MAURITIUS HOUSING COMPANY LTD

Positioning the MHC towards the **FUTURE**

2017
ANNUAL REPORT


"The dream for
home lives in all of us,
the safest place where
you can realise it, is the
Mauritius Housing Company
(MHC) Ltd"

What's inside

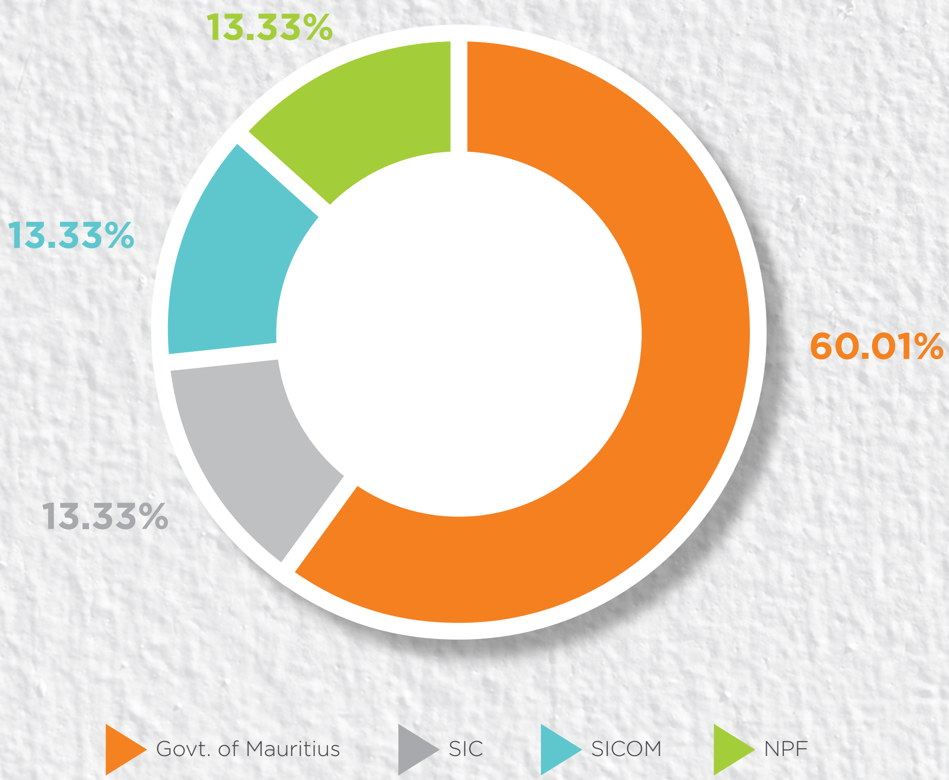
Company overview

Corporate Profile

The Mauritius Housing Company Ltd is the pioneer in home loan finance. It emanates from the former Mauritius Housing Corporation, a parastatal body set up in 1963. It started its activities with the prime objective to accommodate many Mauritian and Rodriguan families who were facing housing problems. The MHC was incorporated as a Public Company in 1989, and since then it has maintained a consistent and healthy growth in its operations, to remain amongst the market leaders in mortgage finance.

The main purpose of the Company is to enhance the residential housing sector in Mauritius and Rodrigues through the provision of housing finance in a systematic and professional manner, so as to promote home ownership. The MHC aspires to provide its customers with unique home loan solutions and make home ownership easy and simple. Besides housing lending business, the Company is a deposit-taking institution, provides architectural, technical, legal and insurance services and promotes estates and projects development.

Our Shareholders



Company overview

Core Values

- > INNOVATION & CREATIVITY
- > SERVICEABILITY
- > CUSTOMER-ORIENTED
- > HONESTY & INTEGRITY
- > TEAMWORK & TEAM SPIRIT
- > STAFF DEVELOPMENT & WELFARE
- > ENVIRONMENTAL CARE

Our Vision

“TO BE THE UNDISPUTED BENCHMARK AND THE MOST PREFERRED PROVIDER OF HOUSING FINANCIAL SERVICES IN MAURITIUS AND THE REGION.”

Company overview

Mission

PRODUCTS/SERVICES ASPECT

To offer a wide range of attractive housing financial services with respect to Construction Projects, Renovation, Extension, Reimbursement, Purchase and Acquisition of lodging/apartments and Refinancing of housing loans so as to enable every Mauritian and Rodriguan to own a house.

CUSTOMER ASPECT

To professionally and continuingly delight our customers, ranging from a new born to a senior citizen, with a wide spectrum of competitive products that better meet their needs and expectations whilst ensuring their brilliant future.

GEOGRAPHY ASPECT

With a view to fulfilling the MHC's mandate, we shall maximise our share of the market in Mauritius and Rodrigues without disregarding the regional market, using tailor-made strategies and objectives.

TECHNOLOGY ASPECT

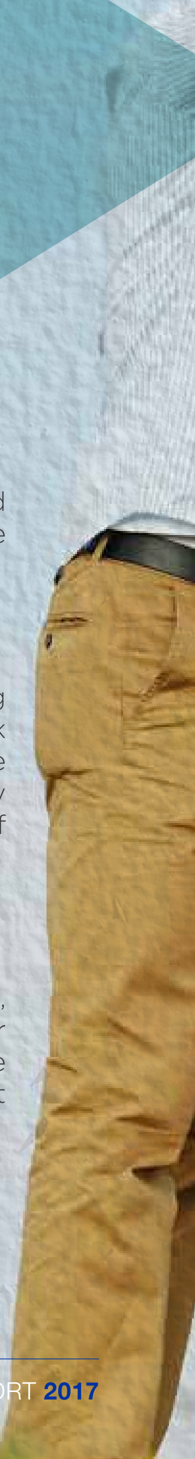
To make full use of available, affordable and applicable technologies that will take the Organisation to business excellence.

GOOD GOVERNANCE ASPECT

To leave no stone unturned in addressing the currently applicable Code and Bank Of Mauritius guidelines on Corporate Governance and any established industry practices aiming at the enhancement of customer confidence and legal compliance.

PEOPLE ASPECT

We shall always put our most valued asset, which is our people, at the core of our business operations, through adequate training and performance management whilst ensuring quality at all times.



Company overview

Company overview

REGISTERED OFFICE:
Révérend Jean Lebrun Street,
Port Louis, Mauritius
Telephone: (230) 405 5555
Fax: (230) 212 3325
Post Code: 11328
Website: www.mhc.mu
Email: mhc@mhc.mu

BUSINESS REGISTRATION NO:
C06008524

INCORPORATED ON:
12 December 1989

COMPANY STATUS:
Public Company Limited by Shares

NATURE OF BUSINESS:
Housing Financial Services

OTHER ACTIVITIES:
Deposit taking/saving schemes;
Architectural Services;
Estates Development & Legal Services.

CORPORATE INFORMATION

Company overview

1. HEAD OFFICE
MHC Building,
Révérend Jean Lebrun Street,
P.O Box 478, Port Louis.
Tel: 405 5555
Fax: 212 3325
Post Code: 11328

2. CUREPIPE OFFICE
Charles Lees Street,
Curepipe.
Tel: 676 0245/46/49
Fax: 676 0248
Post Code: 74404

3. GOODLANDS OFFICE
Block A2, Cr Royal Road &
Les Pensées Street,
Goodlands.
Tel: 282 1442/60
Fax: 282 1461
Post Code: 30406

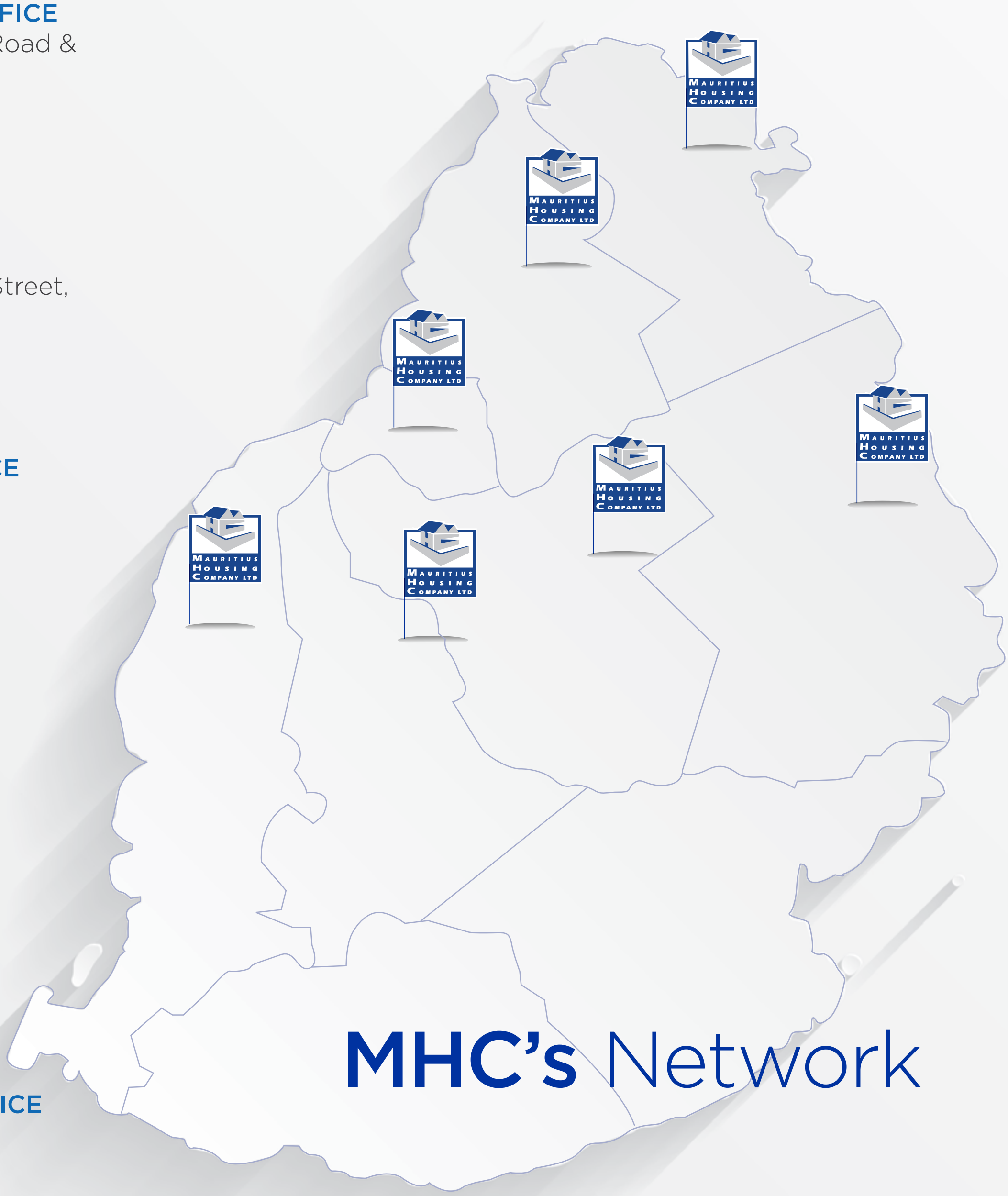
4. FLACQ OFFICE
François Mitterand Street,
Flacq.
Tel: 413 5139/40
Fax: 413 5138
Post Code: 40606

5. BAMBOUS OFFICE
Royal Road,
Bambous.
Tel: 452 0372/1665
Fax: 452 0372
Post Code: 90102

6. TRIOLET OFFICE
Royal Road,
Triolet.
Tel: 261 7623
Fax: 261 5324
Post Code: 21503

7. MOKA OFFICE
Royal Road,
Moka.
Tel: 460 1234
Fax: 434 0539
Post Code: 80808

8. RODRIGUES OFFICE
Camp du Roi,
Rodrigues.
Tel: 831 1787/0930
Fax: 831 1788
Post Code: R5109



MHC's Milestones

MHC's Milestones

1963
Creation of the
Mauritius Housing Corporation

1970
Estate Development

1986
Government Sponsored Loan
(GSL)

1988
Plan Epargne Logement
(PEL)

1989
Incorporation of the MHC as a
State-Owned Public Company to
Mauritius Housing Company Ltd
(MHC)

1990
Opening of Rodrigues Branch

1994
Opening of Flacq Branch

2001/02
Opening of Curepipe & Goodlands Branches;
Introduction of Land Purchase Scheme and
Housing Deposit Certificate (HDC)

2006
Introduction of new Schemes targeted
to existing MHC clients

2007/08
Development of new Products
'Complete ou Lakaz',
Mixed Construction Loan and
Dream Express Scheme

2009
Development of new Savings Product
JUNIOR PEL SAVER (JPS)

2010
Implementation of Quality Management
System (QMS)

2011
Vuillemin Phase III housing project

2012
ISO 9001:2008 Certification;
Social Housing Projects
Dubreuil & Sottise & Opening
of Triolet Branch

2013
Celebrating Golden Jubilee;
Holding of the African Union for
Housing Finance (AUHF) AGM
& Conference and Winner of the
Mauritius Business
Excellence Award (MBEA) 2012

2014
Launching of new Housing Loan
Product for Middle-Income Earners
- MHC Housing
Empowerment Loan Scheme (HES)

2015
Launching of the Centralised Banking
Information System (CBIS) project

2016
Winner of the Africa's Best Brand
& Employer Awards

2017
Opening of a new branch at Moka

Board of Directors

1. **Mr Mohammad Taslim DOOKY**
   Executive Director
   Representative of MHC
   Staff Association

2. **Mr Latanra GHOORAH**
   Non - Executive Director

3. **Mr Bojrazsing BOYRAMBOLI**
   Non-Executive Director

4. **Mr Darsanand BALGOBIN**
   Chairman
   (with effect 15 March 2017)
   Independent Director

5. **Mrs Dalida ALLAGAPEN**
   Non - Executive Director

6. **Mr Dunputh KHOOSYE**
   Ag Chairman (up to 14
   March 2017)
   Independent Director

7. **Mr Georges Henry JEANNE**
   Independent Director

8. **Mr Azaad AUMEERALLY**
   Independent Director

Composition of Board Sub-committees

1. AUDIT COMMITTEE:

- Mr. Azaad Aumeerally (Chairperson)
- Mr. Georges Henry Jeanne
- Mr. Dunputh Khoosye
- Managing Director*

The Internal Auditor is in attendance at all the Audit Committee meetings

2. CORPORATE GOVERNANCE AND HR COMMITTEE:

- Mr. Darsanand Balgobin - Chairperson (with effect from 16 March 2017)
- Mr. Dunputh Khoosye - (Member and Chairperson up to 15 March 2017)
- Mr. Georges Henry Jeanne
- Mrs. Dalida Allagapen
- Managing Director *

3. RISK MANAGEMENT COMMITTEE:

- Mr. Georges Henry Jeanne (Chairperson)
- Mr. Latanraj Ghoorah
- Mr. Azaad Aumeerally
- Mr. Bojrazsing Boyramboli
- Managing Director *

4. CONDUCT REVIEW COMMITTEE:

- Mr. Bojrazsing Boyramboli - Chairperson
- Mr. Georges Henry Jeanne
- Mr. Azaad Aumeerally
- Mr. Dunputh Khoosye
- Mr. Mohammad Taslim Dooky
- Managing Director *

5. REAL ESTATE DEVELOPMENT COMMITTEE:

- Mr. Dunputh Khoosye (Chairperson)
- Mr. Darsanand Balgobin (with effect from 16 March 2017)
- Mr. Latanraj Ghoorah
- Mr. Georges Henry Jeanne
- Mrs. Dalida Allagapen
- Managing Director*

* Note: The post of Managing Director has not yet been filled. The Officer in Charge is in attendance.

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8

Chairman's Statement

MHC continues to act in support of the government policy to have **"un toit pour chaque famille".**

It is with great pleasure that I present, on behalf of the Board of Directors and Management, the Annual Report and Financial Statements for the year ending 31st December 2017, in the year that MHC celebrated its 55th anniversary and our country celebrated its 50th year of post-independence.

It is with pride that MHC can look back over these years from the pre-dawn of our independent nation having accompanied many families to become homeowners or to make the first step towards homeownership by acquiring a plot of land. In the early days, housing finance was not available to all and MHC played a key role in facilitating access to housing loans.

Chairman's Statement

MHC continues to act in support of the government policy to have "un toit pour chaque famille". In that respect, MHC has, under my Chairmanship, undertaken several initiatives during the year as follows:

Estate development

The Company completed the planning phase of a major housing development project consisting of 119 housing units at Domaine Le Hochet, Terre Rouge. This is in line with 2016-17 budget measures to provide incentives to low and middle income groups, to acquire a new house or apartment not exceeding Rs 6m.

MHC loan product portfolio

The existing Housing Loan was reviewed to make housing finance more affordable with incentives. In the same vein, new products were added to our range of product portfolio with the introduction of a tailor-made package for the civil servants and of a new product, Myhome Loan, at a competitive rate of interest of 4.85%, which led to an increase in our new business.

Rodrigues

A MOU was signed with the Rodrigues Regional Assembly for a joint partnership to build and finance houses at Baladirou and Baie Diamant. A special housing loan scheme was also designed for Rodrigues.

Team building

In order to foster good working relationship between colleagues and improve on team spirit, MHC organized a team building event at Domaine De L'Etoile, with the ultimate aim of providing a friendly and efficient service to our customers

A key milestone in 2017 has been the opening of our 7th branch in Moka by his Excellency, Prime Minister Pravind Kumar Jugnauth, in line with our aim to be more visible to new customers and achieve proximity with existing customers

The key strategic objective over the next few years is for MHC to increase its market share despite increased competition from Banks and other financial institutions. In 2017 MHC was set a challenging target for new loan business and for the first time in its history, MHC approved new loans to the tune of the Rs 1.536 billion while improving on the quality of its loan portfolio.

MHC achieved a level of profit of Rs 209.7 million and has maintained its dividend policy of 20% of profit by declaring Rs 41.8 million for 2017.

In order to achieve greater productivity, the organization structure was revised with updated scheme of duties, as required, to attract the required skill set and experience for MHC to face the challenges ahead. A Performance Management system will moreover be introduced in 2018.

Significant progress was made on the development of the Centralised Banking Information System (CBIS) which will be live in 2018. This will complement our drive for enhanced efficiency through the use of technology.

The principle of good corporate governance remains high on our agenda in order to safeguard the interests of all stakeholders, especially those of the customers.

I take the opportunity at the end of this special year to thank all men and women who have contributed to the achievement of MHC along the way. By doing so they have contributed in our 'nation building' in the pursuit of their legitimate dream of homeownership.

Under my Chairmanship, MHC will strive to be the preferred provider of housing finance amongst young professionals while striking the right work-life balance for our employees.

Deepak Balgobin
Chairman

Senior Management Team

Senior Management Team

1. **Mr Hassen Issop ABDOOL**
   Officer in Charge

2. **Mr Adith NOBAUB**
   Head (ICT)

3. **Mr Kreshan NARROO**
   Company Secretary

4. **Mr Rajeev ABEELUCK**
   Head (Technical)

5. **Mr Koondan KHUSUL**
   Ag Head (Commercial)

6. **Mr Surendra PUHOLOO**
   Ag Head (Finance)

7. **Mr Devanand MAYWAH**
   Manager (Procurement)

8. **Mrs Ashvina RAJCOOMAR KALAPNAUTH**
   Manager (HR & Payroll)

9. **Mr Sheik Muhammad Shakeel MAUDARUN**
   Ag Secretary (Wef 14 November 2017)

10. **Mr Rakeshsing BOOJHAWON**
    Ag Internal Auditor

Management Report

Management is pleased to present the Audited Financial Statements and Annual Report for the year ended 31st December 2017.

