THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD
TABLE OF CONTENTS AND EXPLANATORY NOTES IN RESPECT OF ANNUAL REPORT
FOR YEAR ENDED JUNE 30, 2018

Dear Shareholders,

The Board of Directors is pleased to present the Annual Report of The Mauritius Civil Service Mutual Aid Association Ltd for the year ended June 30, 2018, contents of which are listed below.

CONTENTS	Page

Approved by the Board of Directors on September 27, 2018
and signed on its behalf by:

Mr. P. Neerunjun
Chairperson

Mr. M.Bheekhee
Director

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Environment

According to Statistic Mauritius, the GDP for the year 2017 was 3.8 per cent and a growth of 3.9 per cent is expected in 2018 principally on account of the growth in the construction sector. Unemployment rate for 2018 is forecasted at 6.9%, lower than the rate of 7.1 % for 2017. The headline inflation rate for the twelve months to June 2018 worked out to 4.3%, compared to 2.4% for the twelve months ending June 2017.

Financial Environment

During the financial year under review, the Monetary Policy Committee of the Bank of Mauritius met on four occasions and the Repo rate was decreased by 50 basis points on September 06, 2017. The weighted yield on 364-day Treasury Bills took the upward trend during the year under review. It increased from 2.19% in June 2017 to reach 3.75% in June 2018.

The Mutual Aid Association continued to offer competitive interest rates on deposits and had maintained a premium of 25 basis points to Pensioner depositors during the year under review. As regards to loans and advances, the Association is offering interest rate starting from 4.60% per annum.

Outlook

Looking forward, the business segment in which the Association operates is set to remain turbulent and volatile, with continuing challenges which are outside its span of control. The challenges are impacting on the activities of the Association.

An analysis of Association's key financial information and performance is summarised below.

Principal activities and nature of customers

The principal activities of the Association are to grant loans to its members and accept deposits from the public. All such activities are carried out at its registered office in Mauritius. The Association has a sub-office in Rodrigues, where loan applications are collected for onward processing in Mauritius.

As regards to its loan activities, the Association deals exclusively with its members based on the principle of mutuality. Regarding deposit taking activities, the Association mobilizes fund from the general public as well as from institutional investors.

Review by business lines

Income

Net interest income

Notwithstanding the pressure on margins, the Mutual Aid Association is continuing to offer competitive interest rates for both its loan and deposit products, a net interest income of Rs 1.9bn was generated for the financial year ended June 2018.

Cost to Income

The Association continues to maintain a relatively low cost to income ratio. For the financial year ended June 2018, the cost to income ratio stood at about 12%, thus showing that a high level of operational efficiency was achieved.

Assets

Total assets of the Association grew from Rs. 41.5bn at the end of June 2017 to reach Rs. 41.9bn in June 2018 principally on account of financial asset at amortised cost.

Loans and advances to members

Loans and advances are granted solely to public sector employees and pensioners. Net loans and advances was to the tune of Rs 33.9bn. A negative growth of 2 % arose due to factors outside the control of the Association.

Cash and cash equivalents and Placements with bank and non-bank financial institutions

The Association maintained cash and cash equivalents of Rs 1.5bn as at end of June 2018. Placements made by the Mutual Aid Association in other financial institutions stood at Rs 3.4bn at the end of June 30, 2018.

High Quality Liquid Assets

During the year under review, the Association invested in treasury bills and notes in order to create a pool of High-Quality Liquid Assets (HQLAs). Rs 2.7bn were invested in HQLAs as at end of June 2018.

Liquid Assets

Cash and cash equivalents, HQLAs, and placements with banks and non-banks financial institutions have been undertaken to meet the minimum requirement of 10% investment in liquid assets. As at end of June 2018, the ratio stood comfortably at 22% which is in line with the liquidity risk management strategy of the Association.

Furthermore, in the months of June 2018 and July 2018, the Association paid to the MRA a sum of Rs 933.8m for settlement of a tax dispute and such payment did not impact on the cash flow of the Association. This transaction testifies in a real way the financial strength of the Association.

Liabilities

Deposits from customers

The total deposits as at June 2018 stood at Rs. 28.5bn thus showing the high level of trust placed in the Association by its depositors.

Funds

The Funds consist of the Guarantee Benevolent Scheme (GBS), Mutual Solidarity Contribution (MSC) and Retirement Savings Fund (RSF). The Funds stood at Rs. 3.3bn as at June 30, 2018. For the financial year ended June 2018, the interest rate of 4.5% has been paid to RSF holders, whereas the average savings rate was about 1.85%.

Shareholders' equity

Shareholders' equity stood at Rs 9.2bn after settlement of tax dispute with the MRA.

Capital Structure and Capital Adequacy Ratio (CAR)

The Tier 1 and Tier 2 capital of the Association were to the tune of Rs. 9.07bn and Rs. 236.33m respectively for the year ended June 2018. The weighted amount of on-balance sheet assets was Rs. 18.87bn for the same period. Consequently, the CAR of the Association reached a note of about 50% thus confirming once more the financial soundness of the Association.

Specific, Portfolio and Prudential Provisions

The cumulative specific provisions as at June 2018 amounted to Rs. 280.7m, including a sum of Rs 39.4 for deceased loanees. Therefore, the provisions on account of default customers stood at Rs. 241.3m.

In addition to the specific provisions, the Association also an earmarked cumulative portfolio provision of Rs. 334.9m for the said period.

Besides, the Association also made a prudential provision of Rs. 257m for the financial year under review through the appropriation of reserves.

Therefore, the total provisions effected by the Association were to the tune of Rs 872.6m at the end of June 2018.

The financial statements for the Company's operation in Mauritius presented in these annual report have been prepared by Management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards as well as the requirements of the Banking Act 2004, and the guidelines issued thereunder, have been applied and Management has exercised its judgement and made best estimates where deemed necessary.

The Company has designed and maintained its accounting systems, related internal controls and supporting procedures, to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorised use or disposal. These supporting procedures include careful selection and training of qualified staff, the implementation of organisation and governance structures providing a well defined division of responsibilities, authorisation levels and accountability for performance, and the communication of the Company's policies, procedures manuals and guidelines of the Bank of Mauritius throughout the Company.

The Company's Board of Directors, acting in part through the Audit Committee and Corporate Governance Committee which comprises independent directors, oversees Management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

The Company's Internal Auditor, PwC who has full and free access to the Audit Committee, conducts a well designed program of internal audits. In addition, the Company's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

Pursuant to the provisions of the Banking Act 2004, the Bank of Mauritius makes such examination and inquiry into the operations and affairs of the Company, as it deems necessary.

The Company's external auditors, Ernst and Young, have full and free access to the Board of Directors and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

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Mr. P. Neerunjun	Mr M. Bheekhee	Mr. N. Dabeesingh
Chairperson	Director	Chief Executive Officer

Date: September 27, 2018

DIRECTORS' REMUNERATION AND BENEFITS

Remuneration and benefits received or due and receivable were as follows:

	FROM THE COMPANY	
	2018	2017
	Rs.	Rs.
Executive/Non-executive directors	**4,907,000**	4,455,000
	4,907,000	4,455,000

DONATIONS

There were donations of Rs 5,000 made in 2018 (2017: Rs 6,400) as disclosed in the Corporate Governance report.

AUDITORS

	THE COMPANY	
The fees payable to the auditors were:	**2018**	2017
	Rs.	Rs.
Ernst and Young		
Audit	**1,250,000**	1,000,000
Other services **(Note 1)**	**1,550,000**	500,000
	2,800,000	1,500,000

Note 1

The other services relate to a review of the liquidity risk management (Rs 500,000) and IT Security Audit (Rs 800,000) of The Mauritius Civil Service Mutual Aid Association Ltd which was performed by Ernst & Young Ltd, a separate team from the external auditor. The non-audit work does not entail any conflict with the audit work. Furthermore, the firm’s partner responsible for non-audit work had no responsibility for the audit of the Company and the remuneration for the non-audit work was based on the complexity and duration of work. Other services also include Rs 250,000 for IFRS 9 review and disclosures.

OBJECTIVES AND CORPORATE GOVERNANCE STRUCTURE

Corporate Governance is the process and framework used to direct and manage the business and affairs of the 'Mauritius Civil Service Mutual Aid Association Ltd' (thereafter referred to as 'Mutual Aid'/'Company') with the objective of ensuring its safety and soundness and enhancing shareholders' value. The process and framework defines the division of power and establishes mechanisms for achieving accountability between Board of Directors, Management and shareholders, while protecting the interests of depositors and taking into account the effects on other stakeholders such as creditors, employees, customers and the community.

Because of its special position of trust towards its various stakeholders, its Corporate Governance is a matter of paramount importance. The Mutual Aid is a highly leveraged institution with most of its funds coming from depositors. The guideline on Corporate Governance issued by the Bank of Mauritius and the National Code on Corporate Governance applies to Mutual Aid as a non-bank deposit taking institution. The relevant requirements of the Banking Act 2004 and the Companies Act 2001 have also been taken into account.

CORPORATE GOVERNANCE PRACTICES AND POLICIES

Mutual Aid's Corporate Governance system consists of the Board of Directors, Board Committees, Management, Internal and External Auditors, industry best practices as well as established policies and procedures across all operations. This framework ensures that the business and affairs of Mutual Aid are managed in a transparent and ethical manner and in the best interest of stakeholders in general and in particular the shareholders.

COMPLIANCE STATEMENT

Mutual Aid is committed to the highest standard of business integrity, transparency and professionalism in all its activities to ensure that the Company is managed ethically and responsibly to enhance business value for all stakeholders. As an essential part of this commitment, the Board subscribes to and is fully committed to complying with the National Code of Corporate Governance for Mauritius.

NATIONAL CODE OF CORPORATE GOVERNANCE FOR MAURITIUS

Principle 1: Governance Structure

The Mauritius Civil Service Mutual Aid Association Ltd is headed by an effective Board of Directors. Responsibilities and accountabilities within the Mutual Aid are clearly identified.

The Board of Directors affirms that the Mutual Aid is a public interest entity as defined by law. According to the Financial Reporting Act, a public interest entity includes a financial institution regulated by the Bank of Mauritius, and therefore includes the Mauritius Civil Service Mutual Aid Association Ltd.

The Board of Directors affirms that Mutual Aid has applied all of the Principles contained in the National Code of Corporate Governance and assumes responsibility for leading and controlling Mutual Aid, as per legal and regulatory requirements applicable to the Company.

The Board has approved all the key guiding documents and policies and affirms each key governance role, as follows:

1. Its charter
2. Code of Ethics
3. Job description of the CEO
4. Organizational chart (See below)
5. Statement of major accountabilities

The job description of the CEO, who is also the Company Secretary, has been approved by the Board of Directors in 2012. For other key senior governance positions, it is as per Section 143 of the Companies Act.

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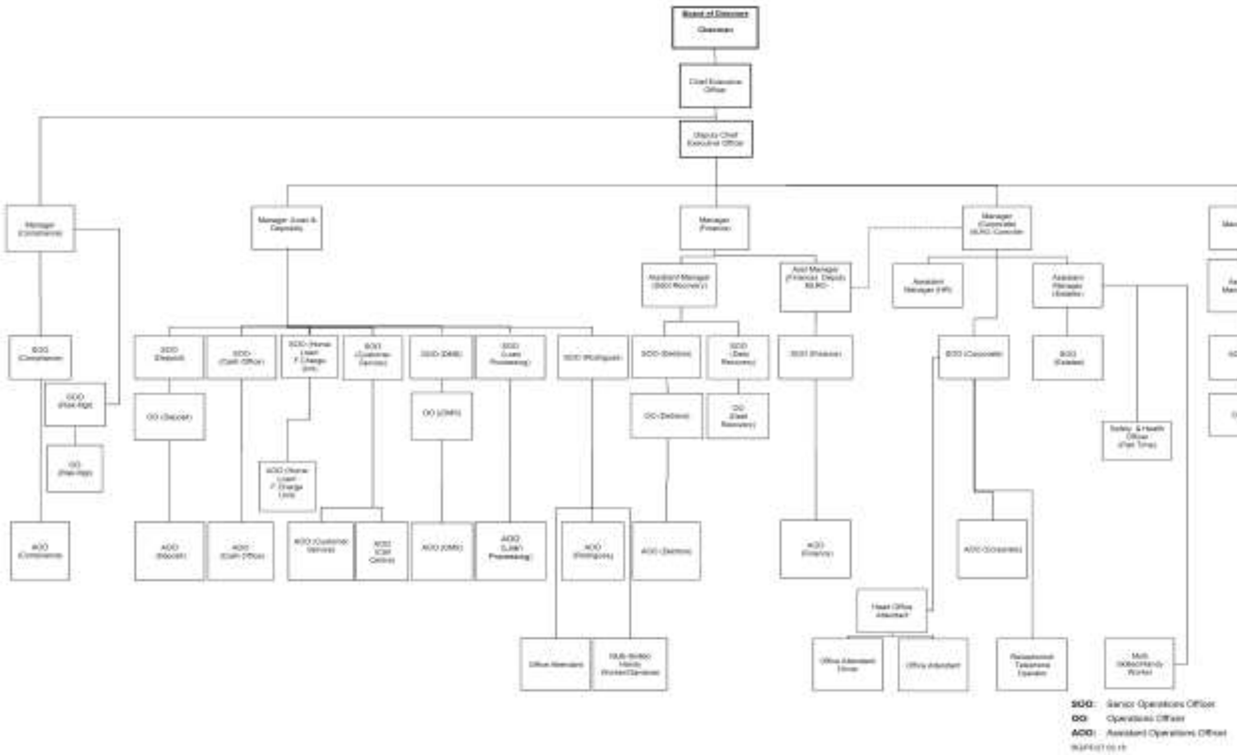
The Board as a whole is collectively responsible for promoting the success of the organisation by directing and supervising the Company's affairs.

Organisation Structure - MCS Mutual Aid Association Ltd



The following are available on the website of the Mutual Aid :

- The Mutual Aid's constitution.
- Board of Directors' charter.
- Code of Ethics.

Principle 2: The Structure of the Board and its Committees

The Board of Directors contains independently minded directors. It includes an appropriate combination of executive, independent and non-independent non-executive directors to prevent one individual or a small group of individuals from dominating the Board's decision taking. The Board of Directors is of a size and level of diversity that commensurate with the sophistication and scale of the Mutual Aid. Appropriate Board committees have been set up to assist the Board of Directors in the effective performance of its duties.

BOARD OF DIRECTORS

The Board has a unitary structure comprising of independent directors. The Board of Directors is "balanced", that is, there is a mix of gender and executive and independent directors.

The Board of Directors affirms that the independent directors do not have a relationship (other than as per normal terms and conditions as members) with Mutual Aid and affirms that none of the directors have a relationship with the majority shareholder.

The Board consists of more than two independent directors.

As per the Mauritius Civil Service Mutual Aid Association Act, the Board of directors of the Company (size and composition) is appointed by the Minister of Finance. The Board consists of 8 directors which is considered of adequate size. All directors are residents of Mauritius. There is currently 1 woman among the 8 directors.

The Board Charter, including powers and duties of Directors are set out in the Company's Constitution. The Board formulates the strategic objectives and plans of Mutual Aid, sets corporate objectives and budgets, oversees the operations and delegates authority to Management to implement strategies, plans and policies approved by the Board.

The Board charter is reviewed whenever there are changes in legislation and/or at the discretion of the Board.

DIRECTORATE AND MANAGEMENT

Board of Directors Profile

The Board is comprised of eight directors as at June 30, 2018. Their profiles as at June 30, 2018 are provided below:

1. Mr **Premode Neerunjun** (Independent Director) is the Chairperson of the Board. He has a Graduate Diploma in Business (Curtin University), a BSc in Economics and Management (University of London) and an MSc in Public Policy and Administration (University of Mauritius). He currently holds the position of Deputy Permanent Secretary at the Prime Minister's Office.

2. Mr **Poonit Ramjug (**Non-executive Director) is the vice Chairperson of the Board and acts as Chairperson of the Staff Committee. He is the holder of a BSC (Hons) in Social Work and a BSC in Chemistry, Botany, and Geology. As at June 30, 2018, he was a retired Senior Social Security officer of the Ministry of Social Security, National Solidarity and Senior Citizen Welfare and Reform Institutions.

3. Mrs **Devi Chand Anandi Rye Seewooruthun** (Independent Director) is the vice Chairperson of the Board and acts as Chairperson of the Conduct Review Committee and of the Audit and Corporate Governance Committee. She is the holder of a Diploma in Accountancy, a Diploma in Public Administration and Management, MSc Public Sector Management, a Masters in Business Administration and has a 'Diplôme du Cycle d'Administration Publique de l'Ecole Nationale D'Administration (ENA), France. She currently holds the position of Permanent Secretary at the Ministry of Tourism.

4. Mr **Mahensingh Bheekhee** (Independent Director) is the vice Chairperson of the Board and acts as Chairperson of the Finance and Risk Management Committee and of the Investment Committee. He is the holder of a BSC (Hons) Economics from University of Mauritius and an MSC in Financial Economics. He currently holds the position of Lead Analyst at the Ministry of Finance & Economic Development

5. Mr **Nundlall Basant Roi, PDSM** (Non-executive Director) is a Member of the Board. He is currently the Chairperson of the Mutual Aid Foundation Committee. He is holder of a Diploma in Social Science. He has several years of experience on Social Security matters and he retired as Deputy Commissioner at the Ministry of Social Security.

6. Mr **Hurry Premchand Hookoom** (Independent Director) is a Member of the Board. He is the holder of a BSc (Hons) Human Resource Management from University of Technology Mauritius. He is a former Registrar of Associations.

7. Mr **Jean Bruneau Dorasami** (Independent Director) is a Member of the Board. He is the holder of a Diploma in Personnel Management and Industrial Relations from the College of Professional Management, Great Britain.

8. Mr **Nityanandsingh Dabeesingh** (Executive Director**)** is a Member of the Board and the Chief Executive Officer of Mutual Aid. He is the holder of a Diploma in Economics & Social Studies, and a Fellow Member of the Association of Chartered Certified Accountants (FCCA). He is also a Fellow Member of the Mauritius Institute of Directors (MIOD) and a member of the Mauritius Institute of Professional Accountants (MIPA). He is also the Company Secretary of Mutual Aid.

OTHER DIRECTORSHIP OF DIRECTORS IN LISTED COMPANIES

None of the directors listed above have directorship in listed companies.

ROLE OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS

An Executive Director means a member of the board who is in full time employment of the financial institution whereas a Non-Executive Director means a member of the board who is not an executive director and who is not associated with the day to day activities of the financial institution.

A. Executive Directors.

Where a director also holds office as an executive, the director shall exercise that degree of care, diligence and skill which a reasonably prudent and competent executive in that position would exercise.

B. Non-Executive Directors.

Non-executive directors have the same general legal responsibilities to the organisation as any other director.

In addition, the role of the non-executive director has the following key elements:

Strategy: Non-executive directors should constructively challenge and contribute to the development of strategy;

Performance: Non-executive directors should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;

Risk: Non-executive directors should satisfy themselves that financial information is accurate and that financial controls and systems of risk management are robust and defensible; and

People: Non-executive directors are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing, and, where necessary, removing senior management and in succession planning.

MANAGEMENT PROFILE

1. **Mr Nityanandsingh DABEESINGH** is the Chief Executive Officer of Mutual Aid. He is the holder of a Diploma in Economics & Social Studies and a Fellow Member of the Association of Chartered Certified Accountants (FCCA). He is also a Fellow Member of the Mauritius Institute of Directors (MIOD) and a member of the Mauritius Institute of Professional Accountants (MIPA). He is also the Company Secretary of Mutual Aid and joined as General Manager of the Company in October 1993.
2. **Mr Lutchmansing RAMJATTON** is the Deputy Chief Executive Officer of Mutual Aid. He is the holder of a degree in Accounting (BSc (Hons)), is a Fellow Member of the Association of Chartered Certified Accountants (FCCA) and has a Masters Degree in Finance. He is also a member of the Mauritius Institute of Professional Accountants (MIPA). He joined Mutual Aid in June 2008 after several years as Financial Controller at the National Transport Corporation.
3. **Mr Ramdass GOORIAH** is the Manager (Corporate) of Mutual Aid since November 2007. He holds a Diploma in Personnel Management from the University of Mauritius; is a Fellow of the Institute of Chartered Secretaries and Administrators (FCIS) of UK and possesses an MBA from the University of Technology, Mauritius. Before joining the Company he reckoned extensive experience at various levels both in the Government and parastatal sectors since October 1971.
4. **Mr Rajendranath BHAROSAY** is the Manager (IT) of Mutual Aid. He holds a degree from the British Computer Society and is the holder of the ITIL Foundation Certificate and possesses an MBA from the AMITY Institute of Higher Education. He is a member of the Information Systems Audit and Control Association (ISACA) and has successfully completed the CISA (Certified Information System Auditor) exam. He also holds a Honours Diploma in Network-Centered Diploma from NIIT and a Diploma from the Institute for the Management of Information Systems (IMIS). He joined the Company in April 2008.
5. **Mr Rajnish RAMCHURUN** is the Manager (Compliance) of Mutual Aid. He holds a Degree in Management, a Fellow Member of the Association of Chartered Certified Accountants (FCCA) and member of the Mauritius Institute of Professional Accountants (MIPA). He also possesses a Masters in Business Administration (MBA). He joined the Association in January 2012 and he has over ten years of auditing experience, mainly in the Banking sector.
6. **Mr Gujsensing CHUNDUNSING** is the Manager (Loans and Deposits) of Mutual Aid. He is a qualified management accountant from the Chartered Institute of Management Accountants (CIMA) and possesses an MBA from the AMITY Institute of Higher Education. He joined the Company in January 2012 after several years as Manager (Finance, Commercial, Office and Administrative) in the Textile, Manufacturing and Global Business sectors.
7. **Mr Varma ORGOO** is the Manager (Finance) of Mutual Aid. He holds a degree in Accounting and Finance and has an MBA from Heriot-Watt University. He is also a member of the Association of Chartered Certified Accounts (ACCA) and of the Mauritius Institute of Professional Accountants (MIPA). He started his career in the offshore sector prior to joining the banking sector. After several years in the Accounting and Treasury Department in the Banking sector, he joined Mutual Aid in August 2005.

