MAURITIUS HOUSING COMPANY LTD ANNUAL REPORT 2008/2009

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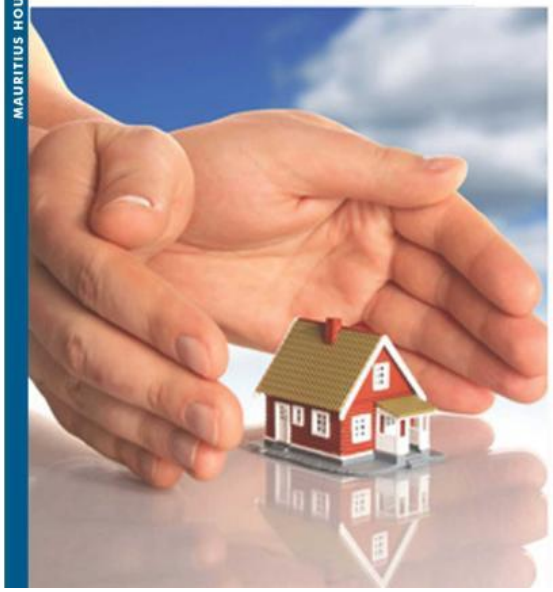

**Mauritius Housing Company (MHC) Ltd**
was set up 46 years back in 1963.
As a Financial Institution, it is our aim to provide a
one-stop-shop for housing finance in
Mauritius and Rodrigues.

Our customers benefit from a range of loan products,
saving schemes and architectural services.
MHC Ltd is thus one of the leading
non-bank-financial institution
in Mauritius.

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## OUR CORE VALUES

- Innovation & Creativity
- Delighting the Customer
- Teamwork
- Commitment
- Professionalism
- Sense of Belonging

## OUR VISION

To be the Leading Provider of Housing Financial Services in the Region.

## OUR MISSION

To help as many families as possible to become owners of a house and to be at the forefront of housing development in the country.

## SHAREHOLDING (%)

| | |
|---|---|
| Govt of Mauritius | 60.01 |
| SIC | 13.33 |
| SICOM | 13.33 |
| NPF | 13.33 |

## MILESTONES

- 1963 : Creation of Mauritius Housing Corporation
- 1970 : Estate Development
- 1986 : Government Sponsored Loan
- 1988 : Plan Epargne Logement
- 1989 : Incorporated as State-owned public company – MHC Ltd
- 2001 - 2002 : Opening of Curepipe Branch /Goodlands Branch
  Introduction of Land Purchase scheme
- 2006 : Introduction of new schemes to existing MHC clients
- 2008 : Development of new products
  Complete your House construction loan,
  Mixed construction loan scheme and **Dream Home Express scheme**
- 2009 : Development of new Savings product – **JUNIOR PEL SAVER**

## KEY EVENTS OF FY 08/09

- Renovation of 3rd Floor
- Special Loan package to S.I.T beneficiaries
- Dream Home Express loan
- Home Loan Extra
- Junior PEL Saver scheme
- Distribution of copybooks, plants and bins around the country

*Un Toit pour tous ...*

**REGISTERED OFFICE**
MHC Building,
Reverend Jean Lebrun Street,
Port Louis

## Our Network:

**• HEAD OFFICE**
Reverend Jean Lebrun Street, Port Louis.
Tel: 212 0244 Fax: 212 3325

**• CUREPIPE**
Charles Lees Street,
Tel: 676 0245/46 Fax: 676 0248

**• CENTRAL FLACQ**
François Mitterand Street,
Tel: 413 5139/40 Fax: 413 5138

**• GOODLANDS**
Corner Royal Road &
Lall Bahadoor Shastri Street,
Tel: 282 1460/ 42 Fax: 282 1461

**• TRIOLET**
Royal Road, 8ème Mille
Tel/Fax: 261 7623

**• BAMBOUS**
Royal Road
Tel/ Fax: 452 0372

**• RODRIGUES**
Camp du Roi,
Tel: 831 1787 Fax: 831 1788

**Email: mhc@mhc.mu**
**Website:www.mhc.mu**

## FINANCIAL HIGHLIGHTS

| | 2008/09 (RsM) | 2007/08 (RsM) (Restated) | 2006/07(RsM) (Restated) |
|---|---|---|---|
| Interest Income | 658.3 | 679.0 | 688.3 |
| Interest Expense | 335.7 | 430.6 | 421.8 |
| Net Profit | 258.1 | 162.0 | 162.1 |
| Net Assets | 5,668.1 | 5,273.8 | 5,623.9 |
| Retained Earnings | 1,221.0 | 1,034.0 | 1,009.2 |
| Interest Cover (Times) | 2.0 | 1.6 | 1.6 |
| Net Profit Margin | 31.8 | 22.0 | 21.4 |
| Housing Loans Assets | 6,125.8 | 6,009.3 | 6,114.9 |
| Fixed Assets (Net of Depreciation) | 394.7 | 363.4 | 245.8 |
| Total Assets | 6,391.3 | 6,524.3 | 6,576.2 |
| Shareholders' Funds | 1,999.8 | 1,744.4 | 1,474.6 |
| Capital Employed | 5,668.2 | 5,273.8 | 5,623.9 |
| PEL (Capital Deposited) | 827.6 | 755.4 | 715.7 |
| HDC (Capital Deposited) | 373.7 | 595.5 | 639.9 |
| Gearing (Times) | 1.6 | 2.3 | 3.0 |
| Current Ratio (Times) | 1.1 | 1.4 | 1.8 |
| ROCE (%) | 4.6 | 3.1 | 2.9 |
| EPS (Rs) | 12.9 | 8.1 | 16.2 |
| Total Income to Capital Employed Ratio | 14.3 | 14.0 | 13.4 |

## EVOLUTION OF KEY FINANCIAL FIGURES

| | 2008/09 Rs M | 2007/08 Rs M | 2006/07 Rs M (Restated) | 2005/06 Rs M (Restated) | 2004/05 Rs M (Restated) |
|---|---|---|---|---|---|
| Total Income | 812.7 | 736.9 | 756.4 | 685.4 | 674.8 |
| Ne t Profit | 258.1 | 162.0 | 162.1 | 152.5 | 144.3 |
| Net Assets | 5,668.1 | 5,273.8 | 5,623.9 | 5,677.1 | 5,594.6 |
| Net Housing Loans Assets | 6,125.8 | 6,009.3 | 6,114.9 | 6,023.1 | 5,810.9 |
| Fixed Assets | 394.7 | 363.4 | 245.8 | 242.5 | 242.6 |
| Reserves | 2,153.3 | 1,875.1 | 1,678.9 | 1,597.4 | 1,448.6 |
| EPS (Rs) | 12.9 | 8.1 | 16.2 | 15.2 | 14.4 |
| Current Ratio (Times) | 1.1 | 1.4 | 1.8 | 1.3 | 1.5 |

Mr L. D. J. C. Armance
Chairman

## Chairman's Statement

The Directors are pleased to submit the Annual Report with the audited accounts for the year ended 30th June 2009 to the shareholders.

**Review of the year's performance**
Despite the competitive environment, the Company has achieved another remarkable year as a consequence of our well planned strategies and market development programmes, promotion of quality and performance culture, provision of customer-oriented services and management of critical areas.
Given the reasonable number of residential and commercial projects, the Company managed to forge its way to secure a decent share in the housing finance market and achieved a very good performance as compared to last year.

The clients, shareholders, staff and all those who have contributed to the Company's current standing can be justifiably satisfied of these achievements. MHC has demonstrated that it is capable of delivering consistent performance even in challenging market conditions. The business model, the way business is conducted, the soundness and variety of our products, the commitment of our staff, our systems and processes, our large client base and our strategic investments enable us to be reasonably confident for the future.

I am pleased to report that
- Net profit increased from Rs 162 Million to the level of Rs 258.1 Million,
- Total Housing Loan Assets stood at Rs 6,125.8 Million as at 30.06.2009
- PEL deposits increased by 9.56% to reach Rs 827.6 Million. The number of PEL a/c holders as at 30 June 2009 was 109,547.

**Dividend**
The Directors have proposed a dividend payment for an amount of **Rs 51,615,000** for the year ended 30th June 2009 representing 20% of the net profit, same rate as the previous financial year.

**Appreciation**
On behalf of the Board, I would like to extend my thanks to all Management and Staff for their continued support, hard work and commitment to the Company.

I would also like to extend my appreciation to the Directors for their valuable advice and continued support and whose contribution has equally been instrumental in the achievement of the results for the year under review.

**Mr L. D. J. C. Armance**
*Chairman, Board of Directors*

# Board of Directors

**Mr. L. D. J. C. ARMANCE** - *Chairman*
**Mr. M. SEETOHUL** - *Managing Director*
**Sir B.BACHA** - *Director*
**Mr. A PONNUSAWMY** - *Director*
**Mrs. A. D. I. RAMPHUL- PUNCHOO** - *Director*
**Mr. A.VEERASAMY** - *Director (With effect from 10 October 2008)*
**Mr. A R SEETAL** - *Director*
**Mr. S. SEEGOOLAM** - *Director (with effect from 10 October 2008)*
**Mr. D MAYWAH** - *Director (up to 20 August 2008)*
**Mrs. J SOOBEN** - *Director (up to 12 September 2008)*

# Board Sub-Committees

## Audit Committee
Chairperson : **Mr A Ponnusawmy**
Vice-Chairperson : **Mr A Veerasamy**
Other member : **Mrs A.D. Ramphul-Punchoo**

## Corporate Governance & HR Committee
Chairperson : **Sir Bhinod Bacha**
Other members : **Mr M. Seetohul**
**Mr A.R Seetal**

## Risk Committee
Chairperson : **Mr Arnasalon Ponnusawmy**
Other member : **Mr M Seetohul**

# Senior Management Team

**Mr. M. SEETOHUL** - Managing Director
**Mr. R. K. MUDALIAR** - Deputy Managing Director
**Mr. A. NOBAUB** - Head Information & Communications Technology B.U
**Mr. S. A. SOOKHEE** - Head - Commercial B.U
**Dr R.BOOLAUCK** - Head - Corporate Planning & Development B.U
**Mr. B.K RAMLAUL** - Head - Corporate Services B.U
**Mr. R. ABEELUCK** - Ag. Head, Technical B.U
**Mr. H.I ABDOOL** - Ag Head Financial B.U
**Mr. J. MAYWAH** - Ag. Internal Auditor

**• Company Secretary**
**Mr. K.NARROO**

**• Attorney**
**Mrs. D.MOHABEER**

**• Auditors**
**Kemp Chatteris Deloitte**
**3rd Floor, Cerné House**
**La Chaussée**
**Port Louis**
**Mauritius**

**• Legal Adviser**
**Me Guy Ollivry, Q.C.**
**105, Chancery House**
**Port Louis**

**Mr. M. Seetohul**
Managing Director

## Management Report

***Management is pleased to present the Audited Financial Statements and Annual Report for the year ended June 30, 2009.***

**Economic review**
The period under review coincided with the period when the world economy was affected by the worst international economic crisis since 1930's. Mauritius was no exception. According to the Central Statistical Office, GDP growth in Mauritius for the calendar year 2009 is expected to fall to 2.5% from 5.3% in 2007/08 despite consistent policy reforms to ease business facilitation and bolster economic activity.

The unemployment rate, which was at its peak in 2005 at 10.80%, has been gradually coming down and reached around 8.8% in 2008. Unemployment level was brought down to 8% for the calendar year 2009.

The cut throat competition became fierce as the ability of people to borrow was rather on the low side. Besides we had to bear the consequences of fluctuations in the Repo Rate. The Bank of Mauritius reviewed the Repo Rate from 8.25% to 5.75% to curtail the monetary pressures.

**MHC's Performance**
Despite this unfavourable international and national economic background, MHC managed to forge its way ahead.
In this year, our Net Profit increased to a record high of Rs 258.1 Million while our Total assets were to the tune of Rs 6,391.3 Million.

The above results were achieved amidst increasingly challenging and competitive conditions. As new and existing players attempted to establish and enlarge their footprint in the domestic sector, competition had intensified to an unprecedented level.
Against this backdrop, the performance realised by MHC is considered honourable.

**Outlook for the year 2009-2010**
Due to the increasing competition in the Housing Loan market, customer focus remains at the centre of sales and service initiatives undertaken during the year to further build our retail network.
Thus, we have to lay more emphasis on the quality of service and continual improvement of our products.

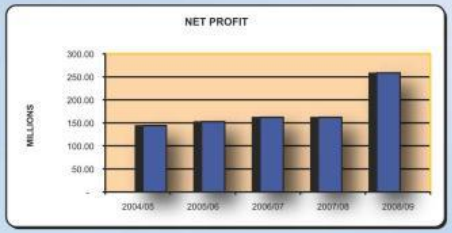
Strategies that will be adopted for the generation of business will include:
*1. Maintain volume of business by:*
*a. Developing new products;*
*b. Enhancing existing products;*
*c. Opening of new Feeder Offices to improve proximity with our clients;*
*2. Pursuing property development;*
*3. Accelerating Arrears recovery;*
*4. Embark on the new ICT project;*
*5. Increase productivity of the work force through implementation of Performance Management System;*
*6. Implementing quality standards through Quality Management System project.*

## REVIEW OF THE YEAR'S PERFORMANCE

Overall the assets of the Company slightly decreased from Rs 6,524.3 Million to Rs 6,391.3 Million as a result of the disposal of Housing Units at Ebene. Approval of Housing loans increased from Rs 451.7 Million to Rs 879.92 Million, an increase of 94.8%.

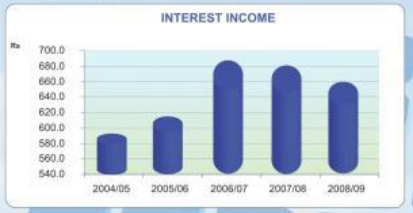
## NET PROFIT

Despite adverse factors, the Company has generated an appreciable level of profit which is 59.3% greater than the last financial year. Net profit for the year stood at Rs 258.1 Million. However, an exceptional item of Rs 68.05 Million pertaining to selling of all Cybervillage units was included. Excluding this exceptional item, Net profit would have increased by 18%.




## INTEREST INCOME

Despite the increase in volume of business, interest on housing loans decreased from Rs 643.8 Million to Rs 621.1 Million. The decrease in interest on housing loans is mainly due to the reduction in the Repo Rate from 8.25% to 5.75 % and premature repayment of housing loans.
During the year under review, total interest income fell from Rs 679.0 Million to Rs 658.3 Million.




## INTEREST EXPENSE

Interest Expense decreased from Rs 430.6 Million to Rs 335.7 Million mainly because of the repayment of debentures and also the fall in repo Rate for loans attached to them.

### Interest Cover

Interest Cover is at 2.0 times for the FY 2008/09.

### Current Ratio

The current ratio changed from 1.4 times to 1.1 as a result of the repayment of BPML loan and the proceeds used to fund our operations. Cash in hand and at bank stood at Rs 248.9 Million and comprised Compliance Deposits to the tune of Rs 117 Million.

## EARNINGS PER SHARE

During the year under review EPS increased from Rs 8.10 to Rs 12.90 as a result of 59.3% increase in profit.

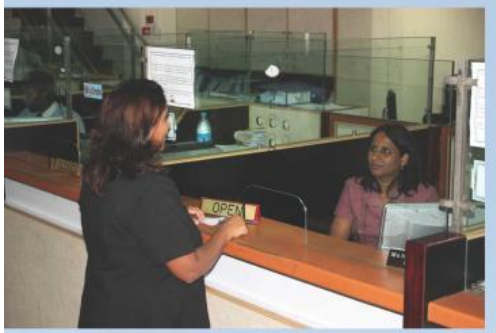
## RETURN ON CAPITAL EMPLOYED (ROCE)

The Company's ROCE improved from 3.1% to reach 4.6% in FY 2008/09.

## GEARING

The Gearing position improved from 2.3 to 1.6 times. It is to be noted that only Rs 200 Million long term loans were availed of during the year.

## REVIEW OF MHC OPERATIONS




### Savings & Term Deposits

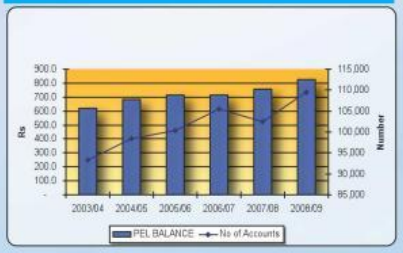
#### Plan Epargne Logement

During the financial year 2008/09, PEL grew from Rs 755.4 Million to Rs 827.6 Million, an increase of 9.56 %.The number of account holders reached 109,547 as at June 2009.

**Breakdown of cumulated PEL balance & operative accounts**

| As at | No. of operative A/Cs | Cumulated Balance– Rs Million |
|---|---|---|
| 30.06.04 | 93, 351 | 618.7 |
| 30.06.05 | 98, 349 | 682.1 |
| 30.06.06 | 100, 419 | 716.9 |
| 30.06.07 | 105,420 | 715.7 |
| 30.06.08 | 102,426 | 755.4 |
| 30.06.09 | 109,547 | 827.6 |

**Cumulated PEL balance and Number of Operative Accounts**




## Junior PEL Saver (JPS)

With a view to enlarge our portfolio of savings products, the JPS was launched in March 2009.This scheme aims at inculcating a savings culture in young Mauritians and allows parents to plan for the future of their children as from their birth. The scheme offers an attractive rate of interest of 7.38 %(AER) and was introduced with new features not available on our PEL scheme.