Economic review

Mauritius's economy has expanded at a consistent and moderate pace in recent years. The domestic economy's performance was better in 2017 compared to 2016. Mauritius is one of the most successful economies in Africa and one with the highest GDP per capita. Our GDP is at 3.9% for year 2017, supported by a significant rebound in the construction sector, building and construction as well as machinery and equipment.

Inflation kept its trend and reached 4.2% in December 2017, while year-on-year inflation decelerated from 5.3% in July 2017 to 4.2% in December 2017. The decline in inflation reflected the downward adjustment of vegetables prices back to their market level and the decline in mortgage interest rates on back of the reduction of the Key Repo Rate in early September 2017. The key repo rate was adjusted from 4% to 3.5% to maintain price stability, promote orderly and balanced economic development. The expected growth for 2018 has been projected to be higher rate of at about 4.2%

3.9%

GDP for the year 2017

Management Report

MHC continued to operate within a difficult context across markets to face difficult economic conditions, generally average demands for credits, high liquidity situation notably in the country and competitive pressures among others. Amidst these conditions, MHC forged its way to obtain a fair share of the housing loan business with its loans products still being attractive enough to match commercial bank's offering. MHC managed to maintain its loan business to generate sufficient income to match its operating expenses. A satisfactory level of profit has been achieved. The vast majority of revenue was mainly from the main loan business with a share from fee income and revenue from investments.

MHC has over the years generally sustained sound financial indicators with regular returns to shareholders. As evidence the Company always maintained a high level of capital ratio and also sufficient funding and liquidity ratios. Asset quality has been improving year by year in spite of the challenging environment and difficult economic situation where inflation rate has not been static. Total assets improved coupled with the launching of new investment in projects.

It is anticipated that there will be a boost in the economy and the market will remain challenging. The picking up of the economy may be slow since implementation of large scale projects may take more time to materialize. Against this backdrop we expect that pressure will continue to be exerted on the demand for credits for construction and interest margins.

MHC's performance

Year 2017 was a year of consolidation. With a stable market share, MHC was able to maintain its home loan business. Fierce competition regarding pricing often changed the market structure for home loan products which forced the company to adjust its pricing strategies. Although the above conditions i.e fierce competition, MHC's loan portfolio marked an increase as a result of our core business of the Company remaining at an acceptable level.

The business for year 2018 is expected to improve further. MHC expects to grow its customer base by entering into new projects and also implement new technology. Besides, it is continually looking for ways to improve, be more efficient and serve clients better. Our core business for 2018 that is loan sanctioning is expected to increase by 17.1%. Profit for 2017 stood at Rs 209.8M compared to budgeted profit of Rs 214.4 following some prudential provisions made.

Outlook for the year 2018

During 2017 the Company pursued its business by servicing individual and corporate clients within the country whilst adapting with the market forces, laws and regulations. Emphasis was laid on diversification of products to better serve client needs, enhancement of controls across all operations and tapping into new cross selling avenues. Furthermore, improvement in the new system was prioritized for the going live of the CBIS early 2018. Reinforcement of the risk management through the implementation of the IRMF system. Improvements have been made in respect of delineation of task while reporting for risk has been enhance to minimize operational risk.

Looking ahead MHC will pursue its business and focus to consolidate its position in the market. Focus will also be put to strengthen the quality of customer experiences, reinforcing the operational capabilities as well as adopting technology-based practices.

For 2018 the Company is anticipating the following:

- Improve the shareholders return;
- Broaden the revenue mix;
- Increasing loan business ;
- Enhance customer satisfaction;
- Increase visibility and network;
- Complete the implementation of the new Core Banking System;
- Upgrade of data center;
- Consolidate human resource through training and coaching;

H.I. Abdool
Officer in Charge

Business Overview

Our Products / Services

Our products and services are accessible to all segments of the population of the Republic of Mauritius, which are delivered through Head Office and our network of offices all over the Island and at Rodrigues.

Business Overview

Housing Loan Products

The Company offers a range of attractive tailor-made housing loan products to all income groups for land purchase, construction of residential units, completion, renovation and extension, purchase of residential properties/ apartments and refinancing of existing loans advanced by other institutions.

Savings & Deposits

The Company offers a wide range of savings and investment products. These include the regular monthly savings (Plan Epargne Logement - PEL), children's savings (Junior PEL Saver – JPS) and also term deposits (Housing Deposit Certificates - HDC) at attractive rates of interest and terms ranging from 6 to 84 months.

Insurance

The MHC Ltd provides its clients with life and building insurance as part of the home loan package with a view to protecting their interests and safeguarding their properties against calamities.

Architectural & Technical

The MHC Ltd undertakes the architectural design of houses and also offers technical assistance to its clients to enable them realise their housing projects, based on their financial capabilities and also on practical advice for an optimal use of their land area for house construction. Free house plans are offered to clients, subject to applicable conditions.

Estate Development

The MHC's assets (land and buildings) are maintained and foreclosed properties are monitored through rental up to disposal. The Company has an impressive track record of estate development projects throughout the island, starting in the 1970s and catering for various income groups, with a dozen of residential projects (including Harbour View, Clos Verger, Govinden Court, La Tour Koenig, Roches Brunes, Vuillemin, Le Hochet and Cybervillage).

Business Review

Business Review

COMMERCIAL BUSINESS UNIT

The Commercial Business Unit has a challenging role, amidst fierce competition from other financial institutions, to sell and market tailor-made housing loan products and services in the mortgage market to existing and prospecting customers according to different customers' needs and requirements. The Commercial Business Unit is currently being assisted by 7 branches to offer the above services to prospects across the Island and Rodrigues.

For the year under review, the MHC has approved 1,500 loans for a total amount of Rs 1,536.97M.

Approval of Housing Loans

During the year 2017, MHC approved housing loans and opened accounts as follows:

LOAN SCHEMES DURING THE YEAR 2017

LOAN TO CIVIL SERVICE AND PARASTATAL BODIES AS FROM 5.25%

This scheme was launched on 29 June 2017 and up to 30 September 2017. MHC registered 117 applications for an amount of Rs 137,431,000.- 88 applications for an amount of Rs 98,298,500. - were approved.

HOME LOAN (MYHOME 4.85%/4.95%)

This scheme has been introduced since 03 October 2017 with a revised interest rate. Under this scheme, a total of 480 cases has been approved for an amount of Rs 557,723,999.-

CUSTOMER RELATIONSHIP

Customer Satisfaction

As MHC dwells in a highly competitive environment where other Financial Institutions compete for customers, the key differentiator is Customer Satisfaction. Quality Service to the clients has become an important element of MHC's business strategy. MHC continues to listen to the voice of its clients so as to improve their experience. The ease and speed of the loan application and the approval process is consistently being improved. MHC aims at becoming the preferred Housing loan provider for all customer segments.

With its culture of putting its clients first and backed by the attractive products offered, there is no doubt that MHC will meet the objectives set. The introduction of the Central Banking Information System will add further value to operational activities in all Business Units and will thus upgrade the overall customer satisfaction.

The opening of a New Branch at Moka on 31st October 2017 aims at going close to the customers in the Central part of the country to increase awareness on MHC's products and services.

MARKETING STRATEGIES

During the year under review MHC carried out many road shows and promotional campaign activities to create wide awareness of its products and services among the general public. Apart from the different media tools, MHC has engaged a dedicated team of Sales Officers for aggressive marketing through door step service of its products and services.

The opening of a New Branch at Moka on 31st October 2017 aims at going close to the customers in the Central part of the country to increase awareness on MHC's products and services.

While promoting home loans, the marketing team also dealt with cross-selling of savings products and other services offered. Thus a person looking for a housing loan is also offered life and building insurance, free house plans, the services offered by the technical officers, and other competitive advantages on loan business facilities.

In addition to the awareness campaigns the Company planned special promotional strategies to increase the market share in the home loan sector. New segments such as the Civil Service Sector were targeted and were offered a home loan product with a special package.

Furthermore MHC organized promotional campaigns with competitive pricing of its products in terms of lower interest rates, Handling fee waivers, and other incentives. MHC has also introduced an improved credit delivery mechanism, thus reducing the time lag between loan sanction and its disbursement

Business Review

Technical Business Unit

The Technical Business Unit provides the main support service to MHC's lending business, advises customers on architectural aspects, manages MHC's immoveable assets and maintain MHC's buildings and offices. The Technical Unit comprises of the following:

Inspectorate

The Inspectorate Section has the responsibility to value collaterals prior to the granting of loans, prepare a schedule for disbursement of funds, inspect the progress of work on site and provide technical advice to customers.

The Technical Officers also revalue the collaterals on a regular basis during the repayment of the loan to ensure the safeguard of MHC's security. During the financial year a total of 2,803 collaterals has been revalued.

Project

The Project Section advises and counsels customers on their residential projects. It designs and draws house plans as per the customers' requirements, at competitive prices and assist them in obtaining the necessary permits.

During the year, some 66 house plans were issued to MHC customers.

Estates

The Estates Section is responsible for the sale of MHC's projects, disposal of foreclosed properties and management of MHC's immoveable assets.

The disposal of foreclosed properties of an amount of Rs 8.2 M was made during the year.

Maintenance of Buildings

The maintenance of the Head Office Building and branches falls under the responsibility of the Technical Unit. Regular maintenance and upgrading works are performed to provide a pleasant and customer oriented work environment.

New Project

Sites & Services at Roches Brunes, Beau Bassin

MHC is subdividing two plots of lands into 17 smaller plots of an average of 70 to 80 toises, to be offered for sale with existing amenities such as water, electricity and sewerage.

CORPORATE SERVICES BUSINESS UNIT

The Mauritius Housing Company has developed and adapted to change in the housing financial services sector to become one of the pillars of the housing financial services in Mauritius. This strong position in this sector has been attained thanks to the dedicated, hardworking and talented staff that the Organisation possesses.

As at 31st December 2017, the Company has a diverse workforce comprising of 223 talented and experienced individuals of different background, gender, age and ethnicity. The Human Resource Strategies implemented by the Company ensures that all employees work in a culture which promulgates professionalism, integrity and excellence designed to achieve corporate objectives and meet customer demands.

In line with the corporate objective to target maximum customers, the Company has increased its workforce by recruiting five Sales & Marketing Officers and one Assistant Manager (Sales) in the year 2017. The staff turnover within the Company was also very low in 2017 with the retirement of three senior officers recognising more than 25 years of service in the Company. This demonstrates the effectiveness of the human resource strategies implemented and the high degree of commitment, job satisfaction and loyalty of employees.

In the year 2017, MHC has conducted a wide array of human resource initiatives such as:
Staff Welfare Programme:

Team Building

A Team Building was organized at Domaine De L'Etoile with the aim to foster better communication between employees, improve professional relations, build trust and ensure employee well-being. The event was one of the pinnacle points of the year as it resulted in employee satisfaction and acted as a moral boost for employees thereby leading to higher productivity.

MHC Football Team

Staff Get-Together

To recognise and reward staff for their excellent contribution and dedication in the exercise of their duties in the year 2017, the Company organised a Staff Get-Together at Westin Turtle Bay in December 2017.

On this special event, employees reckoning 40 years of service were also rewarded with a shield offered to thank them for their loyalty, commitment and dedication to the Company.

Staff Development

The main Human Resource Development Strategy of the Company is to ensure that the talent of each employee in the Company is further developed and that employees reach the full potential of their talent. As such, the Company has a 'Staff Study Scheme' which provides financial assistance to staff who wishes to pursue their academic qualifications or acquire new knowledge and skills within any field directly related to the Company's activities.

MHC Traineeship Scheme

The MHC traineeship Scheme, set up to enable school leavers, graduates and young unemployed individuals to be prepared for the world of work and to get a significant experience in a professional context, has been revised in the year 2017. The Company has engaged more than 40 trainees under this scheme in the year 2017, thus preparing the future generation for the world of work.

Compensation and Benefits

In the year 2017, a great leap has been made with the new Salary Report of the Company finalised and implemented. This lead to an increase in the compensation and benefits allocated to the staff, taking effect as from 1st July 2016. The implementation of the new Salary Report is in line with the HR strategy of the Company to always offer attractive compensation and benefits package to its staff.

INFORMATION TECHNOLOGY

The ICT Business Unit plays a major role in supporting business goals and objectives of the organisation. It is responsible for the maintenance and support of MHC's IT system and infrastructure.

Regarding ICT infrastructure, several projects have successfully been implemented. MHC has setup a Disaster Recovery site at its Curepipe branch which is fully operational and restoration exercises of MHC IT system from backups are conducted twice a year. Branch data networking and ICT services have been extended to the newly MHC Moka office.

As part of its policy for continual improvement and innovation, outdated IT assets have been replaced to keep pace with new technologies, functionalities and IT security features. In addition, to further strengthen the level of IT security, existing policies have been revised and new security measures have been implemented.

At MHC, training is fully valued and in light of same, a new fully equipped training room has been setup at Head Office whereby training programs are conducted all year round.

MHC is in the process of deploying a new Centralised Banking Information System (CBIS) to conduct its business and is currently in the User Acceptance Testing phase. The new solution will provide benefits on the way MHC will conduct business at different levels. The replacement of siloed systems by an integrated solution will allow seamless flow, access and sharing of information. Operational efficiency will be enhanced by process transformation and empowering the people. Moreover, the new platform will support innovative products and services. The solution is also providing for a document management system which will contribute to a paperless environment. As a whole, the CBIS will significantly improve the customer service.

Furthermore, several projects have been initiated such as renovation of Data Centre, setting up of a production environment for the CBIS project and a WIFI system at Head Office.

Business Review

PROCUREMENT UNIT

Within its Organisation Structure, the Mauritius Housing Company Ltd has a Procurement Unit to deal with all procurement matters governing by the Public Procurement Act 2006 (PPA), and its accompanying Regulations. The PPA provides the basic principles and procedures to be applied, in and regulate, the procurement of goods, works, consultancy services and other services.

The objective of the Unit is to ensure that the provisions of the procurement laws are complied with and that the procurement proceedings are carried out in a transparent manner, enhancing competition and fairness.

The methods used for the procurement of goods, works, other services and consultancy services are Open Advertised Bidding, Restricted Bidding, Request for Sealed Quotations, Direct Procurement and Request for Proposal.

An Annual Procurement Plan is prepared every year. It is an instrument that covers the requirements of the other Business Units of the Company and is a live process that is meant to adapt to changing business circumstances. The plan is prepared with a view to achieve maximum value for money.

In year 2017, the Procurement Unit has dealt with 256 procurement exercises.

Corporate Governance

Corporate Governance

1. Statement on Corporate Governance

Corporate Governance refers to the system by which Companies are directed and controlled. The Board of Directors is responsible for the Governance of the Organisation. The Board's actions are subject to laws, regulations and the Shareholders in General Meeting.

Corporate Governance involves managing and controlling relations shared among different stakeholders, including shareholders, the Board of Directors, employees, customers, suppliers and the community at large. Corporate Governance is also about commitment to values and ethical business conduct.

The Board plays a key role in the setting up of the system of Corporate Governance within an Organisation to assist in safeguarding policies and procedures. The Board approves Company's strategy and policies proposed by management, provides the leadership to put them into effect, appoints and supervises the management, and ensures accountability of the Organisation to its owners and relevant authorities.

2. The Code of Corporate Governance for Mauritius

The Code of Corporate Governance was published in 2003 and revised in 2004. The adoption of the Code was then recommended as best practice and was not mandatory. It aimed at improving ethical conduct of directors and senior staff members in the management of Companies.

However, as from July 2009, following amendments to the Financial Reporting Act, public entities are required to comply with the Code of Corporate Governance, and are also required to provide justification for not adopting any of the provisions of the Code, in their financial statements or reports.

The Code of Corporate Governance has been completely reviewed and the new Code (amended) will be applicable as from 1st July 2017 and for Mauritius Housing Company Ltd (MHC), it is applicable as from 1st January 2018.

3. The Banking Act 2004 and the Bank of Mauritius Guidelines

The Banking Act 2004 stipulates some Corporate Governance requirements (especially as regards the Board constitution and type of directors; and also the Audit Committee). Moreover, Bank of Mauritius Guidelines also lay down the good Corporate Governance principles to be followed by banks and non-bank financial institutions, and these Guidelines were revised in May 2016 and are effective as from 1st June 2016.

4. MHC Corporate Governance Framework

MHC's Corporate Governance Framework comprises its Board of Directors, Board Committees, Management, Management forums, employees, internal and external auditors, and other stakeholders.

This Framework is crucial in developing and sustaining a successful business and MHC requires all its employees to adopt the highest standard of business integrity, transparency, professionalism and ethical behaviour, and monitors compliance with policies and with the best practices, laws, rules and standards while conducting business.

5. Director's Statement of Compliance

The Directors confirm that the Company has complied with the principles of the Code, and has duly explained areas of non-compliance.

6. Board of Directors

The Board of Directors comprises elected non-executive, executive and independent directors.

The Board oversees the activities of the Company and remains the focal point of contact between the Shareholders and the Company.

MHC Board has a unitary structure with a maximum of nine directors, one of whom should be an executive director and one representative of the MHC Staff Association.

All the directors are appointed or reappointed annually at the meeting of the shareholders, by a separate resolution.

The Board is responsible for the overall governance of the Company and discharges this responsibility through ensuring compliance with applicable laws, rules and regulations, the Code, directives and guidelines.

6.1 BOARD COMPOSITION

The composition of MHC Board for the year 2017 was as follows:

	Name of Directors	Remarks
1	**Mr. Darsanand BALGOBIN**	Chairman (with effect from 15 March 2017) Independent Director
2	**Mr. Dunputh KHOOSYE**	Ag. Chairman (up to 14 March 2017) Independent Director
3	**Mr. Latanraj GHOORAH**	Non-Executive Director
4	**Mr. Georges Henry JEANNE**	Independent Director
5	**Mr. Azaad AUMEERALLY**	Independent Director
6	**Mr. Mohammad Taslim DOOKY**	Executive Director - representative of MHC staff association
7	**Mrs. Dalida ALLAGAPEN**	Non-Executive Director
8	**Mr Bojrazsing BOYRAMBOLI**	Non-Executive Director

7. Board Committees

The Board has established Board Committees as well as various management committees/forums to assist it in the discharge of its duties and responsibilities.
The current Board Committees are as follows:
- Audit Committee
- Corporate Governance & HR Committee
- Risk Management Committee
- Conduct Review Committee
- Real Estate Development Committee

Each Board Committee operates under approved terms of reference in line with the Code.

8. Separation of powers between Chairman and Chief Executive Officer

In accordance with the Code and the Bank of Mauritius Guidelines on Corporate Governance, there is a

8. Separation of powers between Chairman and Chief Executive Officer (Cont'd)

clear demarcation of responsibility between the Chairman and the Chief Executive Officer (Managing Director) to ensure balance of power and authority.

The MHC Board is led by its Chairman whilst the Chief Executive Officer/Officer in Charge leads the executive management team responsible for the day-to-day running of the business and affairs of the Company.

9. Directors' Orientation

Newly appointed Directors are apprised on the Company and its operations, through Orientation Programs, as well as their responsibilities as directors. They are provided with a pack containing relevant documents.

10. Executive Management

The Board has delegated the day to day running of the business and affairs of the Company to the Executive Management. Issues are discussed and decisions taken at different level of Management forums. In case of differences, the issues are escalated to the next higher level of decision making.

11. Management Meetings

The Management meets weekly, under the chairmanship of the Chief Executive Officer/Officer in Charge, to review and take decisions on the day to day business.

12. Loans Approval Committee

The Loans Approval Committee meets regularly for the approval of housing loans requests.