ROLE OF CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

In line with the requirement of the National Code of Corporate Governance of Mauritius and the Bank of Mauritius Guidelines, the roles of the Chairperson and the Chief Executive Officer are separate. The Board is currently led by the Chairperson, Mr. Premode Neerunjun and the executive management of the Mutual Aid is the responsibility of the Chief Executive Officer, Mr. Nityanandsingh Dabeesingh.

ROLE OF CHAIRPERSON

The chairperson is responsible for:

- Directing and chairing board meetings
- Facilitating the effective contribution and encouraging active engagement by all members of the board.
- Ensuring that new directors participate in a full, formal and tailored induction programme, facilitated by the company secretary.
- Ensuring effective communication with shareholders.
- Arranging for the chairmen of board committees to be available to answer questions at the Annual Meeting and for the directors to attend.

In addition, the chairperson should:

i. Set the ethical tone for the board and the company and uphold the highest standards of integrity and probity.
ii. Set the agenda, style and tone of board discussions to promote effective decision making and constructive debate.
iii. Ensure that they are fully informed about all issues on which the board will have to make a decision, through briefings with the chief executive, the company secretary, and members of the executive management as appropriate.
iv. Ensure clear structure for, and the effective running of, board committees.
v. Ensure effective implementation of board decisions.
vi. Promote effective relationships and open communication between executive and non- executive directors both inside and outside the boardroom, ensuring an appropriate balance of skills and personalities.
vii. Building and maintaining stakeholders trust and confidence in the company and in conjunction with the CEO, representing the company to key stakeholders.
viii. With the assistance of the company secretary, promote the highest standards of corporate governance. If full compliance is not possible, ensure that the reasons for non-compliance are fully understood, agreed by the board and explained to shareholders.
ix. Ensure an appropriate balance is maintained between the interests of shareholders and other stakeholders (employees, customers, suppliers and the community).
x. Ensure the long term sustainability of the business.
xi. Ensure the continual improvement in quality and calibre of the executives.
xii. Establish a close relationship of trust with the CEO and managers, providing support and advice while respecting executive responsibility.
xiii. Ensuring effective communication with shareholders and other stakeholders.

ROLE OF CHIEF EXECUTIVE OFFICER

Consistent with the direction given by the board, the Chief Executive Officer (CEO) implements business strategies, risk management systems, risk culture, processes and controls for managing the risks to which the financial institution is exposed and concerning which it is responsible for complying with laws, regulations and internal policies. This includes comprehensive and independent risk management, compliance and audit functions as well as an effective overall system of internal controls. The CEO recognises and respects the independent duties of the risk management, compliance and internal audit functions and does not interfere in the exercise of such duties.

The CEO provides adequate oversight of those they manage, and ensure that the financial institution's activities are consistent with the business strategy, risk appetite and the policies approved by the board.

The CEO is responsible for delegating duties to staff. It should establish a management structure that promotes accountability and transparency throughout the financial institution.

The CEO provides the board with the information it needs to carry out its responsibilities. In this regard, the CEO should keep the board regularly and adequately informed of material matters, including: changes in business strategy, risk strategy/risk appetite; the financial institution's performance and financial condition; breaches of risk limits or compliance rules; internal control failures; legal or regulatory concerns; and issues raised as a result of the financial institution's whistleblowing procedures.

ROLE OF CHIEF EXECUTIVE OFFICER (CONTINUED)

The CEO is directly responsible for the day to day operations of the financial institution and shall be conversant with the state of internal control, the prevailing legislation as well as current issues impinging the financial sector.

ROLE AND FUNCTION OF THE COMPANY SECRETARY

Mr Nityanandsingh Dabeesingh is the Company Secretary of Mutual Aid. The role and functions of the Company Secretary are as follows:

(a) providing the Board with guidance is to its duties, responsibilities and powers:
(b) informing the Board of all legislation relevant to or affecting meetings of shareholders and directors and reporting at any meetings and the filing of any documents required of the company and any failure to comply with such legislation;
(c) ensuring that minutes of all meetings of shareholders or directors are properly recorded and all statutory registers are properly maintained;
(d) certifying in the annual financial statements of the company that the company has filed with the Corporate and Business Administrative Department all such returns as are required of the company;
(e) ensuring that a copy of the company's annual financial statements and, where applicable, the annual report are available to every person entitled to such statements.

BOARD COMMITTEES

The Board Committee structure is designed to assist the Board in the discharge of its duties and responsibilities. Each committee has its own charter which has been approved by the Board. Through the deliberations and reporting of its various committees, the Board ensures that Management's daily actions are in line with the Board's objectives and regulatory requirements. The current Board Committees are as follows:

- Audit and Corporate Governance Committee.
- Finance and Risk Management Committee.
- Staff Committee.
- Mutual Aid Foundation Committee
- Conduct Review Committee.
- Investment Committee.

Audit and Corporate Governance Committee

This committee has been set up to assist the Board in fulfilling part of its duties and responsibilities, providing a link between the Board, internal audit and external auditors. It has also been established to determine and develop Mutual Aid's general policy on Corporate Governance in accordance with the applicable Code of Corporate Governance.

(a) Terms of Reference

The Committee shall focus on and make recommendations to the Board on matters pertaining to:

- The functioning of the internal control system;
- The functioning of the Compliance Department;
- The risk areas of the Company's operations to be covered in the scope of the internal and external audits;
- The reliability and accuracy of the financial information provided by Management to the Board and other users of financial information;
- Whether the Company should continue to use the services of the current external and internal auditors;
- Any accounting or auditing concerns identified as a result of the internal or external audits;
- The Company's compliance with legal and regulatory requirements with regard to financial matters;
- The scope and results of the external audit and its cost effectiveness, as well as the independence and objectivity of the external auditors;
- The nature and extent of non-audit services provided by the external auditors, where applicable;
- The financial information to be published by the Board.

BOARD COMMITTEES (CONTINUED)

Audit and Corporate Governance Committee (Continued)

The Committee meets each quarter and fulfills its responsibilities for the year in compliance with its terms of reference. The Chairperson of the Committee informs the Board of the Mutual Aid on any matter which it should be made aware of. The members of the Audit and Corporate Governance Committee are:

- Seewooruthun, Mrs Devi Chand Anandi Rye - Chairperson
- Ramjug, Mr Poonit - Member
- Hookoom, Mr Hurry Premchand- Member
- Ramchurun, Mr Rajnish - Secretary

The charter is reviewed whenever there are changes in legislation and/or at the discretion of the Board.

Finance and Risk Management Committee

The Finance and Risk Management Committee monitors the treasury management of Mutual Aid and looks after finance and risks matters.

(a) Terms of Reference

The Committee shall focus and make recommendations to the Board mainly on matters pertaining to:

- Liquidity position;
- Performance and Financial Statements;
- Funding requirements;
- Strategies relating to products and investment;
- Rates of interest;
- Procurement as per Section 16 of the Financial Management and Procurement Handbook;
- Valuation of Funds.

The members of the Finance and Risk Management Committee are:

- Bheekhee, Mr Mahensingh - Chairperson
- Basant Roi, Mr Nundlall - Member
- Dabeesingh, Mr Nityanandsingh- Member
- Orgoo, Mr Varma – Secretary

The charter is reviewed whenever there are changes in legislation and/or at the discretion of the Board.

Staff Committee

The Staff Committee is responsible to look after appointment, welfare and conditions of service of staff.

(a) Terms of Reference

(i) The Committee shall focus on and make recommendations to the Board mainly on matters pertaining to:

- Recruitment
- Appointment
- Remuneration
- Conditions of service
- Discipline
- Industrial Relations
- Staff welfare
- Training and productivity

BOARD COMMITTEES (CONTINUED)

Staff Committee (Continued)

(ii) Where necessary, the Committee shall, with the concurrence of the Board, have recourse to the services of consultants/experts. The Committee shall, together with the Chief Executive Officer, ensure:

- The promotion of sound industrial relations;
- A staff development programme and a clear succession plan;
- That the procedures laid down regarding recruitment, appointment and discipline as approved by the board are complied with
- That the statutory provision relating to Health and Safety are observed.

The members of the Staff Committee are:

- Ramjug, Mr Poonit - Chairperson
- Basant Roi, Mr Nundlall - Member
- Dorasami, Mr Jean Bruneau - Member
- Gooriah, Mr Ramdass - Secretary

The charter is reviewed whenever there are changes in legislation and/or at the discretion of the Board.

Mutual Aid Foundation Committee

The above Committee is responsible to look after Corporate Social Responsibility of Mutual Aid.

The members of the Mutual Aid Foundation Committee are

- Basant Roi, Mr Nundlall – Chairperson
- Ramjug, Mr Poonit – Vice Chairperson
- Bheekhee, Mr Mahensingh - Member
- Ramjatton Mr Lutchmansing - Secretary

The charter is reviewed whenever there are changes in legislation and/or at the discretion of the Board.

Conduct Review Committee

This Committee is responsible to review and approve related party transactions.

(a) Terms of Reference

(i) The Committee shall focus on and make recommendations to the Board on the following matters:

- Require management to establish policies and procedures to comply with the requirements of Bank of Mauritius Guideline on related party transactions.
- Review the policies and procedures periodically to ensure their continuing adequacy and enforcement, in the best interests of the Company;
- Review and approve each credit exposure to related parties;
- Ensure that market terms and conditions are applied to all related party transactions;
- Review the practices of the Company to ensure that any transaction with related parties that may have a material effect on the stability and solvency of the Company is identified and dealt with in a timely manner;
- Report periodically and in any case not less frequently than on a quarterly basis to the Board of directors on matters reviewed by it, including exceptions to policies, processes and limits.

The members of the Conduct Review Committee are:

- Seewooruthun, Mrs Devi Chand Anandi Rye - Chairperson
- Basant Roi, Mr Nundlall - Member
- Ramjug, Mr Poonit - Member
- Gooriah, Mr Ramdass - Secretary

The charter is reviewed whenever there are changes in legislation and/or at the discretion of the Board.

BOARD COMMITTEES (CONTINUED)

Investment Committee

The Committee is responsible to:

- Develop investment strategies to meet objectives approved by the Board;
- Review the monthly statements of account and investment returns;
- Review and monitor accounting and investment policies;
- Provide financial and investment recommendations; and
- Assess and recommend to the Board the appointment and termination of investment managers and monitor their performance.

The members of the Investment Committee are:

- Bheekhee, Mr Mahensingh Chairperson
- Basant Roi, Mr Nundlall - Member
- Orgoo Mr Varma – Secretary

The charter is reviewed whenever there are changes in legislation and/or at the discretion of the Board.

BOARD ATTENDANCE

SN.	Directors	Board meeting	Staff Committee	Finance and Risk Management Committee	Audit & Corporate Governance Committee	Mutual Aid Foundation Committee	Investment Committee	Conduct Review Committee
1	Neerunjun, Mr Premode	11/12	N/A	N/A	N/A	N/A	N/A	N/A
2	Ramjug, Mr Poonit	12/12	12/12	N/A	7/7	17/17	N/A	5/5
3	Seewooruthun, Mrs Devi Chand Anandi Rye*	6/12	N/A	N/A	6/7	N/A	N/A	4/5
4	Bheekhee, Mr Mahensingh.	11/12	N/A	13/13	N/A	17/17	3/3	N/A
5	Basant Roi, Mr Nundlall	11/12	12/12	13/13	N/A	17/17	3/3	5/5
6	Hookoom, Mr Hurry Premchand	11/12	N/A	N/A	5/7	N/A	N/A	N/A
7	Dorasami, Mr Jean Bruneau	12/12	12/12	N/A	N/A	N/A	N/A	N/A
8	Dabeesingh, Mr Nityanandsingh	11/12	12/12	13/13	N/A	17/17	3/3	5/5

* Seewooruthun, Mrs Devi Chand Anandi Rye was not in Mauritius.

OTHER COMITTEES

Asset and Liability Committee (ALCO)

The Mutual Aid also has an Asset and Liability Committee (ALCO) whose aim is to properly manage risk relating to changes in interest rates and the mix of balance sheet assets and liabilities. The business issues that the ALCO can consider, inter alia, includes product pricing for both deposits and advances, as well as desired maturity profile of the assets and liabilities

TRANSPARENCY AND DISCLOSURES FROM BOARD COMMITTEES TO THE BOARD OF DIRECTORS

All papers tabled to the committees and discussions recorded in minutes of meeting of all Board committees are sent to the Board of Directors for analysis and discussion.

INDEPENDENCE OF BOARD COMMITTEES

All Board committees are chaired by independent or non-executive directors, where all issues are independently analyzed, reviewed and discussed.

MEETINGS OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES

The Board and the sub-committees of the Board meet regularly in compliance with the guidelines and the rules approved by the Board.

The details of attendances of Board instances by each Director are as above.

Principle 3: Director Appointment Procedures

As per the Mauritius Civil Service Mutual Aid Association Act, the directors of the Company are appointed by the Minister of Finance. There is a formal, rigorous and transparent process for the appointment, election, induction and re-election of directors. The search for Board candidates is conducted, and appointments made, on merit, against objective criteria (to include skills, knowledge, experience, and independence and with due regard for the benefits of diversity on the Board of Directors, including gender). The Board of Directors ensures that a formal, rigorous and transparent procedure is in place for planning the succession of all key officeholders.

With regards to succession planning, the Board assumes its responsibilities for it and affirms that a succession plan has been developed. Whilst for the appointment of directors, it is the prerogative of the Minister of Finance to appoint the Board of Directors every 3 years as per the Constitution of the Company.

The Board assumes its responsibilities for induction of new directors to the Board and confirms that there were no new directors for the period July 01, 2017 to June 30, 2018.

Refer to biography of directors on Pg. 4(c)

TRAINING OF STAFFS

The Mutual Aid follows a policy of ensuring that it has skilled, knowledgeable and competent staff to meet both its present and future needs. To that effect, in the context of a human resource development strategy, it promotes a continuous learning environment and the staffs are being sponsored to attend both local and international training events in order to enhance their skills and knowledge.

TRAINING OF DIRECTORS

For the orientation program, these are done for new directors. The refresher programs are done regularly whereby management tables to the Board, through the Finance and Risk Management Committee, various risk management concepts, financial and liquidity ratios and *other* technical concepts for the benefits of Board members. Also members of the Board are informed of updates in banking laws through the Audit and Corporate Governance Committee. During board meetings, the directors are apprised of market trends, products and risks.

The Board of Directors affirms that all new directors attends and participates in an induction and orientation process. There were no new directors for period July 01, *2017* to June 30, 2018.

The Board of Directors has reviewed the professional development and ongoing education of directors. At the Board level itself, the directors are briefed on news regulations and on the market and competitors environment. This is also done at yearly strategic meeting. Moreover, some *directors* have attended a course by the Mauritius Institute of Directors (MIOD) on 'Understanding the New Code of Corporate Governance' in September 2017.

Principle 4: Director Duties, Remuneration and Performance

The directors are aware of their legal duties. They observe and foster high ethical standards and a strong ethical culture in the Company. Each director allocates sufficient time to discharge his or her duties effectively. Conflicts of interest is disclosed and managed. The Board of Directors is responsible for the governance of Mutual Aid's Information Strategy, Information Technology and Information Security. The Board of Directors, committees and individual directors are supplied with information in a timely manner and in an appropriate form and quality in order to perform to required standards. The Board of Directors, committees and individual directors have their performance evaluated and are held accountable to appropriate stakeholders. The Board of Directors is transparent, fair and consistent in determining the remuneration policy for senior executives.

The Directors are aware of their legal duties. The Board of Directors regularly monitors and evaluates compliance with its code of ethics which is regularly reviewed.

DIRECTORS' AND SENIOR OFFICERS' INTERESTS AND DEALING

The direct interest of directors of Mutual Aid in the equity capital of the Mutual Aid as at June 30, 2018 is given below:

SN.	NAME	NO. OF ORDINARY SHARES
1	Neerunjun, Mr Premode	24
2	Seewooruthun, Mrs Devi Chand Anandi Rye	3
3	Ramjug, Mr Poonit	24
4	Bheekhee, Mr Mahensingh	24
5	Basant Roi, Mr Nundlall	24
6	Dorasami, Mr Jean Bruneau	24
7	Hookoom, Mr Hurry Premchand	32
8	Dabeesingh, Mr Nityanandsingh	NIL

No shares were bought and sold for year ended June 30, 2018. Senior officers (Managers) did not hold any share in the equity capital of the Mutual Aid during the period under review.

The Board of Directors affirms that all conflicts-of-interest (if any) and related-party transactions have been conducted in accordance with the Conflicts-of-interest Policy, related-party transactions policy and the Code of Ethics.

INFORMATION TECHNOLOGY AND IT SECURITY

The Board of Directors affirms that an Information Technology Policy and an Information Security Policy exist.

The IT Policy has been approved by the Board of Directors in April 2015 and January 2018 (latest update) and it contains confidential information for internal use only.

The Board oversees information governance through the information that are submitted in the various Board sub-committees and through the monthly CEO's report to the Board of Directors.

The right of access to information is in accordance with Companies Act 2001, Section 206 as follows:

(1) The Board of a company shall ensure that an auditor of the company has access at all times to the accounting records and other documents of the company

(2) An auditor of a company is entitled to receive from a Director or employee of the company such information and explanations as he thinks necessary for the performance of his duties as auditor.

(3) Where the Board of a company fails to comply with subsection (1), every director shall commit an offence and shall, on conviction, be liable to a fine not exceeding 200,000 rupees.

(4) A Director or employee who fails to comply with subsection (2) shall commit an offence and shall, on conviction, be liable to a fine not exceeding 200,000 rupees.
(5) It shall be a defence to an employee charged with an offence under subsection (4) where the employee proves that:
(a) he did not have the information required in his possession or under his control; or
(b) by reason of the position occupied by him or the duties assigned to him, he was unable to give the explanations required as the case may be.

Authority for Procurement

Depending on the size of the expenditure, the prior sanction of the Chief Executive Officer or the Chairperson of the Finance Committee is required as follows for initiating any procurement exercise:

Value of Procurement	Approval Mode

Up to Rs 200,000	By the CEO without covering approval of the Finance Committee subject to all procedures being followed.
More than Rs200,000 and up to Rs500,000	By the CEO with covering approval of the Finance Committee.
Rs500,000 and above	With prior approval of the Board

Procurement Methods
The procurement method adopted may vary according to the nature of the procurement, the size of the expenditure, the requirement, the circumstances, and the market. For example, there may be no need for complicated, expensive procurement processes when purchasing low risk, low value products or services. A procurement method of some complexity may be appropriate where risks are greater and/or the requirement is of high value or strategic importance.

Taking into account the above, any of the following methods (among others) considered most suitable for a specific procurement exercise may be adopted: (i) Direct purchase; (ii) Request for Quotation (Shopping Method); (iii) Limited Tender; (iv) Open Tender; or (v) Direct Contracting

Direct Purchase
For day-to-day purchases of low-value items, and for non-repetitive procurement, where the purchase value does not exceed Rs25,000 and any item does not exceed Rs5,000/unit, the direct purchase method may be used. Under this method, purchase is effected without necessarily having recourse to a quotation exercise. However, before effecting procurement under this method, where possible, prices should be informally verified from more than one source.

Request for Quotation (Shopping Method)
Shopping consists of comparing quotations from not less than three suppliers and subject to ready availability. This method is suitable for readily available off-the-shelf goods and commodities, and where smaller value items are needed or urgently needed for follow-up order on repetitive procurement. This method may also be used for procurement of works and services (e.g. works for maintenance/repairs, catering services etc.). The value of procurement under this method shall not exceed Rs100, 000 or Rs25, 000/commodity.

Limited Tender
Under this method, a limited number of suppliers are, after pre-selection or prequalification, invited to submit offers. This method is suitable for standard items or where, in view of the structure in technology market environment, only a limited number of suppliers are capable to participate.

The limited solicitation is also suitable where due to certain technical characteristics open solicitation is not amenable or where the market structure justifies the use of limited competitive proceedings.

Open Tender
Under the Open Tender method, suppliers, through public notice, are invited to submit offers without pre-selection or prequalification. This method is suitable where there are many capable suppliers.

Direct Contracting
Direct Contracting means a contract directly awarded to a supplier without formal solicitation.

Direct Contracting may be resorted: (i) to meet a situation of emergency; (ii) to effect maintenance where goods and supplies are readily available from a single source; (iii) where goods are obtainable only from one source; (iv) where there is a permissible extension of contract; and (v) where a tender exercise is not considered practical e.g. procurement of an art work, or services of an artist; and (vi) for items directly related to security, requiring utmost discretion and strict confidentiality.
Procurement Committees

The Committees involved in procurement shall be as follows (i) Committee for Opening of Tenders / Quotations; (ii) Committee for Technical Evaluation; and (iii) Committee for Financial Evaluation.

The powers and functions of the Procurement Committees shall be as follows: (i) to approve solicitation documents; (ii) to prequalify/preselect suppliers; (iii) to invite, examine and evaluate offers; (iv) to appoint evaluators, where necessary; and (v) to approve recommend the award of contracts as the case may be.

Committee for Opening of Tenders / Quotations
Chairperson: Manager (Loan and Deposits)
Member: Assistant Manager (Estates)
Member: Senior Operations Officer (Corporate)

Committee for Technical Evaluation
Chairperson: Manager (Corporate)
Member: Manager (IT)
Member: Senior Operations Officer (Estates)

The Technical Evaluation Committee shall make a technical evaluation of proposals received by reference to compliance with specifications as follows:
1) Scope of Works - Whether the proposal address each requirement and goal set forth in the scope of works;
- Ability to demonstrate a firm understanding of the requirements and goals set forth in the scope of works
- Whether the proposal provide technical solutions to indicated requirements and goals to be met on schedule

2) General Experience of Bidder: - Successful project experience of similar nature and complexity

3) Personnel Capabilities - Furnish a resume for proposed key personnel (supervisory and technical) Equipment Capabilities - Type, characteristics, minimum number and availability of key equipment

4) Equipment Capabilities - Type, characteristics, minimum number and availability of key equipment

Committee for Financial Evaluation

Chairperson: The Deputy Chief Executive Officer
Member: Manager (Finance)
Member: Examiner

Ratings for Evaluation
In the evaluation of tenders the general rule for evaluation shall be as follows:
60% for technical evaluation
40% for financial evaluation

Other Officers, depending on the nature of the procurement, may be co-opted to form part and assist the above Committees, whenever required.
(i) If required, resource persons from relevant fields may be called upon to form part of the Committees;
(ii) Each paper qualified to be tabled to the Committee shall consist of a report of the Technical Evaluation Committee with mandatory disclosure as to whether a bid is "responsive";
(iii) The pass mark and terms of marking should be well reference.

