



Mauritius Housing Company Ltd

ABRIDGED AUDITED FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2016

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

	31 December 2016 <u>Rs'000</u>	31 December 2015 Restated <u>Rs'000</u>	31 December 2014 Restated <u>Rs'000</u>
ASSETS			
Cash at banks and in hand	580,745	809,692	460,189
Property development	2,405	4,818	7,266
Loans to customers	6,325,782	5,948,088	5,744,519
Investment property	104,240	104,240	88,174
Property and equipment	498,638	505,484	449,657
Intangible assets	37,417	26,026	2,316
Other assets	283,930	271,000	219,477
Total assets	<u>7,833,157</u>	<u>7,669,348</u>	<u>6,971,598</u>
LIABILITIES			
PEL and other savings accounts	1,696,990	1,647,062	1,533,704
Housing deposits certificates	2,063,065	2,045,528	1,509,078
Borrowings	581,814	699,081	923,833
Retirement benefit obligations	155,268	135,738	104,426
Other liabilities	50,605	52,161	46,169
Total liabilities	<u>4,547,742</u>	<u>4,579,570</u>	<u>4,117,210</u>
Insurance funds	<u>76,222</u>	<u>76,222</u>	<u>73,142</u>
SHAREHOLDERS' EQUITY			
Share capital	200,000	200,000	200,000
Revaluation reserves	489,743	489,743	431,225
Building insurance reserve	116,810	116,810	116,810
Life insurance reserve	154,642	154,642	-
Retained earnings	1,926,138	1,730,501	1,711,351
Statutory reserve	200,000	200,000	200,000
Other reserves	121,860	121,860	121,860
Total equity	<u>3,209,193</u>	<u>3,013,556</u>	<u>2,781,246</u>
Total equity and liabilities	<u>7,833,157</u>	<u>7,669,348</u>	<u>6,971,598</u>

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
	Rs'000	Rs'000 Restated	Rs'000 Restated
Interest income	507,722	531,905	516,044
Interest expense	(197,083)	(219,222)	(207,339)
Interest suspended	15,906	15,666	18,554
Net interest income	326,545	328,349	327,259
Fee and commission income	20,438	23,630	27,953
Rent received	7,052	7,153	6,997
Policy fees and charges on loan	4,413	4,038	4,562
Other operating income	60,117	54,308	56,457
	92,020	89,129	95,969
Operating income	418,565	417,478	423,228
Personnel expenses	(146,642)	(143,195)	(144,136)
Depreciation and amortisation	(15,011)	(13,765)	(12,411)
Other expenses	(70,776)	(61,498)	(68,419)
Non-interest expense	(232,429)	(218,458)	(224,966)
Operating profit	186,136	199,020	198,262
Release of allowance for credit impairment	69,081	43,746	(23,246)
Gain/(loss) on foreclosed properties	(5,102)	(5,899)	3,082
Increase in fair value of investment property	-	16,066	-
Provision for other assets	-	(12,500)	-
Profit for the year	250,115	240,433	178,098
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of post employment benefit obligations	(14,657)	(27,739)	(10,391)
Gain on revaluation of land & building	-	58,518	-
Gain on foreclosed properties	-	-	140
Other comprehensive income for the year	(14,657)	30,779	(10,251)
Total comprehensive income for the year	235,458	271,212	167,847
Earnings per share (Rs) – as reported	12.51	9.96	9.73
Earnings per share (Rs) – as restated	12.51	12.02	8.90

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Revaluation reserves	Building insurance reserve	Retained earnings	Life Insurance reserve	Statutory reserve *	Other reserves **	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January 2014								
- as previously stated	200,000	431,225	116,810	1,512,752	-	200,000	121,720	2,582,507
- impact of adjustment on account of insurance	-	-	-	159,378	-	-	-	159,378
- impact of HDC bonus (Note 33 (b))	-	-	-	18,037	-	-	-	18,037
- impact of additional interest and bonus on PEL accounts (Note 33 (a))	-	-	-	(21,022)	-	-	-	(21,022)
	200,000	431,225	116,810	1,669,145	-	200,000	121,720	2,738,900
- actuarial reserve				(72,588)				(72,588)
- adjustment to property development				2,405				2,405
Dividend (Note 11)	-	-	-	(55,318)	-	-	-	(55,318)
Profit for the year	-	-	-	178,098	-	-	-	178,098
Other comprehensive income	-	-	-	(10,391)	-	-	140	(10,251)
Total comprehensive income for the year	-	-	-	167,707	-	-	140	167,847
At 31 December 2014	200,000	431,225	116,810	1,711,351	-	200,000	121,860	2,781,246
At 1 January 2015								
- as previously stated	200,000	431,225	116,810	1,630,924	-	200,000	121,860	2,700,819
- impact of adjustment on account of insurance	-	-	-	154,642	-	-	-	154,642
- effect of adjustment on provision				(26,269)				(26,269)
- actuarial reserve				(82,979)				(82,979)
- adjustment to property development				2,405				2,405
- impact of HDC bonus (Note 33 (b))	-	-	-	32,628	-	-	-	32,628
	200,000	431,225	116,810	1,711,351	-	200,000	121,860	2,781,246
Dividend (Note 11)	-	-	-	(38,902)	-	-	-	(38,902)
Profit for the year	-	-	-	240,433	-	-	-	240,433
Transfer to insurance reserve (Note 33 (c))	-	-	-	(154,642)	154,642	-	-	-
Other comprehensive income	-	58,518	-	(27,739)	-	-	-	30,779
Total comprehensive income for the year	-	58,518	-	58,052	154,642	-	-	271,212
At 31 December 2015	200,000	489,743	116,810	1,730,501	154,642	200,000	121,860	3,013,556
At 1 January 2016								
- as previously stated	200,000	489,743	116,810	1,713,035	154,642	200,000	121,860	2,996,090
- adjustment to property development				2,405				2,405
- effect of adjustment on provision				15,061				15,061
	200,000	489,743	116,810	1,730,501	154,642	200,000	121,860	3,013,556
Dividend (Note 11)	-	-	-	(39,821)	-	-	-	(39,821)
Profit for the year	-	-	-	250,115	-	-	-	250,115
Other comprehensive income	-	-	-	(14,657)	-	-	-	(14,657)
At 31 December 2016	200,000	489,743	116,810	1,926,138	154,642	200,000	121,860	3,209,193