13. Board and Board Committees attendance for FY 2017:

The total numbers of Board and Sub-committees meetings held during the year were:
Board: 18; Audit: 18; CG&HR: 12; Risk Management: 4; Conduct Review: 4; Real Estate Development: 7

13.1 Board and Board Committees attendance for FY 2017 was as follows:

Directors	Board	Audit	CG&HR	Risk Mgt	Conduct Review	Real Estate
Mr Darsanand BALGOBIN	15	nm	12	nm	nm	7
Mr Latanraj GHOORAH	17	nm	nm	2	nm	5
Mr Georges Henry JEANNE	14	17	11	4	4	7
Mr Azaad AUMEERALLY	15	18	nm	4	4	nm
Mr Dunputh KHOOSYE	17	17	12	nm	3	7
Mrs Dalida ALLAGAPEN	13	nm	10	nm	nm	4
Mr Bojrazsingh BOYRAMBOLI	13	nm	nm	4	4	nm
Mr Mohammad Taslim DOOKY	18	nm	nm	nm	3	nm

*Note: (1) The OIC attended all the Board meetings, and Sub-committees where the MD is a member.
(2) nm: stands for not member

14. Shareholders' Particulars

Name of Shareholder	No of shares held	Nominal Value Rs	Shareholdings (%)
Government of Mauritius	12,000,005	120,000,050	60.01
State Investment Corporation Ltd	2,666,665	26,666,650	13.33
State Insurance Company of Mauritius ltd	2,666,665	26,666,650	13.33
National Pension Fund	2,666,665	26,666,650	13.33

15. Dividend Policy

The Company has a Dividend policy of 20% of Net Profits. Payment of dividends is subject to the performance of the Company, cash flow, working capital and capital expenditure requirements, and to approval from Bank of Mauritius.

16. Directors' Profile

	Name of Directors	Occupation	Age	Remarks	Other Directorship (Listed Companies)
1	Mr. Darsanand BALGOBIN	Director HR & External Affairs	38	Chairman (with effect from 15 March 2017) Independent Director	None
2	Mr. Dunputh KHOOSYE	Self-employed	64	Ag.Chairman (up to 14 March 2017) Independent Director	None
3	Mr. Latanraj GHOORAH	Lead Analyst Ministry of Finance & Economic Development	48	Non-Executive Director	None
4	Mr. Georges Henry JEANNE	Permanent Secretary Ministry of Local Government	62	Independent Director	None
5	Mr. Azaad AUMEERALLY	Managing Director Nest Invest	49	Independent Director	None
6	Mr. Mohammad Taslim DOOKY	IT Specialist Representative of MHC Staff Association	47	Executive Director	None
7	Mrs. Dalida ALLAGAPEN	Permanent Secretary Ministry of Housing & Lands	60	Non-Executive Director	None
8	Mr Bojrazsingh BOYRAMBOLI	Permanent Secretary Ministry of Social Security, National Solidarity and Reform Institutions	59	Non-Executive Director	None

Corporate Governance

17. Profile of Senior Management Team

Name	Position	Age	Qualifications	Date Joined
Mr. Abdool Hassen Issop	Officer in Charge	57	FCCA	01-Jul-1992
Mr. Nobaub Adith	Head (ICT)	58	MSc Computer Engineering	16-Jun-1994
Mr. Narroo Kreshan	Company Secretary	60	ACIS	12-May-1976
Mr. Abeeluck Rajeev	Head (Technical)	47	Bachelor in Architecture	02-Jul-2001
Mr Khusul Koondan	Ag Head (Commercial)	63	MBA (General)	18-May-1982
Mr. Puholoo Surendra	Ag. Head (Finance)	51	FCCA	02-Jul-1990
Mr Maywah Devanand	Manager (Procurement)	59	MBA (Human Resource and Knowledge Management)	11-Dec-1976
Mrs Kalapnauth-Rajcoomar Ashvina	Manager (Corporate Services)	35	MBA (Human Resource and Knowledge Management)	30-Jul-2003
Mr Maudarun Sheik Muhammad Shakeel	Ag Secretary (wef 14 November 2017)	47	FCCA	08-Mar-1992
Mr. Boojhawon Rakeshsing	Ag. Internal Auditor	44	FCCA	07-Dec-1994

18. Material clauses of the MHC's Constitution:

Objects:

(1) To promote property development within the Republic of Mauritius on its own or in partnership or as agent or as shareholder of a Company;

(2) To grant loans for the purchase of residential lands;

(3) To set up such housing savings scheme as would be appropriate;

(4) To carry on business in the nature of insurance in respect of its clients and/or its guarantor/s and client's/s' and/or guarantor's/s' property/ies,

(5) And to do all such other things as are incidental or conducive to the above objects.

18. Material clauses of the MHC's Constitution:

AUTHORISED SHARE CAPITAL:

Rs 250 Million, divided into 25,000,000 shares of Rs 10 each.

DIRECTORS:

The number of Directors shall not be fewer than FOUR (4) nor more than NINE (9).

POWER TO SIGN DOCUMENTS:

All deeds, instruments, contracts, or other documents, all cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for money paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, by the Managing Director, if any, or the Chairman of Directors or in such manner as the Directors may from time to time determine.

19. Financial Year of Company:

As from the Year 2011, the Financial Year of the Company is the Calendar Year.

20. Shareholder Agreement and/3rd party Agreement with Company:

There is no Shareholder Agreement/3rd party Agreement with the Company.

21. Directors' REMUNERATION

During the year under review, the Executive Directors received remuneration inclusive of emoluments amounting to Rs 1,508,630 (December 2016: Rs 1,414,156 and December 2015: Rs 679,612).

Non-Executive Directors received total remuneration amounting to Rs 3,105,169 (December 2016: Rs 2,700,000 and December 2015: Rs 2,520,500).

Details about Directors' remuneration have not been disclosed individually due to the sensitive nature of information.

22. Service Contract of the Managing Director:

Pending the recruitment of a Managing Director, Mr. Hassen Issop Abdool (Head - Finance), an in-house officer, has been appointed as Officer in Charge.

23. Statement of Remuneration Philosophy

The Board as the employer decides on the appointment and remuneration of all the MHC employees. The Corporate Governance & HR Committee considers and recommends to the Board matters pertaining to remuneration of MHC employees.

The remuneration of the Chairman, Managing Director and other Directors, is decided by the Shareholders.

24. Related party

Related party transactions are disclosed in note 32 of the financial statements.

27. Director's Interests in Shares

None of the directors have a direct or indirect share in the equity of the Company.

28. Main Terms of Reference of Board Committees:

I. Audit Committee

1. The Audit Committee should approve the audit plans (external and internal) to ensure that these are risk-based and address all activities over a measurable cycle, and that the work of external and internal auditors is coordinated.
2. The Audit Committee, not senior management, should recommend to shareholders the appointment, removal, and remuneration of external auditors. It should also approve the engagement letter setting out the scope and terms of external audit.
3. The Audit Committee shall approve the remuneration of the Head of Internal Audit.
4. The Audit Committee should assess periodically the skills, resources, and independence of the external audit firm and its practices for quality control.
5. The Audit Committee should assess whether the accounting practices of the auditee are appropriate and within the bounds of acceptable practice.
6. The Committee should ensure that there is appropriate structure in place for identifying, monitoring, and managing compliance risk as well as a reporting system to advise the Committee and the board of instances of non-compliance on a timely basis.
7. The Audit Committee should discuss with senior management and external auditors the overall results of the audit, the quality of financial statements and any concerns raised by external auditors. This should include:
    (a) key areas of risk for misinformation in the financial statements, including critical accounting policies, accounting estimates and financial statement disclosures;
    (b) changes in audit scope;
    (c) whether the external auditor considers the estimates used as aggressive or conservative within an acceptable range;
    (d) significant or unusual transactions; and
    (e) internal control deficiencies identified during the course of the audit.

8. The Audit Committee will also:
    (a) review of the audited financial statements for adequacy before their approval by the board;
    (b) assess whether the institution has implemented adequate internal control and financial disclosure procedures;
    (c) review of any transactions brought to its attention by auditors or any officers of the institution, or that might otherwise come to its attention, which might adversely affect the financial condition of the institution;
    (d) report to the board on the conduct of its responsibilities in frequency specified by the board, with particular reference to section 39 of the Banking Act 2004; and
    (e) ensure that management is taking appropriate corrective action in response to deficiencies identified by the auditors, including internal control weaknesses and instances of non-compliance with laws.

II. Risk Management Committee

1. The Risk Management Committee has the responsibility for advising the board on the financial institution's overall current and future risk appetite, overseeing senior management's implementation of the risk appetite framework and reporting on the state of risk culture in the financial institution.

2. The major tasks of the Risk Management Committee include:
   (a) identification of principal risks, including those relating to credit, market, liquidity, operational, compliance, and reputation of the institution, and actions to mitigate the risks;
   (b) appointment of a chief risk officer who, among other things, shall provide assurance that the oversight of risk management is independent from operational management and is adequately resourced with proper visibility and status in the Organisation;
   (c) ensuring independence of the chief risk officer from operational management without any \ requirement to generate revenues;
   (d) requirement of the chief risk officer to provide regular reports to the committee, senior management and the board on his activities and findings relating to the institution's risk appetite framework;
   (e) receive from senior officers periodic reports on risk exposures and activities to manage risks; and
   (f) formulate and make recommendations to the board on risk management issues.

III. Conduct Review Committee

The Conduct Review Committee shall have the mandate to:

(a) require management of the financial institution to establish policies and procedures to comply with the requirements of this guideline;
(b) review the policies and procedures periodically to ensure their continuing adequacy and enforcement, in the best interests of the financial institution;
(c) review and approve each credit exposure to related parties;
(d) ensure that market terms and conditions are applied to all related party transactions;
(e) review the practices of the financial institution to ensure that any transaction with related parties that may have a material effect on the stability and solvency of the financial institution is identified and dealt with in a timely manner;
(f) report periodically and in any case not less frequently than on a quarterly basis to the board of directors on matters reviewed by it, including exceptions to policies, processes and limits.

IV. Corporate Governance & Human Resources (CG &HR) Mandate

The CG&HR Committee has the following mandate:

(a) recommend to the board candidates for board positions, including the chair of the board and chairs of the board committees;
(b) recommend criteria for the selection of board members and criteria for the evaluation of their performance;
(c) prepare for approval of the board the remuneration and compensation package for directors,

IV. Corporate Governance & Human Resources (CG &HR) Mandate (Cont'd)

senior managers, and other key personnel, taking into account the soundness of risk taking and risk outcomes as well as any relevant information available on industry norms;

(d) recommend to the board an incentive package, as necessary, to enhance staff performance, while ensuring that incentives embedded within remuneration structures do not incentivise staff to take excessive risk;

(e) recommend nominees for board committees; and

(f) comment on the contribution of individual directors to the achievement of corporate objectives as well as on the regularity of their attendance at the board and committee meetings;

(g) appraisal and evaluation of the Board as a whole and the Directors individually;

(h) review remuneration policy;

(i) ensure that the reporting requirements on Corporate Governance, whether in the annual report, or on an ongoing basis, are in accordance with the principles of the Code of Corporate Governance and the Bank of Mauritius Guidelines on Corporate Governance.

V. Real Estate Development Monitoring Committee

To monitor closely the good running of housing projects and to ensure that deliverables are met within set timeline.

29. ASSETS & LIABILITIES COMMITTEE (ALCO)

The objectives of ALCO are to:

- Manage the balance sheet within approved levels of risk and return for MHC;
- Ensure that the risk is consistent with both the Company's risk appetite and business strategy;
- Review new and existing products for acceptable risk and financial performance levels;
- Ensure that sufficient consideration is given to potential impact of risk decisions made within the Company.

The ALCO should give particular attention to the following potential situations:

- Growth objectives of MHC and determining how they will be funded;
- Large gaps between asset and liability maturities;
- Large projected expansion in assets and liabilities without an accompanying increase in capital levels.

The Assets and Liabilities Committee (ALCO) is mandated to look into credit risk. The committee's set-up prescribes that asset and liability management will deal with aspects related to credit risk as the purpose of this function is also to manage the impact of the entire credit portfolio (including cash, investments and loans) on the balance sheet. MHC must perform one or a combination of the following to meet liquidity and lending needs of our customers:

- Dispose of liquid assets;
- Increase short-term borrowing;
- Decrease holdings of non-liquid assets;
- Increase liabilities of a term nature; and
- Increase Capital Funds.

30. INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT

Mauritius Housing Company Ltd has its own internal audit function.
The audit plan is approved by the Audit Committee. The approved internal audit plan ensures that all significant areas of the Company's activities are duly covered over a predetermined time frame.

Audit reports are circulated to the audit committee, copies to the chairman of the Board and also to management where applicable.

The Risk Management Committee of the Company is also responsible for reviewing the effectiveness of the risk strategy of the Company and for the monitoring of the risk management process.

The Risk management Unit gives an independent evaluation of MHC's risk exposures and therefore provides a vital management process for MHC.

31. TIME TABLE OF IMPORTANT EVENTS

Financial Year: 1st January to 31st December
Audited by 20th March and submission to Bank of Mauritius by 31st March at latest;
Dividends are recommended by the Board, subject to approval from Bank of Mauritius, once audited Financial Statements (FS) are available. The dividend recommended is then submitted for approval to the Annual Meeting of Shareholders.
Company's Annual Meeting (for approval of FS; Dividend; and Appointment of Directors) to be held by 30th June at latest.
Quarterly; Six months and Nine Months Financial Statements should be submitted to BOM within 6 weeks at latest.

32. POLICIES AND PRACTICES REGARDING SOCIAL, ETHICAL, SAFETY, HEALTH AND ENVIRONMENTAL ISSUES

Every Company should report to its stakeholders on its policies and practices as regards: ethics, environment, health and safety, social issues.

CODE OF ETHICS

MHC Conditions of Service contain a Code of Ethics which must be followed by all MHC staff.

SAFETY AND HEALTH

In accordance with the provision of the Occupational Safety and Health Act, MHC has a Health & Safety Officer who is responsible for monitoring and advising Management on all matters pertaining to health hazards and safety measures to be taken within MHC premises.

33. CHARITABLE AND POLITICAL DONATIONS

During the year, no donation was done as charitable donation (December 2016: Rs 155,956, December 2015: Rs 314,300)

For the last three years, no political donation has been effected.

Statement of Compliance

MAURITIUS HOUSING COMPANY LTD

STATEMENT OF COMPLIANCE - YEAR ENDED 31 DECEMBER 2017

STATEMENT OF COMPLIANCE
(Section 75 (3) of the Financial Reporting Act)

Name of PIE : Mauritius Housing Company Ltd

Reporting Period: Year ended 31 December 2017

We, the Directors of Mauritius Housing Company Ltd, confirm that to the best of our knowledge, the Mauritius Housing Company Ltd has complied with its obligations and requirements of the Code of Corporate Governance except for Sections 2.2.3, 2.3.3 and 2.8.2.

Reasons for non-compliance are:

Section 2.2.3 and 2.3.3: Two Executive Directors and appointment of Chief Executive Officer

The post of Managing Director has been advertised and appointment has not yet been effected. The Officer in Charge is currently executing the role of the Chief Executive Officer.

Section 2.8.2: Detailed remuneration per director

Details about directors' remuneration have not been disclosed individually due to the sensitive nature of information.

SIGNED BY:

....	....
D. BALGOBIN	A. AUMEERALLY
CHAIRMAN	DIRECTOR
DATE: 08 March 2018	DATE: 08 March 2018

Risk Review and Management

Risk Review and Management

RISK MANAGEMENT

Risk management is the identification, assessment and prioritization of risks followed by coordination and economical application of resources to minimize, monitor, and control the probability and or impact of unfortunate events or to maximize the realization of opportunities.

The primary goals of risk management are to ensure that the outcomes of risk-taking activities are consistent with MHC's strategies and risk appetite, and that there is an appropriate balance between risk and reward in order to maximize shareholders' returns. MHC's enterprise-wide risk management framework provides the foundation for achieving these goals

MHC has an Integrated Risk Management Framework in place to identify, assess, manage, report risks, risk adjusted returns in a reliable and consistent manner. The Risk Management Framework is based on transparency, management accountability and independent oversight.

MHC's Integrated Risk Management Framework which is continuous, proactive and systematic process to understand, manage and communicate risk from an organization – wide perspective. It is about making decisions that contribute to the achievement of an organization's overall corporate objectives.

The ultimate goal of risk management is the preservation of the physical and human assets of the organization for the successful continuation of its operations.

The purpose of the Integrated Risk Management Framework (IRMF) is to:

- Provide guidance to advance the use of a more corporate and systematic approach to risk management;
- Contribute to building a risk-smart workforce and environment to allow for innovation and responsible risk-taking while ensuring legitimate precautions are taken to project the public interest, maintain public trust and ensure due diligence; and
- Propose risk evaluation models for assets that departments can adapt to their specific circumstances and mandate for a proactive and collaborative approach to risk management while maintaining constant vigilance at all times.

As outlined by the Basel committee on Banking Supervision, the IRMF consists of five interrelated principles, which are;

- Management oversight and control culture;
- Risk recognition and assessment;
- Control activities and segregation of duties;
- Information and communication; and
- Monitoring risk management activities and correcting deficiencies.

The above principles have been adopted in developing the Risk Management Framework for each of the following material risks as described in the following sections of the IRMF:

- Credit;
- Liquidity;
- Interest rate;
- Market and
- Operational risk.

Risk Review and Management

Credit Risk Management

- Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the MHC and as and when they fall due, MHC need to manage the credit risk inherent in the entire portfolio as well as the risk in individual credits or transactions.
- The Credit Risk Management Framework caters for regulatory requirements, as encompassed in key applicable Bank of Mauritius guidelines such as the guideline on Standardized Approach to Credit Risk, the Guideline on Credit Impairment Measurement and Income Recognition, and the Guideline on Credit concentration Risk. Credit Risk exposures are managed through the MHC's credit assessment, structuring, monitoring process and the credit Risk Scoring System.

Mitigation

- Most of the credit facilities are granted based on the credit scoring system, source of repayment and debt servicing ability of the borrower. As a fundamental credit principle MHC does not generally grant credit facilities solely on the basis of the collateral provided, the income assessment of the borrower is very essential together with the Score card as per the Credit Risk Scoring system. MHC has also joined the Mauritius Credit Information Bureau to assess the credit worthiness of the borrower.
- A policy manual for lending operation has been developed and is actually being implemented and is regularly reviewed by management.

Credit Approval Process

- To maintain independence and integrity of credit decision-making, the credit approval function is segregated from loan origination. Credit approval authority is delegated within a structure that is 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.
- We have a well-established Credit Risk Management Framework in place which takes into consideration the credit risk evaluation process.
- In order to increase the effectiveness of the current credit risk scoring system in place and strengthen credit assessment, a credit review unit is set up to give an independent evaluation of MHC's credit risk exposures.

The Risk Management Unit gives an independent evaluation of MHC's risk exposures and therefore provides a vital management process for MHC.

Objectives

The objectives of the Risk Management Unit is to:

- To identify and prioritize potential risk events;
- Help develop risk management strategies and risk management plans;
- Use established risk management methods, tools and techniques to assist in the analysis and reporting of identified risk events;
- Find ways to identify and evaluate risks;
- Develop strategies and plans for lasting risk management strategies;

Objectives (Cont'd)

- Report to Management on the state of risk and risk practices;
- Document strategies according to organizational requirements.

The Risk Management unit systematically and independently analyses the quality of the portfolio, the adequacy of provisions and credit risk ratings. It ensures the objectivity and comprehensiveness of the risk assessments and recommends corrective measures. The Risk Management unit undertakes project activities in accordance with agreed project risk management plans and determine levels of risk in accordance with risk matrix used by the organization. As a secondary role, the unit is required to assess the Credit Policy, processes managements, and implementation of Credit Risk Scoring System. Two manuals are available on the MHC's intranet for compliance i.e. the risk manual and the compliance manual which is updated regularly.