STATEMENT OF REMUNERATION AND COMPENSATION POLICY

The remuneration of Directors of the Company is determined by the Minister of Finance. The policy is governed by Section 159 of the Companies Act 2001 and is reviewed whenever there are changes in legislation and/or at the discretion of the Board.

When the Minister of Finance appoints the directors under the Mutual Aid Act, the terms and conditions of remuneration are also specified. For executive director, the remuneration is reviewed and approved by the Board of Directors.

The authority to determine the remuneration of Directors is delegated to the Ministry of Finance and Economic Development while that of Senior Executives is delegated to the Board. Executive remuneration packages are prudently designed to attract, motivate and retain executive management and senior management of high calibre needed to maintain Mutual Aid's position in the market. They are also designed to reward them for enhancing Mutual Aid's performance.

REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES AND KEY EMPLOYEES

Aggregate Remuneration / Fees (Annual)	2018 – Rs.	2017 – Rs.
Non-executive directors.	4,432,000	4,126,000
Senior Executives and Key Management personnel.	27,973,773	24,855,986

The directors consider the requirement for individual disclosure of director's remuneration to be commercially sensitive information and regard it as not being in the interest of Mutual Aid to make such disclosure.

The remuneration of Directors which is fixed by the Minister of Finance includes a fixed and variable proportion and there are no long term incentive plans.

The payment of a bonus based on the profitability and performance of the Company shall be at the discretion of the Board. Such payment will be effected after the end of each financial year after the approval of the Company's accounts at the Annual Meeting and the quantum will be determined by the Board.

The distribution of bonus will be based on the performance of employees and their department, or in such manner as determined by the Company's PMS procedure.

The linkages of the PMS Assessment results to the payout of the productivity bonus are as follows:
(i) For financial year 2016/2017 – 50% linkage
(ii) For financial year 2017/2018 onwards – 100% linkage.

CONFLICTS OF INTEREST

In terms of the constitution of the Company, the Directors are required to disclose their interest in any matter placed before the Board for a decision.

On the recommendation of the Bank of Mauritius (BOM), the Board has also set up a Conduct Review Committee (CRC) to look into any case of related party transactions at Mutual Aid.

The company secretary maintains an interest register. The interest register is available for consultation to shareholders upon written request to the company secretary.

SHARE OPTION PLANS

There were no share option plans during the year under review.

BOARD SELECTION PROCESS

As per the Mauritius Civil Service Mutual Aid Association Act, the directors of the Company are appointed by the Minister of Finance.

BOARD APPRAISAL

It is well known that effective Board evaluations produce value and improves Board performance. It is to be noted that no independent board evaluator was employed; to that effect, an annual self-evaluation of the Board of Directors through survey questionnaire is made every year after the audited Financial Statements have been released. The evaluation has been carried out in December 2017.

DIRECTORS' SERVICE CONTRACT

The Directors have no service contract with Mutual Aid.

Principle 5: Risk Governance and Internal Control

The Board of Directors is responsible for risk governance and ensures that Mutual Aid develops and executes a comprehensive and robust system of risk management. The Board ensures the maintenance of a sound internal control system.

The Board of Directors is responsible for the governance of risk and for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

Risk Management forms an integral part of Mutual Aid's business strategy and business planning processes. The Company's process for identifying and managing risks is set by the Board of Directors and delegated to the Finance and Risk Management Committee. Risks are identified and managed on a monthly basis by the members of the Finance and Risk Management Committee and reported accordingly to the Board of Directors.

Liquidity and credit risk are currently monitored by the Finance department. Liquidity risk is monitored on a daily, weekly, monthly, quarterly and yearly basis through reports, analysis, stress testing and forecasting. As regards to credit risk, such risk is identified through arrears and impairment reports.

The liquidity and cash flow reports are tabled to senior management on a daily basis and on a monthly basis to the Finance and Risk Management Committee. As regard to credit risk, the number and amount of impaired credits are reported to the Manager Finance on a monthly basis. The Finance and Risk Management Committee is appraised on the number of defaults and status of action taken on a monthly basis.

The risks are managed on an ongoing basis and the Company has adopted a more prudential approach as regards to liquidity requirement and provisioning.

The directors derive assurance that the risk management processes are in place and are effective by reviewing on a monthly basis the reports of the Finance and Risk Management Committee. The risk management mechanisms include development of strategies in respect of risks identified, the communication of policies to all levels of the organisation as appropriate, and processes that reduce or mitigate identified risks. Regular reports are submitted in the Finance and Risk Management Committee on risk issues such as stress test, capital adequacy, concentration of depositors, information on liquidity gaps and appropriate decisions are taken and reported to the Board of Directors.
Liquidity ratios and cash flow forecast are tabled to the Finance and Risk Management Committee on a monthly basis. As regards to credit risk, the number of default and all new cases of arrears are also tabled to the Finance and Risk Management Committee on a monthly basis. The Finance and Risk Committee thereafter report the matter to the Board of Directors.

The principal risks and uncertainties faced by the Mutual Aid and the way in which each is managed are described as follows:

Credit risk

The Company takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises principally from the Company's loans granted.

Such risk is managed through regular review of loan arrears, followed by appropriate actions taken by management. Exposure to credit risk is also managed by obtaining personal guarantee of at least one guarantor for the main personal loan scheme. For home loan and fixed charge loan, credit risk is managed by obtaining collateral from the loanee.

DIRECTORS' SERVICE CONTRACT (CONTINUED)

Credit risk (Continued)

Given the nature of the Company's activities which is to lend to members who are civil servants, the loan instalments are deducted at source from the members' salaries and remitted to the Company by the respective employers, thereby limiting the risk of default. Furthermore, in case the loanees who passed away, the loans are written off against the Mutual Solidarity Contribution Fund.

The Company is also performing stress test on its Capital Adequacy, whereby a worst case scenario of a 10 per cent loan loss is considered. Under this scenario, the Company is still maintaining a Capital Adequacy Ratio of more than 10 per cent.

Market risk

Market risk is the risk that future cash flows of assets and liabilities will fluctuate because of changes in market interest rates. This is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company exercises a close follow-up on the market interest rates and adapts its interest margins in response to changes in the market rates.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset. Being a financial institution, the Company is subject to statutory obligations whereby it has to meet the Bank of Mauritius requirements in respect of liquidity ratio. The liquidity situation is reviewed regularly by the **Asset and Liability Committee (ALCO).**

The Company manages its liquidity risk by ensuring timely collection of receivables and also by availing credit facilities from banks. Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow and does not foresee any major liquidity risk over the next two years.

Uncertainties could be a sudden run down of deposits. Consequently, the Company is maintaining a Liquid Asset Ratio of more than 10 per cent and investing in high quality liquid assets such as treasury bills.

The risks that threaten the **business model,** the **future performance,** the **solvency and liquidity** of Mutual Aid are **credit risk and liquidity risk.** The risks are managed as described above.

The Board of Directors affirms that the Board has monitored and evaluated Mutual Aid's **strategic** risk**, financial** risk, **operational** risk and **compliance** risk.

Strategic and financial risks are mainly **credit**, **market** and **liquidity risks** as described above.

Operational risk is the risk of financial loss and business instability arising from failures in internal controls, operational processes or other supporting systems. It is understood that such risks cannot be entirely eliminated and the cost of controls in minimising these risks may outweigh the potential benefits.

Compliance risk is the risk that the company fails to comply with existing statutory and compliance regulations, thereby impacting adversely on the Company's financial position and reputation. This is managed through continuous review of systems in place, adherence to company's procedure manuals and assignment of the compliance department independent of the normal course of transactions. The Compliance Department has well-structured with qualified staffs. The department ensures that the activities carried out are in conformity with the laws, regulations, and guidelines governing the banking sector and with the principles of good governance. Any departure is reported to the Audit and Corporate Governance Committee.

The Board of Directors provides assurance that by direction of the Board, management has developed and implemented appropriate frameworks and effective processes for the sound management of risk. The credit and liquidity risks are monitored by the Finance and Risk Management Committee. The Company is also implementing a Liquidity Risk Management Framework.

INTERNAL CONTROL

The systems and processes in place for implementing, maintaining and monitoring the internal controls is by setting up an effective Internal Audit function. The Company operates in a highly regulated environment. The Board is ultimately responsible for Mutual Aid's system of internal control and for reviewing its effectiveness. The internal audit function is independently carried out by PricewaterhouseCoopers (PwC), which reports to the Audit and Corporate Governance Committee on the Company's financial and operational controls and reviews the extent to which its recommendations have been implemented. The Board has set up a framework for an effective internal audit function. In that respect, Messrs PricewaterhouseCoopers was appointed as internal auditor, with principally the following duties and responsibilities, inter-alia:

- review of information systems and related internal controls;
- examination of financial and operating information for management;
- review of the economy, efficiency and effectiveness of operations and of the functioning of non-financial indicators and controls in this regard;
- review of the implementation of corporate policies, plans and procedures;
- special investigations, as requested by management.

The process by which the Board of Directors derives assurance that the internal control systems are effective is that all significant risk areas are covered by the internal audit and the internal audit plan is reviewed annually by the Audit and Corporate Governance Committee.

The internal Audit plan covers the areas of risks that may arise in the business activities of the Company. After each audit, reports are submitted by Messrs. PwC to Management and the Audit and Corporate Governance Committee members for analysis and discussion. These reports are thereafter submitted to the Board of Directors for review. Further, Mutual Aid has a Compliance Department which is tasked with ensuring that the activities carried out by the Company are in conformity with the laws, regulations, and guidelines governing non-bank deposit taking institutions.

There are no restrictions placed over right of access to records of management and employees. All significant risk areas are covered by the internal audit and the internal audit plan is reviewed annually by the Audit and Corporate Governance Committee.

There was no significant areas not covered by the Internal Control during the financial year ended June 30, 2018.

The Board of Directors acknowledges that there are no deficiencies and significant risks in the organisation's system of Internal Control.

The Company has a whistle-blowing policy whereby the following areas are covered:

Protection to staffs

All staffs are protected from victimisation, harassment or disciplinary action as a result of any disclosure, where the disclosure is made in good faith and is not made maliciously or for personal gain. Any disclosures will be investigated fully including interviews with all the witnesses and other parties involved.

Confidentiality

The identity of the whistleblower will be protected at all stages in any internal matter. While the Company can provide internal anonymity, it cannot guarantee this will be retained if external legal action flows from the disclosure. The Company is not accountable for maintaining confidentiality where the whistleblower has told others of the alleged misdemeanour.

INTERNAL CONTROL (CONTINUED)

Process for raising the concern

Individuals will have the opportunity to raise concerns through a dedicated email address: whistleblowing@mcsmutualaid.mu or they can make reports by mail. Postal reports should be sent to The Chairperson, Audit and Corporate Governance Committee, The Mauritius Civil Service Mutual Aid Association, 5 Guy Rozemont Square, Port Louis. Reports should be marked Private and Confidential, with reference “Whistleblowing”. All whistleblowing disclosures made to the parties above will be treated as confidential and will be reported to the Board of Directors through the Audit and Corporate Governance Committee and the CEO. The whistleblower should make it clear that they are making their disclosure within the terms of the Company’s whistleblowing policy. This will ensure the recipient of the disclosure realizes this and takes the necessary action to investigate the disclosure and to protect the whistleblower’s identity. If the whistleblower is making a disclosure in relation to money laundering or bribery, they should follow the Company’s Money Laundering Procedures or contact the MLRO for guidance.

Possible outcomes after reporting a concern

There will be no adverse consequences for anyone who reports a whistleblowing concern in good faith. However, any individual found responsible for making allegations maliciously or in bad faith may be subject to disciplinary action(s).

Principle 6: Reporting with Integrity

The Board of Directors presents a fair, balanced and understandable assessment of Mutual Aid’s financial, environmental, social and governance position, performance and outlook in its annual report and on its website.

The Board of Directors is responsible for the preparation of accounts that fairly presents the state of affairs of Mutual Aid. The accounts adhere to International Financial Reporting Standards, International Accounting Standards and Companies Act. Any departure (if any) shall be disclosed, explained and quantified and any material uncertainties shall be identified in the reports of auditors.

ORGANISATIONAL OVERVIEW

The Mutual Aid created in 1893, is a non-bank financial institution under the Banking Act 2004 and operates as a public company under the Companies Act 2001.The Mutual Aid culture is based on the highest standard of business integrity, transparency and professionalism in all its activities to ensure that it is managed ethically and responsibly to enhance business value for all stakeholders. The Mutual Aid espouses corporate values geared to achieving Customer Delight, Commitment, Team Spirit, Personal Empowerment and Trust.

OVERVIEW OF THE EXTERNAL ENVIRONMENT

The organisation’s principal market is mainly customers within the Mauritian banking sector and its members from the public sector. Significant factors affecting the external environment include aspects of the economic and financial issues that influence the organisation’s ability to create value. According to Statistics Mauritius, the GDP for the year 2017 was 3.8 per cent and a growth of 3.9 per cent is expected in 2018 principally on account of the growth in the construction sector. Unemployment rate for 2018 is forecasted at 6.9%, lower than the rate of 7.1 % for 2017. The headline inflation rate for the twelve months to June 2018 worked out to 4.3%, compared to 2.4% for the twelve months ending June 2017.

During the financial year under review, the Monetary Policy Committee of the Bank of Mauritius met on four occasions and the Repo rate was maintained at 3.50%. The weighted yield on 364-day Treasury Bills increased, like for instance the weighted yield for auction of June 30, 2017 stood at 2.19% whereas on June 29, 2018 it was 3.75%.

The Mutual Aid Association continued to offer competitive interest rates on deposits and had maintained a premium of 25 basis points to Pensioner depositors during the year under review. As regards to loan and advances, the Mutual Aid is offering interest rate as from 4.60% per annum.

BUSINESS MODEL

The business model of the Mutual Aid is primarily geared towards the needs of its members. Ever since its creation in 1893 as an Association, the Mutual Aid, has been successfully taking bold and concrete steps to achieve its vision of being the best financial partner of its customers. To that end, the Mutual Aid in the context of its mission to serve its members with the highest level of professionalism while adopting and responding to the ever-changing environment of the financial sector, has adopted a business model that constantly leverages on continuous product development, competitive pricing strategy and a high quality of customer service.

The principal output is loans to its members and its input is mainly deposits from the public. As regards to its loan activities, the Mutual Aid deals exclusively with its members on mutual basis. Regarding deposit taking activities, the Mutual Aid mobilizes fund from the general public as well as institutional investors.

KEY PERFORMANCE INDICATORS, PERFORMANCE AND OUTLOOK.

The Board has identified the key performance indicators namely Customer Excellence, Align IT with Mutual Aid Strategy, Processing Time for Loan Application and Good Corporate Governance amongst others. These are used to evaluate the performance of the organization. Concerning the outlook, the business segment in which the Mutual Aid operates is set to remain volatile, with continuing challenges and constraints that are unfortunately not within its control.

SUSTAINABLE DEVELOPMENT

In line with sustainability concept, Mutual Aid has sought to minimize the dependency on fossil fuels through increased utilization of renewable energy and a more efficient use of energy in general. Mutual Aid has thus installed solar air-conditioning system in its second building and makes maximum use of sunlight during the day. The use of paper has also decreased considerably through the use of pocket computers for meetings of Board of Directors and Board Committees.

ENVIRONMENTAL ISSUES

Environmental issues are vital to the economy in Mauritius, and the Mutual Aid is aware of the importance of these issues. To minimise any negative impact on the environment the Board has decided to go for E-Services to reduce paper use and delivery, so that it decreases overall carbon emissions. As already mentioned, use of solar air-conditioning system in its second building will also help to decrease overall carbon emissions.

SOCIAL ISSUES

Being conscious of the fact that pursuing economic interest needs to be balanced with social and environmental responsibility, the Association has set up the Mutual Aid Foundation to address its CSR obligations. Funds devoted to CSR activities are channeled through the Foundation. The aim is to make a perceptible difference in people's lives by working closely with the community and ensuring that CSR funds are allocated to those in need via a more direct channel.

SOCIAL RESPONSIBILITIES

The Company believes in maintenance of harmonious industrial relations in order to achieve its objectives in the interest of both Mutual Aid and its employees. There is an open line of communication with the Employees' Union. Mutual Aid provides a work environment that is free from discrimination. It is an equal opportunity employer.

DONATIONS OF RS 5,000 DURING THE FINANCIAL YEAR ENDED 2018

The donations relate mainly to the sponsorship for the Treasury Staff Club in connection with the Annual Kermess.

POLITICAL CONTRIBUTIONS

No political contribution was made during the year under review.

THIRD PARTY MANAGEMENT AGREEMENT

There was no management agreement between third parties and the Company during the year under review.

SHAREHOLDER RELATIONS AND COMMUNICATION

The Board aims at understanding properly the information needs of its shareholders and places great importance on an open and meaningful dialogue with all those involved with Mutual Aid. It ensures that shareholders are kept informed on matters affecting Mutual Aid. Besides official press communiqués and occasional letters to shareholders where appropriate, Mutual Aid's website is used to provide relevant information. Open lines of communication are maintained to ensure transparency and optimal disclosure. All Board members are requested to attend the Annual Meeting, to which all shareholders are invited.

MATERIAL CLAUSES OF THE CONSTITUTION

The constitution of Mutual Aid is in conformity with the provisions of the Companies Act 2001. There are no clauses of the constitution deemed material to be disclosed.

SHAREHOLDERS AGREEMENTS

There is currently no shareholders agreement affecting the governance of Mutual Aid by the Board.

SHAREHOLDING PROFILE AND VOTING RIGHTS

None of the shareholders holds more than 5% of the share capital of the Company. Only shareholders holding a permanent and pensionable post in or receiving a retirement pension from the Government of Mauritius are entitled to one vote.

DIVIDEND POLICY

Mutual Aid has adopted a policy of paying dividend depending upon its profitability and the need to conserve resources for further growth subject to prior approval by the Board and the Bank of Mauritius. In declaring and paying dividends, Mutual Aid rigorously complies with the legal requirements.

CALENDAR OF EVENTS

The calendar of events is as follows:

Event	Month
Financial Year end	June
Last Annual Meeting of shareholders	December
Declaration of dividend-Final	December
Forthcoming Annual Meeting of shareholders	December

INTEGRATED SUSTAINABILITY REPORTING

Mutual Aid is committed to the highest standards of integrity and ethical conduct in dealing with all its stakeholders. The Company has developed and implemented social, health and environmental policies and practices that in all material respects comply with existing legislative and regulatory frameworks. The health and safety of staff and visitors are of paramount importance to us and all reasonable measures are taken to ensure a sound and healthy working environment.

Mutual Aid is an equal opportunity employer and does not discriminate in any way with regard to race, religion or gender. Employment opportunities are publicly advertised.

CORPORATE SOCIAL RESPONSIBILITY

Mutual Aid has for long been involved in activities designed to promote the interest of the community and the creation of a sustainable society. In line with government decision, Mutual Aid has dedicated an amount equivalent to 2% of chargeable income based on June 30, 2017 audited accounts to Corporate Social Responsibility (CSR) activities. As a result, Mutual Aid ploughs back in the community and towards the welfare of the society at large, a sum that increases proportionally with the growth of its business.

To maximize efficiency, funds devoted to CSR activities are channeled through a **Foundation**. The aim is to make a perceptible difference in people's lives by working closely with the community and ensuring that CSR funds are allocated to those in need via a more direct channel.

For the **Foundation**, for the year ended June 30, 2018, the total CSR receipt amounted to Rs. 18,672,777 and the total expenditure on projects amounted to Rs 18,190,046 as shown in the tables below.

CSR RECEIPTS

	Normal CSR-RS
CSR Fund-based on 30.06.17 audited account (2% of Chargeable Income)-2 % x Rs 1.7bn). **Note:50% is payable to the MRA.**	17,000,000
Fixed Deposit at Banque Des Mascareignes (scholarship committed cost)-FD encashed on Maturity date of 31.05.18.	995,000
RRA-Grant for RWTP at Mt Goyaves Community School (MGCS) c/f from FY 16/17	200,000
RRA-Grants received for RWTPs on June 08, 2018 -Basile Alas & Anse Quitor schools	400,000
Interest received on Savings /FD a/cs	77,777
GRAND TOTAL	**18,672,777**

CSR EXPENDITURES

SN	PROJECTS	AMOUNT-RS
1	Sponsorships(NGO projects, Prime Ministers Cyclone Relief Fund, etc)	10,717,275
2	Education(scholarships, laptops, etc)	2,590,154
3	Environment(RainWater Treatment Plants,Rodrigues Students Needs Association(RSNA) projects,etc)	3,338,550
4	Health(medical treatments)	800,000
5	Administrative(CSR Fees, CSR visits to Rodrigues)	740,518
6	Others	3,549
	TOTAL	**18,190,046**

Consequently, an amount of Rs 482,731.23 was carried forward to next Financial Year to be used on scholarship committed cost.

SOME EXAMPLES OF SUPPORT BY THE FOUNDATION:

Education
Scholarships to 23 new students undertaking degree courses at institutions under Government control. The yearly grant is Rs 22,000 per student and a new laptop was also provided to each beneficiary. In addition, payments were effected to scholarship beneficiaries of existing batches.

Health
Contribution of Rs 800,000 towards medical treatment for 8 cases .

OTHERS
(i) Financing of several NGOs projects in Mauritius and Rodrigues.
(ii) Contribution of Rs 1.0m to the Prime Ministers Cyclone Relief Fund following cyclone Berguita.

