per table below:

- the taxable income of current year exceeds MUR 1.5bn;
- the taxable income of base year exceeds MUR 1.5bn;
- the current year's taxable income exceeds that of its base year; and
- the bank satisfies prescribed conditions.

Taxable income	Rate of income tax
Up to MUR 1.5bn	5%
Exceeding MUR 1.5bn up to amount equivalent to the taxable income of the base year	15%
Amount exceeding taxable income of base year	5%

As per Income tax Act, 'base year' refer to taxable profit of year of assessment 2017/18, that is, financial year ended 30 June 2017. For the year ended 30 June 2020, the Bank has complied with the prescribed conditions and has applied the graduated tax rate. For the year under review, the chargeable income of the Bank was below the threshold of MUR 1.5bn.

The income tax rate applicable for 2019 was 15%.

Up to 30 June 2019, the Bank, was entitled to a tax credit equivalent to 80% of Mauritius tax payable in respect of its foreign source income (Segment B) thus reducing its maximum effective tax rate on segment B to 3%.

Income tax of the subsidiaries is calculated at the rate of 15% (2020 and 2019: 15%)

Corporate Social Responsibility fund

The Corporate Social Responsibility ('CSR') was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Bank is required to allocate 2% of its chargeable income under Segment A ('Resident') of the preceding financial year to Government-approved CSR projects. Where the

amount paid out of the CSR fund is less than the amount provided under the fund, the difference shall be remitted to the Mauritius Revenue Authority at the time of submission of the income tax return on the year under review.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

11 TAXATION (Cont'd)

Special levy

Special levy on banks was amended under the Finance Act 2018 and 2019 and is now governed under the VAT Act. Every bank shall in every year be liable to pay the taxation authorities a special levy calculated at 5.5% where leviable income is less than or equal to MUR 1.2bn or at 4.5% where leviable income is greater than MUR 1.2bn. Leviable income applies to banking transactions of Segment A and is defined as the sum of net interest income and other income before deduction of expenses as per VAT act.

A communique issued by BOM during the year under review, clarified that Special Levy should be treated as a tax expense. Thus, the Bank

reclassified the amount recognised in respect of Special Levy from 'Other operating expenses' to 'Tax expense' in the statement of profit or loss and other comprehensive income. The amount recognised for Special Levy has also been reclassified from 'Other liabilities' to 'Current tax liabilities' in the statement of financial position. These line items in the statement of profit or loss and other comprehensive income for the years ended 30 June 2019 and 2020 and in the statement of financial position as at 30 June 2019 and 2020 were also restated to reflect this reclassification as follows:

THE GROUP

Statement of Profit or Loss and other comprehensive income

Continuing operations						
Other operating expenses:	(450,913)	81,665	(369,248)	(396,502)	63,797	(332,705)
Profit before tax	1,692,912	81,665	1,774,577	1,867,083	63,797	1,930,880
Tax expense:	(146,771)	(81,665)	(228,436)	(239,219)	(63,797)	(303,016)
Profit for the year	1,546,141	-	1,546,141	1,627,864	-	1,627,864

30-Jun-20			30-Jun-19		
As previously reported	Reclassification	As restated	As previously reported	Reclassification	As restated
MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
(450,913)	81,665	(369,248)	(396,502)	63,797	(332,705)
1,692,912	81,665	1,774,577	1,867,083	63,797	1,930,880
(146,771)	(81,665)	(228,436)	(239,219)	(63,797)	(303,016)
1,546,141	-	1,546,141	1,627,864	-	1,627,864

Statement of Financial Position

Current tax liabilities	13,618	81,665	95,283	112,116	63,797	175,913
Other liabilities	578,800	(81,665)	497,135	522,732	(63,797)	458,935

30-Jun-20			30-Jun-19		
As previously reported	Reclassification	As restated	As previously reported	Reclassification	As restated
MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
13,618	81,665	95,283	112,116	63,797	175,913
578,800	(81,665)	497,135	522,732	(63,797)	458,935

THE BANK

Statement of Profit or Loss and other comprehensive income

Other operating expenses	(448,226)	81,665	(366,561)	(387,303)	63,797	(323,506)
Profit before tax	1,668,326	81,665	1,749,991	1,824,002	63,797	1,887,799
Tax expense	(146,771)	(81,665)	(228,436)	(239,219)	(63,797)	(303,016)
Profit for the year	1,521,555	-	1,521,555	1,584,783	-	1,584,783

30-Jun-20			30-Jun-19		
As previously reported	Reclassification	As restated	As previously reported	Reclassification	As restated
MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
(448,226)	81,665	(366,561)	(387,303)	63,797	(323,506)
1,668,326	81,665	1,749,991	1,824,002	63,797	1,887,799
(146,771)	(81,665)	(228,436)	(239,219)	(63,797)	(303,016)
1,521,555	-	1,521,555	1,584,783	-	1,584,783