Operational Risk Management

Operational risk is inherent in all business activities and has been defined by the Basel Committee on Banking Supervision as 'the risk of loss resulting from inadequate or failed internal processes, people, system and external events'.

MHC has established an Operational Risk Management Framework with the objective to ensure that operational risks are identified, monitored, managed and report in a structured, systematic and consistent manner.

Operational risk can be categorized in the following way for better understanding:

- Human Risk : Potential losses due to a human error, done willingly or unconsciously;
- IT/System Risk: Potential losses due to system failures and programming errors;
- Processes Risk: Potential losses due to improper information processing, leaking or hacking of information and inaccuracy of data processing.

Market Risk Management

Market risk is the potential that assets, liabilities and revenues or the ability to meet business objectives will be affected by adverse movements in prices or market rates, in particular changes in interest and currency rates. Market risk is often propagated by other forms of financial risk such as credit and liquidity risks. The MHC's market risk framework comprises six principles which stipulate compliance with market risk policies and practices, including delegation of authority, market risk limits, risk models and methodologies to measure interest spread over various maturities, which are in line with regulatory guidelines and international best practices.

Liquidity Risk Management

Liquidity reflects a financial institution's ability to fund assets and meet financial obligations. Liquidity is essential in all institutions to meet customer withdrawals, compensate for balance sheet fluctuations and provide funds for growth.

Liquidity Risk is the risk that an institution will be unable to obtain funds, such as customer deposits or borrowed funds, at a reasonable price or within a necessary period to meet its financial obligations.

Liquidity Risk Management (Cont'd)

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 the 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 MHC 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 goal of liquidity management is to protect the financial strength of the Company and maintain its ability to withstand stressful events in financial markets.

MHC has an Assets- Liability Committee (ALCO) that monitors the institution's liquidity profile.

The liquidity risk management framework, which is currently being implemented, incorporates the following eight principles:

- An agreed strategy for day-to-day management of liquidity;
- Identification of liquidity risk in the MHC's activities;
- An organization structure for managing liquidity;
- Adequate information systems for measuring, monitoring, controlling and reporting liquidity risk;
- A process for the ongoing measurement and monitoring of net funding requirements;
- Internal controls that help ensure integrity of liquidity risk management;
- Diversification of liabilities and maintaining the capacity to sell assets; and
- A Contingency plan to address the strategy for holding a liquidity crisis.

The above ensure:

- Maintenance of a sufficiently large liquidity buffer;
- Assurance of a structurally sound statement of financial position;
- Management of short and long-term cash flow;
- Preservation of a diversified funding base;
- Regular liquidity stress testing and scenario analysis; and
- Maintenance of adequate contingency funding plans.

Interest Rate Risk Management

MHC manages the potential adverse effect of Interest rate movements on net interest income and the economic value of capital.

Interest rate risk is the potential impact on the MHC's earnings and net assets values of changes in interest rates. Changes in interest rates affect MHC's earnings by changing it net interest income and the level of other interest-sensitive income and expenses. Effective management of interest rate risk is essential for safety and soundness of MHC.

MHC's approach to managing interest rate risk is governed by the Bank of Mauritius Guidelines on Measurement and Management of Market Risk and the Company's internal policy.

Concentration of Credit Risk

MHC seeks to diversify its credit risk by limiting exposure to single borrower or group of related borrowers. Concentration of credit risk is governed by guidelines on credit concentration limits issued by Bank of Mauritius.

The Assets and Liabilities committee (ALCO) is mandated to look into credit risk. The committee's set-up prescribes that asset and liability management will deal with aspects related to credit risk as the purpose of this function is also to manage the impact of the entire credit portfolio (including cash, investments and loans) on the balance sheet.

MHC must perform one or a combination of the following to meet liquidity and lending needs of our customers:

- Dispose of liquid assets;
- Increase short-term borrowing;
- Decrease holdings of non-liquid assets;
- Increase liabilities of a term nature; and
- Increase Capital Funds.

Compliance Risks

Compliance risk is the risk that we fail to comply with all relevant laws, codes, rules, regulations and policies of the company and incur fines and penalties and suffer damages to our business. Up to now MHC has not incurred any fines or penalties for non- compliance.

There is an in house compliance department as well as a legal department and together with senior management, they oversee and review those risks on an ad hoc basis.

Business Continuity Risk

Business continuity encompasses planning and preparation to ensure that an organization can continue to operate in case of serious incidents or disaster and is able to recover to an operational state within a reasonable short period. The senior management draws a future cash flow on a regular basis to monitor the operational activities of the Company.

Technological risk

Technological risk is the risk of accidental or intentional unauthorized use, modification, disclosure or destruction of information resources which would compromise the confidentiality, integrity or availability of information.

At MHC there is segregation of duties, thus only IT people can have access to the systems. Access are granted to users only upon approval. There is a log in the system that can detect who has made changes in the systems.

Financial Highlights

Financial Highlights

EVOLUTION OF KEY FINANCIAL FIGURES

Our financial review details the performance of MHC including key performance indicators and our businesses' contribution to the overall performance of the Organisation. MHC has continued to deliver consistent, diverse and sustained growth while investing to underpin future momentum.

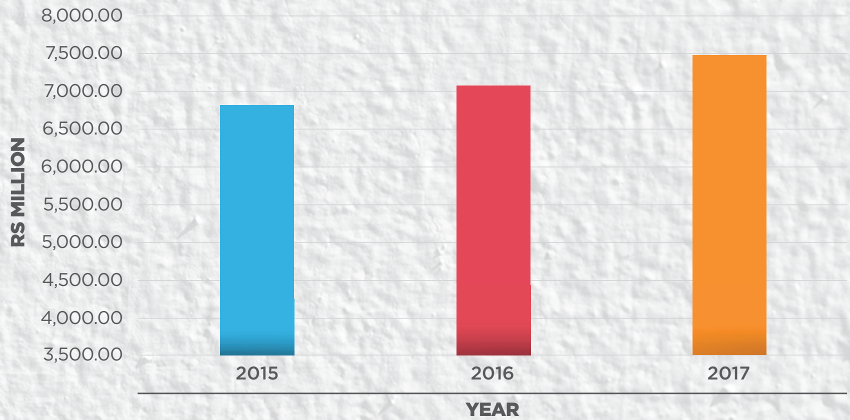
	Year ended 31st Dec 2017 (Rs M)	Year ended 31st Dec 2016 (Restated) (Rs M)	Year ended 31st Dec 2015 (Restated) (Rs M)
Interest Income	**509.15**	507.70	531.90
Interest Expense	**183.87**	197.10	219.20
Net Profit	**209.79**	250.10	240.40
Net Assets	**3,262.82**	3,209.20	3,013.50
Retained Earnings	**1,982.44**	1,926.20	1,730.50
Interest Cover (Times)	**2.77**	2.60	2.40
Net Profit Margin (%)	**35.76**	41.70	38.70
Housing Loan Assets	**7,535.96**	7,133.30	6,840.60
Fixed Assets (Net of Depreciation)	**491.85**	498.60	505.5
Total Assets	**8,227.11**	7,833.20	7,669.40
Shareholders' Funds	**2,991.37**	2,937.74	2,742.10
Capital Employed	**3,262.82**	3,209.20	3,013.50
PEL & JPS (Capital Deposited)	**1,303.80**	1,239.90	1,151.90
HDC (Capital Deposited)	**2,069.90**	1,841.60	1,831.10
Gearing (Times)	**1.20**	1.20	1.29
Current Ratio	**1.82**	2.33	2.70
ROCE (%)	**6.43**	7.79	7.98
EPS (Rs)	**10.49**	12.51	12.02
Total Income to Capital Employed Ratio	**18.00**	18.70	20.60
Reserves	**3,062.82**	3,009.20	2,813.60
Interest Income Growth (%)	**0.28**	(4.50)	3.10
Total Income Growth (%)	**1.06**	(3.40)	1.50
Interest Expense Growth (%)	**(6.70)**	(10.10)	5.70
Total Expense Growth (%)	**3.70**	(1.90)	1.20
Operating Income to Operating Expense (%)	**157.67**	180.10	191.10
Return on Shareholders' Funds (%)	**7.01**	8.50	8.80
Return on Total Assets (%)	**2.55**	3.17	3.13
Portfolio Quality (%)	**6.80**	8.03	9.43
Net Interest Margin/Interest Earning Assets (%)	**4.06**	4.03	4.10
Net Interest Income/Total Assets	**4.07**	4.17	4.28
Debt Coverage Ratio	**54.38**	55.65	58.52

Financial Highlights

REVIEW OF THE YEAR'S PERFORMANCE

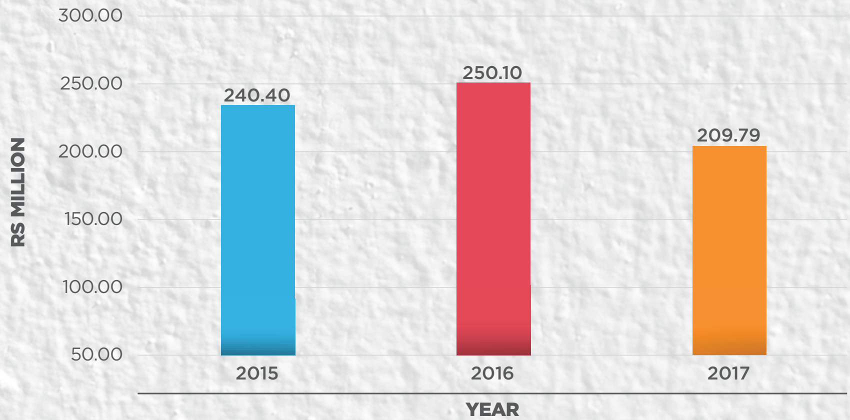
The Housing loan assets of the Company increased by **5.6%**, from Rs 7,133.30M to Rs 7,535.96M

Housing Loan Assets



Net profit for the year under review was **Rs 209.79M** compared to figure of Rs 250.10M for year ended 31st December 2016 resulting a decrease of 16.1%.

Net Profits

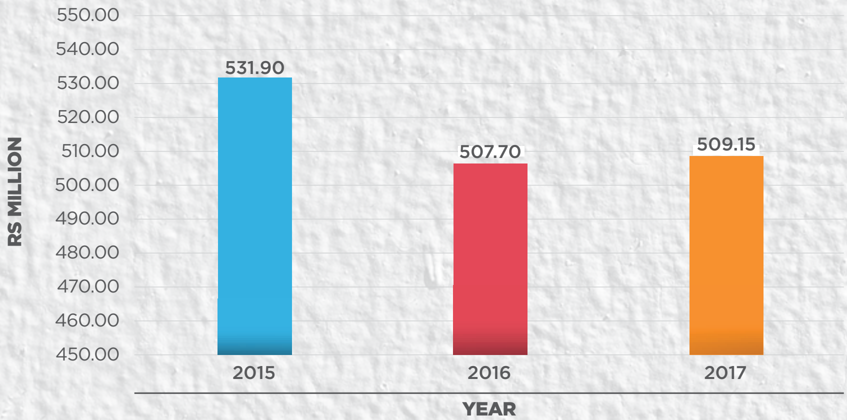


Financial Highlights

COMPONENTS OF REVENUE AND EXPENSES AND FINANCIAL RATIOS

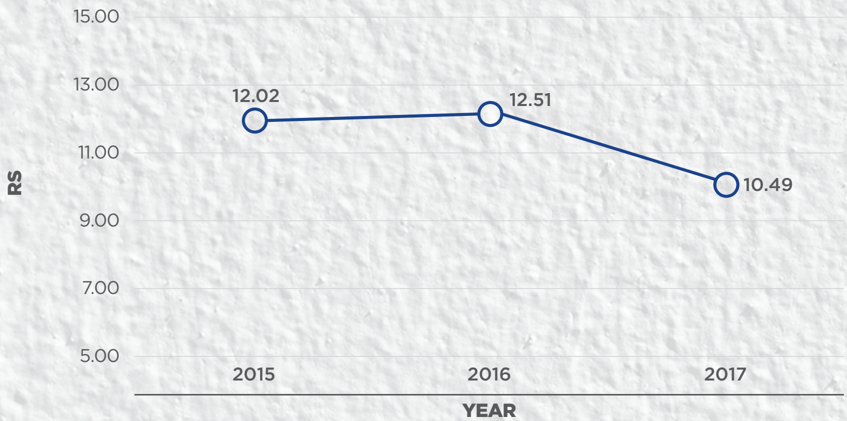
Interest Income on Housing Loans increased by **0.28%** ie. from Rs 507.70M to Rs 509.15M

Interest Income



During the year under review, EPS was Rs 10.49M compared to Rs 12.51M for the year ended 31st December 2016, a decrease of 16.1%.

Earnings per share



Current Ratio

The current ratio has decreased from 2.33% to 1.82% in year 2017.

Interest Cover

Interest Cover is at 2.77 times for the financial year (FY) 2017 compared to 2.60 times for the year 2016.

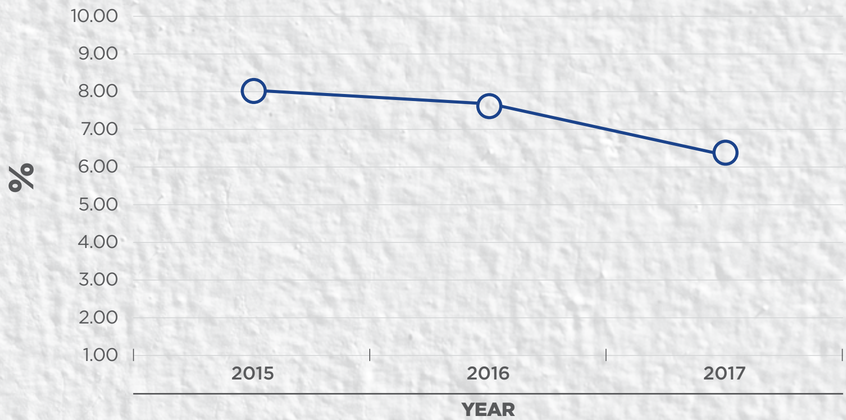
Gearing

Gearing stood at 1.2 for the financial year 2017.

Financial Highlights

The Company's ROCE decreased to 6.43% in 2017 compared to 7.79% for the FY 2016.

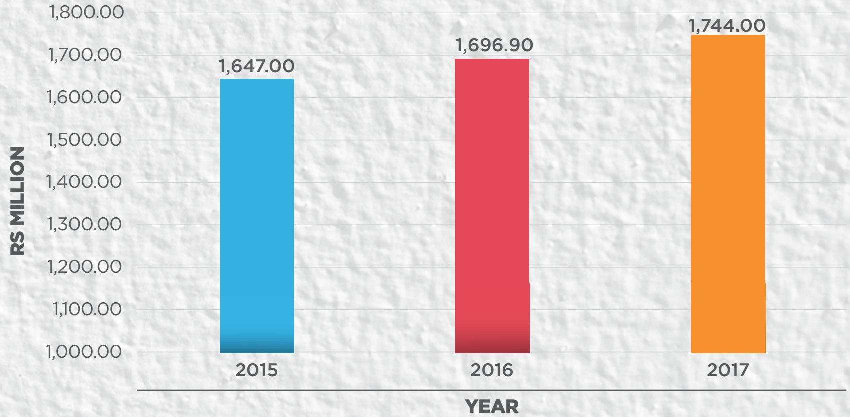
Return on Capital Employed



SAVINGS AND TERM DEPOSITS

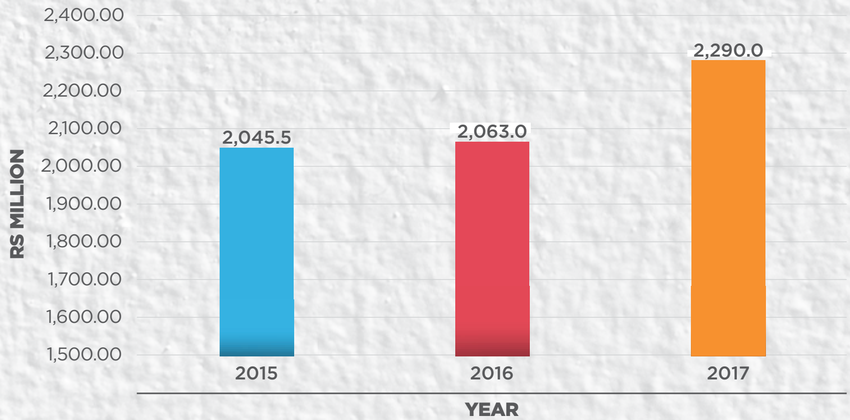
The PEL portfolio increased from Rs 1,696.90M to **Rs 1,744M** ie an increase of 2.8%

Plan Epargne Logement & Other Savings



The HDC portfolio increased from Rs 2,063M to **Rs 2,290.3M** ie an increase by 11%.

HOUSING DEPOSIT CERTIFICATE



Management Discussion and Analysis

Management Discussion and Analysis

The domestic economy's performance was better in 2017 compared to 2016. Real GDP growth at market price was forecasted to be at 3.8% for 2017. Overall investment spending increased significantly, supported by a robust increase in 'building and construction work' as well as a rebound in capital expenditure on 'machinery and equipment'. Statistics Mauritius expected real GDP at market prices to grow by 3.9 per cent in 2017, supported by a significant rebound in the construction sector.

The objectives for 2018 will be to achieve:

- Net profit of Rs 250.0M;
- An increase in EPS to 12.5%;
- To increase the return on equity to 6.9%;
- A decrease in cost to income to 72.6%.

SUMMARISED INCOME STATEMENT FOR YEAR ENDED 31ST DECEMBER 2017.

	December 2017	December 2016	December 2015 Restated
	(Rs M)	(Rs M)	(Rs M)
Net interest income	334.7	326.5	328.4
Other income	77.6	92	89.1
Operating income	**412.3**	**418.5**	**417.5**
Non – interest expenses	(261.5)	(232.4)	(218.5)
Operating profit before impairment	**150.8**	**186.1**	**199.0**
Provision on other assets	-	-	(12.5)
Reversal of Impairment provision	54.8	69.1	43.7
(Loss) / profit on foreclosed properties	(7.6)	(5.1)	(5.8)
Increase in fair value adjustment of Investment properties	11.8	-	16.1
Profit for the period	**209.8**	**250.1**	**240.4**

MHC's profit for the twelve months ending December 2017 amounted to Rs 209.8M compared to Rs 250.1M for the period ending December 2016, representing a decrease of 16.1%. Earnings per share for the period under review has decreased to Rs 10.5 for the twelve months to 31 December 2017 compared to Rs 12.5 as at 31 December 2016. Total Cost to income ratio for December 2017 stood at 75.9% against 71.6% for December 2016 and return on capital employed stood at 6.4%.

Profit has decreased due to:

1. Following recommendation from the Actuarial report, additional provision have been charged to the income statement for life assurance (Rs 19.3M) and building insurance (Rs 1.5M).

2. The retirement pension benefits have been computed as per IAS 19. The report recommends that the total charge to income statement for the current period amounts to Rs 2.5M.

3. The impact on balance sheet following adjustment for provision amount to Rs 105.1M

Revenue

Despite a low margin, the Company gross revenue for the 12 months ended 31 December 2017 stood at Rs 586.7M compared to Rs 599.7M for December 2016 representing a decrease of 2.2%. Growth in interest income stood at 0.28%. Gross revenue mainly constituted of interest income generated from loan business, fees and commissions, rent and income from investments.

Net interest income increased by Rs 8.2M representing 2.5% higher than the previous year while non-interest income decreased by Rs 14.5M, being a decrease of 15.7% compared to last year's result.

