

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

35 CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of customers, the Group and the Bank enter into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Even though the obligations may not be recognised on the statements of financial position they do contain credit risk and are therefore part of the overall risk of the Group and the Bank.

One of the subsidiary, ACML entered into an arrangement with its clients, where the latter are now managing their own funds.

	THE GROUP		
	2020	2019	
	MUR'000	MUR'000	
At 1 July	3,814	-	
Amounts received during the year from clients	1,238	3,814	
At 30 June	5,052	3,814	

	THE BANK		
	2020	2019	2018
	MUR'000	MUR'000	MUR'000
Financial guarantees	281,866	353,258	649,276
Letters of credit	151,588	208,486	225,412
Bills for collection	825,895	323,703	121,546
	1,259,349	885,447	996,234
Commitments			
Undrawn commitments to lend	914,812	1,093,881	1,102,424
Total	2,174,161	1,979,328	2,098,658

Refer to note 37 for disclosure on allowance for impairment losses.

Contingent liabilities

Financial guarantees and letters of credit (including standby letters of credit) commit the Group and the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods.

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Group and the Bank have formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group and the Bank make adjustments to account for any adverse effects which the claims may have on its financial standing.

During the reporting period, a customer of the Bank instigates proceedings against it for breach of contract in connection to an outward transfer payment of MUR 5M.

Management considers that no liability will arise as the case is currently still at preliminary stage before the Supreme Court of Mauritius and is remote.

Undrawn commitments to lend

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The Group and the Bank monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Lease commitment

The Group and the Bank as lessee

Disclosure as per IAS 17

The Group and the Bank have entered into commercial leases on premises and vehicles. These leases have an average life that ranges between three and five years with no renewal option included in the contract. There are no restrictions placed upon the lessee by entering the leases.

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YEAR ENDED 30 JUNE 2020

35 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Future minimum lease payments under the non-cancellable operating leases at 30 June are as follows:

Within one year

After one year but not more than five years

THE GROUP		THE BANK	
2019	2018	2019	2018
MUR'000	MUR'000	MUR'000	MUR'000
33,261	23,518	34,143	26,220
62,171	45,659	67,488	54,262
95,432	69,177	101,631	80,482