

**THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD**  
**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**QUARTER ENDED DECEMBER 31, 2018**

|  | <b>Quarter<br/>31-Dec-2018</b> | <b>Quarter<br/>31-Dec-2017</b> | <b>6 Months to<br/>31-Dec-2018</b> | <b>6 Months to<br/>31-Dec-2017</b> | <b>Year - End<br/>30-Jun-2018</b> |
|--|--------------------------------|--------------------------------|------------------------------------|------------------------------------|-----------------------------------|
|  |                                |                                | Rs.                                | Rs.                                | Rs.                               |
| Interest income  | <b>832,104,250</b>             | 857,414,907                    | 1,652,193,482                      | 1,689,474,835                      | 3,326,785,499                     |
| Interest expense   | <b>(350,437,836)</b>           | (377,863,295)                  | (696,006,722)                      | (749,278,925)                      | (1,449,820,683)                   |
| <b>Net interest income</b>   | <b>481,666,414</b>             | 479,551,612                    | 956,186,759                        | 940,195,910                        | 1,876,964,816                     |
| Other income   | <b>52,512,179</b>              | 1,373,631                      | 54,762,914                         | 3,086,830                          | 8,032,149                         |
| Rental income  | <b>5,285,726</b>               | 3,880,018                      | 8,115,519                          | 7,843,608                          | 14,998,831                        |
| Other gains/(loss)   | <b>885,486</b>                 | (173,292)                      | 885,486                            | -                                  | 487,874                           |
| <b>Operating income</b>  | <b>540,349,805</b>             | 484,631,969                    | 1,019,950,678                      | 951,126,347                        | 1,900,483,670                     |
| Net impairment loss on financial assets                                    | <b>14,267,365</b>              | (27,053,928)                   | (30,523,765)                       | (86,695,716)                       | (79,525,051)                      |
| Personnel expenses   | <b>(60,926,455)</b>            | (20,517,030)                   | (78,142,828)                       | (38,658,392)                       | (91,861,285)                      |
| Depreciation and amortisation  | <b>(5,643,886)</b>             | (227,794)                      | (8,682,925)                        | (34,421,814)                       | (57,185,312)                      |
| Operating lease expenses   | <b>(267,011)</b>               | (17,255,242)                   | (551,176)                          | (505,387)                          | (1,890,000)                       |
| Other expenses   | <b>(13,872,852)</b>            | (27,515,197)                   | (39,783,714)                       | (40,649,771)                       | (76,459,975)                      |
| Fair value adjustments of funds  | -                              | -                              | -                                  | -                                  | 92,650,000                        |
| Fair value (loss)/gain on equity   | <b>(206,100)</b>               | -                              | (206,100)                          | -                                  | -                                 |
| Fair value loss on investment properties                                   | -                              | -                              | -                                  | -                                  | (2,322,287)                       |
|  | <b>(66,648,939)</b>            | (92,569,191)                   | (157,890,508)                      | (200,931,079)                      | (216,593,910)                     |
| <b>Profit before penalty and interest on tax assessment and income tax</b> | <b>473,700,866</b>             | 392,062,778                    | 862,060,170                        | 750,195,268                        | 1,683,889,760                     |
| Penalty and interest on tax assessment                                     | -                              | -                              | -                                  | -                                  | (362,288,704)                     |
| <b>Profit before income tax</b>  | <b>473,700,866</b>             | 392,062,778                    | 862,060,170                        | 750,195,268                        | 1,321,601,056                     |
| Income tax expense   | <b>(80,529,147)</b>            | (3,450,152)                    | (146,550,229)                      | (6,601,718)                        | (1,484,675,319)                   |
| <b>(Loss)/profit for the period/year</b>                                   | <b>393,171,719</b>             | 388,612,625                    | 715,509,941                        | 743,593,549                        | (163,074,263)                     |
| Other comprehensive income:  |                                |                                |                                    |                                    |                                   |
| <i>Items that will not be reclassified to profit or loss:</i>              |                                |                                |                                    |                                    |                                   |
| Remeasurements of pension benefit obligations                              | -                              | -                              | -                                  | -                                  | 29,099,000                        |
| Income tax relating to components of other comprehensive income            | -                              | -                              | -                                  | -                                  | (4,946,830)                       |
| <b>Net other comprehensive (loss)/income</b>                               | <b>393,171,719</b>             | 388,612,625                    | 715,509,941                        | 743,593,549                        | 24,152,170                        |
| <b>Total comprehensive (loss)/income for the period/year</b>               | <b>393,171,719</b>             | 388,612,625                    | 715,509,941                        | 743,593,549                        | (138,922,093)                     |

**THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD**  
**STATEMENTS OF FINANCIAL POSITION - AS AT DECEMBER 31, 2018**

|  | As at<br>December<br>2018<br>Rs. | As at<br>December<br>2017<br>Rs. | Year End<br>June<br>2018<br>Rs. |
|--|----------------------------------|----------------------------------|---------------------------------|
| <b>Assets</b>  |                                  |                                  |                                 |
| Cash and cash equivalents                                | 1,496,267,411                    | 2,434,902,020                    | 1,496,898,959                   |
| Loans and advances to members                            | 33,403,848,017                   | 34,316,809,201                   | 33,863,493,259                  |
| Placements with bank and non-bank financial institutions | 2,244,889,864                    | 4,786,133,006                    | 3,376,226,955                   |
| Investment in subsidiary company                         | 433,802,000                      | -                                | -                               |
| Investment in Equity                                     | 45,491,090                       | -                                | -                               |
| Financial assets at amortised cost                       | 3,935,948,083                    | 744,693,874                      | 2,665,379,865                   |
| Property, plant and equipment                            | 28,837,913                       | 182,374,420                      | 176,611,157                     |
| Intangible assets  | 3,097,217                        | 16,750,450                       | 5,594,308                       |
| Investment properties                                    | -                                | 237,214,549                      | 236,810,723                     |
| Deferred tax assets                                      | 92,011,801                       | -                                | 92,011,801                      |
| Other assets   | 108,190,029                      | 287,188,250                      | 27,728,230                      |
| <b>Total assets</b>                                      | <b>41,792,383,426</b>            | <b>43,006,065,770</b>            | <b>41,940,755,257</b>           |
| <b>Liabilities</b>                                       |                                  |                                  |                                 |
| Deposits from customers                                  | 28,283,470,765                   | 28,984,720,540                   | 28,452,994,876                  |
| Interest bearing loans                                   | 66,843,753                       | 306,069,935                      | 179,692,567                     |
| Current tax liabilities                                  | 15,261,023                       | 3,448,907                        | 697,999,751                     |
| Funds  | 3,326,336,456                    | 3,305,648,991                    | 3,304,238,683                   |
| Pension benefit obligations                              | 7,691,000                        | 32,940,000                       | 7,691,000                       |
| Other liabilities  | 56,332,171                       | 306,779,141                      | 120,497,293                     |
| <b>Total liabilities</b>                                 | <b>31,755,935,167</b>            | <b>32,939,607,513</b>            | <b>32,763,114,170</b>           |
| <b>Shareholders' equity</b>                              |                                  |                                  |                                 |
| Share capital  | 166,711,810                      | 224,264,100                      | 195,909,440                     |
| Treasury shares  | 58,078,880                       | -                                | 28,653,400                      |
| Retained earnings  | 9,346,726,458                    | 9,467,401,950                    | 8,538,188,206                   |
| Revaluation reserves                                     | -                                | 6,961,704                        | 3,480,852                       |
| Statutory reserve  | 224,562,840                      | 223,965,600                      | 224,562,840                     |
| Actuarial reserves                                       | (70,161,378)                     | (94,313,548)                     | (70,161,378)                    |
| Other reserves   | 310,529,649                      | 238,178,451                      | 257,007,727                     |
| <b>Total equity</b>                                      | <b>10,036,448,259</b>            | <b>10,066,458,256</b>            | <b>9,177,641,087</b>            |
| <b>Total equity and liabilities</b>                      | <b>41,792,383,426</b>            | <b>43,006,065,770</b>            | <b>41,940,755,257</b>           |

**THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD**

**STATEMENTS OF CASH FLOWS - AS AT ENDED DECEMBER 31, 2018**

|  | <b>As at<br/>December<br/>2018<br/>Rs.</b> | <b>As at<br/>December<br/>2017<br/>Rs.</b> | <b>Year End<br/>June<br/>2018<br/>Rs.</b> |
|--|--|--|---|
| <b>Cash flows from operating activities</b>                          |  |  |   |
| Profit before income tax   | 862,060,170                                | 750,195,268                                | 1,321,601,056                             |
| <b>Adjustments for:</b>  |  |  |   |
| Allowance for credit impairment                                      | 30,523,765                                 | 86,695,716                                 | 79,525,051                                |
| Depreciation   | 6,185,834                                  | 13,064,276                                 | 23,863,244                                |
| Amortisation of intangible assets                                    | 2,497,090                                  | 21,357,537                                 | 33,322,068                                |
| Interest income  | (1,652,193,482)                            | (1,689,474,835)                            | (3,326,785,499)                           |
| Interest expense   | 696,006,722                                | 749,278,925                                | 1,449,820,683                             |
| Rental Income  | (8,115,519)                                | -  | -   |
| Pension (income) / expense   | -  | -  | (18,650,000)                              |
| Fair value loss on investment properties                             | -  | -  | 2,322,287                                 |
| Gain on sale of property, plant and equipment                        | (47,802,926)                               | -  | (740,000)                                 |
| Revaluation reserves   | (3,480,852)                                | -  | -   |
| Fair value (loss)/gain on equity                                     | 206,100                                    | -  | -   |
| Penalty and interest on tax assessment                               | -  | -  | 362,288,704                               |
| Unrealised exchange difference                                       | (788,335)                                  | -  | 256,376                                   |
| Change in fair value of funds  | -  | -  | (92,650,000)                              |
| Reversal of over provision on tax                                    | (14,381,498)                               | -  | -   |
|  | <b>(129,282,929)</b>                       | <b>(68,883,113)</b>                        | <b>(165,826,030)</b>                      |
| <b>Changes in operating assets and liabilities</b>                   |  |  |   |
| Decrease/(Increase) in loans and advances to members                 | 437,374,699                                | 290,170,723                                | 494,312,356                               |
| Decrease/(increase) in other assets                                  | (3,563,431)                                | (46,292,366)                               | 213,580,202                               |
| (Decrease)/Increase in deposits from customers                       | (328,926,391)                              | 753,101,710                                | 363,198,768                               |
| (Decrease)/increase in other liabilities                             | 1,587,754                                  | 124,506,429                                | (44,890,020)                              |
| (Decrease)/Increase in funds   | (12,874,262)                               | 21,231,230                                 | 194,778,632                               |
| Interest received  | 1,639,813,441                              | 1,632,018,623                              | 3,286,654,860                             |
| Interest paid  | (501,820,340)                              | (740,534,475)                              | (1,516,120,971)                           |
| Interest and penalty paid  | -  | -  | (295,168,797)                             |
| Income tax paid  | (791,808,996)                              | -  | (887,083,273)                             |
| <b>Net cash generated from/(used in) operating activities</b>        | <b>310,499,545</b>                         | <b>1,965,318,761</b>                       | <b>1,643,435,727</b>                      |
| <b>Cash flows from investing activities</b>                          |  |  |   |
| Investment in Equity   | (45,284,990)                               | -  | -   |
| Movement in placements with bank and non-bank financial institutions | 1,085,000,000                              | (315,805,855)                              | 1,120,000,000                             |
| Proceeds from matured Investment securities                          | 1,060,600,000                              | -  | 1,408,200,000                             |
| Additions of Investment Securities                                   | (2,295,391,238)                            | (744,693,874)                              | (4,047,362,942)                           |
| Purchase of property, plant and equipment                            | (4,181,531)                                | (8,392,707)                                | (12,511,178)                              |
| Proceeds from sale of property, plant and equipment                  | -  | -  | 740,000                                   |
| Purchase of intangible assets  | (203,516)                                  | (6,927,840)                                | (1,590,220)                               |
| Purchase of investment property                                      | -  | (472,883)                                  | -   |
| <b>Net cash used in investing activities</b>                         | <b>(199,461,274)</b>                       | <b>(1,076,293,159)</b>                     | <b>(1,532,524,340)</b>                    |
| <b>Cash flows from financing activities</b>                          |  |  |   |
| Proceeds from issuing shares   | 227,850                                    | 298,500                                    | 597,240                                   |
| Decrease in interest bearing loans                                   | (112,660,883)                              | (123,470,617)                              | (250,014,947)                             |
| Dividend paid  | (25,120)                                   | -  | (33,386,879)                              |
| <b>Net cash used in financing activities</b>                         | <b>(112,458,153)</b>                       | <b>(123,172,117)</b>                       | <b>(282,804,586)</b>                      |
| <b>Net increase in cash and cash equivalents</b>                     | <b>(1,419,883)</b>                         | <b>765,853,485</b>                         | <b>(171,893,199)</b>                      |
| Effect of foreign exchange rate changes                              | 788,335                                    | -  | (256,376)                                 |
| Cash and cash equivalents at beginning of year                       | 1,496,898,959                              | 1,669,048,535                              | 1,669,048,534                             |
| <b>Cash and cash equivalents at end of year</b>                      | <b>1,496,267,411</b>                       | <b>2,434,902,020</b>                       | <b>1,496,898,959</b>                      |