Non-interest income

Other income amounted to Rs 77.6M as at 31st December 2017 (December 2016: Rs 92.0M). The main components are income from insurance premiums, rent on investment properties and fee-based income collected from loan clients. Banks deposits contributed to some extent in achieving the above results.

Expenses

Interest expense amounted to Rs 183.9M for the year ending 31st December 2017 compared to Rs 197.1M for year ending 31st December 2016. Interest expenses represent interest payable on MHC's borrowings, savings and term deposits accounts. Despite, some borrowings with high rate, MHC was able to service its borrowing as per established agreements. There have been no new long-term borrowings contracted in 2017.

Operating expenses went up by 12.5% to reach Rs 261.5M in 2017 in line with initiatives taken to meet Company's objectives. Reinforcement of the human resources and the implementation of the new salary report contributed to a large extent in the increase. There has been no major increase in fixed assets during the current period and this resulted to a slight increase in depreciation charge by 3.7%. As a result, the operating cost to income ratio stood at 43.2% for 2017 compared to 38.7% for 2016.

Other items affecting the income statement

There has been a reversal for impairment amounting to Rs 54.8M for the current period while loss of sale of foreclosed property amounted to Rs 7.6M. Additionally there has been an increase in fair value of investment properties amounting to Rs 11.7M.

An extract of the Statement of Financial Position as at 31st December 2017.

	December 2017 (Rs M)	December 2016 (Rs M)	December 2015 Restated (Rs M)
Cash & Cash Equivalent	97.4	180.7	484.7
Treasury deposit	375.0	400.0	325.0
Property Development	2.4	2.4	4.8
Loan to Customers	6,793.3	6,325.8	5,948.1
Investment Property	116.0	104.3	104.2
Property & Equipment	491.9	498.6	505.5
Intangible Assets	48.5	37.4	26.0
Other Assets	302.6	283.9	271.0
Total Assets	**8,227.1**	**7,833.2**	**7,669.3**
Equity	3,262.8	3,209.2	3,013.6
Savings & Deposits	4,034.3	3,760.1	3,692.6
Borrowings	496.3	581.8	699.1
Insurance Funds	97.1	76.2	76.2
Other Payables	336.6	205.9	187.9
Total Equity & Liabilities	**8,227.1**	**7,833.2**	**7,669.4**

Cash Flow Position

During the year under review, MHC did not escape the excess liquidity prevailing in the economy. Sufficient cash were available to meet all commitments. Funds were ploughed back in our business as and when required.

Funds in excess of our normal working capital requirements were judiciously placed on treasury deposits and treasury bills in order to secure a good return.

As at 31st December 2017, cash in hand and at bank balances amounted to Rs 97.4M, and Rs 375.0M have been placed on term Deposits. Interest income receivable on these deposits contributed towards the total revenue of the Company.

Loans and Advances

Whist demand for credit within our offices remained stable throughout, loan portfolio increased by 5.65 % to reach Rs 7,536.0M as at 31st December 2017 (December 2016: Rs 7,133. 3M). During the first quarter of 2017 demand for housing loans were very low since there was a drop in the construction sector. To mitigate the situation different strategies were adopted namely the enhancement of marketing strategies like introducing new products, pricing and promotional campaigns. There has also been a change in the profile of our clients where secured payment have been guaranteed as compared to payments through standing orders and cash.

Impairment on Financial Assets

In spite of difficult market situation, the Non-performing loan ratio improved from 19.4 % in December 2016 to 17 % in December 2017. Necessary monitoring tools have been put in place to cater for non-performing loans. There has been improvement in the recovery process; as a result, non-performing loans for year 2017 stood at 0.4% compared to 2016 which was 3.8%. Following actions taken, the overall arrears portfolio is on the decreasing trend.

Impaired loans decreased from Rs 1,451.9 M as at 31st December 2016 to Rs 1,365.6 M as at 31st December 2017. The Company ensures that adequate provision is made in line with the guidelines issued by the central bank and international financial reporting standards. Specific allowance for credit impairment has decreased to Rs 512.57 M, representing a provision coverage ratio of 54.38%.

For the current year, there has been a reversal of net impairment on advances and other financial assets amounted to Rs 54.8M compared to a reversal of Rs 69.1M for the previous year. There has been a rationalizing of the provisioning made for cases referred for legal procedures including the cases referred to the Commissioner for Borrowers' Protection.

Portfolio provision

Portfolio provisions, are computed based on non-impaired loans at a rate of 1 % to comply with the BOM Guideline on Credit Impairment Measurement and Income Recognition.

Portfolio general provision, stood at Rs 61.7M at December 2017 against Rs 56.8M at December 2016.

Investment Property

As per Company's policy, all investment properties are revalued on a three year basis. This year, revaluation exercise has been carried out and the total amount of Rs 104.3M (December 2016) increased to Rs 116.0M. The revaluation exercise was carried out by an independent valuer and the basis have been revenue and prevailing market prices.

Intangible assets

Intangible assets rose from Rs 37.4M (December 2016) to Rs 48.5M (December 2017) i.e. an increase of 29.7%. This consists mainly of expenses relating to the implementation of the new Core Banking system which is at its final stage of Go live.

Other Assets

Other assets increase from Rs 283.9M (December 2016) to Rs 302.5M (December 2017). The main items are receivables from debtors, prepayments and foreclosed properties.

PEL/JPS

Total Deposits which remains one of the main source of funding increased by 2.8% to reach Rs 1,744.0M at December 2017 (December 2016: Rs 1,697.0M). Contributions are effected by clients on a monthly basis with a view to constitute a capital to buy a property or construct a house.

Housing deposit certificate (HDC)

HDC increased by 11% over the same period, to reach Rs 2,290.3M as at 31st December 2017 compared to Rs 2,063.1M for December 2016. Our interest rate on the housing deposits certificates is one of the most competitive prevailing on the market and as such the product was favoured by the public

Borrowings

Borrowings decreased by 14.7% to reach Rs 496.3M as at 31stDecember 2017 (December 2016: Rs 581.8M). This is explained by the fact that MHC has not availed of new loans.

Prospects for the Year Ending 31 December 2018

During 2017 the Company pursued its business by servicing individual and corporate clients within the country whilst adapting with the market forces, laws and regulations. Emphasis was laid on diversification of products to better serve client needs, enhancement of controls across all operations and tapping into new cross selling avenues. Furthermore, improvement in the new system was prioritized for the going live of the CBIS early 2018. Reinforcement of the risk management through the implementation of the IRMF system. Improvements have been made in respect of delineation of task while reporting for risk has been enhance to minimize operational risk.

Looking ahead MHC will pursue its business and focus to consolidate its position in the market. Focus will also be put to strengthen the quality of customer experiences, reinforcing the operational capabilities as well as adopting technology-based practices.

All indications show that the economy is expected to pick up with the strategies being adopted by government as per the Vision 2030. A number of national projects are expected to boost the construction sector. A slight economic recovery in the US and across Europe is likely to impact positively on the Mauritian economy. Accordingly, the Repo Rate is expected to be maintained at its level to encourage investments.

MHC will have to struggle in the midst of fierce competition from Banks, Insurance Companies and other Non-Banking Financial Institutions offering mortgage loans, savings and deposits. The focus will be on reviewing our processes and procedures in order to offer a better-quality service to our customers, which will serve as the differentiating factor to acquire new business as well as retain existing customers.

Capital Adequacy Ratio for the year was 64.1% compared to the ratio of 65.4% in December 2016, 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 Base	Dec 2017	Dec 2016
Core capital (Tier 1 capital)		
Share capital	**200.0**	200.0
Statutory reserve	**200.0**	200.0
Other reserves	**1,982.4**	1,926.1
	2,382.4	2,326.2
Deduct		
Other intangible assets	**(48.5)**	(37.4)
Total core capital	**2,333.9**	2,288.7
Supplementary capital (Tier 2 capital)		
Other reserves	**220.4**	220.4
Portfolio provision	**50.8**	48.9
Total supplementary capital	**271.2**	269.3
Total net capital	**2,605.1**	2,,558.0
Risk weighted assets		
Property, plant & equipment	**491.9**	498.6
Housing loans	**2,981.6**	2,833.6
Cash in hand	**75**	97.9
Other assets	**516.8**	480.1
Total risk weighted assets	**4,065.3**	3,910.1
Capital adequacy ratio (%)	**64.1**	65.4

Audited Financial Statements

Report from Directors

The Directors have the pleasure in submitting the Annual Report together with the audited financial statements of Mauritius Housing Company Ltd, “the Company”, for the year ended 31 December 2017.

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/purchase of houses to engage in deposits taking and to promote property development.

RESULTS AND DIVIDENDS

The results for the year are as shown in the statement of profit or loss and other comprehensive income.

For the year 2017, the directors have recommended a dividend of Rs 41,957,400 subject to Bank of Mauritius approval (year ended 31 December 2016, the amount recommended as dividend was Rs 50,023,301 and year ended 31 December 2015 was Rs 39,820,600).

DIRECTORS

The present membership of the Board is set out on page 12.

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’ EMOLUMENTS

Emoluments of Executive Director for the year under review (excluding any remuneration as disclosed under Directors’ Remuneration as shown on page 65) was Rs 1,508,630 (December 2016: Rs 1,114,156 and December 2015: Rs 679,612).

For the year ended 31 December 2014, the directors’ emoluments has been included in directors’ remuneration.

DIRECTORS' REMUNERATION

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

	2017 Rs	2016 Rs	2015 Rs
Executive Director	**307,500**	300,000	155,300
Non-Executive Directors	**3,105,169**	2,700,000	2,520,500

SIGNIFICANT CONTRACTS

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

DONATIONS

The Company has not made any donation during the year ended 31 December 2017 (year ended 31 December 2016: Rs 155,956 and year ended 31 December 2015: Rs 314,300).

AUDITORS

Fees, inclusive of VAT, payable to Deloitte for the year ended 31 December are as follows:

	2017 Rs	2016 Rs	2015 Rs
Audit fees	**1,150,000**	1,121,250	1,063,750
Non Audit fees	**287,500**	-	-

Chairman **Director** **Director**

Date: 30 March 2018

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The Company's financial statements for the Company's operations in Mauritius presented in the annual report have been prepared by Management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards, as well as the requirements of the Mauritius Companies Act 2001 and the Banking Act 2004 as applicable to the Company and the guidelines issued thereunder, have been applied and Management has exercised its judgement and made best estimates where deemed necessary.

The Company has designed and maintained its accounting systems, related internal controls and supporting procedures, to provide reasonable assurance that financial reporting is 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 organization 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, acting in part through the Audit Committee and Conduct Review and Risk Policy Committee, which comprise independent directors, Oversees Management's responsibility for financial reporting, internal controls, assessment and control of major risk areas and assessment of significant and related party transactions.

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

Pursuant to the provisions of 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, Deloitte, have full and free access to the Board of Directors and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

Chairman **Director** **Director**

Date: 30 March 2018

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 31 December 2017.

Mr. S.M. Shakeel Maudarun
Ag Secretary

Date: 30 March 2018

Independent Auditor's Report to the Shareholders of Mauritius Housing Company Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Mauritius Housing Company Ltd** (the "Company") set out on pages 71 to 116, which comprise the financial position as at 31 December 2017, 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 2017, 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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, the corporate governance report 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

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;

Independent Auditor's Report to the Shareholders of Mauritius Housing Company Ltd (cont'd)

Auditor's responsibilities for the audit of the financial statements (Cont'd)

- 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 those charged with governance 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

Deloitte
Chartered Accountants

Twaleb Butonkee, FCA
Licensed by FRC

Date: 30 March 2018

Statement of Financial Position
At 31 December 2017

	Note	2017 Rs'000	2016 Rs'000	2015 Rs'000 Restated
ASSETS				
Cash at banks and in hand	13(a)	**97,433**	180,745	484,692
Treasury deposit	13(b)	**375,000**	400,000	325,000
Property development	14	**2,405**	2,405	4,818
Loans to customers	15	**6,793,334**	6,325,782	5,948,088
Investment property	16	**116,000**	104,240	104,240
Property and equipment	17	**491,853**	498,638	505,484
Intangible assets	18	**48,534**	37,417	26,026
Other assets	19	**302,549**	283,930	271,000
Total assets		**8,227,108**	7,833,157	7,669,348
LIABILITIES				
PEL and other savings accounts	20(a)	**1,744,007**	1,696,990	1,647,062
Housing deposits certificates	20(b)	**2,290,327**	2,063,065	2,045,528
Borrowings	21	**496,256**	581,814	699,081
Retirement benefit obligations	22	**267,558**	155,268	135,738
Other liabilities	23	**69,041**	50,605	52,161
Total liabilities		**4,867,189**	4,547,742	4,579,570
Insurance funds	24	**97,100**	76,222	76,222
SHAREHOLDERS' EQUITY				
Share capital	25	**200,000**	200,000	200,000
Revaluation reserves		**489,743**	489,743	489,743
Building insurance reserve	27	**116,810**	116,810	116,810
Life insurance reserve	33 (c)	**154,642**	154,642	154,642
Retained earnings	28	**1,982,437**	1,926,138	1,730,501
Statutory reserve		**200,000**	200,000	200,000
Other reserves	29	**119,187**	121,860	121,860
Total equity		**3,262,819**	3,209,193	3,013,556
Total equity and liabilities		**8,227,108**	7,833,157	7,669,348

These financial statements have been approved and authorized for issue by the Board of Directors on 30 March 2018 and signed on its behalf by:

Chairman **Director** **Director**

The notes on pages 76 to 116 form an integral part of these financial statements.
Auditors' Report on pages 68 to 70.

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2017

	Note	2017 Rs'000	2016 Rs'000	2015 Rs'000 Restated
Interest income		**509,149**	507,722	531,905
Interest expense		**(183,869)**	(197,083)	(219,222)
Interest suspended		**9,462**	15,906	15,666
Net interest income	6	**334,742**	326,545	328,349
Fee and commission income		**25,016**	20,438	23,630
Rent received		**7,349**	7,052	7,153
Policy fees and charges on loan		**5,055**	4,413	4,038
Other operating income	7	**40,151**	60,117	54,308
		77,571	92,020	89,129
Operating income		**412,313**	418,565	417,478
Personnel expenses	8	**(167,900)**	(146,642)	(143,195)
Depreciation and amortisation		**(15,568)**	(15,011)	(13,765)
Other expenses	9	**(78,037)**	(70,776)	(61,498)
Non-interest expense		**(261,505)**	(232,429)	(218,458)
Operating profit		**150,808**	186,136	199,020
Release of allowance for credit impairment	15(b)	**54,799**	69,081	43,746
Loss on foreclosed properties		**(7,580)**	(5,102)	(5,899)
Increase in fair value of investment property	16	**11,760**	-	16,066
Provision for other assets	19	**-**	-	(12,500)
Profit for the year		**209,787**	250,115	240,433
Other comprehensive income	26			
Items that will not be reclassified to profit or loss:				
Remeasurement of post-employment benefit obligations	22(a)(iv)	**(105,078)**	(14,657)	(27,739)
Gains on revaluation of land & buildings		**-**	-	58,518
Gain on foreclosed properties		**(2,673)**	-	-
Other comprehensive income for the year		**(107,751)**	(14,657)	30,779
Total comprehensive income for the year		**102,036**	235,458	271,212
Earnings per share (Rs) - as reported		**10.49**	12.51	9.96
Earnings per share (Rs) - as restated	12	**10.49**	12.51	12.02

The notes on pages 76 to 116 form an integral part of these financial statements.
Auditors' Report on pages 68 to 70.

Statement of Changes in Equity
For the year ended 31 December 2017

	Share capital Rs'000	Revaluation reserves Rs'000	Building insurance reserve Rs'000	Retained earnings Rs'000	Life Insurance reserve Rs'000	Statutory reserve* Rs'000	Other reserves** Rs'000	Total Rs'000
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 - as restated	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 - as restated	200,000	489,743	116,810	1,926,138	154,642	200,000	121,860	3,209,193
At 1 January 2017	200,000	489,743	116,810	1,926,138	154,642	200,000	121,860	3,209,193
Movement on reserve	-	-	-	2,673	-	-	(2,673)	-
Adjustment made to long term borrowings	-	-	-	(1,060)	-	-	-	(1,060)
Dividend (Note 11)	-	-	-	(50,023)	-	-	-	(50,023)
Profit for the year	-	-	-	209,787	-	-	-	209,787
Other comprehensive income	-	-	-	(105,078)	-	-	-	(105,078)
At 31 December 2017	**200,000**	**489,743**	**116,810**	**1,982,437**	**154,642**	**200,000**	**119,187**	**3,262,819**

*As per Banking Act 2004, 15% of the net profit for the year is transferred to statutory reserve until the balance is equal to the amount of stated capital (share capital)

** See Notes 29

The notes on pages 76 to 116 from an integral part of these financial statements

Auditors' Report on pages 68 to 70.

Statement of Cash Flows
For the year ended 31 December 2017

	Note	2017 Rs'000	2016 Rs'000	2015 Rs'000 Restated
Cash flows from operating activities				
Profit for the year		**209,787**	250,115	240,433
Adjustments for:				
Allowance for credit impairment	15(b)	**(55,424)**	(69,081)	(43,746)
Provision for other assets		**-**	-	12,500
Depreciation		**13,508**	12,689	11,621
Amortisation		**2,060**	2,322	2,144
Loss on sale of foreclosed properties		**7,580**	5,102	5,899
Profit on disposal of property development	7	**-**	(52)	(452)
Increase in fair value of investment property	16	**(11,760)**	-	(16,066)
Interest in suspense		**(9,462)**	(15,906)	(15,666)
Profit on disposal of property and equipment	7	**(4)**	(1,464)	(210)
Provision for retirement benefit obligation	22 (a) (v)	**7,212**	4,873	3,573
		163,497	188,598	200,030
Change in operating assets and liabilities				
(Increase)/decrease in other assets		**(26,199)**	(18,032)	(69,922)
Decrease/(Increase) in treasury deposit		**25,000**	(75,000)	25,000
(Decrease)/increase in other liabilities		**18,436**	(1,556)	5,992
(Decrease)/Increase in accrued interest payable		**(17,821)**	(31,010)	69,460
Increase in loans to customers		**(402,666)**	(292,707)	(144,157)
Increase/(decrease) in insurance funds		**20,878**	-	3,080
Net cash (used in)/generated from operating activities		**(218,875)**	(229,707)	89,483
Cash flows from investing activities				
Purchase of property and equipment		**(6,723)**	(5,843)	(9,130)
Purchase of intangible assets		**(13,177)**	(13,713)	(25,854)
Proceeds from disposal of property and equipment		**4**	1,464	410
Proceeds from disposal of property development		**-**	2,465	2,900
Net cash (used in)/generated from investing activities		**(19,896)**	(15,627)	(31,674)
Cash flows from financing activities				
Housing deposits certificates (HDC)		**228,271**	10,451	459,131
Plan Epargne Logement Savings (PEL)		**63,829**	88,024	121,217
Repayment of borrowings		**(83,611)**	(113,948)	(209,118)
Dividends paid		**(50,023)**	(39,821)	(38,902)
Net cash generated from/(used in) financing activities		**158,466**	(55,294)	332,328
(Decrease)/increase in cash and cash equivalents		**(80,305)**	(300,628)	390,137
Movement in cash and cash equivalents				
Cash and cash equivalents as at 1 January		**174,874**	475,502	435,365
(Decrease)/increase in cash and cash equivalents		**(80,305)**	(300,628)	390,137
Cash and cash equivalents at 31 December		**94,569**	174,874	825,502
Cash and cash equivalents				
Cash at bank and in hand		**97,433**	180,745	484,692
Bank overdrafts (Note 21)		**(2,864)**	(5,871)	(9,190)
		94,569	174,874	475,502

Statement of Cash Flows (Cont'd)
For the year ended 31 December 2017

Reconciliation of liabilities arising from financing activities

	1 Jan 2017 Rs'000	Movement in Capital	Movement in Interest	Others	31 Dec 2017 Rs'000
Housing Deposit Certificate	2,063,065	228,271	(1,009)	-	**2,290,327**
Plan Epargne Logement Savings	1,696,990	63,809	(16,812)	20	**1,744,007**
Borrowings	581,814	(82,551)	(3,007)	-	**496,256**
Dividends	50,023	-	-	(50,023)	-
	4,391,892	209,529	(20,828)	(50,003)	**4,530,590**

The notes on pages 76 to 116 form an integral part of these financial statements.
Auditors' Report on pages 68 to 70.

