

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022 (CONT'D)

## 41. COMMITMENTS

	THE GROUP	
	2022	2021
	MUR' 000	MUR' 000
(a) Capital Commitments		
Authorised by the directors and contracted for	64,767	145,573
Authorised by the directors but not contracted for	599,000	315,000
	663,767	460,573

(b) Guarantees and other obligations on account customers and commitment – Banking Segment

The guarantees and other obligations on account of customers and commitments for the banking segment amount to **MUR 4.4Bn** as at 30 June 2022 (2021: MUR 4.6Bn) denominated in Ariary.

## 42. DERIVATIVE FINANCIAL INSTRUMENTS

### ACCOUNTING POLICIES

As permitted by IFRS 9, the Group has elected to continue applying IAS 39 for hedge accounting requirements, hence the below accounting policies are applicable for both the financial years ended 30 June 2022 and 2021.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either:

- Hedges of the fair value of recognised liabilities (fair value hedge);

- Hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge); or

- Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

### Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

### Cash flow hedge

The Group applies only fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs. The gain or loss relating to the ineffective portion is recognised in profit or loss.

Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in profit or loss within finance costs.

## 42. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

### Cash flow hedge

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

Derivatives include forward exchange contracts and interest rate swaps with a notional amount of **MUR Nil** (2021: MUR 4.2Bn).

	THE GROUP	
	Level 2	Total
At 30 June 2022	MUR' 000	MUR' 000
<b>Assets</b>	<b>236,641</b>	<b>236,641</b>
Derivatives used for hedging		
<b>Liabilities</b>		
Derivatives used for hedging	(66,610)	(66,610)
	170,031	170,031
At 30 June 2021		
<b>Assets</b>		
Derivatives used for hedging	74,380	74,380
<b>Liabilities</b>		
Derivatives used for hedging	(92,691)	(92,691)
	(18,311)	(18,311)

	THE GROUP		
	Level 2	Level 3	Total
a. Assets	MUR' 000	MUR' 000	MUR' 000
<i>Derivatives used for hedging</i>			
Balance as at 01 July 2020	98,109	9,370	107,479
Losses recognised in profit or loss	(23,729)	(9,370)	(33,099)
Balance as at 30 June 2021	74,380	-	74,380
Gains recognised in profit or loss	162,261	-	162,261
Balance as at 30 June 2022	236,641	-	236,641

	THE GROUP	
	Level 2	Total
b. Liabilities	MUR' 000	MUR' 000
<i>Derivatives used for hedging</i>		
Balance as at 01 July 2020	(132,003)	(132,003)
Gains/(losses) recognised in profit or loss	39,312	39,312
Balance as at 30 June 2021	(92,691)	(92,691)
Gains/(losses) recognised in profit or loss	26,081	26,081
Balance as at 30 June 2022	(66,610)	(66,610)

	THE GROUP	
	2022	2021
c. Amount recognised in profit or loss	MUR '000	MUR '000
Assets	162,261	(33,099)
Liabilities	26,081	39,312
	188,342	6,213

	THE GROUP	
	2022	2021
d. Amount recognised in other comprehensive income	MUR '000	MUR '000
Assets	-	-
Liabilities	-	-
	-	-