

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

30 RETIREMENT BENEFIT OBLIGATION

The Group and the Bank have a defined contribution (DC) scheme which is a funded obligation administered by Swan Life Ltd.

The liability relates to retirement gratuities payable under The Workers' Right Act 2019 which is unfunded.

The actuarial valuation was carried out at 30 June 2021 by Swan Life Ltd.

The plan expose the Group and the Bank to normal risks associated with defined benefit pension plans such as interest risk and salary risk.

Interest risk: If the bond/bill yields decrease, the liabilities would be calculated using a lower discount rate, and would therefore increase.

Salary risk: If salary increases are higher than assumed in our basis, the liabilities would increase giving rise to actuarial losses.

Retirement gratuities

	THE GROUP			THE BANK		
	2021	2020	2019	2021	2020	2019
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Present value of obligations	73,189	102,034	67,307	73,189	99,851	64,652
Movement in liability recognised in statements of financial position:						
	2021	2020	2019	2021	2020	2019
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Net liability at start of year	102,034	67,307	42,776	99,851	64,652	41,688
Disposal of subsidiary	(2,183)	-	-	-	-	-
Amount recognised in profit or loss	14,782	15,489	14,352	14,782	14,953	13,695
Amount recognised in other comprehensive income	(41,444)	20,723	10,179	(41,444)	21,731	9,269
Benefits paid	-	(1,485)	-	-	(1,485)	-
Net liability at end of the year	73,189	102,034	67,307	73,189	99,851	64,652
Amounts recognised in statements of profit or loss and other comprehensive income						
	2021	2020	2019	2021	2020	2019
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Current service cost	11,087	11,689	11,125	11,087	11,310	10,548
Net interest cost	3,695	3,800	3,227	3,695	3,643	3,147
Components of amount recognised in profit or loss	14,782	15,489	14,352	14,782	14,953	13,695
Remeasurement of defined benefit obligations:						
Liability experience (gain)/ loss	(22,891)	10,979	1,999	(22,891)	12,934	1,632
Liability (gain)/ loss due to change in financial assumptions	(18,553)	9,744	8,180	(18,553)	8,797	7,637
Components of amount recognised in other comprehensive income	(41,444)	20,723	10,179	(41,444)	21,731	9,269
	(26,662)	36,212	24,531	(26,662)	36,684	22,964
Changes in the present value of the defined benefit obligations:						
	2021	2020	2019	2021	2020	2019
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July	102,034	67,307	42,776	99,851	64,652	41,688
Disposal of subsidiary	(2,183)	-	-	-	-	-
Interest cost	3,695	3,800	3,227	3,695	3,643	3,147
Current service cost	11,087	11,689	11,125	11,087	11,310	10,548
Liability experience (gain)/ loss	(22,891)	10,979	1,999	(22,891)	12,934	1,632
Liability (gain)/loss due to change in financial assumptions	(18,553)	9,744	8,180	(18,553)	8,797	7,637
Benefits paid	-	(1,485)	-	-	(1,485)	-
At 30 June	73,189	102,034	67,307	73,189	99,851	64,652

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FOR THE YEAR ENDED 30 JUNE 2021

30 RETIREMENT BENEFIT OBLIGATION (Cont'd)

Retirement gratuities (Cont'd)

Future cash flows:

The funding policy is to pay benefits out of the reporting entity's cash flow as and when due.

The weighted average duration of the defined benefit obligation is 14 years.

Sensitivity analysis:

Increase in defined benefit obligation due to 1% decrease in discount rate

Decrease in defined benefit obligation due to 1% increase in discount rate

Increase in defined benefit obligation due to 1% increase in future long-term salary assumption

Decrease in defined benefit obligation due to 1% decrease in future long-term salary assumption

	THE GROUP			THE BANK		
	2021	2020	2019	2021	2020	2019
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Increase in defined benefit obligation due to 1% decrease in discount rate	21,331	18,932	13,464	14,544	18,318	12,652
Decrease in defined benefit obligation due to 1% increase in discount rate	17,634	15,675	11,160	12,116	15,185	10,494
Increase in defined benefit obligation due to 1% increase in future long-term salary assumption	21,323	18,763	13,613	14,636	18,164	12,796
Decrease in defined benefit obligation due to 1% decrease in future long-term salary assumption	17,945	15,836	11,459	12,396	15,347	10,779

The sensitivity analyses above have been determined based on sensibly possible changes of the discount rate or salary increase rate occurring at the end of the reporting period if all other assumptions remained unchanged.

The principal actuarial assumptions used for accounting purposes are:

Discount rate

Salary increases

Average retirement age

	THE GROUP			THE BANK		
	2021	2020	2019	2021	2020	2019
Discount rate	3.50%	3.7% - 3.8%	5.7% - 5.9%	5.10%	3.70%	5.70%
Salary increases	3.50%	3.5% - 5%	5.00%	3.50%	3.50%	5.00%
Average retirement age	60 years	60 years	60 years	60 years	60 years	60 years

The rate per annum of withdrawal from service before retirement for the Bank is between 10% and 15% for age upto 30, reducing to 0% after 50 years.

The discount rate is determined by reference to the yield on government bonds of duration equivalent to the duration of liabilities.