**THE MAURITIUS CIVIL SERVICE MUTUAL AID ASSOCIATION LTD**  
**STATEMENTS OF CHANGES IN EQUITY - PERIOD ENDED DECEMBER 31, 2018**

|   | <b>Share<br/>capital</b> | <b>Treasury<br/>shares</b> | <b>Statutory<br/>reserve</b> | <b>Revaluation<br/>and other<br/>reserves</b> | <b>Other<br/>Reserve</b> | <b>Actuarial<br/>reserves</b> | <b>Retained<br/>earnings</b> | <b>Total<br/>equity</b> |
|---|--------------------------|----------------------------|------------------------------|---|--------------------------|-------------------------------|------------------------------|-------------------------|
|   | Rs.                      | Rs.                        | Rs.                          | Rs.   | Rs.                      | Rs.                           | Rs.                          | Rs.                     |
| 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                         | 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                                | -                        | -                          | 597,240                      | -   | (24,490,805)             | -                             | 23,893,565                   | -                       |
| Transfer to treasury shares             | (4,236,500)              | 4,236,500                  | -                            | -   | -                        | -                             | -                            | -                       |
| <b>Balance at June 30, 2018</b>         | <b>195,909,440</b>       | <b>28,653,400</b>          | <b>224,562,840</b>           | <b>3,480,852</b>                              | <b>257,007,727</b>       | <b>(70,161,378)</b>           | <b>8,538,188,206</b>         | <b>9,177,641,087</b>    |
| Balance at July 1, 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           |
| Issue of shares                         | (29,197,630)             | -                          | -                            | -   | -                        | -                             | -                            | (29,197,630)            |
| Profit for the period                   | -                        | -                          | -                            | -   | -                        | -                             | 862,060,170                  | 862,060,170             |
| Movement                                | -                        | 29,425,480                 | -                            | (3,480,852)                                   | 53,521,922               | -                             | (53,521,918)                 | 25,944,632              |
| <b>Balance at December 31, 2018</b>     | <b>166,711,810</b>       | <b>58,078,880</b>          | <b>224,562,840</b>           | <b>-</b>                                      | <b>310,529,649</b>       | <b>(70,161,378)</b>           | <b>9,346,726,458</b>         | <b>10,036,448,259</b>   |

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Environment**

During the period under review, the Monetary Policy Committee of the Bank of Mauritius met on one occasion and the Key Repo Rate was maintained at 3.50%. The weighted yield on 364-day Treasury Bills took the upward trend. It increased from 2.53% in December 2017 to reach 3.70% in December 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 summarized 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 482m was generated for the quarter ended December 2018.

##### **Cost to Income**

The Association continues to maintain a relatively low cost to income ratio. For the quarter December 2018, the cost to income ratio stood at about 12.47%, thus showing that a high level of operational efficiency was achieved.

## **Assets**

The total assets of the Association stood at Rs 41.8bn at end of December 2018.

### **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 33.4bn. A negative growth of 1.36% 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 December 2018. Placements made by the Mutual Aid Association in other financial institutions stood at Rs 2.2bn at the end of December 2018.

### **Liquid Assets**

Cash and cash equivalents, 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 December 2018, the ratio stood comfortably at 25% which is in line with the liquidity risk management strategy of the Association.

## **Liabilities**

### **Deposits from customers**

The total deposits stood at Rs 28.3bn as at December 2018 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 December 2018. For the quarter ended December 2018, the interest rate of 4.00% has been paid to RSF holders, whereas the average savings rate was about 1.83%.

### **Shareholders' equity**

Shareholders' equity decreased from Rs 10.1bn in December 2017 to Rs 10.0bn in December 2018.

### **Capital Structure and Capital Adequacy Ratio (CAR)**

The Tier 1 and Tier 2 capital of the Association were to the tune of Rs. 8.8bn and Rs. 18.3m respectively for the said period. The weighted amount of on-balance sheet assets was Rs. 18.8bn for the same period. Consequently, the CAR of the Association reached a note of about 47% thus confirming once more the financial soundness of the Association.

### **Specific, Portfolio and Prudential Provisions**

The cumulative specific provisions as at December 31, 2018 amounted to Rs327.5m, including a sum of Rs 49.5m for deceased loanees. Therefore, the provisions on account of default customers stood at Rs. 278.1m.

In addition to the specific provisions, the Association also earmarked cumulative portfolio provision of Rs. 328.7m for the said period.

Besides, the Association also made a prudential provision of Rs. 310.5m 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 966.7m at the end of December 2018.