## Housing Deposit Certificate

HDC continued to dwindle as other means to mobilise funds were used. Though the interest rates attached to HDC were reviewed periodically to attract new investors, it could not match that offered on the market by competitors.
The HDC portfolio declined from Rs 595.5 Million to Rs 373.7 Million, i.e. a decrease of about 37.2% against the 6.9% of last year.

### Lending Operations
### Loans Approved

In spite of the cautious approach taken as a result of the economic crisis namely with respect to clients in the Textiles and Tourism Sectors, approval of housing loans increased from last year's figure of Rs 451.7 Million to Rs 879.92 Million, i.e an increase of 94.8%. Loans approved during the financial year are as follows:

**Loans Approved – Housing Loans (Rs million)**

| Financial Year | GSL Schemes | Private Promoters | Other Loans | TOTAL |
|---|---|---|---|---|
| 04/05 | 6.2 | 55.2 | 1,083 | 1144.40 |
| 05/06 | 0.4 | - | 701.6 | 702.00 |
| 06/07 | 0.8 | 32.5 | 624.6 | 657.90 |
| 07/08 | 3.3 | 5.0 | 443.4 | 451.70 |
| 08/09 | 0.9 | 61.9 | 817.1 | 879.92 |

## HOUSING LOAN SCHEMES

***MHC's Housing loan schemes are very popular. The features of the schemes are continuously being reviewed to meet customers' expectations. Total amount of loans approved during the financial year 2008/2009 is Rs 879.92 Million involving 1700 cases.***

### GOVERNMENT SPONSORED LOANS AT 6.5%

MHC Ltd operates the GSL scheme intended for lower income groups since 1986.

### HOME LOAN PLUS

Under this scheme loans are offered at an interest rate as low as 8.75% per annum and repayment period of up to 35 years.

Total loans approved under this scheme are 1281 amounting to Rs 581,240,000.

### HOME LOAN EXTRA

This scheme has been launched mainly for clients who wish to borrow Rs 1 Million and above and who can repay their loans through salary deduction. Under this scheme MHC has approved 105 cases amounting to Rs 142,600,000

### LOAN AGAINST HDC AND PEL

Under this scheme MHC Ltd provides loans to HDC depositors for housing purposes against assignment of their Housing Deposit Certificates in favour of MHC Ltd. The Company also provides loan against PEL deposits.

### LOAN TO HOUSING DEVELOPMENT PROMOTERS

Loans amounting to Rs 61,950,000 were approved under this scheme during the financial year.

### COMPLETE YOUR CONSTRUCTION HOUSING LOAN SCHEME

This scheme was launched in August 2007 mainly to help clients complete their housing units under construction at a preferential interest rate and with special conditions.

Under this scheme MHC approved 124 loans amounting to Rs 17,560,000

### STAFF HOUSING LOAN SCHEME

MHC Ltd grants loan to MHC staff under the Staff Housing Loan Scheme at a lower rate of interest i.e 5%. 36 loans amounting to Rs 16,550,000 have been approved.

### CYBER VILLAGE LOANS

Under this scheme 15 loans were approved for an amount of Rs 18,170,000.

### FAST LOAN

This scheme continues to attract clients who intend to carry renovation of their existing house. 11 loans amounting to Rs 6,630,000 were approved.

### MPA and BOM staff housing loan schemes

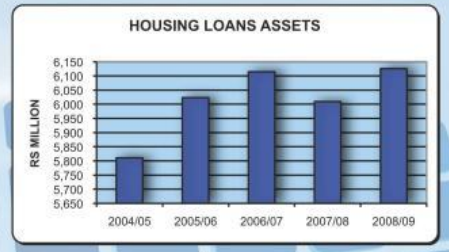
MHC acts as agency for MPA and BOM by granting and finalising loans to their employees. Loans totaling Rs 7,280,000 were approved.

### SIT LOAN SCHEME

The Sugar Investment Trust (SIT) launched its second project at Union Park & Rose Belle. MHC financed 59 clients for an amount of Rs 26,850,000 to purchase land for this project.

The table below shows the number and amount of loans approved under different schemes during the financial year 2008/2009.

| Loan Type | NO | Amount Rs |
|---|---|---|
| Home Loan Plus | 1281 | 581,240,000 |
| Home Loan Extra | 105 | 142,600,000 |
| Govt. Sponsored Loan | 3 | 940,000 |
| CCL | 124 | 17,560,000 |
| Loan Against Deposit | 1 | 150,000 |
| Staff Housing Loan | 36 | 16,550,000 |
| Loan to Promoters | 3 | 61,950,000 |
| SIT 2 | 59 | 26,850,000 |
| BOM/MPA | 11 | 7,280,000 |
| Fast Loan | 62 | 6,630,000 |
| Cyber Village | 15 | 18,170,000 |
| | | |
| TOTAL | 1700 | 879,920,000 |



## Ancillary Service

MHC provides both insurance and legal support to its clients including life and building insurance cover.

## TECHNICAL DIVISION

### Architectural / Technical Services

### Architectural Services

Architectural services are provided at a very reasonable cost to enable people to secure such services which are normally expensive and which can be afforded by only a selected few. MHC being a one-stop shop, provides designs as well as finance for construction projects.

It is also in line with our policy to be a stakeholder in the sustainable development of our country so as to render it greener. The architectural service includes the drawing of architectural/structural plans as per specifications and customers' requirements. The demand for in-house Architectural services is constantly increasing every year, as many MHC customers are opting for this service.

During the Financial Year 2008/09, 32 free house plans were drawn as part of the package of our Home Loan Plus. 23 house plans were drawn as per customers' requirements.

## Inspectorate Unit

The involvement of the Inspectorate Unit in the loan sanctioning process is crucial. At the time of application, MHC's Technical Officers undertake the valuation of the property which is to be mortgaged.
During the disbursement, the Technical Unit monitors the progress of the construction work to ensure that construction is made as per approved drawings/technical specifications and give technical guidance to clients as and when required. Thus, houses are built to a good standard and inspections are carried out to secure loan advanced. Other activities involve site visits and reporting on the activities of clients for income assessment.
During the Financial Year, the Inspectorate Unit carried out the following activities:

| | |
|---|---|
| Progress Report | 2,869 |
| Valuation | 2,419 |
| Report on Activities | 268 |
| Sites & Services | 83 |
| Arrears/Foreclosed | 400 |

These activities have been performed by MHC Technical Officers, thereby ensuring that MHC securities and clients' interests are safeguarded.

## Refurbishment of the Third Floor level

### Management and Corporate Services Business Unit

After the 1st and second floor, a complete refurbishment was carried out on the Third Floor to provide both MHC staff and customers a user-friendly convivial environment.

## Projects/Estates Development -Vuillemin Housing Project

MHC intends to embark on the construction of 24, three bedrooms apartments at Vuillemin Street, Beau Bassin. The site is situated along Vuillemin Street within the heart of a residential area and walking distance from commercial activities and other facilities. MHC is targeting the middle and upper middle income group for this project-each apartment shall be approximately 1180 sq ft.
Construction would start when at least 60% confirmed reservations have been obtained.

## Cybervillage

Cybervillage, a joint MHC/BPML housing project at Ebene Cybercity comprising of 210 housing units which have all been sold out.

### Foreclosed Properties

Properties purchased by MHC at the Bar are normally sold to the highest bidder through open tender. During the year under review, MHC Ltd sold 6 foreclosed properties for a total amount of Rs 3,567,426.

## CORPORATE SERVICES DIVISION

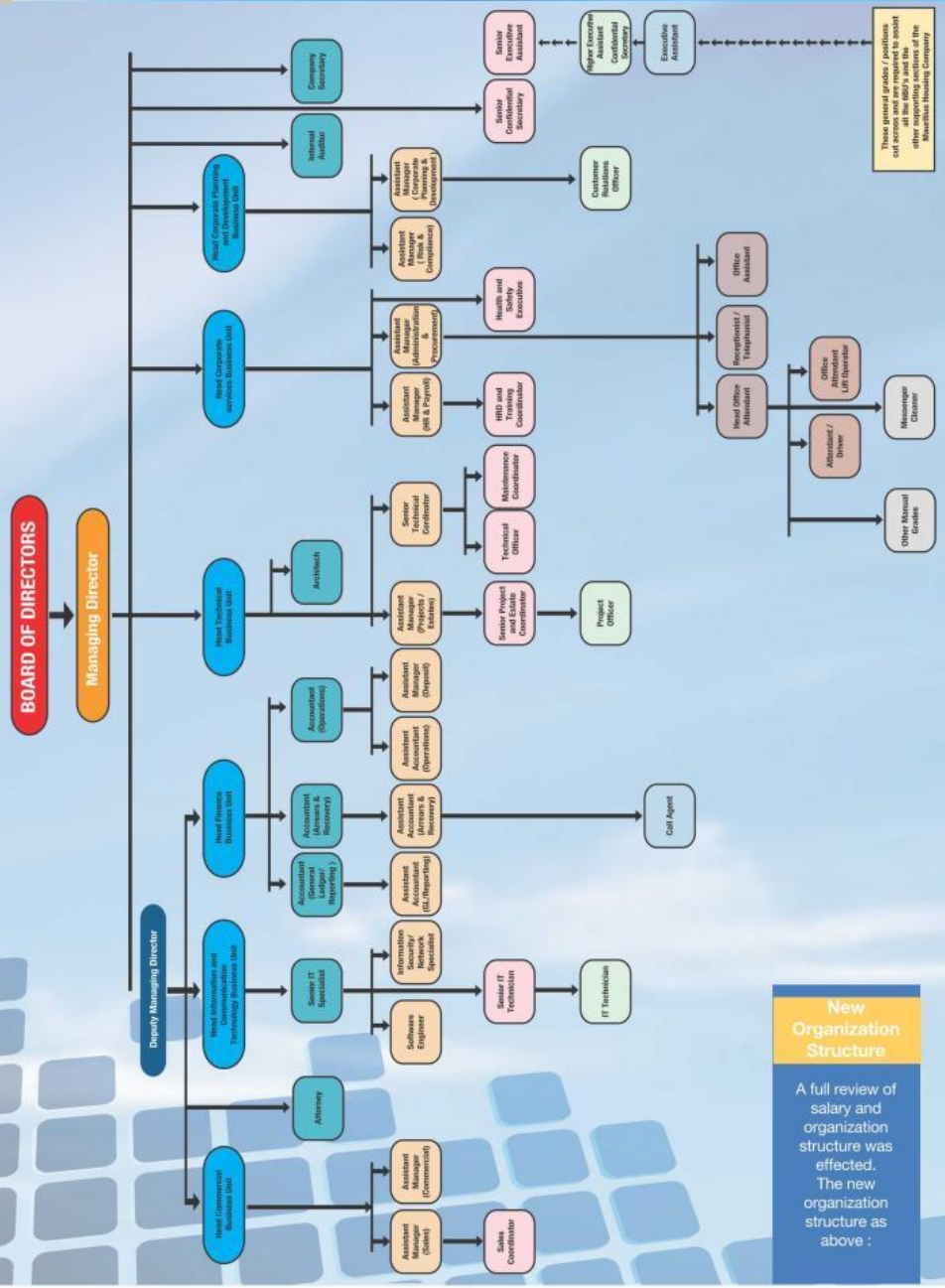
The Corporate Services business unit comprises of the following:

- Human Resources and Payroll unit
- Administration
- Procurement unit

## STAFF MATTERS

During the year, following appointments of staff were made:

| | |
|---|---|
| Deputy Managing Director | 1 |
| Head Corporate Services | 1 |
| Assistant Manager (Sales ) | 1 |
| Assistant Manager (Project & Estates) | 1 |
| Assistant Manager (Procurement and Admin) | 1 |
| Attorney | 1 |
| Accountant | 1 |
| Assistant Accountants | 2 |
| HRD & Training Coordinator | 1 |
| Senior Executive Assistants | 6 |
| Higher Executive Assistants | 16 |
| Confidential Secretary | 1 |
| Technical Officers | 2 |
| Executive Assistants | 14 |
| Sales Coordinator | 1 |
| Office Assistants | 3 |
| Receptionist/Telephonists | 1 |
| Messenger/Cleaners | 4 |
| Office Attendant / driver | 1 |
| Office General Workers | 6 |




**New Organization Structure**

A full review of salary and organization structure was effected. The new organization structure as above :

## TRAINING AND DEVELOPMENT

The financial year 08/09 was marked with a focus on training and development (seminars and workshops) in line with the Company's vision of a learning organization. The Company sponsored the participation of its personnel in various training programs and courses relevant to the business activities:

**Customer Service**
**Auditing**
**Sales Techniques**
**Fraud and Risk Management.**
**Islamic Banking.**
**Sales and Marketing Conference.**
**National Management Convention.**
**ACCA Workshop.**
**IFRS update.**
**The World Bank Group.**
**Quality Management Systems**
**Association of Human Resource Professionals**
**Performance Management System**

## INFORMATION & COMMUNICATION TECHNOLOGY DIVISION

In order to be more competitive and to keep pace with new technology the company has embarked on a project to review its current IT system. In this context, the company has enlisted IT consultancy services to advise us on the IT Strategy emanating based on the corporate strategy for the coming 5 years.

The exercise has been a thorough one and has been completed. The next step is a phased implementation of the recommendations of the consultants.

## CORPORATE PLANNING & DEVELOPMENT DIVISION

The Corporate Planning and development is geared towards taking MHC a step further in marketing/business development, product development, risk management, quality and customer service.

MHC has repositioned itself in the market through corporate branding and intensive marketing campaigns coupled with numerous business development activities. Throughout the year many events and road shows were organized.

On the other hand, innovative products were developed, such as HOME LOAN EXTRA, DreamHome Express and Junior PEL Saver, and introduced in our endeavours to meet the ever increasing needs of our clients.

MHC has enhanced its management of risks. MHC is going towards the adoption of an integrated risk management framework to build a risk-smart workforce and environment that allows innovation and responsible risk-taking whilst ensuring that legitimate precautions are taken to protect the company's interest and assets.
MHC is keen at delivering quality service to its customers. We are putting emphasis on better identifying the needs of our customers and working as a team to meet same. In this context, MHC has already embarked on an ambitious project which involves developing a Quality Management System (QMS) that will meet the requirements of ISO 9001:2008. MHC will therefore seek ISO certification.

Last but not least, constant monitoring of the level of service through customer satisfaction surveys and the address of customer complaints/grievances is being made.

## 1.0 Financial Review

### 1.1 Performance

The Company's Total Revenue was Rs 812.7.M for the period ended 30 June 2009 compared to Rs 736.9 M for the same period last year, as depicted in Table 1.

On the other hand, total expenses including finance costs for the period ended 30 June 2009, amounted to Rs 479.1 M, as compared to Rs 539.5 M last year representing a decrease of 12.6% attributable to a decrease in interest expenses and operating expenses.

The Company realised a Net Profit of Rs 258.1 M for the period ended 30 June 2009 representing an increase of 59.3%

Shareholder's Funds as at 30 June 2009 stood at Rs 1,999.8 M compared to Rs 1744.4M for last year.

Return on Equity as at 30 June 2009 was 12.9% compared to 9.3% for last year, whereas Return on Total Assets was 4.0% as at 30 June 2009 compared to 2.5% for last year.

Overall, the Company's results were satisfactory for the period ended 30 June 2009 and in line with targeted results for the said period, although competitive pressures continued to affect our interest margin.

Table 1

| Area Performance | JUNE 09 MUR 000's | JUNE 08 MUR 000's |
|---|---|---|
| Total Revenue | **812.7** | 736.9 |
| Total Expenses | **479.1** | 539.5 |
| Net Profit | **258.1** | 162.0 |
| Tier One Capital | **1,420.9** | 1,233.9 |
| Loan Portfolio | **6,125.8** | 6,009.3 |

### 1.1.1 Revenue Growth

The Company's Interest Income for the period ended 30 June 2009 was Rs 658.3 M compared to Rs 679 M for the same period last year. The Net Interest Margin, (Net Interest Income to Average Interest Earning Assets) as at 30 June 2009 was 5.3% compared to 4.1 % for the same period last year.

Our Net Interest Income was at Rs 248.4M for the period ended 30 June 2009 compared to Rs 185.9M for the same period last year. Please refer to Table II

The Company's Core Revenue (Net Interest Income plus Non-Interest Revenue) increased to Rs 812.7M over the year, compared to Rs 736.9 M for last year.

Table II

| | JUNE 09 MUR 000's | JUNE 08 MUR 000's |
|---|---|---|
| Interest Income | **658.3** | 679.0 |
| Interest Expense | **335.7** | 430.6 |
| Net Interest Income | **248.4** | 185.9 |
| Core Non Interest Revenue | **154.4** | 58.0 |
| Average Interest Earning Assets (AIEA) | **6,125.8** | 6,009.3 |
| Interest Income to AIEA | **10.7** | 11.3 |
| Interest Income to Total Assets | **5.0** | 3.8 |
| Net Interest Margin/ Int Earning Asset | **5.3** | 4.1 |

### 1.1.2 Cost Controls

Total Non-Interest Expenses for the year ended 30 June 2009 were Rs 143.4M compared to Rs 108.9M for the previous year, while Total Non Interest Revenue increased from Rs 58 M to Rs 154.4M resulting in a cost to income ratio of 92.9 % as compared to 187.8 % for last year.