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/purchase of houses, to engage in deposits taking and to promote property development. The registered office of the Company is MHC Building, Reverend Jean Lebrun Street, Port Louis, Mauritius.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

In the current year, the Company has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are effective for accounting period beginning on 01 January 2017 and relevant to its operations.

2.1 New and revised IFRS applied with no material effect on financial statements

The following relevant new and revised IFRS have been applied in these financial statements. The application of these new and revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements. However, they did not have any impact on the amounts reported for current and prior periods but may impact the accounts for future transactions or arrangements.

IAS 7 Statement of Cash Flows: Amendments as result of the Disclosure initiative

IAS 7 Statement of Cash Flows: Amendments as result of the Disclosure initiative (Effective 1 January 2017)

2.2 New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant new and revised Standards were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 19 Employee Benefits: Amendments regarding plan amendments, curtailments or settlements (effective 1 January 2019)

IAS 40 Investment Property: Amendments to clarify transfers or property to, or from, investment property (Effective 1 January 2018)

IAS 39 Financial Instruments: Recognition and Measurement: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception (Effective 1 January 2018)

IFRS 4 Insurance Contracts: Amendments regarding the interaction of IFRS 4 and IFRS 9 (Effective 1 January 2018)

IFRS 7-Financial Instruments: Disclosures: Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (Effective 1 January 2018)

IFRS 7-Financial Instruments: Disclosures: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (Effective 1 January 2018)

IFRS 9 Financial Instruments: Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. (Effective 1 January 2018)

IFRS 9 Financial Instruments: Amendments regarding the interaction of IFRS 4 and IFRS 9 (Effective 1 January 2018)

IFRS 9 Financial Instruments: Amendments regarding prepayment features with negative compensation and modifications of financial liabilities (Effective 1 January 2019)

IFRS 15 Revenue from Contracts with Customers: Original issue (Effective 1 January 2018)

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Cont'd)

IFRS 15 Revenue from Contracts with Customers: Clarifications to IFRS 15 (Effective 1 January 2018)

IFRS 16 Leases: Original issue (Effective 1 January 2019)

IFRIC 22 Foreign Currency Transactions and Advance Consideration (Effective 1 January 2018)

The directors anticipate that these amendments will be adopted in the Company's financial statements at the above effective dates in future periods. The directors have not yet assessed the potential impact of the application of these amendments.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:
All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an entity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on analysis of the Company's financial assets and financial liabilities as at 31 December 2017 on the facts and circumstances that exist as at date, the directors of the Bank have assessed the impact of IFRS 9 to the financial statements as follows:

Impairment

Financial assets measured at amortised cost will be subject to impairment provisions of IFRS 9. The Company expects to apply the expected credit losses approach as required by IFRS 9.

In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Company comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs000), except when otherwise indicated.

Where necessary, comparative figures have been amended to conform with change in presentation in the current year. The financial statements are prepared under the historical cost convention, except that land and buildings and investment properties are stated at their fair value, and relevant financial assets and liabilities are stated at their fair value or amortised cost.

(b) Property and equipment

Land and buildings are stated at their fair values, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

All other property and equipment, are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Owned-used property is defined as property held for use in the supply of services or for administrative purposes.

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.

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

The annual rates and method 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

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted prospectively if appropriate, at the end of each reporting date.

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 and equipment are determined by the difference between their carrying values and their net disposal proceeds and are included in profit or loss. On disposal of revalued assets, the amounts included in revaluation surplus are transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Intangible assets

Computer software
Intangible assets consist of computer software. The computer software cost is amortised on a straight line basis over their estimated useful lives of 3 years.

Progress payments
Progress payments on computer software are recognized when they meet criteria relating to identifiability, probability that future economic benefits will flow to the enterprise, and the cost can be measured reliably. No depreciation is charged on progress payments. On completion of the project, the cost will be amortised over a period of 5 years.

(d) Foreclosed property

Foreclosed property is classified as assets acquired in satisfaction of debts and represents houses acquired through auction at the Master's Bar following the default by clients. Foreclosed property is stated at the price paid at Master's bar together with all related expenses incurred on the acquisition and reported within 'Other assets'. If the acquisition value together with related costs is greater than the loan balance outstanding, the difference is reported as an unrealised gain in the Mortgage Insurance Reserve Account, if the property has a mortgage insurance. Where there is no mortgage insurance, the unrealised gain is credited to the Foreclosed Property Reserve.

Upon disposal of the foreclosed property, the realised loss/gain is taken to profit or loss.

It is the Company's policy to maintain impairment loss on foreclosed property at a rate of 10% per annum for case not yet disposed within five years from acquisition at Master's Bar. Any foreclosed property not sold within a period of five years from acquisition and for which no potential buyer has been found, is impaired at 50%.

(e) Investment property

Investment properties are properties which are held to earn rental income and/or for capital appreciation and not occupied by the Company. They are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value determined by external valuers. Changes in fair values are included in profit or loss.

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

(f) Financial assets

The Company classifies its financial assets in the following categories:

Secured loans to customers: these relate to 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 fair value, including any transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment.

Financial assets are derecognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial assets (cont'd)

Provision for credit losses

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.

Allowance for credit losses is reported as a reduction to the carrying value of a loan in the statement of financial position.

All impaired loans are reviewed and analysed at each reporting 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 profit or loss.

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 provisions made for credit losses or directly to the profit or loss. Recoveries in part or full of amounts previously written-off are credited to profit or loss.

The Company has established the criteria for provision 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:

A loan is classified as non-performing when the contractual payments of principal and interest are in arrears. The provision for such type of loan is the excess of balance of capital and interest outstanding over the recoverable amount. This is calculated on a case-to-case basis taking into account the expected cash flows arising from realising the collateral security and discounted the amount over the recoverable period.

For all impaired loans as described above, interest income, life and building premia are suspended at 100%.

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 profit or loss.

(g) Retirement benefit obligations

Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefits plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Retirement benefit obligations (cont'd)

Defined benefit plans (cont'd)

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

The Company determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

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

Pension contributions

Contributions to the Family Protection Scheme (FPS) and Contributions to the National Pension Scheme (NPS) are expensed to profit or loss in the period in which they fall due.

(h) Statutory reserve

As required by the Banking Act 2004 Section 21, the Company has set up a Statutory Reserve in which 15% of the net profit is transferred annually to this reserve until the balance is equal to the stated capital. Such reserve is not distributable.

(i) Cash at banks, in hand and treasury deposit

Cash at banks and in hand comprise cash in hand, deposits held at call with banks, net of bank overdrafts. In the statement of financial position, bank overdrafts are included within borrowings.

(j) Ordinary shares

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

(k) Revenue recognition

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

Interest income is suspended when loans become non-performing.

Bank interest income is recognised on an accrual basis by reference to the principal outstanding and at the effective interest rate applicable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Rental income

Rental income from investment property is recognised in profit or loss on a straight line basis over the term of the lease.

(m) Fees and commission income

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

Penalty on late payments

There is a surcharge equivalent to 10% per annum of the monthly repayment and 5% per annum on monthly unpaid capital 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 profit or loss as and when received.

(n) Life assurance and building insurance

The Company is empowered by virtue of Section 4(b) of the Mauritius Housing Corporation (Transfer of Undertaking) Act 1989 to transact life assurance in connection with loans granted by the Company. Insurers have to comply with the provisions of the Insurance Act 2005 but MHC Ltd does not fall within the scope of the Insurance Act. However, the provisions of the Mauritius Civil Code pertaining to insurance apply to the Company's insurance operations.

<u>The Company operates the following insurance schemes:</u>

Secured loans holders are required to make contribution to the Company to provide life assurance cover for a sum equal to the balance outstanding in their account. Premium is calculated on the basis of monthly reducing balances and credited to the statement of profit or loss. Claims arising upon occurrence of the insured event is charged to the statement of profit or loss as Claims paid and includes changes in the provision for outstanding claims including provision for claims incurred but not reported. It is the policy of the Company to appoint a qualified actuary to carry a liability adequacy test of the Life Assurance Fund every two years.

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. Premium is calculated monthly and credited to the statement of profit or loss. Claims arising upon occurence of the insured event is charged to the statement of profit or loss as Claims paid.

(o) 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 reporting date and adjusted to reflect the current best estimate. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimates to settle the present obligation, its carrying amount is the present value of more cash flows.

(p) Impairment of assets

At each reporting 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 the higher of the asset's fair value less costs to sell 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 in profit or loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Financial instruments

Financial assets and liabilities are recognized in the statement of financial position when the Company has become a party to the contractual provisions of the instrument.

The instruments are measured as set out below:

Borrowings
Borrowings are recognised initially at fair value being their issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortised cost: any difference between the proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Other receivables
Other receivables are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

Loans
Loans are measured at amortised cost less allowance for credit losses.

Other payables
Other payables are stated at amortised cost using the effective interest method.

Deposits
Deposits are stated at amortised cost.

Offsetting
Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(r) Leases

The Company as lessor
Assets leased out under operating leases are included in the statement of financial position as investment property. Rental income is recognised on a straight line basis over the lease term.

The Company as lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(s) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statement when the dividends are approved by the Board of Directors and Bank of Mauritius.

(t) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Amount receivable from Government

Amount receivable from Government comprise of Government Grants and interest differential refundable by the Government. Amounts are only recognised if they meet the conditions to qualify for the refund.

Government grants pertaining to Government Sponsored Loans Scheme (GSL) are recognised as an asset in the period the grants are paid to the GSL beneficiaries.

Interest differential refundable by the Government includes a 2 per cent interest bonus over and above the rate offered by MHC on HDC with maturity of 3 years or more refundable by the Government. It also includes amount refundable on a 3 per cent interest bonus over and above the rate offered by MHC on PEL accounts for customers that make regular contributions and that have taken a housing loan from MHC. The amount receivable is accounted on the basis of the interest accrued on those deposits.

(v) Property Development

Property development is recognized at cost. Upon disposal of a property, the cost is matched against the sales proceeds to calculate any gain or loss which is taken to the statement of profit or loss and other comprehensive income.

4. FINANCIAL RISKS

In its ordinary operations, the Company is exposed to various risks such as capital risk, interest rate risk, credit risk and liquidity risk. The Company has devised 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 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.

4. FINANCIAL RISKS (CONT'D)

Capital risk management

The Company's capital management objective is to ensure that adequate capital resources are available for sustained business growth as well as coping with adverse situations. The minimum capital adequacy ratio that has to be maintained by the Company is 10% of risk weighted assets computed as follows:

	2017 Rs'000	2016 Rs'000	2015 Rs'000 Restated
Tier 1 capital	**2,333,903**	2,288,721	2,104,475
Tier 2 capital	**271,200**	269,261	271,792
Total capital base	**2,605,103**	2,557,982	2,376,267
Risk weighted assets	**4,065,218**	3,910,171	4,112,646
Capital adequacy ratio	**64.1**	65.4	57.8

Categories of financial asset and financial instruments

	2017 Rs'000	2016 Rs'000	2015 Rs'000 Restated
Financial Assets			
Loan and Receivables	**7,499,188**	7,126,552	6,955,981
	7,499,188	7,126,552	6,955,981
Financial Liabilities			
Measured at Amortised Cost	**4,586,908**	4,380,911	4,428,204
	4,586,908	4,380,911	4,428,204

The carrying amounts of the Company's financial assets and financial liabilities approximate to their fair value.

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 and commitments. 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. The Company has established procedures for the recovery of bad debts.

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 impairment in the portfolio at the reporting date are adequately covered by allowances and provisions.

The Company does not have any concentration of risk with any specific customers.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable.

4. FINANCIAL RISKS (CONT'D)

Credit quality

	2017 Rs'000	2016 Rs'000	2015 Rs'000 Restated
Credit risk - exposure and past due			
Loans that are neither past due nor impaired	**5,887,625**	5,361,817	4,986,100
Loans that are past due but not impaired	**282,715**	320,448	329,322
Impaired loans	**1,365,620**	1,451,029	1,525,165
	7,535,960	7,133,294	6,840,587
Ageing of past due but not impaired:			
Less than 3 months	**282,715**	320,448	329,322

Non performing loans

The carrying amount of impaired loans and specific allowance held are shown below:

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Impaired loans	**1,365,620**	1,451,029	1,525,165
Specific provision in respect of impaired loans	**512,566**	572,825	645,575
Gross fair value of collaterals of impaired loans	**3,966,922**	4,262,880	4,560,632

The collaterals mainly represent properties held by the Company as security against credit advances. The security is usually in the form of fixed and floating charges on the properties.

Maximum exposure to Credit Risk before collateral and other credit risk enhancements.

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Loans to customers	**6,793,334**	6,325,782	5,948,088
Other assets	**608,421**	620,025	523,201
	7,401,755	6,945,807	6,471,289

4. FINANCIAL RISKS (CONT'D)

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 risk

The interest rate profile of the financial assets and financial liabilities of the Company as at 31 December was:

Currency : MUR	**Interest rate % per annum**					
	2017		2016		2015	
	Lowest	**Highest**	Lowest	Highest	Lowest	Highest
	%	**%**	%	%	%	%
Financial assets						
Deposits with banks	**1.15**	**3.40**	1.50	3.90	3.25	6.15
Loans and advances to customers	**4.00**	**15.50**	4.00	15.50	4.00	15.50
Financial liabilities						
Savings and fixed deposits	**1.85**	**5.50**	1.85	5.50	3.00	6.10
Borrowings from Government of Mauritius	**-**	**2.50**	-	2.50	-	2.50
Borrowings from Bank of Mauritius	**-**	**3.00**	-	3.00	-	3.00
Borrowings - Commercial banks	**4.75**	**5.40**	5.25	5.90	5.50	7.40
Borrowings - Financial institutions	**5.00**	**6.00**	5.00	6.00	5.00	6.58

4. FINANCIAL RISKS (CONT'D)

The tables below analyse the Company's financial assets and liabilities in term of sensitivity to interest rate.

Interest rate risk

	Fixed interest rate Rs'000	Floating interest rate Rs'000	Non-interest bearing Rs'000	Total Rs'000
2017				
Assets				
- Cash and Cash equivalent	**-**	**97,433**	**-**	**97,433**
- Treasury deposit	**375,000**	**-**	**-**	**375,000**
- Loans and advances	**358,839**	**6,434,495**	**-**	**6,793,334**
- Other assets	**17,715**	**-**	**215,706**	**233,421**
	751,554	**6,531,928**	**215,706**	**7,499,188**
Liabilities				
- PEL	**-**	**1,744,007**	**-**	**1,744,007**
- HDC	**-**	**2,290,327**	**-**	**2,290,327**
- Borrowings	**-**	**485,094**	**11,162**	**496,256**
- Other liabilities	**-**	**-**	**56,318**	**56,318**
	-	**4,519,428**	**67,480**	**4,586,908**
2016				
Assets				
- Cash and Cash equivalent	-	180,745	-	180,745
- Treasury deposit	400,000	-	-	400,000
- Loans and advances	415,862	5,909,920	-	6,325,782
- Other assets	17,043	-	202,982	220,025
	832,905	6,090,665	202,982	7,126,552
Liabilities				
- PEL	-	1,696,990	-	1,696,990
- HDC	-	2,063,065	-	2,063,065
- Borrowings	-	570,652	11,162	581,814
- Other liabilities	-	-	39,042	39,042
	-	4,330,707	50,204	4,380,911
2015				
Assets				
- Cash and Cash equivalent	-	484,692	-	484,692
- Treasury deposit	325,000	-	-	325,000
- Loans and advances	502,896	5,445,192	-	5,948,088
- Other assets	17,529	-	180,672	198,201
	845,425	5,929,884	180,672	6,955,981
Liabilities				
- PEL	-	1,647,062	-	1,647,062
- HDC	-	2,045,528	-	2,045,528
- Borrowings	-	687,919	11,162	699,081
- Other liabilities	-	-	36,533	36,533
	-	4,380,509	47,695	4,428,204

4. FINANCIAL RISKS (CONT'D)

The table shows the remaining contractual maturities of financial liabilities

	Less than 3 months Rs'000	Between 3 months and 1 year Rs'000	Over one year Rs'000	Total Rs'000
Financial Liabilities				
- PEL	**1,744,007**	**-**	**-**	**1,744,007**
- HDC	**76,120**	**427,897**	**1,786,310**	**2,290,327**
- Borrowings	**2,864**	**92,400**	**400,992**	**496,256**
- Other liabilities	**37,926**	**-**	**18,392**	**56,318**
31 December 2017	**1,860,917**	**520,297**	**2,205,694**	**4,586,908**
- PEL	1,696,990	-	-	1,696,990
- HDC	73,062	332,209	1,657,794	2,063,065
- Borrowings	1,629	97,058	483,127	581,814
- Other liabilities	22,408	-	16,634	39,042
31 December 2016	1,794,089	429,267	2,157,555	4,380,911
- PEL	1,647,062	-	-	1,647,062
- HDC	249,482	333,117	1,462,929	2,045,528
- Borrowings	15,569	114,200	569,312	699,081
- Other liabilities	21,233	-	15,300	36,533
31 December 2015	1,933,346	447,317	2,047,541	4,428,204

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 facilities which 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 insured when the event occurs. Past experience over the last four years, shows that on average of 25% of the premium received in that particular period, has been used to offset loan balances regarding life assurance; for Building insurance claims average 1% of total premium over the last four years.

4. FINANCIAL RISKS (CONT'D)

Liquidity risk (cont'd)

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 31 December 2017:

	Less than 3 months	Between 3 months and 1 year	Over one year	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Assets				
- Cash and cash equivalents	97,433	-	-	97,433
- Treasury deposit	275,000	100,000	-	375,000
- Loans and advances	5,408	28,094	6,759,832	6,793,334
- Other assets	202,652	13,054	17,715	233,421
	580,493	141,148	6,777,547	7,499,188
Liabilities				
- PEL	1,744,007	-	-	1,744,007
- HDC	76,120	427,897	1,786,310	2,290,327
- Borrowings	2,864	92,400	400,992	496,256
- Other liabilities	37,926	-	18,392	56,318
	1,860,917	520,297	2,205,694	4,586,908
Liquidity gap	(1,280,424)	(379,149)	4,571,853	2,912,280

4. FINANCIAL RISKS (CONT'D)

Maturities of financial assets and liabilities at 31 December 2016:

Assets

	Less than 3 months Rs'000	Between 3 months and 1 year Rs'000	Over one year Rs'000	Total Rs'000
- Cash and cash equivalents	180,745	-	-	180,745
- Treasury deposit	100,000	300,000	-	400,000
- Loans and advances	5,165	34,215	6,286,402	6,325,782
- Other assets	188,970	14,012	17,043	220,025
	474,880	348,227	6,303,445	7,126,552
Liabilities				
- PEL	1,696,990	-	-	1,696,990
- HDC	73,062	332,209	1,657,794	2,063,065
- Borrowings	1,629	97,058	483,127	581,814
- Other liabilities	22,408	-	16,634	39,042
	1,794,089	429,267	2,157,555	4,380,911
Liquidity gap	(1,319,209)	(81,040)	4,145,890	2,745,641

Maturities of financial assets and liabilities at 31 December 2015:

	Less than 3 months Rs'000	Between 3 months and 1 year Rs'000	Over one year Rs'000	Total Rs'000
Assets				
- Cash and cash equivalents	484,692	-	-	484,692
- Treasury deposit	-	325,000	-	325,000
- Loans and advances	8,035	33,683	5,906,370	5,948,088
- Other assets	163,251	17,421	17,529	198,201
	655,978	376,104	5,923,899	6,955,981
Liabilities				
- PEL	1,647,062	-	-	1,647,062
- HDC	249,482	333,117	1,462,929	2,045,528
- Borrowings	15,569	114,200	569,312	699,081
- Other liabilities	21,574	-	15,300	36,874
	1,933,687	447,317	2,047,541	4,428,545
Liquidity gap	(1,277,709)	(71,213)	3,876,358	2,527,436

Insurance risk management

The Company accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or Organisations 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 relating 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.