RELATED PARTY TRANSACTIONS

Disclosure on related party transactions is made in note 32 of the Financial Statements.

GENERAL

The complete set of Financial Statements and the Corporate Governance report are published in full on the organisation's website.

Principle 7: Audit

Mutual Aid's considers having an effective and independent internal audit function that has the respect, confidence and co-operation of both the Board of Directors and management. The Board of Directors has established formal and transparent arrangements to appoint and maintain an appropriate relationship with Mutual Aid's internal and external auditors.

The Board of Directors confirm that they have appointed Messrs PricewaterhouseCoopers as internal auditor, with principally the following duties and responsibilities, as detailed on page 4(p).

The Internal Auditor sends reports regularly to the Audit and Corporate Governance Committee. The areas, systems and processes covered by internal audit is risk based and the following areas are covered – Loans, Deposits, RSFs, IT systems Review, Enterprise Resource Planning, Money Market, Planning and Budgeting, Share System, Treasury and Liquidity Management, Compliance and Debtors Management.

There were no significant areas that were not covered.

The internal audit function is independently carried out by PricewaterhouseCoopers (PwC). The internal auditor sends reports to the Audit and Corporate Governance Committee on the internal controls and PwC independently reviews the extent to which recommendations have been implemented.

There are no restrictions placed over right of access to records, to management and to employees by the Internal Audit. All significant risk areas are covered by the internal audit. The internal audit plan is reviewed annually by the Audit and Corporate Governance Committee.

The structure, organisation and qualifications of the key members of the internal audit function are listed on Mutual Aid's website.

Our internal audit function has been outsourced to PricewaterhouseCoopers Ltd. PwC core team is comprised of individuals who possess significant experience of internal audit and therefore have a good understanding of the key drivers for delivering effective internal audit to our organisation. The core team is led by Julien Tyack and supported by Dhyana Gukhool, who acts as Engagement Manager.

Julien is a professionally qualified accountant (FCCA) and a Certified Internal Auditor (IIA USA). He holds an MSc in Management from the University of Surrey and an International Certificate in Risk Management (ICRM) from the Institute of Risk Management (IRM) in London. He has 18 years of professional experience, 7 years in Mauritius and 11 years in the UK. He has worked at Audit Committee and Board level for many large and medium sized local and multinational organisations in various industries including financial services, management companies, hospitality, oil and gas, construction, civil engineering, the UK government and the UK National Health Service.

Principle 7: Audit (Continued)

Dhyana is a professionally qualified accountant (ACCA), and a Certified Internal Auditor (IIA USA). She has over 6 years of experience and has coordinated several internal control reviews of key operations within financial and non-financial institutions including banking, management companies, hospitality, retail and manufacturing. Dhyana has also worked in internal audit for the Mauritius Commercial Bank, the largest bank in Mauritius. She regularly attends Audit Committees.

Financial literacy/expertise of the members of the Audit & Corporate Governance Committee (July 2017 to June 2018):

Mrs Devi Chand Anandi Rye Seewooruthun (Independent Director) is the vice Chairperson of the Board and acts as Chairperson of the Conduct Review Committee and of the Audit and Corporate Governance Committee. She is the holder of a Diploma in Accountancy, a Diploma in Public Administration and Management, a MSc Public Sector Management, a Masters in Business Administration and has a 'Diplôme du Cycle d'Administration Publique de l'Ecole Nationale D'Administration (ENA), France. She currently holds the position of Permanent Secretary at the Ministry of Tourism.

Mr Poonit Ramjug (Non-executive Director) is the vice Chairperson of the Board and acts as Chairperson of the Staff Committee. He is the holder of a BSC (Hons) in Social Work and a BSC in Chemistry, Botany, and Geology. As at June 30, 2018, he was a retired Senior Social Security officer of the Ministry of Social Security, National Solidarity and Senior Citizen Welfare and Reform Institutions.

Mr Hurry Premchand Hookoom (Independent Director) is a Member of the Board. He is the holder of a BSc (Hons) Human Resource Management from University of Technology Mauritius. He is a former Registrar of Associations.

The significant issues in relation to the financial statements were identified and considered through the audit report issued by the external auditors when they audited the financial statements to verify if they are free from material misstatements (whether due to fraud or error) and discussed in a meeting with the partner of the external auditor firm.

The significant issues in relation to the financial statements were addressed by the Audit and Corporate Governance Committee by discussing with both the Partner of external auditor Firm and management concerning the corrective actions taken.

Outline of the approach taken to appoint/reappoint external auditors: In line with Section 39 of the Banking Act and following a tender exercise, Ernst & Young was appointed external auditor for the financial year ended June 30, 2017. The technical and financial evaluation was discussed in relevant committees. The result was then discussed in the Audit and Corporate Governance Committee. In accordance with section 29 of the BOM Guideline on Corporate Governance, the Audit and Corporate Governance Committee recommended the appointment of Ernst & Young as external auditor for the year 2017 onwards.

The Board of Directors affirms that the Audit and Corporate Governance Committee has discussed accounting principles (critical policies, judgements and estimates) with the external auditor. The Audit and Corporate Governance Committee meets the external auditor without management presence on an annual basis.

EY forms part of the big 4 Audit Companies. It has the experience, size, resources required to audit the Company. The External Audit Firm and the Audit Partner are licensed by the Financial Reporting Council. The Bank Of Mauritius provided its approval for selection of the firm. The quality processes of EY are based on international best practice.

The individuals assigned to the external audit team have the requisite expertise, including industry knowledge, to effectively audit the Company. The External Audit scope is adequate to address the financial reporting risks facing the Company and includes the provision of an internal control review as required by the Bank of Mauritius.

The External Audit firm has open lines of communication and reporting with the Audit and Corporate Governance Committee: Significant weaknesses in internal controls are appropriately communicated.

Based on the above factors, the external audit process is deemed effective by the Board of Directors.

Principle 7: Audit (Continued)

The length of tenure of the current audit firm for financial year ending 2018 is 2 years. A tender exercise was conducted in July 2016.

Information on non-audit services carried out by external auditor and for which the amount was paid in the period July 2017 to June 2018:

SN	Details	Fees (Rs)
1	IT Security Audit Project	920,000

Whenever the external auditor provides non-auditing services, the auditor's objectivity and independence are safeguarded as the non-audit services are carried out by different partners with different teams.

Principle 8: Relations with Shareholders and Other Key Stakeholders

The Board of Directors is responsible for ensuring that an appropriate dialogue takes place among Mutual Aid, its shareholders and other key stakeholders. The Board of Directors respects the interests of its shareholders and other key stakeholders within the context of its fundamental purpose.

There are no shareholders that hold a significant percentage (more than 5%) of total shares in the Company.

The key stakeholders of the Company are as follows:
1. Members/Customers
2. Public
3. Employees
4. Banks
5. Suppliers
6. Unions
7. Regulators
8. Government

The Company responds to the reasonable expectations and interests of its key stakeholders as follows:

1. Members -by providing loans to its members at favorable conditions
2. Public/Customers - by providing deposits and RSF at attractive interest rates and timely information to the public.
3. Employees –by fostering an environment that supports sustainable performance and promoting continual professional and personal development for all of them.
4. Banks-by dealing with all banks at arm length transaction.
5. Suppliers-by dealing through strict procurement procedures where there is fairness and equity.
6. Unions-by having regular meetings and addressing issues that are in the best interest of the Company.
7. Regulators-by complying with all regulatory requirements.
8. Government- by complying with relevant legislations and making appropriate tax payments

The Board of Directors affirms that relevant stakeholders have been involved in a dialogue on the organisational position.

Mutual Aid aims at understanding properly the information needs of its shareholders and places great importance on an open and meaningful dialogue. It ensures that shareholders are kept informed on matters affecting Mutual Aid. Besides official press communiqués to shareholders, Mutual Aid's website provides relevant information. Open lines of communication are maintained to ensure transparency and optimal disclosure. All Board members are requested to attend the Annual Meeting, to which all shareholders are invited.

All decisions are taken in the best interest of its members and in compliance of relevant legislations. The Company is very attentive to the request of its members and aims at providing good service all the times.

The Board of Directors affirms that Mutual Aid holds an Annual Meeting. The Board of Directors provides sufficient notice of the annual meeting and other shareholder meetings. The Company encourages attendance of the shareholders at the annual meeting and the opportunity to provide questions by publishing notice. The Board of Directors provides appropriate papers for the annual meeting and other shareholder meetings by preparing a pack. All resolutions were unanimously approved in the Annual Meeting held in December 2017.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors acknowledge their responsibilities for:

(i) adequate accounting records and maintenance of effective internal control systems;
(ii) the preparation of financial statements which fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for that period and which comply with International Financial Reporting Standards (IFRS);
(iii) the selection of appropriate accounting policies supported by reasonable and prudent judgements.

The external auditors are responsible for reporting on whether the financial statements are fairly presented.

The directors report that:

(i) adequate accounting records and an effective system of internal controls and risk management have been maintained;
(ii) appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently;
(iii) International Financial Reporting Standards have been adhered to. Any departure in the interest in fair presentation has been disclosed, explained and quantified.
(iv) The Code of Corporate Governance has been adhered to, except for some sections where reasons have been provided.

Signed on behalf of the Board of Directors on September 27, 2018.

Mr. Premode Neerunjun	Mr Mahensingh Bheekhee
Chairperson	Director

STATEMENT OF COMPLIANCE BY THE BOARD OF DIRECTORS
(As per the National Code of Corporate Governance)

Name of Public Interest Entity: The Mauritius Civil Service Mutual Aid Association Ltd

Reporting Period: 1st July 2017 to 30th June 2018

Throughout the year ended June 30, 2018, to the best of the Board's knowledge, The Mauritius Civil Service Mutual Aid Association Ltd has not fully applied the Principle one of the Code. The area of non-compliance is in respect of non-distinction in the remuneration of executive directors as explained in the report.

SIGNED BY: ....

Chairperson and one Director

Names: Mr Premode Neerunjun
CHAIRPERSON

DATE: September 27, 2018.

....

Mr Mahensingh Bheekhee
DIRECTOR

DATE: September 27, 2018

STATEMENT OF COMPLIANCE WITH THE CODE IN ACCORDANCE WITH THE FINANCIAL REPORTING ACT AND GENERAL NOTICE 1016 (2013)
(To the Financial Reporting Council)

Name of Public Interest Entity: The Mauritius Civil Service Mutual Aid Association Ltd

Reporting Period: 1st July 2017 to 30th June 2018

"We, the directors of The Mauritius Civil Service Mutual Aid Association Ltd confirm that to the best of our knowledge, The Mauritius Civil Service Mutual Aid Association Ltd has not fully complied with Principle one of the Code. Reason for non-compliance is in respect of non-distinction in the remuneration of executive directors as explained in the report."

SIGNED BY: ....

Chairperson and one Director

Names: Mr Premode Neerunjun
CHAIRPERSON

DATE: September 27, 2018

Mr Mahensingh Bheekhee
DIRECTOR

DATE: September 27, 2018

I certify that to the best of my knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001.

Secretary

Date: 27/09/2018

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Mauritius Civil Service Mutual Aid Association Ltd (the "Company set out on pages 9 to 67 which comprise the statements of financial position as at June 30, 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of, the financial position of the Company as at June 30, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001, the Financial Reporting Act 2004 and Banking Act 2004 as applicable to non-bank financial institutions.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other, information. The other information comprises the Management Discussion and Analysis, the Statement of Management's responsibility for financial reporting, the Statutory disclosures, the Corporate governance report and the Secretary's Certificate as required by the Companies Act 2001, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2001, the Financial Reporting Act 2004, the Banking Act 2004 as applicable to non-bank financial institutions and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Responsibilities of the Directors for the Financial Statements (continued)

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the Company other than in our capacity as auditors and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and whether the disclosure is consistent with the requirement of the Code.

In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.

ERNST & YOUNG
Ebène, Mauritius

Date: 27 SEP 2018

PATRICK NG TSEUNG, A.C.A.
Licensed by FRC

	Notes	THE COMPANY 2018	2017	2016
		Rs.	Rs.	Rs.
Interest income	6	**3,326,785,499**	3,479,873,500	3,519,165,367
Interest expense	6	**(1,449,820,683)**	(1,600,829,881)	(1,733,349,337)
Net interest income	6	**1,876,964,816**	1,879,043,619	1,785,816,030
Other income	7	**8,032,149**	17,796,426	11,905,965
Rental income	20(f)	**14,998,831**	17,167,588	15,717,414
Other gains		**487,874**	179,849	4,537,500
Operating income		**1,900,483,670**	1,914,187,482	1,817,976,909
Net impairment loss on financial assets	8	**(79,525,051)**	(60,803,390)	(41,058,410)
Personnel expenses	9	**(91,861,285)**	(80,127,275)	(78,520,771)
Depreciation and amortisation	18, 19	**(57,185,312)**	(54,728,800)	(53,318,771)
Operating lease expenses		**(1,890,000)**	(2,378,725)	(2,654,330)
Other expenses	10 (a)	**(76,459,975)**	(76,686,528)	(58,737,434)
Fair value adjustments of funds	24 (a) & (b)	**92,650,000**	85,470,000	-
Fair value loss on investment properties	20 (a), (b) & (c)	**(2,322,287)**	(922,965)	(880,033)
		(216,593,910)	(190,177,683)	(235,169,749)
Profit before penalty and interest on tax assessment and income tax		**1,683,889,760**	**1,724,009,799**	**1,582,807,160**
Penalty and interest on tax assessment	10 (b)	**(362,288,704)**	-	-
Profit before income tax		**1,321,601,056**	1,724,009,799	1,582,807,160
Income tax expense *	11(a)	**(1,484,675,319)**	(15,095,191)	(14,101,957)
(Loss)/profit for the year		**(163,074,263)**	1,708,914,608	1,568,705,203
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurements of pension benefit obligations	25	**29,099,000**	(17,024,000)	(58,364,000)
Income tax relating to components of other comprehensive income	29	**(4,946,830)**	-	-
Net other comprehensive income / (loss)		**24,152,170**	(17,024,000)	(58,364,000)
Total comprehensive (loss)/income for the year		**(138,922,093)**	1,691,890,608	1,510,341,203
(Loss) / earnings per share - Basic and Dilluted	12	**(83.36)**	857.31	789.41

**** Out of the Rs 1.5 billion of income tax expense, Rs 1.3 billion relates to income tax expense for the years 2007 to 2017 and the current tax expense amounts to Rs 317 million.***

The notes on pages 13 to 67 form an integral part of these financial statements.
Independent auditors' report on pages 6 to 8.

		THE COMPANY		
	Notes	2018	2017	2016
ASSETS		Rs.	Rs.	Rs.
Cash and cash equivalents	13	1,496,898,959	1,669,048,535	949,991,932
Loans and advances to members	14	33,863,493,259	34,606,979,924	33,544,368,801
Investment in subsidiary	15	-	-	10,000,000
Placements with bank and non-bank financial institutions	16	3,376,226,955	4,470,327,150	3,499,219,463
Financial assets at amortised cost	17	2,665,379,865	-	-
Property, plant and equipment	18	176,611,157	190,767,126	200,307,514
Intangible assets	19	5,594,308	37,326,156	62,566,978
Investment properties	20	236,810,723	236,741,667	196,866,667
Deferred tax assets	11(b)	92,011,801	-	-
Other assets	21	27,728,230	240,895,884	214,507,848
Total assets		41,940,755,257	41,452,086,442	38,677,829,203
LIABILITIES				
Deposits from customers	22	28,452,994,876	28,231,618,830	26,983,154,303
Interest bearing loans	23	179,692,567	429,540,552	675,984,548
Current tax liabilities	11(a)	697,999,751	3,449,074	3,099,389
Funds	24	3,304,238,683	3,284,417,761	3,229,790,653
Pension benefit obligations	25	7,691,000	55,440,000	37,953,000
Other liabilities	26	120,497,293	131,654,285	79,618,577
Total liabilities		32,763,114,170	32,136,120,502	31,009,600,470
Shareholders' equity				
Share capital	27	195,909,440	199,548,700	199,018,000
Treasury shares	28	28,653,400	24,416,900	24,414,500
Retained earnings	29	8,538,188,206	8,677,368,904	7,295,172,429
Revalution reserve	29	3,480,852	3,480,852	3,480,852
Statutory reserve	29	224,562,840	223,965,600	223,432,500
Actuarial reserves	29	(70,161,378)	(94,313,548)	(77,289,548)
Other reserves	29	257,007,727	281,498,532	-
Total equity		9,177,641,087	9,315,965,940	7,668,228,733
Total equity and liabilities		41,940,755,257	41,452,086,442	38,677,829,203

These financial statements have been approved for issue by the Board of Directors on September 27, 2018 and signed on its behalf by:

Mr. P. Neerunjun
Chairperson

Mr. N. Dabeesingh
Chief Executive Officer

The notes on pages 13 to 67 form an integral part of these financial statements.
Independent auditors' report on pages 6 to 8.

THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD
STATEMENTS OF CHANGES IN EQUITY - YEAR ENDED JUNE 30, 2018

	Share capital	Treasury shares	Statutory reserve	Revaluation reserves	Other Reserve	Actuarial reserves	Retained earnings	Total equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance at July 1, 2015	198,930,800	23,778,100	222,708,900	3,480,852	-	(18,925,548)	5,766,976,985	6,196,950,089
Issue of shares (note 27)	723,600	-	-	-	-	-	-	723,600
Profit for the year	-	-	-	-	-	-	1,568,705,203	1,568,705,203
Other comprehensive income for the year	-	-	-	-	-	(58,364,000)	-	(58,364,000)
Total comprehensive income	-	-	-	-	-	(58,364,000)	1,568,705,203	1,510,341,203
Movement in respect of the year (note 29)	-	-	723,600	-	-	-	(723,600)	-
Transfer to treasury shares (note 27)	(636,400)	636,400	-	-	-	-	-	-
Dividend declared (note 30)	-	-	-	-	-	-	(39,786,159)	(39,786,159)
Balance at June 30, 2016	**199,018,000**	24,414,500	**223,432,500**	**3,480,852**	**-**	**(77,289,548)**	**7,295,172,429**	**7,668,228,733**
Balance at July 1, 2016	199,018,000	24,414,500	223,432,500	3,480,852	-	(77,289,548)	7,295,172,429	7,668,228,733
Issue of shares (note 27)	533,100	-	-	-	-	-	-	533,100
Profit for the year	-	-	-	-	-	-	1,708,914,608	1,708,914,608
Other comprehensive income for the year	-	-	-	-	-	(17,024,000)	-	(17,024,000)
Total comprehensive income	-	-	-	-	-	(17,024,000)	1,708,914,607	1,691,890,608
Movement in respect of the year (note 29)	-	-	533,100	-	281,498,532	-	(282,031,632)	-
Transfer to treasury shares (note 27)	(2,400)	2,400	-	-	-	-	-	-
Dividend declared (note 30)	-	-	-	-	-	-	(44,686,500)	(44,686,500)
Balance at June 30, 2017	199,548,700	24,416,900	223,965,600	3,480,852	281,498,532	(94,313,548)	8,677,368,904	9,315,965,940
Balance at July 1, 2017	**199,548,700**	**24,416,900**	**223,965,600**	**3,480,852**	**281,498,532**	**(94,313,548)**	**8,677,368,904**	**9,315,965,940**
Issue of shares (note 27)	**597,240**	**-**	**-**	**-**	**-**	**-**	**-**	**597,240**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(163,074,263)**	**(163,074,263)**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**24,152,170**	**-**	**24,152,170**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**24,152,170**	**(163,074,263)**	**(138,922,093)**
Movement in respect of the year (note 29)	**-**	**-**	**597,240**	**-**	**(24,490,805)**	**-**	**23,893,565**	**-**
Transfer to treasury shares (note 27 & 28)	**(4,236,500)**	**4,236,500**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at June 30, 2018	**195,909,440**	**28,653,400**	**224,562,840**	**3,480,852**	**257,007,727**	**(70,161,378)**	**8,538,188,206**	**9,177,641,087**

The notes on pages 13 to 67 form an integral part of these financial statements.
Independent auditors' report on pages 6 to 8.

	Notes	THE COMPANY 2018	2017	2016
		Rs.	Rs.	Rs.
Cash flows from operating activities				
Profit before income tax		**1,321,601,056**	1,724,009,799	1,582,807,160
Adjustments for:				
Allowance for credit impairment	8	**79,525,051**	60,803,390	41,058,410
Depreciation	18	**23,863,244**	24,603,317	21,884,203
Amortisation of intangible assets	19	**33,322,068**	30,125,483	31,434,568
Interest income	6	**(3,326,785,499)**	(3,468,395,990)	(3,497,115,376)
Interest expense	6	**1,449,820,683**	1,600,829,881	1,733,349,337
Pension (income)/expense	25(iv)	**(18,650,000)**	463,000	(4,663,000)
Fair value loss on investment properties	20	**2,322,287**	922,965	880,033
Gain on sale of property, plant and equipment	7	**(740,000)**	-	-
Gain on winding up of subsidiary	15	**-**	(1,609)	-
Penalty and interest on tax assessment	10 (b)	**362,288,704**	-	-
Unrealised exchange difference		**256,376**	(178,240)	4,537,500
Change in fair value of funds	24(a)&(b)	**(92,650,000)**	(85,470,000)	-
		(165,826,030)	(112,288,004)	(85,827,165)
Changes in operating assets and liabilities				
Decrease/(increase) in loans and advances to members		**494,312,356**	(1,056,683,369)	(1,958,170,080)
Decrease/(increase) in other assets		**213,580,202**	(25,928,916)	(14,883,688)
Increase in deposits from customers		**363,198,768**	1,119,077,284	1,627,923,581
(Decrease)/increase in other liabilities		**(44,890,020)**	51,209,708	(12,008,784)
Increase in funds		**194,778,632**	149,258,447	217,341,707
Interest received		**3,286,654,860**	3,403,439,034	3,370,570,977
Interest paid		**(1,516,120,971)**	(1,480,603,976)	(1,574,360,107)
Interest and penalty paid		**(295,168,797)**	-	-
Income tax paid	11(a)	**(887,083,273)**	(14,745,506)	(13,787,517)
Net cash generated from operating activities		**1,643,435,727**	2,032,734,702	1,556,798,924
Cash flows from investing activities				
Movement in placements with bank and non-bank financial institutions		**1,120,000,000**	(972,881,875)	(825,160,635)
Proceeds from matured Investment securities	17	**1,408,200,000**	-	-
Addition of investment securities	17	**(4,047,362,942)**	-	-
Proceeds from winding of subsidiary		**-**	1,609	-
Purchase of property, plant and equipment	18	**(12,511,178)**	(55,376,939)	(39,228,014)
Proceeds from sale of property, plant and equipment	7	**740,000**	-	-
Purchase of intangible assets	19	**(1,590,220)**	(4,884,661)	(42,982,742)
Purchase of investment property	20	**-**	(943,077)	(8,752,755)
Net cash used in investing activities		**(1,532,524,340)**	(1,034,084,943)	(916,124,146)
Cash flows from financing activities				
Proceeds from issuing shares	27	**597,240**	533,100	723,600
Decrease in interest bearing loans		**(250,014,947)**	(246,443,996)	(238,106,586)
Dividend paid	30	**(33,386,879)**	(33,860,500)	(34,497,420)
Net cash used in financing activities		**(282,804,586)**	(279,771,396)	(271,880,406)
Net increase in cash and cash equivalents		**(171,893,199)**	718,878,363	368,794,372
Effect of foreign exchange rate changes		**(256,376)**	178,240	(4,537,500)
Cash and cash equivalents at beginning of year		**1,669,048,535**	949,991,932	585,735,060
Cash and cash equivalents at end of year	13	**1,496,898,959**	1,669,048,535	949,991,932

The notes on pages 13 to 67 form an integral part of these financial statements.
Independent auditors' report on pages 6 to 8.