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Year ended 31 December 2016 Rs'000	Year ended 31 December 2015 Rs'000 Restated	Year ended 31 December 2014 Rs'000 Restated
Cash flows from operating activities			
Profit for the year	250,115	240,433	178,098
<i>Adjustments for:</i>			
Allowance for credit impairment	(69,081)	(43,746)	23,246
Provision for other assets	-	12,500	-
Depreciation	12,689	11,621	11,058
Amortisation	2,322	2,144	1,353
Loss/(Gain) on sale of foreclosed properties	5,102	5,899	(3,082)
Profit on disposal of property development	(52)	(452)	(1,092)
Increase in fair value of investment property	-	(16,066)	-
Interest in suspense	(15,906)	(15,666)	(18,554)
Profit on disposal of property and equipment	(1,464)	(210)	(1,046)
Provision for retirement benefit obligation	4,873	3,573	3,036
	188,598	200,030	193,017
Change in operating assets and liabilities			
(Increase)/decrease in other assets	(18,032)	(69,922)	5,302
(Decrease)/increase in other liabilities	(1,556)	5,992	(11,501)
Increase in accrued interest payable	(31,010)	69,460	50,926
Increase in loans to customers	(292,707)	(144,157)	(363,143)
Increase/(decrease) in insurance funds	-	3,080	3,080
Net cash (used in)/generated from operating activities	(154,707)	64,483	(122,319)
Cash flows from investing activities			
Purchase of property and equipment	(5,843)	(9,130)	(5,043)
Purchase of intangible assets	(13,713)	(25,854)	(1,486)
Proceeds from disposal of Cybervillage apartment	-	-	-
Proceeds from disposal of property and equipment	1,464	410	2,587
Proceeds from disposal of property development	2,465	2,900	10,882
Net cash (used in)/generated from investing activities	(15,627)	(31,674)	6,940
Cash flows from financing activities			
Housing deposits certificates (HDC)	10,451	459,131	287,440
Plan Epargne Logement Savings (PEL)	88,024	121,217	71,365
Repayment of borrowings	(113,948)	(209,118)	(199,864)
Dividends paid	(39,821)	(38,902)	(55,318)
Net cash(used in)/generated from financing activities	(55,294)	332,328	103,623
(Decrease)/increase in cash and cash equivalents	(225,628)	365,137	(11,756)
Movement in cash and cash equivalents			
Cash and cash equivalents as at 1 January	800,502	435,365	447,121
(Decrease)/increase in cash and cash equivalents	(225,628)	365,137	(11,756)
Cash and cash equivalents at 31 December	574,874	800,502	435,365
Cash and cash equivalents			
Cash at bank and in hand	580,745	809,692	460,189
Bank overdrafts	(5,871)	(9,190)	(24,824)
	574,874	800,502	435,365

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MAURITIUS HOUSING COMPANY LTD

Report on audit of the financial statements

Opinion

We have audited the financial statements of **Mauritius Housing Company Ltd** (the "Company") set out on pages 24 to 68, which comprise the financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statement, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Banking Act 2004.

Basis for opinion

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

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

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

- we have no relationship with, or interest in, the Company other than in our capacity as auditor and related services;
- 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.

Banking Act 2004

- 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.

The Financial Reporting Act 2004

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

In our opinion, the disclosure in the Corporate Governance Report is consistent with the requirements of the Code.

Other information

The directors are responsible for the other information. The other information comprises the Corporate Information, the Annual Report, the Statement of Management Responsibility for financial reporting and the Report from the Secretary, but does not include the financial statements and our auditor's report thereon.

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MAURITIUS HOUSING COMPANY LTD (cont'd)

Responsibilities of directors for the financial statements

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

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

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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.

Deloitte
Chartered Accountants

03 April 2017

Twaleb Butonkee
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