Table III

| | Actual JUNE 09 MUR 000's | Actual JUNE 08 MUR 000's |
|---|---|---|
| **Non Interest Expense** | 143.4 | 108.9 |
| Staff Expenses | 87.2 | 64.4 |
| Depreciation | 11.6 | 14.4 |
| Communication Expenses | 2.3 | 2.5 |
| Legal & Professional Fees | 2.8 | 0.6 |
| Other Non Interest Expenses | 39.5 | 27.0 |
| **Total Non Interest Expenses** | **143.4** | **108.9** |

### 1.1.3 Arrears recovery

During the year, 24,297 letters/reminders were sent to defaulting clients. 16,934 visits by defaulting clients were recorded.

With the present system in place, as soon as a client defaults, a reminder is sent to him. 4,840 in arrear clients made arrangements to settle amount overdue. During the year some Rs 57.7Million were received as lump sum payments besides monthly arrangements – the overall amount recovered over the year amounted to Rs 323.9Million.

As far as possible, MHC is flexible in arrears recovery mostly because of its social responsibility. Foreclosure is only considered as a last resort when all attempts for making a reasonable arrangement have failed.

Total provision reversed for the year stood at Rs 2.8 Million.
Total provision made as at 30.06.2009 stood at Rs 274.3 Million as follows:

**Specific Provision : Rs 167.9 Million**
**General provision : Rs 61.3 Million**
**Port Folio Provision : Rs 45.1 Million**
**Rs 274.3 Million**

## 2.0 Capital Adequacy

Capital adequacy ratio measures the percentage of a bank's capital to its risk weighted assets. Capital is split into two tiers when computing the capital adequacy - Tier 1 refers to core capital, the sum of paid up share capital, share premium, statutory reserves and revenue reserves; Tier 2 refers to lesser quality capital components to absorb losses and includes undisclosed reserves, revaluation reserves, general banking reserves, portfolio provisions and subordinated long-term debt. Risk-weighted assets are determined by applying prescribed risk weightings to on and off-balance sheet exposures according to the relative credit risk of the counterparty.

While the Basel Committee has set the minimum capital adequacy ratio at 8%, Bank of Mauritius has set the minimum capital adequacy requirements at 10%.

Capital Adequacy Ratio for MHC for the year, therefore, worked out to 53.2% as against the minimum 10% imposed by Bank of Mauritius. This ratio aims at ensuring that an adequate amount of capital and reserves is maintained to safeguard solvency.

## Capital structure

| | | Weight | 2008/09 | | 2007/08 | | 2006/07 | |
|---|---|---|---|---|---|---|---|---|
| | | % | Rs M | | Rs M | | Rs M | |
| | | | Amount | Weighted Amount | Amount | Weighted Amount | Amount | Weighted Amount |
| (i) | Tier 1 – Core Capital | | | | | | | |
| | Share Capital | 100 | 200.0 | 200.0 | 200.0 | 200.0 | 100.0 | 100.0 |
| | Revenue Reserve | 100 | 1,220.9 | 1,220.9 | 1,033.9 | 1,033.9 | 1,009.2 | 1,009.2 |
| | **Total Core Capital** | | **1,420.9** | **1,420.9** | **1,233.9** | **1,233.9** | **1,109.2** | **1,109.2** |
| (ii) | Tier 2 – Supplementary Capital | | | | | | | |
| | Revaluation/Other Reserve | 45/75 * | 578.9 | 260.5 | 510.4 | 382.8 | 365.5 | 274.1 |
| | General & Portfolio Reserve | 100 | 106.4 | 106.4 | | | | |
| | **Total Supplementary Capital** | | **685.3** | **366.9** | **510.4** | **382.8** | **365.5** | **274.1** |
| | **TOTAL CAPITAL** | | 2,106.2 | 1,787.8 | 1,744.3 | 1,616.7 | 1,474.7 | 1,383.3 |

*45% for current year and 75% for previous years.

## Basel II Approach

In June 2006, the Basel Committee on Banking Supervision (BCBS), under the aegis of the Bank for International Settlements issued a revised framework, namely "International Convergence of Capital Measurement and Capital Standards", known as the Basel II Accord, which is designed to facilitate a more comprehensive, sophisticated and risk-sensitive approach to calculate regulatory capital. The revised guidelines enable banks/financial institutions to align regulatory requirements with their internal risk measurement and to reward sound processes. Another objective of Basel II is to create an improved international benchmark for regulators whereby risks have been aligned to capital requirements and the higher the risks taken, the more capital is required.

## Risk Weighted On-Balance Sheet Assets

| | Weight | 2008/09 | | 2007/08 | | 2006/07 | |
|---|---|---|---|---|---|---|---|
| | % | Rs M | | Rs M | | Rs M | |
| | | Amount | Risk Weighted | Amount | Risk Weighted | Amount | Risk Weighted |
| Property Plant & Equipment/ software | 100 | 365 | 365 | 331.6 | 331.6 | 214.8 | 214.8 |
| Investment Property | 100 | 29.7 | 29.7 | 31.8 | 31.8 | 31.1 | 31.1 |
| Housing Loans | 50 | 5,564 | 2,782 | 5414.4 | 2707.2 | 5532.5 | 2766.3 |
| Cash in Hand & at Bank | 0 | 248.9 | 0 | 293.1 | 0 | 216.6 | 0 |
| Other Assets | 100 | 183.7 | 183.7 | 453.4 | 453.4 | 581.2 | 581.2 |
| **TOTAL** | | **6,391.3** | **3,360.4** | **6524.3** | **3524.0** | **6,576.2** | **3,593.4** |
| **Capital Adequacy Ratio** | | | **53.2%** | | **45.9%** | | **38.5%** |

## 3.0 Risk Management

### 3.1 Integrated Risk Management Framework

Risk Management is a priority on MHC's corporate agenda. A unit in the Corporate Planning and Development Division has the responsibility to ensure that the Company meets statutory, regulatory and established internal requirements, and to develop and manage the corporate risk strategy. It enables the Company to align strategy, processes, people, technology, policies and guidelines with a view to better manage risks in the process of value creation.

### 3.2 MHC's Risk Structure

Risk management has been high on MHC's Corporate agenda. This commitment has been translated by the Board via the setting up of a Risk Committee which is responsible for developing the corporate risk strategy.

### 3.3 Risk Identification

The main risks which the Company may face are :
Credit Risk; Interest Rate Risk; Business Risk; Operational Risk; Legal Risk; Liquidity Risk; Compliance Risk; Reputation Risk; Market Risk; Concentration Risk; Price Risk and Risk of change in government policy.

### 3.3.1 Credit Risk

Credit Risk is the risk of financial loss from a customer's failure to meet financial obligations when due. In order to limit credit risk arising from lending activities undertaken by MHC, a diversified loan portfolio is kept.

Management strives to develop the best possible portfolio that spreads business risk, while at the same time keep returns to their maximum. In so doing, MHC is able to manage the quality of its loan assets and risk concentration.

### Credit approval process

To maintain independence and integrity of credit decision-making, credit approval function is segregated from loan origination. Credit approval authority is delegated within a structure that is tiered according to the borrower rating, exposure, credit risk type and facility type. Key parameters are periodically reviewed to improve turnaround time between origination and disbursement, without compromising on the quality of credit being granted.

As a step further towards improving the quality of the existing credit approval process, a Loans Approval Committee has been set up with well defined role. In the same spirit, a Credit Score model has been designed and recommended for implementation in the ICT project. In addition, MHC has also joined the Mauritius Credit Information Bureau. Both measures will provide leverage for credit appraisal.

### 3.3.2 Liquidity Risk

Liquidity risk refers to financial risk due to uncertain liquidity and thus, the risk of being unable to meet its contractual payment obligations.
Adequate cost-effective funds are maintained. Funding capacity to honour all its financial commitments (both contractual and those determined on the basis of behavioural patterns) when they become due, are secured. Thus, all MHC's commitments which are required to be funded are met out of readily available and secured sources of funding.

The principal sources of funds for the company are the Company's self revolving fund, deposits from business customers and borrowings from financial institutions. The maturities between loans taken and granted are kept under constant review to limit liquidity risk.

The liquidity Committee chaired by the Managing Director meets regularly to monitor the cash flow position of the company. In addition, MHC complies with the liquidity ratio as required by the Bank of Mauritius.

### 3.3.3 Compliance Risk

The Risk and Compliance officer ensures adherence to regulatory and mandatory requirements as well as internal policies /procedures.

### 3.3.4 Interest Rate Risk

The Company exercises a close follow-up on the market interest rates and adapts its interest margins in response to changes in the rates. The Company sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily. In order to ensure most favourable interest rates when raising capital, the Company has recourse to a proper tendering exercise.

### 3.3.5 Market Risk

To adjust to unforeseeable risk of losses owing to changes in general level market prices and interest rates, new products have been developed taking into account the needs of customers and considering volatility of the market. In fact, two new housing loan products namely, Home Loan extra and DreamHome Express have been introduced with an enhanced package to be more competitive.

The interest rates across the Housing Loans portfolio have been revised downwards to be very competitive on the market, thus enabling retention of existing customers and also avoidance of the dwindling of MHC's market share. The interest on the PEL savings scheme has also been increased and is actually one of the best on the market.

In order to enable timely adjustment of interest rates both on loans and deposits, the Board has authorised the Loans Committee to bring such adjustments as and when necessary, subject to Board's covering approval.

### 3.3.6 Operational Risk

Operational Risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. While such risks cannot be eliminated they can be mitigated by carefully managing them.

Manual of procedures has been updated with clearly defined responsibilities at each level of staff. With the implementation of QMS, all policies and procedures will be formalised and streamlined for effective controls to avoid non-conformities and internal procedure failures.

### 3.3.7 Addressing the Risk of Money Laundering

In its initiative to adherence to the "Guidance Notes on Anti-Money Laundering and Combating the Financing of Terrorism", the Company has reviewed its existing system by implementing additional controls, thus enhancing its processes. The front liners are well versed with KYC guidelines and reinforcement in this field is in progress.

## 3.4 Setting the target

MHC keeps improving and innovating in the field of risk management. In this context, MHC is moving towards an integrated risk management framework with the intended implementation of an Information Management Architecture comprising of a well structured data warehouse.

Integrated risk management is a continuous, proactive and systematic process to understand, manage and communicate risk from an organization-wide perspective. It is about making strategic decisions that contribute to the achievement of an organization's overall corporate objectives.

## 3.5 PROSPECTS FOR THE YEAR ENDING 30.06.2010

We expect fiercer competition in the coming years as many new banks are joining the Housing market and MHC will have to constantly ride on the crest of organizational excellence to maintain its market share. We believe MHC can differentiate itself through its range of products and quality of service. In fact during the coming year, MHC will be upgrading its IT system, implementing QMS and PMS with the aim of seeking ISO Certification. All these will help to upgrade the quality of service provided to our clients and prospects.
We intend to undertake some CSR projects as well to be a stakeholder in the socio-economic development of the country and enhance our corporate image.

### Our strengths are:

1. **Being a major player in the mortgage market;**
2. **Our existence for over 46 years;**
3. **Being Government's right arm for housing finance and in the development of social housing;**
4. **Loyalty of our clients;**
5. **Being well located and having a good branch/feeder office network;**
6. **The commitment of our staff;**
7. **Our desire for perpetual improvement;**
8. **Our desire for quality and performance improvement-QMS and performance driven initiatives i.e the PMS project**

## 4.0 Corporate Governance

Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Effective corporate governance practices are essential to achieving and maintaining high levels of trust and confidence in employees, clients and the shareholders as well as other stakeholders. The Board of MHC is fully committed to attaining and maintaining the highest standards of corporate governance. This is ensured through awareness of its operating ethics and the stewardship and close supervision of the management of the organisation by the Board of Directors.

The Board consists of a non-executive Chairman, a Managing Director and seven non-executive Directors. To reflect more transparency in the company's overall operations and especially to recognize the importance of employees as a stakeholder in the company, two staff members (representatives of the MHC Staff Association) are appointed as non-executive Directors of the Board.

The role of the Chairman and that of the Managing Director are separated and well defined. The directors can seek the advice and services of the Company Secretary. They have full and timely access to all relevant information. The shareholders determine the remuneration of the Chairman, the Managing Director and the non executive Directors.

Directors meet regularly at least once a month. While normal Board Meetings are carried out monthly, Special Board Meetings are held as and when urgent and important issues arise. All major policies and operational matters are submitted by management to the Board for discussion, significant capital expenditure, appointment of staff and special loans to Companies.

In compliance with the Banking Act 2004 and also the Code of Good Corporate Governance, the Board has set the following sub-committees:

1. **Audit Committee;**
2. **Corporate Governance & HR Committee;**
3. **Risk Committee.**

The Management team meets formally every week to review the general affairs of the Company.

During the financial year under review, the following meetings were held:

| | |
|---|---|
| **Board** | **11** |
| **Audit Committees** | **7** |
| **Corporate Governance & HR Committee** | **4** |
| **Risk Committee** | **1** |

## Audit Committee

The Audit Committee consists of three non-executive Directors and the Internal Auditor who is in attendance has full and unrestricted access to the Audit Committee and its Chairperson and to the Chairman of the company.

The Audit Committee meets at least quarterly to review the quarterly financial statements, and thus provides assurance that the financial disclosures made by Management reasonably depicts the Company's financial position and results of operations.



# DIRECTORS' REPORT

The directors have the pleasure in submitting their annual report together with the audited financial statements of Mauritius Housing Company Ltd, "the Company", for the year ended 30 June 2009.

## INCORPORATION

The Company was incorporated in the Republic of Mauritius on 12 December 1989 as a public company with limited liability.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are the granting of loans for the construction of houses and to engage in deposits taking.

## RESULTS AND DIVIDENDS

The results for the year are as shown in the income statements.

The directors have recommended the payment of a dividend of Rs Rs 51,615,000 (2008: Rs32,407,000 and 2007: Rs27,557,000) for the year under review as decided by the Board on 29 September 2009.

## DIRECTORS

*The present membership of the board is set out on page 7.*

## DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and the cash flows of the Company. The Directors are also responsible for keeping accounting records which:

- correctly record and explain the transaction of the Company;
- disclose with reasonable accuracy at any time the financial position of the Company; and
- the financial statements comply with the Mauritius Companies Act 2001.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

## DIRECTORS' SHARE INTERESTS

The directors hold no share in the company whether directly or indirectly.

## DIRECTORS' REMUNERATION

Remuneration and other benefits received by the directors from the company are as follows:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | Rs | Rs | Rs |
| **Executive Directors** | **2,182,485** | 1,304,859 | 1,348,424 |
| **Non-executive** | **1,011,903** | 742,820 | 978,685 |

## SIGNIFICANT CONTRACTS

No contracts of significance existed during the year under review between the Company and its directors and loans to the directors are done in the normal course of business.

## DONATIONS

The company made a donation of Rs145,000 ( 2008: Rs112,500 and 2007: Rs 10,000 ) during the year.

## AUDITORS

Fees (inclusive of VAT) payable to the auditors, Kemp Chatteris Deloitte for the year under review amounted to Rs 805,000 ( 2008: Rs 517,500 and 2007: Rs 454,250 ) and are entirely for audit services provided.

## STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The Company's financial statements 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 Mauritius Companies Act 2001 and the Banking Act 2004 as applicable to the Company and the guidelines issued there under, 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 losses from unauthorized 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, authorization 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 oversees Management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant related party transactions.

Pursuant to the provisions of 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, Kemp Chatteris Deloitte, have full and free access to the proceeding of the Board of Directors and its committee meetings to discuss the audit and matters arising there from, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

**DIRECTOR** **DIRECTOR** **DIRECTOR**

*Date: 29 September 2009*

**DIRECTOR** **DIRECTOR** **DIRECTOR**

*Date: 29 September 2009*

## REPORT FROM THE SECRETARY TO THE MEMBERS OF MAURITIUS HOUSING COMPANY LTD

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 Mauritius Companies Act 2001, in terms of section 166 (d) during the financial year ended 30 June 2009.

Mr. Kreshan Narroo
*Secretary*

*Date:29 September 2009*

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAURITIUS HOUSING COMPANY LTD

This report is made solely to the Company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

***Report on the Financial Statements***

We have audited the financial statements of Mauritius Housing Company Ltd on pages 39 to 80 which comprise the balance sheet as at 30 June 2009 and the income statement, statement of changes in equity and cash flow statement for the year ended and a summary of significant accounting policies and other explanatory notes.

***Directors' responsibilities for the financial statements***

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004 and the Financial Reporting Act 2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditor's responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements on pages 39 to 80 give a true and fair view of the financial position of the Company as at 30 June 2009 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Mauritius Companies Act 2001 applicable to non-bank deposit taking financial institutions and the Financial Reporting Act 2004.

## Report on other legal and regulatory requirements

***In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:***

- we have no relationship with, or interests in, the Company other than in our capacities as auditors;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

***In accordance with the requirements of the Banking Act 2004, we report as follows:***

- in our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the provisions of the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius; and
- the explanations or information called for or given to us by the officers or agents of the Company were satisfactory.