1. GENERAL INFORMATION

The Mauritius Civil Service Mutual Aid Association Ltd was incorporated in Mauritius on July 29, 1913 under the Companies Ordinance No.35 of 1912 as a limited liability company. The address of its registered office is 5, Guy Rozemont Square, Port Louis. The activities of the Company are mainly to grant loans to its associates and staffs; to make provisions for a scheme of retirement benefits for its associates and the public; and has a deposit taking licence which allows it to accept deposits from the public. The types of deposits accepted by the Company include term deposits.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of The Mauritius Civil Service Mutual Aid Association Ltd (the "Company") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis, except for

(i) financial assets are carried at amortised cost;

(ii) relevant financial assets and liabilities are stated at their fair values; and

(iii) investment properties are stated at fair value

The financial statements are presented in Mauritian Rupees ('Rs'), and all values are rounded to the nearest rupee, except where otherwise indicated.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC interpretations adopted in the year commencing July 1, 2017:

<u>Amendments</u>	**Effective for accounting period beginning on or after**
Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses	January 1, 2017
Amendment to IAS 7 - Disclosure Initiative	January 1, 2017

Where the adoption of the standard or interpretation or improvement is deemed to have an impact on the financial statements or performance of the Company, its impact is described below:

Amendments to IAS 12 Income Taxes

In January 2017, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The amendment did not have a material impact on the financial statements.

Amendments to IAS 7 - Disclosure Initiative

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide Comparative information for preceding periods.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (Continued)

Amendments to IAS 7 - Disclosure Initiative (Continued)

There has been no impact following the adoption of this standard on the financial statements for the current year as the notes and policies already included in the financial statements provide good understandability and comparability to the users.

2.3 Accounting standards and interpretations issued but not yet effective

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on the specified dates, but the Company has not early adopted them and intends to adopt those standards when they become effective.

New or revised standards and interpretations:

	Effective for accounting period beginning on or after
<u>**New or revised standards**</u>	
IFRS 9 Financial Instruments	January 1, 2018
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
IFRS 16 Leases	January 1, 2019
IFRS 17 Insurance Contracts	January 1, 2021
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018
<u>**Amendments**</u>	
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	deferred indefinitely
Transfers of Investment Property (Amendments to IAS 40)	January 1, 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	January 1, 2018
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	January 1, 2018
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	January 1, 2018
IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters	January 1, 2018
IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice	January 1, 2018
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	January 1, 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019

IFRS 9 Financial Instruments – Classification and measurement of financial assets, Accounting for financial liabilities and derecognition

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and will be effective as from 1 January 2018. IFRS 9 includes requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The impairment requirements will lead to significant changes in the accounting for financial instruments for the Company. The
Company will not restate comparatives on initial application of IFRS 9 on 1 January 2018 but will provide detailed transitional disclosures in accordance with the amended requirements of IFRS 7 Financial Instruments: Disclosures. Any change in the carrying value of financial instruments upon initial application of IFRS 9 will be recognised in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Accounting standards and interpretations issued but not yet effective (Continued)

IFRS 9 Financial Instruments – Classification and measurement of financial assets, Accounting for financial liabilities and derecognition (Continued)

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

(a) Classification and measurement of financial assets

IFRS 9 will require financial assets to be classified on the basis of two criteria:

1) The business model within which financial assets are managed; and
2) Their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest').

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest.

Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election for non-traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition and impairment is not recognised in profit or loss.

The accounting for financial liabilities is largely unchanged.

An assessment of potential changes to financial assets has been conducted, including an assessment of business models across various portfolios, and a review of contractual cash flow features for complex financial assets.
The initial application of the Company's new classification and measurement policies on July 1, 2018 is not expected to result in any material changes to the measurement of the Company's financial assets and financial liabilities.

Expected impact

<u>Transition</u>

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The Company will apply the new rules from July 1, 2018, however, comparatives for previous years will not be restated.

<u>Classification and measurement</u>

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

There will be no change in the classification of cash and cash equivalents, loans and advances to members, placement with bank and non-bank institutions, financial assets at amortised costs and other assets as all the financial assets will be kept at amortised cost under IFRS 9.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Accounting standards and interpretations issued but not yet effective (Continued)

IFRS 9 Financial Instruments – Classification and measurement of financial assets, Accounting for financial liabilities and derecognition (Continued)

(b) Impairment

IFRS 9 introduces a revised impairment model which requires entities to recognise Expected Credit Losses ('ECL') based on unbiased forward-looking information. This replaces the existing IAS 39 incurred loss model which only recognises impairment if there is objective evidence that a loss is already incurred and would measure the loss based on the most probable outcome. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. This presents a change from the scope of the IAS 39 impairment model which excludes loan commitments and financial guarantee contracts (these were covered by IAS 37: Provisions, Contingent Liabilities and Contingent Assets).

The measurement of expected credit loss will involve increased complexity and judgement including estimation of probabilities of default, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk.

Exposures would be divided into 3 stages as follows:

Stage 1: Exposures for where a significant increase in credit risk has not occurred since origination. For these exposures a 12 months expected credit loss will be recognised.

Stage 2: Exposures for which a significant increase in credit risk has occurred since origination. The Bank will assess whether a significant increase in credit risk has occurred based on qualitative and quantitative drivers; as well as exposures that are more than 30 days past due contractual payment date. Lifetime expected credit losses will be recognised for these assets.

Stage 3: Exposures which meet the definition of default. The Company has aligned its definition of default with the guideline issued by the Bank of Mauritius on Credit Impairment Measurement and Income Recognition, which considers exposures that are more than 90 days past due, forbearance, as well as indicators that an exposure is unlikely to pay. Lifetime expected credit losses will be recognized for these assets.

The revised impairment model is expected to have a material financial impact on the recognition of impairment losses going forward, as well as existing impairment provisions previously recognised in terms of the requirements of IAS 39. Impairment provisions are expected to increase from IAS 39 provisioning as a result of:

- The removal of the emergence period that was necessitated by the incurred loss model of IAS 39. All stage 1 assets will carry a 12 months expected credit loss provision. This differs from IAS 39 where unidentified impairments were typically measured with an emergence period of between 3 to 12 months.
- The provisioning for lifetime expected credit losses on stage 2 assets; where some of these assets would not have attracted a lifetime expected credit loss measurement per IAS 39.
- The implementation of a default definition for exposures that are more than 90 days past due, as well as for certain indicators that an exposure or obligor is unlikely to pay.
- The inclusion of forecasted macroeconomic scenarios into the expected credit losses of a portfolio;
- The inclusion of expected credit losses on items that typically would not have been impaired under IAS 39, such as loan commitments.

The adoption of IFRS 9 on July 1, 2018, by applying the accounting policies and ECL measurement methodologies outlined above, is expected to result in the following movements:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Accounting standards and interpretations issued but not yet effective (Continued)

IFRS 9 Financial Instruments – Classification and measurement of financial assets, Accounting for financial liabilities and derecognition (Continued)

(b) Impairment (Continued)

Expected impact

There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The de-recognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments, and loan and advances to members and the impact will not be materially different from that of IAS 39.

Hedge accounting

As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, this will not have an impact on the Company as it does not have any hedge.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the modified retrospective approach.

The standard will not have a significant impact on the performance of the Company.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Accounting standards and interpretations issued but not yet effective (Continued)

IFRS 16 Leases (Continued)

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Company do not anticipate early adoption of IFRS 16 and is currently evaluating its impact.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using Mauritian rupees, the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Mauritian rupees, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions, if any, are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'.

(b) Investments in subsidiary

In the separate financial statements of the investor, investments in subsidiary companies are carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments.

(c) Financial instruments

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (Continued)

(i) Financial assets (Continued)

Initial recognition and measurement (Continued)

The Company's financial assets include cash and cash equivalent, loans and advances to members, financial assets at amortised cost and placements with bank and non-bank financial institutions which are classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in profit or loss. The losses arising from impairment are recognised in profit or loss.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Company's financial liabilities include deposit from customers, interest bearing loans and other liabilities classified as loans and borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (Continued)

(ii) Financial liabilities (Continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method ("EIR") amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(d) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(f) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Fair value measurement (Continued)

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as land and buildings. Involvement of external valuers is decided upon every 3 years. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussions with their external valuers, which valuation techniques and inputs to use for each case.

(g) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks, namely credit risk, interest rate risk, liquidity risk and other risks as detailed below:

The Company's overall risk management programme seeks to minimise potential adverse effects of the Company's financial performance.

Credit risk

The Company takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises principally from the Company's loans granted to members of the Association only.

Such risk is managed through regular review of loan arrears, followed by appropriate actions taken by management. Exposure to credit risk is also managed by obtaining personal guarantee of at least one, depending on loan schemes. Furthermore, in case the loanees pass away, the loans are written off against the Mutual Solidarity Contribution. Given the nature of the Association's activities which is to lend to members who are civil servants, the loan instalments are deducted at source form the members' salaries and remitted to the Association by the respective employers, thereby limiting the risk of default to circumtances such as death,resignation or termination of the employment within the civil service. However, loans are granted to members only after assessing the repayment capacity of the latter as per the Company's policy.

(i) Credit risk exposure

	THE COMPANY		
	2018	2017	2016
	Rs.	Rs.	Rs.
At June 30,	**33,863,493,259**	34,606,979,924	33,544,368,801

(ii) Loans past due and not impaired

At June 30,	**-**	-	-

(iii) Loans due and impaired

1 to 6 months	**462,621,958**	477,523,866	418,078,886
6 to 12 months	**168,004,267**	146,555,300	143,054,970
Over 12 months	**287,046,466**	225,869,320	166,250,745
	917,672,691	849,948,486	727,384,601
Assessed portion of recoverable loans	**636,980,537**	672,004,289	591,415,334

The past due and impaired loans relate to a number of members with recurrent default in effecting payments for loan instalments and deceased members.

The carrying amount of loans are denominated in Mauritius Rupees and approximates its fair value.

The maximum exposure to credit risk at the reporting date is the fair value of the asset concerned.

The Company do not hold any collateral as security for the past due and impaired loans.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

Credit risk (Continued)

(iv) Collateral and other credit enhancements

The use of credit risk mitigants is an integral part of the credit risk management process and is documented in the Company's Credit Risk policy. The amount and type of collateral required depend on the members' credit quality and repayment capacity. The principal collateral types taken include:

- Fixed / floating charge on assets of members
- Pledge of deposits / RSF

Interest rate risk

Critical accounting estimates and judgements

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Company’s view of possible near-term market changes that cannot be predicted with any certainty.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company uses an interest rate gap analysis to measure and monitor the interest rate risk.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

Interest rate risk (Continued)

The tables below summarise the Company's exposure to interest rate risks. It includes the Company's assets and liabilities at carrying amounts, categorised by either the earlier of contractual repricing or maturity dates. The 'within 1 year' column include the financial assets and liabilities which have floating rates of interest that do not reprice at set dates, but rather reprice whenever the underlying interest rate index change.

As at June 30, 2018

	Within 1 year	**1-5 years**	**Over 5 years**	**Non interest bearing**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Assets					
Cash and cash equivalents	**1,496,898,959**	**-**	**-**	**-**	**1,496,898,959**
Placements with bank and non-bank financial institutions	**2,230,597,093**	**1,145,629,863**	**-**	**-**	**3,376,226,956**
Financial assets at amortised cost	**1,286,157,117**	**1,379,222,748**	**-**	**-**	**2,665,379,865**
Loans and advances	**34,437,779,657**	**9,140,336**	**32,176,509**	**-**	**34,479,096,502**
Other assets	**-**	**-**	**-**	**2,431,389**	**2,431,389**
	39,451,432,826	**2,533,992,947**	**32,176,509**	**2,431,389**	**42,020,033,671**
Less allowances for credit impairment	**-**	**-**	**-**	**-**	**(615,603,243)**
	39,451,432,826	**2,533,992,947**	**32,176,509**	**2,431,389**	**41,404,430,428**
Liabilities					
Deposits	**25,013,033,323**	**2,717,112,795**	**722,848,758**	**-** #	**28,452,994,876**
Interest bearing loans	**179,692,567**	**-**	**-**	**-**	**179,692,567**
Other liabilities	**-**	**-**	**-**	**120,497,293**	**120,497,293**
Funds	**1,756,446,253**	**-**	**-**	**1,547,792,430**	**3,304,238,683**
	26,949,172,143	**2,717,112,795**	**722,848,758**	**1,668,289,723**	**32,057,423,419**
Total interest repricing gap	**12,502,260,683**	**(183,119,848)**	**(690,672,249)**	**(1,665,858,333)**	**9,962,610,252**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

Interest rate risk (Continued)

As at June 30, 2017	1 year	1-5 years	Over 5 years	Non interest bearing	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Assets					
Cash and cash equivalents	1,669,048,535	-	-	-	1,669,048,535
Placements with bank and non-bank financial institutions	3,736,619,890	733,707,260	-	-	4,470,327,150
Loans and advances	35,080,768,320	-	49,811,743	-	35,130,580,063

Other assets	-	-	-	1,333,944	1,333,944
	40,486,436,745	733,707,260	49,811,743	1,333,944	41,271,289,692
Less allowances for credit impairment	-	-	-	-	(523,600,139)
	40,486,436,745	733,707,260	49,811,743	1,333,944	40,747,689,553
Liabilities					
Deposits	28,231,618,830	-	-	-	28,231,618,830
Interest bearing loans	429,540,552	-	-	-	429,540,552
Other liabilities	-	-	-	131,654,285	131,654,285
Funds	1,655,980,999	-	-	1,628,436,761	3,284,417,760
	30,317,140,381	-	-	1,760,091,046	32,077,231,427
Total interest repricing gap	10,169,296,363	733,707,260	49,811,743	(1,758,757,102)	9,194,058,265

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

Interest rate risk (Continued)

As at June 30, 2016	Within 1 year	1-5 years	Over 5 years	Non interest bearing	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Assets					
Cash and cash equivalents	949,991,932	-	-	-	949,991,932
Placements with bank and non-bank financial institutions	3,499,219,463	-	-	-	3,499,219,463
Loans and advances	33,971,138,281	5,602,304	40,831,823	-	34,017,572,408
Other assets	-	-	-	1,118,515	1,118,515
	38,420,349,676	5,602,304	40,831,823	1,118,515	38,467,902,318
Less allowances for credit impairment	-	-	-	-	(473,203,607)
	38,420,349,676	5,602,304	40,831,823	1,118,515	37,994,698,711

THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD

Liabilities					
Deposits	26,983,154,303	-	-	-	26,983,154,303
Interest bearing loans	675,984,548	-	-	-	675,984,548
Other liabilities	-	-	-	79,618,577	79,618,577
Funds	1,546,574,684	-	-	1,683,215,969	3,229,790,653
	29,205,713,535	-	-	1,762,834,546	30,968,548,081
Total interest repricing gap	9,214,636,141	5,602,304	40,831,823	(1,761,716,031)	7,499,354,237

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

Interest rate risk (Continued)

At June 30, 2018, 2017 and 2016, if interest rates on floating interest bearing assets and liabilities had been 10 basis points higher/lower, with all other variables held constant, post-tax profit for the year would have been as follows:

	THE COMPANY		
	Effect on post-tax profit	Effect on post-tax profit	Effect on post-tax profit
	2018	2017	2016
	Rs.	Rs.	Rs.
Effect of an increase in interest rate	**12,502,261**	10,169,296	9,214,636
Effect of a decrease in interest rate	(12,502,261)	(10,169,296)	(9,214,636)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset.

Being a financial institution, the Company is subject to statutory obligations whereby it has to meet Bank of Mauritius requirements and also by availing credit facilities from banks.

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow and does not foresee any major liquidity risk over the next two years.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

As at June 30, 2018

	Within 1 year	**1-5 years**	**Over 5 years**	**On demand**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Assets					
Cash and cash	**1,496,898,959**	**-**	**-**	**-**	**1,496,898,959**
Placements with bank and non-bank financial institutions	**1,769,929,349**	**1,680,911,027**	**-**	**-**	**3,450,840,376**
Financial assets at amortised cost	**1,347,967,500**	**1,440,551,250**	**-**	**-**	**2,788,518,750**
Loans and advances	**5,700,317,949**	**22,801,271,794**	**21,407,500,468**	**-**	**49,909,090,211**
Other assets*	**-**	**-**	**-**	**1,746,386**	**1,746,386**
	10,315,113,757	**25,922,734,071**	**21,407,500,468**	**1,746,386**	**57,647,094,682**
Liabilities					
Deposits	**5,886,153,319**	**17,491,069,710**	**8,286,738,490**	**-**	**31,663,961,519**
Interest bearing loans	**164,740,519**	**18,940,324**	**-**	**-**	**183,680,843**
Other liabilities**	**-**	**-**	**-**	**53,377,386**	**53,377,386**
Funds ***	**107,680,556**	**237,243,861**	**1,411,521,835**	**1,547,792,430**	**3,304,238,682**
	6,158,574,394	**17,747,253,895**	**9,698,260,325**	**1,601,169,816**	**35,205,258,430**
Liquidity gap	**4,156,539,363**	**8,175,480,176**	**11,709,240,143**	**(1,599,423,429)**	**22,441,836,252**

* Other assets exclude advance payment through plant , property and equipments and software and prepayments.

** Other liabilities exclude interest and penalties payable.

*** Funds include GBS, MSF and RSF (Note 24). GBS and MSF are on demand since they do not have any maturity whereas RSF has been classified within each buckets based on maturity of the deposits made by contibutors.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

Liquidity risk (Continued)

As at June 30, 2017	**Within 1 year**	**1-5 years**	**Over 5 years**	**On demand**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**

Assets					
Cash and cash	1,669,048,535	-	-	-	1,669,048,535
Placements with bank and non-bank financial institutions	3,594,591,080	875,736,070	-	-	4,470,327,150
Loans and advances	2,998,362,018	13,811,897,037	28,486,102,754	-	45,296,361,809
Other assets	-	-	-	1,687,227	1,687,227
	8,262,001,633	**14,687,633,107**	**28,486,102,754**	**1,687,227**	**51,437,424,721**
Liabilities					
Deposits	6,635,135,580	17,554,319,886	9,657,941,910	-	33,847,397,376
Interest bearing loans	276,082,363	153,458,189	-	-	429,540,552
Other liabilities	-	-	-	131,654,285	131,654,285
Funds *	238,861,476	296,566,330	2,123,433,542	1,628,436,761	4,287,298,109
	7,150,079,419	**18,004,344,405**	**11,781,375,452**	**1,760,091,046**	**38,695,890,322**
Liquidity gap	**1,111,922,214**	**(3,316,711,298)**	**16,704,727,302**	**(1,758,403,819)**	**12,741,534,399**

* Funds include GBS, MSF and RSF (Note 24). GBS and MSF are on demand since they do not have any maturity whereas RSF has been classified within each buckets based on maturity of the deposits made by contibutors.

As at June 30, 2016

	Within 1 year	1-5 years	Over 5 years	On demand	Total
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Assets					
Cash and cash	949,991,932	-	-	-	949,991,932
Placements with bank and non-bank financial institutions	3,499,219,463	-	-	-	3,499,219,463
Loans and advances	2,614,032,013	8,084,601,084	23,318,939,311	-	34,017,572,408
Other assets	-	-	-	485,430	485,430
	7,063,243,408	**8,084,601,084**	**23,318,939,311**	**485,430**	**38,467,269,233**

	Within 1 year	1-5 years	Over 5 years	On demand	Total
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Liabilities					
Deposits	4,701,431,019	12,743,819,542	9,537,903,742	-	26,983,154,303
Interest bearing loans	276,082,363	399,902,185	-	-	675,984,548
Other liabilities	-	-	-	79,618,577	79,618,577
Funds *	39,976,456	201,390,154	1,305,208,074	1,683,215,969	3,229,790,653
	5,017,489,838	**13,345,111,881**	**10,843,111,816**	**1,762,834,546**	**30,968,548,081**
Liquidity gap	**2,045,753,570**	**(5,260,510,797)**	**12,475,827,495**	**(1,762,349,116)**	**7,498,721,152**

* Funds include GBS, MSF and RSF (Note 24). GBS and MSF are on demand since they do not have any maturity whereas RSF has been classified within each buckets based on maturity of the deposits made by contibutors.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

Currency risk

As at 30 June 2018, the Company had financial assets denominated in US dollars with respect to accounts and placements held with local commercial banks amounting to Rs. 13,094,637 (2017: Rs. 25,203,119 and 2016: Rs. 35,947,629).

