31. RETIREMENT BENEFIT OBLIGATIONS

ACCOUNTING POLICIES

Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement usually dependent on one or more factors such as age, year of service and compensation.

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

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

The Group 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 benefits. 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.

CIEL Textile Limited, CIEL Corporate Services Ltd, C-Care (Mauritius) Limited and Sun Limited, subsidiary companies of CIEL Limited, contribute to a defined benefit plan for certain employees.

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution plans are recognised as an expense when employees have rendered service that entitle them to the contributions.

Gratuity on retirement

For employees who are not covered (or who are insufficiently covered by the above pension plans), the net present value of gratuity on retirement payable under the Employment Rights Act 2008 (Amended) is calculated by a qualified actuary and provided for. The obligations arising under this item are not funded.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

31. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

	THE GROUP	
	2022	2021
	MUR' 000	MUR' 000
Amounts recognised in the statement of financial position:		
– Defined pension benefits (note (a)(ii))	271,386	350,549
– Other post-employment benefits (note (b)(i))	421,101	375,464
	692,487	726,013
Analysed as follows:		
Non-current liabilities	692,487	726,013
Amounts charged to profit or loss:		
– Defined pension benefits (note (a)(iv))	64,303	74,609
– Other post-employment benefits (note (b)(iii))	54,057	65,766
	118,360	140,375
Amounts (credited)/charged to other comprehensive income:		
– Defined pension benefits (note (a)(iv))	(31,359)	(230,707)
– Other post-employment benefits (note (b)(iv))	20,285	(68,735)
	(11,074)	(299,442)

(a) Defined pension benefits

(i) Some companies of the Group operate defined benefit pension plans. The plan 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.

Group companies participate in the United Mutual Superannuation Fund, CIEL Group Segregated Fund and Sugar Industry Pension Fund and other pension schemes present in respective companies.

The assets of the plan are independently administered separately. The present value of the defined benefit obligations and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

31. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined pension benefits (Cont'd)

	THE GROUP	
	2022	2021
	MUR' 000	MUR' 000
(ii) The amounts recognised in the statement of financial position are as follows:		
Fair value of plan assets	(1,285,656)	(1,113,551)
Present value of funded obligations	1,535,808	1,440,460
Deficit of funded plans	250,152	326,909
Present value of unfunded obligations	21,234	23,640
Liability in the statement of financial position	271,386	350,549
The net defined benefit liability is arrived at as follows:		
Balance at 1 July	350,549	556,428
Charged to profit or loss (Note 31(a)(iv))	64,303	74,609
Charged to other comprehensive income (Note 31(a)(v))	(31,359)	(230,707)
Contributions and benefits paid	(112,107)	(49,781)
Balance at 30 June	271,386	350,549

	THE GROUP	
	2022	2021
	MUR' 000	MUR' 000
(iii) The movement in the defined benefit obligation is as follows:		
Balance at 1 July	1,464,100	1,542,823
Current service cost	51,565	54,199
Interest expense	64,570	56,729
Employees' contributions	7,321	5,460
Actuarial gains/(losses)	22,451	(41,357)
Liability losses due to change in financial assumptions	1,408	(97,620)
Benefits paid	(54,373)	(56,134)
Balance at 30 June	1,557,042	1,464,100

31. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined pension benefits (Cont'd)

	THE GROUP	
	2022	2021
	MUR' 000	MUR' 000
(iv) The movement in the fair value of plan assets of the year is as follows:		
Balance at 1 July	1,113,551	986,395
Expected return on plan assets	55,496	31,744
Gain on plan assets, excluding interest	47,396	48,204
Actuarial gains	6,631	10,039
Scheme expenses	6,898	4,575
Cost of insuring risk benefits	(2,463)	-
Experience (losses)/gains	(6,908)	33,487
Employer contributions	112,107	49,781
Employee contributions	7,321	5,460
Benefits paid	(54,373)	(56,134)
Balance at 30 June	1,285,656	1,113,551

The amounts recognised in profit or loss are as follows:		
Current service cost	51,565	54,199
Scheme (income)/expenses	(6,898)	(4,575)
Cost of insuring risk benefits	2,463	-
Net Interest expense	17,173	24,985
Total, included in employee benefit expense	64,303	74,609

31. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined pension benefits (Cont'd)

	THE GROUP	
	2022	2021
	MUR' 000	MUR' 000
The amounts recognised in other comprehensive income are as follows:		
Remeasurement on the net defined benefit liability:		
Liability experience gains/(losses)	6,908	(33,487)
Liability losses due to change in financial assumptions	1,408	(97,620)
Actuarial losses	15,821	(51,396)
Gain/(Losses) on plan assets, excluding interest	(55,496)	(48,204)
	(31,359)	(230,707)

	THE GROUP	
	2022	2021
	MUR' 000	MUR' 000
(v) The fair value of the plan assets at the end of the reporting period were:		
Cash and cash equivalents	127,885	90,267
Local equities	215,023	359,790
Overseas equities	523,826	308,334
Debt instruments	418,922	355,160
Property	-	-
Total Market value of assets	1,285,656	1,113,551

The fair value of the above equity and debt instruments are determined based on quoted market prices in active markets. The fair value of properties is not based on quoted market prices in active markets.