KPMG Ernst & Young

Signature of Auditors

Twaleb Butonkee, FCA
Signing Partner

## BALANCE SHEET AT 30 JUNE 2009

| | Note | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | | 248,871 | 293,097 | 216,560 |
| Investment property | 5 | 29,753 | 31,798 | 31,082 |
| Assets held for trading | 6 | 41,143 | 42,079 | 41,287 |
| Property development | 7 | 52,165 | 134,214 | 194,801 |
| Loans and advance to BPML | 8 | - | 107,289 | 179,784 |
| Loans to customers | 9 | 5,564,029 | 5,414,398 | 5,532,454 |
| Property and equipment | 10 | 364,532 | 331,521 | 214,627 |
| Intangible asset | 11 | 476 | 53 | 136 |
| Other assets | 12 | 90,361 | 169,823 | 165,472 |
| **Total assets** | | **6,391,330** | **6,524,272** | **6,576,203** |
| **LIABILITIES** | | | | |
| PEL savings accounts | 13 | 1,338,956 | 1,238,377 | 1,153,244 |
| Housing deposits certificates - HDC | 14 | 388,745 | 646,427 | 692,893 |
| Borrowings | 15 | 2,149,739 | 2,366,105 | 2,663,542 |
| Loan NHDC | 16 | 56,986 | 78,321 | 99,656 |
| Insurance funds | 17 | 236,700 | 213,840 | 187,490 |
| Retirement benefit obligations | 18 | 12,213 | 21,306 | 24,309 |
| Other liabilities | 19 | 91,338 | 98,641 | 163,645 |
| **Total liabilities** | | 4,274,677 | 4,663,017 | 4,984,779 |
| **SHAREHOLDERS' EQUITY** | | | | |
| Ordinary share capital | 20 | 200,000 | 200,000 | 100,000 |
| Revaluation and other reserves | 21 | 578,889 | 510,448 | 365,452 |
| Building insurance reserve | 22 | 116,810 | 116,810 | 116,810 |
| Revenue reserves | 23 | 1,220,954 | 1,033,997 | 1,009,162 |
| **Total equity** | | **2,116,653** | **1,861,255** | **1,591,424** |
| **Total equity and liabilities** | | **6,391,330** | **6,524,272** | **6,576,203** |

Approved and authorized for issue by the Board of Directors on 29 - SEP - 2009 and signed on its behalf by:

DIRECTOR DIRECTOR DIRECTOR

The notes on pages 39 to 80 form an integral part of these financial statements.

## STATEMENT OF INCOME FOR THE YEAR ENDED 30 JUNE 2009

| | Note | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|---|
| **Interest income** | | | | |
| Loans interest | | 621,110 | 643,819 | 629,463 |
| Refund of interest grants from Government | | 54 | 983 | 13,551 |
| Interest on bank deposits | | 22,648 | 20,637 | 15,687 |
| Others | | 14,494 | 13,536 | 29,563 |
| | | 658,306 | 678,975 | 688,264 |
| **Interest expense** | | | | |
| Bank overdrafts | | (1,123) | (425) | (3,285) |
| Bank loans | | (190,321) | (241,119) | (219,681) |
| Debentures | | (7,023) | (22,832) | (30,400) |
| Plan Epargne Logement (PEL) | | (83,345) | (91,383) | (81,363) |
| Housing deposits certificates- (HDC) | | (43,008) | (64,192) | (77,815) |
| Others | | (10,876) | (10,646) | (9,302) |
| | | (335,696) | (430,597) | (421,846) |
| **Net interest income** | | 322,610 | 248,378 | 266,418 |
| Provision for credit losses | 9 (b) | 2,835 | (10,771) | (25,236) |
| Interest suspended | | (77,082) | (51,730) | (32,250) |
| Net interest income after provision for credit losses | | 248,363 | 185,877 | 208,932 |
| **Other income** | | | | |
| Fee income and comissions | | 27,229 | 22,004 | 30,972 |
| Rent received | | 7,721 | 8,049 | 6,455 |
| Policy fees and charges on loan | | 2,713 | 1,796 | 2,306 |
| Others | 24 | 116,760 | 26,102 | 28,373 |
| **Net interest and other income** | | 402,786 | 243,828 | 277,038 |
| **Non-interest expense** | | | | |
| Salaries and human resource development | | (70,186) | (47,784) | (45,513) |
| Pension contributions and other staff benefits | | (48) | (3,173) | (5,673) |
| Depreciation | | (11,574) | (14,393) | (8,653) |
| Others | 25 | (61,573) | (43,566) | (33,832) |
| | | (143,381) | (108,916) | (93,671) |
| **Net income** | | 259,405 | 134,912 | 183,367 |
| Realised loss on foreclosed property | | (1,330) | (2,895) | (21,268) |
| Fair value adjustment on property development | 7 | - | 30,022 | - |
| **Net income available to ordinary shareholders** | | 258,075 | 162,039 | 162,099 |
| Average number of ordinary shares outstanding | | 20,000,000 | 20,000,000 | 10,000,000 |
| Net income per ordinary share (Rs) | | 12.90 | 8.10 | 16.21 |

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

| | Ordinary share capital Rs'000 | Revaluation and other reserves Rs'000 | Building insurance reserve Rs'000 | Revenue reserves Rs'000 | Total Rs'000 |
|---|---|---|---|---|---|
| At 1 July 2006 | | | | | |
| - as previously reported | 100,000 | 726,718 | - | 982,890 | 1,809,608 |
| - transfer | - | (116,816) | 116,816 | - | - |
| - transfer to insurance fund | - | (167,434) | - | - | (167,434) |
| - penalty fee | - | - | - | (75,889) | (75,889) |
| - insurance premium | - | (39,326) | - | 39,326 | - |
| - specific provision for credit losses | - | - | - | (50,960) | (50,960) |
| - as restated | 100,000 | 403,142 | 116,816 | 895,367 | 1,515,325 |
| Profit for the year | - | - | - | 162,099 | 162,099 |
| Dividend (Note 27) | - | - | - | (23,989) | (23,989) |
| Transfer to general reserve: | | | | | |
| - 15% of profit for the year | - | 24,315 | - | (24,315) | - |
| Transfer to portfolio provision | - | (62,032) | - | - | (62,032) |
| Movement on reserves | - | 27 | (6) | - | 21 |
| At 30 June 2007 | 100,000 | 365,452 | 116,810 | 1,009,162 | 1,591,424 |
| At 1 July 2007 | | | | | |
| - as previously reported | 100,000 | 365,452 | 116,810 | 1,009,162 | 1,591,424 |
| - penalty fee | - | - | - | 14,659 | 14,659 |
| - as restated | 100,000 | 365,452 | 116,810 | 1,023,821 | 1,606,083 |
| Profit for the year | - | - | - | 162,039 | 162,039 |
| Dividend (Note 27) | - | - | - | (27,557) | (27,557) |
| Transfer to general reserve | | | | | |
| - 15% of profit for the year | - | 24,306 | - | (24,306) | - |
| Movement on reserves | - | 120,690 | - | - | 120,690 |
| Bonus issue | 100,000 | - | - | (100,000) | - |
| At 30 June 2008 | 200,000 | 510,448 | 116,810 | 1,033,997 | 1,861,255 |
| At 1 July 2008 | 200,000 | 510,448 | 116,810 | 1,033,997 | 1,861,255 |
| Profit for the year | - | - | - | 258,075 | 258,075 |
| Dividend (Note 27) | - | - | - | (32,407) | (32,407) |
| Transfer to general reserve | | | | | |
| - 15% of profit for the year | - | 38,711 | - | (38,711) | - |
| Movement on reserves | - | 29,730 | - | - | 29,730 |
| At 30 June 2009 | 200,000 | 578,889 | 116,810 | 1,220,954 | 2,116,653 |

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 |
| **Cash flows from operating activities** | | | |
| Profit for the year | 258,075 | 162,039 | 162,099 |
| **Adjustments for:** | | | |
| Provision and adjustments to income for credit losses | (2,835) | 10,771 | 25,236 |
| Depreciation | 11,282 | 13,656 | 7,805 |
| Amortisation of intangible assets | 292 | 737 | 848 |
| Special grant - Cybervillage | (68,048) | - | - |
| Provision for credit impairment | 77,082 | 51,730 | 32,250 |
| Loss on disposal of tangible fixed assets | 3,095 | 1,181 | 64 |
| Operating profit before working capital changes | 278,943 | 240,114 | 228,302 |
| **Change in operating assets and liabilities** | | | |
| Decrease/(increase) in other assets | 76,667 | 2,652 | (31,266) |
| Increase/(decrease) in other liabilities | 22,016 | (50,635) | (20,306) |
| Accrued interest payable | (7,548) | 12,787 | 40,000 |
| Others | (46,850) | 118,479 | (72,638) |
| **Net cash provided by/(used in) operating activities** | 44,285 | 83,283 | (84,210) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | (14,853) | (10,712) | (13,395) |
| Purchase on investment property | - | (1,100) | (545) |
| Proceeds from disposal of foreclosed property | 5,401 | (1,975) | (6,249) |
| Proceeds from disposal of property, plant and equipment | 2,354 | 75 | - |
| Secured loans granted – net | (104,282) | 33,907 | (95,730) |
| Property development | 130,019 | 60,587 | 42,856 |
| Net cash from/(used in) investing activities | 18,639 | 80,782 | (73,063) |
| **Cash flows from financing activities** | | | |
| Grant and subsidies received | 174,263 | - | 154,426 |
| Housing deposits certificates (HDC) | (238,932) | (44,393) | (343,850) |
| Plan Epargne Logement Savings (PEL) | 68,461 | 39,735 | (1,158) |
| Repayment of debentures | (192,500) | (78,500) | (78,500) |
| Proceeds from long term borrowings | 211,985 | 100,000 | 450,000 |
| Payments on long term borrowings | (314,561) | (306,185) | (268,680) |
| Dividends paid | (32,407) | (27,557) | (23,989) |
| BPML shares upon acquisition | (90,354) | - | - |
| Net cash used in financing activities | (414,045) | (316,900) | (111,751) |
| **(Decrease)/increase in cash and cash equivalents** | (72,178) | 87,279 | (40,722) |
| **Movement in cash and cash equivalents** | | | |
| Cash and cash equivalents at start of year | 245,202 | 157,923 | 198,645 |
| (Decrease)/increase in cash and cash equivalents | (72,178) | 87,279 | (40,722) |
| Cash and cash equivalents at end of year | 173,024 | 245,202 | 157,923 |
| **Cash and cash equivalents** | | | |
| Cash at bank and in hand | 248,871 | 293,097 | 216,560 |
| Bank overdrafts | (75,847) | (47,895) | (58,637) |
| | 173,024 | 245,202 | 157,923 |

There is a restriction on the use of cash at bank and in hand up to Rs 10,560,000 (2008: Rs10,560,000 and 2007: Rs10,560,000) relating to funds kept by the Company in respect of retirement benefit obligations (Note 18).



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 1 GENERAL INFORMATION

Mauritius Housing Company Ltd, the 'Company', was incorporated on 12 December 1989 as a public company with limited liability. The principal activities of the Company are the granting of loans for the construction of houses and to engage in deposits taking. The registered office of the Company is MHC Building, Reverend Jean Lebrun Street, Port Louis, Mauritius.

### 2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In the current year, the Company has adopted all of the new and revised standard and interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2008. The adoption of these new and revised standards and interpretations has not resulted in any changes to the Company's accounting policies that would affect the amounts reported for the current or prior years.

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective on annual periods beginning on or after the respective dates as indicated:

**IAS 1** Presentation of Financial Statements - *Comprehensive revision including requiring a statement of comprehensive income ( effective 1 January2009 )*

**IAS 1** Presentation of Financial Statements - *Amendments relating to disclosure of puttable instruments and obligations arising on liquidation( effective 1 January 2009 )*

**IAS 1** Presentation of Financial Statements - *Amendments resulting from May 2008 Annual Improvements to IFRSs ( effective 1 January 2009)*

**IAS 1** Presentation of Financial Statements - *Amendments resulting from April 2009 Annual Improvements to IFRSs ( effective 1 January 2010)*

**IAS 7** Statement of cash flows - *Amendments resulting from April 2009 Annual Improvements to IFRSs ( effective 1 January 2010)*

**IAS 16** Property, Plant and Equipment - *Amendments resulting from May 2008 Annual Improvements to IFRSs ( effective 1 January 2009)*

**IAS 17** Lease – Amendments resulting from April 2009 Annual Improvements to IFRSs *( effective 1 January 2010 )*

**IAS 19** Employee Benefits - *Amendments resulting from May 2008 Annual improvement to IFRSs ( effective 1 January2009 )*

**IAS 20** Government Grants and Disclosure of Government Assistance - *Amendments resulting from May 2008 Annual Improvements to IFRSs(effective 1 January 2009 )*

**IAS 23** Borrowing Costs - *Comprehensive revision to prohibit immediate expensing (effective 1 January 2009)*

**IAS 23** Borrowings Costs - *Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1January 2009 )*

**IAS 27** Consolidated and Separate Financial Statements - *Consequential amendments arising from amendments to IFRS 3 ( effective 1 July 2009 )*

**IAS 27** Consolidated and Separate Financial Statements - *Amendment relating to cost of an investment on first time adoption ( effective 1 January 2009 )*

**IAS 27** Consolidated and Separate Financial Statements - *Amendments resulting from May 2008 Annual Improvements to IFRSs( effective 1 January 2009 )*

**IAS 28** Investments in Associates - *Consequential amendments arising from amendments to IFRS 3( effective 1 July 2009 )*

**IAS 28** Investments in Associates - *Amendments resulting from May 2008 Annual improvements to IFRSs ( effective 1 January 2009 )*

## ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONT'D)

**IAS 29** Financial Reporting in Hyperinflationary Economies - *Amendments resulting from May 2008 Annual Improvements to IFRSs ( effective 1.January 2009 )*

**IAS 31** Interests in Joint Ventures - *Consequential amendments arising from amendments to IFRS 3 (effective 1 July 2009 )*

**IAS 31** Interests in Joint Ventures - Amendments resulting from May 2008 Annual Improvements to IFRSs(effective 1 January 2009)

**IAS 32** Financial Instruments: Presentation - *Amendments relating to puttable instruments and obligations arising on liquidation (effective 1 January 2009)*

**IAS 36** Impairment of Assets - *Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)*

**IAS 36** Impairment of Assets - *Amendments resulting from April 2009 Annual Improvements to IFRSs ( effective 1 January 2010)*

**IAS 38** Intangible Assets - *amendments resulting from May 2008 Annual Improvements to IFRSs ( effective 1 January 2009 )*

**IAS 38** Intangible Assets - *amendments resulting from April 2009 Annual Improvements to IFRSs ( effective 1January 2010 )*

**IAS 39** Financial Instruments: Recognition and Measurement - *Amendments resulting from May 2008 Annual Improvements to IFRSs ( effective 1 January 2009 )*

**IAS 39** Financial Instruments: Recognition and Measurement - *Amendments for eligible hedged items ( effective 1July 2009)*

**IAS 39** Financial Instruments : Recognition and Measurement - *Amendments for embedded derivatives when reclassifying financial instruments ( effective 1 July 2009)*

**IAS 39** Financial Instruments : Recognition and Measurement – *Amendments resulting from April 2009 Annual Improvements to IFRSs ( effective 1 January 2010)*

**IAS 40** Investment Property – *Amendments resulting from May 2008 Annual Improvements to IFRS's (effective 1 January 2009)*

**IAS 41** Agriculture - *Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1January 2009)*

**IFRS 1** First-time Adoption of International Financial Reporting Standards - *Amendment relating to cost of an investment on first-time adoption(effective 1 January 2009 )*

**IFRS 2** Share-based Payment - Amendment relating to vesting conditions and cancellations (effective 1 January 2009 )

**IFRS 2** Share-based Payment - *Amendment resulting from April 2009 Annual Improvement to IFRS's ( effective 1 January 2009)*

**IFRS 2** Share-based Payment - *Amendment relating to group settled share –based payment transactions (effective 1January 2010)*

**IFRS 3** Business Combinations - *Comprehensive revision on applying the acquisition method (effective 1 July 2009)*

**IFRS 5** Non-current Assets Held for Sale and Discontinued Operations - *Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1July 2009)*

**IFRS 5** Non-current Assets Held for Sale and Discontinued Operations - *Amendments resulting from April 2009 Annual Improvements to IFRSs(effective 1January 2010)*

**IFRS 7** Financial Instruments-Disclosures - *Amendments enhancing disclosures about fair value and liquidity risk (effective 1 January 2009 )*

**IFRS 8** Operating Segments ( effective 1 January 2009 )

**IFRS 8** Operating Segments – *Amendments resulting from April 2009 Annual Improvements to IFRS's*

**IFRIC 15** Agreements for the construction of real estate ( effective 1 January 2009 )

**IFRIC 16** Hedges of a net investment in a foreign operation( effective 1 October 2008)

**IFRIC 17** Distributions of Non –Cash Assets to Owners (effective 1 July 2009 )

**IFRIC 18** Transfer of Assets from Customers ( effective 1 July 2009 )

The directors anticipate that the adoption of these Standards and Interpretations on the above effective dates in future periods will have no material impact on the financial statements of the company.