Sensitivity analysis

At June 30, 2018, 2017 and 2016, if the USD had weakened/strengthened by 5% against the MUR with all variables held constant, post-tax profit and equity of the Company would have as follows:

		THE COMPANY		
	Increase / (decrease) in foreign exchange rate	**Effect on post-tax profit and equity 2018**	Effect on post-tax profit and equity 2017	Effect on post-tax profit and equity 2016
Currency		**Rs.**	Rs.	Rs.
MUR in relation to USD	**+5%**	**(654,732)**	(1,260,156)	(1,797,381)
MUR in relation to USD	**-5%**	**654,732**	1,260,156	1,797,381

3.2 Other risks

Compliance risk

Compliance risk is the risk that the company fails to comply with existing statutory and compliance regulations, thereby impacting adversely on the Company’s financial position and reputation. This is managed through continuous review of systems in place, adherence to company’s procedure manuals and assignment of the compliance department independent of the normal course of transactions. The Compliance Department has well structured with qualified staffs. The department ensures that the activities carried out are in conformity with the laws, regulations, and guidelines governing the banking sector and with the principles of good governance. Any departure is reported to the Audit and Corporate Governance Committee.

Operational risk management

Operational risk is the risk of financial loss and business instability arising from failures in internal controls, operational processes or other supporting systems.

It is understood that such risks cannot be entirely eliminated and the cost of controls in minimising these risks may outweigh the potential benefits. As part of the implementation of the Company's risk strategy, independent checks on risk issues are undertaken by the Internal Audit unit.

Legal risk

Legal risk is the risk that the business activities of the Company have unintended or unexpected consequences. It includes risk arising from:

- Inadequate documentation, legal or regulatory incapacity, insufficient authority of a counterparty and uncertainty about the validity or enforceability of a contract in counterparty insolvency;
- Actual or potential violations of laws or regulations (including activities unauthorised for the financial institution and which attract a civil or criminal fine or penalty);
- Failure to protect the Company's property;
- The possibility of civil claims (including acts or other events which may lead to litigation or other disputes).

The Company identifies and manages legal risk through its legal advisers.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Other risks (Continued)

Reputational risk

Mutual Aid considers management of reputation as crucial for maintenance of value advantage and it defines reputation as an intangible asset greater than brand. The Company is aware that reputation is affected when something is done that causes stakeholders to lose trust in an organisation. Mutual Aid manages reputation risk through:

- Effective framework of prudential management and good governance;
- Efficient communications with all stakeholders;
- Effective Media management;
- Timely and effective operational response.

3.3 Capital risk management

The Company's objectives when managing capital are:

- to comply with the capital requirements set by the Bank of Mauritius,
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for members and benefits
- to provide an adequate return to members by adjusting interest rates commensurately with the level of risk.

The Company monitors capital on the basis of the debt-to-capital ratio. This ratio is calculated as net debt to capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Capital comprises all components of equity.

The target level of debt to capital ratio is 10 times . However, given the high level of capital adequacy ratio of the Company, the debt to equity is relatively low, which testifies the financial strength of the Company. Taking into consideration the business model of the Company and the relatively low level of default, the risk of a high debt to equity is remote. Nevertheless, the Company is constantly monitoring its level of debt so as to maintain it at a level less than 10 times (as shown below). As regards to the capital adequacy ratio, the minimum required is 10 %, whereas for the period under review, the Company has maintained a capital adequacy ratio of 50 % which is within the minimum requirements.

The debt-to-capital ratios at June 30, 2018, at June 30, 2017 and at June 30, 2016 were as follows:

	THE COMPANY		
	2018	2017	2016
	Rs.	Rs.	Rs.
Total debt	**28,632,687,444**	28,661,159,382	27,659,138,851
Less: cash and cash equivalents	**(1,496,898,959)**	(1,669,048,535)	(949,991,932)
Net debt	**27,135,788,485**	26,992,110,847	26,709,146,919
Total equity	**9,177,641,087**	9,315,965,940	7,668,228,733
Debt-to-capital ratio	2.96:1	2.9:1	3.48:1

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value estimation

All the financial instruments approximate their fair values, except where otherwise stated.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Compay makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates

(i) Impairment losses on loans and advances: Note 14 (c) Allowances for credit impairment & Note 8 Net Impairment loss on financial assets

(ii) Pension benefits: Note 25 Pension benefit obligations

(iii) Revaluation of investment properties: Note 20 Investment Properties

(iv) Guarantee Benevolent Scheme (GBS) and Mutual Solidarity Contribution (MSC): Note 24 (a) & (b) Guarantee Benevolent Scheme and Mutual Solidarity Contribution

Judgement

(i) Limitation of sensitivity analysis: Note 3.1 Financial risk factors

5. CLASSIFICATION OF ASSETS AND LIABILITIES BETWEEN CURRENT AND NON-CURRENT

The table below shows an analysis of assets and liabilities classified between current and non-current.

As at June 30, 2018	Within 12 months	After 12 months	Total
	Rs.	Rs.	Rs.
Assets			
Cash and cash equivalents	1,496,898,959	-	1,496,898,959
Loans and advances to members	69,926,808	33,793,566,451	33,863,493,258
Placements with bank and non-bank financial institutions	1,762,903,052	1,613,323,903	3,376,226,955
Financial assets at amortised cost	1,286,157,117	1,379,222,748	2,665,379,865
Property, plant and equipment	-	176,611,157	176,611,157
Intangible assets	-	5,594,308	5,594,308
Investment property	-	236,810,723	236,810,723
Other assets	27,728,230	-	27,728,230
	4,643,614,165	37,205,129,291	41,848,743,455
Liabilities			
Deposits from customers	5,297,954,128	23,155,040,748	28,452,994,876
Interest bearing loans	160,765,342	18,927,225	179,692,567
Current tax liabilities	697,999,751	-	697,999,751
Funds	1,655,472,987	1,648,765,696	3,304,238,683
Employee benefit obligations	-	7,691,000	7,691,000
Other liabilities	120,497,293	-	120,497,293
	7,932,689,501	24,830,424,669	32,763,114,170

5. CLASSIFICATION OF ASSETS AND LIABILITIES BETWEEN CURRENT AND NON-CURRENT (CONTINUED)

The table below shows an analysis of assets and liabilities classified between current and non-current.

As at June 30, 2017	**Within 12 months**	**After 12 months**	**Total**
	Rs.	Rs.	Rs.
Assets			
Cash and cash equivalents	1,669,048,535	-	1,669,048,535
Loans and advances to members	197,195,381	34,933,384,682	35,130,580,063
Placements with bank and non-bank financial institutions	3,594,591,080	875,736,070	4,470,327,150
Property, plant and equipment	-	190,767,126	190,767,126
Intangible assets	-	37,326,156	37,326,156
Investment property	-	236,741,667	236,741,667
Other assets	240,895,884	-	240,895,884
	5,701,730,880	36,273,955,701	41,975,686,581
Liabilities			
Deposits from customers	5,597,381,267	22,634,237,563	28,231,618,830
Interest bearing loans	276,082,363	153,458,189	429,540,552
Current tax liabilities	3,449,074		3,449,074
Funds	1,655,980,999	1,628,436,761	3,284,417,760
Employee benefit obligations	-	55,440,000	55,440,000
Other liabilities	131,654,285	-	131,654,285
	7,664,547,988	24,471,572,513	32,136,120,501

5. CLASSIFICATION OF ASSETS AND LIABILITIES BETWEEN CURRENT AND NON-CURRENT (CONTINUED)

The table below shows an analysis of assets and liabilities classified between current and non-current.

As at June 30, 2016	Within 12 months	After 12 months	Total
	Rs.	Rs.	Rs.
Assets			
Cash and cash equivalents	949,991,932	-	949,991,932
Loans and advances to members	33,971,138,281	46,434,127	34,017,572,408
Investment in subsidiary company	-	10,000,000	10,000,000
Placements with bank and non-bank financial institutions	3,499,219,463	-	3,499,219,463
Property, plant and equipment	-	200,307,514	200,307,514
Intangible assets	-	62,566,978	62,566,978
Investment property	-	196,866,667	196,866,667
Other assets	214,507,848	-	214,507,848
	38,634,857,524	516,175,286	39,151,032,810
Liabilities			
Deposits from customers	26,983,154,303	-	26,983,154,303
Interest bearing loans	675,984,548	-	675,984,548
Current tax liabilities	3,099,389		3,099,389
Funds	1,546,574,684	1,683,215,969	3,229,790,653
Employee benefit obligations		37,953,000	37,953,000
Other liabilities	79,618,577		79,618,577
	29,288,431,501	1,721,168,969	31,009,600,470

6. NET INTEREST INCOME

Accounting policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. Fees and commissions are recognised on an accrual basis, unless collectability is in doubt. and except for fees which are an integral part of the effective interest rate of loans. Rental income is recognised on accrual basis in accordance with the substance of the relevant agreements.

Interest expense

Interest expense is calculated on deposits from customers, interest bearing loans and retirement savings funds using the effective interest rate method.

	2018	2017	2016
	Rs.	Rs.	Rs.
Interest income			
Placements and bank balances	**142,232,032**	149,425,092	165,781,159
Loans and advances to members	**3,085,465,051**	3,250,346,237	3,265,963,537
Investment securities	**35,400,673**	-	-
Loan processing fees forming part of the effective interest rate	**63,687,743**	80,102,171	87,420,671
Total interest income	**3,326,785,499**	3,479,873,500	3,519,165,367
Interest expense			
Deposits from customers	**(1,358,988,742)**	(1,491,897,382)	(1,606,034,735)
Interest bearing loans	**(15,476,468)**	(29,650,892)	(43,733,315)
Interest paid on retirement savings fund	**(75,355,473)**	(79,281,607)	(83,581,287)
Total interest expense	**(1,449,820,683)**	(1,600,829,881)	(1,733,349,337)
Net interest income	**1,876,964,816**	1,879,043,619	1,785,816,030

7. OTHER INCOME

Accounting policy

Other fees include penalty fee income for early encashment of deposits and retirement savings fund and management fee income on Guarantee Benevolent Scheme. Other income are generally recognised on an accruals basis when the service has been provided.

	2018	2017	2016
	Rs.	Rs.	Rs.
Amount payable to subsidiary waived	**-**	10,000,000	-
Management fee	**1,464,295**	1,569,623	5,263,758
Penalty fee on early withdrawal of deposits	**4,719,929**	4,955,296	5,038,972
Gain on disposal of asset	**740,000**	51,800	-
Other fees	**1,107,925**	1,219,707	1,603,235
	8,032,149	17,796,426	11,905,965

The amount payable of Rs 10,000,000 was waived in 2017 since the subsidiary was winding up.

8. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

Accounting policy

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and advances to members

For amounts due from members carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are individually not significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

	2018	2017	2016
	Rs.	Rs.	Rs.
Loans and advances to members (note 14 (c))	**79,525,051**	60,803,390	41,058,410

9. PERSONNEL EXPENSES

	2018	2017	2016
	Rs.	Rs.	Rs.
Wages and salaries	**85,298,347**	77,029,280	80,731,601
Social security obligations	**2,286,085**	2,261,796	2,098,194
Defined contributions	**22,926,852**	373,199	353,976
Pension costs - defined benefit plans (note 25)	**(18,650,000)**	463,000	(4,663,000)
	91,861,285	80,127,275	78,520,771

10(a). OTHER EXPENSES

	2018	2017	2016
	Rs.	Rs.	Rs.
Printing, postage and stationery	**5,704,331**	2,859,525	3,662,210
Electricity and telephone	**9,928,103**	9,691,003	9,922,809
Security services	**3,038,100**	2,141,284	2,342,326
Legal and professional fees	**8,621,954**	4,791,428	3,835,495
Licences, rates and insurance	**3,274,706**	4,647,163	4,197,478
Repairs and maintenance	**20,243,184**	16,796,771	10,517,630
Director fees and training costs	**11,997,110**	11,639,664	10,867,556
Bank charges	**1,661,003**	1,846,711	1,976,415
Other expenses	**11,991,484**	10,392,718	9,391,673
Corporate social responsibility	**-**	1,880,261	2,023,842
Impairment of subsidiary	**-**	10,000,000	-
	76,459,975	76,686,528	58,737,434

Other expenses relate to cleaning expenses, syndic fees, sundry expenses, unrealised exchange difference and motor vehicle expenses.

10(b). PENALTY AND INTEREST ON TAX ASSESSMENT

Penalty and interest on tax assessment relates to tax claimed by MRA for the financial years ended 2007 to 2017.

11. TAXATION

Accounting policy

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the country where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity or in other comprehensive income is recognised directly in equity or in other comprehensive income and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Corporate social responsibility

Corporate social responsibility (CSR) was legislated by the government of Mauritius in July 2009. In terms of the legislation, the Company is required to remit 2% of its chargeable income of the preceding financial year to government approved CSR NGOs (Non-governmental organisations). As from July 2017, following amendments to the Finance Act 2017, the Company will now be required as from July 1, 2017 to June 30, 2018 to remit to the Director General at least 50% of the CSR contribution. After January 1, 2019, the Bank will be required to remit to the Director General at least 75% of the CSR contribution. This is recorded as part of income tax expense.

The applicable income tax rate in Mauritius is 17% (2017 and 2016: 15%).

11a. INCOME TAX EXPENSE

Statement of profit or loss	2018	2017	2016
	Rs.	Rs.	Rs.
Current tax expense	**249,214,041**	15,095,191	14,101,957
Income tax expense for years 2007 to 2017	**1,270,793,600**		
Corporate social responsibility	**67,342,563**	-	-
Over provision of income tax expense for years 2016 and 2017	**(5,716,254)**	-	-
Deferred tax (Note 11(b))	**(96,958,631)**	-	-
	1,484,675,319	15,095,191	14,101,957

11. TAXATION (CONTINUED)

11a. INCOME TAX EXPENSE (CONTINUED)

The taxes on the Company's profits before tax differ from the theoretical amounts that would arise using the basic tax rate of the Company are as follows:

	2018	2017	2016
	Rs.	Rs.	Rs.
Profit before tax	**1,321,601,056**	1,724,009,799	1,582,807,160
Tax calculated at a tax rate year at 17% (2017 and 2016: 15%)	**224,672,180**	258,601,470	237,421,074
Tax effect on:			
Income not subject to tax	**(16,082,000)**	(513,583,961)	(505,474,151)
Expenses not deductible for tax purposes	**61,589,080**	270,077,682	282,155,034
Over provision of income tax expense for years 2016 and 2017	**(5,716,254)**	-	-
Income tax expense for years 2007 to 2017	**1,270,793,600**	-	-
Underprovision for deferred tax	**(84,695,310)**	-	-
CSR for preceeding year	**34,114,024**	-	-
	1,484,675,320	15,095,191	14,101,957

For the financial year 2018, income not subject to tax includes surplus in valuation of funds.
Expenses not deductible for tax purposes includes penalty and interest on tax assessment.

Statement of financial position

	2018	2017	2016
At July, 1	**3,449,074**	3,099,389	2,784,949
Income tax payable for 2018	**249,214,041**	15,095,191	14,101,957
Income tax for years 2007 to 2014	**536,389,762**	-	-
Income tax for years 2015 to 2017	**734,403,838**	-	-
Corporate social responsibility contribution	**67,342,563**	-	-
Over provision of income tax expense	**(5,716,254)**	-	-
Income tax paid	**(887,083,273)**	(14,745,506)	(13,787,517)
At June, 30	**697,999,751**	3,449,074	3,099,389

The applicable income tax rate in Mauritius is 15% (2017 and 2016: 15%). An additional charge of 2% is applicable in respect of Corporate Social Responsibility as mentioned above in the accounting policy.

The Mauritius Revenue Authority (“MRA”) has issued a notice of assessment (the “assessment”) for the years June 30, 2007 to June 30, 2014.

On February 19, 2018, the Assessment Review Committee (ARC) issued its findings for tax assessments June 2007 to June 2013 in favour of the MRA. Consequently, the Company did not make an appeal to the Supreme Court and settled the tax claimed by the MRA.

11. TAXATION (CONTINUED)

11a. INCOME TAX EXPENSE (CONTINUED)

A meeting was held with MRA and an agreement was signed on April 10, 2018 whereby the MRA accepted to waive 75% of penalties and interests for the financial years June 2007 to June 2015.

The Company filed amended tax returns for June 2016 and June 2017 and the MRA agreed to waive penalties and interests of 50%.

All tax liabilities have been paid with the exception for the years 2014 and 2015, where it has been agreed with the MRA to settle same in October 2018.

11b. DEFERRED TAX

Accounting policy

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised outside profit or loss are recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

11b. DEFERRED TAX (CONTINUED)

Deferred taxes are calculated on all temporary differences under the liability method at the rate of 17%.

	2018
	Rs.
At July 1,	-
Credited to profit or loss (Note 11(a))	96,958,631
Debited to other comprehensive income	(4,946,830)
At June 30,	92,011,801

There is a legally enforceable right to offset current tax assets against current tax liabilites and deferred tax assets and liabilities when the deferred income taxes relate to the same fiscal authority on the same entity.

	2018
Deferred tax liabilities	-
Deferred tax assets	92,011,801
	92,011,801
Accelerated capital allowance/depreciation	(13,948,220)
Pension benefit obligations	1,307,470
Provision for credit impairment	104,652,551
	92,011,801

12. EARNINGS PER SHARE

	2018	2017	2016
	Rs.	Rs.	Rs.
Net (loss)/income for the year	(163,074,263)	1,708,914,608	1,568,705,203
Weighted average number of shares	1,956,298	1,993,336	1,987,182
Effective number of shares	1,956,298	1,993,336	1,987,182
Earnings per share -basic and diluted	(83.36)	857.31	789.41

13. CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand with an original maturity of three months or less. Cash and cash equivalents are measured at amortised cost.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

	2018	2017	2016
	Rs.	Rs.	Rs.
Cash in hand	20,362	14,542	10,793
Balances with commercial banks	1,496,878,597	1,669,033,993	949,981,139
	1,496,898,959	1,669,048,535	949,991,932

The carrying amount of the Company's cash and cash equivalents are denominated in the following currencies:

	THE COMPANY		
	2018	2017	2016
	Rs.	Rs.	Rs.
Mauritian Rupee	1,483,804,322	1,643,845,416	941,162,428
US Dollar	13,094,637	25,203,119	8,829,504
	1,496,898,959	1,669,048,535	949,991,932

14. LOANS AND ADVANCES TO MEMBERS

Accounting policy

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest rate ("EIR") method, less impairment. Allowances for credit impairment includes specific and porfolio allowances.

	2018	2017	2016
	Rs.	Rs.	Rs.
Members - loans	**34,752,945,649**	35,408,291,261	34,287,623,778
Deferred processing fee	**(273,849,147)**	(277,711,198)	(270,051,370)
Less allowances for credit impairment	**(615,603,243)**	(523,600,139)	(473,203,607)
	33,863,493,259	34,606,979,924	33,544,368,801

Deferred processing fee relates to fees received on disbursement of loans that have been amortised over the term of the loan.

(a) Remaining terms to maturity

Members - loans			
Up to 3 months	**33,131,932**	92,800,059	114,757,417
Over 3 months and up to 6 months	**13,063,441**	8,637,057	8,454,623
Over 6 months and up to 12 months	**50,948,482**	95,758,265	39,053,685
Over 1 year and up to 5 years	**3,499,662,306**	1,865,705,408	1,340,685,052
Over 5 years	**30,882,290,341**	33,067,679,274	32,514,621,631
	34,479,096,502	35,130,580,063	34,017,572,408
Less allowance for impairment	**(615,603,243)**	(523,600,139)	(473,203,607)
	33,863,493,259	34,606,979,924	33,544,368,801

(b) Credit concentration

The personal loan of the Company is capped to Rs 4m and consequently, there is no issue of credit concentration having regards to the size of the capital base of the Company.

(c) Allowances for credit impairment

Accounting policy

An allowance for loan impairment is established if there is the objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms of the loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantors, discounted at the original effective interest rate of the loans.

The loan loss provision also covers losses where there is objective evidence that probable losses are present in the loan portfolio at the end of reporting date. These have been estimated upon the historical patterns of losses. When a loan is uncollectible, it is written off against the related provision for impairment. Subsequent recoveries are credited to the provision for loan losses in profit or loss.

If the amount of impairment subsequently decreases due to an event occuring after the write-down, the release of the provision is credited as a reduction of the provision for loan losses.

14. LOANS AND ADVANCES TO MEMBERS (CONTINUED)

(c) Allowances for credit impairment (Continued)

Critical accounting estimates and judgements

The Company reviews their individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statements of profit or loss and other comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Company make judgements about the borrower's financial situation. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Furthermore, in case the loanees pass away, the loans are written off against the Mutual Solidarity Contribution.

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, etc.), and judgements on the effect of concentrations of risks and economic data.

	Specific allowance for impairment	Portfolio allowances and general provisions for impairment	Total
	Rs.	Rs.	Rs.
At July 1, 2015	101,888,448	317,787,000	419,675,448
Charge for the year (Note 8)	21,611,070	19,447,340	41,058,410
Charge for the year (Note 24(b))	12,469,749	-	12,469,749
At June 30, 2016	**135,969,267**	**337,234,340**	**473,203,607**
Charge for the year (Note 8)	52,381,788	8,421,602	60,803,390
Release for the year (Note 24(b))	(10,406,858)	-	(10,406,858)
At June 30, 2017	**177,944,197**	**345,655,942**	**523,600,139**
Charge for the year (Note 8)	90,269,903	(10,744,852)	79,525,051
Charge for the year (Note 24(b))	12,478,053	-	12,478,053
At June 30, 2018	**280,692,153**	**334,911,090**	**615,603,243**

A portfolio allowance for credit losses is maintained in accordance with the guidelines of the Bank of Mauritius. These guidelines require that the Company maintains a provision for credit impairment on all unimpaired loans and advances of not less than 1%. In addition, the Bank of Mauritius also imposes additional macro-prudential provisioning up to 1% on exposures to certain specific sectors of the economy.