4. FINANCIAL RISKS (CONT'D)

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.

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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Pension benefits

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

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. Other key assumptions for pension obligations are based in part on current market conditions.

(b) Revaluation of property, plant and equipment and investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Company engaged an independent valuation specialists to determine fair value as at 31 December 2017. The impact is reflected in note 16.

(c) Limitation of sensitivity analysis

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

Sensitivity analysis does not take into consideration that the Company's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(d) Asset lives and residual values

Property, plant and equipment are depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

(e) Depreciation policies

Property and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Company would currently obtain from disposal of the asset, if the asset were already of the age and in condition expected at the end of its useful life.

The directors therefore make estimates based on historical experience and use best judgement to assess the useful lives of assets and to forecast the expected residual values of the assets at the end of their expected useful lives.

(f) Impairment of credit losses

The Company makes a provision against its loan portfolio. It follows the guidance of IFRS and the BOM Guidelines in order to determine its best estimate of the provision required. In making this estimate, the Company looks, among other factors, at future specific losses inherent in the credit facility, historical patterns of losses and the economic climate.

6. NET INTEREST INCOME

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Interest income			
Loans interest	**448,633**	450,545	470,586
Interest on bank deposits	**17,510**	22,960	29,442
Others	**43,006**	34,217	31,877
	509,149	507,722	531,905
Interest expense			
Bank overdrafts	**(185)**	(1,209)	(952)
Bank loans	**(26,969)**	(33,459)	(48,723)
Plan Epargne Logement (PEL)	**(45,363)**	(48,585)	(56,730)
Housing Deposits Certificates - (HDC)	**(111,331)**	(113,807)	(112,787)
Others	**(21)**	(23)	(30)
	(183,869)	(197,083)	(219,222)
Interest suspended	**9,462**	15,906	15,666
Net interest income	**334,742**	326,545	328,349

7. OTHER OPERATING INCOME

	2017 Rs'000	2016 Rs'000	2015 Rs'000 Restated
Insurance premium (net of claims paid and change in incurred but not reported claims)	**37,571**	56,199	48,180
Profit on disposal of property development	**-**	52	452
Profit on disposal of NHDC property foreclosed	**-**	1,151	-
Profit on disposal of property and equipment	**4**	313	210
Others	**2,576**	2,402	5,466
	40,151	60,117	54,308

8. PERSONNEL EXPENSES

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Salaries and human resource development	**148,192**	130,544	128,686
Pension contributions and other staff benefits	**19,708**	16,098	14,509
	167,900	146,642	143,195

9. OTHER EXPENSES

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Maintenance and repairs	**8,937**	6,361	5,721
Travelling and transport	**14,089**	14,384	13,744
Staff welfare, training and study schemes	**9,537**	7,360	7,258
General expenses	**4,643**	5,213	3,393
Electricity	**4,825**	4,621	4,735
Passages benefits	**6,526**	5,689	5,599
Printing and stationery	**1,877**	1,942	2,229
Telephone	**1,910**	1,986	2,042
Motor vehicles running expenses	**806**	455	548
Directors' emoluments	**3,413**	3,000	2,676
Audit fees	**1,150**	1,121	1,036
Professional fees	**3,713**	2,149	1,622
Family protection schemes' contribution	**1,788**	1,762	1,693
Software maintenance costs	**2,638**	1,143	1,194
Rent of properties	**1,735**	1,504	1,716
Advertising	**6,414**	4,299	2,807
Postages	**1,665**	2,410	1,761
Legal fees and expenses	**(24)**	298	139
Foreclosed expenses	**-**	1,745	-
Sponsorship	**563**	189	222
Retirement benefits (Voluntary Early Retirement)	**249**	268	249
Donations	**-**	156	314
Le Hochet Development expenses	**138**	1,067	-
Others	**1,445**	1,654	800
	78,037	70,776	61,498

10. PROFIT FOR THE YEAR

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Profit for the year is arrived at after charging:			
Depreciation on property and equipment	**13,508**	12,689	11,621
Amortisation on intangible asset	**2,060**	2,322	2,144
Staff costs Note (a)	**169,937**	148,672	145,137

10. PROFIT FOR THE YEAR (CONT'D)

(a) Analysis of staff costs

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Wages and salaries (Note 8)	**148,192**	130,544	128,686
Pension costs and other contributions (Note 8)	**19,708**	16,098	14,509
Retirement benefits (Voluntary Early Retirement)	**249**	268	249
Family protection schemes' contribution	**1,788**	1,762	1,693
	169,937	148,672	145,137

11. DIVIDEND

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Dividend	**41,957**	50,023	39,821
	Rs.	Rs.	Rs.
Dividend per share	2.10	2.50	1.99

On 30th March 2018, the directors proposed a dividend in respect of the year ended 31 December 2017 of Rs2.10 per share amounting to a total dividend of Rs 41,957,400. This dividend has not been recognised as a liability at 31 December 2017 in accordance with IAS 10 and pending approval from Bank of Mauritius.

On 04th April 2017, the directors proposed a dividend in respect of the year ended 31 December 2016 of Rs2.50 per share amounting to a total dividend of Rs 50,023,301.

12. EARNINGS PER SHARE

		2017 Rs'000	2016 Rs'000	2015 Rs'000 Restated
Profit for the year		**209,787**	250,115	240,433
No. of shares		**20,000,000**	20,000,000	20,000,000
Earnings per share as reported	Rs.	**10.49**	12.51	9.96
Earnings per share as restated	Rs.	**10.49**	12.51	12.02

13 (a) CASH AND CASH EQUIVALENTS

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Cash in hand	**953**	681	688
Cash at banks	**96,480**	90,543	484,004
Treasury bills	**-**	89,521	-
	97,433	180,745	484,692

Cash and cash equivalents include highly liquid investment that are readily convertible to cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition

13(b) TREASURY DEPOSIT

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Treasury deposit	**375,000**	400,000	325,000

The treasury deposits are fund held on fixed term with maturities of six to twelve months, held with financial institutions and can be recalled.

14. PROPERTY DEVELOPMENT

	2017 Rs'000	2016 Rs'000	2015 Rs'000 Restated
At 1 January	**2,405**	4,818	7,266
Movement during the year	**-**	(2,413)	(2,448)
At 31 December	**2,405**	2,405	4,818

During the year 2016, the remaining apartment pertaining to the Vuillemin Housing Project, was sold.

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 Cybervillage site.

All the housing units at Ebene Cybervillage have been sold except for one where the deed of sale has not been finalised yet. The apartment will be sold once court decision is obtained and this will have no bearing on the cost of the apartment. The cost related to the housing unit was previously absorbed in income statement, same has been adjusted in 2016 restropectively to the opening balance. At 31 December 2017, included in other liabilities is an amount of Rs 340,500 (2016 and 2015: Rs 340,500) representing deposit from potential buyer of the remaining property development.

15. LOANS TO CUSTOMERS

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

The repayment terms vary from 1 to 35 years.

	2017 Rs'000	2016 Rs'000	2015 Rs'000 Restated
Fast loans	**3,093**	3,510	4,492
Secured loans	**7,532,867**	7,129,784	6,836,095
Total loan advanced	**7,535,960**	7,133,294	6,840,587
Provision for credit losses (Note (c) below)	**(574,224)**	(629,648)	(698,729)
Interest suspended	**(168,402)**	(177,864)	(193,770)
	6,793,334	6,325,782	5,948,088
Analysed as follows:			
Current	**440,634**	429,962	421,973
Non-current	**7,095,326**	6,703,332	6,418,614
	7,535,960	7,133,294	6,840,587

15. LOANS TO CUSTOMERS (CONT'D)

(b) Allowance for credit impairment

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Release of provision	**55,424**	69,081	43,746
Amount written off	**(625)**	-	-
	54,799	69,081	43,746

(c) Provision for credit losses

	Specific Provision Rs'000	Portfolio Provision Rs'000	Total Rs'000
At 1 January 2015	690,356	52,119	742,475
Movement during the year	(44,781)	1,035	(43,746)
At 31 December 2015	645,575	53,154	698,729
At 1 January 2016	645,575	53,154	698,729
Movement during the year	(72,750)	3,669	(69,081)
At 31 December 2016	572,825	56,823	629,648
At 1 January 2017	**572,825**	**56,823**	**629,648**
Movement during the year	**(60,259)**	**4,835**	**(55,424)**
At 31 December 2017	**512,566**	**61,658**	**574,224**

Restructured loan means a loan whose underlying terms and conditions have been reviewed by a financial institution and which constitutes a concession granted to a borrower for economic or legal reasons related to his financial condition. BOM Guidelines provide that provision on restructured loans are maintained for a period of at least 6 months from date of restructuring.

Following implementation on Restructured loans at the Company in the year ended 2014, the Company maintained the provision for a period of more than 6 months in 2015. In 2016, management has reassessed the performance of those restructured loan and aligned its impairment to the BOM Guidelines. The effect of this adjustment is reflected in Note 33 (a).

(d) Remaining term to maturity

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Within 3 months	**5,408**	5,165	8,035
Over 3 months and up to 6 months	**6,520**	13,636	6,692
Over 6 months and up to 12 months	**21,574**	20,579	26,991
Over 1 year and up to 5 years	**514,685**	572,061	640,326
Over 5 years	**6,987,773**	6,521,853	6,158,543
Total	**7,535,960**	7,133,294	6,840,587

(e) Credit concentration of risk by industry sectors

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Name of sector			
Construction - (Housing finance)	**7,535,960**	7,133,294	6,840,587

16. INVESTMENT PROPERTY

VALUATION	Freehold land Rs'000	Building Rs'000	Cybervillage land Rs'000	Total Rs'000
At 01 January 2015	4,115	54,059	30,000	88,174
Fair value adjustment in 2015	-	8,066	8,000	16,066
At 31 December 2015 and 2016	4,115	62,125	38,000	104,240
Fair value adjustment in 2017	**-**	**9,760**	**2,000**	**11,760**
At 31 December 2017	**4,115**	**71,885**	**40,000**	**116,000**

On 27th December 2017 and 05th February 2018, the investment properties were revalued by Mr G. Saddul, Bsc. F.R.I.C.S of Saddul & Partners, independent Chartered Valuation Surveyor. The properties have been valued using comparative method of valuation and/or income approach. This is based on comparison of sales of similar properties within close vicinity of the site and adjusted to reflect the characteristic of the subject properties, at the relevant date. The fair value on 05 February 2018 approximates to value of the investment properties as at 31 December 2017.

The Company has pledged its investment properties to secure the borrowings.

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Rental income on investment properties	**5,913**	5,913	5,934

No expenses on investment properties were incurred during the year.

17. PROPERTY AND EQUIPMENT

	Freehold land Rs'000	Buildings Rs'000	Furniture and equipment Rs'000	Motor vehicles Rs'000	Total Rs'000
COST OR VALUATION					
At 1 January 2015	255,200	168,010	149,498	2,660	575,368
Additions	-	-	6,232	2,898	9,130
Fair Value Adjustment	31,440	17,284	-	-	48,724
Disposals	(200)	-	(15)	-	(215)
At 31 December 2015	286,440	185,294	155,715	5,558	633,007
Additions	-	-	4,668	1,175	5,843
Disposals	-	-	(4)	(725)	(729)
At 31 December 2016	286,440	185,294	160,379	6,008	638,121
Additions	**-**	**-**	**6,723**	**-**	**6,723**
Disposals	**-**	**-**	**(4)**	**-**	**(4)**
At 31 December 2017	**286,440**	**185,294**	**167,098**	**6,008**	**644,840**
DEPRECIATION					
At 1 January 2015	-	6,529	117,105	2,077	125,711
Disposal	-	-	(15)	-	(15)
Fair Value Adjustment	-	(9,794)	-	-	(9,794)
Charge for the year	-	3,265	7,582	774	11,621
At 31 December 2015	-	-	124,672	2,851	127,523
Disposal	-	-	(4)	(725)	(729)
Charge for the year	-	3,610	8,070	1,009	12,689
At 31 December 2016	-	3,610	132,738	3,135	139,483
Disposal	**-**	**-**	**(4)**	**-**	**(4)**
Charge for the year	**-**	**4,280**	**8,219**	**1,009**	**13,508**
At 31 December 2017	**-**	**7,890**	**140,953**	**4,144**	**152,987**
NET BOOK VALUE					
At 31 December 2017	**286,440**	**177,404**	**26,145**	**1,864**	**491,853**
At 31 December 2016	286,440	181,684	27,641	2,873	498,638
At 31 December 2015	286,440	185,294	31,043	2,707	505,484

The land and buildings are classified as Level 2 in terms of the fair value hierarchy.

Revaluation of land and building

On 22nd February 2016, the land and buildings were revalued by Mr & Mrs N Jeetun, Msc, M.R.I.C.S, M.M.I.S, P.M.A.P.I of NP Jeetun, independent Chartered Valuation Surveyor. The land and buildings have been revalued using comparative method of valuation. This is based on comparison of sales of similar properties within close vicinity of the site and adjusted to reflect the characteristic of the subject properties, at the relevant date. The directors assessed that there has not been a material change in fair value of the land and buildings as at reporting date.

17. PROPERTY AND EQUIPMENT (CONT'D)

Revaluation of land and building (cont'd)

The book values of the properties were adjusted to the revalued amounts and the resultant surplus was credited to revaluation reserves in shareholders' equity. If land and buildings were stated on the historical cost basis, the net book value would be as follows:

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Cost	**15,183**	15,183	15,183
Accumulated depreciation	**(6,420)**	(6,116)	(5,813)
Net book value	**8,763**	9,067	9,370

The Company has pledged its property and equipment to secure the borrowings.

18. INTANGIBLE ASSETS

	Computer Software Rs'000	Progress Payments Rs'000	Total Rs'000
COST			
At 1 January 2015	14,550	702	15,252
Additions	2,376	23,478	25,854
At 31 December 2015	16,926	24,180	41,106
Additions	3,804	9,909	13,713
At 31 December 2016	20,730	34,089	54,819
Additions	-	**13,177**	**13,177**
At 31 December 2017	**20,730**	**47,266**	**67,996**
AMORTISATION			
At 1 January 2015	12,936	-	12,936
Charge for the year	2,144	-	2,144
At 31 December 2015	15,080	-	15,080
Charge for the year	2,322	-	2,322
At 31 December 2016	17,402	-	17,402
Charge for the year	**2,060**	-	**2,060**
At 31 December 2017	**19,462**	-	**19,462**
NET BOOK VALUE			
At 31 December 2017	**1,268**	**47,266**	**48,534**
At 31 December 2016	3,328	34,089	37,417
At 31 December 2015	1,846	24,180	26,026

The directors have reviewed the carrying value of the intangible assets and are of opinion that at 31 December 2017, the carrying value has not suffered any impairment.

The progress payment refers to cost incurred for the implementation of a new Core Banking System.
The project is currently under the user acceptance testing phase.

19. OTHER ASSETS

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Non banking assets acquired in satisfaction of debts	**66,887**	62,735	72,434
Staff loans	**17,715**	17,043	17,529
Amount receivable from Government	**112,652**	106,398	76,315
Instalments due from customers	**102,500**	95,072	99,436
Other receivables and prepayments	**15,295**	15,182	17,786
	315,049	296,430	283,500
Less provision for impairment	**(12,500)**	(12,500)	(12,500)
	302,549	283,930	271,000

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Non banking assets acquired in satisfaction of debts			
Foreclosed properties	**73,202**	68,809	75,236
Allowance for impairment on foreclosed property	**(11,373)**	(10,052)	(7,524)
Land and apartments repossessed	**5,058**	3,978	4,722
At 31 December	**66,887**	62,735	72,434

The foreclosed properties represent houses acquired at Masters' bar on default by clients and these are stated at their acquisition costs plus expenses, less any impairment. The properties are disposed as soon as possible. However, there are legal procedures that take much time before the sale can actually happen. Where clients are willing to buy and already occupying the properties, MHC charged a rental fee until the sale is finalised.

Legal procedures normally take between 2 to 3 years. Where properties do have a potential buyer during the legal procedures, same is not rented.

20(a). PEL AND OTHER SAVINGS ACCOUNTS

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Capital	**1,303,758**	1,239,949	1,151,949
Interest payable	**438,404**	455,216	493,312
Other savings accounts	**1,845**	1,825	1,801
	1,744,007	1,696,990	1,647,062

20(b). HOUSING DEPOSIT CERTIFICATES

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Capital	**2,069,851**	1,841,580	1,831,129
Interest payable	**220,476**	221,485	214,399
	2,290,327	2,063,065	2,045,528
Analysed as follows:			
Current	**504,017**	405,271	368,200
Non-current	**1,786,310**	1,657,794	1,677,328
	2,290,327	2,063,065	2,045,528

20(b). HOUSING DEPOSIT CERTIFICATES (CONT'D)

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Analysed as follows:			
Individuals	**1,764,819**	1,781,953	1,744,785
Corporates	**525,508**	281,112	300,743
	2,290,327	2,063,065	2,045,528

	2017		2016		2015	
	Capital Rs'000	Interest Rs'000	Capital Rs'000	Interest Rs'000	Capital Rs'000	Interest Rs'000
Within 3 months	**65,949**	**10,171**	68,565	4,497	185,205	64,277
Over 3 months and up to 6 months	**105,080**	**21,618**	34,000	5,785	85,122	2,044
Over 6 months and up to 12 months	**254,282**	**46,917**	232,309	60,115	97,873	148,078
Over 1 year and up to 2 years	**371,985**	**69,233**	387,848	60,343	697,621	-
Over 2 years	**1,272,555**	**72,537**	1,118,858	90,745	765,308	-
	2,069,851	**220,476**	1,841,580	221,485	1,831,129	214,399

The HDC balance at the end of the year include an amount of Rs 648.1M (31 Dec 2016: Rs 681.8M) which was due to one of the Company's largest depositors, with a deposit concentration ratio of 28.3% (31 Dec 2016: 33.1%).