## 3. ACCOUNTING POLICIES

The principal accounting policies adopted by the Company are as follows:

### (a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the guidelines of Bank of Mauritius and under the historical cost convention as modified by the revaluation of land and buildings, foreclosed property, property development and certain financial instruments.

### (b) Property, plant and equipment

Property, plant and equipment include own-used properties, IT and communication and other machines and equipment, motor vehicles and housing estates.

All property, plant and equipment are initially recorded at cost, except freehold land and buildings which are shown at market value, based on triennial valuations done by external independent valuers. All property, plant and equipment, are stated at historical cost/valuation less depreciation, and impairment losses except freehold land and housing estates which are not depreciated.

Owned-used property is defined as property held for use in the supply of services or for administrative purposes whereas investment property is defined as property held to earn rental income and/or for capital appreciation.

Increases in the carrying amount arising on revaluation are credited to revaluation and other reserves in shareholders' equity. Decreases that offset previous increases of the same assets are charged against the revaluation reserve; all other decreases are charged to the income statement.

Depreciation is calculated to write off the cost of each asset or its revalued amount to its residual value over its estimated useful life, with the exception of freehold land and housing estates

The annual rates used are as follows:

| | | |
|---|---|---|
| **Freehold buildings** | **2%** | **Straight line method** |
| **Furniture and equipment** | **10% and 33 1/3%** | **Straight line method** |
| **Motors vehicles** | **20%** | **Straight line method** |

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

Gains and losses on disposal of property, plant and equipment are determined by the difference between their carrying values and their net disposal proceeds and are accounted for in the income statement.

### (c) Intangible asset

Intangible asset consists of computer software. The software cost is amortised on a straight line basis over its estimated useful lives of 3 years.

### (d) Foreclosed property

Foreclosed property is classified as assets held-for-trading and it represents houses acquired through auction at the Master's Bar further to the default of clients. Foreclosed property is held for trading and is stated at the price paid at bar together with all related expenses incurred on the acquisition. If the acquisition value together with related costs is different from the loan balance outstanding, the difference is reported as an unrealized loan loss/gain in the Mortgage Insurance Reserve Account, if the property has a mortgage insurance.

Realised loss/gain on disposal of foreclosed property is taken to the income statement.

No depreciation is charged on foreclosed property.

### (e) Software development costs

Software development costs are recognized when they meet certain criteria relating to identifiability, it is probable that future economic benefits will flow to the enterprise, and the cost can be measured reliably. These costs are amortised on the basis of the expected useful lives.

Costs associated with the maintenance of existing computer software are expensed as incurred.

### (f) Investment property

Investment property which is property held to earn rental income and/or for capital appreciation is stated at cost or revalued amounts at the balance sheet date.

Depreciation is calculated at the rate of 2% per annum on the straight line method to write off the revalued amount of the buildings to their residual values over their estimated useful lives.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

### (g) Deferred taxation

No provision for deferred taxation made in these financial statements as the Company is exempt from any income tax liability.

### (h) Inventories

All consumables and accessories are expensed in the year in which they have been purchased.





### (i) Financial assets

The Company classifies its financial assets in the following categories:

- Financial assets held for trading : these concern principally foreclosed property and are intended for sale in the short term. Financial assets held for trading are recognized on trade-date, that is, the date on which the Company commits to purchase the assets;

- Secured loans: these concern loans originated by the Company and where the money is provided directly to the borrowers and they are recognized when cash is advanced to the borrowers. They are initially recorded at cost, which is the fair value of the cash given to originate the loans, including any transaction costs, and are subsequently valued to account for any impairment.

  Financial assets are recognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

### Provision for credit losses

An allowance for credit losses is established if there is objective evidence that the Company will be unable to collect all amounts due according to the original contractual terms.

An allowance for credit losses is reported as a reduction of the carrying value of a loan on the balance sheet.

All impaired loans are reviewed and analysed at each balance sheet date. Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates will result in a change in the allowance for credit losses and be charged or credited to the income statement.

An allowance for an impairment is reversed only when the credit quality has improved such that there is reasonable assurance of timely collection of principal and interest in accordance with the original contractual terms of the loan agreement.

A write-off is made when all or part of a claim is deemed uncollectible. Write-offs are charged against previously established allowances for credit losses or directly to the income statement. Recoveries in part or full of amounts previously written-off are credited to the income statement.

The company has established the below-mentioned criteria for provisions for credit losses and for adjustment in respect of interest income suspended and these criteria are in line with the spirit of 'social mission' which guides the Company:

(i) A loan is classified as non-performing when the contractual payments of principal and interest are in arrears and where legal action has not yet been initiated; the provision for such type of loan is the excess of balance of capital outstanding and interest over the recoverable amount of the collateral security. This is calculated on a case-to-case basis.

### (i) Financial assets *(Cont'd)*

(ii) For a non-performing loan for which legal action has been initiated, the provision for credit loss is the difference between outstanding balance and valuation of the security reduced by 50%.The full outstanding interest is suspended.

(iii) For a non performing loan where sale by levy has already been initiated, the provision for credit loss is the difference between the outstanding balance and valuation of the security reduced by 64%.

### Portfolio provision

A portfolio provision for credit impairment is maintained on the aggregate amount of all loans and advances to allow for potential losses not specifically identified but which experience indicates are present in the portfolio loans. The Bank of Mauritius Guideline on Credit Impairment Measurement and Income Recognition prescribes that the portfolio provision should be no less than 1 per cent of the aggregate amount of loan and advances excluding impaired advances, excluding loans granted to or guaranteed by the Government of Mauritius and excluding loans to the extent that they are supported by collateral of liquid assets held by the Company. The charge for portfolio provision is recognised in the Income Statement.

Over and above provision for credit losses and portfolio provision, a general provision of 1% of total secured loans (net of provisions) is made.

### (j) Employee benefits

**• Retirement benefit obligations**

The Company contributes to a defined benefit plan for its employees and the assets of this plan are held in a separate fund administered by the State Insurance Company of Mauritius Limited. The cost of providing benefits is determined using the projected unit credit method so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plans every year. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Company's pension obligations and fair value of plan assets are amortised over the expected average remaining working lives of the participating employees.

The amount recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for recognized actuarial gains and losses and recognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to recognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The present value of unfunded obligations is recognised in the balance sheet as a non-current liability after adjusting for any recognised actuarial gains and losses and any recognised past service cost. The value of unfunded obligation would be computed on the basis of estimates made by the directors.





**• Pension contributions**

Contributions to the Family Protection Scheme (FPS) are expensed to the income statement in the period in which they fall due.
Contributions to the National Pension Scheme (NPS) are expensed to the income statement in the period in which they fall due.

### (k) General reserve

The Company has set up a General Reserve which will act as a buffer for any contingencies that may arise and hence 15% of the net profit is transferred annually to this reserve. Such reserve is not distributable.

### (l) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings under current liabilities.

### (m) Equity

Share capital is determined using the nominal value of share that has been issued.

Revenue reserves include all current and prior years' results as disclosed in the statement of changes in equity.

Capital reserves are made up of revaluation reserves and statutory and non-statutory general expenses.

Insurance Reserves are made up of Building Insurance Reserve.

### (n) Revenue recognition

Interest, other than bank interest, is recognised as income in the income statement of the accounting period in which it is receivable.

Interest income is suspended when loans become non-performing.

Bank interest income is accounted on an accrual basis, unless collectibility is in doubt.

Rental income is accounted on an accrual basis.

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

Refund of interest differential, interest generated from grants and administration cover from Government of Mauritius are recognised on an accrual basis.

### Penalty on late payments

There is a surcharge equivalent to 10% of the monthly repayment and 5% for cases falling under the Borrowers Protection Act if payment is effected after fifteen days from the last day of the month when the payment falls due. This surcharge is accounted for in the income statement as and when received.

### (o) Life assurance and building insurance

The Company operates insurance schemes for its clients, where it accepts significant insurance risk from the insurees by agreeing to compensates the policy holder in case of death/ disablement affecting the policy holder as well as damages to the insured properties.

Secured loans holders are required to make contribution to the Company which provides life assurance cover for a sum equal to the balance outstanding of their account. 90% of the contribution is credited to a Life Assurance Fund Account and the remaining 10%, representing the Company's charge for the administration of the scheme, is credited to the income statement. Claims are written off to life Assurance Fund Account.

Building insurance premium is charged to those who have taken loans for construction purposes. The premium is based on the expected valuation of the building. The total contribution is credited to the income statement.

A mortgage insurance premium of 0.06% is charged, on the excess of loan amount over 75% of the value of collaterals, to client as a Mortgage Insurance.

### (p) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate

### (q) Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated, being 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, unless the asset is carried at the revalued amount, in which case, the impairment loss is treated as a revaluation decrease.





### (r) Financial instruments

Financial assets and liabilities are recognized on the balance sheet when the Company has become a party to the contractual provisions of the instrument.

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition, these instruments are measured as set out below:

- **Borrowings**
  Borrowings are measured at amortised cost.
- **Trade receivables**
  Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.
- **Assets held for trading**
  Assets held for trading are stated at their fair values.
- **Loans**
  Loans are measured at amortised cost less allowance for credit losses.
- **Trade payables**
  Trade payables are stated at their nominal values.
- **Cash and cash equivalents**
  Cash and cash equivalents are measured at fair values.
- **Deposits**
  Deposits are stated at amortised cost.
- **Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or recognized the asset and settle the liability simultaneously.

### (s) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in the income statement on a straight line basis over the term of the lease.

Assets leased out under operating leases are included in the balance sheet as investment property and are depreciated over their expected useful lives on a basis consistent with similar assets.

### (t) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the year in which the dividends are approved by the Company's shareholders.

## 3. ACCOUNTING POLICIES *(Cont'd)*

### (u) Related parties

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 if they and the company are subject to common control. Related parties may be individuals or other entities.

### (v) Debt issued

Debt issued is initially measured at cost, which is the fair value of the consideration received, net of transactions costs incurred.

### (w) Comparatives

Where necessary comparative figures have been restated or reclassified to conform to the current year's presentation.

### (x) Government Grants

Government Grants pertaining to Government Sponsored Loans scheme (GSL) are recognized as an asset in the year the grants are paid to the GSL beneficiaries.

## 4. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in accordance with IFRS requires the Directors and Management to exercise judgment in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements.
Judgments and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

Where applicable, the notes to the financial statements set out areas where Management has applied a higher degree of judgment that have a significant effect on the amounts recognized in the financial statements, or estimations 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

## 5. INVESTMENT PROPERTY

| | Freehold Land | Building | BPML Furniture | Total |
|---|---|---|---|---|
| **COST OR VALUATION** | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** |
| At 1 July 2006 | 4,115 | 30,183 | - | 34,298 |
| Additions | - | - | 545 | 545 |
| Transfer to propertyplant and equipment | - | (1,889) | - | (1,889) |
| At 30 June 2007 | 4,115 | 28,294 | 545 | 32,954 |
| Additions | - | - | 1,099 | 1,099 |
| Revaluation | - | 354 | - | 354 |
| At 30 June 2008 | 4,115 | 28,648 | 1,644 | 34,407 |
| Disposal | - | - | (1,644) | (1,644) |
| At 30 June 2009 | 4,115 | 28,648 | - | 32,763 |
| **DEPRECIATION** | | | | |
| At 1 July 2006 | - | 1,024 | - | 1,024 |
| Charge for the year | - | 840 | 8 | 848 |
| At 30 June 2007 | - | 1,864 | 8 | 1,872 |
| Charge for the year | - | 573 | 164 | 737 |
| At 30 June 2008 | - | 2,437 | 172 | 2,609 |
| Charge for the year | - | 573 | - | 573 |
| Disposal | - | - | (172) | (172) |
| At 30 June 2009 | - | 3,010 | - | 3,010 |
| **NET BOOK VALUE** | | | | |
| At 30 June 2009 | 4,115 | 25,638 | - | 29,753 |
| At 30 June 2008 | 4,115 | 26,211 | 1,472 | 31,798 |
| At 30 June 2007 | 4,115 | 26,430 | 537 | 31,082 |

*Revaluation of building*
On 30 June 2008 the building was revalued by Mr Yodhun Bissessur, MSc., F.R.I.C.S., M.M.I.S., an independent Chartered Valuation Surveyor. The fair value or market value has been determined assuming:- (i) that prior to the date of valuation, there had been reasonable period for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale; (ii) that the state of the market level of values and other circumstances were on any earlier assumed date of exchange of contracts, the same as on the date of valuation.

## 6. ASSETS HELD FOR TRADING

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | **Rs'000** | **Rs'000** | **Rs'000** |
| Foreclosed properties | 39,645 | 40,051 | 39,259 |
| Land and apartments repossessed | 1,498 | 2,028 | 2,028 |
| At 30 June | 41,143 | 42,079 | 41,287 |

The foreclosed properties represent houses acquired at bar on default of clients and these are stated at their acquisition costs, being their fair values.

## 7.PROPERTY DEVELOPMENT

This represents the share of costs incurred by the Company in relation to the BPML/MHC Cybercity Project.

Pursuant to a Memorandum of Understanding of February 2004 between Business Park of Mauritius Ltd (BPML), a locally incorporated company, and the Company, it was agreed that both companies will undertake a joint project for the development of an integrated residential and recreational complex at Ebène Cybercity site.

The terms of this Memorandum of Understanding include, inter alia:

I. The complex will be developed on a plot of land of 8.44 hectares belonging to BPML and with an estimated value of Rs20M;

II. The financing and return shall be shared equally between the parties; and

III. After completion of the project, the Company will act as Estate Manager.

The project is already completed and selling of the housing units is well underway. At 30 June 2009, included in trade and other payables is an amount of Rs 20M ( 2008: Rs 24M and 2007: Rs 69M) received as deposits from potential buyers. The deeds of sale of 29 housing units will be finalized by December 2009

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 |
| At 1 July | 134,214 | 194,801 | 237,657 |
| Movement during the year | (82,049) | (90,609) | (42,856) |
| Fair value adjustment | - | 30,022 | - |
| At 30 June | 52,165 | 134,214 | 194,801 |

The recoverable amount has been determined by adjusting the valuation carried out last year. The Directors consider the amount of Rs 52,165,000 to be a reflection of the fair value.

## 8.LOANS AND ADVANCE TO BPML

The Company has provided loans and advance to Business Park of Mauritius Ltd (BPML) of Rs Nil (2008: Rs107,289,000 and 2007: Rs 179,784,000) in order to enable the latter to meet its financial obligations under the joint venture agreement, as fully described in Note 7. The loans and advance bear interest at rates varying from 6% to 11% per annum and repayment will be made out of proceeds arising from housing units disposed.

The Government of Mauritius has covenanted to provide BPML all assistance to meet its obligations towards Mauritius Housing Company Ltd and in that respect a letter of comfort was issued by the Government through the Ministry of Finance and Economic Development.

On 7 July 2008 the Government of Mauritius paid Rs150M to Mauritius Housing Company Ltd to take over the cybervillage.