Statement of Financial Position

Current tax liabilities	13,618	81,665	95,283	112,116	63,797	175,913
Other liabilities	568,061	(81,665)	486,396	507,327	(63,797)	443,530

30-Jun-20			30-Jun-19		
As previously reported	Reclassification	As restated	As previously reported	Reclassification	As restated
MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
13,618	81,665	95,283	112,116	63,797	175,913
568,061	(81,665)	486,396	507,327	(63,797)	443,530

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

11 TAXATION (Cont'd)

11(a) Statements of financial position

	THE GROUP			THE BANK		
	2021	2020	2019	2021	2020	2019
	(Restated)	(Restated)		(Restated)	(Restated)	
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Corporate tax liability:						
Provision for the year	74,247	139,890	170,618	74,247	139,890	170,618
Tax paid under advance payment scheme	(60,053)	(128,282)	(63,408)	(60,053)	(128,282)	(59,312)
	14,194	11,608	107,210	14,194	11,608	111,306
CSR liability	2,789	2,010	1,040	2,789	2,010	810
Special levy	68,664	81,665	63,797	68,664	81,665	63,797
Current tax liabilities	85,647	95,283	172,047	85,647	95,283	175,913
Analysed as follows:						
Current tax liabilities	85,647	95,283	175,913	85,647	95,283	175,913
Current tax assets (included in other assets Note 22)	-	-	(3,866)	-	-	-
	85,647	95,283	172,047	85,647	95,283	175,913

Total tax paid (including levy, APS, CSR and tax assessment review) during the year ended 30 June 2021 was MUR 185.7m (2020: MUR 328.6m, 2019: MUR 95.9m).

11(b) Statements of profit or loss and other comprehensive income

The components of income tax expense for the years ended 30 June 2021, 2020 and 2019 are as follows

	THE GROUP			THE BANK		
	2021	2020	2019	2021	2020	2019
	(Restated)	(Restated)		(Restated)	(Restated)	
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Current income tax	74,247	139,890	170,618	74,247	139,890	170,618
Under/(over) provision in income tax in prior years	10,846	425	(1,053)	10,846	425	(311)
Amount paid under tax assessment review	-	10,176	-	-	10,176	-
Withholding tax	-	2,541	431	-	2,541	431
CSR expense	22,299	15,856	7,199	22,299	15,856	6,469
Special levy	68,664	81,665	63,797	68,664	81,665	63,797
(Over)/under provision in deferred tax in prior years	(44)	(394)	34	(44)	(393)	31
Deferred tax movement (Note 11(d))	(27,607)	(21,180)	61,597	(27,607)	(21,724)	61,981
Tax expense for the year	148,405	228,979	302,623	148,405	228,436	303,016
Analysed as follows:						
Continuing operations	148,405	228,436	303,016	148,405	228,436	303,016
Discontinued operations (Note 41)	-	543	(393)	-	-	-
	148,405	228,979	302,623	148,405	228,436	303,016

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

11 TAXATION (Cont'd)

11(c) Reconciliation of the total tax expense

A reconciliation between the tax expense and the accounting profit multiplied by the tax rate for the years ended 30 June 2021, 2020 and 2019 is as follows:

	THE GROUP			THE BANK		
	2021	2020	2019	2021	2020	2019
	(Restated)	(Restated)		(Restated)	(Restated)	
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Accounting profit before tax:						
Continuing operations	1,078,001	1,774,578	1,930,880	1,023,631	1,749,991	1,887,799
Discontinued operations (Note 41)	-	(2,603)	(285)	-	-	-
	1,078,001	1,771,975	1,930,595	1,023,631	1,749,991	1,887,799
Taxed at 7% (2020: 7% and 2019: 17%)	75,460	124,038	328,201	71,654	122,499	320,926
Deemed credit on Segment B profits	-	-	(247,039)	-	-	(247,039)
(Over)/under provision in deferred tax in prior years	(44)	(394)	34	(44)	(393)	31
Under/(over) provision in income tax in prior years	10,846	425	(1,053)	10,846	425	(311)
Amount paid under tax assessment review	-	10,176	-	-	10,176	-
Non deductible expenses	(1,031)	7,710	46,908	2,775	5,863	52,812
Bad debt written off subject to tax	-	8,710	31,368	-	8,710	31,368
Non taxable income	(30)	(6,470)	(9,875)	(30)	(3,628)	(6,442)
Withholding tax	-	2,541	431	-	2,541	431
CSR adjustment	3,127	(6,414)	(8,521)	3,127	(6,437)	(9,333)
Tax rate differential	(8,587)	6,992	98,372	(8,587)	7,015	96,776
Special levy	68,664	81,665	63,797	68,664	81,665	63,797
Tax expense	148,405	228,979	302,623	148,405	228,436	303,016
Analysed as follows:						
Continuing operations	148,405	228,436	303,016	148,405	228,436	303,016
Discontinued operations (Note 41)	-	543	(393)	-	-	-
	148,405	228,979	302,623	148,405	228,436	303,016

The applicable tax rate used for the above is on the basis that the majority of taxable income is being taxed at income tax rate of 5%.