The breakdown of the assets above corresponds to a notional allocation of the underlying investments based on the long-term strategy of each fund.

31. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined pension benefits (Cont'd)

(vi) The fair value of the planned asset at the end of the reporting period was:

In terms of the individual expected returns, the expected return on equities has been based on an equity risk premium above a risk-free rate. The risk-free rate has been measured in accordance to the yields on government bonds at the measurement date. The fixed interest portfolio includes local and foreign deposits.

The expected return for this asset class has been based on these fixed deposits at the measurement date.

(vii) The principal actuarial assumptions used for accounting purposes were:

	THE GROUP	
	2022	2021
	%	%
Discount rate	3.1 - 5.5	3.1 - 5
Future salary increases	2.5 - 3.0	1.5 - 2.9

(viii) Sensitivity analysis on defined benefit obligations at end of the reporting date:

	2022		2021	
	Increase	Decrease	Increase	Decrease
	MUR '000	MUR '000	MUR '000	MUR '000
Discount rate (1% increase)	-	230,868	-	197,840
Discount rate (1% decrease)	213,739	-	151,310	-
Future long term salary assumption (1% increase)	39,798	-	18,702	-
Future long term salary assumption (1% decrease)	-	33,776	-	38,688

(ix) The sensitivity above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The present value of the defined benefit obligation has been calculated using the projected unit credit method. The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The defined benefit pension plan exposes the Group to actuarial risks such as longevity risk, salary risk, interest rate risk and market (investment) risk.

Longevity risk

The obligation for the members is calculated based on the best estimate of plan participants' mortality after retirement. Sensitivity has also been performed in respect of the mortality assumption. An increase in the life expectancy of the plan participants will increase the liability.

31. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined pension benefits (Cont'd)

Salary risk

The present value of the liability is calculated based on the future salary increase of the non-members and members of the plan. Sensitivity analysis of salary increase assumption has been performed to assess its impact on the liability. An increase in salary increase assumption leads to an increase the present value of the obligations.

Interest rate risk

The present value of the obligation is calculated using a discount rate based on the yields of long-term government bonds. An increase or decrease in the discount rate can have a significant impact on the liabilities.

Market (investment) risk

Market risk is the risk that the value of an investment will decrease due to moves in market factors. The fair value of the plan assets depends on all the components of the investment value. Hence, an increase or decrease in the components of investment value may have a significant impact on the fair value of the plan assets.

(x) The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

(xi) The Group expects to pay **MUR 91M** (2021: MUR 39M) in contributions to its post-employment benefit plans for the year ended 30 June 2022.

(xii) The weighted average duration of the defined benefit obligations ranges between 3 and 16 years at the end of the reporting period.

Experience adjustment on plan liabilities **MUR 55.4 M** (2021: MUR 62.5M).

(b) Other post-employment benefits

Other post-employment benefits comprise pensions to be paid on retirement or on death before retirement and gratuity on retirement under the Employment Rights Act 2008.

	2022	2021
	MUR' 000	MUR' 000
(i) The amounts recognised in the statement of financial position are as follows:		
Defined benefit liability	421,101	375,464
(ii) Movement in the liability recognised in the statement of financial position:		
Balance at 1 July	375,464	469,835
Total expense	54,057	65,766
Liability experience gains/(losses)	557	(145)
Actuarial gains/(losses) recognised in other comprehensive income	19,728	(68,590)
Benefits paid	(36,090)	(68,601)
Transfer to liabilities directly associated with assets classified as held for sale	7,385	(22,801)
Balance at 30 June	421,101	375,464
(iii) The amounts recognised in the profit or loss are as follows:		
Current service cost	30,670	46,545
Past service cost	7,940	4,574
Effect of curtailment and settlement	(242)	(2,440)
Interest cost	15,689	17,087
At 30 June	54,057	65,766
(iv) Amounts for the current year are as follows:		
Present value of defined benefit obligation	421,101	375,464
Actuarial losses	20,285	(68,735)

31. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(b) Other post-employment benefits (Cont'd)

(v) The principal actuarial assumptions used for accounting purposes were:

	THE GROUP	
	2022	2021
	%	%
Discount rate	**2.9 - 6.3**	2.4 - 7.2
Future salary increases	**2.5 - 8.5**	1.5 - 8.5

(vi) Sensitivity analysis on defined benefit obligations at end of the reporting date:

	2022		2021	
	Increase	**Decrease**	Increase	Decrease
	MUR '000	**MUR '000**	MUR '000	MUR '000
Discount rate (1% increase)	**-**	**43,407**	-	63,559
Future long-term salary assumption (1% increase)	**39,070**	**-**	32,003	-

The sensitivity above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The present value of the defined benefit obligation has been calculated using the projected unit credit method.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

(vii) The weighted average duration of the defined benefit obligations ranges between 9 and 24 years at the end of the reporting period.