## 9. LOANS TO CUSTOMERS - SECURED

### (a) Housing loans are granted to clients only after a well defined pre-established sanctioning process is completed.

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | Rs 000 | Rs 000 | Rs 000 |
| Fast loans | 47,091 | 69,875 | 24,321 |
| Secured loans | 6,078,738 | 5,939,400 | 6,090,625 |
| Total loan advanced | 6,125,829 | 6,009,275 | 6,114,946 |
| Provision for credit losses (Note (b) below) | (274,286) | (277,155) | (266,384) |
| Interest suspended | (287,514) | (210,433) | (136,324) |
| BPML loan(Note 8) | - | (107,289) | (179,784) |
| | 5,564,029 | 5,414,398 | 5,532,454 |
| Analysed as follows: | | | |
| Current | 392,375 | 975,950 | 889,825 |
| Non-current | 5,733,454 | 5,033,325 | 5,225,121 |
| | 6,125,829 | 6,009,275 | 6,114,946 |

### (b) Provision for credit losses

| | Specific Provision | General Provision | Portfolio Provision | Total |
|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| At 1 July 2006 | | | | |
| - as previously reported | 73,151 | 55,005 | - | 128,156 |
| - prior year adjustment | 50,960 | - | - | 50,960 |
| - as restated | 124,111 | 55,005 | - | 179,116 |
| Transfer from general reserve | - | - | 62,032 | 62,032 |
| Movement during the year | 23,403 | 6,384 | (4,551) | 25,236 |
| At 30 June 2007 | 147,514 | 61,389 | 57,481 | 266,384 |
| At 1 July 2007 | 147,514 | 61,389 | 57,481 | 266,384 |
| Movement during the year | 19,991 | 1,252 | (10,472) | 10,771 |
| At 30 June 2008 | 167,505 | 62,641 | 47,009 | 277,155 |
| At 1 July 2008 | 167,505 | 62,641 | 47,009 | 277,155 |
| Amount written off | (34) | - | - | (34) |
| Movement during the year | 411 | (1,372) | (1,874) | (2,835) |
| At 30 June 2009 | 167,882 | 61,269 | 45,135 | 274,286 |

### (b) Remaining term to maturity

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 |
| Within 3 months | 2,995 | 3,145 | 3,114 |
| Over 3 to 6 months | 5,967 | 6,265 | 6,206 |
| Over 6 to 12 months | 23,850 | 25,042 | 24,804 |
| Over 1 to 5 years | 177,495 | 186,370 | 184,594 |
| Over 5 years | 5,915,522 | 5,788,453 | 5,896,228 |
| Total | 6,125,829 | 6,009,275 | 6,114,946 |

### (b) Credit concentration of risk by industry sectors

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 |
| Name of sector | | | |
| Construction | 6,125,829 | 6,009,275 | 6,114,946 |

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land Rs'000 | Housing estates Rs'000 | Improvement to Leasehold property Rs'000 | Buildings Rs'000 | Furniture and equipment Rs'000 | Motor vehicles Rs'000 | Total Rs'000 |
|---|---|---|---|---|---|---|---|
| **COST OR VALUATION** | | | | | | | |
| At 1 July 2006 | 120,290 | 6,812 | 185 | 68,949 | 78,296 | 10,244 | 284,776 |
| Additions | 6,500 | - | - | 2,706 | 4,189 | - | 13,395 |
| Transfer from investment property | - | - | - | 1,889 | - | - | 1,889 |
| Disposals | - | (2,028) | - | - | - | - | (2,028) |
| At 30 June 2007 | 126,790 | 4,784 | 185 | 73,544 | 82,485 | 10,244 | 298,032 |
| Additions | - | - | - | 1,936 | 4,830 | - | 6,766 |
| Revaluation | 36,975 | - | 1,000 | 82,202 | - | - | 120,177 |
| Written off | - | - | - | - | (76) | - | (76) |
| Transfer | - | - | (185) | 185 | - | - | - |
| At 30 June 2008 | 163,765 | 4,784 | 1,000 | 157,867 | 87,239 | 10,244 | 424,899 |
| Adjustment | - | - | - | - | 1,143 | (2) | 1,141 |
| Additions | - | - | - | - | 11,012 | 3,126 | 14,138 |
| Revaluation | 185 | - | - | 19,833 | - | - | 20,018 |
| Disposals | - | - | - | - | (28) | (4,777) | (4,805) |
| At 30 June 2009 | 163,950 | 4,784 | 1,000 | 177,700 | 99,366 | 8,591 | 455,391 |
| **DEPRECIATION** | | | | | | | |
| At 1 July 2006 | - | - | 185 | 4,978 | 65,504 | 5,103 | 75,770 |
| Charge for the year | - | - | - | 1,141 | 4,543 | 1,951 | 7,635 |
| At 30 June 2007 | - | - | 185 | 6,119 | 70,047 | 7,054 | 83,405 |
| Charge for the year | - | - | - | 3,224 | 5,249 | 1,576 | 10,049 |
| Written off | - | - | - | - | (76) | - | (76) |
| Transfer | - | - | (185) | 185 | - | - | - |
| At 30 June 2008 | - | - | - | 9,528 | 75,220 | 8,630 | 93,378 |
| Adjustment | - | - | - | - | 1,105 | - | 1,105 |
| Revaluation | - | - | - | (9,528) | - | - | (9,528) |
| Charge for the year | - | - | - | 3,554 | 5,662 | 1,493 | 10,709 |
| Disposal adjustments | - | - | - | - | (28) | (4,777) | (4,805) |
| At 30 June 2009 | - | - | - | 3,554 | 81,959 | 5,346 | 90,859 |
| **NET BOOK VALUE** | | | | | | | |
| At 30 June 2009 | 163,950 | 4,784 | 1,000 | 174,146 | 17,407 | 3,245 | 364,532 |
| At 30 June 2008 | 163,765 | 4,784 | 1,000 | 148,339 | 12,019 | 1,614 | 331,521 |
| At 30 June 2007 | 126,790 | 4,784 | - | 67,425 | 12,438 | 3,190 | 214,627 |

**Revaluation of land and building**

The Company's land and buildings were previously revalued in 1998/1999 and 2001/2002 respectively, on an open market existing use basis, by Mr. P. Ramrekha, an independent Chartered Valuation Surveyor. On 30 June 2008 and 15 July 2008, the land and buildings were revalued by Mr Yodhun Bissessur, MSc., F.R.I.C.S., M.M.I.S., an independent Chartered Valuation Surveyor. The fair value or market value has been determined assuming:- (i) that prior to the date of valuation, there had been reasonable period for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale; (ii) that the state of the market level of values and other circumstances were on any earlier assumed date of exchange of contracts, the same as on the date of valuation.

The book values of the properties were adjusted to the revalued amounts and the resultant surplus was credited to revaluation reserve in the shareholders' equity. Subsequent additions to property, plant and equipment are shown at cost. If the land and building were stated on the historical cost basis, the net book value would be as follows:

| | 2009 Rs' 000 | 2008 Rs' 000 | 2007 Rs' 000 |
|---|---|---|---|
| Cost | 25,163 | 25,163 | 25,163 |
| Accumulated depreciation | (6,012) | (5,758) | (5,504) |
| Net book value | 19,151 | 19,405 | 19,659 |

## 11. INTANGIBLE ASSET

| | SOFTWARE Rs'000 |
|---|---|
| COST | |
| At 1 July 2006 | 414 |
| Additions | 103 |
| At 30 June 2007 | 517 |
| Additions | 3,524 |
| At 30 June 2008 | 4,041 |
| Additions | 715 |
| At 30 June 2009 | 4,756 |
| **DEPRECIATION** | |
| At 1 July 2006 | 211 |
| Charge for the year | 170 |
| At 30 June 2007 | 381 |
| Charge for the year | 3,607 |
| At 30 June 2008 | 3,988 |
| Charge for the year | 292 |
| At 30 June 2009 | 4,280 |
| **NET BOOK VALUE** | |
| At 30 June 2009 | 476 |
| At 30 June 2008 | 53 |
| At 30 June 2007 | 136 |

## 12. OTHER ASSETS

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| Trade receivables | 66,003 | 90,168 | 89,706 |
| Grants receivable | 3,179 | 3,318 | 3,550 |
| Others | 21,179 | 76,337 | 72,216 |
| | 90,361 | 169,823 | 165,472 |

### Grants receivable – Government of Mauritius

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| At 1 July | 3,318 | 3,550 | 109,637 |
| Subsidies granted during the year | 66 | 228 | 66 |
| Grants received during the year | (205) | (460) | (106,153) |
| At 30 June | 3,179 | 3,318 | 3,550 |

## 13. PEL SAVINGS ACCOUNTS

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| **PEL savings accounts** | | | |
| Capital | 827,639 | 755,438 | 715,703 |
| Interest payable | 509,539 | 481,213 | 435,877 |
| Other savings accounts | 1,778 | 1,726 | 1,664 |
| | 1,338,956 | 1,238,377 | 1,153,244 |
| Analysed a s follows: | | | |
| Current | 223,320 | 290,762 | 201,400 |
| Non-current | 1,115,636 | 947,615 | 951,844 |
| | 1,338,956 | 1,238,377 | 1,153,244 |

## 14. HOUSING DEPOSIT CERTIFICATES

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| Capital | 373,704 | 595,512 | 639,905 |
| Interest payable | 15,041 | 50,915 | 52,988 |
| | 388,745 | 646,427 | 692,893 |
| Analysed a s follows: | | | |
| Current | 41,675 | 357,437 | 139,417 |
| Non-current | 347,070 | 288,990 | 553,476 |
| | 388,745 | 646,427 | 692,893 |

| | 2009 | | 2008 | | 2007 | |
|---|---|---|---|---|---|---|
| | Capital Rs'000 | Interest Rs'000 | Capital Rs'000 | Interest Rs'000 | Capital Rs'000 | Interest Rs'000 |
| Within 3 months | 813 | 314 | 26,708 | 2,283 | 2,590 | 29 |
| Over 3 months and 6 months | 1,241 | 430 | 187,738 | 26,868 | 32,444 | 3,801 |
| Over 6 months and up to 1 year | 24,580 | 14,297 | 112,458 | 1,382 | 88,322 | 12,231 |
| Over 1 year and up to 2 years | 22,820 | - | 26,637 | 2,277 | 451,250 | 34,930 |
| Over 2 years and up to 5 years | 324,250 | - | 241,971 | 18,105 | 65,299 | 1,997 |
| | 373,704 | 15,041 | 595,512 | 50,915 | 639,905 | 52,988 |

## 15. BORROWINGS

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| **Current** | | | |
| Bank overdrafts (Secured) | 75,847 | 47,895 | 58,637 |
| Debentures (Note (a) below) | - | 192,500 | 92,784 |
| Loan capital (Note (b) below) | 36,347 | 36,583 | 84,382 |
| Bank loans (Note (c) below) | 233,334 | 220,000 | 220,000 |
| | 345,528 | 496,978 | 455,803 |
| **Non-current** | | | |
| Debentures (Note (a) below) | - | - | 178,216 |
| Loan capital (Note (b) below) | 269,718 | 301,300 | 241,695 |
| Bank loans (Note (c) below) | 1,523,331 | 1,556,665 | 1,776,666 |
| Loan- Government of Mauritius (Note (d) below) | 11,162 | 11,162 | 11,162 |
| | 1,804,211 | 1,869,127 | 2,207,739 |
| **Total borrowings** | 2,149,739 | 2,366,105 | 2,663,542 |

The bank overdrafts are secured against the fixed deposits and floating charge over the assets of the Company.

### (a) Debentures

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| 9.5% MHC, 29 November 2008 Accountant General | - | 150,000 | 150,000 |
| 9.98% MHC, 06 April 2008 – SBM | - | - | 22,500 |
| 10%MHC, 12 May 2008 – SICOM | - | - | 10,000 |
| 8.5% MHC, 04 June 2008 – IOIB | - | - | 8,500 |
| 10% MHC, 6 September 2008 – SICOM | - | 5,000 | 5,000 |
| 9.65% MHC 4 October 2008 – SBM | - | 12,500 | 25,000 |
| 9.65% MHC 11 October 2008 – SBM | - | 25,000 | 50,000 |
| | - | 192,500 | 271,000 |
| Less repayable within one year shown as short term loans | - | (192,500) | (92,784) |
| | - | - | 178,216 |

The debentures were guaranteed by the Government of Mauritius.

## 15. BORROWINGS ( CONT'D )

### (b) Loan capital - Government Guaranteed

| Rate of interest | Lenders | Terms of repayment | Repayment period | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|---|---|---|
| 7.50% | Government of Mauritius | Half Yearly | 19.03.1992 – 19.09.2011 | 293 | 410 | 527 |
| 2.50% | European Development Fund | Half Yearly | 30.12.1991 – 30.06.2021 | 20,509 | 21,955 | 23,367 |
| 8.50% | Cargo Handling Corporation | Yearly | 30.06.1998 – 30.06.2017 | 2,704 | 3,237 | 3,470 |
| 8.50% | Cargo Handling Corporation | Yearly | 01.04.2006 – 31.03.2026 | 1,361 | 1,354 | 1,445 |
| 6.80% | National Pension Fund | Yearly | 04.05.1989 - 04.05.2008 | - | - | 955 |
| 8.80% | National Pension Fund | Yearly | 19.12.1991 - 19.12.2010 | 760 | 1,096 | 1,404 |
| 10.80% | National Pension Fund | Yearly | 18.12.1991 - 18.12.2010 | 213 | 304 | 386 |
| 6.80% | National Pension Fund | Yearly | 09.07.2003 - 09.07.2023 | 169 | 245 | 316 |
| 9.50% | National Pension Fund | Yearly | 28.07.1993 - 28.01.2008 | - | - | 41,282 |
| 9.50% | National Pension Fund | Half Yearly | 29.10.1993 - 29.04.2008 | - | - | 11,786 |
| 9.50% | Government of Mauritius/USAID | Yearly | 30.11.1991 - 30.11.2010 | 2,754 | 8,262 | 11,016 |
| 7.50% | Government of Mauritius/USAID | Half Yearly | 29.05.1991 - 29.11.2010 | 1,163 | 1,938 | 2,713 |
| 12% | Sugar Insurance Fund Board | Yearly | 04.12.1997 - 04.12.2013 | 40,000 | 48,000 | 56,000 |
| 6% | Mauritius Marine Authority | Yearly | 29.12.1990 - 29.12.2009 | 1,210 | 1,964 | 2,676 |
| 6% | Mauritius Marine Authority | Yearly | 30.04.1995 - 28.02.2014 | 3,673 | 4,287 | 4,867 |
| 6% | Mauritius Marine Authority | Yearly | 29.12.1996 - 29.12.2015 | 973 | 1,083 | 1,186 |
| 6% | Mauritius Marine Authority | Yearly | 11.09.1998 - 11.07.2017 | 2,929 | 3,174 | 3,438 |
| 5% | Mauritius Marine Authority | Yearly | 28.07.1999 - 28.07.2018 | 929 | 1,000 | 1,067 |
| 5% | Mauritius Marine Authority | Yearly | 23.02.2001 - 23.02.2020 | 3,333 | 3,556 | 3,769 |
| 5% | Mauritius Marine Authority | Yearly | 03.05.2002 - 03.05.2021 | 3,912 | 4,146 | 4,369 |
| 5% | Mauritius Marine Authority | Yearly | 09.07.2003 - 09.07.2023 | 1,999 | 2,087 | 2,171 |
| 5% | Mauritius Marine Authority | Yearly | 20.05.2002 - 20.05.2022 | 2,035 | 2,145 | 2,249 |
| 5% | Mauritius Marine Authority | Yearly | 14.08.2009 - 14.08.2028 | 4,300 | 4,264 | 4,264 |
| 5% | Mauritius Marine Authority | Yearly | Part of loan disbursed | 6,282 | 938 | 970 |
| 8% | The National Saving Fund | Half Yearly | 31.03.2000 - 30.09.2014 | 29,332 | 34,667 | 40,000 |
| 9% | The National Saving Fund | Half Yearly | 30.06.2001 - 31.12.2015 | 47,555 | 52,745 | 57,498 |
| 7.50% | Government Sponsored Loan | Half Yearly | 21.06.1991 - 31.01.2012 | 6,500 | 9,500 | 12,500 |
| 7.50% | Government Sponsored Loan | Half Yearly | 31.07.1992 - 31.01.2012 | 3,000 | 3,500 | 4,500 |
| 2.50% | Government Sponsored Loan | Yearly | 17.10.1978 - 18.06.2024 | 8,027 | 8,641 | 9,240 |
| 12% | Anglo Mauritius | Quarterly | 29.02.2008 – 01.02.2028 | 93,750 | 98,750 | - |
| 3% | Bank of Mauritius | Yearly | No fixed repayment terms | 16,400 | 14,635 | 16,646 |
| | | | | 306,065 | 337,883 | 326,077 |
| Less repayable within one year shown as short term loans | | | | (36,347) | (36,583) | (84,382) |
| | | | | 269,718 | 301,300 | 241,695 |
| Repayable by instal lments: | | | | | | |
| - after one year and before five years | | | | 120,379 | 136,125 | 123,285 |
| - after five years | | | | 127,562 | 146,276 | 101,765 |
| Repayable terms not yet finalised | | | | 5,377 | 4,264 | - |
| Repayable other than by instal lments | | | | 16,400 | 14,635 | 16,645 |
| | | | | 269,718 | 301,300 | 241,695 |

### (C) Bank loans

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| 7.52% - 8.75% (2008: 8.50% - 11.25% and 2007: 10.17% - 11.25%) per annum bank loans repayable by monthly instalments and guaranteed by the Government of Mauritius | 1,756,665 | 1,776,665 | 1,996,666 |
| **Current** | | | |
| Portion repayable within one year | 233,334 | 220,000 | 220,000 |
| **Non-current** | | | |
| Portion repayable after one year and before five years | 700,000 | 705,002 | 983,336 |
| Portion repayable after five years | 823,331 | 851,663 | 793,330 |
| | 1,523,331 | 1,556,665 | 1,776,666 |
| **Total** | 1,756,665 | 1,776,665 | 1,996,666 |

### (d) Loan - Government of Mauritius

The loan from Government of Mauritius is interest free, unsecured and will not be repaid within the next twelve months. The Directors are of opinion that the carrying amount of the loan reflects the fair value.

## 16. LOAN - NHDC

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| At 1 July | 78,321 | 99,656 | 120,991 |
| Repayment of capital | (21,335) | (21,335) | (21,335) |
| At 30 June | 56,986 | 78,321 | 99,656 |
| Analysed as follows: | | | |
| Current | 21,335 | 21,335 | 21,335 |
| Non-current | 35,651 | 56,986 | 78,321 |
| | 56,986 | 78,321 | 99,656 |

The NHDC loan is unsecured, carries a fixed interest rate of 8.5% per annum and repayable by 2011.