15. INVESTMENT IN SUBSIDIARY

Accounting policy

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

	2018	2017	2016
	Rs.	Rs.	Rs.
At Cost			
Investment in susbidiary	**-**	-	10,000,000

The subsidiary has been wound up on October 26, 2016. The investment has been fully impaired in prior financial year.Following the wounding up, a gain of Rs 1,609 has been recognised.

15. INVESTMENT IN SUBSIDIARY (CONTINUED)

The Company's subsidiary is Mutual Aid Financial Services Ltd and details as follows:

	Class of shares held	Share capital	Year end	Proportion of direct ownership interest	Place of business and country of incorporation	Main business
June 30, 2016	Ordinary	10,000,000	June 30,	100%	Mauritius	Provision of credit finance

16. PLACEMENTS WITH BANK AND NON-BANK FINANCIAL INSTITUTIONS

Accounting policy

Placement with bank and non-bank financial institutions are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost using the effective interest method, less any impairment.

	2018	2017	2016
	Rs.	Rs.	Rs.
Placements	**3,376,226,955**	4,470,327,150	3,499,219,463

Placements with bank and non-bank financial institutions are unquoted and are denominated in the following currencies:

	2018	2017	2016
	Rs.	Rs.	Rs.
Mauritian Rupee	**3,376,226,955**	4,470,327,150	3,472,101,338
US Dollar	**-**	-	27,118,125
	3,376,226,955	4,470,327,150	3,499,219,463

None of the investment securities are either past due or impaired.

17. FINANCIAL ASSETS AT AMORTISED COST

Accounting policy

Financial assets are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss .

Financial assets are classified into the following specified categories: financial assets at fair-value-through-profit-or-loss (“FVTPL”), loans-andreceivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Loans and receivables

Refer to note 14 for accounting policy on loans and receivables.

	2018
	Rs.
At July 1,	-
Additions during the year	**4,047,362,942**
Matured during the year	**(1,408,200,000)**
Interest received	**(9,183,750)**
Interest accrued for the year	**35,400,673**
At June 30	**2,665,379,865**

17. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

	2018
	Rs.
(a) Remaining terms to maturity	
Up to 3 months	248,894,445
Over 3 months and up to 6 months	208,097,768
Over 6 months and up to 12 months	829,164,904
Over 1 year and up to 5 years	1,379,222,748
	2,665,379,865

The Company has started investing in treasury bills and notes as from start of financial year 2018. As a result, there is no comparative figures.

18. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation is calculated on the straight line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

Building	2.00%
Furniture, fittings and equipment	10.00%
Office equipment	20.00%
Computer equipment	33.33%
Motor vehicles	20.00%

Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in profit or loss.

Impairment of property, plant and equipment

The carrying amounts of assets are assessed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated, being the higher of the asset's net selling price and its value in use, to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount.

The impairment loss is recognised as an expense immediately.

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) 2018

	Freehold land	Building	Furniture, fittings and equipment	Office equipment	Motor vehicles	Computer equipment	Work in progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COST								
At July 1, 2017	13,600,330	148,561,736	43,352,571	12,427,275	4,332,000	93,032,592	3,740,857	319,047,361
Additions	-	250,386	52,552	299,293	4,500,000	-	7,408,947	12,511,178
Reclassification	-	3,662,137	417,763	2,857,578	-	1,408,423	(8,345,901)	-
Transfer to investment property (Note 20(b))	-	-	-	-	-	-	(2,803,903)	(2,803,903)
Disposals	-	-	-	-	(3,425,000)	-	-	(3,425,000)
At June 30, 2018	13,600,330	152,474,259	43,822,886	15,584,146	5,407,000	94,441,015	-	325,329,636
DEPRECIATION								
At July 1, 2017	-	14,965,339	21,559,097	9,673,123	4,332,000	77,750,676	-	128,280,235
Charge for the year	-	3,046,998	3,374,126	1,922,848	900,000	14,619,272	-	23,863,244
Depreciation reversal on disposal	-	-	-	-	(3,425,000)	-	-	(3,425,000)
At June 30, 2018	-	18,012,337	24,933,223	11,595,971	1,807,000	92,369,948	-	148,718,479
NET BOOK VALUE								
At June 30, 2018	13,600,330	134,461,922	18,889,663	3,988,175	3,600,000	2,071,067	-	176,611,157

Bank borrowings are secured by floating charges on the assets of the Company including property, plant and equipment (Note 23).

Work in progress consists of buildings, furniture, office and computer equipment which were transferred to investment property and other items of property, plant and equipment during the financial year. From the work in progress category, an amount of Rs 2,803,903 was transferred to investment properties as it relates to refurshment made for rented properties.

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) 2017

	Freehold land	Building	Furniture, fittings and equipment	Office equipment	Motor vehicles	Computer equipment	Work in progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COST								
At July 1, 2016	2,543,013	116,854,128	32,272,770	10,272,961	4,332,000	89,076,960	48,632,599	303,984,431
Additions	11,057,317	23,389,018	11,079,801	2,154,314	-	3,955,632	3,740,857	55,376,939
Reclassification	-	8,318,590	-	-	-	-	(8,318,590)	-
Transfer to investment property (Note 20(b))	-	-	-	-	-	-	(40,314,009)	(40,314,009)
At June 30, 2017	13,600,330	148,561,736	43,352,571	12,427,275	4,332,000	93,032,592	3,740,857	319,047,361
DEPRECIATION								
At July 1, 2016	-	10,676,491	17,158,859	7,726,468	4,331,064	63,784,035	-	103,676,917
Charge for the year	-	4,288,848	4,400,238	1,946,655	936	13,966,641	-	24,603,318
At June 30, 2017	-	14,965,339	21,559,097	9,673,123	4,332,000	77,750,676	-	128,280,235
NET BOOK VALUE								
At June 30, 2017	13,600,330	133,596,397	21,793,474	2,754,152	-	15,281,916	3,740,857	190,767,126

Bank borrowings are secured by floating charges on the assets of the Company including property, plant and equipment (Note 23).

Work in progress consisted of freehold land and buildings which were transferred to buildings and investment property during the financial year. At year end, the remaining balance relates to office equipment and computer hardware.

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) 2016

	Freehold land	Building	Furniture, fittings and equipment	Office equipment	Motor vehicles	Computer equipment	Work in progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COST								
At July 1, 2015	2,543,013	110,204,413	31,315,493	9,093,758	4,332,000	50,591,668	50,339,571	258,419,916
Reclassification	-	-	-	-	-	25,839,571	(25,839,571)	-
Additions	-	313,214	957,277	1,179,203	-	12,645,721	24,132,599	39,228,014
Transfer from investment property (Note 20(c))	-	6,336,501	-	-	-	-	-	6,336,501
At June 30, 2016	2,543,013	116,854,128	32,272,770	10,272,961	4,332,000	89,076,960	48,632,599	303,984,431
DEPRECIATION								
At July 1, 2015	-	9,011,419	14,938,192	5,581,175	3,647,000	48,614,928	-	81,792,714
Charge for the year	-	1,665,072	2,220,667	2,145,293	684,064	15,169,107	-	21,884,203
At June 30, 2016	-	10,676,491	17,158,859	7,726,468	4,331,064	63,784,035	-	103,676,917
NET BOOK VALUE								
At June 30, 2016	2,543,013	106,177,637	15,113,911	2,546,493	936	25,292,925	48,632,599	200,307,514

Bank borrowings are secured by floating charges on the assets of the Company including property, plant and equipment (Note 23).

Work in progress consists of computer hardware and building.

19. INTANGIBLE ASSETS

Accounting policy

Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised using the straight line method over their estimated useful lives of 3 years.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

	2018	2017	2016
COMPUTER SOFTWARE	**Rs.**	Rs.	Rs.
COST			
At July 1,	**145,090,239**	140,205,578	97,222,836
Additions (net of prior year WIP)	**1,590,220**	4,884,661	42,982,742
At June 30,	**146,680,459**	145,090,239	140,205,578
AMORTISATION			
At July 1,	**107,764,083**	77,638,600	46,204,032
Charge for the year	**33,322,068**	30,125,483	31,434,568
At June 30,	**141,086,151**	107,764,083	77,638,600
NET BOOK VALUE			
At June 30,	**5,594,308**	37,326,156	62,566,978

As at June 30, 2018, there was no computer software in progress (2017: Rs 331,904, 2016: Nil).

20. INVESTMENT PROPERTIES

Accounting policy

Investment property, held to earn rentals or for capital appreciation or both and not occupied by the Company are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value, representing open-market value determined annually by external valuers. Changes in the fair values are included in profit or loss.

Property that is under construction or development to earn rentals or for capital appreciation or both is accounted as investment property.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers made to or from investment properties are only made when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under plant and equipment up to the date of the change in use.

When the Company completes the construction or development of a self constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

20. INVESTMENT PROPERTIES (CONTINUED)

Critical accounting estimates and judgements

The Company carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Company engaged independent valuation specialists to determine the fair value as at June 30, 2018. For the investment property, the valuer used a valuation technique based on a discounted cash flow model as there is a lack of comparable market data because of the nature of the property.

The determined fair value of the investment properties is most sensitive to the estimated yield, as well as the long term vacancy rate. The key assumptions used to determine the fair value of the investment properties are explained below.

(a) 2018

	Freehold land	**Buildings**	**Total**
	Rs.	**Rs.**	**Rs.**
At July 1, 2017	**27,183,333**	**209,558,334**	**236,741,667**
Transfer from property, plant and equipment (Note 18(a))	**-**	**2,803,903**	**2,803,903**
Reclassification *	**-**	**(412,560)**	**(412,560)**
Fair value adjustments	**18,317**	**(2,340,604)**	**(2,322,287)**
At June 30, 2018	**27,201,650**	**209,609,073**	**236,810,723**

(b) 2017

	Freehold land	Buildings	Total
	Rs.	Rs.	Rs.
At July 1, 2016	18,041,667	178,825,000	196,866,667
Additions during the year	-	943,077	943,077
Transfer from property, plant and equipment (Note 18(b))	8,342,683	31,971,326	40,314,009
Reclassification *	-	(459,121)	(459,121)
Fair value adjustments	798,983	(1,721,948)	(922,965)
At June 30, 2017	27,183,333	209,558,334	236,741,667

* relates to VAT recoverable on the items transfered from property, plant and equipment. Hence, this amount has been deducted from cost of the investment property.

(c) 2016	Freehold land	Buildings	Work in progress	Total
	Rs.	Rs.	Rs.	Rs.
At July 1, 2015	18,041,667	176,681,739	607,040	195,330,446
Additions during the year	-	8,752,755	-	8,752,755
Transfer to property, plant and equipment (Note 18(c))	-	(6,336,501)	-	(6,336,501)
Reclassification	-	607,040	(607,040)	-
Fair value adjustments	-	(880,033)		(880,033)
At June 30, 2016	18,041,667	178,825,000	-	196,866,667

20. INVESTMENT PROPERTIES (CONTINUED)

(d) Mutual Aid Building 1 and 2

The investment properties are valued annually and have been valued on June 30, 2018 at fair value by Chartered Valuation Surveyors, an independent professionally qualified valuer. The properties were valued using the discounted cash flow model where its actual and estimated potential rental income with allowances made for voids, management and associated costs. Yield used in the valuation of the properties are as follows:

	2018	2017	2016
	%	%	%
Mutual Aid Building 1	**8.00% - 10.00%**	7.00% - 10.00%	7.50% - 8.00%
Mutual Aid Building 2	**8.00% - 10.00%**	7.00% - 10.00%	6.50% - 7.00%

(e) Details of the Company's investment properties and information about the fair value hierarchy as at June 30, 2018, 2017 and 2016 are as follows:

	Fair value measurement using:		
	Level 1	**Level 2**	**Level 3**
2018	**Rs.**	Rs.	Rs.
Revalued land and buildings	**-**	**-**	**236,810,723**
Total	**-**	**-**	**236,810,723**

	Fair value measurement using:		
	Level 1	Level 2	Level 3
2017	Rs.	Rs.	Rs.
Revalued land and buildings	-	-	236,741,667
Total	-	-	236,741,667

	Fair value measurement using:		
	Level 1	Level 2	Level 3
2016	Rs.	Rs.	Rs.
Revalued land and buildings	-	-	196,866,667
Total	-	-	196,866,667

Bank borrowings are secured by floating charges on the assets of the Company including investment properties.

The reconciliation is shown below:

	2018	2017	2016
	Rs.	Rs.	Rs.
At July, 1	**236,741,667**	196,866,667	195,330,446
Additions	**-**	943,077	8,752,755
Transfers	**2,391,343**	39,854,888	(6,336,501)
Fair value movement	**(2,322,287)**	(922,965)	(880,033)
At June, 30	**236,810,723**	236,741,667	196,866,667

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis at June 30, 2018, 2017 and 2016 are shown below:

20. INVESTMENT PROPERTIES (CONTINUED)

	Valuation technique(s) and key input(s)	Sensitivity used	Effect on fair value		
			2018	2017	2016
			Rs.	Rs.	Rs.
Land	DCF - actual and estimated potential rental income	1% increase in rental income	**272,017**	271,833	180,417
		1% decrease in rental income	**(272,017)**	(271,833)	(180,417)
Buildings	DCF - actual and estimated potential rental income	1% increase in rental income	**2,096,091**	2,095,583	1,788,250
		1% decrease in rental income	**(2,096,091)**	(2,095,583)	(1,788,250)

(f) The following amounts have been recognised in profit or loss:

Accounting policy

Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

	2018	2017	2016
	Rs.	Rs.	Rs.
Rental income	**14,998,831**	17,167,588	15,717,414
Direct operating expenses arising from investment properties that generate rental income	**(1,826,694)**	(1,509,752)	(1,100,758)

21. OTHER ASSETS

Accounting policy

Other assets are those that have fixed or determinable payments and that are not quoted in an active market are classified as loan and receivables. They are measured at amortised cost, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Interest accrued on placements is accounted for in the Statement of profit or loss as Interest income.

	2018	2017	2016
	Rs.	Rs.	Rs.
Deposit on MRA claim	**-**	239,094,730	213,389,333
TDS on rental income	**685,003**	113,927	633,085
Advance payment for property, plant and equipment and softwares	**19,104,213**	-	-
Prepayments	**6,192,628**	467,210	-
Other receivables	**1,746,386**	1,220,017	485,430
	27,728,230	240,895,884	214,507,848

The carrying value of other assets approximates its fair value and are denominated in Mauritian rupees. None of the receivable balances included in other assets are impaired. The maximum exposure to credit risk is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security.

The Company had filed an objection to the ARC with regards to the tax liability claimed by the MRA for the years 2007 to 2013 and in order to file the objection, the amount of Rs 239,094,730 was paid to the MRA as required under Section 131A of the Income Tax Act. During the year 2018, the ARC has given its ruling and the amount was used to settle part of the tax liability.

22. DEPOSITS FROM CUSTOMERS

Accounting policy

Deposits from customers are recognised initially at fair value being their issue proceeds. Deposits from customers are subsequently stated at amortised cost; any difference between the proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

	2018	2017	2016
	Rs.	Rs.	Rs.
Retail customers			
Time deposits with remaining term to maturity			
Up to 3 months	**1,240,940,188**	846,026,458	891,005,623
Over 3 months and up to 6 months	**929,725,321**	1,077,187,971	827,368,636
Over 6 months and up to 12 months	**2,335,770,140**	2,491,151,712	2,179,463,710
Over 1 year and up to 5 years	**12,334,083,160**	10,967,803,430	9,826,861,523
Over 5 years	**7,380,996,036**	7,796,036,008	8,095,853,744
Corporate customers			
Time deposits with remaining term to maturity			
Up to 3 months	**222,241,255**	334,722,739	117,868,318
Over 3 months and up to 6 months	**78,059,519**	269,842,122	272,830,739
Over 6 months and up to 12 months	**491,217,704**	578,450,265	412,893,992
Over 1 year and up to 5 years	**2,717,112,795**	2,848,640,251	2,916,958,020
Over 5 years	**722,848,758**	1,021,757,874	1,442,049,998
	28,452,994,876	28,231,618,830	26,983,154,303

23. INTEREST BEARING LOANS

Accounting policy

Interest bearing loans are intially recognised at fair value and subsequently at amotised cost using the effective interest rate method.

	2018	2017	2016
	Rs.	Rs.	Rs.
At July 01,	**429,540,552**	675,984,548	914,091,135
Interest expense	**15,476,468**	29,650,892	43,733,315
Repayment	**(265,324,453)**	(276,094,888)	(281,839,902)
At June 30,	**179,692,567**	429,540,552	675,984,548

The movement in Interest bearing loans are only of cash nature.

23. INTEREST BEARING LOANS (CONTINUED)

(i) Borrowings from banks

The bank loans are secured by floating charges on the assets of the Company, including investment properties and property, plant and equipment.

(ii) The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates, as well as the maturity of the borrowings, are detailed under note 3.1.

(iii) Effective interest rates

The effective interest rates at the end of reporting date were as follows:

	2018	2017	2016
	%	%	%
Borrowings from banks	**4.70% - 5.10%**	5.10% - 5.60%	5.25% - 5.75%

(iv) The carrying amounts of the Company's borrowings are not materially different from the fair value and are denominated in Mauritian Rupees.

24. FUNDS

Accounting policy

Classification of insurance contracts

Insurance contracts are those contracts which transfer significant insurance risk at the inception of the contract. Such contracts remain insurance contracts until rights and obligation are extinguished or expired. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

The Company operates three funds namely Guarantee Benevolent Scheme (GBS), Mutual Solidarity Contribution (MSC) and Retirements Saving Fund (RSF).

	2018	2017	2016
	Rs.	Rs.	Rs.
The Funds are made up as follows:			
Guarantee Benevolent Scheme (Note (a))	**82,792,771**	90,493,696	97,319,559
Mutual Solidarity Contribution (Note (b))	**1,464,999,659**	1,537,942,866	1,585,896,410
Retirement Savings Fund (Note (c))	**1,756,446,253**	1,655,981,199	1,546,574,684
	3,304,238,683	3,284,417,761	3,229,790,653

24. FUNDS (CONTINUED)

(a) Guarantee Benevolent Scheme

Accounting policy

Guarantee Benevolent Scheme (GBS)

The Fund was set up on July 1, 1982, to supersede the Guarantee Fund with the following objectives:

- Provision of several benefits like surgical grants, assistance for medical treatment abroad, grant on the death of contributor's spouse and grant on the death of contributors;
- Any other benefit that may be determined from time to time by the Board.

The liability recognised in the statement of financial position relates to the contributions received from the members deducting the grants paid and management fee charged. Contributions to the fund are recognised on a monthly basis upon receipt of the funds from the members to the statement of financial position. The grants for death, medical and surgical are accounted on claims made by the members, when the funds are disbursed.

The management fee is charged to the fund as a fees for managing the money. The fees are calculated as a percentage of cumulative contribution received. Management fees are charged on a yearly basis.

Deficit in valuation of the fund comprise actuarial losses arising from experience adjustments and changes in actuarial assumptions is recognised immediately in profit or loss in the period in which they occur. In case of surplus, the board has decided that only 5% of the surplus of the market value of the assets will be recognised in the profit or loss.

Critical accounting estimates and judgements

The cost under the GBS requires the use of actuarial valuations. The actuarial valuation involves the use of significant estimates in respect of discount rate, growth rate, claim ratio for surgical grants and mortality rate. Due to the long-term nature of these plans such estimates are subject to significant uncertainty.

	2018	2017	2016
	Rs.	Rs.	Rs.
Income for the year			
Subscriptions	**7,125,970**	7,321,960	7,524,110
Less: Expenditure for the year			
Management fees	**1,464,295**	1,569,623	1,517,140
Death and surgical grants	**2,022,600**	2,718,200	2,305,972
	3,486,895	4,287,823	3,823,112
Surplus for the year	**3,639,075**	3,034,137	3,700,998
Fair value movement	**(11,340,000)**	(9,860,000)	-
At July 1,	**90,493,696**	97,319,559	93,618,561
At June 30,	**82,792,771**	90,493,696	97,319,559

The valuation of the Fund has been carried out by an independent actuary, AON Hewitt as at June 30, 2017 and have estimated that the Fund has a surplus of Rs 21.2M during the year. The fair value of the funds is Rs 226.8 M and has been classified as level 3.

Deficit in valuation of the fund is recognised immediately in profit or loss in the year in which they occur. In case of surplus, any surplus in excess of 5% of the fair value of the assets is released to profit or loss. Rs 11.34M (2017: Rs 9.86M) has been released during the financial year 2018.

24. FUNDS (CONTINUED)

(a) Guarantee Benevolent Scheme (Continued)

Assumptions used:

Mortality table	70%	based on the actual mortality over 3-year period
Discount rate	0%	Has been set to 0% given the fact that the assets earmarked for the Fund do not give rise to investments returns

A quantitative sensitivity analysis for significant assumptions is shown below on the basis that all other variables remain constant.

Impact on profit

		2018	2017
		Rs	Rs
Mortality table	95%	**22,700,000**	22,700,000
	125%	**17,100,000**	17,100,000
Effect of a discount rate of 5%		**47,700,000**	47,700,000

For 2016, no sensitivity analysis is shown as the figures are immaterial.

(b) Mutual Solidarity Contribution

Accounting policy

Mutual Solidarity Contribution (MSC)

The Fund is used for writing off impaired loans on death of loanees.

The liability recognised in the statement of financial position relates to the contribution received from the members when a new loan is disbursed. The percentage charged varies from 4% to 5% of the loan sanctioned amount. Outstanding loan amount of loanees are deducted from MSC upon death of loanees.

Deficit in valuation of the fund comprise actuarial losses arising from experience adjustments and changes in actuarial assumptions is recognised immediately in profit or loss in the period in which they occur. In case of surplus, the board has decided that only 5% of the surplus of the market value of the assets will be recognised in the profit or loss.

Critical accounting estimates and judgements

The cost under the MSC requires the use of actuarial valuations. The actuarial valuation involves the use of significant estimates in respect of discount rate and mortality rate. Due to the long-term nature of these plans such estimates are subject to significant uncertainty.