21. BORROWINGS

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Current			
Bank overdrafts (Secured) (Note (d) below)	**2,864**	5,871	9,190
Loan capital (Note (a) below)	**9,067**	9,483	9,329
Bank loans (Note (b) below)	**83,333**	83,333	111,250
	95,264	98,687	129,769
Non-current			
Loan capital (Note (a) below)	**119,833**	118,635	121,486
Bank loans (Note (b) below)	**269,997**	353,330	436,664
Loan - Government of Mauritius (Note (c) below)	**11,162**	11,162	11,162
	400,992	483,127	569,312
Total borrowings	**496,256**	581,814	699,081

Notes to the Financial Statements (Cont'd)
For the year ended 31 December 2017

21. BORROWINGS (CONT'D)

(a) Loan capital - Government Guaranteed

Rate of interest	Lenders	Terms of repayment	Repayment period	2017 Rs'000	2016 Rs'000	2015 Rs'000
2.50%	European Development Fund	Half Yearly	30.12.1991 – 30.06.2021	**6,624**	8,413	10,160
6%	Mauritius Marine Authority	Yearly	11.09.1998 - 11.07.2017	**-**	411	799
5%	Mauritius Marine Authority	Yearly	28.07.1999 - 28.07.2018	**115**	224	328
5%	Mauritius Marine Authority	Yearly	23.02.2001 - 23.02.2020	**1,093**	1,423	1,737
5%	Mauritius Marine Authority	Yearly	27.04.2002 - 27.04.2021	**1,565**	1,911	2,240
5%	Mauritius Marine Authority	Yearly	20.05.2002 - 20.05.2022	**938**	1,100	1,254
5%	Mauritius Marine Authority	Yearly	09.07.2002 - 19.07.2023	**977**	1,114	1,245
5%	Mauritius Marine Authority	Yearly	14.08.2009 - 14.08.2028	**3,437**	3,678	3,908
5%	Mauritius Marine Authority	Yearly	21.07.2012 - 21.07.2031	**4,289**	4,498	4,696
5%	Mauritius Marine Authority	Yearly	Part of loan disbursed	**3,634**	3,634	3,634
2.50%	Government Sponsored Loan	Yearly	17.10.1978 - 18.06.2024	**2,378**	3,130	3,864
6.00%	Anglo Mauritius	Quarterly	29.02.2008 – 01.02.2028	**51,250**	56,250	61,250
3%	Bank of Mauritius	Yearly	No fixed repayment terms	**52,600**	42,332	35,700
				128,900	128,118	130,815
Less repayable within one year shown as short term loans				**(9,067)**	(9,483)	(9,329)
				119,833	118,635	121,486
Repayable by instalments:						
- after one year and before five years				**31,817**	34,760	36,571
- after five years				**31,782**	37,909	45,581
Repayment terms not yet finalised				**3,634**	3,634	3,634
Repayable other than by instalments				**52,600**	42,332	35,700
				119,833	118,635	121,486

Included in borrowings, is the balance of housing loans for Bank of Mauritius staff scheme amounting to Rs 52.6 M (2016:Rs 42.3M and 2015: Rs 35.7M) which are managed by Mauritius Housing Company Ltd in return for a payment of a six monthly service charge on the outstanding balance.

(b) Bank loans

	2017 Rs'000	2016 Rs'000	2015 Rs'000
5.50% - 7.40% (31 December 2016: 5.72% - 7.40% and 31 December 2015: 5.72% - 7.40%) per annum bank loans repayable by monthly/quarterly instalments	**353,330**	436,663	547,914
Current			
Portion repayable within one year	**83,333**	83,333	111,250
Non-current			
Portion repayable after one year and before five years	**249,995**	306,663	333,335
Portion repayable after five years	**20,002**	46,667	103,329
	269,997	353,330	436,664
Total	**353,330**	436,663	547,914

Included in the bank loans is an amount of Rs 86,666,667 (2016: Rs 100,000,000 and 2015: Rs 113,333,333) secured by the assets of the Company. The remaining loans are guaranteed by Government of Mauritius.

(c) 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.

(d) Bank overdrafts are secured against fixed deposits that the Company holds with the respective banks.

(e) The carrying amounts of borrowings are not materialy different from their fair values.

22. RETIREMENT BENEFIT OBLIGATIONS

Amounts recognised in the statement of financial position:

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Amounts recognised in the statement of financial position:			
- Defined pension benefits (note (a)(ii))	**256,998**	144,708	125,178
- Funds kept within the Company (note (c))	**10,560**	10,560	10,560
	267,558	155,268	135,738
Amount charged to profit or loss:			
- Defined pension benefits (note (a)(iii))	**19,636**	16,098	14,509
Amount charged to other comprehensive income:			
- Defined pension benefits (note (a)(iv))	**105,078**	14,657	27,739

(a)(i) Defined pension benefits

The plan is a defined benefit arrangement for the employees and it is wholly funded. The plan is a final salary plan, which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

The assets of the funded plan are held independently and are administered by The State Insurance Company of Mauritius Ltd.

(ii) The amounts recognised in the statement of financial position are as follows:

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Defined benefit obligations	**578,022**	438,882	417,999
Fair value of plan assets	**(321,023)**	(294,174)	(292,821)
Liability recognised at end of year	**256,999**	144,708	125,178

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

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Current service cost	**17,294**	12,649	12,939
Fund expenses	**376**	339	408
Net Interest expense	**8,576**	9,097	7,018
Employee contributions	**(6,610)**	(5,987)	(5,856)
Total included in staff costs	**19,636**	16,098	14,509
Actual return on plan assets	**23,314**	10,904	4,041

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

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Remeasurement			
Liabilities loss	**110,635**	5,398	10,136
Assets (gain)/loss	**(5,557)**	9,259	17,603
	105,078	14,657	27,739

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	2017 Rs'000	2016 Rs'000	2015 Rs'000
At 1 January,	**144,708**	125,178	93,866
Charged to profit or loss	**19,636**	16,098	14,509
Contributions paid	**(12,424)**	(11,225)	(10,936)
Charged to other comprehensive income	**105,078**	14,657	27,739
At 31 December,	**256,998**	144,708	125,178

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

	2017 Rs'000	2016 Rs'000	2015 Rs'000
At 1 January,	**438,882**	417,999	382,023
Current service cost	**17,294**	12,649	12,939
Interest expense	**26,333**	29,260	28,652
Benefits paid	**(15,122)**	(26,424)	(15,750)
Liability experience losses/(gains)	**110,635**	5,398	10,135
At 31 December,	**578,022**	438,882	417,999

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

	2017 Rs'000	2016 Rs'000	2015 Rs'000
At 1 January,	**294,174**	292,821	288,157
Expected return on plan assets	**17,756**	20,163	21,634
Employer contributions	**12,175**	10,977	10,707
Employee contributions	**6,610**	5,987	5,856
Benefits paid	**(15,249)**	(26,515)	(15,930)
Assets gain/(loss)	**5,557**	(9,259)	(17,603)
At 31 December,	**321,023**	294,174	292,821

(viii) Distribution of plan assets at end of year

	2017	2016	2015
Percentage of assets at end of year/period			
Fixed securities and cash	**57.7%**	57.8%	58.1%
Loans	**3.9%**	4.6%	4.3%
Local equities	**15.5%**	14.8%	15.9%
Overseas bonds and equities	**22.3%**	22.1%	21.0%
Property	**0.6%**	0.7%	0.7%
Total	**100.0%**	100.0%	100.0%

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(ix) The cost of providing the benefits is determined using the Projected Unit method. The principal assumptions used for the purpose of the actuarial valuation were as follows:

	2017	2016	2015
Discount rate	**6.00%**	7.00%	7.50%
Future salary growth rate	**5.00%**	5.00%	5.00%
Future pension growth rate	**4.00%**	3.00%	3.00%

The discount rate is determined by reference to market yields on bonds.

(x) Sensitivity analysis on defined benefit obligations at end of the reporting date:

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based reasonably on possible changes of the assumptions occuring at the end of the reporting period.

If the discount rate would be 100 basis points (one percent) higher (lower), the defined benefit obligation would decrease by Rs 82.2 M (increase by Rs 105.4 M) if all other assumptions were held unchanged.

If the expected salary growth would increase (decrease) by 1%, the defined benefit obligation would increase by Rs 46.9 M (decrease by Rs 39.9 M) if all other assumptions were held unchanged.

If life expectancy would increase (decrease) by one year, the defined benefit obligation would increase by Rs 17.5 M (decrease by Rs 17.5 M) if all assumptions were held unchanged.

In reality one might expect interrelationships between the assumptions, especially between discount rate and expected salary increases, given that both depends to a certain extent on the expected inflation rates. The analysis above abstracts from these interdependence between the assumptions.

(xi) The plan is exposed to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

	Rs
(xii) The expected employer contributions for 2018 amount to	**11,387,875**

(xiii) The weighted average duration of the defined benefit obligation is 16.2 years.

(xiv) The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(b) **State Pension Plan**

	2017 Rs'000	2016 Rs'000	2015 Rs'000
National Pension Scheme contributions	**1,158**	1,141	981

(c) The funds pertain to provision made to cater for future obligation payable to the members of the Widows and Orphans Plan which existed before Family Protection Scheme.

23. 23. OTHER LIABILITIES

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Deposits against foreclosed properties	**12,722**	11,222	15,287
Leave passage provision	**18,052**	16,634	15,300
Accruals	**20,086**	6,979	8,760
Other payables	**18,181**	15,770	12,814
	69,041	50,605	52,161

The Company has financial risk management in place to ensure that all payables are paid within the credit timeframe.

24. INSURANCE FUNDS

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Life assurance reserve (Note (a))	**91,318**	71,947	71,947
Building insurance reserve	**1,507**	-	-
Mortgage insurance reserve	**4,275**	4,275	4,275
	97,100	76,222	76,222

24. INSURANCE FUNDS (CONT'D)

(a) The policy liabilities have been valued as at 31 December 2017 in respect of policies issued under the Long Term Insurance business by the Company, in accordance with the solvency rules and accepted actuarial practice, including selection of appropriate valuation assumptions and methods. The actuary concluded that the policy liabilities together with the capital requirement do not exceed the amount of the insurance fund. It is the Company's policy to have independent Actuarial Valuation every two years. The Directors consider that at 31 December 2017 the fund is adequate.

The valuation of the decreasing term assurance book of business was performed using the Gross Premium valuation method. The reserves were established by discounting the future expected claims and expenses, less the future office premiums on a policy-by-policy basis

The main assumptions used in 2017 (report dated 15 February 2018) to calculate these liabilities are:
- investment return: 3.66% p.a
- renewal expenses: Rs 807.79 per policy per annum, increasing at 3.38% per annum
- mortality: 77.0% of SA85/90 plus 1.38% HA2 AIDS allowance
- total permanent disability: 88% of CSI skilled disability table
- withdrawal rate: Nil
- Commission: Nil

Contingency provision: 10% of basic reserve

There are no reinsurance arrangements in place in respect of the life assurance fund and the decreasing term assurance business is written on a non-profit sharing basis.

25. SHARE CAPITAL

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Authorised			
25,000,000 ordinary shares of Rs10 each	**250,000**	250,000	250,000
Issued and fully paid			
20,000,000 ordinary shares of Rs10 each	**200,000**	200,000	200,000

Fully paid ordinary shares, which have a par value of Rs10, carry one vote per share and a right to dividends.

26. OTHER COMPREHENSIVE INCOME

	Revaluation Reserve Rs'000	Actuarial gains (losses) Rs'000	Foreclosed property reserve Rs'000
Items that will not be reclassified to profit or loss:			
2017			
Gain on foreclosed property	-	-	(2,673)
Remeasurement of defined benefit obligations	-	(105,078)	-
2016			
Gain on revaluation of land & buildings	-	-	-
Remeasurement of defined benefit obligations	-	(14,657)	-
2015			
Gain on revaluation of land & buildings	58,518	-	-
Remeasurement of defined benefit obligations	-	(27,739)	-
	58,518	(27,739)	-

Revaluation reserve

The revaluation reserve arises on the revaluation of freehold land and buildings.

Actuarial gains (losses)

The actuarial gain (losses) reserve represents the cumulative remeasurement of defined benefit obligation recognised based on independent actuarial valuation.

Foreclosed property reserve

The foreclosed property reserve represents the unrealised profit arising on foreclosed properties acquired by the Company. During the year, the amount has been transferred to retained earnings as these relate to gain on foreclosed property previously classified under the Foreclosed propery reserve.

27. BUILDING INSURANCE RESERVE

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Building insurance reserve	**116,810**	116,810	116,810

Building insurance relates to fund kept for insurance of mortgaged houses over the loan period against fire, cyclone and structural damages.

The policy liabilities as at 31 December 2017 have been valued in respect of policies issued in accordance with the solvency rules and accepted actuarial practice, including selection of appropriate valuation assumptions and methods. The policy liabilities together with the capital requirement do not exceed the amount of insurance funds of Rs 116.8M. It is the Company's policy to have independent Actuarial Valuation every two years. The Directors consider that at 31 December 2017 the fund is adequate.

28. RETAINED EARNINGS

	2017 Rs'000	2016 Rs'000	2015 Rs'000 Restated
At 1 January	**1,926,138**	1,730,501	1,711,351
Movement on reserve	**1,613**	-	-
Profit for the year	**209,787**	250,115	240,433
Transfer to Life insurance reserve	**-**	-	(154,642)
Actuarial reserve	**(105,078)**	(14,657)	(27,739)
Dividends (Note 11)	**(50,023)**	(39,821)	(38,902)
At 31 December	**1,982,437**	1,926,138	1,730,501

29. OTHER RESERVES

	At 1 January 2015	Movement during the year		At 31 December 2015
		DR	CR	
	Rs'000	Rs'000	Rs'000	Rs'000
Foreclosed property reserve	2,673	-	-	2,673
EDF revolving fund	12,068	-	-	12,068
Gervaise reserve	529	-	-	529
General reserve	106,590	-	-	106,590
	121,860	-	-	121,860

	At 1 January 2016	Movement during the year		At 31 December 2016
		DR	CR	
	Rs'000	Rs'000	Rs'000	Rs'000
Foreclosed property reserve	2,673	-	-	2,673
EDF revolving fund	12,068	-	-	12,068
Gervaise reserve	529	-	-	529
General reserve	106,590	-	-	106,590
	121,860	-	-	121,860

	At 1 January 2017	**Movement during the year**		**At 31 December 2017**
		DR	**CR**	
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Foreclosed property reserve	**2,673**	**(2,673)**	**-**	**-**
EDF revolving fund	**12,068**	**-**	**-**	**12,068**
Gervaise reserve	**529**	**-**	**-**	**529**
General reserve	**106,590**	**-**	**-**	**106,590**
	121,860	**(2,673)**	**-**	**119,187**

30. COMMITMENTS

	2017 Rs'000	2016 Rs'000	2015 Rs'000
(a) Loans			
Loans approved but not yet disbursed to individuals	**168,560**	160,535	143,095

(b) Capital commitments

The Company has a capital commitment of Rs 36.7M in respect of the new Core banking system.

(c) Operating lease

The Company as a lessor

Leasing arrangements
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.

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Rent received under operating lease recognised in statement of profit or loss.	**5,913**	5,913	5,934

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

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

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Within one year	**5,913**	5,913	5,688
Between 2 and 5 years	**23,653**	23,653	21,623
After more than 5 years	**5,913**	5,913	4,550
	35,479	35,479	31,861

30. COMMITMENTS (CONT'D)

(c) Operating lease (cont'd)

The Company as a lessee

Leasing arrangements

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.

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Minimum lease payment	**1,735**	1,504	1,716

At the reporting date, the Company had outstanding commitments under non-cancellable operating leases which fall due as follows:

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Within one year	**2,250**	1,637	1,529
Between 2 and 5 years	**9,659**	7,024	6,116
	11,909	8,661	7,645

31. TAXATION

Pursuant to the Mauritius Housing 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/capital gain 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.

32. RELATED PARTIES TRANSACTIONS

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

Transactions during the year

	Nature of transactions	2017 Rs'000	2016 Rs'000	2015 Rs'000
Shareholders of the Company				
Government of Mauritius	Loans	**2,541**	2,481	2,417
	Interest paid	**13**	14	13
	Interest received	**6,254**	30,083	16,747
	Rental expense	**38**	38	38
Others	Other transactions	**38**	35	17
Directors and key management personnel	Loans	**506**	7,280	3,809
	Deposits capital	**(750)**	2,630	(701)
	Deposits interest	**(20)**	464	123
	PEL capital	**909**	580	635
	PEL interest	**273**	99	32

Remuneration and other benefits relating to key management personnel, including directors, were as follows:

	2017 Rs'000	2016 Rs'000	2015 Rs'000
Salaries and benefits	**22,186**	20,231	20,651

	Nature of transactions	(Credit)/ debit balances at 31 December 2017 Rs'000	(Credit)/ debit balances at 31 December 2016 Rs'000	(Credit)/ debit balances at 31 December 2015 Rs'000
Government of Mauritius	Loans	**(20,164)**	(22,705)	(25,186)
	Interest payable	**(49)**	(62)	(76)
	Interest receivable	**100,152**	93,898	63,815
Directors and key management personnel	Loans	**20,946**	20,440	13,160
	Deposits capital	**3,825**	4,575	1,945
	Deposits interest	**748**	768	304
	PEL capital	**5,227**	4,318	3,738
	PEL interest	**530**	257	158

The terms of the borrowings have been disclosed in Note 21(a).

The loans to directors and key management personnel are secured by a first rank mortgaged on their property bearing an interest rate ranging between 4% to 5% and has a maximum repayment capacity of 40% of monthly salary.

33. PRIOR PERIOD ADJUSTMENTS

(a) Adjustment in Interest Suspended and to provision of credit losses

During the year 2016, the Company changed its policy of recognising income from insurance policies. For credit facilities in arrears for more than 90 days, 50% of the premium was accounted for impairment. Same is now being accounted as fully impaired.

Another change in policy is with respect to Restructured loan where the provisions have now been released following an assesment that the loan are now performing.

Both changes have been reflected in the financial statements retrospectively with effect from financial year 2014.

Amount is recognised in Loans to Customers (Note 15).

	Interest Suspended	Specific Provision	Portfolio Provision
	Rs'000	Rs'000	Rs'000
Balance as reported as at 31 December 2015			
- As previously reported	197,336	656,942	53,282
- Impact of adjustments	(3,566)	(11,367)	(128)
As restated	193,770	645,575	53,154

(b) Adjustment in amount receivable for HDC Bonus from Government

As announced by the Government in its budget speech of 2001, Government will provide a 2 per cent interest bonus over and above the rate offered by MHC on HDC with maturity of 3 years or more. In prior years, the claim for bonus was accounted for on the basis of interest amounts paid / credited to the depositors during the reporting period and no accrual for claim was made where interest was payable upon maturity of the deposit or fell due for payment after the reporting date. In 2015, the Company has accounted for this claim of interest bonus on deposits with maturity of 3 years or more on the basis of the interest accrued on those deposits.

Amount will be recognised in Net Interest income – Others (Note 6) and Amount receivable from Government (Note 19).

	Rs'000
Balance as reported as at 01 January 2015	
- As previously reported	14,440
- Impact of adjustments	32,628
As restated	47,068

33. PRIOR PERIOD ADJUSTMENTS (CONT'D)

(c) Change in accounting policy for accounting of insurance premium and claim settled:

The Company was hitherto charging 20% of the insurance premium received towards life cover taken by its secured loans borrowers to a Life Assurance Fund Account and the balance 80% premium, representing the Company's charge for administration of the scheme, was credited to the statement of profit or loss. The Claims settled were adjusted against the Life Assurance Fund. Any excess in the fund over the liability determined by the qualified actuary appointed by the Company was retained in the Life Assurance Fund Account. The Company has in the current year changed its policy and the entire premium received and claims settled are accounted in the statement of profit or loss. The impact of the change in policy is disclosed below:

	Insurance fund Rs'000	Total equity Rs'000
Balance as reported as at 01 January 2015		
- As previously reported	223,509	2,617,840
- Impact of adjustments	(154,642)	154,642
As restated	68,867	2,772,482

In 2015, following revaluation performed by the actuary, the surplus fund relating to life insurance was transferred to Life insurance reserve.

34. REPORTING CURRENCY

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

35. HOLDING AND CONTROLLING ENTITY

The Directors consider the Government of Mauritius, which owns 60.1% of the share capital, as the holding and controlling entity of the Company.

36. SUBSEQUENT EVENTS

The Directors are of the opinion that no material adjusting and non-adjusting events have arisen between the reporting date and the date the financial statements were approved, except for as disclosed in Notes 11 to the financial statements.

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