## 17. INSURANCE FUND

| | At 1 July 2006 Rs'000 | Movement during the year DR Rs'000 | Movement during the year CR Rs'000 | At 30 June 2007 Rs'000 |
|---|---|---|---|---|
| Life assurance reserve (Note (a) and (b) ) | 166,606 | (13,712) | 33,395 | 186,289 |
| Mortgage insurance reserve (Note (c) ) | 828 | - | 373 | 1,201 |
| | 167,434 | (13,712) | 33,768 | 187,490 |

| | At 1 July 2007 Rs'000 | Movement during the year DR Rs'000 | Movement during the year CR Rs'000 | At 30 June 2008 Rs'000 |
|---|---|---|---|---|
| Life assurance reserve (Note (a) and (b) ) | 186,289 | (14,924) | 41,043 | 212,408 |
| Mortgage insurance reserve (Note (c) ) | 1,201 | - | 231 | 1,432 |
| | 187,490 | (14,924) | 41,274 | 213,840 |

| | At 1 July 2008 Rs'000 | Movement during the year DR Rs'000 | Movement during the year CR Rs'000 | At 30 June 2009 Rs'000 |
|---|---|---|---|---|
| Life assurance reserve (Note (a) and (b) ) | 212,408 | (13,122) | 34,613 | 233,899 |
| Mortgage insurance reserve (Note (c) ) | 1,432 | - | 1,369 | 2,801 |
| | 213,840 | (13,122) | 35,982 | 236,700 |

(a) Secured loans to deceased customers are written off during the year.
(b) 90% of life assurance contributions received during the year is transferred to a fund account.
(c) 90% of mortgage insurance premiums received during the year is transferred to a fund account.

## 18. RETIREMENT BENEFIT OBLIGATIONS

**(a)** Retirement benefit obligation comprise of the Company's staff pension fund and of other post retirement benefits. The pension scheme is a defined plan and the assets of the plan are held separately from those of the Company and are administered by the State Insurance Company of Mauritius Limited and is based on the report dated 31 July 2009.

The amount recognised in the balance sheet are as follows:

| | 2009 Rs' 000 | 2008 Rs' 000 | 2007 Rs' 000 |
|---|---|---|---|
| Net liability on funded obligations (Note (a)) | 1,653 | 10,447 | 13,577 |
| Adjustment for staff costs | - | 299 | 172 |
| Funds kept within the Company | 10,560 | 10,560 | 10,560 |
| | 12,213 | 21,306 | 24,309 |

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| **Funded obligations** | | | |
| Present value of funded obligations | 220,670 | 149,923 | 157,252 |
| Present value of unfunded obligations | 1,716 | 1,754 | 1,200 |
| Fair value of plan assets | (187,653) | (188,541) | (164,190) |
| | 34,733 | (36,864) | (5,738) |
| Unrecognised actuarial (loss)/gain | (33,080) | 47,311 | 19,315 |
| Net liability | 1,653 | 10,447 | 13,577 |

The amount recognised in the income statement are as follows:

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| Current service cost | 6,936 | 4,605 | 5,223 |
| Fund expenses | 192 | 123 | - |
| Interest costs | 15,926 | 17,430 | 16,493 |
| Actuarial gain | (1,186) | (131) | - |
| Expected return on plan assets | (20,922) | (18,854) | (16,236) |
| Total included in staff costs | 946 | 3,173 | 5,480 |
| Actual return on plan assets | (4,206) | 24,834 | 22,502 |

Movement in the liability recognised in the balance sheet:

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| At 1 July | 10,447 | 13,577 | 14,031 |
| Total expenses as above | 946 | 3,173 | 5,480 |
| Contribution paid | (9,740) | (6,303) | (5,934) |
| At 30 June | 1,653 | 10,447 | 13,577 |

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Main assumptions: | | | |
| Discount rate | 10.50% | 11.00% | 11.00% |
| Expected return | 11.00% | 11.50% | 11.50% |
| Pension increase | 8.50% | 9.00% | 9.00% |
| Salary increase | 6.50% | 7.00% | 7.00% |

## 18. RETIREMENT BENEFIT OBLIGATIONS ( CONT'D )

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| (a) ***Reconciliation of the present value of defined benefit obligation*** | | | |
| Present value of obligation at start of period | 151,677 | 158,452 | 149,932 |
| Current service cost | 6,936 | 4,605 | 5,223 |
| Interest cost | 15,926 | 17,430 | 16,493 |
| Benefits paid | (6,230) | (6,663) | (4,918) |
| Liability loss/(gain) | 54,077 | (22,147) | (8,278) |
| Present value of obligation at end of period | 222,386 | 151,677 | 158,452 |

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| ***Reconciliation of fair value of plan assets*** | | | |
| Fair value of plan assets at start of period | 188,541 | 164,190 | 140,672 |
| Expected return on plan assets | 20,922 | 18,854 | 16,235 |
| Employer contributions | 9,614 | 6,176 | 5,904 |
| Benefits paid + others outgo | (6,295) | (6,659) | (4,888) |
| Assets (loss)/gain | (25,128) | 5,980 | 6,266 |
| Fairs value of plan assets at end of period | 187,654 | 188,541 | 164,189 |

***Distribution of plan assets at end of period***

| Percentage of assets at end of year | 2009 | 2008 | 2007 |
|---|---|---|---|
| Government securities and cash | 56.35% | 46.84% | 54.50% |
| Loans | 8.06% | 8.19% | 9.00% |
| Locals equities | 20.97% | 30.19% | 17.60% |
| Overseas bonds and equities | 13.65% | 13.78% | 17.90% |
| Property | 0.97% | 0.99% | 1.00% |
| Debenture stocks | 0.00% | 0.01% | 0.00% |
| Total | 100.00% | 100.00% | 100.00% |

***History of obligation,assets and experience adjustments***

| Year | 2009 | 2008 | 2007 |
|---|---|---|---|
| Currency | Rs'000 | Rs'000 | Rs'000 |
| Fair value of plan assets | 187,654 | 188,541 | 164,189 |
| Present value of defined benefit obligation | (220,670) | (149,923) | (157,252) |
| (Deficit)/surplus | (33,016) | 38,618 | 6,937 |
| Assets experience (loss)/gain during the period | (25,128) | 5,980 | 6,266 |
| Liability experience (loss)/gain during the period | (54,077) | 22,147 | 8,278 |

| | 2010 Rs'000 |
|---|---|
| Expected employer contributions | 10,123 |

| (b) **State Pension Plan** | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| National Pension Scheme contributions | 523 | 479 | 451 |

## 19. OTHER LIABILITIES

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| Other payables | 73,409 | 55,633 | 107,083 |
| Other creditors and accruals | 17,929 | 13,689 | 12,584 |
| Penalty fee | - | 29,319 | 43,978 |
| | 91,338 | 98,641 | 163,645 |

The company has financial risk management in place to ensure that all payables are paid within the credit time frame.

***Liabilities arising from loan refinancing***

On 28 June 2004, the Company has refinanced certain of its long -term loans from the 'NPF and NSF' of the Ministry of Social Security, National Solidarity & Senior Citizen Welfare and Reform Institutions, and which loans have become expensive given the fluctuations in the Lombard Rate and the prime lending rate offered by the local commercial banks.

Pursuant to the terms of loan agreement with NPF/NSF, the Company has an obligation to pay a penalty fee at the rate of 1% of the amount repaid in anticipation and this penalty has been established at Rs87,955,295. It was agreed between both parties that the penalty fee of Rs87,955,295 is repayable in equal annual instalments over a period of 6 years as from 28 June 2004 with an interest payable at the savings rate +2%.

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| Penalty fee | 29,319 | 43,978 | 58,637 |
| Repaid during the year | (29,319) | (14,659) | (14,659) |
| | - | 29,319 | 43,978 |

## 20. SHARE CAPITAL

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| Authorised | | | |
| 25,000,000 ordinary shares of Rs 10 each | 250,000 | 250,000 | 250,000 |
| Issued and fully paid | | | |
| 20,000,000 (2008: 20,000,000 and 2007: 10,000,000) ordinary shares | 200,000 | 200,000 | 100,000 |

Following the annual meeting held on 27 December 2007, the share capital was increased to Rs200M, through a one to one bonus issue of shares, to satisfy the minimum capital requirement of Rs200M, as required by the Banking Act 2004. The directors are of opinion that the Company has met this minimum requirement.

The Company has one class of ordinary share which carries a right to vote but no right fixed income.

## 21. REVALUATION AND OTHER RESERVES

| | At 1 July 2006 | Movement during the year DR | Movement during the year CR | At 30 June 2007 |
|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Foreclosed property reserve | 260 | - | 26 | 286 |
| EDF revolving fund | 12,067 | - | 1 | 12,068 |
| Revaluation reserve (Note (a)) | 187,059 | - | - | 187,059 |
| General reserve (Note (b) and (c)) | 203,756 | (62,032) | 24,315 | 166,039 |
| | 403,142 | (62,032) | 24,342 | 365,452 |

| | At 1 July 2007 | Movement during the year DR | Movement during the year CR | At 30 June 2008 |
|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Foreclosed property reserve | 286 | - | 159 | 445 |
| EDF revolving fund | 12,068 | - | - | 12,068 |
| Revaluation reserve (Note (a)) | 187,059 | (17,639) | 138,170 | 307,590 |
| General reserve (Note (b) and (c)) | 166,039 | - | 24,306 | 190,345 |
| | 365,452 | (17,639) | 162,635 | 510,448 |

| | At 1 July 2008 | Movement during the year DR | Movement during the year CR | At 30 June 2009 |
|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Foreclosed property reserve | 445 | - | - | 445 |
| EDF revolving fund | 12,068 | - | - | 12,068 |
| Revaluation reserve (Note (a)) | 307,590 | - | 29,730 | 337,320 |
| General reserve (Note (b) and (c)) | 190,345 | - | 38,711 | 229,056 |
| | 510,448 | - | 68,441 | 578,889 |

(a) Revaluation reserves arising on revaluation of land and buildings.

(b) 15% of net profit for the year and 1% of net secured loan transferred to general reserve during the year. At 30 June 2009, the general reserve includes Rs 45.1M in respect of 1% statutory provision on net secured loans.

(c) Estate equalization reserve and Gervaise reserve have been reclassified as general reserve.

## 22. BUILDING INSURANCE RESERVE

| | At 1 July 2006 | Movement during the year DR | Movement during the year CR | At 30 June 2007 |
|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Building insurance reserve | 156,142 | (6) | - | 156,136 |
| Transfer to revenue reserves | (39,326) | - | - | (39,326) |
| | 116,816 | (6) | - | 116,810 |

| | At 1 July 2007 | Movement during the year DR | Movement during the year CR | At 30 June 2008 |
|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Building insurance reserve | 116,810 | - | - | 116,810 |

| | At 1 July 2008 | Movement during the year DR | Movement during the year CR | At 30 June 2009 |
|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Building insurance reserve | 116,810 | - | - | 116,810 |

## 23. REVENUE RESERVES

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | Rs'000 | Rs'000 | (Restated) Rs'000 |
| At 1 July | | | |
| - as previously reported | 1,033,997 | 1,009,162 | 982,890 |
| - penalty fee | - | 14,659 | (75,889) |
| - provision for credit losses | - | - | (50,960) |
| - insurance premium | - | - | 39,326 |
| - as restated | 1,033,997 | 1,023,821 | 895,367 |
| Profit for the year | 258,075 | 162,039 | 162,099 |
| Transfer to general reserve: | | | |
| - 15% profit for the year | (38,711) | (24,306) | (24,315) |
| Dividends (Note 27) | (32,407) | (27,557) | (23,989) |
| Share capital - bonus issue | - | (100,000) | - |
| At 30 June | 1,220,954 | 1,033,997 | 1,009,162 |

## 24. OTHER INCOME - OTHERS

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 |
| Insurance premium | 28,721 | 25,154 | 27,511 |
| Special grant - Cybervillage | 68,048 | - | - |
| Rebate and holding fee upon takeover of BPML share | 19,144 | - | - |
| Others | 847 | 948 | 862 |
| | 116,760 | 26,102 | 28,373 |

## 25. NON - INTEREST EXPENSE - OTHERS

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| Maintenance and repairs | 3,801 | 4,884 | 3,537 |
| Travelling and transport | 10,417 | 5,979 | 5,665 |
| Staff welfare, training and study schemes | 3,384 | 5,070 | 4,546 |
| General expenses | 899 | 1,211 | 825 |
| Electricity | 3,557 | 2,886 | 2,409 |
| Passages benefits | 3,149 | 1,704 | 1,551 |
| Printing and stationery | 1,467 | 1,830 | 1,064 |
| Telephone | 2,344 | 2,530 | 1,851 |
| Motor vehicles running expenses | 1,205 | 830 | 615 |
| Directors' emoluments | 3,194 | 2,048 | 2,327 |
| Audit fees | 929 | 633 | 454 |
| Professional fees | 2,716 | 430 | 525 |
| Family protection schemes' contribution | 724 | 508 | 484 |
| Entertainment expenses | 4 | 40 | 656 |
| Software maintenance costs | 1,045 | 2,574 | 609 |
| Rent of properties | 947 | 903 | 1,775 |
| Advertising | 6,404 | 2,500 | 1,737 |
| Overseas mission expenses | 560 | 732 | 34 |
| Postages | 1,029 | 1,240 | 451 |
| Legal fees and expenses | 62 | 164 | 58 |
| Bank charges | 310 | 970 | 726 |
| Loss on disposal of property, plant and equipment | 3,095 | 1,181 | 64 |
| Share of expenses on MHC/BPML Joint Venture Project | 9,251 | 2,452 | 1,698 |
| Sponsorship | 760 | - | - |
| Retirement benefits (Voluntary Early Retirement) | 175 | 154 | 161 |
| Donations | 145 | 113 | 10 |
| | 61,573 | 43,566 | 33,832 |

## 26. PROFIT FOR THE YEAR

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| Profit for the year is arrived at after charging/(crediting): | | | |
| **Charging:** | | | |
| Depreciation on property, plant and equipment | 10,709 | 10,049 | 7,635 |
| Depreciation on investment property | 573 | 737 | 848 |
| Depreciation on intangible asset | 292 | 3,607 | 170 |
| Directors' emoluments (Note (a) below) | 3,194 | 2,048 | 2,327 |
| Staff costs (Note (b) below) | 80,448 | 51,111 | 51,831 |
| Loss on foreclosed properties | 1,330 | 2,895 | 21,268 |
| **Crediting :** | | | |
| Rental income from investment property | (4,325) | (4,603) | (4,220) |

## 26. PROFIT FOR THE YEAR (CONT'D)

### (a) Directors' emoluments

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| -Full time directors (both actual and former) | 2,182 | 1,305 | 1,348 |
| -Part time directors | 1,012 | 743 | 979 |
| | 3,194 | 2,048 | 2,327 |

### (b) Analysis of staff costs

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| Wages and salaries | 70,186 | 47,784 | 45,513 |
| Pension costs and other contributions | 48 | 3,173 | 6,157 |
| Retirement benefits (Voluntary Early Retirement) | 175 | 154 | 161 |
| | 70,409 | 51,111 | 51,831 |

### (c) General reserve

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| At 1 July | 190,345 | 166,039 | 203,756 |
| Transfer to portfolio provision | - | - | (62,032) |
| Transfer from revenue reserves | 38,711 | 24,306 | 24,315 |
| At 30 June | 229,056 | 190,345 | 166,039 |

## 27. DIVIDENDS PAID

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| Dividends paid | 51,615 | 32,407 | 27,557 |
| | Rs | Rs | Rs |
| Dividend per share | 2.58 | 1.62 | 2.76 |

In respect of the year ended 30 June 2009 , the directors proposed that a dividend of Rs 2.58 per share to be paid to the shareholders. The dividend was approved by the Board of Directors on 29 September 2009

In respect of the year ended 30 June 2008, the directors proposed that a dividend of Rs 1.62 per share to be paid to the shareholders. The dividend was approved by the Board of Directors on 26 September 2008 and paid in May 2009.

In respect of the year ended 30 June 2007, the directors proposed that a dividend of Rs2.76 per share to be paid to the shareholders. The dividend was approved by the Board of Directors on 27 September 2007 and paid in February 2008.

## 28. COMMITMENTS

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| (a) **Loans** | | | |
| Loans approved but not yet disbursed to individuals | 90,426 | 10,635 | 70,616 |
| (b) **Capital commitments** | | | |
| The Company does not have any commitments recognized and contracted at the balance sheet date. | | | |
| (c) **Operating lease arrangement** | | | |
| **The Company as a lessor** | | | |

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| Rent received under operating lease recognized in income statement | 4,325 | 4,603 | 4,220 |

There were no direct operating expenses incurred in respect of the investment property.

At the balance sheet date, the Company has outstanding commitments under non - cancelable operating leases which fall due as follows:

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| Within one year | 4,324 | 8,897 | 5,085 |
| Between 2 and 5 years | 15,201 | 14,804 | 1,620 |
| After more than 5 years | 1,115 | 19,590 | |
| | 20,640 | 43,291 | 6,705 |

Operating lease represents rental income from premises rented to outside parties. The leases are negotiated for an average term of ten years and rentals are fixed for an average term of five years. All operating contracts contain market review clauses in the event the lessee exercises its option to renew. The lessees do not have an option to purchase the property at the expiry of the lease.

(d) **Operating lease arrangement**
The Company as a lessee

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| Minimum lease payment under operating lease recognized in income statement | 947 | 850 | 23 |

At the balance sheet date, the Company had outstanding commitments under non - cancelable operating leases which fall due as follows:

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| Within one year | 947 | 852 | 225 |
| Between 2 and 5 years | 3788 | 3,408 | 90 |
| | 4,735 | 4,260 | 315 |

Operating lease payments represent rental for office buildings. The leases are negotiated for an average term of 3 - 5 years and rentals are fixed for an average of 3 - 5 years. The Company does not have an option to purchase the property at the expiry of the lease period.