	2018	2017	2016
	Rs.	Rs.	Rs.
At July 1,	**1,537,942,866**	1,585,896,410	1,481,678,026
Premiums claimed on loans	**166,029,977**	235,578,048	259,939,005
	1,703,972,843	1,821,474,458	1,741,617,031
Fair value movement	**(81,310,000)**	(75,610,000)	-
Amount written off for deceased loanees	**(145,185,131)**	(218,328,450)	(143,250,872)
(Release)/charge for the year (note 14(c))	**(12,478,053)**	10,406,858	(12,469,749)
At June 30,	**1,464,999,659**	1,537,942,866	1,585,896,410

24. FUNDS (CONTINUED)

(b) Mutual Solidarity Contribution (Continued)

The valuation of the Fund has been carried out by an independent actuary, AON Hewitt as at June 30, 2017 and have estimated that the Fund has a surplus of Rs 156M during the year. The fair value of the Fund is Rs 1,626 M and has been classfied as Level 3.

Deficit in valuation of the fund is recognised immediately in profit or loss in the year in which they occur. In case of surplus, any surplus in excess of 5% of the fair value of the assets is released to profit or loss. Rs 81.31M (2017: Rs 75.6M) has been released during the financial year.

Assumptions used:

Mortality table	125%	Based on actual experience with marked exception for young members (aged between 23 and 35 years) where we have experienced substantially higher mortality than expected.
Discount rate	0%	Has been set to 0% given the fact that the assets earmarked for the Fund do not give rise to investments returns

A quantitative sensitivity analysis for significant assumptions is shown below on the basis that all other variables remain constant.

Impact on profit

	2018	2017
	Rs	Rs
Effect of using 150% of A 6770	**(137,000,000)**	(137,000,000)
Effect of a discount rate of 5%	**443,000,000**	443,000,000

For 2016, no sensitivity analysis is shown as the figures are immaterial.

(c) Retirement Savings Fund

Accounting policy

Retirements Saving Fund (RSF)

The Fund was set up as from December 1, 2000, with the ultimate objective of providing for a retirement benefit to its associates who are public officers or in an approved service and later extended to the general public.

The liability recognised in the statement of financial position relates to the contribution received from the public and withdrawals made by the contributors. The interest expense recognised in profit or loss on an accrual basis. The liability is valued at amortised cost.

	2018	2017	2016
	Rs.	Rs.	Rs.
At July 1,	**1,655,981,200**	1,546,574,684	1,439,136,400
Less lump sums forfeited	**(4,000,910)**	(2,326,228)	(2,680,088)
	1,651,980,290	1,544,248,456	1,436,456,312
Interest for the year	**75,355,473**	79,281,607	83,581,287
New contributions	**119,436,845**	120,875,817	112,102,413
Less: Expenditure for the year			
Lump sum payments	**(90,326,355)**	(88,424,680)	(85,565,328)
At June 30,	**1,756,446,253**	1,655,981,200	1,546,574,684

Lump sum payments to contributors on retirement represent contribution received plus accrued interest.

25. PENSION BENEFIT OBLIGATIONS

Accounting policy

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, years of service and compensation.

The Company operates a defined benefit plan known as The Mauritius Civil Service Mutual Aid Company Ltd Employees Superannuation and Pension Fund, the assets of which are held and administered separately. The plan is funded by payments from the Company taking into account the recommendations of independent qualified actuaries.

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 are accumulated in a separate reserve and will not be reclassified to profit or loss in a subsequent period.

The Company 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 benefit payments. Net interest expense/(income) is recognised in profit or loss.

Service costs comprising of the current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

Defined contribution plans

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity.

The Company 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.

Contributions to the SICOM Family Protection Scheme (FPS) are expensed to profit or loss in the period in which they fall due

Critical accounting estimates and judgements

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions.

25. PENSION BENEFIT OBLIGATIONS (CONTINUED)

(i) The amounts recognised in the statements of financial position are as follows:

	2018	2017	2016
	Rs.	Rs.	Rs.
Present value of funded obligations	**174,903,000**	198,612,000	167,705,000
Fair value of plan assets	**(167,212,000)**	(143,172,000)	(129,752,000)
Liability in the statement of financial position	**7,691,000**	55,440,000	37,953,000

The reconciliation of the opening balances to the closing balances for the net defined benefit (asset)/liability is as follows:

	2018	2017	2016
	Rs.	Rs.	Rs.
At July 1,	**55,440,000**	37,953,000	(15,748,000)
Charged/(credited) to profit or loss	**6,554,000**	4,248,000	(921,000)
(Credited)/charged to other comprehensive income	**(29,099,000)**	17,024,000	58,364,000
Contributions paid	**(25,204,000)**	(3,785,000)	(3,742,000)
	7,691,000	55,440,000	37,953,000

(ii) The movement in the defined benefit obligations over the year is as follows:

	2018	2017	2016
	Rs.	Rs.	Rs.
At July 1,	**198,612,000**	167,705,000	104,483,000
Current service cost	**3,374,000**	5,716,000	2,905,000
Interest expense	**11,560,000**	10,460,000	7,573,000
Employees' contribution	**2,890,000**	2,366,000	2,213,000
Benefits paid	**(12,053,000)**	(2,922,000)	(2,838,000)
Remeasurements:			
- Actuarial (gains)/losses arising from:			
- demographic assumptions	**(19,414,000)**	4,153,000	42,125,000
- financial assumptions	**(10,066,000)**	11,134,000	11,244,000
At June 30,	**174,903,000**	198,612,000	167,705,000

(iii) The movement in the fair value of plan assets of the year is as follows:

	2018	2017	2016
	Rs.	Rs.	Rs.
At July 1,	**(143,172,000)**	(129,752,000)	(120,231,000)
Interest income	**(9,045,000)**	(12,455,000)	(11,562,000)
Employer contributions	**(25,204,000)**	(3,785,000)	(3,742,000)
Benefits paid	**12,053,000**	2,922,000	2,838,000
Employee contributions	**(2,890,000)**	(2,366,000)	(2,213,000)
Scheme expenses	**665,000**	527,000	163,000
Return on plan assets excluding interest income	**381,000**	1,737,000	4,995,000
At June 30,	**(167,212,000)**	(143,172,000)	(129,752,000)

25. PENSION BENEFIT OBLIGATIONS (CONTINUED)

(iv) The amounts recognised in profit or loss are as follows:

	2018	2017	2016
	Rs.	Rs.	Rs.
Current service cost	**3,374,000**	5,716,000	2,905,000
Scheme expenses	**665,000**	527,000	163,000
Interest expense	**11,560,000**	10,460,000	7,573,000
Interest income	**(9,045,000)**	(12,455,000)	(11,562,000)
Contribution paid by employer (Note 32)	**(25,204,000)**	(3,785,000)	(3,742,000)
Total, included in personnel expenses	**(18,650,000)**	463,000	(4,663,000)

(v) The amounts recognised in other comprehensive income are as follows:

	2018	2017	2016
	Rs.	Rs.	Rs.
Remeasurement on the net defined benefit liability:			
Liability experience losses			
Actuarial losses arising from changes in:			
- demographic assumptions	**(19,414,000)**	4,153,000	42,125,000
- financial assumprions	**(10,066,000)**	11,134,000	11,244,000
Actuarial (gains)/losses	**(29,480,000)**	15,287,000	53,369,000
Return on plan assets excluding interest income	**381,000**	1,737,000	4,995,000
	(29,099,000)	17,024,000	58,364,000

(vi) The fair value of the plan assets at the end of the reporting period for each category, are as follows:

	2018	2017	2016
	Rs.	Rs.	Rs.
Fixed income	**130,258,148**	118,812,000	113,792,504
Local equities	**18,727,744**	13,476,733	11,937,184
Cash and Other	**18,226,108**	10,883,267	4,022,312
	167,212,000	143,172,000	129,752,000

The assets of the plan are invested in the entity's own financial instruments. The expected return on plan assets was determined by considering the expected returns available on the assets underlying the policy. Expected yields on fixed interest investments are based on gross redemption yields as at end of period.

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

	2018	2017	2016
	%	%	%
Discount rate	**6.50**	6.00	6.00
Expected rate of return on plan assets	**6.50**	6.00	6.00
Future salary increases	**5.00**	5.00	6.00
Future pension increases	**2.00**	2.00	2.00
Post retirement mortality	**PA 92**	PA 92	PA 92

The return on plan assets was Rs 8.66M. for the the year ended 30 June 2018 (2017: Rs 10.72M, 2016: Rs 6.57M).

25. PENSION BENEFIT OBLIGATIONS (CONTINUED)

(viii) Sensitivity analysis on defined benefit obligations and in future long-term salary assumption at the end of the reporting date:

	2018	2017	2016
	Rs.	Rs.	Rs.
Increase due to 1% decrease in discount rate	**25,725,000**	36,101,000	36,627,000
Decrease due to 1% increase in discount rate	**(27,149,000)**	(28,459,000)	(28,923,000)
Increase due to 1% increase in future long term salary	**11,038,000**	14,004,000	19,677,000
Decrease due to 1% decrease in future long term salary	**(9,482,000)**	-	-

The sensitivity analyses above have been determined based on sensitivity changes of the discount rate or salary increase rate occuring at the end of the reporting period if all other assumptions remained unchanged. An increase/decrease of 1% in other principal actuarial assumptions would not have a material impact on defined benefit obligations at the end of the reporting period.

An increase/decrease of 1% in other principal actuarial assumptions would not have a material impact on defined benefit obligations at the end of the reporting period.

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

(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 Company expects to pay Rs.27.9m (2018: Rs 7m, 2017: Rs 8m) in contributions to its post-employment benefit plans for the year ending June 30, 2019.

(xii) The weighted average duration of the defined benefit obligation is 15 years at the end of the reporting period (2017: 16 years, 2016: 19 years).

26. OTHER LIABILITIES

Accounting policy

A liability is a present obligation of the Company arising from past events, the settlement of which is expected to result in an outflow from the Company of resources embodying economic benefits.

	2018	2017	2016
	Rs.	Rs.	Rs.
Other payables	**10,573,424**	55,463,444	4,253,735
Interests and penalties payable	**67,119,907**	-	-
Payable to subsidiary company	**-**	-	10,000,000
Dividend payable	**42,803,962**	76,190,841	65,364,842
	120,497,293	131,654,285	79,618,577

Other payables include interests and penalties payable to MRA as detailed in Note 6.
The carrying amounts of other liabilities approximate their fair values.

27. SHARE CAPITAL

Accounting policy

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as deduction, net of tax, from proceeds.

	Number of Shares	Ordinary shares
		Rs.
At July 1, 2015	1,989,308	198,930,800
Issue of shares	7,236	723,600
Transfer to treasury shares	(6,364)	(636,400)
At June 30, 2016	**1,990,180**	**199,018,000**
Issue of shares	5,331	533,100
Transfer to treasury shares	(24)	(2,400)
At June 30, 2017	**1,995,487**	**199,548,700**
Issue of shares	5,972	597,240
Transfer to treasury shares	(42,365)	(4,236,500)
At June 30, 2018	**1,959,094**	**195,909,440**

(a) Details pertaining to the share capital are as follows:

(i) The shares of the Company are only held and possessed by persons who hold a permanent and pensionable post in the public sector or receive a retirement pension from the Government of Mauritius and any other such institution as may be approved by the Board.

(ii) All issued shares are fully paid. All shares are issued at a par value of Rs. 100 per share.

(iii) The shares owned by every member shall remain in pledge with the Company as an additional security for all debts whatsoever due by the members to the company.

28. TREASURY SHARES

Accounting policy

Where the Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. When such shares are subsequently reissued, any net consideration received, is included in equity attributable to the Company's equity holders.

	Number of Shares	Treasury shares
		Rs.
At July 1, 2015	237,781	23,778,100
Transfer from ordinary shares	6,364	636,400
At June 30, 2016	**244,145**	**24,414,500**
Transfer from ordinary shares	24	2,400
At June 30, 2017	**244,169**	**24,416,900**
Transfer from ordinary shares	**42,365**	**4,236,500**
At June 30, 2018	**286,534**	**28,653,400**

28. TREASURY SHARES (CONTINUED)

(a) As per the Company's constitution, in case of a member (not being a pensioner) who has ceased to be in permanent employment, he shall within six months from the termination of his employment and in the case of a deceased member, his heirs or representatives shall within six months from the date of the member's death, dispose of his shares either by selling or transferring them to a person duly qualified to be a member

In the event if such shares not having been sold or transferred within the prescribed period, it shall be lawful for the board to cause the share to be transferred.

Shares held in the name of a deceased member may be purchased by the company and deemed to be treasury shares.

These shares can be cancelled, sold or put to any other use approved by the Board. No right or dividend accrue to these shares. The Company's balance sheet shall include these shares, the value of which shall be deduction from the share capital of the Company.

29. RESERVES

a. *Revaluation reserves*

This reserve relates to revaluation recognised on property transferred to investment property.

b. *Statutory reserve*

In accordance with section 21 of the Banking Act 2004, the Company shall maintain a Statutory Reserve Account (SRA) and shall transfer each year to account out of net profits for the year, after due provision has been made for income tax, a sum equal to not less than 15 % of the net profits until the balance of the SRA is equal to the amount paid as stated capital.

	2018	2017	2016
	Rs.	Rs.	Rs.
At July 01,	**223,965,600**	223,432,500	222,708,900
Movement (Note 27)	**597,240**	533,100	723,600
At June 30,	**224,562,840**	223,965,600	223,432,500

c. *Actuarial reserves*

This reserve includes remeasurement of the net defined benefit liability.

	2018	2017	2016
	Rs.	Rs.	Rs.
At July 1,	**94,313,548**	77,289,548	18,925,548
Remeasurement of post employment benefit obligations (Note 25(v))	**(29,099,000)**	17,024,000	58,364,000
Income tax relating to components of other comprehensive income (Note 11(b))	**4,946,830**	-	-
At June 30,	**70,161,378**	94,313,548	77,289,548

d. *Other reserves*

This reserve includes provision made to meet other regulatory requirements.

	2018	2017	2016
	Rs.	Rs.	Rs.
At July 01,	**281,498,532**	-	-
Movement	**(24,490,805)**	281,498,532	-
At June 30,	**257,007,727**	281,498,532	-

29. RESERVES (CONTINUED)

e. *Retained earnings*

	2018	2017	2016
	Rs.	Rs.	Rs.
At July 1,	**8,677,368,904**	7,295,172,429	5,766,976,985
(Loss)/ profit for the year	**(163,074,263)**	1,708,914,607	1,568,705,203
Movement in respect of the year (note (b) & (e))	**23,893,565**	(282,031,632)	(723,600)
Dividend declared (note 30)	**-**	(44,686,500)	(39,786,159)
At June 30,	**8,538,188,206**	8,677,368,904	7,295,172,429

30. DIVIDENDS

Accounting policy

Dividend distribution to the Company's members is recognised as a liability in the Company's financial statements in the period in which the dividends are declared and not paid.

	2018	2017	2016
	Rs.	Rs.	Rs.
At July, 1	**76,190,841**	65,364,841	60,076,102
Proposed and declared:			
Dividend on ordinary shares:			
Dividends: (2017: Rs 20, 2016: Rs 20)	**-**	44,686,500	39,786,159
Dividend paid	**(33,386,879)**	(33,860,500)	(34,497,420)
Dividend payable	**42,803,962**	76,190,841	65,364,841

31. COMMITMENTS

(i) Operating lease arrangement where the Company is the lessor

Accounting policy

Assets leased out under operating leases are included in investment property in the statement of financial position. They are carried at fair value, representing open-market value determined annually by external valuers. Rental income is recognised in line with the relevant lease terms.

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2018	2017	2016
	Rs.	Rs.	Rs.
Not later than 1 year	**14,454,605**	12,895,303	12,110,716
Later than 1 year and not later than 5 years	**23,298,352**	1,190,352	9,948,413
	37,752,957	14,085,655	22,059,129

Operating lease represents rental income from premises rented to outside parties. The lease is negotiated for an average term of six months to three years and rentals are fixed for an average of six months to three years.

31. COMMITMENTS (CONTINUED)

(ii) Operating lease arrangement where the Company is the lessee

Accounting policy

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss unless they are attributable to qualifying assets in which case, they are capitalised in accordance with the policy on borrowing costs.

Payments under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The Company leases various premises under non-cancellable operating leases agreements. The leases have varying terms, escalation clauses and renewal rights. There are no restrictions imposed on the Company by lease arrangements other than in respect of the specific premises being leased.

The future minimum lease payments payable under non-cancellable operating leases are as follows:

	2018	2017	2016
	Rs.	Rs.	Rs.
Not later than 1 year	**1,880,334**	1,714,974	1,911,170
Later than 1 year and not later than 5 years	**6,151,911**	3,881,776	4,255,640
Later than 5 years	**32,375,599**	32,187,668	32,785,315
	40,407,844	37,784,418	38,952,125

(iii) Capital commitments

	2018	2017	2016
	Rs.	Rs.	Rs.
Capital expenditure contracted for at the end of the reporting period but not yet incurred are as follows:			
Property, plant and equipment	**2,116,946**	18,093,244	60,639,056
Intangible assets	**-**	-	15,129,799
	2,116,946	18,093,244	75,768,855

32. RELATED PARTY TRANSACTIONS

Accounting policy

For the purposes of these financial statements, parties are considered to be related to the Company if they have the ability, directly or indirectly, to control the Company or exercise significant influence over the Company in making financial and operating decisions, or vice versa, or where the Company is subject to common control or common significant influence. Related parties may be individuals or other entities.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

The Company has the following transactions with directors, senior management.

	2018	2017	2016
	Rs.	Rs.	Rs.
Remuneration (Note (a))	**23,952,985**	26,078,953	20,545,833
Interest on loans	**782,922**	1,126,106	934,146
Interest on deposits	**1,183,080**	1,025,491	-
Loans and advances (Note (b))	**12,231,840**	14,946,693	15,299,016
Contribution to The Mauritius Civil Service Mutual Aid Company Ltd Employees Superannuation and Pension Fund (Note 25(v))	**25,204,000**	3,785,000	3,742,000
Deposits (Note (c))	**23,930,000**	23,580,000	17,980,000
Amount due to subsidiary (note (f))	**-**	-	10,000,000

(a) Key management personnel compensation is set out below:

	2018	2017	2016
	Rs.	Rs.	Rs.
- Salaries and short-term employee benefits	**22,941,669**	24,855,986	19,332,316
- Post-employment benefits	**1,011,316**	1,222,967	1,213,517
	23,952,985	26,078,953	20,545,833

(b) Credit facilities to related parties

<u>Loans to directors</u>	**2018**	2017	2016
	Rs.	Rs.	Rs.
At July, 1	**2,080,714**	2,416,141	1,598,611
New directors	**-**	-	1,000,000
Repayments	**(349,347)**	(335,427)	(182,470)
At June, 30	**1,731,367**	2,080,714	2,416,141
Loans to other related parties (key management personnel)			
At July, 1	**12,865,979**	12,882,875	13,300,637
Loans granted during the year	**1,170,000**	2,712,400	2,932,300
Repayments during the year	**(3,535,506)**	(2,729,296)	(3,350,062)
At June, 30	**10,500,473**	12,865,979	12,882,875
TOTAL	**12,231,840**	14,946,693	15,299,016

(i) The rate of interest for the loans granted to related parties ranges from 3.00% to 8.55% per annum for 2018 (2017: 3.50% to 9.05% p.a and 2016: 3.90% to 9.45% p.a).

(ii) The loans receivable at year end are secured by guarantors and/or collaterals with fixed repayment terms and settlement will occur in cash.

(iii) For the years ended June 30, 2018, 2017 and 2016, the loans due by related parties were neither past due nor impaired. This assessment is undertaken each financial year.

(iv) Exposure to the Company's top five related parties at June 30, 2018 were Rs.2.90m, Rs.2.37m, Rs.1.54m, Rs.1.43m and Rs.1.07m, These amounts represented 0.031%, 0.025%, 0.017%, 0.015% and 0.011% respectively of the Company's Tier's capital.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Deposit facilities from related parties

	2018	2017	2016
Deposits from directors	**Rs.**	Rs.	Rs.
At July, 1	**10,780,000**	6,280,000	5,670,000
Directors who ceased to hold office during the year	**-**	-	-
Deposits received during the year	**1,250,000**	5,000,000	610,000
Deposits matured during the year	**(1,250,000)**	(500,000)	-
At June, 30	**10,780,000**	10,780,000	6,280,000
Deposits from directors			
Deposits from other related parties (key management personnel)			
At July, 1	**12,800,000**	11,700,000	8,926,000
Deposits received during the year	**1,050,000**	1,425,000	2,774,000
Deposits matured during the year	**(700,000)**	(325,000)	-
At June, 30	**13,150,000**	12,800,000	11,700,000
TOTAL	**23,930,000**	23,580,000	17,980,000

(i) The rate of interest for deposit granted to related parties ranges from 3.60% to 6.40% per annum for 2018 (2017: 2.80% to 9.60%, 2016: 5.50% to 10.00%).

(ii) The deposits payable at year end are unsecured with fixed repayment terms and settlement will occur in cash.

(d) Related party transactions have been made in the normal course of business.

(e) Related party transactions with directors have been made on the same terms and conditions as for other customers.

(f) Amount due to subsidiary

At end of the reporting dates, the Company has an amount of Rs. Nil (2017: Nil and 2016: Rs. 10m) payable to its subsidiary, representing amount due on investment.

33. CONTINGENT LIABILITIES

There were no significant capital commitments and contingent liabilities as at the reporting date, that require adjustments to or disclosures in the financial statements.

34. EVENTS AFTER REPORTING DATE

On July 31, 2017, the Company obtained approval for the creation of a wholly owned subsidiary named as MCS Property Ltd, in compliance with BOM directives, to manage the real estate properties of the Company currently comprising of its four existing building situated in Port-Louis and Port Mathurin. The ownership of the buildings would be vested in the subsidiary and the idle office space would be rented preferably to government entities. On December 27, 2017, the board approved to transfer all investment properties to the subsidiary and the transfer will be made after year end.