11(d) Deferred tax

	THE GROUP			THE BANK		
	2021	2020	2019	2021	2020	2019
	(Restated)	(Restated)		(Restated)	(Restated)	
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July	(124,506)	(101,664)	(162,869)	(124,388)	(100,953)	(162,584)
Disposal of subsidiary	118	-	-	-	-	-
<u>Charge to profit or loss:</u>						
(Over)/under provision in deferred tax in prior years (Note 11(b))	(44)	(394)	34	(44)	(393)	31
Movement for the year	(27,607)	(21,180)	61,597	(27,607)	(21,724)	61,981
<u>Charge to other comprehensive income:</u>						
Movement for the year	2,446	(1,268)	(426)	2,446	(1,318)	(381)
At 30 June	(149,593)	(124,506)	(101,664)	(149,593)	(124,388)	(100,953)

Prior to 30 June 2019, deferred tax was calculated on all temporary differences under the liability method at the rate of 17% for Segment A and 3% for Segment B. Following the enactment of the new tax rates in August 2018, deferred tax is calculated at the rate of 7% for Segment A and 5% for Segment B.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

11 TAXATION (Cont'd)

11(d) Deferred tax (Cont'd)

THE GROUP

	At 1 July 2019	Charge to retained earnings	Charge/(credit) to profit or loss	Charge/(credit) to OCI	At 30 June 2019	Charge/(credit) to profit or loss	Charge/(credit) to OCI	At 30 June 2020	Disposal of subsidiary	Charge/(credit) to profit or loss	Charge/(credit) to OCI	At 30 June 2021
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Deferred tax assets												
Impairment losses on loans and advances to banks and customers	(142,018)	(18,096)	53,852	-	(106,262)	(24,834)	-	(131,096)	-	(22,247)	-	(153,343)
Other temporary differences	(285)	-	(253)	-	(538)	(31)	-	(569)	569	-	-	-
Impairment loss on bond and other financial assets	(11,402)	(3,026)	8,438	-	(5,990)	5,017	-	(973)	-	(2,260)	-	(3,233)
Retirement benefit obligations	(2,939)	-	(480)	(426)	(3,845)	(293)	(1,268)	(5,406)	(491)	(1,013)	2,446	(4,464)
	(156,644)	(21,122)	61,557	(426)	(116,635)	(20,141)	(1,268)	(138,044)	78	(25,520)	2,446	(161,040)
Deferred tax liability												
Accelerated capital allowances	14,897	-	74	-	14,971	(1,433)	-	13,538	40	(2,131)	-	11,447
Net deferred tax assets	(141,747)	(21,122)	61,631	(426)	(101,664)	(21,574)	(1,268)	(124,506)	118	(27,651)	2,446	(149,593)

THE BANK

	At 1 July 2019	Charge to retained earnings	Charge/(credit) to profit or loss	Charge/(credit) to OCI	At 30 June 2019	Charge/(credit) to profit or loss	Charge/(credit) to OCI	At 30 June 2020	Disposal of subsidiary	Charge/(credit) to profit or loss	Charge/(credit) to OCI	At 30 June 2021
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Deferred tax assets												
Impairment losses on loans and advances to banks and customers	(142,018)	(18,096)	53,852	-	(106,262)	(24,834)	-	(131,096)	-	(22,247)	-	(153,343)
Impairment loss on bond and other financial assets	(11,402)	(3,026)	8,438	-	(5,990)	5,017	-	(973)	-	(2,260)	-	(3,233)
Retirement benefit obligations	(2,939)	-	(392)	(381)	(3,712)	(867)	(1,318)	(5,897)	-	(1,013)	2,446	(4,464)
	(156,359)	(21,122)	61,898	(381)	(115,964)	(20,684)	(1,318)	(137,966)	-	(25,520)	2,446	(161,040)
Deferred tax liability												
Accelerated capital allowances	14,897	-	114	-	15,011	(1,433)	-	13,578	-	(2,131)	-	11,447
Net deferred tax assets	(141,462)	(21,122)	62,012	(381)	(100,953)	(22,117)	(1,318)	(124,388)	-	(27,651)	2,446	(149,593)