## 29. TAXATION

Further to the Mauritius Housing Company Corporation (Transfer of Undertaking) Act 1989, all rights and privileges of the Mauritius Housing Corporation have been transferred to Mauritius Housing Company Ltd. The provisions of this Act have also dispensed the Company from any income tax liability.

No deferred tax asset or liability has been provided in the financial statements due to the exempt income tax status of the Company.

## 30. CLAIM FOR INTEREST DIFFERENTIAL TO GOVERNMENT

The final claim for the subsidy scheme on Government Sponsored Loans and grants at 30 June is:

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| Net amount due by the Government at 1 July | 17,137 | 2,951 | (582) |
| Amounts claimed during the year: | | | |
| Interest differential | 54 | 983 | 13,551 |
| Grants | 66 | 228 | 114,904 |
| Administration cover | 3,509 | 1,000 | 11,720 |
| Housing Deposit bonus | 13,855 | 11,803 | 17,602 |
| PEL bonus | 501 | 172 | 182 |
| | 35,122 | 17,137 | 157,377 |
| Amount received from the Government during the year | (24,263) | - | (154,426) |
| Net amount due by the Government at 30 June | 10,859 | 17,137 | 2,951 |

The net amount due by the Government is included in other assets in Note 12.

## 31. RELATED PARTIES TRANSACTIONS

The Company is making the following disclosures in accordance with IAS 24 (Related Party Disclosures):

| | Nature of transactions | Volume of transactions 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|---|
| SICOM | Debentures | 5,000 | 10,000 | 10,000 |
| | Interest | 92 | 1,025 | 2,023 |
| National Pension Fund | Loans | 503 | 54,485 | (46,692) |
| | Interest | 146 | 4,071 | 10,808 |
| Government of Mauritius | Loans | 11,961 | 9,658 | (10,111) |
| | Interest | 2,346 | 3,156 | 4,330 |
| Directors and key management personnel | Emoluments | 3,194 | 2,048 | 2,505 |
| | Deposits | - | - | 805 |
| | Loans | 259 | 450 | 813 |

## 31. RELATED PARTIES TRANSACTIONS (CONT'D)

| | Nature of transactions | (Credit)/ debit balances at 30 June 2009 Rs'000 | (Credit)/ debit balances at 30 June 2008 Rs'000 | (Credit)/ debit balances at 30 June 2007 Rs'000 |
|---|---|---|---|---|
| SICOM | Debentures | - | (5,000) | (15,000) |
| National Pension Fund | Loans | (1,142) | (1,645) | (56,129) |
| | Interest | (54) | (77) | (1,943) |
| Government of Mauritius | Loans | (42,244) | (54,205) | (75,025) |
| | Interest | (265) | (225) | (277) |
| Directors and key management personnel | Deposits | - | - | (1,238) |
| | Loans | 2,890 | 2,631 | 2,181 |

***Compensation paid to key management personnel***

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| Short term benefits | 2,608 | 3,617 | 3,193 |

## 32. FINANCIAL SUMMARY

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 | 2006 (Restated) Rs'000 | 2005 (Restated) Rs'000 |
|---|---|---|---|---|---|
| Share capital | 200,000 | 200,000 | 100,000 | 100,000 | 100,000 |
| Profit for the year | 258,075 | 162,039 | 162,099 | 152,478 | 144,270 |
| Revaluation and other reserves | 578,889 | 510,448 | 365,452 | 403,142 | 383,543 |
| Building insurance reserves | 116,810 | 116,810 | 116,810 | 116,816 | 116,816 |
| Revenue reserves | 1,220,954 | 1,033,997 | 1,009,162 | 910,026 | 799,278 |
| Dividends | 51,615 | 32,407 | 27,557 | 23,989 | 22,151 |

## 33. CONTINGENCIES

At 30 June 2009, the Company has no material litigation or claims outstanding, pending or threatened against it, which would have a material adverse effect on its financial position or financial results.

## 34. REPORTING CURRENCY

The financial statements are presented in thousands of Mauritian Rupees since this is the currency in which the majority of the Company's transactions are denominated.

## 35. FINANCIAL INSTRUMENTS

In its ordinary operations, the Company is exposed to various risks such as capital risks, interest rate risks, credit risks and liquidity risks. The Company has devised on a central basis a set of specific policies for managing these exposures.

*Strategy in using financial instruments*

The use of financial instruments is a major feature of the Company's operations. The Company accepts deposits from customers and secures borrowings from financial and non-financial institutions at variable rates and seeks to earn above-average interest margins by investing these funds in a wide range of assets.

In pursuance of its objectives of maximizing returns on investments, the Company takes into account the maintenance of sufficient liquidity to meet all claims that might fall due and to provide loans facilities for housing purposes.

The Company also seeks to raise its interest margins, net of provisions, through lending at competitive rate and then claim back any interest differential from Government of Mauritius in the form of Government sponsored Loans.

**Capital risk management**

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2008.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in notes 15 and 16, cash and cash equivalents and equity comprising of issued capital, reserves and revenue reserve as disclosed in the statement of changes in equity.

**Gearing ratio**

The Risk Management Committee has the responsibility to review the capital structure periodically. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

## 35. FINANCIAL INSTRUMENTS (CONT'D)

The gearing ratio at the year end was as follows

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| Debt (i) | 3,934,426 | 4,329,230 | 4,609,335 |
| Cash and cash equivalents | (248,871) | (293,097) | (216,560) |
| Net debt | 3,685,555 | 4,036,133 | 4,392,775 |
| Equity (ii) | 2,116,653 | 1,861,255 | 1,591,424 |
| Net debt to equity ratio | 1.74 | 2.17 | 2.76 |

(i) Debt is defined as long and short term borrowings, bank overdrafts, PEL savings accounts and housing deposits certificates.

(ii) Equity includes all capital and reserves of the Company.

**Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset financial liability and equity instrument are disclosed in note 3 to the financial statements.

**Fair values**

Except where stated elsewhere, the carrying amounts of the Company's financial assets and financial liabilities approximate their fair value to the short term nature of the balances involved.

**Interest rate risk**

The interest rate profile of the financial assets and financial liabilities of the Company as at 30 June was:

| Currency : MUR | Interest rate % per annum | | | | | |
|---|---|---|---|---|---|---|
| | 2009 | | 2008 | | 2007 | |
| | Lowest % | Highest % | Lowest % | Highest % | Lowest % | Highest % |
| **Financial assets** | | | | | | |
| Deposits with banks | 4.50 | 8.00 | 8.00 | 11.00 | 8.25 | 10.25 |
| Loans and advances to customers | 6.50 | 12.75 | 6.50 | 15.50 | 6.50 | 14.00 |
| **Financial liabilities** | | | | | | |
| Savings and fixed deposits | 4.75 | 8.26 | 8.00 | 11.00 | 6.05 | 8.25 |
| Borrowings from Government of Mauritius | 2.50 | 7.50 | 2.50 | 7.50 | 2.50 | 9.50 |
| Borrowings from Bank of Mauritius | - | 3.00 | - | 3.00 | - | 3.00 |
| Borrowings-Commercial banks | 7.52 | 8.75 | 8.50 | 11.25 | 10.17 | 11.25 |
| Borrowings- Financial institutions | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 |



## 35. FINANCIAL INSTRUMENTS (CONT'D)

**Credit risk (cont'd)**

**Categories of financial instruments**

| | 2009 Rs'000 | 2008 Rs'000 | 2007 Rs'000 |
|---|---|---|---|
| **Financial assets** | | | |
| Cash resources | 248,871 | 293,097 | 216,560 |
| Loans and advances | 5,564,029 | 5,521,687 | 5,712,238 |
| Other assets | 162,490 | 269,779 | 329,344 |
| | 5,975,390 | 6,084,563 | 6,258,142 |
| **Financial liabilities** | | | |
| Housing deposit certificates | 388,745 | 646,427 | 692,893 |
| PEL savings accounts | 1,338,956 | 1,238,377 | 1,153,244 |
| Borrowings | 2,149,739 | 2,366,105 | 2,663,542 |
| Other liabilities | 147,519 | 176,962 | 263,301 |
| | 4,024,959 | 4,427,871 | 4,772,980 |

### Credit risk

Credit risk represents the loss the Company would suffer if a borrower failed to meet its contractual obligations. Such risk is inherent in traditional financial products such as loans, commitments to lend and other contingent liabilities. The credit quality of counterparties may be affected by various factors such as an economic downturn, lack of liquidity, an unexpected political event or death. Any of these events could lead the Company to incur losses.

All loans are secured loans and the Company has formulated policies for determining the stage where a loan becomes impaired.

Additionally, customers are required to procure a life assurance and building and mortgage insurance in order to cater for any unforeseen event. Management believes that impairments in the portfolio at the balance sheet are adequately covered by allowances and provisions.

**Insurance risk management.**

The Company accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organizations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.The Company manages its risk via its underwriting strategy within an overall risk management framework. Pricing is based on assumptions which have been regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria.

**Sensitivity analysis**

The risk associated with insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis.

The Company does not have any concentration of risk.

**Market risk**

Market risk is the risk of loss arising from movement in observable market variables such as interest rates, exchange rates and equity markets. The market risk management policies at the Company are set by and controlled by the Risk Committee.

**Cash flow and interest rate risks**

Cash flow risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk 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 rates. The Company sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily. The Company obtains credit facilities at favourable interest rates as these facilities are guaranteed by the Government of Mauritius.

The Company manages the interest rate risks by maintaining an appropriate mix between fixed and floating rate borrowings.

**Interest rate sensitivity analysis**

A low basic point increase or decrease representing management's assessment of the reasonably possible change in interest rate is used for the sensitivity analysis below.

If interest rate had been 100 basis points higher/lower and all other variables were held constant, the Company's:

Profit for the year ended 30 June 2009 would decrease/increase by Rs19,386,390 (2008: Rs15,671,930 and 2007: Rs14,226,690). This is mainly attributable to the Company's exposure to interest rate on its variable rate borrowings.

**Currency risk**

The Company is not exposed to currency risk as all its financial assets and liabilities are denominated in Mauritian Rupees, the Company's reporting currency.

**Liquidity risk**

Being a financial institution, the Company's liquidity risk is subject to statutory obligation whereby it has to meet the Bank of Mauritius requirements in respect of liquidity ratio to be maintained at all times. The Company manages its liquidity risk by ensuring timely collection of receivables and also by availing credit facilities from banks and which facilities are guaranteed by Government of Mauritius. For insurance contracts, the contractual maturity refers to the death/permanent incapacity of the policy holder and damages to the insured properties. The Company discharge its obligation towards the insuree when the event occurs. Past experience shows that on average of 34% of the premium received in that particular year, has been used to offset loan balances regarding life assurance; for Building insurance claims average 5% of total premium.

The tables below analyse the Company's financial assets and liabilities to the relevant maturity groupings based on the remaining years of repayment.





***Maturities of financial assets and liabilities at 30 June 2009:***

| | Less than 3 months Rs'000 | Between 3 months and 1 year Rs'000 | Over one year Rs'000 | Total Rs'000 |
|---|---|---|---|---|
| Assets | | | | |
| - Cash resources | - | 248,871 | - | 248,871 |
| - Loans and advances | 2,995 | 29,817 | 5,531,217 | 5,564,029 |
| - Other assets | - | 159,311 | 3,179 | 162,490 |
| | 2,995 | 437,999 | 5,534,396 | 5,975,390 |
| Liabilities | | | | |
| - HDC | 813 | 40,862 | 347,070 | 388,745 |
| - PEL | - | 223,320 | 1,115,636 | 1,338,956 |
| - Borrowings | - | 345,528 | 1,804,211 | 2,149,739 |
| - Other liabilities | - | 111,868 | 35,651 | 147,519 |
| | 813 | 721,578 | 3,302,568 | 4,024,959 |

***Maturities of financial assets and liabilities at 30 June 2008:***

| | Less than 3 months Rs'000 | Between 3 months and 1 year Rs'000 | Over one year Rs'000 | Total Rs'000 |
|---|---|---|---|---|
| Assets | | | | |
| - Cash resources | - | 293,097 | - | 293,097 |
| - Loans and advances | 3,145 | 31,307 | 5,487,235 | 5,521,687 |
| - Other assets | - | 266,461 | 3,318 | 269,779 |
| | 3,145 | 590,865 | 5,490,553 | 6,084,563 |
| Liabilities | | | | |
| - HDC | 28,991 | 328,446 | 288,990 | 646,427 |
| - PEL | - | 290,762 | 947,615 | 1,238,377 |
| - Borrowings | - | 496,978 | 1,869,127 | 2,366,105 |
| - Other liabilities | - | 105,316 | 71,646 | 176,962 |
| | 28,991 | 1,221,502 | 3,177,378 | 4,427,871 |

## 35. FINANCIAL INSTRUMENTS (CONT'D)

**Maturities of financial assets and liabilities at 30 June 2007:**

| | Less than 3 months | Between 3 months and 1 year | Over one year | Total |
|---|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Assets | | | | |
| - Cash resources | - | 216,560 | - | 216,560 |
| - Loans and advances | 3,114 | 31,010 | 5,678,114 | 5,712,238 |
| - Other assets | - | 325,794 | 3,550 | 329,344 |
| | 3,114 | 573,364 | 5,681,664 | 6,258,142 |
| Liabilities | | | | |
| - HDC | 2,619 | 136,798 | 553,476 | 692,893 |
| - PEL | - | 201,400 | 951,844 | 1,153,244 |
| - Borrowings | - | 455,803 | 2,207,739 | 2,663,542 |
| - Other liabilities | - | 155,661 | 107,640 | 263,301 |
| | 2,619 | 949,662 | 3,820,699 | 4,772,980 |

**Legal claim**

Due to the nature of the business, the Company is exposed to claims, disputes and legal proceedings arising in the ordinary course of business. Such legal proceedings may result in monetary damages, legal defence costs and penalties. It is the policy of the Company to seek legal advice on each case.

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 |
| Credit risk - exposure and past due | | | |
| Loans that are neither past due nor impaired | 4,513,238 | 4,431,051 | 5,149,348 |
| Loans that are past due but not impaired | 1,119,033 | 1,198,642 | 596,169 |
| Impaired loans | 493,558 | 379,582 | 369,429 |
| | 6,125,829 | 6,009,275 | 6,114,946 |
| Ageing of past due but not impaired: | | | |
| Over 3 months | 493,558 | 379,582 | 369,429 |
| The carrying amount of impaired loans and specific allowance held are shown below: | | | |
| Loans to customers | 493,558 | 379,582 | 369,429 |
| Specific provision in respect of impaired loans | 167,882 | 167,505 | 147,514 |
| Fair value of collaretals of impaired loans | 323,019 | 229,790 | 220,219 |

## 36. LOANS

**(a) Remaining term to maturity**

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 |
| Within 3 months | 2,995 | 3,145 | 3,114 |
| Over 3 to 6 months | 5,967 | 6,265 | 6,206 |
| Over 6 to 12 months | 23,850 | 25,042 | 24,804 |
| Over 1 to 5 years | 177,495 | 186,370 | 184,594 |
| Over 5 years | 5,915,522 | 5,788,453 | 5,896,228 |
| Total | 6,125,829 | 6,009,275 | 6,114,946 |

**(b) Credit concentration of risk by industry sectors**

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 |
| Name of sector | | | |
| Construction | 6,125,829 | 6,009,275 | 6,114,946 |

**(c) Allowance for credit losses**

| | 2009 | | | | 2008 | 2007 |
|---|---|---|---|---|---|---|
| | Specific Provision | General Provision | Portfolio Provision | Total | | |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Balance at beginning of year | 167,505 | 62,641 | 47,009 | 277,155 | 266,384 | 179,116 |
| Provision for credit losses for the year | 411 | (1,372) | (1,874) | | 10,771 | 87,268 |
| Loan written off out of allowance | (34) | - | - | (34) | - | - |
| Balance at end of year | 167,882 | 61,269 | 45,135 | 274,286 | 277,155 | 266,384 |

**(d) Provision for credit losses by industry sectors**

| | 2009 | | | | | 2008 | 2007 |
|---|---|---|---|---|---|---|---|
| | Gross amount of loans | Non Performing loans | Specific Provision | General Provision | Total Provision | | |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Construction | 6,125,829 | 1,612,591 | 167,882 | 61,269 | 229,151 | 230,146 | 208,903 |

**(e) Credit facilities to related parties**

**Loan to directors**

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 |
| Balance at beginning of the year | 2,631 | 2,181 | 1,368 |
| Loans granted during the year | 700 | 800 | 1,080 |
| Repayments | (441) | (350) | (267) |
| | 2,890 | 2,631 | 2,181 |

## 37. PROVISION AND ADJUSTMENTS TO INCOME FOR CREDIT LOSSES

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | Rs'000 | Rs'000 | Rs'000 |
| General and Specific provisions | 230,146 | 208,903 | 179,116 |
| Provision release during the year | (961) | 21,243 | 29,787 |
| Provision for credit losses for the year | 229,185 | 230,146 | 208,903 |
| Bad debts written off | (34) | - | - |
| | 229,151 | 230,146 | 208,903 |

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